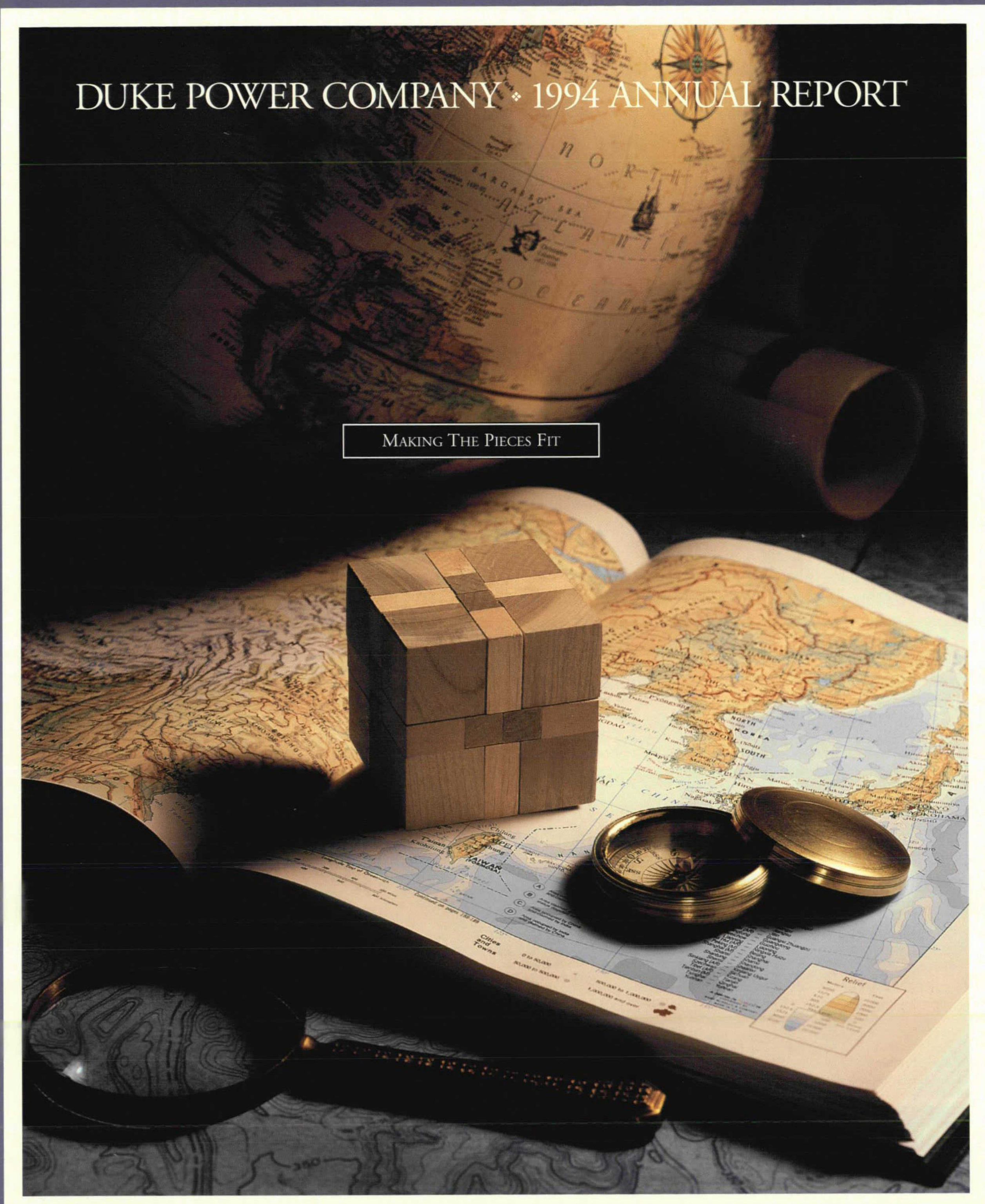
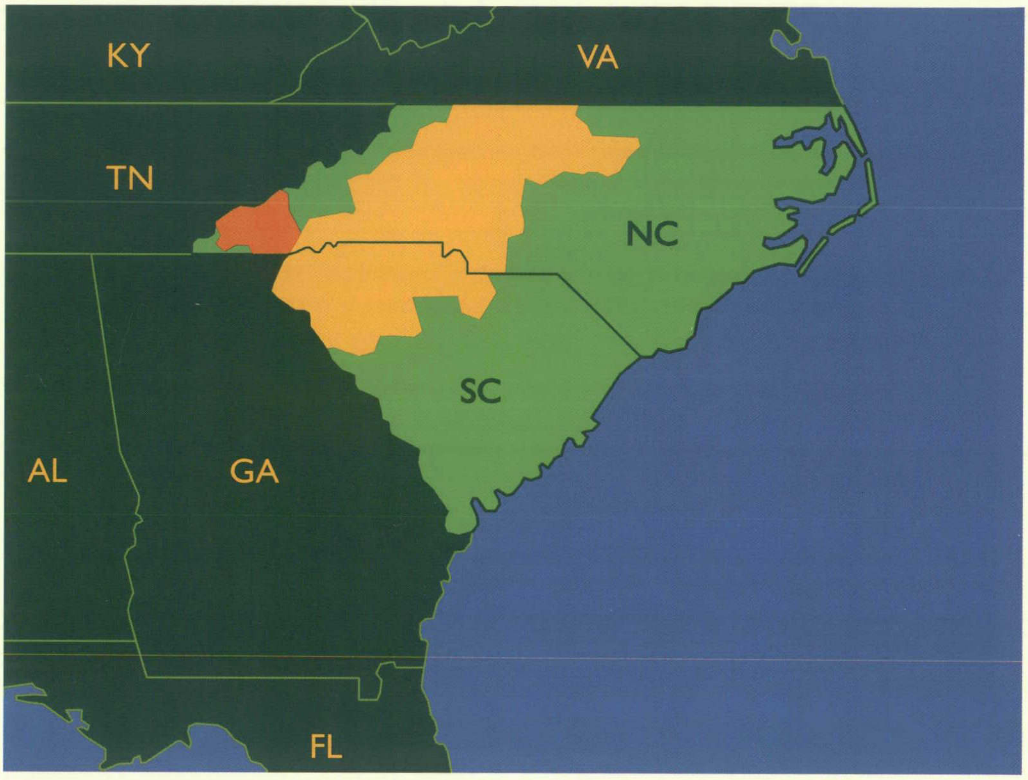


Duke Power Company

1994 Statistical Supplement and Financial Forecast

Duke Power Service Area



Duke Power Company
Nantahala Power and Light Company

CONTENTS

ABOUT DUKE POWER

Headquartered in Charlotte, N.C., Duke Power Company was founded 90 years ago and is one of the nation's largest investor-owned electric utilities. Duke Power, and its subsidiary, Nantahala Power and Light Company, operate three nuclear generating stations, eight coal-fired stations and 38 hydroelectric stations. Together, these units produced 86 billion kilowatt-hours of electricity in 1994. Total 1994 operating revenues, including the Associated Enterprises Group, were $4.5 billion.

The Company consists of 10 business units which, except for electric service provided within Duke Power's service area, are part of the Associated Enterprises Group.

ABOUT THE COVER

As competition becomes a hallmark of the electric utility industry, Duke Power Company is expanding its horizons beyond the boundaries of its traditional service area in the Piedmont Carolinas. Through Duke Power's subsidiaries and diversified activities, customers around the world are benefiting from the knowledge and expertise that Duke Power has acquired over the last 90 years. Guided by its strategic plan, Duke Power is using its historic strengths to solve the puzzle of achieving success in the fast-changing electric utility world.

This booklet has been prepared primarily for securities analysts in the hope that it will be a convenient and useful reference. The statistical supplement should be used in conjunction with the Company's Annual Report to Shareholders for a full interpretation of financial data. It is not intended for use in connection with any sale, or offer to sell, or solicitation of an offer to buy any securities. Projections shown in the financial forecast section of this booklet are subject to change.

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HIGHLIGHTS

(Dollars in Thousands Except Per Share Data)	Calendar Year		Compound Annual Rate of Growth (%)		
	1994	1993	**1 Year**	5 Years	10 Years
Kilowatt-hour sales (millions) (1) (2)	**75,563**	76,058	**(0.7)**	1.7	3.3
Electric revenues (1) (2)	**$4,279,329**	$4,281,876	**(0.1)**	3.0	4.7
Net income	**$638,876**	$626,415	**2.0**	2.2	3.3
Earnings for common stock	**$589,152**	$573,986	**2.6**	2.6	4.0
Common stock data (3)					
Average shares outstanding (thousands)	**204,859**	204,859	**—**	.2	.2
Earnings per share	**$2.88**	$2.80	**2.9**	2.4	3.8
Dividends per share	**$1.92**	$1.84	**4.3**	4.8	4.7
Book value per share (year-end)	**$22.13**	$21.17	**4.5**	4.2	4.8
Market value per share (year-end)	**$38 1/8**	$42 3/8	**(10.0)**	6.3	10.1
Return on average common equity	**13.3%**	13.6%	**(2.2)**	(2.0)	(1.1)
Coverage ratios					
Fixed charges					
SEC method	**4.72X**	4.68X	**0.9**	2.1	1.2
SEC method excluding AFUDC and other deferred returns	**4.32X**	4.39X	**(1.6)**	2.4	1.4
Bond indenture method	**6.10X**	6.67X	**(8.5)**	1.7	1.7
Fixed charges and preferred dividends	**3.66X**	3.58X	**2.2**	2.2	2.4
Fuel used in electric generation	**$705,019**	$732,246	**(3.7)**	1.3	.3
Interest on long-term debt (4)	**$253,402**	$256,347	**(1.1)**	1.3	(0.9)
Plant and nuclear fuel construction costs (4)	**$778,925**	$669,460	**16.4**	(6.0)	1.9
Total electric plant, net (1)	**$9,166,300**	$8,924,109	**2.7**	3.0	4.1
Peak load — KW (1) (5)	**16,070,000**	15,720,000	**2.2**	3.4	3.8
Customers at year-end (1) (2)	**1,749,450**	1,709,839	**2.3**	1.9	2.3

(1) Excludes Nantahala Power and Light Company operations.
(2) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(3) Reflects the two-for-one split of the Company's stock in 1990.
(4) Excludes Nantahala Power and Light Company and Duke Power's other subsidiaries.
(5) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.

STATEMENTS OF INCOME (1)

Year Ended December 31, *(Dollars in Thousands)*	**1994**	1993	1992	1991	1990	1989	1984
OPERATING REVENUES (2)	**$4,488,913**	$4,466,233	$4,122,503	$3,962,605	$3,862,395	$3,692,955	$2,710,015
OPERATING EXPENSES							
Fuel used in electric generation	**705,019**	732,246	659,593	657,725	660,298	660,212	683,563
Net interchange and purchased power (2)	**553,355**	535,125	538,841	545,372	578,685	567,805	(36,408)
Other operation and maintenance	**1,341,659**	1,254,028	1,166,940	1,114,549	1,095,976	857,687	601,399
Depreciation and amortization	**459,781**	496,971	499,048	438,788	411,438	410,938	303,429
General taxes	**249,273**	240,052	223,000	211,805	202,990	184,134	194,095
Total operating expenses	**3,309,087**	3,258,422	3,087,422	2,968,239	2,949,387	2,680,776	1,746,078
OPERATING INCOME	**1,179,826**	1,207,811	1,035,081	994,366	913,008	1,012,179	963,937
INTEREST EXPENSE AND OTHER INCOME							
Interest expense	**(270,217)**	(274,051)	(312,885)	(298,609)	(284,396)	(253,692)	(279,595)
Allowance for funds used during construction and other deferred returns	**111,872**	82,600	70,172	120,350	151,193	80,224	128,741
Other, net (3)	**14,414**	20,032	19,685	60,534	8,377	28,930	51,055
Total interest expense and other income	**(143,931)**	(171,419)	(223,028)	(117,725)	(124,826)	(144,538)	(99,799)
INCOME BEFORE INCOME TAXES	**1,035,895**	1,036,392	812,053	876,641	788,182	867,641	864,138
INCOME TAXES	**397,019**	409,977	303,970	293,018	249,994	296,030	402,807
NET INCOME	**638,876**	626,415	508,083	583,623	538,188	571,611	461,331
Dividends on preferred and preference stock	**49,724**	52,429	56,407	54,683	52,616	52,477	61,786
EARNINGS FOR COMMON STOCK	**$ 589,152**	$ 573,986	$ 451,676	$ 528,940	$ 485,572	$ 519,134	$ 399,545

(1) Reclassified 1990 through 1993 to conform with 1994 presentation.
(2) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(3) Earnings of subsidiaries are reflected net of taxes in 1984.

BALANCE SHEETS

December 31, *(Dollars in Thousands)*	**1994**	1993	1992	1991	1990	1989	1984
ASSETS (1)							
CURRENT ASSETS							
Cash	**$ 37,430**	$ 33,812	$ 22,535	$ 15,874	$ 8,210	$ 13,958	$ 5,754
Short-term investments	**132,692**	120,632	141,285	92,003	54,835	58,050	815,628
Receivables (less allowance for losses) (2)	**552,865**	553,509	516,378	524,544	463,486	519,839	262,669
Inventory — at average cost	**319,385**	282,909	307,813	296,681	295,522	266,987	222,618
Prepayments and other	**15,722**	15,286	12,890	11,807	10,853	11,209	8,073
Total current assets	**1,058,094**	1,006,148	1,000,901	940,909	832,906	870,043	1,314,742
INVESTMENTS AND OTHER							
Investments in joint ventures (3)	**108,330**	101,612	31,268	12,702	—	—	—
Investments in and advances to subsidiaries	**—**	—	—	—	—	—	77,785
Other investments, at cost or less	**83,226**	113,208	139,043	106,738	100,366	121,103	22,596
Nuclear decommissioning trust funds	**172,390**	118,456	61,812	566	—	—	—
Pre-funded pension cost	**80,000**	50,000	—	—	—	—	—
Total investments and other assets	**443,946**	383,276	232,123	120,006	100,366	121,103	100,381
PROPERTY, PLANT AND EQUIPMENT							
Electric plant in service — at original cost							
Production	**6,747,397**	6,549,807	6,473,663	6,319,989	5,069,030	5,017,294	4,842,595
Transmission	**1,439,435**	1,400,790	1,370,141	1,320,953	1,223,152	1,152,588	981,907
Distribution	**3,965,393**	3,786,389	3,596,931	3,403,840	3,088,032	2,780,940	1,693,776
Other	**1,020,192**	974,123	883,023	900,815	844,707	788,161	291,8[illegible]
Electric plant in service	**13,172,417**	12,711,109	12,323,758	11,945,597	10,224,921	9,738,983	7,810,0[illegible]
Less accumulated depreciation and amortization	**4,810,004**	4,501,481	4,263,320	3,977,568	3,614,122	3,374,412	2,646,266
Electric plant in service, net (4)	**8,362,413**	8,209,628	8,060,438	7,968,029	6,610,799	6,364,571	5,163,828
Nuclear fuel (4)	**757,983**	705,994	718,420	727,276	1,870,975	1,694,967	—
Less accumulated amortization (4)	**415,560**	405,910	425,087	445,027	1,552,977	1,397,475	—
Nuclear fuel, net	**342,423**	300,084	293,333	282,249	317,998	297,492	—
Construction work in progress	**558,730**	496,833	498,185	514,768	1,521,391	1,255,232	988,790
Total electric plant, net	**9,263,566**	9,006,545	8,851,956	8,765,046	8,450,188	7,917,295	6,152,618
Other property — at cost (less accumulated depreciation) (3)	**302,383**	236,634	217,945	209,132	189,627	144,513	38,774
Total property, plant and equipment, net	**9,565,949**	9,243,179	9,069,901	8,974,178	8,639,815	8,061,808	6,191,392
DEFERRED DEBITS							
Purchased capacity costs (5)	**932,324**	768,099	378,095	337,699	295,932	239,671	—
Canceled construction projects	**—**	—	28,889	67,302	105,715	144,128	395,519
Debt expense, being amortized over terms of related debt	**186,306**	197,963	115,436	86,018	77,932	73,191	4,068
Regulatory asset related to income taxes	**489,292**	486,440	—	—	—	—	—
Regulatory asset related to DOE assessment fee	**102,467**	116,731	101,785	—	—	—	—
Other	**83,850**	91,769	85,665	91,440	30,841	32,454	12,716
Total deferred debits	**1,794,239**	1,661,002	709,870	582,459	510,420	489,444	412,303
TOTAL ASSETS	**$12,862,228**	$12,293,605	$11,012,795	$10,617,552	$10,083,507	$9,542,398	$8,018,818

BALANCE SHEETS

December 31, (Dollars in Thousands)	1994	1993	1992	1991	1990	1989	1984
LIABILITIES AND STOCKHOLDERS' EQUITY (1)							
CURRENT LIABILITIES							
Accounts payable (6)	**$ 343,688**	$ 373,202	$ 404,522	$ 340,550	$ 299,802	$ 306,232	$ 275,112
Notes payable	**107,100**	20,800	126,000	97,700	185,000	170,000	—
Taxes accrued	**29,999**	82,500	37,347	49,536	34,579	76,613	214,064
Interest accrued	**72,157**	68,868	68,078	73,410	73,878	67,992	88,114
Current maturities of long-term debt and preferred stock	**93,759**	91,898	9,434	117,145	13,687	13,210	119,819
Other	**121,539**	215,543	79,627	97,587	86,757	60,915	67,668
Total current liabilities	**768,242**	852,811	725,008	775,928	693,703	694,962	764,777
LONG-TERM DEBT — EXCLUDING CURRENT MATURITIES	**3,567,122**	3,285,397	3,288,112	3,235,492	3,102,746	2,822,442	2,696,795
ACCUMULATED DEFERRED INCOME TAXES (7)	**2,348,631**	2,243,366	1,399,981	1,321,359	1,256,223	1,206,730	683,023
DEFERRED CREDITS AND OTHER LIABILITIES							
Investment tax credit	**272,594**	283,964	297,754	309,462	322,802	324,466	329,376
DOE assessment fee	**102,467**	116,731	101,785	—	—	—	—
Nuclear decommissioning costs externally funded	**172,390**	118,456	61,812	566	—	—	—
Other	**318,453**	274,146	208,197	177,822	149,275	161,966	26,888
Total deferred credits and other liabilities	**865,904**	793,297	669,548	487,850	472,077	486,432	356,264
PREFERRED AND PREFERENCE STOCK WITH SINKING FUND REQUIREMENTS — EXCLUDING CURRENT MATURITIES	**279,500**	281,000	279,519	228,650	239,800	247,825	285,426
PREFERRED AND PREFERENCE STOCK WITHOUT SINKING FUND REQUIREMENTS	**500,000**	500,000	500,000	502,016	502,201	427,457	420,534
COMMON STOCKHOLDERS' EQUITY							
Common stock, no par	**1,926,909**	1,926,909	1,926,909	1,924,998	1,862,978	1,862,721	1,859,639
Retained earnings	**2,605,920**	2,410,825	2,223,718	2,141,259	1,953,779	1,793,829	952,360
Total common stockholders' equity	**4,532,829**	4,337,734	4,150,627	4,066,257	3,816,757	3,656,550	2,811,999
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$12,862,228**	$12,293,605	$11,012,795	$10,617,552	$10,083,507	$9,542,398	$8,018,818

(1) Reclassified 1991 through 1993 to conform with 1994 presentation.
(2) Includes unbilled revenues for 1989 through 1994.
(3) Investments in joint ventures and subsidiary long-term debt are included in "Other property" in 1989 and 1990.
(4) Nuclear fuel and its related amortization are included in "Electric plant in service, net" in 1984.
(5) Presented on a pre-tax basis beginning in 1993.
(6) Beginning in 1986 for North Carolina retail and in 1983 for South Carolina retail and FERC, includes amounts accrued under fuel cost recovery procedures. In 1984, includes $122 million of nuclear fuel disposal costs subsequently paid to the Department of Energy in June 1985.
(7) Includes the impact of Statement of Financial Accounting Standards No. 109 beginning in 1993.

STATEMENTS OF CASH FLOWS (1)

Year Ended December 31, *(Dollars in Thousands)*	**1994**	1993	1992	1991	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income	**$ 638,876**	$ 626,415	$ 508,083	$ 583,623	$ 538,188	$ 571,611
Adjustments to reconcile net income to net cash provided by operating activities:						
Non-cash items						
Depreciation and amortization	**647,515**	664,355	668,497	619,823	576,268	605,105
Deferred income taxes and investment tax credit amortization	**94,261**	62,897	49,490	27,456	31,850	61,063
Allowance for equity funds used during construction	**(27,411)**	(17,221)	(15,476)	(50,704)	(79,176)	(61,347)
Purchased capacity levelization	**(268,925)**	(20,049)	(66,511)	(70,605)	(93,853)	(95,216)
Other, net (2)	**22,460**	73,607	37,978	(32,149)	(19,194)	21,154
(Increase) Decrease in						
Accounts receivable	**47,586**	(37,131)	8,166	(45,412)	56,353	(63,285)
Inventory	**(28,568)**	24,904	(11,131)	6,866	(28,535)	(13,960)
Prepayments	**(435)**	(2,396)	(1,084)	181	356	915
Increase (Decrease) in						
Accounts payable	**(52,506)**	(28,184)	75,976	44,265	(5,181)	29,249
Taxes accrued	**(51,641)**	25,797	1,758	11,739	(42,034)	49,961
Interest accrued and other liabilities	**14,523**	30,508	(22,731)	12,863	31,728	3,628
Total adjustments	**396,859**	777,087	724,932	524,323	428,582	537,267
Net cash provided by operating activities	**1,035,735**	1,403,502	1,233,015	1,107,946	966,770	1,108,878
CASH FLOWS FROM INVESTING ACTIVITIES						
Construction expenditures and other property additions	**(772,452)**	(599,759)	(504,667)	(572,705)	(836,474)	(819,799)
Investment in nuclear fuel	**(108,711)**	(111,731)	(122,565)	(183,803)	(136,528)	(179,093)
External funding for decommissioning	**(52,524)**	(52,524)	(61,246)	—	—	[illegible]
Pre-funded pension cost	**(30,000)**	(50,000)	—	—	—	[illegible]
Investment in joint ventures (2)	**(6,718)**	(70,345)	(18,565)	—	—	—
Net change in investment securities	**17,922**	46,489	(81,588)	(35,807)	23,952	26,515
Net cash used in investing activities	**(952,483)**	(837,870)	(788,631)	(792,315)	(949,050)	(972,377)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from the issuance of						
First and refunding mortgage bonds	**343,824**	1,395,682	926,650	414,297	385,293	—
Preferred stock	**—**	215,633	281,089	—	73,875	—
Pollution-control bonds	**—**	76,265	—	—	1,187	15,906
Short-term notes payable, net	**86,300**	(105,200)	28,300	(99,000)	15,000	170,000
Construction loans and other	**57,032**	13,280	23,435	—	—	130,000
Common stock	**—**	—	—	48,014	—	—
Nuclear fuel trusts	**—**	—	—	—	—	50,945
Payments for the redemption of						
First and refunding mortgage bonds	**(81,781)**	(1,399,336)	(1,013,218)	(279,970)	(108,893)	—
Preferred stock	**(1,500)**	(224,295)	(246,414)	(9,650)	(8,025)	(8,025)
Pollution-control bonds	**—**	(79,310)	—	—	—	—
Construction loans and other	**(18,885)**	(12,454)	(13,939)	—	—	—
Nuclear fuel trusts	**—**	—	—	—	—	(136,945)
Dividends paid	**(443,633)**	(427,868)	(417,443)	(381,589)	(376,720)	(360,352)
Other	**(20,991)**	(6,752)	(6,183)	(5,662)	(5,185)	(4,748)
Net cash used in financing activities	**(79,634)**	(554,355)	(437,723)	(313,560)	(23,468)	(143,219)
Net increase (decrease) in cash	**3,618**	11,277	6,661	2,071	(5,748)	(6,718)
Cash at beginning of year (3)	**33,812**	22,535	15,874	8,210	13,958	20,676
CASH AT END OF YEAR (3)	**$ 37,430**	$ 33,812	$ 22,535	$ 10,281	$ 8,210	$ 13,9[illegible]

(1) Reclassified 1992 and 1993 to conform with 1994 presentation. Not available for 1984.

(2) Changes in joint ventures and changes in subsidiary debt are included in "Other, net" for 1989 through 1991.

(3) Difference between ending 1991 and beginning 1992 cash is Associated Enterprises Group cash (see Note 1).

STATEMENTS OF RETAINED EARNINGS

Year Ended December 31, *(Dollars in Thousands)*	1994	1993	1992	1991	1990	1989	1984
BALANCE — Beginning of year	**$2,410,825**	$2,223,718	$2,141,259	$1,953,779	$1,793,829	$1,581,901	$ 795,512
ADD							
Net Income	**638,876**	626,415	508,083	583,623	538,188	571,611	461,331
Total	**3,049,701**	2,850,133	2,649,342	2,537,402	2,332,017	2,153,512	1,256,843
DEDUCT							
Dividends							
Common stock	**393,370**	376,937	360,475	341,801	324,104	307,875	242,791
Preferred and preference stock	**49,724**	52,429	56,407	54,683	52,616	52,477	61,786
Capital stock transactions, net	**687**	9,942	8,742	(341)	1,518	(669)	(94)
Total deductions	**443,781**	439,308	425,624	396,143	378,238	359,683	304,483
BALANCE — End of year	**$2,605,920**	$2,410,825	$2,223,718	$2,141,259	$1,953,779	$1,793,829	$ 952,360

COMMON STOCK DATA (1)

Year Ended December 31,	1994	1993	1992	1991	1990	1989	1984
NUMBER OF SHAREHOLDERS (year-end)	**129,637**	127,688	125,881	119,896	115,773	115,734	120,395
SHARES OUTSTANDING (thousands)							
Year-end	**204,859**	204,859	204,859	204,699	202,584	202,563	202,305
Weighted average	**204,859**	204,859	204,819	203,431	202,570	202,554	200,691
BOOK VALUE PER SHARE (year-end)	**$22.13**	$21.17	$20.26	$19.86	$18.84	$18.05	$13.90
MARKET PRICE PER SHARE (dollars)							
High	**43**	44⅞	37½	35	32⅜	28¼	15 1/16
Low	**32⅞**	35⅜	31⅜	26¾	25½	21⅜	11⅛
Year-end	**38⅛**	42⅜	36⅛	35	30⅝	28 1/16	14½
PRICE-EARNINGS RATIO (year-end)	**13.24**	15.13	16.35	13.46	12.76	10.94	7.29
MARKET-TO-BOOK RATIO (year-end) (%)	**172.3**	200.2	178.3	176.2	162.6	155.5	104.3
PER SHARE							
Earnings	**$2.88**	$2.80	$2.21	$2.60	$2.40	$2.56	$1.99
Dividends	**$1.92**	$1.84	$1.76	$1.68	$1.60	$1.52	$1.21
DIVIDEND PAYOUT RATIO (%)	**67**	66	80	65	67	59	61
TOTAL COMPANY RETURN ON AVERAGE COMMON EQUITY (%)	**13.3**	13.6	11.1	13.5	13.1	14.7	14.8

(1) All common stock data reflect the two-for-one split of the Company's stock in 1990.

FINANCIAL STATISTICS

December 31, *(Dollars in Thousands)*	**1994**	1993	1992	1991	1990	1989	1984
CAPITALIZATION AND CURRENT DEBT (1)							
Common stockholders' equity							
Common stock	**$1,926,909**	$1,926,909	$1,926,909	$1,924,998	$1,862,978	$1,862,721	$1,859,639
Retained earnings	**2,605,920**	2,410,825	2,223,718	2,141,259	1,953,779	1,793,829	952,360
Total common stockholders' equity	**4,532,829**	4,337,734	4,150,627	4,066,257	3,816,757	3,656,550	2,811,999
Preferred and preference stock							
Preferred stock with sinking fund requirements	**281,000**	282,500	282,500	238,175	247,825	255,850	298,475
Preferred stock without sinking fund requirements	**500,000**	500,000	500,000	500,000	500,000	425,000	415,000
Preference stock	**—**	—	—	2,016	2,201	2,457	5,534
Current sinking fund requirement	**(1,500)**	(1,500)	(1,500)	(9,525)	(8,025)	(8,025)	(6,400)
Reacquired shares of preferred stock	**—**	—	(1,481)	—	—	—	(6,649)
Total preferred and preference stock	**779,500**	781,000	779,519	730,666	742,001	675,282	705,960
Long-term debt							
First and refunding mortgage bonds	**3,440,505**	3,172,287	3,061,422	3,105,042	2,934,098	2,645,838	2,530,506
Term notes and pollution control obligations	**—**	—	—	—	—	—	23,000
Promissory note due subsidiary	**—**	—	—	—	—	—	58,725
Other long-term debt	**130,000**	130,000	130,000	130,000	130,000	130,000	—
Capitalized leases and nuclear fuel trusts (2)	**26,039**	47,029	53,782	59,966	65,628	70,812	215,877
Unamortized debt discount and premium, net	**(62,918)**	(61,128)	(35,940)	(29,181)	(21,318)	(19,023)	(17,894)
Current maturities of long-term debt	**(81,926)**	(89,156)	(6,827)	(106,252)	(5,662)	(5,185)	(113,419)
Parent long-term debt	**3,451,700**	3,199,032	3,202,437	3,159,575	3,102,746	2,822,442	2,696,795
Subsidiary long-term debt (3)	**125,755**	87,607	86,782	77,285	—	—	—
Current maturities of subsidiary long-term debt (3)	**(10,333)**	(1,242)	(1,107)	(1,368)	—	—	
Total long-term debt (3)	**3,567,122**	3,285,397	3,288,112	3,235,492	3,102,746	2,822,442	2,696,795
Total capitalization	**8,879,451**	8,404,131	8,218,258	8,032,415	7,661,504	7,154,274	6,214,754
Short-term notes payable	**107,100**	20,800	126,000	97,700	185,000	170,000	—
Current maturities and sinking funds (3) (4)	**93,759**	91,898	10,915	117,145	13,687	13,210	126,468
Total capitalization and current debt	**$9,080,310**	$8,516,829	$8,355,173	$8,247,260	$7,860,191	$7,337,484	$6,341,222
CAPITALIZATION RATIOS (%) (1) (3) (5)							
Common stockholders' equity	**51.0**	51.6	50.5	50.6	49.8	51.1	45.2
Preferred and preference stock	**8.8**	9.3	9.5	9.1	9.7	9.4	11.4
Long-term debt	**40.2**	39.1	40.0	40.3	40.5	39.5	43.4
PARENT EMBEDDED COST (%)							
Preferred and preference stock	**6.99**	6.76	7.05	7.48	7.74	7.86	8.75
Long-term debt	**7.98**	8.01	8.39	8.72	8.78	8.71	9.59
Weighted average	**7.80**	7.77	8.13	8.49	8.58	8.54	9.42
COVERAGE RATIOS							
Fixed charges and preferred dividends	**3.66**	3.58	2.73	3.03	2.90	3.28	2.90
Fixed charges							
SEC method	**4.72**	4.68	3.49	3.83	3.65	4.26	4.21
SEC method excluding AFUDC and other deferred returns	**4.32**	4.39	3.27	3.44	3.15	3.83	3.77
Bond indenture method	**6.10**	6.67	5.22	5.13	4.82	5.61	5.16
INTERNAL CASH TO TOTAL AVAILABLE CASH (%) (6)(7)	**67.4**	46.3	51.3	76.7	65.9	73.1	85[illegible]

(1) Reclassified 1991 through 1993 to conform with 1994 presentation.
(2) In 1989, the Company dissolved its two Nuclear Fuel Trusts totaling $86 million.
(3) Beginning in 1991, subsidiary long-term debt is included in total capitalization.
(4) Includes shares reacquired for sinking fund requirements — at cost.
(5) Calculation excludes short-term notes payable, current maturities and sinking funds.
(6) In 1984, includes proceeds from the sale of a portion of the Catawba Nuclear Station.
(7) Beginning in 1988, based on net cash from operating activities as a percentage of total cash from operating, financing, and investing activities.

