Carolina Power & Light Company,
1974 Annual Report

EXHIBIT A

CP&L '74

Highlights of 1974

	1974	1973	Percent Change	Average Annual Growth Rate 1964-1974
Operating Revenues				
*Excluding Nonterritorial Sales	$ 447,477,000	$ 327,598,000	37%	15%
Total	$ 460,977,000	$ 341,206,000	35	15
Net Income	$ 72,271,000	$ 65,999,000	10	14
Number Shares of Common Stock Outstanding (Year End)	23,439,000	23,234,000	1	8
Earned per Common Share	$ 2.21	$ 2.58	(14)	3
Cash Dividends Paid per Common Share	$ 1.60	$ 1.54	4	5
Dividends Paid (Common and Preferred)	$ 56,326,000	$ 43,552,000	29	16
Kilowatt-Hour Sales (Thousands)				
*Excluding Nonterritorial Sales	23,607,000	23,229,000	2	10
Total Sales	24,076,000	24,082,000	—	11
System Capability Including Purchases (Kilowatts)	6,206,000	5,645,000	10	12
Maximum Service Area Hourly Load (Kilowatts)	4,771,000	4,711,000	1	11
Total Utility Plant (Including Nuclear Fuel)	$2,252,856,000	$1,957,728,000	15	17
Construction Expenditures	$ 381,375,000	$ 358,091,000	7	28
Customers (Year End)	648,000	632,000	3	3
Employees (Year End)	4,742	4,397	8	7

*Nonterritorial sales are sales to other electric utilities outside the Company service area.

Carolina Power & Light Company, 336 Fayetteville Street, Raleigh, N. C. 27602

COVER: The Skaale Energy Control Center in Raleigh nerve center for the Company's bulk power supply sys tem, became operational in September 1974. The sophis

Contents

The 1974 Operating Revenue Dollar

Source

	Amount	Cents Per Dollar
Residential customers	$156,134,000	34¢
Commercial customers	88,420,000	19
Industrial customers	135,310,000	29
Wholesale customers	46,015,000	10
Nonterritorial sales	13,500,000	3
Other electric operating revenues	21,598,000	5
	$460,977,000	100¢

Use

Fuel	$235,842,000	51¢
Deferred fossil fuel expense (credit)	(35,028,000)	(8)
Purchased and interchange power—net	14,494,000	3
Taxes	57,631,000	13
Wages and employee benefits*	38,031,000	8
Depreciation	35,544,000	8
Maintenance (except employee wages)	20,180,000	4
Other operating expenses	16,929,000	4
Compensation to investors for use of their funds (interest, 9¢; preferred stock, 2¢; common stock, 6¢)	77,354,000	17
	$460,977,000	100¢

*Does not include $20,288,000 of wages and employee benefits for Company employees that was charged to Construction and other accounts.

ticated control facility, utilizing the latest in digital computers, is expected to contribute to the economy and reliability of the Company's system operations.

The President's Message

My fellow shareholders:

The year 1974 was unique for our industry and our Company. Soaring prices of coal and oil, high interest and preferred dividend rates, mild weather, continuing rate increase proceedings and the revision of construction plans occasioned by difficulty in obtaining new capital were major developments.

Total energy sales decreased slightly from 1973. Plant investment, including nuclear fuel, increased 15 percent to $2.3 billion, total operating revenues increased 35 percent to $461 million and net income was up 10 percent to $72 million.

Sales of electricity within our service area increased 2 percent and related revenues were up 37 percent to $442 million.

Although net income increased, earnings per share decreased from $2.58 in 1973 to $2.21 in 1974 as the result of a larger number of preferred and common shares outstanding.

The annual dividend rate on common stock was unchanged at $1.60.

We have continuing studies underway to project the future electric energy needs of our service area. The most recent forecast is for an annual growth rate of about 4.6 percent for 1975 and 7.7 percent during the next 10 years.

The Company spent $381.4 million for construction in 1974, which required the raising of $311 million of new capital. This construction figure included over $50 million representing the interest and other capital costs for construction in progress. To continue our construction program, we expect to spend $343 million in 1975 and $1.14 billion for the three years 1975-77. Environmental protection measures will account for $105 million of this amount.

Because of difficulty in obtaining new capital on reasonable terms, we reluctantly have revised our goal for system generating reserves at the time of peak load from 18 percent to 12 percent and are using this as a basis for our construction planning. The lower reserve level will not be reached until after 1978.

The major plant addition in 1975 will be the first 821,000 kilowatt Brunswick nuclear unit, scheduled for operation in the summer. When the second unit of the same size is placed into operation in 1976, about 45 percent of the Company's generation in the following 12 months will come from nuclear sources. This will help stabilize the price of electricity.

Because of increased operating and capital expenses, the Company filed in October 1973 for a retail rate increase averaging about 21 percent.

Interim increases were granted in 1974, pending final decisions by the Commissions. In January 1975, the regulatory commissions in both states granted permanent rate increases. In North Carolina, the full amount requested was approved with a minor restructuring of rate schedules to favor lower-use residential customers. In South Carolina, the Commission approved 83 percent of the amount requested with some downward adjustment of residential rates for monthly usage below 250 kilowatt hours. The rate increase would produce additional annual revenue of $51.9 million from North Carolina and $9.6 million from South Carolina customers based on the 1974 level of sales.

In February 1974, we were authorized to place into effect a fossil fuel adjustment clause on retail sales in both states that enables the Company to recover the extraordinarily high prices paid for coal and oil. This fuel clause was in effect during the remainder of 1974.

Pending the outcome of a hearing on the reasonableness of the fuel clause billing factor, the North Carolina Commission, effective February 1, 1975, ordered CP&L and the other two major electric utilities operating in the state to begin billing, for a period of not more than 60 days, only 75 percent of the amount of increased fuel cost applicable to residential customers.

As a result of the Commission's action, the Company placed into effect stringent economy measures to offset the revenue lost through the temporary fuel clause rollback. These measures included an across-the-board salary cutback, a further revision of construction schedules, suspension of research and development expenditures and deferral of some system and power plant maintenance. In making this adjustment, our main concern was to reduce all expenditures which did not immediately affect direct service to our customers and to maintain the financial stability of the Company.

On January 2, 1975, the Federal Power Commission allowed the Com-

pany to begin billing to its wholesale customers a base rate increase and fossil fuel adjustment charge, with provision for refund of the amount, if any, which is not finally allowed.

Even though our rates have risen substantially in the past year, our customers continue to pay less per unit than the national average. During 1974, our average residential customer used 36 percent more electricity and paid 9 percent less per kilowatt hour than the average charge nationally.

Coal produced 66.3 percent of the Company's generation during the year, while nuclear accounted for 19.6 percent, oil 9.4 percent, hydro 3.8 percent and natural gas 0.9 percent. The Robinson nuclear unit produced a savings in fuel cost during 1974 of more than $43 million as compared with the cost of fuel to generate the same amount of energy from fossil plants.

The power industry is a victim of inflation to a greater degree than industry generally because of the larger amount of capital required for construction of new power facilities and because the world fuel situation is more aggravated than other elements of the economy.

Since economic opportunity for everyone is directly related to an adequate power supply, we must develop a public understanding that "no power is as expensive as no power at all." If an adequate supply of electricity is to be maintained, it must be priced to cover all costs, including the cost of money. Electricity generated from coal and uranium must help reduce dependence upon foreign oil.

The nation has entered a new era as to the price and availability of electricity. We have a continuing task to help our customers understand why the price is higher and that the alternative to higher prices now is to risk power shortages in the future.

We are committed to finding the solutions to our energy problems and are proud that utilization of nuclear power by 1976 will place our Company as far advanced in the nuclear area as the nation expects to be by the year 2000. We see nuclear-generated electricity as a bright spot with respect to availability and price.

I believe we can take justifiable pride in the performance of our Company during the past year. For example, based on the latest figures available, CP&L's original cost of constructing facilities is 23 percent below the industry average per unit of electricity sold and is the lowest of 19 companies generally located in the southeast. Other specific areas of comparison show CP&L consistently performing better than the industry average insofar as cost to deliver a unit of electricity and rates charged are concerned.

We are experiencing trying economic times and our Company has not been immune to the complex factors affecting the economic slowdown. However, the dedication and loyalty of our 4,700 employees and your continued support will enable the Company to solve its problems and continue to provide efficiently a service that is so vital to our national well-being.

Respectfully submitted by order of the Board of Directors.

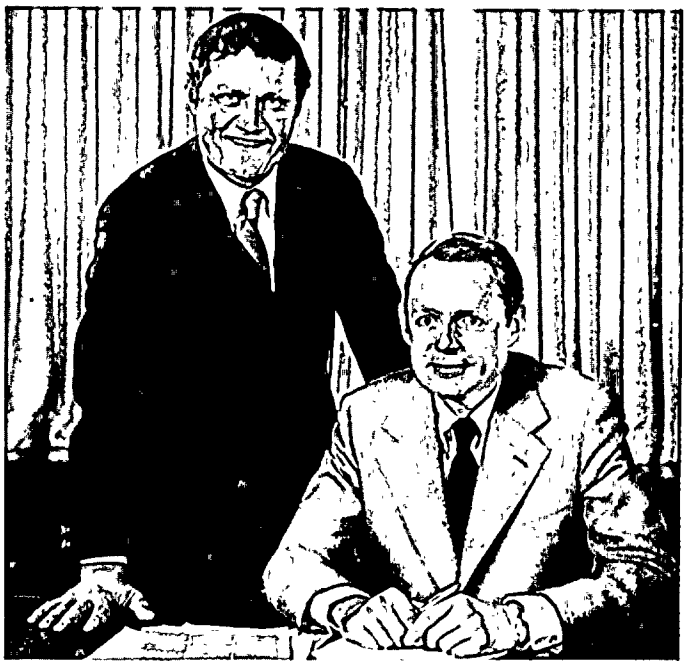
Sincerely,

Sharon Harris

Chairman/President

March 19, 1975

Financial



Sherwood H. Smith, Jr., executive vice-president, administration (left) and Edward G. Lilly, Jr., senior vice-president, finance.

Net Income, Earnings and Dividends

Net income for 1974 was $72,271,000 as compared with $65,999,000 for 1973. Earnings per share based on the larger average number of shares outstanding were $2.21 as compared with $2.58 in 1973. Continuing the dividend rate established in September 1973, dividends totaling $1.60 per share were paid on common stock during the year.

Operating Revenues

Operating revenues from sales of electricity within the service area during 1974 increased $118.9 million or 37 percent over 1973. During 1973, such revenues increased $40.7 million or 14 percent over 1972. Rate increases placed into effect since 1970 resulted in increased revenue of $180,760,000 in 1974, $68,091,000 in 1973 and $53,312,000 in 1972.

