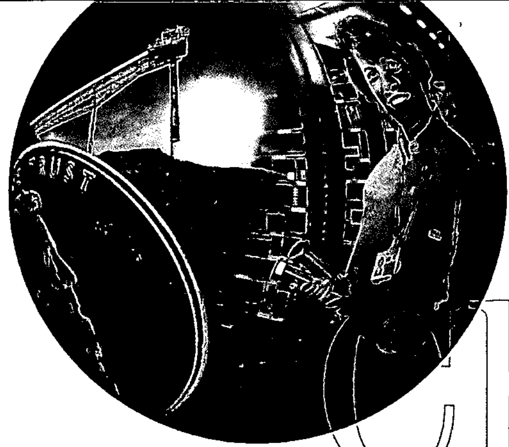
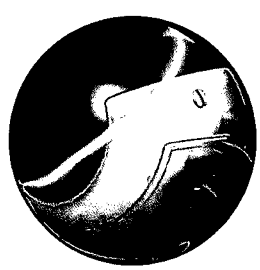
Carolina Power & Light Company

1995 Annual Report



Changing

Reaching



Achieving

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"We believe CP&L has the ability to grow earnings while enhancing its competitive position."

– Steve Fleishm
Dean Wit

About the cover

Success in today's increasingly competitive marketplace requires focus and flexibility. At CP&L, we're committed to achieving world-class performance and have developed a plan to do so. This report highlights the five-part Strategic Plan we implemented in 1995 to guide us for future success.

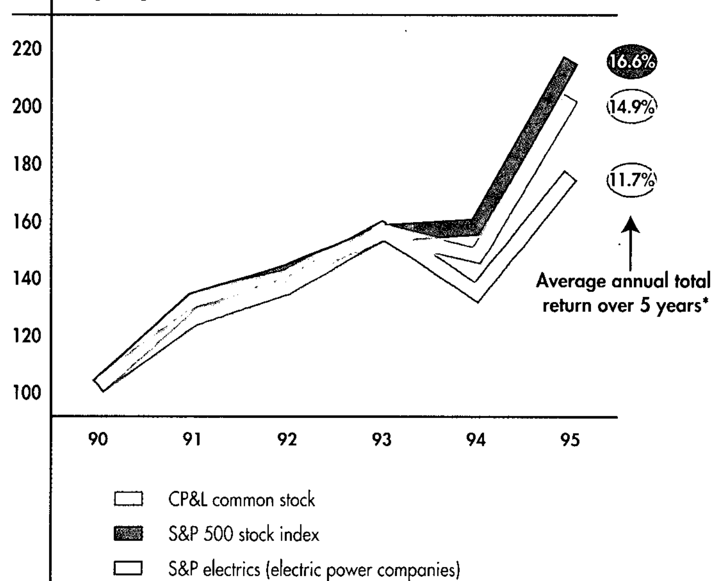
Financial highlights

(dollars in thousands except per share data)	1995	1994
Consolidated financial data		
Operating revenues	$ 3,006,553	$ 2,876,589
Net income	$ 372,604	$ 313,167
Operating data		
Energy sales *(millions of kWh)*	49,890	45,572
System peak demand *(thousands of kW)*	10,156	10,144
Common stock data		
Earnings per common share	$ 2.48	$ 2.03
Dividends paid per common share	$ 1.76	$ 1.70
Book value per common share	$ 17.95	$ 17.59
Market value per common share *(closing)*	$ 34 ½	$ 26 ⅝
Average common shares outstanding *(thousands)*	146,232	149,614
Return on average common stock equity *(percent)*	13.87	11.55
Number of employees at year-end	7,203	7,769

"Earnings and dividend growth for CP&L are superior to that of the industry."

– Nathan Partain
Duff & Phelps
Equity Research

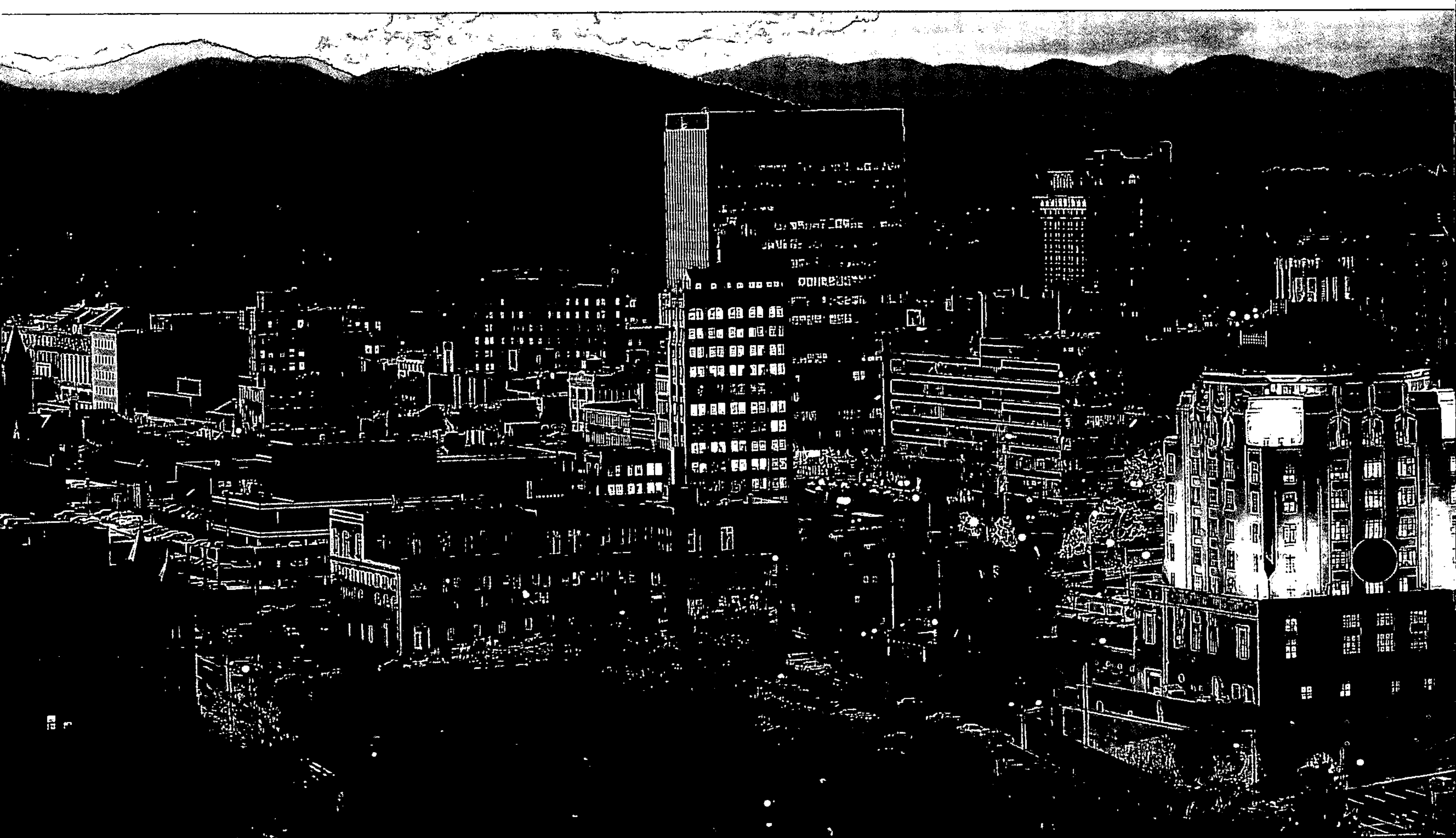
Value of $100 investment over 5 years*
(beginning 12/31/90)



CP&L continues to outperform industry peers. The company's stock price rose nearly 30 percent in 1995, while the Standard & Poors Electrics rose 23 percent.

\$100 invested on 12/31/90 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

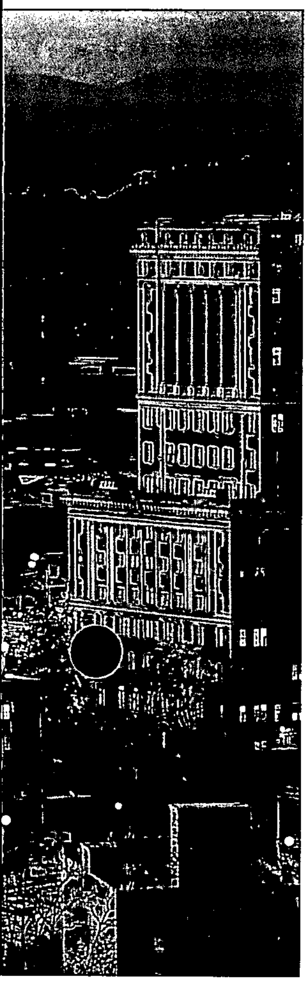
Service area growth remains strong



The Carolinas frequently are cited for their favorable business environment and quality of life. Asheville, N.C., located in CP&L's Western Region, continues to draw new and expanding businesses and boasts a thriving tourism industry.

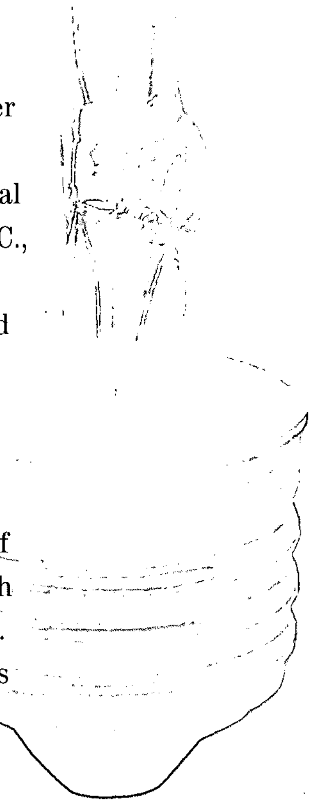
Our mission

It is the mission of Carolina Power & Light Company to provide the best electric service to present and future customers at the lowest rates consistent with fair compensation to employees, a fair return to those who have invested in the company, safety for employees and the public, reasonable protection of the environment, and development of technology to provide future service. Through the development and contribution of all employees, to the maximum of their potential, the company will assure total quality performance that results in the highest achievable levels of customer satisfaction and recognition for excellence.

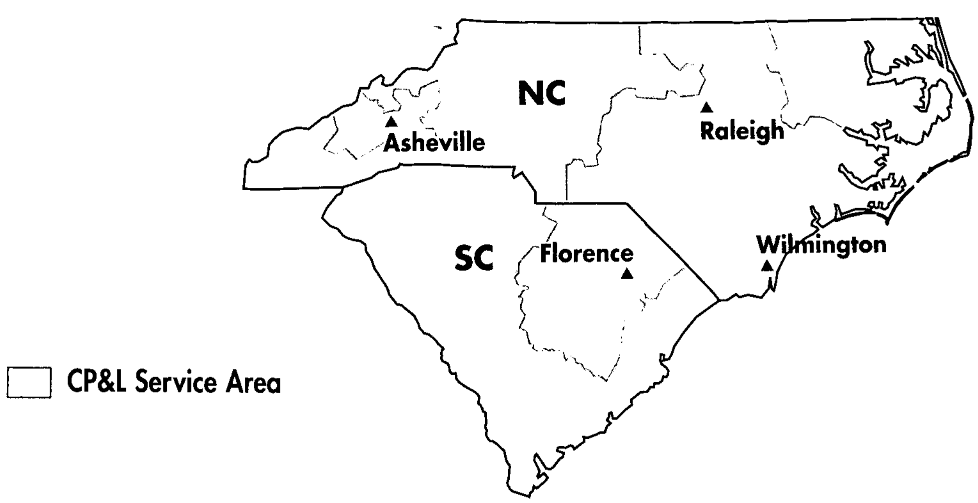


About the company

Carolina Power & Light provides electric power to approximately one million customers in eastern and western North Carolina and central South Carolina. Headquartered in Raleigh, N.C., we serve a 30,000-square-mile territory with a population of more than 3.75 million. Founded in 1908, the company is one of the 20 largest electric utilities in the nation as measured by stock market value.



Our 16 power plants represent a flexible mix of fossil, nuclear and hydroelectric resources with a total generating capacity of 9,613 megawatts. CP&L's strategic geographic location facilitates purchases and sales of power with many other electric utilities, allowing us to serve our customers more economically and reliably.



Strong performance marks 1995

William Cavanaugh III, President and Chief Operating Officer, standing, and Sherwood H. Smith, Jr., Chairman and Chief Executive Officer.

CP&L made great strides in 1995. In fact, it was a record year in operating performance, earnings and reduced costs for customers.

Compared to 1994, energy sales increased by 9.5 percent, and operating revenues rose 4.5 percent to $3.0 billion. Net income was $372.6 million, and earnings per common share were $2.48. This compares to net income of $313.2 million and earnings per share of $2.03 in 1994. The market price of the company's common stock substantially outperformed the industry average.

Based on financial strength, the company's board of directors voted in December 1995 to increase the quarterly dividend from 44 to 45.5 cents per common share.

We attribute many of our successes in 1995 to two things: a clear vision and well-defined plan for achieving it. This report will address the steps your company took to fulfill its vision.

A five-part strategy to achieve our vision

During 1995, we implemented a five-part Strategic Plan that will direct our actions through 1999. The strategies address lowering costs, increasing sales, creating shareholder value, defining our industry and emphasizing performance.

We recognize that the electric utility industry of the future may be somewhat different from what it is today, especially with more competition and changes in regulation. That's why CP&L's strategies focus on factors that contribute to success in a changing environment. Details of our 1995 performance in pursuing each strategy follow in this report. The company's general position on proposed industry changes is outlined on pages 14 and 15.

"CP&L will be a leader in the electric utility industry measured in terms of the cost, reliability and quality of operations, service to customers and returns to our investors."

— CP&L vision

Benchmarking best practices

Of course, gauging success requires a measuring stick. During 1995, we continued a comprehensive benchmarking study begun in 1994 to identify the best practices of industry leaders. Benchmarking is one way we are fundamentally changing our processes and practices to manage our costs and improve effectiveness over the long run. T[illegible] following measurements show how CP&L will assess its success in achieving the company's goals.

▲CP&L's nuclear plants set generation record ▲company's stock increases by 30 percent, outperforms industry ▲77 employees receive Quality Achievement Awards ▲customers set all-time peak-demand record ▲benchmarking initiative identifies best practices ▲employees set national safety record ▲energy sales increase 9.5 percent

How we measure success:

▲ Our total cost of operations will be among the lowest 25 percent of an Eastern U.S. utilities peer group.

▲ Our nuclear safety performance will be in the top 25 percent of U.S. nuclear plants.

▲ Growth rate in kilowatt-hour sales will be in the top 25 percent of an Eastern U.S. utilities peer group.

▲ The total shareholder return on CP&L's stock will be in the top 25 percent of the Standard & Poors Electrics.

▲ We will be a leader in customer satisfaction.

▲ Our corporate culture will be performance-oriented and reflect an empowered and successful work force.

Here's how we fared in 1995:

▲ CP&L ranks in the second quartile in total cost of operations. The company is on track to achieve its goal of being in the first quartile or among the 25 percent lowest-cost producers in 1996.

▲ The company's three nuclear stations achieved a combined capacity factor of 86 percent and met CP&L's goal for safe performance. The Brunswick Nuclear Plant earned a superior rating in all areas assessed by the Nuclear Regulatory Commission in June. Both the Brunswick and Harris plants now hold the superior rating, a performance level attained by fewer than one in six U.S. commercial nuclear power plants. In December 1995, the Brunswick Plant exceeded the world record for the longest continous operation of a boiling-water reactor.

