PROSPECTUS REGULATORY DOCKET FILE COPY EXHIBIT B

Enclosed w/Ltr Dated ______

$100,000,000

Carolina Power & Light Company

First Mortgage Bonds, 11% Series due April 15, 1984

The New Bonds will be redeemable, in whole or in part, on 30 days' notice at the redemption prices set forth herein, provided that, prior to April 15, 1982, no redemption may be made at a general redemption price through refunding at an effective interest cost to the Company of less than the effective interest cost of the New Bonds. Reference is made to "Description of New Bonds" herein.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discounts(2)	Proceeds to Company(1)(3)
Per Unit	99.75%	1.10%	98.65%
Total	$99,750,000	$1,100,000	$98,650,000

(1) Plus accrued interest from April 15, 1975.

(2) The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

(3) Before deduction of expenses payable by the Company estimated at $150,000.

The New Bonds are offered subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to approval of certain legal matters by their counsel and counsel for the Company. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the New Bonds will be ready for delivery on or about May 1, 1975.

Merrill Lynch, Pierce, Fenner & Smith 50-400-403
Incorporated

Kidder, Peabody & Co.
Incorporated

Salomon Brothers

DOCKETED USNRC MAY 1 6 1975 U.S. NUCLEAR REGULATORY COMMISSION Mail Section

The date of this Prospectus is April 24, 1975. REGULATORY DOCKET FILE COPY

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES HEREBY OFFERED AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission. Certain information, as of particular dates, concerning the Company's directors and officers, their remuneration and any material interest of such persons in transactions with the Company is disclosed in proxy statements distributed to stockholders and filed with the Commission. Such reports, proxy statements and other information may be inspected at the office of the Commission, 1100 L Street, N.W., Washington, D. C., and copies of such material can be obtained from the Commission at prescribed rates. The Company's Common Stock is listed on the New York Stock Exchange, where reports, proxy material and other information concerning the Company may also be inspected.

THE COMPANY

Carolina Power & Light Company (Company) is a public service corporation formed under the laws of North Carolina in 1926, and is engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. (See map.) The principal executive offices of the Company are located at 336 Fayetteville Street, Raleigh, North Carolina 27602, telephone 919-828-8211.

GENERAL PROBLEMS OF THE INDUSTRY

The utility industry is experiencing significant problems in a number of areas, including a slowdown in sales growth, fossil fuel shortages and resulting allocations thereof, increases in fuel costs and delays in the recovery thereof from customers, delays in receiving rate increase approvals, expenditures for pollution control facilities, increased expenditures and construction delays due to pollution control and environmental considerations, material and equipment shortages, substantial increases in construction costs and difficulties in raising capital. As discussed herein, certain of these problems have had an impact on the Company's operations.

The Company has experienced rapid increases in fuel costs (see "Business—Fossil Fuel Supply"). The Company has made substantial expenditures for environmental control facilities and expects to make substantial expenditures for such purposes over the next several years (see "Application of Proceeds", "Financing Program", "Construction Program" and "Business—Environmental Matters"). The Company has experienced some construction delays as a result of pollution control and environmental considerations. Increasing construction costs have resulted in increased capital needs, at a time when costs of capital are high, and these and other factors have caused significant changes in the Company's construction program. The Company is unable to predict the effect of such factors on its future operations or on its construction program. See "Management's Comments on Statement of Income". Reference is also made to "Application of Proceeds", "Financing Program" and "Construction Program" for information as to factors affecting the Company's ability to finance its construction program.

APPLICATION OF PROCEEDS

The entire net proceeds (approximately $98,500,000) to be received from the sale of the First Mortgage Bonds offered hereby (New Bonds) will be used for general corporate purposes including the reduction of short-term borrowings incurred primarily for the construction of new facilities. Such short-term borrowings totaled approximately $111,745,000 at February 28, 1975, and are expected to approximate $75,000,000 immediately prior to the delivery of the New Bonds.

CONSTRUCTION PROGRAM

The Company's construction program for the three-year period 1975 through 1977, subject to continuing review and adjustment, is presently estimated as follows:

Type of Facilities	1975	1976-1977
	(Millions of Dollars)	
Generation	240.5	597.1
Transmission	32.5	43.7
Distribution	61.1	145.2
Other	8.5	14.1
Total	342.6	800.1

In March and June 1974, the Company's construction program was reduced, including reductions of approximately $86 million for 1974 and approximately $181 million for 1975. On December 5, 1974, the Company's construction program was further reduced (to the amounts set forth in the table above) so that the aggregate reduction is approximately $788 million for the years 1975-1977 (including approximately $194 million for 1975). These reductions were caused by revised energy forecasts and the lack of capital on reasonable terms. The reductions include the elimination of 5 proposed new generating units (3 nuclear and 2 coal) which would have provided an additional 4,890,000 KW of generating capacity; the deferral of each of the first 3 of the 4 proposed 900,000 KW nuclear fueled units of the Shearon Harris Nuclear Power Plant by approximately 1½ years and the fourth unit by 2 years and the 2 year deferral of the 720,000 KW coal fired Roxboro No. 4 Unit. The Company expects to retain for future use as much value as possible from the 5 eliminated units but may charge off a significant portion of the approximately $15 million (including $7 million land costs) it has paid or accrued with respect to the construction of such units. Additionally, the Company will incur charges of an undetermined amount arising out of contracts for generating equipment for such units. None of such charges have been shown in the Statement of Income for 1974 or for the twelve months ended February 28, 1975 or capsule results for the twelve months ended March 31, 1975 shown in the second paragraph following the Statement of Income because the significance and amounts associated with such contract charges are not presently known, although they could be substantial, and the final accounting disposition of any charges relating to the units is not presently determinable. The Company will seek regulatory approval to allocate all charge-offs related to the eliminated units over a period of years and to recover them through rates. Should this not be allowed, earnings for 1974 would be adversely affected with a resulting decline in coverage ratios for first mortgage bonds and preferred stock. See "Financing Program".

The Company now estimates that one of the Harris Plant units will be completed each year from 1981 to 1984 inclusive. The entire project is now estimated to cost approximately $2.1 billion of which $543,741,000 is included in the 1975-1977 construction program. The total project cost has increased over original estimates of approximately $1 billion primarily because of increased estimates of expenditures for labor, material and equipment as well as increased costs resulting from the delay of the in-service dates of the four units. The Nuclear Regulatory Commission (NRC), a successor to the Atomic Energy Commission, has asked the Company for additional information on its financial qualifications and the need for power from the Harris Plant.

New generating units, now under construction, are planned for completion in the years and at the costs respectively stated:

Description	Estimated Completion Date	Estimated Cost	Estimated Cost per KW
Two 821,000 KW nuclear fueled units at the Brunswick Plant near Southport, N. C.	1975-1976	$707,594,000	$431
720,000 KW fossil fueled Unit No. 4 at the existing Roxboro Plant near Roxboro, N. C.	1978	$157,525,000	$219

As of February 28, 1975 the Company's gross investment in the Harris Plant units was $146,295,000, in the two nuclear fueled units at the Brunswick Plant was $575,827,000 and in Unit No. 4 at the Roxboro Plant was $61,520,000.

The costs of the two 821,000 KW nuclear fueled units at the Brunswick Plant have increased over original 1968 estimates of approximately $287 million primarily because of escalation of labor, material and equipment costs, as well as increased expenditures for environmental matters, including a closed-cycle cooling system, design modifications resulting from NRC licensing review, and delays in construction. The estimated cost of the 720,000 KW Roxboro Unit has increased over the 1971 estimate of $93,725,000 because of its two-year deferral, escalation of labor, equipment and material costs and cooling towers.

Actual expenditures could vary from the estimates stated above because of changes in the Company's plans, cost fluctuations, licensing delays, and other factors. The Company is continuing to experience increases in costs for construction of new facilities as a result of escalation of labor, material, and equipment costs and environmental considerations.

The Company presently estimates that the Brunswick No. 2 Unit and Brunswick No. 1 Unit will be placed in commercial operation in June 1975 and March 1976, respectively. The commercial operation of these units is subject to securing all necessary permits, including an operating license from the NRC for Unit No. 1. The operating license for Unit No. 2 was received in December 1974.

Energy conservation, milder weather and reduced economic activity of the Company's customers in 1974 resulted in their utilization of electric energy at only slightly above the level experienced in 1973 and the increase in peak load in 1974 was modest compared to previous years (see "Operating Statistics—Electric Sales"). If such factors continue, and if increases in the Company's rates also have the effect of reinforcing customer energy conservation, the construction program is expected to be sufficient to meet customer requirements through 1984. If, on the other hand, customer usage patterns and peak load demands return to prior trends of substantially increased usage, the Company's revised construction program may not be sufficient to maintain the same degree of reliable service during some periods after 1979 that it has provided in the past and the Company may be forced to implement load management policies, subject to regulatory approvals, including curtailments at peak times. The Company is currently reviewing further revised energy forecasts, and its generation plans and capital requirements. This review may result in further deferrals of generating units proposed or now under construction and additional reductions in its estimates of 1976-1977 construction program expenditures.

In the event the Company's load growth exceeds current expectations, the Company may elect to install additional generating facilities requiring a relatively short construction period provided fuel supplies are available and financial capability permits.

Power purchases under long-term contracts are anticipated to represent approximately 3.4 percent of the Company's total long-term power resources for the summer of 1975. In addition, the Company has short-term agreements for the temporary purchase of power.

Plant Accounts. During the period from January 1, 1970 through February 28, 1975, there was added to the Company's utility plant accounts, including nuclear fuel, $1,641,771,801, there was retired $63,657,813 of property, there was sold or assigned to lessors $92,263,247, and transfers to other accounts and adjustments resulted in a net decrease of $7,301,480, resulting in net additions during the period of $1,478,549,261, or an increase of approximately 179%.

FINANCING PROGRAM

During 1974, funds amounting to approximately $307 million were obtained from the issuance and sale of 650,000 shares of Serial Preferred Stock in February and $125 million of First Mortgage Bonds in May, the assignment of the Company's rights in eleven turbine generator units and related equipment in June for which it received approximately $44.4 million (see Note 6 to Financial Statements), the sale and leaseback of nuclear material in December for which it received approximately $47.6 million (see Note 6 to Financial Statements) and the issuance privately of $27,650,000 of First Mortgage Bonds in December 1974.

In January 1975 the Company issued $22,350,000 of First Mortgage Bonds privately and sold publicly 4,000,000 shares of Common Stock for $56,000,000, and in March 1975 the Company sold publicly 2,000,000 shares of Preference Stock for $47,900,000. The Company estimates that it will need, in addition to these funds and the proceeds of this offering, approximately $50 million of the funds required for the 1975 construction program from long-term sources and will issue securities later in 1975, the type, amount and timing of which will depend upon market conditions and the needs of the Company.

The proceeds from the foregoing transactions were used for general corporate purposes including the reduction of short-term borrowings incurred primarily for the construction of new facilities. Other than any sale and leaseback arrangements that may be made by the Company's coal mining subsidiaries in connection with the development of coal mines (see seventh paragraph under "Business—Fossil Fuel Supply"), the Company has no present plans for other such arrangements.

The Company is presently limited in its ability to issue additional preferred stock under the earnings test in its Charter, which requires among other things, that gross income (after depreciation and taxes) for a period of 12 consecutive months within the 15 preceding months shall have been at least 1.50 times the sum of annual interest charges and annual preferred dividend requirements on outstanding shares of preferred stock and on any shares proposed to be issued. At February 28, 1975, such ratio was 1.48 and was 1.51 at March 20, 1975. In the event the Company fails to receive adequate and timely rate relief when requested from time to time in the future, it may be unable to meet the earnings test required for the issuance of additional preferred stock and may experience difficulty in marketing its first mortgage bonds and be required to further reduce its construction program. At February 28, 1975, the maximum additional first mortgage bonds that could be issued based on unused property additions at that date and before the issuance of the $100,000,000 of New Bonds was $439,919,000; and based on the earnings for the 12 months then ended, was $291,000,000 (such earnings reflect deferred fuel costs of $13,400,000 and revenues of $8,087,000 billed, which amounts have not yet been approved by regulatory authorities and are, therefore, subject to refund or adjustment to the extent not finally approved—see last paragraph of Note 6 to Financial Statements).

CAPITALIZATION

Capitalization as of February 28, 1975, and as adjusted to reflect the issuance and sale of the New Bonds and the sale in March 1975 of 2,000,000 shares of Preference Stock, is as follows:

		February 28, 1975		Adjusted	
	Authorized	Outstanding(a)	Ratio	Outstanding(a)	Ratio
Long-term Debt, net (Note 3)	(b)	$1,056,426,654	53.7%	$1,156,426,654(c)	54.7%
Preferred Stock (Note 2)	15,300,000 shs.	288,118,400	14.7	288,118,400	13.6
Preference Stock (Note 2) (2,000,000 shares outstanding as adjusted)	2,000,000 shs.			47,900,000	2.3
Common Stock, without par value (27,502,262 shares outstanding) (Note 2)	60,000,000 shs.	476,354,524		476,354,524	
Retained Earnings (Note 2)		145,120,894		145,120,894(d)	
Common Equity		621,475,418	31.6	621,475,418	29.4
Total		$1,966,020,472	100.0%	$2,113,920,472	100.0%

(a) Excluding short-term loans of $111,744,782 at February 28, 1975 (see "Application of Proceeds" and Notes 1 and 4).

(b) Not limited except as set forth in the Company's Mortgage and Deed of Trust, as supplemented.

(c) Reflects the sale of the New Bonds.

(d) No adjustment has been made for expenses relating to the sale of the Preference Stock.

(e) Notes 1, 2, 3 and 4 refer to Notes to Financial Statements.

STATEMENT OF INCOME

The following statement of income for the five years ended December 31, 1974 has been examined by Haskins & Sells, independent certified public accountants, whose opinion (which is qualified for 1974 as set forth therein) with respect thereto is included elsewhere herein. The statement for the twelve months ended February 28, 1975, is unaudited but in the opinion of the Company includes all adjustments (consisting only of normal recurring accruals) necessary to a fair statement of the results of operations. The statement and its notes should be considered in conjunction with the other financial statements and related notes appearing elsewhere herein and additional information under "Construction Program" and "Business".

	Twelve Months Ended					
	December 31,					February 28, 1975
	1970	1971	1972	1973	1974	(Unaudited)
	Thousands of Dollars					
Operating Revenues—Electric	$204,846	$255,643	$307,136	$341,206	$460,977(a)	$511,745(a)
Operating Expenses:						
Fuel for electric generation	69,014	84,749	88,549	106,191	235,842	257,141
Deferred fossil fuel expense (credit), net (a)					(35,028)	(21,534)
Purchased electric power	9,799	10,422	11,537	7,847	14,494	15,066
Other operation expenses	23,765	28,510	32,979	41,910	46,549	48,154
Maintenance	19,849	23,098	25,624	29,749	28,591	29,092
Depreciation	19,476	22,820	27,280	31,845	35,544	36,683
Taxes other than on income	19,053	21,399	24,021	28,706	40,684	43,760
Income tax expense (b) and (c)	8,289	14,329	26,378	21,268	16,947	20,588
Total operating expenses	169,245	205,327	236,368	267,516	383,623	428,950
Operating Income	35,601	50,316	70,768	73,690	77,354	82,795
Other Income:						
Allowance for funds used during construction(d)	10,505	14,708	24,759	38,093	54,609	56,879
Income taxes—credit(b)	2,709	3,532	6,666	10,477	16,068	17,241
Other—net	(33)	517	49	393	776	782
Total other income	13,181	18,757	31,474	48,963	71,453	74,902
Gross Income	48,782	69,073	102,242	122,653	148,807	157,697
Interest Charges:						
Long-term debt	19,604	27,903	39,119	50,149	69,878	72,645
Other	4,353	3,696	2,594	6,505	6,658	7,829
Total interest charges	23,957	31,599	41,713	56,654	76,536	80,474
Net Income	24,825	37,474	60,529	65,999	72,271	77,223
Preferred Stock Dividend Requirements	4,699	8,371	9,612	13,017	20,672	21,591
Earnings for Common Stock	$ 20,126	$ 29,103	$ 50,917	$ 52,982	$ 51,599	$ 55,632
Average Common Shares Outstanding (thousands)	12,934	14,776	17,814	20,554	23,324	23,767
Earnings per Common Share (based on average number of shares outstanding)	$1.56	$1.97	$2.86	$2.58	$2.21	$2.34
Cash Dividends Declared per Share of Common Stock (outstanding at respective dividend dates)	$1.46	$1.46	$1.49	$1.56	$1.60	$1.60
Ratio of Earnings to Fixed Charges(f)	2.25	2.50	2.90	2.34	1.92	1.95

(a) See Notes 1 and 6 to Financial Statements for information relating to the accounting for deferred fossil fuel inventory costs and expenses and for information on revenues subject to refund. Also see "Retail Rate Increases" and "Wholesale Rate Increases".

