50-400

Amendment No. 45

Superseded pages per Amdt. 45 BKM

CAROLINA POWER & LIGHT COMPANY

Application for Construction Permit and Operating License

General Information

Superseded pages per Amdt 45 to USNRC Application for CP+OL 50-400 PDR 5/26/76

1. Name of Applicant.

   Carolina Power & Light Company

2. Address of Applicant.

   336 Fayetteville Street

   Raleigh, North Carolina 27602

3. Description of Business and Organization of Applicant.

Applicant is an electric utility engaged exclusively in the generation, purchase, transmission, distribution and sale of electric energy. The territory served by Applicant, an area of approximately 30,000 square miles, includes a substantial portion of the Coastal Plain in North Carolina extending to the Atlantic coast between the Pamlico River and the South Carolina border, the lower Piedmont section in North Carolina and in South Carolina and an area in western North Carolina in and around the City of Asheville. The estimated total population of the service area is in excess of 2,800,000. As of December 31, 1975 the Applicant furnished electric service to approximately 660,000 customers.

Applicant's facilities in Asheville and vicinity are connected with the Applicant's system in other areas served by the Applicant through the facilities of Appalachian Power Company and of Duke Power Company, so that power may be transferred from or to the Asheville area through interconnections with such companies. There are also interconnections with the facilities of Tennessee Valley Authority, Virginia Electric and Power Company, South Carolina Electric & Gas Company, and Yadkin, Inc.

[illegible]

As of December 31, 1975, Applicant owned and operated eight steam electric generating plants with a net capability of 5,368,000 KW, four hydroelectric plants with a net capability of 211,500 KW and internal combustion generating units with a net capability of 1,264,000 KW. Including net purchased power available on a firm commitment basis, the total system capability as of December 31, 1975, was 7,071,500 KW. Applicant currently has under construction an 821,000 KW nuclear fueled steam electric generating unit to be completed in 1977, and a 720,000 KW fossil fueled steam electric generating unit to be completed in 1980.

4. Legal Status.

Applicant is a public service corporation formed under the laws of North Carolina in 1926.

The names and addresses of Applicant's directors and principal officers, all of whom are citizens of the United States, are as follows:

Directors:

Shearon Harris, Chairman, Raleigh, North Carolina

Daniel D. Cameron, Sr., Wilmington, North Carolina

Felton J. Capel, Southern Pines, North Carolina

George H. V. Cecil, Asheville, North Carolina

Charles W. Coker, Jr., Hartsville, South Carolina

Margaret T. Harper, Southport, North Carolina

L. H. Harvin, Jr., Henderson, North Carolina

Karl G. Hudson, Jr., Raleigh, North Carolina

J. A. Jones, Raleigh, North Carolina

E. G. Lilly, Jr., Raleigh, North Carolina

A. C. Monk, Jr., Farmville, North Carolina

Sherwood H. Smith, Jr., Raleigh, North Carolina

H. L. Tilghman, Jr., Marion, South Carolina

John F. Watlington, Jr., Winston-Salem, North Carolina

Principal Officers:

Shearon Harris, President, Raleigh, North Carolina

J. A. Jones, Executive Vice President - Engineering, Construction & Operation, Raleigh, North Carolina

Sherwood H. Smith, Jr., Executive Vice President - Administration

Edward G. Lilly, Jr., Senior Vice President and Group Executive, Raleigh, North Carolina

W. J. Ridout, Jr., Senior Vice President and Group Executive, Raleigh, North Carolina

Samuel Behrends, Jr., Vice President, Raleigh, North Carolina

E. M. Geddie, Vice President, Raleigh, North Carolina

W. E. Graham, Jr., Vice President and General Counsel, Raleigh, North Carolina

W. B. Kincaid, Vice President, Raleigh, North Carolina

M. A. McDuffie, Vice President, Raleigh, North Carolina

D. V. Menscer, Vice President, Raleigh, North Carolina

A. L. Morris, Vice President, Raleigh, North Carolina

J. R. Riley, Vice President, Raleigh, North Carolina

R. S. Talton, Vice President, Raleigh, North Carolina

E. E. Utley, Vice President, Raleigh, North Carolina

J. L. Lancaster, Jr., Secretary, Raleigh, North Carolina

James S. Currie, Treasurer, Raleigh, North Carolina

Applicant is not owned, controlled or dominated by an alien, foreign corporation or foreign government. Applicant makes this application on its own behalf and is not acting as agent or representative of any other person.

