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SALTZMAN,J. ANTITRUST & INDEMNITY GROUP

SUBJECT: FORWARDS CORPORATE ANNUAL REPT,FINANCIAL FORECAST & UTIL
STATEMENT RE AVAILA~~BLE SOURCES~~ OF FUNDS. See rpts,,

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DUKE POWER COMPANY
POWER BUILDING
422 SOUTH CHURCH STREET, CHARLOTTE, N. C. 28201

A. C. THIES
SENIOR VICE PRESIDENT
PRODUCTION AND TRANSMISSION

March 21, 1979

P. O. BOX 2178

Mr. Jerome Saltzman, Chief
Antitrust & Indemnity Group
Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Re: Submission of Guarantee of Retrospective Premiums Pursuant to the Provisions of Section 140.21 10 CFR 140.21

Dear Mr. Saltzman:

In accordance with your letter of June 15, 1977 and my letter of June 28, 1977 the following information is forwarded: (1) Annual Report; (2) Annual Certified Financial Statements (included in the Annual Report); (3) Financial Forecast; and (4) Statement of Duke Power Company as to available sources of funds to satisfy liability pursuant to 10 CFR 140.21. The submitted information fully demonstrates the ability of Duke Power Company to respond to an assessment, not to exceed $30 million, pursuant to the provisions of 10 CFR 140.21.

Yours very truly,

ACThies

act/ck

Enclosures

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Hank Whitley

DUKE POWER COMPANY

POWER BUILDING

422 SOUTH CHURCH STREET, CHARLOTTE, N. C. 28201

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Yours very truly,

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Enclosures

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dupe
7903290011

Statement of Duke Power Company
As to Available Sources of Funds to Satisfy
A Possible Liability Not Exceeding $30 Million
Pursuant to the Provisions of 10 CFR 140.21

Pursuant to the requirements of Section 140.21 of the Nuclear Regulatory Commission regulations in 10 CFR Part 140, Duke Power Company (the Company) herein submits the following Annual Report to Stockholders, annual certified financial statements, and its current Financial Forecast as evidence of financial ability of guarantee of payment of deferred premiums in the amount of $10 million for each reactor it is licensed to operate. I certify that the financial forecasts, which include information relating to cash flow, were prepared in conformity with generally accepted accounting practices applied on a basis consistent with the accompanying financial statements.

As of December 31, 1978, the Company had bank lines of credit of $280 million with 80 commercial banks. Such banks have total legal lending limits of $1.5 billion. During 1978, the Company's short-term debt averaged approximately $62 million, with a maximum amount of about $175 million, both of which were significantly below the available lines of credit. Further, the Company also has the option to sell commercial paper up to a limit of 25% of any prior 12 months electric revenues as an alternative to using its bank lines of credit, another $349 million source of credit. Either of these sources would, in my opinion, be available as a source of funds to satisfy the assessment of retrospective premiums not exceeding $30 million.

It is the Company's opinion that it can meet its guarantee of payments of deferred premiums currently amounting to $30 million as required by Nuclear Regulatory Commission regulations, particularly in view of the relative insignificance of this amount to its total available cash and credit. Additionally, funds could be generated by the deferral of certain construction. However, I do not believe that such deferral would be necessary.

DUKE POWER COMPANY (COMPANY)

By W R Stimart
W. R. Stimart, Controller

Date:

Subscribed and sworn to before me this 20th day of March, 1979.

Sue M. Clements
Notary Public

My Commission expires:
Nov. 14, 1979

DUKE POWER COMPANY
FINANCIAL FORECAST

ELECTRICITY FOR A PROGRESSIVE PIEDMONT
75th Anniversary
DUKE POWER 1904-1979

Projections listed herein
are subject to change.