(b) See Notes 1 and 5 to Financial Statements for information relating to income tax accounting policy, components of income tax expense and the reconciliation of an amount (computed by applying the statutory income tax rate to pre-tax income) to total income tax expense.

(c) Reference is made to Note 7 to Financial Statements for information on proposed accounting rules concerning interperiod income tax allocations.

(d) In accordance with the uniform systems of accounts prescribed by regulatory authorities, an allowance for funds used during construction (AFC) is included in the cost of construction work in progress and credited to income using a composite rate, applied to construction work in progress, which recognizes that funds used for construction were provided by borrowings, preferred stock, and common equity. This accounting practice results in the inclusion in construction work in progress of amounts considered by regulatory authorities as an appropriate cost for the purpose of establishing rates for utility charges to customers over the service life of the property sufficient to recover such cost. Allowances for the five years ended December 31, 1974, and twelve months ended February 28, 1975, were determined on the basis of the following factors:

	(a) Average amount of applicable construction work in progress during the period, excluding accumulated AFC	(b) Composite rate applied to amounts in column (a) to arrive at AFC
Year:		
1970	$131,313,000	8.0%
1971	183,850,000	8.0
1972	309,488,000	8.0
1973	476,162,000	8.0
1974	682,613,000	8.0
Twelve months ended February 28, 1975	710,988,000	8.0

AFC has totaled 22%, 21%, 24%, 31%, 37% and 36% of gross income during the years 1970-1974 and the twelve months ended February 28, 1975, respectively. Although determination of the amount of AFC attributable to each source of funds used for construction is impracticable, based upon a pro rata allocation of the cost of funds (interest expense, preferred dividends, and earnings for common stock) on the ratio of AFC to gross income, adjusted for income tax effect of interest expense (assumed to be 50%), the portion of AFC attributable to funds provided by common equity would be approximately 29%, 28%, 30%, 40%, 49% and 48% of earnings for common stock for the years 1970-1974 and the twelve months ended February 28, 1975, respectively.

(e) See Note 6 to Financial Statements for information relating to eliminated generating units.

(f) For purposes of this ratio, earnings represent net income plus income taxes and fixed charges. Fixed charges represent interest charges plus an imputed interest factor portion of rentals. The pro forma ratio for the twelve months ended February 28, 1975, giving effect to annual interest requirements on debt assumed to be outstanding after the proposed sale of the New Bonds (10% assumed interest rate) and after the application of net proceeds from the proposed sale of the New Bonds and from the March 1975 sale of $2.675 Preference Stock to retire short-term debt, would be 1.74. A change of ⅛ of 1% in interest rate on the New Bonds would result in a change of approximately .002 in the ratio.

Charge offs, if any, relating to the Company's proposed generating units eliminated from its authorized construction budget, as discussed in the next to last paragraph in Note 6 to Financial Statements, would reduce the ratio for 1974, and, in addition to these possible charge offs, refunds and adjustments, if any, relating to revenues billed and fuel costs deferred in connection with the Company's fossil fuel adjustment clauses, as discussed in the last paragraph in Note 6, would reduce the actual and pro forma ratios for the twelve months ended February 28, 1975. Such amounts, if any, are not presently determinable.

Annual interest requirements on the New Bonds will be $11,000,000.

For the twelve months ended March 31, 1975, operating revenues, net income, earnings for Common Stock and earnings per Common Share were $528,634,000, $79,193,000, $57,454,000 and $2.38, respectively. The ratio of earnings to fixed charges was 1.96 and the pro forma ratio was 1.79. (See Note (f) to Statement of Income.) These amounts are unaudited but in the opinion of the Company include all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results of operations. These amounts reflect $12,973,000 of revenues billed subject to refund with interest and $22,181,000 of deferred fossil fuel expense (credit). Of such deferred amounts, $19,030,000 is subject to further regulatory review and approval which may necessitate adjustments, if any, of the proceedings described under "Retail Rate Increases" and "Wholesale Rate Increases" herein so require. See also "Construction Program".

MANAGEMENT'S COMMENTS ON STATEMENT OF INCOME

The following factors significantly affected various income statement items for the years 1973, 1974 and the twelve months ended February 28, 1975:

(a) *Operating revenues.* Various rate increases placed into effect since 1970 resulted in increased revenue in 1971, 1972, 1973, 1974 and the twelve months ended February 28, 1975, of approximately $27,825,000, $53,312,000, $68,091,000, $180,760,000, and $230,070,000, respectively. Included in the above increase in revenue in 1974 and the twelve months ended February 28, 1975 are $73,792,000 and $104,035,000, respectively, from fossil fuel adjustment clauses which became effective in February 1974 for retail customers and in January 1975 for wholesale customers. See "Retail Rate Increases" and "Wholesale Rate Increases".

Sales of electric energy, excluding nonterritorial sales, increased 13% in 1973 over 1972. During 1974 and the twelve months ended February 28, 1975, the combined effect of energy conservation, relatively milder weather and reduced economic activity was such that such energy sales increased only about 2% over the year 1973. See "Operating Statistics—Electric Sales".

(b) *Fuel for electric generation.* Fuel expense in 1973 reflects increased generation. Costs of fossil fuel burned increased significantly, averaging 46.5 cents per million BTU in 1972; 50.6 cents in 1973; 118.8 cents during 1974 and 130.1 cents for the twelve months ended February 28, 1975. See "Fossil Fuel Supply". Fuel expense per million BTU in 1972 reflected the first full year of availability of the Company's nuclear generating unit, thereby reducing the level of such expense. See "Operating Statistics—Electric Energy Generated and Purchased".

(c) *Deferred fossil fuel expense.* This item represents the adoption in 1974, at the time the fuel adjustment clauses became operative, of the accounting practice of deferring increased fuel cost when incurred and expensing it in the month the related revenue is billed (two months later). See Notes 1 and 6 to Financial Statements.

(d) *Purchased electric power.* In 1973, the Company generated a greater proportion of its energy requirements as compared with 1972, thus decreasing purchased power costs. See "Operating Statistics—Electric Energy Generated and Purchased". During 1974 and the twelve months ended February 28, 1975, the Company purchased approximately 15% and 12%, respectively, more power than in 1973; however, fuel cost escalation provisions in contracts resulted in significantly higher cost per KWH for purchased power.

(e) *Other operation and maintenance expense.* New facilities, especially for generation, have required additional personnel and maintenance costs. Higher prices for goods and services of all kinds increased these items of expense. During 1973, the initial and first annual refueling and maintenance of the low-fuel-cost Robinson Plant nuclear unit was performed, thereby increasing related operations and maintenance expense. During 1974 and the twelve months ended February 28, 1975, to improve earnings pending rate relief, the Company rescheduled discretionary maintenance for some of its facilities and thereby reduced maintenance expense during that period.

(f) *Depreciation.* This item of expense increased as new facilities were placed in service.

(g) *Taxes other than on income.* State and city franchise taxes increased as revenues increased and ad valorem taxes increased as plant in service increased. See Note 8 to Financial Statements.

(h) *Income tax expense.* Income tax expense net of income taxes—credit decreased in 1973 from 1972 as the Company's operating income before income taxes decreased and related interest charges increased. The 1973 decrease in income tax expense would have been less except for the increase in the amount of tax deductible interest charges which were capitalized through the allowance for funds used during construction. Income tax expense for 1974 and the twelve months ended February 28, 1975, continued to be affected by the increasing amounts of interest and the allowance for funds used during construction. In addition, the latter periods reflect the inadequacy of increases in revenues to cover fully the increases in costs of service, thereby reducing the level of pre-tax income. See Note 5 to Financial Statements.

(i) *Allowance for funds used during construction.* This item increased as the Company's investment in construction work in progress increased.

(j) *Total interest charges.* These costs increased during each of the periods because of additional debt funds required and increased average interest rates.

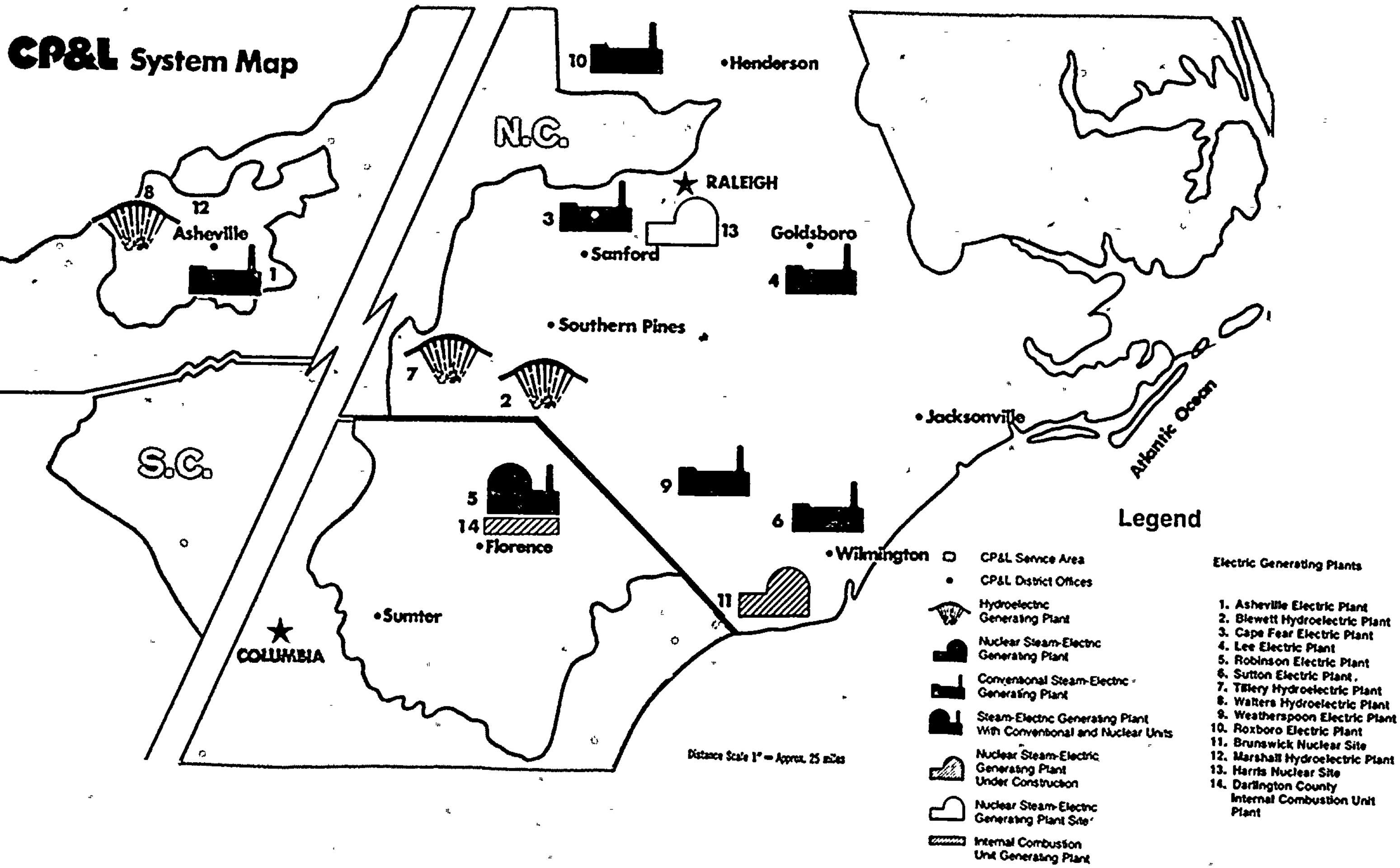
While the Company's revenues and net income for 1973, 1974 and the twelve months ended February 28, 1975, increased over the year 1972, earnings per common share were lower than in 1972. These decreases resulted primarily from increased capital costs, including preferred dividend requirements reflecting additional preferred stock issues, and increased operating expenses (especially fossil fuel costs which increased from 67.0 cents per million BTU in January 1974 to 175.46 cents in December 1974 before dropping to 147.2 cents in February 1975) which have not been fully offset by operating economies or growth in revenues. In addition, the lower earnings per common share reflected the increased average number of common shares outstanding.

See "Retail Rate Increases" for additional information on retail rate increases and "Wholesale Rate Increases" for information on wholesale rate increases especially increases (including a wholesale fossil fuel adjustment clause) placed into effect on January 2, 1975.

OPERATING STATISTICS

	Twelve Months Ended					
	December 31,					February 28,
	1970	1971	1972	1973	1974	1975
Electric Energy Generated and Purchased (Thousands of kilowatt-hours):						
Generated—Net Station Output:						
Steam—Fossil	16,310,649	16,134,787	16,605,222	19,875,274	18,602,934	18,568,590
Steam—Nuclear	3,335	2,414,172	4,828,594	3,763,608	4,813,207	4,835,200
Hydro	622,827	848,789	881,985	890,749	921,183	891,226
Other	315,175	256,433	209,526	113,545	215,209	212,285
Total Generated	17,251,986	19,654,181	22,525,327	24,643,176	24,552,533	24,507,301
Purchased and Net Interchange	1,544,451	1,309,355	1,247,164	939,578	1,079,516	1,053,390
Total Generated and Purchased	18,796,437	20,963,536	23,772,491	25,582,754	25,632,050	25,560,691
Company Use, Distribution Losses and Unaccounted for	1,248,937	1,306,863	1,671,019	1,501,435	1,555,604	1,429,089
Total Energy Sold	17,547,500	19,656,673	22,101,472	24,081,319	24,076,446	24,131,602
Average Fossil Fuel Cost per Million BTU (cents)	42.1	48.9	46.5	50.6	118.8	130.1
Average Total Fuel Cost (Fossil and Nuclear) per Million BTU (cents)	42.1	44.9	39.6	44.6	96.6	105.3
Electric Sales (Thousands of kilowatt-hours):						
Residential	4,634,149	4,973,640	5,208,235	5,936,974	5,916,808	6,020,272
Commerical	2,693,338	2,944,735	3,202,067	3,627,739	3,576,529	3,648,186
Industrial	5,622,593	6,231,507	7,037,060	7,884,513	8,273,238	8,097,488
Government and Municipal	832,839	857,930	872,712	922,532	848,996	859,343
Total General Business	13,782,919	15,007,812	16,320,074	18,371,758	18,615,571	18,625,289
Sales for Resale	3,518,369	3,852,549	4,197,433	4,856,882	4,991,730	5,124,337
Nonterritorial Sales	246,212	796,312	1,583,965	852,679	469,145	381,976
Total Energy Sold	17,547,500	19,656,673	22,101,472	24,081,319	24,076,446	24,131,602
Number of Customers (As of End of Period):						
Residential	478,914	495,528	515,041	535,607	550,128	547,337
Commercial	82,456	86,292	90,529	92,142	93,293	91,398
Industrial	2,745	2,861	2,995	3,111	3,237	3,193
Government and Municipal	1,261	1,356	1,444	1,538	1,595	1,592
Total General Business	565,376	586,037	610,009	632,398	648,253	643,520
Resale	49	52	52	53	54	54
Total Customers	565,425	586,089	610,061	632,451	648,307	643,574
Operating Revenues (In thousands):						
Residential	$ 75,990	$ 89,711	$ 103,254	$ 117,559	$ 156,134	$ 173,175
Commercial	40,981	49,223	58,246	65,647	88,420	97,981
Industrial—Textile	21,174	26,725	33,438	36,689	56,661	61,583
Industrial—Other	28,889	34,096	41,161	47,677	78,649	87,781
Government and Municipal	8,573	9,685	10,827	11,632	16,034	17,821
Total General Business	175,607	209,440	246,926	279,204	395,898	438,341
Sales for Resale	25,794	31,643	35,396	43,827	46,015	55,147
Nonterritorial Electricity Sales	1,225	11,967	21,040	13,608	13,499	12,637
Total from Energy Sales	202,626	253,050	303,362	336,639	455,412	506,125
Miscellaneous	2,220	2,593	3,774	4,567	5,565	5,620
Total Operating Revenues	$ 204,846	$ 255,643	$ 307,136	$ 341,206	$ 460,977	$ 511,745
Peak Demand of Firm Load (kw):						
Within Service Area	3,484,000	3,625,000	4,119,000	4,711,000	4,771,000	4,771,000
Nonterritorial		170,000	516,000	212,000	143,000	143,000
Total Peak Demand	3,484,000	3,795,000	4,635,000	4,923,000	4,914,000	4,914,000
Total Capability at End of Period (kw):						
Steam Plants	2,728,000	3,622,000	3,973,000	4,593,000	4,578,000	4,578,000
Internal Combustion Turbines	312,000	560,000	560,000	560,000	1,136,000	1,136,000
Hydro Plants	211,000	211,000	211,500	211,500	211,500	211,500
Purchased	378,000	245,000	265,200	280,000	280,000	280,000
Total Capability(1)	3,629,000	4,638,000	5,009,700	5,644,500	6,205,500	6,205,500

(1) Additional reserve capacity is available from neighboring utilities under interchange agreements.


