

# DUKE POWER

1988 ANNUAL REPORT

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## -NOTICE-

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**FORGING A MORE  
COMPETITIVE COMPANY**

THE YEAR IN REVIEW:

**MOVING AHEAD  
ACCORDING TO PLAN**

**EMPLOYEES LOOK  
TO THE FUTURE**

Duke Power  
Statistical Supplement

1978-1988



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## ABOUT THE COMPANY

Duke Power Company is an investor-owned electric utility engaged in the generation, transmission, distribution and sale of electric energy in the central portion of North Carolina and the western portion of South Carolina, comprising the area in both states known as the Piedmont Carolinas. The Company's service area, approximately two-thirds of which lies in North Carolina, covers about 20,000 square miles. An estimated population of approximately 4,500,000 includes a number of cities, of which the largest are Charlotte, Greensboro, Winston-Salem and Durham in North Carolina and Greenville, Spartanburg and Anderson in South Carolina. In 1988, Duke Power completed the acquisition of Nantahala Power and Light Company. Nantahala serves about 47,000 customers in a five-county area of Western North Carolina. Duke Power Company ranks seventh in the United States among investor-owned utilities in kilowatt-hour sales. The executive offices of the Company are located in the Power Building, 422 South Church Street, Charlotte, North Carolina 28242.

This booklet has been prepared primarily for security analysts in the hope that it will be a convenient and useful reference. This supplement should be used in conjunction with the Company's Annual Report to Shareholders to prevent any misinterpretation 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.

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## HIGHLIGHTS

(Dollars in Thousands Except Per Share Data)

|  | Calendar Year |              |
|--|---------------|--------------|
|  | 1988          | 1987         |
| Kilowatt-Hour Sales (millions) (2) . . . . .                             | 66,199        | 64,751       |
| Electric Revenues . . . . .  | \$ 3,626,985  | \$ 3,705,784 |
| Income Before Cumulative Effect of Change in Accounting Method . . . . . | \$ 448,131    | \$ 500,198   |
| Cumulative Effect of Change in Accounting Method . . . . .               | \$ 102,255    | —            |
| Net Income . . . . .   | \$ 550,386    | \$ 500,198   |
| Earnings for Common Stock . . . . .                                      | \$ 497,057    | \$ 445,934   |
| Common Stock Data  |               |              |
| Average Shares Outstanding (thousands) . . . . .                         | 101,266       | 101,250      |
| Earnings Per Share Before Change in Accounting Method . . . . .          | \$ 3.90       | \$ 4.40      |
| Cumulative Effect of Change in Accounting Method . . . . .               | \$ 1.01       | —            |
| Earnings Per Share . . . . .   | \$ 4.91       | \$ 4.40      |
| Dividends Per Share . . . . .  | \$ 2.88       | \$ 2.74      |
| Book Value Per Share (year-end) . . . . .                                | \$34.01       | \$31.96      |
| Return on Average Common Equity (%) (3) . . . . .                        | 13.4          | 14.2         |
| Coverage Ratios  |               |              |
| Fixed Charges  |               |              |
| SEC Method (4) . . . . .   | 4.25 ×        | 4.49 ×       |
| Bond Indenture Method (4) . . . . .                                      | 5.08 ×        | 5.60 ×       |
| Fixed Charges and Preferred Dividends (4) . . . . .                      | 3.24 ×        | 3.26 ×       |
| Fuel Used in Electric Generation . . . . .                               | \$ 626,191    | \$ 624,814   |
| Interest on Long-Term Debt . . . . .                                     | \$ 235,061    | \$ 237,367   |
| Plant Construction Costs . . . . .                                       | \$ 949,267    | \$ 777,626   |
| Electric Plant in Service . . . . .                                      | \$10,659,521  | \$10,072,552 |
| Peak Load — KW (5) . . . . .   | 13,618,000    | 12,691,000   |
| Customers — Year-End . . . . .   | 1,565,110     | 1,520,709    |

| Rate of Growth (%) |                          |                           |
|--------------------|--------------------------|---------------------------|
| 1988<br>1 Year     | 1983-1988<br>5 Years (1) | 1978-1988<br>10 Years (1) |
| 2.2                | 4.1                      | 2.9                       |
| (2.1)              | 8.4                      | 10.0                      |
| (10.4)             | .8                       | 6.9                       |
| ∞                  | ∞                        | ∞                         |
| 10.0               | 5.0                      | 9.1                       |
| 11.5               | 6.2                      | 10.5                      |
| —                  | .7                       | 3.7                       |
| (11.4)             | .7                       | 4.1                       |
| ∞                  | ∞                        | ∞                         |
| 11.6               | 5.4                      | 6.5                       |
| 5.1                | 4.4                      | 5.2                       |
| 6.4                | 5.3                      | 4.8                       |
| (5.6)              | (2.0)                    | .5                        |
| (5.4)              | 4.2                      | 3.9                       |
| (9.3)              | 3.3                      | 3.9                       |
| (.6)               | 5.0                      | 4.3                       |
| .2                 | (3.3)                    | 1.4                       |
| (1.0)              | (2.9)                    | 3.5                       |
| 22.1               | 6.9                      | 2.6                       |
| 5.8                | 11.2                     | 10.4                      |
| 7.3                | 3.3                      | 3.5                       |
| 2.9                | 2.9                      | 2.5                       |

(1) Compound annual growth rate.

(2) Excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.

(3) In 1988, excludes the cumulative effect of the accounting change for unbilled revenues, and the provision for loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba.

(4) In 1988, includes the cumulative effect of the accounting change for unbilled revenues.

(5) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.



# STATEMENTS OF INCOME

Years Ended December 31

(Dollars in Thousands)

|  | 1988               | 1987               | 1986               | 1985               | 1984               | 1983               | 1982               | 1981               | 1980               | 1979               | 1978               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>ELECTRIC REVENUES</b>                                       | <b>\$3,626,985</b> | <b>\$3,705,784</b> | <b>\$3,400,933</b> | <b>\$2,898,911</b> | <b>\$2,710,015</b> | <b>\$2,420,252</b> | <b>\$2,244,480</b> | <b>\$1,908,454</b> | <b>\$1,682,822</b> | <b>\$1,492,557</b> | <b>\$1,396,720</b> |
| <b>ELECTRIC EXPENSES</b>                                       |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Operation  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Fuel used in electric generation                               | 626,191            | 624,814            | 726,151            | 719,254            | 683,563            | 739,829            | 781,406            | 790,967            | 680,693            | 589,402            | 543,319            |
| Net interchange and purchased power                            | 587,145            | 581,175            | 378,377            | 107,145            | (36,408)           | (19,819)           | (10,685)           | 25,068             | (12,908)           | (17,254)           | 17,271             |
| Wages, benefits and materials                                  | 529,129            | 485,192            | 488,631            | 435,701            | 393,448            | 350,162            | 329,954            | 264,488            | 211,014            | 180,338            | 155,443            |
| Maintenance of plant facilities                                | 383,307            | 375,085            | 291,164            | 260,361            | 207,951            | 187,267            | 177,766            | 131,670            | 114,597            | 94,598             | 78,605             |
| Depreciation and amortization                                  | 417,503            | 411,182            | 327,844            | 319,295            | 303,429            | 209,750            | 186,080            | 142,899            | 131,441            | 125,437            | 120,839            |
| Taxes  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| General  | 182,000            | 173,897            | 166,385            | 141,343            | 194,095            | 173,826            | 158,289            | 139,140            | 124,422            | 112,655            | 103,816            |
| Federal and State income                                       | 252,960            | 314,277            | 279,012            | 237,390            | 319,836            | (265)              | 79,812             | 41,427             | 85,255             | 76,278             | 53,466             |
| Deferred income, net   | 26,098             | 95,710             | 165,981            | 130,804            | 77,169             | 344,160            | 49,835             | 45,370             | 36,403             | 40,708             | 44,033             |
| Investment tax credit, net                                     | (6,899)            | (13,505)           | (7,388)            | 19,583             | 18,831             | (13,872)           | 102,255            | 51,075             | 31,805             | 36,518             | 42,927             |
| Total electric expenses  | 2,997,434          | 3,047,827          | 2,816,157          | 2,370,876          | 2,161,914          | 1,971,038          | 1,854,712          | 1,632,104          | 1,402,722          | 1,238,680          | 1,159,719          |
| Electric operating income                                      | 629,551            | 657,957            | 584,776            | 528,035            | 548,101            | 449,214            | 389,768            | 276,350            | 280,100            | 253,877            | 237,001            |
| <b>OTHER INCOME</b>  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Allowance for equity funds used during construction            | 52,616             | 36,742             | 52,444             | 62,741             | 98,711             | 144,048            | 146,214            | 159,285            | 150,846            | 121,701            | 87,810             |
| Other, net (deduction) (1)                                     | 16,978             | 18,002             | 50,689             | 80,122             | 51,055             | 15,806             | 19,587             | 43,453             | 119                | (9,867)            | 25,327             |
| Provision for losses (net of tax) (2)                          | (47,032)           | —                  | —                  | —                  | —                  | —                  | (30,000)           | —                  | —                  | —                  | —                  |
| Income taxes net, credit (3)                                   | 23,649             | 18,158             | 24,747             | 20,958             | 13,029             | 53,147             | 39,247             | 51,305             | 57,400             | 56,778             | 18,762             |
| Total other income   | 46,211             | 72,902             | 127,880            | 163,821            | 162,795            | 213,001            | 175,048            | 254,043            | 208,365            | 168,612            | 131,899            |
| Income before interest deductions                              | 675,762            | 730,859            | 712,656            | 691,856            | 710,896            | 662,215            | 564,816            | 530,393            | 488,465            | 422,489            | 368,900            |
| <b>INTEREST DEDUCTIONS</b>                                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Interest on long-term debt                                     | 235,061            | 237,367            | 252,503            | 267,345            | 276,520            | 272,349            | 254,643            | 245,070            | 220,271            | 179,363            | 165,926            |
| Other interest   | 7,979              | 3,853              | 5,764              | 3,926              | 3,075              | 6,766              | 12,802             | 11,694             | 17,287             | 9,752              | 6,533              |
| Allowance for borrowed funds used during construction (credit) | (15,409)           | (10,559)           | (13,445)           | (17,008)           | (30,030)           | (48,177)           | (52,506)           | (62,622)           | (60,184)           | (41,386)           | (34,160)           |
| Total interest deductions                                      | 227,631            | 230,661            | 244,822            | 254,263            | 249,565            | 230,938            | 214,939            | 194,142            | 177,374            | 147,729            | 138,299            |
| Income before accounting change or extraordinary item          | 448,131            | 500,198            | 467,834            | 437,593            | 461,331            | 431,277            | 349,877            | 336,251            | 311,091            | 274,760            | 230,601            |
| <b>ACCOUNTING CHANGE AND EXTRAORDINARY ITEM (4)</b>            | <b>102,255</b>     | <b>—</b>           | <b>—</b>           | <b>—</b>           | <b>—</b>           | <b>—</b>           | <b>48,304</b>      | <b>—</b>           | <b>—</b>           | <b>—</b>           | <b>—</b>           |
| <b>NET INCOME</b>  | <b>550,386</b>     | <b>500,198</b>     | <b>467,834</b>     | <b>437,593</b>     | <b>461,331</b>     | <b>431,277</b>     | <b>398,181</b>     | <b>336,251</b>     | <b>311,091</b>     | <b>274,760</b>     | <b>230,601</b>     |
| Dividends on preferred and preference stocks                   | 53,329             | 54,264             | 58,767             | 60,912             | 61,786             | 62,600             | 62,164             | 57,895             | 58,612             | 52,562             | 46,632             |
| <b>EARNINGS FOR COMMON STOCK</b>                               | <b>\$ 497,057</b>  | <b>\$ 445,934</b>  | <b>\$ 409,067</b>  | <b>\$ 376,681</b>  | <b>\$ 399,545</b>  | <b>\$ 368,677</b>  | <b>\$ 336,017</b>  | <b>\$ 278,356</b>  | <b>\$ 252,479</b>  | <b>\$ 222,198</b>  | <b>\$ 183,969</b>  |

(1) Reclassified in 1987 and 1986 to conform with 1988 classifications to reflect consolidation of subsidiaries. 1978 through 1985 includes earnings of subsidiaries net of taxes.

(2) In 1988, loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba. In 1982, loss on disposal of assets.

(3) Reclassified in 1987 and 1986 to conform with 1988 classifications. 1986 through 1988 includes taxes on subsidiary income.

(4) In 1988, cumulative effect of change in method of accounting for accrual of estimated unbilled revenues effective January 1, 1988. In 1982, extraordinary gain on retirement of bonds.



