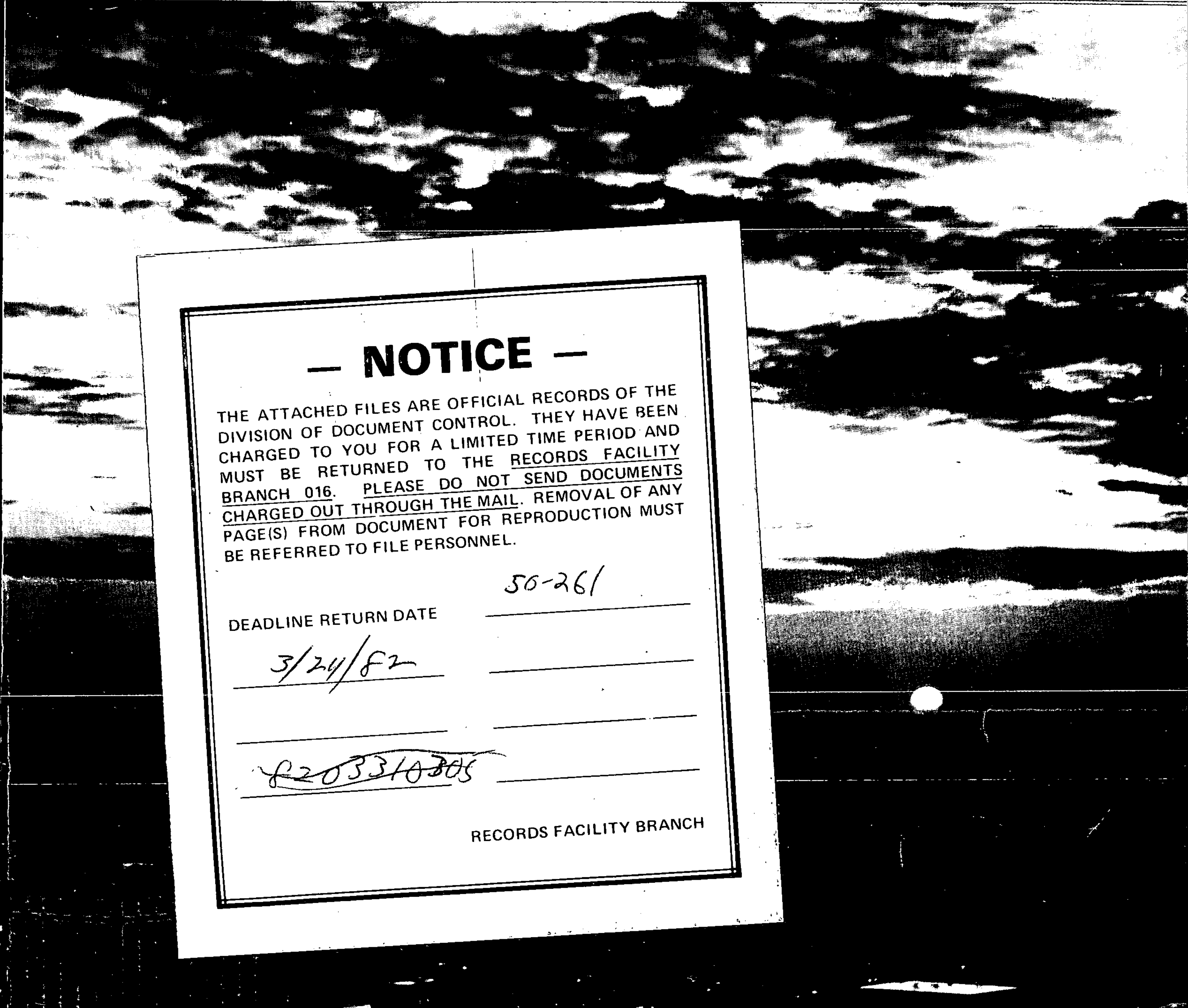
Carolina Power & Light Company/Annual Report 1981



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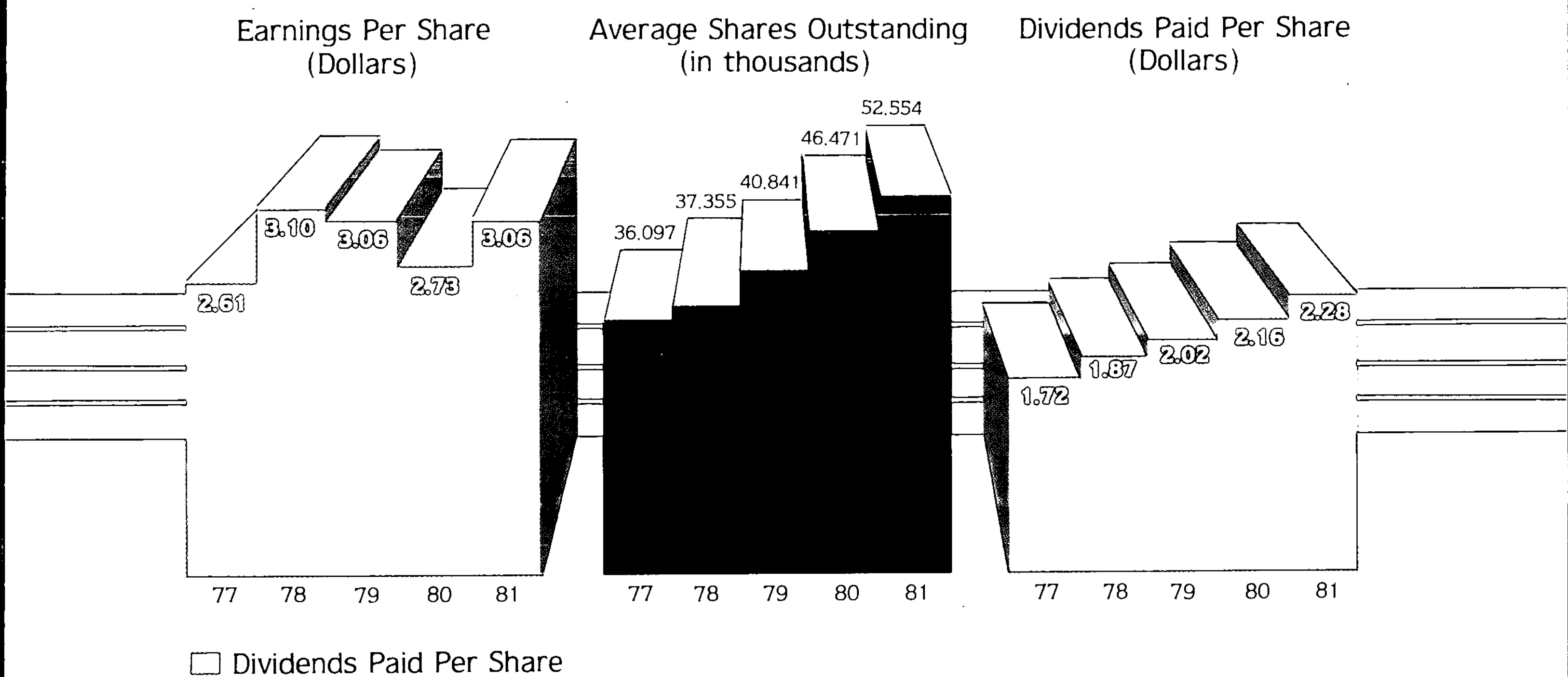
Contents

About the cover:

Raleigh is the capital of the State of North Carolina and headquarters city for CP&L. The cover photograph shows downtown Raleigh at dusk. In the past five years, an extensive redevelopment program has added a mall,

Earnings and Dividends Per Share of Common Stock



Price Ranges and Dividends Paid Per Share Common Stock

(Composite Transactions-Reported Prices)

1980	**High**	**Low**	**Dividends Paid**
First Quarter	19⅛	14⅞	.52
Second Quarter	21¾	16¼	.52
Third Quarter	22	19	.56
Fourth Quarter	19¾	16½	.56
1981	**High**	**Low**	**Dividends Paid**
First Quarter	18⅜	16⅞	.56
Second Quarter	20¾	16¾	.56
Third Quarter	20	17⅞	.56
Fourth Quarter	20⅝	17⅞	.60

Transfer Agents and Registrars

For Common Stock and Preference Stock:

Wachovia Bank & Trust Company, N.A.
Winston-Salem, N.C. 27102

Bradford Trust Company
New York, N.Y. 10004

For Preferred Stock:

Wachovia Bank & Trust Company, N.A.
Winston-Salem, N.C. 27102

Annual Meeting

The 1982 Annual Meeting of Shareholders will be held in room D-1 of the Civic Center, 500 Fayetteville Street Mall, in downtown Raleigh, North Carolina, on May 19 at 10 a.m. (Those attending should enter the Center from the Wilmington Street side.) A formal notice of the meeting, a proxy statement and a form of proxy will be mailed in early April.

The Chairman's Message

Fellow Shareholders:

As the result of conservation of electricity by customers, some slowdown in economic activity and milder summer weather, energy sales increased less than 1 percent during 1981. Price increases and improved recovery of fuel expenses, however, caused operating revenues to increase 24.9 percent to $1.3 billion and net income to rise 26.2 percent to $203.6 million.

Dividends Increased

Earnings per share of common stock improved from $2.73 in 1980 to $3.06 in 1981, a gain of 12.1 percent. Shares of common stock outstanding increased 9.6 percent to 56,139,308.

Company directors increased the quarterly dividend on common stock from 56 to 60 cents per share, beginning with the November payment. The annual dividend rate is now $2.40. This marks the sixth consecutive year that the dividend rate has been increased, and demonstrates management's commitment to achieving performance levels that will permit a reasonable return to shareholders.

In 1981, we experienced our peak demand in January, when customers required 6,402,000 kilowatts. The 1980 peak of 6,139,000 kilowatts came during the summer. A new peak of 6,602,000 kilowatts was set in January 1982.

Sherwood H. Smith, Jr.
Chairman/President

Revised Load Forecast Adopted

In December, we adopted a long-range forecast that indicates our annual growth in peak demand will be at a rate of 2.9 percent through 1995. This is down from a December 1980 forecast of 3.3 percent. The revised forecast takes into consideration the impact of a vigorous Conservation and Load Management Program, which we adopted in 1981 and which we now are implementing. A new corporate department has been established to administer this effort.

Comprehensive studies completed during 1981 indicate that through an expanded Conservation and Load Management Program, we should reduce our requirement for additional generating capacity by about 1750 megawatts (1,750,000 kilowatts) between now and 1995. The studies show we should be able to do this for much less than the cost of constructing new generating plants. It must be remembered, however, that this capacity savings will not be the equivalent of new base load generating capacity. Additional units will be needed later in the 1990s.

In this period of high interest rates and expensive construction, conservation and efficient energy management clearly are in the best interests of the Company and its customers and are essential to assure an adequate future energy supply at affordable prices.

Two Nuclear Units Cancelled

As a consequence of the revised load forecast and the high cost of financing new construction, the directors in December approved cancellation of units 3 and 4 of the Shearon Harris nuclear power plant near Raleigh. These 900 megawatt units had been scheduled for completion in 1992 and 1994. The estimated

Highlights of 1981

	1981	1980	Percent Change
Operating Revenues	**$1,343,558,000**	$1,075,604,000	24.9
Net Income	**$ 203,597,000**	$ 161,388,000	26.2
Number Shares of Common Stock Outstanding (Year End)	**56,139,000**	51,208,000	9.6
Earnings per Average Common Share Outstanding	**$ 3.06**	$ 2.73*	12.1
Cash Dividends Paid per Common Share	**$ 2.28**	$ 2.16	5.6
Dividends Paid (Common and Preferred)	**$ 159,831,000**	$ 130,432,000	22.5

*Reduced by $.48 due to delayed impact on revenues for certain 1980 fuel costs (See Note 8 to Financial Statements).

net investment in Harris Units 3 and 4 is $187 million. The Company will request regulatory commission approval to allow amortization of this expense over a period of not more than 10 years.

Our construction program now includes four additional generating units: Harris Nuclear Units 1 and 2, scheduled for completion in 1985 and 1989, and the coal-burning Mayo Units 1 and 2, scheduled for completion in 1983 and 1991.

Agreement Reached With Power Agency

We have instituted other measures to ease the financial burden of higher construction costs and higher interest rates on our Company. In 1981, regulatory authorities approved the sale of undivided ownership interests in four Company generating plants to the North Carolina Eastern Municipal Power Agency (NCEMPA).

The Company expects to realize about $700 million from sale closings with NCEMPA in 1982 and 1983 and an additional $350 million through 1991 for NCEMPA's share of capital expenditures for the joint facilities. This arrangement will reduce substantially the amount of external financing necessary to support our construction program.

The Company also is selling common stock to its customers to attract new capital. In October, we began offering common stock to customers, on a monthly installment basis, at a 3 percent discount with no commission or fee. This program, in which 3,500 customers were enrolled at year end, will give customers greater participation in and understanding of the financial challenges we face, as well as increasing the number of shareholders in our service area.

Financing plant construction will continue to be a challenge for our Company throughout the 1980s. In 1981, we raised $445 million from outside sources to help pay for our construction program. We have adopted a $723 million construction budget for 1982. For the three years 1982 through 1984, construction expense is estimated to require $2.21 billion, a substantial portion of which must come from outside sources. These figures reflect anticipated construction expenditures before deducting contributions toward joint construction by NCEMPA.

Price Increases Granted

We have sought to achieve pricing on a timely basis that adequately covers the ever-increasing cost of doing business. During 1981, we received permanent retail rate increases in both North Carolina and South Carolina that provide more than $134 million in additional annual revenues. After those decisions, we filed for a 21.9 percent increase in South Carolina and put the full amount into effect in June, subject to refund, until a decision is rendered in 1982. In North Carolina, we filed in February 1982 for a 12.8 percent retail rate increase.

At year end, the Company and its wholesale customers reached an agreement on a 10.8 percent or $19.8 million rate increase that became effective on January 12, 1982, subject to refund pending final approval by the Federal Energy Regulatory Commission (FERC). The FERC also approved most of the $30.8 million rate request filed in April 1980 and collected under bond since August 1980.

Generation From Coal and Nuclear

During 1981, about 69 percent of the energy we generated came from coal-burning plants, 29 percent from nuclear plants, 1 percent from hydroelectric plants and less than 1 percent from oil-burning facilities.

	1981	1980	Percent Change
Kilowatt-Hour Sales (Thousands)	**30,487,000**	30,282,000	0.7
System Capability Including Purchases (Kilowatts)	**8,053,000**	8,053,000	—
Maximum Hourly Load (Kilowatts)	**6,402,000**	6,139,000	4.3
Total Utility Plant (Including Nuclear Fuel)	**$5,108,814,000**	$4,709,449,000	8.5
Construction Expenditures	**$ 546,599,000**	$ 629,093,000	(13.1)
Customers (Year End)	**758,000**	742,000	2.2
Employees (Year End)	**7,181**	6,522	10.1

Our nuclear units, which have experienced recent extended outages for maintenance and modifications, have not achieved the level of performance they had prior to 1979. Some of the modifications are to meet requirements of Nuclear Regulatory Commission, while others have been initiated by the Company to improve performance. Our expectation is that planned maintenance and modification work will continue on a scheduled basis over the next four years, after which we should see the kind of nuclear plant availability that accounted for 47 percent of our total generation in 1978. We anticipate that about 26 percent of our 1982 generation will be from nuclear plants.

The North Carolina Utilities Commission announced during 1981 that a management performance examination of the Company will be conducted in 1982. A similar audit was made in 1976. We welcome this independent evaluation of our operations, because we are confident the finding will confirm that CP&L is doing a good job for its customers in a business environment characterized by increasing costs.