CP&L System Map
N.C.
S.C.
Henderson
RALEIGH
Goldsboro
Sanford
Asheville
Southern Pines
Jacksonville
Wilmington
Florence
Sumter
COLUMBIA
Atlantic Ocean
1
2
3
4
5
6
7
8
9
10
11
12
13
14
Distance Scale 1" = Approx. 25 miles
Legend
CP&L Service Area
CP&L District Offices
Hydroelectric Generating Plant
Nuclear Steam-Electric Generating Plant
Conventional Steam-Electric Generating Plant
Steam-Electric Generating Plant With Conventional and Nuclear Units
Nuclear Steam-Electric Generating Plant Under Construction
Nuclear Steam-Electric Generating Plant Site
Internal Combustion Unit Generating Plant
Electric Generating Plants
1. Asheville Electric Plant
2. Blewett Hydroelectric Plant
3. Cape Fear Electric Plant
4. Lee Electric Plant
5. Robinson Electric Plant
6. Sutton Electric Plant
7. Tillery Hydroelectric Plant
8. Walters Hydroelectric Plant
9. Weatherspoon Electric Plant
10. Roxboro Electric Plant
11. Brunswick Nuclear Site
12. Marshall Hydroelectric Plant
13. Harris Nuclear Site
14. Darlington County Internal Combustion Unit Plant

BUSINESS

Territory Served: The territory served, an area of approximately 30,000 square miles, includes a substantial portion of the Coastal Plain in North Carolina extending to the Atlantic coast between the Pamlico River and the South Carolina border, and the lower Piedmont section in North Carolina and in South Carolina, as well as an area in western North Carolina in and around the City of Asheville. The estimated total population of the territory served is in excess of 2,800,000.

Electric service is rendered at retail in 200 communities, each having an estimated population of 500 or more, and wholesale service is supplied to 24 municipalities, to 18 REA cooperatives and to two private electric systems.

At February 28, 1975, the Company was furnishing electric service to approximately 644,000 customers. During the twelve months ended February 28, 1975, 34.7% of operating revenues, excluding nonterritorial sales, was derived from residential sales, 29.9% from industrial sales, 19.6% from commercial sales and 15.8% from other sources. Of such operating revenues, approximately 84% was derived in North Carolina and approximately 16% in South Carolina.

For the twelve months ended February 28, 1975, average revenues per kilowatt-hour sold to residential, commercial and industrial customers were 2.88 cents, 2.69 cents and 1.84 cents, respectively. Sales to residential customers have increased as follows:

Period of Use	Average Total KWH use	Average Total Bill	Revenue per KWH
Year: 1970	9,795	$160.62	1.64¢
1971	10,205	184.08	1.80
1972	10,293	204.05	1.98
1973	11,276	223.29	1.98
1974	10,861	286.60	2.64
Twelve months ended February 28, 1975	11,015	316.86	2.88

The effect of energy conservation, milder weather and reduced economic activity on the Company's sales to date has been material to the extent that KWH sales for 1974, excluding nonterritorial sales, increased only about 2% over 1973. In 1973 the Company experienced an increase in such KWH sales of about 13% over 1972. The Company is unable to predict precisely what effect such factors may have on future demand for electric service by its customers. The Company has taken steps to reduce energy consumption at its own facilities and is supporting conservation programs by promoting efficient use of energy.

For information with respect to possible effects of the reduced construction program, see third last paragraph under "Construction Program".

Generating Capability: Approximately 72% of the Company's total installed summer generating capability is in units of 97 MW capacity or more. Information with respect to these units is shown below:

Plant	Unit No.	Year Installed	Fuel	Summer Capability	Net Station Generation MWH (Total 1974)	Fuel Cost (1974 Avg.) mills/KWH
Asheville	1	1964	Coal	198 MW	2,141,853	13.96
	2	1971	Coal	194 MW		
Cape Fear	5	1956	Coal	143 MW	1,746,514	15.96
	6	1958	Coal	173 MW		
H. F. Lee	3	1962	Coal	252 MW	1,886,341	14.68
H. B. Robinson	1	1960	Coal/Gas	174 MW	5,752,362	13.79
	2	1971	Nuclear	665 MW		1.82
Roxboro	1	1966	Coal	385 MW	8,494,797	7.77
	2	1968	Coal	670 MW		
	3	1973	Coal	650 MW		
L. V. Sutton	1	1954	Coal/Oil	97 MW	2,799,339	17.46
	2	1955	Coal/Oil/Gas	106 MW		
	3	1972	Coal/Oil	351 MW		

The Company maintains all of its properties in good operating condition in accordance with good management practice. The life expectancy of the Company's generating facilities (excluding internal combustion turbine units) is 40 years for fossil units installed prior to 1966, 35 years for fossil units installed thereafter, and 30 years for nuclear units. Of the total installed summer generating capability of 5,662 MW, 57.1% is coal, 17.6% is No. 2 oil, 11.7% is nuclear, 9.8% is dual coal/residual oil and 3.8% is hydro. Of the total capability, approximately 589 MW (10.4%) can alternately burn gas when available.

The Company's generation by energy source is set forth below:

	1973	1974	1975*
Coal	67.6%	66.3%	71.2%
Nuclear	15.3	19.6	24.4
Residual Oil	11.1	8.0	.1
Hydro	3.6	3.8	3.0
No. 2 fuel oil	.5	1.4	1.2
Natural gas	1.9	.9	.1
	100%	100%	100%

* Estimated.

Fossil Fuel Supply: The Company expects to receive approximately 66% of its coal requirements for 1975 from long-term agreements. The remainder of the Company's current coal requirements will be purchased in the spot or open market. During 1973 and 1974, the Company received approximately 66% (4,100,000 tons) and 41.0% (2,800,000 tons) respectively of its coal requirements from long-term agreements. The Company purchased 2,050,000 tons of coal in the spot market in 1973 and 4,600,000 tons of coal in the spot market in 1974. The Company's current contract coal purchase prices range from $8.90 to $29.75 per ton and based upon estimated deliveries have an average weighted price of $20.89 per ton. These prices are subject to escalation under certain circumstances. The Company is currently paying from $18 to $22 per ton for coal purchased in the spot market.

The Company engaged in an arbitration proceeding with Eastern Associated Coal Corporation (Eastern), a contract coal supplier which in 1974 furnished 20% of the Company's coal consumption. In November 1974, an award was made by the Arbitration Panel which provides that the contract shall continue through 1987, and that Eastern shall receive an additional health and safety escalation, amounting to approximately $1.25 per ton effective January 1, 1974 and revised to $1.51 per ton effective July 1, 1974. In addition, the price of coal was increased effective December 6, 1974 by approximately $2.26 per ton to reflect additional costs resulting from the settlement of the United Mine Workers strike. As a result of these settlements, the price of coal increased to approximately $13.22 per ton as of February 1, 1975. Commencing with January 1, 1976, but not before, Eastern shall not be excused from meeting the full tonnage requirements of 2,500,000 tons per year as a result of productivity loss resulting from compliance with the 1969 Federal Coal Mine Health and Safety Act and the West Virginia Coal Mine Safety Law. The amount of coal to be received from Eastern during 1975 is not presently determinable.

In November 1974, the Company filed suit in federal district court for the Eastern District of North Carolina against Logan & Kanawha Coal Company, Inc. and Marvin H. M. Stone for approximately $8 million in damages for nondelivery of contracted for coal. Mr. Stone has counterclaimed for $114 million and Logan & Kanawha has not yet answered. In the opinion of general counsel to the Company the counterclaim is without legal or factual merit. In December 1974, the Company filed suit in federal district court for the Eastern District of North Carolina against Virginia Iron Coal & Coke Company for approximately $480,000 in damages for nondelivery of coal. Virginia Iron Coal & Coke has answered to the effect that the claim must be arbitrated. In December 1974, the Company filed suit in federal district court for the Eastern District of North Carolina against General Coal Company and Westmoreland Coal Company for approximately $1.8 million for nondeliveries of coal. General Coal Company has answered to the effect that delivery had been excused by force majeure and Westmoreland Coal Company has filed a motion to dismiss for lack of jurisdiction. The failure of the defendants in the above actions to meet their contractual commitments caused the Company to purchase approximately one million tons of coal in the spot market during 1974 at prices substantially above those required by the contracts with the defendants. In October 1974, Texas Energy Services, Inc. filed suit against the Company in federal district court for the Eastern District of Kentucky seeking to recover approximately $1 million which the Company recouped for poor quality coal delivered by Texas Energy Services, Inc. In addition to the amount recouped, in March 1975 the Company counterclaimed for approximately $1 million for breach of warranty. The Company is also engaged in arbitration with Island Creek Coal Company in Washington, D. C. over its claim for approximately $1 million for health and safety escalation allegedly due Island Creek for coal delivered pursuant to a contract which expired in 1972. All of the above matters are in the preliminary stages and the Company cannot now predict the final disposition of any of such claims.

The average cost of coal burned by the Company over the past five years and for the twelve months ended February 28, 1975 is as follows:

	$/ton	¢/Million BTU
1970	9.94	40.82
1971	11.61	47.77
1972	11.14	45.44
1973	11.91	48.76
1974	25.58	108.21
Twelve months ended February 28, 1975	28.68	122.11

As of February 28, 1974 and February 28, 1975, respectively, the Company had on hand about 64 and 78 days supply of coal based on anticipated burn rate. The Company considers its present coal inventory sufficient to meet its needs based upon its recently revised policy of maintaining a current coal inventory of approximately 70 days supply based on its projected burn rate.

The average sulfur content of coal purchased by the Company is less than 1.3%. Such coal purchases presently meet sulfur content limitations which are necessary to comply with emission limitations under the Clean Air Act at the Company's existing plants and Roxboro No. 4 Unit now under construction.

The Company has entered into agreements with Pickands Mather & Co., (PM) a firm engaged in owning, operating and managing mineral properties, to develop two adjacent deep coal mines in Pike County, Kentucky, with an aggregate capacity of two million tons of coal per year of which the Company is to receive 1.6 million tons of coal per year for 25 years. Studies made on behalf of the Company and PM by Paul Weir Company Incorporated, Chicago, Illinois, independent mining consultants, show a[illegible] estimated 43.6 million tons of minable and recoverable coal with an average sulfur content of 0.58 perc[illegible] and a BTU content of 12,800 BTU's per pound to be located on the properties. The Company and [illegible] have agreed that the coal mines shall be financed through debt and leveraged leases. In the even[illegible] leveraged lease financing is not utilized, the Company is obligated to provide 80 percent of the equity capital for the mines which it estimates would not exceed $20 million.

The Company's existing coal-fired generating plants and the plant under construction are estimated to require an aggregate of 199 million tons of coal over their remaining useful lives. Of this total, approximately 40 million tons are expected to be supplied by the Company's coal mining subsidiaries, and approximately 44 million tons pursuant to existing contracts with nonaffiliated coal producers. The Company anticipates that the balance of approximately 115 million tons (58%) will be acquired through the negotiation of additional long-term contracts, short-term agreements, spot market purchases and, possibly, the acquisition and development of additional coal reserves. There can be no assurance that the Company will receive all of the coal it has presently under contract or that it will be able to successfully complete such negotiations or acquisitions or that the coal supply presently available or acquired to meet the balance of its future requirements will meet the sulfur limitations necessary to comply with increasingly strict environmental standards.

In January 1974, a group of New England electric utilities petitioned the Federal Power Commission (FPC) for emergency relief, under the Federal Power Act, to consist of an order directing a number of utilities in the eastern part of the United States, including the Company, to operate their non-oil fired generating facilities, and to permit the use of interconnected transmission facilities, during off-peak periods in such a way that the New England utilities' needs for fuel oil could be reduced during such periods. The FPC issued an order in January 1974 indicating that the petition raises broad electric operating and reliability questions throughout a large area of the nation. In August 1974 the FPC issued an order permitting withdrawal of the petition and accepting certain settlement rate schedules. In October 1974 the FPC issued an order granting rehearing. The matter is now before the FPC and the Company cannot predict the ultimate outcome of these proceedings or its effect upon fuel resources available to the Company.

A mandatory allocation program for residual fuel oil and other petroleum products administered by the Federal Energy Administration (FEA) became operative in January 1974. Under this program the electric utility industry is allocated residual fuel oil on the basis of periodic computations of residual fuel oil supply and demand made by the FEA in conjunction with the FPC. The Company utilizes residual oil based generation only at its Sutton Plant which may also be fueled by coal. During the period from February through mid July 1974 the FEA's allocations would not permit the Company to burn contracted for quantities of residual oil at the Sutton Plant and the Company was forced to burn coal which it could only obtain on the spot market. The FEA failed to allocate sufficient quantities of residual oil for January and February 1975 and the Company has been required to resume burning coal at its Sutton Plant. The Company is presently attempting to contract for a long-term supply of coal for the Sutton Plant. Until such supply is secured the Company must purchase coal for the Sutton Plant on the spot market. The FEA has notified the Company that the Sutton Plant is one of ten oil generation based plants to be included in a feasibility study for conversion to coal which the FEA may require pursuant to the Energy Supply and Environmental Coordination Act.

The Company primarily uses No. 2 fuel oil for its internal combustion turbine units for emergency backup and peaking purposes. Pursuant to the mandatory fuel allocation regulations, each electric utility is to be allocated that volume of No. 2 fuel oil equal to the volume consumed in 1972 or as otherwise determined by the FEA upon advice from the FPC. At February 28, 1975 the Company had sufficient No. fuel oil in storage to run all of such turbines 10 hours per day for 20 days which, based on current consumption estimates, was equal to approximately a 363 days supply. Additionally, the Company has fuel oil supply contracts for its requirements through 1977. The Company is unable to predict the effect that the mandatory allocation program may have on its future operations or its ability to utilize the No. 2 fuel oil under contract.

The average price of oil burned over the past five years and the twelve months ended February 28, 1975 in cents per million BTU is as follows:

	No. 2 Oil	Residual Oil
1970	81.12	—
1971	90.80	—
1972	90.07	46.93
1973	107.79	55.16
1974	217.55	169.15
Twelve months ended February 28, 1975	233.72	179.90

The Company utilizes natural gas when available as excess pipeline gas (dump gas), but does not rely on it as a regular source of supply.

The Company is experiencing greatly increased costs for all of its fossil fuels. The availability and cost of fossil fuel could be further adversely affected by legislation pending in Congress, the failure of coal production to meet demand, the availability of railroad coal cars, and the production, pricing and embargo policies of oil producing foreign countries.

