

# Duke Power Company 1983 Annual Report

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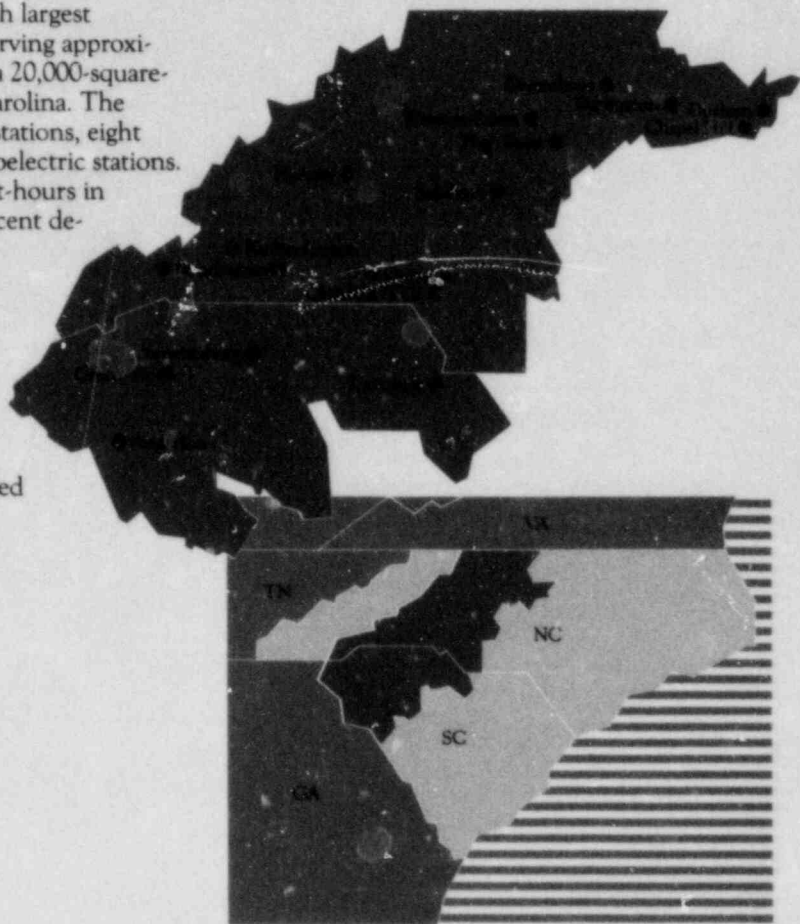
1967 Duke Power operated the most efficient coal-fired

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## About Duke Power Company

Duke Power is the nation's eighth largest investor-owned electric utility serving approximately 1.4 million customers in a 20,000-square-mile area of North and South Carolina. The Company operates two nuclear stations, eight coal-burning plants and 26 hydroelectric stations. Sales totaled 54.2 billion kilowatt-hours in 1983, with approximately 70 percent derived from North Carolina and 30 percent derived from South Carolina.

The Company's retail customers are served through 96 district and branch offices. In addition, Duke sells electricity to bulk users at wholesale and contractual rates. Revenues totaled \$2.4 billion in 1983.



## About the Cover

Duke Power's unprecedented record of generating efficiency is indicative of the Company's commitment to excellence in all its operations. Duke's network of eight coal-fired generating stations has led the nation in fuel efficiency 11 of the past 13 years, placing second the other two years. In 15 of the last 17 years, a Duke plant has been rated as the top station in the country. In-

dustry statistics for 1983 are not yet available, but preliminary figures indicate the Duke coal-fired system will again lead the nation in fuel efficiency.

How the Company is building on its tradition of design, construction and operating expertise is featured in a special section of this report, beginning on page 12.

## Highlights

	1983	1982	Percent Increase (Decrease)
Kilowatt-hour sales	54,151,333,000	51,380,037,000	5.4
Electric revenues	\$2,420,252,000	\$2,244,480,000	7.8
Earnings for common stock before extraordinary item	\$ 368,677,000	\$ 287,713,000	28.1
Extraordinary item	—	\$ 48,304,000	—
Earnings for common stock	\$ 368,677,000	\$ 336,017,000	9.7
Common stock data			
Average shares outstanding	97,784,000	93,679,000	4.4
Earnings per share before extraordinary item	\$ 3.77	\$ 3.07	22.8
Extraordinary item	—	\$ 0.52	—
Earnings per share	\$ 3.77	\$ 3.59	5.0
Dividends per share	\$ 2.32	\$ 2.24	3.6
Book value per share (year-end)	\$26.26	\$24.89	5.5
Return on average common equity	14.8%	13.9%*	6.5
Plant construction costs	\$ 679,726,000	\$ 736,060,000	(7.7)
Total electric plant, net	\$6,162,492,000	\$6,385,691,000	(3.5)
Peak load (Kw)			
Summer	11,554,000	10,097,000	14.4
Winter	10,378,000	11,145,000	(6.9)

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

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## To Our Shareholders:

1983 was a year of marked improvement for Duke Power. Both earnings and long-term financial strength increased as we continued streamlining operations, reduced our construction program, sold more electricity, improved service to our customers and helped the communities we serve.

Earnings per share rose to \$3.77 from \$3.59 reported in 1982. Earnings for common stock increased to \$368.7 million from \$336 million. Results in 1982 included the effects of an extraordinary gain from the exchange of new common stock for outstanding bonds and a provision for loss on the disposal of coal mining assets.

Total Company return on common equity rose to 14.8 percent from 13.9 percent a year ago. The 13.9 percent excluded the effects of the extraordinary gain and the provision for loss.

Higher earnings were largely attributable to greater nuclear generation, rate increases and higher kilowatt-hour sales. Sales totaled 54.2 billion kilowatt-hours, up 5.4 percent from 51.4 billion sold in 1982. Most of the gain occurred in the second half of 1983 as our industrial customers' business improved, reflecting the economic recovery.

The quarterly cash dividend on common stock was raised in the third quarter to 59 cents per share from 57 cents, increasing the indicated annual dividend to \$2.36 per share from \$2.28. This marks the eighth consecutive year dividends have been increased.

While we are pleased with this year's results, a more far-reaching development was the improvement in the Company's long-term financial strength, affected most dramatically by a major reduction in our construction program and continued improvement in our capital structure.

In April, the Board of Directors canceled Unit 1 of the planned three-unit Cherokee Nuclear Station. (Units 2 and 3 had previously been canceled.) This decision was made after new load-growth forecasts indicated additional large, baseload generating facilities would not be needed until after 1995.

The North Carolina Utilities Commission allowed recovery of our investment in the Cherokee project over a 10-year period. We are currently seeking recovery of the investment in our other regulatory jurisdictions.

The Company's continued progress toward achieving its long-term financial objectives was recognized this year when three rating agencies upgraded their credit ratings on our fixed-income securities.

We continue to seek electric rates that will allow us to build on the financial achievements of 1983. A request for a 13.6 percent increase is pending in North Carolina. In South Carolina we are seeking approval of a 23.7 percent increase. Both requests reflect the investment in and operating costs for Unit 2 of the McGuire Nuclear Sta-



William S. Lee (left)  
Douglas W. Booth (right)

tion and seek a 16.5 percent rate of return on common equity. Even with these increases, our rates will remain below the national average.

To avoid additional construction for as long as possible, we continue to emphasize controlling growth in peak demand through load management. We are also initiating new programs to increase power sales during off-peak hours to maximize use of our generating facilities.

Despite the gains of this year, we and the industry as a whole face several issues of concern. The

tortuous regulatory process may affect our ability to obtain a license to load fuel on schedule at Unit 1 of the Catawba Nuclear Station. The acid rain question is also receiving increased political attention, and legislation enacted prematurely could impose a heavy financial burden on our customers. Finally, proposed legislation limiting tax-exempt pollution control financing would raise our future borrowing costs.

Nevertheless, we are pleased to be in a stronger financial position today after more than two decades of building to meet rapid growth in demand for electricity. The reduced need for new construction marks a major change for Duke Power, allowing us to further refine our operations and focus on new opportunities.

As we direct our future, we will draw on our past experience while maintaining the flexibility necessary to be responsive to change. Ways we are building on our 79-year tradition of engineering and construction excellence and operating efficiency are discussed in detail in the feature section of this report, beginning on page 12.

Finally, we are proud of the performance of our 20,000 dedicated employees, both on the job and in their communities. Relying on their talents and energy, we are committed to earning a competitive return for our shareholders, while providing reliable electric service at the lowest possible price.

*William S. Lee*

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

February 17, 1984

*Douglas W. Booth*

Douglas W. Booth  
President and  
Chief Operating Officer

## Year in Review

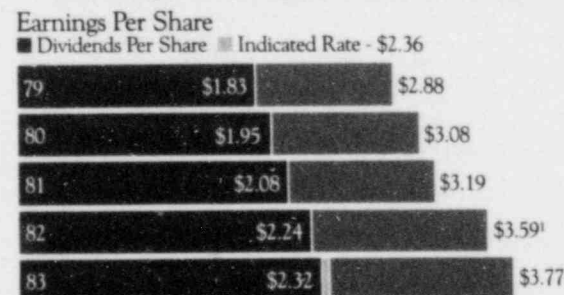
**Financial Results** Earnings per share rose to \$3.77 in 1983, up from \$3.59 in 1982. Earnings for common stock totaled \$368.7 million, up from \$336 million.

(1982 earnings included an extraordinary gain of 52 cents per share, or \$48.3 million, from the exchange of new common stock for outstanding bonds. Earnings in 1982 also included a provision for loss of 32 cents per share, or \$30 million, in anticipation of the 1983 disposal of certain coal mining assets.)

Improved earnings for 1983 resulted primarily from excellent nuclear performance, rate increases and higher kilowatt-hour sales.

Bolstered by higher earnings, total Company return on common equity improved to 14.8 percent from 13.9 percent in 1982. (The 1982 return excluded the extraordinary gain and the provision for loss.)

Earnings coverage of fixed charges



<sup>1</sup>Including extraordinary item (gain on retirement of bonds) - \$0.52

As a result of the improved economy, kilowatt-hour sales to the Company's textile customers, such as Cannon Mills, rose 9.8 percent in 1983.



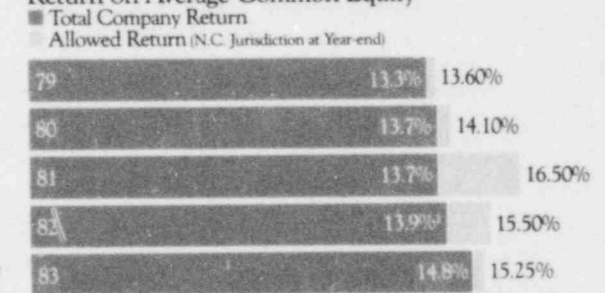
rose to 3.46 times in 1983. Although still below the Company's goal of 3.5 times, this was the highest level since 1968.

The Company generated 83 percent of its capital requirements internally in 1983, compared with 46 percent in 1982. This exceeded the Company's goal of 50 percent and was enhanced by tax benefits related to the cancellation of Unit 1 of the Cherokee Nuclear Station.

The Board of Directors raised the quarterly cash dividend on common stock to 59 cents per share from 57 cents, effective with the dividend paid in September 1983. This increased the Company's indicated annual dividend to \$2.36 from its previous level of \$2.28.

Thirty cents of the 1983 fourth quarter dividend will be treated as return of capital and therefore will not be subject to federal income taxes.

### Return on Average Common Equity



<sup>1</sup>Excluding extraordinary item (gain on retirement of bonds) and provision for loss.

**Sales and Customers** Sales of electricity rose 5.4 percent in 1983, largely because of the improved economy in the second half of the year and hot summer weather. Sales totaled 54.2 billion kilowatt-hours, up from 51.4 billion in 1982.

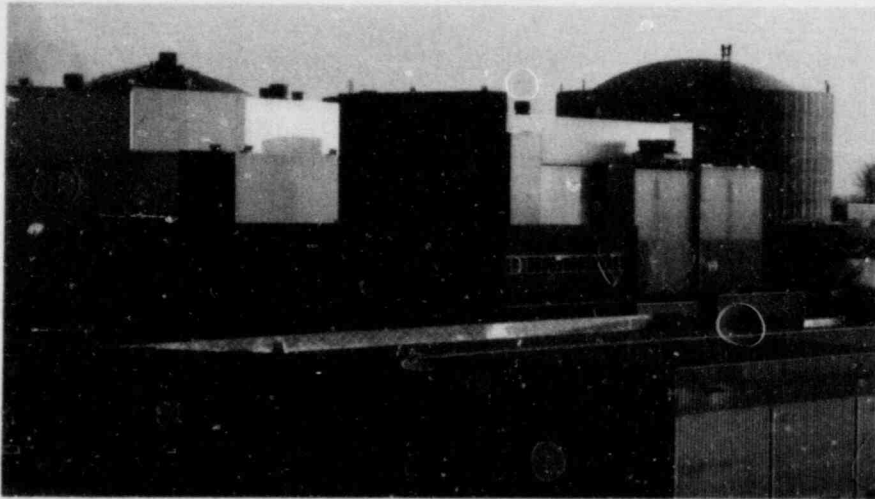
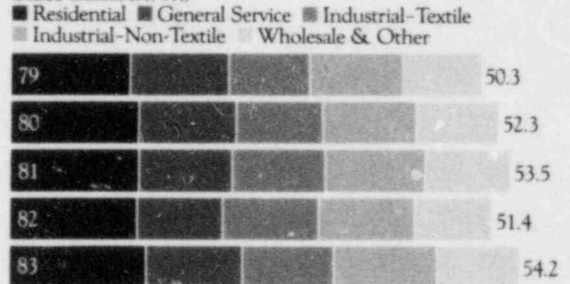
Sales to industrial customers showed a substantial increase, rising 8.1 percent, with textile sales growing 9.8 percent. Sales to non-textile industrial customers rose 6.5 percent. General service customers (including commercial customers) used 2.5 per-

cent more electricity in 1983, while consumption by residential customers increased 3.7 percent. Wholesale and other energy sales rose 5.4 percent from 1982.