[illegible]

5. Class and Period of License Applied For.

Applicant requests a class 103 construction permit and operating license for period of 40 years.

6. Description of Facility and Use to Which Facility Will be Put.

Applicant proposes to build and operate four pressurized water nuclear reactors as an integral part of a four-unit nuclear fueled steam electric generating plant to be constructed on an approximately 14,000-acre site in Wake and Chatham Counties, North Carolina. Each unit is designed for operation at a net electrical output of approximately 900 MWe. The corresponding thermal rating of each reactor is 2785 MWt. The first unit constructed is scheduled for commercial operation in March, 1984; the second unit in March, 1986; the third unit in March, 1988; and the fourth unit in March, 1990. Details concerning the plant and its site are contained in the Preliminary Safety Analysis Report (PSAR) constituting a part of this Application. The plant will be used for the commercial generation of electrical energy.

7. Additional Licenses Applied For.

Applicant requests such additional source, special nuclear and byproduct material licenses as may be necessary or appropriate to the construction and operation of the plant.

8. Financial Qualifications.

Applicant's annual report for the year ended December 31, 1975, is attached as Exhibit A. Exhibit A contains a statistical summary of financial statements and energy sales for the years 1965, 1970, 1971, 1972, 1973, 1974, and 1975. Applicant's response to Dr. Lyall Johnson's letter of September 10, 1971, is attached as Exhibit B. Applicant's interim financial statements for the three-month period ended March 31, 1976 is attached as Exhibit C. Attached as Exhibit D is the Prospectus for the Applicant's latest public sale of securities. Attached as Exhibit E is the most recent Officer's Certificate prepared by CP&L

in connection with the issuance of mortgage bonds. Information showing interest coverage is found in Exhibit E. Information showing debt ratio calculations pursuant to the applicable indenture is found in attachments to Exhibit F. Attached as Exhibit F is the Applicant's responses to Mr. Walter R. Butler's letter of December 5, 1974. Attached as Exhibit G is the Applicant's responses to Mr. Walter R. Butler's letter of April 8, 1975 which were submitted by separate letter on May 14, 1975.

Construction of the nuclear plant will be financed as an integral part of Applicant's total construction program. Applicant's program, subject to continuing review and adjustments, is estimated for each of the years 1976 - 1990 to be as follows:

1976	$ 270,621,000
1977	262,673,000
1978	292,635,000
1979	451,990,000
1980	620,552,000
1981	723,845,000
1982	891,168,000
1983	948,838,000
1984	965,434,000
1985	839,027,000
1986	902,669,000
1987	793,553,000
1988	1,095,593,000
1989	1,198,238,000
1990	1,450,116,000
TOTAL	$ 11,706,952,000

Table 1 shows construction costs for planned generating units for the years 1976 through 1990. This table reflects costs associated with construction only, and does not include the additional budgeted costs for transmission, distribution, and general plant facilities.

Applicant's present plans for financing the overall construction program from 1976 to 1990 are outlined in Table 2. The timing, amounts, and types of securities issued may vary depending upon market conditions.