PREFERRED & PREFERENCE STOCK

(Dollars in Thousands)

	Series	No. Shares	Balance at 12/31/94	Redemption Price at 12/31/94 ($)	Non-Callable Prior to Date Indicated	Date of Next Redemption Price Change	Next Redemption Price ($)	Sinking Fund Requirements: No. Shares Annually	Sinking Fund Requirements: Commencing
WITH SINKING FUND REQUIREMENTS:									
7.12%	Series Q	470,000	$47,000	104.75		03/16/97	102.37	15,000 (2)	03/16/93
7.50%	Series R	850,000	85,000		03/16/97	03/16/97	105.00	42,500 (2)	03/16/98
5.95%	A, 1992 B	800,000	20,000		09/16/98	09/16/98	25.00	800,000	09/16/99
6.10%	A, 1992 C	800,000	20,000		09/16/99	09/16/99	25.00	800,000	09/16/00
6.20%	A, 1992 D	800,000	20,000		09/16/00	09/16/00	25.00	800,000	09/16/01
6.20%	Series T	130,000	13,000		12/16/99	12/16/99	100.00	130,000	12/16/00
6.30%	Series U	130,000	13,000		12/16/00	12/16/00	100.00	130,000	12/16/01
6.40%	Series V	130,000	13,000		12/16/01	12/16/01	100.00	130,000	12/16/02
6.75%	Series X	500,000	50,000		06/16/03	06/16/03	103.94	20,000 (2)	06/16/03
WITHOUT SINKING FUND REQUIREMENTS:									
# 4.50%	Series C	350,000	35,000	101.00		(1)	(1)		
5.72%	Series D	350,000	35,000	101.00		(1)	(1)		
6.72%	Series E	350,000	35,000	102.00		(1)	(1)		
7.85%	Series S	600,000	60,000		09/16/02	09/16/02	103.93		
@7.72%	A, 1992	1,600,000	40,000		09/16/97	09/16/97	26.93		
7.00%	Series W	500,000	50,000		03/16/03	03/16/03	103.50		
7.04%	Series Y	600,000	60,000		06/16/03	06/16/03	103.52		
6.375%	A, 1993	2,400,000	60,000		12/16/03	12/16/03	25.80		
ADJUSTABLE RATE:									
Adjustable Rate A		500,000	50,000	103.00		06/16/96	100.00		
Auction Series A		750,000	75,000	100.00		(1)	(1)		
CURRENT SINKING FUND REQUIREMENTS:									
7.12%	Series Q		(1,500)						
Total preferred stocks			$779,500						

PREFERRED STOCK RATINGS

Rating Agency	
Duff & Phelps	A+
Fitch	AA-
Moody's	aa2
Standard & Poor's	A+

Private placement
Securities listed on the New York Stock Exchange

(1) No change.
(2) Once each year, the Company may redeem an additional number of shares equal to that year's sinking fund requirements at par plus accrued dividends. The right to redeem additional shares is not cumulative and does not reduce future sinking fund requirements. There are maximum limits to the additional number of shares which can be acquired.

LONG-TERM DEBT

(Dollars in Thousands)

Series		Due Date	Balance at 12/31/94	Redemption Price at 12/31/94 (%)	Non-Refundable (NR) or Non-Callable (NC) Prior to Date Indicated (1)		Date of Next Redemption Price Change	Next Redemption Price (%)
DUKE POWER COMPANY								
FIRST AND REFUNDING MORTGAGE BONDS: (2)								
# $4\frac{1}{2}$%		Feb/95	$ 40,000	100.00			(3)	(3)
* 6.47%-6.60%		Dec/95	40,300		(NC-Life)			
* 6.59%		Jan/96	3,000		(NC-Life)			
$5\frac{3}{8}$%		Apr/97	72,600	100.44			04/01/95	100.22
* $5\frac{5}{8}$%		Aug/97	100,000		(NC-Life)			
* 5.17%		Sep/98	50,000		(NC-Life)			
* $7\frac{1}{2}$%		Apr/99	100,000		(NC-Life)			
* 5.76%-5.79%		Jul/99	60,000		(NC-Life)			
* $6\frac{1}{4}$%		Aug/99	65,000		(NC-Life)			
8%	Series B	Nov/99	200,000 (4)		(NC-Life)			
7%		Jun/00	100,000		(NC-Life)			
7%	Series B	Jul/00	100,000		(NC-Life)			
$5\frac{7}{8}$%		Jun/01	150,000		(NC-Life)			
$6\frac{5}{8}$%	Series B	Feb/03	100,000		(NC-Life)			
$5\frac{7}{8}$%	Series C	Mar/03	75,000		03/01/98	(NC)	03/01/98	100.517
* 6.125%		Jul/03	75,000		(NC-Life)			
* 7.37%		Feb/04	3,000		02/02/97	(NC)	02/02/97	103.685
* 7.38%-7.41%		Feb/04	97,000 (5)		02/10/97	(NC)	02/10/97	Various
8%		Mar/04	75,000		03/01/97	(NC)	03/01/97	103.687
$6\frac{1}{4}$%	Series B	May/04	100,000		05/01/98	(NC)	05/01/98	101.891
7%		Sep/05	200,000		09/01/97	(NC)	09/01/97	103.13
$6\frac{3}{8}$%		Mar/08	125,000		03/01/98	(NC)	03/01/98	101.66
$9\frac{5}{8}$%		Feb/20	46,982	107.35	02/01/95	(NR)	02/01/95	107.00
$10\frac{1}{8}$%	Series B	May/20	24,854	107.82	05/01/95	(NR)	05/01/95	107.45
$8\frac{3}{4}$%		Mar/21	150,000	104.43	03/01/96	(NR)	03/01/95	104.17
$8\frac{3}{8}$%	Series B	Dec/21	150,000	104.038	12/01/96	(NR)	12/01/95	103.80
$8\frac{5}{8}$%		Mar/22	100,000		03/01/97	(NC)	03/01/97	106.188
$7\frac{3}{8}$%		Mar/23	200,000		03/01/98	(NC)	03/01/98	103.37
$6\frac{7}{8}$%	Series B	Aug/23	200,000		08/01/98	(NC)	08/01/98	103.00
$7\frac{7}{8}$%		May/24	150,000		05/01/99	(NC)	05/01/99	103.592
$6\frac{3}{4}$%		Aug/25	150,000		08/01/98	(NC)	08/01/98	102.677
# 8.95%		Jul/27	15,769 (6)					
7%		Jul/33	150,000		07/01/03	(NC)	07/01/03	102.35
	Subtotal		3,268,505					

\# Private placement
* First Mortgage Bonds issued off the Medium-Term Note shelf registration

LONG-TERM DEBT

(Dollars in Thousands)

Series		Due Date	Balance at 12/31/94	Redemption Price at 12/31/94 (%)	Non-Refundable (NR) or Non-Callable (NC) Prior to Date Indicated (1)		Date of Next Redemption Price Change	Next Redemption Price (%)
POLLUTION CONTROL REVENUE BONDS:								
7.70%	Series 1987	Oct/12	$ 20,000		10/01/99	(NC)	10/01/99	103.00
7.50%	Series 1987 A	Feb/17	25,000		02/01/99	(NC)	02/01/99	103.00
7.75%	Series 1987 B	Feb/17	10,000		02/01/99	(NC)	02/01/99	103.00
3.69%	Series 1990	Aug/14	40,000 (7)	100.00				
5.80%	Series 1993	Apr/14	77,000		04/01/03	(NC)	04/01/03	102.00
	Subtotal		172,000					
OTHER LONG-TERM DEBT:								
Capitalized leases			26,039					
Other long-term debt			130,000					
Unamortized debt discount and premium, net			(62,918)					
Current maturities of long-term debt			(81,926)					
Total Duke Power long-term debt			3,451,700 (8)					
SUBSIDIARY LONG-TERM DEBT:								
Crescent Resources, Inc.			92,102 (9)					
Nantahala Power and Light Company			33,653 (10)					
Current maturities of long-term debt			(10,333)					
Total subsidiary long-term debt			115,422					
Total consolidated long-term debt			$3,567,122					

DEBT RATINGS

Rating Agency	Bonds	Commercial Paper
Duff & Phelps	AA-	D-1+
Fitch	AA	F-1+
Moody's	Aa2	P-1
Standard & Poor's	AA-	A-1+

(1) For non-refundable (NR) issues, no redemption at the regular price may take place prior to the date indicated if such redemption is in connection with certain refunding operations at a lower cost of money to the Company. For non-callable (NC) issues, no redemption may take place prior to the date indicated.
(2) Under the terms of its indenture, the Company must maintain a Replacement Fund with the trustee of the mortgage. The Company may satisfy the requirements of this fund by depositing cash with the trustee. The Company has never done so, however, and if any such deposits of cash were to be made, the Company has agreed that such cash would be applied only to the retirement of bonds in the sequence in which they were issued.
(3) No change.
(4) Through a five-year interest rate swap, the effective interest rate is three-month LIBOR plus .074% and is reset quarterly.
(5) Redemption prices on the 7.38%-7.41% Series bonds vary, declining to par in 2002.
(6) The 8.95% Series bond due 2027 was issued to the City of Greensboro, North Carolina to relieve the Company of its obligation to operate the transit system in Greensboro.
(7) The interest rate and interest period vary on the Series 1990 bonds. The interest rate shown is as of December 31, 1994. These bonds may be converted to a different pricing mode at the discretion of the Company.
(8) Substantially all of Duke Power's electric plant was mortgaged as of December 31, 1994.
(9) Substantial amounts of Crescent Resources, Inc.'s real estate development projects, land and buildings are pledged as collateral.
(10) Nantahala Power and Light Company's loan agreements impose net worth restrictions and limitations on disposal of assets and payment of cash dividends.

SECURITIES FINANCINGS (1)

(Dollars in Thousands)

1994	
First Mortgage Bonds, 7⅞% Series due 2024 (issued May 26)	$ 150,000
First Mortgage Bonds, 8% Series B due 1999 (issued November 29) (2)	200,000
Premium, discount and expenses of above items	(6,176)
Net proceeds	$ 343,824
1993	
First Mortgage Bonds, 6⅝% Series B due 2003 (issued February 17)	$ 100,000
Preferred Stock, 7% Series W (500,000 shares) (issued February 17)	50,000
First Mortgage Bonds, 7⅜% Series due 2023 (issued March 9)	200,000
First Mortgage Bonds, 6⅜% Series due 2008 (issued March 9)	125,000
First Mortgage Bonds, 5⅞% Series C due 2003 (issued March 9)	75,000
Preferred Stock, 6.75% Series X (500,000 shares) (issued May 6)	50,000
Pollution Control Series	77,000
First Mortgage Bonds, 6¼% Series B due 2004 (issued May 11)	100,000
Preferred Stock, 7.04% Series Y (600,000 shares) (issued May 12)	60,000
First Mortgage Bonds, 5⅞% Series due 2001 (issued June 29)	150,000
First Mortgage Bonds, 5.76% - 5.79% due 1999 (issued June 29-July 1)	60,000
First Mortgage Bonds, 6.125% due 2003 (issued July 22)	75,000
First Mortgage Bonds, 7% Series due 2033 (issued July 27)	150,000
First Mortgage Bonds, 6⅞% Series B due 2023 (issued August 17)	200,000
First Mortgage Bonds, 6¾% Series due 2025 (issued August 24)	150,000
First Mortgage Bonds, 5.17% due 1998 (issued September 2)	50,000
Preferred Stock A, 6.375% 1993 Series (2,400,000 shares) (issued November 4)	60,000
Premium, discount and expenses of above items	(44,420)
Net proceeds	$1,687,580
1992	
First Mortgage Bonds, 7.37% - 7.41% due 2004 (issued January 17-22)	$ 100,000
First Mortgage Bonds, 7½% Series due 1999 (issued March 11)	100,000
First Mortgage Bonds, 8% Series due 2004 (issued March 11)	75,000
First Mortgage Bonds, 8⅝% Series due 2022 (issued March 11)	100,000
Preferred Stock, 7.50% Series R (850,000 shares) (issued April 16)	85,000
First Mortgage Bonds, 7% Series due 2000 (issued June 3)	100,000
First Mortgage Bonds, 7% Series B due 2000 (issued July 1)	100,000
Preferred Stock, 7.85% Series S (600,000 shares) (issued July 7)	60,000
Preferred Stock A, 7.72% 1992 Series (1,600,000 shares) (issued July 22)	40,000
First Mortgage Bonds, 5⅝% Series due 1997 (issued August 12)	100,000
First Mortgage Bonds, 6¼% Series due 1999 (issued August 12)	65,000
Preferred Stock A, 5.95% 1992 Series B (800,000 shares) (issued August 25)	20,000
Preferred Stock A, 6.10% 1992 Series C (800,000 shares) (issued August 25)	20,000
Preferred Stock A, 6.20% 1992 Series D (800,000 shares) (issued August 25)	20,000
First Mortgage Bonds, 7% Series due 2005 (issued September 24)	200,000
Preferred Stock, 6.20% Series T (130,000 shares) (issued November 17)	13,000
Preferred Stock, 6.30% Series U (130,000 shares) (issued November 17)	13,000
Preferred Stock, 6.40% Series V (130,000 shares) (issued November 17)	13,000
Premium, discount and expenses of above items	(16,261)
Net proceeds	$1,207,739
1991	
First Mortgage Bonds, 8¾% Series due 2021 (issued March 7)	$ 150,000
Common Stock (2,100,087 shares) (3)	48,014
First Mortgage Bonds, 8⅜% Series B due 2021 (issued December 5)	150,000
First Mortgage Bonds, 6.47% - 6.60% due 1994-1996 (issued December 4-13)	125,000
Premium, discount and expenses of above items	(10,703)
Net proceeds	$ 462,311

SECURITIES FINANCINGS (1)

(Dollars in Thousands)

1990	
Pollution Control Series	$ 41,187
First Mortgage Bonds, 9⅝% Series due 2020 (issued February 13)	200,000
First Mortgage Bonds, 10⅛% Series B due 2020 (issued May 8)	150,000
Preferred Stock, Auction Series A (750,000 shares) (issued October 23)	75,000
Premium, discount and expenses of above items	(5,832)
Net proceeds	$460,355
1989	
Pollution Control Series	$ 15,906
1988	
Pollution Control Series	$ 1,283
1987	
Pollution Control Series	$ 38,734
First Mortgage Bonds, 7½% Series B due 1997 (issued March 5)	100,000
First Mortgage Bonds, 8½% Series due 2017 (issued February 4)	150,000
Preferred Stock, 7.12% Series Q (500,000 shares) (issued February 4)	50,000
Premium, discount and expenses of above items	(4,571)
Net proceeds	$334,163
1986	
Pollution Control Series	$ 7,251
First Mortgage Bonds, 7⅞% Series due 1996 (issued April 1)	100,000
First Mortgage Bonds, 9% Series due 2016 (issued May 15)	175,000
Preferred Stock, 7.875% Series P (500,000 shares) (issued May 15)	50,000
Preferred Stock, Adjustable Rate Series A (500,000 shares) (issued May 28)	50,000
First Mortgage Bonds, 8½% Series B due 1995 (issued June 12)	125,000
Premium, discount and expenses of above items	(7,382)
Net proceeds	$499,869
1985	
Pollution Control Series	$ 34,114
First Mortgage Bonds, 12⅝% Series due 2015 (issued April 1)	125,000
First Mortgage Bonds, 10⅛% Series B due 2015 (issued December 12)	50,000
Premium, discount and expenses of above items	(2,596)
Net proceeds	$206,518
1984	
Common Stock (2,903,214 shares) (3) (4)	$ 37,194
Pollution Control Series	60,720
Net proceeds	$ 97,914

(1) Excludes Nantahala Power and Light Company and Duke Power's other subsidiaries.
(2) Through a five-year interest rate swap, the effective interest rate is three-month LIBOR plus .074% and is reset quarterly.
(3) Issued through the Company's Stock Purchase-Savings Program for Employees, Stock Purchase and Dividend Reinvestment Plan for shareholders and Duke Power electric customers and/or Employees' Stock Ownership Plan. From January 1, 1985 to March 31, 1991, all plan shares were purchased on the open market. From April 1, 1991 to November 30, 1991, the Company issued shares to fund the plans. The Company resumed open market purchases to fund the plans on December 1, 1991.
(4) Reflects the two-for-one split of the Company's stock in 1990.

DUKE POWER ELECTRIC OPERATIONS HIGHLIGHTS

Year Ended December 31,	1994	1993	1992	1991	1990	1989	1984
ELECTRIC REVENUES (1) (dollars in thousands)	**$4,279,329**	$4,281,876	$3,961,484	$3,816,960	$3,705,131	$3,692,955	$2,710,015
ELECTRIC EXPENSES (dollars in thousands)							
Operation							
Fuel used in electric generation	**705,019**	732,246	659,593	657,725	660,298	660,212	683,563
Net interchange and purchased power (1)	**553,802**	535,033	540,840	545,840	565,034	567,805	(36,408)
Wages, benefits and materials	**781,842**	701,994	636,729	622,121	564,624	508,743	393,448
Maintenance of plant facilities	**429,617**	375,457	403,162	354,679	403,831	348,944	207,951
Depreciation and amortization	**450,215**	488,441	491,339	431,624	405,762	410,938	303,429
Taxes							
General	**239,714**	231,680	215,493	204,688	197,087	184,134	194,095
Federal and state income	**296,123**	339,227	262,842	286,456	247,528	248,683	319,836
Deferred income, net	**76,752**	74,990	38,053	18,211	21,434	65,811	77,169
Investment tax credit, net	**(11,222)**	(11,257)	(11,262)	(11,207)	(3,250)	(6,915)	18,831
Total electric expenses	**3,521,862**	3,467,811	3,236,789	3,110,137	3,062,348	2,988,355	2,161,914
ELECTRIC OPERATING INCOME	**$ 757,467**	$ 814,065	$ 724,695	$ 706,823	$ 642,783	$ 704,600	$ 548,101
ELECTRIC PLANT IN SERVICE (dollars in thousands)							
Production and nuclear fuel	**$ 7,476,324**	$ 7,226,758	$ 7,163,155	$ 8,295,936	$ 6,940,005	$ 6,712,261	$4,842,595
Transmission	**1,397,087**	1,368,123	1,340,173	1,300,021	1,223,152	1,152,588	981,907
Distribution	**3,892,196**	3,717,662	3,532,337	3,344,010	3,088,032	2,780,940	1,693,7[illegible]
Other	**1,011,761**	966,463	876,643	894,685	844,707	788,161	291,816
Electric plant in service	**13,777,368**	13,279,006	12,912,308	13,834,652	12,095,896	11,433,950	7,810,094
Less accumulated depreciation and amortization	**5,152,155**	4,837,370	4,622,593	5,637,953	5,167,099	4,771,887	2,646,266
Total electric plant in service, net	**8,625,213**	8,441,636	8,289,715	8,196,699	6,928,797	6,662,063	5,163,828
CONSTRUCTION WORK IN PROGRESS (dollars in thousands)							
Production and nuclear fuel	**425,143**	385,664	382,064	392,977	1,354,982	1,062,961	910,642
Transmission	**31,326**	29,531	43,282	28,447	52,911	79,480	22,555
Distribution	**14,806**	19,588	26,344	39,207	46,965	53,219	23,463
Other	**69,812**	47,690	38,718	41,311	66,533	59,572	32,130
Total construction work in progress	**541,087**	482,473	490,408	501,942	1,521,391	1,255,232	988,790
TOTAL ELECTRIC PLANT, NET	**$ 9,166,300**	$ 8,924,109	$ 8,780,123	$ 8,698,641	$ 8,450,188	$ 7,917,295	$6,152,618
ELECTRIC PLANT IN SERVICE							
Accumulated depreciation and amortization — %	**37**	36	36	41	43	42	34
Per dollar of electric revenues (average plant) (2)	**$3.57**	$3.52	$3.95	$4.07	$3.94	$3.84	$2.60
Per unit (MWH) sold (average plant) (2)	**$202.21**	$198.10	$220.37	$222.30	$216.48	$208.60	$129.42
PRODUCTION PLANT IN SERVICE							
Per KW of generating capability (year-end) (3)	**$606**	$600	$599	$682	$650	$649	$3[illegible]
Per customer (year-end)	**$4,277**	$4,241	$4,254	$5,013	$4,252	$4,208	$3,4[illegible]

DUKE POWER ELECTRIC OPERATIONS HIGHLIGHTS

Year Ended December 31,	1994	1993	1992	1991	1990	1989	1984
CONSTRUCTION WORK IN PROGRESS							
% of electric plant, net	**5.9**	5.4	5.6	5.8	18.0	15.9	16.1
SUMMARY OF PLANT CONSTRUCTION COSTS (dollars in thousands) (4)							
Production	**$297,191**	$175,822	$140,823	$213,768	$409,034	$ 377,860	$214,125
Transmission	**42,179**	56,370	47,666	30,562	45,768	42,932	36,190
Distribution	**195,283**	232,081	217,122	254,173	308,004	301,533	132,080
Other	**94,445**	72,011	48,988	67,713	82,646	105,856	46,059
Subtotal	**629,098**	536,284	454,599	566,216	845,452	828,181	428,454
Nuclear fuel	**122,416**	115,956	121,751	182,712	133,418	182,705	117,589
TOTAL PLANT CONSTRUCTION COSTS	**$751,514**	$652,240	$576,350	$748,928	$978,870	$1,010,886	$546,043

MAJOR GENERATING UNITS COMPLETED
1984-1994

Year	Plant	Unit No.	Capability (Megawatts)	Cost Per KW *
1984	McGuire Nuclear Station	2	1,129	$828
1985	Catawba Nuclear Station	1	1,129	$1,560
1986	Catawba Nuclear Station	2	1,129	$1,560
1991	Bad Creek Hydroelectric Station	1 - 4	1,065	$948

** Total station cost per KW at date of commercial operation.*

GENERATING CAPABILITY
December 31, 1994

Source	Facility	Net MW	Percent
Coal	Belews Creek	2,240	12.5
	Marshall	2,090	11.6
	Allen	1,140	6.3
	Cliffside	760	4.2
	Other stations	1,431	8.0
		7,661	42.6
Nuclear	Oconee	2,538	14.1
	McGuire	2,258	12.6
	Catawba *	2,258	12.6
		7,054	39.3
Hydro	Bad Creek	1,065	5.9
	Jocassee	610	3.4
	Other stations	1,007	5.6
		2,682	14.9
Oil and gas	Combustion turbines	584	3.2
Total Generating Capability		17,981	100.0

** Represents 100% of the Catawba Nuclear Station, of which the Company owns 12.5 percent.*

(1) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(2) Beginning in 1985, excludes impact of joint ownership of Catawba Nuclear Station.
(3) Beginning in 1989, includes 100% of the capability of the Catawba Nuclear Station.
(4) Excludes Allowance for Equity Funds Used During Construction.

DUKE POWER ELECTRIC OPERATIONS SALES, REVENUE AND CUSTOMER STATISTICS

Year Ended December 31,	**1994**	1993	1992	1991	1990	1989	1984
KILOWATT-HOUR SALES (millions)							
Residential	**18,870**	19,465	17,789	17,918	17,221	16,895	14,493
General Service	**17,289**	16,904	15,818	15,586	15,032	14,206	10,922
Industrial							
Textile	**12,285**	11,954	11,685	11,315	11,130	11,443	10,169
Other	**17,005**	16,244	15,356	14,955	14,764	14,491	11,652
Total industrial	**29,290**	28,198	27,041	26,270	25,894	25,934	21,821
Other energy and wholesale sales (1) (2) (3)	**10,114**	11,491	10,394	10,113	9,928	12,339	7,163
Total	**75,563**	76,058	71,042	69,887	68,075	69,374	54,399
KILOWATT-HOUR SALES (%)							
Residential	**25.0**	25.6	25.0	25.6	25.3	24.3	26.6
General Service	**22.9**	22.2	22.3	22.3	22.1	20.5	20.1
Industrial							
Textile	**16.2**	15.7	16.5	16.2	16.3	16.5	18.7
Other	**22.5**	21.4	21.6	21.4	21.7	20.9	21.4
Total industrial	**38.7**	37.1	38.1	37.6	38.0	37.4	40.1
Other energy and wholesale sales (1) (2) (3)	**13.4**	15.1	14.6	14.5	14.6	17.8	13.2
Total	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
ELECTRIC REVENUES (dollars in thousands)							
Residential	**$1,379,740**	$1,424,173	$1,312,227	$1,272,322	$1,216,945	$1,198,705	$ 886,065
General Service	**1,031,061**	1,014,124	964,853	921,337	886,480	851,422	593,351
Industrial							
Textile	**498,190**	487,576	482,172	475,191	476,493	493,933	409,6[illegible]
Other	**745,154**	726,399	696,413	668,765	654,551	653,830	487,604
Total industrial	**1,243,344**	1,213,975	1,178,585	1,143,956	1,131,044	1,147,763	897,239
Other energy and wholesale sales (1) (3)	**540,256**	476,862	460,849	441,777	391,803	449,545	291,435
Other revenues (2)	**84,928**	152,742	44,970	37,568	78,859	45,520	41,925
Total	**$4,279,329**	$4,281,876	$3,961,484	$3,816,960	$3,705,131	$3,692,955	$2,710,015
ELECTRIC REVENUES (%)							
Residential	**32.2**	33.3	33.1	33.3	32.8	32.5	32.7
General Service	**24.1**	23.7	24.3	24.1	23.9	23.0	21.9
Industrial							
Textile	**11.7**	11.4	12.2	12.5	12.9	13.4	15.1
Other	**17.4**	17.0	17.6	17.5	17.7	17.7	18.0
Total industrial	**29.1**	28.4	29.8	30.0	30.6	31.1	33.1
Other and wholesale revenues (1) (2) (3)	**14.6**	14.6	12.8	12.6	12.7	13.4	12.3
Total	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
ANNUAL AVERAGE BILLED REVENUE PER KWH							
Residential	**7.31¢**	7.32¢	7.38¢	7.10¢	7.07¢	7.09¢	6.11¢
General Service	**5.96¢**	6.00¢	6.10¢	5.91¢	5.90¢	5.99¢	5.43¢
Industrial	**4.24¢**	4.31¢	4.36¢	4.35¢	4.37¢	4.43¢	4.11¢
Other energy and wholesale sales (1) (3) (4)	**5.26¢**	4.21¢	4.45¢	4.36¢	3.74¢	3.76¢	4.07¢

DUKE POWER ELECTRIC OPERATIONS SALES, REVENUE AND CUSTOMER STATISTICS

Year Ended December 31,	1994	1993	1992	1991	1990	1989	1984
INDUSTRIAL SALES (millions of KWH)							
Textile products, apparel, fabrics, etc.	**12,537**	12,205	11,920	11,565	11,377	11,702	10,393
Machinery and equipment	**3,780**	3,548	3,298	3,209	3,187	3,081	2,418
Chemicals and allied products (including synthetic fiber manufacturing)	**2,793**	2,655	2,565	2,472	2,384	2,422	2,215
Rubber and miscellaneous plastic products	**2,228**	2,115	2,025	1,874	1,785	1,703	1,322
Paper and allied products and industries	**2,143**	2,105	2,054	2,138	2,069	2,030	1,328
Metal products and industries — fabricated and primary	**1,448**	1,339	1,228	1,169	1,173	1,142	913
Furniture, lumber and other wood products	**1,364**	1,306	1,174	1,054	1,078	1,077	906
Stone, clay, glass and concrete products	**1,207**	1,160	1,089	1,087	1,157	1,143	937
Food and kindred products	**907**	908	866	877	868	892	741
Tobacco manufacturers	**492**	497	514	580	584	540	527
Other	**391**	360	308	245	232	202	121
Total industrial sales	**29,290**	28,198	27,041	26,270	25,894	25,934	21,821
GENERAL SERVICE SALES (BY BUILDING TYPE) (millions of KWH)							
Offices	**3,475**	3,360	3,142	3,151	3,049	2,843	1,955
Education	**1,985**	1,930	1,786	1,744	1,626	1,557	1,274
Retail	**1,709**	1,699	1,584	1,599	1,584	1,492	1,125
Food Stores	**1,280**	1,264	1,223	1,222	1,192	1,184	1,015
Medical	**1,269**	1,242	1,169	1,142	1,071	1,002	753
Public Utilities	**1,245**	1,220	1,199	1,143	1,155	1,043	892
Transportation	**1,234**	1,207	1,091	1,076	1,057	1,016	755
Restaurants	**1,106**	1,096	1,023	1,008	964	920	712
Warehouses	**534**	534	512	505	490	462	374
Churches	**531**	531	472	473	442	412	310
Hotels	**498**	500	447	463	453	438	312
Amusement	**404**	395	361	360	333	305	229
Other	**2,019**	1,926	1,809	1,700	1,616	1,532	1,216
Total general service sales	**17,289**	16,904	15,818	15,586	15,032	14,206	10,922
CUSTOMERS (average)							
Residential	**1,483,497**	1,455,609	1,431,403	1,409,775	1,383,799	1,356,088	1,186,962
General Service	**236,321**	230,397	225,245	221,135	221,555	213,855	178,416
Industrial							
Textile	**1,407**	1,389	1,383	1,392	1,405	1,413	1,345
Other	**7,318**	7,304	7,277	7,292	7,335	7,273	6,632
Total industrial	**8,725**	8,693	8,660	8,684	8,740	8,686	7,977
Other and wholesale	**8,102**	7,869	7,696	7,519	7,354	7,217	6,329
Total	**1,736,645**	1,702,568	1,673,004	1,647,113	1,621,448	1,585,846	1,379,684
CUSTOMERS AT YEAR-END (1)	**1,749,450**	1,709,839	1,683,997	1,654,767	1,632,106	1,595,045	1,395,710
RESIDENTIAL CUSTOMER STATISTICS							
Average annual KWH use	**12,720**	13,372	12,427	12,710	12,444	12,459	12,210
Average annual billing	**$930.06**	$978.40	$916.74	$902.50	$879.42	$883.94	$746.50

(1) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(2) Beginning in 1989, includes unbilled revenues due to a change in method of accounting.
(3) Includes sales to Nantahala Power and Light Company.
(4) Excludes unbilled revenues.

DUKE POWER ELECTRIC OPERATIONS GENERATING AND CAPABILITY DATA

Year Ended December 31,	**1994**	1993	1992	1991	1990	1989	1984
NET SOURCES OF ENERGY (millions of KWH)							
Coal	**32,714**	34,097	28,999	26,455	27,262	26,175	26,394
Nuclear (1) (2)	**50,887**	48,211	48,238	49,328	44,649	47,773	32,632
Hydro and other (3)	**1,495**	1,625	1,839	1,552	1,932	1,547	1,995
Total generation	**85,096**	83,933	79,076	77,335	73,843	75,495	61,021
Net interchange and purchased power (4)	**1,276**	1,750	1,403	587	1,531	1,158	(2,908)
Total output	**86,372**	85,683	80,479	77,922	75,374	76,653	58,113
Less: Catawba other joint owners' share	**15,300**	13,821	14,313	12,280	11,735	12,566	—
Plus: Purchases from other Catawba joint owners	**9,046**	8,810	9,466	8,525	8,658	9,809	—
Total sources of energy	**80,118**	80,672	75,632	74,167	72,297	73,896	58,113
Line loss and company usage	**4,555**	4,614	4,590	4,280	4,222	4,522	3,714
Total kilowatt-hour sales	**75,563**	76,058	71,042	69,887	68,075	69,374	54,399
TOTAL GENERATION (%)							
Coal	**38.4**	40.6	36.7	34.2	36.9	34.7	43.2
Nuclear (1) (2)	**59.8**	57.4	61.0	63.8	60.5	63.3	53.5
Hydro and other (3)	**1.8**	2.0	2.3	2.0	2.6	2.0	3.3
Total	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
CAPABILITY — NET KW (year-end)							
Coal	**7,661,000**	7,510,000	7,377,000	7,316,000	6,994,000	6,735,000	6,603,000
Nuclear (5)	**7,054,000**	7,054,000	7,054,000	7,054,000	7,054,000	7,054,000	4,940,000
Hydro	**2,682,000**	2,682,000	2,682,000	2,682,000	1,647,000	1,452,000	1,452,0[illegible]
Oil and gas	**584,000**	599,000	599,000	599,000	599,000	599,000	599,000
Total generating capability	**17,981,000**	17,845,000	17,712,000	17,651,000	16,294,000	15,840,000	13,594,000
Net firm purchases and sales	**100,000**	100,000	493,000	493,000	286,000	286,000	188,000
Total	**18,081,000**	17,945,000	18,205,000	18,144,000	16,580,000	16,126,000	13,782,000
TOTAL CAPABILITY — NET KW (time of peak)							
Summer	**18,021,000**	17,945,000	18,205,000	17,587,000	16,415,000	16,126,000	13,782,000
Winter	**17,945,000**	18,345,000	18,144,000	16,580,000	16,321,000	16,126,000	13,594,000
PEAK LOAD — KW (6)							
Summer	**14,936,000**	15,720,000	14,763,000	14,677,000	14,046,000	13,611,000	11,043,000
Winter	**16,070,000**	13,314,000	13,001,000	12,778,000	12,139,000	13,126,000	10,863,000
RESERVE — % OF LOAD							
Summer	**20.7**	14.2	23.3	19.8	16.9	18.5	24.8
Winter	**11.7**	37.8	39.6	29.8	34.5	22.9	25.1

(1) Beginning in 1986, includes 100% of the generation of the Catawba Nuclear Station.
(2) Includes McGuire Unit 2 prior-to-commercial generation of 836,655 MWH for 1984.
(3) 1991 includes KWH of the Bad Creek Hydroelectric Station prior-to-commercial operation.
(4) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(5) Beginning in 1986, includes 100% of the capability of the Catawba Nuclear Station.
(6) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.

