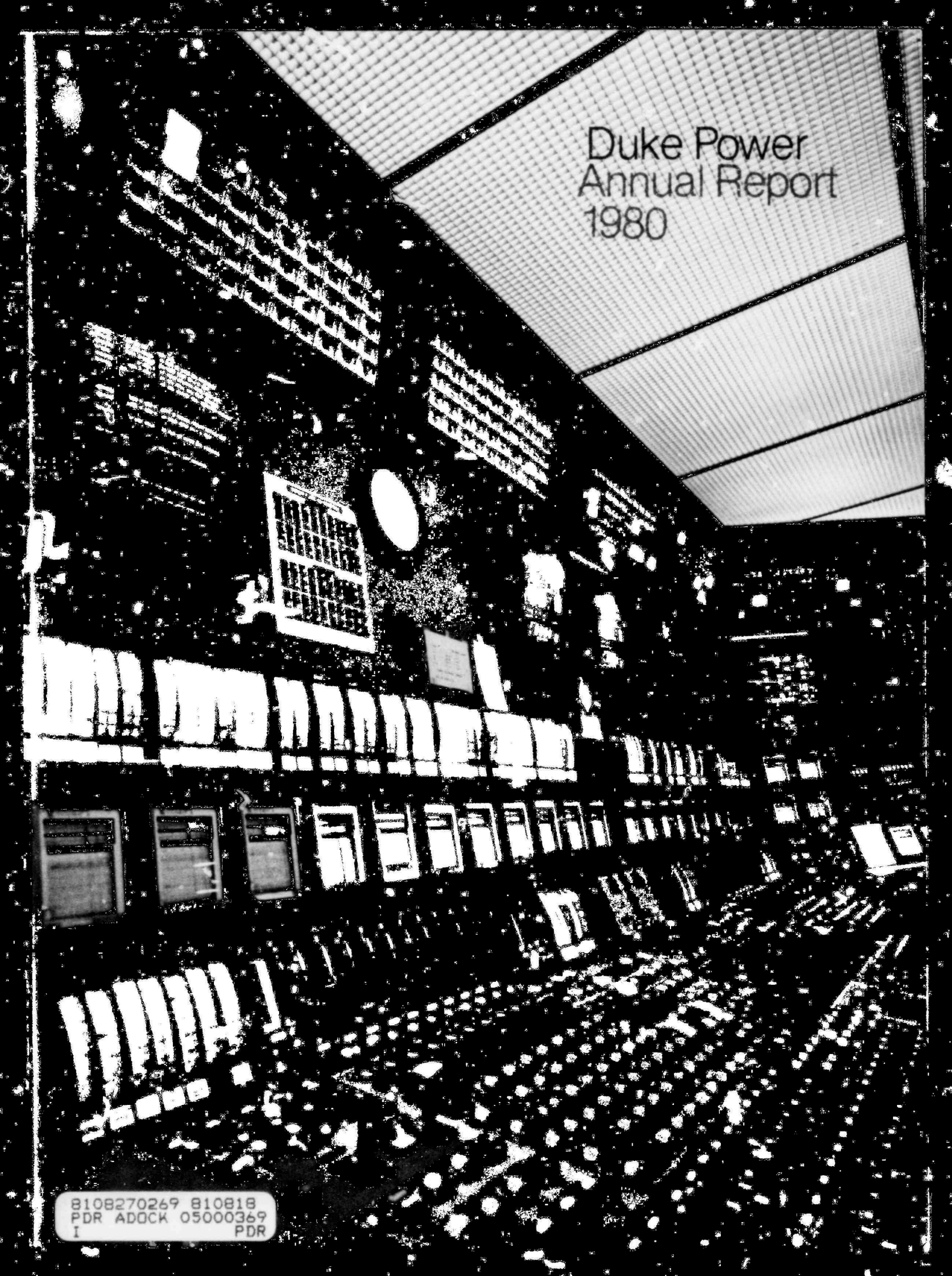


8108270269 810818
PDR ADOCK 05000369
I PDR

About the Cover

Pictured on the cover is the control panel of the Belews Creek Steam Station, the most efficient fossil-fueled generating plant in the nation for three of the past four years. The Belews Creek Station is representative of Duke's dedication to internal excellence. Duke's efforts to prepare for the challenges of the future are featured in the section *"Looking at the Future"* beginning on page 8.

Contents

1 Highlights
2 Letter to Shareholders
4 Year In Review
8 Looking at the Future
  Energy Sources
  Energy Operations
  Energy Management
20 Service Area Map
21 Responsibility for Financial Statements
21 Auditors' Opinion
22 Financial Statements
  Statements of Income
  Statements of Source of Funds for Plant Construction Costs
  Balance Sheets
  Statements of Capitalization and Retained Earnings
27 Notes to Financial Statements
34 Management's Discussion and Analysis of Financial Condition and Results of Operations
35 Financing and Sale of Assets
36 Selected Financial Data
41 Subsidiaries
42 Board of Directors
44 Officers

Notice of Annual Meeting

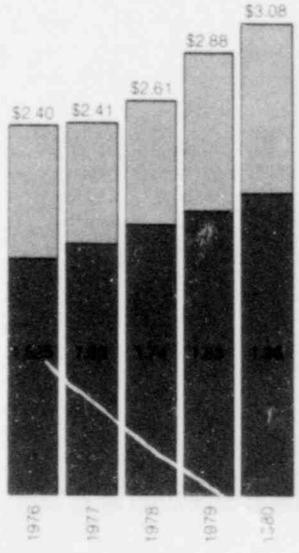
The 1981 meeting of holders of Duke Power Company common stock will be held at 10 a.m. Tuesday, April 28, 1981, in the O.J. Miller Auditorium of the Electric Center, 526 South Church Street, Charlotte, N.C.

Highlights

DUKE POWER COMPANY

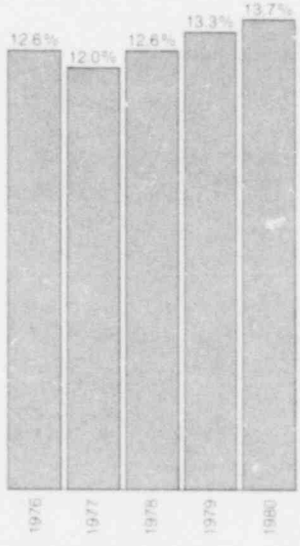
	1980	1979	Percent Increase
Kilowatt-hour sales	**52,311,276,000**	50,323,175,000	4.0
Electric revenues	**$1,682,822,000**	$1,492,557,000	12.7
Earnings for common stock	**$ 252,479,000**	$ 222,198,000	13.6
Common stock data			
Average shares outstanding	**81,985,000**	77,168,000	6.2
Earnings per share	**$ 3.08**	$ 2.88	6.9
Dividends per share	**$ 1.95**	$ 1.83	6.6
Book value per share (year end)	**$22.82**	$22.12	3.2
Return on average common equity	**13.7%**	13.3%	3.0
Plant construction costs	**$ 853,015,000**	$ 828,308,000	3.0
Total electric plant, net	**$5,904,850,000**	$5,209,438,000	13.3
Peak load (Kw)*			
Summer	**10,364,000**	9,833,000	5.4
Winter	**9,892,000**	9,844,000	0.5

*A new peak of 10,530,000 Kw occurred on January 12, 1981.



Earnings Per Share

Dividends Per Share



Return on Average Common Equity

To Our Shareholders

At last year's annual meeting, we pledged to "make it happen" in the decade of the eighties. We worked to honor this pledge in 1980.

Earnings for common stock rose to $3.08 per share, up 6.9 percent over the $2.88 per share earned in 1979.

Return on common equity improved to 13.7 percent, compared with 13.3 percent in 1979.

The quarterly dividend per share of common stock was boosted in October to 51 cents from its previous level of 48 cents, increasing the indicated annual dividend per share to $2.04 from $1.92.

In addition to this improved financial performance, we are pleased to report the February 1981 sale of a 75 percent interest in Unit 1 of the Catawba Nuclear Station to groups of North Carolina and South Carolina rural electric cooperatives. As discussed in more detail elsewhere in this report, the $521 million received at the time of closing will offer substantial relief from the burden of financing the current construction program in volatile capital markets.

We also are pleased to report the virtual completion of Unit 1 of the McGuire Nuclear Station. The commercial operation of this unit later this year and its attendant inclusion in rate base will help improve internal cash generation and enhance the quality of earnings.

The compound effects of the sale of Catawba Unit 1 and the inclusion of McGuire Unit 1 in rate base will move the Company closer to its goal of improved credit ratings on its fixed income securities.

Despite this progress, our financial position as we enter 1981 is far from satisfactory in the context of the current harsh economic environment.

Earnings are insufficient to support the market price of our common stock at its book value. The rates of return granted in our most recent rate cases are not competitive with the returns available on investments of comparable risk. Moreover, continuing inflation and record high interest rates are escalating both our operating and capital costs.

Yet, we are faced with the challenge of building and financing additional generating plants to accommodate the continuing industrial development and economic growth of our service area.

Financing our existing construction program required the issuance of $150 million of long-term bonds in 1980 at interest rates above our highest allowed return on equity. In order to maintain a sound capital structure, we also were forced to sell four million shares of additional common stock at prices far below book value.

This cannot continue.

If we are to attract the vast amount of new investment our construction program will require without further impairing the financial stake of our existing shareholders, we must substantially strengthen our financial position.

We must secure higher allowed rates of return. We must achieve higher earnings to adequately compensate our existing shareholders and thereby restore the market price of our common stock to book value or above. And we must obtain improved credit ratings on our fixed income securities.

Achieving these financial goals in the current economic climate will not be easy. But we are committed to preserving our financial integrity.

We will vigorously pursue timely rate increases and substantially higher rates of return in both our North Carolina and South Carolina jurisdictions.

On December 29, we filed a request with The Public Service Commission of South Carolina to increase our electric operating revenues by $102.5 million. This request seeks a 17.5 percent allowed rate of return on common equity and provides for the commercial operation of McGuire Unit 1. By the time you receive this report, we expect to have filed a similar request with the North Carolina Utilities Commission.

We also are launching a major communications program to inform and educate our customers, the regulatory agencies in our jurisdictions and the political leaders in both North Carolina and South Carolina about our financial needs. Through this campaign, we are seeking to explain that achievement of our financial goals is in the public interest and is fully consistent with the public policies of the Carolinas which encourage economic growth, industrial development and diversification.

To strengthen our financial base further, we are exploring fully the potential of our non-regulated investments which offer our

Carl Horn, Jr. *(right)*
William S. Lee *(left)*

shareholders the opportunity to realize a greater return on their investment than that available through utility operations alone.

While pursuing these financial goals, we also are striving to maintain and improve upon our internal excellence by seeking greater flexibility and control over our fuel supply; by looking for ways to improve the efficiency of our generating plants; by developing additional load management programs to reduce peak demand; and by equipping our employees with the skills and knowledge to lead us into the 21st century.

These activities are highlighted elsewhere in this report. Through these efforts, we are preparing ourselves to meet the financial, technological and human challenges of the future.

We thank you for your support and encourage your interest. These are exciting times. We hope the new political leadership of the country will provide a climate that is conducive to further development of nuclear power and the rebuilding of the American economy. But ultimately, we must solve many of our problems ourselves through imaginative leadership and the will to succeed.

We also thank the dedicated Duke employees, our greatest asset, for their productivity and their role as community ambassadors. With the continued support of our 129,000 shareholders and 20,000 employees, we fully intend to keep our promise to "make it happen" in the future.

For the Board of Directors,

Carl Horn, Jr.

Carl Horn, Jr.
Chairman of the Board and
Chief Executive Officer

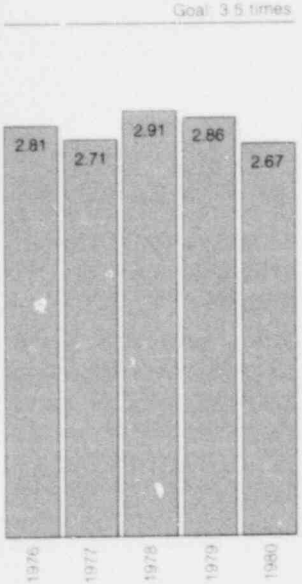
William S. Lee

William S. Lee
President and
Chief Operating Officer

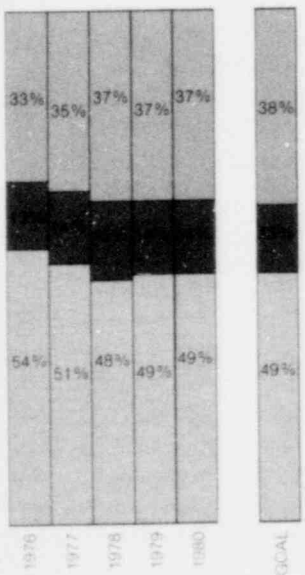
February 13, 1981

(On February 24, 1981, the board of directors indefinitely delayed completion of the Cherokee Nuclear Station, citing difficulties in attracting capital on reasonable terms.)

Year In Review



Earnings Coverage of Fixed Charges
(SEC Method)



Capital Structure
(Excludes Current Maturities)

Common Equity
Preferred Stock
Long-term Debt

Financial Results

Earnings for common stock in 1980 totaled $252.5 million ($3.08 per share) compared with $222.2 million ($2.88 per share) in 1979.

This improvement in earnings enabled the board of directors to increase the quarterly dividend per share of common stock to 51 cents from its previous level of 48 cents, effective with the payment on December 8, 1980. This higher dividend increases the Company's indicated annual dividend per share to $2.04 from its previous level of $1.92.

The higher earnings for 1980 resulted largely from rate increases granted in late 1979 and the third quarter of 1980, higher allowance for funds used during construction and increased kilowatt-hour sales.

Earnings for the year provided a 13.7 percent return on common equity, a modest improvement over the 13.3 percent return earned in 1979.

Sale of Assets

After nearly five years of intense negotiations, the Company reached agreements with groups of its wholesale customers for the sales of 75 percent of Unit 1 and 25 percent of Unit 2 of the Catawba Nuclear Station.

Closing agreements were signed on February 6, 1981 for the sale of 75 percent of Unit 1 to groups of 10 North Carolina and 5 South Carolina rural electric cooperatives. Under the terms of this agreement, the Company received $521 million at the time of closing. In addition, the purchasers have agreed to make monthly progress payments to finance future construction of their share of the station. Duke will retain ownership of the remaining 25 percent of Unit 1.