Of the Company's total sales in 1983, residential customers accounted for 26 percent, general service customers 19 percent, non-textile industrial customers 20 percent and textile customers 19 percent. Wholesale and other energy sales contributed the remaining 16 percent.

The Company's customer base grew 2.6 percent in 1983, totaling nearly 1.4 million customers at year-end.

Sales (Billions of KWH)



Work on Unit 1 of the Catawba Nuclear Station neared completion at year-end. Fuel loading and testing of the 1,145,000-kilowatt unit are planned for 1984 in preparation for 1985 commercial operation.

### Status of Construction Program

The Board of Directors canceled Unit 1 of the Cherokee Nuclear Station in April after revised load forecasts indicated additional baseload capacity would not be needed until after 1995. Completion in that time frame would have raised the cost of the unit to more than \$6 billion.

Cherokee Units 2 and 3 were canceled by the Board in November 1982 because of reduced growth forecasts.

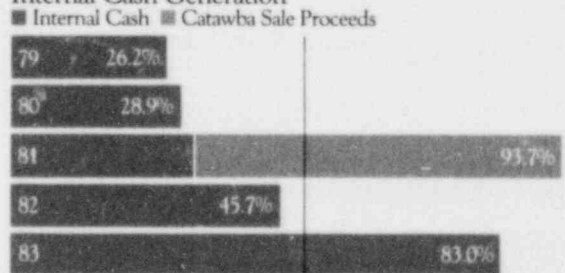
The Cherokee project was conceived in the early 1970s when forecasts showed peak demand growing about 8 percent a year. At the time of cancellation, the Company had invested about \$635 million in the three-unit station. Settlement of outstanding contracts is not expected to add substantially to this amount.

The North Carolina Utilities Commission in September allowed the Company to recover costs associated with the plant over a 10-year period, but did not permit a return on the unamortized balance. The Company had requested recovery of the interest expense and preferred dividends related to the unamortized balance. The Company currently is seeking recovery of Cherokee costs in its South Carolina and wholesale jurisdictions.

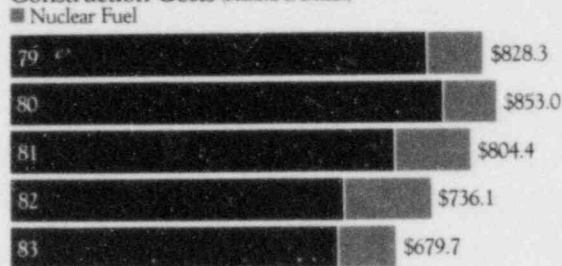
The Company received a full-power operating license for Unit 2 of the McGuire Nuclear Station in May 1983. The 1,180,000-kilowatt unit underwent extensive testing during the remainder of the year and generated 2.5 billion kilowatt-hours of electricity. It is scheduled for commercial operation in early 1984.

Work on Unit 1 of the Catawba Nuclear Station neared completion at year-end. Fuel is expected to be loaded in the spring of 1984, with

### Internal Cash Generation



Construction Costs (Millions of Dollars)



commercial operation scheduled for 1985. Catawba Unit 2 is 65 percent complete and slated for commercial operation in 1987.

Operation of Catawba is contingent on approval of an operating license by the Nuclear Regulatory Commission (NRC). Hearings before the NRC's Atomic Safety and Licensing Board began in October, and

it is hoped the necessary license will be obtained in time to load fuel in the spring.

Beyond the demand to be met by Catawba's baseload generation, projected growth patterns indicate peak demand will rise faster than nighttime and weekend loads. The most economical type of generation to meet this pattern is pumped-storage hydroelectric power.

Accordingly, Duke is continuing construction of the 1,000,000-kilowatt Bad Creek Pumped-Storage Hydroelectric Station for service in the early 1990s. This four-unit facility is to be located above Lake Jocassee in South Carolina.

**Rate Matters** Electric rates were increased in all regulatory jurisdictions in 1983.

The North Carolina Utilities Commission (NCUC) approved a \$76.2 million, or 5.18 percent, retail rate increase in September 1983 that included a 15.25 percent rate of return on common equity. The Company had requested a \$112.9 million, or 7.68 percent, increase and sought a 15.5 percent rate of return on common equity, comparable to the return allowed in the NCUC's previous rate order.

In November 1983, the Company filed a request for an additional \$212.8 million, or 13.6 percent, increase in

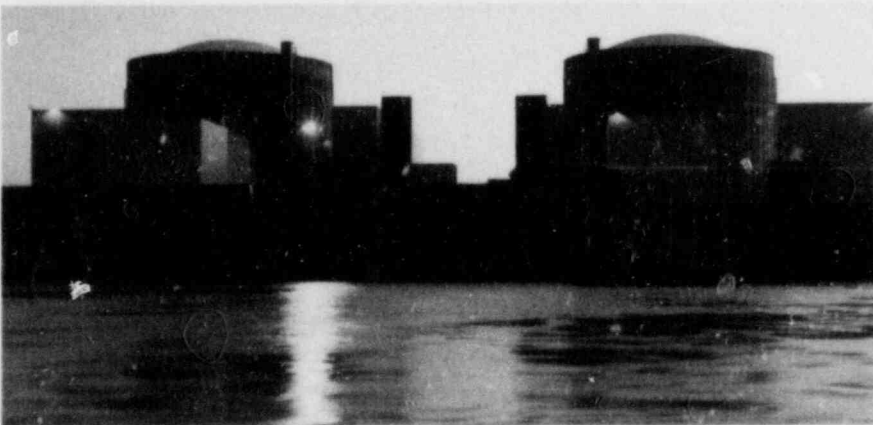
its North Carolina retail rates. The request reflects inclusion of Unit 2 of the McGuire Nuclear Station in rate base and seeks a 16.5 percent rate of return on common equity.

Duke had asked the NCUC for permission to implement an interim rate increase in conjunction with the commercial operation of McGuire Unit 2. The NCUC denied that request, but ruled instead that the Company defer all costs associated with the unit until the final rate order is issued. Fuel savings from pre-commercial operation of McGuire Unit 2 will be treated as a reduction of operating costs.

Hearings are scheduled to begin in March 1984, with a final ruling expected by June.

South Carolina retail rates were increased 7.1 percent in March 1983 when The Public Service Commission of South Carolina (PSC) approved a \$40.7 million increase, with a 13 percent rate of return on common equity. The Company had requested a \$99.4 million, or 17.56 percent, increase with a rate of return of 17.5 percent. The PSC decision left

Rate requests pending in each of Duke's three regulatory jurisdictions reflect commercial operation of Unit 2 of the McGuire Nuclear Station.





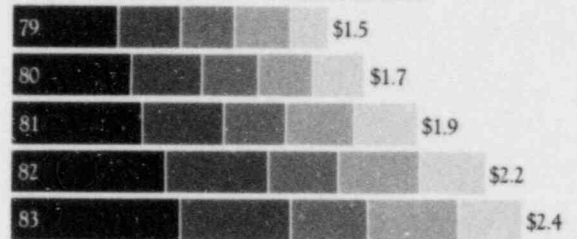
South Carolina rates lower than North Carolina rates.

The PSC currently is considering the Company's request for a \$136 million, or 23.7 percent, retail rate increase. This request reflects inclusion of McGuire Unit 2 in rate base, 10-year recovery of the investment in Unit 1 of the Cherokee Nuclear Station, and a 16.5 percent return on common equity. A final ruling is expected in March 1984.

The Company and its wholesale customers settled on a \$26 million rate increase in March 1983. The increase is based on the rate of return approved for North Carolina retail industrial customers in November 1982 and was approved by the Federal Energy Regulatory Commission. In December, Duke filed a request for a \$12.7 million increase in wholesale rates.

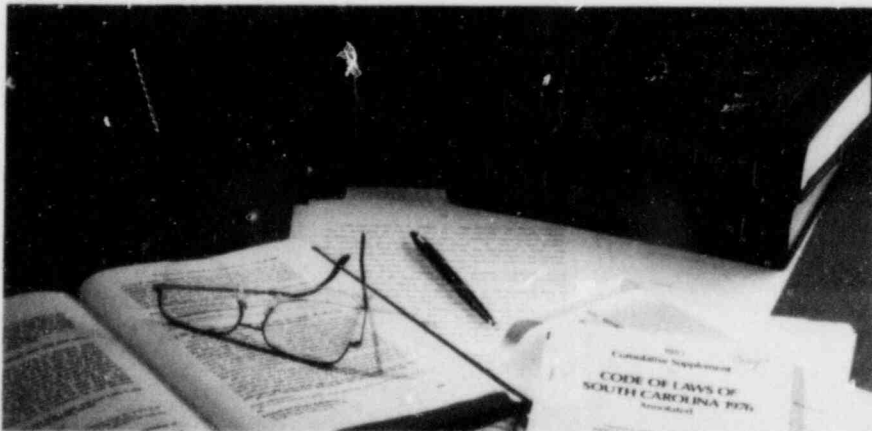
Wholesale rates no longer apply to

Electric Revenues (Billions of Dollars)  
 ■ Residential ■ General Service ■ Industrial-Textile  
 ■ Industrial-Non-Textile ■ Wholesale & Other



those municipalities and cooperatives that are members of agencies owning 75 percent of the Catawba Nuclear Station. Rates to the agencies are set through contractual agreements that became effective during the second half of 1983.

In March 1983, the NCUC held hearings to establish a procedure to adjust rates to reflect fluctuations in fuel costs. As yet, no such procedure has been adopted. Future earnings therefore could be affected, since North Carolina rates may not accurately reflect fuel expense incurred.



Legislation enacted in South Carolina in 1983 requires quicker processing of rate cases, but limits utilities to no more than one general rate request a year.

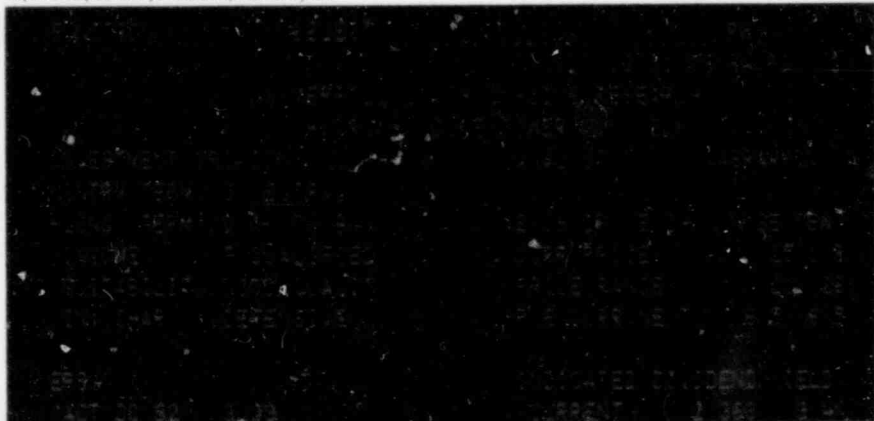
**Legislation** The South Carolina General Assembly enacted legislation in 1983 that can reduce regulatory lag in the processing of rate requests, but also limits utilities to filing for no more than one general rate adjustment within a 12-month period.

The new law requires The Public Service Commission of South Carolina (PSC) to rule on rate requests within six months of filing, or the full amount becomes effective auto-

matically, without being subject to refund. Further, the law makes no explicit provision for interim increases. Previously, as long as 13 months elapsed between a rate filing and a PSC ruling. However, interim rate increases were permitted, subject to refund, 30 days after filing.

In addition, the new law incorporates the current fuel-cost recovery procedure into South Carolina general statutes. The procedure initially was developed as a commission rule-making.

The South Carolina fuel-cost recovery procedure provides for adjusting rates twice each year, based on estimated fuel expenses for the upcoming six months. Differences between actual fuel expenses and the amount collected are reflected in the adjustment for the following six months.



Duke's common stock closed at \$25 1/8 on December 30, 1983 — its highest year-end closing in 15 years.

**Financing** The Company had no public sales of common stock in 1983 and anticipates no public issues of common stock in the foreseeable future. It did, however, raise a total of \$84.3 million by issuing more than 3.6 million shares through its stock purchase and dividend reinvestment plans.

The Company introduced its Customer Stock Purchase Plan in March 1983 in an effort to broaden its investor base and increase customer understanding of issues affecting the Company. Under the plan, customers are eligible to purchase Duke stock in amounts as small as \$25 or as large as \$3,000 per quarter without paying brokerage fees. At year-end, more than 8,000 Duke Power customers were enrolled in the plan, having invested about \$9.4 million in the Company.

Participation in the Company's Dividend Reinvestment and Stock Purchase Plan continued to grow in 1983. At year-end, 33 percent of the Company's common shareholders

and 14 percent of the preferred shareholders were participating in the plan, investing an additional \$28.9 million during the year.

The Company began purchasing shares of its common stock on the open market in September to satisfy the requirements of the Employees' Stock Ownership Plan. In addition, open-market purchases for the Stock Purchase-Savings Program for Employees began in early 1984. Continuing this practice should allow the Company to avoid issuing about 10 million shares of new common stock through 1987.

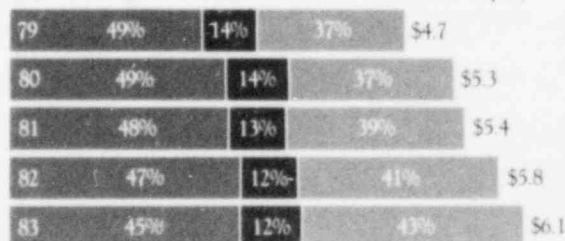
The Company's only public, long-term financing in 1983 was the June issuance of \$102 million of pollution control bonds for construction of a radioactive waste treatment system at the Oconee Nuclear Station. The Company also filed a registration statement with the Securities and Exchange Commission for the prospective sale of up to \$100 million of first mortgage bonds. However, the Company does not plan to issue these bonds during 1984.