DUKE POWER ELECTRIC OPERATIONS OPERATING STATISTICS

Year Ended December 31,	1994	1993	1992	1991	1990	1989	1984
FUEL EXPENSE (thousands)							
Coal	**$501,135**	$544,024	$474,618	$446,584	$464,710	$441,887	$487,615
Nuclear (1)	**197,911**	181,595	180,469	205,842	188,509	212,943	200,906
Oil and gas	**5,973**	6,627	4,506	5,299	7,079	5,382	6,568
Fuel adjustments (2)	**—**	—	—	—	—	—	(11,526)
Total	**$705,019**	$732,246	$659,593	$657,725	$660,298	$660,212	$683,563
OPERATING RATIOS (% of Operation and Maintenance Expense) (3)							
Fuel expense	**26.4**	31.7	29.2	29.9	29.4	30.7	55.2
Other operation expense	**57.6**	52.0	53.0	54.0	52.6	53.0	28.3
Maintenance expense	**16.0**	16.3	17.8	16.1	18.0	16.3	16.5
Total	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE FUEL COST PER MILLION BTU ON A BURNED BASIS (cents) (1)							
Coal	**164.48**	169.87	174.10	179.29	180.61	180.24	199.06
Nuclear	**54.67**	52.65	52.52	55.00	55.65	59.56	61.40
Oil and gas	**398.22**	397.07	450.39	486.85	392.91	388.38	562.59
Weighted average	**95.67**	99.30	96.05	96.48	101.14	100.11	121.24
AVERAGE FUEL COST PER KWH GENERATED (cents) (1)							
Coal	**1.532**	1.596	1.637	1.688	1.705	1.688	1.847
Nuclear	**.556**	.528	.532	.556	.573	.605	.632
Oil and gas	**16.900**	15.531	86.299	78.479	13.359	19.657	—
Weighted average	**1.032**	1.069	1.048	1.036	1.096	1.075	1.195
HEAT RATE (BTUs per KWH generated)							
Fossil	**9,338**	9,417	9,428	9,448	9,468	9,397	9,318
Nuclear	**10,268**	10,269	10,299	10,287	10,326	10,344	10,291
System average	**9,908**	9,921	9,974	9,996	10,007	10,013	9,853
NUCLEAR CAPACITY FACTOR (%)	**82.4**	78.0	77.9	79.8	72.3	77.3	76.3
SYSTEM LOAD FACTOR (%)	**59.3**	60.2	60.0	59.4	59.9	61.8	62.2
NUMBER OF EMPLOYEES AT YEAR-END (4) (5)	**16,041**	17,224	17,668				

(1) Nuclear fuel expense and all cost statistics exclude the effect of prior-to-commercial generation for McGuire Unit 2 in 1984.
(2) Fuel adjustments include prior-to-commercial fuel expenses and displaced fuel costs for McGuire Unit 2 in 1984.
(3) Reclassified 1989 and 1990 to include certain power transactions previously included in "Net interchange and purchased power" prior to a 1990 FERC order.
(4) Employee data was not segregated by business unit prior to 1992.
(5) Excludes part-time and temporary employees.

ASSOCIATED ENTERPRISES GROUP HIGHLIGHTS

During 1994, the Company reorganized, placing all its subsidiaries and diversified activities into the Associated Enterprises Group (AEG). AEG includes the following:

- **Church Street Capital Corp.** (CSCC) manages investment funds and serves as the parent company for the non-electric operating subsidiaries. CSCC investment highlights are as follows (dollars in thousands):

  Short-term investments and marketable securities

1994	1993	1992
$170,642	$155,871	$173,347

  Investment income (after tax) (1)

1994	1993	1992
$ 7,562	$ 3,548	$ 5,404

- **Crescent Resources, Inc.** is engaged in real estate development and forest management.
- **Duke Energy Group, Inc.,** parent of Duke Energy Corp., structures, finances and manages investments in electric generation and transmission facilities, both nationally and internationally.
- **Duke Engineering & Services, Inc.** markets engineering, construction, quality assurance, consulting and other engineering-related services [illegible] facilities other than coal-fired generating plants, both nationally [illegible] internationally.
- **Duke/Fluor Daniel,** a joint venture with Fluor Daniel, Inc., provides engineering, construction, and support of operating and maintenance activities, primarily for coal-fired generating plants, both nationally and internationally.
- **Duke Merchandising** sells and services quality electric merchandise and electronics primarily to Duke Power customers.
- **DukeNet Communications, Inc.** develops and manages communication systems.
- **Duke Water Operations** serves areas of Anderson, South Carolina, and Rutherfordton, North Carolina.
- **Nantahala Power and Light Company** provides electric service to a five-county area in western North Carolina by its operation of eleven hydroelectric stations and purchase of supplemental power.

OPERATING RESULTS

Year Ended December 31, *(Dollars in Thousands)*	**1994**	1993	1992
OPERATING REVENUES			
Crescent Resources, Inc.	**$ 64,724**	$ 46,784	$ 44,788
Duke Energy Group, Inc. (2)	**9,478**	6,033	1,805
Nantahala Power and Light Company (3)	**68,595**	67,142	60,183
All Other Business Units (4)	**109,932**	106,340	92,613
Total Associated Enterprises Group	**$252,729**	$226,299	$199,38[illegible]
OPERATING INCOME			
Crescent Resources, Inc.	**$ 46,236**	$ 30,004	$ 30,602
Duke Energy Group, Inc.	**(1,035)**	(2,929)	(3,474)
Nantahala Power and Light Company	**12,224**	8,844	6,937
All Other Business Units (4)	**15,506**	1,939	8,743
Total Associated Enterprises Group	**$ 72,931**	$ 37,858	$ 42,808
NET INCOME			
Crescent Resources, Inc.	**$ 26,525**	$ 16,327	$ 16,613
Duke Energy Group, Inc. (5)	**5,749**	(1,949)	(2,239)
Nantahala Power and Light Company	**6,169**	4,261	3,526
All Other Business Units (4)	**13,593**	2,876	7,458
Total Associated Enterprises Group	**$ 52,036**	$ 21,515	$ 25,358

FINANCIAL POSITION

December 31, *(Dollars in Thousands)*	**1994**	1993	1992
TOTAL ASSETS			
Crescent Resources, Inc.	**$294,175**	$219,206	$195,476
Duke Energy Group, Inc. (6)	**110,656**	144,499	25,876
Nantahala Power and Light Company	**125,883**	107,872	94,531
All Other Business Units (4)	**279,430**	265,977	314,783
Total Associated Enterprises Group	**$810,144**	$737,554	$630,666
TOTAL LIABILITIES			
Crescent Resources, Inc.	**$134,574**	$ 86,172	$ 84,52[illegible]
Duke Energy Group, Inc.	**4,672**	31,816	3,1[illegible]
Nantahala Power and Light Company	**72,542**	60,700	51,62[illegible]
All Other Business Units (4)	**22,312**	30,902	29,495
Total Associated Enterprises Group	**$234,100**	$209,590	$168,749

ASSOCIATED ENTERPRISES GROUP HIGHLIGHTS

CASH FLOWS

Year Ended December 31, (Dollars in Thousands)	1994	1993	1992
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Crescent Resources, Inc.	**$ 37,691**	$ 36,254	$ 25,926
Duke Energy Group, Inc.	**(6,614)**	(1,438)	(1,936)
Nantahala Power and Light Company	**12,817**	14,869	7,039
All Other Business Units (4)	**10,589**	8,795	32,719
Total Associated Enterprises Group	**$ 54,483**	$ 58,480	$ 63,748
CASH PROVIDED BY INVESTING ACTIVITIES			
Crescent Resources, Inc.	**$ 2,524**	$ 1,310	$ 122
Duke Energy Group, Inc. (7)	**40,740**	28,785	—
Nantahala Power and Light Company	**—**	—	—
All Other Business Units (8)	**5,100**	21,377	3,168
Total Associated Enterprises Group	**$ 48,364**	$ 51,472	$ 3,290
CASH USED IN INVESTING ACTIVITIES			
Crescent Resources, Inc.	**$ 78,689**	$ 43,444	$ 21,910
Duke Energy Group, Inc.	**19,575**	116,498	22,147
Nantahala Power and Light Company	**23,989**	19,254	12,746
All Other Business Units (9)	**18,500**	1,450	55,756
Total Associated Enterprises Group	**$140,753**	$180,646	$112,559
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES (10)			
Crescent Resources, Inc. (11)	**$ 37,589**	$ 945	$ (8,993)
Duke Energy Group, Inc. (12)	**—**	—	—
Nantahala Power and Light Company	**10,896**	3,206	7,184
All Other Business Units (13)	**(6,993)**	71,537	54,979
Total Associated Enterprises Group	**$ 41,492**	$ 75,688	$ 53,170

OTHER INFORMATION

December 31,	1994	1993	1992
FULL-TIME EMPLOYEES AT YEAR-END			
Crescent Resources, Inc.	**89**	77	73
Duke Energy Corp.	**35**	24	18
Nantahala Power and Light Company	**184**	194	191
All Other Business Units	**703**	755	777
Total Associated Enterprises Group	**1,011**	1,050	1,059

(1) Earnings for 1994, 1993 and 1992 exclude elimination of intercompany profits of $49,000, $509,000 and $1,211,000, respectively.
(2) Includes Duke Energy Group, Inc.'s allocable share of net income from joint ventures.
(3) Nantahala Power and Light Company's Operating revenues include revenues from the sale of electricity to Duke Power of $12,131,000, $13,683,000 and $12,640,000 for 1994, 1993 and 1992, respectively.
(4) All Other Business Units amounts include Associated Enterprises Group intercompany eliminations.
(5) 1994 includes a gain of $4,800,000, after tax, from the sale of preferred stock.
(6) Includes Duke Energy Group, Inc.'s investments in joint ventures.
(7) 1994 includes proceeds from the sale of preferred stock of $32,468,000 and debt securities of $3,360,000. 1993 includes proceeds from the sale of debt securities of $19,654,000.
(8) 1993 includes the net change in short-term investments for the period of $20,653,000.
(9) 1994 and 1992 include the net change in short-term investments for the period of $12,060,000 and $49,282,000, respectively.
(10) Excludes capital infusion and return of capital transactions between Church Street Capital Corp. and its subsidiaries.
(11) 1993 and 1992 exclude capital infusions from parent, Church Street Capital Corp., of $6,000,000 and $5,000,000, respectively.
(12) 1994 excludes net return of capital to parent, Church Street Capital Corp., of $12,100,000. 1993 and 1992 exclude net capital infusions from Church Street Capital Corp. of $91,864,000 and $24,360,000, respectively.
(13) 1993 and 1992 each include capital infusions from Duke Power to Church Street Capital Corp. of $75,000,000.

FINANCIAL FORECAST 1995 - 1999

(Projections listed herein are subject to change.)

MANAGEMENT PERSPECTIVE

Opportunities and challenges from new technologies, heightened customer expectations, and the choices borne from a competitive marketplace will significantly change the business in the future. While we have not altered the Company's overall direction established in prior years, our latest business plan sets aggressive goals to ensure future success.

The ability to attain these goals will depend on several factors, such as continued economic growth in areas served, the ability to contain costs, the ability to maintain competitive prices, and the ability to anticipate how these changing forces will shape the markets in which we compete.

Our primary business objectives can be simply stated:

• Duke Power, while maintaining the highest quality, must be an efficient, low-cost provider of electricity in the markets we serve. At the same time, we must understand that slowing growth in demand for electricity means we cannot depend solely on our core business to meet our financial objectives in the years ahead.

• Duke Power's subsidiaries and diversified activities will work to substantially increase their contributions to Duke's bottom line over the next five years, by delivering superior products and services that enhance their own and Duke Power's reputations and business success.

• The Company will strive to turn its positive reputation in the marketplace into a competitive advantage, through superior performance and by managing our reputation like any other asset.

• We will attempt to increase our presence in existing markets through aggressive marketing of products and services that meet our customers' needs and expectations. In addition, we will expand, under the right circumstances, our customer base by acquiring additional electric assets.

• We must maintain and enhance our financial strength by providing a superior total return to shareholders. The Company will strive to maintain our AA bond rating, and significantly increase earnings from our subsidiaries and diversified activities.

Goals specific to each business unit include:

• **Duke Power electric operations**
- Meet customer requirements by providing competitive pricing structures and levels of service exceeding their expectations.
- Achieve capacity and energy sales significantly higher than previously projected by achieving a larger share of targeted markets and promoting the efficient use of electricity.
- Acquire electric properties in the United States where a return greater than the cost of capital can be earned and where there is an opportunity to create or enhance shareholder value.
- Operate electric facilities safely, reliably, and cost-effectively. Nuclear plant safety will be among the best in the U.S. nuclear industry, system operating performance will be among the best in the industry, and total company costs per KWH will be delivered at or below the 1992 level.
- Improve quality of our products and services by eliminating processes that do not add value for our customers, by aggressively seeking ways to reduce cost and eliminate work, and by measuring performance in all areas of the Company against the best performance within and outside the industry.

• **Crescent Resources**
- Develop high quality commercial and residential real estate in and beyond Duke Power's electric service area; own and manage land, and supply timber and pulp wood.
- Implement a plan to dispose of under-utilized, non-productive properties.

• **Duke/Fluor Daniel**
- Pursue the design and construction of high quality, cost-efficient, coal-fired plants in domestic and international markets.
- Be one of the top turnkey engineering, procurement, and construction (EPC) contractors in North America and develop a recognizable presence as a leading international EPC contractor.

• **Duke Engineering & Services**
- Market high quality, competitive, technical, and energy-related services domestically and internationally, with continued emphasis on nuclear, hydro, and gas-fired generation, and increased emphasis on transmission and distribution support services.
- Bring forward practical commercial applications of new energy technologies.

• **Duke Energy Group**
- Provide a growing share of the total value of the Company, with an objective to invest an amount equal to ten percent of the Company's common stock equity.
- Develop the capability to participate in the trading of electric commodities and become an active participant in the market.

• **Duke Water Operations**
- Utilize existing assets to provide a growing stream of income by aggressive marketing and support of econon[illegible] development in the areas served.
- Develop a business case for growth by acquisition.

- **Duke Merchandising**
  - Maintain or improve its current market share.
- **Nantahala Power and Light**
  - Achieve operating performance ranked among the best in the industry, as measured by generally recognized industry standards.
- **DukeNet Communications**
  - Establish a competitive position in the telecommunications industry by providing alternative access to long distance carriers, leasing fiber-optic and microwave capacity, establishing personal communications services, and through other communications-related opportunities.

In addition to the specific expectations for each business unit, expectations for all units include:

- Achieve business results by developing diverse skills among our employees and by emphasizing employee effectiveness and accountability, strategic workforce planning, and performance-based compensation.
- Maintain high quality standards that will enhance Duke Power's name and reputation.
- Increase shareholder value by earning more than the cost of capital for its line of business.

The years ahead will see some of the most significant changes in Duke Power's history. We will deal with these challenges successfully by building upon our past successes, planning wisely, and embracing change as a tool to help make Duke Power a stronger, more competitive, and successful company.

KEY ISSUES AND ASSUMPTIONS

Key issues and assumptions reflected in this forecast include:

• **Presentation:** The forecast reflects consolidated information except where noted.

• **Catawba Nuclear Station:** Duke Power, the North Carolina Municipal Power Agency Number 1 (NCMPA), the North Carolina Electric Membership Corporation (NCEMC), the Piedmont Municipal Power Agency (PMPA), and the Saluda River Electric Cooperative, Inc. (Saluda River) are joint owners of the 2,258 megawatt (MW) Catawba Nuclear Station. The Company owns 12.5 percent of the plant.

• **Rate Issues:** No general rate filings are assumed during the forecast period. Current fuel clause adjustment methodology is continued in all jurisdictions.

• **Purchased Capacity Levelization:** In connection with the Catawba facility, the Company has entered into agreements with the other joint owners to purchase declining percentages of their capacity and energy from the plant. The agreements were effective beginning with the commercial operation of each unit - Unit 1 in June 1985 and Unit 2 in August 1986. Such agreements were established for 15 years for the NCMPA and PMPA and 10 years for the NCEMC and Saluda River. Payments for energy are based on the variable operating costs, a function of the generation of the plant. Capacity payments are based on the fixed costs of the plant.

A significant portion of the purchased capacity costs are being recovered in rates on a levelized basis. In the North Carolina and wholesale jurisdictions, purchased capacity payments continued to exceed levelized revenues in 1994, but amounts of purchased capacity are assumed to decline substantially in 1996, effectively reversing this relationship. In South Carolina cumulative levelized revenues already exceed purchased capacity payments, but it is assumed specifically for this forecast that, beginning in 1995, the additional amounts collected through rates in South Carolina will not be available for use by the Company.

• **Supplemental Power Sales to Catawba Joint Owners:** Because the other joint owners will retain a significantly larger portion of their ownership entitlement, supplemental requirements supplied by the Company will be reduced. The resulting reduction in special sales revenues will be offset in part by lower purchased power costs as Duke significantly reduces the amount of capacity and energy purchased from the other joint owners. The full decrease in purchases of capacity is not reflected in the income statement due to the continued recognition of levelized purchased capacity throughout this forecast.

• **Sales to Carolina Power & Light:** The Company has an agreement to provide Carolina Power & Light Company (CP&L) with 400 megawatts (MW) of capacity for a six-year period that began July 1, 1993. Electric rates in all regulatory jurisdictions were reduced by adjustment riders to reflect capacity revenues received from the CP&L agreement.

• **Utility Plant Expenditures:** Generation costs including AFUDC during the forecast period include: Lincoln Combustion Turbines — $135 million; Nuclear Steam Generators — $231 million (reflecting the Company's ownership of both units of the McGuire Nuclear Station and 12.5 percent ownership of the Catawba Nuclear Station); Clean Air Act expenditures at fossil stations — $36 million. This forecast assumes additional capacity needs after completion of Lincoln will be met through a combination of constructed generating capacity and purchased power arrangements, but these alternatives may be changed in part or in whole depending on available options.

• **Clean Air Act:** The strategy assumed in this forecast beyond the capital expenditures identified above is the use of coal switching and the purchase of emissions allowances.

FINANCIAL DATA

Year Ended December 31, *(Dollars in Millions)*	Actual 1994	Projected 1995	1996	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES						
1 Depreciation and amortization	$ 648	$ 658	$ 674	$ 670	$ 708	$ 725
2 Deferred income taxes and investment tax credit amortization	94	25	(15)	4	(25)	(29)
3 Allowance for equity funds used during construction	(27)	(24)	(21)	(14)	(14)	(25)
4 Purchased capacity levelization and return	(269)	(21)	187	209	232	259
5 Total changes in working capital	(71)	(34)	21	(48)	(7)	(26)
6 Other (1)	661	673	666	693	685	714
7 Net cash flows from operating activities	1,036	1,277	1,512	1,514	1,579	1,618
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES						
8 Generation	(333)	(315)	(192)	(252)	(219)	(304)
9 Transmission and distribution	(231)	(242)	(252)	(261)	(266)	(269)
10 Other	(97)	(90)	(71)	(65)	(70)	(71)
11 Nuclear fuel	(109)	(102)	(102)	(157)	(121)	(129)
12 Duke Power electric construction expenditures (2)	(770)	(749)	(617)	(735)	(676)	(773)
13 Associated Enterprises Group construction expenditures and investments in joint ventures	(118)	(166)	(137)	(112)	(101)	(145)
14 Payments to nuclear decommissioning trust (3)	(53)	(56)	(56)	(56)	(56)	(56)
15 Common stock	—	—	—	—	—	—
16 Preferred stock	—	—	—	—	—	—
17 Long-term debt (includes construction loans and other)	401	200	—	—	—	375
18 Net change in short-term debt and investment securities	104	78	(125)	117	(101)	36
19 Payments for redemption of long-term debt, preferred stock, term notes, capital lease obligations, and construction loans and other	(123)	(83)	(6)	(177)	(63)	(460)
20 Other (4)	(473)	(501)	(559)	(563)	(582)	(5[illegible]
21 Net cash flows from investing and financing activities	(1,032)	(1,277)	(1,500)	(1,526)	(1,579)	(1,618)
22 Net increase (decrease) in cash	$ 4	$ —	$ 12	$ (12)	$ —	$ —
23 Percent of cash internally generated (%) (5)	67	82	110	92	107	80
OTHER SIGNIFICANT ITEMS						
Capitalization Ratios (%)						
24 Common stock	51	51	53	54	56	57
25 Preferred stock	9	8	8	8	8	7
26 Long-term debt	40	41	39	38	36	36
27 Effective composite income tax rate (%) (6)	40	41	41	41	41	41
28 Allowance for all funds used during construction (AFUDC) (7)	$41	$40	$34	$27	$26	$41
29 Purchased capacity obligations	$508	$299	$56	$45	$33	$20
30 Operating margins (%) (8)	26	29	29	30	29	29

(1) Operating activities "Other" includes earnings, deferred assets and credits, and other miscellaneous items.
(2) Duke Power electric construction expenditures do not include Allowance for equity funds used during construction (line 3).
(3) Payments to nuclear decommissioning trust are included in Depreciation and amortization in operating activities.
(4) Investing and financing activities "Other" includes dividends and other miscellaneous items.
(5) Percent of cash internally generated excludes refinancings, redemptions of debt, and capital stock retired, and is calculated by dividing operating cash flows by operating cash flows plus long-term debt, net change in short-term debt and investment securities, and change in cash.
(6) The "Effective composite tax rate" is calculated by dividing total income[illegible] provisions (current federal and state income taxes, net deferred income ta[illegible] and net investment tax credit) by pre-tax income excluding allowance for a[illegible] funds used during construction (non-consolidated).
(7) Total AFUDC is Duke Power Company only.
(8) Operating margin is for Duke Power Company only and is calculated by dividing net operating profit before interest and taxes by total revenues.

SALES AND LOAD DATA (1)

	Year Ended December 31,	Actual 1994	Projected 1995	1996	1997	1998	1999	5-Year Annual Compound Growth Rate
	KILOWATT-HOUR SALES			(Billions of KWH)				
	Duke Power Company							
31	Residential	18.9	19.0	19.1	19.5	20.0	20.2	1.3%
32	General service	17.3	17.7	18.4	19.2	19.9	20.5	3.5%
33	Industrial	29.3	29.8	30.5	31.1	31.7	32.5	2.1%
34	Other energy and wholesale	10.3	9.3	7.0	7.8	7.2	6.6	(8.5%)
35	Unbilled kilowatt-hours	(0.2)	0.1	0.1	0.1	0.1	0.1	n/a
36	Total	75.6	75.9	75.1	77.7	78.9	79.9	1.1%
37	**Nantahala Power and Light Company**	0.9	0.9	1.0	1.0	1.0	1.1	4.1%
	SOURCES OF ENERGY							
	Duke Power Company							
38	Nuclear (2)	50.9	53.6	52.8	49.9	54.4	53.5	
39	Coal	32.7	32.9	35.6	41.4	38.9	41.2	
40	Hydro and other	1.5	1.4	1.4	1.3	1.6	1.4	
41	Total generation	85.1	87.9	89.8	92.6	94.9	96.1	
42	Purchased power, net and energy retained by Catawba joint owners	(5.0)	(7.6)	(10.3)	(10.3)	(11.3)	(11.4)	
43	Total	80.1	80.3	79.5	82.3	83.6	84.7	
	Nantahala Power and Light Company							
44	Generation	0.6	0.4	0.4	0.4	0.4	0.4	
45	Purchased power	0.5	0.6	0.6	0.7	0.7	0.7	
46	Total	1.1	1.0	1.0	1.1	1.1	1.1	
	ELECTRIC PEAK LOAD			(MW)				
	Duke Power Company (3) (4)							
47	Summer (April-September)	14,936	16,040	16,320	16,763	17,162	17,576	3.3%
48	Winter (October-March)	15,546	15,043	15,521	15,861	16,168	16,516	1.2%
	Nantahala Power and Light Company (4)							
49	Summer (April-September)	150	161	165	170	175	179	3.6%
50	Winter (October-March)	258	242	249	256	263	269	0.8%
	INTERRUPTIBLE LOAD (Maximum)							
51	Summer (April-September)	1,168	1,091	1,013	1,024	1,034	1,046	
52	Winter (October-March)	634	595	558	563	568	573	
	TOTAL CAPACITY (5) (6) (7)							
53	Summer (April-September)	18,081	18,366	19,106	19,251	19,803	20,205	
54	Winter (October-March)	17,899	18,958	19,106	19,251	19,805	20,205	

(1) Does not include operating statistics of Nantahala Power and Light Company (except where noted). Figures do not reflect elimination of intercompany transactions.
(2) Includes 100% of the Catawba Nuclear Station generation.
(3) Does not include contract sales to CP&L.
(4) Actual 1994 winter peak load is preliminary and reflects the peak load through February 14, 1995. The all-time Duke Power peak of 16,070 occurred on January 19, 1994. Projections assume no use of interruptible load capabilities, and do not reflect the sale of portions of the Catawba Nuclear Station.
(5) Total Capacity is reduced by the 400 MW being provided to CP&L through 1998. Contract expires June 1999.
(6) Total capacity for Nantahala Power and Light Company is 100 MW, and is not included in these totals.
(7) Does not reflect the sale of portions of the Catawba Nuclear Station.

MARKET CHARACTERISTICS

(Projections listed herein are subject to change.)

REGIONAL ECONOMY

The Statistical Supplement and Financial Forecast have traditionally included information concerning KWH sales by customer classes. The following discussion is intended to further explain the historical information the Company has included in the Statistical Supplement as well as elaborate on future trends indicated by the KWH projections included in the Financial Forecast.

GENERAL SERVICE SECTOR

The general service class is Duke's fastest growing market, and should continue to outpace other segments in the future. From 1984-1994, general service sales grew at an annual average rate of 4.7% and increased from 20% of total kilowatt-hour sales to almost 23%. Sales growth is expected to be around 3.5% through 1999, while customer growth is expected to be 2.2%.

The fastest growing groups have been offices (6.5%), transportation (5.7%), medical (5.6%), restaurants (5.0%), and education (4.7%). Of the smaller groups within the commercial sector, the fastest growing are churches, hotels, and amusement, each growing nearly 6.0% per year.

Many of the Company's largest customers are in the general service class, including universities and various large retail operations. Of the top 30 customers, 6 are in the general service class.

Transportation, public utilities, amusement, and restaurants are the most sensitive to electric prices, while offices and hotels are the least sensitive.

INDUSTRIAL SECTOR

Industrial class sales grew at a rate of 3.0% from 1984-1994, and account for almost 39% of total kilowatt-hour sales. Six industry groups account for 75% of the segment. Growth rates for these six have been: paper (5.4%), rubber and plastics (5.4%), non-electrical machinery (4.2%), electrical machinery (2.9%), chemical (2.1%), and textile mill products (1.8%).

Although total industrial sales have shown strong growth in the past several years, this growth is expected to slow over the Financial Forecast period due to industry cost-cutting measures and efficiencies. However, through their cost-cutting efforts, many firms are substituting electrically driven machinery for labor. Total industrial sales growth is expected to be 2.1% through 1999, and customer growth is expected to be 0.9%. Textile sales growth is expected to be 0.6% with customer growth at 0.2%.

Within each industry group, distinct divisions exist. The major divisions in the textile sector are yarn and thread mills (35% of textile sales), broadwoven fabric mills — cotton (29%), and broadwoven fabric mills — wool (17%). Sales to companies producing apparel, the market segment most sensitive to increased foreign competition, constitutes 1.9% of all textile sales.

Within non-electrical machinery the major divisions are general industrial machinery (37%), computer and office equipment (17%), and metal working machinery and equipment (13%).

The paper sector includes paper mills (79%) and paperboard mills (6%). Within chemical, the major divisions are manmade fibers (78%) and industrial inorganic chemicals (9%). Rubber and plastics include rubber and plastic products (64%) and tires (28%). And finally, electrical machinery includes electronic components and accessories (35%) and electrical industrial motors, generators, etc. (25%).

The price elasticity for these industrial sectors varies, with paper being the most sensitive, and textiles being the least sensitive.

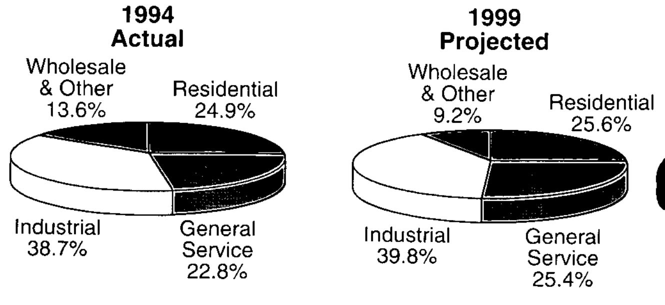
RESIDENTIAL SECTOR

Residential sales grew at a rate of 2.7% from 1984-1994, and account for almost 25% of total kilowatt-hour sales. Sales growth is expected to be around 1.3% through 1999, while customer growth is expected to be 1.7%.

Annual sales and number of customers are expected to grow, but at a slower rate than in the past. Annual KWH usage per customer is expected to decline, primarily due to more energy-efficient heating, better insulated homes, more efficient residential appliances, and a reduction in the number of people per home.

Recent historical data indicates the average summer peak per residential customer is increasing at a slower rate than in the past. The saturation of air conditioning is expected to grow, but the efficiency of new units and replacement systems installed will place less pressure on the demand for electricity at the peak hour.

KILOWATT-HOUR SALES BY CUSTOMER CLASS



REGULATION

The Company is regulated by various federal and state agencies and commissions.

North Carolina Utilities Commission

In North Carolina, the Company is subject to regulation by the North Carolina Utilities Commission (NCUC) which, among other things, establishes retail electric rates and regulates securities issuances and accounting matters. The NCUC determines authorized rates of return and sets rates using an original cost rate base and a historical test year, with the requirement to consider current financial data up to the time the hearing on a particular rate adjustment request is closed.

Members of the NCUC are appointed by the governor for eight-year terms, subject to confirmation by the general assembly.

Commissioner	Term expires June 30
Hugh A. Wells, Chairman	2001
Laurence A. Cobb	1997
Allyson K. Duncan	1999
Charles H. Hughes	1997
Judy F. Hunt	2001
Ralph A. Hunt	2001
William W. Redman, Jr.	1995

The Public Service Commission of South Carolina

In South Carolina, the Company is subject to regulation by The Public Service Commission of South Carolina (PSCSC) which, among other things, establishes retail electric rates and regulates securities issuances and accounting matters. The PSCSC determines authorized rates of return and sets rates using an original cost rate base and a historical test year.

Members of the PSCSC are nominated by a merit selection panel and elected by the general assembly for four-year terms.

Commissioner	Term expires June 30
Rudolph Mitchell, Chairman	1998
Guy Butler, Vice Chairman	1998
Warren D. Arthur, IV	1998
Cecil A. Bowers	1998
Philip T. Bradley	1998
William Saunders	1998
C. Dukes Scott	1998

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission (FERC) regulates wholesale and interstate transmission rates, acquisition and disposition of certain property, licensing of hydroelectric projects, and other matters. It also oversees accounting and reporting functions under the Federal Power Act to ensure that reliable and consistent financial information is available for regulatory and public purposes.

Other

The Company is subject to regulation by the United States Environmental Protection Agency, and by the Nuclear Regulatory Commission as to the design, construction and operation of certain of its generating facilities. The Company is also subject to various other federal, state and local regulation in the normal course of its business.

Fuel Clause Procedures

The level of fuel costs in rates is reviewed semiannually in the wholesale and South Carolina retail jurisdictions, and is reviewed annually and during general rate case proceedings in the North Carolina retail jurisdiction.