TABLE 1

CAROLINA POWER & LIGHT COMPANY
COMMITMENTS OVER THE LIFE OF THE CONSTRUCTION
OF THE SHEARON HARRIS NUCLEAR POWER PLANT
(000's of Dollars)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	15-Year Total
PRODUCTION PLANT																
Purchase Land for Plants	5,374	2,000	1,500	1,000	300	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	19,674
Construct Unit No. 2 - Brunswick-N 821 MW 1975	5,816	74	-	-	-	-	-	-	-	-	-	-	-	-	-	5,890
Construct Unit No. 1 - Brunswick-N 821 MW 1977	51,500	14,789	-	-	-	-	-	-	-	-	-	-	-	-	-	66,289
Construct Unit No. 4 - Roxboro-F 780 MW 1980	17,520	15,442	29,740	33,164	8,995	-	-	-	-	-	-	-	-	-	-	104,861
Construct Unit No. 1 - Harris-N 900 MW 1984	29,301	34,901	75,382	139,694	246,610	189,486	193,532	143,770	32,656	-	-	-	-	-	-	1,085,332
Construct Unit No. 2 - Harris-N 900 MW 1986	27,462	13,775	16,025	21,313	32,232	55,448	138,260	100,531	94,395	76,954	21,878	-	-	-	-	598,273
Construct Unit No. 4 - Harris-N 900 MW 1988	6,978	37,216	10,892	12,281	22,196	25,937	54,555	126,151	176,297	134,177	107,568	99,116	34,228	-	-	847,592
Construct Unit No. 3 - Harris-N 900 MW 1990	7,896	6,277	40,363	9,698	12,025	18,199	24,274	67,086	81,606	66,134	170,105	125,976	116,962	104,243	41,422	892,266
Construct Unit No. 1 - Mayo-F 720 MW 1983	6,446	3,669	4,205	96,514	114,988	95,641	49,219	19,747	-	-	-	-	-	-	-	390,429
Construct Unit No. 2 - Mayo-F 720 MW 1985	1,609	695	1,370	4,064	8,212	75,887	117,582	56,497	39,752	17,009	-	-	-	-	-	322,677
Construct Unit No. 1 - SR-N 1150 MW 1987	3,344	1,275	6,050	22,313	46,106	104,371	123,826	171,701	234,148	174,210	115,018	16,016	-	-	-	1,018,378
Construct Unit No. 2 - SR-N 1150 MW 1989	3,075	483	646	9,234	19,169	36,316	33,967	89,036	126,096	178,733	243,222	183,191	122,963	16,973	-	1,063,104
Construct Generating Units 1991 - 1995	-	-	-	-	-	-	-	-	-	-	40,796	159,232	572,055	801,989	1,094,528	2,668,600
Air & Water Quality Control Devices	29,018	49,925	15,691	-	50	50	50	50	50	50	50	50	50	50	50	95,184
Additions & Replacements of Generating Plants - System	6,606	3,119	3,000	2,630	2,820	3,015	3,225	3,450	3,690	3,950	4,226	4,522	4,839	5,178	5,540	59,810
Total Production Plant	201,945	183,640	204,864	351,905	513,703	604,850	739,490	779,019	789,690	652,217	703,863	589,103	852,097	929,433	1,142,540	9,238,359

Applicant is able to borrow on a short-term basis at the prime rate of interest. Bond issues sold in recent years have been rated A or Double-A. None of Applicant's outstanding bonds mature prior to 1979. On February 24, 1975, Moody's Investors Service, Inc. downgraded the bond rating to Baa. The Company's commercial paper rating was changed from Prime 1 to Prime 2.

Applicant's estimate of the cost of design and construction of the nuclear plant, including related items, and for procurement of the initial reactor cores for the four units is as follows:

FPC Account No.			
(a)	Nuclear Production Plant Costs	$3,603,752,000	
320	- Land & Land Rights		$ 48,217,000
321	- Structures & Improvements		787,607,000
322	- Reactor Plant Equipment		1,188,025,000
323	- Turbine Generator Equipment		385,748,000
324	- Accessory Electrical Equipment		231,438,000
325	- Misc. Power Plant Equipment		31,956,000
	- Interest		930,761,000
(b)	Transmission, Distribution & General Plant Cost	63,066,000	
353	- Transmission Plant Sta. Equipment		46,792,000
	- Interest		16,274,000
(c)	Nuclear Fuel Inventory Costs	193,704,000	
	Nuclear Fuel		173,886,000
	Interest		19,818,000
	TOTALS	$3,860,522,000	$3,860,522,000

TABLE 2

Applicant: Carolina Power & Light Company Nuclear Plant: Harris

Sources of Funds for System-Wide Construction Expenditures During Period of Construction of Subject Nuclear Power Plant
(Millions of Dollars)