Three major rating agencies upgraded certain of the Company's securities in 1983 in recognition of its improved financial strength and reduced construction program. Moody's Investors Service, Inc. raised its rating on the Company's first and refunding mortgage bonds to Aa3 from A1. Standard and Poor's Corporation raised its rating on first and refunding mortgage bonds to

Capital Structure (Billions of Dollars)

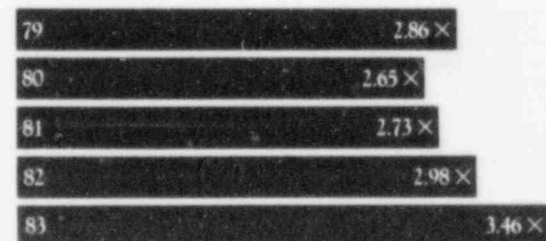
(Excludes Current Maturities)

■ L-T Debt ■ Preferred and Preference ■ Common Equity



Earnings Coverage of Fixed Charges

(SEC Method)



AA- from A+, and Fitch Investors Service, Inc. raised its bond rating to AA from A+.

As of December 31, Duke's capital structure consisted of 45 percent

long-term debt, 12 percent preferred and preference stocks, and 43 percent common equity. This is consistent with the Company's financial objectives.

**Sale of Assets** The Company sold during the year substantially all the assets of Eastover Mining Company and Eastover Land Company, two of its wholly owned subsidiaries.

This action was precipitated by the refusal of the North Carolina Utilities Commission to allow full recovery of the cost of coal from these mines. A \$30 million after-tax provision for loss was recorded in 1982 for the disposition of these properties.

Plans to sell 25 percent of Unit 2 of the Catawba Nuclear Station to the Piedmont Municipal Power Agency, representing a group of 10 South Carolina cities and towns, continued to be delayed in 1983 by a

legal challenge.

The proposed sale has been approved by The Public Service Commission of South Carolina, but has been appealed to the South Carolina Supreme Court by a group opposed to the sale. This opposition will not affect the completion or operation of the plant.

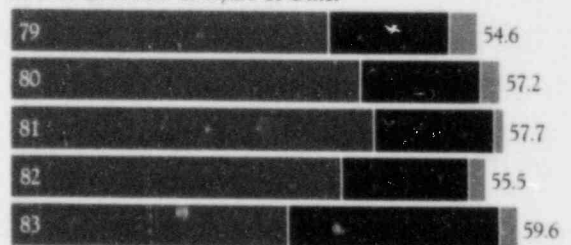
The North Carolina Municipal Power Agency No. 1 purchased 75 percent of Catawba Unit 2 in 1978. In 1981, groups of rural electric cooperatives in North and South Carolina bought 75 percent of Unit 1. The Company plans to retain 25 percent ownership in Unit 1 and operate the station for the joint owners.

**Generation and Capacity** The Company's nuclear units produced record amounts of electricity in 1983, generating 42 percent of total output. This compares with 27 percent in 1982.

Coal-fired plants continued to contribute the largest share to total generation, producing 54 percent in 1983. Hydroelectric facilities generated 4 percent of the Company's electricity.

Increased nuclear production resulted from excellent performance by

Net Generation (Billions of KWH)  
■ Coal ■ Nuclear ■ Hydro & Other



existing units as well as pre-commercial generation from Unit 2 of the McGuire Nuclear Station.

The Oconee Nuclear Station, which celebrated its 10th anniversary in July, had its best operating year ever, recording a 79.2 percent combined capacity factor. Foremost was Unit 3, which achieved a 94.2 percent capacity factor, the highest of any nuclear unit in the nation for the year. (Capacity factor represents the portion of potential generation actually achieved by a facility.)

McGuire Unit 1 returned to full power in mid-year following modifi-

Duke's eight coal-fired plants burned more than 12 million tons of coal in 1983, providing 54 percent of the Company's total generation.



cations to its steam generators. The unit produced 4.6 billion kilowatt-hours in 1983, representing 18 percent of the Company's nuclear generation. McGuire Unit 2, which is scheduled to begin commercial operation in early 1984, contributed 2.5 billion kilowatt-hours during on-line testing in 1983.

The coal-fired Belews Creek Steam Station passed a milestone in

January 1983, generating its 100 billionth kilowatt-hour of electricity since beginning operation in 1974.

As of December 31, the Company's installed generating capacity totaled 13,411,000 kilowatts, consisting of 7,600,000 kilowatts of coal-fired units, 3,760,000 kilowatts of nuclear units, 1,452,000 kilowatts of hydroelectric facilities and 599,000 kilowatts of combustion turbines.



Duke's Marshall Steam Station was the most efficient coal-fired plant in the country in 1982. A Duke plant has led the nation in fuel efficiency 15 of the past 17 years.

**Generating Efficiency** The Company's fossil-fired generating system led the nation in fuel efficiency again in 1982, according to the most recent efficiency survey conducted by *Electric Light & Power* magazine. Duke's system has led the nation in efficiency 11 of the past 13 years.

The survey was based on comparative heat rates of the nation's 100 largest electric utilities. (Heat rate is a measure of the amount of energy required to produce a kilowatt-hour of electricity.)

The Company's combined coal

and nuclear generating system ranked second in the country, according to the survey, marking the 10th consecutive year it has placed among the top three in the nation.

On an individual-unit basis, the six generating units of the Company's Marshall and Belews Creek steam stations again captured the top six places among more than 2,100 fossil-fired units in the nation.

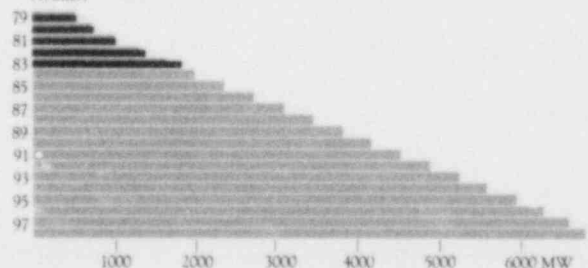
Duke customers would have faced more than \$90 million in additional fuel costs in 1982 had the Company's generating system performed at the median level of the utilities surveyed.

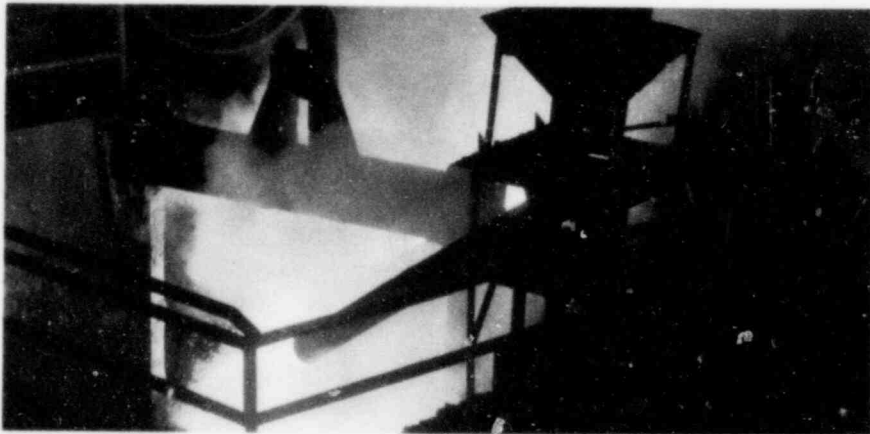
Based on information compiled by the Nuclear Regulatory Commission, Duke's Oconee Nuclear Station was the most efficient pressurized-water reactor nuclear plant in the nation in 1982, achieving this recognition for the third consecutive year. The station has placed first or second each of the past nine years.

**Load Management** The Company exceeded its load management goals in 1983, achieving an additional reduction of 319,000 kilowatts in summer peak demand and 393,000 kilowatts in winter peak demand.

As of December 31, the Company had achieved an accumulated reduction of 1.4 million kilowatts in sum-

Cumulative Load Management (Winter)





*Duke Power load management experts helped Florida Steel Corp. reduce demand by almost 40 percent at its Charlotte mill.*

mer peak demand and 2 million kilo-

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**Peak Demand** Peak demand reached an all-time high in August 1983 when a series of heat waves baked the Piedmont Carolinas with 100-degree-plus temperatures.

A new peak of 11,554,000 kilo-

watts in winter peak demand since 1976.

Through more than 40 load management programs available to its customers, the Company is seeking to reduce projected summer peak demand by 5.3 million kilowatts and winter peak demand by 6.8 million kilowatts by 1998.

Reducing growth in peak demand will help the Company avoid construction of costly new generating facilities.

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**Employee Incentive Program** The Company's 20,000 employees achieved 10 of 11 goals established under the 1983 Corporate Goals Program.

Goals attained in 1983 related to employee safety, service reliability to customers, load management, nuclear power production, fossil production, cost reduction, design and construc-

tion progress, affirmative action, community service and profitability.

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

Since the program was initiated in 1981, employees have met 27 of 31 targeted goals.

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**Community Service** Duke employees contributed to the well-being of their local communities in 1983 through service on community and state boards, participation in civic and professional associations, and volunteer work with youth organizations and schools.

The Company's employees actively supported the 1983 United Way campaign, pledging more than \$1 million to United Way agencies. They also contributed nearly \$150,000 to 144 colleges and universities through the Company's Matching Gifts Program.

In addition, through the Company's Low-Income Weatherization Program, Duke's employees helped recruit, organize and train community volunteers to weatherize the homes of more than 26,000 low-income families, using materials donated by the Company.

Duke also operated the Community Challenge Heating Fund, contributing \$1 to designated community service organizations for every \$4 raised from other sources to help the needy pay their heating bills. The Company contributed \$100,000 to the fund in 1983.

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## Building on a Tradition of Excellence

Over the past 79 years, Duke Power has established itself as a leader in the electric utility industry.

Duke is the only investor-owned utility that uses its own work force to design and build its power plants, doing so at a cost far below the national average. Its network of eight coal-burning plants has achieved an unparalleled record of fuel efficiency, leading the nation for nine consecutive years. Its Oconee Nuclear Station has generated more electricity than any other nuclear plant in the United States. Its rates are substantially below the national average and among the lowest in the Southeast. It was one of the first utilities to develop a comprehensive load management plan, praised by a leading securities firm as among the most aggressive in the nation. Its environmental protection program dates back to the 1920s and today serves as a model for other utilities.

From the days of its founding, Duke Power has been guided by a "do-it-yourself and do-it-right" philosophy. The Company's record of achievement is built on a commitment to excellence spearheaded by senior management and shared by its 20,000 employees.

But past achievements are no guarantee of future success. To survive in today's unpredictable economic environment, a company must carefully control its costs, strengthen those operations vital to its success and continually be on the lookout for new opportunities.

To position itself for the future, Duke is directing its efforts toward achieving greater cost efficiency and increased productivity, while structuring itself to capitalize on new and expanded business opportunities. By building on its tradition of excellence, Duke will have the strength and flexibility to meet whatever challenges lie ahead.

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## Cost Efficiency and Productivity

Duke initiated a Corporate Goals Program in 1981 to improve cost efficiency, productivity and profitability. Under this program, the Company challenges its employees each year to meet specific, measurable performance goals. Employees have responded by achieving 27 of the 31 targeted goals since the program began, saving the Company and its customers millions of dollars in labor, materials and administrative expenses.

In 1983 alone, for example, Duke succeeded in increasing less-expensive nuclear power production 50 percent. Since 1981, the Company has continued to surpass fuel efficiency goals for its coal-fired plants — maintaining its perennial dominance in fossil-plant efficiency. Other performance goals achieved during the past three years include a 44 percent improvement in service reliability to customers, a 29 percent drop in the number of accidents involving Company vehicles, and a 26 percent reduction in the number of disabling injuries on the job.

The success of the Corporate Goals Program has spawned other

*With design and construction experience that dates back to the early 1900s, Duke has consistently built its power plants at a cost well below the national average.*



programs to reduce expenses and improve employee performance. Through a cost reduction program introduced in 1982, for example, employees have identified ways to cut operating and capital costs by more than \$10 million. Suggestions adopted range from switching industrial cleaning agents for an approximate savings of \$12,000 a year, to reducing the volume and the cost of processing low-level radioactive waste at the Oconee Nuclear Station for an estimated annual savings of \$1.2 million.

This emphasis on cost efficiency and greater productivity has permeated all levels at Duke Power. Many departments are using quality circles to involve workers directly in solving day-to-day problems. Salaried employees work under a performance management program that clearly defines individual performance objectives and ties future pay and promotion opportunities to meeting them.

In addition to stressing day-to-day cost efficiency, the Company also is working on several fronts to reduce the need for expensive new construction and make more efficient use of existing generating facilities. Through more than 40 load management programs, Duke is seeking to reduce growth in peak demand by almost seven million kilowatts by 1998 and spread the use of electricity more evenly around the clock. Achievement of this goal will eliminate the need to build about six new, large generating units.

As part of this effort, the Company is encouraging its commercial and industrial customers to install sophisticated energy management equipment. The new Charlotte/Douglas International Airport, for example, is equipped with three 125-ton water chillers that reduce air conditioning load during periods of peak demand. The system chills and stores water during off-peak periods and recirculates it for cooling the facility during on-peak hours.