Inquiries concerning this forecast should be directed to:
Richard C. Ranson — Treasurer
Telephone (704) 373-8115

Richard J. Osborne — Senior Financial Analyst
Telephone (704) 373-8695

MARCH 1979

SALES AND LOAD DATA (Note 1)

	Actual 1978	Projected 1979	Projected 1980	Projected 1981	Compound Growth Rate 1978-1981
KILOWATTHOUR SALES		(Billions of KWH)			
1 Residential	13.0	12.9	13.3	13.7	1.8%
2 General Service	8.9	9.3	9.9	10.6	6.0
3 Industrial	19.5	19.9	20.7	21.5	3.3
4 Wholesale & Other	8.5	8.7	9.2	8.8	1.2
5 Total Energy Sales	49.9	50.8	53.1	54.6	3.0
6 Annual Growth Rate	2.2%	1.8%	4.5%	2.8%	
KILOWATTHOUR GENERATION					
7 Total Generation	52.9	54.4	56.8	58.2	
Source:					
8 Coal	65%	68%	61%	51%	
9 Nuclear	30	29	37	47	
10 Hydro & Other	5	3	2	2	
ELECTRIC PEAK LOAD		(Millions of KW)			
11 Summer (April-September)	9.5	10.3	10.8	11.1	
12 Winter (October-March)	9.8	10.4	10.9	11.2	
TOTAL CAPABILITY (Includes Firm Purchases)					
13 Summer (April-September)	12.5	12.5	13.6	15.7	
14 Winter (October-March)	12.5	12.5	13.6	15.7	

FINANCIAL DATA (Note 1)

(Dollars in Millions)

	Actual 1978	Projected 1979	Projected 1980	Projected 1981	1979-1981 Totals
CAPITAL REQUIREMENTS (Note 2)					
15 Construction Costs	$ 630	$ 781	$ 814	$ 801	$2,396
16 Nuclear Fuel Costs	103	126	152	213	491
17 Equity Component of ADC	(88)	(127)	(119)	(86)	(332)
18 Net Change in Working Capital	(11)	12	(19)	9	2
19 Maturities, Sinking Funds, & Other Requirements (Note 3)	71	151	38	88	277
20 Total Capital Requirements	$ 705	$ 943	$ 866	$1,025	$2,834
21 Provided by Internal Cash	70%	25%	41%	55%	41%
SOURCES OF CAPITAL					
Internal Cash					
22 Depreciation & Amortization	$ 170	$ 197	$ 263	$ 353	$ 813
23 Other (Notes 1 & 4)	322	39	96	212	347
24 Total Internal Cash	492	236	359	565	1,160
25 Outside Financing Required (Note 1)	213	707	507	460	1,674
26 Total Sources of Capital	$ 705	$ 943	$ 866	$1,025	$2,834
Tentative Financing Program					
27 First Mortgage Bonds	$ 123	$ 300	$ 300	$ 300	$ 900
28 Nuclear Fuel Trust (Note 3)	49	76	28	42	146
29 Preferred Stock	90	50	50	50	150
30 Common Stock	125	242	118	106	466
31 Net Change in Short-Term Debt	(174)	39	11	(38)	12
32 Total	$ 213	$ 707	$ 507	$ 460	$1,674

	Actual 1978	Projected 1979	1980	1981	1979-1981 Totals
CAPITAL STRUCTURE (Note 5)					
33 Capitalization	$4,300	$5,000	$5,500	$6,000	
Ratios:					
34 Long-Term Debt	49%	48%	49%	49%	
35 Preferred Stock	15	14	13	13	
36 Common Equity	36	38	38	38	
OTHER SIGNIFICANT ITEMS					
37 Deferred Income Taxes, Net	$ 44	$ 45	$ 48	$ 74	$ 167
Investment Tax Credit					
38 Deferment	$ 45	$ 38	$ 77	$ 127	$ 242
39 Amortization	(2)	(3)	(3)	(6)	(12)
40 Net	$ 43	$ 35	$ 74	$ 121	$ 230
41 Allowance for All Funds Used During Construction (ADC)	$ 122	$ 168	$ 157	$ 114	$ 439
42 Effective Composite Income Tax Rate (Note 6)	55%	50%	51%	51%	51%