Security Issues and Other Funds	Construction Years of Subject Nuclear Power Plant														
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Common stock	60				82	87	183	188	189		112	93	75	125	100
Preferred stock			50	50	50	100	100	100	100	100	50	50		50	100
Long-term debt			200	200	200	300	400	400	300	400	300	100	300	300	500
Notes payable	33	80	(88)	14	77	6	(20)	(23)	27	(41)	(30)	20	50		30
Total	93	80	162	264	409	493	663	665	616	459	432	263	425	475	730
Internal Funds															
Net Income	120	141	143	160	171	207	240	286	302	368	422	428	536	529	501
Less:															
Preferred dividends	27	27	29	33	41	49	56	66	78	87	94	102	102	102	108
Common dividends	54	60	63	66	71	82	96	114	129	142	156	167	179	187	196
Retained earnings	39	54	51	61	59	76	88	106	95	139	172	159	255	240	197
Deferred taxes	24	33	37	40	44	46	46	49	68	81	87	101	114	124	132
Investment tax credit-net	17	18	5	2	9	2	1	16	32	13	20	27	23	27	21
Depreciation & amortization	63	72	83	88	93	99	102	112	148	184	208	246	290	334	378
Less: AFDC	51	45	51	64	85	123	166	194	183	194	191	171	164	161	177
Total Internal Funds	92	132	125	127	120	100	71	89	160	223	296	362	518	564	551
TOTAL FUNDS	185	212	287	391	529	593	734	754	776	682	728	625	943	1,039	1,281
Construction Expenditures *															
Nuclear power plants	112	118	128	171	316	338	448	538	595	456	475	269	156	57	29
Other	107	99	113	217	220	263	277	217	187	189	237	354	776	981	1,244
Total Const. Exp's.	219	217	241	388	536	601	725	755	782	645	712	623	932	1,038	1,273
Subject Nuclear Plant	53	69	111	142	256	213	314	316	293	185	220	141	96	56	29

*Exclusive of AFDC (Allowance for Funds Used During Construction)

The estimated cost by units is as follows: (All figures in thousands)

(a) Nuclear Production Plant Costs

FPC Account No.	Unit 1	Unit 2	Unit 3	Unit 4	Land	Total
320	29,898	-	-	-	14,532	44,430
321	392,974	116,727	137,350	140,556	-	787,607
322	300,019	220,493	342,650	324,863	-	1,188,025
323	90,118	89,793	108,834	97,003	-	385,748
324	67,780	50,061	56,903	56,694	-	231,438
325	19,618	3,738	4,613	3,987	-	31,956
Interest	302,053	179,234	237,456	212,018	3,787	934,548
(b) Transmission, Distribution and General Plant Cost						
353	14,357	6,594	7,758	18,083	-	46,792
Interest	4,876	1,385	2,833	7,180	-	16,274
(c) Nuclear Fuel Inventory Cost						
Fuel	37,438	42,276	49,627	44,545	-	173,886
Interest	4,272	4,871	5,643	5,032	-	19,818
Totals	1,263,403	715,172	953,667	909,961	18,319	3,860,522

The estimated cash flow or cost by unit by years is as follows:

	Unit 1	Unit 2	Unit 3	Unit 4	Land	Total
Prior to 1976	136,361	69,752	6,131	12,792	14,821	239,857
1976	29,301	27,462	7,896	6,978	3,498	75,135
1977	34,901	13,775	6,277	37,216	-	92,169
1978	75,382	16,025	40,363	10,892	-	142,662
1979	139,694	21,313	9,698	12,281	-	182,986
1980	246,610	32,232	12,025	22,196	-	313,063
1981	189,486	55,448	18,199	25,937	-	289,070
1982	193,532	138,260	24,274	54,555	-	410,621
1983	143,770	100,531	67,086	126,151	-	437,538
1984	32,656	94,395	81,606	176,297	-	384,954
1985	-	76,954	66,134	134,177	-	277,265
1986	-	21,878	170,105	107,568	-	299,551
1987	-	-	125,976	99,116	-	225,092
1988	-	-	116,962	34,228	-	151,190
1989	-	-	104,243	-	-	104,243
1990	-	-	41,422	-	-	41,422
Subtotal	1,221,693	668,025	898,397	860,384	18,319	3,666,818
Fuel Cost	41,710	47,147	55,270	49,577	-	193,704
Totals	1,263,403	715,172	953,667	909,961	18,319	3,860,522

The cost estimates for the nuclear steam supply systems and related equipment and the fuel fabrication services are based upon contracts with Westinghouse Electric Corporation. Items not covered by these contracts are based upon the best estimate of the Applicant and its architect-engineer, Ebasco Services, Incorporated. All cost estimates include an allowance for escalation.

Estimates of the cost of design and construction of the Shearon Harris Nuclear Power Plant, including related items, and for procurement of the initial reactor cores are also presented for Units 1, 2, 4, and 3 in Tables 3, 4, 5, and 6.