National Legislation

At the national level, Congress should act this year on several issues that are vitally important to the electric industry. As chairman of the American Nuclear Energy Council and the Edison Electric Institute's policy committee on governmental affairs, I have testified frequently before House and Senate subcommittees as to the urgent need for legislation to provide limited away-from-reactor storage of spent nuclear fuel and the permanent disposal of nuclear waste.

There is need for modification and improvement in the Clean Air Act of 1970, and particularly its 1977 amendments, to assure that required investments have reasonably acceptable cost-benefit relationships and do not exceed technological capability. Otherwise, consumers will pay unnecessarily higher costs with no measurable improvement to the environment.

We are pleased that the Economic Recovery Tax Act of 1981 has permitted a tax deferral of up to $1,500 a year on dividends reinvested in our Company. We have advocated a reasonable tax incentive for investors to help encourage capital formation in our industry.

We are grateful for the confidence and continuing support of our 122,874 shareholders and for the commitment of our more than 7,000 employees in meeting the challenges that have faced us. Because of our employees and other resources, we enter 1982 in a strong position to deal effectively with the problems and the opportunities that lie ahead.

Sincerely,

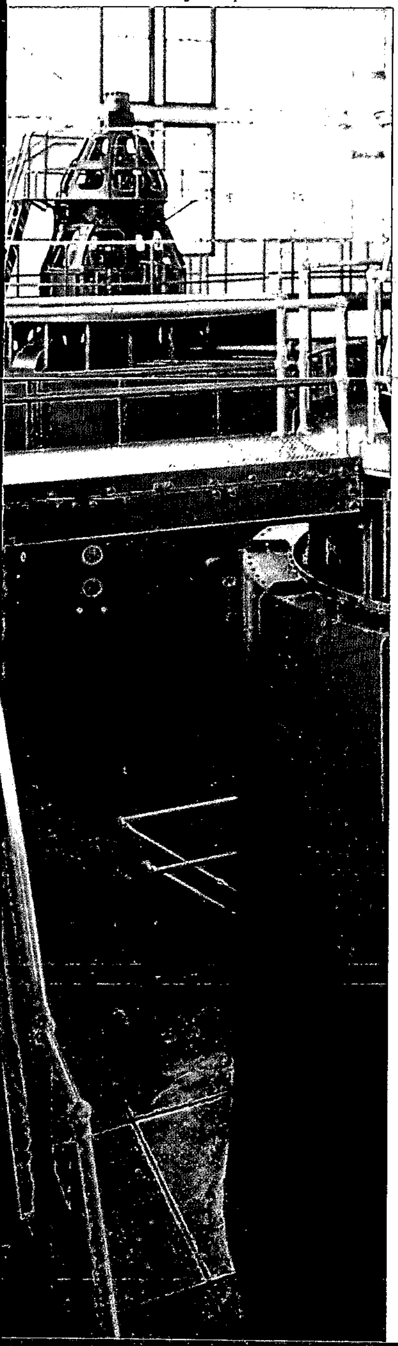
Sherwood H. Smith, Jr.

Sherwood H. Smith, Jr.
Chairman/President

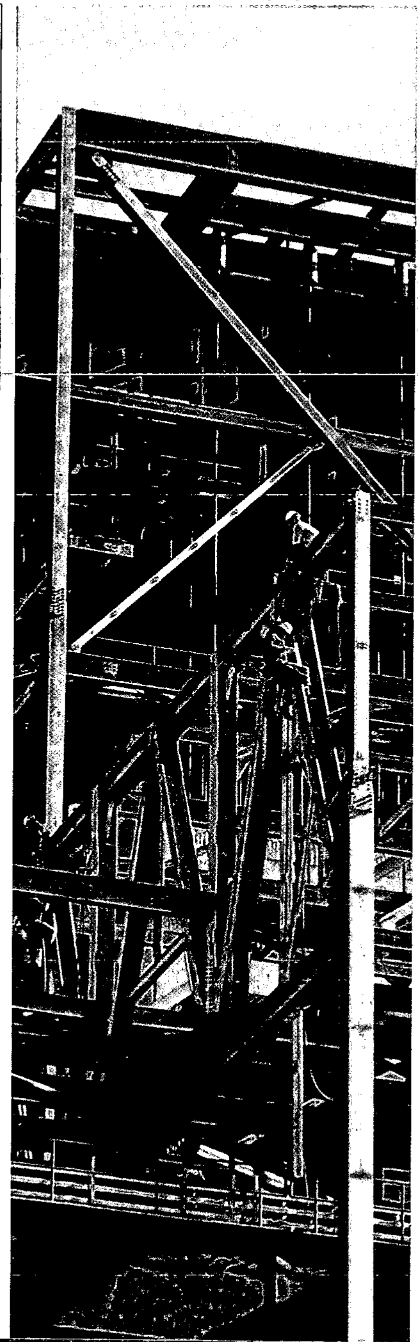
March 1, 1982

The Company is in an excellent position with regard to fuel mix for the generation of electricity. In 1981, coal and nuclear provided about 98 percent of the Company's electric generation. More than 1 percent came from water power and less than 1 percent from oil.

Generator room at Walters hydro plant

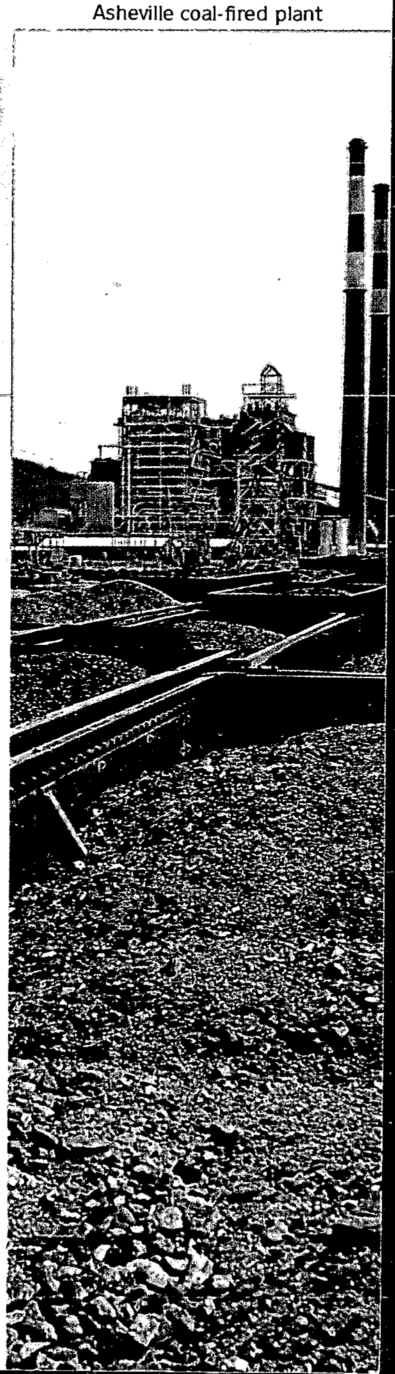


Construction on Mayo plant



Refueling at the H. B. Robinson nuclear plant

Asheville coal-fired plant



The Year in Review

Energy Sales

Energy sales increased 0.7 percent in 1981, reflecting energy conservation by customers, slowed economic activity and a return of more moderate weather as compared with 1980 when energy sales increased 5.6 percent.

Residential sales, which are the most sensitive to the weather, decreased 1.6 percent. Sales to commercial customers increased 2.8 percent; to resale customers, 0.8 percent; and to industrial customers, 1.8 percent.

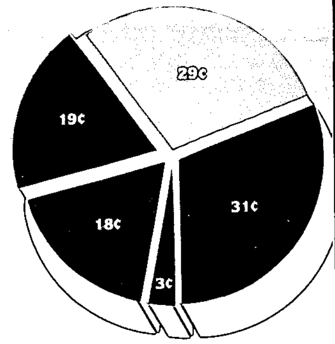
Operating Revenues

Operating revenues increased 24.9 percent to $1.34 billion. Of this increase, $122.5 million reflected increased fuel charge billings and $140.8 million, general rate increases placed into effect in 1981 and 1980.

Operating

Where it comes from
(Thousands of Dollars)

Residential customers **31¢**
$415,650
Industrial customers **29¢**
$386,050
Commercial customers **19¢**
$250,107
Wholesale customers **18¢**
$244,656
Other electric operating revenues **3¢**
$47,095
Total: $1,343,558



*Does not include $47,890,000 of wages and employee benefits for

Operating Expenses

Operating expenses increased 22.4 percent, or $202.7 million, to a total of $1.11 billion.

Significant changes included:

- an 11.8 percent or $48.4 million increase in fuel for generation, which reflects both an 8.2 percent increase in the average unit cost of fuel burned and a 1.1 percent increase in the amount of electricity generated from fuel-burning plants.
- a $20.1 million increase in operating expenses for deferred fuel costs and customer fuel credits. During 1981, the cost of fuel for generation was more comparable with related revenue than in 1980, when a substantial increase in fuel expense was not matched with increased fuel charge billings.
- a 25.9 percent or $25.9 million increase in maintenance, principally for production facilities. During the year, $13.6 million more was spent on fossil-steam facilities and $9.2 million more on nuclear.
- a 24.5 percent or a $21.7 million increase in depreciation and amortization expense, reflecting more property in service and the initial year's amortization of the cost of the discontinued Brunswick cooling towers project.
- a 57.2 percent or $43.3 million increase in income tax expense, primarily because of the increase in pretax income.

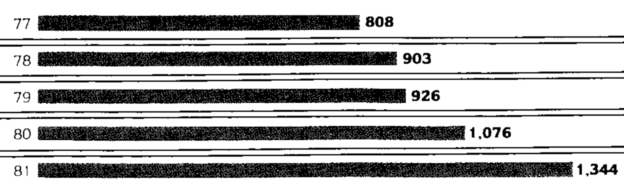
Net Income and Earnings

Net income for 1981 was $203.6 million, up 26.2 percent from 1980. Earnings per share were $3.06, as compared with $2.73 in 1980. During 1981, revenue billings related to fuel costs were more comparable with the fuel and purchased power costs than in 1980; however, other revenues failed to keep pace with increasing expenses, especially the expense for maintenance of generating facilities. The annual dividend paid per share of common was $2.28. Effective with the November 2, 1981 dividend, the dividend rate increased to 60 cents a quarter or $2.40 on an annual basis.

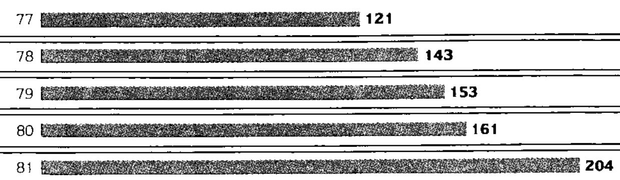
Construction

Construction expenditures of $547 million in 1981 included $435 million for generating facilities, $38 million for transmission, and $74 million for distribution and general facilities.

Electric Operating Revenues (Millions of Dollars)

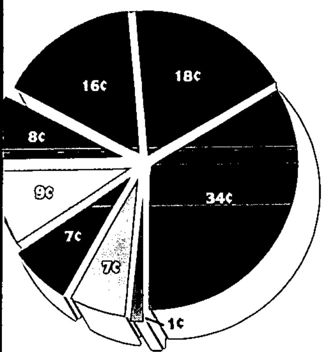


Net Income (Millions of Dollars)



evenue Dollar

Where it goes



34¢ Fuel, $460,114
18¢ Compensation to investors for use of their funds (interest, 9¢; preferred and preference stock, 2¢; common stock, 7¢) $237,403
16¢ Taxes, $216,284
8¢ Depreciation, $110,409
9¢ Wages and employee benefits* $116,163
7¢ Maintenance (except employee wages) $95,518
7¢ Other operating expenses, $88,279
1¢ Purchased and interchange power, net, $19,388
Total: $1,343,558

mpany employees that was charged to construction and other accounts.

In 1981, the Company generated internally $272 million for its capital requirements, including construction. Depreciation and amortization provided $150 million; retained earnings, $37 million; and noncurrent deferred income taxes and investment tax credits provided a net of $85 million.

Financing

To help finance its continuing construction program, the Company completed the following major financing arrangements in 1981:

- in January, the sale of notes for $125 million, due 1987-1988, pursuant to the revised European term loan agreement, and the refunding of the $45 million of similar notes, due 1986-1987, for an additional $80 million.
- in May, the public sale of 400,000 shares of Serial Preferred Stock, $14.00 Series, for $39.6 million (before expenses of issuance).
- in May, the initiation of a new $50 million nuclear fuel trust financing arrangement and termination of the $50 million revolving nuclear fuel lease.
- in September, the execution of a $130 million revolving credit facility that supports the commercial paper program. Loans are available until September 1986.
- in November, an issue of 3 million shares of common stock for net proceeds of $59.8 million.
- the withdrawal during 1981 of $24.2 million from funds held by trustees in connection with the sale in prior years of pollution control bonds.
- during 1981, the sale and issuance of about 1.9 million shares of common stock for $34.6 million, through continuing plans for the sale of stock to employees, customers and to shareholders involving the automatic reinvestment of dividends.

Capitalization

The Company's capitalization at year end was $3.79 billion, consisting of 41.5 percent in first mortgage bonds, 36 percent in common equity, 13.2 percent in preferred and preference stock, and 9.3 percent in other long-term debt.

New Load Forecast

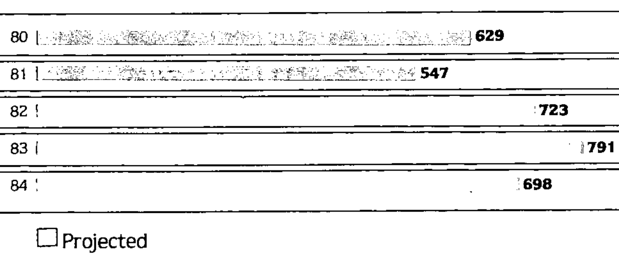
The directors approved in December a long-range load forecast that shows an expected growth in the demand for electricity of 2.9 percent annually through 1995 as compared with a 1980 forecast of 3.3 percent.

The expected rate of load growth reflects the anticipated impact of the Company's expanded Conservation and Load Management Program. In view of this forecast, and the higher cost of new plant construction, the Company cancelled construction of the last two units of the four-unit Shearon Harris nuclear power plant, which were scheduled for completion in 1992 and 1994. Completion of the first Harris unit is still scheduled for 1985, while Harris 2 is rescheduled from 1988 until 1989. Mayo 1, scheduled for operation in 1983, will continue on schedule. Mayo 2 is rescheduled from 1990 until 1991.

Construction Schedule

Unit	Capacity	Type	In-Service Date
Mayo 1	720 MW	Coal	1983
Harris 1	900 MW	Nuclear	1985
Harris 2	900 MW	Nuclear	1989
Mayo 2	720 MW	Coal	1991

Construction Expenditures (Millions of Dollars)



The Company's load forecast is evaluated on a continuing basis and the construction schedule is adjusted to reflect changes in load growth and in the Company's ability to raise capital.

New Facilities

Work on the first 900,000-kilowatt unit of the Shearon Harris nuclear power plant near Raleigh passed the halfway mark during 1981. Unit 1 was 55 percent finished at year end; Unit 2 was 4 percent complete. Construction of the 526-foot high Unit 1 cooling tower was started in July with completion scheduled for October 1983.

Construction continued on the 1,440,000-kilowatt, coal-fired Mayo plant in Person County, North Carolina. Major components of the first unit, including boilers, precipitators, turbine-generator and circulating water system, were nearing completion. Unit 1 was about 81 percent complete at year end. The filling of the make-up lake was about 15 percent complete, and the start-up cycle has begun for a 1983 operation date.

Transmission lines authorized for construction in 1982 and following years include 300 miles of 500,000-volt line, 348 miles of 230,000-volt line and 53 miles of 115,000-volt line.

Environmental Matters

The Company spent $23.5 million during 1981 for environmental protection, including $4.6 million for air quality control and $12.6 million for water quality control.

