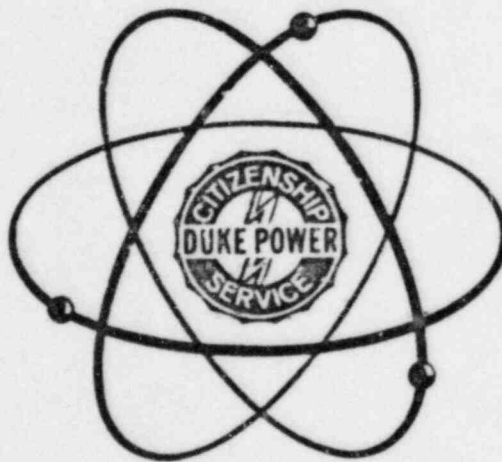


**Duke Power Company
Catawba Nuclear Station
License Application
Volume 1**



7903260268

7903260268

BEFORE THE
UNITED STATES NUCLEAR REGULATORY COMMISSION

DOCKET NOS. 50-413 and 50-414

In the Matter of
DUKE POWER COMPANY

APPLICATION FOR LICENSES
UNDER THE ATOMIC ENERGY ACT OF 1954
AS AMENDED

for
CATAWBA NUCLEAR STATION
Units 1 and 2

BEFORE THE
UNITED STATES NUCLEAR REGULATORY COMMISSION

DOCKET NOS. 50-413 and 50-414

In The Matter of
DUKE POWER COMPANY

APPLICATION FOR LICENSES

Duke Power Company for itself and as agent for the North Carolina Municipal Power Agency Number 1 (NCMPA-1), hereby makes application, pursuant to the provisions of the Atomic Energy Act of 1954, as amended, and the Nuclear Regulatory Commission's Rules and Regulations thereunder, for the necessary licenses to own, use and operate the utilization facilities hereinafter described as an integral part of a nuclear electric generating station to be located in York County, South Carolina, and to be known as the "Catawba Nuclear Station, Units 1 and 2".

This application has been combined for two proposed generating units pursuant to the provisions of 10 CFR 50.31. It consists of the following four parts: (a) the general information required by 10 CFR 50.33, which is set out herein; (b) the technical information and safety analysis report required by 10 CFR 50.34, which is set out in a separate document entitled, "Duke Power Company, Catawba Nuclear Station, Units 1 & 2, Final Safety

Analysis Report", forwarded herewith and made a part hereof; (c) the environmental information required by 10 CFR 51, which is set out in a separate document entitled, "Duke Power Company, Catawba Nuclear Station, Units 1 and 2, Environmental Report - Operating License Stage", forwarded herewith and made a part hereof; and (d) other material filed by Westinghouse Electric Corporation, Duke, or others independent of this application but made a part hereof where specifically referenced in one of the above documents.

GENERAL INFORMATION

1. Name of Applicants

The applicants are Duke Power Company and North Carolina Municipal Power Agency Number 1 (NCMPA-1) which owns a 75% undivided interest in Unit 2 and a 37.5% interest in the station support facilities as tenants in common. Duke has exclusive responsibility for the design, construction and operation of the Catawba Nuclear Station.

2. Address of Applicants

Duke Power Company
422 South Church Street
Charlotte, NC 28242

North Carolina Municipal Power Agency Number 1
222 North Person Street
Suite 208
Raleigh, NC 27601

3. Description of Business and Organization of Applicants

Duke Power Company is primarily engaged as a public utility in the production, transmission and sale of electric energy in the central portion of North Caro-

Tina and the western portion of South Carolina, comprising the area in both states known as the Piedmont Carolinas. Its service area covers approximately 20,000 square miles and has an estimated population of 3,900,000.

Duke serves more than a million customers and is the principal supplier of electric energy in 44 of 56 counties located in its service area. It supplies service directly to retail customers in 216 cities, towns and unincorporated communities. It also sells power at wholesale to approximately 40 other incorporated municipalities and to a number of Rural Electrification Administration cooperatives and private utilities.

The total installed capacity of Duke's electric utility plant as of January 1, 1979 was 12,322,000 KWe, consisting of eight conventional steam electric stations with a capacity of 7,691,000 KWe, one nuclear steam electric station with a capacity of 2,580,000 KWe, twenty-six conventional hydroelectric plants with a capacity of 842,000 KWe, a four unit pumped storage hydroelectric station with a capacity of 610,000 KWe, and twenty-eight independent combustion turbine and diesel generator peaking units with a capacity of 599,000 KWe.

NCMPA-1 is a public body corporate and politic and an instrumentality of the State of North Carolina, incorporated under North Carolina statutes on January 19, 1976. NCMPA-1 was created to plan, develop, construct, and operate generation and transmission facilities. NCMPA-1 is the sole and exclusive bulk power supplier for nineteen political subdivisions in excess of any allotment of federal power from Southeastern Power Administration.

4. Organization and Management of Applicants

Duke Power Company is a corporation organized and existing under the laws of the State of North Carolina, and its principal office is located in Charlotte, North Carolina at the address stated above. It is domesticated and authorized to transact business as a public utility in the State of South Carolina.

Duke Power Company is not owned, controlled or dominated by an alien, a foreign corporation or foreign government. All of Duke's principal officers and its directors are citizens of the United States.

Their names and business addresses are as follows:

DIRECTORS

<u>Name</u>	<u>Address</u>
Naomi G. Albanese	Greensboro, North Carolina
Douglas W. Booth	Charlotte, North Carolina
Thomas H. Davis	Winston-Salem, North Carolina
Robert C. Edwards	Clemson, South Carolina
John L. Fraley	Cherryville, North Carolina
A'ester G. Furman, 'II	Greenville, South Carolina
William H. Grigg	Charlotte, North Carolina
Paul H. Henson	Kansas City, Missouri
George H. Herbert	Durham, North Carolina
John D. Hicks	Charlotte, North Carolina
Howard Holderness	Greensboro, North Carolina
Carl Horn, Jr.	Charlotte, North Carolina
William S. Lee	Charlotte, North Carolina

DIRECTORS (cont'd)

<u>Name</u>	<u>Address</u>
Buck Mickel	Greenville, South Carolina
Reece A. Overcash	Dallas, Texas
Warren H. Owen	Charlotte, North Carolina
Marshal I. Pickens	Charlotte, North Carolina
Marceo A. Sloan	Durham, North Carolina
Austin C. Thies	Charlotte, North Carolina
William L. Watkins	Anderson, South Carolina

PRINCIPAL OFFICERS

Carl Horn, Jr., Chairman of the Board and Chief Executive Officer	Charlotte, North Carolina
W. S. Lee, President and Chief Operating Officer	Charlotte, North Carolina
D. W. Booth Executive Vice President	Charlotte, North Carolina
W. H. Grigg, Senior Vice President, Legal and Finance	Charlotte, North Carolina
John D. Hicks, Senior Vice President, Public Affairs	Charlotte, North Carolina
W. H. Owen, Senior Vice President, Engineering and Construction	Charlotte, North Carolina
A. C. Thies, Senior Vice President, Production and Transmission	Charlotte, North Carolina
Keith Arledge, Vice President, Western Division	Hickory, North Carolina
Thomas C. Berry, Vice President, Southeastern Division	Greenville, South Carolina
William J. Burton, Vice President, Corporate Communications	Charlotte, North Carolina
Henry L. Cranford, Vice President Central Division	Charlotte, North Carolina

PRINCIPAL OFFICERS (cont'd)

L. C. Dail, Vice President, Design Engineering	Charlotte, North Carolina
Donald H. Denton, Jr., Vice President, Marketing	Charlotte, North Carolina
Robert L. Dick, Vice President Construction	Charlotte, North Carolina
Steve C. Griffith, Jr., Vice President and General Counsel	Charlotte, North Carolina
Porter A. Hauser, Vice President, Finance Administration	Charlotte, North Carolina
E. M. Hedgepeth, Jr., Vice President, Distribution Engineering, Construction and Operations	Charlotte, North Carolina
Frank A. Jenkins, Vice President, Transmission	Charlotte, North Carolina
J. Wesley Lewis, Vice President, Division Operations	Charlotte, North Carolina
Joe S. Major, Jr., Vice President, Personnel	Charlotte, North Carolina
Joseph C. Mann, Vice President, Northern Division	Winston-Salem, North Carolina
Paul H. Mann, Jr., Vice President Operation	Charlotte, North Carolina
William O. Parker, Jr., Vice President Steam Production	Charlotte, North Carolina
Thomas M. Patrick, Jr., Vice President, Eastern Division	Charlotte, North Carolina
George W. Ferguson, Jr., Secretary and Deputy General Counsel	Charlotte, North Carolina
Richard C. Ranson, Treasurer	Charlotte, North Carolina
William R. Stimart, Controller	Charlotte, North Carolina

NCMPA-1 is not owned, controlled or dominated by an alien, a foreign corporation or foreign government. NCMPA-1's office is located in Raleigh, North Carolina at the address stated above.

The names and business addresses of NCMPA-1's Board of Commissioners and its staff, all of whom are citizens of the United States are as follows:

BOARD OF COMMISSIONERS

<u>Name</u>	<u>Address</u>
Roy B. Culler, Jr., Chairman	High Point, North Carolina
Donald C. Lambeth, Vice Chairman	Morganton, North Carolina
David Lowe, Secretary-Treasurer	Lincolnton, North Carolina
W. H. McSwain, Sr.	Albemarle, North Carolina
William F. Lattimore	Bostic, North Carolina
William M. Edwards	Cherryville, North Carolina
James L. Dorton	Concord, North Carolina
L. R. Whisnant	Cornelius, North Carolina
Morris Baker	Drexel, North Carolina
John Bridgeman	Gastonia, North Carolina
Gene Johnson	Granite Falls, North Carolina
Von J. Wilborn	Huntersville, North Carolina
W. C. Deadmond	Landis, North Carolina
Earle E. Riddle	Lexington, North Carolina
Dee A. Freeman	Maiden, North Carolina
Harold S. Helms	Monroe, North Carolina
Wayne Dellinger	Newton, North Carolina

BOARD OF COMMISSIONERS (cont'd)

Jack G. Crump	Pineville, North Carolina
Lester D. Roark	Shelby, North Carolina
Herman E. Dickerson	Statesville, North Carolina

STAFF

Ralph Shaw, General Manager	Raleigh, North Carolina
James T. Sobo, Assistant Treasurer	Raleigh, North Carolina

Neither applicant is acting as an agent or representative of another person in filing this application.

5. Class and Period of License Applied for and Use to Which Facilities Will be Put

The license hereby applied for is a class 103 operating license as defined by 10 CFR 50.22. It is requested for a period of forty (40) years. Applicants further requests such additional source, special nuclear, and by-product material licenses as may be necessary or appropriate to the acquisition, construction, possession, and operation of the licensed facilities and for storage of irradiated fuel from other Duke nuclear facilities.

This application also requests that the operating license so issued authorize the NCMFA-1 an undivided ownership interest in source, special nuclear and by-product material to be possessed by Duke in operation of the Catawba Nuclear Station.

The facilities will be used for the generation of commercial electric energy for transmission and sale to customers of Duke and NCMFA-1. They will include two pressurized water reactors to be known as "Catawba Nuclear Station

Units 1 and 2." It is expected that each unit will be capable of an output of 3427 Mwt (including 16 Mwt contribution from reactor coolant pumps) corresponding to a net electrical capability of about 1145 MWe. All physics and core thermal hydraulics information in the attached Final Safety Analysis Report is based upon the reference core design of 3411 Mwt. Site parameters, Containment, Engineered Safety Features, and certain hypothetical accidents are evaluated for a NSSS power output of 3582 Mwt. The Westinghouse Electric Corporation will supply the design and fabrication for the first core for each of the two nuclear generating units.

6. Financial Qualifications of Applicants

Duke estimates that the total cost of the Catawba Nuclear Station, Units 1 and 2, including the initial core for each unit, will be approximately \$1,676,663,000 based on the following breakdown:

	<u>TOTAL PLANT</u>	<u>INITIAL FUEL CORES</u>	<u>TOTAL PLANT PLUS INITIAL FUEL</u>
Direct Cost at Commercial Operation ⁽¹⁾	1,190,571,000	137,118,000	1,327,689,000
Allowance for Funds ⁽²⁾ During Const.	325,842,000	23,132,000	348,974,000
Property Taxes During Const.	-	-	-
Total Costs	1,516,413,000	160,250,000	1,676,663,000

The financial qualifications of Duke Power Company to engage in the proposed activities are evidenced by the financial data contained in its annual report to shareholders for the year 1977 a copy of which is attached hereto as Exhibit I. The financial qualifications of NCPA-1 to engage in the proposed activities are evidenced by the financial statements attached hereto as Exhibit II.

Construction of the Catawba Nuclear Station will be financed as an integral part of Duke's total construction program. Funds required for the construction program will be obtained from retained earnings, provisions for depreciation and other internal sources, and through short-term borrowings and the issuance and sale of securities.

NCMPA-1 intends to issue and sell its electric revenue bonds in amounts sufficient for NCMPA-1 to pay to Duke 75% of the cost of the planning, design, licensing, acquisition, construction and completion of Catawba Unit 2 and 37 1/2% of the cost of the support facilities.

- (1) Excludes profits and fees paid Duke by NCMPA-1
- (2) Reflects Duke AFDC on entire station and does not reflect NCMPA-1 financing costs.

The estimated annual costs for the first five full years of operation for Catawba Nuclear Station are as follows: (1)

\$ 103,200,000	Fixed Charges
4,776,000	Operation and Maintenance
24,277,000	Fuel Costs

The estimated cost of decommissioning the station, if and when it may become necessary, is \$33.5 million per unit (1977 dollars) for mothballing - delayed removal/dismantling and cumulative total annual maintenance and surveillance. The funds necessary to operate and shut down the facility will be derived from the electrical operating revenues.

- (1) Estimates are based on Duke's cost for the entire station, and do not reflect profits, fees, or financing costs paid by NCMPA-1.

Duke will obtain all required and appropriate property and liability insurance for the Catawba Nuclear Station and its fuel and will advise the Commission accordingly.

7. Site Location and Completion Dates

The Catawba Nuclear Station site is located on the shore of Lake Wylie which is impounded by Applicant's Wylie Dam completed in 1925. The dam, lake and hydroelectric station are covered by Federal Energy Regulatory Commission license #2232 granted to the Duke in 1958 for the Catawba-Wateree Project. That license specifically covers the use of Lake Wylie waters as condenser cooling water for a steam generating plant at this site.

Duke's projected load requirements will necessitate full power operation of Catawba Nuclear Station, Unit 1, by July 1981, and Unit 2, by January 1983. The earliest date for completion of construction of Unit 1 is estimated to be August 1, 1980, and the latest completion date is estimated to be August 1, 1981. For Unit 2, it is estimated that construction will be completed by February 1, 1982 at the earliest and February 1, 1983 at the latest.

Construction Permits Nos. CPPR-116 and CPPR-117 currently indicate the earliest date for completion of Unit 1 is June 1, 1980, and the latest date for completion is June 1, 1981, while the earliest date for completion of Unit 2 is June 1, 1981, and the latest date for completion is June 1, 1982. If necessary, a request for an extension of the construction permits will be filed at the appropriate time.