TABLE 3

PLANT CAPITAL INVESTMENT

SUMMARY - UNIT NO. 1

BASIC DATA

Name of Plant	Shearon Harris	Cost Basis:	At start of construction
Net Capacity	900 MW(e)	(1973 dollars)	$403,735
Reactor Type	PWR		
Location	Wake County		

Type of Cooling

Run of River	
Natural Draft Cooling Towers	X
Mechanical Draft Cooling Towers	
Other (Describe)	

Design and Construction Period

Month, Year NSSS Order Placed	4/71
Month, Year of Commercial Operation	3/84
Length of Workweek	40 hrs.
Interest Rate, Interest During Construction	8%

COST SUMMARY

Account Number	Account Title	Total Cost (thousand dollars)
DIRECT COSTS		
20	Land and Land Rights....................	$ 33,663
	PHYSICAL PLANT	
21	Structures and Site Facilities..........	251,462
22	Reactor Plant Equipment.................	191,981
23	Turbine Plant Equipment.................	57,666
24	Electric Plant Equipment................	43,372
25	Misc. Plant Equipment...................	12,554
	Subtotal...........................	$ 557,035
	Spare Parts Allowance...................	*
	Contingency Allowance...................	70,577
	Subtotal...........................	$ 627,612
INDIRECT COSTS		
91	Construction Facilities, Equipment, and Services..............................	$ 58,877
92	Engineering and Const. Mg't. Services...	105,711
93	Other Costs.............................	89,075
94	Interest During Construction............	305,840
	Subtotal...........................	$ 559,504
	Start of Construction Cost..............	$ 1,220,779
	Escalation During Construction (7 % yr.)	*
	Total Plant Capital Investment ($1356/KW)	$ 1,220,779

*Included Above

TABLE 4

PLANT CAPITAL INVESTMENT

SUMMARY - UNIT NO. 2

BASIC DATA

Name of Plant	Shearon Harris	Cost Basis:	At start of construction
Net Capacity	900 MW(e)	(1973 dollars)	$220,179
Reactor Type	PWR		
Location	Wake County	Type of Cooling	

Design and Construction Period

Month, Year NSSS Order Placed	4/71
Month, Year of Commercial Operation	3/86
Length of Workweek	40 hrs.
Interest Rate, Interest During Construction	8%

Type of Cooling

Run of River	
Natural Draft Cooling Towers	X
Mechanical Draft Cooling Towers	
Other (Describe)	

COST SUMMARY

Account Number	Account Title	Total Cost (thousand dollars)
DIRECT COSTS		
20	Land and Land Rights....................	$ 0
	PHYSICAL PLANT	
21	Structures and Site Facilities..........	75,330
22	Reactor Plant Equipment.................	142,295
23	Turbine Plant Equipment.................	57,948
24	Electric Plant Equipment................	32,307
25	Misc. Plant Equipment...................	2,412
	Subtotal...........................	$ 310,292
	Spare Parts Allowance...................	*
	Contingency Allowance...................	35,125
	Subtotal...........................	$ 345,417
INDIRECT COSTS		
91	Construction Facilities, Equipment, and Services..............................	$ 16,413
92	Engineering and Const. Mg't. Services...	46,486
93	Other Costs.............................	72,496
94	Interest During Construction............	179,234
	Subtotal...........................	$ 314,629
	Start of Construction Cost..............	$ 660,046
	Escalation During Construction (7 % yr.)	*
	Total Plant Capital Investment ($ 733 /KW)	$ 660,046

*Included Above

TABLE 5

PLANT CAPITAL INVESTMENT

SUMMARY - UNIT NO. 4

BASIC DATA

Name of Plant	Shearon Harris
Net Capacity	900 MW(e)
Reactor Type	PWR
Location	Wake County

Cost Basis: At start of construction (1973 dollars) $227,202

Type of Cooling

Run of River	
Natural Draft Cooling Towers	X
Mechanical Draft Cooling Towers	
Other (Describe)	

Design and Construction Period

Month, Year NSSS Order Placed	4/71
Month, Year of Commercial Operation	3/88
Length of Workweek	40 hrs.
Interest Rate, Interest During Construction	8%