Early in 1982, the Company hopes to complete the sale of 25 percent of Unit 2 to the Piedmont Municipal Power Agency (PMPA) representing a group of 13 South Carolina municipalities. Preliminary contracts for this sale were signed August 25, subject to PMPA's obtaining the necessary financing, approvals by a sufficient number of participating municipalities, and approvals by certain state and federal regulatory agencies. Ten of the municipalities have elected to participate in the purcha while three hav declined the proposal. Under the terms of these contracts, the Company would receive about $230 million at closing. PMPA also would make progress payments to finance the construction of its share of the station. The other 75 percent of Unit 2 was sold to a group of 19 North Carolina municipalities in 1978.

Financing

External financing in 1980 included the public sales of four million shares of common stock with net proceeds of $67 million; $50 million of cumulative preferred stock at 11 percent; $100 million of 30-year bonds at 14 7/8 percent; $50 million of 30-year bonds at 13 1/8 percent; $75 million of 10-year bonds at 12 percent; and $50 million of seven-year bonds at 14 3/8 percent. Difficult market conditions led to the sales of two bond issues with maturities significantly shorter than the 30 years the Company prefers.

In addition, the Company obtained $38.9 million for 2,278,800 shares of common stock sold through the Stock Purchase-Savings Program for Employees, the Employees' Stock Ownership Plan, and the Dividend Reinvestment and Stock Purchase Plan.

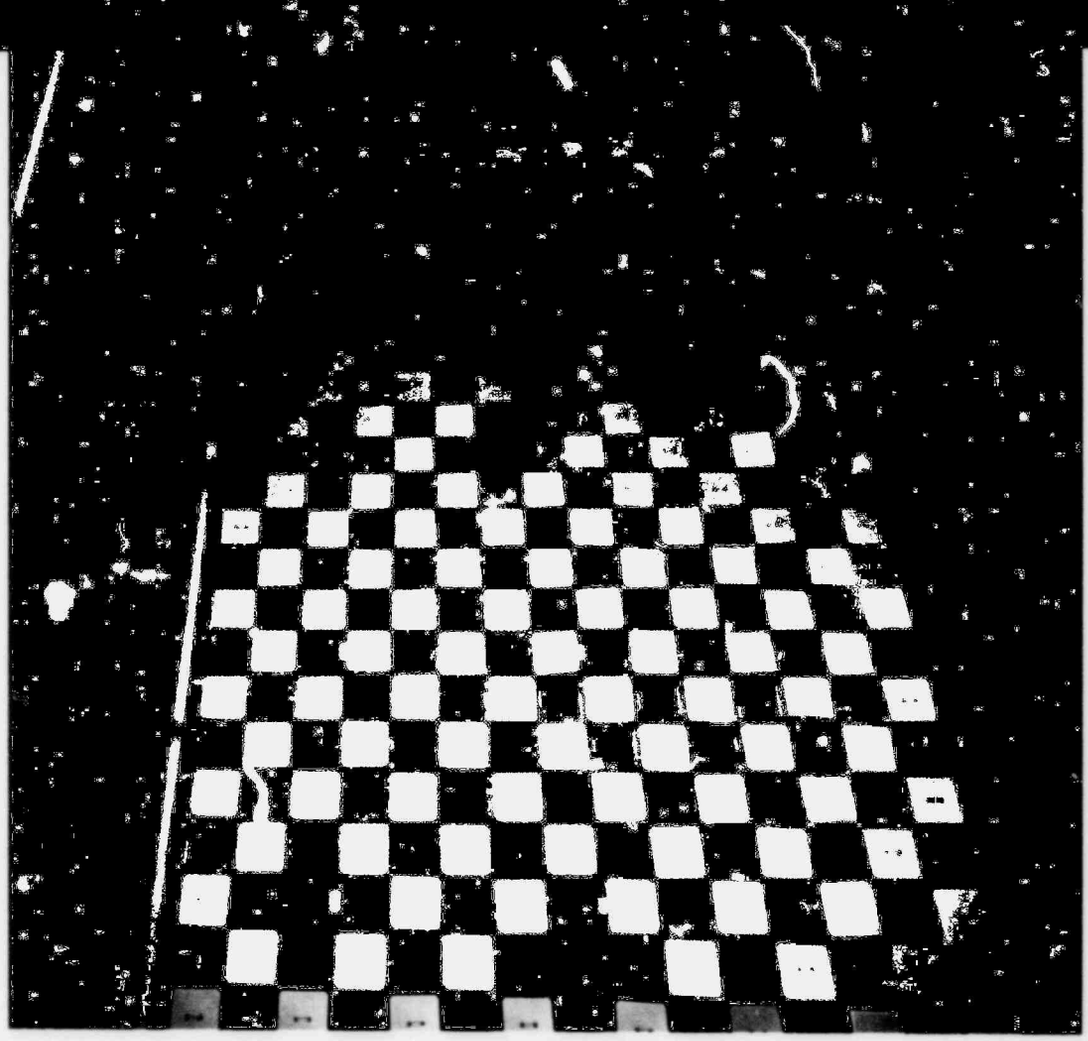
Adverse conditions in capital markets and an inadequate rate of return resulted in the Company's common stock trading at prices below book value the entire year. It was, therefore, not feasible to make further progress toward the capital structure goals of 49 percent long-term debt, 13 percent preferred stock and 38 percent common equity.

On December 31, 1980, the Company's capital structure consisted of 49.2 percent long-term debt, 13.5 percent preferred stock and 37.3 percent common equity. This represents little change from the capitalization ratios at the end of 1979. Through sales of portions of the Catawba station, the Company hopes to move closer to its capitalization targets.

In 1980, the Company achieved a 2.7 times fixed charges coverage ratio and generated 29 percent of its capital requirements through internal sources. Both measures fell short of targeted levels.

Construction Progress

Construction was virtually completed in 1980 on Unit 1 of the McGuire Nuclear Station on Lake Norman, 17 miles northwest of Charlotte. Commercial operation of this



Designed and built by Duke's own engineering and construction forces, the McGuire Nuclear Station occupies a site on Lake Norman equivalent in size to about 150 football fields. Each of the plant's two reactors will be fueled by about 216,000 pounds of uranium. About one-third of each reactor's 193 fuel assemblies will be replaced annually and stored underwater in on-site pools *(left)*. Commercial operation of McGuire Unit 1 is scheduled for mid-1981.

1,180,000-kilowatt unit is scheduled for mid-1981, pending issuance of an operating license by the Nuclear Regulatory Commission.

On January 23, 1981 the Company was granted a license to load McGuire Unit 1 with nuclear fuel. Testing is scheduled to continue until commercial operation begins.

Construction of McGuire Unit 2 is about 91 percent complete. Due to additional federal regulations, the scheduled completion date for this unit has been deferred. Commercial operation now is scheduled for 1983.

Construction continued to move forward on the two-unit Catawba Nuclear Station near Rock Hill, S.C. On December 31, 1980, Catawba Unit 1 was about 78 percent complete with commercial operation scheduled for 1984, and Catawba Unit 2 was about 18 percent complete with commercial operation scheduled for 1985.

The difficulty of raising capital on reasonable terms forced the Company to reschedule completion of the Cherokee Nuclear Station. Unit 1 was rescheduled for commercial operation in 1990 and Unit 2 in 1992.

Due to this revised schedule, the Company could face inadequate generating reserves in the late 1980s and early 1990s.

Plant construction and nuclear fuel costs in 1980 totaled $853 million, compared with $828 million in 1979.

(On February 24, 1981, the board of directors indefinitely delayed completion of the Cherokee Nuclear Station, citing difficulties in attracting capital on reasonable terms.)

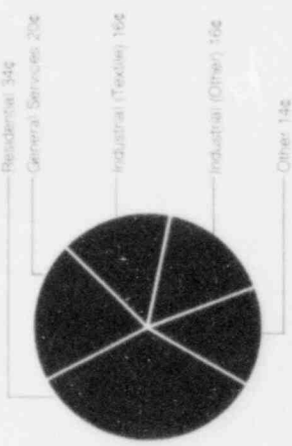
Rate Increases

Retail increases averaging about 6.0 percent were granted in North Carolina and South Carolina during the third quarter. A 6.7 percent increase in wholesale rates was implemented on October 3.

Even with these increases, the Company's rates remain about 20 percent below the national average.

The North Carolina retail increase is designed to generate an additional $57.5 million annually in electric operating revenues and is based on a 14.1 percent allowed return on common equity. Authority to implement this increase was granted by the North Carolina Utilities Commission on September 30 in response to a request filed on February 29, 1980 for an increase of 9.6 percent or $91.6 million.

The Company is appealing the North Carolina rate order in the state courts on



Our 1980 Dollar
Where It Came From

Our 1980 Dollar
How We Used It

The Belews Creek Steam Station *(right)* has led the nation's fossil-burning generating plants in fuel efficiency for three of the past four years. Duke's largest coal-burning plant, Belews Creek generated more than 13 billion kilowatt-hours of electricity in 1980, representing about 23 percent of Duke's net generating output. Preliminary data indicates that the two-unit station also led the Duke system in efficiency in 1980, achieving an even lower heat rate than in 1979.

grounds that expert testimony supporting a 15 percent return on common equity was not challenged or disputed during hearings, and that the amount of the depreciation reserve was calculated contrary to North Carolina statute.

The South Carolina retail increase is designed to generate an additional $23.4 million annually in electric operating revenues and is based on an allowed return on jurisdictional common equity of between 12.5 and 13 percent. The higher rates were made effective by The Public Service Commission of South Carolina on August 29 in response to a request filed in August 1979 for an increase of 6.7 percent or $25.8 million. This increase had been collected, subject to refund, since October 1979.

The 6.7 percent increase in wholesale rates is designed to generate an additional $14 million annually. It was implemented under an agreement that allows the Company to maintain general parity between rates for its wholesale customers and those for its North Carolina retail industrial customers. An additional wholesale increase of 2.1 percent was implemented beginning January 23, 1981 when Unit 1 of the McGuire Nuclear Station received an operating license. The Company anticipates final approval of these increases by the Federal Energy Regulatory Commission in the first quarter of 1981.

Electric Sales

Sales rose to 52.3 billion kilowatt-hours in 1980, an increase of 4.0 percent over 1979.

Residential customers accounted for the most significant increase, purchasing 7.3 percent more kilowatt-hours of electricity than in 1979. This increase primarily reflects extremely hot weather throughout the Company's service area during virtually the entire summer.

Sales to general service customers rose 7.0 percent over 1979.

Sales to non-textile industrial customers increased 0.4 percent from 1979, while sales to textile customers declined 2.3 percent due to unfavorable economic conditions.

Wholesale and other energy sales increased 7.6 percent.

Of the Company's total sales in 1980, residential customers accounted for 26.3 percent, general service customers 18.0 percent, non-textile industrial customers 18.9 percent and textile customers 19.4 percent. Wholesale and other energy sales accounted for the remaining 17.4 percent.

Continued growth and development in the Piedmont Carolinas resulted in an overall 2.5 percent increase in the Company's customer

base in 1980, bringing the total customers served to 1.3 million at December 31, 1980.

Peak Demand

Peak demand for electricity set record highs during both the winter and summer of 1980.

A new winter peak was set February 5, 1980 when customer demand reached 9,892,000 kilowatts, breaking the previous winter peak of 9,844,000 kilowatts set on January 4, 1979.

An all-time record peak was established on July 16, 1980 when customer demand reached 10,364,000 kilowatts, 5.4 percent above the 1979 summer peak of 9,833,000 kilowatts set on August 9, 1979.

(On Jan[illegible] 2, 1981 the Company expe[illegible] w system peak load of 10,[illegible] watts.)

Generation and Capacity

The Company continued to rely on coal and nuclear for the bulk of its power supply in 1980.

Fossil-fueled plants contributed 72 percent to generating output in 1980, nuclear units contributed 25 percent and hydroelectric units 3 percent.

Nuclear generation remained at about the same level as 1979 despite prolonged outages of all three units at the Oconee Nuclear Station, necessitated by changed federal regulations and modifications ordered by the Nuclear Regulatory Commission. Changes in the design and installation of piping supports and hangers alone required 340 man-years of previously unplanned work. The plant generated 14.2 billion kilowatt-hours of electricity in 1980 and achieved a capacity factor of 63 percent.

Unit 2 of the Belews Creek Steam Station, the most efficient fossil-fueled plant in the nation in 1979, was taken out of service for most of the summer to repair damaged generator coils. However, the return of all three Oconee units in early summer plus effective scheduling of other generating units enabled the Company to meet the record demand of its customers during the hot summer months.

The Company's generating capacity on December 31, 1980 totaled 12,048,000 kilowatts, consisting of 7,417,000 kilowatts of coal-fired units, 2,580,000 kilowatts of nuclear units, 1,452,000 kilowatts of hydroelectric facilities and 599,000 kilowatts of combustion turbine units.

Efficiency

For the sixth consecutive year, the Company's fossil-fueled generating system was ranked the most efficient in the nation by *Electric Light and Power* magazine.

The magazine's rankings were based on 1979 heat rates, the latest year for which industry operating statistics are available. Heat rate is determined by the heat (measured in British Thermal Units) required to generate a kilowatt-hour of electricity.

In addition to claiming the top award for overall fossil system efficiency, Duke units captured six of the top seven places in the magazine's unit-by-unit rankings. Unit 1 of the Belews Creek Steam Station was cited as the most efficient fossil unit in the nation, followed by Unit 3 of the Marshall Steam Station. Belews Creek Unit 2 was ranked third, with Marshall Units 2, 1, and 4 placing fifth, sixth and seventh, respectively.

The Duke system achieved an even better heat rate in 1980 than the award winning level achieved in 1979.

The Company's fossil-fueled generating system has led the nation in overall efficiency in eight of the past 10 years and placed second twice.

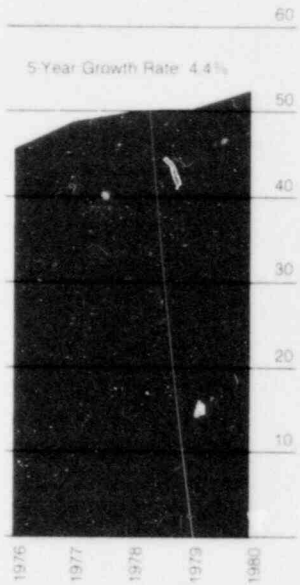
Dividend Reinvestment

The Company's Dividend Reinvestment and Stock Purchase Plan continued to draw increased participation in 1980.