▲ Kilowatt-hour sales grew by 9.5 percent compared to 1994, making CP&L an industry leader in growth among Eastern U.S. electric utilities. Our average revenue, or cost to retail customers, per kilowatt-hour declined from 6.64 to 6.49 cents.

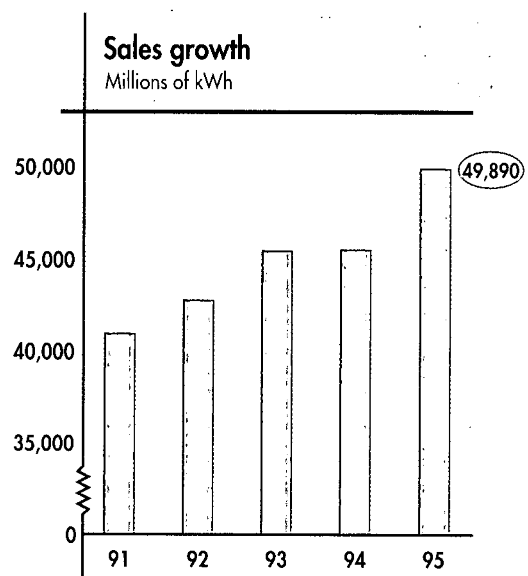
▲ CP&L stock generated a total shareholder return (dividends and market value increase) of 38 percent, compared to 31 percent for the Standard & Poors Electrics.

▲ Our customer satisfaction index was 97 percent.

▲ Measures used to assess company performance reflect an empowered work force. Our Employee Satisfaction Survey showed continued improvement in several key areas including empowerment, performance management and communications about company activities and our plans for the future. Employees achieved almost every corporate incentive goal, which reflects a strong commitment by our employees to achieving the company's vision.

Committed to economic development

The Carolinas continue to attract national and international attention as two of the best states in which to live and work. North Carolina and South Carolina ranked among the top five states in increased jobs per capita, according to the most recent study conducted for the Industrial Development Research



Total energy sales increased by 9.5 percent over 1994, reflecting the economic strength of CP&L's service area, increased bulk power sales and favorable impacts due to weather.

Council. The same study also ranked the Carolinas among the top six for new manufacturing plants.

Over the last five years, CP&L's service area has averaged 100 announcements of new and expanded industry. That means an average of 8,000 new jobs and more than $1 billion in capital investment each year. Our service area includes a well-developed transportation network and renowned university and community college systems. It also features the internationally recognized Research Triangle Park in central North Carolina, a developing Global TransPark in eastern North Carolina and strong and balanced economic development centered around Florence, S.C., Wilmington, N.C., and Asheville, N.C.

During 1995, a diverse mix of domestic and foreign-based corporations chose to locate in our service area or to expand existing facilities there. Mountain Air Cargo, an aircraft maintenance facility in the Global TransPark, and Corning Bio, a pharmaceutical testing facility in the Research Triangle Park, are two examples of companies new to our service area. Examples of expansions include Corning's fiber optics plant in Wilmington, N.C., Martin Color-Fi, Inc.'s plastic fiber facility in Sumter, S.C., and Quaker Oats' food products operation in Asheville, N.C.

Corporate values

- ▲ We conduct our business with integrity.
- ▲ We perform to the highest standard of excellence.
- ▲ We deliver superior value for our customers.
- ▲ We create shareholder value.
- ▲ We are committed to the safety of employees and the public.
- ▲ We maintain respect, trust and fairness among our employees.
- ▲ We support the communities that we serve.
- ▲ We are stewards of the environment.

Partnerships built on corporate values

CP&L's success is linked to eight corporate values that enable us to create strong partnerships with our customers, business associates and one another. During 1995, we built on these values to strengthen our work force — one of our chief competitive advantages. We continued to apply the principles outlined in the company's Human Resource Plan to help employees expand their skill base and further develop their leadership abilities.

Prepared to win in a fast-changing industry

CP&L has what it takes to succeed in today's changing electric utility industry. We have a vision, a plan for achieving our vision and the people who can make our vision happen. Leadership in cost, safety, operational performance, growth in kilowatt-hour sales and total shareholder return play a vital role in the company's continued success. We have strategies in place to address each of these goals.

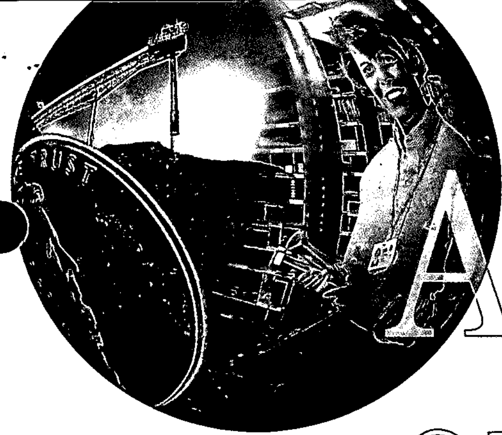
CP&L is already a premier electric utility. We intend to build on our success by creating an even better future for our customers, shareholders and employees.

Sherwood H. Smith, Jr.

Chairman and Chief Executive Officer

William Cavanaugh

President and Chief Operating Officer



Achieving our vision

CP&L intends to remain a leader in the electric utility industry — a leader in cost, reliability and quality of operations, service to customers, success for employees and returns to investors. Our Strategic Plan is our guide for succeeding in the electric utility business, while making the changes necessary for continued competitive success. The plan includes the core values that are the essential and enduring principles of our business. The following pages provide an overview of key developments related to achieving each of the five strategies in 1995.

CP&L's Strategic Plan — 1995-1999

Strategy #1
We will aggressively lower costs while emphasizing high levels of performance, safety and environmental stewardship.

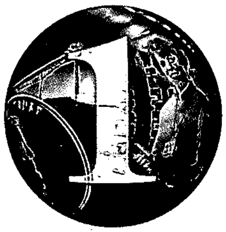
Strategy #2
We will aggressively market electricity to significantly increase profitable sales.

Strategy #3
We will create superior value for our shareholders.

Strategy #4
We will control our destiny by defining our industry.

Strategy #5
We will emphasize a performance-oriented culture.

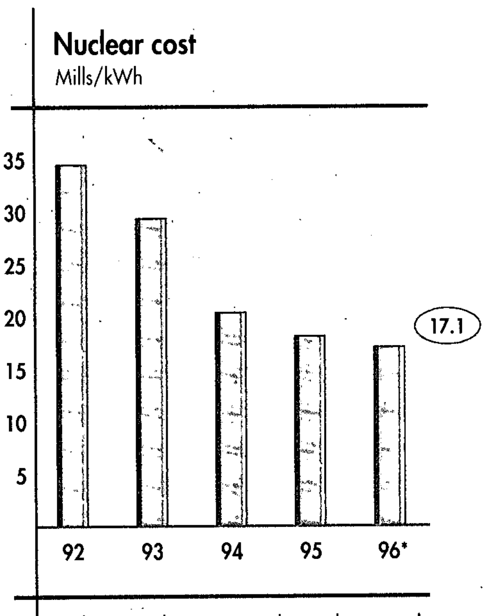
Cost-reducing efforts save millions



As our industry experiences increasing competition, CP&L continues to find ways to lower costs while maintaining quality, performance, safety and environmental values.

Fuel costs are the largest single component of our production expense. Last spring, we negotiated a new contract with our largest coal supplier. CP&L and its customers will save millions of dollars over the contract's duration.

Improvements in nuclear generating performance also reduced the company's total fuel costs, thereby reducing customer bills and increasing company profits. In December, the Brunswick Nuclear Plant's Unit 2 set a new world record of 581 days for continuous operation by a boiling-water reactor, exceeding the previous record of 533 days. The Brunswick Plant has set new annual total generation records for the last two years.



Nuclear production costs have decreased by 48 percent since 1992 due to aggressive cost management and superior nuclear performance.

*Projected cost

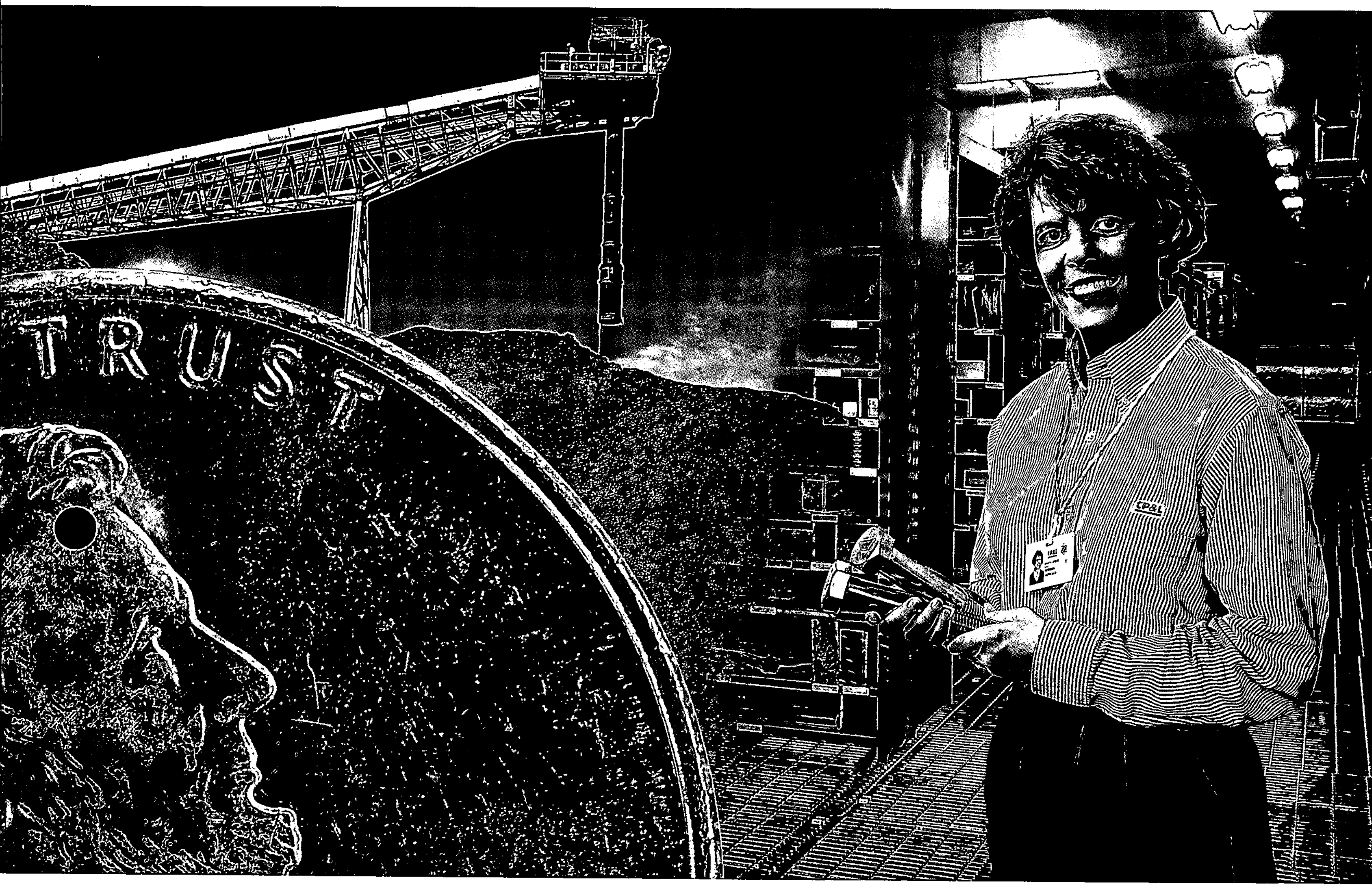
Through a shared-resources initiative, we're also saving millions of dollars by sharing employees and equipment at different locations around our system. "During several planned outages at our fossil and nuclear plants last year, we rotated employees from one plant to another to work outage jobs," said W.S. (Skip) Orser, executive vice president-Nuclear Generation. "We're using fewer contractors, performing higher-quality work and increasing employee skills."

During 1995, efforts to identify best industry practices and reassess staffing needs revealed several improvements that promise short-term and long-term cost savings. By combining these initiatives with information technology projects in transmission, marketing, customer service and human resources, we expect to reduce operating costs further in 1996.

A continuing emphasis on safety not only safeguards employee and the public's well-being, but also lowers costs. Working safely saves the company money that would be lost to employee sick time, property and equipment damage,

PowerFacts

- ▲ Company earns state and federal tax credits on about $27 million in new affordable housing efforts
- ▲ CP&L wins national energy-conservation award for building energy-efficient homes for needy families in the Carolinas with Habitat for Humanity
- ▲ Fossil plant sulfur dioxide emissions are among the lowest in the Southeast under Phase 1 of the Clean Air Act



downtime, work delays, interruptions and more. CP&L is a leader in our industry in workplace safety. We set a new electric utility industry record in December when employees worked more than 13.5 million continuous safe hours during 1995.

We are equally committed to environmental stewardship. In 1995, CP&L received a "Return on Environment" Partnership Award from Betz Laboratories. The award recognized the Harris Nuclear Plant's success in solving environmental challenges, while improving profitability.

One way CP&L saved money in 1995 was by sharing resources — using employees and equipment from other locations to support planned outages. Pat Freeman, a technical aide at CP&L's Weatherspoon Plant, cleaned and issued turbine bolts during the Harris Plant outage. We further lowered costs by renegotiating our contract with our largest coal supplier. Both efforts saved the company millions of dollars.

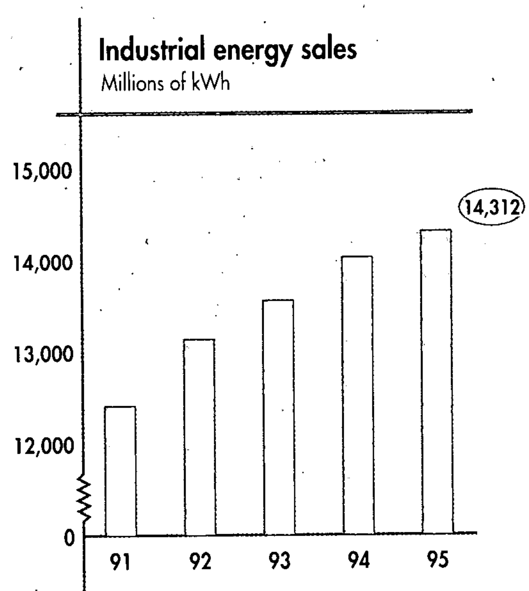
Strategy #2 Increase profitable sales

Systemwide sales increase 9.5 percent

During the summer heat wave, CP&L customers set a new peak-demand record — 10,156 megawatts on Aug. 14. Not only did we meet our customers' electricity demand, we provided power to other areas in need.

In 1995, we increased our efforts in the bulk-power market. Our power marketers scanned the bulk-power market for profitable sales opportunities each day. Their endeavors exceeded our sales goal by $1 million.

We also set and surpassed ambitious marketing goals for 1995 sales of outdoor lights, water heaters and high-efficiency electric heat pumps. In fact, our efforts exceeded all of our company's sales goals.