COST SUMMARY

Account Number	Account Title	Total Cost (thousand dollars)
DIRECT COSTS		
20	Land and Land Rights....................	$ 0
	PHYSICAL PLANT	
21	Structures and Site Facilities..........	99,671
22	Reactor Plant Equipment.................	230,365
23	Turbine Plant Equipment.................	68,787
24	Electric Plant Equipment................	40,203
25	Misc. Plant Equipment...................	2,827
	Subtotal...........................	$ 441,853
	Spare Parts Allowance...................	*
	Contingency Allowance...................	50,205
	Subtotal...........................	$ 492,058
INDIRECT COSTS		
91	Construction Facilities, Equipment, and Services..............................	$ 20,230
92	Engineering and Const. Mg't. Services...	44,040
93	Other Costs.............................	66,775
94	Interest During Construction............	212,018
	Subtotal...........................	$ 343,063
	Start of Construction Cost..............	$ 835,121
	Escalation During Construction (7 % yr.)	*
	Total Plant Capital Investment ($ 927/KW)	$ 835,121

*Included Above

TABLE 6

PLANT CAPITAL INVESTMENT

SUMMARY - UNIT NO. 3

BASIC DATA

Name of Plant	Shearon Harris
Net Capacity	900 MW(e)
Reactor Type	PWR
Location	Wake County

Cost Basis: At start of construction (1973 dollars) $225,385

Type of Cooling

Run of River	
Natural Draft Cooling Towers	X
Mechanical Draft Cooling Towers	
Other (Describe)	

Design and Construction Period

Month, Year NSSS Order Placed	4/71
Month, Year of Commercial Operation	3/90
Length of Workweek	40 hrs.
Interest Rate, Interest During Construction	8%

COST SUMMARY

Account Number	Account Title	Total Cost (thousand dollars)
DIRECT COSTS		
20	Land and Land Rights	$ 0
	PHYSICAL PLANT	
21	Structures and Site Facilities	92,985
22	Reactor Plant Equipment	231,973
23	Turbine Plant Equipment	73,679
24	Electric Plant Equipment	38,523
25	Misc. Plant Equipment	3,123
	Subtotal	$ 440,283
	Spare Parts Allowance	*
	Contingency Allowance	48,241
	Subtotal	$ 488,524
INDIRECT COSTS		
91	Construction Facilities, Equipment, and Services	$ 20,581
92	Engineering and Const. Mg't. Services	57,675
93	Other Costs	83,570
94	Interest During Construction	237,456
	Subtotal	$ 399,282
	Start of Construction Cost	$ 887,806
	Escalation During Construction (7 % yr.)	*
	Total Plant Capital Investment ($ 986/KW)	$ 887,806

*Included Above

9. Completion Dates.

Applicant contemplates that a construction permit for the four units will be issued on or before December 1, 1976, that Unit No. 1 will be completed and ready for fuel loading on or about June 1, 1983; Unit No. 2 on or about June 1, 1985; Unit No. 4 on or about June 1, 1987; and Unit No. 3 on or about June 1, 1989; and that commercial operation of Unit No. 1 will commence in March, 1984; Unit No. 2 in March, 1986; Unit No. 4 in March, 1988; and Unit No. 3 in March, 1990. The earliest estimated completion dates for the four units are December 1, 1982 for Unit No. 1; December 1, 1984 for Unit No. 2; December 1, 1986 for Unit No. 4, and December 1, 1988 for Unit No. 3. The latest estimated completion dates for the four units are June 1, 1983 for Unit No. 1; June 1, 1985 for Unit No. 2; June 1, 1987 for Unit No. 4, and June 1, 1989 for Unit No. 3.

10. Regulatory Agencies and Media.

Applicant's retail rates and services in North Carolina are subject to the regulatory jurisdiction of the North Carolina Utilities Commission, One West Morgan Street, Raleigh, North Carolina 27601. Applicant's retail rates and services in South Carolina are subject to the regulatory jurisdiction of the South Carolina Public Service Commission, P. O. Drawer 11649, Columbia, South Carolina 29211.

Applicant's wholesale rates and services are subject to the regulatory jurisdiction of the Federal Power Commission, Washington, D. C. 20426.

The following is a listing of the newspapers of general circulation in the Applicant's service area which are considered appropriate to give reasonable notice of the application to those persons who might have a potential interest in the facilities to be constructed by the Applicant:

EXHIBIT D

PROSPECTUS

5,000,000 Shares

Carolina Power & Light Company

Common Stock

(Without Par Value)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts(1)	Proceeds to Company(2)
Per Share	$17.875	$.66	$17.215
Total	$89,375,000	$3,300,000	$86,075,000

(1) The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

(2) Before deduction of expenses payable by the Company estimated at $116,000.