8. Regulatory Agencies and Area Newspapers

The applicants are located in the Piedmont section of North and South Carolina. The following regulatory agencies have jurisdiction over the rates and services that would be incident to the Catawba Nuclear Station:

The Public Service Commission of South Carolina
Owen Building
1321 Lady Street
P. O. Box Drawer 11649
Columbia, South Carolina 29211

North Carolina Utilities Commission
P. O. Box 991
Raleigh, North Carolina 27602

Federal Energy Regulatory Commission
Washington, DC 20426

The following are the news publications which circulate in the area of the Catawba Nuclear Station:

South Carolina

FORT MILL TIMES (weekly)
Fort Mill, SC 29715

CLOVER HERALD (weekly)
Clover, SC 29710

YORKVILLE ENQUIRER (weekly)
York, SC 29745

ROCK HILL EVENING HERALD (daily)
Herald Publishing Company
132-136 W. Main Street
Rock Hill, SC 29730

North Carolina

BELMONT BANNER (weekly)
Belmont, NC 28012

THE GASTONIA GAZETTE (daily)
2500 Wilkinson Boulevard
Gastonia, NC 28052

THE CHARLOTTE OBSERVER (daily)
Knight Publishing Company
600 South Tryon Street
Charlotte, NC 28201

THE CHARLOTTE NEWS (daily)
Knight Publishing Company
600 South Tryon Street
Charlotte, NC 28201

9. Restricted Data

This application does not contain any Restricted Data or other defense information, and it is not expected that any will become involved. However, the applicants agree that they will not permit anyone to have access to such information if it does become involved and will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and a report to the Nuclear Regulatory Commission on the character, association and loyalty of such individual and the Nuclear Regulatory Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

10. Communications

It is requested that communications pertaining to this application be sent to:

William O. Parker, Jr.
Vice President, Steam Production
Duke Power Company
P. O. Box 33189
422 South Church Street
Charlotte, North Carolina 28242

In addition, it is requested that copies of each communication be sent to:

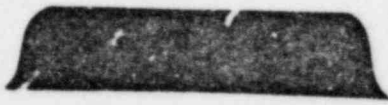
Mr. W. L. Porter
Duke Power Company
P. O. Box 33189
422 South Church Street
Charlotte, NC 28242

NCMPA-1
222 North Person Street
Suite 208
Raleigh, North Carolina 27601

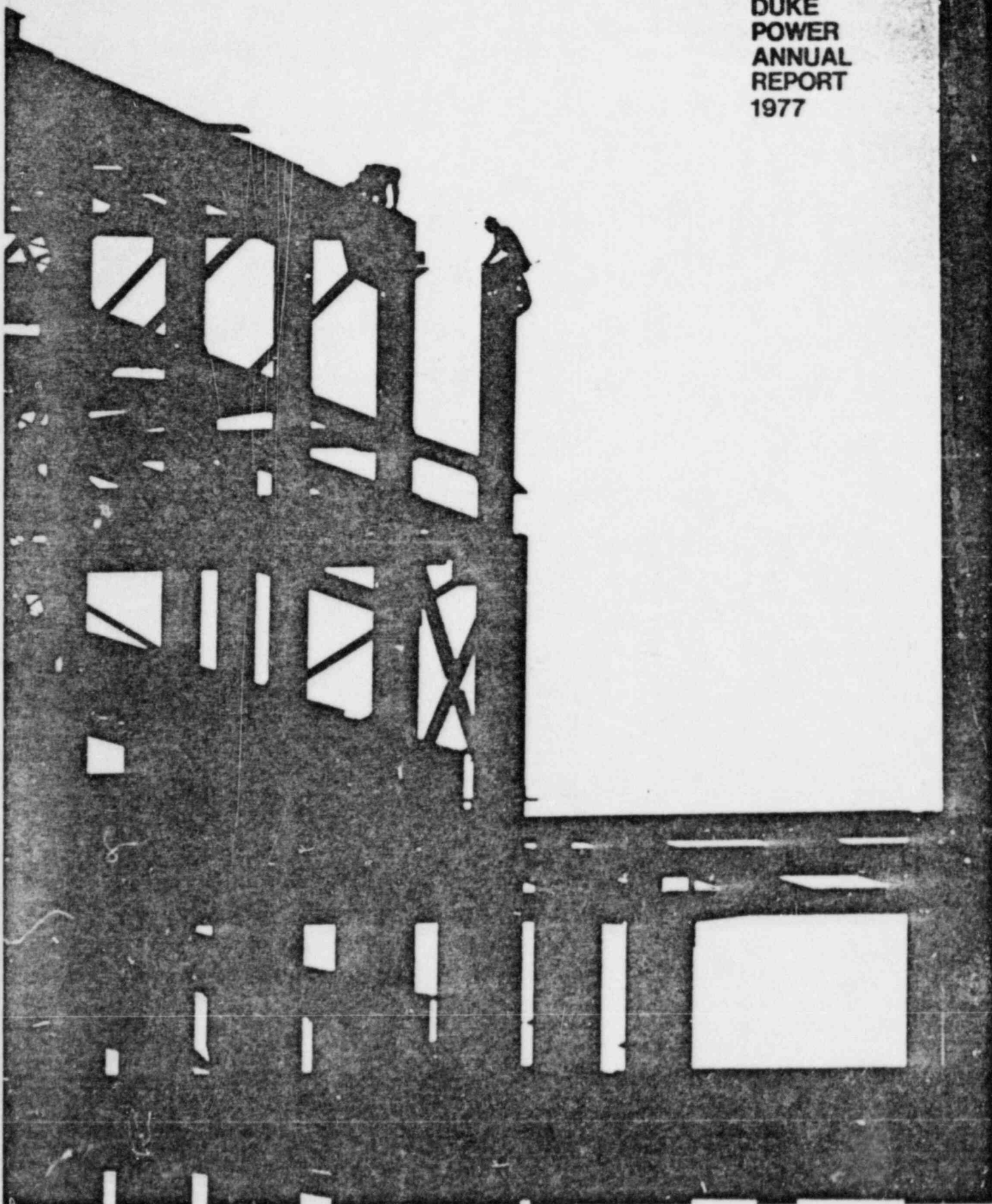
Mr. R. S. Howard
Power Systems Division
Westinghouse Electric Corporation
P. O. Box 355
Pittsburgh, Pennsylvania 15230

J. Michael McGarry, III, Esq.
Debevoise and Liberman
1200 Seventeenth Street, N.W.
Washington, DC 20036

Mr. C. W. Woods
NUS Corporation
2536 Countryside Boulevard
Clearwater, Florida 33515



**DUKE
POWER
ANNUAL
REPORT
1977**



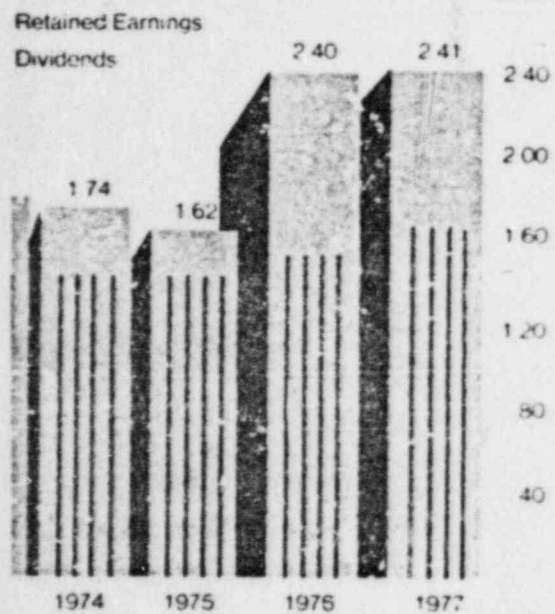
About the Cover

Shipworkers assemble the interior frame of the Datacube, a fleet system's control building. The nation's two 1,145,000 sq ft buildings are scheduled for completion in 1981 and 1983.

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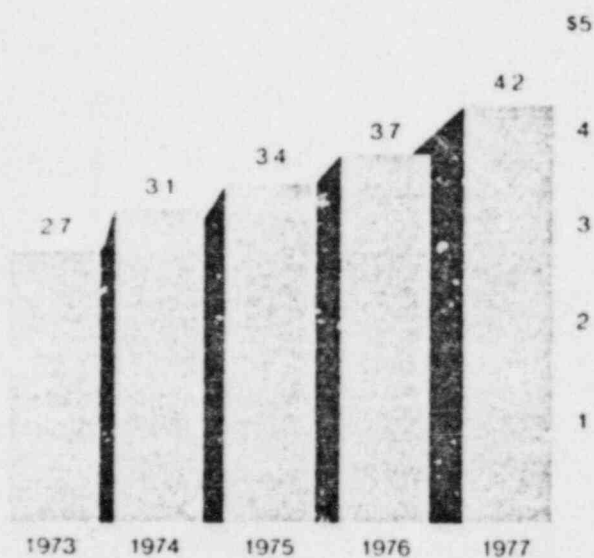
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EARNINGS PER SHARE



TOTAL ELECTRIC PLANT, NET

Dollars in Billions



Highlights

	1977	1976	% Change
Authorized Shares	48,848,098,000	48,848,098,000	0
Outstanding Shares	\$1,266,970,000	\$1,152,000,000	11%
Capital and Reserve Stock	\$1,153,470,000	\$1,048,710,000	10%
High Stock Data			
Weighted Average Shares Outstanding	63,630,000	62,742,000	1%
Earnings Per Share	\$2.41	\$2.41	0%
Dividends Per Share	\$1.63	\$1.50	8%
Price Value of Share (Year End)	\$20.53	\$19.47	5%
Return on Average Common Equity	12.2%	12.7%	0.9%
Construction Costs	\$644,615,000	\$752,460,000	16%
Electric Plant, Net	\$4,231,771,000	\$3,701,100,000	13%
Plant Capacity			
Capacity	9,398,955	8,371,045	11%
Hours	9,187,310	7,860,630	13%

Low peak of 44% of peak capacity in February, 1977.



To the Shareholders
of Duke Power Company

The following information is provided for the information of the Shareholders of Duke Power Company. It is not intended to constitute an offer of securities or to be used in any way to solicit the purchase of securities. It is not intended to be used in any way to solicit the purchase of securities. It is not intended to be used in any way to solicit the purchase of securities.



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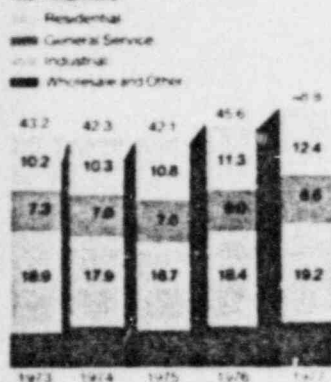
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Carl Horn, Jr.

B.B. Parker

GLOWATTHOUR SALES

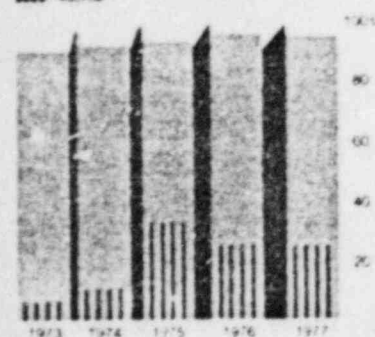
KWH in Billions



KILOWATTHOUR GENERATION

Hydro and Other

Coal
Nuclear



1978 Year in Review

Electric Sales

Electric sales in 1977 totaled 48.9 billion kilowatthours, a seven percent increase over those of 1976. The largest sales gain was to residential customers, who increased their usage 10 percent. Sales to general service customers rose eight percent, while sales to industrial customers increased 4.2 percent. An 8.5 percent increase also was recorded in sales to wholesale and other customers. The increase in sales to residential customers was primarily the result of extreme weather conditions in the company's service area during both winter and summer. Within the industrial class, sales to non-textile industries increased 6.9 percent during the year, reflecting continued diversification of industry in the Duke service area. Since 1970, sales to non-textile industrial customers have increased from 36.9 percent of total industrial sales to 48.6 percent in 1977.

Generation

Of the total kilowatthours generated in 1977, 21 percent came from coal-fired units, 25 percent was generated by nuclear units, and four percent came from hydroelectric units and other sources. Duke's use of coal and uranium for electric generation closely parallels the relationship of those fuels to known world energy reserves.

Generating capacity on December 31, 1977, of 12,317,200 kilowatts was comprised of 7,622,000 kilowatts from coal-fired units, 2,880,500 kilowatts from nuclear units, 1,452,000 kilowatts from hydroelectric units, and 863,000 kilowatts from combustion turbines and combined cycle units. The company also had net firm purchase contracts for 128,375 kilowatts of general firm capacity from other electric suppliers.

Record Peaks

The peak demand for electricity on the Duke system set all-time records in 1977. The 1977 winter peak of 9,487,310 kilowatts occurred on January 17, and exceeded the previous record winter peak set on January 19, 1976, by 866,580 kilowatts. The 1977 summer peak of

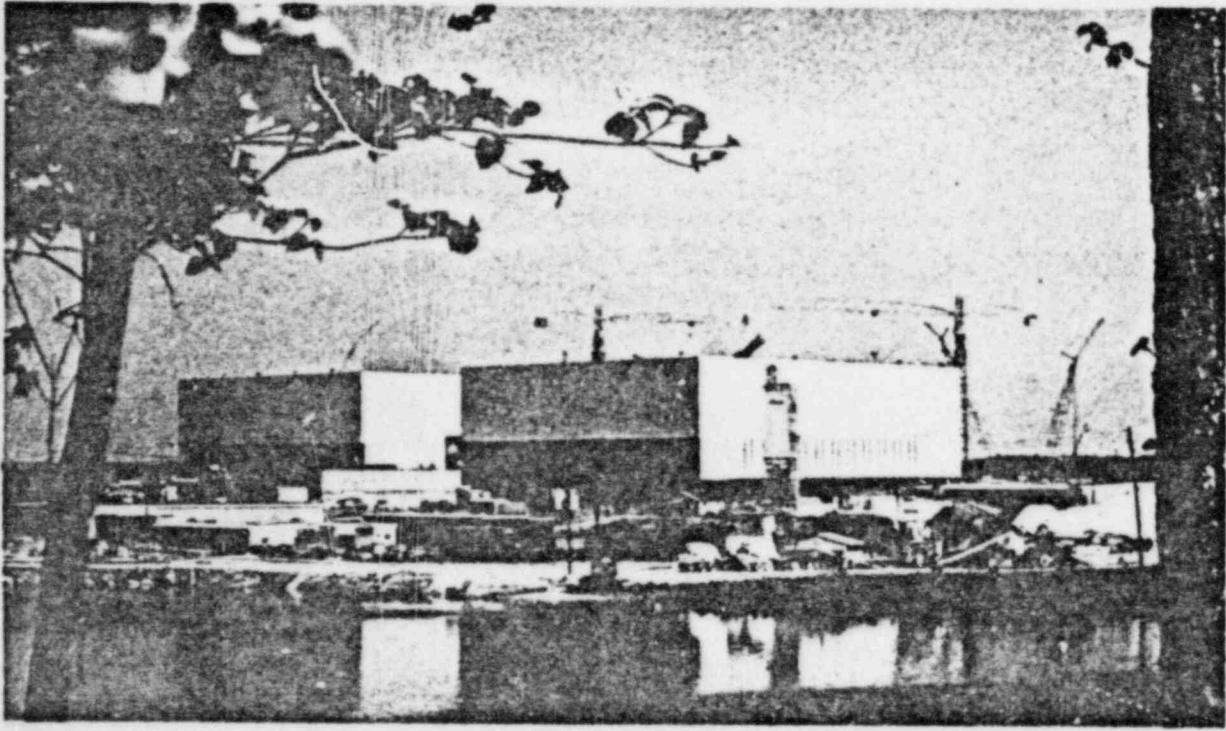
9,338,955 kilowatts, recorded on July 20, was a record peak for that season. It surpassed the previous record summer peak, set on August 25, 1975, by 916,991 kilowatts. Both seasonal peaks for 1977 occurred during periods of extreme weather in the company's service area. Although continued load growth is indicated by these peaks, the extent of the increases in peak demand was tempered by the company's load management program.

A new record peak for the Duke Power system was set on February 7, 1978, when customer demands reached an all-time high of 9,690,170 kilowatts.

Fuel Supply

In anticipation of a nationwide strike by the United Mine Workers of America, the company increased its coal burn-in-hand in 1977 and had approximately 145 days supply on hand when the strike began on December 6. Although Duke continued to receive about one-fourth of its coal requirements from suppliers unaffected by the strike, coal inventories were reduced to approximately 60 days at the close of this report, February 9, 1978.

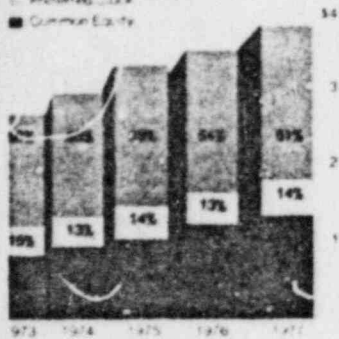
Approximately 75 percent of Duke's coal requirements for existing plants through 2000 will be met through long-term contracts with various coal suppliers. The balance will be provided by the company's own mining operations and by open market purchases. The company also has long-term contracts for 90 percent of its uranium requirements through 1985, and for 70 percent of those requirements through 1990. A portion of this uranium will be supplied by General Atomic Company (GAC) under terms of a settlement agreement reached in December, 1977. The settlement stemmed from a suit brought by Duke against GAC in early 1976 following that company's failure to deliver uranium to Duke as required in a 1973 contract. Under the settlement, GAC will supply 5.42 million pounds of uranium at a base price of \$17 per pound. The current market price of uranium exceeds \$40 per pound.



TOTAL CAPITALIZATION

Mark in Billions

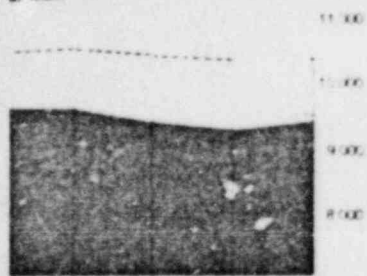
■ Long-Term Debt
 ■ Excludes Current Maturities
 ○ Preferred Stock
 ■ Common Equity



TEAM-FOSSIL HEAT RATE

Btu per Kilowatt-hour

--- U.S. Average
 ■ Data



1977 U.S. Average Unavailable

Regulation

A number of significant regulatory events are expected in the industry during the next 12 to 18 months.

The passage of the Public Utility Regulatory Policies Act (PURPA) during the last year of 1976 has had a profound effect on the industry. The act's effective provisions have expedited many of the investments that are currently being made in new facilities. Investments that are currently being made in new facilities are being completed and placed in service. Changes in those investments during the construction period were anticipated and added to the total when the price of oil was high. By allowing distribution

work in progress in the late 1970s, the company will be able to recover the full cost of the investment in new plants during the period in which the investment is being made. This will allow the company to continue to invest in new plants and to continue to invest in new plants during the period in which the investment is being made.