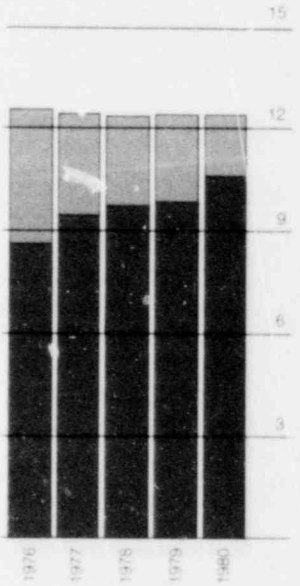
As of December 31, 1980, 21,335 shareholders were enrolled in the plan, which enables participants to have their dividends automatically reinvested in additional shares of common stock and/or to make optional cash payments of up to $3,000 per quarter toward the purchase of additional shares.

Since the plan's inception in 1973, more than $34 million has been invested through the plan, including $9.2 million in 1980.

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



Sales
(Billions of Kilowatt-Hours)



System Capability
(Thousands of Megawatts)
Peak Load

Energy Sources

"We don't depend on just one energy source — we use three: coal, nuclear and hydro. We feel it is sound business practice to have a variety of sources."

—Carl Horn, Jr., Chairman of the Board and Chief Executive Officer, January 1980.

Duke's diversified fuel mix has enabled it to provide the Piedmont Carolinas with a reliable and reasonably priced supply of electricity to support the area's extensive industrial development and economic growth.

Between 1970 and 1980, investments in new and expanding industries topped $8.6 billion in the Company's 20,000-square mile service area, creating more than 160,000 new jobs.

Because Duke does not rely on oil or natural gas, it has been able to meet the demands imposed by this growth without the threat of interruptions in fuel supplies or quadrupling price increases resulting from OPEC actions and the depletion of these natural resources.

To prepare for the future energy demands that will accompany continued growth, the Company is seeking to establish greater control over its supply of conventional fuels by developing its own coal and uranium resources.

To assure even greater flexibility in the future, Duke also is investigating and supporting research and development of a wide variety of nonconventional fuels and energy systems, including large storage batteries, fuel cells, solar generating plants and fluidized bed combustion.

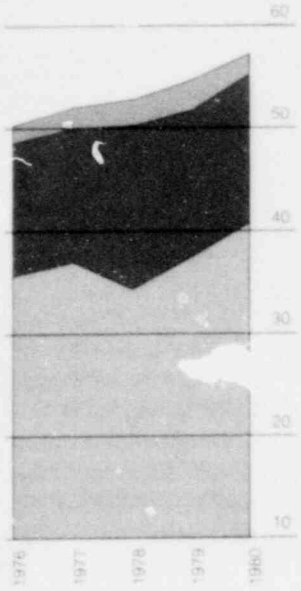
Present Energy Sources

To help maintain a reliable and reasonably priced supply of fuel for its coal and nuclear plants in the future, Duke has established its own exploration and mining subsidiaries.

In 1980, Eastover Mining Company enjoyed one of the most productive years in its 10-year history, supplying Duke's fossil-burning plants with more than 2 million tons of coal — 13 percent of their total annual requirements. This year, more than $16 million

As many as 100,000 visitors a year are treated to a glimpse of the future at Duke's Keowee-Toxaway Visitors Center *(right)*. The center was recognized as the most outstanding privately financed tourist attraction in South Carolina in 1979. Located adjacent to the Oconee Nuclear Station, the center features "hands-on" exhibits on harnessing the energy of the atom, conservation, load management and developing energy technologies.

Duke's fossil-burning plants consumed about 290,000 tons of coal per week in 1980 *(opposite page)*. About 13 percent of the 15 million tons of coal burned in 1980 was supplied by Duke's subsidiary, Eastover Mining Company. Coal-fired generation accounted for about 72 percent of Duke's total generating output during the year.



Generation
(Billions of Kilowatt-Hours)

Hydro and Other
Nuclear
Coal

will be invested in capital improvements at four Eastover mining sites.

A sister subsidiary, Eastover Land Company, currently owns or controls recoverable coal reserves in Virginia and Kentucky estimated at more than 188 million tons, enough for more than a century at current mining levels.

In 1978, another subsidiary, Western Fuel, Inc., was formed to participate in a uranium exploration and mining venture with Ogle Petroleum Inc.

Last June, this joint venture completed construction of the first phase of a commercial processing plant in the Red Desert of Wyoming. Limited mining operations are now underway using an unconventional in-situ mining process by which a chemical solution is pumped into wells to bring uranium to the earth's surface. In pilot tests conducted in 1979, this process met all the land restoration requirements of the Wyoming Department of Environmental Quality.

With approval of a federal license expected this year, the joint venture is preparing for full-scale mining operations to recover a projected 125,000 pounds of uranium a year from existing wells. Future plans include expansion of processing facilities to increase production capacity to an estimated 400,000 pounds of uranium a year.

Exploration for additional reserves is continuing on 10,000 acres of leased federal lands in Wyoming.

Future Energy Sources

While coal, nuclear and hydro remain the most economical and efficient methods of generating large amounts of electricity, recent technological advances in the development of nonconventional fuels and energy systems offer promise for the future.

To assure a diversified and flexible generating mix in the future, the Company is investigating the potential of a wide variety of alternatives as part of a comprehensive study of generating options over the next 20 years. This study will help determine the most reliable and economical generating mix to pursue in the future.

As part of this planning study, an eight-member task force of Duke engineers, fuel analysts and marketing specialists is compiling detailed information on the technological, environmental and economic aspects of such developing technologies as thorium and hydrogen fuels, solar generating plants and advanced breeder reactors.

In addition to reviewing volumes of the most recent research material available, this team has interviewed research and development groups at the Electric Power Research Institute, the Department of Energy and the Solar Energy Research Institute.

Task force members also have visited a number of demonstration projects, including a coal gasification complex under construction in Connecticut, a battery test facility in Michigan and a solar retrofitted coal plant in California.

A second task force is investigating the technological, environmental and economic feasibility of expanding the capacity of the Company's existing generating units through plant modifications and additions. Among other things, this task force will identify potential low-head hydroelectric sites and evaluate the impact of design modifications and improved coal quality in enhancing generating output.

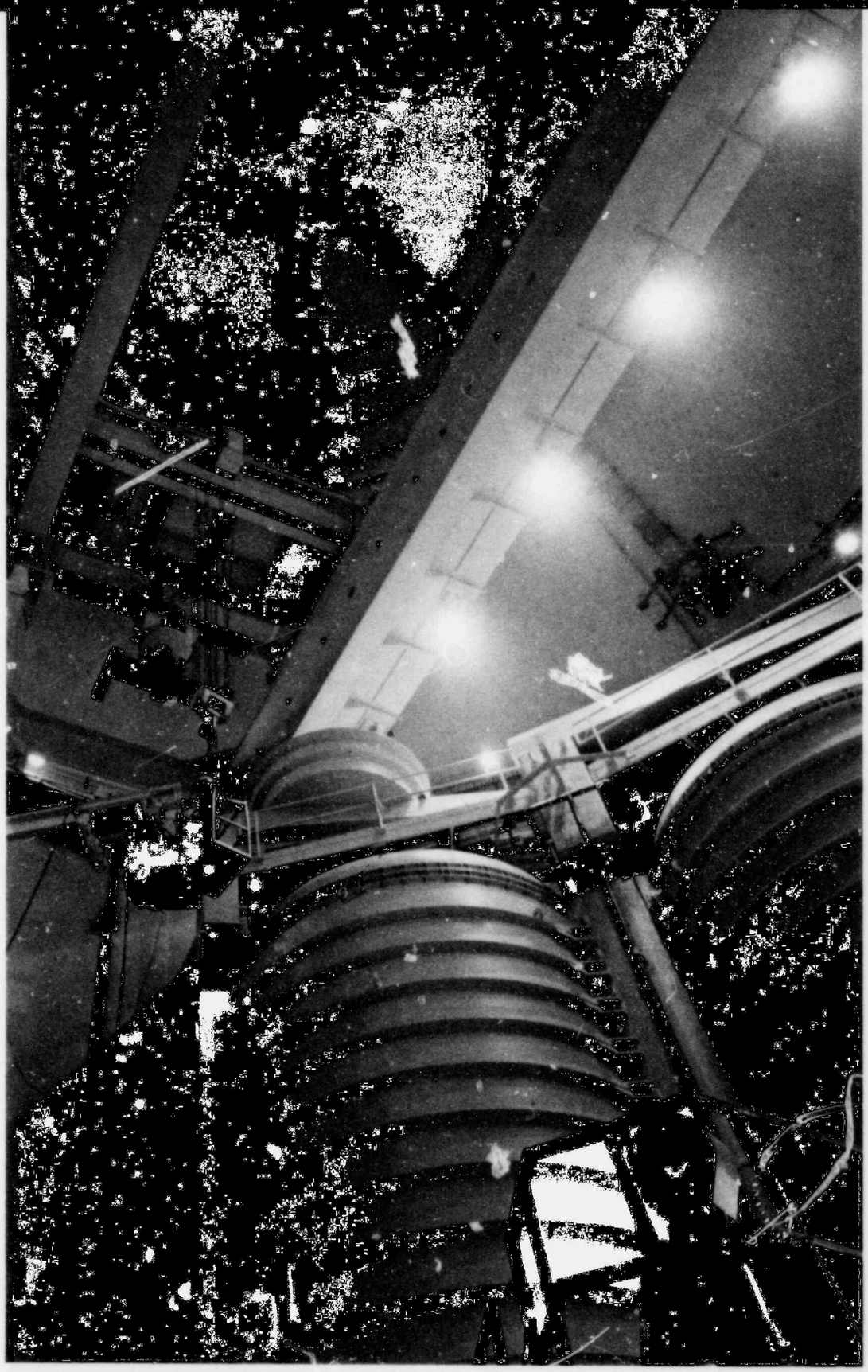
A third task force is developing information on the future of new coal, nuclear, pumped storage and combustion turbine generating units, seeking to forecast how they will compare with other available options.

Later this year, all three task forces will merge their findings through a series of computer models to analyze the benefits and drawbacks of each option and to determine the most cost effective and efficient mix of generating options through the year 2000.

Some technologies, such as fusion and advanced breeders, probably will not be commercially available within the 20-year time frame of this study, but rather will continue as the subjects of long-term research and development efforts.

In 1980, the Company committed $8.7 million to help support the industry's research into lithium chloride batteries, magnetohydrodynamics (a highly efficient way of burning coal cleanly) and other developing technologies of interest to electric utilities and their customers. In 1981, this support will increase to $9.8 million.

The Company also joined North Carolina's other electric utilities, rural electric cooperatives, and municipal electric distributors in 1980 in forming a nonprofit



When placed into commercial operation later this year, Unit 1 of the McGuire Nuclear Station *(left)* will generate enough electricity to serve about 350,000 homes. Because of substantially lower fuel costs, nuclear generation is far less expensive than either coal, natural gas or oil. In 1980, the cost of generating a kilowatt-hour of electricity at Duke's Oconee Nuclear Station averaged about 1.6 cents, compared with more than 2.1 cents per kilowatt-hour at the Company's coal-fired stations.

research corporation to sponsor demonstration projects for assessing the potential of various alternative fuels and generating systems. This year, the North Carolina Alternative Energy Corporation will begin funding individual research projects, aided in part by an annual contribution from the Company of approximately $1 million.

Through these efforts, Duke is seeking to assure the Piedmont Carolinas a flexible, reliable and economical supply of electricity to support continued industrial development and economic growth in the future.

Energy Operations

"It's easy to see how Duke Power achieved its top ranking. The Company is in a class by itself when it comes to building and operating efficient power plants."

—*Electric Light and Power*, August 1979.

Over the past 10 years, Duke Power has compiled a track record in efficiency unmatched in the electric utility industry.

These efforts have helped the Company to maintain electric rates which rank among the lowest on the Eastern Seaboard — approximately 20 percent below the national average for investor-owned utilities.

Continuing inflation and additional regulatory costs undoubtedly will increase the price of electricity in the future. In such an environment, efficiency of operations and increased productivity in all areas will play an increasingly significant role in holding down the rising cost of electric service.

Duke is meeting this challenge today by evaluating innovative design concepts and operating methods to improve generating performance and by equipping its people with the skills and knowledge to assure continued efficiency and safety in the future.

Efficiency

As the only investor-owned utility that has always designed and built its own power plants, Duke has acquired a wealth of knowledge and experience that permits planning beyond concrete and steel to total plant performance.

The "do it yourself" philosophy the Company inherited from its founders has enabled Duke to build its power plants at the lowest investment cost per kilowatt of capacity in the nation. Existing plants cost $1 billion less than if they had been built at the national average cost in their time.

Duke is a leader in the use of computer applications and the most modern analytical techniques in the design and construction of generating plants. Computer-directed graphic systems produce a large percentage of the architectural drawings needed for the construction of the Company's plants.

In addition, exact scale models are built in Duke's model shops before construction begins. Using these tools, the Company's engineers are able to project the impact of possible modifications and expose many potential problems on the drawing boards, thus avoiding costly and time consuming problems in the field.

Duke also employs a construction force of 6,600 people. Many are skilled craftsmen and have been Duke employees for many years. Most live with their families in nearby communities and therefore have a personal stake in the ultimate reliability of the plants they build.

Through these and other activities, the Company will continue to design and construct generating plants at costs well below the national average.

Not only does Duke build its plants at a lower cost than anyone else, they consistently rank among the most efficient in the industry. In eight out of the past 10 years, Duke's fossil-fueled generating system has led the nation in overall efficiency. In 10 out of the past 12 years, a Duke plant has achieved the lowest heat rate in the industry.

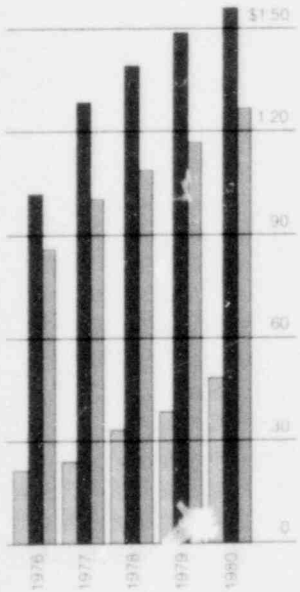
Duke has risen to this position of leadership by recognizing the ability of key operating personnel to perform effectively when given the authority to make adjustments to achieve the highest possible efficiency levels.