The Common Stock is offered subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to approval of certain legal matters by their counsel and counsel for the Company. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

It is expected that delivery of the certificates for the Common Stock will be made at the office of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 2000 Wachovia Building, Winston-Salem, North Carolina, on or about November 5, 1975.

Merrill Lynch, Pierce, Fenner & Smith

Incorporated

The date of this Prospectus is October 28, 1975.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR ANY OTHER STOCK EXCHANGE ON WHICH SUCH STOCK HAS BEEN ADMITTED TO TRADING PRIVILEGES, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission. Certain information, as of particular dates, concerning the Company's directors and officers, their remuneration and any material interest of such persons in transactions with the Company is disclosed in proxy statements distributed to stockholders and filed with the Commission. Such reports, proxy statements and other information may be inspected at the office of the Commission, 1100 L Street, N.W., Washington, D. C., and copies of such material can be obtained from the Commission at prescribed rates. The Company's Common Stock is listed on the New York Stock Exchange, where reports, proxy material and other information concerning the Company may also be inspected.

THE COMPANY

Carolina Power & Light Company (Company) is a public service corporation formed under the laws of North Carolina in 1926, and is engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. (See map.) The principal executive offices of the Company are located at 336 Fayetteville Street, Raleigh, North Carolina 27602, telephone 919-828-8211.

GENERAL PROBLEMS OF THE INDUSTRY

The utility industry is experiencing significant problems in a number of areas, including a slowdown in sales growth, delays in receiving rate increase approvals, expenditures for pollution control facilities, high cost and limited availability of fuel, substantial increases in construction costs and difficulties in raising capital. As discussed herein, certain of these problems have had an impact on the Company's operations.

During 1973, 1974 and the early months of 1975 the Company experienced rapid increases in fuel costs (see "Business—Fossil Fuel Supply"). The Company has made substantial expenditures for environmental control facilities and expects to continue to make substantial expenditures for such purposes over the next several years (see "Application of Proceeds", "Financing Program", "Construction Program" and "Business—Environmental and Nuclear Licensing Matters"). Increasing construction costs have resulted in increased capital needs, at a time when costs of capital are high, and these and other factors have caused significant changes in the Company's construction program. The Company is unable to predict the effect of such factors on its future operations or on its construction program. See "Management's Comments on Statement of Income". Reference is also made to "Application of Proceeds", "Financing Program" and "Construction Program" for information as to factors affecting the Company's ability to finance its construction program.

THE ISSUE IN BRIEF

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in the Prospectus.

THE OFFERING

(See pages 4-8, 28)

Type of Security .... Common Stock
Number of Shares Offered 5,000,000
Shares Outstanding After Offering 32,604,589
Use of Proceeds .... For general corporate purposes including the reduction of short-term borrowings incurred primarily for construction purposes
Listed .... New York Stock Exchange (Symbol: CPL)
1975 Price Range (Through October 27, 1975) 18⅜-11
Closing Price October 27, 1975 .... 17⅞

CAROLINA POWER & LIGHT COMPANY

(See pages 13-27)

Business .... Generation, transmission, distribution and sale of electricity
Service Area .... Portions of North Carolina and South Carolina comprising approximately 30,000 square miles
Customers .... Approximately 664,000
Summer Generating Capacity (in kilowatts) 5,714,000
Sources of Generation during 1975 (estimated) .... 74.9% coal, 20.0% nuclear, 3.6% hydro, .6% No. 2 fuel oil, .8% natural gas, .1% residual oil

FINANCIAL INFORMATION

(See pages 8-12, 31-44)

	Twelve Months Ended	
	December 31, 1974	August 31, 1975
Operating Revenues	$460,977,000	$579,592,000*
Earnings for Common Stock	$ 51,599,000	$ 65,196,000
Average Common Shares Outstanding	23,324,000	25,835,000
Earnings Per Common Share	$2.21	$2.52
Dividends Paid Per Common Share	$1.60	$1.60

	As of August 31, 1975			
	Actual	Ratio	Adjusted**	Ratio
Long-term Debt	$1,155,175,404	54.3%	$1,155,175,404	52.2%
Preferred Stock	288,118,400	13.6	288,118,400	13.0
Preference Stock	47,900,000	2.2	47,900,000	2.2
Common Equity	635,079,094	29.9	721,154,094	32.6
Total Capitalization	$2,126,272,898	100.0%	$2,212,347,898	100.0%

---

* Includes $35,234,000 subject to refund. Reference is made to Note 6 to Financial Statements and "Business—Retail Rate Increases—Wholesale Rate Increases" herein.