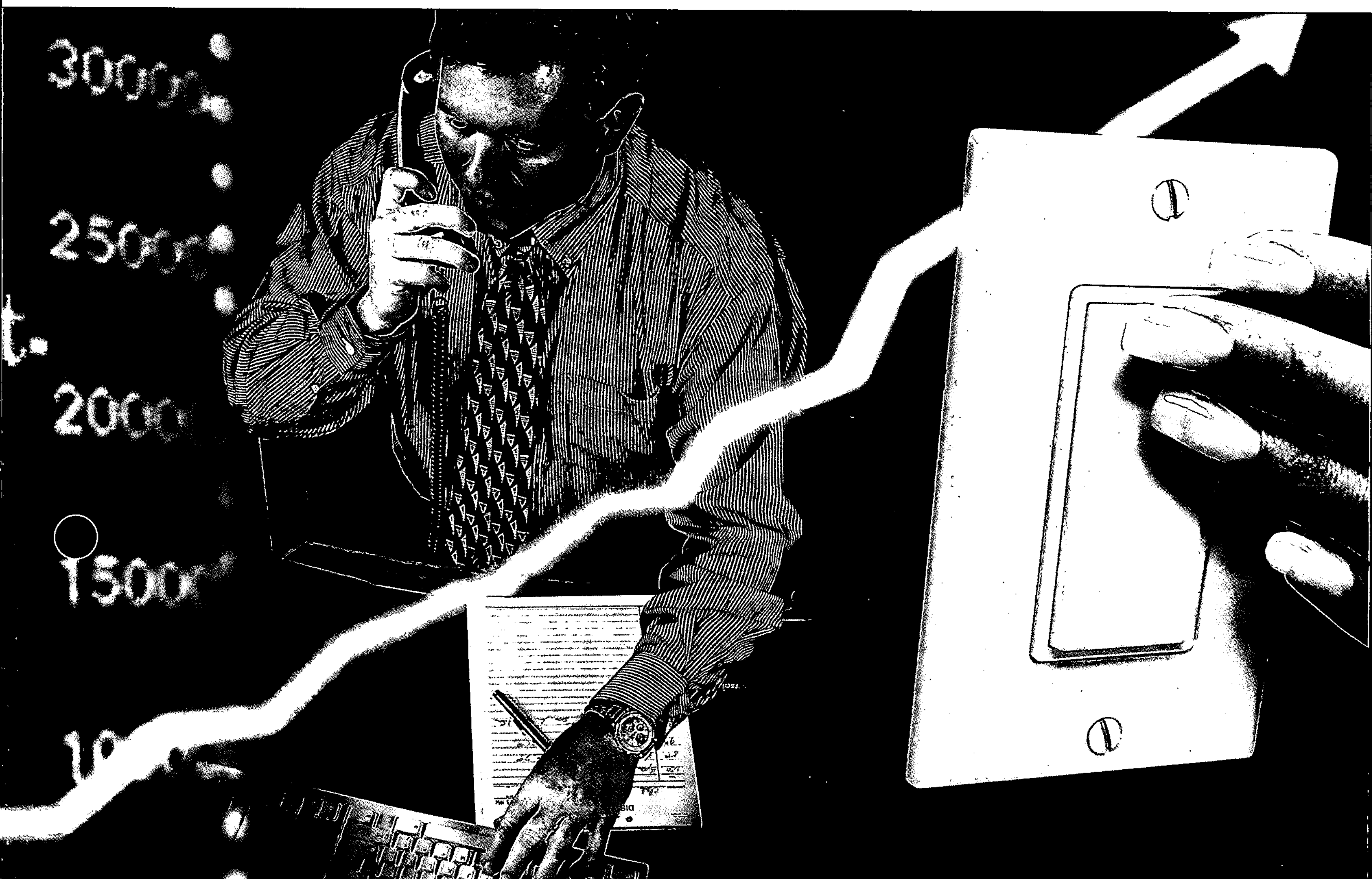
Sales to industrial customers continue to show solid growth. A recent study ranked the Carolinas among the top five states in increased jobs per capita.

One way we promoted the use of electric equipment was targeted direct marketing, a cost-effective alternative to traditional mass-media advertising. Campaigns promoting heat pumps generated four times the responses of the average direct-mail campaign.

To enhance customer service and satisfaction, we opened a TeleSupport Center. Operators answer phone calls related to sales campaigns and initiate calls to promote other company marketing programs. Because of the services provided by the TeleSupport Center employees, sales representatives have more time for one-on-one contact with customers.

We place a high priority on listening to our customers and maintaining close relations with them. Last year, CP&L President and Chief Operating Officer Bill Cavanaugh met individually with many of our large industrial customers throughout our service area.

- ▲ Awarded contract for state-of-the-art, 95,000-square-foot Customer Service Center in Raleigh
- ▲ North Carolina and South Carolina rank in the top seven in business locations, according to *Plants Sites & Parks*
- ▲ CP&L adds nearly 30,000 customers for year
- ▲ Fifteen employees inducted into CP&L's Council of Leaders in recognition of sales and marketing excellence



"These visits help us gain a better understanding of our customers' plans and concerns," Cavanaugh said. "Getting to know your customers and being absolutely committed to customer service is a prerequisite if you're [illegible]g to be successful in business today."

The telephone is Ken Clark's main tool for helping CP&L increase sales. Clark is one of several marketers who rotate duty on the Marketing Desk at CP&L's Energy Control Center in Raleigh. Each day, he scans the market for opportunities to sell power in bulk to other utilities. The company's bulk-power sales increased by 228 percent in 1995.

Strategy #3 Create shareholder value

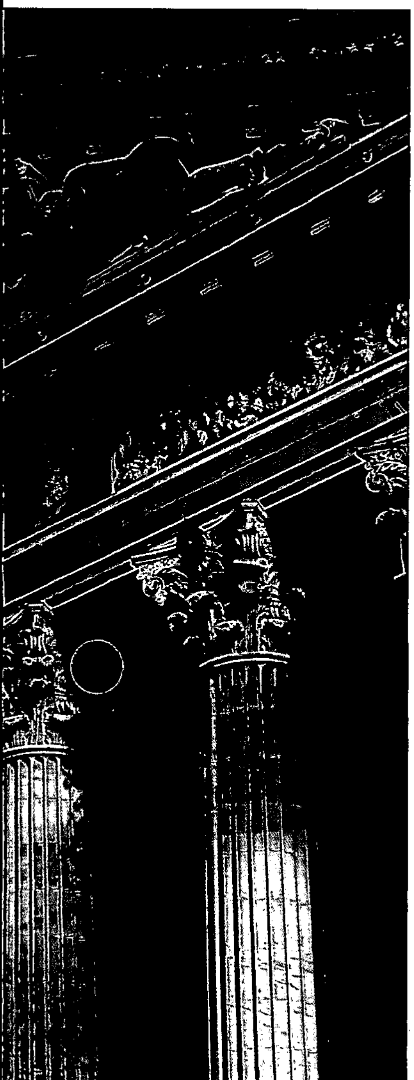
CP&L stock outperforms industry

CP&L Treasurer Peggy Glass and Investor Relations Analyst Phil Armstrong help our company create shareholder value by communicating CP&L's performance, strategy and prospects to the financial community. They regularly meet with investment analysts to report on the company's progress.

To create additional shareholder value, companies must improve net operating profits. They do so by increasing sales, reducing costs and managing their businesses efficiently. All the changes we are making at CP&L are designed to take us to the top of our industry and keep us there.

In 1995, we increased sales to all three major customer groups: residential, commercial and industrial. We ended the year up 9.5 percent over 1994, a reflection of continued strong

- Analysts rank CP&L third among electric utilities on such factors as ability to reduce costs, and increase productivity and revenue
- Tax Department formed to increase the focus on tax consequences of company's financial transactions



customer growth. Commercial and industrial sales increased systemwide, 6.7 and 2 percent, respectively, reflecting the strong economy of the company's service area.

By improving operations (especially nuclear operating performance) and lowering fuel costs, CP&L was able to reduce the fuel cost portion of customers' bills. Decreasing all operating costs was another major focus for the year. "All departments in the company identified efficiency improvements, and our plants reduced their reliance on outside contract labor," said Glenn Harder, CP&L's executive vice president and chief financial officer. "Both activities translated to cost savings."

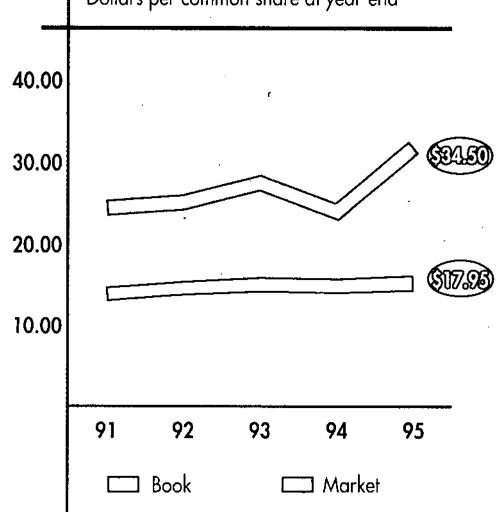
Although we are adding peaking generation to meet projected growth, we are looking closely at ways to minimize all required capital investments. CP&L continues to review its Clean Air Act compliance strategy to make sure it is as cost effective as possible.

We continue to look for ways to enhance our electric utility business through strategic investments. Our investment in affordable-housing developments, begun in 1992, provides CP&L with an attractive financial return through tax credits, while helping to meet a housing need in many of the communities we serve.

All of these actions contributed to the increase in the market price of our common stock. The numbers speak for themselves. CP&L stock finished the year up nearly 30 percent, outperforming industry averages by more than 6 percent. In addition, we raised the quarterly dividend from 44 to 45.5 cents per common share. That makes the 13th increase in 14 years.

Market and book value

Dollars per common share at year-end



CP&L's market to book ratio increased in 1995. It reflects investor confidence in the company's prospects for the future.

We understand fully what creates value for our shareholders and our customers. We will continue to seek ways to reduce costs and to increase profitability to support dividend growth and stock price appreciation.

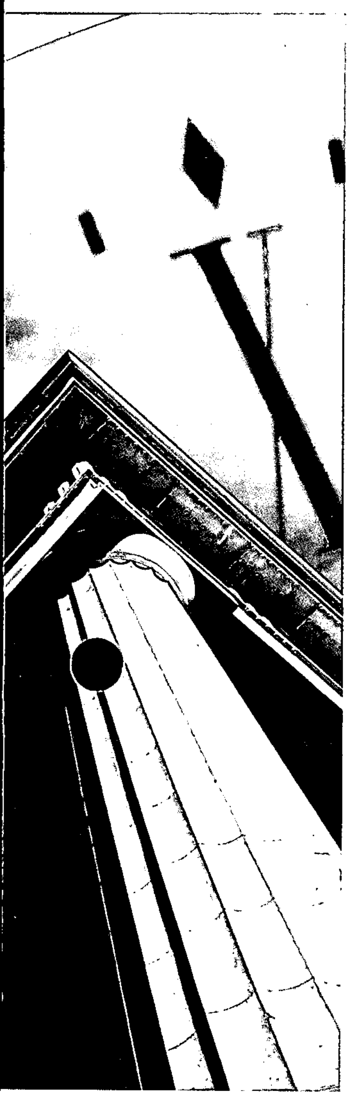
Strategy #4 Define our industry

Company promotes industry views

To position our company for success in an increasingly competitive environment, we're taking an active role in defining our industry. Gene Upchurch, Public Affairs director, and Sally Dixon, a Rates and Energy Services senior analyst, are among those employees working with policy-makers to shape the industry of the future.

The debate about how to regulate, or whether to deregulate, the electric utility industry intensified in some parts of the country in 1995. CP&L supports both regulatory and competitive rules that are fair to all customers and treat investors justly. Deregulation proposals such as "retail wheeling" could disassemble a system that has worked extremely well for many decades in the Carolinas and across the country. Our existing

- CP&L establishes local community relations councils to place greater emphasis on community relations activities
- Company hosts regional meetings for retired employees to discuss industry issues, changes within CP&L



regulatory system has provided quality services at prices below the national average for many years. Under some retail wheeling proposals, certain large customer groups could get lower costs at the expense of higher rates to small businesses and residential customers.

CP&L recognizes the value of progressive regulatory change. We also recognize that we will operate in an increasingly competitive industry. We advocate gradual, carefully studied and understood changes that benefit all customers. In fairness to all, the most important consideration is to preserve reliable, affordable electric service for every customer.

To fulfill CP&L's fourth strategy, we are aggressively promoting our view in regulatory, legislative and public forums. "We support laws and regulations that are fair to all electric consumers, promote efficient use of resources and protect the environment in a cost-effective manner," said Mike Jones, vice president-Public Affairs. "And we think it is important to maintain the states' role in regulating retail electric service. We believe the federal government shouldn't pre-empt state regulatory agencies which best know and understand the needs of local electric utility customers."

As ambassadors of the company, employees play a critical role in achieving this strategy. In late 1995 and early 1996, CP&L conducted employee information meetings to further educate employees on industry issues. By being effective representatives of the company's point of view, employees can influence public opinion and the political process.

"... beware those who would rewrite the rules of competition for their own benefit, and drive a wedge between society's and utilities' interests."

— Ralph Cavanagh,
Natural Resources Defense Council

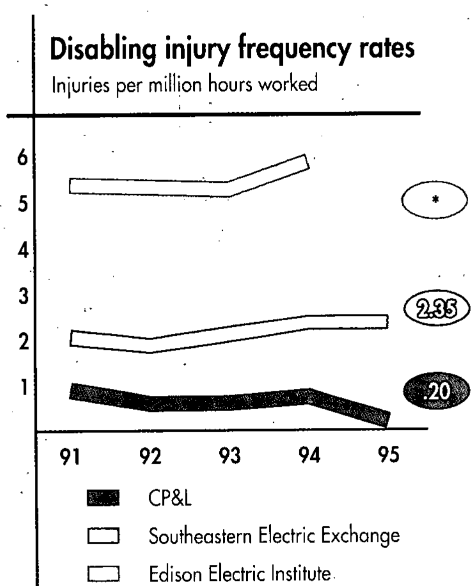
Whatever happens on the regulatory and legislative fronts, CP&L is striving to continue serving all customers at a reasonable cost. One way we do this is by working with customers to help them maximize efficiencies and minimize costs in their various usages.

Strategy #5 Emphasize performance

Empowerment a key to business success

The company continued to implement the Human Resource Plan to build a strategically sized, high-performance work force. Three of our primary initiatives were empowerment, diversity and performance management.

Empowerment is at the heart of the company's Human Resource Plan. We are giving employees the tools and authority to make decisions and get the job done more efficiently — without having to clear unnecessary hurdles. "By empowering our employees, we're encouraging them to think and act like owners of the company, said Bill Cavanaugh. "We are expressing our confidence in them and their abilities to take actions to help CP&L succeed."

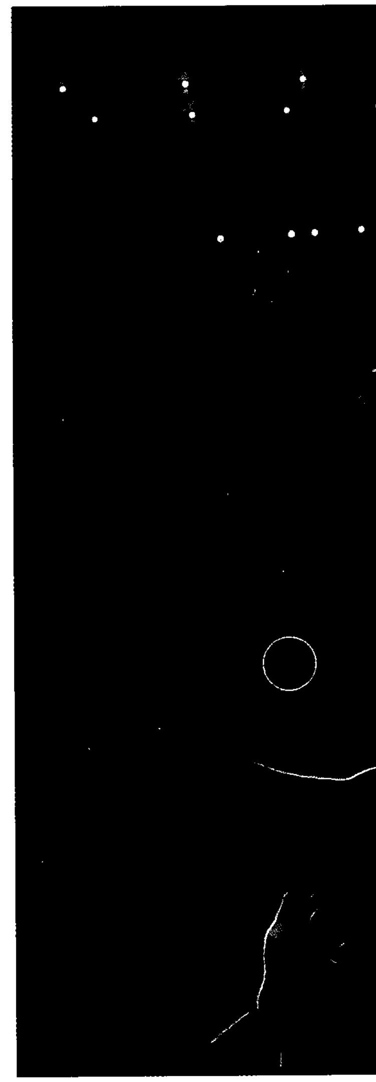


On Dec. 10, CP&L employees set an electric utility record for hours worked without a lost-time injury — 13.5 million hours. The company is an industry leader in workplace safety.