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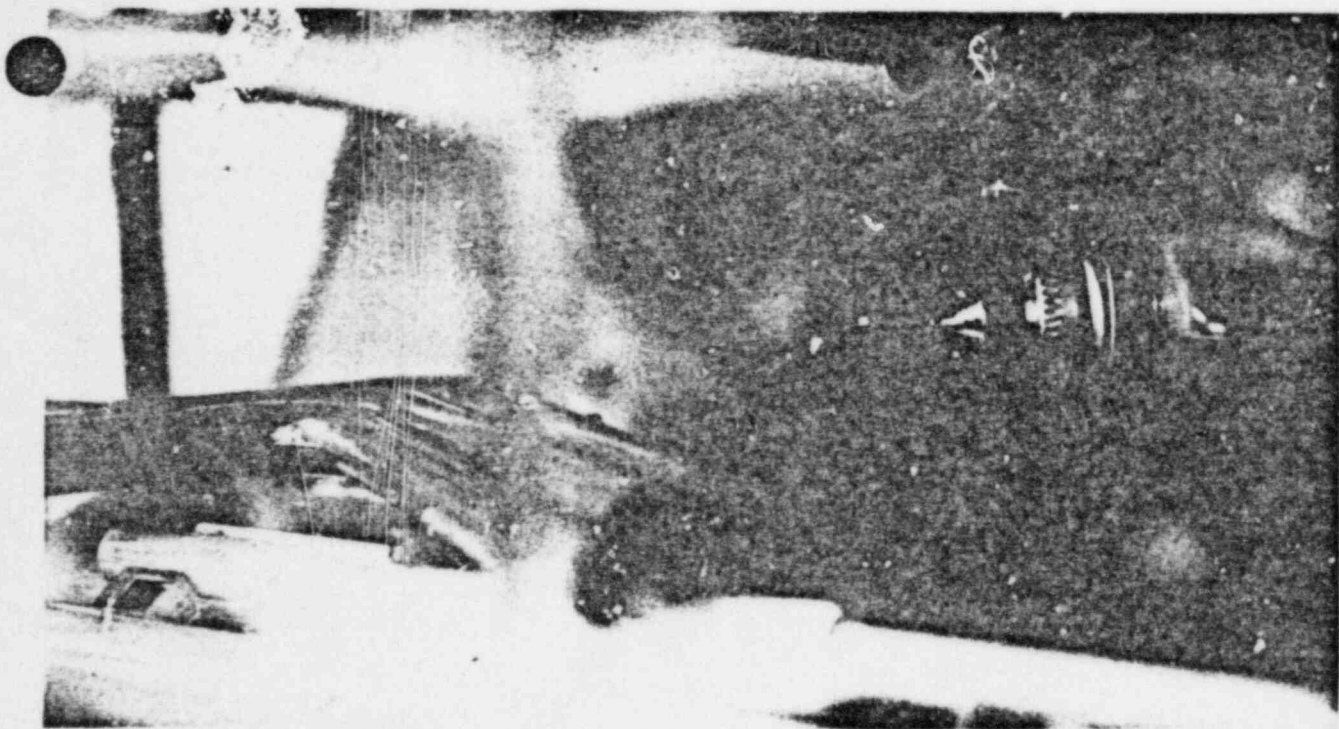
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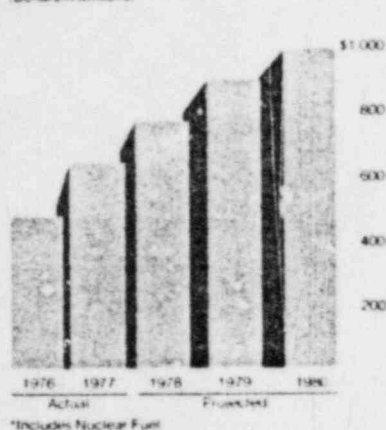
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CONSTRUCTION COSTS*



THE REVENUE DOLLAR—1977



Honors

Electric Light & Power magazine has named Duke Power the nation's "Outstanding Electric Utility for 1977" in recognition of service excellence on behalf of customers, employees and shareholders. According to the magazine, Duke was elected for the honor "in the strength of the exceptional manner in which it has adjusted to today's more stringent operating requirements while still maintaining high quality service throughout its area. In making the award at a luncheon in Charlotte, *Electric Light & Power* editor Robert A. Lincoln cited Duke's strong financial recovery from the recession years of the early 1970s, its efficiency record, and its leadership in the development of new technologies in both electrical transmission and distribution. The magazine's selection was made by a panel of industry experts representing the electric utility industry, manufacturers of electrical equipment and industry observers. Earlier in the year, Carl Horn, Jr., Duke chairman and chief executive officer, was named by *Financial World* magazine as the electric utility industry's outstanding chief executive officer.

Nuclear Liability

The U.S. Supreme Court will hear an appeal by Duke and the Nuclear Regulatory Commission of a federal district court's ruling which would remove the limits of a utility's liability in the event of a nuclear accident. Under the Price-Anderson Act enacted by Congress in 1957 to provide supplemental nuclear liability insurance for the electric utility industry, a utility's liability for damages resulting from a single nuclear accident is limited to \$50 million. The total amount of coverage currently available from both private and government sources. In March 1977, a federal district court judge in Charlotte ruled that the liability limitation portion of Price-Anderson violated the rights of due process and equal protection under the law and declared it unconstitutional. The ruling was made on a suit filed by an anti-nuclear group opposing construction of Duke's McGuire and Catawba nuclear stations. Arguments from both sides are expected to be heard by the nation's highest court in the spring of 1978.

Load Management

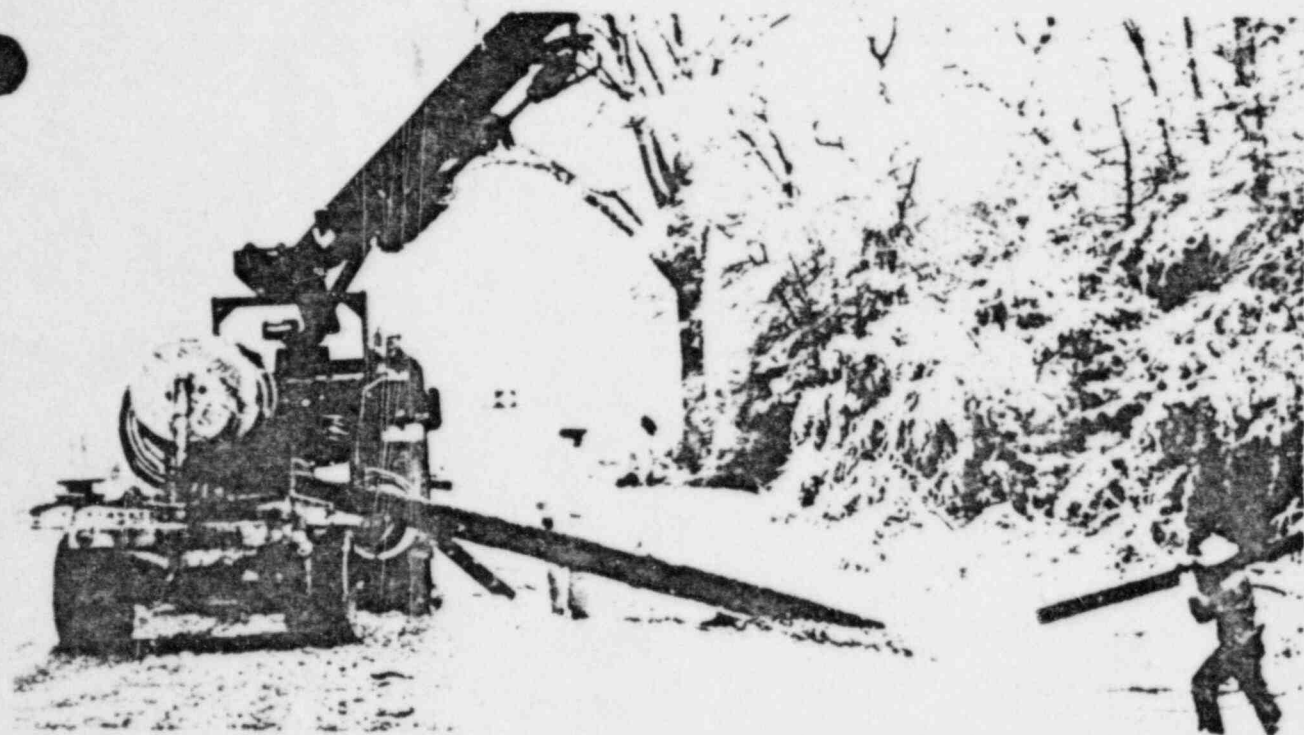
In 1975, the company announced a program of load management to reduce the growth in peak demand for electricity and the amount of new generating capacity that will be required in the future. The overall goal of that program is to reduce the growth in peak demand by 1,725,000 kilowatts by 1990. Through the 1977 summer peak, the program called for a reduction in peak demand of 206,000 kilowatts. The program achieved a documented reduction through that period of 208,000 kilowatts. Duke's load management program includes some 20 repetitive activities designed to reduce load growth through the more efficient use of electricity and by encouraging customers to shift energy demands from peak to off-peak periods. In addition to direct contacts with architects, designers and builders, the company has launched an extensive consumer information program to encourage higher levels of insulation and the use of other thermal control products to reduce heating and air conditioning loads and to improve the energy efficiency of major home appliances.

Time of Day Rates

Time of day rates, a program conducted in which customers would be charged less for electricity during periods of low energy demand than during high demand periods, are being tested as a possible means of reducing the amount of new generating capacity required to serve future loads. Under regulatory authority, Duke's test program will provide a number of different experimental rates by the end of 1977. Customers will be notified by mail and by door-to-door visits. The program will begin on Monday, April 18, 1977, and continue for a three-year period. It will require the participation of all residential, commercial and industrial customers. The program is a part of an overall effort to reduce the amount of new generating capacity required to serve the state.

Employee

Duke employees are preparing for the end of December 1977, a 17 percent increase over the 1976 rate. Employees of the company at the end of 1977 are expected to be 10,000. In addition, employees will be hired outside the company to meet work and to provide customer service activities. Substantial new hires will be required in



D 1977 to that time, and the company's association with the government is a major factor in its success. The company's success is due to its ability to secure government contracts and its ability to provide a wide range of services to the government.

Equipment that is used in the construction industry is often subject to wear and tear, and it is important to have a good maintenance program. This is especially true for heavy equipment, which is often used in harsh environments. The company's success is due to its ability to provide a wide range of services to the government.

D The company's success is due to its ability to provide a wide range of services to the government. This is especially true for heavy equipment, which is often used in harsh environments.

John Deere, Case, and other manufacturers have been successful in the construction industry. This is due to their ability to provide a wide range of services to the government.

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CARL HORN, JR.
JOHN D. HICKS
WILLIAM H. GRIGG
DOUGLAS W. BOOTH

B. B. PARKER
AUSTIN C. THIES
WILLIAM S. LEE

HORN

GRIGG

encouraged by the profits, that has been backed on energy by the current addition of new capacity. They really think the industry is going to have to build a lot of new capacity in order to meet the demand for power. I think that's a very good idea. The industry is going to have to build a lot of new capacity in order to meet the demand for power. I think that's a very good idea.

What are your thoughts on the new capacity that is being added to the system?

GRIGG I think that the new capacity that is being added to the system is a very good idea. I think that the industry is going to have to build a lot of new capacity in order to meet the demand for power. I think that's a very good idea. The industry is going to have to build a lot of new capacity in order to meet the demand for power. I think that's a very good idea.

PARKER I think that the new capacity that is being added to the system is a very good idea. I think that the industry is going to have to build a lot of new capacity in order to meet the demand for power. I think that's a very good idea.

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a particular period, when the company anticipates resuming after the construction work is placed in the safe zone. Subsequently, the return to common equity should be commensurate with the risk that has been assigned to the

BOOTH You think you're over-optimistic when you believe that putting construction workers in the safe zone improves the quality of work? Instead of being backlogged, that have to be recovered over 20 or 25 years, there would be cash earnings that are funded immediately.

GRIGG That's what the unions and the investment community have argued to justify a rate of return that's lower than a utility's risk-adjusted cost of capital. The assumption is that, during the period of work, you would consider it as if the company were in a period of the normal way of doing business. The fact is that it's not that. A utility's cash flow during the period of work would be negative. That's why the utility has to raise cash during that period. If it had to pay for that construction work, it would be paying for it during the period of the construction.

The utility's cash flow during the period of work is negative, and the utility's cash flow during the period of normal work is positive. The utility's cash flow during the period of work is negative, and the utility's cash flow during the period of normal work is positive.

HORN And that's why you can't say that the utility's cash flow during the period of work is positive. The utility's cash flow during the period of work is negative, and the utility's cash flow during the period of normal work is positive.

cash flow. It's not just from time to time to maintain the overall quality component of the utility structure. It's not just a matter of the improvement in the utility's cash flow. It's not just a matter of the improvement in the utility's cash flow. It's not just a matter of the improvement in the utility's cash flow.

In 1972, the utility industry had to pay a lot of cash to the utility industry. The utility industry had to pay a lot of cash to the utility industry. The utility industry had to pay a lot of cash to the utility industry.

GRIGG As a utility, you have to try to get the cash flow during the period of work to be positive. The utility's cash flow during the period of work is negative, and the utility's cash flow during the period of normal work is positive.

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Continued

"The big problem with regulation—and it's a problem for utilities all over the country—is timing."



"A responsible regulatory commission not only recognizes the need to keep electric rates as low as possible, but also the need of the companies it regulates to earn a fair and reasonable return on their shareholders' investments."

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"A major reason we asked for a higher level of return is to overcome the attrition of earnings which always occurs when rates are based on historic data and are applied during a period of rising costs."



That over a period of about one year, we were able to bring units into service at cost prices that were almost 10% less. This was made possible by the use of a computer program that allowed us to design and build units in a more efficient manner.

Over the past few years, we have been able to reduce our unit costs by 10% to 15% through the use of a computer program that allowed us to design and build units in a more efficient manner. This was made possible by the use of a computer program that allowed us to design and build units in a more efficient manner. This was made possible by the use of a computer program that allowed us to design and build units in a more efficient manner.

In the early 1970s, we were able to bring units into service at cost prices that were almost 10% less. This was made possible by the use of a computer program that allowed us to design and build units in a more efficient manner. This was made possible by the use of a computer program that allowed us to design and build units in a more efficient manner.

It is important to note that the cost of a unit is not only a function of the materials used, but also of the design and the manufacturing process. By using a computer program, we were able to optimize the design and the manufacturing process, resulting in a significant reduction in cost.

THIES

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about electric supply

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Douglas W. Booth

"Reduced load growth will reduce the company's capital requirements and soften the impact that financing in unfavorable markets could have on both earnings and rates."

LEE: The fact that we have the project available is a definite liability on the record. That project is already covered and we probably will start financing it. And I don't think the market is looking for us to have a large amount of capital. I think we are going to be a good deal more conservative and that would be required for the next few years in the utility industry.

Finally, the industry is now being taken over by a management that is looking for growth in the next few years. It is a very important question for the generation of capital, and I think we are going to be a good deal more conservative in the way we handle that question.

BOOTH: The question is, however, the overall size of the program is not under the control of the utility industry. The amount of the program is set by the utility industry. And I think we are going to be a good deal more conservative in the way we handle that question. I think we are going to be a good deal more conservative in the way we handle that question.

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Principles of Business Conduct

The principles of business conduct are the foundation of a successful business. They are the guiding lights that help a business to navigate the complex and often murky waters of the marketplace. These principles are not just for the benefit of the business, but also for the benefit of the customers, employees, and the community at large.

One of the most important principles of business conduct is honesty. Honesty is the cornerstone of trust, and trust is essential for any business to succeed. Customers need to know that they are getting what they pay for, and employees need to know that they are being treated fairly.

Another key principle is integrity. Integrity means doing the right thing, even when no one is watching. It is the quality that separates a good business from a great one. Customers and employees alike will respect a business that stands by its word and does what it says it will do.

Transparency is also a crucial principle of business conduct. Being open and honest about your business's operations, financials, and any potential conflicts of interest helps to build trust and credibility. It also allows customers and employees to make informed decisions about whether to do business with you.

Respect is another important principle. Treating others with respect, including your customers, employees, and the community, is not just a moral imperative, it is also a business imperative. Respecting others helps to create a positive work environment and a loyal customer base.

Finally, responsibility is a key principle of business conduct. A business has a responsibility to its customers, employees, and the community. This responsibility extends beyond just providing a product or service, it also includes ensuring that the business is a good neighbor and a responsible citizen.