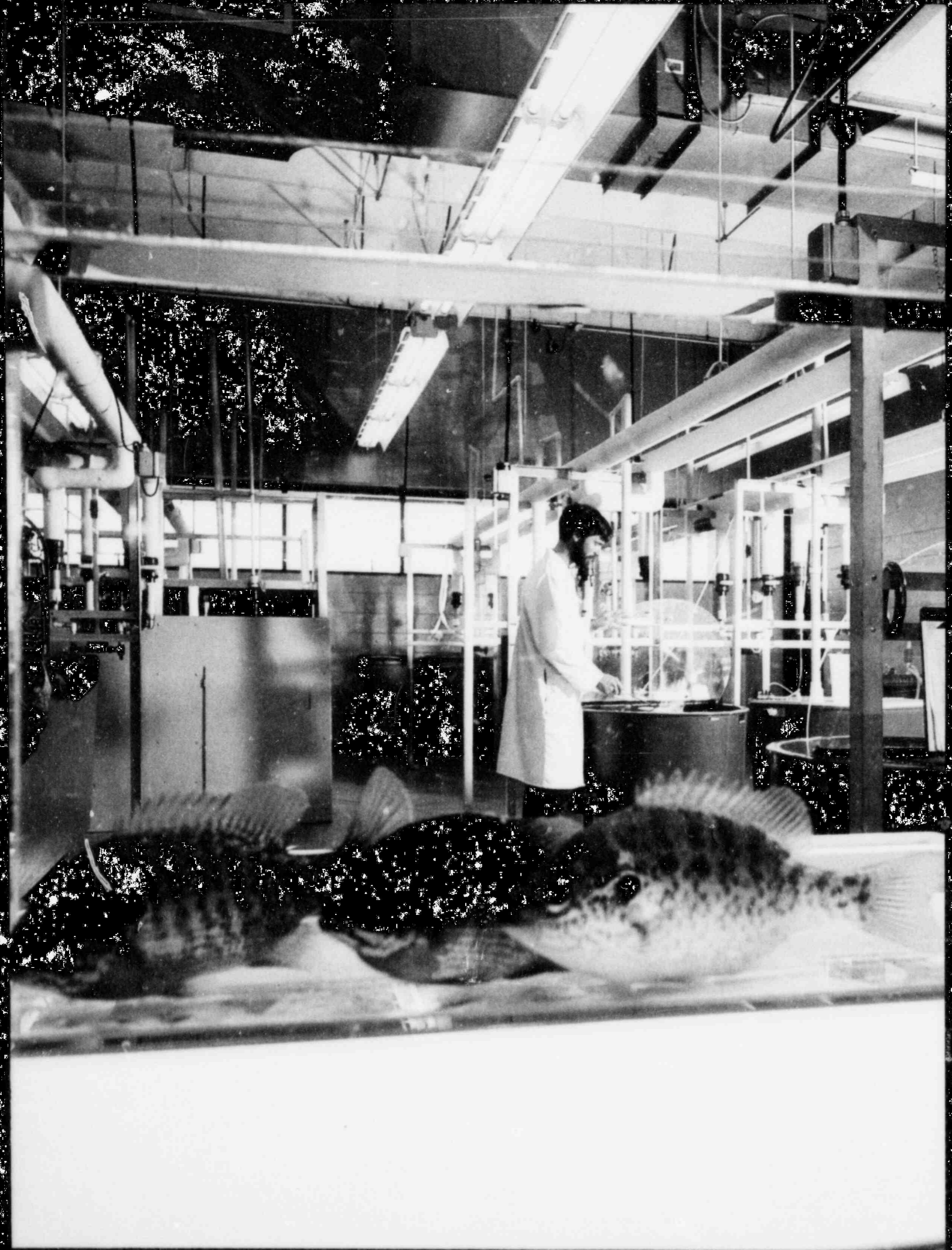
Duke also is experimenting with advanced energy management technology in its own facilities. A 40-module, zinc-bromide battery was installed this year in the Charlotte headquarters, storing power produced off-peak for use on-peak. This type of battery may ultimately have a wide range of utility and industrial applications.

To further minimize investment in new construction, the Company is upgrading and modernizing its older power plants to extend their lives. As part of this effort, microprocessors are being installed so plant systems may be monitored continually and more precisely. New graphics monitors for station control rooms will display schematics of all vital components, helping operators keep a constant eye on important plant functions.

As Duke applies new technology to improve plant performance, it also is putting technology to work to improve the performance and productivity of its employees. Duke was one of the first electric utilities

*Laboratories at Duke's Physical Sciences Complex are used to monitor environmental conditions as well as analyze and improve power plant performance.*





to invest in a computer-operated control room simulator for training nuclear plant operators. Lessons learned on the simulator enhance safety and reduce costly downtime at the Company's nuclear plants.

Advanced technology also is playing a major role in the Company's continuing commitment to preserving the natural resources surrounding its generating facilities. Staffed by more than 200 professionals, the Company's environmental facilities are among the most modern in the electric utility industry. Application of the latest technology is helping Duke meet one of the industry's toughest challenges: complying with increasingly restrictive environmental regulations while continuing to operate efficiently, provide affordable power and earn a fair return for shareholders.

Through these efforts to improve productivity and cost efficiency, Duke is working to maintain its leadership position in the electric utility industry.

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## New and Expanded Business Strategies

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Duke Power is also exploring ways to enhance profitability and flexibility by developing new business strategies within and beyond the scope of the electric utility business.

The guiding philosophy behind this effort is to capitalize on the Company's existing strengths, while minimizing capital commitments.

Through its Management and Technical Services (MATS) section, Duke is marketing the expertise it has acquired in designing, building and operating its own plants. MATS was established in 1982 to market engineering, construction, quality assurance, consulting and additional utility-related services to other companies.

On a selective basis MATS already has undertaken 44 projects for 22 different clients throughout the country. They range from designing cogeneration facilities for industry to assisting other utilities in improving their power plant performance.

Through its MATS activities, Duke is seeking not only to capitalize on its established strengths, but also to stay at the forefront of new technology. MATS was selected in 1983 to perform the design and engineering work for an atmospheric fluidized bed combustion demonstration plant to be operated by the Tennessee Valley Authority in western Kentucky. This advanced coal-burning process holds promise for both economical power production and environmental benefits. The Company will gain firsthand experience with the coal-burning technology of the future through its role in the project.

Duke also is expanding the role of its subsidiaries, Mill-Power Supply Company and Crescent Land & Timber Corp., to maximize their potential.

Mill-Power has moved beyond its traditional wholesale electrical supply business and is now selling advanced energy management sys-

*Computer aided drafting has increased productivity five-fold for engineering drawings used in the design of Duke facilities and for outside projects undertaken by the Company's new Management and Technical Services section.*



tems and controls to a variety of businesses and industries. The subsidiary opened its third major distribution center in the Carolinas in 1983 and recently acquired an electrical equipment distributor in South Carolina.

Crescent Land & Timber is determining the best and most profitable uses for its many resources. In addition to systematically planting and harvesting timber on more than 220,000 available acres, Crescent is now exploring the potential for mineral deposits on its land. It also is embarking on real estate development with the establishment of a new business park south of Charlotte.

Duke subsidiaries contributed \$10.4 million to after-tax earnings in 1983. While the Company is pursuing expanded unregulated activities to enhance its profitability, it is doing so with deliberate caution, and earnings growth is likely to be moderate in the near-term. Still, they should provide the Company with greater flexibility and a base for future expansion.

Along with efforts to increase non-utility business earnings, Duke also is moving to market electricity more aggressively through new programs to increase power sales without adding to peak demand. The Company is developing innovative rate structures and promoting the use of sophisticated energy management equipment to encourage customers to use more electricity during off-peak hours.

A prime example is the add-on heat pump, designed to be used in combination with oil or gas furnaces. Heat pumps operate most efficiently in less severe weather, when adequate generating capacity is also available. The customer's supplementary oil or gas system takes over in extreme cold, when those systems work more efficiently and demand for electricity is high.

The Company also is working to attract more three-shift industries to its service area and is seeking additional contracts for bulk power sales to other utilities and large industrial customers.

Although these new ventures are important to Duke's future, the Company's primary commitment continues to be providing reliable, reasonably priced electric service to its 1.4 million customers. As in the past, Duke's commitment to excellence and its determination to be the best will be the cornerstone of its future success.

*Crescent Land & Timber Corp. is moving to maximize the potential of 220,000 acres of land that hold promise for greater timber yields, mineral deposits and real estate development.*



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

## Results of Operations

**Net Income and Dividends** From 1979 to 1983, earnings per share increased at an annual rate of 7 percent, from \$2.88 to \$3.77. Total Company earned return on average common equity was 14.8 percent for 1983. During the past five years, the return achieved on the Company's retail electric business has been consistently below the return found fair and reasonable by the North Carolina Utilities Commission (NCUC). The NCUC currently allows a 15.25 percent return on common equity. Dividends per share increased at an annual rate of 6 percent, from \$1.83 in 1979 to \$2.32 in 1983.

**Revenues** Electric revenues increased at an annual rate of 13 percent between 1979 and 1983 because of increases in rates and kilowatt-hour sales. Rate increases were necessitated by the effects of increased operating expenses, recovery of the cost of canceled construction projects and the inclusion of construction work in progress (CWIP) and McGuire Unit 1 in rate base. Kilowatt-hour sales increased by an average of 2 percent annually. Sales in 1983 were 5.4 percent higher than in 1982, primarily because of the improved economy and unusually hot summer weather.

**Operating Expenses** During the 1979-1983 period, the most significant increase in electric expenses was in non-fuel operating and maintenance, which rose at an annual rate of 18 percent. This increase was primarily attributable to McGuire Unit 1 beginning commercial operation

in 1981, requirements by the Nuclear Regulatory Commission and inflation. (See "Selected Financial Data — Effects of Changing Prices.") Fuel and purchased power expenses increased at an annual rate of 6 percent over the five-year period. From 1979 to 1981, fuel expense rose because the unit price of fuel increased while the generation mix remained relatively constant. In 1982, lower levels of generation reflected the decline in the economy, thus reducing fuel expense. As a result of improved nuclear and hydroelectric generation, fuel expense continued to decline in 1983, even though total generation rose 7.5 percent over the prior year.

**Other** Allowance for funds used during construction (ADC) increased during the 1979-1981 period as a result of higher construction work in progress and embedded cost of funds. However, in 1982 and 1983, ADC decreased because McGuire Unit 1 began commercial operation, additional CWIP was included in rate base and several nuclear projects were canceled. Since 1979, interest deductions and dividends on preferred and preference stocks have increased at annual rates of 10 percent and 4 percent, respectively. These increases are due to higher financing rates and the issuance of additional securities.

The assets of Eastover Mining Company and the related land leased from Eastover Land Company were sold in 1983. A provision for loss of \$30 million was recorded in 1982 (after the effect of income tax benefits of \$28 million).

## Capital Needs

Since January 1, 1979, additions to property of \$3.9 billion (including nuclear fuel) and retirements of \$1.1 billion have resulted in a net increase in gross plant of \$2.8 billion. During 1983, additions to property of \$680 million (including nuclear fuel) and retirements of \$598 million resulted in a net increase in gross plant of \$82 million. Retirements were unusually large because of the sale of a portion of the Catawba Nuclear Station in 1981 and the cancellation of the Perkins and Cherokee nuclear projects during 1982 and 1983. (See Notes 3 and 5 in Notes to Financial Statements.)

Expenditures for construction of major generating facilities and for nuclear fuel constituted approximately 78 percent of the Company's capital requirements during the past five years. Additional funds were required for transmission and distribution facilities, the refunding of maturing securities and sinking funds, and increased working capital.

Projected construction and nuclear fuel costs are \$2.1 billion for the three-year period 1984

through 1986, excluding costs related to the portions of the Catawba Nuclear Station that have been sold. Major plant construction costs should constitute a lower percentage of the Company's capital requirements for the next three years. Construction plans continue to reflect a lower projected growth rate of peak load, which is due in part to the Company's comprehensive load management program and energy conservation.

The construction program includes plans for three nuclear units to begin commercial operation within the next four years. Commercial operation of McGuire Unit 2 is scheduled for early 1984. Total estimated costs, including initial core nuclear fuel, for both units of McGuire are \$2.2 billion. The Company's portion of the total estimated construction and initial core nuclear fuel costs for both units of Catawba is \$1.0 billion, including \$654 million spent as of December 31, 1983. Commercial operation of Catawba Units 1 and 2 is scheduled for 1985 and 1987, respectively. Construction of this station is currently ahead of schedule.

## Liquidity and Resources

Improvements in several key financial indicators were largely attributable to improved earnings and the cancellation of major construction projects. During 1983, internal cash generation, including the tax effects of the Cherokee cancellation, amounted to 83 percent, exceeding the Company's goal of 50 percent. From 1979 to 1982, funds from operations provided approximately 33 percent of the Company's capital requirements. As a result of an improved financial position, the Company had approximately \$126 million in short-term investments at year-end. The Company prefers to limit short-term debt to about \$150 million and currently maintains bank lines of credit of \$385 million. The appropriate amount of such lines of credit is under reconsideration.

Additional funds were obtained during the 1979-1983 period from the sales of \$788 million in first and refunding mortgage bonds, \$137 million in preferred stock, and \$557 million in common stock, including the non-cash exchange for bonds in January 1982. (See Note 4 in Notes to Financial Statements.) The Company also obtained \$521 million from the 1981 sale of a portion of the Catawba Nuclear Station, eliminating the need for external financing in that year. In June 1983, the Company borrowed the proceeds of the sale of \$102 million principal amount of pollution control revenue bonds issued by Oconee County, S.C. As of December 31, 1983, the Company had received approximately \$46 million in proceeds, with the remainder to be received over the next three years as expenditures are incurred. Further significant long-term public financings are not anticipated in the near future.

As of December 31, 1983, the capital structure was 45 percent long-term debt, 12 percent preferred stock and 43 percent common equity. This structure is consistent with the Company's financial goals.

As a result of higher earnings, 1983 fixed-charges coverage, using the Securities and Exchange Commission method, increased to 3.46 times, representing significant progress toward meeting the Company's goal of 3.5 times. For 1979 through 1982, actual coverage did not change significantly because higher earnings were offset by increasing costs of debt.

From 1979 through 1982, the market price of the Company's common stock averaged 85 percent of book value. During 1983, the market-to-

book ratio improved, generally exceeding 90 percent. In 1983, the Company implemented a plan to purchase common stock on the open market to satisfy the requirements of the Employees' Stock Ownership Plan and authorized open-market purchases, which began in 1984, for the Stock Purchase-Savings Program for Employees. Utilizing open-market purchases for these two plans will reduce the need to issue additional common stock, thereby minimizing revenue requirements and the dilution of earnings and common stock equity.