In 1982, the Company projects an expenditure of $52 million for similar environmental protection measures. Since 1968, the Company has invested about $383 million in facilities to protect the environment.

The Company has endorsed, directly and through its affiliations with the Edison Electric Institute and the Electric Power Research Institute, the need for national legislation that would fund extensive technical studies in the area of acid rain. The studies, in part, would be designed to determine the effect of man-made versus naturally induced acidity of rainfall.

Extensive precipitator testing was completed in 1981 in compliance with the requirement in the variance granted the Company by the North Carolina Environmental Management Commission (NCEMC) in 1979. The information will be presented to the NCEMC in early 1982, when final emission standards will be established for each of the Company's coal-fired generating units.

Operations

In 1981, total system energy requirements were 32.4 billion kilowatt-hours. System load factor was 57.7 percent, compared with 59.7 percent in 1980. Total installed system generating capacity was 7,978,000 kilowatts.

Coal-fired generating units at seven plants made up about 56 percent of the system generating capacity; three nuclear units accounted for 28 percent; 33 internal combustion (IC) turbine generators that burn oil or natural gas made up 13 percent; and four hydroelectric plants, 3 percent.

In 1981, coal provided about 69 percent of the electric generation, nuclear contributed about 29 percent, water power about 1 percent and oil less than 1 percent. The fuel cost to generate a kilowatt-hour for nuclear plants was 0.4 cents; for coal-fired plants, 1.8 cents; and for oil-fired IC turbines, 9.6 cents.

Coal consumption reached a record high in 1981 when the Company burned 9.5 million tons. The average delivered price of coal in 1981 was $43.42 per ton, an increase of 11 percent over 1980.

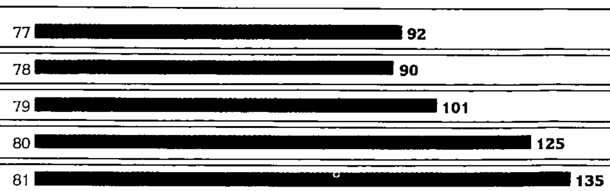
Peak Loads

In 1981, the annual peak for the system occurred on January 13 when customer demand reached a record of 6,402,000 kilowatts, a 4.3 percent increase over the preceding summer peak. A record for energy used in one day was established on January 12, 1981, when customers used 129,423,000 kilowatt-hours. A new peak of 6,602,000 kilowatts was established on January 11, 1982, during an extensive period of subfreezing weather.

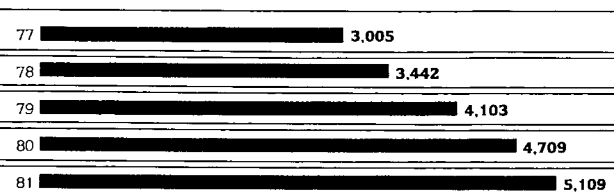
System Reliability

CP&L continued its participation as one of 27 utilities in the Southeastern Electric Reliability Council and

Fuel Expense (All fuels as burned)
Cents Per Million BTU



Total Utility Plant (Millions of Dollars)



in the seven-member Virginia-Carolinas Reliability Group. Maintaining and improving system reliability and cost effectiveness for member systems is the principal purpose for both groups. In support of system and regional reliability, the Company has 35 interconnections with neighboring systems.

Nuclear Fuel Supply and Storage

CP&L has on hand or has contracted for all raw materials and nuclear fuel services to operate Robinson 2 through 1987, Brunswick 1 through 1986, Brunswick 2 through 1987, Harris 1 through 1986 and Harris 2 through 1989. The Company does not expect to have difficulty obtaining nuclear fuel for later years. Provisions are being made to continue to store spent fuel on an interim basis, pending the establishment of away-from-reactor storage facilities and a permanent nuclear waste disposal system, which are clearly needed on the federal level.

Modifications to Nuclear Units

During 1981, the Company continued to implement changes to systems and procedures as a result of the incident at Three Mile Island (TMI) and other requirements issued by the Nuclear Regulatory Commission. These modifications resulted in capital expenditures of approximately $32.8 million during 1981.

Extensive modifications are planned for the Company's nuclear units during the period 1982 through 1985. These include modification of the Brunswick Plant augmented off-gas system, replacement of the condenser tubes at Brunswick and Robinson 2, and modification of the pressure suppression chamber and vent system of the Brunswick units. The Company also has made plans that will allow for replacement of the Robinson 2 steam generator in 1984-1985 should replacement become necessary.

Insurance for Nuclear Accidents

Under the Price-Anderson Act, total liability for a nuclear incident is limited to $560 million. At present, the Company is insured by conventional insurance pools that provide financial protection for $160 million of this total. The remaining liability is assumed primarily by companies operating nuclear units and, to a certain extent, by government indemnity. The Company's prorated maximum liability under this arrangement is presently $15 million per incident.

The Company is also a member of Nuclear Electric Insurance Limited (NEIL), established to provide insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages of members' nuclear generating units.

Rates

During the year, the Company received final approvals in North Carolina and South Carolina for retail rate increases totaling $134,536,000 in additional annual revenues. More than 62 percent of the Company's sales are regulated by the North Carolina Utilities Commission and about 15 percent by the South Carolina Public Service Commission. About 23 percent is under jurisdiction of the Federal Energy Regulatory Commission (FERC).

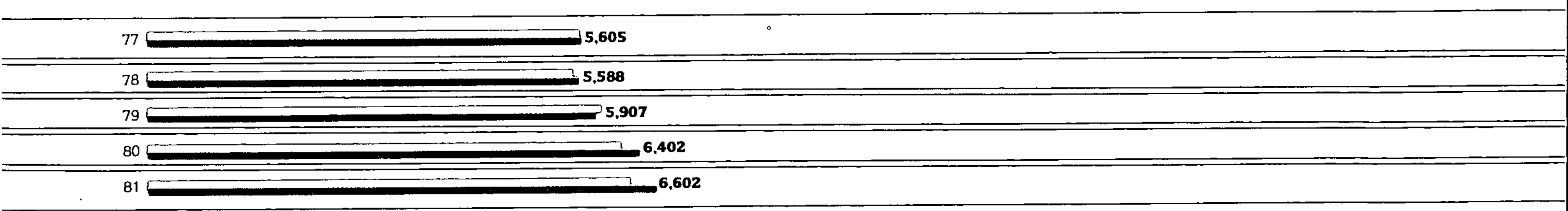
In April 1981, the Company received a 10.7 percent increase in retail rates in South Carolina. The Company had requested an increase of 19.4 percent. Subsequently, the Company filed a request with the South Carolina Public Service Commission to increase retail rates in South Carolina by 21.9 percent, or $39.5 million in additional annual revenues. In June 1981, this increase was placed into effect subject to refund. A final order is expected by mid-1982.

In May, the Company filed a request with the North Carolina Utilities Commission for an approximate $151 million increase in retail electric rates. Effective December 15, 1981, approximately $119 million, or 79 percent of this request, was approved.

After July 1, 1979, under North Carolina law, funds invested by utilities in construction work for new plants and other facilities may be included in the rate base. The rate increase granted by the North Carolina Utilities Commission included a portion of construction work in progress in the rate base upon which a rate of return is allowed.

To encourage customer conservation and promote new load management programs, the Company has made available several new rate schedules. Included are time-of-use rates for all residential and small general service customers, and cogeneration rates. In pilot projects, the

Service Area Peak Load (Thousands of Kilowatts)



Summer ■ Following Winter

Company has a water heater and air conditioner control rate for certain residential customers.

On December 1, the Company received the initial decision of an Administrative Law Judge on wholesale rates that were placed into effect August 18, 1980, subject to refund. The Company was seeking an annual increase of $30.8 million and the decision, which is subject to appeal, granted the majority of the requested increase.

The Company filed on June 12, 1981 an application with the FERC for a wholesale rate increase of 15.7 percent. An agreement was reached with the wholesale customers that allows an increase of 10.8 percent. Rates reflecting the settlement agreement are in effect as of January 12, 1982, subject to refund pending final FERC approval.

Research and Development

CP&L is involved in research and development activities both at the local and national levels.

The Company is a participating member of the Electric Power Research Institute (EPRI), sponsored by the nation's utility industry. The purpose of EPRI is to develop new and improved technologies to meet present and future demands for electricity.

In 1981, the EPRI budget of $245 million funded research in areas such as synthetic liquid and gaseous fuels from coal; solar, geothermal and wind power; fuel cells; the causes and effects of acid rain; energy storage; nuclear fuel reprocessing; and improved fossil and nuclear power generation. Overall, about 1,200 projects are currently under EPRI's management.

The Company also participates in the North Carolina Alternative Energy Corporation, a non-profit organization funded by the state's electric suppliers. The corporation conducts research in such areas as energy management, conservation and alternative energy sources.

CP&L has acted as a host utility for testing and evaluating two-way communications systems using power line carriers. The Company has undertaken a two-year distribution line carrier communications project to refine microelectronics-based equipment that will enable utilities to dispatch reactive power, control selected customer appliances, regulate line voltage and expedite service restoration.

In local research and development, the Company is investigating the potential contribution of small-scale and customer-owned generation to CP&L's energy mix. The Company is continuing research in fossil and nuclear power plant performance, renewable energy resources, heat pump development, and energy conservation practices of customers.

Conservation and Load Management

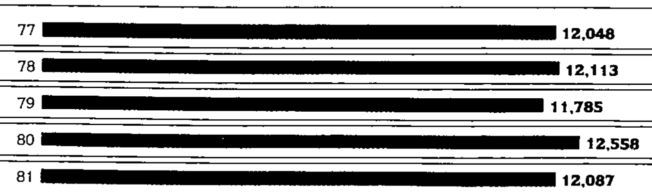
The Company is committed to a comprehensive Conservation and Load Management Program based on an intensive study. This study concluded that an expanded program had the potential to reduce the demand by about 1750 megawatts (1,750,000 kilowatts) by 1995. The Company has undertaken the program as a viable alternative to the construction of expensive new generating capacity.

Programs designed for residential customers would result in approximately 630 megawatts of load reduction. Among these are programs to control water heaters and air conditioners during peak periods, low interest rate loans for increasing home insulation levels, promotion of passive solar construction and solar water heating, residential energy audits, time-of-use rates and promotion of energy-efficient appliances.

In the commercial area, multiple programs have been developed to achieve approximately 250 megawatts of load reduction, including curtailable load rates and energy audits. The remaining 870 megawatts from the industrial sector would result from such programs as cogeneration, independent hydro development and time-of-use rates to effect lower demand levels.

Portions of the program are already underway with implementation of the remainder of the proposed program expected to begin during the next two years. To develop and administer the program, a new corporate department has been established and will be staffed during 1982.

Average Annual Kilowatt-Hour Sales to Residential Customers



Activities during the Year

Company efforts in conservation and load management intensified in 1981 with the implementation of several new and expanded programs. The Energy Savings Program (ESP) was introduced in response to the federally mandated Residential Conservation Services Program. ESP provides residential customers with a computerized home energy analysis.

To assist residential customers in installing conservation measures, the Company introduced the Homeowner's Energy Loan Program. Under this program, customers may qualify for loans of up to $600 at 6 percent interest for the installation of certain energy conservation measures, such as attic insulation and storm windows.

In September, the 4th Annual Southeastern Energy Management Exposition was held in the Raleigh Civic Center, sponsored by the Company in cooperation with North Carolina State University and the Energy Division of the State of North Carolina. The exposition, designed to increase energy conservation awareness in the commercial, industrial and institutional areas through seminars and exhibits, drew approximately 2,000 people.

The Company's program of remotely controlling residential electric water heaters was initiated in the Raleigh area in 1980. At the end of 1981, approximately 8,400 customers were participating. The Company has received regulatory approval to expand the program to other major metropolitan areas.

In 1982, the Company will offer a pilot air conditioner control program to customers in the Raleigh area who participate in the water heater control activity.

Customers

The Company served 757,500 retail customers at the end of 1981, an increase of 2 percent over the previous year.

Residential

In 1981, the Company's 647,500 residential customers represented 85.4 percent of CP&L's total customers and accounted for 30.9 percent of operating revenues.

Average annual consumption per customer decreased 3.8 percent, from 12,558 kilowatt-hours to 12,087 in 1981, which was associated with milder weather. The average annual residential bill increased from $546.11 in 1980 to $648.57 in 1981. The average price per kilowatt-hour increased from 4.35 cents in 1980 to 5.37 cents in 1981.

Commercial

At year end, commercial customers totaled about 105,000, an increase of approximately 1,000 over 1980. The commercial sector represented 13.9 percent of the Company's customers and produced 18.6 percent of operating revenues. In 1981, the average annual usage by commercial customers increased slightly, from 46,997 kilowatt-hours in 1980 to 47,465.

Industrial

The Company gained 148 industrial customers during 1981, bringing the total served to 3,942. Energy usage in the industrial area increased 1.8 percent over 1980, to nearly 10 billion kilowatt-hours.

In 1981, new and expanded industries in the Company's service area announced capital expenditures totaling $516 million. The new and expanded industries are expected to provide an estimated 10,000 new job opportunities, with an annual payroll of $127 million.

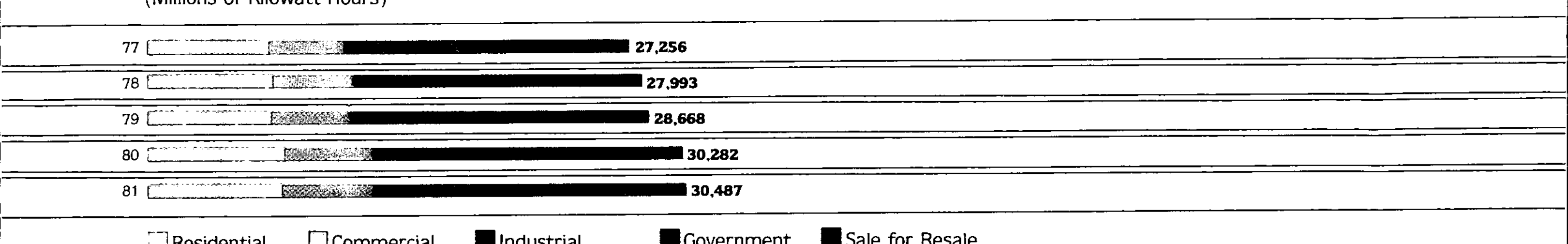
Wholesale

CP&L provides electricity for resale to 18 electric membership corporations, 25 municipalities and one privately owned utility. In 1981, the wholesale customers accounted for 6.9 billion kilowatt-hours, or 22.6 percent of CP&L's total sales. In October, the Company purchased the Pinehurst (N.C.) electrical distribution system and began providing retail service to 1,800 customers.

Power Agency

State and federal regulatory authorities approved in November the sale of undivided ownership interests in four of CP&L's generating plants (two in operation and two under construction) to the North Carolina Eastern Municipal Power Agency. Under the agreement, CP&L will

Energy Sales by Classes Within Service Area
(Millions of Kilowatt-Hours)



continue to operate the jointly owned plants and will supply power to 32 municipalities through the Power Agency. The sale will reduce substantially the amount of external financing necessary for the Company's construction program.

Customer Relations

The Common Sense Program, a Company promotion to encourage construction of energy-efficient homes, apartments and manufactured homes, resulted in the completion of 7,430 Common Sense dwelling units during the year.

The Company has a program of offering information about government assistance programs to help low-income families meet their energy bills.

CP&L's continuing customer contact programs, involving such areas as energy audits, conservation assistance and load management, have reached almost 23,000 people individually and an additional 21,000 through group presentations.

Continuing emphasis was placed on conversion of mercury-vapor area and street lighting fixtures to more efficient high-pressure, sodium-vapor lighting units. In 1981, 11,000 high-pressure, sodium-vapor lighting units were installed.

Employees

At the end of 1981, the Company had 7,181 employees, compared with 6,522 a year earlier. The additions were primarily in the areas of engineering and power plant operations.