Nuclear Fuel Supply: The Company has contracts for the nuclear fuel supply chain for its Robinson, Brunswick and Harris Units through the years shown below:

Raw Materials and Services

Plant	Estimated in-service date	Uranium	Conversion	Enriching	Fabrication	Reprocessing
Robinson No. 2*	—	1985	1985	2002	1984	1983
Brunswick No. 1	1976	1985	1985	2002	1981	1983
Brunswick No. 2	1975	1985	1985	2002	1980	1983
Harris No. 1	1981	1985	1985	2002	1981	1983
Harris No. 2	1982	1985	1985	2002	1982	1983
Harris No. 3	1984	1985	1985	2002	1984	—
Harris No. 4	1983	1985	1985	2002	1983	—

* Robinson No. 2 is in operation.

These services will supply the necessary nuclear fuel to operate Robinson No. 2 through 1986, Brunswick No. 1 through 1982, Brunswick No. 2 through 1981, Harris No. 1 through 1982, Harris No. 2 through 1983, Harris No. 3 through 1985, and Harris No. 4 through 1984. There can be no assurance that the Company will be able to obtain nuclear fuel services for years later than those mentioned above; however, the Company does not expect to have difficulty in obtaining fabrication services for its nuclear fuel for years later than those mentioned above.

The Company has sufficient storage space for spent fuel at its Robinson Nuclear Unit to accommodate spent fuel up to the fall of 1976. Sufficient time and space is available to add underwater storage racks to accommodate spent fuel through the fall of 1977. The Company has contracted for and expects to begin shipments of spent fuel to its reprocessor in late 1975. However, licensing of the reprocessor's storage facilities by the NRC must be completed prior to initiating fuel shipments. This matter is now before the NRC and the Company cannot predict the outcome of these proceedings or its effects upon its ability to ship fuel. Should the Company be unable to ship fuel off site or install additional storage racks prior to the fall of 1976, its Robinson Nuclear Unit's continued operation would be adversely affected after the fall of 1976. Should the Company be able to install additional storage racks prior to the fall of 1976 but be unable to ship fuel prior to the fall of 1977, its Robinson Nuclear Unit's continued operation would be adversely affected after the fall of 1977. The two Brunswick and four Harris Nuclear Units (not yet operational) have sufficient spent fuel storage space as designed to provide for planned operation through 1982 and 1985, respectively, without either shipping off site to the reprocessor or expansion of storage racks.

Interconnections With Other Systems: The Company's facilities in Asheville and vicinity are connected with the Company's system in the other areas served by the Company through the facilities of Appalachian Power Company (APCO) and of Duke Power Company (Duke), so that power may be transferred from or to the Asheville area through interconnections with such companies. There are also interconnections with the facilities of Tennessee Valley Authority (TVA), Virginia Electric and Power Company (VEPCO), South Carolina Electric & Gas Company (SCE&G), South Carolina Public Service Authority (SCPSA) and Yadkin, Inc. Interconnections between the Company, Duke, SCE&G, SCPSA and VEPCO include 230 kv ties, and 500 kv interconnections with Duke and VEPCO.

The Company has two-party agreements with APCO, Duke, SCE&G and VEPCO. These agreements provide for the purchasing of limited term power for yearly periods, or for shorter periods where the availability of limited term power depends on the in-service dates of new generating equipment or by mutual agreement. Short-term power may be purchased for one or more calendar weeks or for the balance of any calendar week whenever such power is available. Additionally, two-party agreements made by the Company with SCPSA, TVA and the four companies named above are such that emergency purchases may be made for periods normally extending less than 24 hours.

The Virginia-Carolinas Subregion (VACAR) of the Southeastern Electric Reliability Council is made up of the Company, Duke, SCE&G, SCPSA, and VEPCO plus the Southeastern Power Administration (SEPA), and Yadkin, Inc. Contractual arrangements among the VACAR members contribute to the reliability of bulk power supply. Participation by the members in the activities of area, regional and national electric reliability organizations, including the Southeastern Electric Reliability Council and the National Electric Reliability Council, promotes electric service reliability.

Asheville Plant Unit No. 2 is subject to an agreement between the Company, Duke, SCE&G and VEPCO, providing for the sale by the Company to the other companies of a portion of the Unit's capacity for a limited period. Sutton Plant Unit No. 3 is also subject to an agreement between the Company and SCE&G providing for the sale by the Company to it of one-third of the Unit 3 capacity for a limited period. These agreements terminate on April 30, 1975 and April 30, 1976, respectively.

In the Virginia-Carolinas Subregion of the Southeastern Electric Reliability Council, reserves (installed capacity plus power purchases minus power sales minus anticipated peak load) for the summer of 1975, are estimated to be approximately 31% and the Company's individual reserves are estimated to be approximately 33% as compared with approximately 16% and 18% respectively, for the summer of 1974.

Reserves are expressed as a percentage of the anticipated peak load and are derived by dividing the difference between Total Power Resources (installed capacity plus purchases minus sales) and the anticipated peak load by the anticipated peak load. The Company's capability is less in the summer when it experiences its peak.

Retail Rate Increases: The Company has received the following permanent retail rate increases effective subsequent to December 31, 1970:

Effective Date	Description	Annualized Increased Revenues Based on 1974 Level of Sales
January 1, 1971	South Carolina	$ 5,632,000
February 1, 1971	North Carolina	21,105,000
March 1, 1972	North Carolina	28,576,000
April 15, 1972	South Carolina	5,597,000
January 6, 1975	North Carolina	51,900,000
January 15, 1975	South Carolina	9,600,000

In October 1973, the Company filed with the North Carolina Utilities Commission (NCUC) and the South Carolina Public Service Commission (SCPSC) applications for authority to increase its permanent retail rates to provide an approximate 21% increase in revenues from retail sales. In January 1975, the NCUC, by order, granted the Company the requested annual rate increase equal to approximately $51,900,000 based on 1974 level of kilowatt-hour sales. Although the order required minor adjustments in rate schedules for certain classes of service, all such changes were made prospectively, and the Company is not required to refund amounts previously collected under the North Carolina interim rate increases. In March 1975, the North Carolina Attorney General and the North Carolina Textile Manufacturers Association, Inc. appealed this rate order to the North Carolina Court of Appeals. This matter is pending. In January 1975, the SCPSC issued an order granting the Company an approximate 18.2% annual increase equal to approximately $9,600,000 based on 1974 level of kilowatt-hour sales. The order required refund of approximately $840,000 billed in 1974 in excess of the approved rates and an adjustment for such amount is reflected in 1974 revenues. By separate order on the same day, the Company's fossil fuel adjustment clause for South Carolina was approved as filed.

The Company was allowed to place into effect an automatic fossil fuel adjustment clause in North Carolina beginning February 6, 1974, and on April 2, 1975 (supplementing an order issued in December 1974 which, among other things, approved all revenues billed under the clause through September 30, 1974), the NCUC approved all revenues collected under the fossil fuel adjustment clause through March 31, 1975. In this order, the NCUC found that the fuel adjustment clause "is a reasonable method to adjust rates to reflect changes in fuel expenses experienced by the company" and found that the Company's coal purchasing practices had not been unreasonable, rejecting contentions of the Attorney General of North Carolina that these practices showed poor management. It approved the Company's method of calculating the adjustment, with minor changes which will have prospective effect.

The function of the fossil fuel adjustment clause is to increase or decrease the Company's retail rates to reflect fossil fuel cost changes from the 51.78 cents per million BTU experienced by the Company in

June 1973. Generally the effects are fully reflected in customer billings about two months after the cost changes occur. Henceforth, the NCUC will hold monthly hearings to determine whether the electric utilities within its jurisdiction have reasonably applied the fuel adjustment clause and been reasonable in their fuel purchasing practices. Each monthly hearing will deal with fuel expenses incurred in the second preceding month prior to the month of the hearing, and revenues billed in the month of the hearing which are subject to refund.

As an interim measure, the NCUC had limited the application of the fossil fuel adjustment clause for residential customers to 75% of the excess fossil fuel costs incurred, beginning February 1, 1975, and running for 60 days. The effect of this reduction was to reduce revenues by approximately $2,500,000. The NCUC's April 2 order allowed the Company to return to applying 100% of the fossil fuel adjustment clause to all customers, including residential customers, beginning April 1, 1975.

In January 1975, the North Carolina Attorney General filed a notice of appeal from the December 1974 NCUC order in the North Carolina Court of Appeals challenging the validity of the Company's fuel adjustment clause authorized by the NCUC on the ground, among others, that the Commission is without authority to permit the automatic collection of revenues without public hearing prior to implementation of each monthly fuel adjustment. The Company has recorded $85,639,000 of revenues through February 28, 1975 pursuant to such fuel adjustment clause. The matter is pending.

In January 1975, certain records of the Company were subpoenaed by the Federal Trade Commission in connection with its national investigation of fuel adjustment clauses.

In March 1974, the North Carolina General Assembly passed a bill authorizing the NCUC to permit utilities in rate cases to utilize a forward test period. The bill provides that unless otherwise ordered by the Commission, the test period shall be the twelve months beginning with the first day of the month following the date the utility proposes to place its new rates into effect. If such a forward test period is utilized, it will mitigate the adverse impact on the Company of the time lag between the incurring of increased costs and the implementation of rate increases related thereto. Prior to this new legislation, utilities in North Carolina were required to utilize an historical test period. The Company presently plans to file for an additional retail rate increase in 1975 but there in no assurance that such increase will be granted.

Consumer dissatisfaction with the current cost of electric service has prompted the introduction in the North Carolina General Assembly of several bills, any of which if finally adopted could have a materially adverse effect on the Company's future operations. Such bills include proposals to prohibit fossil fuel adjustment clauses, to repeal the forward test period for rate cases, to restructure the NCUC from a five-man Commission to a nine-man Commission sitting with three-member panels, to prohibit interim rate relief, to increase the interest rate on refunds to retail customers of interim rate increases not finally granted; to require additional notices to customers before termination of service, to allow North Carolina municipalities to join together for the purposes of building, purchasing and operating electric generation facilities and to issue tax-exempt bonds for these purposes, and to require the popular election of utility commissioners. The Company is not able to determine at this time whether or not the General Assembly will pass any of the above legislation.

In March 1975, the North Carolina General Assembly amended the Public Utilities Act to allow the NCUC to hear rate cases in panels of three members. While it is too early to determine the effect of this amendment, the Company believes it may expedite action on requests for rate increases.

The ratio of total uncollectible accounts to customer billings averaged approximately ¼ of 1% for 1974, the twelve months ended February 28, 1975, and for the five years ended December 31, 1974. On

January 30, 1975, the NCUC issued an order extending the period within which residential customers are required to pay their bills before termination of service from a previous minimum of approximately 24 days to a minimum of approximately 55 days after the mailing of a bill. The Company is unable to fully assess the impact of this order at this time, although some delay in collections has been experienced. The NCUC has allowed the Company to implement, beginning with bills rendered in May 1975, a late payment charge of 1% per month on any balance remaining due after 25 days from the date of the bill, which may modify any adverse effect of the extension of the period prior to termination.

Wholesale Rate Increases: Effective May 28, 1971, the Company was granted a rate increase as to its wholesale customers in North Carolina and South Carolina amounting to $6,500,000 annualized increased revenues based on the 1974 level of sales.

Effective March 1, 1973, the Company was granted rate increases applicable to municipalities and private utilities amounting to $2,800,000 annualized increased revenues based on the 1974 level of sales.

Pursuant to settlements reached between the Company and a majority of its wholesale customers, in connection with these rate increases, and approved by the FPC, no further change or substitution in the rate or other terms and conditions of service was to be applicable to service rendered these wholesale customers prior to January 1, 1975. In July 1974, the Company filed an application with the FPC for an increase in the basic rates and a fossil fuel adjustment clause for its wholesale customers to be effective January 1, 1975. On the average, if granted, the filing would increase basic rates to cooperatives by about 61% and to municipalities and private utilities by about 35% (before effect of the fuel adjustment clause). The increase in the new basic rates would add approximately $20,300,000 annually to revenues based on 1974 level of KWH sales. On August 26, 1974, the FPC issued an Order suspending for one day the application for an increase in the basic rates and a fossil fuel adjustment clause to be effective January 1, 1975. Under this Order, the Company placed the new basic rates and the fossil fuel adjustment clause into effect for service rendered on and after January 2, 1975, subject to refund. The majority of the Company's wholesale customers (Petitioners) have intervened in this rate proceeding. In September 1974 Petitioners filed an application for rehearing on the August Order alleging their right to assert anticompetitive issues in the rate proceeding and that the fossil fuel adjustment clause was improper and should have been rejected. Petitioners' application was denied. Petitioners then filed a petition for review in the United States Court of Appeals for the District of Columbia which the FPC opposed by motion to dismiss. In February 1975 the United States Court of Appeals ordered that the motion to dismiss be held in abeyance pending a decision in a similar case before such Court. A decision in that case was handed down on April 4, 1975 remanding to the FPC for consideration the petitioners' antitrust allegations. The effect which this decision may have on Petitioners' case before the United States Court of Appeals or on the Company's current rate proceeding before the FPC is not presently determinable. At February 28, 1975 the Company had deferred applicable fossil fuel costs of approximately $6,200,000 which will be billed in March and April 1975 and had included in revenues through February 28, 1975 approximately $5,955,000 representing bills rendered in January and February 1975. (See Note 6 to Financial Statements.) Hearings before the FPC commenced April 1, 1975, on the lawfulness and reasonableness of the increase in the basic rates and the fossil fuel adjustment clause. FPC has also ordered hearings to commence on July 21, 1975 concerning certain alleged anticompetitive provisions of the application for the rate increase and automatic fossil fuel adjustment clause. The Company cannot predict the outcome of these proceedings.

Environmental Matters: To comply with state and federal laws and regulations dealing with environmental protection, the Company has included $80 million in the construction program for additional special items at the Brunswick Units and the Roxboro Unit No. 4 during the period 1975-1977 of which approximately $18 million is scheduled for 1975 and for environmental protection facilities at existing generating plants approximately $25 million during the period 1975-1977 of which $15 million is scheduled for 1975. Such amounts in the construction program for the proposed Shearon Harris Nuclear Power Plant are expected to approximate $96.4 million during the period 1976-1982, principally for cooling towers. In addition to the amounts set forth above, the Company may be required to make further expenditures for additional cooling and treatment facilities which may be required. Regulations under state and federal environmental protection laws have not been fully implemented and the additional costs for compliance with such laws in connection with the Company's existing generating units and units under construction are not determinable at this time. Reference is made to "Construction Program" and "Financing Program".

Air—Pursuant to the Clean Air Act, the United States Environmental Protection Agency (EPA) has promulgated primary and secondary ambient air quality standards and, for new generating units, emission standards with respect to certain air pollutants, including particulates and sulfur oxides. In 1972 North Carolina and South Carolina adopted implementation plans which are designed in general to achieve such primary and secondary standards by 1975, in each case by means of emission limitations. The implementation plans require registration of all facilities causing emissions into the air and, in those cases where facilities do not presently meet the applicable emission limitations, the filing of control programs designed to ensure that such limitations will be met in accordance with the Clean Air Act. The Company is on an approved compliance schedule with respect to modification of existing facilities for particulate removal and is burning coal with an average sulfur content of less than 1.3%, which presently meets sulfur oxide emission limitations. The Company proposes to meet the sulfur emission standards for new fossil fueled generating units through the use of fuel with sulfur content no greater than .7%. However, there is no assurance that there will be a continuing supply of low sulfur fuel.

Certain delays in completing modifications necessary to comply with particulate emission limitations have been encountered. Coal distribution and blending difficulties have also resulted in failure to meet sulfur oxide limitations on some occcasions. The Company is attempting to overcome these problems as expeditiously as possible. The Company is engaged in discussions with state authorities and the EPA with respect to the possibility of enforcement orders which would have the practical effect of postponing the final compliance dates.

In March 1975, the EPA ordered the Company to provide detailed information on the compliance status of the Cape Fear Plant.