EXHIBIT II

(Reprinted from the NCMPA-1
Bond Prospectus Dated November 1, 1978)

APPENDIX C

HISTORICAL OPERATING RESULTS AND CONDENSED BALANCE SHEETS OF THE PARTICIPANTS

The statements presented in this Appendix summarize and restate in a comparative format the operating results for the fiscal years ended June 30, 1974 through 1978 and the financial condition at June 30, 1977 and 1978 of the electric funds of the Participants. The information in these statements has been compiled by the Local Government Commission of North Carolina from the Participants' annual audit reports for the years ended June 30, 1974 through 1977 and for 1978 where available. The presentation of these statements is designed to reflect availability of revenues; therefore, the statements are not presented in accordance with generally accepted accounting principles and are unaudited. The Local Government Commission has made no independent verification of the data contained herein and makes no representation as to the correctness of the information presented.

The auditors' opinions expressed in these audit reports varied from an unqualified opinion to a disclaimer (no opinion). If the opinion was other than unqualified, it was primarily due to the Participant having inadequate fixed asset records.

The basis of accounting utilized in the Participants' audit reports, with respect to their electric funds, varies from the modified-accrual to the full-accrual basis. The statements of each Participant are stated consistent with the basis of accounting as noted.

In each instance, Bonds Payable represent general obligation bonds issued by the Participants for electric purposes. The Participants have neither issued nor authorized any bonds for electric purposes since June 30, 1978. Transfers to other funds represent cash transfers to other governmental and proprietary activities of the Participants.

In some instances, the amounts shown for Power Sales will differ from the amounts shown for Total Energy Sales in the Table, "Participants of Power Agency, Electric Systems Description, Customers and Power Sales" in the Official Statement. The latter amounts represent billings rather than cash received in that fiscal year and have been derived by the Participants from reports submitted to the NCUC.

**CITY OF ALBEMARLE
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$2,976,378	\$3,551,064	\$4,556,027	\$4,919,782	\$5,561,090
Miscellaneous	59,713	22,758	89,177	19,269	18,280
Total	<u>3,036,091</u>	<u>3,573,822</u>	<u>4,645,204</u>	<u>4,939,051</u>	<u>5,579,370</u>
Operating Expenses					
Power Purchased	1,855,287	2,531,000	2,977,327	3,392,276	3,988,035
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	298,225	346,409	350,997	374,774	363,547
Total	<u>2,153,512</u>	<u>2,877,409</u>	<u>3,328,324</u>	<u>3,767,050</u>	<u>4,351,582</u>
Net Operating Revenues	882,579	696,413	1,307,880	1,172,001	1,227,788
Non-Operating Revenues	52,587	44,906	13,965	16,583	35,414
Total	<u>935,166</u>	<u>741,319</u>	<u>1,321,845</u>	<u>1,188,584</u>	<u>1,263,202</u>
Non-Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	109,210	105,022	100,877	46,494	44,652
Transfers to Other Funds	498,937	452,041	602,337	657,695	609,198
Total	<u>608,147</u>	<u>557,063</u>	<u>703,214</u>	<u>704,189</u>	<u>653,850</u>
Amount Available for Other Purposes	<u>\$ 327,019</u>	<u>\$ 184,256</u>	<u>\$ 618,631</u>	<u>\$ 48,395</u>	<u>\$ 609,352</u>
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$ 553,172	\$ 681,676
Other Current Assets	419,066	485,035
Land, Plant and Equipment (Net of Depreciation) (1)	4,600,125	4,776,779
Total Assets	<u>\$5,572,363</u>	<u>\$5,943,490</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 115,075	\$ 56,373
Customer Deposits	67,962	79,545
Bonds Payable (Long term)	80,000	40,000
Total Liabilities	<u>263,037</u>	<u>175,918</u>
Fund Equity		
Beginning Fund Equity	5,072,061	5,309,326
Amount Available for Other Purposes—Current Year	484,395	609,352
Increase (Decrease) for:		
Capital Outlay	—	—
Depreciation	(271,434)	(291,966)
Reserves	(15,696)	109,899
Other	40,000	40,000
Ending Fund Equity	<u>5,309,326</u>	<u>5,776,372</u>
Total Liabilities and Fund Equity	<u>\$5,572,363</u>	<u>\$5,943,490</u>

(1) The amounts for Land, Plant and Equipment shown above represent the accumulation of expenditures for fixed assets that have been made over the years. No accounting has been made for assets that have been sold, traded or discarded, therefore they have been overstated by an indeterminate amount.

**TOWN OF BOSTIC
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$31,878	\$41,913	\$55,742	\$57,229	\$56,221
Miscellaneous	—	—	—	665	—
Total	<u>31,878</u>	<u>41,913</u>	<u>55,742</u>	<u>57,894</u>	<u>56,221</u>
Operating Expenses					
Power Purchased	18,345	22,404	28,556	28,385	31,468
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	2,988	4,449	4,131	4,778	5,701
Total	<u>21,333</u>	<u>26,853</u>	<u>30,687</u>	<u>33,163</u>	<u>37,169</u>
Net Operating Revenues	10,545	15,060	25,055	24,731	19,052
Non-Operating Revenues	—	—	—	—	—
Total	<u>10,545</u>	<u>15,060</u>	<u>25,055</u>	<u>24,731</u>	<u>19,052</u>
Non-Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	—
Transfers to Other Funds	9,200	6,000	7,000	11,500	14,000
Total	<u>9,200</u>	<u>6,000</u>	<u>7,000</u>	<u>11,500</u>	<u>14,000</u>
Amount Available for Other Purposes	<u>\$ 1,345</u>	<u>\$ 9,060</u>	<u>\$18,055</u>	<u>\$13,231</u>	<u>\$ 5,052</u>
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—At June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$44,191	\$49,637
Other Current Assets	1,691	1,191
Land, Plant and Equipment (Net of Depreciation) (1)	14,223	14,234
Total Assets	<u>\$60,105</u>	<u>\$65,062</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 1,837	\$ 2,671
Customer Deposits	540	660
Bonds Payable (Long term)	—	—
Total Liabilities	<u>2,377</u>	<u>3,331</u>
Fund Equity		
Beginning Fund Equity	45,594	57,728
Amount Available for Other Purposes—Current Year	13,231	5,052
Increase (Decrease) for		
Capital Outlay	—	—
Depreciation	(1,007)	(1,049)
Reserves	—	—
Other	—	—
Ending Fund Equity	<u>57,728</u>	<u>61,731</u>
Total Liabilities and Fund Equity	<u>\$60,105</u>	<u>\$65,062</u>

(1) The amounts for Land, Plant and Equipment shown above represent the accumulation of expenditures for fixed assets that have been made over the years. No accounting has been made for assets that have been sold, traded or discarded, therefore they have been overstated by an indeterminable amount.

CITY OF CHERRYVILLE
ELECTRIC FUND

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$702,392	\$895,782	\$922,407	\$1,088,058	\$1,235,852
Miscellaneous	8,264	10,174	30,762	14,274	8,909
Total	<u>710,656</u>	<u>905,956</u>	<u>953,169</u>	<u>1,102,332</u>	<u>1,244,761</u>
Operating Expenses					
Power Purchased	452,438	641,481	727,865	758,579	884,031
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	99,455	143,348	107,835	151,251	97,334
Total	<u>551,893</u>	<u>784,829</u>	<u>835,700</u>	<u>909,830</u>	<u>981,365</u>
Net Operating Revenues	158,763	121,127	117,469	192,502	262,796
Non Operating Revenues	—	—	5,132	7,182	13,250
Total	<u>158,763</u>	<u>121,127</u>	<u>122,601</u>	<u>199,684</u>	<u>276,046</u>
Non Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	—	5,721	8,912	8,689	8,465
Transfers to Other Funds	89,320	62,000	23,688	57,430	139,858
Total	<u>89,320</u>	<u>67,721</u>	<u>32,600</u>	<u>66,119</u>	<u>139,323</u>
Amount Available for Other Purposes	<u>\$ 69,443</u>	<u>\$ 53,406</u>	<u>\$ 90,001</u>	<u>\$ 133,565</u>	<u>\$136,723</u>
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—At June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$ 133,276	\$ 126,005
Other Current Assets	94,507	174,145
Land, Plant and Equipment (Net of Depreciation) (1)	865,437	885,422
Total Assets	<u>\$1,093,220</u>	<u>\$1,185,572</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 24,717	\$ 33,574
Customer Deposits	13,719	13,719
Bonds Payable (Long term)	90,426	87,235
Total Liabilities	<u>128,862</u>	<u>134,528</u>
Fund Equity		
Beginning Fund Equity	870,447	964,358
Amount Available for Other Purposes—Current Year	133,565	136,723
Increase (Decrease) for:		
Capital Outlay Expenditure	(54,552)	—
Depreciation	—	(27,495)
Reserves	108,515	—
Other	(93,617)	(22,542)
Ending Fund Equity	<u>964,358</u>	<u>1,051,044</u>
Total Liabilities and Fund Equity	<u>\$1,093,220</u>	<u>\$1,185,572</u>

(1) Net of depreciation for fiscal year ended June 30, 1978 only. The inventory of Land, Plant and Equipment was completed and recorded on the books at June 30, 1978. Prior to 1978, fixed assets were expensed when purchased.

TOWN OF CORNELIUS
ELECTRIC FUND

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$148,165	\$188,706	\$236,827	\$269,214	\$305,123
Miscellaneous	698	613	2,074	1,524	1,525
Total	<u>148,863</u>	<u>189,319</u>	<u>238,901</u>	<u>270,738</u>	<u>306,648</u>
Operating Expenses					
Power Purchased	165,341	137,585	165,754	174,902	215,217
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	22,360	24,140	28,074	31,748	39,610
Total	<u>127,701</u>	<u>161,725</u>	<u>193,828</u>	<u>206,650</u>	<u>254,827</u>
Net Operating Revenues	21,162	27,594	45,073	64,088	51,821
Non-Operating Revenues	9,659	11,825	441	1,308	2,006
Total	<u>30,821</u>	<u>39,419</u>	<u>45,514</u>	<u>65,426</u>	<u>53,827</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	—	—	19,633	18,833	18,032
Transfers to Other Funds	30,457	—	51,840	6,000	39,601
Total	<u>30,457</u>	<u>—</u>	<u>71,473</u>	<u>24,833</u>	<u>57,633</u>
Amount Available for Other Purposes	\$ 364	\$ 39,419	\$(25,959)	\$ 40,593	\$(3,806)
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual

CONDENSED BALANCE SHEET

	(Unaudited—At June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$63,109	\$52,797
Other Current Assets	31,352	27,455
Land, Plant and Equipment(1)	—	—
Total Assets	<u>\$94,461</u>	<u>\$80,252</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$18,779	\$18,104
Customer Deposits	5,235	5,699
Bonds Payable (Long term)(2)	—	—
Total Liabilities	<u>24,014</u>	<u>23,803</u>
Fund Equity		
Beginning Fund Equity	40,752	70,447
Amount Available for Other Purposes—Current Year	40,593	(3,806)
Increase (Decrease) for		
Capital Outlay Expenditure	(10,898)	(10,212)
Depreciation	—	—
Reserves	—	—
Other	—	—
Ending Fund Equity	<u>70,447</u>	<u>56,429</u>
Total Liabilities and Fund Equity	<u>\$94,461</u>	<u>\$80,252</u>

(1) Historical records have not been maintained of the Electric System's fixed assets. Fixed assets are expensed when purchased.

(2) Bonds payable as of June 30, 1978 amounted to \$120,000 and were not included in this statement.

**TOWN OF DREXEL
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$174,059	\$198,065	\$295,933	\$336,678	\$379,248
Miscellaneous	2,446	3,012	4,019	2,412	2,391
Total	<u>176,505</u>	<u>201,077</u>	<u>299,952</u>	<u>339,090</u>	<u>381,639</u>
Operating Expenses:					
Power Purchased	88,666	133,037	167,178	194,390	224,547
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	18,749	24,214	27,461	34,254	34,872
Total	<u>107,415</u>	<u>157,251</u>	<u>194,639</u>	<u>228,644</u>	<u>259,419</u>
Net Operating Revenues	69,090	43,826	104,413	110,446	122,220
Non-Operating Revenues	—	629	11,069	10,315	3,568
Total	<u>69,090</u>	<u>44,455</u>	<u>115,482</u>	<u>120,761</u>	<u>125,788</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	4,658	4,658	31,820	39,860	25,100
Transfers to Other Funds	66,549	31,268	22,110	75,798	75,259
Total	<u>71,207</u>	<u>35,926</u>	<u>53,930</u>	<u>106,758</u>	<u>100,359</u>
Amount Available for Other Purposes	\$ (2,117)	\$ 8,529	\$ 61,552	\$ 14,003	\$ 25,429
Basis of Accounting	Mod-Accrual	Mod-Accrual	Mod-Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—At June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$ 58,425	\$ 73,359
Other Current Assets	187	892
Land, Plant and Equipment (Net of Depreciation)	485,893	472,854
Total Assets	<u>\$544,505</u>	<u>\$547,105</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 10,396	\$ 10,322
Customer Deposits	9,312	8,882
Bonds Payable (Long term)	225,000	215,000
Total Liabilities	<u>244,708</u>	<u>234,204</u>
Fund Equity		
Beginning Fund Equity	541,911	299,797
Amount Available for Other Purposes—Current Year	14,003	25,429
Increase (Decrease) for:		
Capital Outlay	—	—
Depreciation	(21,353)	(22,325)
Reserves	296	—
Other	(235,000)	10,000
Ending Fund Equity	<u>299,797</u>	<u>312,901</u>
Total Liabilities and Fund Equity	<u>\$544,505</u>	<u>\$547,105</u>

**CITY OF GASTONIA
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$6,176,576	\$8,482,786	\$10,045,375	\$11,131,356	\$12,582,950
Miscellaneous	47,132	61,138	15,420	60,665	66,599
Total	<u>6,223,708</u>	<u>8,543,924</u>	<u>10,060,795</u>	<u>11,192,021</u>	<u>12,649,549</u>
Operating Expenses:					
Power Purchased	3,983,669	5,329,204	6,556,306	7,221,428	8,601,702
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	718,943	587,582	634,663	715,807	791,692
Total	<u>4,702,612</u>	<u>5,916,786</u>	<u>7,190,969</u>	<u>7,937,235</u>	<u>9,393,394</u>
Net Operating Revenues	1,521,096	2,627,138	2,869,826	3,254,786	3,256,155
Non-Operating Revenues	23,572	3,046	58,446	29,702	32,502
Total	<u>1,544,668</u>	<u>2,630,184</u>	<u>2,928,272</u>	<u>3,284,488</u>	<u>3,288,657</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	141,875	137,208	133,015	128,809	125,386
Transfers to Other Funds	1,307,366	3,267,499	2,617,649	2,882,790	2,802,896
Total	<u>1,449,241</u>	<u>3,404,707</u>	<u>2,750,664</u>	<u>3,011,599</u>	<u>2,928,282</u>
Amount Available for Other Purposes	\$ 95,427	\$ (774,523)	\$ 177,608	\$ 272,889	\$ 360,375
Basis of Accounting	Mod Accrual	Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$ 810,853	\$1,021,780
Other Current Assets	2,093,005	1,882,897
Land, Plant and Equipment (Net of Depreciation)	5,412,981	5,547,435
Total Assets	<u>\$8,316,839</u>	<u>\$8,452,112</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 963,593	\$1,021,476
Customer Deposits	163,337	171,198
Bonds Payable (Long-term)	1,025,000	945,000
Total Liabilities	<u>2,151,930</u>	<u>2,137,674</u>
Fund Equity:		
Beginning Fund Equity	5,693,885	6,164,909
Amount Available for Other Purposes—Current Year	272,889	360,375
Increase (Decrease) for:		
Capital Outlay Contribution	494,821	14,409
Depreciation	(301,686)	(320,255)
Reserves	—	—
Other	95,000	95,000
Ending Fund Equity	<u>6,164,909</u>	<u>6,314,438</u>
Total Liabilities and Fund Equity	<u>\$8,316,839</u>	<u>\$8,452,112</u>

**TOWN OF GRANITE FALLS
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$455,841	\$609,599	\$626,962	\$763,213	\$822,413
Miscellaneous	8,104	7,597	18,447	4,561	6,365
Total	<u>463,945</u>	<u>577,196</u>	<u>645,409</u>	<u>767,774</u>	<u>828,778</u>
Operating Expenses					
Power Purchased	261,214	342,019	407,568	430,133	503,492
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	77,825	96,008	86,969	94,480	106,560
Total	<u>339,039</u>	<u>438,027</u>	<u>494,537</u>	<u>524,613</u>	<u>610,052</u>
Net Operating Revenues	124,906	139,169	150,872	243,161	218,726
Non-Operating Revenues	377	2,020	2,475	3,976	119,531
Total	<u>125,283</u>	<u>141,189</u>	<u>152,347</u>	<u>247,137</u>	<u>338,257</u>
Non Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	—
Transfers to Other Funds	122,000	134,000	138,000	161,036	147,765
Total	<u>122,000</u>	<u>134,000</u>	<u>138,000</u>	<u>161,036</u>	<u>147,765</u>
Amount Available for Other Purposes	<u>\$ 3,283</u>	<u>\$ 7,189</u>	<u>\$ 15,347</u>	<u>\$ 86,101</u>	<u>\$190,492</u>
Basis of Accounting	Accrual	Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$139,620	\$289,630
Other Current Assets	60,099	63,958
Land, Plant and Equipment (Net of Depreciation) (1)	12,270	36,515
Total Assets	<u>\$211,989</u>	<u>\$390,103</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 41,910	\$41,300
Customer Deposits	11,850	13,167
Bonds Payable (Long term)	—	—
Total Liabilities	<u>53,760</u>	<u>54,467</u>
Fund Equity		
Beginning Fund Equity	69,296	158,229
Amount Available for Other Purposes—Current Year	86,101	190,492
Increase (Decrease) for		
Capital Outlay Contribution	4,294	—
Depreciation	(1,432)	(4,270)
Reserves	—	—
Other	—	(8,815)
Ending Fund Equity	<u>158,229</u>	<u>335,636</u>
Total Liabilities and Fund Equity	<u>\$211,989</u>	<u>\$390,103</u>

(1) The amount for fixed assets shown above is based upon appraised values.