**BALANCE SHEETS****December 31***(Dollars in Thousands)***ASSETS****ELECTRIC PLANT** (at original cost)

|  | 1988                | 1987         | 1986        | 1985        | 1984        | 1983        | 1982        | 1981        | 1980        | 1979        | 1978        |
|--|---------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Electric plant in service . . . . .                      | <b>\$10,659,521</b> | \$10,072,552 | \$9,445,032 | \$8,609,284 | \$7,810,094 | \$6,270,799 | \$5,940,941 | \$5,662,674 | \$4,419,152 | \$4,126,513 | \$3,964,825 |
| Less accumulated depreciation and amortization . . . . . | <b>4,323,916</b>    | 3,859,917    | 3,407,345   | 3,034,473   | 2,646,266   | 2,405,150   | 2,106,427   | 1,842,831   | 1,629,109   | 1,399,032   | 1,239,250   |
| Electric plant in service, net . . . . .                 | <b>6,335,605</b>    | 6,212,635    | 6,037,687   | 5,574,811   | 5,163,828   | 3,865,649   | 3,834,514   | 3,819,843   | 2,790,043   | 2,727,481   | 2,725,575   |
| Construction work in progress . . . . .                  | <b>1,038,091</b>    | 704,610      | 601,064     | 817,350     | 988,790     | 2,296,843   | 2,551,177   | 2,178,464   | 3,114,807   | 2,481,957   | 1,844,323   |
| Total electric plant, net . . . . .                      | <b>7,373,696</b>    | 6,917,245    | 6,638,751   | 6,392,161   | 6,152,618   | 6,162,492   | 6,385,691   | 5,998,307   | 5,904,850   | 5,209,438   | 4,569,898   |

**OTHER PROPERTY AND INVESTMENTS**

|  |                |         |         |         |         |         |         |         |        |        |        |
|--|----------------|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|
| Other property — at cost (less accumulated depreciation) (1) . . . . . | <b>106,843</b> | 73,657  | 40,100  | 39,951  | 38,774  | 34,773  | 28,675  | 26,444  | 22,447 | 22,267 | 21,623 |
| Investments in and advances to subsidiaries (1) . . . . .              | —              | —       | 85,153  | 88,812  | 77,785  | 61,808  | 75,430  | 54,981  | 34,373 | 18,412 | 23,558 |
| Other investments — at cost or less (1)(2) . . . . .                   | <b>115,957</b> | 166,594 | 289,721 | 254,356 | 22,596  | 29,317  | 24,900  | 22,592  | 8,845  | 8,809  | 8,759  |
| Total other property and investments . . . . .                         | <b>222,800</b> | 240,251 | 414,974 | 383,119 | 139,155 | 125,898 | 129,005 | 104,017 | 65,665 | 49,488 | 53,940 |

**CURRENT ASSETS**

|  |                |         |         |         |           |         |         |         |         |         |         |
|--|----------------|---------|---------|---------|-----------|---------|---------|---------|---------|---------|---------|
| Cash . . . . .   | <b>20,676</b>  | 21,509  | 3,614   | 2,743   | 5,754     | 596     | 4,053   | 4,526   | 1,835   | 4,833   | 20,794  |
| Short-term investments (1) . . . . .                     | <b>89,711</b>  | 237,658 | 113,129 | 293,262 | 815,628   | 125,590 | —       | —       | —       | —       | 17,000  |
| Receivables (less allowance for losses) (1)(3) . . . . . | <b>456,554</b> | 332,120 | 325,915 | 244,658 | 262,669   | 232,577 | 162,671 | 189,036 | 128,549 | 142,751 | 102,924 |
| Fuel clause revenues accrued . . . . .                   | —              | —       | —       | —       | —         | —       | —       | —       | —       | —       | 16,672  |
| Refundable income taxes . . . . .                        | —              | —       | —       | —       | —         | 41,209  | —       | —       | —       | —       | —       |
| Materials and supplies — at average cost                 |                |         |         |         |           |         |         |         |         |         |         |
| Coal . . . . .   | <b>83,405</b>  | 86,923  | 84,137  | 150,085 | 114,787   | 138,217 | 179,987 | 126,581 | 133,156 | 130,889 | 122,586 |
| Other . . . . .  | <b>169,622</b> | 161,901 | 148,850 | 126,268 | 107,831   | 105,735 | 98,815  | 93,457  | 79,552  | 67,800  | 61,062  |
| Prepayments . . . . .                                    | <b>12,124</b>  | 13,754  | 15,077  | 14,706  | 8,073     | 10,316  | 8,841   | 6,172   | 5,334   | 1,528   | —       |
| Total current assets . . . . .                           | <b>832,092</b> | 853,865 | 690,722 | 831,722 | 1,314,742 | 654,240 | 454,367 | 419,772 | 348,426 | 347,801 | 341,038 |

**DEFERRED DEBITS**

|  |                |         |         |         |         |         |        |       |       |       |        |
|--|----------------|---------|---------|---------|---------|---------|--------|-------|-------|-------|--------|
| Canceled construction projects . . . . .                           | <b>182,542</b> | 251,085 | 296,016 | 341,214 | 395,519 | 414,633 | 77,794 | —     | —     | —     | —      |
| Purchased capacity costs . . . . .                                 | <b>192,084</b> | 153,793 | 101,160 | 41,872  | —       | —       | —      | —     | —     | —     | —      |
| Debt expense, being amortized over terms of related debt . . . . . | <b>75,835</b>  | 78,978  | 62,106  | 16,946  | 4,068   | 4,045   | 4,961  | 3,113 | 3,282 | 2,932 | 11,926 |
| Other . . . . .  | <b>11,556</b>  | 16,577  | 23,000  | 17,129  | 12,716  | 18,137  | 5,962  | 5,835 | 5,951 | 5,713 | 7,819  |
| Total deferred debits . . . . .                                    | <b>462,017</b> | 500,433 | 482,282 | 417,161 | 412,303 | 436,815 | 88,717 | 8,948 | 9,233 | 8,645 | 19,745 |

**TOTAL ASSETS**

|  |                     |              |             |             |             |             |             |             |             |             |             |
|--|---------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <b>\$ 8,890,605</b> | \$ 8,511,794 | \$8,226,729 | \$8,024,163 | \$8,018,818 | \$7,379,445 | \$7,057,780 | \$6,531,044 | \$6,328,174 | \$5,615,372 | \$4,984,621 |
|--|---------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

(1) Reclassified in 1987 to conform with 1988 classifications to reflect consolidation of subsidiaries.

(2) Primarily includes marketable securities from 1985 through 1988.

(3) In 1988, includes unbilled revenues. From 1979 through 1982, includes amounts accrued under South Carolina retail fuel cost recovery procedures.



# BALANCE SHEETS

December 31

(Dollars in Thousands)

## CAPITALIZATION AND LIABILITIES

### CAPITALIZATION

Capital stock and retained earnings

|   | 1988        | 1987        | 1986        | 1985        | 1984        | 1983        | 1982        | 1981        | 1980        | 1979        | 1978        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Common stock, no par  | \$1,862,495 | \$1,862,177 | \$1,861,628 | \$1,860,623 | \$1,859,639 | \$1,820,828 | \$1,734,611 | \$1,579,093 | \$1,535,895 | \$1,414,791 | \$1,271,028 |
| Retained earnings   | 1,581,901   | 1,374,093   | 1,210,229   | 1,071,814   | 952,360     | 795,512     | 653,981     | 529,842     | 433,245     | 343,225     | 266,173     |
| Total common stock equity   | 3,444,396   | 3,236,270   | 3,071,857   | 2,932,437   | 2,811,999   | 2,616,340   | 2,388,592   | 2,108,935   | 1,969,140   | 1,758,016   | 1,537,201   |
| Preferred and preference stocks —<br>excluding current maturities | 683,533     | 691,876     | 690,541     | 696,564     | 705,960     | 717,201     | 728,061     | 697,284     | 712,417     | 677,106     | 637,447     |
| Total capital stock and retained earnings                         | 4,127,929   | 3,928,146   | 3,762,398   | 3,629,001   | 3,517,959   | 3,333,541   | 3,116,653   | 2,806,219   | 2,681,557   | 2,435,122   | 2,174,648   |
| Long-term debt — excluding current<br>maturities                  | 2,728,794   | 2,723,382   | 2,752,302   | 2,721,041   | 2,696,795   | 2,745,889   | 2,712,372   | 2,545,694   | 2,594,008   | 2,300,488   | 1,974,209   |
| Total capitalization  | 6,856,723   | 6,651,528   | 6,514,700   | 6,350,042   | 6,214,754   | 6,079,430   | 5,829,025   | 5,351,913   | 5,275,565   | 4,735,610   | 4,148,857   |

### CURRENT LIABILITIES

|  |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Accounts payable (1)   | 264,988 | 198,011 | 143,039 | 159,125 | 275,112 | 116,297 | 87,664  | 87,290  | 61,127  | 94,191  | 112,568 |
| Taxes accrued  | 26,652  | 49,590  | 104,282 | 52,923  | 214,064 | 56,063  | 61,037  | 59,958  | 45,610  | 41,286  | 68,993  |
| Interest accrued   | 67,945  | 67,075  | 68,542  | 86,539  | 88,114  | 89,973  | 85,453  | 71,615  | 71,056  | 55,501  | 53,366  |
| Other  | 57,334  | 51,143  | 49,718  | 77,217  | 67,668  | 26,075  | 25,360  | 26,872  | 24,282  | 11,301  | 9,946   |
| Total  | 416,919 | 365,819 | 365,581 | 375,804 | 644,958 | 288,408 | 259,514 | 245,735 | 202,075 | 202,279 | 244,873 |
| Notes payable for construction — pending<br>permanent financing  | —       | —       | —       | —       | —       | —       | 57,210  | 171,350 | 197,000 | 112,000 | —       |
| Current maturities of long-term debt and<br>preferred stocks (2) | 51,343  | 59,579  | 38,911  | 133,342 | 119,819 | 55,993  | 60,851  | 79,646  | 74,110  | 41,267  | 149,107 |
| Total current liabilities  | 468,262 | 425,398 | 404,492 | 509,146 | 764,777 | 344,401 | 377,575 | 496,731 | 473,185 | 355,546 | 393,980 |

### ACCUMULATED DEFERRED INCOME TAXES

|  |           |           |         |         |         |         |         |         |         |         |         |
|--|-----------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | 1,117,383 | 1,028,427 | 913,426 | 775,333 | 683,023 | 605,399 | 486,834 | 419,958 | 374,684 | 341,650 | 313,058 |
|--|-----------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

### DEFERRED CREDITS & OTHER LIABILITIES

|  |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Investment tax credit                      | 331,644 | 335,647 | 341,124 | 353,227 | 329,376 | 313,139 | 349,327 | 249,208 | 193,276 | 162,945 | 111,661 |
| Other                                      | 116,593 | 70,794  | 52,987  | 36,415  | 26,888  | 37,076  | 15,019  | 13,234  | 11,464  | 19,621  | 17,065  |
| Total deferred credits & other liabilities | 448,237 | 406,441 | 394,111 | 389,642 | 356,264 | 350,215 | 364,346 | 262,442 | 204,740 | 182,566 | 128,726 |

### TOTAL CAPITALIZATION AND LIABILITIES

|  |             |             |             |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | \$8,890,605 | \$8,511,794 | \$8,226,729 | \$8,024,163 | \$8,018,818 | \$7,379,445 | \$7,057,780 | \$6,531,044 | \$6,328,174 | \$5,615,372 | \$4,984,621 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

(1) 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 \$122 million of nuclear fuel disposal costs were also included and paid to the Department of Energy in June 1985.

(2) For 1979 "Current maturities of long-term debt and preferred stocks" were restated to include estimated nuclear fuel trust maturities.



## STATEMENTS OF RETAINED EARNINGS

Years Ended December 31

(Dollars in Thousands)

|                                    | 1988               | 1987        | 1986        | 1985        | 1984       | 1983       | 1982      | 1981      | 1980      | 1979      | 1978      |
|------------------------------------|--------------------|-------------|-------------|-------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| <b>BALANCE</b> — Beginning of year | <b>\$1,374,093</b> | \$1,210,229 | \$1,071,814 | \$ 952,360  | \$ 795,512 | \$ 653,981 | \$529,842 | \$433,245 | \$343,225 | \$266,173 | \$207,897 |
| <b>ADD</b>                         |                    |             |             |             |            |            |           |           |           |           |           |
| Net Income                         | <b>550,386</b>     | 500,198     | 467,834     | 437,593     | 461,331    | 431,277    | 398,181   | 336,251   | 311,091   | 274,760   | 230,601   |
| <b>Total</b>                       | <b>1,924,479</b>   | 1,710,427   | 1,539,648   | 1,389,953   | 1,256,843  | 1,085,258  | 928,023   | 769,496   | 654,316   | 540,933   | 438,498   |
| <b>DEDUCT</b>                      |                    |             |             |             |            |            |           |           |           |           |           |
| Dividends                          |                    |             |             |             |            |            |           |           |           |           |           |
| Common Stock                       | <b>291,635</b>     | 277,427     | 267,224     | 256,995     | 242,791    | 226,964    | 210,206   | 181,703   | 159,240   | 141,035   | 121,961   |
| Preferred and preference stocks    | <b>53,329</b>      | 54,264      | 58,767      | 60,912      | 61,786     | 62,600     | 62,164    | 57,895    | 58,612    | 52,562    | 46,632    |
| Capital stock transactions, net    | <b>(2,386)</b>     | 4,643       | 3,428       | 232         | (94)       | 182        | 1,672     | 56        | 3,219     | 4,111     | 3,732     |
| <b>Total deductions</b>            | <b>342,578</b>     | 336,334     | 329,419     | 318,139     | 304,483    | 289,746    | 274,042   | 239,654   | 221,071   | 197,708   | 172,325   |
| <b>BALANCE</b> — End of year       | <b>\$1,581,901</b> | \$1,374,093 | \$1,210,229 | \$1,071,814 | \$ 952,360 | \$ 795,512 | \$653,981 | \$529,842 | \$433,245 | \$343,225 | \$266,173 |