Plant operators, for example, make extensive use of sophisticated monitoring and analytical equipment in the daily operation of the generating plants.

Each plant also has its own performance team that continually monitors and tests critical equipment to assure that each generating unit in the plant meets the efficiency level it was designed to achieve.

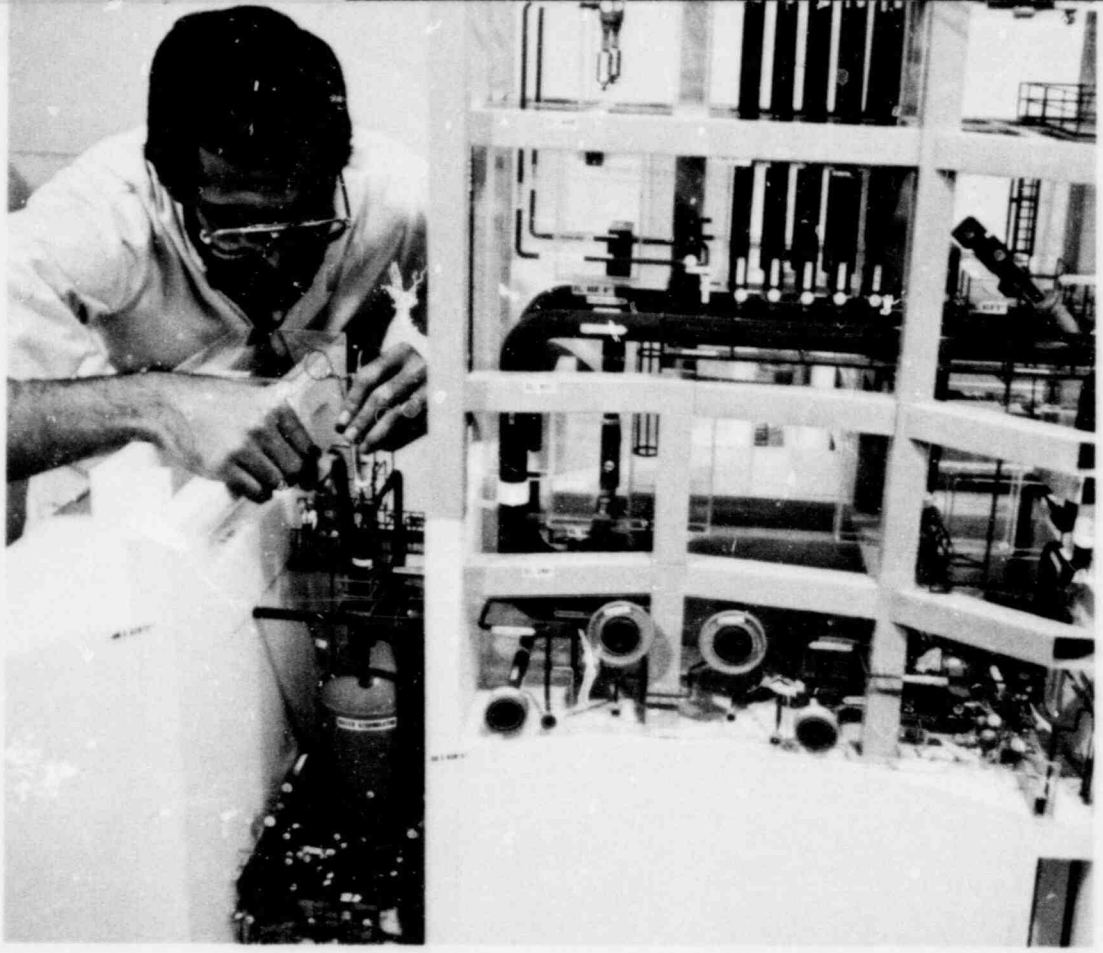
Additionally, system dispatchers are kept aware of the status of individual generating units to permit them to select the most efficient and economical combination of units to meet daily energy demands.

The fact that Duke employees design, build and operate the system enables design engineers, construction and maintenance



Fuel Cost Per Million BTUs

Nuclear
Coal
Weighted Average



Detailed, plastic models of each new generating plant are carefully assembled in Duke's model shops *(left)* to determine how various plant components will come together. Such modeling has saved Duke millions of dollars in construction costs by avoiding logistical problems and delays on the construction site.

teams, and plant operators to regularly share information and ideas for improving the performance of both new and existing plants.

These efforts have helped save customers millions of dollars in fuel costs. In 1979 alone, fuel costs would have been $14.8 million more if the Company's fossil-fueled system had achieved the same heat rate as the second most efficient system in the nation.

Employee Development

This operating record has been built through the imagination, innovation and dedication of the Company's employees.

The Company's ability to maintain and improve upon this past performance will depend in large measure on the skills and talents of the people who will design, build, operate and maintain the power plants of the future.

Today, Duke is preparing its construction and operating personnel to face the challenges of the future with extensive craft, technical and management development programs.

Novice craftsmen are given formal instruction in such areas as mathematics, basic electricity and blueprint reading, in addition to the opportunity to learn on the job from experienced welders, electricians and pipefitters. This is a gradual and painstaking process requiring as long as four years to advance from the stage of "learner" to "craftsman."

As regulatory requirements have become more stringent, highly specialized training programs for experienced workers have been developed to assure that design, construction and operating procedures meet or exceed all applicable standards.

To better equip plant operators, chemists, health physicists and maintenance personnel with the technical expertise to achieve continued efficiency and safety, the Company has built one of the most modern and well-equipped training centers in the nation.

Completed in early 1980, the two-story, 48,000-square-foot McGuire Technical Training Center on the shores of Lake Norman features an array of sophisticated equipment and laboratories, in addition to traditional classrooms. In a very real sense, the McGuire program is comparable to a technical college in both its campus setting and highly structured curriculum.

Classroom instruction is reinforced with practical hands-on experience in the center's chemistry and health physics laboratories, and mechanical and electro-pneumatic workshops. Future nuclear operators are exposed to actual control room conditions on a $3 million simulator programmed to test the trainees' skills in handling different malfunctions.

The McGuire Technical Training Center is equipped with a $3 million nuclear control room simulator *(opposite page)* that can be programmed to replicate 254 different malfunctions, including the Three Mile Island accident. Nuclear operator trainees receive more than 3,200 hours of classroom and on-the-job training before being licensed.

A staff of 46 professional instructors gives the 150 recruits who go through the program each year an education in power plant operations equivalent to a college major in special areas. While quality is carefully maintained, the cost per recruit is significantly less than that incurred through outside training.

Though only about a year old, the McGuire training facility already has garnered widespread acclaim as a model for the electric utility and nuclear industries, and has hosted touring groups from other electric utilities, governmental agencies and foreign countries.

Further concentration of training and scientific facilities on this Lake Norman campus is continuing with construction of a physical sciences building that will house all of the Company's environmental laboratories in the years ahead.

Since the early 1950s, the Company has been preparing many of its young supervisors and managers for additional responsibilities and leadership positions through management development programs. Focusing on such topics as motivating employees and increasing productivity, these training courses are conducted on a year-round basis at the Company's Lake Hickory training complex.

Built in 1959, the Lake Hickory complex is equipped with housing units for 30 students, a classroom building, and dining and recreational facilities. This informal, away-from-the-office setting allows participants to devote their full energies to learning.

The Lake Hickory program features three different levels of training — supervisory, management and upper management — to focus on the specific needs of the participants. Each level of training features at least four structured sessions of two to three days each, stretched out over a six-month period.

Rather than casting the Company's supervisors and managers in the same mold, the program is designed to expose young talent to a broad spectrum of management philosophies and techniques which they will be able to tap as their responsibilities grow.

To enhance the skills of the Company's professional staff of accountants, lawyers and engineers, a series of professional development courses was initiated in 1980 in such areas as time management, effective communications and leadership of meetings. This series of courses attracted more than 1,900 participants in its initial year and will be expanded in the future.

More than 700 Duke employees participated in management training courses at the Lake Hickory complex *(right)* in 1980. The Lake Hickory program is operated on a year-round basis and features outside management experts brought in from across the nation.

Energy Management

"The people at Duke Power have gone far beyond these (passive) concepts of load management and bill their program as the most aggressive, by far, in the industry today. We agree. (It) is the most aggressive we have seen in both breadth and depth of scope."

—Dean Witter Reynolds Inc., *Utility Insights*, October 1980.

Over the next 14 years, Duke Power has the opportunity to avoid an investment of more than $10 billion.

The Company's comprehensive Load Management Program is designed to do just that by reducing the incremental growth of peak demand 5,635,000 kilowatts by 1994 — nearly the equivalent of five generating units the size of McGuire Unit 1.

Despite public conservation efforts, the Company's most recent long-term forecast projects that without load management peak demand would double between now and 1994. To help meet this growth, Duke has embarked on one of the most ambitious construction programs in the nation. But even this may not be enough. In the 1990s, unrestrained peak demand could exceed available capacity.

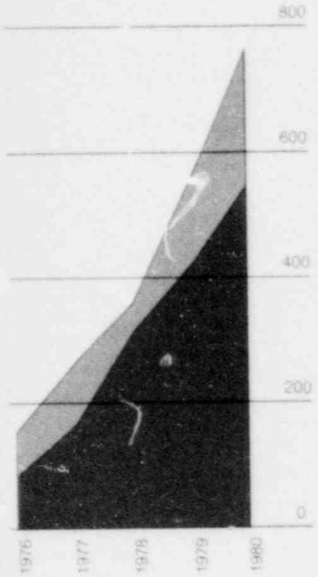
A decade ago, the simple solution might well have been to accelerate and expand the existing construction program. But inflation and increasingly expensive government regulations have multiplied the costs of building and financing new plants.

Only seven years ago, the Company placed its Oconee Nuclear Station into operation at a cost of $179 per kilowatt of capacity. When

Soaring construction costs and interest rates have made Duke's Load Management Program a practical and economical weapon for controlling peak demand growth. When completed in the mid-1980s, the Catawba Nuclear Station *(right)* will cost about seven times more per kilowatt than the Oconee Nuclear Station, and far more than the cost of implementing Duke's load management activities.

Duke is aggressively promoting its load management and conservation programs through mass media advertising *(opposite page)*. More than 41,000 residential customers have qualified for Duke's special conservation rate by building or upgrading their homes to meet strict insulation and ventilation standards.

This is an
ENERGY
EFFICIENT
STRUCTURE



Load Management Accomplishments

(Thousands of Kilowatts)

Winter Peak Reduction

Summer Peak Reduction

the new McGuire Nuclear Station is completed, it will have cost in excess of $780 per kilowatt. By the 1990s, the industry average for either nuclear or coal-fired plants is expected to exceed $2,000 per kilowatt.

By restraining the growth in peak demand, the Load Management Program seeks to assure adequate generating supplies and reserves in the future and at the same time maintain the Company's financial integrity.

When initiated in 1975, the goal of the Load Management Program was to reduce peak demand growth by 1,300,000 kilowatts by 1990. Today, an accumulated reduction of 545,800 kilowatts in summer peak demand and 768,900 kilowatts in winter peak demand has already been achieved — about 50 percent of the initial goal.

The current goal is to reduce the growth of winter peak demand by 5,635,000 kilowatts and summer peak demand by 4,508,000 kilowatts by 1994. Based on projected construction costs and considering necessary reserves, this represents more than $10 billion in new plant investment that can be eliminated as a direct result of the Load Management Program.

How It Works

To achieve the 1994 goals, the Company is developing and promoting more than 45 different programs and activities to 1) reduce overall energy demand, 2) shift on-peak demand to off-peak hours, and 3) enhance available generating supplies in emergency situations.

More than 25 of these programs and activities are already in place and are making substantial contributions toward the 1994 goals.

The *Energy Efficient Structure* program, which maximizes the energy efficiency of new homes through strict insulation and construction standards, has already accounted for reductions in winter peak demand of 136,000 kilowatts and summer peak demand of 28,200 kilowatts.

Efforts on the commercial and industrial level have been equally rewarding. Focusing on improved insulation factors, reduced lighting load levels, and more efficient heating and cooling systems, these activities have resulted in combined reductions of 288,800 kilowatts in winter peak demand and 330,600 kilowatts in summer peak demand through 1980.

Earlier this year, the Company activated its *Residential Conservation Service,* one of the most comprehensive load management efforts undertaken to date. Through this program, residential customers are being offered a computerized energy analysis of their homes. Participating customers are provided a list of suggested improvements to save energy, along with estimates of the investment involved and the savings they could realize through lower energy bills.

Later this year, an innovative chain store marketing concept will be initiated through which large retail chain operations will be encouraged to incorporate energy-saving features in all of their regional stores, rather than on an individual outlet basis.

Among the more promising of Duke's newer programs are *Residential Load Control* and *Time-of-Day Rates,* which were introduced to five selected geographical areas in 1980.

The central nervous system of both of these programs is a state-of-the-art, bi-directional signal system that gives the Company the capability to read meters, conduct load studies and interrupt service by remote control.

The *Residential Load Control* program is designed to enhance available generating supplies in emergency situations by temporarily interrupting service to the electric water heaters and central air conditioning systems of participating customers.

In exchange for this privilege, the Company is compensating these customers with monthly credits on their electric bills. Though less than a year old and available only in limited areas, acceptance of this voluntary program has been encouraging. During 1980, nearly 4,000 customers enrolled in this program.

The *Time-of-Day Rates* program is designed to encourage participating customers to shift much of their electricity usage to off-peak hours by offering them a special off-peak rate.

While not suited to those customers whose lifestyles prevent them from adjusting their pattern of energy consumption, this program nonetheless attracted more than 400 participants during 1980. The Company's goal for 1994 is to have at least 75,000 residential

Duke's new Gastonia, N.C. district office *(left)* demonstrates that energy efficiency in commercial buildings can be both attractive and affordable. Because of its unconventional design and energy-saving features, the building requires about 40 percent less energy for lighting than traditional commercial offices.

customers enrolled.

These and other programs will be expanded and reinforced in the future with the addition of both new programs and marketing strategies.