**CITY OF HIGH POINT
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—For Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$7,817,165	\$10,278,505	\$13,571,095	\$14,316,060	\$16,835,390
Miscellaneous	59,164	116,374	688,084	785,155	158,131
Total	<u>7,876,329</u>	<u>10,394,879</u>	<u>14,259,179</u>	<u>15,101,215</u>	<u>16,993,521</u>
Operating Expenses:					
Power Purchased	5,209,855	7,185,971	8,300,062	9,193,156	10,520,590
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	1,253,098	1,106,393	1,463,527	1,630,644	1,797,317
Total	<u>6,462,953</u>	<u>8,292,364</u>	<u>9,763,589</u>	<u>10,823,800</u>	<u>12,317,907</u>
Net Operating Revenues	1,413,376	2,102,515	4,495,590	4,277,415	4,675,614
Non-Operating Revenues	120,451	316,298	426,627	296,863	309,960
Total	<u>1,533,827</u>	<u>2,418,813</u>	<u>4,922,217</u>	<u>4,574,278</u>	<u>4,985,574</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	409,460	669,415	718,097	754,694	738,818
Transfers to Other Funds	—	—	1,055,902	1,536,045	2,103,155
Total	<u>409,460</u>	<u>669,415</u>	<u>1,773,999</u>	<u>2,290,739</u>	<u>2,841,973</u>
Amount Available for Other Purposes	<u>\$1,124,367</u>	<u>\$ 1,749,398</u>	<u>\$ 3,148,218</u>	<u>\$ 2,283,539</u>	<u>\$ 2,143,601</u>
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$ 5,783,631	\$5,347,774
Other Current Assets	1,502,029	1,004,896
Land, Plant and Equipment (1)	22,707,695	22,707,695
Total Assets	<u>\$29,993,355</u>	<u>29,060,365</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 671,880	\$ 619,861
Customer Deposits	105,150	141,944
Bonds Payable (Long term)	8,220,000	7,827,000
Total Liabilities	<u>8,997,030</u>	<u>8,616,805</u>
Fund Equity		
Beginning Fund Equity	\$16,454,640	\$20,996,325
Amount Available for Other Purposes—Current Year	2,283,539	2,143,601
Increase (Decrease) for:		
Capital Outlay Expenditure	(2,581,906)	(1,122,972)
Depreciation	—	—
Reserves	4,495,052	(1,918,394)
Other	345,000	345,000
Ending Fund Equity	<u>20,996,325</u>	<u>20,443,560</u>
Total Liabilities and Fund Equity	<u>\$29,993,355</u>	<u>\$29,060,365</u>

(1) The amount for Land, Plant and Equipment shown above represents the accumulation of expenditures for fixed assets that have been made over the years. No accounting has been made for assets that have been sold, traded or discarded, therefore they have been overstated by an indeterminate amount.

**TOWN OF HUNTERSVILLE
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

(Unaudited—For Years Ended June 30, 1978)

	1976	1977	1978
Operating Revenues:			
Power Sales	\$380,979	\$407,653	\$445,506
Miscellaneous	2,227	2,240	2,207
Total	383,206	409,293	447,713
Operating Expenses:			
Power Purchased	251,036	283,755	326,463
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	44,637	35,546	43,872
Total	295,673	319,301	370,335
Net Operating Revenues	87,533	89,992	77,378
Non-Operating Revenues	2,059	2,712	2,518
Total	89,592	92,704	79,896
Non-Operating Disbursements:			
Debt Service on Electric Bonds (Principal and Interest)	—	—	—
Transfers to Other Funds	6,798	61,179	88,750
Total	6,798	61,179	88,750
Amount Available for Other Purposes	\$ 82,794	\$ 31,525	\$ (8,854)
Basis of Accounting	Mod-Accrual	Mod-Accrual	Mod-Accrual

CONDENSED BALANCE SHEET

(Unaudited—at June 30)

	1977	1978
ASSETS:		
Cash and Investments	\$ 65,052	\$53,393
Other Current Assets	44,609	41,300
Land, Plant and Equipment (2)	—	—
Total Assets	\$109,661	\$94,693
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 2,198	\$ 3,315
Customer Deposits	15,165	16,448
Bonds Payable (Long term)	—	—
Total Liabilities	17,363	19,763
Fund Equity		
Beginning Fund Equity	77,286	92,378
Amount Available for Other Purposes—Current Year	31,525	(8,854)
Increase (Decrease) for:		
Capital Outlay Expenditure	(16,473)	(8,574)
Depreciation	—	—
Reserves	—	—
Other	—	—
Ending Fund Equity	92,338	74,930
Total Liabilities and Fund Equity	\$109,661	\$94,693

(1) The Electric System was combined with the General Fund operations for the fiscal years ended June 30, 1974 and 1975. Due to the combined presentations, results of financial operations for the Electric System for the two years cannot be determined from the information provided.

(2) Historical records have not been maintained of the Electric System's fixed assets.

**TOWN OF LANDIS
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$412,927	\$532,437	\$662,796	\$743,905	\$959,697
Miscellaneous	4,983	6,743	8,326	30,555	27,435
Total	<u>417,910</u>	<u>539,180</u>	<u>671,122</u>	<u>774,460</u>	<u>987,132</u>
Operating Expenses:					
Power Purchased	281,188	397,390	493,465	543,199	641,321
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	34,883	46,969	43,697	103,015	152,350
Total	<u>316,071</u>	<u>444,359</u>	<u>537,162</u>	<u>646,214</u>	<u>793,671</u>
Net Operating Revenues	101,839	95,421	133,960	128,246	193,461
Non-Operating Revenues	26,784	30,969	22,844	10,749	15,158
Total	<u>128,623</u>	<u>126,390</u>	<u>156,804</u>	<u>138,995</u>	<u>208,619</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	67,020
Transfers to Other Funds	120,000	19,500	415,000	71,426	25,483
Total	<u>120,000</u>	<u>19,500</u>	<u>415,000</u>	<u>71,426</u>	<u>92,503</u>
Amount Available for Other Purposes	\$ 8,623	\$106,830	(\$258,196)	\$ 67,569	\$116,116
Basis of Accounting	Accrual	Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$ 247,785	\$ 362,089
Other Current Assets	70,164	77,159
Land, Plant and Equipment (Net of Depreciation)	814,758	773,775
Total Assets	<u>\$1,132,707</u>	<u>\$1,213,023</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 68,012	\$ 75,825
Customer Deposits	6,710	9,166
Bonds Payable (Long-term)	695,000	670,000
Total Liabilities	<u>769,722</u>	<u>754,991</u>
Fund Equity		
Beginning Fund Equity	335,108	362,385
Amount Available for Other Purposes—Current Year	67,569	116,116
Increase (Decrease) for:		
Capital Outlay Contribution	700,000	—
Depreciation	(28,543)	(46,069)
Reserves	—	—
Other	(711,149)	25,000
Ending Fund Equity	<u>362,085</u>	<u>478,032</u>
Total Liabilities and Fund Equity	<u>\$1,132,707</u>	<u>\$1,213,023</u>

**CITY OF LEXINGTON
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$4,622,910	\$6,288,179	\$7,791,347	\$8,662,750	\$9,747,182
Miscellaneous	67,349	85,856	124,383	67,586	117,654
Total	<u>4,690,259</u>	<u>6,374,035</u>	<u>7,915,730</u>	<u>8,730,336</u>	<u>9,864,836</u>
Operating Expenses:					
Power Purchased	2,984,828	4,127,680	4,888,961	5,407,277	6,349,921
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	861,039	1,158,617	1,090,887	1,245,405	1,288,012
Total	<u>3,845,867</u>	<u>5,286,297</u>	<u>5,980,848</u>	<u>6,652,682</u>	<u>7,637,933</u>
Net Operating Revenues	844,392	1,087,738	1,934,882	2,077,654	2,226,903
Non-Operating Revenues	33,286	6,086	285,466	287,779	352,542
Total	<u>877,678</u>	<u>1,123,824</u>	<u>2,220,348</u>	<u>2,365,433</u>	<u>2,579,445</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	35,295	100,590	98,790	96,990	95,190
Transfers to Other Funds	—	395,807	—	1,781,188	1,882,889
Total	<u>35,295</u>	<u>496,397</u>	<u>98,790</u>	<u>1,878,178</u>	<u>1,978,079</u>
Amount Available for Other Purposes	<u>\$ 842,382</u>	<u>\$ 627,427</u>	<u>\$ 2,121,558</u>	<u>\$ 487,255</u>	<u>601,366</u>
Basis of Accounting	Mod-Accrual	Mod-Accrual	Mod-Accrual	Mod-Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$2,834,507	\$ 3,922,566
Other Current Assets	1,126,067	1,630,459
Land, Plant and Equipment (Net of Depreciation) (1)	—	6,737,253
Total Assets	<u>\$3,960,574</u>	<u>\$12,290,278</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$3,119,167	\$ 3,941,375
Customer Deposits	146,039	155,204
Bonds Payable (Long term)	—	1,350,000
Total Liabilities	<u>3,265,206</u>	<u>5,446,579</u>
Fund Equity		
Beginning Fund Equity	\$ 695,368	\$ 695,368
Amount Available for Other Purposes—Current Year	487,255	601,366
Increase (Decrease) for:		
Capital Outlay Expenditure	(487,255)	—
Depreciation	—	(298,188)
Reserves	—	184,250
Other	—	5,660,893 (1)
Ending Fund Equity	<u>695,368</u>	<u>6,843,699</u>
Total Liabilities and Fund Equity	<u>\$3,960,574</u>	<u>\$12,290,278</u>

(1) Represents in part an adjustment resulting from recording Land, Plant and Equipment and Bonds Payable in the City's Electric Fund. The inventory of fixed assets was completed and recorded on the books at June 30, 1978.

CITY OF LINCOLN
ELECTRIC FUND

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$596,814	\$900,845	\$1,212,707	\$1,140,903	\$1,306,342
Miscellaneous	4,991	7,540	4,259	19,609	19,554
Total	701,805	908,385	1,216,966	1,160,512	1,325,896
Operating Expenses:					
Power Purchased	429,573	574,808	674,950	717,601	912,573
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	144,426	125,520	120,462	139,376	214,957
Total	573,999	700,328	795,412	856,977	1,127,530
Net Operating Revenues	127,806	208,057	421,554	303,535	198,366
Non-Operating Revenues	12,215	23,185	12,111	10,392	6,301
Total	140,021	231,242	433,665	313,927	204,667
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	5,225	5,113	—	—	—
Transfers to Other Funds	165,803	279,387	496,625	512,833	213,300
Total	171,028	284,500	496,625	512,833	213,300
Amount Available for Other Purposes	\$(31,007)	\$(53,258)	\$(62,960)	\$(198,906)	\$(8,633)
Basis of Accounting	Mod-Accrual	Mod-Accrual	Mod-Accrual	Mod-Accrual	Mod-Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$ 26,481	\$ 114,500
Other Current Assets	123,388	107,303
Land, Plant and Equipment(1)	864,242	889,526
Total Assets	\$1,014,111	\$1,111,329
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ —	\$ 79,079
Customer Deposits	18,266	19,754
Bonds Payable (Long-term)	—	—
Total Liabilities	18,266	98,833
Fund Equity		
Beginning Fund Equity	1,160,596	995,845
Amount Available for Other Purposes—Current Year	(198,906)	(8,633)
Increase (Decrease) for		
Capital Outlay Contribution	—	25,284
Depreciation	—	—
Reserves	34,155	—
Other	—	—
Ending Fund Equity	995,845	1,012,496
Total Liabilities and Fund Equity	\$1,014,111	\$1,111,329

(1) The amount for Land, Plant and Equipment shown above represents the accumulation of expenditures for fixed assets that have been made over the years. No accounting has been made for assets that have been sold, traded or discarded, therefore they have been overstated by an indeterminable amount. No depreciation has been recorded.

**TOWN OF MAIDEN
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$566,875	\$708,867	\$840,650	\$853,383	\$846,276
Miscellaneous	3,331	80	3,752	2,007	1,028
Total	<u>570,206</u>	<u>708,947</u>	<u>844,402</u>	<u>855,390</u>	<u>847,304</u>
Operating Expenses:					
Power Purchased	427,110	502,077	603,078	591,792	604,929
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	32,303	30,208	67,310	92,204	88,982
Total	<u>459,413</u>	<u>532,285</u>	<u>670,388</u>	<u>683,996</u>	<u>693,911</u>
Net Operating Revenues	110,793	176,662	174,014	171,394	153,393
Non-Operating Revenues	4,410	15,156	17,335	18,191	30,845
Total	<u>115,203</u>	<u>191,818</u>	<u>191,349</u>	<u>189,585</u>	<u>184,228</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	—
Transfers to Other Funds	74,000	10,329	121,675	154,124	—
Total	<u>74,000</u>	<u>10,329</u>	<u>121,675</u>	<u>154,124</u>	<u>—</u>
Amount Available for Other Purposes	<u>\$ 41,203</u>	<u>\$181,489</u>	<u>\$ 69,674</u>	<u>\$ 35,461</u>	<u>\$184,228</u>
Basis of Accounting	Accrual	Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$351,444	\$440,988
Other Current Assets	73,607	49,156
Land, Plant and Equipment (Net of Depreciation)	227,995	303,340
Total Assets	<u>\$653,046</u>	<u>\$793,484</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 85,864	\$ 60,145
Customer Deposits	18,059	19,869
Bonds Payable (Long-term)	—	—
Total Liabilities	<u>103,923</u>	<u>80,014</u>
Fund Equity		
Beginning Fund Equity	531,152	549,123
Amount Available for Other Purposes—Current Year	35,461	184,228
Increase (Decrease) for:		
Capital Outlay	—	—
Depreciation	(17,490)	(19,881)
Reserves	—	—
Other	—	—
Ending Fund Equity	<u>549,123</u>	<u>713,470</u>
Total Liabilities and Fund Equity	<u>\$653,046</u>	<u>\$793,484</u>

**CITY OF MONROE
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$3,391,886	\$4,632,010	\$5,136,696	\$5,667,901	\$6,586,805
Miscellaneous	135,986	3,814	49,678	92,147	102,505
Total	<u>3,527,872</u>	<u>4,635,824</u>	<u>5,186,374</u>	<u>5,760,048</u>	<u>6,689,310</u>
Operating Expenses:					
Power Purchased	2,475,975	3,181,322	3,738,767	4,220,524	4,847,701
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	307,919	243,393	253,083	629,423	489,287
Total	<u>2,783,894</u>	<u>3,424,715</u>	<u>3,991,850</u>	<u>4,849,947</u>	<u>5,336,988</u>
Net Operating Revenues	743,978	1,211,109	1,194,524	910,101	1,352,322
Non-Operating Revenues	—	6,788	495,201	—	94,469
Total	<u>743,978</u>	<u>1,217,897</u>	<u>1,689,725</u>	<u>910,101</u>	<u>1,446,791</u>
Non-Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	—
Transfers to Other Funds	191,334	220,877	674,579	641,257	723,400
Total	<u>191,334</u>	<u>220,877</u>	<u>674,579</u>	<u>641,257</u>	<u>723,400</u>
Amount Available for Other Purposes	<u>\$ 552,644</u>	<u>\$ 997,020</u>	<u>\$1,015,146</u>	<u>\$ 268,844</u>	<u>\$ 723,391</u>
Basis of Accounting	Mod Accrual	Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$ 237,287	\$ 604,906
Other Current Assets	847,719	869,028
Land, Plant and Equipment (Net of Depreciation)	2,628,354	2,848,791
Total Assets	<u>\$3,713,360</u>	<u>\$4,322,725</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 8,876	\$ 40,666
Customer Deposits	87,028	101,783
Bonds Payable (Long term)	—	—
Total Liabilities	<u>95,904</u>	<u>142,449</u>
Fund Equity		
Beginning Fund Equity	3,494,249	3,617,476
Amount Available for Other Purposes—Current Year	268,844	723,391
Increase (Decrease) for:		
Capital Outlay	—	—
Depreciation	(145,637)	(160,571)
Reserves	—	—
Other	—	—
Ending Fund Equity	<u>3,617,456</u>	<u>4,180,276</u>
Total Liabilities and Fund Equity	<u>\$3,713,360</u>	<u>\$4,322,725</u>

CITY OF MORGANTON
ELECTRIC FUND

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978 (1)
Operating Revenues					
Power Sales	\$2,532,282	\$3,570,729	\$4,414,576	\$4,236,777	
Miscellaneous	54,925	44,966	44,389	23,215	
Total	<u>2,587,207</u>	<u>3,615,695</u>	<u>4,458,965</u>	<u>4,259,992</u>	
Operating Expenses					
Power Purchased	1,970,119	2,536,890	3,092,956	2,882,674	
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	519,591	516,633	500,417	329,367	
Total	<u>2,489,710</u>	<u>3,053,523</u>	<u>3,593,373</u>	<u>3,212,041</u>	
Net Operating Revenues	97,497	562,232	865,592	1,047,951	
Non-Operating Revenues	3,835	2,526	2,159	4,017	
Total	<u>101,332</u>	<u>564,758</u>	<u>867,751</u>	<u>1,051,968</u>	
Non-Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	1,291	1,248	—	—	
Transfers to Other Funds	351,138	399,878	495,938	500,678	
Total	<u>352,429</u>	<u>401,126</u>	<u>495,938</u>	<u>500,678</u>	
Amount Available for Other Purposes	<u>\$ (251,097)</u>	<u>\$ 163,652</u>	<u>\$ 371,813</u>	<u>\$ 551,290</u>	
Basis of Accounting	Accrual	Accrual	Accrual	Accrual	

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978 (1)
ASSETS		
Cash and Investments	\$1,088,588	
Other Current Assets	473,930	
Land, Plant and Equipment (Net of Depreciation) (2)	2,222,259	
Total Assets	<u>\$3,784,777</u>	
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 303,192	
Customer Deposits	83,411	
Bonds Payable (Long-term)	—	
Total Liabilities	<u>386,603</u>	
Fund Equity		
Beginning Fund Equity	2,984,865	
Amount Available for Other Purposes—Current Year	551,290	
Increase (Decrease) for		
Capital Outlay	—	
Depreciation	(120,287)	
Reserves	—	
Other	(17,694)	
Ending Fund Equity	<u>3,398,174</u>	
Total Liabilities and Fund Equity	<u>\$3,784,777</u>	

(1) Not available.