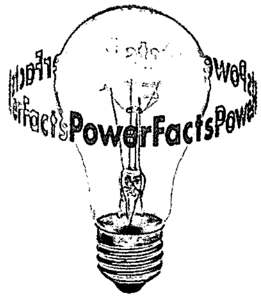
*1995 data not available.

We continue to be committed to a work environment that values and respects different employee perspectives. During 1995, hundreds of managers participated in training that emphasized the importance of diversity to our business success. Currently, managers, supervisors and employees are participating in the training.

"Our diversity strategy at CP&L is to enable everyone to work together more effectively," said Cecil Goodnight, senior vice president-Human Resources and Support Services. "We want to benefit from the diverse collection of experiences, qualities and talents each employee brings. Our focus on diversity will energize our work force to continue to succeed in a challenging and competitive environment."



We measure employee performance through our Effective Performance Management Program. Each year, managers and employees set results-oriented performance expectations that are tied to the company's business goals. Individual performance is then evaluated against those expectations.



- Employees generate nearly 2,000 Great Ideas through company's suggestion program
- Quality Achievement Award winners save company millions of dollars and generate about $1.5 million in revenues
- Employees give more than $1.2 million to United Way

We recognize that world-class performance depends on achieving and sustaining high levels of employee satisfaction. Each year, we survey employees for their opinions on how CP&L can become a more effective organization. The survey allows us to measure our progress in managing change, maintaining job satisfaction and building a culture for employee success. We use the survey results to make improvements for the coming year.

Teamwork and empowerment are second nature to Maxie Gardner (left) and David Watley. Gardner oversees the day-to-day operation of CP&L's Marshall Hydroelectric Plant in Marshall, N.C. With support from Watley and other employees at CP&L's nearby Asheville Plant, Marshall's output has increased 20 percent since 1992.

Glossary of financial and industry terms

base load — the minimum constant level of electric demand that a utility's generating system must meet.

benchmarking — comparing a company's costs, labor, performance and operating practices against the best levels of performance found outside the company.

capitalization — the total of long-term debt, preferred stock and common stock equity.

cogeneration — joint production of electricity and commercially useful heat from a common source.

decommissioning costs — expenses incurred in connection with the removal and disposal of components of a nuclear power plant that has permanently stopped producing electricity.

demand-side management — managing electric demand with programs that help customers use energy more efficiently or shift usage to non-peak times and reduce the need for additional generation supply.

dividends — the distribution or payment of a portion of a company's earnings to shareholders.

earnings per share — a company's earnings for common stock divided by the average number of shares of common stock outstanding.

empowerment — a practice that encourages decision-making at lower levels, allowing all levels of employees to accept more responsibility for satisfying customer and employee needs, improving work processes and achieving business goals.

Federal Energy Regulatory Commission (FERC) — an independent five-member commission responsible for setting rates (tariffs) and charges for the wholesale transportation and sale of natural gas and electricity and the licensing of hydroelectric power projects.

kilowatt (kW) — a unit of power or capacity. A kilowatt-hour (kWh) is equal to one kW of power supplied for one hour. A 100-watt light bulb burned for 10 hours uses 1 kWh. One thousand kWs is a megawatt (MW). One thousand kWhs is a megawatt-hour (MWh).

market/book ratio — a comparison of the current stock price to the book value, which is the company's common stock equity divided by the common shares outstanding; measures shareholder confidence in a company's prospects.

mortgage bond — a bond offering security for repayment of interest and principal in the form of a mortgage on a company's property.

net income — the excess of a company's revenues and other income over its expenses; also referred to as earnings or net profit.

peak demand — the maximum amount of electricity required during periods of highest usage.

reliability — a measure of a utility's ability to deliver uninterrupted electric service to its customers.

revenue — money collected by or owed to a company for providing a service or selling a product.

retail wheeling — the delivery of electricity to end-users by a third party using the local utility's transmission system.

return on equity — a measure of profitability calculated by dividing annual earnings for common stock by average common stock equity.

subsidiary — a separate company in which the parent company owns a controlling interest of the stock; may or may not be in the same line of business as the parent company.

Financial review

Management report

The management of Carolina Power & Light Company is responsible for the information and representations contained in the financial statements and other sections of this annual report. The financial statements are prepared in conformity with generally accepted accounting principles, using informed judgments and estimates where appropriate. The information in other sections of this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and the financial statements are reliable. This system is augmented by a strong program of internal audit.

The Board of Directors pursues its oversight role for financial reporting and accounting through its audit committee. The committee, which is comprised entirely of outside directors, meets periodically with management and the Company's internal auditors to review the work of each and to monitor the discharge by each of its responsibilities. The audit committee also meets periodically with the independent auditors, who have free access to the committee without management present, to discuss auditing, internal accounting control and financial reporting matters.

The independent auditors, Deloitte & Touche LLP, are engaged to express an opinion on the Company's financial statements. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the financial statements do not contain material misstatements.

Glenn E. Harder
Executive Vice President
and Chief Financial Officer

Management's discussion and analysis

Results of operations

Revenues

Revenue fluctuations as compared to the prior year are due to the following factors *(in millions)*.

	1995 Increase (Decrease)	1994 Increase (Decrease)
Customer growth/changes in usage patterns	$ 96	$ 101
Weather	64	(86)
Sales to other utilities	46	30
Price	(62)	(45)
Sales to North Carolina Eastern Municipal Power Agency	(14)	(19)
	$ 130	$ (19)

The return of more normal weather in 1995 generated a $64 million increase in revenues as compared to 1994 when the Company's service territory experienced unusually mild weather. In 1994, this unusually mild weather resulted in a revenue decrease of $86 million compared to the prior year. For 1995 as compared to 1994, approximately half of the price decrease was due to a decrease in the fuel cost component of customer rates and approximately half was due to the expiration in July 1994 of a North Carolina rate rider under which the Company was allowed to recover certain abandoned plant costs. The reduction in revenue due to the expiration of the rate rider did not significantly affect net income due to a corresponding decrease in amortization expense. The price decrease from 1993 to 1994 was due primarily to the expiration of the rate rider. For both comparison periods, sales to North Carolina Eastern Municipal Power Agency (Power Agency) decreased due to the increased availability of generating units owned jointly by the Company and Power Agency. The increased availability of all generating units allowed the Company to increase sales to other utilities during the 1993 to 1995 period. In addition, sales to other utilities increased in 1995 as a result of the Company aggressively seeking bulk power sales. For 1995, approximately $5 million of the increase in sales to other utilities related to capacity and certain energy costs and, therefore, resulted in an increase in net income.

Operating expenses

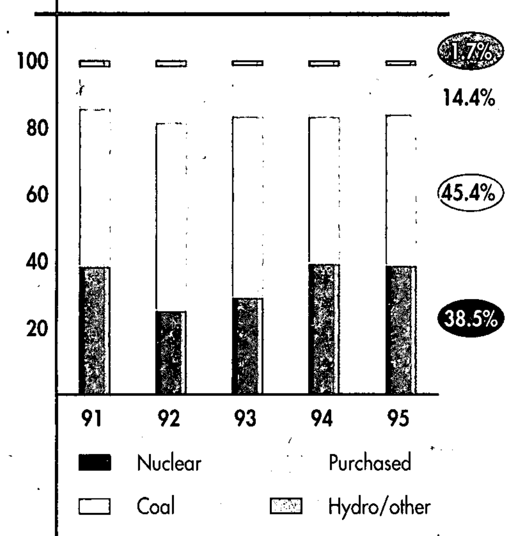
Fuel expense increased in 1995 primarily as a result of higher total generation. Generation increased approximately 9.6% due to higher sales. Fuel expense decreased in 1994 primarily due to 1993 settlement agreements between the Company and its regulators, which required the Company to forgo recovery of certain deferred fuel costs.

As a result of a 1993 agreement with Power Agency, the Company's purchase of capacity and energy from Power Agency's ownership interest in the Harris Plant decreased from 50% in 1994 to 33% in 1995. This change in buyback percentage reduced purchased power in 1995 by $20 million as compared to 1994. Partially offsetting this decrease in 1995 were increases in purchases from other utilities and cogenerators. For 1994 as compared to 1993, purchased power increased primarily due to an agreement

under which the Company began purchasing 400 megawatts of generating capacity from Duke Power Company in mid-1993.

Energy supply by source*

Percent



Nuclear generation provided nearly 39 percent of the power CP&L supplied to customers in 1995. This represents an increase in megawatt-hours of nearly 7.8 percent over 1994.

*Excludes Power Agency share

Operation and maintenance expense decreased in 1995 primarily due to lower nuclear outage-related expenses. Partially offsetting this decrease was an increase of $13 million in severance-related costs and a 1994 insurance reserve adjustment of $23 million, which reduced expense in that year. The increase in operation and maintenance expense from 1993 to 1994 is due to increases in various cost categories such as benefits, salaries and demand-side management programs. Partially offsetting these increases was the 1994 insurance reserve adjustment.

Depreciation and amortization expense decreased from 1993 to 1995. This decrease reflects the completion in July 1994 of the amortization of certain abandoned plant costs associated with a North Carolina rate rider and the completion of the amortization of abandoned plant costs for Harris Unit No. 2 in October 1994. The decreases related to these items totaled $42 million for 1995 as compared to 1994 and $25 million for 1994 compared to 1993.

Other income

The high level of Harris Plant carrying costs in 1993 reflects the Company's settlement with North Carolina Electric Membership Corporation (NCEMC) that year.

The Harris Plant disallowance - Power Agency line item reflects a write-off recorded as a result of the 1993 settlement with Power Agency.

In 1993, interest income included interest income associated with the Company's 1993 settlement with Westinghouse Electric Corporation (Westinghouse) and interest income related to the Company's qualified employee stock ownership plan (ESOP) loan. In 1994, the recognition of interest income related to the Company's qualified ESOP loan was discontinued as required by Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

In 1995, other income, net, decreased due to an increase in charitable contributions of approximately $7 million and decreases in various other items, none of which was individually significant. Other income decreased in 1994 primarily due to the change in accounting for ESOPs.

Interest charges

The 1995 increase in other interest charges is primarily due to a $6 million interest accrual related to the 1995 North Carolina Utilities Commission (NCUC) Fuel Order. Because of the improved performance of the Company's nuclear facilities during the test year ended March 31, 1995, the fuel component of customer rates exceeded actual fuel costs. As a result, the Company is refunding this over-recovery of fuel costs with interest over the

twelve-month period beginning September 15, 1995. Interest charges on long-term debt decreased in 1994 as compared to 1993 due to long-term debt refinancings that allowed the Company to take advantage of lower interest rates.

1993 settlements

In 1993, the Company reached several agreements that affected the Company's 1993 results of operations. The Company and Westinghouse reached an agreement that settled all issues related to the Harris and Robinson Plants' steam generators, as well as certain issues related to Harris Unit Nos. 2, 3 and 4 cancellation costs. The effect of the agreement increased the Company's earnings by $17.3 million, net of tax, or $.11 per common share. The Company and Power Agency entered into an agreement to restructure portions of their contracts covering power supplies and interests in several jointly-owned generating units. As part of the agreement, the Company recorded a write-off of approximately $14.7 million, net of tax, or $.09 per common share. In addition, the Company and NCEMC entered into a settlement agreement that provided for the continuation of existing wholesale rate levels and resolved a wholesale fuel clause billing issue through June 30, 1993. The impact of this settlement totaled approximately $8 million, net of tax, and decreased the Company's earnings by $.05 per common share.

Liquidity and capital resources

Capital requirements

Estimated capital requirements for the period 1996 through 1998 primarily reflect construction expenditures that will be made to add generating facilities, to upgrade existing generating facilities and to add transmission and distribution facilities to meet customer growth. The Company's capital requirements for those years are reflected below *(in millions)*.

	1996	1997	1998
Construction expenditures	$ 406	$ 489	$ 447
Nuclear fuel expenditures	103	64	105
AFUDC	(15)	(18)	(33)
Mandatory redemptions of long-term debt	105	100	205
Total	$ 599	$ 635	$ 724

The table above includes Clean Air Act expenditures of approximately $55 million and generating facility addition expenditures of approximately $327 million. The generating facility addition expenditures will primarily be used to construct new combustion turbine units, which are intended for use during periods of high demand. The units are scheduled to be placed in service in 1997 through 2001.

The Company has two long-term agreements for the purchase of power from other utilities. The first agreement provides for the purchase of 250 megawatts of capacity from Indiana Michigan Power Company's Rockport Unit No. 2. The estimated minimum annual payment for power purchases under this agreement is approximately $30 million, which represents capital-related capacity costs. Other costs include demand-related production expenses, fuel and energy-related operation and maintenance expenses. In 1995,

purchases under this agreement totaled $61.8 million, including transmission use charges. The agreement expires in December 2009. The second agreement is with Duke Power Company for the purchase of 400 megawatts of firm capacity through mid-1999. The estimated minimum annual payment for power purchases under this agreement is approximately $43 million, which represents capital-related capacity costs. Other costs include fuel and energy-related operation and maintenance expenses. Purchases under this agreement, including transmission use charges, totaled $63.8 million in 1995.

In addition, pursuant to the terms of the 1981 Power Coordination Agreement, as amended, between the Company and Power Agency, the Company is obligated to purchase a percentage of Power Agency's ownership capacity of, and energy from, the Mayo Plant and the Harris Plant through 1997 and 2007, respectively. The estimated minimum annual payments for these purchases, which reflect capital-related capacity costs, total approximately $26 million. Other costs of such purchases are primarily demand-related production expenses, fuel and energy-related operation and maintenance expenses. Purchases under the agreement with Power Agency totaled $39.4 million in 1995.

Cash flow and financing

Net cash used in investing activities primarily consists of capital expenditures, which include replacement or expansion of existing facilities and construction to comply with pollution control laws and regulations. Capital expenditures in 1994 were lower than in 1993 primarily due to work performed at the Brunswick Plant in 1993.

In 1994, the Board of Directors of the Company authorized the repurchase of up to 10 million shares of the Company's common stock on the open market. Under this stock repurchase program, the Company purchased approximately 4.2 million shares in 1995 and 4.4 million shares in 1994.

The Company has on file with the Securities and Exchange Commission (SEC) a shelf registration statement under which an aggregate of $450 million principal amount of first mortgage bonds and an additional $125 million combined aggregate principal amount of first mortgage bonds and/or unsecured debt securities of the Company remain available for issuance. The Company can also issue up to $180 million of additional preferred stock under a shelf registration statement on file with the SEC.

The Company's ability to issue first mortgage bonds and preferred stock is subject to earnings and other tests as stated in certain provisions of its mortgage, as supplemented, and charter. The Company has the ability to issue an additional $3.7 billion in first mortgage bonds and an additional 23 million shares of preferred stock at an assumed price of $100 per share and a $7.51 annual dividend rate. The Company also has ten million authorized preference stock shares available for issuance that are not subject to an earnings test.

The Company's access to outside capital depends on its ability to maintain its credit ratings. The Company's first mortgage bonds

are currently rated A2 by Moody's Investors Service, A by Standard & Poors and A+ by Duff & Phelps. In order to provide flexibility in the timing and amounts of long-term financing, the Company uses short-term financing in the form of commercial paper backed by revolving credit agreements. These credit facilities total $335 million, consisting of $235 million in long-term agreements and a $100 million short-term agreement. The Company is required to pay minimal annual commitment fees to maintain its credit facilities. The Company had $73.7 million of commercial paper outstanding at December 31, 1995, which Moody's Investors Service, Standard & Poors and Duff & Phelps have rated P-1, A-1 and D-1, respectively.