## COMMON STOCK DATA

|   |                |         |         |         |         |         |         |         |         |         |         |
|---|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>NUMBER OF SHAREHOLDERS</b> (year-end)                          | <b>120,277</b> | 119,107 | 108,045 | 116,549 | 120,395 | 124,609 | 121,218 | 123,975 | 129,042 | 120,218 | 107,087 |
| <b>SHARES OUTSTANDING</b> (thousands)                             |                |         |         |         |         |         |         |         |         |         |         |
| Year-end  | <b>101,272</b> | 101,259 | 101,236 | 101,194 | 101,153 | 99,634  | 95,949  | 88,483  | 86,294  | 79,489  | 72,132  |
| Weighted Average  | <b>101,266</b> | 101,250 | 101,220 | 101,178 | 100,346 | 97,784  | 93,679  | 87,313  | 81,985  | 77,168  | 70,367  |
| <b>BOOK VALUE PER SHARE</b> (year-end)                            | <b>\$34.01</b> | \$31.96 | \$30.34 | \$28.98 | \$27.80 | \$26.26 | \$24.89 | \$23.83 | \$22.82 | \$22.12 | \$21.31 |
| <b>MARKET PRICE</b>   |                |         |         |         |         |         |         |         |         |         |         |
| High  | <b>49</b>      | 51¾     | 52      | 36⅞     | 30⅞     | 26⅞     | 24      | 22½     | 19¼     | 20⅝     | 22      |
| Low   | <b>42¼</b>     | 39⅞     | 34⅞     | 28½     | 22¼     | 21¾     | 20⅞     | 15⅞     | 14⅞     | 16¼     | 18⅞     |
| Year-end  | <b>46¼</b>     | 42⅞     | 45¼     | 35⅞     | 29      | 25⅞     | 23¼     | 20⅞     | 18⅞     | 17¼     | 19⅞     |
| <b>PRICE-EARNINGS RATIO</b> (year-end)                            | <b>9.42</b>    | 9.74    | 11.20   | 9.51    | 7.29    | 6.66    | 6.48    | 6.47    | 5.88    | 5.99    | 7.42    |
| <b>PER SHARE</b>  |                |         |         |         |         |         |         |         |         |         |         |
| Earnings before change in accounting method or extraordinary item | <b>\$3.90</b>  | \$4.40  | \$4.04  | \$3.72  | \$3.98  | \$3.77  | \$3.07  | \$3.19  | \$3.08  | \$2.88  | \$2.61  |
| Cumulative effect of a change in method of accounting (1)         | <b>\$1.01</b>  | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Extraordinary item (2)  | —              | —       | —       | —       | —       | —       | \$ .52  | —       | —       | —       | —       |
| Earnings  | <b>\$4.91</b>  | \$4.40  | \$4.04  | \$3.72  | \$3.98  | \$3.77  | \$3.59  | \$3.19  | \$3.08  | \$2.88  | \$2.61  |
| Dividends   | <b>\$2.88</b>  | \$2.74  | \$2.64  | \$2.54  | \$2.42  | \$2.32  | \$2.24  | \$2.08  | \$1.95  | \$1.83  | \$1.74  |
| <b>DIVIDEND PAYOUT RATIO</b> (%)                                  | <b>59</b>      | 62      | 65      | 68      | 61      | 62      | 62      | 65      | 63      | 64      | 67      |
| <b>TOTAL COMPANY RETURN ON AVERAGE COMMON EQUITY</b> (%) (3)      | <b>13.4</b>    | 14.2    | 13.7    | 13.1    | 14.8    | 14.8    | 13.9    | 13.7    | 13.7    | 13.3    | 12.6    |

(1) Cumulative effect of change in method of accounting for accrual of estimated unbilled revenues effective January 1, 1988.

(2) Gain on retirement of bonds.

(3) In 1988 excludes the cumulative effect of the accounting change for unbilled revenues, and the provision for loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba. In 1982 excludes extraordinary item-gain on retirement of bonds, and excludes provision for loss on coal mining assets.



# STATEMENTS OF CASH FLOWS

Years Ended December 31

(Dollars in Thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES

|  | 1988       | 1987       | 1986       |
|--|------------|------------|------------|
| Net income   | \$ 550,386 | \$ 500,198 | \$ 467,834 |
| Adjustments to reconcile net income to net cash provided by operating activities:                |            |            |            |
| Non-cash items   |            |            |            |
| Depreciation and amortization  | 632,866    | 616,956    | 477,423    |
| Deferred income taxes and investment tax credit, net of amortization                             | (16,699)   | 82,623     | 161,596    |
| Allowance for equity funds used during construction  | (52,616)   | (36,742)   | (52,444)   |
| Purchased capacity levelization  | (95,738)   | (134,452)  | (77,258)   |
| Provision for abandonment loss   | 81,999     | —          | —          |
| Cumulative effect of a change in method of accounting for unbilled revenues, net of income taxes | (102,255)  | —          | —          |
| Other, net   | 62,970     | 46,367     | (2,837)    |
| (Increase) Decrease in   |            |            |            |
| Accounts receivable  | (5,464)    | (6,360)    | (81,162)   |
| Materials and supplies   | (4,203)    | (15,837)   | 43,366     |
| Prepayments  | 1,630      | 1,323      | (371)      |
| Increase (Decrease) in   |            |            |            |
| Accounts payable   | 41,935     | 42,396     | (11,606)   |
| Taxes accrued  | (19,010)   | (54,692)   | 51,359     |
| Interest accrued and other liabilities   | 7,061      | (43)       | (45,496)   |
| Total adjustments  | 532,476    | 541,539    | 462,570    |
| Net cash provided by operating activities  | 1,082,862  | 1,041,737  | 930,404    |

## CASH FLOWS FROM INVESTING ACTIVITIES

|  |           |           |           |
|--|-----------|-----------|-----------|
| Construction expenditures and investment in nuclear fuel | (896,651) | (740,884) | (642,388) |
| Purchase of Nantahala Power and Light                    | (29,576)  | —         | —         |
| Proceeds from sale of assets                             | —         | 23,496    | —         |
| Net change in investment securities                      | 198,586   | 55,656    | 153,619   |
| Net cash used in investing activities                    | (727,641) | (661,732) | (488,769) |

## CASH FLOWS FROM FINANCING ACTIVITIES

|   |           |           |           |
|---|-----------|-----------|-----------|
| Proceeds from the issuance of           |           |           |           |
| First and refunding mortgage bonds      | —         | 245,866   | 394,006   |
| Pollution-control bonds                 | 1,283     | 38,734    | 7,251     |
| Nuclear fuel trusts                     | 85,612    | 77,388    | 57,597    |
| Preferred stock                         | —         | 49,563    | 98,612    |
| Payments for the redemption of          |           |           |           |
| First and refunding mortgage bonds      | —         | (285,752) | (426,495) |
| Pollution-control bonds                 | —         | (25,000)  | —         |
| Nuclear fuel trusts                     | (85,612)  | (76,388)  | (57,597)  |
| Preferred stock                         | (8,025)   | (50,848)  | (104,775) |
| Term notes                              | —         | —         | (79,725)  |
| Payments under capital lease obligation | (4,348)   | (3,982)   | (3,647)   |
| Dividends paid                          | (344,964) | (331,691) | (325,991) |
| Net cash used in financing activities   | (356,054) | (362,110) | (440,764) |

|                                 |           |           |          |
|---------------------------------|-----------|-----------|----------|
| Net increase (decrease) in cash | (833)     | 17,895    | 871      |
| Cash at beginning of year       | 21,509    | 3,614     | 2,743    |
| Cash at end of year             | \$ 20,676 | \$ 21,509 | \$ 3,614 |



# STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31

(Dollars in Thousands)

## SOURCES OF FUNDS

|  | 1985        | 1984       | 1983      |
|--|-------------|------------|-----------|
| Operations   |             |            |           |
| Net income   | \$ 437,593  | \$ 461,331 | \$431,277 |
| Non-fund items:  |             |            |           |
| Depreciation and amortization  | 484,527     | 469,711    | 324,608   |
| Deferred income taxes and investment tax credit, net of amortization | 141,105     | 103,800    | 333,045   |
| Allowance for equity funds used during construction                  | (62,741)    | (98,711)   | (144,048) |
| Purchased capacity levelization                                      | (22,440)    | —          | —         |
| Other, net   | (67,219)    | (13,137)   | (6,073)   |
| Total funds from operations  | 910,825     | 922,994    | 938,809   |
| Funds from financing   |             |            |           |
| Issuance of first and refunding mortgage bonds                       | 172,404     | —          | —         |
| Proceeds from the sale of an interest in the Catawba Nuclear Station | —           | 457,086    | —         |
| Issuance of common stock   | —           | 37,194     | 84,326    |
| Issuance of pollution-control bonds                                  | 34,114      | 60,720     | 45,648    |
| Nuclear fuel trusts  | 57,638      | 84,461     | 60,645    |
| Total funds from financing   | 264,156     | 639,461    | 190,619   |
| Change in short-term position and other marketable securities        | 294,222     | (690,038)  | (182,800) |
| Total sources of funds   | \$1,469,203 | \$ 872,417 | \$946,628 |

## APPLICATIONS OF FUNDS

|  |             |            |           |
|--|-------------|------------|-----------|
| Construction expenditures                            | \$ 594,431  | \$ 546,043 | \$535,678 |
| Long-term debt, capital stocks retired or reacquired | 247,192     | 138,652    | 81,097    |
| Dividends paid                                       | 317,907     | 304,577    | 289,564   |
| Change in working capital (1)                        | 308,500     | (386,086)  | 45,389    |
| Other applications, net                              | 1,173       | 269,231    | (5,100)   |
| Total applications of funds                          | \$1,469,203 | \$ 872,417 | \$946,628 |

## CHANGE IN WORKING CAPITAL:

|  |            |             |            |
|--|------------|-------------|------------|
| Increase/(Decrease) in current assets      |            |             |            |
| Cash                                       | \$ (3,011) | \$ 5,158    | \$ (3,457) |
| Receivables                                | (18,011)   | 30,092      | 69,906     |
| Refundable income taxes                    | —          | (41,209)    | 41,209     |
| Materials and supplies                     | 53,735     | (21,334)    | (34,850)   |
| Prepayments                                | 6,633      | (2,243)     | 1,475      |
| Decrease/(Increase) in current liabilities |            |             |            |
| Accounts payable                           | (6,016)    | (36,812)    | (28,633)   |
| Nuclear fuel disposal costs payable        | 122,003    | (122,003)   | —          |
| Taxes accrued                              | 161,141    | (158,001)   | 4,974      |
| Interest accrued and other liabilities     | (7,974)    | (39,734)    | (5,235)    |
| Change in working capital (1)              | \$ 308,500 | \$(386,086) | \$ 45,389  |

(1) Excludes change in short-term position and change in current maturities of long-term debt and preferred stock.



# STATEMENTS OF SOURCE OF FUNDS FOR PLANT CONSTRUCTION COSTS

Years Ended December 31

(Dollars in Thousands)

## FUNDS FROM OPERATIONS

|   | 1982      | 1981      | 1980      | 1979      | 1978      |
|---|-----------|-----------|-----------|-----------|-----------|
| Income before non-fund extraordinary item                               | \$349,877 | \$336,251 | \$311,091 | \$274,760 | \$230,601 |
| Non-fund items  |           |           |           |           |           |
| Depreciation and amortization<br>(includes nuclear fuel amortization)   | 268,651   | 224,675   | 210,600   | 190,110   | 170,373   |
| Deferred income taxes, net of amortization                              | 57,272    | 53,640    | 36,393    | 40,708    | 44,033    |
| Investment tax credit, net of amortization                              | 102,243   | 55,932    | 31,805    | 51,283    | 45,753    |
| Equity component of the allowance for<br>funds used during construction | (146,214) | (159,285) | (150,846) | (121,701) | (87,810)  |
| Other, net  | 25,171    | (13,146)  | 2,989     | (5,854)   | (2,669)   |
| Funds from operations   | 657,000   | 498,067   | 442,032   | 429,306   | 400,281   |
| Dividends paid on common stock  | (210,206) | (181,703) | (159,235) | (141,023) | (121,961) |
| Dividends paid on preferred and<br>preference stocks                    | (61,909)  | (57,895)  | (58,383)  | (52,562)  | (46,312)  |
| Funds retained in the business  | 384,885   | 258,469   | 224,414   | 235,721   | 232,008   |

## FUNDS FROM FINANCING AND SALE OF ASSETS — NET PROCEEDS

|  |           |          |         |         |           |
|--|-----------|----------|---------|---------|-----------|
| First and refunding mortgage bonds                       | 221,521   | —        | 271,150 | 295,768 | 123,249   |
| Common stock   | 199,134   | 35,954   | 105,829 | 131,561 | 124,667   |
| Term notes and pollution control obligations             | 79,721    | —        | 10,000  | —       | 80        |
| Preferred and preference stocks                          | 38,296    | —        | 49,323  | 49,251  | 89,674    |
| Sale and sale/lease-back transactions                    | 33,052    | 42,248   | 30,664  | 76,254  | 48,953    |
| Sale of an interest in the Catawba Nuclear Station       | —         | 520,562  | —       | —       | 260,047   |
| Increase (decrease) in notes payable<br>for construction | (114,140) | (25,650) | 85,000  | 112,000 | (174,095) |
| Funds from financing and sale of assets                  | 457,584   | 573,114  | 551,966 | 664,834 | 472,575   |
| Total available funds                                    | 842,469   | 831,583  | 776,380 | 900,555 | 704,583   |

## WORKING CAPITAL REQUIREMENT (INCREASE) DECREASE

|          |          |          |          |        |
|----------|----------|----------|----------|--------|
| (58,068) | (92,946) | (31,000) | (43,536) | 11,330 |
|----------|----------|----------|----------|--------|

## LONG-TERM DEBT RETIRED AND PREFERRED STOCK REACQUIRED

|           |          |          |           |          |
|-----------|----------|----------|-----------|----------|
| (194,555) | (93,551) | (43,211) | (150,412) | (71,405) |
|-----------|----------|----------|-----------|----------|

## PLANT CONSTRUCTION EXPENDITURES EQUITY COMPONENT OF THE ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| 589,846 | 645,086 | 702,169 | 706,607 | 644,508 |
| 146,214 | 159,285 | 150,846 | 121,701 | 87,810  |

## PLANT CONSTRUCTION COSTS

|           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|
| \$736,060 | \$804,371 | \$853,015 | \$828,308 | \$732,318 |
|-----------|-----------|-----------|-----------|-----------|