Sales of electric energy, excluding nonterritorial sales, increased 2 percent in 1974 as compared with 13 percent in 1973, reflecting the effect of energy conservation, relatively milder weather and reduced economic activity.

Operating Expenses

Operating expenses increased 43 percent or $116 million in 1974 as compared with a 13 percent increase or $31.1 million in 1973.

Cost of fuel for electric generation increased 122 percent in 1974 as compared with an increase of 20 percent in 1973 while total kilowatt hours generated in fuel-burning units decreased by .5 percent in 1974 after increasing 9.7 percent in 1973. Costs of fossil fuel burned have increased significantly averaging 46.5 cents per million Btu's in 1972, 50.6 cents in 1973, and 118.8 cents during 1974.

Deferred fossil fuel expense (credit) represents the net effect of deferring increased fuel costs, as defined by applicable fuel adjustment clauses, until the month the related revenue is billed (approximately two months later).

Total cost of purchased power increased 85 percent in 1974 as compared with a 32 percent decrease in 1973. The 1974 increase primarily reflected a 15 percent increase in electricity purchased and fuel cost escalation provision in contracts. The 1973 decrease was the result of the company's generating a greater proportion of its energy requirements thereby reducing purchased electricity.

Other operation and maintenance expenses reflect the additional personnel and other costs required for new facilities placed in service, especially for additional steam-electric generating units added at the Sutton Plant in mid-1972 and the Roxboro Plant in

RESULTS OF OPERATIONS

Operating revenues:
- Residential
- Commercial
- Industrial
- Government and municipal
- Total from retail operations
- Sales for resale
- Total from electricity sales in service area
- Nonterritorial electricity sales
- Miscellaneous electric revenues
- Total operating revenues

Operating expenses:
- Fuel
- Deferred fossil fuel expense (credit), net
- Purchased power
- Wages and employee benefits
- Maintenance (except employee wages)
- Other operation expenses
- Taxes other than income taxes
- Income tax expense
- Depreciation
- Total operating expenses
- Operating Income

Other income
- Allowance for funds used during construction
- Income taxes—credit
- Other, net
- Total other income
- Gross income

Interest charges
- Net income

Preferred dividend requirements
- Earnings for common stock

Average common shares outstanding
Earnings per common share
Common dividends paid per share

See Statistical Review for additional data for the years 1964 and 1969 through 1974.

J. A. Jones, executive vice-president, engineering, construction and operation (left) and W. J. Ridout, Jr., senior vice-president, customer services.

1974	Percent Change from 1973	1973	Percent Change from 1972
(000's omitted)		(000's omitted)	
$156,134	33%	$117,559	14%
88,420	35	65,647	13
135,310	60	84,366	13
16,034	38	11,632	7
395,898	42	279,204	13
46,015	5	43,827	24
441,913	37	323,031	14
13,499	(1)	13,608	(35)
5,565	22	4,567	21
460,977	35	341,206	11
235,842	122	106,191	20
(35,028)	—	—	—
14,494	85	7,847	(32)
38,031	17	32,391	20
20,180	(9)	22,227	15
16,929	(1)	17,041	38
40,684	42	28,706	20
16,947	(20)	21,268	(19)
35,544	12	31,845	17
383,623	43	267,516	13
77,354	5	73,690	4
54,609	43	38,093	54
16,068	53	10,477	57
776	97	393	—
71,453	46	48,963	56
148,807	21	122,653	20
76,536	35	56,654	36
72,271	10	65,999	9
20,672	59	13,017	35
$ 51,599	(3)	$ 52,982	4
23,324	13	20,554	15
$ 2.21	(14)	$ 2.58	(10)
$ 1.60	4	$ 1.54	4

mid-1973. The first refueling of the Robinson Plant nuclear unit in 1973 increased related operations and maintenance expenses significantly over 1972. To reduce costs during 1974, the Company, among other actions, deferred discretionary maintenance for some of its facilities. Higher prices for equipment and material and services of all kinds have further increased these items of expense.

Taxes other than income taxes reflected increased state and local taxes on increased revenues and plant in service.

Income tax expense decreased to $16.9 million in 1974 from $21.3 million in 1973 and from $26.4 million in 1972. To a greater degree than in 1973, the Company's 1974 pre-tax operating income decreased and related interest charges increased.

Tax expense for 1974 represented 13 cents of each revenue dollar, with 9 cents going to state and local government and 4 cents for federal taxes. This compared with 15 cents, 9 cents and 6 cents respectively for 1973.

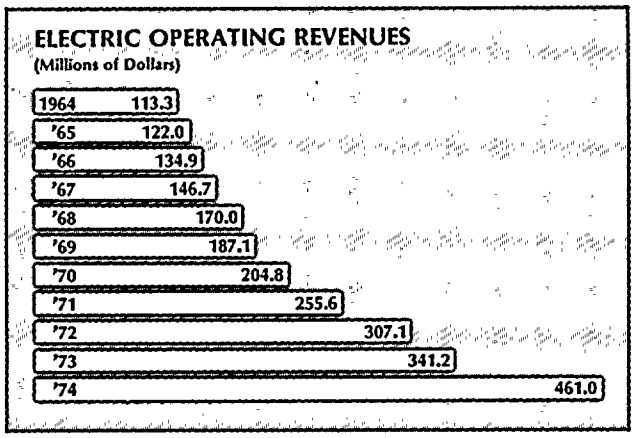
Other Income

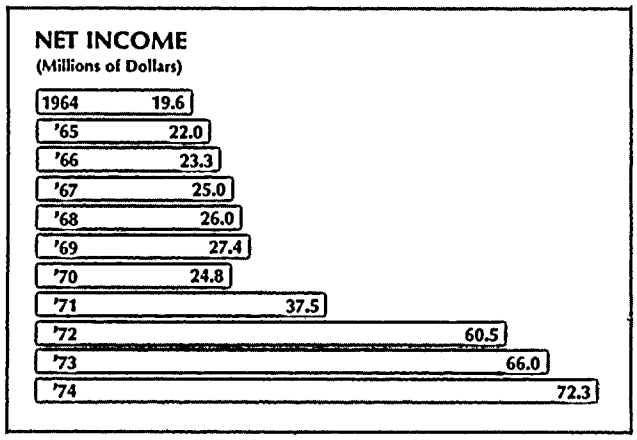
Other income increased 46 percent in 1974 as compared with a 56 percent increase in 1973. The allowance for funds used during construction, representing amounts capitalized as a part of the original cost of assets being constructed, increased by $16.5 million in 1974 and $13.3 million in 1973. The credits to income are substantially equivalent to and offset interest and other capital costs of the construction program which are reflected in the statement of income. These increases reflect larger amounts of construction work in progress during the periods. Income taxes-credit increased by $5.6 million in 1974 and $3.8 million in 1973, reflecting primarily the increasing tax deductible interest charges applicable to the greater amount of funds invested in facilities under construction.

Financing and Construction

Construction expenditures during 1974 totaled $381 million. Of this, $303 million was for generating facilities, $28 million for transmission and $50 million for distribution and general facilities. In addition, nuclear fuel expenditures for 1974 totaled $39.9 million.

In February 1974, the Company sold 650,000 shares of Serial Preferred Stock, $8.48 Series; in May, $125,000,000 principal amount of First Mortgage Bonds, 9¾% Series due 2004; and in December, the Company sold $27,650,000 principal amount of First Mortgage Bonds, 11⅛% Series due





1994. In June 1974, the Company, for about $44.5 million, assigned its rights to and leased back the eleven internal combustion turbine generator units and related equipment being constructed at its Darlington County Plant. In December the Company sold for approximately $47.6 million and leased back certain nuclear materials.

Additional funds for construction and for other corporate purposes were obtained primarily from an increase of $103 million in short-term notes payable, from the recovery of capital through depreciation and amortization totaling $45.4 million and from earnings retained and invested in the business of $14 million.

The Company's construction program for 1975 through 1977 is estimated to require $1.14 billion with $343 million of this amount budgeted for 1975.

Tax Status of Common and Preferred Dividends

Dividends paid to common and preferred shareholders during 1974, under existing Internal Revenue Service regulations, constituted a return of capital. For corporate book purposes, dividends were paid from retained earnings; but, because the tax records kept in accordance with IRS definitions of depreciation, taxable income and earnings and profits did not reflect any accumulated "tax basis" profits, such distributions were not taxable to the recipient as taxable dividend income. The amounts of such dividends should be deducted from the cost basis of the stock so that when the shares are sold, the capital gain or loss may be properly computed.

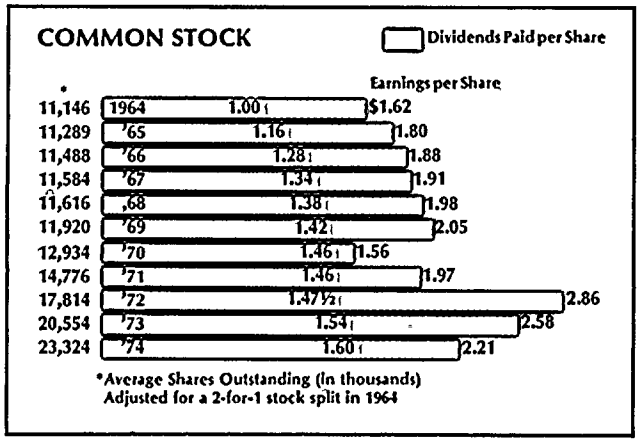
Capitalization

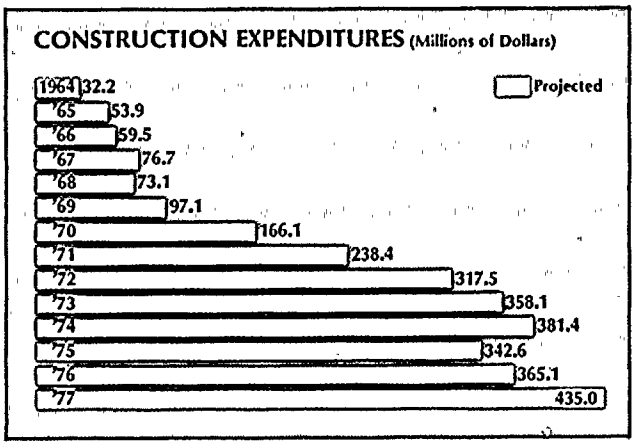
The Company's capitalization at December 31, 1974 was $1,870,678,303, consisting of 53 percent first mortgage bonds, 29 percent common stock and retained earnings, 15 percent preferred stock and the remaining 3 percent a six-year promissory note.