In mid-1981, employee relations offices were established at all operating nuclear generating plants to serve better the needs of employees at these locations. Functions of the offices include recruiting, wage and salary administration and safety support.

CP&L is an equal opportunity employer. Affirmative Action plans, which are updated annually, include employment goals, outreach recruitment efforts, active involvement in community action programs and adherence to appropriate regulatory guidelines.

Employee Development

During 1981, the Company initiated a training and education concept called "Organization and Human Resources Development," which earned national recognition from the American Society of Training and Development. The Company received the Society's Human Resources and Development Award for efforts in improving quality and management of corporate, technical, craft, safety, management and professional development training and education programs.

Under this concept, a training activity was added during the year to help employees manage change. The training provides team building, work planning and self-analysis for employees involved in organizational change and growth.

The Craft and Technical Development Program will be revised and expanded throughout the system in 1982.

Safety

Company employees continue to record impressive safety achievements. For the ninth consecutive year, the Company earned the Southeastern Electric Exchange (SEE) Award for the safest working utility in its size category. The Company also received the SEE Fleet Safety Award for the sixth time in the past eight years.

The Edison Electric Institute presented CP&L with the Safety Achievement Award for the seventh consecutive year and, for the fifth consecutive year, the Frequency Rate Safety Award.

The Company received the Award of Honor for the second year in a row and the first place award for utilities for the eighth consecutive year from the National Safety Council. In addition, the North Carolina Department of Labor presented the Company with two awards for achievement in accident prevention.

Ownership

The number of shares outstanding increased 9.3 percent during 1981 as a result of the issuance and sale of

400,000 shares of Serial Preferred Stock, $14.00 Series, in May and 3 million shares of common stock in November. There also were significant increases in the number of shares sold through the Automatic Dividend Reinvestment Plan, the Stock Purchase-Savings Program and the Employee Stock Ownership Plan.

At year end, there were 101,817 holders of common stock, 14,088 holders of preferred stock, and 6,969 holders of preference stock, for a total of 122,874 shareholders. In addition, there are several thousand shareholders who own shares held by banks, brokers, investment trusts or nominees.

Distribution of Stock Ownership
(Common, Preferred and Preference Stock Combined)

	Shareholders	
	Number	Percent
The Carolinas	53,258	43
Elsewhere	69,616	57
Total	122,874	100

	Shares	
	Number	Percent
The Carolinas	15,196,083	24
Elsewhere	47,485,484	76
Total	62,681,567	100

More than 43 percent of the shareholders live in North Carolina or South Carolina. The largest beneficial shareholder of record held less than 1 percent of the shares outstanding at year end.

More than 82 percent of the shares outstanding were represented in person or by proxy at the 1981 Annual Meeting.

Customer Stock Plan

In October, the Company announced the Customer Stock Ownership Plan, which enables customers of the Company to purchase shares of common stock through monthly cash payments. Through year end, approximately 30,000 customers had expressed interest in the plan and 3,500 had enrolled.

Automatic Dividend Reinvestment Plan

Also in October, shareholders were notified that the Company's Automatic Dividend Reinvestment Plan qualified under the provisions of the Economic Recovery Tax Act of 1981. Effective with dividends paid on or after January 1, 1982, the Act enables shareholders to defer federal income taxes on dividends reinvested in the Company's common stock.

The reinvestment provisions of the Act allow individual shareholders to exclude from taxable income $750 ($1,500 on a joint return) in dividends reinvested in the plan in each of the four years 1982 through 1985. Taxable income would not be reported until the year in which the shares are sold and may be treated as capital gain.

Since the new tax Act became law, more than 9,000 shareholders of CP&L common, preferred and preference stock have enrolled in the Automatic Dividend Reinvestment Plan. At year end, 30,175 shareholders were participating in the plan compared with 20,821 at the end of 1980.

Under the plan, shareholders may reinvest dividends in the purchase of additional shares of CP&L common stock at 97 percent of market value. Shares also may be acquired through optional cash payments at a 3 percent discount.

Toll-free Number

As an expanded shareholder service, a toll-free telephone line has been installed for the convenience of shareholders in contacting the Company. Shareholders in North Carolina may call 1-800-662-7232; outside North Carolina, 1-800-334-4374.

Management Changes

Jones Elected Vice Chairman; Graham, Lilly Named Executive Vice Presidents

In May, directors of the Company elected J.A. Jones vice chairman of the board of directors and named William E. Graham, Jr., and Edward G. Lilly, Jr., executive vice presidents.

Mr. Jones has been chief operating officer since 1976 and senior executive vice president since 1979. He joined the Company in 1951 as a senior engineer and has served as a plant manager and as superintendent of power. He was elected senior vice president in 1970 and became a director in 1971.

Mr. Graham joined CP&L in 1973 as vice president and senior counsel after serving as a judge of the North Carolina Court of Appeals. He was named general counsel in 1974, and senior vice president and group executive for legal, regulatory and communications in 1976. He became a director in 1980.

Mr. Lilly came to CP&L as senior vice president and group executive for finance in 1971 after serving as senior vice president for Wachovia Bank & Trust Company in Winston-Salem. He was named a director in 1971 and chief financial officer in 1976.

New Officers Elected

During the year, the directors elected four vice presidents: Alan B. Cutter, Mendall H. Long, Bobby L. Montague and E.S. Noell.

Mr. Cutter joined the Company in 1980 after 18 years' experience in the nuclear engineering field. He has served as manager of the nuclear power plant engineering department.

Mr. Long, a 32-year veteran with the Company, joined CP&L as a plant engineer and served as superintendent of two CP&L plants and as manager of engineering support for fossil power plants. He became manager of special projects for power supply in 1981.

Mr. Montague has been with CP&L since 1962 and served as director of project analysis at the Harris nuclear plant site before becoming manager of system planning and coordination in 1980.

Mr. Noell joined the Company in 1949 as an engineer and served in a number of engineering positions before being named manager of the transmission system engineering and construction department in 1976.

(L to R): William E. Graham, Jr., Edward G. Lilly, Jr. and J.A. Jones

Alan B. Cutter

E.S. Noell

Mendall H. Long

Bobby L. Montague

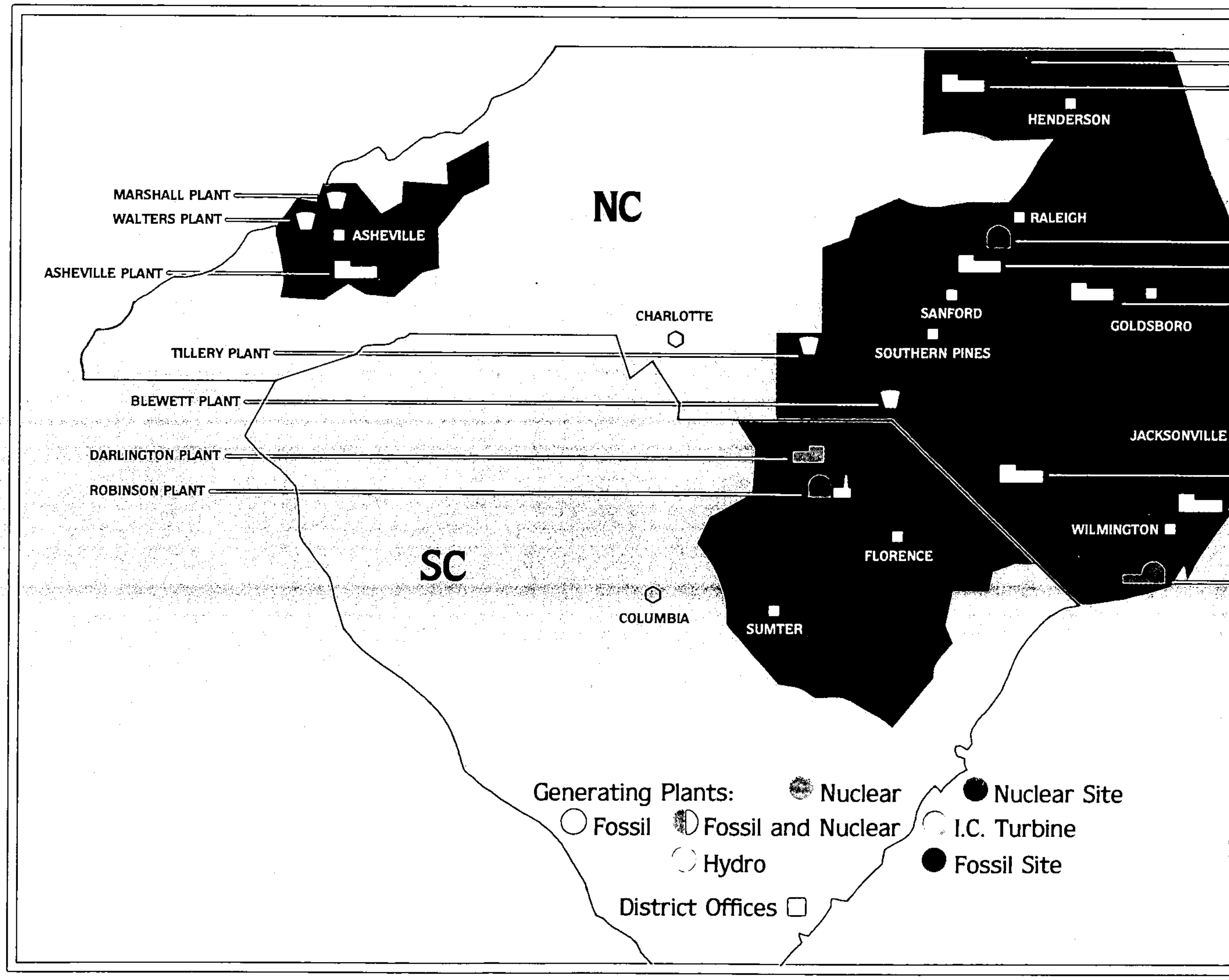
Serving an Attractive and Livable Area

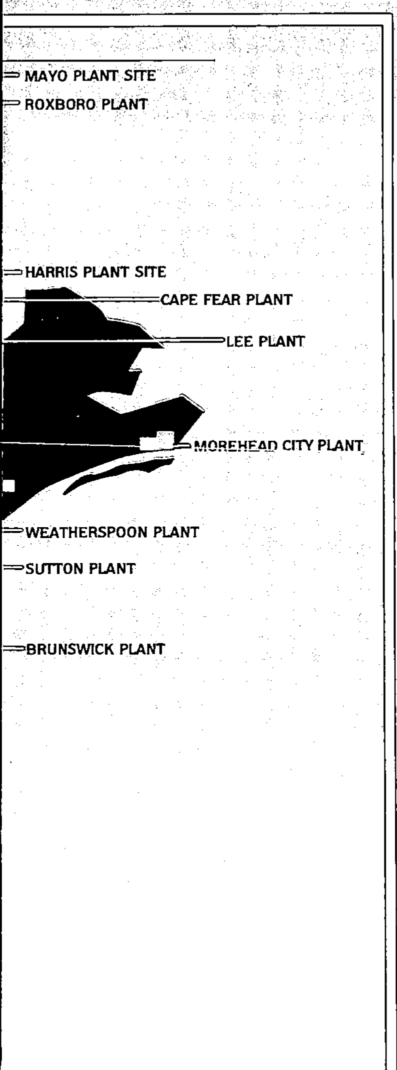
Carolina Power & Light Company provides electric service to about 758,000 customers in a 30,000 square-mile area that includes about half of North Carolina and one-fourth of South Carolina. The area lies largely in the coastal plains, although it includes portions of the piedmont and mountain sections of the two states.

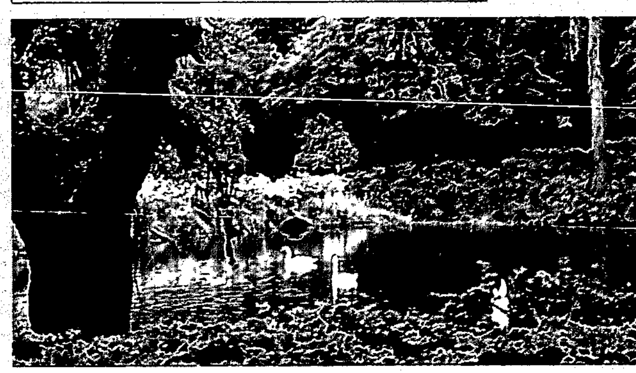
Although largely rural in nature, our service area is experiencing industrial growth that has brought a desirable balance between industry and agriculture. Population of our service area is about 3 million. Customers live in uncongested small and medium-sized cities and towns. Raleigh, which serves as the Company's headquarters, is the system's largest city with a metropolitan population of 300,000.

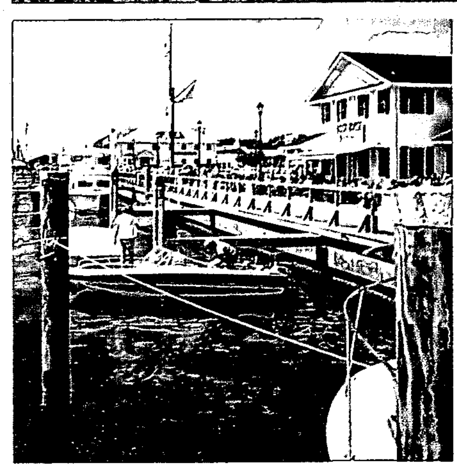
Recreational activities abound in four distinct seasons. The mountains offer snow skiing and hiking; the midlands, year-round golf; and the coast, water sports and salt-water fishing. The nationally recognized North Carolina Symphony is based in Raleigh and the Triangle Area's three major universities provide extensive educational and cultural activities.

Customers are served through five division, ten district, and 42 area offices.




MAYO PLANT SITE
ROXBORO PLANT
HARRIS PLANT SITE
CAPE FEAR PLANT
LEE PLANT
MOREHEAD CITY PLANT
WEATHERSPOON PLANT
SUTTON PLANT
BRUNSWICK PLANT





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 and are consistent with other information in this report.

The Company has designed and maintains a system of internal accounting controls to ensure the reliability of the financial statements and to provide reasonable assurance that assets are safeguarded. This system is augmented by written policies and guidelines and a strong program of internal audit.

The Board of Directors pursues its oversight role for financial reporting and accounting through its audit committee. This committee, which is comprised entirely of outside directors, meets periodically with management and the 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 Haskins & Sells, are engaged to express an opinion of 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 are not misleading and do not contain material errors.

Edward G. Lilly, Jr.
Chief Financial Officer

Paul S. Bradshaw
Chief Accounting Officer

Management's Comments on Financial Condition and Results of Operations

These comments are designed to analyze and discuss in greater detail the Financial Statements on pages 20-30 and the Statistical Review on pages 34-35. They should be considered in conjunction with the data appearing there.

CAPITAL RESOURCES AND LIQUIDITY

Capital requirements for 1979-1981 were met as follows (in millions):

	Total	1981	1980	1979
Internally (less dividends)	$ 692.1	**$272.6**	$184.1	$235.4
Externally (financings)	1,403.7	**444.9**	455.9	502.9
Total	$2,095.8	**$717.5**	$640.0	$738.3

and utilized as follows:

	Total	1981	1980	1979
Gross property additions and nuclear fuel	$1,909.8	**$584.7**	$674.9	$650.2
Retirement of long-term debt	124.8	**60.8**	—	64.0
Working capital increase (decrease), etc.	61.2	**72.0**	(34.9)	24.1
	$2,095.8	**$717.5**	$640.0	$738.3

The increase (decrease) in internal generation as compared with the preceding year, resulted from the following changes in capital resources (in millions):

	1981	1980	1979
Net income	**$ 42.2**	$ 8.1	$ 10.5
Dividends	**(26.7)**	(27.2)	(13.9)
Deferred income taxes and investment tax credits	**52.5**	(16.3)	(23.8)
Depreciation and amortization	**24.2**	(1.7)	7.5
Deferred income taxes credited to property accounts	**(3.7)**	(14.2)	(6.0)
Net increase (decrease) in capital	**$ 88.5**	$(51.3)	$(25.7)

The increase in net income for 1981 reflects primarily the improvement for the year as compared with 1980 when earnings were severely depressed. Deferred income tax items increased in 1981 primarily because of the deduction for income tax purposes of the investment in Harris Units Nos. 3 and 4 (see Note 6 to Financial Statements). Depreciation and amortization improved primarily because of the increase in depreciable plant and of revised estimates for the costs to decommission nuclear generating units. Furthermore, 1980 reflected a reduction in depreciation provisions of $4.6 million applicable to prior years (see Note 1 to Financial Statements).