During 1995, the Company issued $185 million in long-term debt. The proceeds of these issuances, along with internally generated funds, were primarily used to redeem or retire $276.1 million of long-term debt. External funding requirements, which do not include early redemptions of long-term debt or redemptions of preferred stock, are expected to approximate $14 million in 1997 and $76 million in 1998. These funds will be required for construction, mandatory redemptions of long-term debt and general corporate purposes, including the repayment of short-term debt. The Company does not expect to have external funding requirements in 1996.

The amount and timing of future sales of Company securities will depend upon market conditions and the specific needs of the Company. The Company may from time to time sell securities beyond the amount needed to meet capital requirements in order to allow for the early redemption of outstanding issues of long-term debt, the redemption of preferred stock, the reduction of short-term debt or for other corporate purposes.

Other matters

Environmental

The Company is subject to federal, state and local regulations addressing air and water quality, hazardous and solid waste management and other environmental matters.

Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under various federal and state laws, and a liability may exist for their remediation. There are several manufactured gas plant (MGP) sites to which the Company and certain entities that were later merged into the Company may have had some connection. In this regard, the Company, along with other entities alleged to be former owners and operators of MGP sites in North Carolina, is participating in a cooperative effort with the North Carolina Department of Environment, Health and Natural Resources, Division of Solid Waste Management (DSWM) to establish a uniform framework for addressing those sites. It is anticipated that the investigation and remediation of specific MGP sites will be addressed pursuant to one or more Administrative Orders on Consent between DSWM and individual potentially responsible parties. To date, the Company has not entered into any such orders. The Company continues to investigate the identities of

parties connected to MGP sites in North Carolina, the relative relationships of the Company and other parties to those sites and the degree, if any, to which the Company should undertake shared voluntary efforts with others at individual sites.

The Company has been notified by regulators of its involvement or potential involvement in several sites, other than MGP sites, that require remedial action. Although the Company cannot predict the outcome of these matters, it does not expect costs associated with these sites to be material to the results of operations of the Company.

In 1994, the Company accrued a liability for the estimated costs associated with investigation and remediation activities for certain MGP sites and for sites other than MGP sites. This accrual was not material to the results of operations of the Company.

Due to the lack of information with respect to the operation of MGP sites for which a liability has not been accrued and due to the uncertainty concerning questions of liability and potential environmental harm, the extent and cost of required remedial action, if any, are not currently determinable. The Company cannot predict the outcome of these matters or the extent to which other MGP sites may become the subject of inquiry.

The 1990 amendments to the Clean Air Act (Act) require substantial reductions in sulfur dioxide and nitrogen oxides emissions from fossil-fueled electric generating plants. The Company was not required to take action to comply with the Act's Phase I requirements for these emissions, which had to be met by January 1, 1995. Phase II of the Act, which contains more stringent provisions, will become effective January 1, 2000. The Company plans to meet the Phase II sulfur dioxide emissions requirements by the most economical combination of fuel-switching and utilization of sulfur dioxide emission allowances. Each sulfur dioxide emission allowance allows a utility to emit one ton of sulfur dioxide. The Company has purchased emission allowances under the Environmental Protection Agency (EPA)'s emission allowance trading program in order to supplement the allowances the EPA has granted to the Company.

The Company estimates that future capital costs necessary to comply with Phase II of the Act will approximate $180 million. Increased operating and maintenance costs, including emission allowance expense, and increased fuel costs are not expected to be material to the results of operations of the Company. Plans for compliance with the Act's requirements and the amount required for capital expenditures and for increased operating, maintenance and fuel expenditures cannot be determined with certainty at this time.

Nuclear

In the Company's retail jurisdictions, provisions for nuclear decommissioning costs were approved by the NCUC and the South Carolina Public Service Commission (SCPSC) in the Company's 1988 general rate cases and were based on site-specific estimates that included the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdiction, the provisions for nuclear decommissioning costs are based

on amounts agreed upon in applicable rate agreements. Based on the site-specific estimates discussed below, and using an assumed after-tax earnings rate of 8.5% and an assumed cost escalation rate of 4%, current levels of rate recovery for nuclear decommissioning costs are adequate to provide for decommissioning of the Company's nuclear facilities.

The Company's most recent site-specific estimates of decommissioning costs were developed in 1993, using 1993 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures currently at the site, with such removal occurring shortly after operating license expiration. These estimates, in 1993 dollars, are $257.7 million for Robinson Unit No. 2, $235.4 million for Brunswick Unit No. 1, $221.4 million for Brunswick Unit No. 2 and $284.3 million for the Harris Plant. The estimates are subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning, and changes in federal, state or local regulations. The cost estimates exclude the portion attributable to Power Agency, which holds an undivided ownership interest in the Brunswick and Harris nuclear generating facilities. Operating licenses for the Company's nuclear units expire in the year 2010 for Robinson Unit No. 2, 2016 for Brunswick Unit No. 1, 2014 for Brunswick Unit No. 2 and 2026 for the Harris Plant.

The Financial Accounting Standards Board has reached several tentative conclusions with respect to its project regarding accounting practices related to closure and removal of long-lived assets. The primary conclusions as they relate to nuclear decommissioning are: 1) the cost of decommissioning should be accounted for as a liability and accrued as the obligation is incurred; 2) recognition of a liability for decommissioning results in recognition of an increase to the cost of the plant; 3) the decommissioning liability should be measured based on discounted cash flows using a risk-free rate; and 4) decommissioning trust funds should not be offset against the decommissioning liability. An exposure draft was issued in February 1996, and it is uncertain what impacts, if any, the final statement may have on the Company's accounting for nuclear decommissioning and other closure and removal costs.

As required under the Nuclear Waste Policy Act of 1982, the Company entered into a contract with the U.S. Department of Energy (DOE) under which the DOE agreed to dispose of the Company's spent nuclear fuel. The Company cannot predict whether the DOE will be able to perform its contractual obligations and provide interim storage or permanent disposal repositories for spent nuclear fuel and/or high-level radioactive waste materials on a timely basis.

With certain modifications, the Company's spent fuel storage facilities are sufficient to provide storage space for spent fuel generated on the Company's system through the expiration of the current operating licenses for all of the Company's nuclear generating units. Subsequent to the expiration of the licenses, dry storage may be necessary.

Other Business

In 1994, the Company established a wholly-owned subsidiary, CaroNet, Inc., which owns a ten percent interest in BellSouth Carolinas PCS, a limited partnership led by BellSouth Personal Communications, Inc. (BellSouth). In 1995, BellSouth won its bid for a Federal Communications Commission license for the limited partnership to operate a personal communications services (PCS) system covering most of North Carolina and South Carolina, as well as a small portion of Georgia. PCS, a wireless communications technology, is expected to provide high-quality mobile communications. BellSouth is the general partner and handles day-to-day management of the business. The Company has invested $50 million in CaroNet, Inc. in anticipation of infrastructure construction by BellSouth. Construction began in 1995 and service start-up is expected by mid-1996. In addition to participating in the limited partnership, CaroNet, Inc. will be providing intrastate and interstate telecommunications services in North Carolina and South Carolina.

Competition

In 1992, the National Energy Policy Act (Energy Act) changed certain underlying federal policies governing wholesale generation and the sale of electric power. In effect, the Energy Act partially deregulated the wholesale electric utility industry at the generation level by allowing non-utility generators to build and own generating plants for both cogeneration and sales to utilities. Provisions of the Energy Act that most affected the utility industry were the establishment of exempt wholesale generators, and the authority given the FERC to permit wholesale transfer, or wheeling, of power over the transmission lines of other utilities. The Company is unable to predict the ultimate impact the Energy Act will have on its operations. When fully implemented, the Energy Act could impact the Company's load forecasts and plans for power supply to the extent additional generation is facilitated by the Energy Act, current wholesale customers elect to purchase from other suppliers after existing contracts expire or new opportunities are created for the Company to expand its wholesale load.

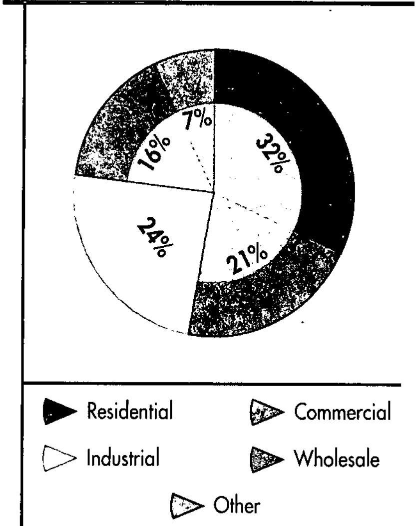
In 1995, the FERC proposed a rule designed to bring greater competition to the wholesale electric markets. The major provisions of the proposed rule are: 1) electric utilities under FERC jurisdiction that own or control transmission systems would be required to file with the FERC a tariff that would allow buyers and sellers of bulk power equal and open access to their transmission systems; 2) utilities with transmission systems would be required to provide all new wholesale buyers and sellers of electricity the same equal and open access to the utilities' transmission systems; and 3) these utilities would be permitted to recover certain stranded investments incurred as a result of the restructuring order. The Company does not favor the proposed rule, which is expected to be finalized in March 1996, but rather favors the continued evolution of wholesale electric markets. The Company cannot predict the impact of this proposed rule on its future results of operations.

The Energy Act prohibits the FERC from ordering retail wheeling—transmitting power on behalf of another producer to an individual retail customer. Some states are

considering changing their laws or regulations, or instituting experimental programs, to allow retail electric customers to buy power from suppliers other than the local utility. The Company believes changes in existing laws in both North Carolina and South Carolina would be required to permit retail competition in the Company's retail jurisdictions. In 1995, the Carolina Utility Consumers Association, Inc., a group of industrial customers conducting business in North Carolina, filed a petition with the NCUC requesting that the NCUC hold a generic hearing to investigate retail electric competition. The NCUC has ruled that it would not convene a formal hearing to investigate the issue at this time. The NCUC's order noted that North Carolina's territorial assignment statute appears to prohibit retail competition, and the issue represents a number of jurisdictional uncertainties. Both the NCUC and the SCPSC have indicated that they will monitor other states' activities regarding generation competition and allow interested parties to submit information on the subject. The Company cannot predict the outcome of these matters.

The issues described above have created greater planning uncertainty and risks for the Company. The Company has been addressing these risks in the wholesale sector by securing long-term contracts with all of its wholesale customers, representing approximately 16% of the Company's 1995 operating revenue. This will allow the Company flexibility in managing its load and efficiently planning its future resource requirements. In the industrial sector, the Company is continuing to work to meet the energy needs of its customers. Other elements of the Company's strategy to respond to the changing market for electricity include promoting economic development, implementing new marketing strategies, improving customer satisfaction, increasing the focus on managing and reducing costs and, consequently, avoiding future rate increases.

1995 operating revenues by customer



CP&L's customer base remains diverse. All markets showed solid growth in 1995.

Consolidated statements of income

(in thousands except per share data)	Years ended December 31 1995	1994	1993
Operating revenues	$ 3,006,553	$ 2,876,589	$ 2,895,383
Operating expenses			
Operation — fuel	529,812	510,138	551,730
purchased power	409,940	414,300	368,092
other	541,446	539,959	498,333
Maintenance	196,585	206,733	235,449
Depreciation and amortization	364,527	397,735	413,646
Taxes other than on income	144,043	138,540	142,871
Income tax expense	259,224	198,535	189,317
Harris Plant deferred costs, net	28,128	26,329	27,575
Total operating expenses	2,473,705	2,432,269	2,427,013
Operating income	532,848	444,320	468,370
Other income (expense)			
Allowance for equity funds used during construction	3,350	6,074	8,999
Income tax credit (expense)	18,541	9,425	(392)
Harris Plant carrying costs	8,297	9,754	27,143
Harris Plant disallowance — Power Agency *(Note 10A)*	–	–	(20,645)
Interest income	8,680	14,569	36,196
Other income, net	9,063	25,592	42,465
Total other income	47,931	65,414	93,766
Income before interest charges	580,779	509,734	562,136
Interest charges			
Long-term debt	187,397	183,891	205,182
Other interest charges	25,896	16,119	16,419
Allowance for borrowed funds used during construction	(5,118)	(3,443)	(5,961)
Net interest charges	208,175	196,567	215,640
Net income	372,604	313,167	346,496
Preferred stock dividend requirements	(9,609)	(9,609)	(9,609)
Earnings for common stock	$ 362,995	$ 303,558	$ 336,887
Average common shares outstanding *(Notes 5 and 6)*	146,232	149,614	160,737
Earnings per common share *(Notes 5 and 6)*	$ 2.48	$ 2.03	$ 2.10
Dividends declared per common share	$ 1.775	$ 1.715	$ 1.655

See notes to consolidated financial statements.

Consolidated statements of cash flows

(in thousands)	1995	1994	1993
	Years ended December 31		
Operating activities			
Net income	$ 372,604	$ 313,167	$ 346,496
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	446,662	473,481	460,094
Harris Plant deferred costs	19,831	16,575	432
Harris Plant disallowance — Power Agency	–	–	20,645
Deferred income taxes	89,681	37,240	71,352
Investment tax credit	(9,344)	(11,537)	(12,806)
Allowance for equity funds used during construction	(3,350)	(6,074)	(8,999)
Deferred fuel cost (credit)	(849)	38,171	27,364
Net increase in receivables, inventories and prepaid expenses	(77,849)	(73,891)	(7,803)
Net decrease in payables and accrued expenses	(39,592)	(46,771)	(62,013)
Miscellaneous	35,629	(4,935)	10,882
Net cash provided by operating activities	833,423	735,426	845,644
Investing activities			
Gross property additions	(266,400)	(274,777)	(341,122)
Nuclear fuel additions	(77,346)	(25,849)	(48,001)
Contributions to external decommissioning trust	(38,075)	(21,625)	(20,878)
Contributions to retiree benefit trusts	(2,400)	(18,917)	(3,750)
Loan transactions with SPSP Trustee, net	–	–	21,134
Allowance for equity funds used during construction	3,350	6,074	8,999
Miscellaneous	(28,515)	(6,094)	–
Net cash used in investing activities	(409,386)	(341,188)	(383,618)
Financing activities			
Proceeds from issuance of long-term debt	180,713	318,211	582,030
Withdrawal from pollution control bond escrow	–	–	2,127
Net increase (decrease) in short-term notes payable (maturity less than 90 days)	5,643	(7,900)	29,200
Retirement of long-term debt	(276,144)	(268,380)	(790,376)
Purchase of Company common stock *(Note 5)*	(132,439)	(114,717)	–
Dividends paid on common stock	(257,937)	(255,206)	(262,749)
Dividends paid on preferred stock	(9,623)	(9,614)	(9,474)
Net cash used in financing activities	(489,787)	(337,606)	(449,242)
Net increase (decrease) in cash and cash equivalents	(65,750)	56,632	12,784
Cash and cash equivalents at beginning of year	80,239	23,607	10,823
Cash and cash equivalents at end of year	$ 14,489	$ 80,239	$ 23,607
Supplemental disclosures of cash flow information			
Cash paid during the year — interest	$ 203,296	$ 188,754	$ 218,801
income taxes	$ 177,163	$ 180,759	$ 113,523

See notes to consolidated financial statements.

Consolidated balance sheets

Assets

(in thousands)	December 31 1995	1994
Electric utility plant		
Electric utility plant in service	$ 9,440,442	$ 9,190,874
Accumulated depreciation	(3,493,153)	(3,196,139)
Electric utility plant in service, net	5,947,289	5,994,735
Held for future use	13,304	13,195
Construction work in progress	179,260	170,390
Nuclear fuel, net of amortization	188,655	171,164
Total electric utility plant, net	6,328,508	6,349,484
Current assets		
Cash and cash equivalents	14,489	80,239
Accounts receivable	364,536	302,218
Fuel	53,654	96,136
Materials and supplies	121,227	122,720
Prepayments	59,918	52,988
Other current assets	27,834	24,129
Total current assets	641,658	678,430
Deferred debits and other assets		
Income taxes recoverable through future rates	387,150	384,375
Abandonment costs	57,120	71,079
Harris Plant deferred costs	107,992	127,824
Unamortized debt expense	58,404	63,302
Miscellaneous other property and investments	475,564	360,611
Other assets and deferred debits	170,754	176,058
Total deferred debits and other assets	1,256,984	1,183,249
Total assets	$ 8,227,150	$ 8,211,163

See notes to consolidated financial statements.