PRICE RANGES AND DIVIDENDS PAID PER SHARE
COMMON AND PREFERRED STOCK

	Common Stock			$5 Preferred Stock		
	N. Y. Stock Exchange Reported Prices			American Stock Exchange Reported Prices		
Period	High	Low	Dividends Paid	High	Low	Dividends Paid
1973—First Quarter	$30⅜	$24¼	$.38	$72½	$69	$1.25
Second Quarter	27¼	24	.38	72	65¾	1.25
Third Quarter	25⅞	21½	.38	70	61½	1.25
Fourth Quarter	25⅛	19	.40	72½	60	1.25
1974—First Quarter	23¼	20	.40	66½	60	1.25
Second Quarter	19¾	13⅞	.40	61¼	55	1.25
Third Quarter	14¼	11⅛	.40	56¼	50	1.25
Fourth Quarter	14¾	10½	.40	52½	46	1.25

Other preferred stocks are not actively traded. Regular quarterly dividends have been paid on all preferred stocks.





Rates

The continuing increase in costs in almost every area of the Company's operations required that the Company obtain rate relief in 1974.

On October 29, 1973, applications were filed to increase rates for retail service by approximately 21.25 percent. A series of interim rate increases placed into effect during the first half of 1974 brought the amount of increased rates being collected on June 1 to 18 percent.

For service rendered on and after October 1, 1974, the full amount of the requested increase was placed into effect on North Carolina retail service awaiting final commission action. The charges for service after October 1 under the requested rate were not subject to refund.

On January 6, 1975, the North Carolina Utilities Commission issued its order allowing the requested increase with certain modifications of the residential rate schedules that the Company had sought to place into effect. On January 15, 1975, the South Carolina Public Service Commission issued an order allowing an 18.3 percent increase rather than the requested 21 percent increase, with the full difference reflected in the rates for the first 250 kilowatt hours of monthly usage by the residential customer.

Because of rapid fluctuations in the price of fossil fuels, the Company sought and obtained during the year authority to place into effect a fossil fuel adjustment clause applicable to all kilowatt hours sold in metered retail service. The clause became effective on February 6, 1974, subject to final determination by the state regulatory commissions.

On December 19, 1974, the North Carolina Utilities Commission issued an order approving the fossil fuel clause and the revenues collected under it through September 30, 1974. On January 15, 1975, the South Carolina Public Service Commission issued an order approving a similar fossil fuel adjustment clause.

The North Carolina Utilities Commission set hearings for January 30, 1975 to determine whether the fossil fuel adjustment clauses used by the three major utility companies in North Carolina were being properly applied and whether the companies have used reasonable fossil fuel procurement practices. After two days the hearings were continued until February 18. They were concluded February 26.

On February 3, 1975, the Commission ordered utility companies in the state to collect from retail residential customers only 75 percent of additional fuel cost above base rates under the fossil fuel adjustment clause. The order was effective February 1 for a period of up to 60 days.

On July 1, 1974, the Company requested the Federal Power Commission to authorize an increase in the rates for sales at wholesale to municipalities, private utilities, and rural electric cooperatives and to apply a fossil fuel adjustment clause to the wholesale sales. The FPC allowed the proposed rates and adjustment clause to become effective, subject to refund, on service rendered on and after January 2, 1975. The increase will produce additional annual revenue of $40 million based on the 1974 level of sales and fossil fuel costs. Hearings are scheduled to begin in April 1975.

Construction

New Facilities

Nine of the 11 Darlington internal combustion generating units came on line during the latter half of 1974. All units are expected to be in service by the summer of 1975.

The Skaale Energy Control Center began operation in September. This modern facility automatically schedules, monitors and controls the flow of electricity across the Company's service area and to and from neighboring companies.

Future Generation Additions

Revised energy forecasts, coupled with the unavailability of capital on reasonable terms, caused the Company to make several major revisions in its construction plans. The reductions related principally to plants scheduled for service in 1979 or later.

On December 27, 1974, the Atomic Energy Commission issued an operating license for the Brunswick Nuclear Power Plant. This license enabled the Company to proceed with initial fueling of the first unit and subsequent preliminary testing. With the addition of this nuclear unit, the Company expects about 23 percent of its total generation in 1975 to come from nuclear power. The second 821,000 kilowatt Brunswick unit is expected to go into operation in 1976.

Transmission Lines Authorized

Transmission line construction authorized for 1975 and subsequent years includes 111 miles of 500,000 volt line, 1,040 miles of 230,000 volt line and 178 miles of 115,000 volt line.

Environmental Matters

During 1974, CP&L spent nearly $31 million to construct facilities to protect the environment of the Carolinas. Of this, $21.4 million was for air quality control devices and $9.6 million for water quality control installations.

Electrostatic precipitators, designed to remove more than 99 percent of the solid matter from stack emissions, were placed into service during 1974 on six coal-burning generating units.

On July 8, the Company entered into a stipulation requiring the installation of natural draft salt water cooling towers at the Brunswick Plant, scheduled for completion by May 1, 1978. Construction and related costs are expected to be about $72 million.

Expenditures for environmental protection equipment at new and existing plants through 1977 are estimated at $105 million. Of this, $33 million is expected to be spent in 1975: $18 million at the Brunswick Plant and Roxboro Unit 4 and $15 million at existing generating facilities.

Projects scheduled for completion during 1975 include installation of four additional electrostatic precipitators and modifications to circulating water systems at the Cape Fear and Weatherspoon plants.

Operations

Total energy requirements for the system during 1974 were 25.6 billion kilowatt hours. Of this total nearly 0.5 billion kilowatt hours were sold to utilities outside the service area. System load factor was 60.2 percent as compared to 59.9 percent in 1973. At year's end, system capability, including long-term contract purchases from other utilities, was 6,205,500 kilowatts.

Total Company generating capacity was 5,925,500 kilowatts. Of this 64.9 percent was from 7 steam electric plants burning fossil fuels, 11.8 percent from the Robinson nuclear unit, 19.7 percent from 31 internal combustion turbine generators and the remaining 3.6 percent from 4 hydroelectric plants.

Total energy produced came from the following fuel sources: 66.35 percent coal, 19.61 percent nuclear, 3.75 percent hydroelectric, 8.00 percent residual oil, 1.41 percent No. 2 oil and 0.88 percent natural gas. Percentage of residual oil used was down from last year because of Federal Energy Office allocations.

During the year, 6 million tons of coal were burned, 41 percent having been received under long-term contracts. The Company expects to receive approximately 51 percent of its coal requirements for 1975 from long-term agreements.

Peak Loads

A new peak load for the system was reached on August 28 when customer demand was 4,771,000 kilowatts. A daily use record was set on August 29 when the total kilowatt-hour demand was 92,838,000. The previous high of 90,807,000 was on August 30, 1973.

A winter peak of 4,261,000 kilowatts was recorded on December 10, 1974.

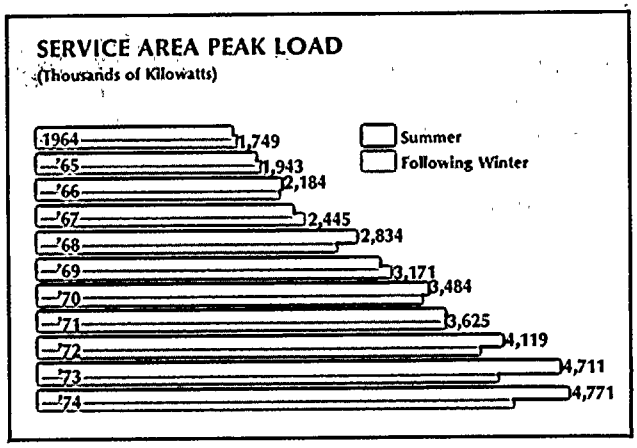
Energy conservation, milder weather and reduced economic activity of the Company's customers during 1974 resulted in only a slight increase in electric usage. The increase in peak load was modest compared to previous years.

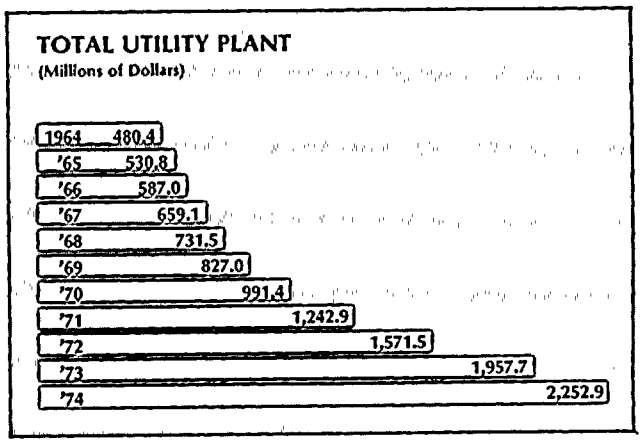
Reliability Groups

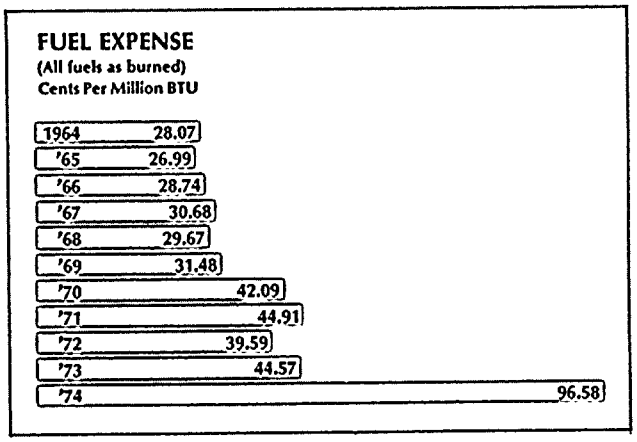
CP&L continues as one of the 30 companies in the Southeastern Electric Reliability Council (SERC). This membership includes all power suppliers with generating capacities of at least 25,000 kilowatts. The Company is also one of seven power systems in the Virginia-Carolinas Reliability Group (VACAR). The principal purpose of both groups is to improve system reliability for member companies.

Long-Term Coal Supply

The Company has entered into a joint venture with Pickands Mather Company for the development of a coal mining property in Pike County, Kentucky. The mine, which is expected to begin production in 1977, will furnish 800,000 tons of low sulfur coal annually for the No. 4 unit of the Roxboro Plant.