During the past five years, the Company has been granted retail rate increases allowing approximately 58 percent of the requested additional revenues. As of December 31, 1983, the Company had rate requests pending in each of its three regulatory jurisdictions. These requests seek recovery of the Company's investment in McGuire Unit 2, a higher rate of return on common equity and increased operating expenses. The Company's requests in its South Carolina and wholesale jurisdictions also include Cherokee cancellation costs not previously reflected in rates. (For rate information by jurisdiction, see Notes 2 and 3 in Notes to Financial Statements.)

In the North Carolina jurisdiction, the Company requested permission to implement an interim rate increase in conjunction with the commercial operation of McGuire Unit 2, scheduled for early 1984. The Commission denied the Company's request, but ruled instead that the costs associated with the unit allocated to the North Carolina retail jurisdiction must be deferred until a rate order is issued on the entire case.

Certain of the Company's wholesale customers purchased ownership interests in the Catawba Nuclear Station in prior years. In accordance with these purchase agreements, in 1983 the buyers began supplying electricity to their members — municipalities and cooperatives that formerly were customers of the Company.

While 1983 was a year of significant financial achievement, the Company's ability to maintain its level of financial strength will be dependent upon many factors. Significant factors in the Company's immediate financial future include adequate and timely rate relief, reliable nuclear plant performance, increased kilowatt-hour sales, and continued economic improvement in the Piedmont Carolinas.

(dollars in thousands)	Year Ended December 31		
	1983	1982	1981
<b>Kilowatt-Hour Sales</b> (thousands) .....	54,151,333	51,380,037	53,547,929
<b>Electric Revenues</b> (Notes 1 and 2) .....	<u>\$2,420,252</u>	<u>\$2,244,480</u>	<u>\$1,908,454</u>
<b>Electric Expenses</b>			
Operation			
Fuel used in electric generation (Note 1) .....	739,829	781,406	790,967
Net interchange and purchased power (credit) .....	(19,819)	(10,685)	25,068
Wages, benefits and materials .....	350,162	329,954	264,488
Maintenance of plant facilities .....	187,267	177,766	131,670
Depreciation and amortization (Notes 1 and 3) .....	209,750	186,080	142,899
General taxes .....	173,826	158,289	139,140
Income taxes (Notes 1 and 12) .....	330,023	231,902	137,872
Total electric expenses .....	<u>1,971,038</u>	<u>1,854,712</u>	<u>1,632,104</u>
Electric operating income .....	<u>449,214</u>	<u>389,768</u>	<u>276,350</u>
<b>Other Income</b> (Notes 1, 5 and 12)			
Allowance for equity funds used during construction .....	144,048	146,214	159,285
Earnings of subsidiaries, net .....	10,415	7,039	14,662
Provision for loss on disposal of assets .....	—	(30,000)	—
Other, net .....	5,391	12,548	28,791
Income taxes—other, net (deduction) .....	(3,037)	(11,687)	(9,442)
Income taxes—credit .....	56,184	50,934	60,747
Total other income .....	<u>213,001</u>	<u>175,048</u>	<u>254,043</u>
Income before interest deductions .....	<u>662,215</u>	<u>564,816</u>	<u>530,393</u>
<b>Interest Deductions</b>			
Interest on long-term debt .....	272,349	254,643	245,070
Other interest .....	6,766	12,802	11,694
Allowance for borrowed funds used during construction (credit) (Note 1) .....	<u>(48,177)</u>	<u>(52,506)</u>	<u>(62,622)</u>
Total interest deductions .....	<u>230,938</u>	<u>214,939</u>	<u>194,142</u>
Income before extraordinary item .....	<u>431,277</u>	<u>349,877</u>	<u>336,251</u>
<b>Extraordinary Item</b> (Note 4) .....	—	48,304	—
<b>Net Income</b> .....	431,277	398,181	336,251
Dividends on preferred and preference stocks .....	<u>62,600</u>	<u>62,164</u>	<u>57,895</u>
<b>Earnings for Common Stock</b> .....	<u>\$ 368,677</u>	<u>\$ 336,017</u>	<u>\$ 278,356</u>
<b>Common Stock Data</b>			
Average shares outstanding (thousands) .....	97,784	93,679	87,313
Earnings before extraordinary item .....	\$3.77	\$3.07	\$3.19
Extraordinary item .....	—	0.52	—
Earnings per share .....	<u>\$3.77</u>	<u>\$3.59</u>	<u>\$3.19</u>
Dividends per share .....	<u>\$2.32</u>	<u>\$2.24</u>	<u>\$2.08</u>

See Notes to Financial Statements.



# Statements of Source of Funds for Plant Construction Costs

<i>(dollars in thousands)</i>	Year Ended December 31		
	1983	1982	1981
<b>Funds from Operations</b>			
Income before non-fund extraordinary item	\$431,277	\$349,877	\$336,251
Non-fund items			
Depreciation and amortization (Notes 1 and 3)	324,608	268,651	224,675
Deferred income taxes and investment tax credit, net of amortization (Note 12)	333,045	159,515	109,572
Equity component of the allowance for funds used during construction	(144,048)	(146,214)	(159,285)
Other, net	(6,073)	25,171	(13,146)
Funds from operations	938,809	657,000	498,067
Dividends paid	(289,564)	(272,115)	(239,598)
Funds retained in the business	649,245	384,885	258,469
<b>Funds from Financings and Sale of Assets—Net Proceeds</b>			
Common stock (Note 4)	84,326	199,134	35,954
Pollution control series	45,648	—	—
Nuclear fuel trusts	60,645	33,052	42,248
Term notes	—	79,721	—
First mortgage bonds	—	221,521	—
Preferred stock	—	38,296	—
Sale of an interest in the Catawba Nuclear Station (Note 5)	—	—	520,562
Decrease in notes payable	(57,210)	(114,140)	(25,650)
Funds from financings and sale of assets	133,409	457,584	573,114
Total available funds	782,654	842,469	831,583
<b>Increase in Working Capital</b>	(165,879)	(58,068)	(92,946)
<b>Long-Term Debt Retired/Preferred Stocks Reacquired (Note 4)</b>	(81,097)	(194,555)	(93,551)
<b>Plant Construction Expenditures</b>	535,678	589,646	645,086
<b>Equity Component of the Allowance for Funds Used   During Construction</b>	144,048	146,214	159,285
<b>Plant Construction Costs</b>	<u>\$679,726</u>	<u>\$736,060</u>	<u>\$804,371</u>
<b>Summary of Plant Construction Costs</b>			
Production	\$376,134	\$405,329	\$504,292
Transmission	32,022	40,599	36,233
Distribution	127,989	113,881	112,073
General	38,966	23,895	22,557
Subtotal	575,111	583,704	675,155
Nuclear fuel	104,615	152,356	129,216
<b>Plant Construction Costs</b>	<u>\$679,726</u>	<u>\$736,060</u>	<u>\$804,371</u>

See Notes to Financial Statements.

Assets <i>(dollars in thousands)</i>	December 31	
	1983	1982
<b>Electric Plant</b> (at original cost—Notes 1, 3, 10 and 13)		
Electric plant in service	\$6,270,799	\$5,940,941
Less accumulated depreciation and amortization	<u>2,405,150</u>	<u>2,106,427</u>
Electric plant in service, net	3,865,649	3,834,514
Construction work in progress	<u>2,296,843</u>	<u>2,551,177</u>
Total electric plant, net	<u>6,162,492</u>	<u>6,385,691</u>
<b>Other Property and Investments</b>		
Other property—at cost (less accumulated depreciation: 1983 - \$8,022; 1982 - \$7,384)	34,773	28,675
Investments in and advances to subsidiaries (Note 1)	61,808	75,430
Other investments—at cost or less	<u>29,317</u>	<u>24,900</u>
Total other property and investments	<u>125,898</u>	<u>129,005</u>
<b>Current Assets</b>		
Cash (Note 6)	596	4,053
Short-term investments	125,590	—
Receivables (less allowance for losses: 1983 - \$3,982; 1982 - \$3,983)	232,577	162,671
Refundable income taxes (Note 12)	41,209	—
Materials and supplies—at average cost		
Coal	138,217	179,987
Other	105,735	98,815
Prepayments	<u>10,316</u>	<u>8,841</u>
Total current assets	<u>654,240</u>	<u>454,367</u>
<b>Deferred Debits</b>		
Debt expense, being amortized over terms of related debt	4,045	4,961
Canceled construction projects (Notes 3 and 12)	414,633	77,794
Other	<u>18,137</u>	<u>5,962</u>
Total deferred debits	<u>436,815</u>	<u>88,717</u>
<b>Total Assets</b>	<u>\$7,379,445</u>	<u>\$7,057,780</u>

See Notes to Financial Statements.

## Capitalization and Liabilities

(dollars in thousands)

	December 31	
	1983	1982
<b>Capitalization</b> (see Statements of Capitalization)		
Common stock equity .....	\$2,616,340	\$2,388,592
Preferred and preference stocks without sinking fund requirements .....	422,148	424,035
Preferred stocks with sinking fund requirements .....	295,053	304,026
Long-term debt .....	2,745,889	2,712,372
Total capitalization .....	<u>6,079,430</u>	<u>5,829,025</u>
<b>Current Liabilities</b>		
Accounts payable .....	116,297	87,664
Interest accrued .....	89,973	85,453
Taxes accrued .....	56,063	61,037
Other .....	26,075	25,360
Total .....	288,408	259,514
Notes payable for construction (Note 6) .....	—	57,210
Current maturities of long-term debt and preferred stock .....	55,993	60,851
Total current liabilities .....	<u>344,401</u>	<u>377,575</u>
Accumulated Deferred Income Taxes (Notes 1 and 12) .....	<u>605,399</u>	<u>486,834</u>
Deferred Credits		
Investment tax credit (Notes 1 and 12) .....	313,139	349,327
Other .....	37,076	15,019
Total deferred credits .....	<u>350,215</u>	<u>364,346</u>
Commitments and Contingencies (Notes 3 and 13) .....	—	—
Total Capitalization and Liabilities .....	<u>\$7,379,445</u>	<u>\$7,057,780</u>

See Notes to Financial Statements.

Capitalization <i>(dollars in thousands)</i>	December 31	
	1983	1982
<b>Common Stock Equity (Notes 4 and 7)</b>		
Common stock, no par, 150,000,000 shares authorized; 99,633,699 and 95,948,783 shares outstanding for 1983 and 1982, respectively	\$1,820,828	\$1,734,611
Retained earnings	<u>795,512</u>	<u>653,981</u>
Total common stock equity	<u>2,616,340</u>	<u>2,388,592</u>
<b>Preferred and Preference Stocks Without Sinking Fund Requirements (Note 8)</b>		
Preferred stock	415,000	415,000
Preference stock	<u>7,148</u>	<u>9,035</u>
Total preferred and preference stocks without sinking fund requirements	<u>422,148</u>	<u>424,035</u>
<b>Preferred Stocks With Sinking Fund Requirements (Note 9)</b>	<u>295,053</u>	<u>304,026</u>
<b>Long-Term Debt (Note 10)</b>		
First and refunding mortgage bonds	2,511,370	2,474,598
Promissory note due subsidiary, 16½%—due 1989	58,725	58,725
Term note, floating rate—due 1987	21,000	21,000
Term note, 9.025%—due 1985	4,000	6,000
Pollution control obligations, 75% of prime rate—due 1983	—	2,500
Capitalized leases	93,937	96,738
Nuclear fuel trusts	125,000	125,000
Unamortized debt discount and premium, net	(18,550)	(15,338)
Current maturities of long-term debt	<u>(49,593)</u>	<u>(56,851)</u>
Total long-term debt	<u>2,745,889</u>	<u>2,712,372</u>
<b>Total Capitalization</b>	<u>\$6,079,430</u>	<u>\$5,829,025</u>

Retained Earnings <i>(dollars in thousands)</i>	Year Ended December 31		
	1983	1982	1981
<b>Balance—Beginning of year</b>	\$653,981	\$529,842	\$433,245
<b>Add—Net income</b>	<u>431,277</u>	<u>398,181</u>	<u>336,251</u>
Total	<u>1,085,258</u>	<u>928,023</u>	<u>769,496</u>
<b>Deduct</b>			
Dividends			
Common stock	226,964	210,206	181,703
Preferred and preference stocks	62,600	62,164	57,895
Capital stock expense	182	1,672	56
Total deductions	<u>289,746</u>	<u>274,042</u>	<u>239,654</u>
<b>Balance—End of year</b>	<u>\$795,512</u>	<u>\$653,981</u>	<u>\$529,842</u>

See Notes to Financial Statements.

## 1. Summary of Significant Accounting Policies

### A. Allowance for 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 capital-

ized; the cost of repairs and replacements representing less than a unit of property is charged to electric expenses. The original cost of property retired, together with removal costs less salvage value, is charged to accumulated depreciation.

### B. Allowance for Funds Used During Construction (ADC)

ADC is an accounting procedure whereby the net composite interest and equity costs of capital funds used to finance construction are capitalized in the same manner as construction labor and material costs. ADC, a non-cash, non-operating item, is recognized as a cost of "Electric Plant" with offsetting credits to "Other Income" and "Interest Deductions." Under established regulatory practices, a utility is permitted to capitalize ADC with respect to construction work in progress (CWIP) not included in rate base, but is not permitted to do so with respect to CWIP included in rate base. After construction is com-

pleted, a utility is permitted to recover these capital costs, including a fair return, through their inclusion in rate base and in the provision for depreciation. CWIP included in the Company's North Carolina rate base and excluded for purposes of capitalizing ADC was \$282 million and \$276 million as of December 31, 1983 and 1982, respectively.

ADC, which is compounded semiannually, was calculated on average embedded rates (net of applicable income taxes) of 9.45 percent, 9.38 percent and 8.67 percent for 1983, 1982 and 1981, respectively.

### C. Depreciation and Amortization

Provisions for depreciation are recorded using the straight-line method. The year-end composite weighted-average depreciation rates were 3.47 percent for 1983 and 1982 and 3.44 percent for 1981. All coal-fired generating units are depreciated at the rate of 3.57 percent. Nuclear units are depreciated at a 4.0 percent rate, which includes an allowance for decommissioning costs.