(2) The amount for Land, Plant and Equipment shown above represents the results of the inventory taken in 1976 and is based upon historical cost and appraised values. Depreciation has been recorded.

**CITY OF NEWTON
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues					
Power Sales	\$900,608	\$1,183,815	\$1,606,300	\$1,777,443	\$1,922,608
Miscellaneous	69,267	17,909	19,675	19,449	27,617
Total	<u>1,059,875</u>	<u>1,201,724</u>	<u>1,625,975</u>	<u>1,796,892</u>	<u>1,950,225</u>
Operating Expenses					
Power Purchased	567,518	784,659	942,952	1,031,631	1,207,601
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	145,028	194,857	195,657	229,089	247,258
Total	<u>712,546</u>	<u>979,516</u>	<u>1,138,609</u>	<u>1,260,720</u>	<u>1,454,859</u>
Net Operating Revenues	347,329	222,208	487,366	536,172	495,366
Non-Operating Revenues	—	5,415	8,980	21,099	23,457
Total	<u>347,329</u>	<u>227,623</u>	<u>496,346</u>	<u>557,271</u>	<u>518,823</u>
Non-Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	30,450	34,765	33,780	32,865	26,950
Transfers to Other Funds	114,500	39,752	129,314	279,215	481,555
Total	<u>144,950</u>	<u>74,517</u>	<u>163,094</u>	<u>312,080</u>	<u>508,505</u>
Amount Available for Other Purposes	<u>\$202,379</u>	<u>\$ 153,106</u>	<u>\$ 333,252</u>	<u>\$ 245,191</u>	<u>\$10,318</u>
Basis of Accounting	Mod Accrual	Mod Accrual	Accrual	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$ 422,035	\$ 347,023
Other Current Assets	254,539	222,738
Land, Plant and Equipment (Net of Depreciation)	856,113	934,445
Total Assets	<u>\$1,532,687</u>	<u>\$1,504,206</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 142,916	\$ 173,939
Customer Deposits	42,673	46,059
Bonds Payable (Long term)	165,000	145,000
Total Liabilities	<u>350,589</u>	<u>364,998</u>
Fund Equity		
Beginning Fund Equity	980,530	1,182,898
Amount Available for Other Purposes—Current Year	245,191	10,318
Increase (Decrease) for		
Capital Outlay	—	—
Depreciation	(67,823)	(74,008)
Reserves	—	—
Other	25,000	20,000
Ending Fund Equity	<u>1,182,898</u>	<u>1,139,208</u>
Total Liabilities and Fund Equity	<u>\$1,532,687</u>	<u>\$1,504,206</u>

**TOWN OF PINEVILLE
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978(1)
Operating Revenues					
Power Sales	\$255,043	\$289,830	\$465,623	\$486,647	
Miscellaneous	1,226	2,151	1,632	633	
Total	<u>256,269</u>	<u>301,981</u>	<u>467,255</u>	<u>487,280</u>	
Operating Expenses					
Power Purchased	156,740	213,053	246,294	264,354	
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	81,241	70,533	79,887	102,490	
Total	<u>237,981</u>	<u>283,586</u>	<u>326,181</u>	<u>366,844</u>	
Net Operating Revenues	1,288	18,395	40,974	20,436	
Non Operating Revenues	—	—	—	—	
Total	<u>1,288</u>	<u>18,395</u>	<u>40,974</u>	<u>20,436</u>	
Non Operating Disbursements					
Debt Service on Electric Bonds (Principal and Interest)	—	—	—	—	
Transfers to Other Funds	3,000	4,000	3,000	—	
Total	<u>3,000</u>	<u>4,000</u>	<u>3,000</u>	<u>—</u>	
Amount Available for Other Purposes	<u>\$ 1,288</u>	<u>\$ 14,395</u>	<u>\$ 37,974</u>	<u>\$ 20,436</u>	
Basis of Accounting	Mod Accrual	Mod Accrual	Mod Accrual	Mod Accrual	

The Town of Pineville's Utility Fund is a combination of two enterprises—a Water and Sewer System and an Electric System. Due to the combined presentation, the Electric System's Balance Sheet cannot be determined from the information provided.

(1) Not available

CITY OF SHELBY
ELECTRIC FUND
SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30, 1977)	
	1977	1978
Operating Revenues		
Power Sales	\$4,325,290	\$4,784,000
Miscellaneous	14,213	26,024
Total	<u>4,339,503</u>	<u>4,810,024</u>
Operating Expenses		
Power Purchased	2,839,507	3,249,109
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	285,106	325,401
Total	<u>3,124,613</u>	<u>3,574,510</u>
Net Operating Revenues	1,214,890	1,235,514
Non-Operating Revenues	1,132	13,362
Total	<u>1,216,022</u>	<u>1,248,876</u>
Non-Operating Disbursements		
Debt Service on Electric Bonds (Principal and Interest)	—	—
Transfers to Other Funds	561,917	1,245,000
Total	<u>561,917</u>	<u>1,245,000</u>
Amount Available for Other Purposes	<u>\$ 654,105</u>	<u>\$ 3,876</u>
Basis of Accounting	Accrual	Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS:		
Cash and Investments	\$ 593,653	\$ 604,575
Other Current Assets	774,567	676,775
Land, Plant and Equipment (Net of Depreciation)	2,009,920	2,007,456
Total Assets	<u>\$3,378,140</u>	<u>\$3,288,806</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities	\$ 259,107	\$ 267,990
Customer Deposits	103,944	111,860
Bonds Payable (Long term)	—	—
Total Liabilities	<u>363,051</u>	<u>379,850</u>
Fund Equity		
Beginning Fund Equity	\$2,487,345	\$3,015,089
Amount Available for Other Purposes—Current Year	654,105	3,876
Increase (Decrease) for		
Capital Outlay Contribution	33,995	55,397
Depreciation	(160,376)	(165,376)
Reserves	—	—
Other	—	—
Ending Fund Equity	<u>3,015,089</u>	<u>2,908,386</u>
Total Liabilities and Fund Equity	<u>\$3,378,140</u>	<u>\$3,288,806</u>

(1) The Utility Fund combined the operations of four enterprises (Water System, Sewer System, Electric System and Gas System) in the fiscal years ended June 30, 1974 through 1976. Because of the combined presentation, the results of financial operations of the Electric System for the three years cannot be determined from the information provided.

**CITY OF STATESVILLE
ELECTRIC FUND**

SUMMARY OF OPERATING RESULTS

	(Unaudited—for Years Ended June 30)				
	1974	1975	1976	1977	1978
Operating Revenues:					
Power Sales	\$4,479,561	\$5,376,674	\$6,203,985	\$6,592,320	\$7,608,510
Miscellaneous	29,993	25,491	29,009	21,200	28,748
Total	<u>4,509,554</u>	<u>5,402,165</u>	<u>6,224,074</u>	<u>6,613,520</u>	<u>7,637,258</u>
Operating Expenses:					
Power Purchased	2,767,316	3,418,985	4,033,769	4,439,357	5,209,136
Other Operating and Maintenance (Excluding Depreciation and Capital Outlay)	496,619	453,525	443,215	541,117	521,366
Total	<u>3,223,926</u>	<u>3,872,510</u>	<u>4,476,984</u>	<u>4,980,474</u>	<u>5,730,502</u>
Net Operating Revenues	1,285,628	1,529,655	1,747,090	1,633,046	1,906,756
Non Operating Revenues	11,140	242,502	184,540	210,939	224,570
Total	<u>1,296,768</u>	<u>1,772,157</u>	<u>1,931,630</u>	<u>1,843,985</u>	<u>2,131,326</u>
Non Operating Disbursements:					
Debt Service on Electric Bonds (Principal and Interest)	124,968	121,758	118,320	105,275	97,455
Transfers to Other Funds	1,130,007	1,226,970	1,007,005	1,697,580	1,391,716
Total	<u>1,254,975</u>	<u>1,348,728</u>	<u>1,125,325</u>	<u>1,802,855</u>	<u>1,399,171</u>
Amount Available for Other Purposes	<u>\$ 41,793</u>	<u>\$ 423,429</u>	<u>\$ 806,305</u>	<u>\$ 41,130</u>	<u>\$ 732,155</u>
Basis of Accounting	Mod-Accrual	Mod-Accrual	Mod-Accrual	Mod-Accrual	Mod-Accrual

CONDENSED BALANCE SHEET

	(Unaudited—at June 30)	
	1977	1978
ASSETS		
Cash and Investments	\$1,018,814	\$1,444,020
Other Current Assets	1,202,101	1,272,526
Land, Plant and Equipment(1)	3,483,187	3,703,914
Total Assets	<u>\$5,704,102</u>	<u>\$6,420,460</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	\$ 660,673	\$ 636,803
Customer Deposits	92,681	96,612
Bonds Payable (Long-term)	925,000	865,000
Total Liabilities	<u>1,678,356</u>	<u>1,598,415</u>
Fund Equity		
Beginning Fund Equity	3,919,616	4,025,746
Amount Available for Other Purposes—Current Year	41,130	732,155
Increase (Decrease) for:		
Capital Outlay Contribution	—	4,144
Depreciation	—	—
Reserves	—	—
Other	65,000	60,000
Ending Fund Equity	<u>4,025,746</u>	<u>4,822,045</u>
Total Liabilities and Fund Equity	<u>\$5,704,102</u>	<u>\$6,420,460</u>

(1) The amount of Land, Plant and Equipment shown above is based upon appraised values. The City has not maintained adequate fixed assets records and no depreciation has been provided on these assets.

The Financial Report

Statement of Income

Duke Power Company

	1977	1976
REVENUE		
REGULATED SALES OF ELECTRICITY	48,848,096	47,111,000
REGULATED SALES OF GAS	51,266,974	50,000,000
REGULATED SALES OF STEAM		
OPERATING EXPENSES		
Fuel, oil, purchased steam, gas	34,008,818	33,000,000
Fuel oil, purchased steam, gas	318	
Wages, benefits, and material	1,396,674	1,300,000
Maintenance of plant, fuel	61,874	20,000
Depreciation, amortization	114,974	110,000
General taxes	95,309	100,000
Income taxes - Federal, State	1,317,577	1,200,000
Losses on the operations	1,037,088	1,100,000
Losses on discontinued operations	229,886	200,000
OTHER INCOME (Expense)		
Allowance for depreciation on construction		
Allowance for repair funds, construction	62,441	
Earnings of subsidiaries	8,381	
Other net deduction	658	
Income taxes - Federal, State	26,291	
Losses on the operations	96,355	
Losses on discontinued operations	326,841	
NET INCOME BEFORE TAXES		
Income tax credit on investment	152,496	
Other interest	6,359	
Allowance for depreciation on construction	24,394	
Losses on the operations	134,492	
NET INCOME	192,349	
Dividends on preferred stock	38,879	
EARNINGS FOR COMMON STOCK	\$ 153,470	
COMMON STOCK EARNINGS		
Amortization of tax credit on investment	63,630	
Earnings on stock	32,411	
Losses on the operations	51,630	

**Statement of Source of Funds
For Plant Construction Costs**

Duke Power Company

(dollars in thousands)	Year Ended December 31	
	1977	1976
FUNDS FROM OPERATIONS		
Net income	\$192,349	\$173,701
Non-fund items:		
Depreciation and nuclear fuel amortization	134,048	118,646
Deferred income taxes and investment tax credit net of amortization	85,347	107,019
Equity component of the allowance for funds used during construction (common equity only in 1976)	(62,441)	(29,702)
Other net	(4,766)	(1,259)
Funds from operations	\$ 344,537	\$ 368,405
Dividends paid	(142,290)	(122,823)
Funds retained in the business	202,247	245,582
FUNDS FROM FINANCING - NET PROCEEDS		
Long-term debt	124,056	138,136
Common stock	129,768	97,429
Preferred stock	99,874	
Increase (decrease) in notes payable for construction	148,095	(59,042)
Retirement of long-term debt	(79,646)	(30,938)
Funds from financing	422,147	335,584
Total available funds	624,394	391,166
WORKING CAPITAL REQUIREMENT INCREASE/ DECREASE		
Materials and supplies	(22,739)	11,943
Investments in and advances to subsidiaries	5,352	13,414
Other current assets	(16,817)	(10,136)
Other current liabilities	1,614	23,874
Other net	(9,630)	15,285
Net working capital requirement	(42,220)	54,380
Plant construction expenditures	582,174	445,546
Equity component of the allowance for funds used during construction (common equity only in 1976)	62,441	29,702
PLANT CONSTRUCTION COSTS	\$ 644,615	\$ 475,248
SUMMARY OF PLANT CONSTRUCTION COSTS		
Production	\$414,845	\$291,813
Transmission	41,389	31,997
Distribution	61,206	70,967
General	12,886	1,882
Subtotal	\$ 530,326	\$ 396,659
Nuclear fuel	114,289	78,589
PLANT CONSTRUCTION COSTS	\$ 644,615	\$ 475,248

See notes to financial statements.