SERVICE AREA PEAK LOAD
(Thousands of Kilowatts)
Summer
Following Winter
1964 1,749
'65 1,943
'66 2,184
'67 2,445
'68 2,834
'69 3,171
'70 3,484
'71 3,625
'72 4,119
'73 4,711
'74 4,771


TOTAL UTILITY PLANT
(Millions of Dollars)
1964 480.4
'65 530.8
'66 587.0
'67 659.1
'68 731.5
'69 827.0
'70 991.4
'71 1,242.9
'72 1,571.5
'73 1,957.7
'74 2,252.9


FUEL EXPENSE
(All fuels as burned)
Cents Per Million BTU
1964 28.07
'65 26.99
'66 28.74
'67 30.68
'68 29.67
'69 31.48
'70 42.09
'71 44.91
'72 39.59
'73 44.57
'74 96.58

Ownership

Distribution of Stock Ownership
(Common and Preferred Stock Combined)

	Shareholders		Shares	
	Number	Percent	Number	Percent
The Carolinas	32,296	47.71	6,517,017	24.74
Elsewhere	35,392	52.29	19,828,961	75.26
Totals	67,688	100.00	26,345,978	100.00

The total number of shares and shareholders increased during the year as a result of the issuance and sale of 650,000 shares of Serial Preferred Stock, $8.48 Series in February.

At the end of the year there were 52,787 holders of common and 14,901 holders of preferred stock, or a total of 67,688 shareholders compared with 59,986 at the end of 1973. The percentage of those living in the Carolinas increased from 46.06 percent in 1973 to 47.71 percent at the end of 1974.

In addition to shareholders indicated by these statistics, several thousand shareholders own shares which are held by banks, stockbrokers, investment trusts or nominees.

At the 1974 annual meeting, more than 86 percent of the total shares outstanding were represented in person or by proxy.

The largest beneficial shareholder at the end of 1974 had less than two percent of the shares outstanding.

Dividend Reinvestment Service

About 3,000 shareholders are participating in the Dividend Reinvestment Plan initiated by the Company in 1973. Under the plan, Company common or preferred dividends may be automatically reinvested in additional shares of common stock.

The program is being administered by North Carolina National Bank and any questions regarding participation should be directed to NCNB, Dividend Reinvestment Service, Post Office Box 120, Charlotte, North Carolina 28201.

Customers

Sales within the service area amounted to 23.6 billion kilowatt hours of electricity in 1974 compared with 23.2 billion in 1973.

During the year the number of retail customers served increased 2.5 percent to 648,253. Power for resale is supplied to 18 Electric Membership Corporations, 24 municipalities and 2 privately owned utilities. These resale customers used 5 billion kilowatt hours in 1974, which was 21 percent of the total Company energy sales.

At the end of 1974, 21.3 percent of residential units served by CP&L were all-electric. Similarly, about 23 percent of commercial and 12.5 percent of industrial customers have total-electric facilities.

Residential

The Company's 550,128 residential customers, representing 84.9 percent of the Company's total customers, accounted for 33.9 percent of the operating revenues for 1974. Average annual consumption per customer during 1974 was 10,861 kilowatt hours, about 36 percent more than the national average.

Commercial

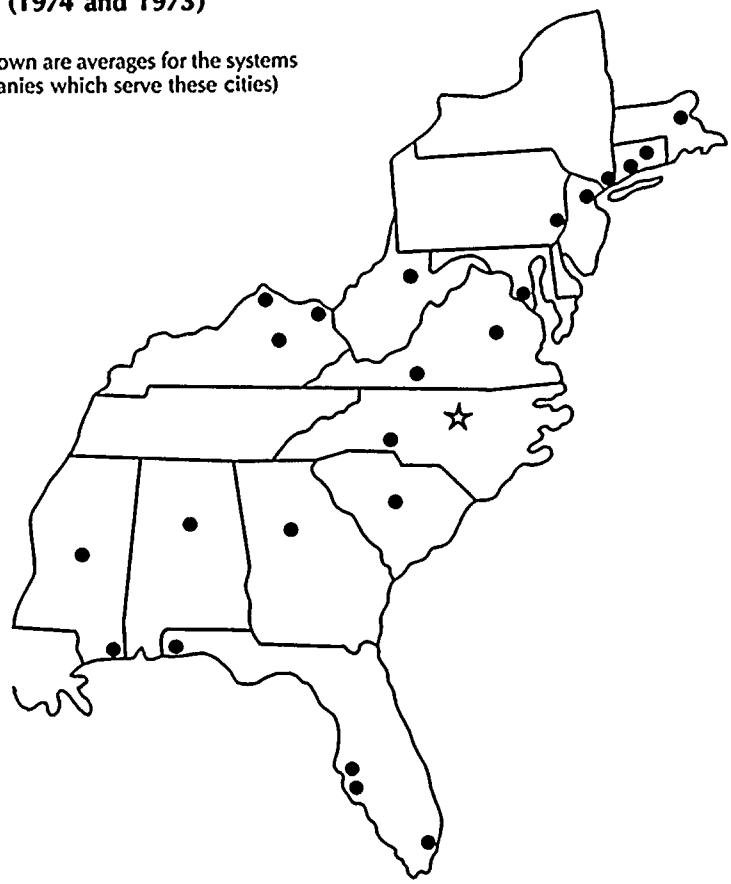
The Company's 93,293 commercial customers represented 14.4 percent of the total retail customers and produced 19.2 percent of operating revenues.

Average annual usage by commercial customers declined 1,163 kilowatt

Average Price Per Kilowatt Hour Paid by Residential Customers (1974 and 1973)

(Prices shown are averages for the systems of companies which serve these cities)

Cents Per Kilowatt Hour 1974	1973	Place
7.70	5.20	New York, N. Y.
5.50	3.42	Newark, N. J.
5.06	3.57	Boston, Mass.
4.80	3.40	Philadelphia, Pa.
4.18	2.82	New Haven, Conn.
3.99	3.06	Hartford, Conn.
3.67	2.63	Washington, D. C.
3.42	2.17	St. Petersburg, Fla.
3.06	2.29	Columbia, S. C.
3.04	2.32	Richmond, Va.
2.98	2.01	Jackson, Miss.
2.89	2.27	Miami, Fla.
2.74	2.30	Tampa, Fla.
2.69	2.30	Lexington, Ky.
2.64	1.98	CP&L
2.63	2.35	Fairmont, W. Va.
2.63	2.31	Covington, Ky.
2.61	2.08	Charlotte, N. C.
2.55	2.02	Roanoke, Va.
2.53	2.01	Gulfport, Miss.
2.52	2.05	Ashland, Ky.
2.48	2.02	Atlanta, Ga.
2.44	2.08	Birmingham, Ala.
2.37	2.06	Pensacola, Fla.



hours in 1974 to a level of 37,961 kilowatt hours.

Industrial

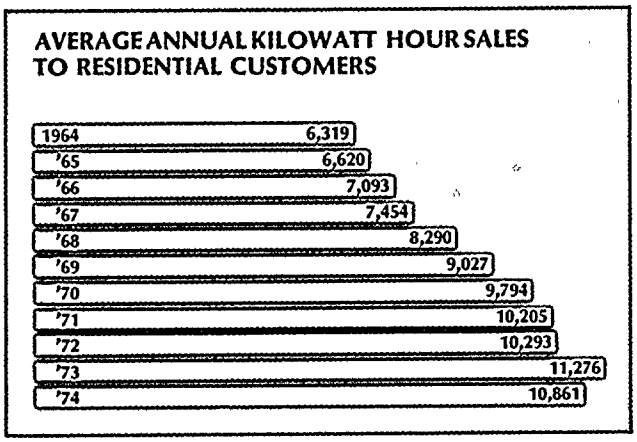
The Company's 3,237 industrial customers used 8.3 billion kilowatt hours in 1974, which represented an increase of 4.9 percent over 1973, and accounted for 29.4 percent of CP&L's operating revenues.

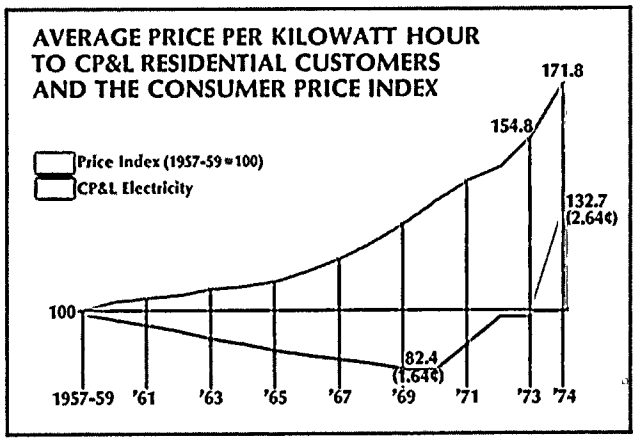
In 1974, expenditures announced for new and expanded industries in the CP&L service area totaled $658.9 million, topping the previous one-year high of $542 million established in 1971. The 1974 announcements are estimated to provide 13,100 new job opportunities with an annual payroll of $85.5 million.

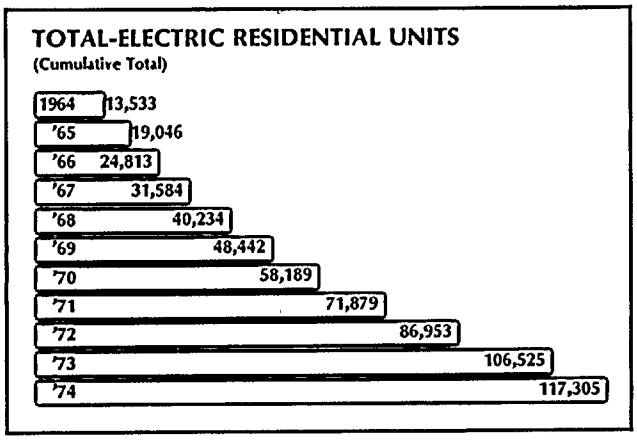
Customer Relations

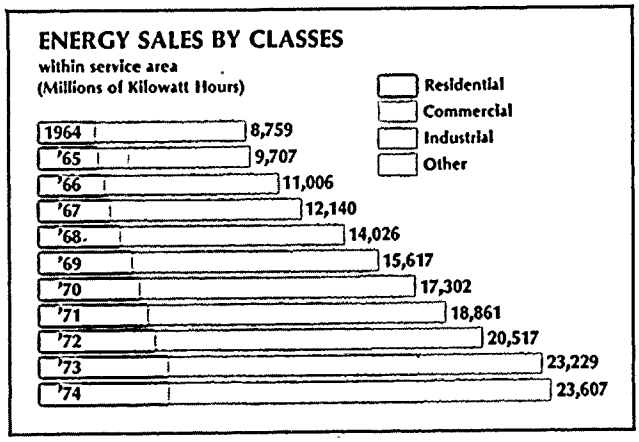
Customer reaction to the rapidly rising price of electricity has been pronounced and, at times, vocal. Realizing that one means of creating better public understanding is to provide customers with a continuing flow of information, the Company undertook during the year a system-wide training of customer service personnel to help them communicate effectively to customers the complex factors affecting the price of electricity.

The Company's communications efforts emphasized the necessity of pricing service to cover fully the cost of providing it, and centered on the four basic areas of escalating costs: fuel, construction, capital, and environmental protection.