Provisions for amortization of nuclear fuel in-

clude estimates for disposal costs. Such provisions, which are included in "Fuel used in electric generation," are recorded using the unit-of-production method. Under the provisions of the Nuclear Waste Policy Act of 1982, the Company began making payments in 1983 to fund development and implementation of nuclear waste repositories to be constructed and maintained by an agency of the United States government.

### 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 \$55,902,347 of undistributed earnings of subsidiaries as of December 31, 1983. Dividends received from subsidiaries were \$2,250,000 in 1983, \$1,600,000 in

1982 and \$981,302 in 1981.

The assets of Eastover Mining Company and the related land leased from Eastover Land Company were sold in 1983. A provision for loss of \$30 million was recorded in 1982 (after the effect of income tax benefits of \$28 million).

### E. Income Taxes

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

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

rate base.

Deferred income taxes are provided for timing differences between book and tax income, principally resulting from loss on canceled construction projects, accelerated tax depreciation, capitalized taxes and employee benefits, and nuclear fuel disposal costs. Investment tax credit is deferred and amortized over the useful lives of the related properties. At December 31, 1983, the Company had unused investment tax credit of approximately \$39 million.

### F. Fuel Cost Adjustment Procedures

Fuel costs are reviewed semiannually in the wholesale and South Carolina retail jurisdictions with provisions for changing such costs in base rates. These jurisdictions allow the Company to reflect in revenues the difference between actual fuel costs incurred and fuel costs recovered

through base rates. Fuel costs in base rates in the North Carolina retail jurisdiction are reviewed during general rate case proceedings. Also, an annual fuel hearing to review such costs in base rates is provided.

## 2. Rate Matters

The North Carolina Utilities Commission and The Public Service Commission of South Carolina must approve the Company's rates for retail sales within the respective states. The Federal Energy Regulatory Commission (FERC) must approve the Company's rates for sales under its

wholesale rate schedules. The following table sets forth, as filed, information concerning all rate increases requested or implemented by the Company since January 1, 1981. The revenues shown (in millions of dollars) are annualized on the basis of the filing test year.

Jurisdiction and Date Filed	Requested Revenues	Revenues	% of Request	Approved		End of 12-Month Test Period
				% of Increase Over Previous Revenues	Rate Order Effective	
<b>N. C. Retail</b>						
March 1981	\$211.0	\$166.4	78.9	14.99	December 1981	December 31, 1980
March 1982	197.0	61.7	31.3	4.38	November 1982	December 31, 1981
February 1983	112.9	76.2	67.5	5.18	September 1983	September 30, 1982
November 1983	212.8	—	—	—	Pending	June 30, 1983
<b>S. C. Retail</b>						
December 1980	103.7	57.0	54.9	13.00	January 1982	December 31, 1980
February 1982	99.4	40.7	40.9	7.10	March 1983	June 30, 1982
September 1983	136.0	—	—	—	Pending	April 30, 1983
<b>FERC Wholesale*</b>						
June 1981	46.9	30.7	65.5	11.90	August 1982	September 30, 1982
August 1982	44.1	26.0	59.0	8.70	June 1983	December 31, 1983
December 1983	12.7	—	—	—	Pending	December 31, 1984

\*FERC wholesale filings beginning December 1983 do not include certain municipalities and cooperatives that in prior years purchased interests in the Catawba Nuclear Station. Sales to these municipalities and cooperatives previously represented a majority of the Company's wholesale revenues. Effective July 1, 1983, and November 1, 1983, these rates are set through contractual agreements.

## 3. Canceled Construction Projects

The Board of Directors in 1983 announced the cancellation of Unit 1 of the Cherokee Nuclear Station. Cancellation of Units 2 and 3 of the Cherokee Nuclear Station and the Perkins Nuclear Station was announced in 1982. The incurred costs of Perkins and Cherokee are being amortized principally over a 10-year period beginning October 1983 in accordance with recovery permitted by the North Carolina Utilities Commission. The Public Service Commission of South Carolina has permitted recovery of costs related to Perkins and Cherokee Units 2 and 3.

The Federal Energy Regulatory Commission has permitted recovery of costs related to Perkins. The Company is currently seeking recovery of the remaining incurred costs.

As of December 31, 1983 and 1982, the balance for these canceled projects, excluding land and net of amortization, was \$632,127,000 (\$414,633,000 net of income tax benefits — see Note 12) and \$77,794,000, respectively. Additional costs relating to the cancellations are not expected to be significant.

## 4. Extraordinary Item

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

mortgage bonds with a face value of \$119,902,000. The transaction resulted in a non-taxable gain of \$48,304,000, or \$0.52 per share, on the retirement of the bonds.

## 5. Other Income

In February 1981, the Company sold a 75 percent interest in Unit 1 of the Catawba Nuclear Station and a 37.5 percent interest in the station's support facilities to groups of North Carolina and South Carolina rural electric cooperative customers. At closing, \$521 million and two notes

totaling \$76 million were received. At December 31, 1983 and 1982, "Construction work in progress" included \$653,553,000 and \$516,951,000, respectively, representing the Company's investment in its remaining interest in Catawba.

## 6. Short-Term Borrowings

As of December 31, 1983, the Company had lines of credit with 67 commercial banks. These lines, plus the sale of commercial paper, were used to finance current cash requirements. The lines of credit were on a fee basis and/or a compensating-balance basis, with total average

balance requirements of \$1,443,000. Bank loans are either at the lending bank's commercial prime or market rate. Certain of the Company's bank line arrangements may require additional balances related to usage.

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

	1983	1982	1981
Amount outstanding at year-end—average rates of 10.38% and 11.69% for 1982 and 1981, respectively	\$ —	\$ 57,210	\$171,350
Maximum amount outstanding during the year	\$111,210	\$189,950	\$250,398
Average amount outstanding during the year	\$ 30,951	\$ 74,148	\$ 38,829
Weighted-average interest rate for the year—computed on a daily basis	8.92%	12.38%	15.39%
Lines of credit at year-end	\$385,400	\$385,400	\$305,400

## 7. Common Stock and Retained Earnings

### Common Stock

In 1983, 1982 and 1981, the Company received \$84,326,000, \$199,134,000 and \$35,954,000 from the issuance of 3,605,980 shares, 7,274,724 shares

and 1,884,944 shares of common stock, respectively. (See Note 4.)

As of December 31, 1983, certain shares of common stock were reserved for issuance as follows:

	Shares
Stock Purchase-Savings Program for Employees	1,798,024
Conversion of Preference Stock	311,228
Dividend Reinvestment and Stock Purchase Plan	1,263,762
Customer Stock Purchase Plan	1,096,089
Employees' Stock Ownership Plan	1,855,105
Total	6,324,208

### Retained Earnings

As of December 31, 1983, none of the Company's retained earnings were restricted with

respect to the declaration or payment of dividends.

## 8. Preferred and Preference Stocks Without Sinking Fund Requirements

At December 31, 1983 and 1982, 10,000,000 shares of preferred stock (\$100 par value), 10,000,000 shares of preferred stock A (\$25 par value) and 1,500,000 shares of preference stock (\$100 par value) were authorized and issuable with or without sinking fund requirements.

The outstanding Preference Stock, 6¾ percent Convertible Series AA, is convertible into shares of common stock at the adjusted conversion

price of \$23.89 per share, with each share of preference stock valued at \$100 par for such purpose. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution. In 1983, 1982 and 1981, 18,868 shares, 45,759 shares and 72,477 shares were converted into 78,936 shares, 191,463 shares and 303,236 shares of common stock, respectively.

Preferred and preference stocks without sinking fund requirements at December 31, 1983 and 1982, were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1983	1982
4.50% C	1964	350,000	\$ 35,000	\$ 35,000
5.72% D	1966	350,000	35,000	35,000
6.72% E	1968	350,000	35,000	35,000
8.70% F	1970	600,000	60,000	60,000
8.20% G	1971	600,000	60,000	60,000
7.80% H	1972	600,000	60,000	60,000
8.28% K	1977	500,000	50,000	50,000
8.84% M	1978	400,000	40,000	40,000
15.40% A	1982	1,600,000	40,000	40,000
6¾%, AA				
Convertible	1969	71,482	7,148	—
		90,350	—	9,035
Total			<u>\$422,148</u>	<u>\$424,035</u>

## 9. Preferred Stocks With Sinking Fund Requirements

At December 31, 1983 and 1982, 10,000,000 shares of preferred stock (\$100 par value), 10,000,000 shares of preferred stock A (\$25 par

value) and 1,500,000 shares of preference stock (\$100 par value) were authorized and issuable with or without sinking fund requirements.

Preferred stocks with sinking fund requirements at December 31, 1983 and 1982, were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1983	1982
7.35% I	1973	600,000	\$ 60,000	\$ 60,000
8.20% J	1977	460,000	46,000	—
		480,000	—	48,000
8.375% L	1978	480,000	48,000	—
		500,000	—	50,000
8.84% N	1979	500,000	50,000	50,000
11.00% O	1980	500,000	50,000	50,000
10.76% A	1975	2,160,000	54,000	—
		2,220,000	—	55,500
Less: Preferred shares reacquired for current and future sinking fund requirements—at cost				
		Shares Reacquired		
10.76% A		120,000	(2,899)	—
		83,998	—	(1,826)
8.84% N		32,500	(2,419)	(2,419)
11.00% O		13,750	(1,229)	(1,229)
Less: Current sinking fund requirement				
7.35% I			(2,400)	—
8.20% J			(2,000)	(2,000)
8.375% L			(2,000)	(2,000)
Total			<u>\$295,053</u>	<u>\$304,026</u>



The annual sinking fund requirements through 1988, net of amounts reacquired, are \$6,400,000 in 1984, \$6,400,000 in 1985, \$9,525,000 in 1986, \$9,525,000 in 1987 and \$10,900,000 in 1988, with some additional redemptions permitted at the Company's option.

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

## 10. Long-Term Debt

First and refunding mortgage bonds outstanding at December 31, 1983 and 1982, were as follows (dollars in thousands):

Series	Year Due	1983	1982	Series	Year Due	1983	1982
3 7/8 %	1986	\$ 30,000	\$ 30,000	7 3/4 %	2003	\$ 94,872	\$ 94,872
14 3/8 %	1987	50,000	50,000	8 1/8 % B	2003	98,050	98,050
12%	1990	75,000	75,000	9 3/4 %	2004	95,623	95,623
15 1/8 %	1991	100,000	100,000	9 1/2 %	2005	92,800	92,800
4 1/2 %	1992	50,000	50,000	8 3/8 %	2006	96,850	96,850
4 1/4 % B	1992	50,000	50,000	8 1/8 %	2007	119,500	119,500
11%	1994	77,750	84,500	9 3/8 %	2008	120,610	120,610
4 1/2 %	1995	40,000	40,000	10 1/8 %	2009	145,050	145,050
5 3/8 %	1997	72,600	72,600	10 7/8 % B	2009	148,000	148,000
6 3/8 %	1998	68,500	68,500	14 7/8 %	2010	100,000	100,000
7%	1999	56,075	56,075	13 1/8 % B	2010	50,000	50,000
8% B	1999	64,739	64,739	14 1/2 %	2012	125,000	125,000
8 1/2 %	2000	69,244	69,244				
8 5/8 % B	2000	95,635	95,635	<b>Pollution Control</b>			
7 1/2 %	2001	97,900	97,900	6 3/8 %	1988	25,000	—
7 3/8 % B	2001	38,050	38,050	9 1/8 %	2013	77,000	—
7 3/4 %	2002	78,100	78,100	Less: Funds held in trust			
7 3/8 % B	2002	67,900	67,900			(58,478)	—
				Total			
						<u>\$2,511,370</u>	<u>\$2,474,598</u>

Substantially all electric plant was mortgaged at December 31, 1983.

The annual maturities of long-term debt (including sinking fund requirements and capitalized lease principal payments) through 1988 are \$49,593,000 in 1984, \$44,046,000 in 1985, \$74,793,000 in 1986, \$102,591,000 in 1987 and \$36,096,000 in 1988.

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

## 11. Retirement Plan

The Company and two of its subsidiaries have a non-contributory, defined benefit retirement plan covering substantially all their employees. The Company's policy is to fund pension costs accrued. Total pension expense, including trustee fees, amounted to \$33,137,000 in 1983,

\$32,000,000 in 1982 and \$31,896,000 in 1981. In 1983, the plan was amended to provide for certain changes, including increased benefits for retired employees and survivor benefits. The effect of these changes did not increase the Company's pension cost for 1983.

A comparison of accumulated plan benefits and plan net assets at December 31, 1982, the date of the latest actuarial report, and December 31, 1981, is as follows (dollars in thousands):

	1982	1981
Actuarial present value of accumulated plan benefits		
Vested	\$251,426	\$229,783
Non-Vested	52,554	71,742
Total	<u>\$303,980</u>	<u>\$301,525</u>
Net assets available for benefits	<u>\$343,430</u>	<u>\$263,241</u>

The weighted-average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.25 percent in

1982 and 9.0 percent in 1981. The actuarial present value of accumulated plan benefits does not consider future salary increases.