In 1972, EPA disapproved all state air implementation plans, whether or not previously approved, to the extent that they lacked procedures for preventing significant deterioration of air quality in areas where air quality levels are better than the secondary ambient air quality standards. In December 1974, EPA promulgated rules to prevent significant deterioration of air quality from sulfur dioxide and particulate emissions. The Company is unable to determine at this time what impact the new requirements may have on modifications of existing generating facilities or siting and construction of new facilities.

Water—The Federal Water Pollution Control Act Amendments of 1972 (FWPCA), among other things, created a National Pollutant Discharge Elimination System (NPDES) under which discharges of pollutants (including heat) are prohibited except pursuant to permits issued by the Administrator of the EPA or the Administrator of an approved State program. Timely permit applications have been filed for all of the Company's existing generating facilities. On October 8, 1974, the EPA promulgated Effluent Guidelines and Standards for the Steam Electric Power Generating Point Source Category. The regulations, among other things, established thermal and chemical limitations for effluents discharged by both existing and new steam electric generating stations. A group of independent utilities, including the Company, petitioned the Court of Appeals for the Fourth Circuit in October 1974 for review of those regulations. Although the impact of that appeal cannot be determined at this time, it is not expected to be significant. In January 1975, the Company received NPDES permits implementing the above regulations at four of its existing plants. In January 1975, the Company filed petitions with EPA (Region IV) requesting that an adjudicatory hearing be held in conjunction with each permit and that the permits be modified as necessary to conform to the facts and the law. The Company's requests for hearings have been granted, but no hearing dates have been set. A similar petition was filed by an adjoining landowner in January 1975 in conjunction with the Robinson permit challenging the permit's thermal discharge provisions, and he has been allowed to intervene in the hearing granted to the Company on that permit. NPDES permits have not yet been issued for the Company's remaining plants. The legal consequences of EPA's delay in issuing NPDES permits for these plants is unknown. While costs in excess of those outlined above may be incurred in complying with NPDES permits, such expenditures are not expected to exceed $4 million, exclusive of the cost of any additional cooling facilities which may be required at the Robinson Plant, as discussed below.

In November 1973, the North Carolina Board of Water and Air Resources granted a variance from North Carolina water quality standards for operation of Roxboro Unit 3 pending installation of cooling towers which are scheduled for completion in 1976.

Nuclear—The Final Environmental Impact Statement on the Robinson Nuclear Unit was published by the NRC Regulatory Staff in April 1975. This report recommends the continued operation of the Plant conditioned upon adoption of certain administrative practices to assure protection of the environment. In July 1973, the NRC published a notice of opportunity for public hearing on environmental considerations associated with the operation of the Robinson Nuclear Unit. A landowner adjoining the Robinson impoundment has intervened, complaining of the water temperature in certain parts of the impoundment. A hearing board has been named by the NRC, but no hearing date has been established. In May 1974, the Company applied to EPA for an exemption under Section 316(a) of the FWPCA which would allow the plant to continue operating with the existing cooling system. Under the terms of the NPDES permit received in January 1975, the Company has until June 30, 1976, to present evidence to EPA in support of its exemption request. If the Company is ultimately required to install cooling towers, it will cost approximately $30 million by current estimates. This amount is not included in the construction program.

In February 1974, the Company filed a Petition to amend the Robinson operating license to allow operation of the Plant at a core power level of 2300 MW thermal. The landowner intervenor in the above proceeding has petitioned for intervention in this proceeding seeking to prevent operation at increased core power levels. The same hearing board will hear both matters, but no hearing date has been established.

In January 1974, the NRC Regulatory Staff published its Final Environmental Statement for the Brunswick Plant pursuant to which it recommended to the NRC continuation of the construction permits and issuance of operating licenses for Brunswick Units 1 and 2 subject to certain conditions for protection of the environment. The principal condition specified by the Staff was the installation of a closed-cycle cooling system within approximately three and one-half years after issuance of an operating license for the first Brunswick Unit. Construction and related costs of this system are expected to be approximately $72 million which is included in the construction program. Subsequent to the Company's commitment to install a closed-cycle cooling system, the Atomic Safety & Licensing Board (ASLB), a part of the NRC, conducted a public hearing to evaluate the environmental impacts of operation of this facility. In December 1974, the Company received its operating license for the first Brunswick Unit. The Company has requested and received permission to demonstrate that adequate protection of the environment does not require 12-month operation of the cooling towers. If permitted, seasonal as opposed to continuous operation of the towers could result in annual operating savings of approximately $4 million.

On April 10, 1975, at the instance of three geologists and several environmental groups, the NRC issued a show cause order requiring the Company to show why its operating license for Brunswick should not be amended to require the Company to install a micro-earthquake seismograph network in the area of the plant and to conduct releveling studies over a two year period. The Company has 30 days within which to respond.

The initial phase of the hearing on the Company's application for construction permits for the four Shearon Harris Units was held in October 1974. This contested hearing is expected to resume in 1975 to consider whether the current and projected demand for power justifies construction of the proposed facilities and whether or not the Company is financially qualified to construct such facilities. In addition, issues related to the geological fault discovered at the Harris Plant site in July 1974 will also be considered at that time. The fault is a type common to the region and is not expected to impede construction; however, the significance of the fault must be resolved before a construction permit can be granted. The Company cannot predict the ultimate outcome of the licensing hearings.

In December 1973, the NRC adopted new regulations governing the emergency core cooling systems of nuclear power plants. The Company believes that the Robinson nuclear unit, presently in operation, will meet these new requirements without loss of capacity. Preliminary analysis to date for Brunswick Units 1 and 2 indicates that there will be no loss of capacity.

In May 1973, Ralph Nader and Friends of the Earth filed suit in the United States District Court for the District of Columbia against the NRC seeking a declaratory judgment and injunctive relief. The suit seeks to require the NRC to revoke the operating licenses and to halt the operation of 20 nuclear plants, including the Robinson nuclear unit. The basis of the suit is an allegation that the interim acceptance criteria adopted by the NRC for emergency core cooling systems for the plants are inadequate and constitute a threat to public health and safety. In June 1973, the Court dismissed the complaint and granted summary judgment in favor of defendants and intervenors, including the Company. In July 1973, plaintiffs filed a petition with the NRC alleging matters similar to those alleged in the suit. The petition was denied and petitioners have appealed to the United States Court of Appeals, District of Columbia Circuit. These cases have now been consolidated and are pending before said Court of Appeals. The Company cannot predict the outcome of this litigation, but if plaintiffs should be successful the Company's operating expenses and ability to meet the energy needs of its customers would be materially and adversely affected.

In view of the foregoing, the Company may incur increased construction or operating expenditures; and in the further event that the NRC should order the suspension of operation of the Robinson nuclear unit or of construction, or operation of the Brunswick Units or delay construction of the Harris Units beyond the adjusted construction schedule, system power resources may become inadequate.

Other Litigation: In February 1975, the Company was served with a complaint and summons in an action brought in the Court of Common Pleas of Marlboro County, South Carolina, by an individual, for himself and a purported class consisting of other persons residing within one mile of the city limits of the City of Bennettsville, South Carolina, against the Company and the City of Bennettsville. The complaint alleges that the Company and the City, a wholesale customer of the Company, have conspired to violate the civil rights of the plaintiff and the class, by forcing them to buy electricity, at retail, from the City rather than from the Company and asks for a total of $50 million in actual and punitive damages. The Company's general counsel is of the opinion that the suit is without foundation and can be successfully defended.

DESCRIPTION OF NEW BONDS

General: The New Bonds are to be issued under a Mortgage and Deed of Trust, dated as of May 1, 1940, with Irving Trust Company and Frederick G. Herbst (D. W. May, successor), as Trustees, as supplemented by twenty-one supplemental indentures, all of which are collectively referred to as the "Mortgage". The statements herein concerning the New Bonds and the Mortgage are merely an outline and do not purport to be complete. They make use of terms defined in the Mortgage and are qualified in their entirety by express reference to the cited Sections and Articles.

Form and Exchanges: The New Bonds will be registered bonds without coupons. New Bonds will be exchangeable without charge for other New Bonds of different authorized denominations, in each case for a like aggregate principal amount, and may be transferred without charge, other than for applicable stamp taxes or other governmental charges.

Interest and Payment: The New Bonds will mature April 15, 1984, and will bear interest at the rate shown in their title, payable semi-annually on October 15 and April 15, commencing October 15, 1975. Principal and interest are payable at Irving Trust Company in New York City.

The Company has covenanted to pay interest on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue instalment of interest on the Bonds of all series at the rate of 6% per annum. (Mortgage, Sec. 78.)

Redemption and Purchase of Bonds: The New Bonds will be redeemable, in whole or in part, on 30 days' notice (a) at the special redemption prices set forth below for the basic improvement fund or for the maintenance and replacement fund or with certain deposited cash or with proceeds of released property, and (b) at the general redemption prices set forth below for all other redemptions.

Year	General Redemption Price (%)	Special Redemption Price (%)
If redeemed during the twelve months period ending April 14,		
1976	110.75	100.00
1977	109.22	100.00
1978	107.68	100.00
1979	106.15	100.00
1980	104.61	100.00
1981	103.08	100.00
1982	101.54	100.00
1983	100.00	100.00
1984	100.00	100.00

in each case together with accrued interest to the date fixed for redemption; provided, however, that no New Bonds shall be redeemable at the general redemption prices prior to April 15, 1982, with borrowed funds, or in anticipation of funds to be borrowed, having an effective interest cost to the Company (calculated in accordance with acceptable financial practice) of less than 11.2424% per annum.

If at the time notice of redemption is given the redemption moneys are not on deposit with the Corporate Trustee, the redemption may be made subject to their deposit with the Corporate Trustee on or before the date fixed for redemption and such notice shall be of no effect unless such moneys are so received.

Cash deposited under any provisions of the Mortgage (with certain exceptions) may be applied to the purchase of Bonds of any series.

(Mortgage, Art. X; Twenty-first Supplemental, Sec. 1.)

Improvement Fund: As to each outstanding series of Bonds, basic improvement fund payments are required of ½ of 1% per year of the greatest amount of Bonds of such series outstanding prior to the year in which such payment is due. Payments may be made in cash or principal amount of Bonds of the particular series, or credit may be taken for property additions at 70% (100% in the case of the 1997 Series Bonds and all subsequently issued series of Bonds, including the New Bonds) of cost or fair value, or credit may be taken for Bonds of any series or prior lien bonds retired. The requirement may be anticipated at any time. Additional improvement fund payments of ½ of 1% per year are required by the terms of each outstanding series prior to the 1997 Series Bonds, making a total of 1% as to each of those series. The Mortgage may be amended, without any consent or other action by the holders of the 1997 Series Bonds and all subsequent series of Bonds, including the New Bonds, to eliminate the basic improvement fund payments of ½ of 1% with respect to each series (including the New Bonds). (Mortgage, Sec. 39; First through Ninth Supplementals, Sec. 3; Tenth Supplemental, Sec. 5.)

The Twenty-first Series of Bonds has the additional benefit of a sinking fund of 4% of the greatest amount of such bonds outstanding prior to October 1, 1976. (Twentieth Supplemental, Sec. 1.)

Maintenance and Replacement Fund: There shall be expended for each year 15% of the adjusted gross operating revenues for maintenance and replacements in respect of the mortgaged property and certain automotive equipment of the Company. Excess expenditures for such purposes in any year may be credited against the requirements in any subsequent year. If the Company is not permitted by regulatory authority to include 15% of such revenues for such purposes in operating expenses, the requirements are correspondingly reduced. Such requirements may be met by depositing cash with the Corporate Trustee, certifying expenditures for maintenance and repairs, certifying gross property additions, certifying gross expenditures for certain automotive equipment, or by taking credit for Bonds and prior lien bonds retired. Such cash may be withdrawn on expenditures for gross property additions or on waiver of the right to issue Bonds or be applied to the retirement of Bonds. (Mortgage, Sec. 38.)

Special Provisions for Retirement of Bonds: If, during any 12-months' period, property is disposed of by order of or to any governmental authority, resulting in the receipt of $10,000,000 or more as proceeds therefor, the Company (subject to certain conditions) must apply such proceeds, less certain deductions, to the retirement of Bonds. The New Bonds are redeemable at the special redemption prices for this purpose. The Mortgage may be amended, without any consent or other action by holders of the 1996 Series Bonds or any subsequently created series of Bonds, including the New Bonds, to eliminate the foregoing special provisions for retirement of Bonds. (Mortgage, Sec. 64; Ninth Supplemental, Sec. 6.)

Security: The New Bonds and any other Bonds now or hereafter issued under the Mortgage will be secured by the Mortgage, which constitutes, in the opinion of General Counsel for the Company, a first mortgage lien on all of the present properties of the Company (except as stated below), subject to (a) leases of minor portions of the Company's property to others for uses which, in the opinion of such counsel, do not interfere with the Company's business, (b) leases of certain property of the Company not used in its electric utility business, and (c) excepted encumbrances, minor defects and irregularities. There are excepted from the lien: all merchandise, equipment, materials or supplies held for sale and fuel, oil and similar consumable materials and supplies; vehicles and automobiles; cash, securities, receivables and all contracts, leases and operating agreements not pledged or required so to be; and electric energy and other products.

The Mortgage contains provisions for subjecting to the lien thereof (subject to limitations in the case of consolidation, merger or sale of substantially all of the Company's assets) property, other than property of the kind excepted above, acquired after the date of delivery of the Mortgage. (Mortgage, Art. XV.)

The Mortgage provides that the Trustees shall have a lien upon the mortgaged property, prior to the Bonds, for the payment of their reasonable compensation and expenses and for indemnity against certain liabilities. (Mortgage, Sec. 96.)

Issuance of Additional Bonds: The maximum principal amount of Bonds which may be issued under the Mortgage is unlimited. However, until changed by a further supplemental indenture, the amount of future advances and other indebtedness which may be secured by the Mortgage and outstanding at any one time in addition to the Bonds of other series now outstanding and the New Bonds may not exceed $500,000,000. Bonds of any series may be issued from time to time on the basis of (1) 70% of property additions after adjustments to offset retirements; (2) retirement of Bonds or prior lien bonds; or (3) deposit of cash. With certain exceptions in the case of (2) above, the issuance of Bonds is subject to adjusted net earnings for 12 out of the preceding 15 months before interest and income taxes being (a) at least twice the annual interest requirements on, or (b) at least 10% of the principal amount of, all Bonds at the time outstanding, including the additional issue, and all indebtedness of prior or equal rank. Such adjusted net earnings are computed after provision for repairs, maintenance and retirement of property equal to the Maintenance and Replacement Fund requirements for such period. Cash so deposited may be withdrawn upon the bases stated in (1) and (2) above.

Property additions must consist of electric property, or property used or useful in connection therewith, acquired after December 31, 1939, but may not include securities, vehicles or automobiles. The Company estimates that after the issuance of $100,000,000 of New Bonds against property additions there will be approximately $480,965,000 remaining of property additions available as of February 28, 1975.

The Mortgage contains restrictions upon the issuance of Bonds against property subject to liens and upon the increase of the amount of such liens.

(Mortgage, Secs. 4-7, 20-30 and 46; Twenty-first Supplemental, Sec. 3.)

Dividend Restriction: So long as any New Bonds remain outstanding, cash dividends and distributions on common stock are restricted to aggregate net income available therefor (after preferred dividends) since December 31, 1948, plus $3,000,000. No portion of retained earnings at February 28, 1975 is at the date of this Prospectus restricted by this provision; however, after adjustment for the sale of the New Bonds and the sale in March 1975 of 2,000,000 shares of Preference Stock, retained earnings at February 28, 1975 would be restricted in the amount of $21,127,160. (Twenty-first Supplemental, Sec. 2.)

Modification of the Mortgage: The rights of the Bondholders may be modified with the consent of 70% of the Bonds and, if less than all series of Bonds are affected, the consent also of 70% of the Bonds of each series affected. The Company has reserved the right without any consent or other action by holders of the August 1, 2000 Series Bonds or any subsequently created series of Bonds (including the New Bonds) to substitute for the foregoing provision a provision to the effect that the rights of the Bondholders may be modified with the consent of holders of 66⅔% of the Bonds, and, if less than all series of Bonds are affected, the consent also of holders of 66⅔% of the Bonds of each series affected. In general, no modification of the terms of payment of principal or interest, no modification of the obligations of the Company under Section 64 (until the foregoing substitution is made), and no modification affecting the lien or reducing the percentage required for modification, is effective against any Bondholder without his consent. (Mortgage, Art. XVIII; Thirteenth Supplemental, Sec. 5.)