The relative amounts of capital obtained from external sources have been as follows:

	1981	1980	1979
Common and preferred stocks	**30.3%**	53.2%	13.6%
First mortgage bonds	**5.5**	33.3	50.2
Unsecured term loans	**18.0**	9.9	3.0
Commercial paper backed by long-term credit facility	**29.2**		
Nuclear fuel financing arrangements	**9.4**	1.7	16.1
Short-term transactions	**7.6**	1.9	17.1
Total	**100.0%**	100.0%	100.0%

The Company continued innovative debt financings in lieu of first mortgage bonds during 1981, increasing the European term loans by $80 million and obtaining a long-term $130 million standby credit facility to support increased outstanding commercial paper. During 1981, the Company entered into an additional $50 million long-term revolving nuclear fuel trust arrangement and terminated the nuclear fuel leasing arrangements thereby obtaining a lower net cost of funds.

Projected capital requirements for the next three years include (in millions):

	Total	1982	1983	1984
Construction expenditures	$2,212	$723	$791	$698
Nuclear fuel expenditures	156	20	52	84
Long-term debt retirements*	134	35	32	67
Total	$2,502	$778	$875	$849

*Excluding nuclear fuel continuous funding arrangements and principal amounts of Pollution Control Bonds for which cash is held by the Trustee.

The above estimated amounts are subject to change as these conditions change: rates of inflation, customer conservation, use of load management techniques, availability of capital on reasonable terms, regulatory requirements and general economic conditions.

The Company has entered into certain agreements with the Power Agency (see Note 9 to Financial Statements) for the sale to it and subsequent operation of certain generating facilities. Over the next three years, it is anticipated that an estimated $820 million will be realized, resulting from the sale of the facilities which will reduce the substantial amounts of external capital requirements for the Company. Assuming that the sale to the Power Agency takes place, it is presently estimated that the Company will require net external funds totaling $25 million in 1982, $200 million in 1983 and $350 million in 1984. The amount and timing of the sales of securities will depend primarily upon market conditions and the needs of the Company at the time additional funds are needed.

Short-term liquidity: Customer receivables on the books at year-end represent an average of less than 20 days billings.

The issuance in February 1982 of $60 million of Guaranteed Notes, 16½ percent, due in 1989, and the expected proceeds from $75 million of additional first mortgage bonds in mid-March, along with internally generated cash, will provide current funds. The initial closing with the Power Agency, expected for this spring, will provide an additional source of funds to meet short-term requirements.

RESULTS OF OPERATIONS

Operating revenues increased during 1981 and 1980 principally because of: (1) general rate increases since 1979 contributed $190.5 million for 1981 as compared with $49.8 million in 1980; (2) fuel cost adjustment billings of $190.7 million for 1981 as compared with $68.3 million in 1980 and $14.0 million in 1979; and (3) increased sales to customers, changes in the customer mix, etc. totaling $4.7 million for 1981, $45.6 million in 1980 and $19.5 million in 1979.

Operating expenses reflect increased unit costs of fuel for generation in 1980 and 1981, primarily higher prices for coal; purchased and interchange power continues at a relatively high level reflecting for 1981 and 1980 unscheduled outages for nuclear generating units; maintenance and other operation expenses are up primarily because of inspections and modifications to the nuclear units as well as the general effects of inflation, and taxes other than on income have increased principally because of increased revenues. Deferred fuel costs and provision for customer fuel credits in 1980 reflected the reduction in revenues during 1980 because of lower 1979 fuel cost levels as well as higher 1980 fuel costs deferred for collection to 1981. Depreciation and amortization increased in 1981 because of (1) greater amounts of property in service, principally the Roxboro Unit No. 4 placed in service in the fall of 1980, (2) amortization of the discontinued Brunswick Plant cooling towers (see Note 7 to Financial Statements), and (3) increases in the estimated costs to decommission nuclear generating plants. Income tax expense increased significantly as net income improved from the very depressed level in 1980.

Other income increased as the allowance for equity funds used during construction increased reflecting higher investments in construction, principally at the Harris and Mayo plant sites, and also reflecting a higher allowed rate of return. **Interest charges** increased significantly during 1981 as well as 1980, reflecting greater amounts of capital required for utility property additions and higher interest rates. Much of recent long-term debt issues have interest rates that vary with the prime rate, and 1981 represented historically high prime rates. The allowance for borrowed funds used during construction, net of deferred income tax effects, increased moderately. The inclusion of construction expenditures in the rate base decreased the allowance for equity and borrowed funds by $21.9 million in 1981 as compared with $6.5 million in 1980.

Net income and earnings: In summary, earnings for 1981 and 1980 were adversely affected by inflation, high levels of operation and maintenance expenses (especially related to nuclear generating units) and other cost increases not fully reflected in approved revenue levels. Earnings per share of common stock for both years were adversely affected by the increased number of shares of stock outstanding. More moderate weather conditions prevailed during 1981 as compared with 1980 when hot summer and cold winter weather combined to increase energy sales and revenues. Under-recovered fuel costs were at approximately the same level at the end of 1981 and 1980 (see Note 8 to Financial Statements) although at zero for the beginning of 1980; therefore, the effect of the net under-recovery on 1981 was nominal as compared with 1980 which was significantly affected.

IMPACTS OF INFLATION

See Supplemental Inflation Adjusted Data on pp.31-33 for the estimated effects of changing prices on income, on the basis prescribed by the Financial Accounting Standards Board.

Statements of Income

Carolina Power & Light Company For the Year Ended December 31,

	1981	1980	1979
	(In Thousands Except Earnings Per Share)		
Operating Revenues (Notes 7 and 8)	$1,343,558	$1,075,604	$925,910
Operating Expenses:			
Operation:			
Fuel for generation	459,591	411,191	304,680
Deferred fuel costs and provision for customer fuel credits, net	523	(19,544)	(569)
Purchased and interchanged power, net	19,388	20,690	603
Other	174,084	146,472	118,430
Maintenance	125,876	100,006	78,475
Depreciation and amortization (Note 1)	110,409	88,701	88,396
Taxes other than on income	97,288	80,209	70,796
Income tax expense (Note 5)	118,996	75,693	94,642
Total operating expenses	1,106,155	903,418	755,453
Operating Income	237,403	172,186	170,457
Other Income:			
Allowance for equity funds used during construction	92,508	78,814	60,867
Income tax credits (Note 5)	35,846	35,417	22,113
Other, net	8,593	4,366	1,858
Total other income	136,947	118,597	84,838
Income Before Interest Charges	374,350	290,783	255,295
Interest Charges:			
Long-term debt	177,981	148,206	111,159
Other	31,201	15,773	10,810
Allowance for borrowed funds used during construction-credit (Note 5)	(38,429)	(34,584)	(19,918)
Net interest charges	170,753	129,395	102,051
Net Income	203,597	161,388	153,244
Preferred and Preference Stock Dividend Requirements	42,660	34,641	28,263
Earnings for Common Stock	$ 160,937	$ 126,747	$124,981
Average Common Shares Outstanding	52,554	46,471	40,841
Earnings Per Common Share (Note 8)	$ 3.06	$ 2.73	$ 3.06

See notes to financial statements.

Statements of Retained Earnings

For the Years Ended December 31,

	1981	1980	1979
	(In Thousands)		
Balance at Beginning of Year	$ 309,819	$ 289,768	$249,249
Net Income	203,597	161,388	153,244
Total	513,416	451,156	402,493
Deduct:			
Cash dividends declared:			
Preferred and Preference Stock, at stated rates (Note 1)	44,060	35,757	28,263
Common Stock (at annual rate of $2.32 a share in 1981, $2.20 in 1980 and $2.05 in 1979)	123,578	104,865	84,066
Total cash dividends declared	167,638	140,622	112,329
Capital stock discount and expense	425	715	396
Total deductions	168,063	141,337	112,725
Balance at End of Year	$ 345,353	$ 309,819	$289,768

See notes to financial statements.

Statements of Source and Use of Financial Resources

Carolina Power & Light Company   For the Years Ended December 31,

	1981	1980	1979
		(In Thousands)	
Source of Financial Resources:			
Current resources provided from operations:			
Net income	**$203,597**	$161,388	$153,244
Items not requiring (providing) current resources:			
Depreciation and amortization	**150,105**	125,944	127,673
Noncurrent deferred income taxes, net	**150,940**	78,101	62,202
Investment tax credit adjustments, net	**(28,569)**	(8,264)	23,899
Equity funds portion of AFUDC	**(92,508)**	(78,814)	(60,867)
Total current resources provided from operations	**383,565**	278,355	306,151
Other resources provided—			
Additions to plant accounts representing capitalization of equity portion, less deferred income taxes on borrowed funds portion of AFUDC	**55,231**	45,264	41,565
Total resources provided from operations	**438,796**	323,619	347,716
Financings:			
First mortgage bonds	**24,248**	152,022	252,448
Preferred stock	**39,458**	74,724	49,756
Common stock—Public offerings	**59,616**	143,895	
Common stock—Plans (Note 3)	**35,931**	23,933	18,746
Unsecured term loans	**80,000**	45,000	15,000
Commercial paper backed by long-term credit facility	**130,000**		
Nuclear fuel trust and lease obligations	**41,954**	7,959*	80,808*
Decrease in temporary cash investments plus increase in short-term notes payable	**33,705**	8,367	86,150
Total resources provided from financings	**444,912**	455,900	502,908
Total	**$883,708**	$779,519	$850,624
Use of Financial Resources:			
Gross property additions, excluding nuclear fuel**	**$548,508**	$627,499	$605,197
Nuclear fuel additions**	**36,223**	47,398	45,044
Dividends for the year	**166,238**	139,506	112,329
Repayment of first mortgage bonds	**15,000**		64,030
Repayment of nuclear fuel lease obligation	**45,827**		
Net increase (decrease) in the following working capital components:			
Accounts receivable, net	**8,019**	9,548	13,461
Material and supplies	**19,930**	17,186	10,190
Deferred fuel costs and liability for customer fuel credits, net	**(523)**	19,544	569
Accounts payable	**56,943**	(69,269)	(17,167)
Reserve for refund of revenues	**(16,799)**	14,876	13,293
Other, net	**(10,479)**	(40,066)	11,789
Miscellaneous, net	**14,821**	13,297	(8,111)
Total	**$883,708**	$779,519	$850,624

*Reclassified to conform to current presentation.
**Includes amounts capitalized as allowance for borrowed funds used during construction, net of related deferred income taxes.

See notes to financial statements.

Balance Sheets
Carolina Power & Light Company December 31, 1981 and 1980

Assets	1981	1980
	(In Thousands)	
Electric Utility Plant:		
Electric utility plant other than nuclear fuel:		
In service	$2,989,789	$2,864,435
Held for future use	10,371	10,036
Construction work in progress	1,854,177	1,616,513
Total	4,854,337	4,490,984
Less accumulated depreciation	717,800	627,408
Net	4,136,537	3,863,576
Nuclear fuel	254,477	218,466
Less accumulated amortization	144,791	106,598
Net	109,686	111,868
Electric utility plant, net	4,246,223	3,975,444
Other Property and Investments:		
Investment in coal-mining subsidiaries (Note 2)	6,604	7,263
Other	25,909	15,879
Total	32,513	23,142
Current Assets:		
Cash	3,600	4,331
Accounts receivable, net	70,856	62,837
Materials and supplies:		
Fuel	102,209	84,122
Other	35,214	33,371
Deferred fuel cost	6,493	8,086
Current portion of deferred income taxes	9,786	14,600
Prepayments, etc.	9,801	5,836
Total current assets	237,959	213,183
Deferred Debits:		
Unamortized debt expense	3,071	3,059
Harris Units Nos. 3 and 4 (Note 6)	156,562	
Other deferred debits (Notes 2 and 7)	39,507	26,779
Total deferred debits	199,140	29,838
Total	$4,715,835	$4,241,607

See notes to financial statements.

Balance Sheets

Carolina Power & Light Company December 31, 1981 and 1980

Liabilities	1981	1980
	(In Thousands)	
Capitalization (see Schedules of Capitalization):		
Common stock	$1,017,920	$ 923,549
Common stock subscribed	1,419	
Retained earnings	345,353	309,819
Preference stock	47,900	47,900
Preferred stock—redemption not required	238,118	238,118
Preferred stock—redemption required	214,700	175,100
Long-term debt (excluding current maturities), net	1,882,969	1,674,409
Total capitalization (excluding current maturities of long-term debt)	3,748,379	3,368,895
Current Liabilities:		
Long-term debt due within one year	46,479	39,058
Notes payable:		
Bank demand notes	17,000	43,571
Other	112,906	52,629
Accounts payable:		
Construction contract retentions	17,071	33,417
Other	96,011	107,132
Customers—refund of revenues		29,476
Reserve for refund of revenues (Note 7)	24,593	7,794
Liability for customer fuel credits		1,070
Customers' deposits	6,290	5,377
Taxes accrued	39,661	33,643
Interest accrued	32,011	32,693
Dividends declared	53,151	45,344
Other	1,956	7,113
Total current liabilities	447,129	438,317
Deferred Credits and Reserves:		
Accumulated deferred income taxes	421,289	307,626
Accumulated deferred investment tax credits	92,207	120,776
Other	6,831	5,993
Total deferred credits and reserves	520,327	434,395
Commitments and Contingencies (Notes 2, 6 and 7)		
Total	$4,715,835	$4,241,607

See notes to financial statements.

Schedules of Capitalization

Carolina Power & Light Company December 31, 1981 and 1980

			1981	1980
			(In Thousands)	
COMMON STOCK EQUITY (Note 3):				
Common stock, without par value, authorized, 100,000,000 shares:				
Outstanding, 56,139,308 shares at December 31, 1981 and 51,208,139 shares at December 31, 1980			$1,017,920	$ 923,549
Subscribed			1,419	
Retained earnings, limited in payment as dividends under certain circumstances under the Company's charter; however, none restricted at December 31, 1981			345,353	309,819
Total common stock equity			$1,364,692	$1,233,368
PREFERENCE AND PREFERRED STOCK, without par value, cumulative (Note 3):	At December 31, 1981			
	Redemption Price	Shares Outstanding		
Preference stock, authorized 10,000,000 shares (entitled to $25 a share plus accumulated dividends in the event of liquidation, in preference only to common stock)—				
$2.675 Series A	$ 26.50	2,000,000	$ 47,900	$ 47,900
Preferred stock(a)—redemption not required:				
$5 Preferred Stock—authorized, 300,000 shares	$110.00	237,259	$ 24,376	$ 24,376
Serial Preferred Stock(b):				
$4.20 Series	102.00	100,000	10,000	10,000
5.44 Series	103.00	250,000	25,000	25,000
9.10 Series	103.00	300,000	30,000	30,000
7.95 Series	107.00	350,000	35,000	35,000
7.72 Series	107.00	500,000	49,425	49,425
8.48 Series	108.00	650,000	64,317	64,317
Total—redemption not required		2,387,259	$238,118	$238,118
Preferred stock(a)—redemption required(c):				
Serial Preferred Stock(b)—				
$11.16 Series	$111.16	400,000	$ 40,000	$ 40,000
14.00 Series	114.00	400,000	40,000	
Preferred Stock A, authorized, 5,000,000 shares:				
$7.45 Series	110.00	500,000	50,000	50,000
8.75 Series	107.99	500,000	50,000	50,000
9.25 Series	107.50	180,000	18,000	18,000
9.00 Series	(c)	175,000	17,500	17,500
Unamortized discount			(800)	(400)
Total—redemption required		2,155,000	$214,700	$175,100

(a) Entitled to $100 a share plus accumulated dividends in the event of liquidation.
(b) Authorized, 20,000,000 shares in total.
(c) Minimum sinking fund requirements (at $100 per share plus accumulated dividends) commence in 1984 for the $7.45 Series, at 20,000 shares per year in 1985 for the $8.75 Series at 20,000 shares per year and increasing in the year 2000 to 40,000 shares annually; in 1986 for the $11.16 Series at 12,000 shares per year; in 1987 for the $14.00 Series at 16,000 shares per year; and in 1990, for the $9.00 Series, all 175,000 shares are to be redeemed. With respect to the $9.25 Series, the Company must offer to redeem annually, on March 1 of each year beginning in 1988, any or all shares outstanding. Minimum sinking fund requirements for the next five years aggregate: 1984, $2,000,000; 1985, $4,000,000 and 1986, $5,200,000.