All jurisdictions allow the Company to adjust for past over- or under-recovery of fuel costs. Therefore, the Company reflects in revenues the difference between actual fuel costs incurred and fuel costs recovered in rates.

The North Carolina legislature ratified a bill in July 1987 assuring the legality of such adjustments in rates. The bill has a sunset provision which has been extended to July 1, 1997.

Adjustment Rider for CP&L Sales Agreement

The Company has a bulk power sales agreement with Carolina Power & Light Company (CP&L) to provide CP&L 400 megawatts of capacity as well as associated energy when needed for a six-year period which began July 1, 1993. Electric rates in all regulatory jurisdictions were reduced by adjustment riders to reflect capacity revenues received from this CP&L bulk power sales agreement.

MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS

William H. Grigg (62/31)
Chairman of the Board and
Chief Executive Officer

William A. Coley (51/28)
President
Associated Enterprises Group

Steve C. Griffith, Jr. (61/30)
Vice Chairman of the Board
and General Counsel

Richard B. Priory (48/18)
President and Chief Operating Officer

Figures in Parentheses Denote Age and Length of Service as of March 31, 1995.

CHANGES IN THE BOARD

Dr. Robert L. Albright resigned in April 1994.
William S. Lee retired from the Board in April 1994.
Dr. George R. Herbert and Reece A. Overcash, Jr. passed away in January 1995.
Joe T. Ford resigned in February 1995.
Russell M. Robinson, II was appointed to the Board in January 1995.

OUTSIDE DIRECTORS

G. Alex Bernhardt
President and Director
Bernhardt Furniture Company

Crandall C. Bowles
Executive Vice President
Springs Industries, Inc.

Robert J. Brown
Chairman and President
B & C Associates, Inc.

Paul H. Henson
Chairman
Kansas City Southern
Industries, Inc.

George Dean Johnson, Jr.
President
Domestic Consumer Division
Blockbuster Entertainment Corp.

James V. Johnson
Retired Vice Chairman and
Director, Public Affairs
Coca-Cola Bottling Co.
Consolidated

W. W. Johnson
Chairman of the Executive
Committee
NationsBank Corporation

Dr. Max Lennon
President
Eastern Foods, Inc.

James G. Martin
Chairman,
Research Development Board,
Charlotte-Mecklenburg
Hospital Authority

Buck Mickel
Retired Vice Chairman
Fluor Corporation

Russell M. Robinson, II
Attorney
Robinson, Bradshaw &
Hinson, P.A.
Trustee of The Duke Endowment

OTHER OFFICERS

Donald H. Denton, Jr.
Senior Vice President
and Chief Planning Officer

Jim R. Hicks
Senior Vice President,
Customer Operations

Richard J. Osborne
Senior Vice President and
Chief Financial Officer

Ruth G. Shaw
Senior Vice President, Corporate
Resources and Chief Administrative
Officer

Michael S. Tuckman
Senior Vice President,
Nuclear Generation

Sue A. Becht
Treasurer

Jeffrey L. Boyer
Controller

Sharon A. Decker
Vice President, Communications and
Community Relations

Excell O. Ferrell, III
Vice President,
Northern Region

Ronald L. Gibson
Vice President, Marketing and
Customer Planning

James E. Grogan
Vice President,
Electric System Support

James W. Hampton
Vice President,
Oconee Nuclear Site

Donald E. Hatley
Vice President,
Public Affairs

David L. Hauser
Vice President, Procurement,
Services and Materials

J. William Hillhouse, Jr.
Vice President,
Charlotte Area

James D. Hinton
Vice President,
Power Delivery

John P. Holland
Vice President,
Winston-Salem Area

F. Alfred Jenkins
Vice President,
Hickory Area

Robert S. Lilien
Vice President and
Tax Counsel

John F. Lomax
Vice President,
Southern Region

David H. Maner
Vice President,
Greensboro Area

Maurice D. McIntosh
Vice President,
Fossil and Hydro Generation

Ted C. McMeekin
Vice President,
McGuire Nuclear Site

Barbara B. Orr
Vice President,
Greenville Area

David L. Rehn
Vice President,
Catawba Nuclear Site

William F. Reinke
Vice President,
System Planning and Operating

Christopher C. Rolfe
Vice President,
Organization Effectiveness

Ellen T. Ruff
Secretary and Deputy
General Counsel

Cecil O. Smith, Jr.
Vice President, Information
Technology Services

William R. Stimart
Vice President,
Rates and Regulatory Affairs

Fred E. West, Jr.
Vice President,
Central Region

Virginia M. Britton
Assistant Controller

S. L. Love
Assistant Treasurer

Robert T. Lucas III
Assistant Secretary

Phyllis T. Simpson
Assistant Secretary

Associated Enterprises Group

Steven M. Kessler
President, Duke Merchandising

John F. Norris, Jr.
President and Chief Executive Officer
Duke Engineering & Services, Inc.

Richard J. Osborne
President
Church Street Capital Corp.

Richard C. Ranson
Chairman and Chief Executive Officer
Crescent Resources, Inc.

Clarence L. Ray, Jr.
President
Duke/Fluor Daniel

Marion H. Smith, Jr.
President and Chief Executive Officer
DukeNet Communications, Inc.

N. E. Tucker, Jr.
President and Chairman of the Board
Nantahala Power and Light Company

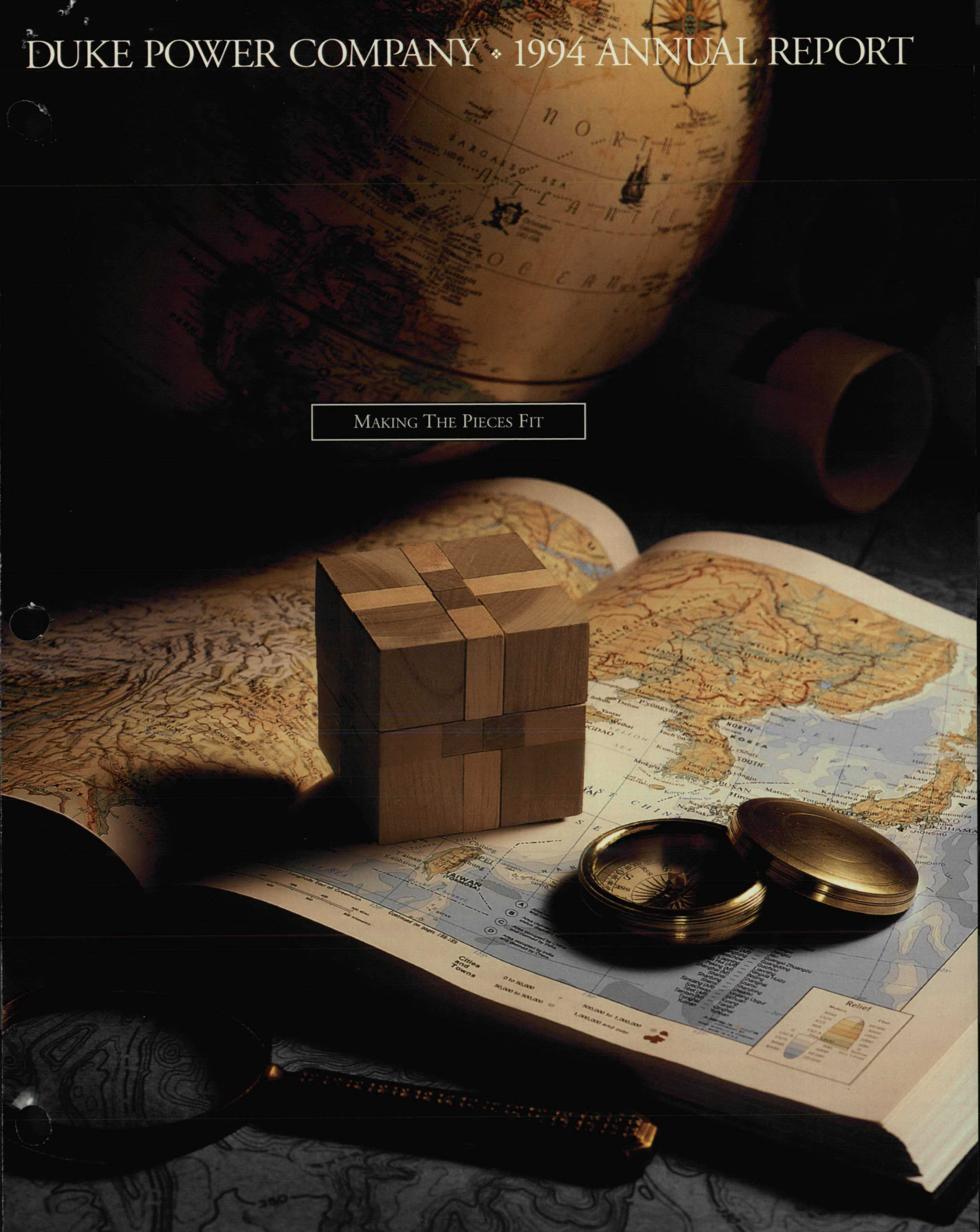
M. Rhem Wooten, Jr.
President
Duke Energy Group, Inc.

DUKE POWER

Duke Power Company • 422 South Church Street • Charlotte, North Carolina 28242-0001

DUKE POWER COMPANY • 1994 ANNUAL REPORT

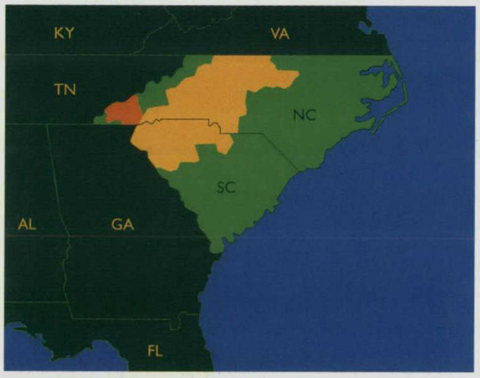
MAKING THE PIECES FIT



ABOUT DUKE POWER Headquartered in Charlotte, N.C., Duke Power Company was founded 90 years ago and is one of the nation's largest investor-owned electric utilities. Duke Power, and its subsidiary, Nantahala Power and Light Company, operate three nuclear generating stations, eight coal-fired stations and 38 hydroelectric stations. Together, these units produced 86 billion kilowatt-hours of electricity in 1994. Total 1994 operating revenues, including the Associated Enterprises Group, were $4.5 billion.

The Company consists of 10 business units which, except for electric service provided within Duke Power's service area, are part of the Associated Enterprises Group.

The 10 business units are:



■ Duke Power Company
■ Nantahala Power and Light Company

DUKE POWER ELECTRIC OPERATIONS
Franchised electric utility supplying electricity to more than 1.7 million residential, general service and industrial customers in a 20,000-square-mile service area in North Carolina and South Carolina

CHURCH STREET CAPITAL CORP.
Investment management, equity funding and credit enhancement for the non-electric operating subsidiaries

CRESCENT RESOURCES, INC.
Real estate development and forest management

DUKE ENERGY GROUP, INC.
Development, ownership and operation of electric power facilities and participation in electric power marketing outside of the traditional, franchised electric business

DUKE ENGINEERING & SERVICES, INC.
Engineering and consulting services

DUKE/FLUOR DANIEL
Turnkey engineering and construction, operations and maintenance support, focusing on coal-fired power plants

DUKE MERCHANDISING
Appliance and electronics sales and service

DUKENET COMMUNICATIONS, INC.
Development and management of communications systems

DUKE WATER OPERATIONS
Franchised water service for areas of South Carolina and North Carolina

NANTAHALA POWER AND LIGHT COMPANY
Franchised electric utility serving a five-county area in western North Carolina

ABOUT THE COVER As competition becomes a hallmark of the electric utility industry, Duke Power Company is expanding its horizons beyond the boundaries of its traditional service area in the Piedmont Carolinas. Through Duke Power's subsidiaries and diversified activities, customers around the world are benefiting from the knowledge and expertise that Duke Power has acquired over the last 90 years. Guided by its strategic plan, Duke Power is using its historic strengths to solve the puzzle of achieving success in the fast-changing electric utility world.

DUKE POWER'S COMMITMENT TO THE ENVIRONMENT Duke Power Company has a long-standing commitment to maintaining the quality of our natural environment. Duke's efforts in this area have won recognition from a variety of local, regional and national environmental groups over the years.

For more information about the Company's environmental results in 1994, call Duke Power at 1-800-473-0035 or write the Company at:

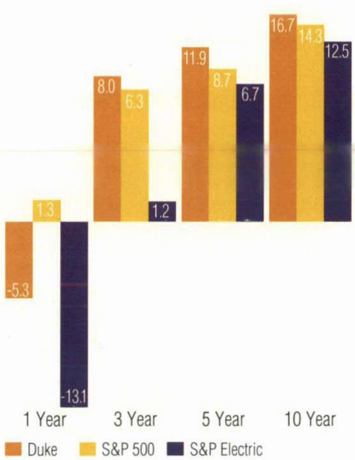
1994 Environmental Review
Communications & Community Relations Dept.
P.O. Box 1009
Charlotte, N.C. 28201-1009

Financial Highlights

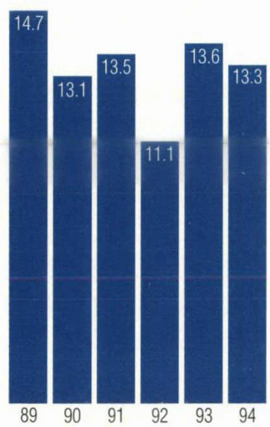
	1994	1993	Percent increase (decrease)
Kilowatt-hour sales (millions) (a)	75,563	76,058	(.7)
Electric revenues (a)	$4,279,329,000	$4,281,876,000	(.1)
Operating revenues	$4,488,913,000	$4,466,233,000	.5
Earnings for common stock	$ 589,152,000	$ 573,986,000	2.6
Common stock data			
Average shares outstanding	204,859,000	204,859,000	—
Earnings per share	$2.88	$2.80	2.9
Dividends per share	$1.92	$1.84	4.3
Book value per share (year-end)	$22.13	$21.17	4.5
Market value per share (year-end)	$38⅛	$42⅜	(10.0)
Return on average common equity	13.3%	13.6%	(2.2)
Plant construction costs (including AFUDC) (b)	$ 650,341,000	$ 547,612,000	18.8
Nuclear fuel construction costs (including AFUDC) (b)	$ 128,584,000	$ 121,848,000	5.5
Internal cash generation (including refinancings)	67%	46%	45.7
Internal cash generation (excluding refinancings)	67%	105%	(36.2)
Earnings coverage of fixed charges, SEC method	4.72X	4.68X	.9
Total electric plant, net (a)	$9,166,300,000	$8,924,109,000	2.7
Peak load (KW) (a)			
Summer	14,936,000	15,720,000	(5.0)
Winter	16,070,000	13,314,000	20.7
Full-time employees at year-end (c)	17,052	18,274	(6.7)

(a) Excludes Nantahala Power and Light Company operations.
(b) Excludes Nantahala Power and Light Company and Duke Power's other subsidiaries.
(c) Includes 1,011 and 1,050 full-time employees of subsidiaries and diversified activities for 1994 and 1993, respectively.

Annual total return to shareholders Percent



Return on average common equity Percent



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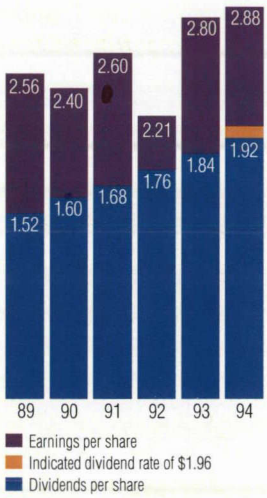
To Our Shareholders

I am pleased to report that 1994 was a rewarding year in several ways. Our financial results were satisfactory despite mild weather during much of the year and higher operating and maintenance expenses including the recognition of certain non-recurring costs. We completed a substantial reorganization designed to give clear direction and require greater accountability of the 10 business units that are Duke Power Company. We continued to gain better control over costs. Improved work processes have allowed the Company to reduce the number of employees and lower costs while serving more customers. And we created a new strategic plan which gives our business units the direction and flexibility for independent action that the diversity of their businesses requires, while retaining prudent oversight at the corporate level.

Earnings per share*
Dollars



** Reflects the two-for-one stock split in 1990.*

Readers of Duke's annual reports in years past will not be surprised to read again of the challenges that the pace of change has created in response to our increasingly competitive industry. Even though we are still in the early stages, it is impossible to overstate the breadth of the transformation we may eventually see.

The thought of change within what has traditionally been viewed as a relatively stable industry is exciting to us because we believe Duke Power possesses the strengths necessary to succeed in a competitive environment. Assembling these strengths to achieve the greatest advantage will undoubtedly be a challenge, but as a Duke Power Company shareholder, you can be confident that the Company's historic strengths – strong management, dedicated teammates, operating and environmental excellence, and a commitment to customer service – remain the bedrock on which we are crafting a different company for a different industry.

Before reviewing some of the events of 1994, I regret to inform you of the deaths in January 1995 of Dr. George R. Herbert and Reece A. Overcash, Jr. Dr. Herbert had been a member of Duke Power's Board since 1978 and at the time of his death was chairman of the Audit Committee. Mr. Overcash had been a member of the Board since 1976. He was chairman of the Board's Finance Committee and a member of the Nominating Committee and Compensation Committee. The Company and its shareholders benefited greatly from the contributions of both men over the years, and we extend our sympathies to their families.

Earnings Per Share Increase To $2.88

Earnings increased to $2.88 per share on total revenues of $4.5 billion, compared with per-share earnings of $2.80 in 1993. Kilowatt-hour sales, excluding Nantahala Power and Light operations, declined 0.7 percent. Earnings were also affected by costs associated with a voluntary separation program offered during 1994 and non-recurring claims.

In July, the Board of Directors raised the Company's quarterly dividend two cents a share to 49 cents. Duke's indicated annual

dividend per share is now $1.96. The Board's action marked the 19th consecutive year the dividend on common stock has been increased. The annual growth rate for dividends since 1989 has been 4.8 percent.

Company Reorganized

In August, Executive Vice President Steve C. Griffith, Jr. was named Vice Chairman of the Company's Board of Directors. At the same time, the Company realigned its business units as Executive Vice President Richard B. Priory was named President and Chief Operating Officer of Duke Power, concentrating on our core electric business, and Executive Vice President William A. Coley was named President of a new Associated Enterprises Group (AEG), which comprises our subsidiaries and diversified activities.

This reorganization was based on the realization that the growing diversity of Duke's business units demands different approaches to business and market conditions. AEG was created to provide clearer direction and more aggressive business objectives to Duke's diversified business units. Additionally, separating these business activities allows Duke's electric operations to concentrate on the significant challenges and opportunities it faces.

Duke Continues To Improve Productivity

As the electric utility industry becomes more competitive, we realize that continued success depends on delivering goods and services that exceed customer expectations at prices competitive with other available alternatives. Ongoing efforts to improve operating performance and increase productivity were successful in 1994. We completed a voluntary separation program, which resulted in the departure of approximately 1,300 employees. Those employees provided leadership and support during many critical periods for the Company, and we wish them well in their new endeavors.

The Company continues to maintain a high level of customer service thanks to our teammates' commitment to excellence and improved work practices throughout Duke Power, enabling us to serve more customers with fewer employees. At year-end, full-time employment, including employees at Duke's subsidiaries and diversified activities, totaled 17,052, down from 18,274 at the end of 1993. The ratio of customers per employee, a measure of productivity, continued to rise in 1994, reflecting both a decrease in the number of employees and an increase in the number of customers.

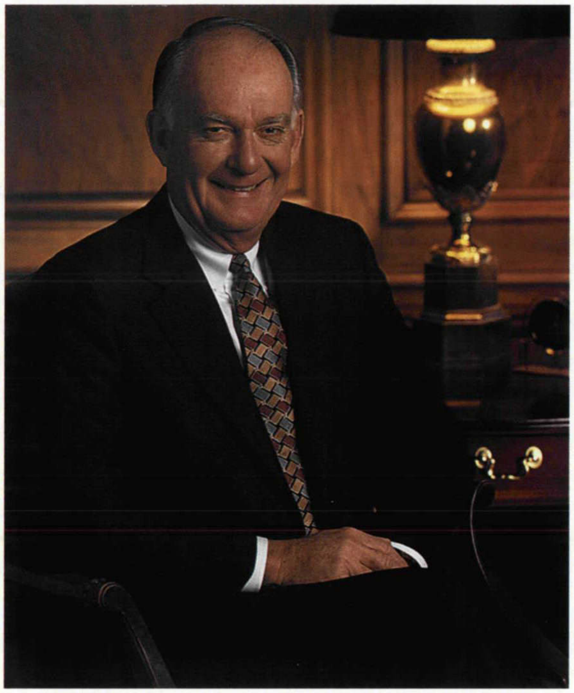
We are controlling and reducing costs through a number of continuous improvement initiatives. For example, we are working to improve commodity management and lower inventories. We are working to reduce fuel costs. We are improving work processes and reducing our work force to help minimize costs.

A New Strategy For The Years Ahead

A significant achievement during 1994 was the creation of a new strategic plan. Some of the changes I mentioned previously are, in part, outgrowths of that plan.

You can be confident that the Company's historic strengths… remain the bedrock on which we are crafting a different company for a different industry.

The plan sets broad corporate objectives, which we discuss in more detail elsewhere in this report. It also contains clear expectations for each business unit. At the same time, it recognizes the diversity among the various units and gives each unit greater control over its own destiny, based on factors that are unique to its particular line of business. Subsidiaries such as Duke Energy and Duke Engineering & Services, for example, operate internationally and under circumstances that often do not relate directly to the Company's domestic electric business. The plan and the organizational changes stemming from it are designed to enable us to better manage and benefit from that diversity.



William H. Grigg

Our plan has three elements. The first is to become the most efficient and competitive supplier of electricity in our markets while exceeding our customers' expectations for quality and service.

The second addresses continued growth in earnings through new business opportunities. As the core domestic electric business matures and becomes increasingly competitive, it is important that we substantially increase the level of income contributed by the business units within the Associated Enterprises Group.

The third element of the plan involves expanding the Company in the years ahead through acquisitions. We believe that increased competition will create opportunities for those companies that can compete successfully to acquire other assets. Duke Power intends to be in a position to take advantage of these opportunities.

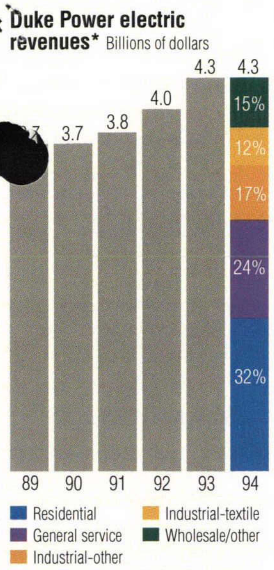
We are excited about this plan because it reflects our best assessment of our changing environment. It gives clear direction to each business unit based on that assessment, and we believe it affords us the best opportunity to achieve our overall objective of maximizing value for our shareholders.

Success in an increasingly competitive marketplace is never guaranteed. As our markets become more competitive, success will depend on how well we join the many pieces of our Company – the talent and expertise of our people, our reputation in the industry, and the products and services Duke and its subsidiaries and diversified activities offer. Our plan, in short, is how we intend to fit the pieces together to maximize the benefit to our customers, employees and shareholders.

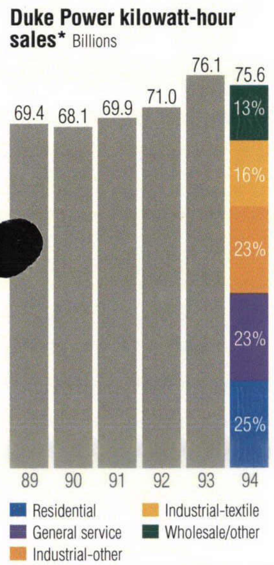
Sincerely,

W H Grigg

W. H. Grigg
Chairman of the Board and
Chief Executive Officer
February 10, 1995



* From 1989 to 1990, restated to reflect reclassification of certain power transactions previously classified as net interchange and purchased power, prior to a 1990 FERC order.



* From 1989 to 1990, restated to reflect reclassification of certain power transactions previously classified as net interchange and purchased power, prior to a 1990 FERC order.

Duke Power's service area, from the South Carolina state line in the southwest to North Carolina's Research Triangle Park in the northeast, boasts a strong manufacturing base that continues to attract new business in a variety of industries.

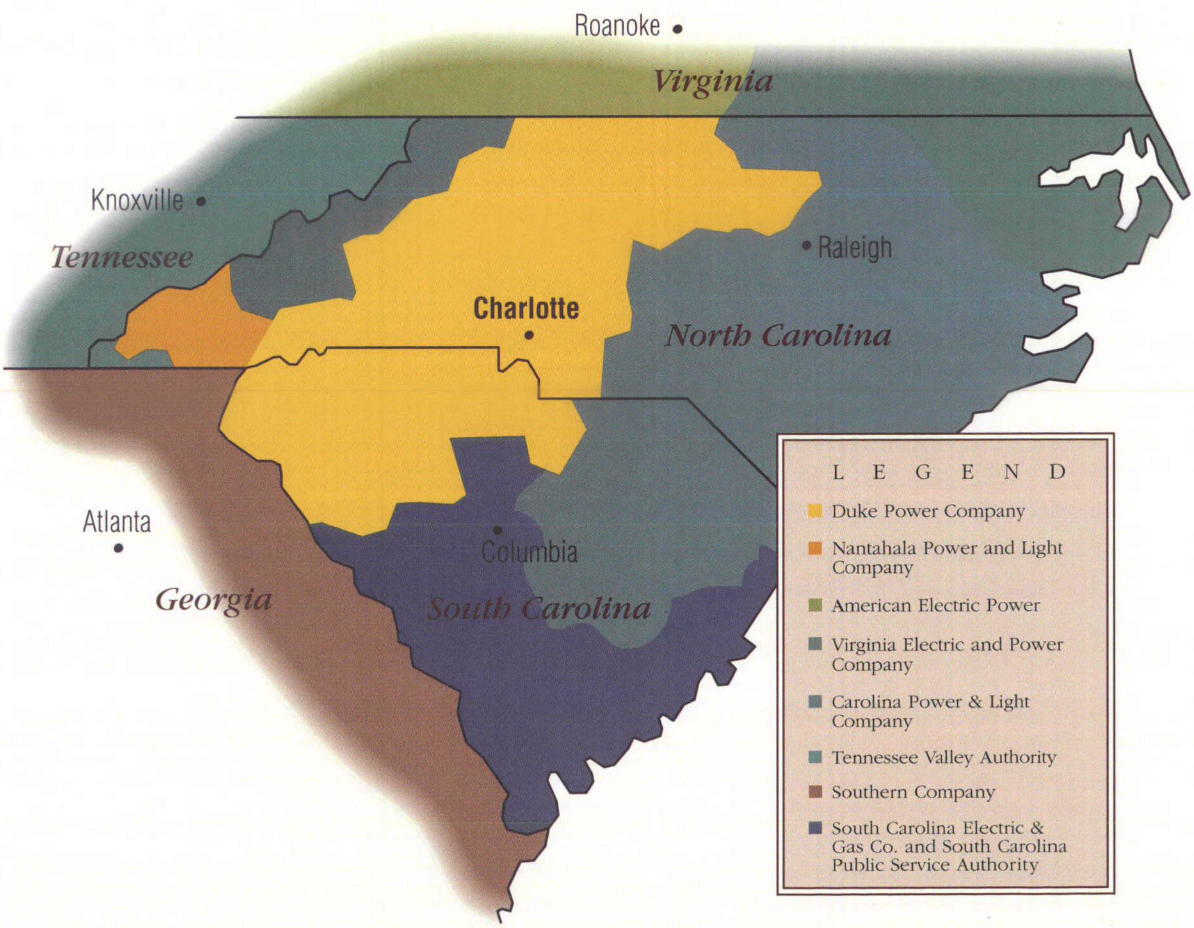
Report On Duke Power Electric Operations

Strong Regional Economy Boosts Industrial Sales

Per-share earnings for Duke Power common stock increased 8 cents to $2.88 a share in 1994, reflecting, in part, $52 million contributed by the Associated Enterprises Group. Although income from subsidiaries and diversified activities is growing, Duke Power continues to derive the bulk of its earnings from electric operations.

Electric revenues of $4.3 billion for 1994, excluding Nantahala Power and Light operations, were relatively flat compared with 1993. Total kilowatt-hour (kwh) sales for 1994 decreased to 75.6 billion kwh from 76.1 billion kwh in 1993. Residential sales dipped 3.1 percent, primarily a result of milder weather during the year. A strong regional economy continued to push general service and industrial sales upward. General service sales increased 2.3 percent. Sales to textile customers rose 2.8 percent, and other industrial sales jumped 4.7 percent. Industrial sales as a group were up a total of 3.9 percent.

Higher outage costs at the Company's fossil and nuclear stations, expenses associated with non-recurring claims and a voluntary separation program also affected 1994 earnings. The separation program was offered to most employees, giving them a chance to voluntarily leave Duke Power. Approximately 1,300 employees accepted the offer.



The new Charlotte Convention Center in uptown Charlotte lights up the night. Opened in early 1995, the center is symbolic of the economic vitality of Duke Power's service area, a vitality to which Duke contributes through its economic development efforts.

Duke Power is committed to exceeding customer expectations.

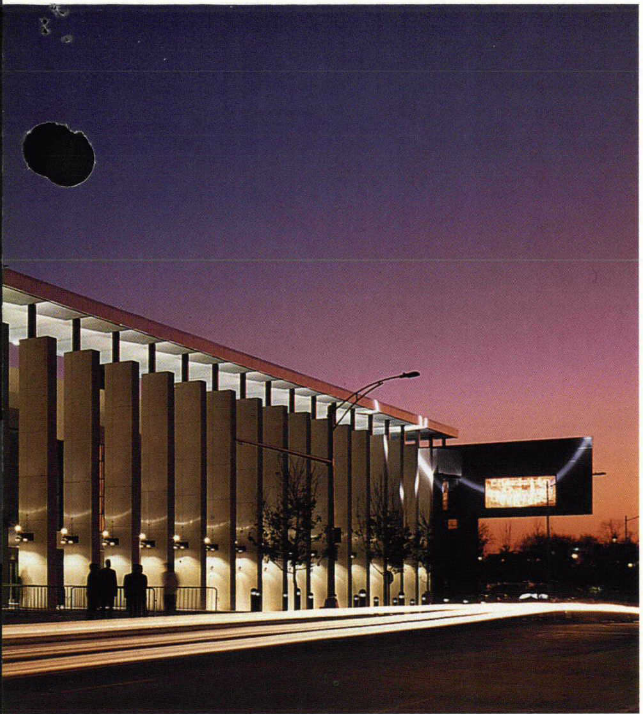
Customer Expectations Driving Changes

Duke Power is committed to exceeding customer expectations. The Company constantly reviews its services to ensure that it delivers the products and services customers want at competitive prices.

As an example, the Company has created the Energy Services Department, designed as a "one-stop" provider of services to major customers by promoting efficient use of energy and expanded energy-related services. The department will work with these customers to identify ways they can increase their competitive advantage by using all types of energy more effectively.

While its industrial rates continue to be competitive, Duke has established a number of innovative rates designed to provide more value to existing customers and to attract new customers to the service area. For example, Duke offers an economic development rate that allows qualifying customers to take advantage of a declining credit on new or incremental load, based on the customer's standard rate schedule, over a four-year period. Participating customers receive a 20 percent credit on the new load the first year, declining by 5 percent each year. To qualify, customers must meet minimum load and other requirements, including consideration of employment and investment impacts.

Duke is currently piloting an hourly pricing rate for general service and industrial customers. Qualifying customers can buy electricity above a baseline level at marginal hourly prices. Prices vary based on conditions



affecting the Duke system such as weather and plant availability and are provided to customers a day in advance.

Another rate, designed to help attract new industry, is available only in South Carolina. To qualify, a company must manufacture products that are distinctly different from those of existing businesses. The primary goal of this rate is to offer attractive rates to manufacturers who can help diversify the region's economic base. The Company believes that economic diversity in its sales base is an important factor in maintaining industrial revenue growth. Moreover, a more diverse industrial base ultimately benefits not only Duke Power but also the people who live in the service territory.