People

Management Changes

In December the board of directors elected Sherwood H. Smith, Jr. executive vice-president—administration, W. E. Graham, Jr., vice-president and general counsel, and M. A. McDuffie vice-president.

Smith, who will continue to function as a group executive while relinquishing the responsibilities of general counsel to Graham, came to CP&L in 1965 as an associate general counsel. He was elected senior vice-president and general counsel in January of 1971 and named to the board of directors in March of that year. Smith received his A.B. and J.D. degrees with honors from the University of North Carolina where he was a Phi Beta Kappa, Morehead Scholar and editor of the *Law Review*.

Graham, after serving as a judge of the North Carolina Court of Appeals, joined the Company in 1973 as a vice-president and senior counsel. He received his A.B. degree in economics from the University of North Carolina and was graduated with honors from the U.N.C. School of Law in 1956. He entered private practice in 1957 and was appointed to the bench in 1969.

McDuffie, who has been associated with CP&L construction projects since 1948, came to CP&L in 1970 from EBASCO Services, Inc., a construction firm which has built a number of CP&L's plants. He was graduated from North Carolina State University in 1948 with a B.S. degree in civil engineering.

W. E. Graham, Jr.

M. A. McDuffie

Employees

At the end of 1974, the Company had 4,742 employees compared with 4,397 employees in 1973. This increase in employees primarily reflects two aspects of the Company's operations: additional technical people to meet the requirements of nuclear regulatory bodies in the licensing and operating of nuclear power plants, and the use of in-company personnel rather than consulting firms in the management of construction projects.

CP&L continued to emphasize the development of its human resources. During the year, more than 900 employees from all levels of the organization participated in 11 different courses and seminars designed to upgrade job performance. In addition, the Company through its Educational Assistance Program continued to assist employees in pursuing academic and technical studies aimed at increasing on-the-job competence and efficiency.

CP&L maintained its record as one of the safer utilities in the country. Employees of CP&L set an all-time safety record by completing 9,072,525 man-hours with only 11 lost-time injuries for a frequency rate of 1.21 lost-time injuries per million man-hours, which surpassed the old record of 1.24 established in 1973. As a consequence, CP&L received the top safety award from the Southeastern Electric Exchange in the category of electric utilities having 3,000 or more employees. CP&L also placed first in vehicle safety with a frequency rate of 5.20 accidents per million miles driven.

The Company continued to develop its long-standing policy of providing equal employment opportunity.

Directors

At January 1, 1975
Year shown in parenthesis indicates beginning of period of service as a director

RAYMOND A. BRYAN, Chairman of the Board, T. A. Loving Company, Goldsboro, N. C. (1957)

DANIEL D. CAMERON, SR., President, Atlantic Telecasting Corporation, Wilmington, N. C. (1970)

FELTON J. CAPEL, Regional Manager, Century Metalcraft Corporation, Southern Pines, N. C. (1972)

FULTON B. CREECH, President, Creech Lumber Company, Sumter, S. C. (1946)

E. HERVEY EVANS, Farmer, Laurinburg, N. C. (1946)

SHEARON HARRIS, Chairman/President of the Company, Raleigh, N. C. (1961)

L. H. HARVIN, JR., President, Rose's Stores, Inc., Henderson, N. C. (1958)

KARL G. HUDSON, JR., Executive Vice President and General Manager, Hudson-Belk Company, Raleigh, N. C. (1967)

J. A. JONES, Executive Vice President of the Company, Raleigh, N. C. (1971)

EDWARD G. LILLY, JR., Senior Vice President of the Company, Raleigh, N. C. (1971)

SHERWOOD H. SMITH, JR., Executive Vice President of the Company, Raleigh, N. C. (1971)

HORACE L. TILGHMAN, JR., Real Estate and Investments, Marion, S. C. (1961)

JOHN B. VEACH, Chairman of the Board, Bemis Hardwood Lumber Company, Asheville, N. C. (1958)

JOHN F. WATLINGTON, JR., Chairman of the Board, Wachovia Bank & Trust Company, N.A., Winston-Salem, N. C. (1970)

Officers

At January 1, 1975

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)

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

SAMUEL BEHRENDS, JR.
Vice President

E. M. GEDDIE
Vice President

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

Transfer Agents

For Common Stock:

Wachovia Bank & Trust Company, N.A., Winston-Salem, N. C.

Bankers Trust Company, New York, N. Y.

For Preferred Stock:

Wachovia Bank & Trust Company, N.A., Winston-Salem, N. C.

Registrars

For Common Stock:

First-Citizens Bank & Trust Company, Winston-Salem, N. C.

Morgan Guaranty Trust Company of New York, New York, N. Y.

For Preferred Stock:

First-Citizens Bank & Trust Company, Winston-Salem, N. C.

Auditors' Opinion

To the Board of Directors and Shareholders
of Carolina Power & Light Company:

We have examined the balance sheet of Carolina Power & Light Company as of December 31, 1974 and 1973, and the related statements of income, retained earnings and source and use of financial resources for the 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.

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As discussed in the next to last paragraph of Note 5, 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.

As discussed in the last paragraph of Note 5, at December 31, 1974 the Company had billed approximately $30,444,000 since September 30, 1974 under provisions of a fossil fuel adjustment clause and had deferred approximately $29,500,000 of fossil fuel cost to be billed to customers in January and February 1975. Such amounts are subject to regulatory review and approval and the amounts billed may be subject to refund with interest to the extent not allowed by the appropriate regulatory commissions. The ultimate accounting and disposition of these matters are not presently determinable.

In our opinion, subject for 1974 to the effect, if any, of the final determination of the uncertainties described in the preceding two paragraphs, the financial statements referred to above present fairly the financial position of the Company at December 31, 1974 and 1973, and the results of its operations and the source and use of its financial resources for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

Raleigh, North Carolina
February 13, 1975

Statement of Income

FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
OPERATING REVENUES—Electric (Notes 5 and 6)	$460,977,024	$341,206,167
OPERATING EXPENSES:		
Fuel for electric generation	235,842,050	106,190,728
Deferred fossil fuel expense (credit) (Note 5)	(35,028,046)	
Purchased electric power	14,493,620	7,846,834
Other operation expenses	46,549,415	41,910,188
Maintenance	28,591,432	29,748,949
Depreciation	35,544,206	31,845,000
Taxes other than on income	40,683,529	28,706,296
Income tax expense (Note 4)	16,946,789	21,268,097
Total operating expenses	383,622,995	267,516,092
OPERATING INCOME	77,354,029	73,690,075
OTHER INCOME:		
Allowance for funds used during construction	54,608,879	38,092,921
Income taxes—credit (Note 4)	16,067,820	10,476,889
Other—net	775,762	392,856
Total other income	71,452,461	48,962,666
GROSS INCOME	148,806,490	122,652,741
INTEREST CHARGES:		
Long-term debt	69,877,700	50,148,867
Other	6,658,234	6,504,940
Total interest charges	76,535,934	56,653,807
NET INCOME	72,270,556	65,998,934
PREFERRED STOCK DIVIDEND REQUIREMENTS	20,672,481	13,017,020
EARNINGS FOR COMMON STOCK	$ 51,598,075	$ 52,981,914
AVERAGE COMMON SHARES OUTSTANDING	23,324,111	20,554,182
EARNINGS PER COMMON SHARE	$2.21	$2.58

Statement of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

BALANCE AT BEGINNING OF YEAR:		
As previously reported	$110,816,532	$ 90,673,379
Adjustments (Note 8)	5,246,508	4,159,988
As restated	116,063,040	94,833,367
NET INCOME	72,270,556	65,998,934
Total	188,333,596	160,832,301
DEDUCT:		
Cash dividends declared:		
$5 preferred stock	1,186,295	1,186,295
Serial preferred stock:		
$4.20 series	420,000	420,000
$5.44 series	1,360,000	1,360,000
$9.10 series	2,730,008	2,730,008
$7.95 series	2,782,523	2,782,522
$7.72 series	3,860,000	3,860,000
$8.48 series	5,986,655	
Preferred Stock A, $7.45 series	3,725,000	678,195
Common stock (at annual rates of $1.52 a share for the first two quarters of 1973, and $1.60 a share for the last two quarters of 1973 and for 1974)	37,374,994	32,691,198
Total cash dividends declared	59,425,475	45,708,218
Capital stock expense	145,395	147,563
Total deductions	59,570,870	45,855,781
BALANCE AT END OF YEAR	$128,762,726	$114,976,520

See notes to financial statements.

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Balance Sheet

December 31, 1974 and 1973

Assets	1974	1973
ELECTRIC UTILITY PLANT:		
Electric utility plant other than nuclear fuel:		
In service	$1,364,183,273	$1,283,703,978
Held for future use	7,542,840	394,822
Construction work in progress	826,012,064	588,760,026
Total	2,197,738,177	1,872,858,826
Less accumulated depreciation	256,659,461	227,645,192
Net	1,941,078,716	1,645,213,634
Nuclear fuel	55,117,915	84,869,269
Less accumulated amortization	11,466,631	21,888,857
Net	43,651,284	62,980,412
Electric utility plant, net	1,984,730,000	1,708,194,046
OTHER PROPERTY AND INVESTMENTS	3,828,783	6,123,560
CURRENT ASSETS:		
Cash	9,517,174	5,585,578
Accounts receivable:		
Refundable income taxes (Notes 4 and 8)	14,942,360	7,258,736
Other, net	30,677,344	18,492,256
Deferred fossil fuel inventory costs (Notes 1 and 5)	35,028,046	
Materials and supplies:		
Fuel	84,244,486	19,150,044
Other	13,434,110	9,193,580
Prepayments, etc.	1,787,436	1,293,959
Total current assets	189,630,956	60,974,153
DEFERRED DEBITS:		
Unamortized debt expense	1,253,151	1,126,554
Other	5,624,404	3,950,844
Total deferred debits	6,877,555	5,077,398
TOTAL	$2,185,067,294	$1,780,369,157

See notes to financial statements.