Consolidated balance sheets

Capitalization and liabilities

(in thousands)	December 31 1995	1994
Capitalization *(see consolidated schedules of capitalization)*		
Common stock equity	$ 2,574,743	$ 2,586,179
Preferred stock — redemption not required	143,801	143,801
Long-term debt, net	2,610,343	2,530,773
Total capitalization	5,328,887	5,260,753
Current liabilities		
Current portion of long-term debt	105,755	275,050
Notes payable (principally commercial paper)	73,743	68,100
Accounts payable	309,294	285,610
Interest accrued	48,441	54,569
Dividends declared	71,285	70,658
Deferred fuel credit	27,495	28,344
Other current liabilities	81,676	71,811
Total current liabilities	717,689	854,142
Deferred credits and other liabilities		
Accumulated deferred income taxes	1,716,835	1,628,430
Accumulated deferred investment tax credits	242,707	252,051
Other liabilities and deferred credits	221,032	215,787
Total deferred credits and other liabilities	2,180,574	2,096,268
Commitments and contingencies *(Note 10)*		
Total capitalization and liabilities	$ 8,227,150	$ 8,211,163

See notes to consolidated financial statements.

Consolidated schedules of capitalization

(in thousands)	December 31 1995	1994
Common stock equity		
Common stock without par value, 200,000,000 shares authorized; shares outstanding, 152,102,922 at December 31, 1995 and 156,382,422 at December 31, 1994 *(Note 5)*	$ 1,381,496	$ 1,510,956
Unearned ESOP common stock	(191,341)	(204,947)
Capital stock issuance expense	(790)	(790)
Retained earnings *(Note 5)*	1,385,378	1,280,960
Total common stock equity	$ 2,574,743	$ 2,586,179
Cumulative preferred stock, without par value (entitled to $100 a share plus accumulated dividends in the event of liquidation; outstanding shares are as of December 31, 1995)		
Preferred stock — redemption not required:		
Authorized — 300,000 shares $5.00 Preferred Stock; 20,000,000 shares Serial Preferred Stock		
$ 5.00 Preferred — 237,259 shares outstanding (redemption price $110.00)	$ 24,376	$ 24,376
4.20 Serial Preferred — 100,000 shares outstanding (redemption price $102.00)	10,000	10,000
5.44 Serial Preferred — 250,000 shares outstanding (redemption price $101.00)	25,000	25,000
7.95 Serial Preferred — 350,000 shares outstanding (redemption price $101.00)	35,000	35,000
7.72 Serial Preferred — 500,000 shares outstanding (redemption price $101.00)	49,425	49,425
Total preferred stock — redemption not required	$ 143,801	$ 143,801
Long-term debt *(interest rates are as of December 31, 1995)*		
First mortgage bonds:		
5.20 % and 9.14% due 1995	$ –	$ 202,050
5.125% due 1996	30,000	30,000
6.375% due 1997	40,000	40,000
5.375% and 6.875% due 1998	140,000	140,000
6.125% due 2000	150,000	150,000
5.875% to 8.125% due 2002 - 2004	522,626	522,626
6.875% to 9.00% due 2021 - 2023	725,000	725,000
First mortgage bonds — secured medium-term notes, series A, B and C:		
8.85% to 8.92% due 1995	–	73,000
4.85% and 7.90% due 1996	75,000	75,000
7.75% due 1997	60,000	–
5.00% to 5.06% due 1998	65,000	65,000
7.15% due 1999	50,000	50,000
First mortgage bonds — pollution control series:		
6.30% to 6.90% due 2009 - 2014	93,530	93,530
4.25% and 3.95% due 2024	122,600	122,600
Total first mortgage bonds	2,073,756	2,288,806
Other long-term debt:		
Pollution control obligations backed by letter of credit, 3.84% to 6.15% due 2014 - 2017	442,000	442,000
Other pollution control obligations, 5.20% due 2019	55,640	55,640
Unsecured subordinated debentures, 8.55% due 2025	125,000	–
Miscellaneous notes	48,157	47,409
Total other long-term debt	670,797	545,049
Unamortized premium and discount, net	(28,455)	(28,032)
Current portion of long-term debt	(105,755)	(275,050)
Total long-term debt, net	$ 2,610,343	$ 2,530,773
Total capitalization	$ 5,328,887	$ 5,260,753

See notes to consolidated financial statements.

Consolidated statements of retained earnings

(in thousands)	1995	Years ended December 31 1994	1993
Retained earnings at beginning of year	$ 1,280,960	$ 1,231,354	$ 1,153,655
Net income	372,604	313,167	346,496
Preferred stock dividends at stated rates	(9,609)	(9,609)	(9,609)
Common stock dividends at annual rate of $1.775 per share in 1995, $1.715 in 1994 and $1.655 in 1993 *(Note 5)*	(258,577)	(256,021)	(266,019)
Tax benefit of ESOP dividends	–	–	6,837
Other adjustments	–	2,069	(6)
Retained earnings at end of year	$ 1,385,378	$ 1,280,960	$ 1,231,354

Consolidated quarterly financial data

(Unaudited)

(in thousands except per share data)	First quarter 1995	First quarter 1994	Second quarter 1995	Second quarter 1994	Third quarter 1995	Third quarter 1994	Fourth quarter 1995	Fourth quarter 1994
Operating revenues	$ 728,238	$ 744,461	$ 681,965	$ 687,310	$ 875,500	$ 805,552	$ 720,850	$ 639,266
Operating income	$ 136,259	$ 123,027	$ 93,426	$ 86,430	$ 194,440	$ 155,796	$ 108,723	$ 79,067
Net income	$ 98,033	$ 88,824	$ 55,962	$ 58,215	$ 151,905	$ 120,253	$ 66,704	$ 45,875
Common stock data:								
Earnings per common share	$ .65	$ .57	$ .36	$ .37	$ 1.02	$ .79	$ .45	$ .30
Dividend paid per common share	$ .440	$ .425	$ .440	$ .425	$ .440	$ .425	$ .440	$ .425
Price per share — high	$ 28 5/8	$ 29 3/4	$ 30 3/4	$ 26 5/8	$ 34	$ 27	$ 34 1/2	$ 27 3/4
low	$ 26 3/8	$ 25 5/8	$ 26 3/4	$ 22 7/8	$ 29 1/2	$ 22 3/4	$ 32 3/8	$ 25 1/4

See notes to consolidated financial statements.

Notes to consolidated financial statements

1. Summary of significant accounting policies

A. General

The Company is a public service corporation engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina.

The accounting records of the Company are maintained in accordance with uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC) and the South Carolina Public Service Commission (SCPSC). Certain amounts for 1994 and 1993 have been reclassified to conform to the 1995 presentation.

B. Use of estimates

In preparing financial statements that conform with generally accepted accounting principles, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

C. Electric utility plant

The cost of additions, including betterments and replacements of units of property, is charged to electric utility plant. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to maintenance expense. The cost of units of property replaced, renewed or retired, plus removal or disposal costs, less salvage, is charged to accumulated depreciation. Generally, electric utility plant other than nuclear fuel is subject to the lien of the Company's mortgage.

The balances of electric utility plant in service at December 31 are listed below *(in millions)*.

	1995	1994
Production plant	$ 6,014.1	$ 5,911.2
Transmission plant	912.7	879.6
Distribution plant	2,037.6	1,929.5
General plant and other	476.0	470.6
Electric utility plant in service	$ 9,440.4	$ 9,190.9

As prescribed in regulatory uniform systems of accounts, an allowance for the cost of borrowed and equity funds (AFUDC) used to finance electric utility plant construction is charged to the cost of plant. Regulatory authorities consider AFUDC an appropriate charge for inclusion in the Company's utility rates to customers over the service life of the property. The equity funds portion of AFUDC is credited to other income and the borrowed funds portion is credited to interest charges. The composite AFUDC rate was 8.0% in 1995, 8.4% in 1994 and 8.8% in 1993.

D. Depreciation and amortization

For financial reporting purposes, depreciation of utility plant other than nuclear fuel is computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated net salvage. Depreciation provisions, including decommissioning costs (see Note 1E), as a

percent of average depreciable property other than nuclear fuel, were approximately 3.8% in 1995, 1994 and 1993. Depreciation expense totaled $344.0 million in 1995, $335.1 million in 1994 and $325.4 million in 1993. Depreciation and amortization expense also includes amortization of plant abandonment costs (see Note 8).

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the U.S. Department of Energy (DOE), is computed primarily on the unit-of-production method and charged to fuel expense. Costs related to obligations to the DOE for the decommissioning and decontamination of enrichment facilities are also charged to fuel expense.

E. Nuclear decommissioning

In the Company's retail jurisdictions, provisions for nuclear decommissioning costs are approved by the NCUC and the SCPSC and are based on site-specific estimates that included the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdiction, the provisions for nuclear decommissioning costs are based on amounts agreed upon in applicable rate agreements. Decommissioning cost provisions, which are included in depreciation and amortization, were $31.2 million in 1995, $29.5 million in 1994 and $34.0 million in 1993.

Accumulated decommissioning costs, which are included in accumulated depreciation, were $288.4 million at December 31, 1995 and $252.7 million at December 31, 1994. These costs include amounts retained internally and amounts funded in an external decommissioning trust. The balance of the external decommissioning trust, which is included in miscellaneous other property and investments, was $110.2 million at December 31, 1995 and $67.6 million at December 31, 1994. Trust earnings, which increase the trust balance with a corresponding increase in accumulated decommissioning, were $4.5 million in 1995, $1.5 million in 1994 and $1.2 million in 1993. Based on the site-specific estimates discussed below, and using an assumed after-tax earnings rate of 8.5% and an assumed cost escalation rate of 4%, current levels of rate recovery for nuclear decommissioning costs are adequate to provide for decommissioning of the Company's nuclear facilities.

The Company's most recent site-specific estimates of decommissioning costs were developed in 1993, using 1993 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures currently at the site, with such removal occurring shortly after operating license expiration. These estimates, in 1993 dollars, are $257.7 million for Robinson Unit No. 2, $235.4 million for Brunswick Unit No. 1, $221.4 million for Brunswick Unit No. 2 and $284.3 million for the Harris Plant. The estimates are subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning, and changes in federal, state or local regulations. The cost estimates exclude the portion attributable to North Carolina Eastern Municipal Power Agency (Power Agency), which holds an undivided ownership interest in the Brunswick and Harris nuclear generating facilities. Operating licenses for the Company's nuclear units expire in the year 2010 for Robinson Unit No. 2, 2016 for Brunswick Unit No. 1, 2014 for Brunswick Unit No. 2 and 2026 for the Harris Plant.

The Financial Accounting Standards Board has reached several tentative conclusions with respect to its project regarding accounting practices related to closure and removal of long-lived assets. The primary conclusions as they relate to nuclear decommissioning are: 1) the cost of decommissioning should be accounted for as a liability and accrued as the obligation is incurred; 2) recognition of a liability for decommissioning results in recognition of an increase to the cost of the plant; 3) the

decommissioning liability should be measured based on discounted cash flows using a risk-free rate; and 4) decommissioning trust funds should not be offset against the decommissioning liability. An exposure draft was issued in February 1996, and it is uncertain what impacts, if any, the final statement may have on the Company's accounting for nuclear decommissioning and other closure and removal costs.

F. Regulatory assets and liabilities
As a regulated entity, the Company is subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, the Company records certain assets and liabilities resulting from the effects of the ratemaking process, which would not be recorded under generally accepted accounting principles for non-regulated entities. At December 31, 1995, the balances of the Company's regulatory assets were as follows: 1) $387.2 million for income taxes recoverable through future rates; 2) $108.0 million for Harris Plant deferred costs; 3) $57.1 million for abandonment costs; 4) $50.4 million for loss on reacquired debt, which is included in unamortized debt expense; 5) $60.5 million for deferred DOE enrichment facilities-related cost, which is included in other assets and deferred debits; and 6) $11.8 million of other regulatory assets included in other assets and deferred debits. At December 31, 1995, the Company had a regulatory liability of $27.5 million related to deferred fuel.

G. Other policies
The Company's financial statements reflect consolidation of its majority-owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

Customers' meters are read and bills are rendered on a cycle basis. Revenues are accrued for services rendered but unbilled at the end of each accounting period.

Fuel expense includes fuel costs or recoveries that are deferred through fuel clauses established by the Company's regulators. These clauses allow the Company to recover fuel costs and the fuel component of purchased power costs through the fuel component of customer rates. In 1993, the Company reached settlement agreements with regulators in the North Carolina and South Carolina retail jurisdictions and agreed to forgo recovery of a total of $41.1 million of deferred fuel expenses.

Other property and investments are stated principally at cost. The Company maintains an allowance for doubtful accounts receivable, which totaled $2.3 million at December 31, 1995 and $2.5 million at December 31, 1994. Fuel inventory and inventory of materials and supplies are carried on a first-in, first-out or average cost basis. Long-term debt premiums, discounts and issuance expenses are amortized over the life of the related debt using the straight-line method. Any expenses or call premiums associated with the reacquisition of debt obligations are amortized over the remaining life of the original debt using the straight-line method. For purposes of the Consolidated Statements of Cash Flows, the Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

2. Postretirement benefit plans

The Company has a noncontributory defined benefit retirement (pension) plan for all full-time employees and funds the pension plan in amounts that comply with contribution limits imposed by law. Pension plan benefits reflect an employee's compensation, years of service and age at retirement.

The components of net periodic pension cost are *(in thousands)*:

	1995	1994	1993
Actual return on plan assets	$ (103,381)	$ 4,897	$ (43,604)
Variance from expected return, deferred	59,425	(47,219)	4,490
Expected return on plan assets	(43,956)	(42,322)	(39,114)
Service cost	16,344	19,686	16,776
Interest cost on projected benefit obligation	35,592	35,108	31,928
Net amortization	(3,580)	831	(2,390)
Net periodic pension cost	$ 4,400	$ 13,303	$ 7,200

Reconciliations of the funded status of the pension plan at December 31 are *(in thousands)*:

	1995	1994
Actuarial present value of benefits for services rendered to date		
Accumulated benefits based on salaries to date, including vested benefits of $345.1 million for 1995 and $287.7 million for 1994	$ 392,768	$ 330,361
Additional benefits based on estimated future salary levels	130,167	103,766
Projected benefit obligation	522,935	434,127
Fair market value of plan assets, invested primarily in equity and fixed-income securities	610,278	506,605
Funded status	87,343	72,478
Unrecognized prior service costs	8,747	9,471
Unrecognized actuarial gain	(124,383)	(124,447)
Unrecognized transition obligation, amortized over 18.5 years beginning January 1, 1987	1,005	1,110
Accrued pension costs recognized in the Consolidated Balance Sheets	$ (27,288)	$ (41,388)

The assumptions used to measure the projected benefit obligation are:

	1995	1994
Weighted-average discount rate	7.75%	8.50%
Assumed rate of increase in future compensation	4.20%	4.20%

The expected long-term rate of return on pension plan assets used in determining the net periodic pension cost was 9% in each of the years 1995, 1994 and 1993.