Commitment To Excellence Enhances Quality Of Operations

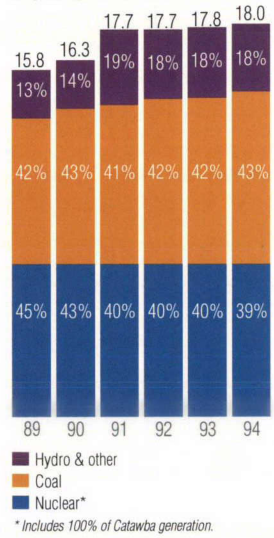
Duke Power meets its customers' needs for electricity primarily through a combination of nuclear-fueled, fossil-fueled and hydroelectric generating stations. The Company's goal is to generate power as safely, efficiently and cost-effectively as possible.

Over the past 20 years, Duke's fossil-fueled generating system has consistently been cited by *Electric Light & Power* magazine as the country's most efficient fossil system as measured by heat rate. Heat rate is a measure of efficiency in converting the energy contained in a fossil fuel such as oil, natural gas or coal into electricity; a low heat rate means Duke burns less coal to generate a given quantity of electricity, lowering operating costs and helping keep rates competitive.

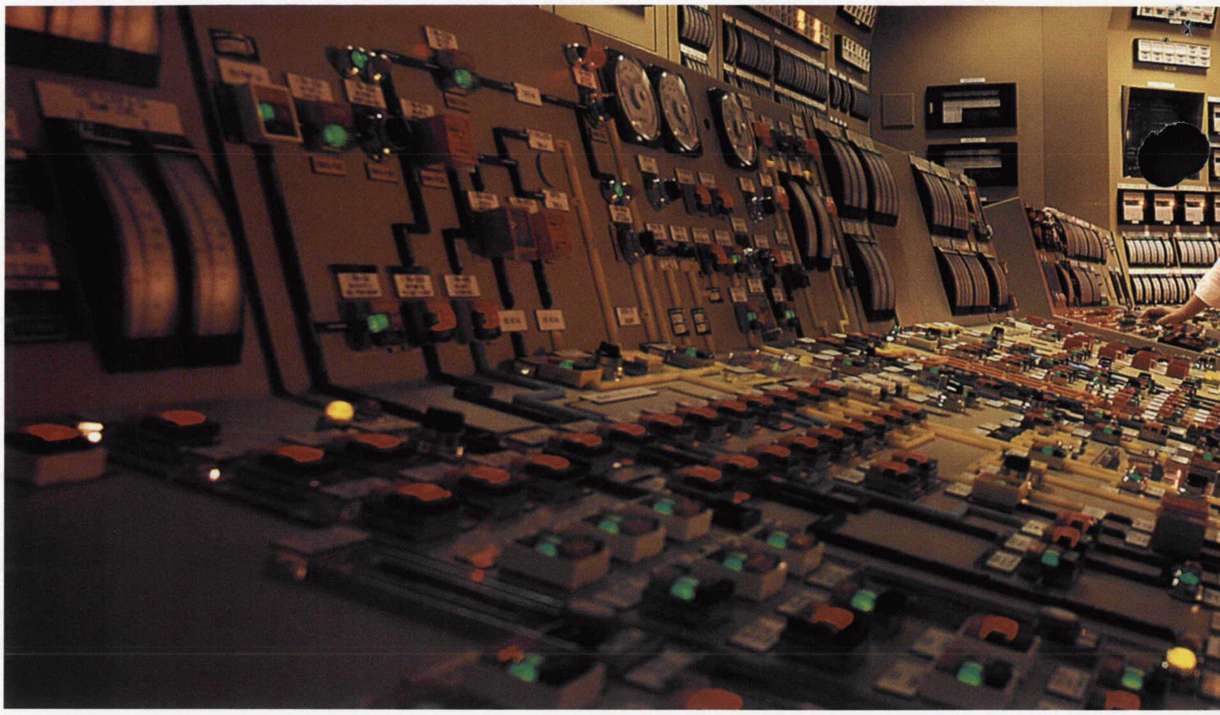
Catawba, McGuire and Oconee – three nuclear stations operated by Duke – also continued to operate more productively than the national average. These stations collectively operated at 82 percent of capacity in 1994, compared with a national capacity factor of 71 percent in 1993, the latest year for which such figures are available.

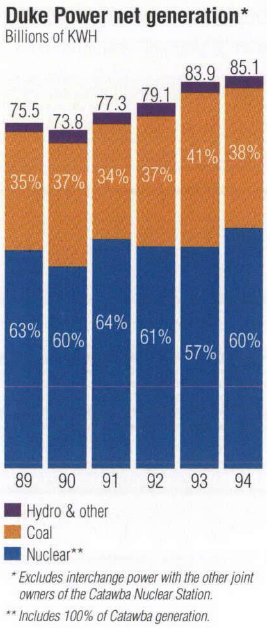
The project to replace steam generators at Unit 1 of the Catawba Nuclear Station and at both units of the McGuire Nuclear Station continued during 1994. The steam generators are being replaced because of cracking in tubing inside the generators. While the units can be maintained and can continue to operate safely, maintenance can be expensive and tube cracking can lead to decreased

Duke Power generating capacity Millions of KW



Year after year, Duke Power's nuclear-fueled, fossil-fueled and hydroelectric generating stations produce electricity efficiently, safely and economically.





operating availability. The current schedule calls for steam generator replacement at Catawba Unit 1 in 1996 and at McGuire in 1997. The Company is confident that replacement of the steam generators will allow the units to continue to run efficiently and safely.

At year-end, the Duke system, excluding Nantahala Power and Light, had a total capability of 18,081,000 kilowatts, including 500,000 kilowatts of firm purchased capacity, of which 200,000 kilowatts expired on January 1, 1995. The Lincoln Combustion Turbine Station, currently under construction, will ultimately provide an additional 1,184,000 kilowatts of needed peaking capacity. The Company began testing the first of 16 units at the Lincoln station in December. The estimated $500-million station is scheduled for completion in 1996.

Duke Power's generation and transmission facilities are valuable assets. To help ensure that they are used as efficiently as possible, the Company anticipates filing an open access transmission tariff with the Federal Energy Regulatory Commission in early 1995. Open access would increase opportunities for Duke to sell and deliver energy and capacity at market-based prices and to buy energy and capacity at attractive rates, thereby enhancing Duke's competitive price position.

To further ensure competitiveness, Duke plans to secure the next increment of generating capacity through competitive bidding. In the past, Duke Power designed and built its own power plants. While in the future Duke may design or build generating facilities, either directly or through one of its subsidiaries, competitive bidding provides one more assurance that future capacity will be obtained at competitive prices for our customers.

Report On The Associated Enterprises Group

Duke Subsidiaries And Diversified Activities Continue To Grow

The Company is looking increasingly to its subsidiaries and diversified activities as sources of additional growth. Duke Power seeks to capitalize on opportunities to enhance value by leveraging existing expertise and other resources. During 1994, the Company reorganized, placing all subsidiaries and diversified activities into the Associated Enterprises Group (AEG), headed by AEG President William A. Coley.

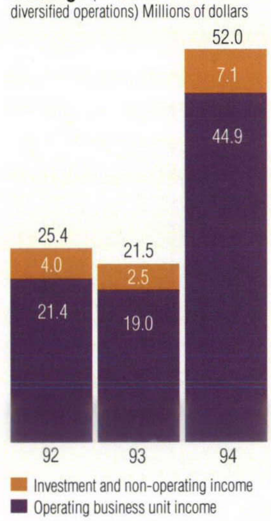
AEG includes Church Street Capital Corp.; Crescent Resources, Inc.; Duke Energy Group, Inc.; Duke Engineering & Services, Inc.; Duke/Fluor Daniel; Duke Merchandising; DukeNet Communications, Inc.; Duke Water Operations; and Nantahala Power and Light Company. The Company's objective is to significantly increase AEG's contribution to Duke Power's total net income. In 1994, AEG contributed $52 million in net income, of which $44.9 million came from AEG's operating business units.

AEG is seeking opportunities both domestically and internationally. Duke Energy, originally created to develop, own and operate electric generation and transmission facilities domestically, now has equity interests in projects in Argentina and Indonesia. A Hong Kong office was established in 1994 to develop projects in the Asia Pacific region.

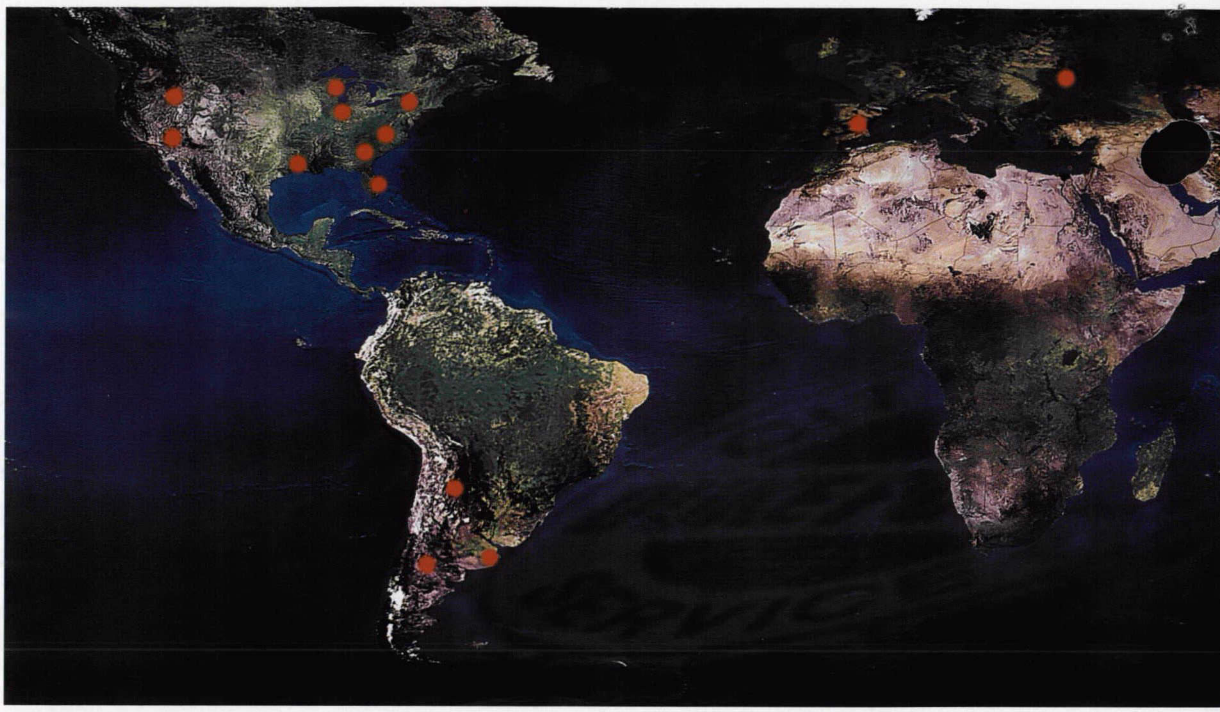
In 1994, Duke Energy also announced plans to participate in power marketing activities in North America with Louis Dreyfus Electric Power (LDEP), following regulatory approvals. LDEP, an affiliate of Paris-based Louis Dreyfus Group, is currently the largest power marketer in the United States. As the markets for electricity broaden, Duke Energy plans to participate in opportunities to buy and resell electric capacity and energy. Gaining expertise in commodity trading and risk management techniques will greatly enhance Duke Energy's domestic market position.

Duke Engineering & Services, Inc. (DE&S), which sells engineering, construction, plant operations, quality assurance, and other engineering-related services, operates around the world. In 1994, it had ongoing projects in 25 countries on six continents. During the year, a team led by Lockheed, of which DE&S is a principal member, was awarded a five-year,

Associated Enterprises Group earnings (From investments and diversified operations) Millions of dollars



The quest for new business opportunities has spread Duke Power's name throughout the world. During 1994, Duke's subsidiaries and diversified activities had projects in progress around the globe.



Duke Power looks increasingly to its subsidiaries and diversified activities as sources of additional growth.

$5-billion contract to manage and operate the Idaho National Engineering Laboratory (INEL) for the U.S. Department of Energy (DOE). As the first national laboratory contract award to reflect DOE's shift in emphasis from defense work to innovations in nuclear technologies and environmental enhancements, the INEL contract represents a new era for DOE – and strategic business opportunities for DE&S.

Duke/Fluor Daniel (D/FD) combines Fluor Daniel's internationally recognized engineering and construction experience with Duke Power's proven power expertise. D/FD focuses on the coal-fired power market, providing full-service siting, permitting, engineering, procurement, construction, startup and operations/maintenance services.

D/FD is currently building South Carolina Electric & Gas Company's Cope Generating Station, a 385,000-kilowatt pulverized coal plant located near Orangeburg, S.C. The plant is expected to be completed by the first quarter of 1996.

Expanding its services with projects in China and Indonesia, D/FD marked its first full year in the international power market in 1994. The year culminated with the formation of P.T. Nusantara Power Services, a partnership that has taken over the operations of an electric generating system in Irian Jaya, Indonesia. D/FD is active throughout the Asia Pacific region and Latin America.

DukeNet Communications is the newest subsidiary, formed in 1994 to explore opportunities in the communications marketplace. DukeNet is an outgrowth of the expertise Duke Power developed in building its own fiber-optic communications network and in providing internal communications for the

Company. DukeNet's initial project is to build a fiber-optic network linking homes, offices and retail businesses in Grandover, a development located in Greensboro, N.C.

Late in the year, DukeNet joined with a subsidiary of BellSouth, 35 Carolinas-based independent telephone companies and a subsidiary of Carolina Power & Light Company to bid for a Personal Communications Services (PCS) license for the Charlotte Major Trading Area (MTA). PCS is the next generation of wireless communications services and is expected to compete with existing cellular services. The Charlotte MTA is the sixth-largest in the country, covering both Carolinas and a small portion of Georgia.

Crescent Resources, Inc., Duke's real estate development and forest management company, continues to enhance its reputation as a developer of quality projects in residential and commercial markets. Building on the continuing success of The Peninsula, a golf-oriented residential community on Lake Norman, north of Charlotte, Crescent announced plans in 1994 to develop two other major residential communities. Ballantyne, located south of Charlotte, will offer 1,000 homesites with golf and other recreational amenities. Crescent also will develop Sugarloaf, a golf course community, located north of Atlanta, Georgia.

Crescent was selected by Black & Decker Corporation to build a 776,500-square-foot distribution center near Charlotte that will serve all of that company's customers east of the Rocky Mountains. The project is similar to a 600,000-square-foot distribution center Crescent developed for T.J. Maxx two years ago.

Nantahala Power and Light (NP&L) is a franchised electric utility with about 53,000 customers in western North Carolina. Excluding sales to Duke Power, NP&L sold 907 million kwh in 1994, an increase from 889 million kwh in 1993. NP&L operates 11 hydroelectric plants with a total capacity of approximately 100,000 kilowatts.

Placing these companies and Duke's other diversified activities in AEG emphasizes the growing importance of these businesses to Duke Power's overall performance. Under Duke's strategic plan, each business unit is responsible for developing strategies necessary to enable it to contribute to Duke's corporate objectives.

Each business unit in AEG is responsible for strategies to contribute to corporate objectives.

Glossary

Annual Total Return to Shareholders
Annualized change in value of stock price plus dividends.

Base Load
Duke's "24-hour-a-day" load, or the amount of electric power delivered or needed at the lowest point of demand during the day. At Duke Power, base load is met primarily by the Company's nuclear-fueled generating plants.

Business Unit
A unit within Duke Power that is clearly responsible for controlling its own profit-and-loss statement. There are 10 business units within Duke Power.

Dividend Payout Ratio
The percentage of earnings available for common stock which is paid to common shareholders in dividends. The ratio is calculated by dividing dividends per common share by earnings per common share.

Earnings Coverage of Fixed Charges
Calculated by dividing earnings before taxes and interest expense by interest expense. This is an indicator of credit quality commonly used by bond investors.

General Service Customers
Retail customers of Duke Power who are not residential or industrial customers, such as churches, restaurants, schools and businesses.

Indicated Annual Dividend
The most recently declared quarterly dividend rate per share multiplied by four.

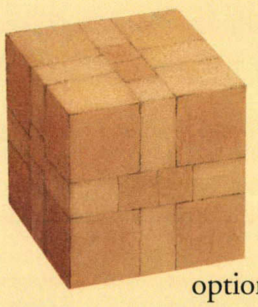
Peak Load
Amount of electricity required during periods of highest demand. Peak periods fluctuate by season, generally occurring in the morning hours in winter and in late afternoon during the summer. At Duke Power, peak demand is met by power generated by base load stations plus the Company's coal-fired units, hydroelectric stations, combustion turbine units and purchased power.

Power Marketer
A power marketer buys and sells electricity in various blocks of capacity and energy. A marketer takes title to the power, as opposed to a power broker who receives a fee for matching buyers and sellers.

Return on Average Common Equity
A measure of profitability calculated by dividing annual earnings for common stock by average common stock equity.

Steam Generators
In a nuclear power plant, large heat exchangers that transfer energy from water heated in one system to create steam from water in another system.

A New Strategy For A New Industry



As the electric utility industry becomes more market-driven, utilities across the country are realizing that the rules of the game are changing. No longer will utilities be able to count on captive markets for their services to provide growth and income. Customers in all market segments are becoming more sophisticated about energy options, their expectations about service and the prices they are willing to pay. Other power suppliers are entering the game, and many are better able to take advantage of regulatory and market changes than some established electric utilities.

Duke Power anticipated the changes affecting the industry several years ago and began planning for them. The pace of change has been so quick, however, that the Company's management felt it necessary to take a new, in-depth look at the strategic planning process in 1994 and to review the Company's plan to help ensure its ability to succeed in the face of ever-increasing competition.

The Company believes its strategic plan offers greater flexibility to respond to market conditions. It requires clearer accountability of each business unit and affords each of them greater flexibility to respond to the demands of its particular market.

To measure the success of the overall corporation, the strategic plan has set five "critical success factors" that are considered the key corporate indicators of success. In a dynamic market, these factors are continuously reviewed and are subject to change to meet new market conditions. They are discussed in the following pages.

Customer Service And Satisfaction

We will provide products and services that exceed customer expectations at competitive prices in all of our business units.

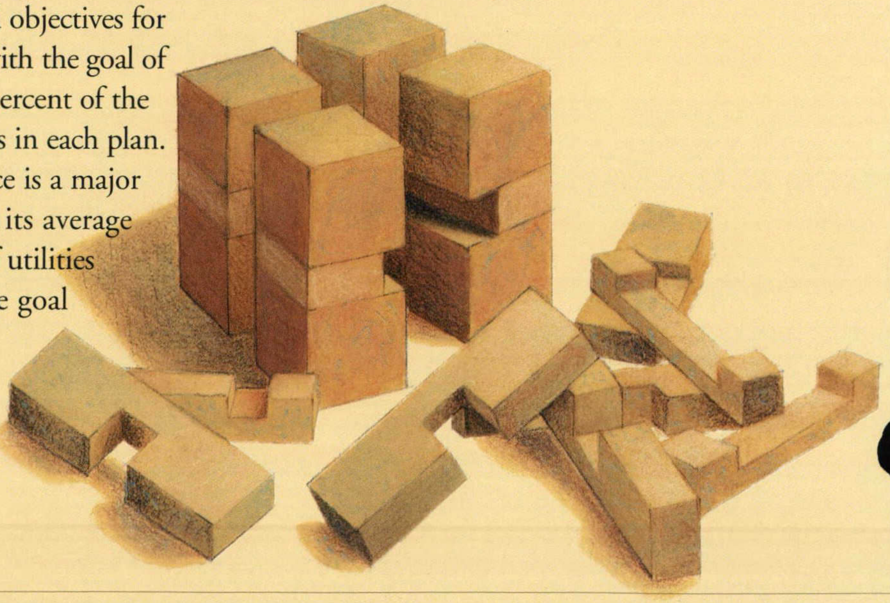
As the expectations and sophistication of customers grow, it is imperative for Duke Power to remain aware of their needs and concerns about the Company's service. It has been said the electric utility business could become a commodity business, driven solely by price. For some customers, price may be the primary issue, but at Duke Power, we believe it would be a mistake to consider our product as only a commodity. Service is a high-priority issue for most customers, and Duke intends to deliver the best service possible.

To help improve service, the Company surveys residential customers on a transactional basis, asking them to rate their satisfaction with Duke's ability to resolve power outages, billing and credit issues, and new service and installation requests. The Company's goal is to achieve a target of 95 percent satisfaction in all three areas.

The customer surveys indicate that the Company is not far from its objective. In 1994, the Company achieved 92 percent satisfaction for power outages and problem resolution, 91 percent for billing and credit, and 95 percent for new service and installation.

Increasing the level of customer satisfaction will depend on our teammates' commitment to continuous improvement as we refine our processes and services. For residential and smaller general service customers, the main point of contact will continue to be the Customer Service Center. In dealing with its largest customers, Duke is creating individualized service plans, detailing specific customer expectations and objectives for improvement of service, with the goal of meeting or exceeding 95 percent of the expectations and objectives in each plan.

Realizing that price is a major concern, Duke will track its average prices against a number of utilities in the Southeast, with the goal of achieving lower prices than our competition.



FINANCIAL PERFORMANCE

We will maintain strong financial performance as measured by:

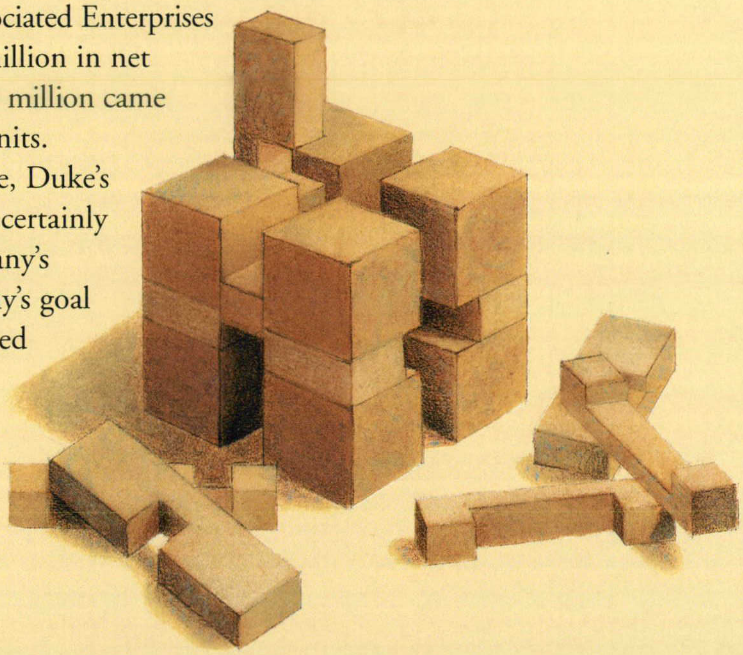
- *Total return to shareholders*
- *Ratings on senior debt securities*
- *Significant growth in net income from diversified businesses within the Associated Enterprises Group (AEG)*

Investors have traditionally bought utility stocks for capital appreciation, dividends and stability in the marketplace. Communicating the Company's financial objectives to investors is critical as the electric utility industry becomes more competitive and investors grow more selective.

Duke's principal financial objectives are to achieve a total return to shareholders, based on a rolling three-year average, in the top quartile of the Standard & Poor's (S&P) index of 24 electric utilities and to maintain double-A ratings on its senior debt securities. The Company's average annual total return to shareholders for the three years ended in 1994 was 8 percent, compared with 1.2 percent for the S&P 24 index over the same period. Maintaining the Company's current double-A bond rating will help keep the credit-worthiness of the Company high, lower the rate which it must pay for borrowed capital and ensure access to capital markets.

Another objective addresses the fact that future growth in domestic electricity sales is forecast at less than 2 percent per year. To provide continued growth in earnings and dividends, the Company has set aggressive expectations for the business units within the Associated Enterprises Group. AEG contributed $52 million in net income in 1994, of which $44.9 million came from AEG's operating business units.

For the foreseeable future, Duke's core electric utility business will certainly represent the bulk of the Company's revenues. However, the Company's goal is to aggressively pursue diversified business opportunities that can significantly enhance the future value of Duke Power stock.



NUCLEAR EXCELLENCE

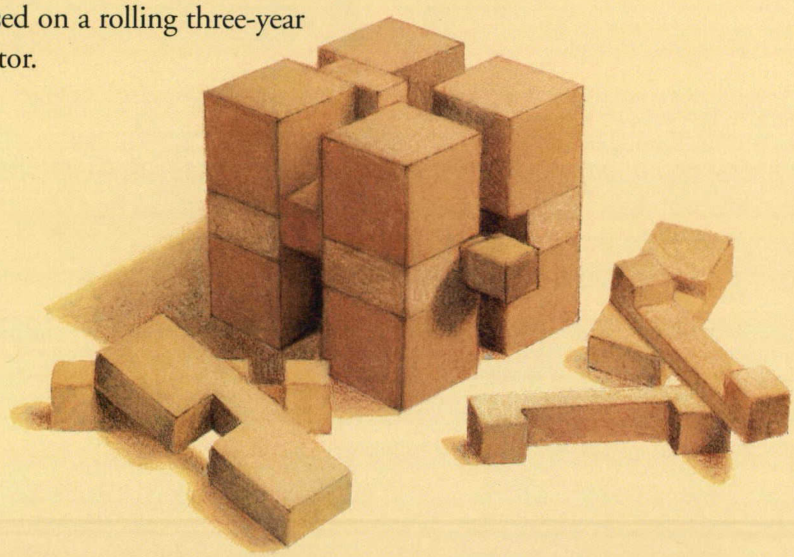
Because so much of Duke Power's success is related to the continued safe and efficient operations of our nuclear stations, we will manage nuclear operations by being in the top quartile of the U.S. nuclear power industry in safety, as measured by the Nuclear Regulatory Commission's (NRC) Systematic Assessment of Licensee Performance (SALP) evaluation, and by the Institute of Nuclear Power Operations (INPO), and in performance as measured by capacity factor.

In 1994, 60 percent of the electricity generated by Duke Power was produced by three nuclear stations. As they represent the major portion of the Company's base-load generation, it is important that Duke continue to operate its stations safely and efficiently.

The NRC periodically issues SALP reports, which assess the regulatory performance of each nuclear station in four categories: operations, maintenance, engineering and plant support. Duke's goal is for each of its stations to be recognized in this assessment as being among the best in the U.S. nuclear industry.

INPO, an industry organization, operates with a mission of improving the safety performance of all U.S. nuclear plants. INPO conducts periodic evaluations of Duke's plants in all areas, including operations, maintenance, training, chemistry, radiation protection, organization and administration, engineering support and operating experience. Duke's goal again is to be among the best of the U.S. nuclear plants.

Another measure of excellence will be nuclear capacity factor, which measures a plant's production against its potential. Duke's goal is to be in the top quartile of the industry, based on a rolling three-year average of industry capacity factor.



Growth And Market Share

To expand our business, we will retain existing markets and increase our share of selected markets. We will expand our customer base by acquiring additional electric properties when an opportunity to create or enhance shareholder value exists.

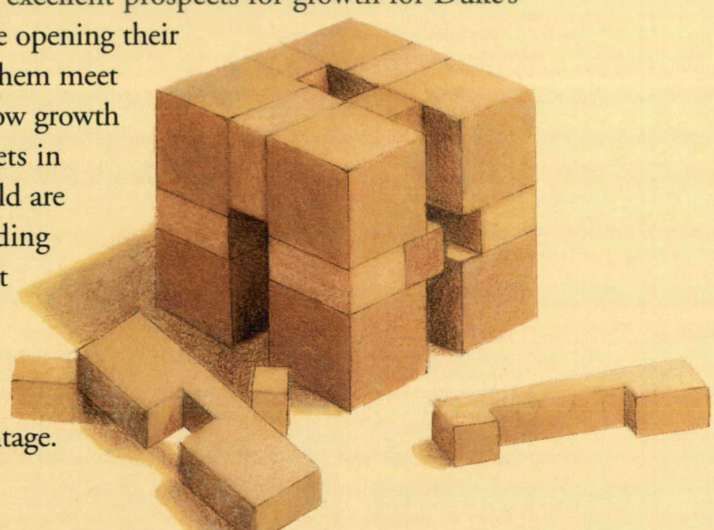
Duke Power historically has been able to count on healthy growth in the market for its electric service. As the domestic market matures, however, long-term growth is slowing.

In a maturing domestic market, the Company's options become limited; most growth will stem from increased share of existing markets. Consequently, Duke intends to emphasize efforts to expand its share of traditional markets such as home heating and water heating. Technological innovation in electric heat pumps, for example, makes these products very competitive with gas heating units, both in terms of cost and comfort. A key to success will be the delivery of value-added services, such as new technology, to give customers more control of their energy bills.

Other electricity-related services, such as electrotechnologies, offer industry new ways to meet clean air and water regulations. More efficient production processes that depend on electricity are being created. Photovoltaics and fuel-cell technology are potential competitive threats, but they also hold the promise of new, growing markets for utilities that can offer these products at competitive prices.

Duke Power is also exploring possible acquisition of additional electric assets. The decision to acquire new properties will be based on whether the transaction will enhance shareholder value by generating returns greater than the required cost of capital for the properties.

International markets hold excellent prospects for growth for Duke's subsidiaries. Developing countries are opening their markets to outsiders who can help them meet their energy needs. In contrast to slow growth in domestic energy demand, markets in developing nations around the world are being opened in response to exploding energy demand. Duke Power is not alone in turning to the growing international market but views its experience and reputation within the industry as a competitive advantage.



Continuous Improvement

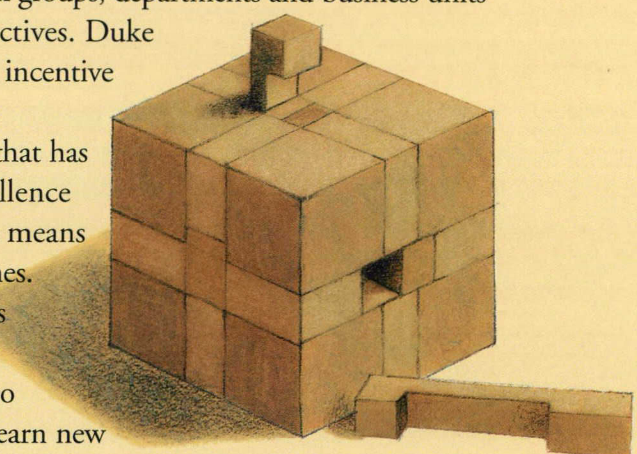
We will continue our pursuit of excellence in all we do by setting challenging standards and goals and documenting measurable improvement in employee effectiveness and operating efficiency.

Duke Power Company began its quality improvement program five years ago. In that short period of time, it has transformed itself in many ways. Teammates at all levels strive to work smarter and more effectively. They are much more customer-centered and aware that our business is indeed highly competitive.

The results of these efforts are evident throughout the Company. Overall, Duke experienced an average 6 percent increase in productivity as measured by kilowatt-hours generated on Duke's system per employee in each of the last five years. Work process improvements reduced the number of recordable injuries reported in 1994 by 28 percent over 1993.

Re-engineering the way Duke employees do their jobs has enabled the Company to reduce its work force while serving more customers. Since 1989, the number of Duke employees, excluding subsidiaries and diversified activities, has dropped from about 19,000 to about 16,000 while customer satisfaction has remained high. Commodity teams have improved work processes and enhanced environmental and safety performance, saving the Company more than $90 million since 1992.

Duke's commitment to excellence has helped the Company set clearly defined goals to support strategic objectives, tying employee performance incentives to those goals. Employee compensation is based not only on individual performance, but also on how well work groups, departments and business units contribute to attaining corporate objectives. Duke employees shared about $27 million in incentive bonuses for their performance in 1994.



Yet the most important lesson that has been learned is that the quest for excellence never ends. Continuous improvement means goals achieved are succeeded by new ones. As Duke Power evolves, greater emphasis is being placed on managing diversity and creating a learning environment so employees can improve existing skills, learn new ones and refine work processes to benefit the organization and themselves. At Duke Power, continuous improvement is more than a process; it is a way of life.