Balance Sheet

Assets	1977	1976
ELECTRIC PLANT		
At year-end 12/31/1976		
Electric plant in use	\$3,761,353	
Less accumulated depreciation and amortization	<u>1,068,103</u>	
Electric plant reserve fund	2,693,250	
Construction work in progress	<u>1,538,521</u>	
Total electric plant net	\$4,231,771	
OTHER PROPERTY AND INVESTMENTS		
Other property - at cost less accumulated depreciation 1977 \$427,100, 1976 \$411,448	27,448	
Investments - bonds and stocks - at cost less dates lapse	39,947	
Other investments - at cost less depreciation	<u>8,811</u>	
Total other property and investment	70,206	
CURRENT ASSETS		
Cash and temporary investments		
Deposits - banks	18,218	
Receivables - and accounts receivable - 1977 \$1,332,149, 1976 \$1,342,400	99,708	
Equity investments - at cost less depreciation	14,887	
Materials, supplies and other equipment - at cost less depreciation	110,125	
Other	<u>51,567</u>	
Total current assets	294,505	
DEFERRED DEBITS		
Debit expense - bond amortization - 1977 \$11,941, 1976 \$11,941	11,941	
Other	<u>2,283</u>	
Total deferred debits	14,224	
TOTAL ASSETS	<u>\$4,610,706</u>	

Duke Power Company

Capitalization and Liabilities

1977

1976

	1977	1976
CAPITALIZATION		
Investment in Capital Assets		
Common Stock	\$1,343,315	1,343,315
Preferred and deferred stocks	554,985	554,985
Retained Earnings	<u>1,948,081</u>	1,948,081
Total Capitalization	\$3,846,381	3,846,381
CURRENT LIABILITIES		
Accounts payable	76,659	76,659
Interest accrued	47,136	47,136
Taxes accrued	33,284	33,284
Other	8,698	8,698
Total	<u>165,777</u>	165,777
Property under construction		
- pending permanent investment	174,095	174,095
- current maintenance of unit	<u>70,085</u>	70,085
Total current facilities	409,957	409,957
ACCUMULATED DEFERRED FEDERAL TAXES		
Income taxes	272,580	272,580
Other taxes		
- Federal	65,908	65,908
- State	<u>15,880</u>	15,880
Total deferred taxes	81,788	81,788
LIABILITIES UNDER CONTRACTS		
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$4,610,706</u></u>	4,610,706

Statement of Capitalization

Duke Power Company

	1977		1976	
COMMON STOCK EQUITY (Note 2)				
Common stock, no par, authorized 100,000,000 and 70,000,000 shares, outstanding 65,421,472 and 59,179,502 shares, 1977 and 1976, respectively		\$1,135,418		\$1,017,337
Retained earnings		207,897		161,670
Total common stock equity		<u>1,343,315</u>		<u>1,179,007</u>
Percent of capitalization		34.9%		33.1%
PREFERENCE AND PREFERRED STOCKS (Note 2)				
	Rate Series	Shares Outstanding		
Preference stock, \$100 par, authorized 1,500,000 shares	Convertible 6 1/2% AA	49,985	49,985	50,000
Preferred stock, \$100 par, authorized 5,000,000 shares	4 1/2% C	350,000	35,000	35,000
	5 1/2% D	350,000	35,000	35,000
	6 1/2% E	350,000	35,000	35,000
	4 1/2% F	600,000	60,000	60,000
	5 1/2% G	600,000	60,000	60,000
	7 1/2% H	600,000	60,000	60,000
	6 1/2% I	600,000	60,000	60,000
	5 1/2% J	500,000	50,000	50,000
	4 1/2% K	500,000	50,000	50,000
Preferred stock A, \$25 par, authorized 10,000,000 shares	10 1/2% 1975	2,400,000	60,000	60,000
Total preference and preferred stocks			<u>554,985</u>	<u>554,985</u>
Percent of capitalization			14.4%	15.2%
LONG TERM DEBT (Note 3)				
	Rate	Due		
First and refunding mortgage bonds	2 1/2% - 11	1977-2007	1,778,750	1,778,750
Sink fund debentures	4 1/2%	1990	27,345	27,345
Term notes	6 1/2%	1977-1978	60,000	60,000
	12	1979	100,000	100,000
Pollution control obligations	7 1/2% at Prime	1980	2,421	2,421
Capitalized leases (Note 4)			28,051	28,051
Turbine generator leases (Note 4)			22,308	22,308
Unamortized debt discount and premium, net			(208)	(208)
Current maturities of long term debt (total and term debt)			<u>(70,085)</u>	<u>(70,085)</u>
Total long term debt			<u>1,948,081</u>	<u>1,948,081</u>
Percent of capitalization			50.7%	51.7%
TOTAL CAPITALIZATION			<u>\$3,846,381</u>	<u>\$3,811,417</u>

See Note 3 for financial statements.

Statement of Retained Earnings

Duke Power Company

	Year Ended December 31	
	1977	1976
BALANCE Beginning of year	\$161,610	\$114,623
ADD: Net income	<u>192,349</u>	<u>173,217</u>
Total	\$353,959	\$287,840
DEDUCT:		
Dividends		
Common stock	103,755	87,433
Preference and preferred stocks	38,679	34,990
Capital stock expense	<u>3,428</u>	<u>3,763</u>
Total deductions	<u>146,062</u>	<u>126,612</u>
BALANCE End of year	<u>\$207,897</u>	<u>\$161,610</u>

Auditors' Opinion

HASKINS & SELLERS
 Chartered Accountants

We have audited the consolidated financial statements of Duke Power Company, as of December 31, 1977, and the consolidated statement of retained earnings and sources of funds for that company for the year then ended. Our examination was made in accordance with generally accepted auditing standards and is based on the records and documents of the company and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the company at December 31, 1977, and the results of its operations and the sources of funds for that period in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLERS
 Chartered Accountants

Haskins - Sellers

2. Capital Stock

In 1977, 6,249,864 shares of common stock were issued for \$133,070,000 and 1,100,000 shares of 2 1/4% Preferred Stock Series J and 600,000 shares of 2 1/4% Preferred Stock Series K were issued for \$60,000,000 each. In 1978, 6,658,334 shares of common stock were issued for \$101,218,000.

At December 31, 1977, certain shares of common stock were reserved for issuance as follows:

Conversion of Preferred Stock	1,100,000
Stock Purchase Savings Plan for Employees	1,827,250
Dividend Reinvestment Plan for Employees	14,000
Employee Stock Ownership Plan	1,100,000
Other	1,527,084
	<u>5,568,334</u>

The outstanding Preferred Stock Series J and Preferred Stock Series K is convertible into shares of common stock at the adjusted conversion price of 1.25 for preference, each share of

such preferred stock being taken at \$100 for such purpose. The conversion price is subject to certain adjustments designed to protect the dominance of the existing institution. In 1977, 150 shares were converted into 186 shares of common stock.

The Company has had provisions through 1978 of certain preferred stocks, a 20% interest and 10:1. All 1975 Series require redemption of such stock, at least in the amounts of \$1,500,000 in 1981 and 1982 and \$3,500,000 in 1982, and permit additions, redemptions, at the amount of the party's option.

The call provision for the outstanding preference and preferred capital stock is, except various exceptions, limited to exceed no 111 percent of par value plus accumulated dividends to the redemption date.

None of the Company's retained earnings at December 31, 1977 or 1978 was restricted with respect to the declaration or payment of dividends.

3. Long-Term Debt

The following table summarizes the long-term debt of the Company at 12/31/77 and 12/31/78:

	1977	1978
Debt	40,000	100,000
40,000	35,000	100,000
30,000	30,000	75,000
50,000	50,000	100,000
50,000	47,000	100,000
75,000	75,000	100,000
75,000	75,000	118,750
75,000	75,000	100,000
75,000	75,000	125,000
100,000	100,000	<u>\$1,778,250</u>

Long-term debt includes the following:

Long-term debt includes \$1,778,250 at December 31, 1978, of which \$1,778,250 is secured by a mortgage on the Company's real estate. The balance of the debt is unsecured. The debt is due in 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100.

The debt is due in 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100.

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4. Leases

Rentals incurred in 1977 and 1976, and rental commitments at December 31, 1977, for the firm's operating lease facilities and operating leases, were as follows (dollars in thousands):

	1977	1976
Rentals incurred	\$1,248,000	\$1,429,000
Rental commitments	\$1,248,000	\$1,429,000
Total	\$2,496,000	\$2,858,000

Rentals incurred in 1977 and 1976 include \$1,248,000 and \$1,429,000, respectively, charged for operating expenses. Substantially all leases require the company to pay taxes and operation and maintenance expenses. Rentals incurred and rental commitments under contracts for the operator leases include all taxes, expenses and commitments plus amounts required to provide a liability for the estimated obligations of the leases for the remainder of the estimated useful life of the equipment. Such leases require the operator to purchase equipment at the end of the lease term required, and rentals under such leases are based on the cost of the equipment less a depreciation allowance for the life of the equipment, after recovery of the firm's initial investment.

Leases captioned by this company are classified as operating leases. The company's ability to return equipment to lessors is not a condition of the lease agreement. The company's accounting standards for the lease are based on the lease agreement and the terms of the lease, and are not affected by the amount of the investment.

	1977	1976
Operating lease commitments	\$1,248,000	\$1,429,000
Capital lease commitments	\$1,248,000	\$1,429,000
Total	\$2,496,000	\$2,858,000

The company's operating lease commitments are based on the lease agreement and the terms of the lease, and are not affected by the amount of the investment.

5. Income Tax Expense

Income tax expense is computed on the following schedule for the years ended

	1977		1976	
Current taxes:				
Federal	\$ 37,122			
State	<u>9,278</u>			
		\$ 46,400*		
Deferred taxes:				
Excess tax over book depreciation	38,127		21,341	
Research and development credit	7,434		2,144	
Capitalized taxes and other benefits, etc.	<u>12,465</u>		<u>1,400</u>	
		58,026		24,885
Investment tax credit:				
Deferred	28,949		54,371	
Amortization in payments credit	<u>1,618</u>		<u>1,677</u>	
		27,331		56,048
Total deferred taxes		<u>131,757</u>		<u>143,981</u>
Other items:				
Federal credit	(23,206)			
State credit	<u>(3,085)</u>			
		(26,291)*		(23,642)
Total income tax expense		<u>\$105,466</u>		<u>\$120,244</u>

*Deferred tax expense is computed on the following schedule for the years ended 1977 and 1976. The amount of income tax expense is computed on the basis of the tax return filed for the year ended 1977 and 1976. The amount of income tax expense is computed on the basis of the tax return filed for the year ended 1976 and 1975.

Deferred taxes are computed on the basis of the following schedule for the years ended 1977 and 1976.

Income tax expense is computed on the following schedule for the years ended 1977 and 1976. The amount of income tax expense is computed on the basis of the tax return filed for the year ended 1977 and 1976.

	1977	1976
Income tax expense	\$142,951	\$141,428
Amortization of investment tax credit	(41,681)	(41,681)
Amortization of research and development credit	(1,618)	(1,618)
Amortization of state and local taxes	1,382	1,382
Other items	(2,163)	(2,163)
State income tax expense	<u>6,595</u>	<u>6,595</u>
Total income tax expense	<u>\$105,466</u>	<u>\$120,244</u>

6. Short-Term Borrowings

The Company has lines of credit through various banks and financial institutions. These lines are used for working capital and other general purposes. The lines are subject to periodic review and renewal.

At December 31, 1977, the Company had \$1,000,000 of short-term borrowings outstanding, consisting of \$500,000 of bank loans and \$500,000 of commercial paper.

A summary of information relating to short-term borrowings is set forth below:

	1977
Amount outstanding at end of year:	
Bank loans - 7% and 8% (interest)	\$ 16,000
Commercial paper - average rate 7 1/4%	\$ 58,095
Maximum amount outstanding during the year	\$ 174,095
Average amount outstanding during the year	\$ 37,812
Lines of credit at end of year	\$ 60,090
Weighted average interest rate for the year	6.43%

7. Commitments and Contingencies

The Company has entered into various contracts and agreements that may result in future commitments. These include purchase orders, contracts for the purchase of raw materials, and other operating contracts. The Company also has various contingencies, including potential litigation and other legal matters.

The Company's management believes that the Company has sufficient resources to meet its obligations under these contracts and agreements. The Company also believes that the contingencies will not result in a material impact on the Company's financial position.

8. Quarterly Financial Data (Unaudited)

A summary of quarterly financial data for 1997 and 1998 is shown below in millions of dollars, except for per share data.

	1998	1997	1996	1995
Revenue	\$1,174	\$1,174	\$1,174	\$1,174
Operating Profit	\$187	\$187	\$187	\$187
Net Income	\$145	\$145	\$145	\$145
EPS	\$1.14	\$1.14	\$1.14	\$1.14
Dividends	\$0.10	\$0.10	\$0.10	\$0.10
Book Value	\$12.50	\$12.50	\$12.50	\$12.50
Free Cash Flow	\$150	\$150	\$150	\$150
Operating Assets	\$1,200	\$1,200	\$1,200	\$1,200
Operating Liabilities	\$1,000	\$1,000	\$1,000	\$1,000
Operating Equity	\$200	\$200	\$200	\$200
Operating Income	\$187	\$187	\$187	\$187
Operating Profit	\$187	\$187	\$187	\$187
Operating Loss	\$187	\$187	\$187	\$187
Operating Expense	\$187	\$187	\$187	\$187
Operating Income	\$187	\$187	\$187	\$187
Operating Profit	\$187	\$187	\$187	\$187
Operating Loss	\$187	\$187	\$187	\$187
Operating Expense	\$187	\$187	\$187	\$187

* Quarterly earnings are calculated on a weighted basis. Operating assets and liabilities are calculated on a weighted basis. Operating equity is calculated on a weighted basis. Operating income, operating profit, operating loss, and operating expense are calculated on a weighted basis. Operating income, operating profit, operating loss, and operating expense are calculated on a weighted basis.

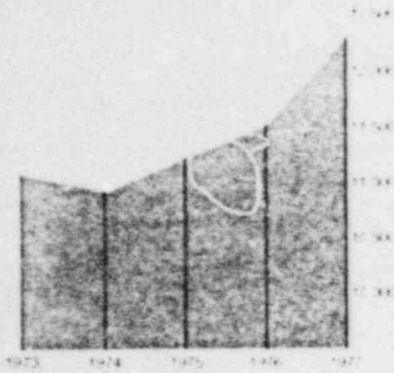
9. Current Replacement Cost (Unaudited)

A summary of current replacement cost data for 1997 and 1998 is shown below in millions of dollars.

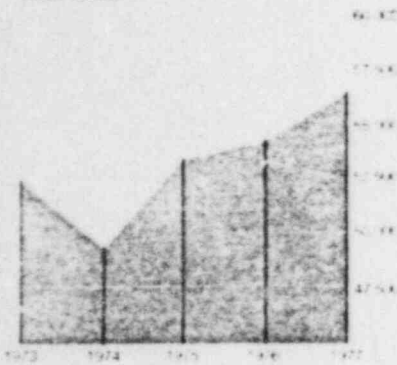
	1998	1997
Operating Assets	\$1,200	\$1,200
Operating Liabilities	\$1,000	\$1,000
Operating Equity	\$200	\$200
Operating Income	\$187	\$187
Operating Profit	\$187	\$187
Operating Loss	\$187	\$187
Operating Expense	\$187	\$187

Financial Review and Management's Analysis for the Years Ended December 31, 1977 and 1976

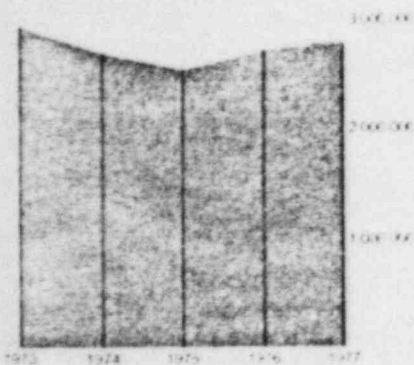
AVERAGE KWH CONSUMPTION
PER RESIDENTIAL CUSTOMER



AVERAGE KWH CONSUMPTION
PER GENERAL SERVICE
CUSTOMER



AVERAGE KWH CONSUMPTION
PER INDUSTRIAL CUSTOMER



The following table shows the average kWh consumption per residential customer, per general service customer, and per industrial customer for the years ended December 31, 1977 and 1976. The data is presented in thousands of kWh.

Year	Residential Customer	General Service Customer	Industrial Customer
1973	11,000	50,000	2,500,000
1974	11,000	48,000	2,200,000
1975	11,500	52,000	2,400,000
1976	12,500	55,000	2,600,000
1977	14,000	58,000	2,800,000

The increase in average kWh consumption per residential customer from 1976 to 1977 is primarily due to the installation of new residential service lines and the completion of the residential service line program. The increase in average kWh consumption per general service customer is primarily due to the installation of new general service lines and the completion of the general service line program. The increase in average kWh consumption per industrial customer is primarily due to the installation of new industrial service lines and the completion of the industrial service line program.

to pay net worth income security for 1972. The significant increase in interest rate yields for 1972 will increase quarterly dividend payments. Current dividend income is expected to be \$1.25 per share in 1972, compared to \$1.00 per share in 1971. The dividend is expected to be \$1.25 per share in 1973, compared to \$1.00 per share in 1972. The dividend is expected to be \$1.25 per share in 1974, compared to \$1.00 per share in 1973.

Several months' appreciation experience for 1972, and the company's addition to its equity position during the year, are to be taken into account in the calculation of the dividend. The dividend is expected to be \$1.25 per share in 1972, compared to \$1.00 per share in 1971.

The company's earnings for 1972 are expected to be \$1.25 per share, compared to \$1.00 per share in 1971. The company's earnings for 1973 are expected to be \$1.25 per share, compared to \$1.00 per share in 1972.

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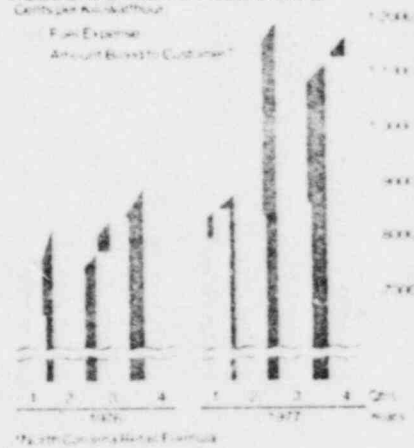
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FUEL EXPENSE VS FUEL BILLED



North Carolina Retail Fuel Use

EARNINGS PER SHARE BY QUARTER



Financing

To meet its capital requirements, the Company has financed its operations primarily with debt and equity. All of the Company's debt is secured by its capital through other types of transactions (dollars in thousands).