In addition to pension benefits, the Company provides contributory postretirement benefits (OPEB), including certain health care and life insurance benefits, for substantially all retired employees.

The components of net periodic OPEB cost are *(in thousands)*:

	1995	1994	1993
Actual return on plan assets	$ (2,514)	$ 42	$ (497)
Variance from expected return, deferred	1,420	(682)	9
Expected return on plan assets	(1,094)	(640)	(488)
Service cost	7,498	8,039	6,797
Interest cost on accumulated benefit obligation	10,595	9,463	9,662
Net amortization	5,530	5,966	5,966
Net periodic OPEB cost	$ 22,529	$ 22,828	$ 21,937

Reconciliations of the funded status of the OPEB plans at December 31 are *(in thousands)*:

	1995	1994
Actuarial present value of benefits for services rendered to date		
Current retirees	$ 59,809	$ 55,799
Active employees eligible to retire	17,942	11,933
Active employees not eligible to retire	68,819	63,164
Accumulated postretirement benefit obligation	146,570	130,896
Fair market value of plan assets, invested primarily in equity and fixed-income securities	20,869	12,142
Funded status	(125,701)	(118,754)
Unrecognized actuarial gain	(15,132)	(15,125)
Unrecognized transition obligation, amortized over 20 years beginning January 1, 1993	101,414	107,379
Accrued OPEB costs recognized in the Consolidated Balance Sheets	$ (39,419)	$ (26,500)

The assumptions used to measure the accumulated postretirement benefit obligation are:

	1995	1994
Weighted-average discount rate	7.75%	8.50%
Initial medical cost trend rate for pre-medicare benefits	8.40%	9.60%
Initial medical cost trend rate for post-medicare benefits	8.20%	8.70%
Ultimate medical cost trend rate	5.25%	6.00%
Year ultimate medical cost trend rate is achieved	2005	2005

The expected long-term rate of return on plan assets used in determining the net periodic OPEB cost was 9% in 1995, 1994 and 1993. Assuming a one percent increase in the medical cost trend rates, the aggregate of the service and interest cost components of the net periodic OPEB cost for 1995 would increase by $2.5 million, and the accumulated postretirement benefit obligation at December 31, 1995, would increase by $16.5 million. In general, OPEB costs are paid as claims are incurred and premiums are paid; however, the Company is partially funding retiree health care benefits in a trust created pursuant to Section 401(h) of the Internal Revenue Code.

3. Short-term debt and revolving credit facilities

At December 31, 1995 and 1994, the Company's short-term debt balances were $73.7 million and $68.1 million, respectively. The weighted-average interest rates of these borrowings were 5.86% at December 31, 1995, and 6.18% at December 31, 1994. The Company's commercial paper borrowings are supported by revolving credit facilities. At December 31, 1995, the Company's unused and readily available revolving credit facilities totaled $335 million, consisting of long-term agreements totaling $235 million and a $100 million short-term agreement. The Company is required to pay minimal annual commitment fees to maintain its credit facilities.

4. Fair value of financial instruments

The carrying amounts of cash, cash equivalents and notes payable approximate fair value because of the short maturities of these instruments. The carrying amount of the Company's long-term debt was $2.76 billion at December 31, 1995, and $2.86 billion at December 31, 1994. The estimated fair value of this debt, which was obtained from an independent pricing service, was $2.85 billion at December 31, 1995, and $2.70 billion at December 31, 1994. There are inherent limitations in any estimation technique, and these estimates are not necessarily indicative of the amount the Company could realize in current transactions.

5. Capitalization

In 1994, the Board of Directors of the Company authorized the repurchase of up to 10 million shares of the Company's common stock on the open market. Under this stock repurchase program, the Company purchased approximately 4.2 million shares in 1995 and 4.4 million shares in 1994.

At December 31, 1995, the Company had 14,767,052 shares of authorized but unissued common stock reserved and available for issuance to satisfy the requirements of the Company's stock plans. The Company intends, however, to meet the requirements of these stock plans with issued and outstanding shares presently held by the Trustee of the Stock Purchase-Savings Plan (SPSP) or with open market purchases of common stock shares, as appropriate.

The Company's mortgage, as supplemented, and charter contain provisions limiting the use of retained earnings for the payment of dividends under certain circumstances. At December 31, 1995, there were no significant restrictions on the use of retained earnings.

At December 31, 1995, long-term debt maturities for the years 1996 through 2000 were $105.8 million, $100 million, $205 million, $50 million and $197.3 million, respectively. Person County Pollution Control Revenue Refunding Bonds - Series 1992A totaling $56 million have interest rates that must be negotiated on a weekly basis. At the time of interest rate renegotiation, holders of these bonds may

require the Company to repurchase their bonds. These bonds are classified as long-term debt in the Consolidated Balance Sheets. This classification is consistent with the Company's intention to maintain the debt as long-term and to the extent this intention is supported by the Company's long-term revolving credit agreements.

6. Employee stock ownership plan

The Company sponsors an SPSP for which all full-time employees and certain part-time employees are eligible. The SPSP, which has company match and incentive goal features, encourages systematic savings by employees and provides a method of acquiring Company common stock and other diverse investments. The SPSP, as amended in 1989, is an employee stock ownership plan (ESOP) that can enter into acquisition loans to acquire Company common stock to satisfy SPSP common share needs. Qualification as an ESOP did not change the level of benefits received by employees under the SPSP. Common stock acquired with the proceeds of an ESOP loan is held by the SPSP Trustee in a suspense account. The common stock is released from the suspense account and made available for allocation to participants as the ESOP loan is repaid, as specified by provisions of the Internal Revenue Code. Such allocations are used to partially meet common stock needs related to participant contributions, Company matching and incentive contributions and/or reinvested dividends. Dividends paid on ESOP suspense shares and on ESOP shares allocated to participants, as well as certain Company contributions, are used to repay ESOP acquisition loans. Such dividends are deductible for income tax purposes.

There were 8,697,316 ESOP suspense shares at December 31, 1995, with a fair value of $300.1 million. ESOP shares allocated to plan participants totaled 14,507,665 at December 31, 1995. The Company has a long-term note receivable from the SPSP Trustee related to the purchase of common stock from the Company in 1989. The balance of the Company's note receivable from the SPSP Trustee, $194.9 million at December 31, 1995, is recorded as unearned ESOP common stock and reduces common stock equity.

In 1994, the Company implemented Statement of Position (SOP) 93-6, "Employers' Accounting for Employee Stock Ownership Plans," on a prospective basis. This SOP required the following changes in accounting for the Company's ESOP: 1) ESOP shares that had not been committed to be released to participants' accounts were no longer considered outstanding for the determination of earnings per common share; 2) dividends on unallocated ESOP shares were no longer recognized for financial statement purposes; 3) interest income related to the qualified ESOP loan was no longer recognized; 4) the difference between the acquisition and allocation prices of ESOP shares, which was previously recorded as other income, net, is recorded directly to common stock; and 5) all tax benefits of ESOP dividends are recorded to non-operating income tax expense, whereas in 1993, a portion of the tax benefits was recorded directly to retained earnings. In addition, pursuant to SOP 93-6, ESOP loan transactions between the Company and the SPSP Trustee were no longer reflected in the Consolidated Statements of Cash Flows. The implementation of SOP 93-6 resulted in an increase in earnings per common share of approximately $.04 for 1994.

7. Income taxes

Deferred income taxes are provided for temporary differences between book and tax bases of assets and liabilities. Income taxes are allocated between operating income and other income based on the source of the income that generated the tax. Investment tax credits related to operating income are amortized over the service life of the related property.

Net accumulated deferred income tax liabilities at December 31 are *(in thousands)*:

	1995	1994
Accelerated depreciation and property cost differences	$ 1,613,752	$ 1,504,187
Deferred costs, net	133,139	144,751
Miscellaneous other temporary differences, net	(12,487)	(7,173)
Net accumulated deferred income tax liability	$ 1,734,404	$ 1,641,765

Total deferred income tax liabilities were $2.17 billion and $1.94 billion at December 31, 1995, and 1994, respectively. Total deferred income tax assets were $434 million at December 31, 1995, and $297 million at December 31, 1994.

A reconciliation of the Company's effective income tax rate to the statutory federal income tax rate follows.

	1995	1994	1993
Effective income tax rate	39.2%	37.6%	35.4%
State income taxes, net of federal income tax benefit	(5.0)	(5.5)	(5.1)
Investment tax credit amortization	1.6	2.4	2.3
Other differences, net	(0.8)	0.5	2.4
Statutory federal income tax rate	35.0%	35.0%	35.0%

The provisions for income tax expense are comprised of *(in thousands)*:

	1995	1994	1993
Included in Operating Expenses			
Income tax expense (credit)			
Current — federal	$ 143,440	$ 143,461	$ 108,935
state	41,826	39,185	29,687
Deferred — federal	75,442	23,926	50,719
state	7,860	3,500	11,588
Investment tax credit	(9,344)	(11,537)	(11,612)
Subtotal	259,224	198,535	189,317
Harris Plant deferred costs			
Investment tax credit	(297)	(297)	218
Total included in operating expenses	258,927	198,238	189,535
Included in Other Income			
Income tax expense (credit)			
Current — federal	(20,669)	(15,732)	(6,168)
state	(4,251)	(3,507)	(1,291)
Deferred — federal	5,254	8,065	7,483
state	1,125	1,749	1,562
Investment tax credit	–	–	(1,194)
Total included in other income	(18,541)	(9,425)	392
Total income tax expense	$ 240,386	$ 188,813	$ 189,927

8. Plant-related deferred costs

The Company abandoned efforts to complete Harris Unit No. 2 in December 1983 and Mayo Unit No. 2 in March 1987. The NCUC and SCPSC each allowed the Company to recover the cost of these abandoned units over a ten-year period without a return on the unamortized balances. The amortization of Harris Unit No. 2 costs was completed in 1994. In the 1988 rate orders and a 1990 NCUC Order on Remand, the Company was ordered to remove from rate base and treat as abandoned plant certain costs related to the Harris Plant. Amortization related to abandoned plant costs associated with the 1990 NCUC Order on Remand was completed in 1994. Abandoned plant amortization related to the 1988 rate orders will be completed in 1998 for the North Carolina retail and the wholesale jurisdictions and in 2027 for the South Carolina retail jurisdiction.

Amortization of plant abandonment costs is included in depreciation and amortization expense and totaled $18.3 million in 1995, $60.5 million in 1994 and $100.7 million in 1993. The unamortized balances of plant abandonment costs are reported at the present value of future recoveries of these costs. The associated accretion of present value was $4.3 million in 1995, $6.6 million in 1994 and $13.2 million in 1993 and is reported in other income, net.

In 1988, the Company began recovering certain Harris Plant deferred costs over ten years from the date of deferral, with carrying costs accruing on the unamortized balance. Excluding deferred purchased capacity costs (see Note 10A), the unamortized balance of Harris Plant deferred costs was $38.4 million at December 31, 1995, and $60.8 million at December 31, 1994.

9. Joint ownership of generating facilities

Power Agency holds undivided ownership interests in certain generating facilities of the Company. The Company and Power Agency are entitled to shares of the generating capability and output of each unit equal to their respective ownership interests. Each also pays its ownership share of additional construction costs, fuel inventory purchases and operating expenses. The Company's share of expenses for the jointly-owned units is included in the appropriate expense category in the Consolidated Statements of Income.

The Company's share of the jointly-owned generating facilities is listed below with related information as of December 31, 1995 *(dollars in millions)*.

Facility	Megawatt Capability	Company Ownership Interest	Plant Investment	Accumulated Depreciation	Under Construction
Mayo Plant	745	83.83%	$ 432.9	$ 159.0	$ 7.2
Harris Plant	860	83.83%	$ 3,006.6	$ 750.6	$ 8.6
Brunswick Plant	1,521	81.67%	$ 1,361.3	$ 758.7	$ 35.8
Roxboro Unit No.4	700	87.06%	$ 223.2	$ 91.9	$ 3.1

In the table above, plant investment and accumulated depreciation, which includes accumulated nuclear decommissioning, are not reduced by the regulatory disallowances related to the Harris Plant.

10. Commitments and contingencies

A. Purchased power

Pursuant to the terms of the 1981 Power Coordination Agreement, as amended, between the Company and Power Agency, the Company is obligated to purchase a percentage of Power Agency's ownership

capacity and energy from the Mayo and Harris Plants. For Mayo, the percentage purchased declines ratably over a 15-year period that ends in 1997. In 1993, the Company and Power Agency entered into an agreement to restructure portions of their contracts covering power supplies and interests in jointly-owned units. Pursuant to the agreement, a portion of the Company's Harris Plant cost will not be recoverable through sales of supplemental power to Power Agency. As a result, the Company recorded a write-off in 1993 of $20.6 million, or $14.7 million, net of tax. Under the terms of the 1993 agreement, the Company also increased the amount of capacity and energy purchased from Power Agency's ownership interest in the Harris Plant, and the buyback period was extended six years through 2007. The estimated minimum annual payments for these purchases, which reflect capital-related capacity costs, total approximately $26 million. Other costs of such purchases are primarily demand-related production expenses, fuel and energy-related operation and maintenance expenses. Contractual purchases from the Mayo and Harris Plants totaled $39.4 million for 1995, $60.4 million for 1994 and $52.6 million for 1993. In 1987, the NCUC ordered the Company to reflect the recovery of the capacity portion of these costs on a levelized basis over the original 15-year buyback period, thereby deferring for future recovery the difference between such costs and amounts collected through rates. In 1988, the SCPSC ordered similar treatment, but with a ten-year levelization period. At December 31, 1995 and 1994, the Company had deferred purchased capacity costs, including carrying costs accrued on the deferred balances, of $72.7 million and $70.9 million, respectively. Increased purchases resulting from the 1993 agreement with Power Agency, which were approximately $10 million for 1995 and $21 million on an annual basis for 1994 and 1993, are not being deferred for future recovery.

The Company purchases 250 megawatts of generating capacity from Indiana Michigan Power Company's Rockport Unit No. 2 (Rockport) and 400 megawatts of generating capacity from Duke Power Company (Duke). The estimated minimum annual payment for power under these contracts is approximately $30 million for Rockport and $43 million for Duke, representing capital-related capacity costs. Other power costs include demand-related production expenses, fuel and energy-related operation and maintenance expenses for Rockport and fuel and energy-related operation and maintenance expenses for Duke. Purchases, including transmission use charges, for Rockport and Duke, respectively, totaled $61.8 million and $63.8 million for 1995, $61.9 million and $62.9 million for 1994 and $60.2 million and $37.1 million for 1993. The Rockport agreement expires in December 2009 and the Duke agreement expires in mid-1999.

B. Insurance

The Company is a member of Nuclear Mutual Limited (NML), which provides primary insurance coverage against property damage to members' nuclear generating facilities. The Company is insured thereunder for $500 million for each of its nuclear generating facilities. For the current policy period, the Company is subject to maximum retrospective premium assessments of approximately $20 million in the event that losses at insured facilities exceed premiums, reserves, reinsurance and other NML resources, which are at present more than $763 million.

The Company is also a member of Nuclear Electric Insurance Limited (NEIL), which provides insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages of members' nuclear generating units. The Company is insured thereunder for the first 52 weeks (starting 21 weeks after the outage begins) in weekly amounts of $1.5 million at Brunswick Unit No. 1, $1.4 million at Brunswick Unit No. 2, $1.7 million at the Harris Plant and $1.4 million at Robinson Unit No. 2. The Company is insured for the next 104 weeks for 80% of the above amounts. NEIL also provides decontamination, decommissioning and excess property insurance for nuclear generating facilities. The Company is insured under this coverage for $1.4 billion per incident. This is in addition to the $500 million coverage provided by NML. For the current policy period, the Company is subject to retrospective premium assessments of up to approximately $7.6 million with respect to the incremental replacement power costs coverage and $42.9 million with respect to the decontamination, decommissioning and excess property coverage in the event

covered expenses at insured facilities exceed premiums, reserves, reinsurance and other NEIL resources. These resources are at present more than $2.2 billion. Pursuant to regulations of the Nuclear Regulatory Commission, the Company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place a plant in safe and stable condition after an accident and, second, to decontaminate it before any proceeds can be used for plant repair or restoration. The Company is responsible to the extent losses may exceed limits of the coverage described above. Power Agency would be responsible for its ownership share of such losses and for certain retrospective premium assessments on jointly-owned nuclear units.