See notes to financial statements.

	1981	1980
	(In Thousands)	
LONG-TERM DEBT(a):		
First mortgage bonds—principal amounts:		
Maturing 1981 through 1990:		
2⅞%, due February 1, 1981		$ 15,000
3½%, due October 1, 1982	$ 20,000	20,000
11 %, due April 15, 1984	67,346	67,346
14⅛%, due April 1, 1987	125,000	125,000
4⅛%, due March 1, 1988	20,000	20,000
4⅞%, due April 1, 1990	25,000	25,000
Maturing 1991 through 1995 - 4½%	55,000	55,000
Maturing 1996 through 2000 - 5⅛% to 8¾%	200,000	200,000
Maturing 2001 through 2005 - 7⅜% to 9¾%	560,000	560,000
Maturing 2006 through 2009 - 8½% to 12¼%	425,000	425,000
Pollution Control:		
Series A, 8%, due 2001-2009	52,319	37,887
(Principal amounts less cash held by Trustee: 1981, $10,681; 1980, $25,113)		
Series B, 7¼%, due 10-1-83	25,826	16,010
(Principal amounts less cash held by Trustee: 1981, $24,174; 1980, $33,990)		
Series C, 7¼%, due 10-1-83	6,000	6,000
Total first mortgage bonds—principal amounts	1,581,491	1,572,243
Other long-term debt:		
Nuclear fuel trust obligations (variable rates: 13.19% average effective interest cost at 12-31-81; 20.86% at 12-31-80)	84,893(a)	42,940
Nuclear fuel lease obligation (variable rate: 16.5% effective interest cost at 12-31-80)		45,827
European term loans due 1986-1987 (variable interest rate of 23.75% at 12-31-80)		45,000(b)
European term loans due 1987-1988 (variable interest rate of 14.38% at 12-31-81)	125,000	
10% term loan due 9-18-82	15,000	15,000
Commercial paper backed by long-term credit facility to 9-24-86 (12.14% average effective interest rate at 12-31-81)	130,000	
Miscellaneous promissory notes	130	300
Total long-term debt, principal amounts	1,936,514	1,721,310
Unamortized discount and premium, net	(7,066)	(7,843)
Total long-term debt, including current maturities	1,929,448	1,713,467
Less long-term debt due within one year:		
2⅞% Series due 2-1-81		15,000
3½% Series due 10-1-82	20,000	
Nuclear fuel trust obligations	11,479	8,115
Nuclear fuel lease obligation		15,943
10% Term loan due 9-18-82	15,000	
Total long-term debt, excluding current maturities	$1,882,969	$1,674,409
TOTAL CAPITALIZATION (excluding current maturities of long-term debt)	$3,748,379	$3,368,895

(a) Long-term debt maturities for the next five years, including estimated amounts under continuous nuclear fuel financing arrangements for which repayments of present obligations are based on energy produced, are (in thousands):

	1982	1983	1984	1985	1986
First mortgage bonds	$20,000	$31,826	$67,346		
Nuclear fuel	11,479	22,024	16,454	$15,345	$ 6,109
Other	15,000				130,000
Totals	$46,479	$53,850	$83,800	$15,345	$136,109

(b) Refunded on January 22, 1981, with the issuance and sale of $125,000,000 new European term loans, maturing in 1987-1988 with similar variable interest rate provisions.

See notes to financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

System of Accounts. The accounting records of the Company are maintained as prescribed in uniform systems of accounts of the FERC and the regulatory commissions of North Carolina and South Carolina.

Electric Utility Plant. The cost of additions, including replacements of units of property and betterments, is charged to 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 or renewed, or otherwise retired, plus removal or disposal costs, less salvage, is charged to accumulated depreciation. Electric utility plant, other than nuclear fuel, is subject to the lien of the Company's mortgage. Nuclear fuel is pledged, or subject to be pledged, as collateral for nuclear fuel financing arrangements.

Allowance for Funds Used During Construction ("AFUDC"). As prescribed in regulatory uniform systems of accounts, an allowance for the cost of borrowed and equity funds used to finance electric utility plant construction, less applicable income taxes, is charged to cost of plant. Regulatory authorities consider the inclusion of these recognized costs as appropriate for the purpose of establishing rates for the Company's utility charges to customers over the service lives of the property. However, certain construction-work-in-progress expenditures are included in the rate base for ratemaking purposes and AFUDC is not capitalized (charged to the cost of plant) on such expenditures. The equity portion of AFUDC is credited to other income, the borrowed funds portion is credited to interest charges and the deferred income tax provision is reflected as a reduction in the AFUDC credit to interest charges. The composite, net-of-tax AFUDC rate was approximately 8.8 percent in 1981, 8.2 percent in 1980 and 7.6 percent in 1979.

Depreciation and Amortization. Depreciation of utility plant (other than nuclear fuel) for financial reporting purposes is computed on the straight-line method based on estimated remaining useful lives, adjusted for estimated net salvage or disposal costs, and charged principally to depreciation expense. Depreciation provisions, as a percent of average depreciable property other than nuclear fuel, approximated 3.6 percent in 1981, 3.4 percent in 1980, and 3.6 percent in 1979. Depreciation rates are reviewed periodically and changes in estimates (including the costs to dismantle or decontaminate nuclear generating plants) are made as appropriate, on a prospective basis.

Allowable depreciation rates for wholesale ratemaking purposes, pursuant to FERC Order in Docket No. ER76-495, are different from those regularly used by the Company and allowed by other ratemaking jurisdictions; therefore, the Company reduced its depreciation provisions solely applicable to wholesale operations in 1981 by $3,383,000, and, in 1980 by $6,700,000 of which $4,590,000 was applicable to prior years.

Amortization of nuclear fuel costs (1981, $38,784,000; 1980, $34,843,000; 1979, $37,536,000) including disposal costs, is computed on the unit of production method and charged to fuel expense. Nuclear fuel amortization charges include $10,064,000 in 1981, $9,043,000 in 1980 and $10,516,000 in 1979 for the estimated costs of disposal of spent nuclear fuel.

Revenues. Customers' meters are read and bills are rendered on a cycle basis. Revenues are recorded when billed, as is the customary practice in the industry.

Deferred Fuel Costs. Pursuant to regulatory commission orders with respect to the recovery of fuel costs for South Carolina retail operations, the Company is deferring the difference between fuel costs incurred and the related billings and periodically adjusts rates to reflect these and other pertinent factors.

Customer Fuel Credits. For North Carolina retail operations and for all wholesale operations until January 1982, monthly revenue billings to customers include a fuel adjustment charge to cover fuel costs for the current billing month, based on actual fuel costs in certain prior periods. Such billings can and do vary significantly from the actual fuel costs of the billing month, principally because of seasonal customer usage factors and the relative level of output from nuclear generating units.

The Company accrues additional fuel costs in months when actual fuel costs are less than annual average fuel costs, and defers fuel costs in months when actual fuel costs are more than average annual fuel costs. These accruals and deferrals are reversed in those future months for which the current month's costs are a billing determinant. However, deferrals are recorded only to the extent of accumulated accruals. This practice, which has been reviewed and approved by the North Carolina Utilities Commission ("NCUC"), improves the matching of fuel costs and revenues. The liability for customer fuel credits at the end of a period represents the excess of estimated average fuel costs (based on the succeeding twelve months) over corresponding estimated amounts for fuel charges to be billed to customers during the periods that actual fuel costs will be billing determinants.

Income Taxes. Deferred income tax provisions are recorded only to the extent such amounts are allowed for ratemaking purposes. Comprehensive interperiod income tax allocation has been observed, beginning in 1976, for all significant timing differences. In compliance with regulatory accounting, income taxes are allocated between operating income and other income, principally with respect to interest charges related to construction work in progress. The Company and its subsidiaries file consolidated federal income tax returns. Income taxes are allocated among the companies based upon the ratios of their respective "separate tax liabilities" to the consolidated tax liability. See Note 5 with respect to certain other income tax information.

Investment Tax Credits. Investment tax credits are being amortized over the service lives of the property.

Preferred and Preference Dividends. Preferred and preference dividends declared and charged to retained earnings include amounts applicable to the first quarter of the following year, except for the Preferred Stock A series, which dividends are wholly applicable to the year in which declared.

Retirement Plan. The Company has a noncontributory retirement plan for all full-time employees and is funding the costs accrued under the plan. Retirement plan costs for 1981, 1980 and 1979 were approximately $11,223,000, $7,763,000 and $8,200,000, respectively. Effective January 1, 1981, the plan was amended to provide increased benefits. The effect of

these changes on net income is not material. The actuarial present value of accrued plan benefits (assuming rates of return of 12% and 10%, respectively) and the market value of assets available for benefits, as of the most recent valuation dates, are as follows (in thousands):

	January 1, 1981	January 1, 1980
Actuarial present value of accrued plan benefits:		
Vested	$38,047	$39,111
Nonvested	5,113	6,481
Total	$43,160	$45,592
Market value of assets available for benefits	$62,471	$46,966

Other Policies. Other property and investments are stated principally at cost, less accumulated depreciation where applicable, except for investments in subsidiaries that are accounted for on the equity basis. Materials and supplies inventories are stated at average cost. The Company maintains an allowance for doubtful accounts receivable (1981, $1,533,000; 1980, $1,740,000). Bond premium, discount and expense are amortized over the life of the related debt.

2. Investment in Coal-Mining Subsidiaries

Under agreements with Pickands Mather & Co. ("PM")—a firm engaged in owning, operating and managing mineral properties—two subsidiaries, Leslie Coal Mining Company ("Leslie") and McInnes Coal Mining Company ("McInnes"), have been formed (owned 80 percent by the Company and 20 percent by PM). The subsidiaries are developing two adjacent, deep coal mines in Pike County, Kentucky, each capable of producing one million tons of clean coal per year over about 25 years. The Leslie mine, which was completed and declared in commercial operation in August 1979, produced 626,000 tons of coal in 1979, 507,000 tons in 1980, and 539,000 tons in 1981. During 1980 and 1981, the McInnes mine produced 54,000 tons and 212,000 tons of coal, respectively, as its development progressed.

Significant aspects of Leslie's and McInnes' financial position are summarized as follows (in thousands):

	December 31, 1981	December 31, 1980
Total assets (excluding leased assets)	$100,370	$96,977
Notes Payable	$ 82,000	$82,000
Cost of assets financed by leasing arrangement	$ 33,569	$33,600

The Company has guaranteed the obligations of Leslie and McInnes under the terms of loan agreements and a lease-financing arrangement. The Company has further agreed to cause McInnes to complete its mine by December 31, 1984. The Company and PM have entered into coal purchase contracts for 80 percent and 20 percent, respectively, of production at prices sufficient to meet all costs.

During 1981 and 1980, the Company purchased $37,314,000 and $25,195,000, respectively, of coal from Leslie and McInnes. The accumulated excess of cost of production over the fair market value (as defined by the NCUC) totaled $12,467,000 at December 31, 1981 and $5,810,000 at December 31, 1980, and is included in other deferred debits on the balance sheet. These costs are recoverable through customer revenues in the future to the extent that cost of production is less than fair market value.

3. Capital Stock Issued and Reserved

Capital stock shares have been issued as follows, representing the total changes in the respective accounts in the years indicated (in thousands):

	1981	1980	1979
Common stock:			
Public offerings	3,000	8,500	
SPSP	590	463	350
ADRP	1,257	733	273
ESOP	70	126	309
CSOP	14	—	—
Total	4,931	9,822	932
Preferred stock—redemption required:			
Preferred stock A:			
$8.75 Series			500
$9.25 Series		180	
$9.00 Series		175	
Serial preferred stock:			
$11.16 Series		400	
$14.00 Series	400	—	—
Total	400	755	500

At December 31, 1981, 2,995,914 shares of common stock were reserved for issuance under the Stock Purchase-Savings Program for Employees ("SPSP"), 3,890,931 shares under the Automatic Dividend Reinvestment Plan ("ADRP"), 647,397 shares under the Employee Stock Ownership Plan ("ESOP") and 1,986,112 shares under the Customer Stock Ownership Plan ("CSOP").

4. Notes Payable and Lines of Credit

At December 31, 1981, the Company had firm, unused lines of credit with various financial institutions totaling $207,940,000 (at December 31, 1980, $205,940,000) including necessary amounts to back up outstanding commercial paper and demand notes and in connection with these lines of credit, is required to maintain average compensating balances in various banks ($1,820,000 at December 31, 1981, and $2,020,000 at December 31, 1980) and pay commitment fees (approximately $72,000 per month at December 31, 1981 and $75,000 per month at December 31, 1980). Such lines of credit are periodically reviewed, at which time they may be renewed or cancelled.

5. Income Taxes

The provisions for income tax expense are composed of the following (in thousands):

	Year Ended December 31,		
	1981	1980	1979
Included in operating expenses:			
Currently payable taxes—Federal	$ 52,732	$39,506	$25,873
—State	(427)	4,814	7,294
Deferred taxes, net—Federal	80,854	34,793	33,823
—State	14,237	4,805	4,176
Investment tax credit adjustments, net	(28,400)	(8,225)	23,476
Total	118,996	75,693	94,642
Included in other income:			
Reduction in currently payable taxes—Federal	(58,026)	(40,137)	(31,017)
—State	(1,037)	(4,861)	(3,659)
Deferred taxes—Federal	26,720	8,696(a)	11,173(a)
—State	(3,334)	924(a)	967(a)
Investment tax credit adjustments, net	(169)	(39)	423
Total	(35,846)	(35,417)	(22,113)
Total income tax expense	$83,150	$40,276	$72,529

(a) Deferred income tax provision totaling $37,277,000 for 1981 related to the tax effects of the allowance for borrowed funds charged to the cost of plant is reflected in the Statements of Income as a reduction in the Allowance for Borrowed Funds Used During Construction—Credit. Accordingly, amounts previously reported ($33,550,000 and $19,303,000 for 1980 and 1979, respectively) have been reclassified from a charge against Other Income—Income Tax Credits to conform to the current presentation.