Load control and time-of-day rate programs now are being developed for commercial and industrial customers. The Company also is encouraging many of these same customers to use emergency generators for their own power needs during peak situations. Some have even agreed to delay the start-up of their electric heating systems during early morning peak hours to help offset demand from other customers.

In the future, Duke is planning to supplement its own generating capability through co-generation agreements with industrial plants and the owners of low-head hydroelectric facilities. These co-generation agreements have the potential to provide the Company with up to 100,000 kilowatts of additional generation by 1994.

Making It Happen

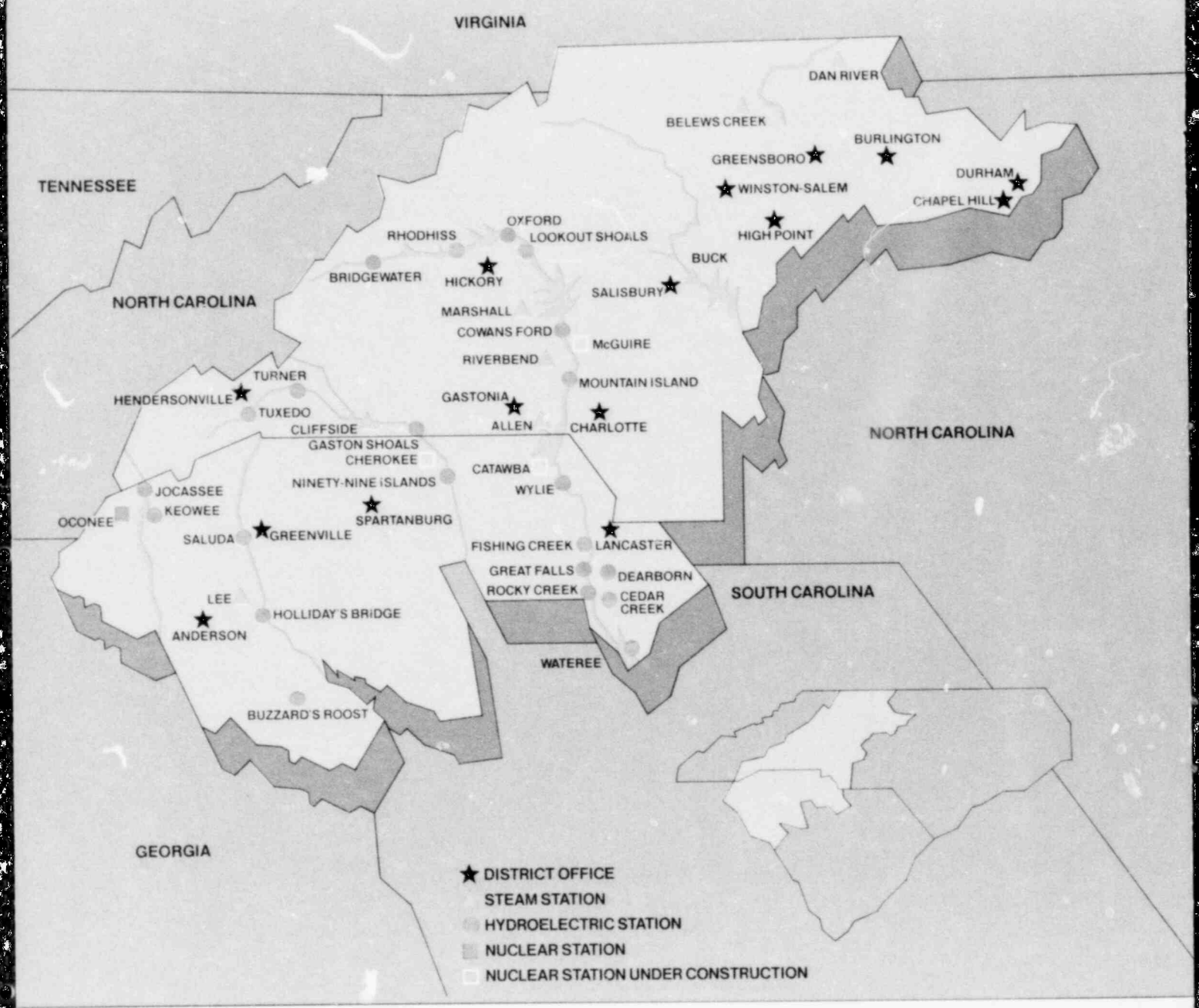
Consistent with the "make it happen" philosophy adopted for the 1980s, the Company is seeking to set an example by maximizing energy efficiency in its own buildings and offices.

In 1979, a thorough internal study was conducted of the lighting needs of the Company's buildings. Task-oriented lighting was introduced in a number of areas and some lights eliminated altogether. As a result, lighting requirements have been reduced by nearly 30 percent.

The Company's newest district office, opened in Gastonia, N.C. in March 1980, is a model of energy efficient design and construction. To take advantage of the slope of the land and the earth's natural insulating qualities, more than half of the exterior of this 9,600-square-foot building is underground. Rooftop solar collectors help provide all of the building's hot water needs. The office is heated and cooled by a thermal storage system which uses six underground water storage tanks. A 13-ton chiller heats and cools the water during off-peak hours, and the heat recovered from this process fulfills the building's daytime energy requirements.

These energy management activities reflect the attitude that as the major energy supplier in the Piedmont Carolinas, Duke Power has a responsibility to encourage its customers to use energy prudently and efficiently.

Duke Power Service Area



About Your Company

Duke Power Company is an investor-owned electric utility serving approximately 1.3 million customers in North Carolina and South Carolina. The Company's service area encompasses about 20,000 square miles through the Piedmont sections of the two states. Retail customers are served locally through 66 district and branch offices.

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

During the 12 months ended December 31, 1980, Duke's electric revenues were $1.7 billion, of which approximately 70 percent was derived from sales in North Carolina and 30 percent from sales in South Carolina.

Duke Power has five active subsidiaries — Crescent Land & Timber Corp. (land management), Mill Power Supply Company (wholesale distributor of electrical equipment and purchasing agent for Duke), Eastover Land Company (coal property management), Eastover Mining Company (coal mining), and Western Fuel, Inc. (exploration and development of uranium ore deposits).

Responsibility for Financial Statements

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

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

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

Porter A. Hauser
Vice President & Controller

Auditors' Opinion

Duke Power Company:

We have examined the balance sheets and the statements of capitalization of Duke Power Company as of December 31, 1980 and 1979 and the related statements of income, retained earnings, and source of funds for plant construction costs for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the financial position of the Company at December 31, 1980 and 1979 and the results of its operations and the source of its funds for plant construction costs for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells
Certified Public Accountants

Charlotte, North Carolina
February 24, 1981

Statements of Income

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31 1980	1979	1978
Kilowatt-Hour Sales (thousands)	**52,311,276**	50,323,175	49,938,748
Electric Revenues (Notes 1 and 2)	**$1,682,822**	$1,492,557	$1,396,720
Electric Expenses			
Operation			
Fuel used in electric generation	**680,693**	589,402	543,319
Net interchange and purchased power (credit)	**(12,908)**	(17,254)	17,271
Wages, benefits and materials	**211,014**	180,338	155,443
Maintenance of plant facilities	**114,597**	94,598	78,605
Depreciation and amortization (Note 1)	**131,441**	125,437	120,839
General taxes	**124,422**	112,655	103,816
Income taxes (Notes 1 and 8)	**153,463**	153,504	140,426
Total electric expenses	**1,402,722**	1,238,680	1,159,719
Electric operating income	**280,100**	253,877	237,001
Other Income (Notes 1, 8 and 10)			
Allowance for equity funds used during construction	**150,846**	121,701	87,810
Earnings of subsidiaries, net	**3,418**	10,447	9,159
Other, net (deduction)	**(3,299)**	(20,314)	16,168
Income taxes—other, net	**(982)**	16,320	(16,963)
Income taxes—credit	**58,382**	40,458	35,725
Total other income	**208,365**	168,612	131,899
Income before interest deductions	**488,465**	422,489	368,900
Interest Deductions			
Interest on long-term debt	**220,271**	179,363	165,926
Other interest	**17,287**	9,752	6,533
Allowance for borrowed funds used during construction (credit) (Note 1)	**(60,184)**	(41,386)	(34,160)
Total interest deductions	**177,374**	147,729	138,299
Net Income	**311,091**	274,760	230,601
Dividends on preferred and preference stocks	**58,612**	52,562	46,632
Earnings for Common Stock	**$ 252,479**	$ 222,198	$ 183,969
Common Stock Data			
Average shares outstanding (thousands)	**81,985**	77,168	70,367
Earnings per share	**$3.08**	$2.88	$2.61
Dividends per share	**$1.95**	$1.83	$1.74

See notes to financial statements.

Statements of Source of Funds for Plant Construction Costs

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31 1980	1979	1978
Funds from Operations			
Net income	**$311,091**	$274,760	$230,601
Non-fund items			
Depreciation and nuclear fuel amortization	**210,600**	190,110	170,373
Deferred income taxes and investment tax credit, net of amortization	**68,198**	91,991	89,786
Equity component of the allowance for funds used during construction	**(150,846)**	(121,701)	(87,810)
Other, net	**2,989**	(5,854)	(2,669)
Funds from operations	**442,032**	429,306	400,281
Dividends paid	**(217,618)**	(193,585)	(168,273)
Funds retained in the business	**224,414**	235,721	232,008
Funds from Financing and Sale of Assets—Net Proceeds			
First mortgage bonds	**271,150**	295,768	123,249
Common stock	**105,829**	131,561	124,667
Preferred stock	**49,323**	49,251	89,674
Nuclear fuel trusts	**30,664**	76,254	48,953
Term note	**10,000**	—	—
Sale of an interest in the Catawba Nuclear Station	**—**	—	260,047
Other financings	**—**	—	80
Increase (decrease) in notes payable for construction	**85,000**	112,000	(174,095)
Funds from financing and sale of assets	**551,966**	664,834	472,575
Total available funds	**776,380**	900,555	704,583
Working Capital Requirement (Increase) Decrease	**(31,000)**	(43,536)	11,330
Retirements of Long-Term Debt and Preferred Stock	**(43,211)**	(150,412)	(71,405)
Plant Construction Expenditures	**702,169**	706,607	644,508
Equity component of the allowance for funds used during construction	**150,846**	121,701	87,810
Plant Construction Costs	**$853,015**	$828,308	$732,318
Summary of Plant Construction Costs			
Production	**$590,420**	$571,023	$507,130
Transmission	**51,300**	42,566	27,326
Distribution	**92,990**	89,841	77,685
General	**25,000**	26,812	17,468
Subtotal	**759,710**	730,242	629,609
Nuclear fuel	**93,305**	98,066	102,709
Plant Construction Costs	**$853,015**	$828,308	$732,318

See notes to financial statements.

Balance Sheets
DUKE POWER COMPANY

Assets

(dollars in thousands)	December 31 1980	1979
Electric Plant (at original cost - Notes 1, 6 and 7)		
Electric plant in service	**$4,419,152**	$4,126,513
Less accumulated depreciation and amortization	**1,629,109**	1,399,032
Electric plant in service, net	**2,790,043**	2,727,481
Construction work in progress	**3,114,807**	2,481,957
Total electric plant, net	**5,904,850**	5,209,438
Other Property and Investments		
Other property - at cost (less accumulated depreciation: 1980 - $4,551; 1979 - $5,216)	**22,447**	22,267
Investments in and advances to subsidiaries (Note 1)	**34,373**	18,412
Other investments - at cost or less	**8,845**	8,809
Total other property and investments	**65,665**	49,488
Current Assets		
Cash (including time deposits of $1,282 in 1979) (Note 9)	**1,835**	4,833
Receivables (less allowance for losses: 1980 - $4,064; 1979 - $4,131)	**128,549**	142,751
Materials and supplies - at average cost		
Coal	**133,156**	130,889
Other	**79,552**	67,800
Prepayments	**5,334**	1,528
Total current assets	**348,426**	347,801
Deferred Debits		
Debt expense, being amortized over terms of related debt	**3,282**	2,932
Other	**5,951**	5,713
Total deferred debits	**9,233**	8,645
Total Assets	**$6,328,174**	$5,615,372

See notes to financial statements.

Capitalization and Liabilities

(dollars in thousands)	December 31 1980	1979
Capitalization (see Statements of Capitalization)		
Common stock equity	**$1,969,140**	$1,758,016
Preferred and preference stocks without sinking fund requirements	**395,858**	408,606
Preferred stocks with sinking fund requirements	**316,559**	268,500
Long-term debt	**2,594,008**	2,300,488
Total capitalization	**5,275,565**	4,735,610
Current Liabilities		
Accounts payable	**61,127**	94,191
Interest accrued	**71,056**	55,501
Taxes accrued	**45,610**	41,286
Other	**24,282**	11,301
Total	**202,075**	202,279
Notes payable for construction - pending permanent financing (Note 9)	**197,000**	112,000
Current maturities of long-term debt and preferred stock	**74,110**	41,267
Total current liabilities	**473,185**	355,546
Accumulated Deferred Income Taxes (Notes 1 and 8)	**374,684**	341,650
Deferred Credits		
Investment tax credit (Notes 1 and 8)	**193,276**	162,945
Other	**11,464**	19,621
Total deferred credits	**204,740**	182,566
Commitments and Contingencies (Notes 7 and 11)		
Total Capitalization and Liabilities	**$6,328,174**	$5,615,372

See notes to financial statements.