## 12. Income Tax Expense

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

	1983	1982	1981
Electric Expenses			
Current income taxes			
Federal	\$ 701	\$ 58,118	\$ 30,244
State	(966)	21,694	11,183
	<u>(265)(a)</u>	<u>79,812</u>	<u>41,427</u>
Deferred taxes, net			
Excess tax over book depreciation	79,890	46,985	49,353
Capitalized taxes, employee benefits, etc.	8,999	9,287	16,634
Loss on cancellation of			
Cherokee Nuclear Station	210,329 (b)	—	—
Nuclear fuel disposal costs	51,260 (c)	(12,893)	(12,336)
Other	(6,318)	6,456	(8,281)
	<u>344,160</u>	<u>49,835</u>	<u>45,370</u>
Investment tax credit			
Deferred	— (a)	109,596	56,146
Amortization of deferments (credit)	(13,872)	(7,341)	(5,071)
	<u>(13,872)</u>	<u>102,255</u>	<u>51,075</u>
Total electric expenses	<u>330,023</u>	<u>231,902</u>	<u>137,872</u>
Other Income			
Income taxes—other, net (deduction)	3,037	11,687	51,592 (d)
Income taxes—credit	(56,184)	(50,934)	(60,747)
Total other income	<u>(53,147)(a)</u>	<u>(39,247)</u>	<u>(9,155)</u>
Total income tax expense	<u>\$276,876</u>	<u>\$192,655</u>	<u>\$128,717</u>

(a) Current income tax expense for 1983 is a credit principally due to the loss on the cancellation of all units of the Cherokee Nuclear Station and the deduction of the Company's liability to date under the Duke/Department of Energy Spent Nuclear Fuel Disposal Contract. The benefit of this tax loss for 1983 has been recognized as "Refundable Income Taxes" on the Balance Sheets. This loss also eliminated all investment tax credit utilization for 1983.

(b) Represents deferred income tax expense related to the loss on the cancellation of all units of the Cherokee Nuclear Station. The related deferred income tax credits have been classified as a reduction of "Canceled Construction Projects" on the Balance Sheets.

(c) Includes reversal of deferred income tax of \$70,296,000 related to the current tax deduction of prior and current period liabilities for the Duke/Department of Energy Spent Nuclear Fuel Disposal Contract.

(d) Includes \$42,150,000 resulting from the sale of assets in February 1981 and nominal amounts thereafter. (See Note 5.) Such income taxes, which are included in "Other, net" on the Statements of Income, reflect a taxable gain in excess of book gain resulting principally from the treatment of ADC.

Total current income taxes were \$(56,186,000), \$33,128,000 and \$24,002,000 of which state income taxes were \$(7,981,000), \$15,687,000 and \$11,086,000 for 1983, 1982 and 1981, respectively.

Total deferred income taxes were \$346,934,000, \$57,272,000 and \$53,641,000 of which deferred state income taxes were \$42,773,000, \$7,430,000 and \$7,899,000 for 1983, 1982 and 1981, respectively.

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

	1983	1982	1981
Income taxes on pretax income at the statutory federal rate of 46%	\$325,751	\$263,365*	\$213,885
Increase (reduction) in tax resulting from:			
Allowance for all funds used during construction (ADC)	(88,424)	(91,411)	(102,077)
Amortization of electric investment tax credit deferrals	(13,872)	(7,341)	(5,071)
State income taxes, net of federal income tax benefit	18,874	12,132	13,595
Increase in tax expense primarily because of excess of tax gain over book profit on sale of assets	—	—	12,468
Other items, net	34,547	15,910	(4,083)
Total income tax expense (see above)	<u>\$276,876</u>	<u>\$192,655</u>	<u>\$128,717</u>

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

### 13. Commitments and Contingencies

#### A. Construction Program

The Company is engaged in a construction program for which substantial commitments have been made. Projected construction and nuclear fuel costs are \$1.54 billion and \$531 million, respectively, for the years 1984 through 1986. The program is subject to periodic review and revision,

and actual construction costs incurred may vary from such estimates. This is due to various factors, including changing levels of inflation, revised load estimates, the cost and availability of capital, and the outcome of licensing and environmental matters.

#### B. Nuclear Insurance

The Company's public liability for claims resulting from any nuclear incident is limited to \$580 million under provisions of the Price-Anderson Act, which provides for nuclear liability insurance up to that amount. A portion of this insurance is provided through Nuclear Regulatory Commission regulations pursuant to which the Company could be assessed up to \$5 million for each of its licensed reactors in the event there is a nuclear incident involving any licensed facility in the nation, with a maximum of \$10 million a year for each of its licensed reactors in the event of more than one incident. At December 31, 1983, the Company had five licensed reactors, including McGuire Unit 2, which is licensed but not scheduled to begin commercial operation until early 1984.

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 \$103 million, representing 14 times the Company's current annual

premium to NML.

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

The Company purchases from NEIL, through its Excess Property Insurance Program, \$425 million of property damage insurance. This is in addition to the \$500 million of coverage provided by the Company's underlying property damage policies issued through NML. If losses were to exceed the accumulated funds available to NEIL for the Excess Property Insurance Program, the Company would be liable for a retrospective premium adjustment of up to 7.5 times the regular annual premium. The maximum potential liability per incident currently is estimated to be \$18 million.

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## Auditors' Opinion

### Duke Power Company:

We have examined the balance sheets and the statements of capitalization of Duke Power Company as of December 31, 1983 and 1982 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, 1983. 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 report dated February 18, 1983, our opinion on the 1982 and 1981 financial statements referred to above was qualified as being subject to the effects of such adjustments, if any, as might have been required if the outcome of the uncertainty concerning regulatory approval to recover the costs associated with the cancellation of certain nuclear generating units had been known. As described in Note 3, during 1983 the Company received approval to recover the costs of these canceled units allocated to its North Carolina retail jurisdiction and similar recovery has been permitted in South Carolina with respect to

the costs of two units of the canceled station. As a result, recovery of costs related to the canceled nuclear station appears to be reasonably assured. Accordingly, our present opinion on the 1982 and 1981 financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the financial position of the Company at December 31, 1983 and 1982 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, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

*Deloitte Haskins & Sells*

Deloitte Haskins & Sells  
Certified Public Accountants

Charlotte, North Carolina  
February 17, 1984

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## Responsibility for Financial Statements

The financial statements of Duke Power Company were prepared by management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect in all material respects the substance of events and transactions that should be included. The other information in the annual report is consistent with the financial statements. In preparing the financial statements, management makes informed 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 of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

*Norman P. Morrow*

Norman P. Morrow  
Controller

To meet its capital requirements, the Company has financed extensively with long-term debt and equity securities and has raised additional capital through other types of financings plus the sale of certain assets. In March 1983, the Company introduced the Customer Stock Purchase Plan, which enables customers to purchase common stock without paying brokerage fees. Financings from 1981 through 1983 were as follows (dollars in thousands):

Financings	Price Per Share	1983	1982	1981
		Net Proceeds	Net Proceeds	Net Proceeds
<b>Common stock</b>				
Stock Purchase-Savings Program for Employees*				
(1,831,618 shares) .....	\$23.32	\$ 42,712		
(1,624,436 shares) .....	21.79		\$ 35,390	
(1,236,180 shares) .....	18.88			\$ 23,344
Dividend Reinvestment and Stock Purchase Plan*				
(1,226,818 shares) .....	23.56	28,903		
(1,019,484 shares) .....	21.62		22,042	
(534,151 shares) .....	19.49			10,412
Employees' Stock Ownership Plan*				
(143,633 shares) .....	22.78	3,272		
(903,260 shares) .....	22.04		19,909	
(114,613 shares) .....	19.18			2,198
Customer Stock Purchase Plan*				
(403,911 shares) .....	23.37	9,439		
Bond/Stock Exchange				
(3,727,544 shares) .....	19.715		121,793	
Total common stock .....		<u>84,326</u>	<u>199,134</u>	<u>35,954</u>
Preferred stock, \$25 par				
15.40% Series A, 1982 (1,600,000 shares; March 2) .....			38,296	
Total preferred stock .....			<u>38,296</u>	
<b>Long-term debt</b>				
First mortgage bonds				
15½% Series due 1991 (March 2) .....			98,680	
14½% Series due 2012 (September 16) .....			122,841	
Pollution Control Series .....		45,648		
Total first mortgage bonds .....		<u>45,648</u>	<u>221,521</u>	
Other financings				
Nuclear fuel trusts .....		60,645	33,052	42,248
Promissory note due subsidiary—due 1989 .....			58,725	
Term note—due 1987 .....			20,996	
Total other financings .....		<u>60,645</u>	<u>112,773</u>	<u>42,248</u>
Total long-term debt .....		<u>106,293</u>	<u>334,294</u>	<u>42,248</u>
Total financings .....		<u>190,619</u>	<u>571,724</u>	<u>78,202</u>
<b>Sale of Assets</b>				
Sale of an interest in the Catawba Nuclear Station .....				520,562
Total long-term financings and sale of assets .....		<u>\$190,619</u>	<u>\$571,724</u>	<u>\$598,764</u>

\*Average price per share

The Company began open-market purchases in September 1983 to satisfy the requirements of the Employees' Stock Ownership Plan. In addition, open-market purchases for the Stock Purchase-Savings Program for Employees began in early 1984.

	1983	1982	1981	1980	1979
<b>Condensed Statements of Income (thousands)</b>					
Electric revenues	\$2,420,252	\$2,244,480	\$1,908,454	\$1,682,822	\$1,492,557
Electric expenses	1,971,038	1,854,712	1,632,104	1,402,722	1,238,680
Electric operating income	449,214	389,768	276,350	280,100	253,877
Other income	213,001	175,048	254,043	208,365	168,612
Income before interest deductions	662,215	564,816	530,393	488,465	422,489
Interest deductions	230,938	214,939	194,142	177,374	147,729
Income before extraordinary item	431,277	349,877	336,251	311,091	274,760
Extraordinary item	—	48,304	—	—	—
Net income	431,277	398,181	336,251	311,091	274,760
Dividends on preferred and preference stocks	62,600	62,164	57,895	58,612	52,562
Earnings for common stock	\$ 368,677	\$ 336,017	\$ 278,356	\$ 252,479	\$ 222,198
<b>Common Stock Data</b>					
Shares of common stock—year-end (thousands)	99,634	95,949	88,483	86,294	79,489
—average (thousands)	97,784	93,679	87,313	81,985	77,168
Per share of common stock					
Earnings before extraordinary item	\$3.77	\$3.07	\$3.19	\$3.08	\$2.88
Extraordinary item	—	0.52	—	—	—
Earnings	\$3.77	\$3.59	\$3.19	\$3.08	\$2.88
Dividends	\$2.32	\$2.24	\$2.08	\$1.95	\$1.83
Book value—year-end	\$26.26	\$24.89	\$23.83	\$22.82	\$22.12
Market price—high-low	\$26 <sup>3</sup> / <sub>4</sub> -21 <sup>3</sup> / <sub>4</sub>	\$24-20 <sup>3</sup> / <sub>4</sub>	\$22 <sup>1</sup> / <sub>2</sub> -15 <sup>3</sup> / <sub>4</sub>	\$19 <sup>1</sup> / <sub>4</sub> -14 <sup>1</sup> / <sub>4</sub>	\$20 <sup>3</sup> / <sub>4</sub> -16 <sup>1</sup> / <sub>4</sub>
—year-end	\$25 <sup>3</sup> / <sub>4</sub>	\$23 <sup>3</sup> / <sub>4</sub>	\$20 <sup>3</sup> / <sub>4</sub>	\$18 <sup>3</sup> / <sub>4</sub>	\$17 <sup>1</sup> / <sub>4</sub>
<b>Balance Sheet Data (thousands)</b>					
Total assets	\$7,379,445	\$7,057,780	\$6,531,044	\$6,328,174	\$5,615,372
Long-term debt	\$2,745,839	\$2,712,372	\$2,545,694	\$2,594,008	\$2,300,488
Preferred stocks with sinking fund requirements	\$ 295,053	\$ 304,026	\$ 308,674	\$ 316,559	\$ 268,500
<b>Electric and Other Statistics</b>					
Kilowatt-hour sales (millions)					
Residential	14,219	13,711	13,861	13,765	12,832
General service	10,339	10,087	9,731	9,395	8,778
Industrial	20,907	19,345	20,667	20,060	20,260
Wholesale and other energy sales	8,686	8,237	9,289	9,091	8,453
Total kilowatt-hour sales	54,151	51,380	53,548	52,311	50,323
Number of customers—year-end					
Residential	1,167,846	1,139,248	1,125,371	1,105,035	1,078,419
Other	189,329	183,061	181,331	179,370	175,258
Total customers	1,357,175	1,322,309	1,306,702	1,284,405	1,253,677
Residential customer data					
Average annual KWH use	12,278	12,065	12,392	12,560	12,013
Average revenue billed per KWH	5.67¢	5.41¢	4.51¢	4.11¢	3.90¢
Number of employees—year-end					
Operating and maintenance	13,278	12,539	12,134	11,463	10,758
Engineering and construction	7,687	7,735	7,943	8,149	9,372
Source of energy (millions of KWH)					
Generated—Coal	32,466	38,927	42,513	40,984	37,404
—Nuclear	25,059*	15,009	14,229	14,213	14,228
—Hydro	2,114	1,569	843	1,820	2,809
—Oil and gas	8	7	146	203	163
Net interchange and purchased power	(1,003)	(301)	494	(472)	(512)
System average heat rate	9,762	9,666	9,633	9,675	9,742
System load factor	58.6%	56.8%	61.9%	61.6%	62.3%

\*Includes McGuire Unit 2 generation prior to commercial operation.

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**Quarterly Financial Data**


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A summary of quarterly financial data for 1983 and 1982 is as follows (dollars in thousands, except per-share data):

	<u>Electric Revenues</u>	<u>Electric Operating Income</u>	<u>Net Income</u>	<u>Earnings Per Share</u>
1983 by Quarter				
Fourth .....	\$593,064	\$ 91,310	\$ 89,717	\$0.74
Third .....	667,947	136,525	129,867	1.17
Second .....	553,388	103,450	96,922	0.83
First .....	605,853	117,929	114,771	1.03
1982 by Quarter				
Fourth .....	\$540,925	\$105,358	\$ 71,127	\$0.58
Third .....	578,902	97,144	97,702	0.87
Second .....	531,204	86,069	83,027	0.72
First .....	593,449	101,197	146,325	1.42

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

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**Stock Market Information**


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At December 31, 1983 and 1982, the Company had approximately 124,609 and 121,218 holders of record of common stock, respectively. During 1983, approximately 58,664,500 shares of common stock were traded, compared with 47,462,800 during the previous year. The Company's common stock prices, as quoted by the New York Stock Exchange, and dividends paid are listed below.