## SUMMARY OF PLANT CONSTRUCTION COSTS

|              |           |           |           |           |           |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Production   | \$405,329 | \$504,292 | \$590,420 | \$571,023 | \$507,130 |
| Transmission | 40,599    | 36,233    | 51,300    | 42,566    | 27,326    |
| Distribution | 113,881   | 112,073   | 92,990    | 89,841    | 77,685    |
| General      | 23,895    | 22,557    | 25,000    | 26,812    | 17,468    |
| Subtotal     | 583,704   | 675,155   | 759,710   | 730,242   | 629,609   |
| Nuclear fuel | 152,356   | 129,216   | 93,305    | 98,066    | 102,709   |

## PLANT CONSTRUCTION COSTS

|           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|
| \$736,060 | \$804,371 | \$853,015 | \$828,308 | \$732,318 |
|-----------|-----------|-----------|-----------|-----------|



# FINANCIAL STATISTICS

December 31

(Dollars in Thousands)

## CAPITALIZATION AND CURRENT DEBT

|  | 1988               | 1987        | 1986        | 1985        | 1984        | 1983        | 1982        | 1981        | 1980        | 1979        | 1978        |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Common stock equity</b>                           |                    |             |             |             |             |             |             |             |             |             |             |
| Common stock   | <b>\$1,862,495</b> | \$1,862,177 | \$1,861,628 | \$1,860,623 | \$1,859,639 | \$1,820,828 | \$1,734,611 | \$1,579,093 | \$1,535,895 | \$1,414,791 | \$1,271,028 |
| Retained earnings                                    | <b>1,581,901</b>   | 1,374,093   | 1,210,229   | 1,071,814   | 952,360     | 795,512     | 653,981     | 529,842     | 433,245     | 343,225     | 266,173     |
| <b>Total common stock equity</b>                     | <b>3,444,396</b>   | 3,236,270   | 3,071,857   | 2,932,437   | 2,811,999   | 2,616,340   | 2,388,592   | 2,108,935   | 1,969,140   | 1,758,016   | 1,537,201   |
| <b>Preferred and preference stocks</b>               |                    |             |             |             |             |             |             |             |             |             |             |
| Preferred stock without sinking fund requirements    | <b>425,000</b>     | 425,000     | 465,000     | 415,000     | 415,000     | 415,000     | 415,000     | 375,000     | 375,000     | 375,000     | 375,000     |
| Preferred stock with sinking fund requirements       | <b>263,875</b>     | 271,900     | 229,925     | 288,950     | 298,475     | 308,000     | 313,500     | 317,000     | 318,500     | 270,000     | 220,000     |
| Preference stock                                     | <b>2,683</b>       | 3,001       | 3,550       | 4,552       | 5,534       | 7,148       | 9,035       | 13,610      | 20,858      | 33,606      | 42,447      |
| Current sinking fund requirement                     | <b>(8,025)</b>     | (8,025)     | (6,645)     | (6,400)     | (6,400)     | (6,400)     | (4,000)     | (2,000)     | —           | (1,500)     | —           |
| Reacquired shares of preferred stock                 | <b>—</b>           | —           | (1,289)     | (5,538)     | (6,649)     | (6,547)     | (5,474)     | (6,326)     | (1,941)     | —           | —           |
| <b>Total preferred and preference stocks</b>         | <b>683,533</b>     | 691,876     | 690,541     | 696,564     | 705,960     | 717,201     | 728,061     | 697,284     | 712,417     | 677,106     | 637,447     |
| <b>Long-term debt</b>                                |                    |             |             |             |             |             |             |             |             |             |             |
| First and refunding mortgage bonds                   | <b>2,630,803</b>   | 2,630,506   | 2,635,790   | 2,614,136   | 2,530,506   | 2,511,370   | 2,474,598   | 2,376,250   | 2,418,000   | 2,149,750   | 1,896,500   |
| Sinking fund debentures                              | <b>—</b>           | —           | —           | —           | —           | —           | —           | 25,000      | 25,000      | 25,000      | 25,000      |
| Term notes and pollution control obligations         | <b>—</b>           | —           | —           | 21,000      | 23,000      | 25,000      | 29,500      | 11,000      | 12,500      | 2,500       | 102,500     |
| Promissory note due subsidiary                       | <b>—</b>           | —           | —           | 58,725      | 58,725      | 58,725      | 58,725      | —           | —           | —           | —           |
| Capitalized leases and nuclear fuel trusts           | <b>161,560</b>     | 165,908     | 168,890     | 172,537     | 215,877     | 218,937     | 221,738     | 226,579     | 228,862     | 176,591     | 100,486     |
| Unamortized debt discount and premium, net           | <b>(20,251)</b>    | (21,478)    | (20,112)    | (18,415)    | (17,894)    | (18,550)    | (15,338)    | (15,489)    | (16,244)    | (13,586)    | (1,170)     |
| Current maturities of long-term debt                 | <b>(43,318)</b>    | (51,554)    | (32,266)    | (126,942)   | (113,419)   | (49,593)    | (56,851)    | (77,646)    | (74,110)    | (39,767)    | (149,107)   |
| <b>Total long-term debt</b>                          | <b>2,728,794</b>   | 2,723,382   | 2,752,302   | 2,721,041   | 2,696,795   | 2,745,889   | 2,712,372   | 2,545,694   | 2,594,008   | 2,300,488   | 1,974,209   |
| <b>Total capitalization</b>                          | <b>6,856,723</b>   | 6,651,528   | 6,514,700   | 6,350,042   | 6,214,754   | 6,079,430   | 5,829,025   | 5,351,913   | 5,275,565   | 4,735,610   | 4,148,857   |
| Short-term notes payable                             | <b>—</b>           | —           | —           | —           | —           | —           | 57,210      | 171,350     | 197,000     | 112,000     | —           |
| Current maturities and sinking funds (1)             | <b>51,343</b>      | 59,579      | 40,200      | 138,880     | 126,468     | 62,540      | 66,325      | 85,972      | 76,051      | 41,267      | 149,107     |
| <b>Total capitalization and current debt</b>         | <b>\$6,908,066</b> | \$6,711,107 | \$6,554,900 | \$6,488,922 | \$6,341,222 | \$6,141,970 | \$5,952,560 | \$5,609,235 | \$5,548,616 | \$4,888,877 | \$4,297,964 |
| <b>CAPITALIZATION RATIOS (%) (2)</b>                 |                    |             |             |             |             |             |             |             |             |             |             |
| Common stock equity                                  | <b>50.2</b>        | 48.7        | 47.2        | 46.2        | 45.2        | 43.0        | 41.0        | 39.4        | 37.3        | 37.1        | 37.0        |
| Preferred and preference stocks                      | <b>10.0</b>        | 10.4        | 10.6        | 11.0        | 11.4        | 11.8        | 12.5        | 13.0        | 13.5        | 14.3        | 15.4        |
| Long-term debt                                       | <b>39.8</b>        | 40.9        | 42.2        | 42.8        | 43.4        | 45.2        | 46.5        | 47.6        | 49.2        | 48.6        | 47.6        |
| <b>EMBEDDED COST (%)</b>                             |                    |             |             |             |             |             |             |             |             |             |             |
| Preferred and preference stocks                      | <b>7.94</b>        | 7.93        | 8.21        | 8.75        | 8.75        | 8.62        | 8.61        | 8.22        | 8.22        | 8.00        | 7.91        |
| Long-term debt                                       | <b>8.67</b>        | 8.64        | 8.87        | 9.47        | 9.59        | 9.67        | 9.81        | 9.32        | 9.34        | 8.48        | 8.07        |
| Weighted average                                     | <b>8.53</b>        | 8.50        | 8.74        | 9.32        | 9.42        | 9.40        | 9.55        | 9.02        | 9.10        | 8.37        | 8.03        |
| <b>COVERAGE RATIOS</b>                               |                    |             |             |             |             |             |             |             |             |             |             |
| Fixed charges and preferred dividends (3)            | <b>3.24</b>        | 3.26        | 3.03        | 2.77        | 2.90        | 2.54        | 2.21        | 2.09        | 2.03        | 2.13        | 2.12        |
| Fixed charges  | <b>4.25</b>        | 4.49        | 4.26        | 3.87        | 4.21        | 3.46        | 2.98        | 2.73        | 2.65        | 2.86        | 2.91        |
| SEC method (3)                                       | <b>5.08</b>        | 5.60        | 5.37        | 4.80        | 5.16        | 4.31        | 3.60        | 2.61        | 2.73        | 3.11        | 3.47        |
| Bond indenture method (3)                            |                    |             |             |             |             |             |             |             |             |             |             |
| <b>INTERNAL CASH TO TOTAL AVAILABLE CASH (%) (4)</b> | <b>78.6</b>        | 67.4        | 56.8        | 62.0        | 85.5 (5)    | 83.0        | 45.7        | 93.7 (5)    | 28.9        | 26.2        | 69.8 (5)    |

(1) Includes shares reacquired for sinking fund requirements — at cost.

(2) Calculation excludes short-term notes payable, current maturities and sinking funds.

(3) In 1988, includes the cumulative effect of the accounting change for unbilled revenues.

(4) In 1988, based on net cash from operating activities as a percentage of total cash from operating, financing, and investing activities.

(5) Includes proceeds from the sale of a portion of the Catawba Nuclear Station.



## PREFERRED & PREFERENCE STOCKS

|  |                           |                          |  |  |  | Sinking Fund Requirements        |                           |                |
|--|---------------------------|--------------------------|--|--|--|----------------------------------|---------------------------|----------------|
|  |                           | Dec. 31, 1988<br>(000's) | Regular<br>Redemption Price<br>At Dec. 31, 1988 (\$) | Non-Refundable<br>Prior to Date<br>Indicated (1) | Date of Next<br>Redemption<br>Price Change | Next<br>Redemption<br>Price (\$) | Number Shares<br>Annually | Commencing     |
| Without sinking fund requirements            |                           |                          |  |  |  |                                  |                           |                |
| 4.50%  | Series C (350,000 shares) | \$ 35,000                | 101.00   |  | (2)  | (2)                              |                           |                |
| 5.72%  | Series D (350,000 shares) | 35,000                   | 101.00   |  | (2)  | (2)                              |                           |                |
| 6.72%  | Series E (350,000 shares) | 35,000                   | 102.00   |  | (2)  | (2)                              |                           |                |
| 8.70%  | Series F (600,000 shares) | 60,000                   | 101.00   |  | (2)  | (2)                              |                           |                |
| 8.20%  | Series G (600,000 shares) | 60,000                   | 101.00   |  | (2)  | (2)                              |                           |                |
| 7.80%  | Series H (600,000 shares) | 60,000                   | 103.52   |  | (2)  | (2)                              |                           |                |
| 8.28%  | Series K (500,000 shares) | 50,000                   | 104.11   |  | September 16, 1992                         | 101.35                           |                           |                |
| 8.84%  | Series M (400,000 shares) | 40,000                   | 103.98   |  | September 16, 1993                         | 101.03                           |                           |                |
| With sinking fund requirements               |                           |                          |  |  |  |                                  |                           |                |
| 7.35%  | Series I (480,000 shares) | 48,000                   | 101.00   |  | (2)  | (2)                              | 24,000                    | March 16, 1984 |
| 8.20%  | Series J (360,000 shares) | 36,000                   | 104.00   |  | June 16, 1992                              | 102.00                           | 20,000                    | June 16, 1982  |
| 8.375%                                       | Series L (380,000 shares) | 38,000                   | 104.89   |  | June 16, 1989                              | 104.54                           | 20,000                    | June 16, 1983  |
| 8.84%  | Series N (418,750 shares) | 41,875                   | 105.00   |  | June 16, 1989                              | 103.00                           | 16,250                    | June 16, 1984  |
| 7.875%                                       | Series P (500,000 shares) | 50,000                   | 107.88   | June 16, 1991                                    | June 16, 1991                              | 105.25                           | 15,000                    | June 16, 1992  |
| 7.12%  | Series Q (500,000 shares) | 50,000                   | 107.12   | March 16, 1992                                   | March 16, 1992                             | 104.75                           | 15,000                    | March 16, 1993 |
| Adjustable Rate                              |                           |                          |  |  |  |                                  |                           |                |
| Adjustable Rate A (500,000 shares)           |                           | 50,000                   | (3)  | June 16, 1991 (3)                                | (3)  | (3)                              |                           |                |
| Convertible                                  |                           |                          |  |  |  |                                  |                           |                |
| 6¾% Convertible Series AA<br>(26,830 shares) |                           | 2,683                    | 100.00   |  | (2)  | (2)                              |                           |                |
| Current sinking fund requirements            |                           |                          |  |  |  |                                  |                           |                |
| 7.35%  | Series I                  | (2,400)                  |  |  |  |                                  |                           |                |
| 8.20%  | Series J                  | (2,000)                  |  |  |  |                                  |                           |                |
| 8.375%                                       | Series L                  | (2,000)                  |  |  |  |                                  |                           |                |
| 8.84%  | Series N                  | (1,625)                  |  |  |  |                                  |                           |                |
| Total preferred & preference stocks          |                           | \$683,533                |  |  |  |                                  |                           |                |

(1) Prior to the date indicated, no redemption at the regular redemption price may take place if such redemption is in connection with certain refunding operations at a lower cost of money to the Company.

(2) No Change.

(3) This issue is not redeemable prior to June 16, 1991. The issue will be redeemable on or after June 16, 1991 and prior to June 16, 1996 at a redemption price equal to \$103.00 per share and thereafter at \$100.00 per share.