Provisions for net deferred income taxes relate to the following (in thousands):

	1981	1980	1979
Differences between book depreciation and amortization and tax deductions for property costs:			
Pre-operational tax deductions—initial deferral—taxes and other costs capitalized, etc.	$ 8,515	$ 5,930	$ 6,729
Accelerated depreciation and other property cost differences, net	43,635	40,471	33,403
Provision for possible refund of revenues	5,902	(6,756)	6,348
Provision for customer fuel credits, net	527	5,098	1,147
Deferred fuel costs, net	(819)	4,523	(618)
Utilization of subsidiaries' tax losses	6,439	1,717	3,988
Canceled project costs	49,373	(1,242)	(1,242)
Miscellaneous other timing differences, net	4,905	(523)	384
Total provisions for deferred income taxes, net	$118,477	$49,218	$50,139

A reconciliation of the Company's effective income tax rate (computed by dividing total income tax expense, including amounts reflected as a reduction in AFUDC on borrowed funds, by pretax income) to the statutory federal income tax rate follows:

	1981	1980	1979
Effective income tax rate	37.2%	31.4%	37.5%
The effects of including AFUDC on equity funds in pretax income	14.8	15.8	12.4
Effective income tax rate, excluding AFUDC on equity funds from pretax income	52.0	47.2	49.9
State income taxes, net of federal income tax benefit	(3.3)	(3.4)	(3.3)
Other differences, net	(2.7)	2.2	(0.6)
Statutory federal income tax rate	46.0%	46.0%	46.0%

At December 31, 1981, the Company had generated but not utilized investment tax credits totaling approximately $167 million (including $21 million of ESOP credits).

6. Harris Units Nos. 3 and 4

In December 1981, the Company announced several changes in its construction program. The projected in-service dates for Harris Unit No. 2 and Mayo Unit No. 2 were delayed one year each, to 1989 and 1991, respectively. Also, Harris Units Nos. 3 and 4, two 900-megawatt nuclear generating units previously scheduled to be placed in service in 1994 and 1992, respectively, were eliminated from the construction program. These changes resulted from reduced growth in demand and implementation of the Company's intensified Conservation and Load Management Program, which has been designed to significantly reduce peak demand in the 1990s.

The Company is seeking approval by appropriate regulatory authorities to amortize the final investment in those eliminated units, estimated at $187 million, as an operating expense over a period of ten years, and to recover such costs through rates. In the event appropriate regulatory authorities do not permit amortization and recovery, the unamortized balance less related income taxes would be charged to income at the time the determination is made by such regulatory authorities. The Company cannot presently determine the final outcome of this matter.

7. Commitments and Contingencies

Construction and nuclear fuel. The Company's construction program and nuclear fuel expenditures for the period 1982 through 1984 are estimated to cost approximately $2.2 billion and $156 million, respectively, before reduction as a result of the anticipated sale of facilities to Power Agency (see Note 9). At December 31, 1981, minimum firm commitments for construction aggregated approximately $433 million plus approximately $591 million for initial and replacement nuclear fuel. In addition, the Company has a contract with the U.S. Department of Energy for nuclear fuel enrichment requirements through June 30, 2002, which is cancelable without penalty upon five years written notice. Payments for enrichment services are anticipated to approximate $221 million during the five-year period 1982-1986. The above estimates include provisions for price escalation.

Leases. Estimated rental commitments for unrecorded capital leases at December 31, 1981 are approximately (in thousands):

Payable	ICT Generators	Other	Total
1982	$ 3,800	$ 3,400	$ 7,200
1983	3,800	3,400	7,200
1984	3,800	3,400	7,200
1985	3,800	3,300	7,100
1986	3,800	3,200	7,000
Thereafter	49,400	80,400	129,800
Total	$68,400	$97,100	$165,500

Minimum rental commitments at December 31, 1981, under operating leases are not material with respect to the Company's financial position.

Had the capital leases been recorded on the Company's books at December 31, 1981, approximately $69 million ($72 million at December 31, 1980) would have been added to total assets and to total liabilities. The difference between imputed depreciation and interest expense for these capital lease properties and actual recorded rent expense is not material.

Under the terms of the lease for the internal combustion turbine ("ICT") generators, the Company, under certain circumstances, may be required to purchase the ICT generators from the lessor. The lease for the Company's general office building has an initial term expiring in 2013 with renewal and purchase options. The Company is responsible for expenses in connection with most of the leased properties, including insurance, taxes and maintenance.

Insurance. The Company is a member of Nuclear Mutual Limited ("NML"), established to provide insurance coverage against property damage to insured's nuclear generating facilities. The Company is insured thereunder for $450 million at the Brunswick Plant and $450 million at the Robinson Plant. The Company currently would be subject to a maximum retrospective premium assessment of approximately $57 million in the event losses at insured facilities exceed premiums, reserves, reinsurance and other NML resources, which are at present more than $200 million.

The Company is also a member of Nuclear Electric Insurance Limited ("NEIL"), established to provide insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages of members' nuclear generating units. The Company is insured thereunder for $2,300,000 for each Brunswick Unit and $2,286,328 for Robinson Unit No. 2, per week for 12 months (starting 26 weeks after the outage) and for $1,150,000 for each Brunswick Unit and $1,143,164 for Robinson Unit No. 2, per week for the next 12 months. The Company currently would be subject to retrospective premium assessments of up to approximately $24 million in the event covered expenses at insured facilities exceed premium reserves and other NEIL resources.

The Company's public liability for a nuclear incident is insured up to the maximum limit on public liability claims pursuant to the Price-Anderson Act, which is $560 million for each occurrence, through conventional insurance pools and through United States Government indemnity. In the event that public liability claims from an insured nuclear incident exceed the primary financial protection provided by the insurance pools, which is currently $160 million, the Company would be subject to a pro rata assessment of up to a maximum of $15 million with respect to any single nuclear incident and an aggregate maximum of $30 million within any calendar year.

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

Revenues subject to refund. The following general rate increases were placed into effect on an interim basis and remain subject to refund with interest to the extent not finally approved (in thousands):

	December 31, 1981	1980
Total amounts billed to:		
Wholesale customers, since 8-18-80 ...	$41,223	$13,260
S.C. retail customers, since 6-1-81	21,506	
Total billed	62,729	13,260
Amounts placed into the reserve for possible refund	12,665	4,331
Amounts included in operating revenues ...	$50,064	$ 8,929

Also, approximately $3 million of interim revenues billed during the period April 14, 1980 to June 1, 1981, and set aside in the reserve for possible refund, has been ordered refunded with interest by the South Carolina Public Service Commission but such refund has been stayed pending court appeals. Additionally, for wholesale billings from April 1976 and July 1977, respectively, the issues of tax normalization and nuclear fuel disposal costs remain unresolved and potentially could require refund. The accumulated balance in the reserve for possible refunds including interest totals $24,593,000 and is deemed adequate by the Company. Any adjustment to the reserve to reflect refunds finally required is not expected to be significant and will be made in future periods as final determinations are made.

Discontinued cooling towers. On January 20, 1981, the Company received a permit for the continued operation of the Brunswick Plant once-through cooling system, with modifications. Such permit will not require completion and use of the cooling towers originally mandated as a condition of the NRC's operating license for the plant. The Company is amortizing accumulated construction costs on the uncompleted cooling towers as an operating expense over a five-year period beginning January 1, 1981. At December 31, 1981, the unamortized balance, which is included in other deferred debits, is $11,700,000.

8. Other Rate Matters

Operating revenues include $190,541,000 and $49,773,000 in 1981 and 1980, respectively, attributable to general rate increases placed into effect since 1979. Also included in revenues, representing increased fuel cost adjustment billings above a base cost of fuel (as defined for each ratemaking jurisdiction), is $190,726,000 for 1981 and $68,255,000 for 1980.

Net deferred fuel costs determined pursuant to the Customer Fuel Credits procedure (Note 1) and not reflected on the balance sheet totaled $44,479,000, $44,041,000 and none at December 31, 1981, 1980 and 1979, respectively, resulting in a reduction (after income taxes) in net income and earnings per share of $222,000 and none for 1981, $22,355,000 and $.48 per share for 1980 and no effect for 1979.

9. Sale of Generating Facilities

The Company has entered into agreements for the sale of undivided ownership interests, potentially ranging from 12.94% to 18.33%, in three electric generating plants (Brunswick, Harris and Mayo) and Roxboro Unit No. 4, to North Carolina Eastern Municipal Power Agency ("Power Agency"). This sale would include amounts in electric utility plant other than nuclear fuel, net of accumulated depreciation, totaling approximately $448 million at December 31, 1981. Power Agency is a municipal corporation of which 32 member municipalities, a majority of which are present wholesale customers of the Company, have elected to participate in the sale. The Company will staff and operate the facilities. Sales of the facilities are expected to occur in several stages commencing after Power Agency's initial financing. Actual sale amounts are dependent, in part, upon additional construction costs for the plants to the time of each sale, as well as certain base amounts established by the agreement.

Auditors' Opinion

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

We have examined the balance sheets and schedules of capitalization of Carolina Power & Light Company as of December 31, 1981 and 1980 and the related statements of income, retained earnings and source and use of financial resources for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 6, the Company has cancelled plans for construction of two nuclear generating units and is seeking the approval of appropriate regulatory authorities to amortize the related investment over a ten-year period and recover such costs through rates. The effect of any adjustment that may result from the final outcome of this matter cannot presently be determined. In our report dated February 12, 1981, our opinion on the 1980 and 1979 financial statements referred to above was unqualified; however, in view of the uncertainty referred to above, our present opinion on such financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of the Company at December 31, 1981 and 1980 and the results of its operations and the source and use of its financial resources for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells
Deloitte Haskins & Sells

Raleigh, North Carolina
February 12, 1982

Summary of Quarterly Earnings Data (Unaudited)

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings per Common Share
	(In Millions, Except Earnings per Common Share)			
March 31, 1981	$349.4	$84.7	$76.0	$1.29
June 30, 1981	307.5	39.9	32.0	0.41
September 30, 1981 ..	371.4	60.8	47.4	0.69
December 31, 1981 ...	315.3	52.0	48.2	0.68
March 31, 1980	258.9	52.1	49.4	0.95
June 30, 1980	228.3	37.8	36.2	0.60
September 30, 1980 ..	300.4	22.9	20.4	0.25
December 31, 1980 ...	288.0	59.4	55.4	0.92

In the Company's opinion, all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of such amounts for such periods have been made. Quarterly data normally varies seasonally with temperature variations, the timing of rate increases, and the scheduled down-time and maintenance of electric generating units, especially nuclear-fueled units.

Supplemental Inflation Adjusted Data (Unaudited)

The data, as reported in the primary financial statements, are based on actual, nominal, historical costs. However, during periods of significant changes in general price levels, that nominal dollar information becomes distorted and fails to reflect real economic costs or value. The conventional basis does not account for the event of inflation, i.e., variations over time in the purchasing power or value of the dollar. In an effort to provide financial information about the effects of changing price levels, the Financial Accounting Standards Board issued Statement No. 33, Financial Reporting and Changing Prices, in September 1979. This statement requires most larger companies to disclose (among other things) certain significant historical cost data in constant dollars represented by the average level during the year of the Consumer Price Index for all Urban Consumers (CPI-U) and current cost information concerning the measurement of assets and the expiration of asset values.

The **constant dollar** information on the following pages reflects the nominal historical costs and prices restated by applying the CPI-U in conformity with Statement No. 33.

The **current cost** information on the following pages reflects changes in specific prices of plant from the date the plant was acquired to the present and differs from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general. The current cost of property, plant and equipment, which includes land, land rights, intangible plant, property held for future use and construction-work-in-progress, represents the estimated cost of replacing existing plant assets and was determined primarily by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. The current cost of nuclear fuel was determined by recent invoice prices. The current year's provision for depreciation and amortization was determined by applying the Company's depreciation and amortization rates to the indexed current cost amounts.

Under ratemaking practices established by regulatory commissions, the Company can recover through revenues only the original cost (historical cost/nominal dollars) depreciation. Therefore, the increase in the dollar amount for the cost of plant (stated in either historical cost/constant dollars or current cost) over the original cost is deemed not presently recoverable and, therefore, must be reflected as a "reduction in assets to net recoverable cost."

To further reflect the economics of regulation, the reduction in asset "cost" is offset to the extent that the plant is financed from sources that have a fixed, or contractual, rate of return and claim against assets of the Company. Under present ratemaking practices, the Company can recover through revenues the contractual rate of return for such capital and, therefore, is able to effectively recover the inflation impact (purchasing power gain or loss) on such capital to the extent reflected in the annual cost rate. Any holding gain associated with such capital (monetary liabilities) is therefore, not realizable and is an offset against the "reduction in assets to net recoverable cost." The treatment given herein to the holding gains on monetary liabilities recognizes that prices charged by the Company are designed to recover for such capital no more than any inflation costs factored into the contractual annual cost rate. Thus, the purchasing power adjustment to the tangible assets, which is not realizable and is written off, as well as the increased operating expenses, results in no financial loss to the owners of the Company (the common shareholders) to the extent of the leveraged financing.

This information should be viewed as an estimate of the approximate effects of inflation, rather than a precise measure.

The statement of income, adjusted for changing prices reflects adjustments only with respect to electric utility plant—the area of the Company most affected by inflation. All other items are considered to have been effectively transacted at average 1981 price levels and, therefore, do not require adjustment.

Statement of Income from Continuing Operations Adjusted for Changing Prices for the Year Ended December 31, 1981

	As Reported in the Primary Statements	Constant Dollar Average 1981 Dollars	Current Cost Average 1981 Dollars
		(In Thousands)	
Operating revenues	$1,343,558	$1,343,558	$1,343,558
Operating expenses:			
Operation and maintenance:			
Fuel for generation	459,591	469,865	470,188
Other	319,871	320,662	320,564
Depreciation and amortization	110,409	195,936	207,091
Taxes other than on income	97,288	97,288	97,288
Income tax expense	118,996	118,996	118,996
Total operating expenses	1,106,155	1,202,747	1,214,127
Operating income	237,403	140,811	129,431
Other income—net	136,947	136,947	136,947
Income before interest charges	374,350	277,758	266,378
Net interest charges	170,753	170,753	170,753
Income from continuing operations (excluding reduction to net recoverable cost)	$ 203,597	$ 107,005*	$ 95,625
Other adjustments to reflect the effects of changing prices:			
Increase in specific prices (current cost) of property, plant and equipment held during the year**			$ 399,491
Reduction in assets to net recoverable cost		$ (262,196)	(111,845)
Effect of increase in general price level			(538,462)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			$ (250,816)
Adjustment for purchasing power loss by net monetary liabilities		$ 243,646	$ 243,646

*Including the reduction in assets to net recoverable cost, the loss from continuing operations would have been $155,191 (including $151,256 applicable to electric utility plant under construction).

**At December 31, 1981, current cost of property, plant and equipment, net of accumulated depreciation, was $6,587,099, while historical cost or net cost recoverable through depreciation was $4,246,223.