Statements of Capitalization and Retained Earnings

DUKE POWER COMPANY

Capitalization

(dollars in thousands)

	December 31 1980	1979
Common Stock Equity (Note 3)		
Common stock, no par, 100,000,000 shares authorized; 86,294,416 and 79,488,939 shares outstanding for 1980 and 1979, respectively	**$1,535,895**	$1,414,791
Retained earnings	**433,245**	343,225
Total common stock equity	**1,969,140**	1,758,016
Preferred and Preference Stocks Without Sinking Fund Requirements (Note 4)		
Preferred stock	**375,000**	375,000
Preference stock	**20,858**	33,606
Total preferred and preference stocks without sinking fund requirements	**395,858**	408,606
Preferred Stocks With Sinking Fund Requirements (Note 5)		
Preferred stock	**260,000**	210,000
Preferred stock A	**56,559**	58,500
Total preferred stocks with sinking fund requirements	**316,559**	268,500
Long-Term Debt (Note 6)		
First and refunding mortgage bonds	**2,418,000**	2,149,750
Sinking fund debentures, 4 7/8% —due 1982	**25,000**	25,000
Term note, 9.025% —due 1985	**10,000**	—
Pollution control obligations, 75% of prime rate—due 1983	**2,500**	2,500
Capitalized leases (Note 7)	**103,862**	51,591
Nuclear fuel trusts	**125,000**	125,000
Unamortized debt discount and premium, net	**(16,244)**	(13,586)
Current maturities of long-term debt	**(74,110)**	(39,767)
Total long-term debt	**2,594,008**	2,300,488
Total Capitalization	**$5,275,565**	$4,735,610

Retained Earnings

(dollars in thousands)

	Year Ended December 31 1980	1979	1978
Balance—Beginning of year	**$343,225**	$266,173	$207,897
Add—Net income	**311,091**	274,760	230,601
Total	**654,316**	540,933	438,498
Deduct			
Dividends			
Common stock	**159,240**	141,035	121,961
Preferred and preference stocks	**58,612**	52,562	46,632
Capital stock expense	**3,219**	4,111	3,732
Total deductions	**221,071**	197,708	172,325
Balance—End of year	**$433,245**	$343,225	$266,173

See notes to financial statements.

Notes to Financial Statements

DUKE POWER COMPANY

1. Summary of Significant Accounting Policies

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

B. Allowance for Funds Used During Construction (ADC). ADC is an accounting procedure whereby the net composite interest and equity costs of capital funds used to finance construction are transferred from the statement of income to construction work in progress in the balance sheet and, accordingly, are capitalized in the same manner as construction labor and material costs. This item is recognized as a cost of "Electric Plant" with offsetting credits to "Other Income" and "Interest Deductions" because, under established regulatory rate practices, a utility is permitted to include a fair return on, and the recovery of, these capital costs through their inclusion in rate base and in the provision for depreciation.

ADC, which includes semi-annual compounding, was calculated on average embedded rates (net of applicable income taxes) of 8.10 percent, 8.01 percent and 7.13 percent for 1980, 1979 and 1978, respectively.

North Carolina statutes require that capital expenditures for construction work in progress (CWIP), incurred after July 1, 1979 and requested in rate applications after such date, be included in rate base for ratemaking purposes. Under such statutes, utilities are permitted to continue capitalizing ADC with respect to CWIP not included in rate base but are not permitted to do so with respect to CWIP included in rate base. At December 31, 1980, $174,218,000 of CWIP was included in North Carolina rate base and therefore excluded for purposes of capitalizing ADC.

C. Depreciation and Amortization. Provisions for depreciation are recorded using the straight-line method. The year-end composite weighted average depreciation rates were 3.33 percent for 1980 and 1979, and 3.28 percent for 1978. All coal-fired generating units are depreciated at the rate of 3.57 percent. Beginning October 1979, the depreciation rate on nuclear plant was revised from 3.57 percent to 4.00 percent. The Company is continuing to evaluate the impact of nuclear plant decommissioning costs. Provisions for amortization of nuclear fuel, which are included in "Fuel used in electric generation," are recorded using the unit of production method. Due to the present unavailability of reprocessing facilities, nuclear fuel amortization includes an estimate of disposal costs.

D. Subsidiaries. The Company accounts for investments in its subsidiaries, all of which are wholly-owned, using the equity method. See "Subsidiaries" on page 41. Retained earnings include $26,742,000 of undistributed earnings of subsidiaries at December 31, 1980.

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

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

The Company provides deferred income taxes for timing differences between book and tax income, principally resulting from accelerated tax depreciation, capitalized taxes and employee benefits, repair allowance and cost of removal, and nuclear fuel disposal costs.

Investment tax credit is being deferred and amortized over the depreciable lives of the related properties. At December 31, 1980, the Company had unused investment tax credit approximating $47 million, which will be available for use through 1987.

F. Retirement Plan. The Company and two of its subsidiaries have a non-contributory defined benefit retirement plan for employees. The Company's policy is to fund pension costs accrued which amounted to $26,782,000 in 1980, $23,844,000 in 1979 and $20,053,000 in 1978. The Company amended its retirement plan effective September 1, 1980, to provide for certain plan changes including increased benefits for active and retired employees. These changes did not significantly affect the Company's pension costs.

Using an assumed rate of return of 7.5 percent, the actuarial present value of vested and nonvested accumulated plan benefits totaled approximately $126,757,000 and $13,090,000, respectively, at December 31, 1979, the date of the latest actuarial report. The plan's net assets available for benefits were approximately $176,840,000 and $134,861,000 at December 31, 1979 and 1978, respectively.

G. Fuel Cost Adjustment Procedures. The Company has procedures in all three of its regulatory jurisdictions to adjust rates for fluctuations in fuel costs. Procedures for North and South Carolina retail jurisdictions provide for periodic reviews of fuel costs with provisions for changing such costs in base rates. With respect to South Carolina, the Company continues to reflect in revenues the difference between actual fuel costs incurred and fuel costs recovered through base rates. Procedures for the wholesale jurisdiction provide for monthly fuel cost adjustments.

2. Rate Matters

General rate increases since January 1, 1978 are as follows (dollars in thousands):

Jurisdiction and Date Implemented	Percent Increase	Annualized on 1980 Sales	Approximate Revenue Recorded 1980	1979	1978
N.C. Retail					
September 1, 1978	5.27	$ 43,800	$ 43,800	$43,300	$12,700
October 8, 1979	3.20	30,900	30,900	6,800	—
October 3, 1980	6.03	59,900	14,800	—	—
S.C. Retail					
September 1, 1978	5.40	18,900	18,900	18,900	8,600
October 8, 1979	6.02	25,200	25,200	4,900	—
Wholesale					
September 1, 1978	5.61	9,700	9,700	9,100	2,500
October 8, 1979	3.45	6,500	6,500	1,400	—
October 3, 1980	6.71	13,200	3,300	—	—
		$208,100	$153,100	$84,400	$23,800

3. Common Stock and Retained Earnings

Common Stock

In 1980, 1979 and 1978, the Company received $108,361,000, $134,924,000 and $128,074,000 from the issuance of 6,278,820 shares, 6,999,292 shares and 6,398,149 shares of common stock, respectively.

At December 31, 1980, certain shares of common stock were reserved for issuance as follows:

	Shares
Stock Purchase-Savings Program for Employees	1,490,258
Conversion of Preference Stock	884,863
Dividend Reinvestment and Stock Purchase Plan	44,217
Employees' Stock Ownership Plan	16,611
Total	2,435,949

Retained Earnings

The indenture relating to the 4 7/8% Sinking Fund Debentures due September 1, 1982 contains, among other things, the most restrictive provision on the payment of cash dividends. Under the terms of such indenture, none of the Company's retained earnings as of December 31, 1980 was restricted with respect to the declaration or payment of dividends.

4. Preferred and Preference Stocks Without Sinking Fund Requirements

At December 31, 1980 and 1979, 10,000,000 shares of preferred stock ($100 par value) were authorized and issuable with or without sinking fund requirements. At December 31, 1980 and 1979, 3,750,000 shares were outstanding without sinking fund requirements. In addition, 1,500,000 shares of preference stock ($100 par value) were authorized at December 31, 1980 and 1979 of which 208,586 shares and 336,062 shares were outstanding, respectively.

The outstanding Preference Stock, 6 3/4% Convertible Series AA, is convertible into shares of common stock at the adjusted conversion price of $23.89 per share, each share of preference stock being taken at $100 for such purpose. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution. In 1980, 1979 and 1978, 127,476 shares, 88,405 shares and 75,383 shares were converted into 526,657 shares, 357,418 shares and 304,108 shares of common stock, respectively.

Preferred and preference stocks without sinking fund requirements at December 31, 1980 and 1979 were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1980	1979
4.50% C	1964	350,000	$ 35,000	$ 35,000
5.72% D	1966	350,000	35,000	35,000
6.72% E	1968	350,000	35,000	35,000
8.70% F	1970	600,000	60,000	60,000
8.20% G	1971	600,000	60,000	60,000
7.80% H	1972	600,000	60,000	60,000
8.28% K	1977	500,000	50,000	50,000
8.84% M	1978	400,000	40,000	40,000
6 3/4%, AA Convertible	1969	208,586	20,858	—
		336,062	—	33,606
Total			$395,858	$408,606

5. Preferred Stocks With Sinking Fund Requirements

At December 31, 1980 and 1979, 10,000,000 shares of preferred stock ($100 par value) were authorized and issuable with or without sinking fund requirements. At December 31, 1980 and 1979, 2,600,000 shares and 2,100,000 shares, respectively, were outstanding with sinking fund requirements. In addition, 10,000,000 shares of preferred stock A ($25 par value) were authorized at December 31, 1980 and 1979, of which 2,340,000 shares and 2,400,000 shares were outstanding, respectively.

Preferred stocks with sinking fund requirements at December 31, 1980 and 1979 were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1980	1979
7.35% I	1973	600,000	$ 60,000	$ 60,000
8.20% J	1977	500,000	50,000	50,000
8.375% L	1978	500,000	50,000	50,000
8.84% N	1979	500,000	50,000	50,000
11.00% O	1980	500,000	50,000	—
10.76% A	1975	2,340,000	58,500	—
		2,400,000	—	60,000
Less 83,000 shares of preferred stock A reacquired for current and future sinking fund requirements - at cost			(1,941)	—
Current sinking fund requirement, preferred stock A			—	(1,500)
Total			$316,559	$268,500

The preferred stock A current sinking fund requirement at December 31, 1980 will be met by delivering 60,000 shares of the 83,000 shares reacquired during 1980.

The annual sinking fund requirements through 1985 are $1,500,000 in 1981, $3,500,000 in 1982, $5,500,000 in 1983, $9,525,000 in 1984 and $9,525,000 in 1985, with additional redemptions in like amounts permitted at the Company's option.

The call provisions for the outstanding preferred and preference stocks specify various redemption prices not exceeding 111 percent of par values plus accumulated dividends to the redemption date.

6. Long-Term Debt

First and refunding mortgage bonds outstanding at December 31, 1980 and 1979 were as follows (dollars in thousands):

Series	Year Due	1980	1979
3 1/4%	1981	$ 35,000	$ 35,000
3 5/8%	1986	30,000	30,000
14 3/8%	1987	50,000	—
12%	1990	75,000	—
4 1/2%	1992	50,000	50,000
4 1/4%B	1992	50,000	50,000
11%	1994	98,000	104,750
4 1/2%	1995	40,000	40,000
5 3/8%	1997	75,000	75,000
6 3/8%	1998	75,000	75,000
7%	1999	75,000	75,000
8%B	1999	75,000	75,000
8 1/2%	2000	75,000	75,000
8 5/8%B	2000	100,000	100,000
7 1/2%	2001	100,000	100,000
7 3/8%B	2001	$ 40,000	$ 40,000
7 3/4%	2002	100,000	100,000
7 3/8%B	2002	75,000	75,000
7 3/4%	2003	100,000	100,000
8 1/8%B	2003	100,000	100,000
9 3/4%	2004	100,000	100,000
9 1/2%	2005	100,000	100,000
8 3/8%	2006	100,000	100,000
8 1/8%	2007	125,000	125,000
9 3/8%	2008	125,000	125,000
10 1/8%	2009	150,000	150,000
10 7/8%B	2009	150,000	150,000
14 7/8%	2010	100,000	—
13 1/8%B	2010	50,000	—
Total		$2,418,000	$2,149,750

Substantially all electric plant was mortgaged at December 31, 1980.

The annual maturities of long-term debt (including sinking fund requirements and capitalized lease principal payments) through 1985 are $74,110,000 in 1981, $74,809,000 in 1982, $49,224,000 in 1983, $36,899,000 in 1984 and $12,085,000 in 1985.

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

7. Leases

Rentals incurred under non-cancelable leases totaled $15,783,000, $15,044,000 and $23,801,000 for 1980, 1979 and 1978, respectively. Such rentals are charged primarily to operating expenses. Substantially all leases require the Company to pay taxes and operation and maintenance expenses, and contain options to purchase at the lessors' unrecovered cost or fair market value.

In prior years, certain of the Company's capital leases were accounted for as operating leases. These leases were capitalized as of December 31, 1980. The effect of such capitalization on the Company's assets, liabilities and net income for prior years would not have been material.

Future minimum lease payments under the Company's capital and operating leases are as follows (dollars in thousands):

	Capital Leases	Operating Leases	Total
1981	$ 12,060	$ 6,084	$ 18,144
1982	14,171	5,580	19,751
1983	11,745	5,199	16,944
1984	11,745	4,898	16,643
1985	11,745	3,792	15,537
Later years	146,352	14,844	161,196
Total minimum lease payments	207,818	$40,397	$248,215
Less amount representing interest	103,956		
Present value of net minimum lease payments	$103,862		

8. Income Tax Expense

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

	1980	1979	1978
Electric Expenses			
Current income taxes			
Federal	$ 69,134	$ 61,698	$ 42,187
State	16,121	14,580	11,279
	85,255	76,278	53,466
Deferred taxes, net			
Excess tax over book depreciation	25,114	27,594	33,770
Capitalized taxes, employee benefits, etc.	17,680	16,545	13,720
Repair allowance and cost of removal	5,872	7,369	6,153
Nuclear fuel disposal costs	(12,263)	(10,800)	(9,610)
	36,403	40,708	44,033
Investment tax credit			
Deferred	36,854	41,196	45,467
Amortization of deferments (credit)	(5,049)	(4,678)	(2,540)
	31,805	36,518	42,927
Total electric expenses	153,463	153,504	140,426
Other Income			
Income taxes—other, net	982	(16,320)	16,963
Income taxes—credit			
Federal	(51,268)	(35,528)	(31,532)
State	(7,114)	(4,930)	(4,193)
Total income taxes—credit	(58,382)	(40,458)	(35,725)
Total income tax expense	$ 96,063	$ 96,726	$121,664

Income taxes payable currently were $30,037,000 for 1980, $19,500,000 for 1979 and $34,704,000 for 1978.

Deferred state income taxes were $3,896,000 for 1980, $4,399,000 for 1979 and $4,521,000 for 1978.