	1977	
	Gross Proceeds	Net Proceeds
Common stock		
Initial public offering	\$116,875	\$113,573
Secondary offerings		
Stock Purchase Savings Program for Employees	9,610	9,610
448,471 shares		
214,963 shares		
Dividend Reinvestment and Stock Purchase Plan	4,170	4,170
141,781 shares		
174,807 shares		
Employee Stock Ownership Plan	2,415	2,415
114,612 shares		
6,000 shares		
Total common stock	<u>133,070</u>	<u>129,768</u>
Preferred stock		
Series A preferred stock	50,000	49,702
Series B preferred stock		
Series C preferred stock	50,000	50,172
Total preferred stock	<u>100,000</u>	<u>99,874</u>
Debt financing		
Term loan	125,000	123,056
Commercial paper		
Total debt financing	<u>125,000</u>	<u>123,056</u>
Other financing		
Trust for the benefit of employees	1,000	1,000
Capitalized lease		
Other financing	1,000	1,000
Total other financing	<u>2,000</u>	<u>2,000</u>
Total financing	<u>\$359,070</u>	<u>\$353,698</u>

Stock Market Information

At the close of the trading day on December 31, 1977, the Company's common stock was listed on the New York Stock Exchange, Inc. and the American Stock Exchange, Inc. The following table sets forth the high and low closing prices of the common stock on the New York Stock Exchange, Inc. and the American Stock Exchange, Inc. for the years ended December 31, 1977 and 1976.

	1977		1976	
	High	Low	High	Low
Common stock				
New York Stock Exchange, Inc.	\$25 1/4	\$19 1/4	\$23 1/4	\$18 1/4
American Stock Exchange, Inc.	\$25 1/4	\$19 1/4	\$23 1/4	\$18 1/4
Preferred stock				
Series A	\$100	\$100	\$100	\$100
Series B	\$100	\$100	\$100	\$100
Series C	\$100	\$100	\$100	\$100

Summary of Operations

Duke Power Company

	1977	1976	1975	1974	1973
CONDENSED STATEMENT OF INCOME (thousands)					
Electric revenues					
Residential	\$ 424,081	\$ 372,348	\$ 324,437	\$ 269,116	\$ 217,715
Commercial service	256,439	227,807	200,292	164,567	127,748
Industrial	402,003	361,370	312,786	254,128	189,873
Wholesale and other energy sales	173,832	149,044	132,667	99,443	66,274
Other revenues	10,619	7,761	44,324	33,644	3,172
Total electric revenues	1,266,974	1,108,328	980,384	819,833	604,322
Electric expenses					
Fuel used in electric generation	493,818	399,770	338,024	333,399	191,861
Net interchange and purchased power (credit)	(318)	(28,815)	11,588	8,495	28,575
Other operation and maintenance	201,548	164,203	146,898	126,259	107,466
Depreciation	114,974	110,644	100,995	83,914	70,459
General taxes	95,309	85,215	75,757	64,710	49,776
Income taxes	131,757	143,424	97,542	55,380	34,293
Total electric expenses	1,037,088	874,941	782,588	672,157	482,430
Electric operating income	229,886	233,417	197,796	146,646	111,896
Other income					
Allowance for all funds used during construction	62,441*	61,725	54,794	62,159	59,489
Other income net (deduction)	8,223	4,847	1,469	5,096	1,043
Income taxes credit	26,291	22,863	21,789	16,044	15,436
Interest deductions	(134,492) [†]	(144,551)	(145,767)	(127,762)	(91,535)
Net income	192,349	173,291	117,143	102,044	96,229
Dividend on preference and preferred stock	38,879	34,480	34,311	28,134	27,454
Earnings for common stock	153,470	138,711	82,799	74,359	68,775
Dividends on common stock	103,755	87,248	70,449	58,443	54,014
Earnings retained for use in the business	\$ 49,715	\$ 51,463	\$ 12,350	\$ 15,916	\$ 14,761
AMTOS STOCK DATA					
Number of common shares outstanding (thousands)	65,430	64,500	64,621	64,844	66,781
Number of common shares held by the company	63,630	62,767	61,621	62,710	64,484
Market value of common stock					
Year ending	\$2,411	\$1,741	\$1,627	\$1,734	\$1,794
Year ending	\$1,633	\$1,225	\$1,411	\$1,411	\$1,441
Book value, year ending	\$20,53	\$19,62	\$18,96	\$19,47	\$18,44
Market value, high low, year ending	\$23 1/2 - 19 1/2	\$18 1/2 - 14 1/2	\$15 1/2 - 11 1/2	\$17 1/2 - 13 1/2	\$18 1/2 - 14 1/2
PERFORMANCE RATIOS					
Return on assets without sales (thousands)					
Residential	12,462	11,327	10,496	10,336	10,194
Commercial service	8,623	7,487	7,227	7,361	7,227
Industrial	19,188	16,317	14,736	12,227	10,816
Wholesale and other energy sales	8,575	7,430	7,174	5,386	4,211
Total return on assets	48,848	42,561	40,633	35,310	32,448
Operating customer miles, year ending					
Residential	1,024,712	993,371	969,662	947,114	924,711
Commercial	168,351	161,364	154,386	147,111	140,111
Total customers	1,193,063	1,154,735	1,124,048	1,094,225	1,064,822
Residential customer data					
Average annual kWh use	12,260	11,576	11,127	10,447	9,711
Average revenue credit per kWh	3,406	3,192	3,064	2,872	2,661
Number of employees, year ending					
Operating and maintenance	8,816	8,947	8,227	8,119	7,944
General plant construction and engineering	6,782	6,214	5,529	5,114	4,711
Source of energy, millions of kWh					
Generated - Coal	37,184	35,475	34,222	34,451	33,221
Nuclear	13,008	12,974	13,287	13,241	13,111
Hydro	1,852	1,861	2,736	2,329	2,221
Oil and gas	303	773	57	7,346	3,566
Net interchange and purchased power	31	1,666	7,761	8,611	8,414
System loss rate	9.743	9.616	9.777	9.759	9.711
System load factor	62.0%	61.8%	62.6%	61.1%	61.2%

Note 1 Item A - Additions to Electric Plant - of notes to financial statements for 1977 changes in financial statement presentation

Subsidiaries

Timberland & Timberland

In the recent 10-year period, the two companies have acquired more than 100 million acres of timberland. Over the past 10 years, the two companies have acquired more than 100 million acres of timberland. Over the past 10 years, the two companies have acquired more than 100 million acres of timberland.

Timber harvesting and reforestation continued to be the primary functions of the subsidiary in 1977. Over the past 10 years, the two companies have acquired more than 100 million acres of timberland. Over the past 10 years, the two companies have acquired more than 100 million acres of timberland.

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Approximately 1 billion dollars of cash were received by Duke from the Fairview merger in 1977, representing about 10 percent of Duke's total capital requirement for 1977. Although 100 million dollars of cash were received from the merger, the majority of the cash was used to pay for the purchase of the Fairview merger. The cash was used to pay for the purchase of the Fairview merger.

Midwest Power & Light

Over the past 10 years, the two companies have acquired more than 100 million acres of timberland. Over the past 10 years, the two companies have acquired more than 100 million acres of timberland.

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Subsidiary Investments

	1977	1976
Property and investments - at cost		
Real estate, recreational and development	\$ 32,126	\$ 11,724
Coal mining	109,051	112,414
Net current assets, principally receivables and inventories	<u>9,543</u>	<u>7,251</u>
Total assets	\$150,720	\$131,389
Long-term notes	(33,977)	(33,977)
Coal production commitments	(45,472)	(45,472)
Deferred income taxes	<u>(31,324)</u>	<u>(31,324)</u>
Total liabilities	(110,773)	(107,773)
Parent company investments and advances	39,947	36,754
Net advances to (from) parent	<u>474</u>	<u>4,750</u>
Net assets of subsidiaries	<u>\$ 40,421</u>	<u>\$ 33,109</u>

Board of Directors

- **CLARE HATHORN JR.**
Chairman and Chief Executive Officer
Duke Power Company
- **WILLIAM A. ALBANESE**
Dean, School of Home Economics
University of North Carolina at Greensboro
- **DOUGLAS W. BROTH**
Executive Vice President
Duke Power Company
- **THOMAS H. DAVIS**
President and Treasurer
Piedmont Aviation, Inc.
- **DR. ROBERT C. EDWARDS**
President
Clemson University
- **JOHN L. TRALEY**
Vice Chairman and Chief Executive Officer
Carolina Freight Carriers Corporation
- **WILLIAM H. GROG**
Senior Vice President
Legal and Finance
Duke Power Company
- **PAUL H. HENSON**
Chairman of the Board
United Telephone Communications

- **JOHN D. HICKS**
Senior Vice President
Public Affairs
Duke Power Company
- **ROBERT HOLLIFIELD**
Chairman of the Board
Southern Bell Corporation
- **HERMAN W. LAY**
Chairman of the Executive Committee
PepsiCo, Inc.
Soft drinks, soft drinks, snack foods, sports drinks, wines, and transportation services
- **WILLIAM S. LEE**
Executive Vice President
Duke Power Company
- **BUCK MICKEL**
Chairman of the Board
Duke International Corporation
Industrial and Commercial Real Estate

- **WALTER A. OVERCAMP**
Executive
American Telephone and Telegraph Company
Chairman of the Board
Southern Bell Corporation
- **JOHN J. WELLS**
President and Chief Executive Officer
Duke Power Company
- **WILLIAM L. WILKINSON**
Formerly Chairman of States Trust and Investment
- **WALTER T. WOODS**
Executive Vice President
Hospital and Health Plans
Duke Power Company
- **WILLIAM WALKER**
Formerly Chairman and President
Walt Whitaker Enterprises, Inc.

Chairman of the Board.
The following management changes were made during 1977:
John D. Hicks, from Vice President Corporate Affairs, to Senior Vice President Public Affairs; Steve C. Griffin, Jr. from General Counsel to Vice President and General Counsel; Robert J. Ashmore from Assistant to the Senior Vice President, Legal and Finance to Assistant Vice President, Finance Administration; Robert L. Henson from Manager Electrical

Construction and Construction Services to Senior Vice President, Construction; Bruce W. Hinkle from Manager, Transmission Lines to Assistant Vice President, Transmission; Henry D. Bland, Jr. from Vice President, Production and Transmission to Chief, W. T. Anderson, Jr. was named first vice president of Duke Power Supply Company, succeeding Thomas J. Garrett who retired. Also retiring in 1977 was Carl J. Bland, vice president, Real Estate.

During 1977, the following appointments were made to the Board: Dr. William A. Albanese, Dean of the School of Home Economics, University of North Carolina at Greensboro; Douglas W. Broth, Executive Vice President of Duke Power Company; Thomas H. Davis, President and Treasurer of Piedmont Aviation, Inc.; Dr. Robert C. Edwards, President of Clemson University; John L. Traley, Vice Chairman and Chief Executive Officer of Carolina Freight Carriers Corporation; William H. Grog, Senior Vice President of Legal and Finance of Duke Power Company; Paul H. Henson, Chairman of the Board of United Telephone Communications; John D. Hicks, Senior Vice President of Public Affairs of Duke Power Company; Robert Hollifield, Chairman of the Board of Southern Bell Corporation; Herman W. Lay, Chairman of the Executive Committee of PepsiCo, Inc.; William S. Lee, Executive Vice President of Duke Power Company; Buck Mickel, Chairman of the Board of Duke International Corporation; Walter A. Overcamp, Executive of American Telephone and Telegraph Company; John J. Wells, President and Chief Executive Officer of Duke Power Company; William L. Wilkinson, Formerly Chairman of States Trust and Investment; Walter T. Woods, Executive Vice President of Hospital and Health Plans of Duke Power Company; William Walker, Formerly Chairman and President of Walt Whitaker Enterprises, Inc.

Officers

ANDREW G. BUCK
 Chairman of the Board
 and Executive Officer

E. B. PARKER
 President
 Chief Operating Officer

DOUGLAS W. BENTH
 Executive Vice President

WILLIAM E. LEE
 Executive Vice President

WILLIAM H. BRIDGES
 Senior Vice President
 Chief Financial Officer

JOHN J. HIGGINS
 Senior Vice President
 Chief Engineer

WILLIAM J. WELLS
 Senior Vice President
 Chief Marketing Officer

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

WILLIAM H. WOOD
 Senior Vice President
 Chief of Compliance

WILLIAM J. CRAWFORD
 Senior Vice President
 Chief of Legal Affairs

THOMAS J. BENTH
 Senior Vice President
 Chief of Human Resources

ROBERT J. COOK
 Vice President
 Controller

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

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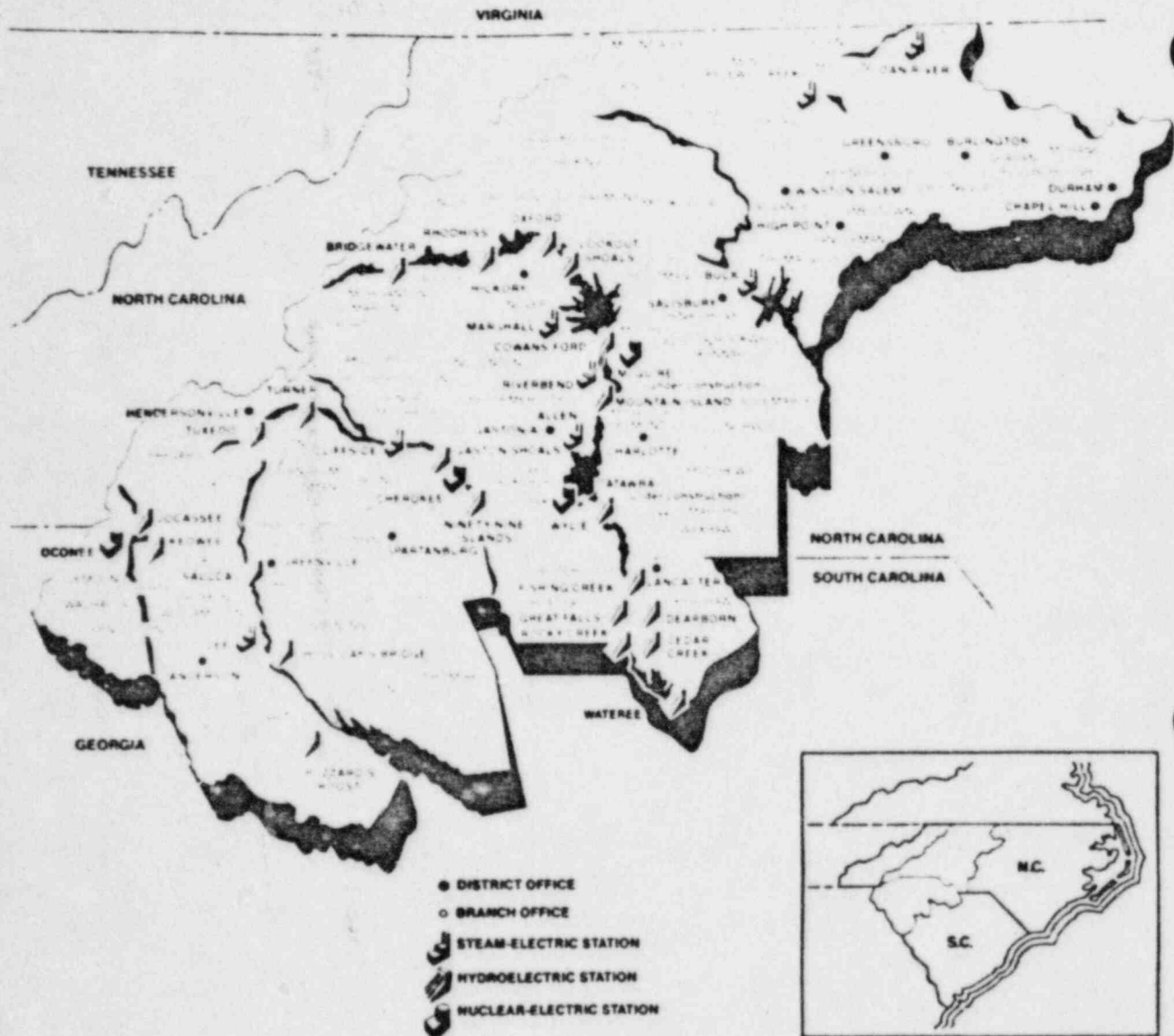
JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

JOHN J. ANDERSON
 Senior Vice President
 Chief Information Officer

Duke Power Service Area



About Your Company

Duke Power Company is an investor-owned electric utility serving approximately 1,200,000 customers in North Carolina and South Carolina. Its service area encompasses some 20,000 square miles through the Piedmont sections of the two states. Retail customers are served locally through 96 district and branch offices.

In addition to selling electricity directly to its own retail customers, the company sells bulk electricity to 55 major wholesale

customers, primarily municipal electric systems and rural cooperative electric systems. In 1977, sales to wholesale customers represented approximately 14.8 percent of the company's sales.

During the 12 months ended December 31, 1977, Duke's electric revenues were \$1,266,574,000, of which approximately 70 percent was derived from sales in North Carolina and 30 percent from sales in South Carolina.

Duke Power has four active subsidiaries - Crescent Land & Timber Corp., land management; Mill Power Supply Company, wholesale distribution of electrical equipment (also serves as purchasing agent for Duke); Eastover Land Company, coal property management; and Eastover Mining Company, coal mining.

Duke Power Company
P.O. Box 2176
Charlotte, N.C. 28242

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