The Company is insured against public liability for a nuclear incident up to $8.9 billion per occurrence, which is the maximum limit on public liability claims pursuant to the Price-Anderson Act. In the event that public liability claims from an insured nuclear incident exceed $200 million, the Company would be subject to a pro rata assessment of up to $75.5 million, plus a 5% surcharge, for each reactor owned for each incident. Payment of such assessment would be made over time as necessary to limit the payment in any one year to no more than $10 million per reactor owned. Power Agency would be responsible for its ownership share of the assessment on jointly-owned nuclear units.

C. Claims and uncertainties

(1) The Company is subject to federal, state and local regulations addressing air and water quality, hazardous and solid waste management and other environmental matters.

Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under various federal and state laws, and a liability may exist for their remediation. There are several manufactured gas plant (MGP) sites to which the Company and certain entities that were later merged into the Company may have had some connection. In this regard, the Company, along with other entities alleged to be former owners and operators of MGP sites in North Carolina, is participating in a cooperative effort with the North Carolina Department of Environment, Health and Natural Resources, Division of Solid Waste Management (DSWM) to establish a uniform framework for addressing those sites. It is anticipated that the investigation and remediation of specific MGP sites will be addressed pursuant to one or more Administrative Orders on Consent between DSWM and individual potentially responsible parties. To date, the Company has not entered into any such orders. The Company continues to investigate the identities of parties connected to MGP sites in North Carolina, the relative relationships of the Company and other parties to those sites and the degree, if any, to which the Company should undertake shared voluntary efforts with others at individual sites.

The Company has been notified by regulators of its involvement or potential involvement in several sites, other than MGP sites, that require remedial action. Although the Company cannot predict the outcome of these matters, it does not expect costs associated with these sites to be material to the results of operations of the Company.

In 1994, the Company accrued a liability for the estimated costs associated with investigation and remediation activities for certain MGP sites and for sites other than MGP sites. This accrual was not material to the results of operations of the Company.

Due to the lack of information with respect to the operation of MGP sites for which a liability has not been accrued and due to the uncertainty concerning questions of liability and potential environmental harm, the extent and cost of required remedial action, if any, are not currently determinable. The Company cannot predict the outcome of these matters or the extent to which other MGP sites may become the subject of inquiry.

(2) As required under the Nuclear Waste Policy Act of 1982, the Company entered into a contract with the DOE under which the DOE agreed to dispose of the Company's spent nuclear fuel. The Company cannot predict whether the DOE will be able to perform its contractual obligations and provide

interim storage or permanent disposal repositories for spent nuclear fuel and/or high-level radioactive waste materials on a timely basis.

With certain modifications, the Company's spent fuel storage facilities are sufficient to provide storage space for spent fuel generated on the Company's system through the expiration of the current operating licenses for all of the Company's nuclear generating units. Subsequent to the expiration of the licenses, dry storage may be necessary.

In the opinion of management, liabilities, if any, arising under other pending claims would not have a material effect on the financial position, results of operations or cash flows of the Company.

Independent auditors' report

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

We have audited the accompanying consolidated balance sheets and schedules of capitalization of Carolina Power & Light Company and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP

February 12, 1996
Raleigh, North Carolina

Selected consolidated financial data

(dollars in thousands except per share data)	1995	1994	1993	1992	1991	1990
Condensed income statements						
Operating revenues:						
Residential	969,112	915,986	943,697	871,469	862,833	811,429
Commercial	618,394	595,573	592,973	560,560	552,341	522,778
Industrial	733,448	741,662	744,016	720,413	695,221	681,773
Government and municipal	78,400	78,317	78,616	76,838	75,389	72,157
Power Agency contract requirements	100,951	115,262	134,258	140,623	118,498	134,360
NCEMC	299,171	266,733	253,859	252,744	237,857	235,692
Other wholesale	82,407	84,775	100,062	99,749	94,623	96,459
Other utilities	78,147	33,789	11,232	4,834	12,304	22,433
Miscellaneous revenue	46,523	44,492	36,670	39,591	36,689	40,026
Total operating revenues	3,006,553	2,876,589	2,895,383	2,766,821	2,685,755	2,617,107
Operating expenses	(2,473,705)	(2,432,269)	(2,427,013)	(2,224,861)	(2,117,036)	(2,059,747)
Other income	47,931	65,414	93,766	73,294	70,616	42,669
Net interest charges	(208,175)	(196,567)	(215,640)	(235,619)	(262,361)	(319,600)
Income before cumulative effect of change in accounting method	372,604	313,167	346,496	379,635	376,974	280,429
Cumulative effect of change in accounting for revenues — net of tax	–	–	–	–	–	99,929
Net income	$ 372,604	313,167	346,496	379,635	376,974	380,358
Balance sheet data						
Construction work in progress	$ 179,260	170,390	309,713	251,238	242,756	200,112
Total electric utility plant, net	$ 6,328,508	6,349,484	6,432,187	6,425,578	6,430,314	6,466,905
Total assets	$ 8,227,150	8,211,163	8,184,191	7,706,201	7,510,587	7,487,443
Capitalization:						
Common stock equity	$ 2,574,743 *48.3%*	2,586,179 *49.2%*	2,632,116 *49.1%*	2,534,025 *47.3%*	2,390,676 *44.3%*	2,253,680 *43.3%*
Preferred stock — redemption not required	143,801 *2.7%*	143,801 *2.7%*	143,801 *2.7%*	143,801 *2.7%*	238,118 *4.4%*	238,118 *4.6%*
redemption required, net	–	–	–	–	31,090 *.6%*	101,179 *1.9%*
Long-term debt, net	2,610,343 *49.0%*	2,530,773 *48.1%*	2,584,903 *48.2%*	2,674,823 *50.0%*	2,733,693 *50.7%*	2,614,904 *50.2%*
Total capitalization	$ 5,328,887	5,260,753	5,360,820	5,352,649	5,393,577	5,207,881
Other financial data						
Return on average common stock equity *(percent)*	13.87	11.55	13.03	15.38	15.67	15.72
Ratio of earnings to fixed charges	3.67	3.31	3.23	3.34	3.08	2.65
Common shares outstanding *(in thousands)*						
year-end	143,406	147,067	160,737	160,737	160,737	160,737
average	146,232	149,614	160,737	160,737	160,737	165,722
Number of common shareholders	66,364	70,436	73,169	73,114	74,592	77,740
Book value per common share	$ 17.95	17.59	17.75	17.27	16.52	15.80
Earnings per common share:						
Before cumulative effect of change in accounting method	$ 2.48	2.03	2.10	2.36	2.27	1.58
Cumulative effect of change in accounting for revenues	–	–	–	–	–	.60
Earnings per common share	$ 2.48	2.03	2.10	2.36	2.27	2.18
Dividends declared per common share	$ 1.775	1.715	1.655	1.595	1.535	1.475
Dividend payout *(percent)*	71.6	84.5	78.8	67.6	67.6	67.7

Selected operating data

	1995	1994	1993	1992	1991	1990
Energy sales *(millions of kWh)*						
Residential	12,074	11,147	11,398	10,490	10,340	9,751
Commercial	9,276	8,690	8,548	8,060	7,907	7,538
Industrial	14,312	14,030	13,557	13,134	12,403	12,145
Government and municipal	1,288	1,263	1,248	1,213	1,181	1,138
Power Agency contract requirements	2,338	2,589	3,505	3,304	2,578	2,556
NCEMC	5,454	4,885	4,778	4,372	4,215	4,019
Other wholesale	1,915	1,983	2,144	2,042	1,989	1,992
Other utilities	3,233	985	327	214	382	652
Total energy sales	49,890	45,572	45,505	42,829	40,995	39,791
Company uses and losses	1,889	1,930	1,971	1,753	1,773	1,642
Total energy requirements	51,779	47,502	47,476	44,582	42,768	41,433
Energy supply *(millions of kWh)*						
Generated — coal	23,517	21,001	25,807	25,196	20,240	19,954
nuclear	19,949	18,511	13,691	11,108	16,311	15,464
hydro	824	884	784	881	899	910
combustion turbines	56	67	84	54	6	34
Purchased	7,433	7,039	7,110	7,343	5,312	5,071
Total energy supply (Company share)	51,779	47,502	47,476	44,582	42,768	41,433
Power Agency share[1]	3,828	3,236	2,402	2,232	2,984	2,829
Total system energy supply	55,607	50,738	49,878	46,814	45,752	44,262
Peak demand of firm load *(thousands of kW)*						
System	10,156	10,144	9,589	9,236	8,960	8,681
Company	9,500	9,642	9,107	8,745	8,471	8,134
Total capability at year-end *(thousands of kW)*[2]						
System	11,205	11,209	10,902	10,503	10,505	10,439
Company	10,523	10,555	10,275	9,856	9,867	9,872
Other data						
Average heat rate *(BTU per net kWh)*	10,410	10,464	10,375	10,340	10,436	10,514
System load factor *(percent)*	58.9	56.0	59.0	57.4	57.8	57.4
Average fuel cost *(per million BTU)*	$ 1.17	1.14	1.28	1.38	1.24	1.23
Customer data						
Customers billed — residential	920,495	894,616	873,377	856,130	835,206	818,820
other	166,272	162,508	158,307	153,909	150,732	147,956
Total customers billed	1,086,767	1,057,124	1,031,684	1,010,039	985,938	966,776
Average residential — usage *(kWh)*	13,242	12,559	13,167	12,396	12,472	11,957
bill	$ 1,062.82	1,032.00	1,090.16	1,029.82	1,040.70	995.01
revenue *(cents per kWh)*	8.03	8.22	8.28	8.31	8.34	8.32

[1]*Net of the Company's purchases from Power Agency.*
[2]*Represents peak generating capability, based on summer peak conditions assuming all generating units are available for operation. Amounts include capacity under contract with cogenerators, small power producers and other utilities.*

Investor information

Notice of annual meeting
CP&L's 1996 annual meeting of shareholders will be held on May 8 at 10 a.m. in the University Center on the University of North Carolina-Wilmington campus in Wilmington, N.C. A formal notice of the meeting with a proxy statement and a form of proxy will be mailed to all shareholders in early April.

Transfer agent and registrar
For common and preferred stock:
Wachovia Bank of North Carolina, N.A.
Stock Transfer Section
P.O. Box 3001
Winston-Salem, N.C. 27102

Shareholder inquiries
Please direct questions concerning stock ownership to CP&L's Shareholder Relations Section.
Call toll-free 1-800-662-7232 or write to the following address:

Carolina Power & Light Company
Shareholder Relations Section
P.O. Box 1551
Raleigh, N.C. 27602

Securities analyst inquiries
Securities analysts, portfolio managers and representatives of financial institutions seeking information about CP&L should contact Robert F. Drennan, Jr., manager-Investor Relations and Funds Management, at the corporate headquarters address, or call (919) 546-7474.

Common stock listing
CP&L's common stock is listed and traded under the symbol CPL on the New York Stock Exchange and the Pacific Stock Exchange in addition to regional stock exchanges across the United States.

Shareholder programs
CP&L offers an Automatic Dividend Reinvestment and Customer Stock Purchase Plan and direct deposit of cash dividends to bank accounts for the convenience of shareholders. For information on these programs, contact the Shareholder Relations Section at the above address or with the toll-free number listed above.

Additional information
CP&L files periodic reports with the Securities and Exchange Commission that contain additional information about the company. Copies are available to shareholders upon written request to the company's Treasurer at the corporate headquarters address.

Officers at January 1, 1996

Sherwood H. Smith, Jr.
Chairman and
Chief Executive Officer

William Cavanaugh III
President and
Chief Operating Officer

Glenn E. Harder
Executive Vice President and
Chief Financial Officer

William S. Orser
Executive Vice President

James M. Davis, Jr.
Senior Vice President
(Group Executive)

Norris L. Edge
Senior Vice President
(Group Executive)

Cecil L. Goodnight
Senior Vice President
(Group Executive)

Richard E. Jones
Sr. Vice President/General
Counsel and Secretary
(Group Executive)

Roy A. Anderson
Vice President

William R. Campbell
Vice President

Fred N. Day IV
Vice President

Charles R. Dietz
Vice President

Charles E. Fuller
Vice President

Margaret S. Glass
Vice President and Treasurer

Emerson F. Gower, Jr.
Vice President

H. William Habermeyer, Jr.
Vice President

C.S. Hinnant
Vice President

William D. Johnson
Vice President

R. Michael Jones
Vice President

Jerry W. Kirk
Vice President

Ashleigh M. Lucas
Vice President

James W. Massengill
Vice President

John S. Monroe, Jr.
Vice President

Bobby L. Montague
Vice President

Gregory L. Pittillo
Vice President

William R. Robinson
Vice President

Lawrence T. Schuster
Vice President

Richard J. White
Vice President

Robert M. Williams
Assistant Secretary

Patricia Kornegay-Timmons
Assistant Secretary

Board of Directors at January 1, 1996

ding left to right: Leslie M. Baker, Jr., Richard L. Daugherty, William Cavanaugh III, J. Tylee Wilson, J. R. Bryan Jackson.
Seated left to right: Estell C. Lee, Robert L. Jones, Edwin B. Borden, Sherwood H. Smith, Jr., George H. V. Cecil, Charles W. Coker, Felton J. Capel.

Leslie M. Baker, Jr.
President and Chief Executive Officer
Wachovia Corp.
(interstate bank holding company)
Winston-Salem, N.C. (1995)

Edwin B. Borden
President
The Borden Manufacturing Co.
(textile yarn manufacturer)
Goldsboro, N.C. (1985)

Felton J. Capel
President
Century Associates of North Carolina
(distributors of cookware
and housewares)
Southern Pines, N.C. (1972)

William Cavanaugh III
President and Chief Operating
Officer of the Company
igh, N.C. (1993)

George H. V. Cecil
Chairman
Biltmore Dairy Farms, Inc.
(real estate and investments)
Asheville, N.C. (1976)

Charles W. Coker
Chairman
Sonoco Products Co.
(manufacturer of paperboard and paper
and plastic packaging products)
Hartsville, S.C. (1975)

Richard L. Daugherty
Executive Director
NCSU Research Corp.
(Centennial Campus development)
Raleigh, N.C. (1992)

J.R. Bryan Jackson
Chairman
Superior Machine Co. of S.C., Inc.
(heavy industrial machinery
manufacturing and repair)
Florence, S.C. (1986)

Robert L. Jones
President
Davidson and Jones Corp.
(general contractors/developers and
operators of real estate properties)
Raleigh, N.C. (1990)

Estell C. Lee
President
The Lee Co.
(building supplies company)
Wilmington, N.C. (1988)

Sherwood H. Smith, Jr.
Chairman and Chief Executive
Officer of the Company
Raleigh, N.C. (1971)

J. Tylee Wilson
Retired Chairman and
Chief Executive Officer
RJR Nabisco, Inc.
Ponte Vedra Beach, Fla. (1987)

Carolina Power & Light Company
PO Box 1551
Raleigh, NC 27602

Address correction requested

Bulk Rate

US Postage Paid

Carolina Power & Light