## LONG-TERM DEBT

|  | Dec. 31, 1988<br>(000's) | Regular Redemption Price<br>At December 31, 1988 (%) | Non-Refundable Prior to<br>Date Indicated (2) | Date of Next<br>Redemption Price Change | Next Redemption Price (%) |
|--|--------------------------|--|---|---|---------------------------|
| First and refunding mortgage bonds (1)     |                          |  |   |   |                           |
| 4½% Series due 1992 (Feb.)                 | \$ 50,000                | 100.57   |   | February 1, 1989                        | 100.38                    |
| 4¼% Series B due 1992 (Aug.)               | 50,000                   | 100.55   |   | August 1, 1989                          | 100.37                    |
| 4½% Series due 1995 (Feb.)                 | 40,000                   | 101.04   |   | February 1, 1989                        | 100.87                    |
| 8½% Series B due 1995 (Jul.)               | 125,000                  | 105.50   | July 1, 1991                                  | July 1, 1989                            | 104.13                    |
| 7½% Series due 1996 (Apr.)                 | 100,000                  | (3)  | April 1, 1993 (3)                             | (3)                                     | (3)                       |
| 7½% Series B due 1997 (Mar.)               | 100,000                  | 105.46   | March 1, 1992                                 | March 1, 1989                           | 104.55                    |
| 5½% Series due 1997 (Apr.)                 | 72,600                   | 101.76   |   | April 1, 1989                           | 101.54                    |
| 6½% Series due 1998 (Feb.)                 | 68,500                   | 102.30   |   | February 1, 1989                        | 102.04                    |
| 7% Series due 1999 (Feb.)                  | 56,075                   | 102.76   |   | February 1, 1989                        | 102.49                    |
| 8% Series B due 1999 (Sep.)                | 64,739                   | 102.94   |   | September 1, 1989                       | 102.64                    |
| 8½% Series due 2000 (Mar.)                 | 69,244                   | 103.52   |   | March 1, 1989                           | 103.20                    |
| 8½% Series B due 2000 (Aug.)               | 95,635                   | 103.18   |   | August 1, 1989                          | 102.89                    |
| 7½% Series due 2001 (Mar.)                 | 97,900                   | 103.52   |   | March 1, 1989                           | 103.23                    |
| 7½% Series B due 2001 (Dec.)               | 38,050                   | 102.90   |   | December 1, 1989                        | 102.64                    |
| 7¼% Series due 2002 (Apr.)                 | 78,100                   | 103.74   |   | April 1, 1989                           | 103.46                    |
| 7¾% Series B due 2002 (Dec.)               | 67,900                   | 103.56   |   | December 1, 1989                        | 103.28                    |
| 7¼% Series due 2003 (Jun.)                 | 94,872                   | 104.03   |   | June 1, 1989                            | 103.74                    |
| 8½% Series B due 2003 (Nov.)               | 98,050                   | 103.79   |   | November 1, 1989                        | 103.52                    |
| 9¼% Series due 2004 (May)                  | 95,623                   | 105.04   |   | May 1, 1989                             | 104.71                    |
| 9½% Series due 2005 (Feb.)                 | 92,800                   | 104.97   |   | February 1, 1989                        | 104.66                    |
| 8½% Series due 2006 (Oct.)                 | 96,850                   | 104.63   |   | October 1, 1989                         | 104.36                    |
| 8½% Series due 2007 (Sep.)                 | 119,500                  | 104.53   |   | September 1, 1989                       | 104.28                    |
| 9½% Series due 2008 (Aug.)                 | 120,610                  | 105.66   |   | August 1, 1989                          | 105.36                    |
| 10½% Series due 2009 (May)                 | 145,050                  | 106.64   |   | May 1, 1989                             | 106.31                    |
| 12½% Series due 2015 (Mar.)                | 62,916                   | 110.50   | March 1, 1990                                 | March 1, 1989                           | 110.00                    |
| 10½% Series B due 2015 (Dec.)              | 50,000                   | 108.04   | December 1, 1990                              | December 1, 1989                        | 107.67                    |
| 9% Series due 2016 (May)                   | 175,000                  | 106.84   | May 1, 1991                                   | May 1, 1989                             | 106.46                    |
| 8½% Series due 2017 (Feb.)                 | 150,000                  | 107.15   | February 1, 1992                              | February 1, 1989                        | 106.85                    |
| Pollution Control Revenue Bonds            |                          |  |   |   |                           |
| 9½% Series A due 2013 (May)                | 77,000                   |  |   |   |                           |
| 6½% Series A due 2014 (Aug.)               | 40,000 (4)               |  |   |   |                           |
| 6.25% Series 1987 due 2012 (Oct.)          | 20,000 (4)               |  |   |   |                           |
| 5.45% Series 1987 A due 2017 (Feb.)        | 25,000 (4)(5)            |  |   |   |                           |
| 5.85% Series 1987 B due 2017 (Feb.)        | 10,000 (4)(5)            |  |   |   |                           |
| Less: Funds held in trust                  | (16,211)                 |  |   |   |                           |
| Capitalized leases                         | 75,560                   |  |   |   |                           |
| Nuclear fuel trusts                        | 86,000                   |  |   |   |                           |
| Unamortized debt discount and premium, net | (20,251)                 |  |   |   |                           |
| Current maturities of long-term debt       | (43,318)                 |  |   |   |                           |
| Total long-term debt                       | <u>\$2,728,794</u>       |  |   |   |                           |

(1) 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.

(2) Prior to the date indicated, no redemption at the regular redemption price may take place if such redemption is in connection with certain refunding operations at a lower cost of money to the Company.

(3) The 7½% Series bonds are not redeemable prior to April 1, 1993, but are redeemable on and after such date at 100% of their principal amount.

(4) Annual tender bonds, with the interest rate to be reset annually by the Company.

(5) In February 1989, the 1987 Series A and B bonds were remarketed to a fixed rate of 7.50% and 7.75%, respectively, until maturity.



## SECURITY FINANCINGS

(Dollars in Thousands)

|                          |          |
|--------------------------|----------|
| <b>1988</b>              |          |
| Pollution Control Series | \$ 1,283 |

|  |           |
|--|-----------|
| <b>1987 (1)</b>  |           |
| 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 |

|  |           |
|--|-----------|
| <b>1986 (1)</b>  |           |
| Pollution Control Series   | \$ 7,251  |
| First Mortgage Bonds, 7½% 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 |

|  |           |
|--|-----------|
| <b>1985 (1)</b>  |           |
| Pollution Control Series   | \$ 34,114 |
| First Mortgage Bonds, 12½% Series due 2015 (issued April 1)        | 125,000   |
| First Mortgage Bonds, 10½% Series B, due 2015 (issued December 12) | 50,000    |
| Premium, discount and expenses of above items                      | (2,596)   |
| Net proceeds   | \$206,518 |

|                                     |           |
|-------------------------------------|-----------|
| <b>1984</b>                         |           |
| Common Stock (1,451,607 shares) (2) | \$ 37,194 |
| Pollution Control Series            | 60,720    |
| Net proceeds                        | \$ 97,914 |

|                                     |           |
|-------------------------------------|-----------|
| <b>1983</b>                         |           |
| Common Stock (3,605,980 shares) (2) | \$ 84,326 |
| Pollution Control Series            | 45,648    |
| Net proceeds                        | \$129,974 |

|  |           |
|--|-----------|
| <b>1982</b>  |           |
| Common Stock (3,727,544 shares) (issued January 7) (3)               | \$121,793 |
| Preferred Stock, 15.40% Series A (1,600,000 shares) (issued March 2) | 40,000    |
| First Mortgage Bonds, 15½% Series due 1991 (issued March 2)          | 100,000   |
| Term Note, floating rate due 1987 (issued April 21)                  | 21,000    |
| Promissory Note due Subsidiary, 16½% due 1989 (issued April 22)      | 58,725    |
| First Mortgage Bonds, 14½% Series due 2012 (issued September 16)     | 125,000   |
| Common Stock (3,547,180 shares) (2)                                  | 77,341    |
| Premium, discount, and expenses of above items                       | (5,187)   |
| Net proceeds   | \$538,672 |

|                                     |           |
|-------------------------------------|-----------|
| <b>1981</b>                         |           |
| Common Stock (1,884,944 shares) (2) | \$ 35,954 |

|   |           |
|---|-----------|
| <b>1980</b>   |           |
| Preferred Stock, 11% Series O (500,000 shares) (issued February 14) | \$ 50,000 |
| First Mortgage Bonds, 14½% Series due 2010 (issued March 19)        | 100,000   |
| First Mortgage Bonds, 14½% Series due 1987 (issued March 19)        | 50,000    |
| First Mortgage Bonds, 12% Series due 1990 (issued August 26)        | 75,000    |
| First Mortgage Bonds, 13½% Series B due 2010 (issued August 26)     | 50,000    |
| Common Stock (4,000,000 shares) (issued August 26)                  | 69,500    |
| Common Stock (2,278,820 shares) (2)                                 | 38,861    |
| Premium, discount, and expenses of above items                      | (7,059)   |
| Net proceeds  | \$426,302 |

|  |           |
|--|-----------|
| <b>1979</b>  |           |
| Common Stock (5,500,000 shares) (issued March 21)                | \$107,250 |
| Preferred Stock 8.84% Series N (500,000 shares) (issued June 14) | 50,000    |
| First Mortgage Bonds, 10½% Series due 2009 (issued June 14)      | 150,000   |
| First Mortgage Bonds, 10½% Series B due 2009 (issued October 10) | 150,000   |
| Common Stock (1,499,292 shares) (2)                              | 27,674    |
| Premium, discount, and expenses of above items                   | (8,344)   |
| Net proceeds   | \$476,580 |

|   |           |
|---|-----------|
| <b>1978</b>   |           |
| Common Stock (5,500,000 shares) (issued March 9)                    | \$110,000 |
| Preferred Stock, 8.375% Series L (500,000 shares) (issued June 16)  | 50,000    |
| Preferred Stock, 8.84% Series M (400,000 shares) (issued August 16) | 40,000    |
| First Mortgage Bonds, 9½% Series due 2008 (issued August 1)         | 125,000   |
| Pollution Control Obligations (issued September 18)                 | 80        |
| Common Stock (898,149 shares) (2)                                   | 18,074    |
| Premium, discount, and expenses of above items                      | (5,484)   |
| Net proceeds  | \$337,670 |

(1) The issuance of first mortgage bonds and preferred stock was limited to refinancings from 1985 through 1987.

(2) 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. As of January 1, 1985, all plan shares are being purchased on the open market.

(3) Issued in exchange for outstanding first mortgage bonds with a face value of \$119,902,000.



# SALES AND REVENUE STATISTICS

Years Ended December 31

|   | 1988        | 1987        | 1986        | 1985        | 1984        | 1983        | 1982        | 1981        | 1980        | 1979        | 1978        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>KILOWATT-HOUR SALES (millions)</b>           |             |             |             |             |             |             |             |             |             |             |             |
| Residential .....                               | 16,744      | 16,580      | 15,636      | 14,241      | 14,493      | 14,219      | 13,711      | 13,861      | 13,765      | 12,832      | 12,959      |
| General Service .....                           | 13,634      | 13,026      | 12,312      | 11,338      | 10,922      | 10,339      | 10,087      | 9,731       | 9,395       | 8,778       | 8,920       |
| Industrial .....                                |             |             |             |             |             |             |             |             |             |             |             |
| Textile .....                                   | 11,134      | 11,236      | 10,595      | 9,961       | 10,169      | 10,115      | 9,215       | 10,101      | 10,152      | 10,394      | 10,446      |
| Other .....                                     | 14,020      | 13,738      | 12,617      | 11,876      | 11,652      | 10,792      | 10,130      | 10,566      | 9,908       | 9,866       | 9,077       |
| Total Industrial .....                          | 25,154      | 24,974      | 23,212      | 21,837      | 21,821      | 20,907      | 19,345      | 20,667      | 20,060      | 20,260      | 19,523      |
| Other energy and wholesale sales .....          | 10,667      | 10,171      | 9,353       | 8,642       | 7,163       | 8,686       | 8,237       | 9,289       | 9,091       | 8,453       | 8,537       |
| Total (1) .....                                 | 66,199      | 64,751      | 60,513      | 56,058      | 54,399      | 54,151      | 51,380      | 53,548      | 52,311      | 50,323      | 49,939      |
| <b>KILOWATT-HOUR SALES (%)</b>                  |             |             |             |             |             |             |             |             |             |             |             |
| Residential .....                               | 25.3        | 25.6        | 25.8        | 25.4        | 26.6        | 26.3        | 26.7        | 25.9        | 26.3        | 25.5        | 25.9        |
| General Service .....                           | 20.6        | 20.1        | 20.3        | 20.2        | 20.1        | 19.1        | 19.6        | 18.2        | 18.0        | 17.4        | 17.9        |
| Industrial .....                                |             |             |             |             |             |             |             |             |             |             |             |
| Textile .....                                   | 16.8        | 17.4        | 17.5        | 17.8        | 18.7        | 18.7        | 18.0        | 18.9        | 19.4        | 20.7        | 20.9        |
| Other .....                                     | 21.2        | 21.2        | 20.9        | 21.2        | 21.4        | 19.9        | 19.7        | 19.7        | 18.9        | 19.6        | 18.2        |
| Total Industrial .....                          | 38.0        | 38.6        | 38.4        | 39.0        | 40.1        | 38.6        | 37.7        | 38.6        | 38.3        | 40.3        | 39.1        |
| Other energy and wholesale sales .....          | 16.1        | 15.7        | 15.5        | 15.4        | 13.2        | 16.0        | 16.0        | 17.3        | 17.4        | 16.8        | 17.1        |
| Total (1) .....                                 | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| <b>ELECTRIC REVENUES (dollars in thousands)</b> |             |             |             |             |             |             |             |             |             |             |             |
| Residential .....                               | \$1,205,471 | \$1,226,529 | \$1,088,886 | \$ 914,513  | \$ 886,065  | \$ 806,085  | \$ 741,255  | \$ 624,986  | \$ 565,633  | \$ 499,936  | \$ 469,389  |
| General Service .....                           | 833,709     | 829,466     | 748,722     | 642,006     | 593,351     | 521,568     | 485,064     | 386,141     | 340,691     | 303,858     | 284,752     |
| Industrial .....                                |             |             |             |             |             |             |             |             |             |             |             |
| Textile .....                                   | 495,100     | 511,026     | 471,718     | 420,817     | 409,635     | 374,138     | 335,727     | 293,081     | 263,024     | 254,877     | 233,277     |
| Other .....                                     | 651,420     | 661,736     | 593,407     | 523,041     | 487,604     | 419,755     | 384,191     | 320,838     | 271,766     | 253,728     | 215,273     |
| Total Industrial .....                          | 1,146,520   | 1,172,762   | 1,065,125   | 943,858     | 897,239     | 793,893     | 719,918     | 613,919     | 534,790     | 508,605     | 448,550     |
| Other energy and wholesale sales .....          | 446,368     | 459,182     | 426,882     | 358,385     | 291,435     | 324,595     | 309,241     | 270,623     | 232,506     | 201,938     | 188,428     |
| Other revenues (deduction) .....                | (5,083)     | 17,845      | 71,318      | 40,149      | 41,925      | (25,889)    | (10,998)    | 12,785      | 9,202       | (21,780)    | 5,601       |
| Total .....                                     | \$3,626,985 | \$3,705,784 | \$3,400,933 | \$2,898,911 | \$2,710,015 | \$2,420,252 | \$2,244,480 | \$1,908,454 | \$1,682,822 | \$1,492,557 | \$1,396,720 |
| <b>ELECTRIC REVENUES (%)</b>                    |             |             |             |             |             |             |             |             |             |             |             |
| Residential .....                               | 33.2        | 33.1        | 32.0        | 31.6        | 32.7        | 33.3        | 33.0        | 32.7        | 33.6        | 33.5        | 33.6        |
| General Service .....                           | 23.0        | 22.4        | 22.0        | 22.2        | 21.9        | 21.6        | 21.6        | 20.2        | 20.3        | 20.4        | 20.4        |
| Industrial .....                                |             |             |             |             |             |             |             |             |             |             |             |
| Textile .....                                   | 13.6        | 13.8        | 13.9        | 14.5        | 15.1        | 15.5        | 15.0        | 15.4        | 15.6        | 17.1        | 16.7        |
| Other .....                                     | 18.0        | 17.9        | 17.4        | 18.0        | 18.0        | 17.3        | 17.1        | 16.8        | 16.1        | 17.0        | 15.4        |
| Total Industrial .....                          | 31.6        | 31.7        | 31.3        | 32.5        | 33.1        | 32.8        | 32.1        | 32.2        | 31.7        | 34.1        | 32.1        |
| Other and wholesale revenues .....              | 12.2        | 12.8        | 14.7        | 13.7        | 12.3        | 12.3        | 13.3        | 14.9        | 14.4        | 12.0        | 13.9        |
| Total .....                                     | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |

(1) Does not include sales of Nantahala Power and Light Company or unbilled kilowatt-hour sales. Beginning in 1983, excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.



## INDUSTRIAL SALES

Years Ended December 31

### INDUSTRIES (millions of KWH)

|  | 1988   | 1987   | 1986   | 1985   | 1984   | 1983   | 1982   | 1981   | 1980   | 1979   | 1978   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Food and kindred products . . . . .  | 874    | 851    | 847    | 810    | 741    | 725    | 704    | 645    | 606    | 583    | 529    |
| Tobacco manufacturers . . . . .  | 519    | 567    | 551    | 556    | 527    | 479    | 428    | 408    | 397    | 397    | 375    |
| Textile products, apparel, fabrics, etc. . . . .                                     | 11,382 | 11,491 | 10,831 | 10,182 | 10,393 | 10,335 | 9,428  | 10,314 | 10,355 | 10,581 | 10,638 |
| Furniture, lumber and other wood products . . . . .                                  | 1,076  | 1,040  | 941    | 885    | 906    | 839    | 727    | 786    | 758    | 789    | 755    |
| Paper and allied products and industries . . . . .                                   | 1,930  | 1,954  | 1,589  | 1,351  | 1,328  | 1,300  | 1,271  | 1,264  | 1,156  | 1,119  | 1,107  |
| Chemicals and allied products<br>(including synthetic fiber manufacturing) . . . . . | 2,411  | 2,409  | 2,296  | 2,235  | 2,215  | 2,168  | 2,047  | 2,266  | 2,137  | 2,320  | 2,061  |
| Rubber and miscellaneous plastic products . . . . .                                  | 1,657  | 1,583  | 1,477  | 1,398  | 1,322  | 1,170  | 1,085  | 1,087  | 995    | 985    | 887    |
| Stone, clay, glass and concrete products . . . . .                                   | 1,066  | 1,035  | 981    | 928    | 937    | 822    | 758    | 834    | 792    | 875    | 839    |
| Metal products and industries —<br>fabricated and primary . . . . .                  | 1,117  | 1,046  | 1,007  | 939    | 913    | 776    | 718    | 768    | 690    | 623    | 529    |
| Machinery and equipment . . . . .  | 2,933  | 2,808  | 2,539  | 2,406  | 2,418  | 2,197  | 2,085  | 2,186  | 2,026  | 1,902  | 1,726  |
| Other . . . . .  | 189    | 190    | 153    | 147    | 121    | 96     | 94     | 109    | 148    | 86     | 77     |
| Total industrial sales . . . . .   | 25,154 | 24,974 | 23,212 | 21,837 | 21,821 | 20,907 | 19,345 | 20,667 | 20,060 | 20,260 | 19,523 |

## CUSTOMER DATA

Years Ended December 31

### CUSTOMERS (average)

|                               |           |           |           |           |           |           |           |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Residential . . . . .         | 1,327,452 | 1,292,293 | 1,259,655 | 1,221,419 | 1,186,962 | 1,158,123 | 1,136,431 | 1,118,534 | 1,095,933 | 1,068,194 | 1,039,275 |
| General Service . . . . .     | 206,359   | 199,086   | 192,317   | 185,308   | 178,416   | 172,611   | 167,895   | 166,500   | 163,303   | 160,697   | 157,942   |
| Industrial . . . . .          |           |           |           |           |           |           |           |           |           |           |           |
| Textile . . . . .             | 1,417     | 1,378     | 1,356     | 1,336     | 1,345     | 1,308     | 1,307     | 1,321     | 1,323     | 1,318     | 1,299     |
| Other . . . . .               | 7,202     | 7,049     | 6,945     | 6,785     | 6,632     | 6,514     | 6,450     | 6,339     | 6,218     | 6,055     | 5,811     |
| Total Industrial . . . . .    | 8,619     | 8,427     | 8,301     | 8,121     | 7,977     | 7,822     | 7,757     | 7,660     | 7,541     | 7,373     | 7,110     |
| Other and wholesale . . . . . | 7,031     | 6,798     | 6,590     | 6,461     | 6,329     | 6,416     | 6,387     | 6,292     | 6,180     | 5,915     | 5,768     |
| Total . . . . .               | 1,549,461 | 1,506,604 | 1,466,863 | 1,421,309 | 1,379,684 | 1,344,972 | 1,318,470 | 1,298,986 | 1,272,957 | 1,242,179 | 1,210,095 |

### CUSTOMERS (end of period)

|  |           |           |           |           |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 1,565,110 | 1,520,709 | 1,483,090 | 1,439,457 | 1,395,710 | 1,357,175 | 1,322,309 | 1,306,702 | 1,284,405 | 1,253,677 | 1,222,169 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

### RESIDENTIAL CUSTOMER STATISTICS

|                                  |          |          |          |          |          |          |          |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average annual KWH use . . . . . | 12,614   | 12,830   | 12,413   | 11,659   | 12,210   | 12,278   | 12,065   | 12,392   | 12,560   | 12,013   | 12,469   |
| Average annual billing . . . . . | \$908.11 | \$949.11 | \$864.43 | \$748.73 | \$746.50 | \$696.03 | \$652.27 | \$558.75 | \$516.12 | \$468.02 | \$451.65 |

### AVERAGE ANNUAL BILLED REVENUE PER KWH

|  |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Residential . . . . .                          | 7.20¢ | 7.40¢ | 6.96¢ | 6.42¢ | 6.11¢ | 5.67¢ | 5.41¢ | 4.51¢ | 4.11¢ | 3.90¢ | 3.62¢ |
| General Service . . . . .                      | 6.11¢ | 6.37¢ | 6.08¢ | 5.66¢ | 5.43¢ | 5.04¢ | 4.81¢ | 3.97¢ | 3.63¢ | 3.46¢ | 3.19¢ |
| Industrial . . . . .                           | 4.56¢ | 4.70¢ | 4.59¢ | 4.32¢ | 4.11¢ | 3.80¢ | 3.72¢ | 2.97¢ | 2.67¢ | 2.51¢ | 2.30¢ |
| Other energy and wholesale sales (1) . . . . . | 4.18¢ | 4.51¢ | 4.56¢ | 4.15¢ | 4.07¢ | 3.74¢ | 3.75¢ | 2.91¢ | 2.56¢ | 2.39¢ | 2.21¢ |

(1) Beginning in 1983, excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.



# GENERATING AND CAPABILITY DATA

Years Ended December 31

|   | 1988       | 1987       | 1986       | 1985       | 1984       | 1983       | 1982       | 1981       | 1980       | 1979       | 1978       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>NET SOURCES OF ENERGY</b> (millions of KWH)  |            |            |            |            |            |            |            |            |            |            |            |
| Coal  | 23,930     | 23,617     | 30,249     | 27,619     | 26,394     | 32,466     | 38,927     | 42,513     | 40,984     | 37,404     | 34,589     |
| Nuclear (1)                                     | 47,934     | 44,810     | 35,044     | 33,700     | 32,632     | 25,059     | 15,009     | 14,229     | 14,213     | 14,228     | 15,905     |
| Hydro and other                                 | 434        | 1,453      | 785        | 1,175      | 1,995      | 2,122      | 1,576      | 989        | 2,023      | 2,972      | 2,425      |
| Total Generation                                | 72,298     | 69,880     | 66,078     | 62,494     | 61,021     | 59,647     | 55,512     | 57,731     | 57,220     | 54,604     | 52,919     |
| Purchased power and net interchange             | 437        | 5          | (822)      | (1,742)    | (2,908)    | (1,003)    | (301)      | 494        | (472)      | (512)      | 1,016      |
| Total output                                    | 72,735     | 69,885     | 65,256     | 60,752     | 58,113     | 58,644     | 55,211     | 58,225     | 56,748     | 54,092     | 53,935     |
| Less: Catawba other joint owners' share         | 12,166     | 11,961     | 6,261      | 3,827      | —          | —          | —          | —          | —          | —          | —          |
| Plus: Purchases from other Catawba joint owners | 10,244     | 10,872     | 5,953      | 3,769      | —          | —          | —          | —          | —          | —          | —          |
| Total sources of energy                         | 70,813     | 68,796     | 64,948     | 60,694     | 58,113     | 58,644     | 55,211     | 58,225     | 56,748     | 54,092     | 53,935     |
| Line loss and company usage                     | (4,614)    | (4,045)    | (4,435)    | (4,636)    | (3,714)    | (4,493)    | (3,831)    | (4,677)    | (4,437)    | (3,769)    | (3,996)    |
| Total Kilowatt-hour sales                       | 66,199     | 64,751     | 60,513     | 56,058     | 54,399     | 54,151     | 51,380     | 53,548     | 52,311     | 50,323     | 49,939     |
| <b>TOTAL GENERATION (%)</b>                     |            |            |            |            |            |            |            |            |            |            |            |
| Coal  | 33.1       | 33.8       | 45.8       | 44.2       | 43.2       | 54.4       | 70.1       | 73.6       | 71.6       | 68.5       | 65.4       |
| Nuclear   | 66.3       | 64.1       | 53.0       | 53.9       | 53.5       | 42.0       | 27.0       | 24.7       | 24.9       | 26.1       | 30.0       |
| Hydro and other                                 | .6         | 2.1        | 1.2        | 1.9        | 3.3        | 3.6        | 2.9        | 1.7        | 3.5        | 5.4        | 4.6        |
| Total   | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      | 100.0      |
| <b>CAPABILITY — Net KW (year-end)</b>           |            |            |            |            |            |            |            |            |            |            |            |
| Coal  | 6,428,000  | 6,428,000  | 6,393,000  | 6,603,000  | 6,603,000  | 7,600,000  | 7,423,000  | 7,423,000  | 7,417,000  | 7,417,000  | 7,622,000  |
| Nuclear (2)                                     | 7,054,000  | 7,170,000  | 7,170,000  | 6,085,000  | 4,940,000  | 3,760,000  | 3,760,000  | 3,760,000  | 2,580,000  | 2,580,000  | 2,580,000  |
| Hydro   | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  | 1,452,000  |
| Oil and gas                                     | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 599,000    | 668,000    |
| Total generating capability                     | 15,533,000 | 15,649,000 | 15,614,000 | 14,739,000 | 13,594,000 | 13,411,000 | 13,234,000 | 13,234,000 | 12,048,000 | 12,048,000 | 12,322,000 |
| Firm purchases                                  | 241,000    | 241,000    | 241,000    | 188,000    | 188,000    | 183,000    | 143,000    | 143,000    | 93,000     | 114,375    | 129,375    |
| Total   | 15,774,000 | 15,890,000 | 15,855,000 | 14,927,000 | 13,782,000 | 13,594,000 | 13,377,000 | 13,377,000 | 12,141,000 | 12,162,375 | 12,451,375 |
| <b>TOTAL CAPABILITY — Net KW (time of peak)</b> |            |            |            |            |            |            |            |            |            |            |            |
| Summer  | 15,774,000 | 15,984,000 | 15,372,000 | 14,927,000 | 13,782,000 | 13,554,000 | 13,377,000 | 12,141,000 | 12,162,375 | 12,451,375 | 12,451,375 |
| Winter  | 15,774,000 | 15,984,000 | 14,190,000 | 13,782,000 | 13,594,000 | 13,554,000 | 13,377,000 | 12,141,000 | 12,162,375 | 12,451,375 | 12,446,375 |
| <b>PEAK LOAD — KW (3)</b>                       |            |            |            |            |            |            |            |            |            |            |            |
| Summer  | 13,618,000 | 12,691,000 | 12,471,000 | 11,204,000 | 11,043,000 | 11,554,000 | 10,097,000 | 10,602,000 | 10,364,000 | 9,833,000  | 9,472,205  |
| Winter  | 12,728,000 | 11,451,000 | 12,586,000 | 12,687,000 | 10,863,000 | 10,378,000 | 11,145,000 | 10,530,000 | 9,892,000  | 9,844,000  | 9,690,170  |
| <b>RESERVE — % of load</b>                      |            |            |            |            |            |            |            |            |            |            |            |
| Summer  | 15.8       | 25.9       | 23.3       | 33.2       | 24.8       | 17.3       | 32.5       | 14.5       | 17.4       | 26.6       | 31.5       |
| Winter  | 23.9       | 39.6       | 12.7       | 8.6        | 25.1       | 30.6       | 20.0       | 15.3       | 23.0       | 26.5       | 28.4       |

(1) Includes Catawba Unit 2 prior-to-commercial generation of 539,763 MWH for 1986 and Catawba Unit 1 prior-to-commercial generation of 904,566 MWH for 1985. Also includes McGuire Unit 2 prior-to-commercial generation of 836,655 MWH for 1984 and 2,514,934 MWH for 1983.