MAJOR GENERATING UNITS CURRENTLY UNDER CONSTRUCTION

Unit	Net KW Capability	Energy Source	Date of Planned Operation	Estimated Construction Cost* Per KW	Total (Millions)
McGuire No. 1	1,180,000	Nuclear	1980	$543	$1,281
McGuire No. 2	1,180,000		1981		
Catawba No. 1 (Note 7)	1,145,000	Nuclear	1981	$665	$ 951
Catawba No. 2	1,145,000		1983		
Cherokee No. 1	1,280,000		1985		
Cherokee No. 2	1,280,000	Nuclear	1987	$950	$3,650
Cherokee No. 3	1,280,000		1989		

*Excludes initial fuel cores.

NOTES:

1. In 1978, the Company sold a 75 percent interest in Unit 2 and a 37.5 percent interest in the support facilities of its Catawba Nuclear Station to an agency of certain of its North Carolina municipal customers. The net proceeds of that sale, including profit, are reflected in "Internal Cash — Other." Without such sale the percentage of capital requirements provided by internal cash would have been 33 percent.

   This sale essentially provides the agency 37.5 percent of the capability of the Catawba station and accordingly affects the Company's "Kilowatthour Sales," "Kilowatthour Generation," "Electric Peak Load" and "Total Capability." Such effects begin in 1981, when the commercial operation of Unit 1 of Catawba triggers a reliability exchange agreement between the agency and the Company.

   In addition, the Company has offered to sell the remaining 25 percent interest in Unit 2 to certain of its South Carolina municipal customers and all or a portion of Unit 1 and up to 50 percent of the support facilities to a group of its cooperative customers. The Company cannot predict if or when such sales may be consummated, and accordingly no estimated effects of any such sales are included in this forecast. The Company estimates, however, that at December 31, 1979, its investments in the portions offered to such municipal and cooperative customers will be approximately $120 million and $480 million, respectively.

(Notes continue on next page)

2. "Capital Requirements" reflects the estimated effects of legislation in North Carolina requiring, for rate-making purposes, that construction expenditures incurred after July 1, 1979 be included in rate base in rate applications filed on or after that date.

3. "Maturities, Sinking Funds, & Other Requirements" includes all maturities and sinking funds related to issues of long-term debt and preferred stock, and the principal portion of payments made on capitalized leases, including $1 million in 1979, $28 million in 1980, and $42 million in 1981 related to the projected consumption of that nuclear fuel financed through a nuclear fuel trust.

4. The Company has filed a request for a four percent revenue increase (approximately $35 million based on a test year ended December 31, 1978) with respect to its North Carolina retail jurisdiction. A request for a corresponding increase in wholesale rates is expected to be filed later in 1979.

   "Internal Cash — Other" assumes that these requests become effective in their entirety in November 1979, and that additional rate increases become effective in 1980 and 1981 as required for Company operations to produce a 13.5 percent return on common equity, the approximate return currently allowed in the Company's retail jurisdictions. The Company has not achieved a return on common equity as high as 13.5 percent in recent years and cannot predict whether such a level of return will be achieved during the period covered by this forecast.

5. This forecast assumes the capitalization in late 1979 of all material leases, approximately $54 million, not included in the balance sheet as of December 31, 1978.

   Projected financings are based on attaining established corporate goals regarding capital structure. The projected capital structures include, as part of "Long-Term Debt," current maturities of long-term debt but exclude short-term notes payable.

6. The "Effective Composite Income Tax Rate" is calculated by dividing total income tax provisions, including current federal and state income taxes, net deferred income taxes, and net investment tax credit, by net income before income taxes, allowance for all funds used during construction, earnings of subsidiaries, and other non-taxed income. The effective income tax rates are above the Company's statutory tax rates of 51.12 percent in 1978 and 49.24 percent in 1979-1981 principally because of differences in book and tax property bases, including in 1978 the effect of the sale of a portion of the Catawba Nuclear Station. (See Note 1).

7. The "Total Construction Cost" of the Catawba station excludes the cost of that portion of the station sold to an agency of certain of the Company's North Carolina municipal customers.