Carolina Power & Light Company

Liabilities	1974	1973
CAPITAL STOCK AND RETAINED EARNINGS (Notes 2 and 8):		
Preferred stock	$ 288,118,400	$ 223,800,900
Common stock	419,701,904	416,321,036
Retained earnings	128,762,726	114,976,520
Total capital stock and retained earnings	836,583,030	755,098,456
LONG-TERM DEBT:		
Principal amounts (Note 3)	1,036,914,310	884,282,925
Less unamortized discount and premium, net	2,819,037	1,481,904
Long-term debt, net	1,034,095,273	882,801,021
CURRENT LIABILITIES:		
Notes payable	131,657,046	28,355,799
Accounts payable	59,412,183	19,101,865
Customers' deposits	2,818,650	2,229,460
Taxes accrued	11,276,899	3,583,620
Current portion of deferred income taxes (Note 4)	13,577,543	
Interest accrued	19,321,270	16,343,570
Dividends declared	19,240,143	16,141,105
Other	1,823,299	1,368,472
Total current liabilities	259,127,033	87,123,891
DEFERRED CREDITS:		
Investment tax credits (Notes 1 and 4)	4,514,126	10,755,425
Customers' advances for construction	125,873	52,162
Other	115,406	107,436
Total deferred credits	4,755,405	10,915,023
RESERVE FOR INJURIES AND DAMAGES	724,920	661,238
CONTRIBUTIONS IN AID OF CONSTRUCTION (Note 9)		5,175,879
ACCUMULATED DEFERRED INCOME TAXES (Note 4)	49,781,633	38,593,649
COMMITMENTS AND CONTINGENCIES (Note 5)		
TOTAL	$2,185,067,294	$1,780,369,157

See notes to financial statements.

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Statement of Source and Use of Financial Resources

For the Years Ended December 31, 1974 and 1973

	1974	1973
SOURCE OF FINANCIAL RESOURCES:		
Current resources provided from operations:		
Net income	$ 72,270,556	$ 65,998,934
Items not requiring (providing) current resources:		
Depreciation and amortization	45,391,668	40,430,347
Noncurrent deferred income taxes—net	11,187,984	7,430,192
Investment tax credit adjustments—net	(6,241,299)	2,947,920
Allowance for funds used during construction	(54,608,879)	(38,092,921)
Total current resources from operations	68,000,030	78,714,472
Other resources provided:		
Additions to plant accounts representing capitalization of the net cost of funds used during construction	54,608,879	38,092,921
Proceeds from assignment to lessor of internal combustion turbine generators	44,455,470	
Proceeds from sale and leaseback of nuclear fuel	47,593,386	
Miscellaneous—net	3,994,354	108,555*
Total resources provided from operations and other	218,652,119	116,915,948
Financings:		
Sale of—First Mortgage Bonds	150,978,924	199,754,486
Preferred stock	64,230,667	49,948,929
Common stock	3,380,868	63,449,118
Increase in short-term notes payable	103,301,247	16,356,097
Total resources provided from financings	321,891,706	329,508,630
TOTAL	$540,543,825	$446,424,578
USE OF FINANCIAL RESOURCES:		
Gross property additions, excluding nuclear fuel**	$382,602,011	$359,055,717
Nuclear fuel additions**	39,939,431	37,610,243
Dividends for the year	58,047,475	45,708,218
Net increase in working capital, excluding short-term notes payable	59,954,908	4,050,400*
TOTAL	$540,543,825	$446,424,578
INCREASE (DECREASE) IN WORKING CAPITAL, EXCLUDING SHORT-TERM NOTES PAYABLE, BY COMPONENTS:		
Materials and supplies (principally fuel)	$ 69,334,972	$ 105,302
Deferred fossil fuel inventory costs	35,028,046	
Accounts receivable	19,868,712	2,900,135
Accounts payable	(40,310,318)	3,557,515
Current portion of deferred income taxes	(13,577,543)	
Taxes accrued	(7,693,279)	3,035,876
Interest and dividends payable	(6,076,738)	(5,153,436)
Other—net	3,381,056	(394,992)*
Net increase in working capital, excluding short-term notes payable	$ 59,954,908	$ 4,050,400

*Amounts for 1973 have been reclassified to conform to 1974 presentation.
**Includes amounts capitalized as allowance for funds used during construction.

See notes to financial statements.

Notes to Financial Statements

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 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 1974 and 1973). 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 2.8% in 1974 and 1973. Amortization of nuclear fuel (1974, $8,757,000; 1973, $7,694,000) is computed on the unit-of-production method and charged to fuel expense.

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 have been decreased and Deferred Fossil Fuel Inventory Costs in the balance sheet has been increased by $35,028,046, 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 5 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 4 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 4 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 year in which 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 cost for 1974 and 1973 were approximately $2,421,000 and $1,748,000, 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. At December 31, 1974, the Company had available lines of credit with various banks and maintains account balances in connection with certain of such lines. 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 (1974, $427,876; 1973, $335,384). Bond premium, discount and expense are amortized over the life of the related debt.

2. CAPITAL STOCK

	1974	1973
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	
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	$223,800,900
Preference Stock (authorized, 2,000,000 shares; none issued)		
Common Stock, without par value (authorized, 60,000,000 shares):		
Outstanding (1974, 23,438,844 shares; 1973, 23,233,763 shares)	$419,458,687	$416,321,036
Subscribed but not issued—19,875 shares	243,217	
Total	$419,701,904	$416,321,036

Common stock outstanding increased $3,137,651 in 1974 and $63,545,175 in 1973 from the sale of 3,000,000 shares in 1973 in a public offering and the sale of 205,081 shares in 1974 and 109,247 shares in 1973 under the Company's Stock Purchase-Savings Program for Employees. At December 31, 1974, 965,460 shares of unissued common stock were reserved for issuance under the Program. The preferred stock account increased $64,317,500 in 1974 and $50,000,000 in 1973 from the sale of 650,000 shares in 1974 and 500,000 shares in 1973.

In January 1975 the Company sold 4,000,000 shares of common stock in a public offering for proceeds of $56,000,000 before expenses of issuance.

The preferred stock is 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, has a sinking fund requirement, commencing in 1984, to redeem 20,000 shares annually at $100 per share plus accumulated dividends. In the event of liquidation, the preferred stock is 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.

3. LONG-TERM DEBT—PRINCIPAL AMOUNTS

First Mortgage Bonds:	
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	27,650,000*
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	986,680,000
Six-year note payable to a bank, due July 31, 1978, at a fluctuating rate (11.7% at December 31, 1974) related to the bank's prime rate	50,000,000
Miscellaneous promissory notes (1973, $252,925)	234,310
Total long-term debt at December 31, 1974	$1,036,914,310

*Issued in 1974

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. Current liabilities do not include the current improvement fund requirements (approximately $6,100,000 at December 31, 1974) since the Company meets such requirements by the certification of additional property.

The Company sold and issued $22,350,000 principal amount of First Mortgage Bonds, 11⅛% Series due 1994, in January 1975. Bonds of this Series (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. INCOME TAXES

	Year Ended December 31, 1974	1973
	(Amounts in Thousands)	
Income tax expense is composed of the following:		
Included in Operating Expenses:		
Provision (credit) for currently payable (refundable) taxes	$ (1,578)	$10,890
Provision for deferred taxes, net	24,766	7,430
Investment tax credit adjustments, net (credit)	(6,241)	2,948
Total charged to operating income	16,947	21,268
Reduction in currently payable taxes allocated to Other Income	(16,068)	(10,477)
Total income tax expense	$ 879	$10,791
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:		
Excess of accelerated depreciation deductions over straight-line depreciation otherwise deductible	$14,513	$7,430
Deferred fossil fuel inventory costs	16,814	
Taxable gain on sale and leaseback of properties	(3,325)	
Accrual of franchise taxes on books but not deductible until paid	(3,236)	
Total provision for deferred taxes, net	$24,766	$7,430
Reconciliation of an amount, computed by applying the federal income tax rate of 48% to pre-tax income (net income plus income tax expense):		
Amount derived by multiplying pre-tax income by 48%	$35,112	$36,859
Add (deduct):		
Investment tax credits (utilized) eliminated (See Note 1)	5,706	(5,386)
Other specific reconciling items multiplied by 48%:		
Allowance for funds used during construction	(26,212)	(18,285)
Differences between book and tax depreciation for which deferred taxes have not been provided	(3,523)	(3,020)
Taxes and fringe benefit costs capitalized	(4,022)	(3,856)
State income taxes and other differences, net	59	1,531
Provision for current and deferred taxes	7,120	7,843
Investment tax credit adjustments, net	(6,241)	2,948
Total income tax expense	$ 879	$10,791

At December 31, 1974, the Company had recorded income tax refunds receivable totaling $14,942,360 and correspondingly reduced provisions for federal income tax expense payable currently for the year then ended. 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 8 with respect to income tax refund for years 1961 through 1968 totaling $4,159,988).

5. COMMITMENTS AND CONTINGENCIES

It is estimated the Company's construction program for 1975 through 1977, excluding nuclear fuel, will cost approximately $1,143 million. At December 31, 1974, firm commitments for construction aggregated approximately $400 million plus approximately $264 million for initial and replacement nuclear fuel. 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 approximate $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 December 31, 1974, the Company had advanced $1.7 million to the subsidiary. The subsidiary is owned 80% by the Company and 20% 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 and sold certain nuclear materials for approximately $47.6 million and subsequently leased these properties from their new owners. Under certain circumstances, the Company is contingently liable to repurchase the properties.

Electric utility plant at December 31, 1974, includes approximately $15 million representing cost less accumulated depreciation of four hydroelectric projects licensed by the Federal Power Commission (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.

There are certain claims pending against the Company; in the opinion of the Company, liabilities arising from these claims, if any, would not have a material effect on the financial position or results of operations of the Company.

Annual rentals under long-term leases are not considered material.

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

During 1974 the Company's construction program was reduced, including the elimination from its authorized construction budget of five 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 land 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 include $30,444,000 which was billed during October, November and December of 1974 to retail customers in North Carolina under the provisions of a fossil fuel adjustment clause. Those billed amounts are subject to further regulatory review and refund with interest if such review so requires. Deferred fossil fuel inventory costs at December 31, 1974 of $35,028,046 represent approximate amounts to be billed customers during the following two months. On February 3, 1975, the North Carolina Utilities Commission issued an interim order (to remain in effect until a final order is issued but in any event for not more than 60 days) requiring the Company to reduce by 25% the amount of fossil fuel clause charges on bills rendered on and after February 1, 1975 to the Company's North Carolina

residential customers. Such order could result in approximately $1,119,000 of the December 31, 1974 deferred fossil fuel cost not being billed during the interim period. It is uncertain if the Company will be authorized to bill such reduced amounts in the future or if such reductions will become permanent. Approximately $29,500,000 (including the 25% reduction of $1,119,000) of deferred costs are subject to further regulatory review and approval which may necessitate adjustments if such reviews so require.

6. RATE INCREASES

Operating revenues include amounts (1974, $113,316,000; 1973, $2,233,000) attributable to rate increases placed in effect during 1974 and 1973, including for 1974, $30,444,000 subject to further regulatory review and refund with interest if such review so requires (see Note 5).

7. PROPOSED ACCOUNTING RULES

The Federal Power Commission has under consideration certain 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 Federal Power Commission and any actions which may subsequently be taken by rate regulatory bodies.

8. 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, 1972 and 1973 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 in 1974 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. Accounts receivable, net, as of December 31, 1973 was restated to include the refunded tax amount only.