(2) Beginning in 1986, includes 100% of the capability of the Catawba Nuclear Station.

(3) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.



# OPERATING STATISTICS

Years Ended December 31

|  | 1988             | 1987      | 1986      | 1985      | 1984      | 1983      | 1982      | 1981      | 1980      | 1979      | 1978      |
|--|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>FUEL EXPENSE</b> (thousands) (1)                                    |                  |           |           |           |           |           |           |           |           |           |           |
| Coal .....   | <b>\$391,102</b> | \$398,866 | \$529,923 | \$498,987 | \$487,615 | \$573,038 | \$693,732 | \$708,232 | \$599,483 | \$525,201 | \$471,564 |
| Nuclear (2) .....  | <b>230,362</b>   | 221,791   | 190,393   | 196,262   | 200,906   | 126,445   | 86,833    | 72,795    | 71,085    | 57,367    | 55,068    |
| Oil and gas .....  | <b>4,727</b>     | 4,157     | 4,392     | 6,494     | 6,568     | 7,633     | 841       | 9,940     | 10,125    | 6,834     | 16,687    |
| Fuel adjustments (3) .....   | <b>—</b>         | —         | 1,443     | 17,511    | (11,526)  | 32,713    | —         | —         | —         | —         | —         |
| Total .....  | <b>\$626,191</b> | \$624,814 | \$726,151 | \$719,254 | \$683,563 | \$739,829 | \$781,406 | \$790,967 | \$680,693 | \$589,402 | \$543,319 |
| <b>OPERATING RATIOS</b> (% of Operation and Maintenance Expense)       |                  |           |           |           |           |           |           |           |           |           |           |
| Fuel expense .....   | <b>28.5</b>      | 28.6      | 35.7      | 43.5      | 55.2      | 57.7      | 61.1      | 65.2      | 68.5      | 69.6      | 68.4      |
| Other operation expense .....  | <b>54.0</b>      | 54.2      | 49.8      | 40.3      | 28.3      | 27.0      | 25.0      | 23.9      | 20.0      | 19.2      | 21.7      |
| Maintenance expense .....  | <b>17.5</b>      | 17.2      | 14.5      | 16.2      | 16.5      | 15.3      | 13.9      | 10.9      | 11.5      | 11.2      | 9.9       |
| Total .....  | <b>100.0</b>     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     | 100.0     |
| <b>AVERAGE FUEL COST PER MILLION BTU ON A BURNED BASIS</b> (cents) (2) |                  |           |           |           |           |           |           |           |           |           |           |
| Coal .....   | <b>175.79</b>    | 181.18    | 189.64    | 194.96    | 199.06    | 189.55    | 190.87    | 178.39    | 155.64    | 148.86    | 144.46    |
| Nuclear (4) .....  | <b>63.55</b>     | 68.40     | 65.57     | 64.71     | 61.40     | 54.19     | 55.04     | 48.98     | 48.22     | 38.51     | 33.32     |
| Oil and gas .....  | <b>356.36</b>    | 381.48    | 410.74    | 543.49    | 562.59    | 530.82    | 439.40    | 416.17    | 300.16    | 285.79    | 262.76    |
| Weighted average .....   | <b>98.75</b>     | 105.10    | 120.32    | 121.39    | 121.24    | 131.66    | 149.86    | 144.33    | 127.00    | 116.81    | 109.09    |
| <b>AVERAGE FUEL COST PER KWH GENERATED</b> (cents) (2)                 |                  |           |           |           |           |           |           |           |           |           |           |
| Coal .....   | <b>1.634</b>     | 1.689     | 1.752     | 1.807     | 1.847     | 1.765     | 1.782     | 1.666     | 1.463     | 1.404     | 1.363     |
| Nuclear .....  | <b>.644</b>      | .675      | .683      | .673      | .632      | .561      | .579      | .512      | .500      | .403      | .346      |
| Oil and gas .....  | <b>14.834</b>    | —         | —         | —         | —         | —         | 11.296    | 6.785     | 4.985     | 4.199     | 3.448     |
| Weighted average .....   | <b>1.048</b>     | 1.107     | 1.189     | 1.202     | 1.195     | 1.285     | 1.449     | 1.390     | 1.229     | 1.138     | 1.066     |
| <b>HEAT RATE</b> (BTUs per KWH generated)                              |                  |           |           |           |           |           |           |           |           |           |           |
| Fossil .....   | <b>9,327</b>     | 9,362     | 9,261     | 9,300     | 9,318     | 9,353     | 9,340     | 9,363     | 9,434     | 9,465     | 9,454     |
| Nuclear .....  | <b>10,362</b>    | 10,370    | 10,418    | 10,401    | 10,291    | 10,350    | 10,512    | 10,445    | 10,373    | 10,471    | 10,390    |
| System average .....   | <b>10,021</b>    | 10,024    | 9,881     | 9,900     | 9,853     | 9,762     | 9,666     | 9,633     | 9,675     | 9,742     | 9,769     |
| <b>SYSTEM LOAD FACTOR (%)</b> .....                                    | <b>59.8</b>      | 62.5      | 59.8      | 55.8      | 62.2      | 58.6      | 56.8      | 61.9      | 61.6      | 62.3      | 62.9      |

(1) Beginning in 1983 fuel expense includes cost of light-off.

(2) Nuclear fuel expense and all cost statistics exclude the effect of prior-to-commercial generation for Catawba Unit 2 in 1986, Catawba Unit 1 in 1985 and McGuire Unit 2 in 1984 and 1983.

(3) Fuel adjustments include prior-to-commercial fuel expenses and displaced fuel costs for Catawba Unit 2 in 1986, Catawba Unit 1 in 1985 and McGuire Unit 2 in 1984 and 1983.

(4) Includes 100% of Catawba Unit 2 in 1986 and 100% of Catawba Unit 1 in 1985.



# **ELECTRIC PLANT STATISTICS**

**Years Ended December 31**

|   | 1988               | 1987        | 1986        | 1985        | 1984        | 1983        | 1982        | 1981        | 1980        | 1979        | 1978        |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>ELECTRIC PLANT IN SERVICE</b>                    |                    |             |             |             |             |             |             |             |             |             |             |
| (thousands)   |                    |             |             |             |             |             |             |             |             |             |             |
| Production and Nuclear Fuel                         | <b>\$6,444,378</b> | \$6,225,212 | \$5,980,611 | \$5,409,073 | \$4,842,595 | \$3,431,205 | \$3,302,862 | \$3,204,051 | \$2,137,782 | \$1,995,911 | \$1,977,384 |
| Transmission  | <b>1,114,761</b>   | 1,092,584   | 1,059,157   | 1,017,194   | 981,907     | 970,514     | 903,377     | 850,500     | 794,988     | 771,644     | 734,580     |
| Distribution  | <b>2,477,568</b>   | 2,223,589   | 2,016,336   | 1,850,179   | 1,693,776   | 1,595,252   | 1,464,502   | 1,360,583   | 1,262,939   | 1,178,994   | 1,096,764   |
| General   | <b>622,814</b>     | 531,167     | 388,928     | 332,838     | 291,816     | 273,828     | 270,200     | 247,540     | 223,443     | 179,964     | 156,097     |
| Total electric plant in service                     | <b>10,659,521</b>  | 10,072,552  | 9,445,032   | 8,609,284   | 7,810,094   | 6,270,799   | 5,940,941   | 5,662,674   | 4,419,152   | 4,126,513   | 3,964,825   |
| Less accumulated depreciation and amortization      | <b>4,323,916</b>   | 3,859,917   | 3,407,345   | 3,034,473   | 2,646,266   | 2,405,150   | 2,106,427   | 1,842,831   | 1,629,109   | 1,399,032   | 1,239,250   |
| Total electric plant in service, net                | <b>6,335,605</b>   | 6,212,635   | 6,037,687   | 5,574,811   | 5,163,828   | 3,865,649   | 3,834,514   | 3,819,843   | 2,790,043   | 2,727,481   | 2,725,575   |
| <b>CONSTRUCTION WORK IN PROGRESS</b>                |                    |             |             |             |             |             |             |             |             |             |             |
| (thousands)   |                    |             |             |             |             |             |             |             |             |             |             |
| Production and Nuclear Fuel                         | <b>776,479</b>     | 508,870     | 441,897     | 704,751     | 910,642     | 2,236,334   | 2,471,698   | 2,081,257   | 3,010,026   | 2,405,866   | 1,771,998   |
| Transmission  | <b>81,299</b>      | 36,826      | 16,444      | 22,154      | 22,555      | 26,112      | 51,638      | 63,990      | 75,323      | 49,883      | 44,501      |
| Distribution  | <b>55,938</b>      | 60,210      | 29,378      | 20,357      | 23,463      | 13,658      | 17,250      | 20,756      | 17,256      | 18,201      | 21,984      |
| General   | <b>124,375</b>     | 98,704      | 113,345     | 70,088      | 32,130      | 20,739      | 10,591      | 12,461      | 12,202      | 8,007       | 5,840       |
| Total construction work in progress                 | <b>1,038,091</b>   | 704,610     | 601,064     | 817,350     | 988,790     | 2,296,843   | 2,551,177   | 2,178,464   | 3,114,807   | 2,481,957   | 1,844,323   |
| Total electric plant, net                           | <b>\$7,373,696</b> | \$6,917,245 | \$6,638,751 | \$6,392,161 | \$6,152,618 | \$6,162,492 | \$6,385,691 | \$5,998,307 | \$5,904,850 | \$5,209,438 | \$4,569,898 |
| <b>ELECTRIC PLANT IN SERVICE</b>                    |                    |             |             |             |             |             |             |             |             |             |             |
| Accumulated depreciation & amortization — %         | <b>41</b>          | 38          | 36          | 35          | 34          | 38          | 35          | 33          | 37          | 34          | 31          |
| Per dollar of electric revenues (average plant) (1) | <b>\$3.71</b>      | \$3.49      | \$3.34      | \$3.09      | \$2.60      | \$2.52      | \$2.58      | \$2.64      | \$2.54      | \$2.71      | \$2.77      |
| Per unit (MWH) sold (average plant) (1)             | <b>\$197.48</b>    | \$196.97    | \$184.34    | \$156.75    | \$129.42    | \$112.76    | \$112.92    | \$94.14     | \$81.68     | \$80.39     | \$77.36     |
| <b>PRODUCTION PLANT IN SERVICE</b>                  |                    |             |             |             |             |             |             |             |             |             |             |
| Per KW of generating capability (year-end) (2)      | <b>\$633</b>       | \$606       | \$582       | \$481       | \$356       | \$256       | \$250       | \$242       | \$177       | \$166       | \$160       |
| Per customer (year-end)                             | <b>\$4,118</b>     | \$4,094     | \$4,033     | \$3,758     | \$3,470     | \$2,528     | \$2,498     | \$2,452     | \$1,664     | \$1,592     | \$1,618     |
| <b>CONSTRUCTION WORK IN PROGRESS</b>                |                    |             |             |             |             |             |             |             |             |             |             |
| % of electric plant, net                            | <b>14.1</b>        | 10.2        | 9.1         | 12.8        | 16.1        | 37.3        | 40.0        | 36.3        | 52.8        | 47.6        | 40.4        |
| <b>EMPLOYEE DATA</b>                                |                    |             |             |             |             |             |             |             |             |             |             |
| <b>NUMBER OF EMPLOYEES AT YEAR-END (3)</b>          |                    |             |             |             |             |             |             |             |             |             |             |
|   | <b>19,630</b>      | 20,527      | 20,304      | 20,473      | 20,325      | 20,965      | 20,274      | 20,077      | 19,612      | 20,130      | 17,734      |
| <b>EMPLOYEE WAGES &amp; BENEFITS</b>                |                    |             |             |             |             |             |             |             |             |             |             |
| (thousands)   | <b>\$862,007</b>   | \$800,493   | \$754,016   | \$743,710   | \$729,067   | \$657,038   | \$588,593   | \$517,161   | \$445,636   | \$382,812   | \$317,712   |

(1) Beginning in 1985, excludes impact of joint ownership of Catawba Nuclear Station.

(2) Beginning in 1986, includes 100% of the capability of the Catawba Nuclear Station.

(3) In 1988, excludes employees who were notified in November 1988 of layoff effective January 31, 1989.