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

	1981	1980	1979	1978	1977
	Year Ended December 31, (In Millions of Average 1981 Dollars, Except for Per Share Amounts)				
Operating revenues	$1,343.6	$1,187.2	$1,160.1	$1,259.5	$1,213.1
Historical cost information adjusted for general inflation:					
Income from continuing operations (excluding reduction in assets to net recoverable cost)	$ 107.0	$ 84.3	$ 117.1		
Income from continuing operations per common share (after preferred stock dividend requirements and excluding reduction in assets to net recoverable cost)	$ 1.22	$ 0.99	$ 2.01		
Net assets at year-end at net recoverable cost	$1,320.6	$1,300.2	$1,238.4		
Current cost information:					
Income from continuing operations (excluding reduction in assets to net recoverable cost)	$ 95.6	$ 72.7	$ 103.2		
Income from continuing operations per common share (after preferred stock dividend requirements and excluding reduction in assets to net recoverable cost)	$ 1.01	$ 0.74	$ 1.66		
Net assets at year-end at net recoverable cost	$1,320.6	$1,300.2	$1,238.4		
General information:					
Adjustment for purchasing power loss by net monetary liabilities	$ 243.6	$ 336.3	$ 341.3		
Cash dividends declared per common share	$ 2.32	$ 2.43	$ 2.57	$ 2.65	$ 2.63
Market price per common share at year-end	$ 19.60	$ 19.11	$ 22.66	$ 28.86	$ 34.39
CPI-U—average	272.4	246.8	217.4	195.4	181.5
—year-end	281.5	258.4	229.9	202.9	186.1

Statistical Review
Carolina Power & Light Company

(Dollars in Thousands except per share amounts)	1981	1980	1979	1978	1977	1976	1971
Balance Sheet Data (End of Period)							
Total Utility Plant other than Nuclear Fuel	$4,854,337	4,490,984	3,882,776	3,286,303	2,912,235	2,685,746	1,212,822
Construction Work in Progress	$1,854,177	1,616,513	1,327,311	896,126	622,409	775,981	270,458
Total Nuclear Fuel	$ 254,477	218,466	220,199	155,418	92,494	74,646	30,069
Net Utility Plant other than Nuclear Fuel	$4,136,537	3,863,576	3,320,598	2,802,044	2,496,798	2,332,890	1,034,726
Total Assets	$4,715,835	4,241,607	3,647,913	3,135,847	2,763,554	2,547,028	1,114,089
Capitalization							
Common stock and retained earnings	$1,364,692	1,233,368	1,045,150	985,774	850,298	809,197	299,852
Preference stock	47,900	47,900	47,900	47,900	47,900	47,900	
Preferred stock—Redemption not required	238,118	238,118	238,118	238,118	238,118	238,118	124,376
—Redemption required, net	214,700	175,100	100,000	50,000	50,000	50,000	
First mortgage bonds, net[1]	1,574,425	1,564,400	1,411,613	1,222,527	1,201,354	1,103,289	533,003
Other long-term obligations[1]	355,023	149,067	96,077	133	90	175	123
Total	$3,794,858	3,407,953	2,938,858	2,544,452	2,387,760	2,248,679	957,354
Noncurrent Deferred Income Taxes	$ 421,289	307,626	263,074	220,174	157,632	118,016	25,191
Deferred Investment Tax Credits	92,207	120,776	129,040	105,141	71,128	46,897	6,051
Total	$ 513,496	428,402	392,114	325,315	228,760	164,913	31,242
Ratio of Accumulated Depreciation to Utility Plant in Service	% 24.0	21.9	22.1	20.3	18.1	18.5	18.9
Percent of Total Capitalization							
Common stock and retained earnings	36.0	36.2	35.6	38.7	35.6	36.0	31.3
Preference stock	1.3	1.4	1.6	1.9	2.0	2.1	
Preferred stock—Redemption not required	6.3	7.0	8.1	9.4	10.0	10.6	13.0
—Redemption required	5.6	5.1	3.4	1.9	2.1	2.2	
First mortgage bonds, net[1]	41.5	45.9	48.0	48.1	50.3	49.1	55.7
Other long-term obligations[1]	9.3	4.4	3.3	—	—	—	—
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ratio of Bonds to Net Utility Plant Other than Nuclear Fuel	% 38.1	40.5	42.5	43.6	48.1	47.3	51.5
Summary Results of Operations							
Operating Revenues	$1,343,558	1,075,604	925,910	903,438	808,275	687,385	255,643
Operating Expenses							
Operation and maintenance	779,462	658,815	501,619	459,663	423,542	352,603	146,779
Depreciation and amortization	110,409	88,701	88,396	80,356	71,140	62,385	22,820
Taxes—other than on income	97,288	80,209	70,796	68,314	60,606	52,856	21,400
Income tax expense	118,996	75,693	94,642	124,888	97,044	82,961	14,328
Total operating expenses	1,106,155	903,418	755,453	733,221	652,332	550,805	205,327
Operating Income	237,403	172,186	170,457	170,217	155,943	136,580	50,316
AFUDC, Net of Deferred Income Taxes	130,937	113,398	80,785	53,173	42,982	48,802	14,708
Other Income—Income Tax Credit	35,846	35,417	22,113	13,237	11,498	14,586	3,532
Other Income (Deductions)—Net	8,593	4,366	1,858	4,203	2,919	469	517
Total Interest Charges	(209,182)	(163,979)	(121,969)	(98,087)	(92,307)	(89,429)	(31,599)
Net Income	203,597	161,388	153,244	142,743	121,035	111,008	37,474
Preferred and preference stock dividend requirements	42,660	34,641	28,263	26,926	26,926	26,926	8,371
Earnings for Common Stock	160,937	126,747	124,981	115,817	94,109	84,082	29,103
Dividends declared on common stock	123,578	104,865	84,066	71,511	63,274	56,760	22,122
Earnings Invested in the Business	$ 37,359	21,882	40,915	44,306	30,835	27,322	6,981
Earnings Per Share—Weighted Average	$ 3.06	2.73	3.06	3.10	2.61	2.52	1.97
Return on Average Common Stock Equity	% 12.61	11.09	12.30	12.93	11.34	11.34	10.39
Times Earned—Fixed charges[2]	2.42	2.31	2.79	3.39	3.09	2.92	2.50
—Fixed charges and preferred and preference dividend requirements[3]	1.87	1.80	2.10	2.34	2.11	1.99	1.88
Common Stock Data							
Shares Outstanding (000's)—Year-end	56,139	51,208	41,386	40,454	36,340	35,890	15,555
—Average	52,554	46,471	40,841	37,355	36,097	33,385	14,776
Book Value per Share at Year-end	$ 24.26	24.02	25.19	24.30	23.32	22.47	19.32
Dividends Declared per Share	$ 2.32	2.20	2.05	1.90	1.75	1.69	1.46
Payout percent	75.8	80.6	67.0	61.3	67.0	67.1	74.1
Number of Shareholders at Year-end	101,817	103,662	87,817	84,645	74,741	73,775	35,752

[1]Includes current maturities of long-term debt.

[2]For purposes of this ratio, earnings represent net income plus income taxes and fixed charges; fixed charges represent interest charges plus an imputed interest factor portion of rentals.

[3]For purposes of this ratio, earnings represent net income plus income taxes and fixed charges; dividends represent preferred and preference dividend requirements multiplied by the ratio that income before income taxes bears to net income.

	1981	1980	1979	1978	1977	1976	1971
Revenue (Thousands)							
Residential	$ 415,650	342,239	293,575	292,309	263,126	221,531	89,711
Commercial	250,107	195,436	171,715	166,867	146,097	123,624	49,223
Industrial	386,050	296,742	267,310	249,925	225,165	193,168	60,821
Government and Municipal	36,341	30,403	29,484	31,020	27,674	23,227	9,685
Sales for Resale	244,656	202,360	155,828	155,925	134,626	109,514	31,643
Total Electricity Sales Within Service Area	1,332,804	1,067,180	917,912	896,046	796,688	671,064	241,083
Nonterritorial Electricity Sales					3,066	9,530	11,967
Miscellaneous Revenues	10,754	8,424	7,998	7,392	8,521	6,791	2,593
Total Operating Revenues	$1,343,558	1,075,604	925,910	903,438	808,275	687,385	255,643
Load Data							
Electric Energy Sales (Millions):							
Residential ... Kwh	7,746	7,870	7,195	7,208	6,999	6,491	4,974
Commercial	5,072	4,935	4,590	4,503	4,280	4,016	2,945
Industrial	9,968	9,791	9,609	9,013	8,904	8,759	6,232
Government and Municipal	823	864	917	963	959	914	858
Sales for Resale	6,878	6,822	6,357	6,306	6,114	5,735	3,852
Total Energy Sales Within Service Area	30,487	30,282	28,668	27,993	27,256	25,915	18,861
Nonterritorial					61	261	796
Total Electric Energy Sales	30,487	30,282	28,668	27,993	27,317	26,176	19,657
Company Uses, Losses and Unaccounted For	1,863	1,901	1,632	1,709	1,684	1,528	1,307
Total Energy Requirements ... Kwh	32,350	32,183	30,300	29,702	29,001	27,704	20,964
Electric Energy Supply (Millions):							
Generated—Steam—Fossil ... Kwh	22,372	22,299	18,336	14,591	17,598	18,989	16,135
Generated—Steam—Nuclear	9,344	8,955	10,802	13,891	9,895	7,383	2,414
Generated—Hydro	437	680	1,019	716	732	756	849
Generated—Other Fuel	117	224	146	294	406	130	257
Purchased and interchanged—Net	80	25	(3)	210	370	446	1,309
Total Energy Supply ... Kwh	32,350	32,183	30,300	29,702	29,001	27,704	20,964
Peak Demand of Firm Load (000's):							
Within Service Area ... KW	6,402	6,139	5,907	5,605	5,597	5,121	3,625
Nonterritorial						62	170
Total Peak Demand ... KW	6,402	6,139	5,907	5,605	5,597	5,183	3,795
Total Capability at Year End[4] (000's):							
Fossil Fuel Plants ... KW	5,519	5,519	4,869	4,869	4,869	4,869	3,402
Nuclear Plants	2,245	2,245	2,245	2,245	2,245	1,455	665
Hydro Plants	214	214	214	214	214	214	214
Purchased	75	75	128	128	128	228	245
Total Capability ... KW	8,053	8,053	7,456	7,456	7,456	6,766	4,526
Miscellaneous							
Customers at Year End							
Residential	647,491	632,209	617,393	601,947	585,821	575,019	495,528
Other	110,033	109,424	107,624	106,212	103,731	101,937	90,561
Total	757,524	741,633	725,017	708,159	689,552	676,956	586,089
Average Revenue Per KWH							
Residential ... Cents	5.37	4.35	4.08	4.06	3.76	3.41	1.80
Commercial	4.93	3.96	3.74	3.71	3.41	3.08	1.67
Industrial	3.87	3.03	2.78	2.77	2.53	2.21	.98
Total Energy Sales Within Service Area	4.41	3.52	3.20	3.20	2.92	2.59	1.28
Residential							
Average Annual Energy Use ... Kwh	12,087	12,558	11,785	12,113	12,048	11,407	10,205
Average Annual Bill	$ 648.57	546.11	480.84	491.22	452.97	389.32	184.08
Steam Electric Generating Plant Fossil Fuel							
Average Annual Heat Rate ... (BTU Per Net KWH)	10,446	10,190	9,996	10,167	10,008	9,980	9,832
Average Cost Per Million BTU ... Cents	175.3	158.9	139.4	135.3	118.2	108.4	48.0
Average Cost Per Million BTU							
All Fuels ... Cents	135.1	124.9	100.8	90.4	92.2	84.9	44.4
Nuclear Fuel	37.2	35.7	35.4	40.3	40.3	24.9	18.4
Annual Load Factor, Service Area Load	% 57.7	59.7	58.6	60.5	59.0	61.0	63.5

[4]Represents peak capability, based on summer peak conditions and assuming all units are available for operation.

Board of Directors

at January 1, 1982

Daniel D. Cameron, Sr.
President, Atlantic Telecasting Corporation, Wilmington, N.C. (1970)

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

George H.V. Cecil
President, Biltmore Dairy Farms, Inc., Asheville, N.C. (1976)

Charles W. Coker, Jr.
President, Sonoco Products Company, Hartsville, S.C. (1975)

William E. Graham, Jr.
Executive Vice President and General Counsel of the Company, Raleigh, N.C. (1980)

Margaret T. Harper
Owner, Stevens Agency, Southport, N.C. (1975)

L.H. Harvin, Jr.
Chairman of the Executive Committee of Rose's Stores, Inc., Henderson, N.C. (1958)

Karl G. Hudson, Jr.
Executive Vice President and General Manager, Hudson-Belk Company, Raleigh, N.C. (1967)

J.A. Jones
Vice Chairman of the Company, Raleigh, N.C. (1971)

Edward G. Lilly, Jr.
Executive Vice President and Chief Financial Officer of the Company, Raleigh, N.C. (1971)

A.C. Monk, Jr.
President and Treasurer, A.C. Monk and Company, Inc., Farmville, N.C. (1976)

Sherwood H. Smith, Jr.
Chairman/President of the Company, Raleigh, N.C. (1971)

Horace L. Tilghman, Jr.
Real Estate and Investments, Marion, S.C. (1961)

John F. Watlington, Jr.
Chairman of the Executive Committee of the Wachovia Corporation and Wachovia Bank & Trust Company, N.A., Winston-Salem, N.C. (1970)

Committees of the Board

Executive Committee
Sherwood H. Smith, Jr., Chairman
William E. Graham, Jr.
J. A. Jones
Edward G. Lilly, Jr.

Committee on Personnel, Executive Development and Compensation
John F. Watlington, Jr., Chairman
Felton J. Capel
Charles W. Coker, Jr.
Margaret T. Harper

Committee on Financial Audit and Corporate Performance
L.H. Harvin, Jr., Chairman
Daniel D. Cameron, Sr.
Felton J. Capel
A.C. Monk, Jr.

Committee on Forecasting, System Development and Finance
Karl G. Hudson, Jr., Chairman
Daniel D. Cameron, Sr.
George H.V. Cecil
Horace L. Tilghman, Jr.
John F. Watlington, Jr.

Nominating Committee
Horace L. Tilghman, Jr., Chairman
L.H. Harvin, Jr.
Karl G. Hudson, Jr.
John F. Watlington, Jr.

Officers

at January 1, 1982

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Chairman/President

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Vice Chairman

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Executive Vice President

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Executive Vice President

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Senior Vice President

Charles D. Barham, Jr.
Vice President

Samuel Behrends, Jr.
Vice President

Paul S. Bradshaw
Vice President & Controller

Alan B. Cutter
Vice President

Norris L. Edge
Vice President

Thomas L. Elleman
Vice President

B.J. Furr
Vice President

P.W. Howe
Vice President

W.B. Kincaid
Vice President

Mendall H. Long
Vice President

Jack B. McGirt
Vice President

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E.S. Noell
Vice President

Sheldon D. Smith
Vice President

Earl F. Stephenson
Vice President

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Vice President

L. Thom Quarles
Treasurer

J.L. Lancaster, Jr.
Secretary

Robert M. Williams
Assistant Secretary

Clifton D. Mann
Assistant Controller

E. Wilson Craig
Vice President-
Northern Division

E. Charles Dyson
Vice President-
Western Division

W. Burt Grant
Vice President-
Central Division

Russell H. Lee
Vice President-
Eastern Division

C. Joe Turner
Vice President-
Southern Division

CP&L

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

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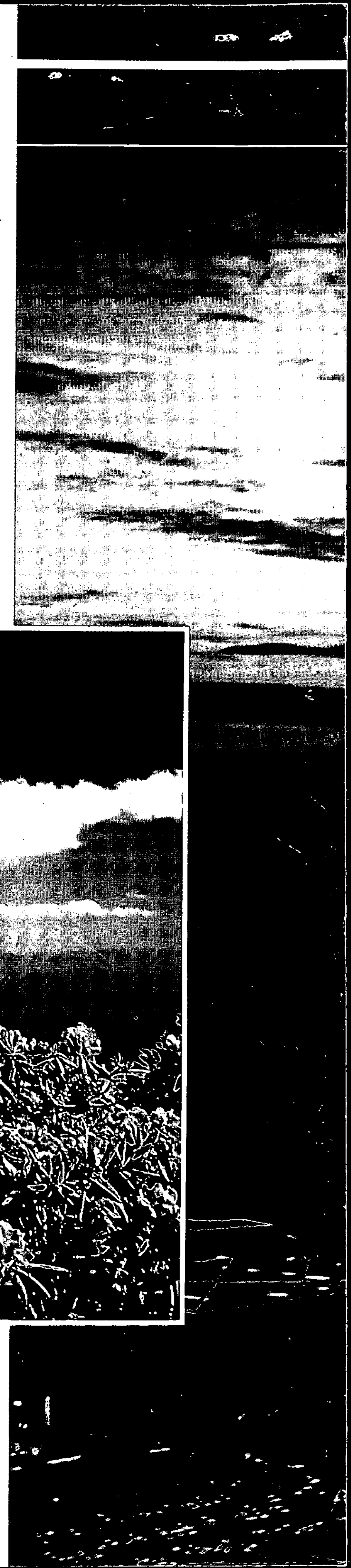

Rhododendron in bloom in the Blue Ridge Mountains
of western North Carolina provides a scenic backdrop in early summer.