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

	1980	1979	1978
Income taxes on pretax income at the statutory federal rates of 46% for 1980 and 1979 and 48% for 1978	$187,291	$170,884	$169,087
Increase (reduction) in tax resulting from:			
Allowance for all funds used during construction (ADC)	(97,074)	(75,020)	(58,546)
Amortization of electric investment tax credit deferrals	(5,049)	(4,688)	(2,540)
State income taxes, net of federal income tax benefits	9,044	7,483	7,801
Other items, net	1,851	(1,933)	5,862
Total income tax expense (see above)	$ 96,063	$ 96,726	$121,664

9. Short-Term Borrowings

The Company has lines of credit with 78 commercial banks and uses these lines, plus the sale of commercial paper, to finance its current cash requirements. The Company also has revolving credit agreements with four commercial banks which run to December 1981, against which no borrowings had been made through December 31, 1980.

At December 31, 1980, the revolving credit agreements were on a fee basis and the lines of credit were on either a fee basis or compensating balance basis, with average annual balance requirements of $2,080,000. Bank loans, normally for 90 days or less, are principally at the lending bank's commercial prime interest rate. Certain of the Company's bank line arrangements may require additional balances of 10 percent of the borrowings on an annual average.

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

	1980	1979	1978
Amount outstanding at year end			
Commercial paper—average rates of 18.51% and 13.75%, respectively	$123,000	$ 87,000	—
Bank loans—average rates of 16.47% and 15.25%, respectively	$ 74,000	$ 25,000	—
Maximum amount outstanding during the year	$197,000	$125,400	$175,295
Average amount outstanding during the year	$ 84,466	$ 33,894	$ 61,695
Weighted average interest rate for the year—computed on a daily basis	12.91%	11.93%	7.68%
Lines of credit at year end	$280,400	$280,000	$280,000
Revolving credit agreements at year end	$100,000	$100,000	—

10. Other Income

In November 1978, the Company sold a 75 percent interest in Unit 2 of the Catawba Nuclear Station (Catawba) and 37.5 percent of the station's support facilities to the North Carolina Municipal Power Agency Number 1 (Agency) representing certain North Carolina municipal customers. A net of tax profit of approximately $11,242,000 from the sale was included in "Other Income." Income taxes of $24,927,000 related to the transaction reflect a taxable gain in excess of book gain resulting principally from the treatment of ADC. As the Company completes construction of the unit, net profits included in progress payments made by the Agency are reflected on a current basis. At December 31, 1980, "Construction work in progress" included $787,700,000 representing the Company's investment in its remaining interest in Catawba.

The Company made provisions in 1979 and 1978 to write down the carrying value of an investment made pursuant to the terms of a certain coal supply contract and terminated that contract as of March 31, 1980. Charges were recorded of approximately $3,065,000 in 1980, $13,564,000 in 1979 and $10,068,000 in 1978 (after giving effect to income taxes of $2,973,000, $12,264,000 and $9,297,000, respectively). Included in such charges were adjustments to reflect the difference between the cost and market value of coal purchased under such contract.

11. Commitments and Contingencies

The Company is engaged in a long-range construction program for which substantial commitments have been made. Costs for the years 1981 through 1983 currently are estimated at $1.6 billion for the construction program, excluding undeterminable requirements for the Cherokee Nuclear Station (see Note 13), and $466 million for nuclear fuel. The program is subject to periodic review and revision, and actual construction costs to be incurred may vary from such estimates because of various factors including changing levels of inflation, revised load estimates, the cost and availability of capital, and the outcome of licensing and environmental matters.

The Company's public liability for claims resulting from any nuclear incident is limited to $560 million under provisions of the Price-Anderson Act which also provides for nuclear liability insurance up to that amount. A portion of this insurance is provided through Nuclear Regulatory Commission regulations pursuant to which the Company could be assessed up to $5 million for each of its licensed reactors in the event there is a nuclear incident involving any licensed facility in the nation with a maximum of $10 million a year for each of its licensed reactors in the event of more than one incident. At December 31, 1980, the Company had three licensed reactors.

Property damage coverage for certain of the Company's nuclear facilities is provided through membership in Nuclear Mutual Limited (NML). If NML's losses were to exceed its reserves, the Company could be liable, on a pro rata basis, for additional assessments of up to $41 million, representing 14 times the Company's current annual premium to NML.

The Company is a member of Nuclear Electric Insurance Limited (NEIL) which provides insurance for the increased cost of generation or purchased power resulting from the accidental outage of a nuclear unit. If losses were to exceed the accumulated funds available to NEIL, the Company would be liable for a retrospective premium adjustment of up to five times the regular annual premium. The maximum potential liability currently is estimated to be $21 million.

12. Reclassifications

Certain amounts in the 1979 financial statements have been reclassified to conform with 1980 classifications.

13. Subsequent Events

On February 6, 1981, the Company sold a 75 percent interest in Unit 1 of the Catawba Nuclear Station and 37.5 percent of the station's support facilities to groups of North Carolina and South Carolina rural electric cooperatives and received $521 million at closing. Net profit on the sale was not significant. The terms of the agreements provide for, among other things, monthly progress payments from the cooperatives to finance future construction of their share of the station.

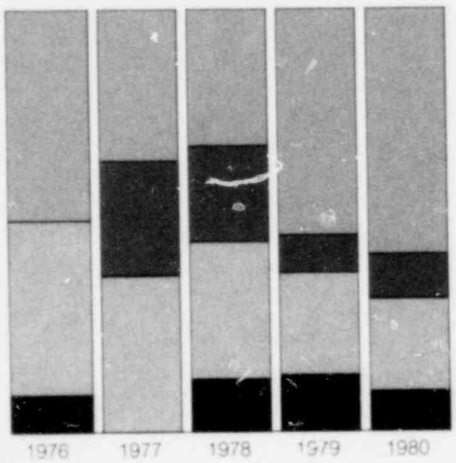
On February 24, 1981, the board of directors indefinitely delayed completion of the Cherokee Nuclear Station, citing difficulties in attracting capital on reasonable terms.

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

Duke Power seeks to provide reliable service to its customers at reasonable costs. This requires a continuing construction program which further requires the Company to be financially sound and to earn a competitive return to attract the necessary capital for its growth.

Liquidity and Capital Needs and Resources

During the period 1976 to 1980, gross property additions (including nuclear fuel) were $3.5 billion and retirements were $191 million, resulting in a net increase of $3.3 billion in gross plant. Projected construction and nuclear fuel costs for the period 1981 through 1983 total $1.6 billion and $466 million, respectively, excluding undeterminable requirements for the Cherokee Nuclear Station.

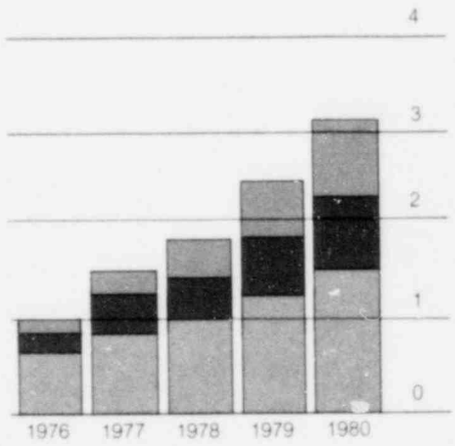


Relative Sources of Financing

- Long-term Debt
- Preferred Stock
- Common Stock
- Other

The construction program over any period of time requires expenditures greater than cash generated internally from operations. The Company initially funds the excess with short-term commercial paper and bank borrowings. While the Company prefers to limit short-term debt to about $150 million, it presently has short-term credit capacity of $380 million. Since 1976 the Company has refunded all of its short-term debt at least once each year.

During the past five years, financings have included $1.1 billion in long-term debt (principally first and refunding mortgage bonds), $290 million in preferred stock and $600 million in common stock. Additionally, $260 million was obtained from the 1978 sale of a portion of the Catawba Nuclear Station. Sales of further interests in that station have been negotiated and, in anticipation of a closing, short-term debt was permitted to reach $197 million at December 31, 1980.



Construction Work in Progress at Year End

(Billion Dollars)

- Transmission and Other
- Catawba Nuclear Station
- McGuire Nuclear Station

On February 6, 1981, the Company received $521 million upon completing the sale of an additional portion of the Catawba Nuclear Station to groups of North Carolina and South Carolina rural electric cooperatives.

Internal cash generation remains at only 25 to 30 percent of total capital requirements. The Company seeks to raise that percentage through achievement of a higher return on investment, and inclusion in rate base of additional construction work in progress and generating units nearing completion. Applications for rate increases are being filed seeking higher allowed returns and reflecting the commercial operation (expected in mid-1981) of McGuire Nuclear Station Unit 1. Also, sales of portions of the Catawba Nuclear Station will reduce future capital requirements and thereby improve the percentage of internal cash generation.

The Company continually reviews its capital requirements, conditions in the financial markets and its capitalization goals to determine the amounts, timing and types of external financings. At December 31, 1980, the Company's capitalization goals were 49 percent long-term debt, 13 percent preferred stock and 38 percent common equity.

To minimize future financings, the Company has designed a program to reduce construction needs as much as possible by comprehensive load management, which focuses on reducing the growth in peak demand without restricting the continued economic development of the Company's service area.

Results of Operations

Earnings per share have increased from $2.40 in 1976 to $3.08 in 1980. This improvement resulted primarily from revenues attributable to increases in base rates charged to customers, higher kilowatt-hour sales and increases in allowance for funds used during construction (ADC). The increases in base rates have come from general rate increases, fuel cost adjustment procedures and the inclusion of construction work in progress in rate base. Kilowatt-hour sales have increased from 45.6 billion in 1976 to 52.3 billion in 1980. The increase in ADC is attributable to a greater investment in construction work in progress and an increase in average ADC rates.

Inflation has had a significant impact on the Company's operations in recent years (see *"Selected Financial Data-Effects of Changing Prices"*).

Financing and Sale of Assets

DUKE POWER COMPANY

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

	Price Per Share	1980 Net Proceeds	1979 Net Proceeds	1978 Net Proceeds
Financing				
Common stock				
Public sales				
(4,000,000 shares; August 26)	$17.375	**$ 66,968**		
(5,500,000 shares; March 21)	19.50		$103,887	
(5,500,000 shares; March 9)	20.00			$106,593
Stock Purchase-Savings Program for Employees				
(1,104,545 shares)	17.03*	**18,815**		
(819,308 shares)	18.43*		15,103	
(623,141 shares)	20.14*			12,550
Dividend Reinvestment and Stock Purchase Plan				
(552,000 shares)	16.67*	**9,201**		
(357,462 shares)	18.57*		6,639	
(260,912 shares)	20.10*			5,244
Employees' Stock Ownership Plan				
(622,275 shares)	17.43*	**10,845**		
(322,522 shares)	18.39*		5,932	
(14,096 shares)	19.85*			280
Total common stock		**105,829**	131,561	124,667
Preferred stock, $100 par				
11% Series O (500,000 shares; February 14)		**49,323**		
8.84% Series N (500,000 shares; June 14)			49,251	
8.375% Series L (500,000 shares; June 16)				49,749
8.84% Series M (400,000 shares; August 16)				39,925
Total preferred stock		**49,323**	49,251	89,674
Long-term debt				
First mortgage bonds				
14 7/8% Series due 2010 (March 19)		**98,410**		
14 3/8% Series due 1987 (March 19)		**49,533**		
12% Series due 1990 (August 26)		**73,857**		
13 1/8% Series B due 2010 (August 26)		**49,350**		
10 1/8% Series due 2009 (June 14)			147,647	
10 7/8% Series B due 2009 (October 10)			148,121	
9 3/8% Series due 2008 (August 1)				123,249
Total first mortgage bonds		**271,150**	295,768	123,249
Other financing				
Nuclear fuel trusts		**30,664**	76,254	48,953
Pollution control obligations		**—**	—	80
Term note - due 1985		**10,000**	—	—
Total other financing		**40,664**	76,254	49,033
Total long-term debt		**311,814**	372,022	172,282
Total financing		**466,966**	552,834	386,623
Sale of Assets				
Sale of an interest in the Catawba Nuclear Station		**—**	—	260,047
Total financing and sale of assets		**$466,966**	$552,834	$646,670

*Average

Selected Financial Data

DUKE POWER COMPANY

	1980	1979	1978	1977	1976
Condensed Statements of Income (th ands)					
Electric revenues	**$1,682,822**	$1,492,557	$1,396,720	$1,266,974	$1,108,358
Electric expenses	**1,402,722**	1,238,680	1,159,719	1,037,088	874,941
Electric operating income	**280,100**	253,877	237,001	229,886	233,417
Other income	**208,365**	168,612	131,899	96,955	89,535
Income before inter uctions	**488,465**	422,489	368,900	326,841	322,952
Interest deductions	**177,374**	147,729	138,299	134,402	149,251
Net income	**311,091**	274,760	230,601	192,343	173,701
Dividends on preferred and preference stocks	**58,612**	52,562	46,632	38,879	34,990
Earnings for common stock	**$ 252,479**	$ 222,198	$ 183,969	$ 153,470	$ 138,711
Common Stock Data					
Shares of common stock - year end (thousands)	**86,294**	79,489	72,132	65,430	59,180
- average (thousands)	**81,985**	77,168	70,367	63,630	57,767
Per share of common stock					
Earnings	**$3.08**	$2.88	$2.61	$2.41	$2.40
Dividends	**$1.95**	$1.83	$1.74	$1.63	$1.525
Book value - year end	**$22.82**	$22.12	$21.31	$20.53	$19.67
Market price - high-low	**$19 1/4-14 1/8**	$20 5/8-16 1/4	$22-18 1/8	$23 1/2-19 7/8	$23 3/8-16 5/8
- year end	**$18 1/8**	$17 1/4	$19 3/8	$22	$22
Electric and Other Statistics					
Kilowatt-hour sales (millions)					
Residential	**13,765**	12,832	12,959	12,462	11,327
General service	**9,395**	8,778	8,920	8,623	7,987
Industrial	**20,060**	20,260	19,523	19,188	18,417
Wholesale and other energy sales	**9,091**	8,453	8,537	8,575	7,902
Total kilowatt-hour sales	**52,311**	50,323	49,939	48,848	45,633
Number of customers—year end					
Residential	**1,105,035**	1,078,419	1,049,543	1,024,712	989,501
Other	**179,370**	175,258	172,626	168,351	161,464
Total customers	**1,284,405**	1,253,677	1,222,169	1,193,063	1,150,965
Residential customer data					
Average annual KWH use	**12,560**	12,013	12,469	12,260	11,528
Average revenue billed per KWH	**4.11¢**	3.90¢	3.62¢	3.40¢	3.29¢
Number of employees—year end					
Operating and maintenance	**11,463**	10,758	9,895	8,816	8,367
Engineering and construction	**8,149**	9,372	7,839	6,782	4,916
Source of energy (millions of KWH)					
Generated—Coal	**40,984**	37,404	34,598	37,184	35,875
—Nuclear	**14,213**	14,228	15,905	13,008	12,978
—Hydro	**1,820**	2,809	1,941	1,852	1,961
—Oil and gas	**203**	163	484	303	13
Net interchange and purchased power	**(472)**	(512)	1,016	31	(1,656)
Total assets	**$6,328,174**	$5,615,372	$4,984,621	$4,610,706	$4,058,644
Long-term debt	**$2,594,008**	$2,300,488	$1,974,209	$1,948,081	$1,892,505
Preferred stocks with sinking fund requirements	**$ 316,559**	$ 268,500	$ 220,000	$ 170,000	$ 120,000
System average heat rate	**9,675**	9,742	9,769	9,743	9,616
System load factor	**61.6%**	62.3%	62.9%	62.0%	64.6%

Selected Financial Data
DUKE POWER COMPANY

Quarterly Financial Data

	Electric Revenues	Electric Operating Income	Net Income	Earnings Per Common Share
		(dollars in thousands except per share data)		
1980 by Quarter*				
Fourth	$425,219	$76,760	$76,764	$0.72
Third	450,861	66,433	77,877	0.77
Second	367,987	57,658	68,987	0.67
First	438,755	79,249	87,463	0.92
1979 by Quarter*				
Fourth	386,056	67,310	69,530	0.71
Third	374,089	55,215	64,826	0.65
Second	329,495	54,344	59,590	0.58
First	402,927	77,008	80,814	0.94

*Quarterly earnings generally fluctuate with seasonal weather conditions, timing of rate increases (including fuel cost adjustment procedures) and maintenance of electric generating units, especially nuclear-fueled units.