	<u>Dividends Per Share</u>	<u>Stock Price Range</u>			<u>Dividends Per Share</u>	<u>Stock Price Range</u>	
		<u>High</u>	<u>Low</u>			<u>High</u>	<u>Low</u>
1983 by Quarter							
Fourth .....	\$0.59	\$26 <sup>3</sup> / <sub>8</sub>	\$24	1982 by Quarter			
Third .....	0.59	24 <sup>1</sup> / <sub>8</sub>	21 <sup>3</sup> / <sub>4</sub>	Fourth .....	\$0.57	\$23 <sup>1</sup> / <sub>2</sub>	\$20 <sup>3</sup> / <sub>8</sub>
Second .....	0.57	24	22 <sup>3</sup> / <sub>8</sub>	Third .....	0.57	23 <sup>3</sup> / <sub>8</sub>	20 <sup>1</sup> / <sub>2</sub>
First .....	0.57	24	22	Second .....	0.55	24	20 <sup>3</sup> / <sub>8</sub>
				First .....	0.55	23 <sup>1</sup> / <sub>2</sub>	20 <sup>3</sup> / <sub>8</sub>

## Effects of Changing Prices

In recent years, the impact of general inflation and changes in specific prices has caused distortions in traditional accounting measurements of income and capital. Although the rates of inflation in recent years have substantially decreased, the replacement of existing plant capacity occurs at a significantly higher cost than recovered through historical cost depreciation because of the high levels of inflation in previous years. In response to this problem, the Financial Account-

ing 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, in times of relatively high inflation, the erosion of plant in service resulting from inflation in the current year may be greater than is reflected in constant dollar or current cost adjustments, and is reflected as a reduction to net recoverable cost. This reduction was not necessary in 1983 as the

level of inflation was less than in prior years.

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

### Other

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

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



## Supplementary Statement of Earnings for Common Stock Adjusted for Changing Prices

<i>(dollars in thousands)</i>	Year Ended December 31, 1983		
	Historical Dollar	Constant Dollar	Current Cost
Electric revenues .....	<u>\$2,420,252</u>	<u>\$2,420,252</u>	<u>\$2,420,252</u>
Operating expenses .....	1,070,172	1,070,172	1,070,172
Maintenance of plant facilities .....	187,267	187,267	187,267
Depreciation .....	209,750	428,794	442,455
Taxes .....	503,849	503,849	503,849
Total electric expenses .....	<u>1,971,078</u>	<u>2,190,082</u>	<u>2,203,743</u>
Electric operating income .....	449,214	230,170	216,509
Other income .....	213,001	213,001	213,001
Income before interest deductions .....	662,215	443,171	429,510
Interest deductions .....	230,938	230,938	230,938
Net income .....	431,277	212,233	198,572
Dividends on preferred and preference stocks .....	62,600	62,600	62,600
Earnings for common stock .....	<u>\$ 368,677</u>	<u>\$ 149,633</u>	<u>\$ 135,972</u>
Increase in specific prices (current cost) of utility plant held during the year* .....			\$ 102,265
Reduction to net recoverable cost** .....		\$ —	—
Effect of increase in general price level .....			<u>(370,092)</u>
Excess of increase in general price level over increase in specific prices .....			(267,827)
Gain from decline in purchasing power of net amounts owed .....		134,310	134,310
Net .....		<u>\$ 134,310</u>	<u>\$ (133,517)</u>

\*At December 31, 1983, current cost of electric plant, net of accumulated depreciation, was \$10,031,270,000.

\*\*Due to the decrease in the rates of inflation in recent years, there is no reduction to the net recoverable cost of plant reflected for 1983 on either a constant dollar or current cost basis.

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

<i>(in thousands of average 1983 dollars, except per-share figures)</i>	1983	1982	1981	1980	1979
Electric revenues					
In historical dollars	\$2,420,252	\$2,244,480	\$1,908,454	\$1,682,822	\$1,492,557
In constant dollars	2,420,252	2,316,682	2,090,612	2,034,660	2,048,661
Income from continuing operations					
In historical dollars	431,277	349,877	336,251	311,091	274,760
In constant dollars	212,233	148,035	180,719	203,543	223,166
In current cost	198,572	129,723	158,545	183,183	194,965
Earnings per share before extraordinary item					
In historical dollars	3.77	3.07	3.19	3.08	2.88
In constant dollars	1.53	0.89	1.35	1.62	1.96
In current cost	1.39	0.69	1.08	1.37	1.59
Common stock dividends per share					
In historical dollars	2.32	2.24	2.08	1.95	1.83
In constant dollars	2.32	2.31	2.28	2.36	2.51
Market price per common share at year-end					
In historical dollars	25.125	23.25	20.625	18.125	17.25
In constant dollars	24.70	23.73	21.86	20.93	22.39
Net assets at year-end					
In historical dollars	2,616,340	2,388,592	2,108,935	1,969,140	1,758,016
In constant dollars	2,572,375	2,437,606	2,235,546	2,273,960	2,281,827
In current cost	2,572,375	2,437,606	2,235,546	2,273,960	2,281,827
Purchasing power gain on net monetary items	134,310	150,849	358,119	498,460	531,235
Decrease in the current cost of electric plant in service, net of inflation, after reduction to net recoverable cost	267,827	102,683	289,662	541,214	603,391
Average Consumer Price Index	298.4	289.1	272.4	246.8	217.4

## Subsidiaries

Subsidiary  
Investments

<i>(dollars in thousands)</i>	December 31	
	1983	1982
Property and investments—at cost		
Real estate, recreational and land development	\$ 39,115	\$ 33,391
Coal mining	—	56,545
Net current assets, principally investments, receivables and inventories	27,600	46,820
Total assets	<u>66,715</u>	<u>136,756</u>
Coal production commitments	—	(24,868)
Deferred income taxes	(4,907)	(36,458)
Total liabilities	<u>(4,907)</u>	<u>(61,326)</u>
Investments in and advances to subsidiaries	<u>\$ 61,808</u>	<u>\$ 75,430</u>

Crescent Land &  
Timber Corp.

Crescent Land & Timber opened a 45-acre business park in 1983 for light industrial, office and certain limited retail uses. Named Lakemont Business Park, the site is located just south of Charlotte in South Carolina.

Crescent was formed in 1969 to manage approximately 270,000 acres of Duke's non-utility property. The subsidiary has 50 employees.

Crescent continued to carry out exploration programs in 1983 for minerals and other natural

resources that may exist on its land. Additional programs to determine the best use for Crescent's properties may lead to expanded industrial, commercial and residential development.

In 1983 Crescent harvested 38.8 million board feet of timber and 65,686 cords of pulpwood. Approximately 2.8 million new trees are being planted each year. Since Duke initiated its reforestation activities in 1939, more than 60 million seedlings have been planted on 88,000 acres.

Duke Power  
Overseas Finance  
N.V.

Duke Power Overseas Finance N.V. was formed in 1982 in Curacao, Netherlands Antilles, to provide financial resources from outside the United States. In 1982 Duke Power made a capital contribution to the subsidiary, which continues to be

invested in short-term securities. Also in 1982 Duke Power borrowed from the subsidiary the net proceeds of the sale in the Eurodollar market of \$60 million principal amount of notes. The notes will mature April 15, 1989.

Mill-Power  
Supply Company

Mill-Power Supply Company opened a new 12,500-square-foot distribution center in Greenville, S.C., in 1983. It also acquired the assets of an electrical supply firm in Lancaster, S.C., and added both new professional staff and product lines to its expanding energy management equipment business.

Mill-Power was founded in 1910 to supply necessary equipment to textile mills and other industries then converting to electricity and to be Duke Power's purchasing agent. The subsidiary

currently has 275 employees.

From its 80,000-square-foot headquarters and warehouse in Charlotte, its distribution center in Greensboro, N.C., and its new South Carolina facilities, Mill-Power Sales Division continues to perform as one of the largest electrical wholesale distributors in the Southeast.

As Duke Power's purchasing agent, Mill-Power Purchasing Division contracted for approximately \$1 billion worth of equipment, fuel, services and supplies in 1983.

The Eastover  
Companies

During 1983 Duke Power disposed of substantially all the assets of Eastover Mining Company and the related land leased from Eastover Land Company.

The Company determined to sell these properties after a rate order from the North Carolina

Utilities Commission prohibited full recovery of the cost of coal from these mines.

A \$30 million after-tax provision for loss was established in the fourth quarter of 1982 to cover the loss from the sale of these properties.



(left to right): Grigg, Griffith, Lee, Thies, Booth, Owen, Hicks.

**William S. Lee**  
 Chairman and  
 Chief Executive Officer  
*Compensation, Executive and  
 Finance Committees*

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

**Douglas W. Booth**  
 President and  
 Chief Operating Officer  
*Executive and Finance  
 Committees*

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

**Robert C. Edwards**  
 Chairman of the Board  
 Textile Hall Corporation  
*Compensation Committee*

**John L. Fraley**  
 Vice Chairman and  
 Chief Executive Officer  
 Carolina Freight Carriers  
 Corporation  
*Audit and Compensation  
 Committees*

**Alester G. Furman, III**  
 Chairman of the Board  
 Furman Realty Co., Inc.  
*Finance Committee*

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

**William H. Grigg**  
 Executive Vice President  
 Finance and Administration  
*Executive and Finance  
 Committees*

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



(left to right): Fraley, Herbert, Watkins, Johnson, Albanese, Davis.

**George R. Herbert**  
President  
Research Triangle Institute  
*Audit Committee*

**John D. Hicks**  
Senior Vice President  
Public Affairs  
*Executive Committee*

**James V. Johnson**  
Vice Chairman and  
Director of Public Affairs  
Coca-Cola Bottling Co.,  
Consolidated  
*Audit Committee*

**Buck Mickel**  
Chairman of the Board  
Daniel International  
Corporation  
*Compensation Committee*

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

**Warren H. Owen**  
Executive Vice President  
Engineering and  
Construction  
*Executive Committee*

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

**Maceo A. Sloan**  
Vice Chairman  
North Carolina Mutual Life  
Insurance Company  
*Finance Committee*

**Austin C. Thies**  
Executive Vice President  
Power Operations  
*Executive Committee*

**William L. Watkins**  
Counsel to the law firm of  
Watkins, Vandiver, Kirven,  
Cable & Gray  
*Audit Committee*



(left to right): Lee, Edwards, Mickel, Fraley.



(left to right): Sloan, Grigg, Furman, Overcash, Self, Lee, Booth. Not pictured: Henson.

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**Officers**

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

**Douglas W. Booth**  
President and  
Chief Operating Officer

**William H. Grigg**  
Executive Vice President  
Finance and Administration

**Warren H. Owen**  
Executive Vice President  
Engineering and Construction

**Austin C. Thies**  
Executive Vice President  
Power Operations

**Henry L. Cranford**  
Senior Vice President  
Division Operations

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

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

**John D. Hicks**  
Senior Vice President  
Public Affairs

**Frank A. Jenkins**  
Senior Vice President  
Transmission and Distribution

**Thomas C. Berry**  
Vice President  
Southern Division

**Ralph W. Bostian**  
Vice President  
Production Support

**J. Kenneth Clark**  
Vice President  
Corporate Communications

**Linwood C. Dail**  
Vice President  
Design Engineering

**Robert L. Dick**  
Vice President  
Construction

**George W. Ferguson, Jr.**  
Vice President and  
Deputy General Counsel

**M. Thomas Hatley, Jr.**  
Vice President  
Rates

**E. N. Hedgepeth, Jr.**  
Vice President  
Distribution

**Samuel T. Lattimore**  
Vice President  
Finance Administration

**John F. Lomax**  
Vice President  
Western Division

**Joe S. Major, Jr.**  
Vice President  
Personnel

**Joseph G. Mann**  
Vice President  
Northern Division

**Paul H. Mann, Jr.**  
Vice President  
Operation

**Paul G. Martin**  
Vice President  
Eastern Division

**Dwight B. Moore**  
Vice President  
Central Division

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

**E. Bruce Shuler**  
Vice President  
Transmission

**William R. Stimart**  
Vice President  
Regulatory Affairs

**George E. Stubbins**  
Vice President  
Information Systems

**Hal B. Tucker**  
Vice President  
Nuclear Production

**Fred E. West, Jr.**  
Vice President  
Charlotte Division

**James W. White**  
Vice President  
General Services

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

**Norman P. Morrow**  
Controller

**Richard J. Osborne**  
Treasurer

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

**Carolyn R. Duncan**  
Assistant Secretary

**John C. Goodman, Jr.**  
Assistant Secretary

**Charles A. Markel**  
Assistant Treasurer

**W. Bruce Shannon**  
Assistant Treasurer

**Eugene C. Sites**  
Assistant Controller

**H. D. Whitley**  
Assistant Controller

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**Subsidiaries**

**Richard C. Ranson**  
President  
Crescent Land & Timber Corp.

**W. T. Robertson, Jr.**  
President  
Mill-Power Supply Company

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**Other Information**

**Notice of Annual Meeting**

The 1984 meeting of holders of Duke Power Company common stock will be held Friday, April 27, at 10 a.m. in the O.J. Miller Auditorium of the Electric Center, 526 South Church Street, Charlotte, NC.

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**Transfer Agent and Registrar**

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

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**Stock Exchange Listing**

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

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**General Offices**

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

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**SEC Form 10-K and  
Statistical Supplement**

Upon request, the Company will provide, without charge, a copy of its 1983 Annual Report to Shareholders on Form 10-K, as filed with the Securities and Exchange Commission. Also available without charge is a Statistical Supplement to the 1983 Annual Report. Requests for such documents should be directed to Sue H. Cannon, Investor Relations Department, Duke Power Company, P.O. Box 33189, Charlotte, NC 28242. Or call Investor Relations toll-free: in Charlotte at 373-4579; elsewhere in North Carolina at 1-800-532-0492; and outside North Carolina at 1-800-438-0142.