Defaults and Notice Thereof: An event of default is defined as being: default in payment of principal; default for 60 days in payment of interest; default in payment of interest upon or principal of prior lien bonds continued beyond grace periods; default for 60 days in payment of instalments of funds for retirement of Bonds (including the improvement and maintenance and replacement funds); certain events in bankruptcy, insolvency or reorganization; and default for 90 days after notice in performance of other covenants. (Mortgage, Sec. 65.) The Trustees may withhold notice of default (except in payment of principal, interest or fund for retirement of Bonds) if they think it in the interests of the Bondholders. (Mortgage, Sec. 66; Third Supplemental, Sec. 15.)

In case of a default holders of 25% of the Bonds may declare the principal and interest due and payable, but the holders of a majority may annul such declaration and destroy its effect if such default has been cured. (Mortgage, Sec. 67.) No holder of Bonds may enforce the lien of the Mortgage unless such holder has given the Trustees written notice of a default and unless the holders of 25% of the Bonds have requested the Trustees in writing to act and have offered the Trustees reasonable opportunity to act. (Mortgage, Sec. 80.) The Trustees are not required to risk their funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured. (Mortgage, Sec. 94.) Holders of a majority of the Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred upon the Trustees. (Mortgage, Sec. 71.)

Evidence To Be Furnished to the Corporate Trustee Under the Mortgage: Compliance with Mortgage provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company (such as an engineer with respect to the value of property being certified or released, an accountant with respect to a net earnings certificate and counsel with respect to property titles and compliance with the Mortgage generally). In certain major matters (as required by Section 314(d) of the Trust Indenture Act of 1939) the accountant or engineer must be independent. Various certificates and other papers are required to be filed annually and upon the happening of various events; however, no general periodic evidence is required to be furnished as to the absence of default or as to compliance with the terms of the indenture in general.

Concerning the Trustee: In the regular course of business, the Company obtains short-term funds from several banks, including, in certain instances, Irving Trust Company.

MANAGEMENT

Directors

DANIEL D. CAMERON, SR.
President, Atlantic Telecasting Corporation
Wilmington, N. C.

FELTON J. CAPEL
Regional Manager
Century Metalcraft Corporation
Southern Pines, N. C.

CHARLES W. COKER, JR.
President, Sonoco Products Company
Hartsville, S. C.

E. HERVEY EVANS
Farmer, Laurinburg, N. C.

MARGARET HARPER
Owner, Stevens Agency
Southport, N. C.

SHEARON HARRIS
Chairman/President of the Company
Raleigh, N. C.

L. H. HARVIN, JR.
President, Rose's Stores, Inc.
Henderson, N. C.

KARL G. HUDSON, JR.
Executive Vice President
Hudson-Belk Company
Raleigh, N. C.

J. A. JONES
Executive Vice President of the Company
Raleigh, N. C.

EDWARD G. LILLY, JR.
Senior Vice President of the Company
Raleigh, N. C.

SHERWOOD H. SMITH, JR.
Executive Vice President of the Company
Raleigh, N. C.

HORACE L. TILGHMAN, JR.
Real Estate and Investments
Marion, S. C.

JOHN B. VEACH
Business Consultant
Asheville, N. C.

JOHN F. WATLINGTON, JR.
Chairman of the Board
Wachovia Bank & Trust Company, N.A.
Winston-Salem, N. C.

Officers

SHEARON HARRIS
President

J. A. JONES
Executive Vice President
(Group Executive)

SHERWOOD H. SMITH, JR.
Executive Vice President
(Group Executive)

EDWARD G. LILLY, JR.
Senior Vice President
(Group Executive)

W. J. RIDOUT, JR.
Senior Vice President
(Group Executive)

SAMUEL BEHRENDS, JR.
Vice President

E. M. GEDDIE
Vice President

WILLIAM E. GRAHAM, JR.
Vice President and General Counsel

WILLIAM B. KINCAID
Vice President

M. A. MCDUFFIE
Vice President

DARRELL V. MENSCER
Vice President

ALBERT L. MORRIS, JR.
Vice President

J. R. RILEY
Vice President

R. S. TALTON
Vice President

EDWIN E. UTLEY
Vice President

J. L. LANCASTER, JR.
Secretary

ROBERT M. WILLIAMS
Assistant Secretary

JAMES S. CURRIE
Treasurer

J. R. POWELL
Controller

C. D. MANN
Assistant Treasurer

EXPERTS AND LEGALITY

The balance sheet as of December 31, 1974, and the related statements of income, retained earnings and source and use of financial resources for the five years then ended contained in this Prospectus have been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion (which is qualified for 1974 as set forth therein) included herein. The statements made as to matters of law and legal conclusions under "Business" and "Description of New Bonds" have been reviewed by William E. Graham, Jr., Esq., Vice President and General Counsel for the Company. All of such statements are set forth herein in reliance upon the opinions of said firm and individual, respectively, as experts, as expressed in their opinions with respect thereto.

The legality of the securities offered hereby will be passed upon for the Company by William E. Graham, Jr., Esq., Vice President and General Counsel for the Company, Raleigh, North Carolina, and by Reid & Priest, 40 Wall Street, New York, New York, counsel to the Company, and for the Underwriters by Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York, New York. However, all matters pertaining to the organization of the Company, titles, and local law will be passed upon only by William E. Graham, Jr., Esq., who may rely as to all matters of South Carolina law on the opinion of Paulling & James, Darlington, South Carolina. As of February 28, 1975, William E. Graham, Jr., Esq., owned 479 shares of the Company's common stock. Mr. Graham is acquiring additional shares of common stock at regular intervals as a participant in the Company's Stock Purchase-Savings Program for Employees.

The information appearing in this Prospectus relative to the estimates of the Company's subsidiary's coal reserves have, as hereinabove stated, been reviewed and verified by Paul Weir Company Incorporated, Chicago, Illinois, independent mining consultants and engineers, and have been included herein in reliance upon the authority of said firm as experts.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CAROLINA POWER & LIGHT COMPANY:

We have examined the balance sheet of Carolina Power & Light Company as of December 31, 1974 and the related statements of income, retained earnings and source and use of financial resources for the five years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the next to last paragraph of Note 6, the Company has eliminated from its authorized construction budget five proposed new generating units in connection with which approximately $13 million (including $6 million land costs) had been expended. Additionally, the Company will incur costs, the amounts of which are presently undeterminable, arising out of contracts related to the units. The Company will seek regulatory approval to allocate any charge-offs related to the units over a period of years and to recover them through rates. Should such approval not be granted, results of operations for 1974 would be adversely affected. The ultimate accounting and disposition of these matters are not presently determinable.

Our original opinion dated February 13, 1975 was subject for 1974 to the effect, if any, of the determination of the ultimate accounting and disposition of certain revenues billed and costs deferred under provisions of a fossil fuel adjustment clause. As discussed in the last paragraph of Note 6, on April 2, 1975 the North Carolina Utilities Commission issued an order affirming such revenues billed and significantly reducing the December 31, 1974 amount of deferred fossil fuel inventory cost subject to further regulatory review and approval. Accordingly, we have removed the qualification with respect to these matters from our opinion.

In our opinion, subject for 1974 to the effect, if any, of the final determination of the uncertainties described in the second paragraph herein, the financial statements referred to above present fairly the financial position of the Company at December 31, 1974 and the results of its operations and the source and use of its financial resources for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Raleigh, North Carolina
February 13, 1975
(April 2, 1975 as to the
last paragraph of Note 6)

CAROLINA POWER & LIGHT COMPANY

BALANCE SHEET

ASSETS

	December 31, 1974	February 28, 1975 (Unaudited)
ELECTRIC UTILITY PLANT:		
Electric utility plant other than nuclear fuel:		
In service	$1,364,183,273	$1,365,970,736
Plant held for future use	7,542,840	7,542,840
Construction work in progress	826,012,064	879,199,989
Total	2,197,738,177	2,252,713,565
Less accumulated depreciation	256,659,461	263,536,405
Net	1,941,078,716	1,989,177,160
Nuclear fuel	55,117,915	52,814,719
Less accumulated amortization	11,466,631	10,950,212
Net	43,651,284	41,864,507
Electric utility plant, net	1,984,730,000	2,031,041,667
OTHER PROPERTY AND INVESTMENTS	3,828,783	4,845,585
CURRENT ASSETS:		
Cash in banks	9,379,477	5,532,364
Special deposits for dividends, interest, etc.	19,864	23,264
Working funds	117,833	133,225
Temporary cash investments		1,200,000
Accounts receivable:		
Refundable income taxes (Note 5)	14,942,360	14,942,360
Other, net	30,677,344	36,911,290
Deferred fossil fuel inventory costs (Notes 1 and 6)	35,028,046	25,945,328
Materials and supplies:		
Fuel	84,244,486	69,025,443
Other	13,434,110	14,302,759
Prepayments, etc.	1,787,436	1,661,276
Total current assets	189,630,956	169,677,309
DEFERRED DEBITS:		
Unamortized debt expense	1,253,151	1,240,111
Other	5,624,404	9,194,268
Total deferred debits	6,877,555	10,434,379
Total	$2,185,067,294	$2,215,998,940

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

BALANCE SHEET

LIABILITIES

	December 31, 1974	February 28, 1975 (Unaudited)
CAPITAL STOCK AND RETAINED EARNINGS (Notes 2 and 9):		
Preferred stock	$ 288,118,400	$ 288,118,400
Common stock	419,701,904	476,354,524
Retained earnings	128,762,726	145,120,894
Total capital stock and retained earnings	836,583,030	909,593,818
LONG-TERM DEBT (Note 3):		
Principal amounts	1,036,914,310	1,059,230,978
Less unamortized discount and premium, net	2,819,037	2,804,324
Long-term debt, net	1,034,095,273	1,056,426,654
CURRENT LIABILITIES:		
Notes payable (Note 4):		
Banks	50,315,000	37,381,000
Commercial paper	81,275,000	74,300,000
Other	67,046	63,782
Accounts payable:		
Construction contract retentions	5,184,910	5,088,929
Other	54,227,273	15,232,828
Customers' deposits	2,818,650	2,892,913
Taxes accrued	11,276,899	17,328,681
Interest accrued	19,321,270	23,373,452
Dividends declared	19,240,143	4,462,699
Current portion of deferred income taxes (Note 1)	13,577,543	9,217,837
Other	1,823,299	2,396,364
Total current liabilities	259,127,033	191,738,485
DEFERRED CREDITS:		
Investment tax credits (Note 5)	4,514,126	4,376,606
Customers' advances for construction	125,873	133,932
Other	115,406	78,328
Total deferred credits	4,755,405	4,588,866
RESERVE FOR INJURIES AND DAMAGES	724,920	729,888
ACCUMULATED DEFERRED INCOME TAXES (Note 5)	49,781,633	52,921,229
COMMITMENTS AND CONTINGENCIES (Note 6)		
Total	$2,185,067,294	$2,215,998,940

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

STATEMENT OF RETAINED EARNINGS

	Twelve Months Ended December 31, 1970	1971	1972	1973	1974	February 28, 1975 (Unaudited)
Balance at Beginning of Period:						
As previously reported	$62,502,253	$ 62,447,802	$ 68,153,300	$ 90,673,379	$110,816,532	$122,221,709
Adjustments (Note 9)	4,159,988	4,159,988	4,159,988	4,159,988	5,246,508	5,246,508
As restated	66,662,241	66,607,790	72,313,288	94,833,367	116,063,040	127,468,217
Net Income	24,825,122	37,473,640	60,529,232	65,998,934	72,270,556	77,223,547
Total	91,487,363	104,081,430	132,842,520	160,832,301	188,333,596	204,691,764
Deductions:						
Cash dividends declared:						
$5 Preferred ($5.00 per share per annum)	1,186,295	1,186,295	1,186,295	1,186,295	1,186,295	1,186,295
Serial preferred:						
$4.20 Series ($4.20 per share per annum)	420,000	420,000	420,000	420,000	420,000	420,000
$5.44 Series ($5.44 per share per annum)	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
$9.10 Series ($9.10 per share per annum)	2,415,004	2,730,007	2,730,008	2,730,008	2,730,008	2,730,008
$7.95 Series ($7.95 per share per annum)		3,369,940	2,782,521	2,782,522	2,782,523	2,782,523
$7.72 Series ($7.72 per share per annum)			2,097,835	3,860,000	3,860,000	3,860,000
$8.48 Series ($8.48 per share per annum)					5,986,655	5,986,655
Preferred Stock A:						
$7.45 Series ($7.45 per share per annum)				678,195	3,725,000	3,725,000
Common stock (per share: $1.46 in 1970 and 1971; $1.49 in 1972; $1.56 in 1973 and $1.60 in 1974 and for the twelve months ended February 28, 1975)	19,012,828	22,121,658	27,173,710	32,691,198	37,374,994	37,374,994
Capital stock discount and expense	485,446	580,242	258,784	147,563	145,395	145,395
Total deductions	24,879,573	31,768,142	38,009,153	45,855,781	59,570,870	59,570,870
Balance at End of Period (Note 2)	$66,607,790	$ 72,313,288	$ 94,833,367	$114,976,520	$128,762,726	$145,120,894

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

STATEMENT OF SOURCE AND USE OF FINANCIAL RESOURCES

	Twelve Months Ended					
	December 31,					February 28, 1975 (Unaudited)
	1970	1971	1972	1973	1974	
	Thousands of Dollars					
Source of Financial Resources:						
Current resources provided from operations:						
Net income	$ 24,825	$ 37,474	$ 60,529	$ 65,999	$ 72,271	$ 77,223
Items not requiring (providing) current resources:						
Depreciation and amortization	19,965	28,327	37,203	40,430	45,391	46,568
Allowance for funds used during construction	(10,505)	(14,708)	(24,759)	(38,093)	(54,609)	(56,879)
Noncurrent deferred income taxes—net	1,278	3,480	5,972	7,430	11,188	13,276
Investment tax credit adjustments—net	(1,505)	1,277	1,756	2,948	(6,241)	(6,226)
Total current resources from operations	34,058	55,850	80,701	78,714	68,000	73,962
Other resources provided:						
Additions to plant accounts representing capitalization of net cost of funds used during construction	10,505	14,708	24,759	38,093	54,609	56,879
Proceeds from assignment to lessor of internal combustion turbine generators					44,455	44,455
Proceeds from sale and leaseback of nuclear fuel					47,593	47,593
Miscellaneous—net	1,228	883	663	109	3,995	1,271
Total resources provided from operations and other*	45,791	71,441	106,123	116,916	218,652	224,160
Financings:						
Sale of:						
First mortgage bonds	89,302	134,351	99,317	199,755	150,979	173,217
Six-year note			50,000			
Preferred stock	29,575	34,506	49,364	49,949	64,231	
Common stock	29,186	33,910	125,039	63,449	3,381	59,382
Increase (decrease) in short-term notes payable less temporary cash investments	2,914	12,483	(70,164)	16,356	103,301	99,655
Total resources provided from financings	150,977	215,250	253,556	329,509	321,892	332,254
TOTAL	$196,768	$286,691	$359,679	$446,425	$540,544	$556,414
Use of Financial Resources:						
Gross property additions excluding nuclear fuel*	$167,741	$239,291	$318,382	$359,056	$382,602	$392,040
Nuclear fuel additions*	3,722	20,232	16,918	37,610	39,939	36,920
Dividends for the year	23,712	30,492	36,785	45,708	58,048	58,966
Net increase (decrease) in working capital, excluding short-term notes payable and temporary cash investments	1,593	(3,324)	(12,406)	4,051	59,955	68,488
TOTAL	$196,768	$286,691	$359,679	$446,425	$540,544	$556,414
Increase (Decrease) in Working Capital, Excluding Short-term Notes Payable and Temporary Cash Investments, by Components:						
Materials and supplies (principally fuel)	$ 11,419	$ (9,107)	$ 5,576	$ 105	$ 69,335	$ 43,723
Deferred fossil fuel inventory costs					35,028	21,534
Accounts receivable	300	5,898	1,163	2,900	19,869	22,640
Accounts payable	(4,374)	(2,219)	(8,567)	3,557	(40,310)	5,680
Current portion of deferred income taxes					(13,578)	(7,101)
Taxes accrued	(3,845)	6,932	(3,222)	3,036	(7,693)	(11,240)
Interest and dividends payable	(5,426)	(5,656)	(5,876)	(5,153)	(6,077)	(7,032)
Other—net	3,519	828	(1,480)	(395)	3,381	284
Net increase (decrease) in working capital, excluding short-term notes payable	$ 1,593	$ (3,324)	$(12,406)	$ 4,051	$ 59,955	$ 68,488

*Includes amounts charged to utility plant representing the "allowance for (the cost of) funds used during construction".