Consolidated Statements of Income

Dollars in Thousands — Year ended December 31,	1994	1993	1992
Operating revenues (Notes 1, 2 and 11)	$4,488,913	$4,466,233	$4,122,503
Operating expenses			
Fuel used in electric generation (Note 1)	705,019	732,246	659,593
Net interchange and purchased power (Notes 2 and 3)	553,355	535,125	538,841
Other operation and maintenance	1,341,659	1,254,028	1,166,940
Depreciation and amortization (Note 1)	459,781	496,971	499,048
General taxes	249,273	240,052	223,000
Total operating expenses	3,309,087	3,258,422	3,087,422
Operating income	1,179,826	1,207,811	1,035,081
Interest expense and other income (Note 1)			
Interest expense	(270,217)	(274,051)	(312,885)
Allowance for funds used during construction and other deferred returns	111,872	82,600	70,172
Other, net	14,414	20,032	19,685
Total interest expense and other income	(143,931)	(171,419)	(223,028)
Income before income taxes	1,035,895	1,036,392	812,053
Income taxes (Notes 1 and 4)	397,019	409,977	303,970
Net income	638,876	626,415	508,083
Dividends on preferred and preference stock	49,724	52,429	56,407
Earnings for common stock	$ 589,152	$ 573,986	$ 451,676
Common stock data (Note 6)			
Average shares outstanding (thousands)	204,859	204,859	204,819
Earnings per share	$2.88	$2.80	$2.21
Dividends per share	$1.92	$1.84	$1.76

Consolidated Statements of Retained Earnings

Dollars in Thousands — Year ended December 31,	1994	1993	1992
Balance — Beginning of year	$2,410,825	$2,223,718	$2,141,259
Add — Net income	638,876	626,415	508,083
Total	3,049,701	2,850,133	2,649,342
Deduct			
Dividends			
Common stock	393,370	376,937	360,475
Preferred and preference stock	49,724	52,429	56,407
Capital stock transactions, net	687	9,942	8,742
Total deductions	443,781	439,308	425,624
Balance — End of year	$2,605,920	$2,410,825	$2,223,718

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

Assets

Dollars in Thousands — December 31,	1994	1993
Current assets		
Cash (Notes 5 and 10)	$ 37,430	$ 33,8[illegible]
Short-term investments (Note 10)	132,692	120,632
Receivables (less allowance for losses: 1994 - $6,637; 1993 - $6,404) (Note 1)	552,865	553,509
Inventory — at average cost	319,385	282,909
Prepayments and other	15,722	15,286
Total current assets	1,058,094	1,006,148
Investments and other		
Investments in joint ventures (Note 11)	108,330	101,612
Other investments, at cost or less (Note 10)	83,226	113,208
Nuclear decommissioning trust funds (Notes 10 and 14)	172,390	118,456
Pre-funded pension cost (Note 12)	80,000	50,000
Total investments and other assets	443,946	383,276
Property, plant and equipment		
Electric plant in service (at original cost — Notes 1, 3, 9, 13 and 14)		
Production	6,747,397	6,549,807
Transmission	1,439,435	1,400,790
Distribution	3,965,393	3,786,389
Other	1,020,192	974,123
Electric plant in service	13,172,417	12,711,109
Less accumulated depreciation and amortization	4,810,004	4,501,481
Electric plant in service, net	8,362,413	8,209,628
Nuclear fuel	757,983	705,994
Less accumulated amortization	415,560	405,910
Nuclear fuel, net	342,423	300,084
Construction work in progress (including nuclear fuel in process: 1994 - $52,273; 1993 - $113,904)	558,730	496,83[illegible]
Total electric plant, net	9,263,566	9,006,545
Other property — at cost (less accumulated depreciation: 1994 - $24,137; 1993 - $20,314)	302,383	236,634
Total property, plant and equipment, net	9,565,949	9,243,179
Deferred debits (Notes 1, 3, 4 and 13)		
Purchased capacity costs	932,324	768,099
Debt expense	186,306	197,963
Regulatory asset related to income taxes	489,292	486,440
Regulatory asset related to DOE assessment fee	102,467	116,731
Other	83,850	91,769
Total deferred debits	1,794,239	1,661,002
Total assets	$12,862,228	$12,293,605

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
Liabilities and Stockholders' Equity

Dollars in Thousands — December 31,	1994	1993
Current liabilities		
Accounts payable	$ 343,688	$ 373,202
Notes payable (Notes 5 and 10)	107,100	20,800
Taxes accrued (Note 1)	29,999	82,500
Interest accrued	72,157	68,868
Current maturities of long-term debt and preferred stock (Notes 8 and 9)	93,759	91,898
Other (Note 13)	121,539	215,543
Total current liabilities	768,242	852,811
Long-term debt (Notes 9 and 10)	3,567,122	3,285,397
Accumulated deferred income taxes (Notes 1 and 4)	2,348,631	2,243,366
Deferred credits and other liabilities		
Investment tax credit (Notes 1 and 4)	272,594	283,964
DOE assessment fee (Note 1)	102,467	116,731
Nuclear decommissioning costs externally funded (Note 14)	172,390	118,456
Other	318,453	274,146
Total deferred credits and other liabilities	865,904	793,297
Preferred and preference stock with sinking fund requirements (Notes 8 and 10)	279,500	281,000
Preferred and preference stock without sinking fund requirements (Notes 7 and 10)	500,000	500,000
Commitments and contingencies (Note 13)		
Common stockholders' equity (Notes 6 and 7)		
Common stock, no par, 300,000,000 shares authorized; 204,859,339 shares outstanding for 1994 and 1993	1,926,909	1,926,909
Retained earnings	2,605,920	2,410,825
Total common stockholders' equity	4,532,829	4,337,734
Total liabilities and stockholders' equity	$12,862,228	$12,293,605

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Dollars in Thousands — Year ended December 31,	1994	1993	1992
Cash flows from operating activities			
Net Income	$ 638,876	$ 626,415	$ 508,0[illegible]
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash items			
Depreciation and amortization (Note 1)	647,515	664,355	668,497
Deferred income taxes and investment tax credit amortization (Note 4)	94,261	62,897	49,490
Allowance for equity funds used during construction	(27,411)	(17,221)	(15,476)
Purchased capacity levelization (Note 3)	(268,925)	(20,049)	(66,511)
Other, net	22,460	73,607	37,978
(Increase) Decrease in			
Accounts receivable	47,586	(37,131)	8,166
Inventory	(28,568)	24,904	(11,131)
Prepayments	(435)	(2,396)	(1,084)
Increase (Decrease) in			
Accounts payable	(52,506)	(28,184)	75,976
Taxes accrued (Notes 1 and 4)	(51,641)	25,797	1,758
Interest accrued and other liabilities (Notes 1, 9 and 13)	14,523	30,508	(22,731)
Total adjustments	396,859	777,087	724,932
Net cash provided by operating activities	1,035,735	1,403,502	1,233,015
Cash flows from investing activities			
Construction expenditures and other property additions	(772,452)	(599,759)	(504,667)
Investment in nuclear fuel	(108,711)	(111,731)	(122,565)
External funding for decommissioning (Note 14)	(52,524)	(52,524)	(61,24[illegible]
Pre-funded pension cost (Note 12)	(30,000)	(50,000)	[illegible]
Investment in joint ventures (Note 11)	(6,718)	(70,345)	(18,565)
Net change in investment securities (Note 1)	17,922	46,489	(81,588)
Net cash used in investing activities	(952,483)	(837,870)	(788,631)
Cash flows from financing activities			
Proceeds from the issuance of			
First and refunding mortgage bonds	343,824	1,395,682	926,650
Preferred stock	—	215,633	281,089
Pollution-control bonds	—	76,265	—
Short-term notes payable, net (Note 5)	86,300	(105,200)	28,300
Construction loans and other	57,032	13,280	23,435
Payments for the redemption of			
First and refunding mortgage bonds	(81,781)	(1,399,336)	(1,013,218)
Preferred stock	(1,500)	(224,295)	(246,414)
Pollution-control bonds	—	(79,310)	—
Construction loans and other	(18,885)	(12,454)	(13,939)
Dividends paid	(443,633)	(427,868)	(417,443)
Other	(20,991)	(6,752)	(6,183)
Net cash used in financing activities	(79,634)	(554,355)	(437,723)
Net increase in cash	3,618	11,277	6,661
Cash at beginning of year	33,812	22,535	15,874
Cash at end of year	$ 37,430	$ 33,812	$ 22,53[illegible]

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenues

Electric revenues are recorded as service is rendered to customers. "Receivables" on the Consolidated Balance Sheets include $163,270,000 and $175,726,000 as of December 31, 1994 and 1993, respectively, for electric service that has been rendered but not yet billed to customers.

B. Additions to Electric Plant

The Company capitalizes all construction-related direct labor and materials as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of money (allowance for funds used during construction). The cost of renewals and betterments of units of property is capitalized.

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

C. Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. AFUDC, a non-cash item, is recognized as a cost of "Construction work in progress" (CWIP), with an offsetting credit to "Interest expense and other income." After construction is completed, the Company is permitted to recover these construction costs, including a fair return, through their inclusion in rate base and in the provision for depreciation.

The 1994 and 1993 AFUDC rates of 9.64 and 9.29 percent for Duke Power include a component for debt cost on a pre-tax basis. The 1992 rate of 8.07 percent includes a component for debt cost on a net of tax basis. The change in calculation from a net of income tax basis to a pre-tax basis is a result of the adoption of Statement of Financial Accounting Standards No. 109 (SFAS 109). (See Note 4.) Rates for all periods are compounded semiannually.

D. Other Deferred Returns

Other deferred returns represent the estimated financing costs associated with funding certain regulatory assets. These regulatory assets primarily arise from the Company's funding of purchased capacity cost above levels collected in rates. Other deferred returns are non-cash items. They are primarily recognized as an addition to "Purchased capacity costs" and as an offsetting credit to "Interest expense and other income."

E. Depreciation and Amortization of Electric Plant

Provisions for electric plant depreciation are recorded using the straight-line method. The year-end composite weighted-average depreciation rates were 3.46 percent for 1994, 3.47 percent for 1993 and 3.48 percent for 1992.

Amortization of nuclear fuel is included in "Fuel used in electric generation" in the Consolidated Statements of Income. The amortization is recorded using the units-of-production method.

Under provisions of the Nuclear Waste Policy Act of 1982, the Company has entered into contracts with the Department of Energy (DOE) for the disposal of spent nuclear fuel. Payments made to the DOE for disposal costs are based on nuclear output and are included in "Fuel used in electric generation" in the Consolidated Statements of Income.

A provision in the Energy Policy Act of 1992 established a fund for the decontamination and decommissioning of the DOE's uranium enrichment plants. Licensees are subject to an annual assessment for 15 years based on their pro rata share of past enrichment services. The annual assessment is recorded as fuel expense. The Company paid $18,008,000 during 1994 and has paid $26,346,000 cumulatively related to its ownership interest in nuclear plants. The Company has reflected the remaining liability and regulatory asset of $102,467,000 in the Consolidated Balance Sheets at December 31, 1994.

F. Subsidiaries

The Company's consolidated financial statements reflect consolidation of all of its majority-owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

G. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return.

Deferred income taxes have been provided for temporary differences. Temporary differences occur when events and transactions recognized for financial reporting result in taxable or tax-deductible amounts in future periods. Investment tax credits have been deferred and are being amortized over the estimated useful lives of the related properties.

H. Unamortized Debt Premium, Discount and Expense

Expenses incurred in connection with the issuance of presently outstanding long-term debt issued for regulated operations, and premiums and discounts relating to such debt, are being amortized over the terms of the respective issues. Also, any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations used to finance regulated assets and operations are being amortized over the lives of the new issues of long-term debt.

I. Consolidated Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company's short-term investments in highly liquid debt instruments, with an original maturity of three months or less, are included in cash flows from investing activities and thus are not considered cash equivalents.

Total income taxes paid were $372,416,000, $354,981,000 and $217,144,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

Interest paid, net of amounts capitalized, was $236,696,000, $249,659,000 and $303,222,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

NOTE 2. RATE MATTERS

Duke Power Company

The North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC) must approve rates for retail sales within their respective states. The Federal Energy Regulatory Commission (FERC) must approve Duke Power's rates for sales to wholesale customers. Sales to the other joint owners of the Catawba Nuclear Station, which represent a substantial majority of Duke Power's wholesale revenues, are set through contractual agreements. (See Note 3.)

During 1991, Duke Power filed in both the North Carolina and South Carolina retail jurisdictions its only requests for general rate increases since 1986. General rate increases approved in November 1991 resulted in additional annual revenues of $100.1 million and $30.2 million in North Carolina and South Carolina, respectively. The increases were primarily needed to recover costs associated with the construction of the Bad Creek Hydroelectric Station. Also in 1991, Duke Power filed a request for a wholesale rate increase with the FERC. A negotiated settlement between Duke Power and the wholesale customers was approved by the FERC in 1992 and resulted in an increase in annual revenues of $2.1 million.

In 1992, the North Carolina Supreme Court remanded to the NCUC Duke Power's 1986 rate order for the second time. In this ruling, the Court held that the record from the 1986 proceedings failed to support the rate of return on common equity authorized by the NCUC after the initial decision of the Court remanding the 1986 rate order. The NCUC issued a final order in 1992 which resulted in a 1992 refund to North Carolina retail customers of approximately $95 million, including interest.

Fuel costs are reviewed semiannually in the wholesale and South Carolina retail jurisdictions, with provisions for changing such costs in base rates. In the North Carolina retail jurisdiction, a review of fuel costs in rates is required annually and during general rate case proceedings.

All jurisdictions allow Duke Power to adjust rates for past over- or under-recovery of fuel costs. Therefore, Duke Power reflects in revenues the difference between actual fuel costs incurred and fuel costs recovered through rates.

The North Carolina legislature ratified a bill in July 1987 assuring the legality of such adjustments in rates. In 1991, the statute was extended through June 30, 1997.

Duke Power has a bulk power sales agreement with Carolina Power & Light Company (CP&L) to provide CP&L 400 megawatts of capacity as well as associated energy when needed for a six-year period which began July 1, 1993. Electric rates in all regulatory jurisdictions were reduced by adjustment riders to reflect capacity revenues received from this CP&L bulk power sales agreement.

Nantahala Power and Light Company

During 1992, Nantahala Power and Light Company (NP&L) filed an application for a general rate increase with the NCUC. A general rate increase was approved in June 1993 which resulted in additional annual revenues of $4.3 million. Purchased power costs of NP&L are reviewed annually and during general rate case proceedings by the NCUC. NP&L is allowed to adjust rates for past over- or under-recovery of purchased power costs. Therefore, NP&L defers the difference between actual purchased power costs incurred and those recovered through rates.

NOTE 3. JOINT OWNERSHIP OF GENERATING FACILITIES

The Company previously sold interests in both units of the Catawba Nuclear Station. The other owners of portions of the Catawba Nuclear Station and supplemental information regarding their ownership are as follows:

Owner	Ownership Interest in the Station
North Carolina Municipal Power Agency Number 1 (NCMPA)	37.5%
North Carolina Electric Membership Corporation (NCEMC)	28.125%
Piedmont Municipal Power Agency (PMPA)	12.5%
Saluda River Electric Cooperative, Inc. (Saluda River)	9.375%

Each owner has provided its own financing for its ownership interest in the station.

The Company retains a 12.5 percent ownership interest in the Catawba Nuclear Station. As of December 31, 1994, $492,429,000 of "Electric plant in service" and "Nuclear fuel" represents the Company's investment in Units 1 and 2. Accumulated depreciation and amortization of $165,568,000 associated with Catawba has been recorded as of year-end. The Company's share of operating costs of Catawba are included in the Consolidated Statements of Income.

In connection with the joint ownership, the Company has entered into contractual agreements with the other joint owners to purchase declining percentages of the generating capacity and energy from the plant. These purchased power agreements were effective beginning with the commercial operation of each unit. Unit 1 and Unit 2 began commercial operation in June 1985 and August 1986, respectively. The purchased power agreements were established for 15 years for NCMPA and PMPA and 10 years for NCEMC and Saluda River. While the purchased power agreements with NCMPA and PMPA extend for 15 years, a significant decrease in the percentage of capacity and energy the Company is obligated to purchase occurs in the 11th calendar year of operation for each unit. This significant decrease occurs in 1995 for Unit 1 and 1996 for Unit 2. Certain provisions in the agreements with NCEMC and Saluda River have moderated the rate of decrease in the percentage of capacity and energy that the Company is obligated to purchase until 1996 when the Company has no further obligation to purchase capacity and related energy.

The agreements also provide for supplemental power sales by the Company to the other joint owners. Such power sales are to satisfy capacity and energy needs of the other joint owners beyond the capacity and energy which they retain from Catawba or potentially acquire in the form of other resources. As the joint owners retain more capacity and energy from Catawba, or a third party, supplemental power sales are expected to decline.

The agreements with each of the other joint owners include provisions that the Company will provide generating reserves to backstand the other joint owners' retained capacity in the Catawba plant at the system average cost of installed capacity. Additionally, the agreements include certain reliability exchanges designed to manage outage-related risks by exchanging energy entitlements between the Catawba Nuclear Station and the McGuire Nuclear Station, impacting the Company as well as all the other joint owners.

Energy cost payments are based on variable operating costs and are a function of the generation output of Catawba. Capacity payments are based on the fixed costs of the plant and include the capital costs and fixed operating and maintenance costs. Actual purchased capacity costs for 1994 and projected obligations for 1995 through 1999 are as follows (dollars in thousands):

Year	Purchased Capacity Capital Cost	Purchased Capacity Fixed O&M	Total Purchased Capacity
1994 Actual	$381,419	$126,774	$508,193
1995 Projected	$207,046	$91,465	$298,511
1996 Projected	$37,376	$18,698	$56,074
1997 Projected	$29,576	$15,006	$44,582
1998 Projected	$21,160	$11,459	$32,619
1999 Projected	$12,693	$7,009	$19,702

Effective in its November 1991 rate order, the North Carolina Utilities Commission (NCUC) reaffirmed the Company's recovery, on a levelized basis, of the capital costs and fixed operating and maintenance costs of capacity purchased from the other joint owners. The Public Service Commission of South Carolina (PSCSC) in its November 1991 rate order reaffirmed the Company's recovery on a levelized basis of the capital costs of capacity purchased from the other joint owners. Levelization was reaffirmed through inclusion in rates approved in March 1992 by the Federal Energy Regulatory Commission (FERC). The portion of purchased capacity subject to levelization not currently recovered in rates is being deferred, and the Company is recording a return on the accumulated balance. The Company recovers the accumulated balance, including the return, when the sum of the declining purchased capacity payments and accrual of returns for the current period drop below the levelized revenues. Jurisdictional levelizations are intended to recover total costs, including returns, and are subject to adjustments, including final true-ups. The Company recovers the costs of purchased energy and the non-levelized portion of purchased capacity on a current basis.

The current levelized revenues approved in the Company's last general rate proceedings are $211,423,000, $94,137,000 and $6,815,000 for North Carolina retail, South Carolina retail and other wholesale (FERC), respectively. Purchased power costs, subject to levelization, are deferred based on allocation factors of approximately 62 percent, 26 percent and 2 percent for North Carolina retail, South Carolina retail and other wholesale (FERC), respectively. The Company also recovers an allocated amount of purchased power costs in the pricing of supplemental sales made to the other joint owners on a current basis.

In the North Carolina retail and FERC wholesale jurisdictions, purchased capacity payments continue to exceed levelized revenues. In the South Carolina retail jurisdiction, cumulative levelized revenues have exceeded purchased capacity payments.

For the years ended December 31, 1994, 1993 and 1992, the

(continued from page 25)

Company recorded purchased capacity and energy costs from the other joint owners of $604,505,000, $547,899,000 and $514,327,000, respectively. These amounts, after adjustments for the costs of capacity purchased not reflected in current rates, are included in "Net interchange and purchased power" in the Consolidated Statements of Income. As of December 31, 1994 and 1993, $932,324,000 and $768,099,000, respectively, associated with the cost of capacity purchased but not reflected in current rates have been accumulated in the Consolidated Balance Sheets as "Purchased capacity costs." The cumulative impact of settlement agreements reflected in 1994 resulted in additional purchased capacity costs. (See Note 13.)

NOTE 4. INCOME TAX EXPENSE

The Company implemented Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," effective January 1, 1993. SFAS 109 requires a liability approach for financial accounting and reporting of income taxes. No prior periods were restated because of the implementation of SFAS 109.

Accumulated deferred income taxes consist primarily of the following temporary differences (dollars in thousands):

	December 31, 1994		December 31, 1993	
Excess tax over book depreciation at historical tax rates	$1,343,605		$1,289,205	
Regulatory liability related to adjusting deferred taxes to the current statutory tax rate	(120,422)*		(124,952)*	
Net excess tax over book depreciation		$1,223,183		$1,164,253
Regulatory asset related to restating to a pre-tax basis		609,714*		611,392*
Deferred Catawba purchased capacity costs		361,018		254,789
Book versus tax basis difference		89,058		110,594
Loss on bond redemptions		70,067		74,438
Other		(4,409)		27,900
Total deferred income taxes		$2,348,631		$2,243,366

* The net regulatory asset related to income taxes is $489,292,000 for 1994 and $486,440,000 for 1993.

Total deferred income tax liability was $2,873,373,000 as of December 31, 1994, and $2,745,431,000 as of December 31, 1993. Total deferred income tax asset was $524,742,000 as of December 31, 1994, and $502,065,000 as of December 31, 1993.

Income tax expense for the years ended December 31, 1994, 1993 and 1992 consisted of the following (dollars in thousands):

	1994	1993	1992
Current income taxes			
Federal	$249,968	$283,930	$209,121
State	52,790	63,150	45,359
Total current income taxes	302,758	347,080	254,480
Deferred taxes, net			
Federal	83,359	59,267	45,820
State	22,153	14,887	14,932
Total deferred taxes, net	105,512	74,154	60,752
Investment tax credit amortization	(11,251)	(11,257)	(11,262)
Total income tax expense	$397,019	$409,977	$303,970

Income taxes differ from amounts computed by applying the statutory tax rate to pre-tax income for the years ended December 31, 1994, 1993 and 1992 as follows (dollars in thousands):

	1994	1993	1992
Income taxes on pre-tax income at the statutory federal rate of 35% — 1994 and 1993; 34% — 1992	$362,563	$362,737	$276,098
Increase (reduction) in tax resulting from:			
Allowance for funds used during construction (AFUDC)	(9,594)	(6,027)	(7,221)
Amortization of investment tax credit deferrals	(11,251)	(11,257)	(11,262)
AFUDC in book depreciation/amortization	19,027	25,694	25,114
Deferred income tax flowback at rates higher than statutory	(5,530)	(9,091)	(21,685)
State income taxes, net of federal income tax benefits	47,872	51,289	39,407
Other items, net	(6,068)	(3,368)	3,519
Total income tax expense (see above)	$397,019	$409,977	$303,970

NOTE 5. SHORT-TERM BORROWINGS AND COMPENSATING-BALANCE ARRANGEMENTS

At December 31, 1994, the Company had a three-year revolving credit facility of $355,000,000 with 15 commercial banks. At December 31, 1993, the Company had two three-year revolving credit facilities of $300,000,000 and $130,000,000, with 17 and 5 commercial banks, respectively. The Company had $130,000,000 in commercial paper outstanding throughout 1994 and 1993 backed by the unused portion of the above three-year revolving credit facilities. The $130,000,000 in commercial paper is included in long-term debt. In addition, the Company had $44,980,000 in annually renewable lines of credit at December 31, 1994 and 1993. All such facilities are on a fee or compensating-balance basis with the exception of $20,000,000 in annually renewable lines of credit. The amount of short-term debt outstanding from these credit facilities as of December 31, 1994 and 1993 was $10,100,000 and $2,800,000, respectively.

Additionally, as of December 31, 1994 and 1993, the Company had $40,000,000 in pollution-control bonds backed by an unused, two-year revolving credit facility of $40,000,000. This facility is on a fee basis and the bonds are included in long-term debt.

Cash balances maintained at the banks on deposit were $13,214,000 as of December 31, 1994, and $12,988,000 as of December 31, 1993. Cash balances and fees compensate banks for their services, even though the Company has no formal compensating-balance arrangements. To compensate certain banks for credit facilities, the Company maintained balances of $49,000 as of December 31, 1994 and 1993. The Company retains the right of withdrawal with respect to the funds used for compensating-balance arrangements.

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

	Twelve Months Ended		
	December 31, 1994	December 31, 1993	December 31, 1992
Amount outstanding at end of period — average rate of 6.02% as of December 31, 1994, 3.55% as of December 31, 1993, and 3.57% as of December 31, 1992	$107,100	$ 20,800	$126,000
Maximum amount outstanding during the period	$143,400	$180,800	$239,950
Average amount outstanding during the period	$ 24,161	$ 35,366	$ 64,050
Weighted-average interest rate for the period — computed on a daily basis	4.58%	3.19%	4.14%

NOTE 6. COMMON STOCK AND RETAINED EARNINGS

Common Stock

The Company issued common stock to satisfy the conversion rights of preference stock through April 6, 1992. (See Note 7.)

As of December 31, 1994, a total of 7,004,659 shares was reserved for issuance to stock plans.

Retained Earnings

As of December 31, 1994, substantially all of the Company's retained earnings were unrestricted as to the declaration or payment of dividends.

NOTE 7. PREFERRED AND PREFERENCE STOCK WITHOUT SINKING FUND REQUIREMENTS

The following shares of stock were authorized with or without sinking fund requirements as of December 31, 1994 and 1993:

	Par Value	Shares
Preferred Stock	$100	12,500,000
Preferred Stock A	25	10,000,000
Preference Stock	100	1,500,000

On April 6, 1992, the Company redeemed all outstanding shares of the Cumulative Preference Stock, 6¾% Convertible Series AA at its par value of $100 per share.

In 1992, 19,060 shares of preference stock were converted into 159,386 shares of common stock.

Preferred and preference stock without sinking fund requirements as of December 31, 1994 and 1993, were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1994	1993
4.50% C	1964	350,000	$ 35,000	$ 35,000
5.72% D	1966	350,000	35,000	35,000
6.72% E	1968	350,000	35,000	35,000
7.85% S	1992	600,000	60,000	60,000
7.00% W	1993	500,000	50,000	50,000
7.04% Y	1993	600,000	60,000	60,000
7.72% (Preferred Stock A)	1992	1,600,000	40,000	40,000
6.375% (Preferred Stock A)	1993	2,400,000	60,000	60,000
Adjustable Rate A	1986	500,000	50,000	50,000
Auction Series A	1990	750,000	75,000	75,000
Total			$500,000	$500,000

NOTE 8. PREFERRED AND PREFERENCE STOCK WITH SINKING FUND REQUIREMENTS

The following shares of stock were authorized with or without sinking fund requirements as of December 31, 1994 and 1993:

	Par Value	Shares
Preferred Stock	$100	12,500,000
Preferred Stock A	25	10,000,000
Preference Stock	100	1,500,000

Preferred and preference stock with sinking fund requirements as of December 31, 1994 and 1993, were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1994	1993
5.95% B (Preferred Stock A)	1992	800,000	$ 20,000	$ 20,000
6.10% C (Preferred Stock A)	1992	800,000	20,000	20,000
6.20% D (Preferred Stock A)	1992	800,000	20,000	20,000
7.12% Q	1987	470,000	47,000	—
		485,000	—	48,500
7.50% R	1992	850,000	85,000	85,000
6.20% T	1992	130,000	13,000	13,000
6.30% U	1992	130,000	13,000	13,000
6.40% V	1992	130,000	13,000	13,000
6.75% X	1993	500,000	50,000	50,000
Less: Current sinking fund requirements				
7.12% Q			(1,500)	(1,500)
Total			$279,500	$281,000

The annual sinking fund requirements through 1999 are $1,500,000 in 1995, 1996 and 1997, $5,750,000 in 1998 and $25,750,000 in 1999. Some additional redemptions are permitted at the Company's option.

The call provisions for the outstanding preferred stock specify various redemption prices not exceeding 105 percent of par value, plus accumulated dividends to the redemption date.

NOTE 9. LONG-TERM DEBT

Long-term debt outstanding as of December 31, 1994 and 1993, was as follows (dollars in thousands):

Series	Year Due	1994	1993
First and refunding mortgage bonds:			
6.06%-6.23%	1994	$ —	$ 81,700
6.47%-6.60%	1995	40,300	40,300
4 1/2%	1995	40,000	40,000
6.59%	1996	3,000	3,000
5 3/8%	1997	72,600	72,600
5 5/8%	1997	100,000	100,000
5.17%	1998	50,000	50,000
7.5%	1999	100,000	100,000
6 1/4%	1999	65,000	65,000
5.76%	1999	5,000	5,000
5.78%	1999	25,000	25,000
5.79%	1999	30,000	30,000
8% B	1999	200,000	—
7%	2000	100,000	100,000
7% B	2000	100,000	100,000
5 7/8%	2001	150,000	150,000
6 5/8% B	2003	100,000	100,000
5 7/8% C	2003	75,000	75,000
6.125%	2003	75,000	75,000
8%	2004	75,000	75,000
6 1/4% B	2004	100,000	100,000
7.37%-7.41%	2004	100,000	100,000
7%	2005	200,000	200,000
6 3/8%	2008	125,000	125,000
9 5/8%	2020	46,982	46,982
10 1/8% B	2020	24,854	24,854
8 3/4%	2021	150,000	150,000
[illegible] 3/8% B	2021	150,000	150,000
8 5/8%	2022	100,000	100,000
7 3/8%	2023	200,000	200,000
6 7/8% B	2023	200,000	200,000
(continued)			
7 7/8%	2024	$ 150,000	$ —
6 3/4%	2025	150,000	150,000
8.95%	2027	15,769	15,851
7%	2033	150,000	150,000
Pollution-Control bonds:			
7.70%	2012	20,000	20,000
7.75% B	2017	10,000	10,000
7.50%	2017	25,000	25,000
3.69%	2014	40,000	40,000
5.80%	2014	77,000	77,000
Subtotal		3,440,505	3,172,287
Other long-term debt:			
Capitalized leases		26,039	47,029
Other long-term debt		130,000	130,000
Unamortized debt discount and premium, net		(62,918)	(61,128)
Current maturities of long-term debt		(81,926)	(89,156)
Subtotal (a)		3,451,700	3,199,032
Subsidiary long-term debt:			
Crescent Resources, Inc. (b)		92,102	54,149
Nantahala Power and Light (c)		33,653	33,458
Current maturities of long-term debt		(10,333)	(1,242)
Subtotal		115,422	86,365
Total long-term debt		$3,567,122	$3,285,397

(a) Substantially all of Duke Power's electric plant was mortgaged as of December 31, 1994.
(b) Substantial amounts of Crescent Resources, Inc.'s real estate development projects, land and buildings are pledged as collateral.
(c) Nantahala Power and Light's loan agreements impose net worth restrictions and limitations on disposal of assets and payment of cash dividends.

As of December 31, 1994 and 1993, the Company had $40,000,000 in pollution-control revenue bonds backed by an unused, two-year revolving credit facility of $40,000,000. In addition, the Company had $130,000,000 in commercial paper outstanding throughout 1994 and 1993 backed by unused three-year revolving credit facilities. These facilities are on a fee basis. Both the $40,000,000 in pollution-control bonds and the $130,000,000 in commercial paper are included in long-term debt.

As of December 31, 1994, Crescent Resources, Inc. had $68,142,000 in mortgage loans which mature through 1999 and $23,960,000 in mortgage loans maturing in 2000 or thereafter, most requiring monthly payments of principal. Interest rates are variable and at December 31, 1994 ranged from 4.50 percent to 7.22 percent. As of December 31, 1994, Nantahala Power and Light Company had $33,000,000 in senior notes maturing in 2011 and 2012. The two notes carry fixed interest rates of 9.21 percent and 7.45 percent and require monthly payments of principal beginning in 1997 and 1998, respectively.

The annual maturities of consolidated long-term debt, including capitalized lease principal payments through 1999, are $92,259,000 in 1995; $12,540,000 in 1996; $212,708,000 in 1997; $62,559,000 in 1998; and $438,490,000 in 1999.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of Cash, Short-term investments, Other investments, at cost or less, and Notes payable approximate fair value primarily because of the short maturities of these instruments. The majority of estimated fair value amounts were obtained from independent parties. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 1994 and 1993, are not necessarily indicative of the amounts the Company could have realized in current market exchanges.

External funds have been established, as required by the Nuclear Regulatory Commission, as a mechanism to fund certain costs of nuclear decommissioning. (See Note 14.) Currently, these nuclear decommissioning trust funds are primarily invested in municipal and U.S. government bonds. "Nuclear decommissioning trust funds" are presented on the Consolidated Balance Sheets at amounts that approximate fair value.

The carrying amounts and estimated fair values of long-term debt and preferred stocks are as follows (dollars in thousands):

	December 31, 1994		December 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 3,696,260	$ 3,392,000	$ 3,389,894	$ 3,460,000
Preferred stock	$ 781,000	$ 697,000	$ 782,500	$ 801,000

In order to obtain variable rate financing at an attractive cost, the Company has entered into an interest rate swap agreement associated with the issuance on November 29, 1994, of $200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, 8% Series B due 1999. The five-year interest rate swap is tied to the London Interbank Offered Rate (LIBOR), which is reset quarterly, and initially was set at 5.95%. As a result of the interest rate swap contract, interest expense on the Consolidated Statements of Income is recognized at the weighted average rate for the year tied to the LIBOR rate.