9. CONTRIBUTIONS IN AID OF CONSTRUCTION

In accordance with orders from regulatory authorities, contributions in aid of construction have been transferred to the electric utility plant section of the balance sheet as of January 1, 1974.

Statistical Review

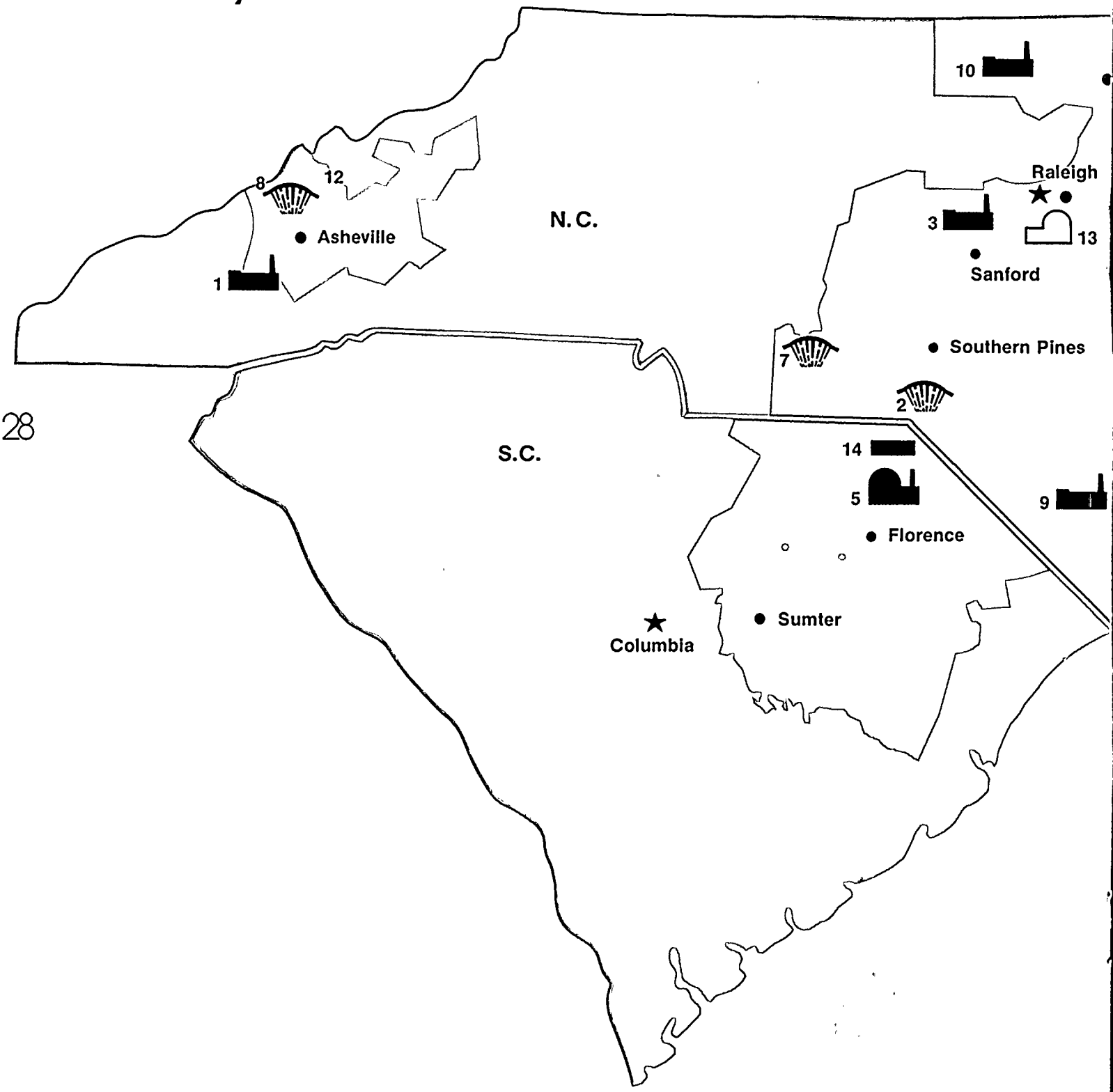
(Dollars in Thousands)	1974	1973	1972	1971	1970	1969	1964
Balance Sheet Data (End of Period):							
Total Utility Plant other than Nuclear Fuel	$2,197,738	1,872,859	1,524,238	1,212,822	981,571	820,865	480,407
Accumulated Depreciation	256,659	227,645	200,190	178,096	161,827	147,407	93,215
Net Utility Plant other than Nuclear Fuel	$1,941,079	1,645,214	1,324,048	1,034,726	819,744	673,458	387,192
Capitalization							
Common Stock and Retained Earnings[1]	$ 548,465	531,297	447,609	299,852	260,154	230,964	149,222
Preferred Stock	288,118	223,801	173,801	124,376	89,376	59,376	34,376
First Mortgage Bonds, Net[2]	983,861	832,548	632,497	533,003	398,427	308,959	199,535
Other Long-Term Debt	50,234	50,253	50,110	123	134	—	1,920
Total	$1,870,678	1,637,899	1,304,017	957,354	748,091	599,299	385,053
Ratio of Accumulated Depreciation to Utility Plant in Service	% 18.8	17.7	18.4	18.9	20.9	20.3	20.2
Percent of Total Capitalization							
Common Stock and Retained Earnings[1]	29.3	32.4	34.3	31.3	34.8	38.5	38.8
Preferred Stock	15.4	13.7	13.3	13.0	12.0	9.9	8.9
First Mortgage Bonds, Net[2]	52.6	50.8	48.5	55.7	53.2	51.6	51.8
Other Long-Term Debt	2.7	3.1	3.9	—	—	—	.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ratio Bonds to Net Utility Plant other than Nuclear Fuel	% 50.7	50.6	47.8	51.5	48.6	45.9	51.5
Results of Operations							
Operating Revenues	$ 460,977	341,206	307,136	255,643	204,846	187,060	113,267
Operating Expenses							
Fuel for Generation of Power	235,842	106,191	88,549	84,749	69,014	49,101	21,847
Deferred fossil fuel expense (credit)	(35,028)						
Purchased Power	14,494	7,847	11,537	10,422	9,799	6,439	5,196
Other Operation Expense	46,549	41,910	32,979	28,510	23,765	20,884	15,252
Maintenance	28,591	29,749	25,624	23,098	19,849	16,231	7,706
Depreciation	35,544	31,845	27,280	22,820	19,476	18,086	10,560
Taxes—Income	16,947	21,268	26,378	14,328	8,289	18,920	17,258
Taxes—Other	40,684	28,706	24,021	21,400	19,053	17,413	10,115
Total Operating Expenses	383,623	267,516	236,368	205,327	169,245	147,074	87,934
Operating Income	77,354	73,690	70,768	50,316	35,601	39,986	25,333
Other Income							
Allowance for Funds Used During Construction	54,609	38,093	24,759	14,708	10,505	4,397	1,134
Income Taxes—Credit	16,068	10,477	6,666	3,532	2,709	1,425	161
Other Income (Deductions)—Net	776	393	49	517	(33)	3	366
Other Income	71,453	48,963	31,474	18,757	13,181	5,825	1,661
Gross Income	148,807	122,653	102,242	69,073	48,782	45,811	26,994
Interest Charges							
Bond Interest	63,676	45,653	37,782	27,895	19,601	14,543	7,027
Other Interest Charges	12,860	11,001	3,931	3,704	4,356	3,884	337
Total Interest Charges	76,536	56,654	41,713	31,599	23,957	18,427	7,364
Net Income	72,271	65,999	60,529	37,474	24,825	27,384	19,630
Preferred Stock Dividend Requirements	20,672	13,017	9,612	8,371	4,699	2,966	1,606
Earnings for Common Stock	51,599	52,982	50,917	29,103	20,126	24,418	18,024
Dividends Declared on Common Stock	37,375	32,691	27,174	22,122	19,013	17,391	11,661
Earnings Invested in the Business	$ 14,224	20,291	23,743	6,981	1,113	7,027	6,363
Earnings Per Share—Weighted Average	$ 2.21	2.58	2.86	1.97	1.56	2.05	1.62
Dividends Paid Per Common Share	$ 1.60	1.54	1.47½	1.46	1.46	1.42	1.00
Payout Percent	72.4	60.0	51.6	74.1	93.6	69.3	61.7
Shares Common Stock Outstanding (000's)[2]							
Year-End	23,439	23,234	20,125	15,555	13,986	12,674	11,279
Weighted average during year	23,324	20,554	17,814	14,776	12,934	11,920	11,146
Times Earned							
Bond Interest—Before Income Taxes	2.35	2.92	3.23	2.86	2.77	4.35	6.27
—After Income Taxes	2.34	2.69	2.71	2.48	2.49	3.15	3.84
Preferred Dividend Requirements	3.50	5.07	6.30	4.48	5.28	9.23	12.22

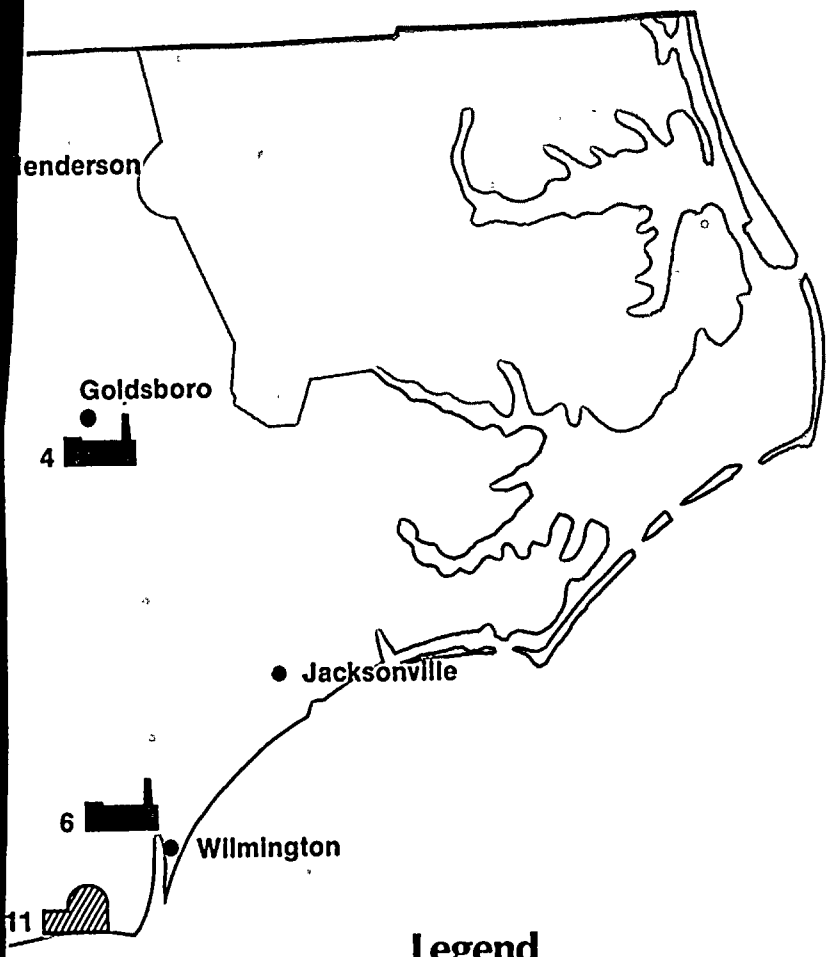
[1]As adjusted for years 1969 through 1973 for income tax refund received in 1974.
[2]Years prior to 1974 restated to reflect unamortized premium and discount.