## CONSTRUCTION PROGRAM

The Company, utilizing its own construction and engineering force, carries on a construction program, the nature and extent of which is based upon current and estimated future loads of its system. During the period January 1, 1978 through December 31, 1988 gross property additions (including nuclear fuel) and retirements amounted to approximately \$8,405 million and \$1,985 million, respectively, resulting in a net increase of approximately \$6,420 million. Net retirements reflect the sales of portions of the Catawba Nuclear Station and the cancellation of the Perkins Nuclear Station and the Cherokee Nuclear Station. The net KW generating capability rose from 12,317,000 KW to 15,533,000 KW during the same period.

## MAJOR GENERATING UNITS PLACED IN SERVICE 1978-1988

| Year | Plant                   | Unit No. | Capability<br>(Megawatts) | Cost Per<br>KW (1) |
|------|-------------------------|----------|---------------------------|--------------------|
| 1981 | McGuire Nuclear Station | 1        | 1,129                     | \$ 828             |
| 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            |

(1) Total station cost per KW at date of commercial operation.

## GENERATING CAPABILITY

December 31, 1988

| Source      | Facility            | Net MW | Percent |
|-------------|---------------------|--------|---------|
| Coal        | Belews Creek        | 2,240  | 14.4    |
|             | Marshall            | 2,090  | 13.5    |
|             | Allen               | 810    | 5.2     |
|             | Cliffside           | 562    | 3.6     |
|             | Others              | 726    | 4.7     |
|             |                     | 6,428  | 41.4    |
| Nuclear     | Oconee              | 2,538  | 16.4    |
|             | McGuire             | 2,258  | 14.5    |
|             | Catawba (1)         | 2,258  | 14.5    |
|             |                     | 7,054  | 45.4    |
| Hydro       | 26 stations         | 1,452  | 9.3     |
| Oil and gas | Combustion turbines | 599    | 3.9     |
|             |                     | 15,533 | 100.0   |

(1) The Company owns 12½ percent of the Catawba Nuclear station.

## PRINCIPAL SUBSIDIARIES AND AFFILIATES

Mill-Power Supply Company was organized in 1910 to supply electrical equipment to the area's textile mills in order to facilitate conversion to electricity from other forms of energy. Since 1984, this subsidiary has also been a leading supplier of high-tech industrial electronic equipment through its Mill-Power Technologies division. In 1988, Mill-Power reorganized and transferred its utility purchasing function to the parent Duke Power Company.

Crescent Land & Timber Corp., organized in 1969, owns and manages approximately 270,000 acres of property not used in utility operations and plans to continue to pursue real estate and development opportunities in both the residential and commercial arenas.

Church Street Capital Corp. was organized in 1985 to facilitate investment of the Company's intermediate-term funds, which are transferred back to Duke as needed for use in the utility business or other operations requiring funding.

Duke Engineering & Services, Inc. was formed in 1987 to keep Duke engineers and designers abreast of new technologies and to seize market opportunities presented by the evolving deregulation of electric utilities. During 1988 Duke Engineering provided engineering and technical services on 91 projects for 57 clients.

Duke Power obtained all required regulatory approvals in 1988 for its purchase of Nantahala Power and Light Company, announced in 1987. Duke bought the electric utility from the Aluminum Company of America in November 1988 for the net book value of its stock, \$30 million. Nantahala, formed in 1929, serves about 47,000 customers in a five-county area of the western North Carolina mountains, adjacent to the Duke Power service area. Nantahala operates 11 hydroelectric stations and currently purchases supplemental power from the Tennessee Valley Authority.

The Company formed a new affiliate in 1988, Duke Energy Corp., to develop generating plants outside the Duke Power service area. Duke Energy will develop cogeneration plants to supply electricity and heat by-products to industrial facilities. Duke Engineering will design the plants.

The Company formed a new entity in 1988, Mint Street Capital Associates, a partnership of Duke Power subsidiaries with financial investment portfolios. Mint Street consolidates all financial investments of the non-utility groups, and is managed by Church Street Capital Corp.



## REGULATION

The Company is subject to regulation by the United States Environmental Protection Agency and the Nuclear Regulatory Commission as to design, construction and operation of certain of its generating facilities.

### 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 security issues and accounting matters. The NCUC determines allowable rates of return and sets rates using original cost 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 |
|---------------------------|----------------------|
| Robert O. Wells, Chairman | 1993                 |
| William W. Redman, Jr.    | 1995                 |
| Ruth E. Cook              | 1991                 |
| Edward B. Hipp, Jr.       | 1989                 |
| Sarah Lindsay Tate        | 1993                 |
| Julius A. Wright          | 1993                 |

Charles Hughes was nominated in January 1989 to replace Robert Koger who resigned in 1988.

### The Public Service Commission of South Carolina

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

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

| Commissioner                         | Term expires June 30 |
|--------------------------------------|----------------------|
| Caroline H. Maass, Chairman          | 1990                 |
| Marjorie Amos-Frazier, Vice Chairman | 1990                 |
| Cecil A. Bowers                      | 1990                 |
| Guy Butler                           | 1990                 |
| Fred A. Fuller                       | 1990                 |
| Rudolph Mitchell                     | 1990                 |
| Henry G. Yonce                       | 1990                 |

### Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission regulates wholesale and interstate transmission rates, acquisition and disposition of certain property, licensing of hydroelectric projects, and other matters. Closely related is its responsibility to oversee accounting and reporting functions under the Federal Power Act to ensure that reliable and consistent financial information is available for regulatory and public purposes.

## GENERAL RATE CHANGES

(Dollars in Millions)

| Jurisdiction and Date Filed | Requested Revenues | Approved |              |                | Implemented (1) |
|-----------------------------|--------------------|----------|--------------|----------------|-----------------|
|                             |                    | Revenues | % of Request | Effective      |                 |
| N.C. Retail                 |                    |          |              |                |                 |
| January 1978                | 70.5               | 40.3     | 57.2         | September 1978 | September 1978  |
| March 1979                  | 35.5               | 28.3     | 79.7         | October 1979   | October 1979    |
| February 1980               | 91.6               | 57.5     | 62.7         | October 1980   | October 1980    |
| March 1981                  | 211.0              | 166.4    | 78.9         | December 1981  | October 1981    |
| March 1982                  | 197.0              | 61.7     | 31.3         | November 1982  | November 1982   |
| February 1983               | 112.9              | 76.2     | 67.5         | September 1983 | September 1983  |
| November 1983               | 212.8              | 131.0    | 61.6         | June 1984      | June 1984       |
| February 1985               | 340.0              | 157.7    | 46.4         | September 1985 | September 1985  |
| March 1986                  | 289.3              | 133.1    | 46.0         | October 1986   | October 1986    |
| December 1986 (2)           | (48.6)             | (48.6)   | 100.0        | January 1987   | January 1987    |
| November 1987 (2)           | (63.3)             | (63.3)   | 100.0        | January 1988   | January 1988    |
| S.C. Retail                 |                    |          |              |                |                 |
| April 1978                  | 34.5               | 18.2     | 52.8         | May 1979       | September 1978  |
| August 1979                 | 25.8               | 23.4     | 90.7         | September 1980 | October 1979    |
| December 1980               | 103.7              | 57.0     | 54.9         | January 1982   | January 1981    |
| February 1982               | 99.4               | 40.7     | 40.9         | March 1983     | September 1982  |
| September 1983              | 136.0              | 99.7     | 73.3         | March 1984     | March 1984      |
| April 1985                  | 143.0              | 78.4     | 54.8         | October 1985   | October 1985    |
| May 1986                    | 137.8              | 79.1     | 57.4         | November 1986  | November 1986   |
| December 1986 (2)           | (20.9)             | (20.9)   | 100.0        | January 1987   | January 1987    |
| October 1987 (2)            | (26.4)             | (26.4)   | 100.0        | January 1988   | January 1988    |
| FERC Wholesale              |                    |          |              |                |                 |
| June 1978                   | 15.3               | 15.0     | 98.0         | January 1980   | September 1978  |
| June 1980                   | 26.3               | 18.6     | 70.7         | February 1981  | October 1980    |
| June 1981                   | 46.9               | 30.7     | 65.5         | December 1981  | October 1981    |
| August 1982                 | 44.1               | 26.0     | 59.0         | March 1983     | November 1982   |
| December 1983               | 9.5                | 8.0      | 84.2         | October 1984   | March 1984      |
| July 1985                   | 9.2                | 5.2      | 56.5         | March 1986     | October 1985    |
| August 1986 (2)             | 6.4                | 1.9      | 30.4         | July 1987      | November 1986   |
| January 1988 (2)            | (1.4)              | (1.4)    | 100.0        | January 1988   | January 1988    |

(1) In the past, the Company has collected interim rate increases, subject to refund, in all three jurisdictions. On occasion the Company has implemented its entire request on such a basis prior to the final rate order.

(2) Reflects the impact of a lower federal income tax rate.

### Fuel Clause Procedures

The level of fuel costs in rates are reviewed semiannually in the wholesale and South Carolina retail jurisdictions, and are 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.



## EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

**William S. Lee** (59/34)  
Chairman of the Board  
and Chief Executive Officer

**Douglas W. Booth** (64/36)  
President and  
Chief Operating Officer

**William H. Grigg** (56/25)  
Executive Vice President  
Customer Group

**Warren H. Owen** (62/41)  
Executive Vice President  
Power Group

**Steve C. Griffith, Jr.** (55/24)  
Senior Vice President  
and General Counsel

Figures in Parentheses Denote Age and  
Length of Service as of March 31, 1989.

## OUTSIDE DIRECTORS

**Naomi G. Albanese**  
Dean Emeritus, School of  
Home Economics  
University of North Carolina  
at Greensboro

**Dr. Robert L. Albright**  
President  
Johnson C. Smith University

**Crandall C. Bowles**  
President  
The Springs Company

**Thomas H. Davis**  
Chairman of the Executive Committee  
Piedmont Aviation, Inc.

**John L. Fraley**  
Chairman of the Board  
Carolina Freight Corporation

**Alester G. Furman, III**  
Retired Chairman of the Board  
The Furman Co., Inc.

**Paul H. Henson**  
Chairman  
United Telecommunications, Inc.

**Dr. George R. Herbert**  
President  
Research Triangle Institute

**George Dean Johnson, Jr.**  
President  
Johnson Development  
Associates, Inc.

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

**W. W. Johnson**  
Chairman of the Executive Committee  
NCNB Corporation

**Dr. Max Lennon**  
President  
Clemson University

**Buck Mickel**  
Chairman RSI Corporation  
Director  
Fluor Corporation

**Reece A. Overcash, Jr.**  
Chairman of the Board  
and Chief Executive Officer  
Associates Corporation  
of North America

**James C. Self**  
Chairman of the Executive Committee  
Greenwood Mills, Inc.  
Trustee  
The Duke Endowment

## OTHER OFFICERS

**William A. Coley**  
Senior Vice President  
Power Delivery

**Henry L. Cranford**  
Senior Vice President  
Customer Services

**Donald H. Denton, Jr.**  
Senior Vice President  
Marketing and Rates

**Richard B. Priory**  
Senior Vice President  
Generation and  
Information Services

**James R. Bavis**  
Vice President  
Human Resources

**Thomas C. Berry**  
Vice President  
Southern Division

**Shem K. Blackley, Jr.**  
Vice President  
Transmission and Distribution

**J. Kenneth Clark**  
Vice President  
Corporate Communications

**Robert L. Dick**  
Vice President  
Construction and Maintenance

**Excell O. Ferrell, III**  
Vice President  
Operation

**Donald E. Hatley**  
Vice President  
Public Affairs

**John P. Holland**  
Vice President  
Central Division

**F. Alfred Jenkins**  
Vice President  
Western Division

**James C. Leathers**  
Vice President  
Production Support Department

**John F. Lomax**  
Vice President  
Northern Division

**Paul G. Martin**  
Vice President  
Eastern Division

**Ted C. McMeekin**  
Vice President  
Design Engineering

**John P. O'Keefe**  
Vice President  
Taxes

**Richard J. Osborne**  
Vice President  
Finance

**William O. Parker, Jr.**  
Vice President  
Fossil Production Department

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

**William R. Stimart**  
Vice President  
Regulatory Affairs

**George E. Stubbins**  
Vice President  
Information Systems

**Hal B. Tucker**  
Vice President  
Nuclear Production Department

**Fred E. West, Jr.**  
Vice President  
Charlotte Division

**Sue A. Becht**  
Treasurer

**Lewis F. Camp, Jr.**  
Secretary and Associate  
General Counsel

**David L. Hauser**  
Controller

†**C. Joe Sherrill**  
Assistant Vice President  
Transmission-Substation  
Division

**Carolyn R. Duncan**  
Assistant Secretary

**Billie M. Henderson**  
Assistant Secretary

\***Sherry L. Love**  
Assistant Treasurer

‡**W. Bruce Shannon**  
Assistant Treasurer

**Phyllis T. Simpson**  
Assistant Secretary

**Eugene C. Sites**  
Assistant Controller

†**Hansel D. Whitley**  
Assistant Controller

\* Effective March 1, 1989

† Retired effective January 31,  
1989

‡ Will retire effective May 1, 1989

## Principal Subsidiaries and Affiliates

**William H. Grigg**  
President  
Church Street Capital Corp.

**Elbert N. Hedgepeth, Jr.**  
President and  
Chairman of the Board  
Nantahala Power and Light  
Company

**Richard C. Ranson**  
President  
Crescent Land & Timber Corp.  
Chairman and  
Chief Executive Officer  
Mill-Power Supply Company

**Robert C. Vaughn**  
President  
Mill-Power Supply Company

**A. Parks Cobb, Jr.**  
President  
Duke Engineering & Services,  
Inc.

**Richard J. Osborne**  
President  
Duke Energy Corp.



# Duke Power Service Area

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- ◆ Nantahala Power and Light Company
- ◆ Duke Power Company