The Company has also entered into a hedge transaction to offset currency fluctuations between the U.S. dollar and the Japanese yen associated with various steam generator contracts. The Company records any gains or losses associated with the hedge as an adjustment to the capitalized cost of the steam generators.

NOTE 11. INVESTMENT IN JOINT VENTURES

Certain investments in joint ventures are accounted for by the equity method. The Company's ownership in domestic and international joint ventures is 50 percent or less. The Company's proportionate share of net income in joint ventures for the years ended December 31, 1994, 1993 and 1992 was $7,049,000, $2,601,000 and ($1,179,000), respectively. These amounts are reflected in Operating revenues on the Consolidated Statements of Income. A summary of assets and liabilities of joint ventures follows (dollars in thousands):

	December 31, 1994		December 31, 1993	
	Total	Company's Proportionate Share	Total	Company's Proportionate Share
Assets of joint ventures	$1,117,449	$272,836	$972,315	$241,460
Liabilities of joint ventures	$ 504,029	$164,506	$413,453	$139,848

Of the $504,029,000 and $413,453,000 of total liabilities outstanding at December 31, 1994 and 1993, respectively, $407,605,000 and $290,178,000 represent non-recourse debt at December 31, 1994 and 1993, respectively, for which the Company bears no responsibility beyond the loss of its investment in the event the joint venture defaults on the debt.

NOTE 12. RETIREMENT BENEFITS

A. Retirement Plan

The Company and its operating subsidiaries, with the exception of Nantahala Power and Light Company, which maintains its own retirement plans, have a non-contributory, defined benefit retirement plan covering substantially all their employees. The benefit is based upon an age-related formula which takes into account years of creditable service and the employee's average compensation based upon the highest compensation during a consecutive sixty-month period. The benefit is reduced by an adjustment which is based upon the employee's social security wages. Normal retirement age under the Plan is age 65; however, early retirement benefits are payable as early as age 55 with 10 years of creditable service or age 51 if the employee has at least 30 years of creditable service. The Company's policy is to fund pension costs as accrued. During 1994 and 1993, the Company made additional contributions of $30,000,000 and $50,000,000, respectively, to enhance the funded position of the plan.

Net periodic pension cost for the years ended December 31, 1994, 1993 and 1992, include the following components (dollars in thousands):

	1994		1993		1992	
Service cost benefit earned during the year		$43,098		$39,514		$35,701
Interest cost on projected benefit obligation		96,521		93,347		85,613
Actual return on plan assets	(6,138)		(117,898)		(50,897)	
Amount deferred for recognition	(86,995)		35,652		(32,277)	
Expected return on plan assets		(93,133)		(82,246)		(83,174)
Net amortization		7,657		4,137		3,812
Net periodic pension cost		$54,143		$54,752		$41,952

A reconciliation of the funded status of the plan to the amounts recognized in the Consolidated Balance Sheets as of December 31, 1994 and 1993, is as follows (dollars in thousands):

	1994	1993
Accumulated benefit obligation:		
Vested benefits	$(1,070,355)	$(1,087,705)
Nonvested benefits	(4,420)	(3,946)
Accumulated benefit obligation	$(1,074,775)	$(1,091,651)
Fair market value of plan assets, consisting primarily of short-term investments and cash equivalents, common stocks, real estate investments and government and industrial bonds	$ 1,167,158	$ 1,137,992
Projected benefit obligation	(1,368,740)	(1,311,921)
Unrecognized net experience loss	319,519	265,566
Unrecognized prior service cost reduction	(38,872)	(42,705)
Remaining unrecognized transitional obligation	935	1,068
Pre-funded pension cost	$ 80,000	$ 50,000

In determining the projected benefit obligation, the weighted-average assumed discount rate used was 8.25 percent in 1994, 7.50 percent in 1993 and 8.25 percent in 1992. The assumed increase in future compensation level is determined on an age-related basis. The weighted-average salary increase was 5.40 percent in 1994, 4.50 percent in 1993 and 5.40 percent in 1992. The expected long-term rate of return on plan assets used in determining pension cost was 9.00 percent in 1994, 8.40 percent in 1993 and 9.25 percent in 1992.

During 1993, the Company offered an enhanced early retirement option, Limited Period Separation Opportunity (LPSO), for eligible employees. The Company recorded an additional one-time expense for special termination benefits associated with LPSO of approximately $7,611,000.

B. Postretirement Benefits

The Company and its operating subsidiaries, with the exception of Nantahala Power and Light Company, which maintains its own postretirement benefit plans, currently provides certain health care and life insurance benefits for retired employees. Employees become eligible for these benefits if they retire at age 55 or greater with 10 years of service or if they retire as early as age 51 with 30 years or more of service. Employees retiring after January 1, 1992, receive a fixed Company allowance, based on years of service, to be used to pay medical insurance premiums. The Company reserves the right to terminate, suspend, withdraw, amend or modify the plans in whole or in part at any time.

In 1992, the Company commenced funding the maximum amount allowable under section 401(h) of the Internal Revenue Code, which provides for tax deductions for contributions and tax-free accumulation of investment income. Such amounts partially fund the Company's medical and dental postretirement benefits. The Company has also established a Retired Lives Reserve, which has tax attributes similar to 401(h) funding, to partially fund its postretirement life insurance obligation. The Company contributed $12,269,000 into these funding mechanisms in 1994 and $14,648,000 in 1993.

(continued from page 31)

Net periodic postretirement benefit cost for the years ended December 31, 1994, 1993 and 1992 include the following components (dollars in thousands):

		1994		1993		1992
Service cost benefit earned during the year		$ 5,415		$ 4,974		$ 4,644
Interest cost on accumulated postretirement benefit obligation		25,321		25,482		23,347
Actual return on plan assets	(1,451)		(4,143)		(2,953)	
Amount deferred for recognition	(3,469)		334		1,061	
Expected return on plan assets		(4,920)		(3,809)		(1,892)
Straight-line — 20 year amortization of transitional obligation		13,293		13,479		13,479
Other amortization		366		278		160
Net periodic postretirement benefit cost		$ 39,475		$ 40,404		$ 39,738

A reconciliation of the funded status of the plan to the amounts recognized in the Consolidated Balance Sheets as of December 31, 1994 and 1993, is as follows (dollars in thousands):

		1994		1993
Fair market value of plan assets, consisting primarily of short-term investments and cash equivalents, common stocks, real estate investments and government and industrial bonds		$ 69,987		$ 57,840
Actives eligible to retire	(11,902)		(21,810)	
Actives not eligible to retire	(90,499)		(90,621)	
Retirees and surviving spouses	(239,978)		(238,522)	
Accumulated postretirement benefit obligation		(342,379)		(350,953)
Unrecognized prior service cost		783		1,923
Unrecognized net experience (gain)/loss		14,448		29,127
Unrecognized transitional obligation		225,988		242,629
(Accrued) postretirement benefit cost		$ (31,173)		$ (19,434)

In determining the accumulated postretirement benefit obligation (APBO), the weighted-average assumed discount rate used was 8.25 percent in 1994, 7.50 percent in 1993 and 8.25 percent in 1992. The assumed increase in future compensation level is determined on an age-related basis. The weighted-average salary increase was 5.40 percent in 1994, 4.50 percent in 1993 and 5.40 percent in 1992. The expected long-term rate of return on 401(h) assets used in determining postretirement benefits cost was 9.00 percent in 1994, 8.40 percent in 1993 and 9.25 percent in 1992. For Retired Lives Reserve assets, 6.50 percent was used in 1994 and 7.125 percent was used in 1993 and 1992.

The assumed medical inflation rate was approximately 12.50 percent in 1994. This rate decreases by 0.5 percent to 1.0 percent per year until a rate of 5.5 percent is achieved in the year 2002, which remains fixed thereafter.

A 1.0 percent increase in the medical and dental trend rates produces a 5.05 percent ($1,552,000) increase in the aggregate service and interest cost. The increase in the APBO attributable to a 1.0 percent increase in the medical and dental trend rates is 4.10 percent ($14,029,000) as of December 31, 1994.

NOTE 13. COMMITMENTS AND CONTINGENCIES

A. Construction Program

Projected construction and nuclear fuel costs for Duke Power's electric operations, both including allowance for funds used during construction, are $3.0 billion and $620 million, respectively, for 1995 through 1999. Projected capital expenditures of subsidiaries and diversified activities are $661 million for 1995 through 1999. These projections are subject to periodic review and revisions. Actual construction and nuclear fuel costs and capital expenditures incurred may vary from such estimates. Cost variances are due to various factors, including revised load estimates, environmental matters and cost and availability of capital.

B. Nuclear Insurance

The Company maintains nuclear insurance coverage in three areas: liability coverage, property, decontamination and decommissioning coverage, and extended accidental outage coverage to cover increased generating costs and/or replacement power purchases. The Company is being reimbursed by the other joint owners of the Catawba Nuclear Station for certain expenses associated with nuclear insurance premiums paid by the Company.

Pursuant to the Price-Anderson Act, the Company is required to insure against public liability claims resulting from nuclear incidents to the full limit of liability of approximately $8.9 billion. The maximum required private primary insurance

of $200 million has been purchased along with a like amount to cover certain worker tort claims. The remaining amount, currently $8.7 billion, which will be increased by $79.3 million as each additional commercial nuclear reactor is licensed, has been provided through a mandatory industry-wide excess secondary insurance program of risk pooling. The $8.7 billion could also be reduced by $79.3 million for certain nuclear reactors that are no longer operational and may be exempted from the risk pooling insurance program. Under this program, licensees could be assessed retrospective premiums to compensate for damages in the event of a nuclear incident at any licensed facility in the nation. If such an incident occurs and public liability damages exceed primary insurances, licensees may be assessed up to $79.3 million for each of their licensed reactors, payable at a rate not to exceed $10 million a year per licensed reactor for each incident. The $79.3 million amount is subject to indexing for inflation and may be subject to state premium taxes. This amount is further subject to a surcharge of 5 percent (which is included in the above $8.7 billion figure) if funds are insufficient to pay claims and associated costs. If retrospective premiums were to be assessed, the other joint owners of the Catawba Nuclear Station are obligated to assume their pro rata share of such assessment.

The Company is a member of Nuclear Mutual Limited (NML), which provides $500 million in primary property damage coverage for each of the Company's nuclear facilities. If NML's losses ever exceed its reserves, the Company will be liable, on a pro rata basis, for additional assessments of up to $36 million. This amount represents 5 times the Company's annual premium to NML. The other joint owners of Catawba are obligated to assume their pro rata share of any liability for retrospective premiums and other premium assessments resulting from the NML policies applicable to Catawba.

The Company is also a member of Nuclear Electric Insurance Limited (NEIL) and purchases insurance through NEIL's excess property, decontamination and decommissioning liability insurance program. NEIL provides excess insurance coverage of $2.25 billion for the Catawba Nuclear Station and $1.5 billion for each of the Oconee and McGuire Nuclear Stations. If losses ever exceed the accumulated funds available to NEIL for the excess property, decontamination and decommissioning liability program, the Company will be liable, on a pro rata basis, for additional assessments of up to $62 million. This amount is limited to 7.5 times the Company's annual premium to NEIL for excess property, decontamination and decommissioning liability insurance. The other joint owners of Catawba are obligated to assume their pro rata share of any liability for retrospective premiums and other premium assessments resulting from the NEIL policies applicable to Catawba. The Company has also purchased an additional $850 million of excess property damage insurance for its Catawba plant through a pool of stock and mutual insurance companies.

The Company participates in a NEIL program that provides insurance for the increased cost of generation and/or purchased power resulting from an accidental outage of a nuclear unit. Each unit of the Oconee, McGuire and Catawba Nuclear Stations is insured for up to approximately $3.5 million per week, after a 21-week deductible period, with declining amounts per unit where more than one unit is involved in an accidental outage. Coverages continue at 100 percent for 52 weeks and 80 percent for the next 104 weeks. If NEIL's losses for this program ever exceed its reserves, the Company will be liable, on a pro rata basis, for additional assessments of up to $30 million. This amount represents 5 times the Company's annual premium to NEIL for insurance for the increased cost of generation and/or purchased power resulting from an accidental outage of a nuclear unit. The other joint owners of Catawba are obligated to assume their pro rata share of any liability for retrospective premiums and other premium assessments resulting from the NEIL policies applicable to the joint ownership agreements.

C. Other

The other joint owners of the Catawba Nuclear Station and the Company were involved in arbitration proceedings related to the Catawba joint ownership contractual agreements. The basic contention in each proceeding was that certain calculations affecting bills under these agreements should be performed differently. These items are covered by the agreements between the Company and the other Catawba joint owners which have been previously approved by the Company's retail regulatory commissions. (For additional information, see Note 3.) The Company and the other joint owners entered into settlement agreements in 1994 which resolved all issues in contention in the proceedings. The Company has settled its cumulative net obligation through 1993 of approximately $205 million with the other joint owners. Billings for 1994 and later years will conform to the settlement agreements, which have been approved by the Company's retail regulatory commissions. Because it expects the costs associated with these settlements to be recovered as part of the purchased capacity levelization, the Company has included approximately $205 million as an increase to Purchased capacity costs on its Consolidated Balance Sheets. Therefore, the Company believes these matters should not have a material adverse effect on the results of operations or financial position of the Company.

The Company is also involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, the Company has made accruals in accordance with Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies," in order to provide for such matters. Management is of the opinion that the final disposition of these proceedings will not have a material adverse effect on the results of operations or financial position of the Company.

Note 14. Nuclear Decommissioning Costs

Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.3 billion stated in 1994 dollars based on decommissioning studies completed in 1994. This amount includes the Company's 12.5 percent ownership in the Catawba Nuclear Station. The other joint owners of the Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. Both the North Carolina Utilities Commission and the Public Service Commission of South Carolina have granted the Company recovery of estimated decommissioning costs through retail rates over the expected remaining service periods of the Company's nuclear plants. Such estimates presume each unit will be decommissioned as soon as possible following the end of their license life. Although subject to extension, the current operating licenses for the Company's nuclear units expire as follows: Oconee 1 and 2 - 2013, Oconee 3 - 2014; McGuire 1 - 2021, McGuire 2 - 2023; and Catawba 1 - 2024, Catawba 2 - 2026.

The Nuclear Regulatory Commission issued a rule-making in 1988 which requires an external mechanism to fund the estimated cost to decommission certain components of nuclear unit subject to radioactive contamination. In addition to the required external funding, the Company maintains an internal reserve to provide for decommissioning costs of plant components not subject to radioactive contamination. During 1994, the Company expensed approximately $52,524,000 which was contributed to the external funds and accrued an additional $4,841,000 to the internal reserve. Nuclear units are depreciated at a rate of 4.70 percent, of which 1.61 percent is for decommissioning. The balance of the external funds as of December 31, 1994, was $172,390,000. The balance of the internal reserve as of December 31, 1994, was $204,837,000 and is reflected in accumulated depreciation and amortization on the Consolidated Balance Sheets. Management's opinion is that the decommissioning costs being recovered through rates, when coupled with assumed after-tax fund earnings of 5.5 percent to 5.9 percent, are currently sufficient to provide for the cost of decommissioning.

Note 15. Reclassification

In the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows, certain prior-year information has been reclassified to conform with 1994 classifications.

Independent Auditors' Report

Duke Power Company:

We have audited the accompanying consolidated balance sheets of Duke Power Company and subsidiaries (the Company) as of December 31, 1994 and 1993, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1994 and 1993, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Charlotte, North Carolina
February 10, 1995

Responsibility for Financial Statements

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

The Company's system of internal accounting control is designed to provide reasonable assurance that assets are safeguarded and transactions are executed according to management's authorization. Internal accounting controls also provide reasonable assurance that transactions are recorded properly, so that financial statements can be prepared according to generally accepted accounting principles. In addition, the Company's accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or are detected by employees within a timely period as they perform their assigned functions. The Company's accounting controls are continually reviewed for effectiveness. In addition, written policies, standards and procedures, and a strong internal audit program augment the Company's accounting controls.

The Board of Directors pursues its oversight role for the financial statements through the Audit Committee, which is composed entirely of directors who are not employees of the Company. The Audit Committee meets with management and internal auditors periodically to review the work of each group and to monitor each group's discharge of its responsibilities. The Audit Committee also meets periodically with the Company's independent auditors, Deloitte & Touche LLP. The independent auditors have free access to the Audit Committee and the Board of Directors to discuss internal accounting control, auditing and financial reporting matters without the presence of management.

Jeffrey L. Boyer
Controller

RESULTS OF OPERATIONS

Earnings and Dividends

Earnings per share increased 3 percent from $2.80 in 1993 to $2.88 in 1994. The increase was primarily due to increased earnings of subsidiaries and diversified activities, increased allowance for funds used during construction and other deferred returns, and pre-funding of charitable contributions to the Duke Power Foundation in 1993. These items were offset by higher operating and maintenance expenses including recognition of certain non-recurring costs.

Excluding $.32 for the effect of a one-time refund to North Carolina retail customers in 1992, earnings per share increased from $2.53 in 1992 to $2.88 in 1994, indicating an average annual growth rate of 7 percent. Total Company earned return on average common equity was 13.3 percent in 1994 compared with 13.6 percent in 1993 and 12.8 percent in 1992, excluding the effects of the 1992 refund.

The Company continued its practice of annually increasing the common stock dividend. Common dividends per share increased at an average annual rate of 4 percent from $1.76 in 1992 to $1.92 in 1994. Indicated annual dividends per share increased to $1.96.

Revenues and Sales

Operating revenues increased at an average annual rate of 4 percent from 1992 to 1994, primarily because of increased overall kilowatt-hour sales to all retail customer classes. Revenues from subsidiaries and diversified activities contributed $49 million to the increase in Operating revenues over the three-year period, primarily from increased developed lot sales, land sales and equity earnings from investments in domestic and international joint ventures.

The Company does not expect the trend of annually increasing electric revenues to continue for 1995 and 1996 if normal weather conditions occur. Total electric revenues in 1995 and 1996 are expected to remain approximately the same as 1994 and increase thereafter. Revenues from retail customers are expected to increase because of continued growth in the service area. However, wholesale revenues are expected to decline as the other joint owners of the Catawba Nuclear Station retain a significantly larger portion of their ownership entitlement in 1995 and 1996, thereby reducing supplemental requirements supplied by the Company. The effect on earnings of such wholesale revenue decline will be partially offset by a decline in purchased power costs from the other joint owners which are not subject to levelization. (For additional information on Catawba joint ownership, see Note 3 to the Consolidated Financial Statements.)

Kilowatt-hour sales from Duke Power electric operations decreased 1 percent in 1994 compared with 1993. Sales to general service, textile and other-industrial customers increased by 2 percent, 3 percent and 5 percent, respectively, as a result of continued economic growth in Duke Power's service area. A new record peak demand of 16,070 megawatts was set in January 1994 for Duke Power's electric operations during a period of extremely cold temperatures. However, weather for most of the year was milder than normal and milder than 1993. As a result, sales to residential customers decreased by 3 percent. Kilowatt-hour sales to the other joint owners of the Catawba Nuclear Station decreased 18 percent primarily because improved output of the Catawba and McGuire Nuclear Stations from which they receive their energy entitlements.

Operating Expenses

From 1993 to 1994, Other operation and maintenance expenses rose 7 percent. Nuclear plant maintenance expenses increased primarily as a result of increased refueling outages, while fossil plant maintenance expenses increased primarily as a result of turbine and boiler outages. Administrative and general expenses increased primarily because of costs associated with a voluntary separation program offered during 1994 and non-recurring claims. (For additional information on the voluntary separation program, see Current Issues "Resource Optimization," page 39.)

Other operation and maintenance expenses increased at an average annual rate of 7 percent from 1992 to 1994. Administrative and general expenses increased over the period principally because of the voluntary separation program offered in 1994 and non-recurring claims. Fossil operating and maintenance expenses increased as a result of bringing refurbished units back on-line and increased boiler and turbine outages.

Fuel expense increased at an average annual rate of 3 percent from 1992 to 1994. The increase was due primarily to higher system production requirements satisfied by increased fossil generation. A continued decline of fuel prices over this period partially offset the overall increase in fuel expenses.

Net interchange and purchased power increased from $539 million in 1992 to $553 million in 1994, an average annual increase of 1 percent.

From 1992 to 1994, Depreciation and amortization expense decreased at an average annual rate of 4 percent primarily because the reduction in the amortization of property losses more than offset depreciation associated with additional investments. These investments are primarily associated with distribution plant including investment to support customer growth, and fossil plant resulting from bringing refurbished units back on-line.

Interest Expense and Other Income

Interest expense decreased at an average annual rate of 7 percent from 1992 to 1994. Interest on long-term debt decreased because of the Company's refinancing of higher-cost debt beginning in late 1991 and continuing throughout 1993. Interest expense also decreased as a result of the one-time impact in 1992 of approximately $27 million in interest paid to North Carolina retail customers because of a rate refund.

Allowance for funds used during construction (AFUDC) and other deferred returns, net of associated taxes, represented 13 percent of earnings for common stock in 1994 compared with 11 percent in 1992. AFUDC and other deferred returns are expected to be less than 14 percent of total earnings during the next three years.

AFUDC, net of associated taxes, represented 6 percent of earnings for common stock in 1994 compared with 5 percent

in 1992. The increase was primarily the result of increased investment in the Lincoln Combustion Turbine Station. (For additional information on the Lincoln Combustion Turbine Station, see Capital Needs "Meeting Future Power Needs," page 38.)

The accrued return, net of associated taxes, on the purchased capacity levelization deferral related to the joint ownership of the Catawba Nuclear Station represented 7 percent of earnings for common stock in 1994 compared with 6 percent in 1993 and 1992. The growth in this return is due to the increasing cumulative impact of the Company's funding of purchased power costs, which the Company expects to collect through current rates in future periods. (For additional information on purchased capacity levelization, see Capital Needs "Purchased Capacity Levelization," page 38.)

Liquidity and Resources

Significant Rate Matters

During 1991, Duke Power filed in both the North Carolina and South Carolina retail jurisdictions its only requests for general rate increases since 1986. General rate increases approved in November 1991 resulted in additional annual revenues of $100.1 million and $30.2 million in North Carolina and South Carolina, respectively. The increases were needed primarily to recover costs associated with the commercial operation of the Bad Creek Hydroelectric Station.

In 1992, the North Carolina Supreme Court remanded to the North Carolina Utilities Commission (NCUC) Duke Power's 1986 rate order for the second time. In this ruling, the Court held that the record from the 1986 proceedings failed to support the rate of return on common equity authorized by the NCUC after the initial decision of the Court remanding the 1986 rate order. The NCUC issued a final order in 1992 which resulted in a 1992 refund to North Carolina retail customers of approximately $95 million, including interest.

Duke Power has a bulk power sales agreement with Carolina Power & Light Company (CP&L) to provide CP&L 400 megawatts of capacity as well as associated energy when needed for a six-year period which began July 1, 1993. Electric rates in all of Duke Power's regulatory jurisdictions were reduced by adjustment riders to reflect capacity revenues received from this CP&L bulk power sales agreement.

Catawba Settlements

The other joint owners of the Catawba Nuclear Station and the Company were involved in arbitration proceedings related to the Catawba joint ownership contractual agreements. The basic contention in each proceeding was that certain calculations affecting bills under these agreements should be performed differently. These items are covered by the agreements between the Company and the other Catawba joint owners which previously have been approved by the Company's retail regulatory commissions. (For additional information on Catawba joint ownership, see Note 3 to the Consolidated Financial Statements.) The Company and the other joint owners entered into settlement agreements in 1994 which resolved all issues in contention in the proceedings. The Company has settled its cumulative net obligation through 1993 of approximately $205 million with the other joint owners. Billings for 1994 and later years will conform to the settlement agreements, which have been approved by the Company's retail regulatory commissions. Because it expects the costs associated with these settlements to be recovered as part of the purchased capacity levelization, the Company has included approximately $205 million as an increase to Purchased capacity costs on its Consolidated Balance Sheets. Therefore, the Company believes these matters should not have a material adverse effect on the results of operations or financial position of the Company.

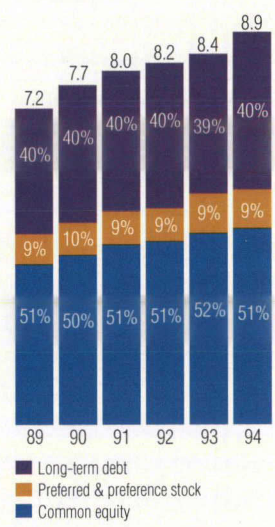
Cash From Operations

Consolidated net cash provided by operating activities in 1994 accounted for 67 percent of total cash from operating, financing and investing activities compared with 46 percent in 1993 and 51 percent in 1992. Substantially all of the Company's capital needs were met by cash generated from operating activities for 1993 and 1992 when refinancing activities are excluded. Refinancing activities were insignificant in 1994.

Financing and Investing Activities

The Company's consolidated capital structure at year-end 1994, including subsidiary long-term debt, was 51 percent common equity, 40 percent long-term debt and 9 percent preferred stock. This structure is consistent with the Company's target to maintain a double-A credit rating. As of December 31, 1994, Duke Power's bonds were rated "AA" by Fitch Investors Service, "Aa2" by Moody's Investors Service, and "AA-" by Standard & Poor's Group and Duff & Phelps.

Capital structure
(Excludes current maturities)
Billions of dollars



In response to favorable market conditions in 1992 and 1993, the Company refinanced $2.3 billion of long-term debt and $445 million of preferred stock. While there were no significant refinancings in 1994, the Company issued $407 million in debt, primarily First and Refunding Mortgage Bonds.

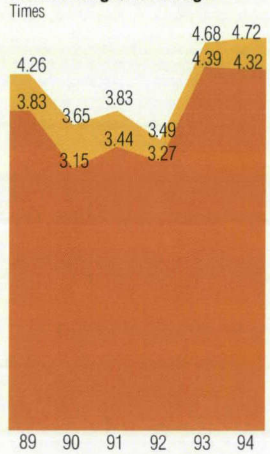
Duke Power's embedded cost of long-term debt, excluding debt of subsidiaries, was 7.98 percent for 1994 compared with 8.01 percent in 1993 and 8.39 percent in 1992. The embedded cost of preferred stock was 6.99 percent in 1994 compared with 6.76 percent in 1993 and 7.05 percent in 1992. The decreases are primarily the result of the Company's refinancing activities. The increase in the embedded cost of preferred stock from 1993 to 1994 reflects the impact of increasing dividend rates on variable rate preferred stocks.

Fixed Charges Coverage

Consolidated fixed charges coverage using the SEC method increased to 4.72 times for 1994 compared with 4.68 and 3.49 times in 1993 and 1992, respectively. Coverage increased primarily because of lower interest as a result of refinancing activities. Consolidated fixed charges coverage, excluding

AFUDC and other deferred returns, was 4.32 for 1994 compared with 4.39 in 1993 and 3.27 in 1992 and the Company goal of 3.5 times. Coverage was somewhat lower in 1994 than 1993 as a result of a decrease in earnings excluding AFUDC and other deferred returns and higher in 1994 than 1992 because of higher earnings and lower interest expense.

Fixed charges coverage
Times



Capital Needs

Property Additions and Retirements

Additions to property and nuclear fuel of $883 million and retirements of $238 million resulted in an increase in gross plant of $645 million in 1994.

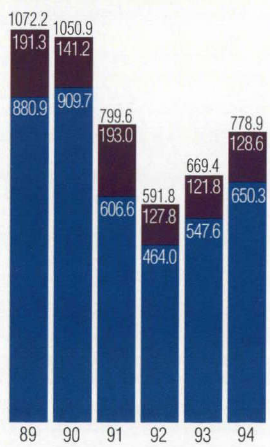
Since January 1, 1992, additions to property and nuclear fuel of $2.2 billion and retirements of $839 million have resulted in an increase in gross plant of $1.4 billion.

Construction Expenditures

Plant construction costs for generating facilities supporting Duke Power electric operations, including AFUDC, increased from $145 million in 1992 to $309 million in 1994, primarily because of construction of the Lincoln Combustion Turbine Station. (For more information, see Capital Needs "Meeting Future Power Needs," page 38.) Construction costs for distribution plant, including AFUDC, decreased from $224 million in 1992 to $203 million in 1994.

Projected construction and nuclear fuel costs for Duke Power's electric operations, both including AFUDC, are $3.0 billion and $620 million, respectively, for 1995 through 1999. Total projected construction costs include expenditures for the construction of the Lincoln Combustion Turbine Station and the replacement of certain steam generators at the McGuire and Catawba Nuclear Stations. (For additional information on steam generator replacement, see Current Issues "Stress Corrosion Cracking," page 40.) Projected capital expenditures of subsidiaries and diversified activities are $661 million for 1995 through 1999. These projections are subject to periodic review and revisions. Actual construction and nuclear fuel costs and capital expenditures incurred may vary from such estimates. Cost variances are due to various factors, including revised load estimates, environmental matters and cost and availability of capital. For 1995 through 1999, the Company anticipates funding its projected construction expenditures through the internal generation of funds and, to a lesser extent, through the issuance of debt securities.

Duke Power construction costs* Millions of dollars



* Includes AFUDC and excludes NP&L and Duke Power's other subsidiaries.

Purchased Capacity Levelization

The rates established in Duke Power's electric retail jurisdictions permit recovery of its investment in both units of the Catawba Nuclear Station and the costs associated with contractual purchases of capacity from the other Catawba joint owners. The contracts relating to the sales of portions of the station obligate the Company to purchase a declining amount of capacity from the other joint owners. In the North Carolina retail jurisdiction, regulatory treatment of these contracts provides revenue for recovery of the capital costs and the fixed operating and maintenance costs of purchased capacity on a levelized basis. In the South Carolina retail jurisdiction, revenues are provided for the recovery of the capital costs of purchased capacity on a levelized basis, while current rates include recovery of fixed operating and maintenance expenses.

Such rate treatments require the Company to fund portions of the purchased capacity payments until these costs, including accrued returns, are recovered at a later date. The Company recovers the accumulated costs and returns when the sum of the declining purchased capacity payments and accrual of returns for the current period drop below the levelized revenues. In the North Carolina retail jurisdiction, and wholesale jurisdiction regulated by the Federal Energy Regulatory Commission (FERC), purchased capacity payments continue to exceed levelized revenues. In the South Carolina retail jurisdiction, cumulative levelized revenues have exceeded purchased capacity payments. Jurisdictional levelizations are intended to recover total costs, including returns, and are subject to adjustments, including final true-ups.

Meeting Future Power Needs

The Company's strategy for meeting customers' present and future energy needs consists of three components: supply-side resources, demand-side resources and purchased power resources. To assist in determining the optimal combination of these three resources, the Company uses an integrated resource planning process. The goal is to provide adequate and reliable electricity in an environmentally responsible, cost-effective manner.

The Company is building a combustion turbine facility in Lincoln County, North Carolina. The Lincoln Combustion Turbine Station, designed to provide capacity at periods of peak demand, will consist of 16 combustion turbines with a total generating capacity of 1,184 megawatts. The estimated total cost of the project is approximately $500 million. Current plans are for 12 units to begin commercial operation by the end of 1995 and the remaining four to begin commercial operation in 1996.

Demand-side management programs benefit the Company and its customers by promoting energy efficiency, providing for load control through interruptible control features, shifting usage to off-peak periods and increasing strategic sales of electricity. In return for participation in demand-side management programs, customers may be eligible to receive various incentives which help reduce their net investment in high-efficiency equipment or their electric bills. The November 1991 rate orders of the NCUC and the Public Service Commission of South Carolina (PSCSC) provided for recovery in rates of a designated level of costs for demand-side

management programs and allowed the deferral for later recovery of certain demand-side management costs that exceed the level reflected in rates, including a return on the deferred costs. The Company ultimately expects recovery through rates of associated deferred costs. The annual costs deferred, including the return, were approximately $25 million in 1994 and $26 million in 1993.

As of January 1, 1995, the Company has under contract 300 megawatts of firm purchased capacity from other generators of electricity, including 62 megawatts from qualifying facilities. The purchase of capacity and energy is also an integral part of meeting future power needs. The Company expects to use a competitive bidding process to provide for the next increment of generating capacity beyond the Lincoln Combustion Turbine Station.