Stock Market Information

At December 31, 1980 and 1979, the Company had approximately 129,000 and 120,200 holders of common stock, respectively. During 1980 approximately 20,666,000 shares of common stock were traded compared to 19,377,000 during the previous year. The Company's common stock is traded on the New York Stock Exchange.

Common Stock	Dividend Per Share	Stock Price Range High	Stock Price Range Low
1980 by Quarter			
Fourth	$0.51	$18 3/4	$15 1/2
Third	0.48	18 1/8	16 7/8
Second	0.48	19 1/4	16 7/8
First	0.48	18 3/8	14 1/8
1979 by Quarter			
Fourth	0.48	18 1/2	16 1/4
Third	0.45	20 1/8	18 1/8
Second	0.45	19 5/8	16 1/2
First	0.45	20 5/8	18 1/4

Selected Financial Data
DUKE POWER COMPANY

Effects of Changing Prices

In recent years, the impact of general inflation and changes in specific prices has caused distortions in traditional accounting measurements of income and capital. In response to this problem, the Financial Accounting Standards Board (FASB) issued Statement No. 33 requiring disclosure of the effects of inflation on a company's operations and financial position.

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

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

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

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

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

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

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

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

Supplementary Statement of Earnings for Common Stock Adjusted for Changing Prices

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31, 1980		
	Historical $	Constant Dollar	Current Cost
Electric revenues	$1,682,822	$1,682,822	$1,682,822
Operating expenses	878,799	878,799	878,799
Maintenance of plant facilities	114,597	114,597	114,597
Depreciation	131,441	274,186	291,025
Taxes	277,885	277,885	277,885
Total operating expenses	1,402,722	1,545,467	1,562,306
Operating income	280,100	137,355	120,516
Other income	208,365	208,365	208,365
Income before interest	488,465	345,720	328,881
Interest expense	177,374	177,374	177,374
Net income	311,091	168,346	151,507
Dividends on preferred and preference stocks	58,612	58,612	58,612
Earnings for common stock	$ 252,479	$ 109,734*	$ 92,895
Increase in specific prices (current cost) of utility plant held during the year‡			$1,046,324
Reduction to net recoverable cost		$ (464,465)	(476,238)
Effect of increase in general price level			(1,017,712)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			(447,626)
Gain from decline in purchasing power of net amounts owed		412,266	412,266
Net		$ (52,199)	$ (35,360)

*If the reduction to net recoverable cost of $464,465,000 were reflected, and no recognition were given to the $412,266,000 purchasing power gain, earnings for common stock on a constant dollar basis would have been a loss of $354,731,000.

‡At December 31, 1980, current cost of electric plant, net of accumulated depreciation, was $9,563,899,000.

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

DUKE POWER COMPANY

(in thousands of average 1980 dollars, except per share figures)	**1980**	1979	1978	1977	1976
Electric revenues					
In historical dollars	**$1,682,822**	$1,492,557	$1,396,720	$1,266,974	$1,108,358
In constant dollars	**1,682,822**	1,694,402	1,764,127	1,722,805	1,604,356
Income from continuing operations					
In historical dollars	**311,091**	274,760			
In constant dollars	**168,346**	184,575			
In current cost	**151,507**	161,252			
Earnings per share for common stock					
In historical dollars	**3.08**	2.88			
In constant dollars	**1.34**	1.62			
In current cost	**1.13**	1.32			
Common stock dividends per share					
In historical dollars	**1.95**	1.83	1.74	1.63	1.525
In constant dollars	**1.95**	2.08	2.20	2.22	2.21
Net assets at year end					
In historical dollars	**1,969,140**	1,758,016			
In constant dollars	**1,880,742**	1,887,248			
In current cost	**1,880,742**	1,887,248			
Market price per common share at year end					
In historical dollars	**18.125**	17.24	19.375	22.00	22.00
In constant dollars	**17.31**	18.52	23.57	29.18	31.15
Purchasing power gain on net monetary items	**412,266**	439,372			
Decrease in the current cost of electric plant in service, net of inflation, after reduction to net recoverable cost	**447,626**	499,051			
Average Consumer Price Index	**246.8**	217.4	195.4	181.5	170.5

Subsidiaries
DUKE POWER COMPANY

Subsidiary Investments

(dollars in thousands)	December 31 1980	1979
Property and investments - at cost		
Real estate, recreational and land development	**$ 31,780**	$ 31,470
Coal mining	**89,104**	94,579
Net current assets, principally receivables and inventories	**4,951**	3,410
Total assets	**125,835**	129,459
Long-term notes	**(281)**	(23,100)
Coal production commitments	**(42,272)**	(42,272)
Deferred income taxes	**(48,909)**	(45,675)
Total liabilities	**(91,462)**	(111,047)
Investments in and advances to subsidiaries	**$ 34,373**	$ 18,412

Crescent Land & Timber Corp.

Crescent Land & Timber Corp. manages land not involved in utility operations.

Formed in 1969, this subsidiary currently manages approximately 270,000 acres of "non-utility" property, which consist primarily of farm and timber lands adjoining Duke's hydroelectric facilities.

The primary activities of this subsidiary are timber harvesting and reforestation. In 1980, Crescent harvested 26.1 million board feet of timber and 42,000 cords of pulpwood. Crescent currently is planting new trees at the rate of about 1.4 million per year on these lands. Since Duke initiated its reforestation activities in 1939, more than 53.2 million seedlings have been planted on more than 78,000 acres of Duke lands.

The Eastover Companies

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

In 1980, Eastover Mining Company produced and shipped 2.1 million tons of coal to Duke plants, representing about 13 percent of the system's total annual requirements. A new coal cleaning facility was placed in service at the Brookside Mine in August 1980, completing the modernization of all four Eastover cleaning plants. This modernization effort has resulted in a significant improvement in the quality of coal produced by the Eastover operation. Development of two additional deep seams of coal is continuing at the Arjay Mine in Bell County, Kentucky.

As of December 31, 1980, Eastover Land Company owned or had controlling interest in an estimated 189 million tons of recoverable coal reserves in eastern Kentucky and southwestern Virginia.

Mill-Power Supply Company

Duke Power's oldest active subsidiary, Mill-Power Supply Company, was organized in 1910. As its name implies, this subsidiary was formed to supply the necessary equipment for converting the Carolina's textile mills to electricity from other energy forms.

Today, Mill-Power is the largest single-house electrical equipment distributor in the Southeast. In addition to selling items to Duke and others as a wholesale distributor, this subsidiary serves as purchasing agent for virtually all supplies, equipment and fuel required by Duke. In 1980, sales to Duke totaled $14.4 million, a decline of about 25 percent from 1979. This decline resulted primarily from deferral of Duke's construction program.

Sales to customers other than Duke totaled $22.3 million, a slight decline from 1979 sales resulting from recessionary economic conditions in the Piedmont Carolinas.

Western Fuel, Inc.

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

In June 1980, the joint venture completed construction of the first phase of a commercial processing plant in the Red Desert of Wyoming. Limited mining operations are now underway on leased lands using an in-situ mining process in which a chemical solution is pumped into wells to bring uranium to the earth's surface. Because this process requires very little earth disturbance, it is an environmentally attractive alternative to conventional mining methods. In pilot tests conducted in 1979, this process met all of the environmental requirements of the Wyoming Department of Environmental Quality.

The joint venture anticipates approval of a federal source material license in 1981 and is preparing for full-scale mining operations.

Herbert Horn

Overcash Lee Pickens

Edwards Owen

Booth Albanese Sloan

Board of Directors

Carl Horn, Jr. ◄ ★
Chairman and
Chief Executive Officer
Duke Power Company

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

Douglas W. Booth
Executive Vice President
Duke Power Company

Thomas H. Davis
President and Treasurer
Piedmont Aviation, Inc.

Robert C. Edwards ◄
President Emeritus
Clemson University

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

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

William H. Grigg ★
Senior Vice President
Legal and Finance
Duke Power Company

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

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

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

Howard Holderness ★
Vice President
Holderness & Co.
(a personal holding company)

Henson Hicks Watkins

Davis Fraley

Holderness Grigg Furman

Mickel Thies

William S. Lee ★
President and
Chief Operating Officer
Duke Power Company

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

Reece A. Overcash, Jr. ★
Chairman, President and
Chief Executive Officer
Associates First Capital
Corporation
(finance-consumer lending, commercial lending and insurance)

Warren H. Owen
Senior Vice President
Engineering and Construction
Duke Power Company

Marshall I. Pickens ◄ ★
Honorary Chairman of Trustees
The Duke Endowment

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

Austin C. Thies
Senior Vice President
Production and Transmission
Duke Power Company

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

◄ Member of Audit Committee
◄ Member of Compensation Committee
Member of Executive Committee
★ Member of Finance Committee

Officers

Carl Horn, Jr.
Chairman of the Board and
Chief Executive Officer

William S. Lee
President and
Chief Operating Officer

Douglas W. Booth
Executive Vice President

William H. Grigg
Senior Vice President
Legal and Finance

John D. Hicks
Senior Vice President
Public Affairs

Warren H. Owen
Senior Vice President
Engineering and Construction

Austin C. Thies
Senior Vice President
Production and Transmission

Thomas C. Berry
Vice President
Southern Division

Henry L. Cranford
Vice President
Division Operations

Linwood C. Dail
Vice President
Design Engineering

Donald H. Denton, Jr.
Vice President
Marketing

Robert L. Dick
Vice President
Construction

George W. Ferguson, Jr.
Vice President
Governmental Affairs

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

M. Thomas Hatley, Jr.
Vice President
Rates

Porter A. Hauser
Vice President and Controller

E. N. Hedgepeth, Jr.
Vice President
Distribution Engineering,
Construction and Operations

Frank A. Jenkins
Vice President
Transmission

Samuel T. Lattimore
Vice President
Computer Services

John F. Lomax
Vice President
Western Division

Joe S. Major, Jr.
Vice President
Personnel

Joseph G. Mann
Vice President
Northern Division

Paul H. Mann, Jr.
Vice President
Operation

Dwight B. Moore
Vice President
Central Division

William O. Parker, Jr.
Vice President
Steam Production

Thomas M. Patrick, Jr.
Vice President
Eastern Division

Richard R. Pierce
Assistant to the
Chairman of the Board

William R. Stimart
Vice President
Regulatory Affairs

James W. White
Vice President
General Services

Lewis F. Camp
Secretary and
Associate General Counsel

Richard C. Ranson
Treasurer

Robert J. Ashmore
Assistant Vice President
Finance Administration

C. Joe Sherrill
Assistant Vice President
Transmission-Substation Division

E. Bruce Shuler
Assistant Vice President
Transmission-Line Division

Norman P. Morrow
Assistant Controller

Eugene C. Sites
Assistant Controller

Carolyn R. Duncan
Assistant Secretary

John C. Goodman, Jr.
Assistant Secretary

W. Bruce Shannon
Assistant Treasurer

Subsidiaries

Herman H. Hermelink
President
Crescent Land & Timber Corp.

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

Robert M. Moore
President
Eastover Land Company

Norman Yarborough
President
Eastover Mining Company

Management Changes

The following management changes were made in 1980:

Henry L. Cranford, from Vice President-Central Division to Vice President-Division Operations;

George W. Ferguson, Jr., from Secretary and Deputy General Counsel to Vice President-Governmental Affairs;

Porter A. Hauser, from Vice President-Finance Administration to Vice President and Controller;

John F. Lomax, from Manager-Anderson District to Vice President-Western Division;

Dwight B. Moore, from Manager-Charlotte District to Vice President-Central Division;

Richard R. Pierce, from Vice President-Corporate Communications to Assistant to the Chairman of the Board;

Lewis F. Camp, from Assistant Secretary and Associate General Counsel to Secretary and Associate General Counsel;

Norman P. Morrow to Assistant Controller; and

Carolyn R. Duncan to Assistant Secretary.

Transfer Agents and Registrars for Common Stock

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

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

Transfer Agent and Registrar for Preferred and Preference Stocks

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

Stock Exchange Listing

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

General Offices

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

SEC Form 10-K and Statistical Supplement

Upon written request, the Company will provide, without charge, a copy of its 1980 annual report on Form 10-K as filed with the Securities and Exchange Commission. Also available without charge is a Statistical Supplement to the 1980 Annual Report to Shareholders. Requests for such documents should be directed to Sue H. Cannon, Investor Relations Department, Duke Power Company, P.O. Box 33189, Charlotte, NC 28242.

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

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