Revenues (Thousands)	1974	1973	1972	1971	1970	1969	1964
Residential	$ 156,134	117,559	103,254	89,711	75,990	67,920	45,593
Commercial	88,420	65,647	58,246	49,223	40,981	36,316	22,331
Industrial—Textile[1]	56,661	36,689	33,438	26,725	21,174	18,713	10,561
Industrial—Other	78,649	47,677	41,161	34,096	28,889	26,133	13,734
Government and Municipal	16,034	11,632	10,827	9,685	8,573	7,997	6,726
Sales for Resale	46,015	43,827	35,396	31,643	25,794	22,506	13,212
Total Electricity Sales Within Service Area	441,913	323,031	282,322	241,083	201,401	179,585	112,157
Nonterritorial Electricity Sales	13,499	13,608	21,040	11,967	1,225	5,557	—
Miscellaneous Revenues	5,565	4,567	3,774	2,593	2,220	1,918	1,110
Total Operating Revenues	$ 460,977	341,206	307,136	255,643	204,846	187,060	113,267
Load Data							
Electric Energy Sales (Millions):							
Residential .....Kwh	5,917	5,937	5,208	4,974	4,634	4,150	2,516
Commercial	3,576	3,628	3,202	2,945	2,693	2,389	1,315
Industrial	8,273	7,885	7,037	6,232	5,623	5,188	2,602
Other	5,841	5,779	5,070	4,710	4,352	3,890	2,326
Total Energy Sales Within Service Area	23,607	23,229	20,517	18,861	17,302	15,617	8,759
Nonterritorial	469	853	1,584	796	246	1,068	—
Total Electric Energy Sales	24,076	24,082	22,101	19,657	17,548	16,685	8,759
Company Uses, Losses and Unaccounted For	1,556	1,501	1,671	1,307	1,248	1,222	727
Total Energy Requirements .....Kwh	25,632	25,583	23,772	20,964	18,796	17,907	9,486
Electric Energy Supply (Millions):							
Generated—Steam—Fossil .....Kwh	18,603	19,875	16,605	16,135	16,311	15,996	7,900
Generated—Steam—Nuclear	4,813	3,764	4,828	2,414	3	—	—
Generated—Hydro	921	891	882	849	623	695	898
Generated—Other Fuel	215	113	210	257	315	127	—
Purchased and Interchange—Net	1,080	940	1,247	1,309	1,544	1,089	688
Total Energy Supply .....Kwh	25,632	25,583	23,772	20,964	18,796	17,907	9,486
Peak Demand of Firm Load (000's):							
Within Service Area .....KW	4,771	4,711	4,119	3,625	3,484	3,055	1,749
Nonterritorial	143	212	516	170	—	168	—
Total Peak Demand .....KW	4,914	4,923	4,635	3,795	3,484	3,223	1,749
Total Capability at December 31 (000's):							
Fossil Fuel Plants .....KW	5,014	4,453	3,833	3,482	3,040	2,961	1,632
Nuclear Plants	700	700	700	700	—	—	—
Hydro Plants	212	212	212	211	211	211	212
Purchased	280	280	265	245	378	223	243
Total Capability[2] .....KW	6,206	5,645	5,010	4,638	3,629	3,395	2,087
Miscellaneous							
Customers at Year End							
Residential	550,128	535,607	515,041	495,528	478,914	465,215	402,969
Other	98,179	96,844	95,020	90,561	86,511	82,584	67,228
Total	648,307	632,451	610,061	586,089	565,425	547,799	470,197
Average Revenue Per KWH							
Residential .....Cents	2.64	1.98	1.98	1.80	1.64	1.64	1.81
Commercial	2.47	1.81	1.82	1.67	1.52	1.52	1.70
Industrial	1.64	1.07	1.06	.98	.89	.86	.93
Total Energy Sales Within Service Area	1.87	1.39	1.38	1.28	1.16	1.15	1.28
Residential							
Average Annual Energy Use .....Kwh	10,861	11,276	10,293	10,205	9,794	9,027	6,319
Average Annual Bill	$ 286.60	223.29	204.05	184.08	160.62	147.74	114.53
Steam Electric Generating Plant Fossil Fuel							
Average Annual Heat Rate (BTU Per Net KWH)	10,090	9,739	9,946	9,832	9,785	9,626	9,853
Average Cost Per Million BTU .....Cents	116.7	50.0	45.7	48.0	41.2	31.0	28.0
Average Cost Per Million BTU—All Fuels	96.6	44.6	39.6	44.9	42.1	31.5	28.1
Annual Load Factor, Service Area Load	% 60.2	59.9	61.3	63.5	60.8	62.9	61.7

[1]Includes yarn mills, weaving or cloth mills, finishing plants (bleaching, shrinking, dyeing and printing), knitting mills, and hosiery mills.
[2]Company now has 949,000 Kw. under construction for service in 1975, 821,000 Kw for 1976; and 720,000 for 1978—or a total of 2,490,000 added kilowatts of generating capability.

Territory Served





Legend

- CP&L Service Area
- CP&L District Offices
- Hydroelectric 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
- Darlington County Electric Plant

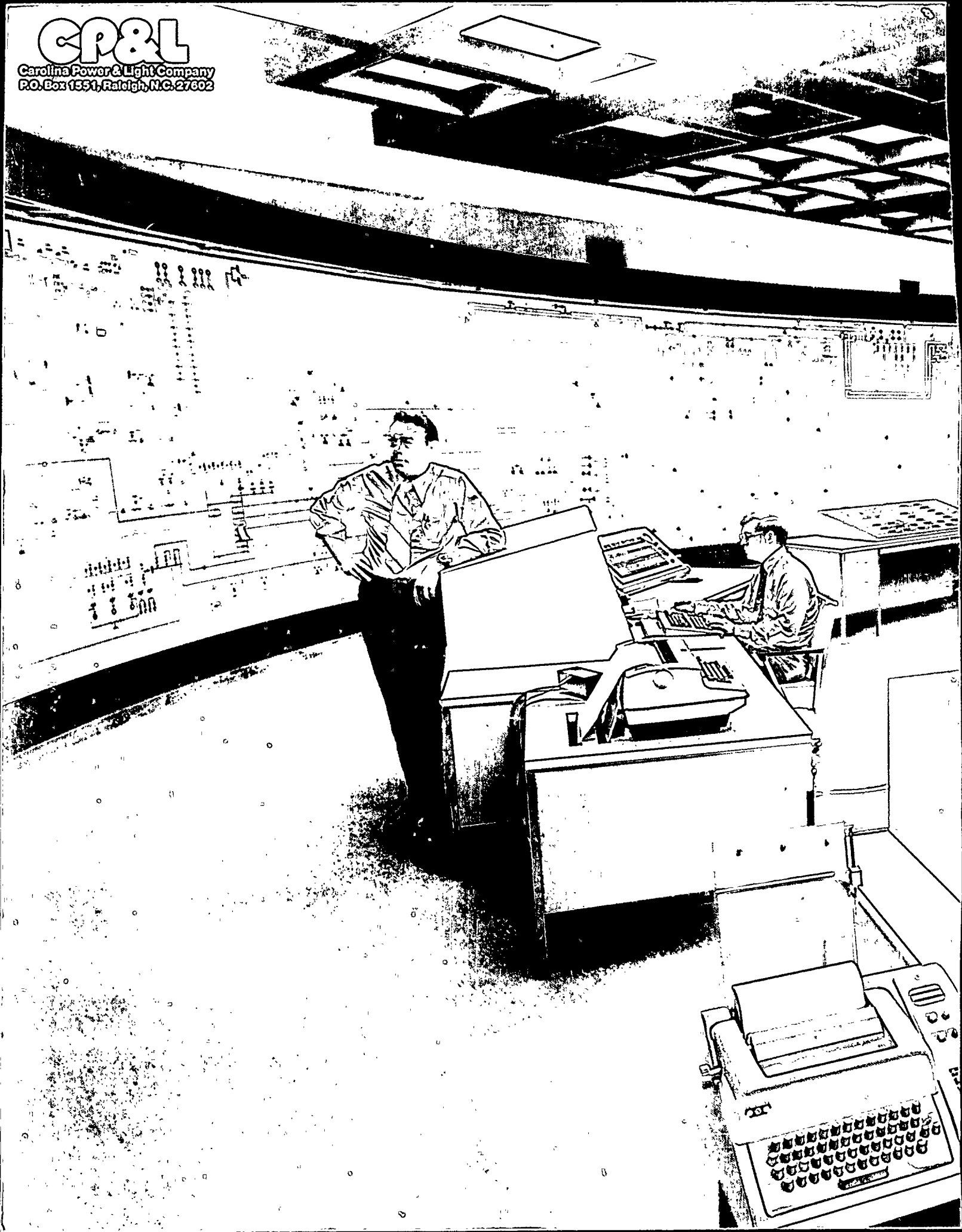
Electric Generating Plants

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 Plant
12. Marshall Hydroelectric Plant
13. Harris Nuclear Site
14. Darlington Plant

At the end of 1974, CP&L was providing electric service to more than 648,000 customers in an area of 30,000 square miles—almost half of North Carolina and about one-fourth of South Carolina. Total population of the territory is estimated to be about 2.8 million. This territory is comparable in size to the combined areas of Connecticut, Massachusetts, Rhode Island, New Jersey and New Hampshire. It includes part of the Mountain and Piedmont regions, but is largely in the Coastal Plains section. Service to customers is provided through 5 division, 10 district and 40 area offices.

Annual Meeting

The 1975 Annual Meeting of Shareholders will be held in Raleigh, North Carolina, on May 21 at 11 A.M. A formal notice of the meeting together with a proxy statement and form of proxy will be mailed about April 16.


CP&L
Carolina Power & Light Company
P.O. Box 1551, Raleigh, N.C. 27602