Current Issues

While the Company improved its financial performance in 1994 compared with 1993, the ability to maintain and improve its current level of earnings will depend on several factors. As the industry becomes increasingly competitive, the Company's ability to control costs will be an important factor in maintaining a pricing structure that is both attractive to customers and profitable to the Company. While retail wheeling is presently not allowed in any form in the Company's service territory, the Company is focusing on providing competitive cost-based prices to its industrial customers, as well as to wholesale customers who already have access to alternative sources of energy. Other significant factors impacting the Company's future earnings levels include continued economic growth in the Piedmont Carolinas, the success of the Company's subsidiaries and diversified activities, and the outcome of various legislative and regulatory actions.

Resource Optimization. The Company has been engaged in a concentrated effort to more efficiently and effectively use its resources through better work practices. During 1994, the Company offered a voluntary separation program which gave most employees the option of leaving the Company for a lump-sum payment and severance pay based on years of service. This voluntary separation program resulted in the departure of approximately 1,300 employees in 1994. Implementing programs such as the voluntary separation program and other efficiency practices has resulted in continued work-force reduction and in streamlined work flows. The number of full-time employees has decreased from 19,945 at year-end 1990 to 17,052 at year-end 1994.

Nuclear Decommissioning Costs. Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.3 billion stated in 1994 dollars based on decommissioning studies completed in 1994. This amount includes the Company's 12.5 percent ownership in the Catawba Nuclear Station. The other joint owners of the Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. Such estimates presume each unit will be decommissioned as soon as possible following the end of its license life. Although subject to extension, the current operating licenses for the Company's nuclear units expire as follows: Oconee 1 and 2 - 2013, Oconee 3 - 2014; McGuire 1 - 2021, McGuire 2 - 2023; and Catawba 1 - 2024, Catawba 2 - 2026.

The Nuclear Regulatory Commission (NRC) issued a rule-making in 1988 which requires an external mechanism to fund the estimated cost to decommission certain components of a nuclear unit subject to radioactive contamination. In addition to the required external funding, the Company maintains an internal reserve to provide for decommissioning costs of plant components not subject to radioactive contamination. During 1994, the Company expensed approximately $52.5 million which was contributed to the external funds and accrued an additional $4.8 million to the internal reserve. The balance of the external funds as of December 31, 1994, was $172.4 million. The balance of the internal reserve as of December 31, 1994, was $204.8 million and is reflected in accumulated depreciation and amortization on the Consolidated Balance Sheets.

Both the NCUC and the PSCSC have granted the Company recovery of estimated decommissioning costs through retail rates over the expected remaining service periods of the Company's nuclear plants. Management's opinion is that the decommissioning costs being recovered through rates, when coupled with assumed after-tax fund earnings of 5.5 percent to 5.9 percent, are currently sufficient to provide for the cost of decommissioning.

Environmental Issues. The Company is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. The Company was an operator of manufactured gas plants until the early 1950s. The Company has entered into a cooperative effort with the state of North Carolina and other owners of certain former manufactured gas plant sites to investigate and, where necessary, remediate these contaminated sites. The state of South Carolina has expressed interest in entering into a similar arrangement. The Company is considered by regulators to be a potentially responsible party and may be subject to liability at three federal Superfund sites and three comparable state sites. While the cost of remediation of these sites may be substantial, the Company will share in any liability associated with remediation of contamination at such sites with other potentially responsible parties. Management is of the opinion that resolution of these matters will not have a material adverse effect on the results of operations or financial position of the Company.

The Clean Air Act Amendments of 1990. The Clean Air Act Amendments of 1990 require a two-phase reduction by electric utilities in the aggregate annual emissions of sulfur dioxide and nitrogen oxide by the year 2000. The Company currently meets all requirements of Phase I. The Company supports the national objective of clean air in the most cost-effective manner and has already reduced emissions through the use of low-sulfur coal in its fossil plants, efficient plant operations and by using nuclear generation. The sulfur dioxide provisions of the Act allow utilities to choose among various alternatives for compliance. The Company is currently developing a detailed compliance plan for Phase II requirements which must be filed

with the Environmental Protection Agency (EPA) by 1996. A preliminary strategy, which allows for varying options, indicates one-time costs associated with bringing the Company into compliance with the Act could range from $260 million to $750 million, depending on the compliance options the Company selects. The final strategy is contingent upon developments in the emissions allowance market, future regulatory and legislative actions, and advances in clean air technology. Additional annual operating and maintenance expenses will be incurred as well. All options within the preliminary strategy provide for full compliance with Phase II requirements by the year 2000.

Stress Corrosion Cracking. Stress corrosion cracking (SCC) has occurred in the steam generators of Units 1 and 2 at the McGuire Nuclear Station and Unit 1 at the Catawba Nuclear Station. Catawba Unit 2, which has certain design differences and came into service at a later date, has not yet shown the degree of SCC which has occurred in McGuire Units 1 and 2 and Catawba Unit 1. It is, however, too early in the life of Catawba Unit 2 to determine the extent to which SCC may be a problem. Although the Company has taken steps to mitigate the effects of SCC, the inherent potential for future SCC in the McGuire and Catawba steam generators still exists. The Company is planning for the replacement of steam generators at three units that have experienced SCC and has signed an agreement with Babcock & Wilcox International to purchase replacement steam generators. The current schedule for completion of the effort is as follows: Catawba Unit 1 - 1996, McGuire Unit 1 - 1997 and McGuire Unit 2 - 1997. The order of replacement is subject to change based on operational and project circumstances. Steam generator replacement at each unit is expected to take approximately four months and cost approximately $170 million, excluding the cost of replacement power and the reimbursement of applicable costs by the other joint owners for Catawba Unit 1. Stress corrosion problems are excluded under the Company's nuclear insurance policies.

The Company, in connection with its McGuire and Catawba stations and on behalf of the other joint owners of the Catawba Nuclear Station, began a legal action on March 22, 1990, alleging that Westinghouse Electric Corporation knowingly supplied to the McGuire and Catawba stations steam generators that were defective in design, workmanship and materials, requiring replacement well short of their stated design life. On March 17, 1994, the Company, together with the other joint owners of the Catawba Station, settled the lawsuit. While the court order does not allow disclosure of the terms of the settlement, the Company believes the litigation was settled on terms that provided satisfactory consideration to the Company and will not have a material effect on the results of operations or financial position of the Company.

Competition. The Energy Policy Act of 1992 (EPACT) is moving utilities toward a more competitive environment. The EPACT reformed certain provisions of the Public Utility Holding Company Act of 1935 (PUHCA) and Part II of the Federal Power Act to remove certain regulatory barriers. For example, the EPACT allows utilities to develop independent electric generating plants in the United States for sales to wholesale customers, as well as to contract for utility projects internationally, without becoming subject to regulation under PUHCA as an electric utility holding company. The EPACT requires transmission of power for third parties to wholesale customers on issuance of an order by the FERC, provided reliability of service to the utility's local customer base is protected and the local customer base does not subsidize the third-party service. The EPACT does not permit the FERC to issue an order requiring transmission access to retail customers.

The electric utility industry currently is predominantly regulated on a basis designed to recover the cost of providing electric power to its retail and wholesale customers. If cost-based regulation were to be discontinued in the industry, for any reason, including competitive pressure on the cost-based prices of electricity, profits could be reduced and utilities might be required to reduce their recorded asset balances to reflect a market basis less than cost. Discontinuance of cost-based regulation could also require some utilities to write off their regulatory assets. Management cannot predict the potential impact, if any, of these competitive forces on the Company's future financial position and results of operations. However, the Company continues to position itself to effectively meet these challenges by maintaining prices that are regionally and nationally competitive. The Company anticipates filing an open access transmission tariff with the FERC in early 1995. Open access would provide the Company with increased opportunities to sell and deliver energy and capacity at market-based prices, thereby improving the utilization of existing assets. In addition, such access would provide an opportunity to buy energy and capacity at attractive rates, serving to further enhance the Company's competitive price position.

Commitments and Contingencies. The Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which may involve substantial amounts. Where appropriate, the Company has made accruals in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," in order to provide for such matters. Management is of the opinion that the final disposition of these proceedings will not have a material adverse effect on the results of operations or the financial position of the Company.

Subsidiaries and Diversified Activities. The Company continues to aggressively pursue both domestic and international diversified business opportunities that are synergistic with the Company's core business to provide additional value to the Company's shareholders. Although these opportunities are concentrated in areas that utilize the Company's expertise, they present different and potentially greater risks than does the Company's core business. The Company only pursues opportunities in which the expected returns are commensurate with the risks and makes efforts to mitigate such risks.

The Company's subsidiaries and diversified activities contributed $52 million to net income in 1994 compared with $22 million in 1993 and $25 million in 1992. Increased

developed lot and land sales, the sale of commercial rental property and the operation of generation and transmission facilities outside Duke Power's regulated service area generated additional income in 1994. A one-time gain on the sale of an investment in the preferred stock of an independent power development company also contributed to diversified income. Earnings of subsidiaries and diversified activities also include income from passive financial investments, engineering services fees, water operations and merchandising.

Domestically, the Company is seeking opportunities to: provide communications, water and engineering consulting services; construct, operate and maintain generation and transmission facilities; own generation facilities outside Duke Power's regulated service area; develop real estate; sell and service appliances and electronics; and participate in power marketing activities. The Company had equity investments in joint ventures, which own assets within the United States, of $14 million and $17 million at December 31, 1994 and 1993, respectively. Non-electric property of the Company's subsidiaries and diversified activities was $286 million and $216 million at December 31, 1994 and 1993, respectively.

Internationally, the Company is seeking opportunities to construct, own, operate and maintain generation and transmission facilities and to provide engineering consulting services. The Company had equity investments in international joint ventures, which own generation and transmission facilities, of $94 million and $85 million at December 31, 1994 and 1993, respectively.

SUBSIDIARIES AND DIVERSIFIED ACTIVITIES HIGHLIGHTS

During 1994, the Company reorganized, placing all its subsidiaries and diversified activities into the Associated Enterprises Group (AEG). AEG includes the following:

- **Church Street Capital Corp.** (CSCC) manages investment funds and serves as the parent company for the non-electric operating subsidiaries. CSCC investment highlights are as follows (dollars in thousands):

Short-term investments and marketable securities

1994	1993	1992
$170,642	$155,871	$173,347

Investment income (after tax) (a)

1994	1993	1992
$ 7,562	$ 3,548	$ 5,404

- **Crescent Resources, Inc.** is engaged in real estate development and forest management.
- **Duke Energy Group, Inc.,** parent of Duke Energy Corp., structures, finances and manages investments in electric generation and transmission facilities, both nationally and internationally.
- **Duke Engineering & Services, Inc.** markets engineering, construction, quality assurance, consulting and other engineering-related services for facilities other than coal-fi[illegible] generating plants, both nationally and internationally.
- **Duke/Fluor Daniel,** a joint venture with Fluor Daniel, Inc., provides engineering, construction, and support of operating and maintenance activities, primarily for coal-fired generating plants, both nationally and internationally.
- **Duke Merchandising** sells and services quality electric merchandise and electronics primarily to Duke Power customers.
- **DukeNet Communications, Inc.** develops and manages communication systems.
- **Duke Water Operations** serves areas of Anderson, South Carolina, and Rutherfordton, North Carolina.
- **Nantahala Power and Light Company** provides electric service to a five-county area in western North Carolina by its operation of eleven hydroelectric stations and purchase of supplemental power.

Operating Results

Dollars in Thousands — Year ended December 31,	1994	1993	1992
Operating revenues			
Crescent Resources, Inc.	$ 64,724	$ 46,784	$ 44,788
Duke Energy Group, Inc. (b)	9,478	6,033	1,805
Nantahala Power and Light Company (c)	68,595	67,142	60,183
All Other Business Units (d)	109,932	106,340	92,613
Total Associated Enterprises Group	$252,729	$226,299	$199,38[illegible]
Operating income			
Crescent Resources, Inc.	$ 46,236	$ 30,004	$ 30,602
Duke Energy Group, Inc.	(1,035)	(2,929)	(3,474)
Nantahala Power and Light Company	12,224	8,844	6,937
All Other Business Units (d)	15,506	1,939	8,743
Total Associated Enterprises Group	$ 72,931	$ 37,858	$ 42,808
Net income			
Crescent Resources, Inc.	$ 26,525	$ 16,327	$ 16,613
Duke Energy Group, Inc. (e)	5,749	(1,949)	(2,239)
Nantahala Power and Light Company	6,169	4,261	3,526
All Other Business Units (d)	13,593	2,876	7,458
Total Associated Enterprises Group	$ 52,036	$ 21,515	$ 25,358

Financial Position

Dollars in Thousands — December 31,	1994	1993	1992
Total assets			
Crescent Resources, Inc.	$294,175	$219,206	$195,476
Duke Energy Group, Inc. (f)	110,656	144,499	25,876
Nantahala Power and Light Company	125,883	107,872	94,531
All Other Business Units (d)	279,430	265,977	314,783
Total Associated Enterprises Group	$810,144	$737,554	$630,666
Total liabilities			
Crescent Resources, Inc.	$134,574	$ 86,172	$ 84,526
Duke Energy Group, Inc.	4,672	31,816	3,10[illegible]
Nantahala Power and Light Company	72,542	60,700	51,620
All Other Business Units (d)	22,312	30,902	29,495
Total Associated Enterprises Group	$234,100	$209,590	$168,749

Cash Flows

Dollars in Thousands — Year ended December 31,	1994	1993	1992
Cash provided by (used in) operating activities			
Crescent Resources, Inc.	$ 37,691	$ 36,254	$ 25,926
Duke Energy Group, Inc.	(6,614)	(1,438)	(1,936)
Nantahala Power and Light Company	12,817	14,869	7,039
All Other Business Units (d)	10,589	8,795	32,719
Total Associated Enterprises Group	$ 54,483	$ 58,480	$ 63,748
Cash provided by investing activities			
Crescent Resources, Inc.	$ 2,524	$ 1,310	$ 122
Duke Energy Group, Inc. (g)	40,740	28,785	—
Nantahala Power and Light Company	—	—	—
All Other Business Units (h)	5,100	21,377	3,168
Total Associated Enterprises Group	$ 48,364	$ 51,472	$ 3,290
Cash used in investing activities			
Crescent Resources, Inc.	$ 78,689	$ 43,444	$ 21,910
Duke Energy Group, Inc.	19,575	116,498	22,147
Nantahala Power and Light Company	23,989	19,254	12,746
All Other Business Units (i)	18,500	1,450	55,756
Total Associated Enterprises Group	$140,753	$180,646	$112,559
Cash provided by (used in) financing activities (j)			
Crescent Resources, Inc. (k)	$ 37,589	$ 945	$ (8,993)
Duke Energy Group, Inc. (l)	—	—	—
Nantahala Power and Light Company	10,896	3,206	7,184
All Other Business Units (m)	(6,993)	71,537	54,979
Total Associated Enterprises Group	$ 41,492	$ 75,688	$ 53,170

Other Information

December 31,	1994	1993	1992
Full-time employees at year-end			
Crescent Resources, Inc.	89	77	73
Duke Energy Corp.	35	24	18
Nantahala Power and Light Company	184	194	191
All Other Business Units	703	755	777
Total Associated Enterprises Group	1,011	1,050	1,059

(a) Earnings for 1994, 1993 and 1992 exclude elimination of intercompany profits of $49,000, $509,000 and $1,211,000, respectively.
(b) Includes Duke Energy Group, Inc.'s allocable share of net income from joint ventures. (See Note 11.)
(c) Nantahala Power and Light Company's Operating revenues include revenues from the sale of electricity to Duke Power of $12,131,000, $13,683,000 and $12,640,000 for 1994, 1993 and 1992, respectively.
(d) All Other Business Units amounts include Associated Enterprises Group intercompany eliminations.
(e) 1994 includes a gain of $4,800,000, after tax, from the sale of preferred stock.
(f) Includes Duke Energy Group, Inc.'s investments in joint ventures. (See Note 11.)
(g) 1994 includes proceeds from the sale of preferred stock of $32,468,000 and debt securities of $3,360,000. 1993 includes proceeds from the sale of debt securities of $19,654,000.
(h) 1993 includes the net change in short-term investments for the period of $20,653,000.
(i) 1994 and 1992 include the net change in short-term investments for the period of $12,060,000 and $49,282,000, respectively.
(j) Excludes capital infusion and return of capital transactions between Church Street Capital Corp. and its subsidiaries.
(k) 1993 and 1992 exclude capital infusions from parent, Church Street Capital Corp., of $6,000,000 and $5,000,000, respectively.
(l) 1994 excludes net return of capital to parent, Church Street Capital Corp., of $12,100,000. 1993 and 1992 exclude net capital infusions from Church Street Capital Corp. of $91,864,000 and $24,360,000, respectively.
(m) 1993 and 1992 each include capital infusions from Duke Power to Church Street Capital Corp. of $75,000,000.

SELECTED FINANCIAL DATA

	1994	1993	1992	1991	1990
Condensed consolidated statements of income (thousands)					
Operating revenues (a)	$ 4,488,913	$ 4,466,233	$ 4,122,503	$ 3,962,605	$ 3,862,[illegible]
Operating expenses (a)	3,309,087	3,258,422	3,087,422	2,968,239	2,949,387
Operating income	1,179,826	1,207,811	1,035,081	994,366	913,008
Interest expense and other income	(143,931)	(171,419)	(223,028)	(117,725)	(124,826)
Income before income taxes	1,035,895	1,036,392	812,053	876,641	788,182
Income taxes	397,019	409,977	303,970	293,018	249,994
Net income	638,876	626,415	508,083	583,623	538,188
Dividends on preferred and preference stock	49,724	52,429	56,407	54,683	52,616
Earnings for common stock	$ 589,152	$ 573,986	$ 451,676	$ 528,940	$ 485,572
Common stock data (b)					
Shares of common stock — year-end (thousands)	204,859	204,859	204,859	204,699	202,584
— average (thousands)	204,859	204,859	204,819	203,431	202,570
Per share of common stock					
Earnings	$2.88	$2.80	$2.21	$2.60	$2.40
Dividends	$1.92	$1.84	$1.76	$1.68	$1.60
Book value — year-end	$22.13	$21.17	$20.26	$19.86	$18.84
Market price — high-low	$43-32⅞	$44⅞-35⅜	$37½-31⅜	$35-26¾	$32⅜-25½
— year-end	$38⅛	$42⅜	$36⅛	$35	$30⅝
Balance sheet data (thousands)					
Total assets	$12,862,228	$12,293,605	$11,012,795	$10,617,552	$10,083,507
Long-term debt	$ 3,567,122	$ 3,285,397	$ 3,288,111	$ 3,235,492	$ 3,102,746
Preferred stock with sinking fund requirements	$ 279,500	$ 281,000	$ 279,519	$ 228,650	$ 239,800
Electric and other statistics (c)					
Kilowatt-hour sales (millions)					
Residential	18,870	19,465	17,789	17,918	17,2[illegible]
General service	17,289	16,904	15,818	15,586	15,0[illegible]
Industrial	29,290	28,198	27,041	26,270	25,894
Other energy and wholesale (a) (d)	10,274	11,337	10,360	10,132	10,468
Total kilowatt-hour sales billed	75,723	75,904	71,008	69,906	68,615
Unbilled kilowatt-hour sales	(160)	154	34	(19)	(540)
Total kilowatt-hour sales	75,563	76,058	71,042	69,887	68,075
Residential customer data					
Average annual KWH use	12,720	13,372	12,427	12,710	12,444
Average revenue billed per KWH	7.31¢	7.32¢	7.38¢	7.10¢	7.07¢
Sources of energy (millions of KWH)					
Generated — Coal	32,714	34,097	28,999	26,455	27,262
— Nuclear (e)	50,887	48,211	48,238	49,328	44,649
— Hydro (f)	1,460	1,582	1,834	1,545	1,879
— Oil and gas	35	43	5	7	53
Total generation	85,096	83,933	79,076	77,335	73,843
Net interchange and purchased power (a)	1,276	1,750	1,403	587	1,531
Total output	86,372	85,683	80,479	77,922	75,374
Less: Other Catawba joint owners' share	15,300	13,821	14,313	12,280	11,735
Plus: Purchases from other Catawba joint owners	9,046	8,810	9,466	8,525	8,658
Total sources of energy	80,118	80,672	75,632	74,167	72,297
Line loss and Company usage	4,555	4,614	4,590	4,280	4,222
Total kilowatt-hour sales	75,563	76,058	71,042	69,887	68,075
System average heat rate	9,908	9,921	9,974	9,996	10,007
System load factor	59.3%	60.2%	60.0%	59.4%	59.9%

(a) Operating revenues, Operating expenses, Kilowatt-hour sales and Net interchange and purchased power for 1990 include a reclassification for certain power transactions previously classified as Net interchange and purchased power prior to a 1990 FERC order.
(b) All common stock data reflects the two-for-one split of common stock on September 28, 1990.
(c) Does not include operating statistics of Nantahala Power and Light Company.
(d) Includes sales to Nantahala Power and Light Company.
(e) Includes 100% of Catawba generation.
(f) 1991 includes KWH of the Bad Creek Hydroelectric Station prior to commercial operation.

Selected Financial Data

Quarterly Financial Data

Dollars in Thousands (except per-share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1994 by quarter					
Operating revenues	$1,099,002	$1,083,310	$1,272,525	$1,034,076	$4,488,913
Operating income	$ 326,584	$ 242,419	$ 430,861	$ 179,962	$1,179,826
Net income	$ 173,617	$ 128,002	$ 243,741	$ 93,516	$ 638,876
Earnings per share	$0.79	$0.56	$1.13	$.40	$2.88
1993 by quarter					
Operating revenues	$1,048,365	$1,034,371	$1,340,657	$1,042,840	$4,466,233
Operating income	$ 276,637	$ 246,748	$ 451,028	$ 233,398	$1,207,811
Net income	$ 141,684	$ 122,470	$ 241,409	$ 120,852	$ 626,415
Earnings per share	$0.63	$0.53	$1.12	$0.52	$2.80

Generally, quarterly earnings fluctuate with seasonal weather conditions and maintenance of electric generating units, especially nuclear units.

Stock Market Information

The Company had 129,637 holders of record of common stock as of December 31, 1994, and 127,688 holders as of December 31, 1993. During 1994, approximately 75,971,600 shares of common stock were traded, compared with 50,262,200 during the previous year. A significant portion of the increase in the number of shares traded was due to the offering of 14 million shares of stock by The Duke Endowment in March 1994. The Company's common stock prices, as quoted in the New York Stock Exchange Composite Transactions, and dividends paid were as follows:

	Dividends Per Share	Stock Price Range High	Stock Price Range Low		Dividends Per Share	Stock Price Range High	Stock Price Range Low
1994 by quarter				**1993 by quarter**			
Fourth	$0.49	$42⅛	$38	Fourth	$0.47	$44	$39
Third	0.49	39⅞	35½	Third	0.47	44⅞	39⅞
Second	0.47	37	32⅞	Second	0.45	41⅜	37⅛
First	0.47	43	35¾	First	0.45	39⅞	35⅜

Board of Directors

William H. Grigg
Chairman of the Board and Chief Executive Officer [1,5,6]
Director since 1972

G. Alex Bernhardt
President and Director
Bernhardt Furniture Company [4]
Director since 1991

Crandall C. Bowles
Executive Vice President
Springs Industries, Inc. [3,5]
Director since 1988

Robert J. Brown
Chairman and President
B & C Associates, Inc. [2]
Director since 1994

William A. Coley
President
Associated Enterprises Group [1,4]
Director since 1990

Steve C. Griffith, Jr.
Vice Chairman of the Board and General Counsel [1]
Director since 1982

Paul H. Henson
Chairman Kansas City Southern Industries, Inc. [3,4,6]
Director since 1976

George Dean Johnson, Jr.
President
Domestic Consumer Division
Blockbuster Entertainment Corp. [5,6]
Director since 1986

James V. Johnson
Retired Vice Chairman and Director, Public Affairs
Coca-Cola Bottling Co. Consolidated [2]
Director since 1982

W. W. Johnson
Chairman Executive Committee
NationsBank Corporation [5,6]
Director since 1984

Dr. Max Lennon
President
Eastern Foods, Inc. [2]
Director since 1988

James G. Martin
Chairman, Research Development Board, Charlotte-Mecklenburg Hospital Authority [4]
Director since 1994

Buck Mickel
Retired Vice Chairman
Fluor Corporation [3,4]
Director since 1976

Richard B. Priory
President and Chief Operating Officer [1,5]
Director since 1990

Russell M. Robinson
Attorney
Robinson, Bradshaw & Hinson, P.A. [2]
Appointed in January 1995

1. *Management Committee*
2. *Audit Committee*
3. *Compensation Committee*
4. *Corporate Performance Review Committee*
5. *Finance Committee*
6. *Nominating Committee*

Changes In The Board

Dr. Robert L. Albright resigned in April 1994.
William S. Lee retired from the Board in April 1994.
Dr. George R. Herbert and Reece A. Overcash, Jr. passed away in January 1995.
Joe T. Ford resigned in February 1995.

THE MANAGEMENT COMMITTEE consists of members of the Board who are officers of the Company.

THE AUDIT COMMITTEE'S responsibilities include recommending an independent auditor for the Company, reviewing reports submitted by the auditor, examining procedures regarding Duke's internal audit program and making necessary recommendations to the Board as appropriate.

THE COMPENSATION COMMITTEE'S responsibilities include approving salaries and compensation of all officers and directors of Duke Power and making recommendations to the Board regarding the salary of the Chairman of the Board.

THE CORPORATE PERFORMANCE REVIEW COMMITTEE monitors the overall performance of the Company and makes recommendations for improvement. At the policy level, it determines the adequacy of and support for Duke Power's emphasis on continuous improvement.

THE FINANCE COMMITTEE directs Duke Power's financial and fiscal affairs and makes recommendations about dividend, financing and fiscal policies.

THE NOMINATING COMMITTEE makes recommendations to the Board regarding the size and composition of the Board of Directors and individuals for consideration as successors to the Chief Executive Officer.

Officers

William H. Grigg
Chairman of the Board and Chief Executive Officer

Steve C. Griffith, Jr.
Vice Chairman of the Board and General Counsel

William A. Coley
President
Associated Enterprises Group

Richard B. Priory
President and Chief Operating Officer

Donald H. Denton, Jr.
Senior Vice President and Chief Planning Officer

Jim R. Hicks
Senior Vice President, Customer Operations

Richard J. Osborne
Senior Vice President and Chief Financial Officer

Ruth G. Shaw
Senior Vice President, Corporate Resources and Chief Administrative Officer

Michael S. Tuckman
Senior Vice President, Nuclear Generation

Sue A. Becht
Treasurer

Jeffrey L. Boyer
Controller

Sharon A. Decker
Vice President, Communications and Community Relations

Excell O. Ferrell, III
Vice President, Northern Region

Ronald L. Gibson
Vice President, Marketing and Customer Planning

James E. Grogan
Vice President, Electric System Support

James W. Hampton
Vice President, Oconee Nuclear Site

Donald E. Hatley
Vice President, Public Affairs

David L. Hauser
Vice President, Procurement, Services and Materials

J. William Hillhouse, Jr.
Vice President, Charlotte Area

James D. Hinton
Vice President, Power Delivery

John P. Holland
Vice President, Winston-Salem Area

F. Alfred Jenkins
Vice President, Hickory Area

Robert S. Lilien
Vice President and Tax Counsel

John F. Lomax
Vice President, Southern Region

David H. Maner
Vice President, Greensboro Area

Maurice D. McIntosh
Vice President, Fossil and Hydro Generation

Ted C. McMeekin
Vice President, McGuire Nuclear Site

Barbara B. Orr
Vice President, Greenville Area

David L. Rehn
Vice President, Catawba Nuclear Site

William F. Reinke
Vice President, System Planning and Operating

Christopher C. Rolfe
Vice President, Organization Effectiveness

Ellen T. Ruff
Secretary and Deputy General Counsel

Cecil O. Smith, Jr.
Vice President, Information Technology Services

William R. Stimart
Vice President, Rates and Regulatory Affairs

Fred E. West, Jr.
Vice President, Central Region

Virginia M. Britton
Assistant Controller

S. L. Love
Assistant Treasurer

Robert T. Lucas III
Assistant Secretary

Phyllis T. Simpson
Assistant Secretary

Associated Enterprises Group

Steven M. Kessler
President, Duke Merchandising

John F. Norris, Jr.
President and Chief Executive Officer
Duke Engineering & Services, Inc.

Richard J. Osborne
President
Church Street Capital Corp.

Richard C. Ranson
Chairman and Chief Executive Officer
Crescent Resources, Inc.

Clarence L. Ray, Jr.
President
Duke/Fluor Daniel

Marion H. Smith, Jr.
President and Chief Executive Officer
DukeNet Communications, Inc.

N. E. Tucker, Jr.
President and Chairman of the Board
Nantahala Power and Light Company

M. Rhem Wooten, Jr.
President
Duke Energy Group, Inc.

Retiring Officers

The following officers have retired:

James R. Bavis
Vice President, Human Resources

Carolyn R. Duncan
Assistant Secretary

William L. Foust
President, Duke Merchandising

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

W. T. Robertson, Jr.
Vice President, Procurement, Services and Materials

Investor Information

Corporate Headquarters

422 South Church Street
Charlotte, N.C. 28242-0001
(704) 594-0887

Annual Meeting

The 1995 Annual Meeting of Duke Power Shareholders will be:

Date: Thursday, April 27, 1995
Time: 10:00 a.m.
Place: Duke Power Company
O.J. Miller Auditorium
Electric Center
526 South Church Street
Charlotte, N.C.

Stock Exchange Listing

Duke Power's common stock is listed on the New York Stock Exchange. The trading symbol is DUK. The previous day's closing price is listed in daily newspapers as DukePwr or DukeP.

Certain issues of preferred stock are listed on the New York Stock Exchange. Quotations for these issues are listed only when the stock is traded and follow the common stock listing in the newspaper.

Financial Publications

Upon request, the Company will provide the following without charge:

1994 Annual Report on Form 10-K as filed with the Securities and Exchange Commission

1994 Statistical Supplement and Financial Forecast

Audiotape recording of excerpts from the 1994 Annual Report to Shareholders

The Company produces a report to shareholders in the first, second and third quarters.

Securities Ratings

Rating Agency	Bonds	Preferred Stock	Commercial Paper
Duff & Phelps	AA-	A+	D-1+
Fitch	AA	AA-	F-1+
Moody's	Aa2	aa2	P-1
Standard & Poor's	AA-	A+	A-1+

Bond Trustee

Chemical Bank
JAF Building
P.O. Box 2862
New York, N.Y. 10116

If you have any questions regarding your bond account, write to Chemical Bank at the above address or call (800) 648-8380.

Shareholder Inquiries

Shareholders with questions about their stock accounts, legal transfer requirements, address changes, replacement dividend checks, replacement of lost certificates or other services may write:

Investor Relations
Duke Power Company
P.O. Box 1005
Charlotte, N.C. 28201-1005

or call:

(800) 488-3853 toll free or
(704) 382-3853 Charlotte or
(704) 382-3814 fax

Investor Services

The Stock Purchase and Dividend Reinvestment Plan is available to shareholders of record, Duke Power electric customers, Duke Power employees and other residents of North and South Carolina. This provides a convenient way to buy common shares without brokerage fees. Bank drafts for monthly purchases of common stock as well as a safekeeping option for depositing common stock certificates in the Plan are available.

Direct Deposit of Dividends automatically credits dividends to shareholders' bank accounts on the dividend payment date.

Small Share Repurchase Service offers investors with 99 or fewer shares an opportunity to sell their shares back to the Company without paying brokerage fees as long as the sale closes the account.

Stock Transfer

Duke Power maintains shareholder records and acts as Transfer Agent for the Company's common and preferred stock issues.

Signatures required for transfer must be guaranteed by a participant in an approved medallion program. Other guarantees or a notary's acknowledgment are not acceptable.

We recommend all certificates be mailed by registered mail, insured for two percent of the market value, to Investor Relations, Duke Power Company.

Registrar

First Union National Bank of North Carolina
Charlotte, N.C.

Dividend Payment

Duke Power has paid quarterly cash dividends on its common stock for 68 consecutive years.

Dividends on the Company's common and preferred stock in 1995 are expected to be paid on:

March 16, June 16, September 18 and December 1[illegible]

Duke Power is an Equal Opportunity Employer.

DUKE POWER
422 South Church Street
Charlotte, North Carolina
28242-0001

Bulk Rate
U.S. Postage
PAID
Charlotte, N.C.
Permit No. 3073