Certain reclassifications have been made of previously reported amounts in order to conform to current classifications.

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS

For the Five Years Ended December 31, 1974 and (Unaudited)
the Twelve Months Ended February 28, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

System of Accounts. The accounting records of the Company are maintained in accordance with uniform systems of accounts prescribed by the Federal Power Commission (FPC) and the regulatory commissions of North Carolina and South Carolina.

Electric Utility Plant. Electric utility plant is stated at original cost. The cost of additions, including replacements of units of property and betterments, is charged to utility plant. The Company includes in such additions an allowance for funds used during construction (8% for 1970 through February 28, 1975). Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are charged to maintenance expense. The cost of units of property replaced or renewed plus removal costs, less salvage, is charged to accumulated depreciation. Utility plant is subject to the lien of the Company's Mortgage.

Allowance for Funds Used During Construction. In accordance with the uniform systems of accounts prescribed by regulatory authorities, an allowance for funds used during construction is included in construction work in progress and credited to income, recognizing that funds used for construction were provided by borrowings, preferred stock, and common equity. This accounting practice results in the inclusion in utility plant in service of amounts considered by regulatory authorities as an appropriate cost for the purpose of establishing rates for utility charges to customers over the service lives of the property.

Depreciation and Amortization. Depreciation of utility plant, other than nuclear fuel, for financial reporting purposes is computed on the straight-line method based on estimated useful lives and charged principally to depreciation expense. Depreciation provisions as a percent of average depreciable property other than nuclear fuel approximated 2.7% for 1970 through 1972, 2.8% for 1973 and 1974, and 2.9% for the twelve months ended February 28, 1975. Amortization of nuclear fuel is computed on the unit-of-production method and charged to fuel expense.

Compensating Bank Balances. The Company maintains average balances in various banks in connection with bank lines of credit. Such compensating balances include amounts to support outstanding bank loans and to provide back-up for bearer commercial paper and demand notes, and may be withdrawn without sanctions on a day-to-day basis so long as the required average balances are maintained at the banks. Average balances, where required, are typically 10% of line. Furthermore, all of such balances are available for use as general operating funds. At December 31, 1974 and February 28, 1975, outstanding notes payable to banks required average compensating balances of $2,500,000 and $1,800,000, respectively. Unused bank lines of credit at February 28, 1975 totaled $77,700,000 and required total average compensating balances in the respective banks of $5,500,000.

During the twelve months ended February 28, 1975, average compensating balance requirements reached a maximum month end total of $9,500,000, in support of total lines of credit of $120,200,000.

Revenues. Customers' meters are read and bills are rendered on a cycle basis. Revenues are recorded when billed, as is the customary practice in the industry.

Deferred Fossil Fuel Inventory Costs. On February 6, 1974, pursuant to state regulatory commissions' orders, the Company put into effect retail service fossil fuel adjustment clauses to recover increased fuel costs. The provisions of the clauses result in a time lag between the date increased fuel cost is incurred and the date such cost is billed to customers. Accordingly, to properly match increased fuel costs with the related revenues, the Company is deferring the increased fuel cost when incurred and expensing it in the month the related revenues are billed. Therefore, operating expenses in the statement of income for 1974 and the twelve months ended February 28, 1975 have been decreased and Deferred Fossil Fuel Inventory Costs in the balance sheet as of December 31, 1974 and February 28, 1975 have been increased as compared with the respective balance sheets one year earlier by $35,028,046 and $21,534,429, respectively, representing the normalization of such cost. Related deferred income taxes have been recorded by increasing income tax expense in the statement of income and are reflected in Current Portion of Deferred Income Taxes on the balance sheet. See Note 6 concerning status of the fuel adjustment clauses.

Income Taxes. Deferred income tax provisions are recorded only to the extent such amounts are currently allowed for rate-making purposes. In compliance with regulatory accounting, income taxes are allocated between Operating Income and Other Income, principally with respect to interest charges related to construction work in progress. See Note 5 with respect to certain other income tax information.

Investment Tax Credits. Investment tax credits generated and utilized after 1971 have been deferred and are being amortized over the service lives of the property; substantially all credits prior to 1972 were deferred for amortization over five-year periods. At December 31, 1974 the Company had generated but not utilized investment tax credits totaling $9,800,000 (see Note 5 for prior years' investment tax credits eliminated in 1974 and included herein).

Preferred Dividends. Preferred stock dividends declared and charged to retained earnings include amounts applicable to the first quarter of the following year, except for the Preferred Stock A, $7.45 Series, issued in 1973, which dividends are wholly applicable to the period in which they are declared.

Retirement Plan. The Company has a non-contributory retirement plan for all regular full-time employees and is funding the costs accrued under the plan. Retirement plan costs for 1970-1974 and the twelve months ended February 28, 1975 were approximately: $1,383,000, $1,627,000, $1,700,000, $1,748,000, $2,421,000 and $2,625,000, respectively. In 1974, the Company amended the plan by changing, among other things, the accrued benefit determination method, the interest assumption from 4% to 4½%, and the amortization of the unfunded prior service cost over a period of twenty years from January 1, 1974 instead of from January 1, 1971. The effect of these changes on periodic net income is not material. The unfunded prior service cost at January 1, 1974, the date of the latest actuarial valuation, was approximately $9.6 million and as of December 31, 1974 is estimated at $17 million. As of December 31, 1974, the actuarially computed value of vested benefits exceeded assets of the plan by an estimated $5 million.

Other Policies. Other property and investments are stated principally at cost, less accumulated depreciation where applicable. Materials and supplies inventories are stated at average cost. The Company maintains an allowance for doubtful accounts receivable (December 31, 1974—$427,876; February 28, 1975—$361,247). Bond premium, discount and expenses are amortized over the life of the related debt.

	December 31, 1974	February 28, 1975
2. CAPITAL STOCK		
Preferred Stock, without par value, cumulative:		
$5 (authorized, 300,000 shares; outstanding, 237,259 shares)	$ 24,375,900	$ 24,375,900
Serial (authorized, 10,000,000 shares):		
$4.20 Series (outstanding, 100,000 shares)	10,000,000	10,000,000
$5.44 Series (outstanding, 250,000 shares)	25,000,000	25,000,000
$9.10 Series (outstanding, 300,000 shares)	30,000,000	30,000,000
$7.95 Series (outstanding, 350,000 shares)	35,000,000	35,000,000
$7.72 Series (outstanding, 500,000 shares)	49,425,000	49,425,000
$8.48 Series (outstanding, 650,000 shares)	64,317,500	64,317,500
Preferred Stock A (authorized, 5,000,000 shares):		
$7.45 Series (outstanding, 500,000 shares)	50,000,000	50,000,000
Total	$288,118,400	$288,118,400
Preference Stock (authorized, 2,000,000 shares; none issued)		
Common Stock, without par value (authorized, 60,000,000 shares):		
Outstanding—23,438,844 shares at December 31, 1974; 27,502,262 at February 28, 1975	$419,458,687	$476,354,524
Subscribed but not issued—19,875 shares	243,217	
Total	$419,701,904	$476,354,524

In March 1975 the Company sold 2,000,000 shares of $2.675 Preference Stock, Series A, in a public offering for proceeds of $47,900,000 before expenses of issuance.

At December 31, 1974, 965,460 (February 28, 1975, 902,042 shares) shares of unissued common stock were reserved for issuance under the Stock Purchase—Savings Program for Employees.

The $5 and Serial Preferred stocks are callable, in whole or in part, at redemption prices ranging from $102 to $115 a share plus accumulated dividends. The Preferred Stock A, $7.45 Series, is presently callable at $115 per share plus accumulated dividends unless refunding is involved, in which case there are substantial limitations on redemption until after September 2, 1980. The Preferred Stock A, $7.45 Series, has a mandatory sinking fund commencing in 1984 to redeem 20,000 shares annually at a redemption price of $100 per share plus accrued and unpaid dividends. In the event of liquidation, the preferred stocks are entitled to $100 a share plus accumulated dividends.

The Company's charter and the indentures relating to the First Mortgage Bonds contain provisions limiting payments of cash dividends on common stock under certain circumstances. At December 31, 1974, $21,035,987 was so restricted under the charter provisions, which restriction was removed in January 1975 upon the sale of 4,000,000 shares of common stock.

For the years 1970 through 1974 and the two months ended February 28, 1975, shares of capital stock were issued as follows, representing the total increases in the respective accounts in the periods:

	Common Stock Sales		Preferred Stock Sales	
	Public Offerings	Under the Stock Purchase—Savings Program for Employees	Public Offerings	Private Placement
1970	1,250,000	62,333	300,000	
1971	1,500,000	69,226	350,000	
1972	4,500,000	69,442	500,000	
1973	3,000,000	109,247		500,000
1974		205,081	650,000	
Two months ended February 28, 1975	4,000,000	63,418		

3. LONG-TERM DEBT

First mortgage bonds (principal amounts):	
3⅛% Series, due 1979	$ 20,100,000
3¼% Series, due 1979	43,930,000
2⅞% Series, due 1981	15,000,000
3½% Series, due 1982	20,000,000
4⅛% Series, due 1988	20,000,000
4⅞% Series, due 1990	25,000,000
4½% Series, due 1991	25,000,000
4½% Series, due 1994	30,000,000
11⅛% Series, due 1994	50,000,000*
5⅛% Series, due 1996	30,000,000
6⅜% Series, due 1997	40,000,000
6⅞% Series, due 1998	40,000,000
8¾% Series, due 2000	40,000,000
8¾% Series, due 2000	50,000,000
7⅜% Series, due 2001	65,000,000
7¾% Series, due 2001	70,000,000
7¾% Series, due 2002	100,000,000
7¾% Series, due 2003	100,000,000
8⅛% Series, due 2003	100,000,000
9¾% Series, due 2004	125,000,000
Total	1,009,030,000
Six-year note payable to a bank, due July 31, 1978 at a fluctuating rate (11.115% at February 28, 1975) related to the bank's prime rate	50,000,000
Miscellaneous promissory notes (1974, $234,310)	200,978
Total at February 28, 1975	$1,059,230,978

* $22,350,000 issued in January 1975.

The bond indenture, as amended, contains requirements that additional property be certified or that specified amounts in cash and/or principal amount of bonds be delivered annually to the Trustee as an improvement fund. These requirements are approximately $6,100,000 for 1975 and $6,200,000 for each of the years 1976 through 1980. Current liabilities do not include the current improvement fund requirements since the Company meets such requirements by the certification of additional property.

Bonds of the 11⅛% Series due 1994 shall be redeemed under sinking fund provisions at $2,000,000 each year commencing on December 1, 1976, at the principal amount without premium plus accrued interest.

4. Notes Payable and Lines of Credit

At December 31, 1974, outstanding notes payable to banks totaled $50,315,000 representing notes due on or before February 27, 1975 with an average effective interest rate of 10.13%; outstanding commercial paper totaled $81,275,000, with due dates ranging from 2 to 42 days and had an average effective interest rate of 10.04%. During the twelve months then ended, short-term notes payable outstanding averaged (on a daily weighted basis) $63,162,000 at an average effective interest rate of 9.86% and with terms of up to three months.

At February 28, 1975, outstanding notes payable to banks totaled $37,381,000 representing notes due on or before May 22, 1975 with an average effective interest rate of 8.24%; outstanding commercial paper totaled $74,300,000 with due dates from date of issue ranging from 26 to 59 days and had an average effective interest rate of 7.21%. During the twelve months then ended, short-term notes payable outstanding averaged (on a daily weighted basis) $72,450,703 at an average effective interest rate of 10.25% and with terms of up to three months.

During the twelve months ended December 31, 1974 and February 28, 1975, maximum month-end aggregate short-term notes payable totaled $161,185,961.

At February 28, 1975, the Company had firm, unused lines of credit with various banks totaling $77,700,000 including amounts to back up outstanding commercial paper and demand notes. Such lines of credit are periodically reviewed by the various banks and at that time may be renewed or canceled.

5. Income Taxes

Income tax expense is composed of the following:

	Twelve Months Ended					
	December 31,					February 28,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Included in Operating Expenses:						
Provision (credit) for currently payable (refundable) taxes:						
Federal	$7,461	$ 7,893	$15,879	$ 8,952	$(3,190)	$ 4,688
State	1,055	1,679	2,771	1,938	1,612	1,750
Provision for deferred taxes, net	1,278	3,480	5,972	7,430	24,766	20,376
Investment tax credit adjustments, net (credit)	(1,505)	1,277	1,756	2,948	(6,241)	(6,226)
Total charged to operating income	8,289	14,329	26,378	21,268	16,947	20,588
Reduction in currently payable taxes allocated to Other Income	(2,709)	(3,532)	(6,666)	(10,477)	(16,068)	(17,241)
Total income tax expense	$5,580	$10,797	$19,712	$10,791	$ 879	$ 3,347

At December 31, 1974 and February 28, 1975, the Company had recorded income tax refunds receivable totaling $14,942,360. The amount represents estimated tax recoveries to result from the carryback of the 1974 net operating loss (see Note 1 for accounting policy for Investment Tax Credits and Note 9 with respect to income tax refund for years 1961 through 1968 totaling $4,159,988).

Federal income tax returns through 1970 have been examined and closed.

Provisions for net deferred income taxes result from timing differences in the recognition of the following items for tax and financial reporting purposes and which tax effects were as follows:

	Twelve Months Ended					
	December 31,					February 28,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Excess of accelerated depreciation deductions over straight-line depreciation otherwise deductible for income tax purposes	$1,278	$3,480	$5,972	$7,430	$14,513	$16,589
Deferred fossil fuel inventory costs					16,814	10,336
Taxable gain on sale and leaseback of properties					(3,325)	(3,313)
Accrual of franchise taxes on books but not deductible until paid					(3,236)	(3,236)
Provision for net deferred income taxes	$1,278	$3,480	$5,972	$7,430	$24,766	$20,376

A reconciliation of an amount, computed by applying the statutory federal income tax rate to pre-tax income (net income plus income tax expense), to total income tax expense follows:

	Twelve Months Ended					
	December 31,					February 28,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Amount derived by multiplying pre-tax income by statutory rate	$14,959	$23,170	$38,516	$36,859	$35,112	$38,674
Add (deduct):						
Investment tax credits (utilized) eliminated (See Note 1)	(81)	(3,439)	(4,027)	(5,386)	5,706	5,706
Other specific reconciling items multiplied by the statutory rate:						
Allowance for funds used during construction	(5,168)	(7,059)	(11,884)	(18,285)	(26,212)	(27,302)
Differences between book and tax depreciation for which deferred taxes have not been provided	(2,106)	(2,408)	(2,874)	(3,020)	(3,523)	(3,715)
Taxes and fringe benefit costs capitalized	(697)	(1,782)	(3,067)	(3,856)	(4,022)	(3,892)
State income taxes and other differences, net	178	1,038	1,292	1,531	59	102
Provision for current and deferred taxes	7,085	9,520	17,956	7,843	7,120	9,573
Investment tax credit adjustments, net (credit)	(1,505)	1,277	1,756	2,948	(6,241)	(6,226)
Total income tax expense	$ 5,580	$10,797	$19,712	$10,791	$ 879	$ 3,347

6. COMMITMENTS AND CONTINGENCIES

Reference is made to "Construction Program", "Financing Program", and "Business" for information regarding estimated future plant expenditures.

At December 31, 1974, firm commitments for construction aggregated approximately $400 million plus approximately $264 million for initial and replacement nuclear fuel. At February 28, 1975, those commitments were approximately $385 million plus approximately $264 million, respectively. In addition, the Company has a contract with the Energy Research and Development Administration for nuclear fuel enrichment requirements through June 30, 2002 which is cancelable without penalty upon five years written notice. Payments for enrichment services are anticipated to total $79 million during the next five years. Many contracts include escalation provisions.

The Company has entered into an agreement with Pickands Mather & Co. (PM), a firm engaged in owning, operating and managing mineral properties, to develop through a subsidiary a deep coal mine in Pike County, Kentucky. As of February 28, 1975, the Company had advanced $2.6 million to the subsidiary. The Company's investment to date, in its opinion, is not material in relation to its utility properties and business. The subsidiary is owned 80% by the Company and 20% by PM. The Board of Directors of the subsidiary is comprised of four members named by the Company and one by PM. The currently estimated maximum capital cost of the mine of $50 million will be financed by the subsidiary through equipment lease arrangements and long-term borrowing. The Company and PM have entered into coal purchase contracts for 80% and 20%, respectively, of the subsidiary's production at prices sufficient to meet all of its costs. The Company has a contingent liability to lend funds to the subsidiary for development cost overruns and for operating cash requirements during any full calendar quarter during which no coal is delivered.

During 1974 the Company assigned its rights to eleven internal combustion turbine generator units and related equipment for approximately $44.4 million. The property assigned excluded various auxiliary facilities, foundations and site preparation costs. The turbines were simultaneously leased to the Company under a 25-year lease arrangement, and nine units were placed in commercial operation during 1974. The Company is contingently liable to repurchase this equipment under certain circumstances.

In December 1974, the Company sold certain nuclear fuel materials for its cost of approximately $47.6 million and then leased those materials from the purchaser for use when required in the two units of its new Brunswick Plant. The Company is contingently liable to repurchase these materials under certain circumstances.

Electric utility plant at December 31, 1974 and February 28, 1975 includes approximately $15 million representing cost less accumulated depreciation of four hydroelectric projects licensed by the FPC, which licenses expire in 1976, 1993 and 2008. Upon or after expiration of each license, the United States may take over the project, or the FPC may issue a new license either to the Company or a new licensee. In the event of a takeover or licensing to another licensee, the Company would be paid its "net investment" in the project, not to exceed fair value, plus severance damages, if any. No provision for amortization reserves as required for the determination of "net investment" has been recorded as such amounts, if any, are considered immaterial. In 1973, the Company applied for a new 50-year license for the Walters

Hydroelectric Project which original license expires in 1976. A competing application has been filed by a group of rural electric cooperatives.

The Company has committed a total of $3,450,000 for research concerning development of the Liquid Metal Fast Breeder Reactor payable in ten equal annual installments which commenced in 1972.

Reference is made to "Business—Fossil Fuel Supply" for information with respect to claims against the Company and litigation with regard to coal supply contracts and to "Business—Other Litigation" with respect to another claim.

Reference is made to "Retail Rate Increases" for information regarding challenges by the North Carolina Attorney General of the validity of the fossil fuel adjustment clause and the reasonableness of the amounts billed by the Company for November 1974 and subsequent months.

During 1974 the Company's construction program was reduced, including the elimination from its authorized construction budget of 5 proposed new generating units. The Company expects to retain for future use as much value as possible from the approximately $13 million (including $6 million land costs) it had paid or accrued in connection with such units. (Of the total amount, approximately $7 million is included in plant held for future use and approximately $6 million is included in construction work in progress.) Additionally, the Company will incur costs of an undetermined amount arising out of related contracts for generating equipment. The Company will seek regulatory approval to allocate any charge-offs related to the units over a period of years and to recover them through rates. No provision has been recorded in the statement of income for any losses which may result because the significance and amounts are not presently known, although they could be substantial, and the final accounting disposition is not presently determinable.

Operating revenues for the year ended December 31, 1974 and the twelve months ended February 28, 1975 include $30,444,000 and $55,272,000, respectively, which were billed subject to further regulatory review and refund with interest, subsequent to September 30, 1974 to retail customers in North Carolina under the provisions of a fossil fuel adjustment clause. On April 2, 1975, the North Carolina Utilities Commission (NCUC) issued an order affirming such revenues and requiring monthly review by the NCUC of that month's billing by the Company under the terms of the fossil fuel adjustment clause, which review could result in refunds to the extent the NCUC determines the revenues billed were not appropriate. Additionally, operating revenues for the twelve months ended February 28, 1975 include approximately $8,087,000 of amounts billed (including approximately $5,955,000 under provisions of a fossil fuel adjustment clause) to wholesale customers during January and February 1975 which are subject to refund with interest to the extent, if any, not finally allowed in pending proceedings before the FPC. Deferred fossil fuel inventory costs at December 31, 1974 of $35,028,046 and at February 28, 1975 of $25,945,328, represent approximate amounts to be billed customers during the following two months. As a result of the April 2, 1975 order, the amount of deferred costs subject to further regulatory review and approval, which may necessitate adjustments if such reviews so require, were approximately $5,500,000 (FPC) at December 31, 1974 and $13,400,000 (FPC, $6,200,000; NCUC, $7,200,000) at February 28, 1975.

7. Proposed Accounting Rules

The FPC has under consideration proposed revisions in its Uniform System of Accounts relating to the deferring or normalizing of interperiod income taxes. The revisions would bring the accounting for interperiod income tax allocations into conformity with generally accepted accounting principles for non-regulated businesses and would provide an accounting basis in the Uniform System of Accounts for the inclusion of such deferred taxes for rate-making purposes, except where a regulatory body having rate jurisdiction requires something less than full deferral, in which case, only the lesser amount would be recorded for accounting and rate-making purposes. The ultimate effect, if any, on the Company's earnings is not presently determinable pending definitive action on the proposals by the FPC and any actions which may subsequently be taken by state regulatory bodies.

8. Supplementary Income Statement Information

	Twelve Months Ended					
	December 31,					February 28, 1975
	1970	1971	1972	1973	1974	
	Thousands of Dollars					
Amortization of nuclear fuel, charged to fuel expense		$ 4,924	$ 9,261	$ 7,694	$ 8,757	$ 8,713
Taxes—Other than on income:						
Ad valorem	$ 7,352	$ 8,106	$ 9,406	$11,804	$13,273	$13,531
State and city franchise	10,999	12,709	14,866	17,384	28,085	30,751
Federal and state social security	1,003	1,217	1,513	2,323	2,961	3,120
Miscellaneous	100	103	129	161	179	195
Total	19,454	22,135	25,914	31,672	44,498	47,597
Less—Amount charged to plant and sundry accounts	401	736	1,893	2,966	3,814	3,837
Remainder—Charged to operating expenses	$19,053	$21,399	$24,021	$28,706	$40,684	$43,760

Annual rentals under long-term leases at December 31, 1974 and February 28, 1975 are not considered material.

Maintenance and repairs, and depreciation, other than amounts set out separately in the statement of income, and rent expense are not significant.

9. Adjustments to Retained Earnings

During 1974, the Company received a $4,159,988 refund of federal income taxes paid with respect to the years 1961 through 1968. The balances of retained earnings at December 31, 1968 and subsequent years have been restated by such amount. Received also in connection with the tax refund was $2,089,461 of refunded interest and interest earned applicable to years prior to 1974. Accordingly, such interest (net of income tax of $1,002,941) has also been added to the December 31, 1973 balance but has not been allocated to 1973 and prior years since the effect on any one year is not material.

UNDERWRITING

The Underwriters named below have severally agreed, subject to certain conditions, to purchase from the Company the principal amounts of New Bonds set forth below opposite their respective names. The Underwriting Agreement provides that the Underwriters are obligated to purchase all of the New Bonds, if any are purchased.

Underwriter	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 7,900,000
Kidder, Peabody & Co. Incorporated	7,900,000
Salomon Brothers	7,900,000
The First Boston Corporation	1,750,000
Goldman, Sachs & Co.	1,750,000
Morgan Stanley & Co. Incorporated	1,750,000
Blyth Eastman Dillon & Co. Incorporated	1,200,000
Dillon, Read & Co. Inc.	1,200,000
Drexel Burnham & Co. Incorporated	1,200,000
Halsey, Stuart & Co. Inc.	1,200,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,200,000
E. F. Hutton & Company Inc.	1,200,000
Kuhn, Loeb & Co.	1,200,000
Lazard Freres & Co.	1,200,000
Lehman Brothers Incorporated	1,200,000
Loeb, Rhoades & Co.	1,200,000
Paine, Webber, Jackson & Curtis Incorporated	1,200,000
Reynolds Securities Inc.	1,200,000
Smith, Barney & Co. Incorporated	1,200,000
Wertheim & Co., Inc.	1,200,000
White, Weld & Co. Incorporated	1,200,000
Dean Witter & Co. Incorporated	1,200,000
Warburg Paribas Becker Inc.	1,200,000
Wheat, First Securities, Inc.	1,200,000
L. F. Rothschild & Co.	1,100,000
Shearson Hayden Stone Inc.	1,100,000
Shields Model Roland Securities Incorporated	1,100,000
Weeden & Co. Incorporated	1,100,000
ABD Securities Corporation	600,000
Robert W. Baird & Co. Incorporated	600,000
Basle Securities Corporation	600,000
Bateman Eichler, Hill Richards, Incorporated	600,000
J. C. Bradford & Co.	600,000
Alex. Brown & Sons	600,000
Dain, Kalman & Quail, Incorporated	600,000
Daiwa Securities America Inc.	600,000
Eppler, Guerin & Turner, Inc.	600,000
EuroPartners Securities Corporation	600,000
Faulkner, Dawkins & Sullivan Securities Corp.	600,000
Robert Fleming Incorporated	600,000
Harris, Upham & Co. Incorporated	600,000
Interstate Securities Corporation	$ 600,000
Keefe, Bruyette & Woods, Inc.	600,000
Kleinwort, Benson Incorporated	600,000
Ladenburg, Thalmann & Co. Inc.	600,000
McDonald & Company	600,000
Moseley, Hallgarten & Estabrook Inc.	600,000
New Court Securities Corporation	600,000
The Nikko Securities Co. International, Inc.	600,000
Nomura Securities International, Inc.	600,000
Piper, Jaffray & Hopwood Incorporated	600,000
Wm. E. Pollock & Co., Inc.	600,000
Prescott, Ball & Turben	600,000
R. W. Pressprich & Co. Incorporated	600,000
The Robinson-Humphrey Company, Inc.	600,000
SoGen-Swiss International Corporation	600,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	600,000
Spencer Trask & Co. Incorporated	600,000
UBS-DB Corporation	600,000
Ultrafin International Corporation	600,000
Wood, Struthers & Winthrop Inc.	600,000
Yamaichi International (America), Inc.	600,000
Advest Co.	400,000
American Securities Corporation	400,000
A. E. Ames & Co. Incorporated	400,000
Arnhold and S. Bleichroeder, Inc.	400,000
Bacon, Whipple & Co.	400,000
William Blair & Company	400,000
Blunt Ellis & Simmons Incorporated	400,000
Bruns, Nordeman, Rea & Co.	400,000
Butcher & Singer	400,000
The Chicago Corporation	400,000
Craigie, Mason-Hagan, Inc.	400,000
Crowell, Weedon & Co.	400,000
A. G. Edwards & Sons, Inc.	400,000
Edwards & Hanly	400,000
First of Michigan Corporation	400,000
J. J. B. Hilliard, W. L. Lyons, Inc.	400,000
Hoppin, Watson Inc.	400,000
Johnson, Lane, Space, Smith & Co., Inc.	400,000
Johnston, Lemon & Co. Incorporated	400,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc.	400,000

Underwriter	Principal Amount
Loewi & Co. Incorporated	$ 400,000
McCarley & Company, Inc.	400,000
The Milwaukee Company	400,000
Moore, Leonard & Lynch, Incorporated	400,000
Newhard, Cook & Co. Incorporated	400,000
The Ohio Company	400,000
Parker/Hunter Incorporated	400,000
Rauscher Pierce Securities Corporation	400,000
Reinholdt & Gardner	400,000
Rotan Mosle Inc.	400,000
Stern Brothers & Co.	400,000
Stone & Youngberg	400,000
Sutro & Co. Incorporated	400,000
Tucker, Anthony & R. L. Day	400,000
C. E. Unterberg, Towbin Co.	400,000
William D. Witter, Inc.	400,000
Wood Gundy Incorporated	400,000
Adams & Peck	200,000
Almstedt Brothers, Inc.	200,000
Anderson & Strudwick, Incorporated	200,000
Baker, Watts & Co.	200,000
Carolina Securities Corporation	200,000
Davenport & Co. of Virginia, Inc.	200,000
Doft & Co., Inc.	200,000
Elkins, Stroud, Suplee & Co.	200,000
Evans & Co. Incorporated	200,000
Ferris & Company, Incorporated	200,000
Heine, Fishbein & Co., Inc.	200,000
Herzfeld & Stern	200,000
Howard, Weil, Labouisse, Friedrichs Incorporated	200,000
The Illinois Company Incorporated	200,000
Investment Corporation of Virginia	200,000
McDaniel Lewis & Co.	200,000
Midland Doherty Inc.	200,000
Moore & Schley, Cameron & Co.	200,000
H. O. Peet & Co. Inc.	200,000
Rand & Co., Inc.	200,000
Scott & Stringfellow, Inc.	200,000

Underwriter	Principal Amount
Stuart Brothers	$ 200,000
Watling, Lerchen & Co. Incorporated	200,000
Birr, Wilson & Co., Inc.	150,000
The Cherokee Securities Company	150,000
City Securities Corporation	150,000
Cunningham, Schmertz & Co., Inc.	150,000
Shelby Cullom Davis & Co.	150,000
Equitable Securities Corporation	150,000
First Albany Corporation	150,000
First Equity Corporation of Florida	150,000
First Southwest Company	150,000
Freeman Securities Company, Inc.	150,000
Frost, Johnson, Read & Smith, Inc.	150,000
Fulton, Reid & Staples, Inc.	150,000
Furman Investment Corp. of S. C., Inc.	150,000
Glickenhaus & Co.	150,000
Gradison & Company Incorporated	150,000
Greenshields & Co Inc	150,000
Josephthal & Co.	150,000
Kormendi, Byrd Brothers, Inc.	150,000
Laidlaw-Coggeshall Inc.	150,000
Lamson Bros. & Co.	150,000
Manley, Bennett, McDonald & Co.	150,000
A. E. Masten & Co. Incorporated	150,000
McCormick & Co., Incorporated	150,000
McLeod, Young, Weir, Incorporated	150,000
J. Lee Peeler & Company, Inc.	150,000
Raffensperger, Hughes & Co., Inc.	150,000
Richardson Securities, Inc.	150,000
Scherck, Stein & Franc, Inc.	150,000
Seasongood & Mayer	150,000
Stephens Inc.	150,000
Stix & Co. Inc.	150,000
Thomas & Company, Inc.	150,000
Wagenseller & Durst, Inc.	150,000
Wiley Bros., Inc.	150,000
Yarnall, Biddle & Co.	150,000
Total	$100,000,000

Through their Representatives, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Kidder, Peabody & Co. Incorporated and Salomon Brothers, the several Underwriters of the New Bonds have advised the Company as follows:

The several Underwriters are offering the New Bonds to the public initially at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession of not in excess of .70% of the principal amount. The Underwriters may allow, and such dealers may reallow, a discount of not in excess of .375% of such principal amount to certain other dealers. After the initial public offering, the public offering price and the concessions and discounts to dealers may be changed.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

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$100,000,000

Carolina Power & Light Company

First Mortgage Bonds

11% Series due April 15, 1984

PROSPECTUS

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Kidder, Peabody & Co.
Incorporated

Salomon Brothers

Dated April 24, 1975