** See "Capitalization" herein.

APPLICATION OF PROCEEDS

The net proceeds (approximately $85,959,000) to be received from the sale of 5,000,000 additional shares of Common Stock (New Common) will be used for general corporate purposes, principally the reduction of short-term borrowings incurred primarily for the construction of new facilities. Such short-term borrowings totaled approximately $14,000,000 at August 31, 1975, and are expected to approximate $63,000,000 immediately prior to the delivery of the New Common.

CONSTRUCTION PROGRAM

The Company's construction program for the three-year period 1975 through 1977, subject to continuing review and adjustment, is presently estimated as follows:

Type of Facilities	1975	1976-1977
	(Millions of Dollars)	
Generation	278.6	286.3
Transmission	17.1	49.6
Distribution	46.9	127.5
Other	7.4	10.5
Total	350.0	473.9

In March, June and December 1974, the Company's construction program was reduced, including reductions of approximately $194 million for 1975. On May 1, 1975, the Company's construction program was further revised (to the amounts set forth in the table above) so that the aggregate reduction is approximately $1,107 million for the years 1975-1977 (including approximately $187 million for 1975). These reductions were caused by revised energy forecasts and the lack of sufficient capital on reasonable terms. The May 1975 reductions include the deferral of the second Brunswick nuclear unit from 1976 until 1977, deferral of the 720,000 KW coal fired Roxboro No. 4 Unit, (originally scheduled for 1976 and previously postponed two years) until 1981, and deferral of the four proposed 900,000 KW nuclear fueled units of the Shearon Harris Nuclear Power Plant (previously rescheduled for 1981, 1982, 1983 and 1984) until 1984, 1986, 1988 and 1990, (an approximate average total deferral of six years).

Additionally, two coal fired units have been rescheduled for completion in 1983 and 1985, two nuclear units are to be completed in 1987 and 1989, and a third nuclear unit has been indefinitely postponed. These five units had been eliminated from the Company's construction program in December 1974 but were reinstated on May 1, 1975.

New generating units, now under construction, are planned for completion in the years and at the costs respectively stated:

Description	Estimated Completion Date	Estimated Cost	Estimated Cost per KW
Two 821,000 KW nuclear fueled units at the Brunswick Plant near Southport, N. C.	1975-1977	$792,561,000	$483
720,000 KW fossil fueled Unit No. 4 at the existing Roxboro Plant near Roxboro, N. C.	1981	$196,541,000	$273

As of August 31, 1975 the Company's gross investment in the Harris Plant was $189,986,310, in the two nuclear fueled units at the Brunswick Plant was $626,112,672 and in Unit No. 4 at the Roxboro Plant was $72,080,814.

The costs of the two 821,000 KW nuclear fueled units at the Brunswick Plant have increased over original 1968 estimates of approximately $287 million primarily because of escalation of labor, material and equipment costs, as well as increased expenditures for environmental controls, including a closed-cycle cooling system, design modifications resulting from Nuclear Regulatory Commission (NRC) licensing review, and delays in construction. The estimated cost of the 720,000 KW Roxboro Unit has increased over the 1971 estimate of $93,725,000 because of its five-year deferral, escalation of labor, equipment and material costs and cooling towers.

The Company now estimates that the Harris Plant will cost approximately $3.65 billion of which $201 million is included in the 1975-1977 construction program. The total project cost has increased over original and interim estimates primarily because of increased estimates of expenditures for labor, material and equipment as well as increased costs resulting from the delay of the in-service dates of the four units.

Actual expenditures could vary from the estimates stated above because of changes in the Company's plans, cost fluctuations, licensing delays, and other factors. The Company is continuing to experience increases in costs for construction of new facilities as a result of escalation of labor, material, and equipment costs and environmental controls.

Units similar to the Brunswick units operated by other companies have been required to reduce operating levels because of indications of excessive vibrations in the core monitoring system. Unit No. 2, for which an operating license has been received, has been operated for a short period at 75% of capacity and, although indications of excessive vibrations have not been detected, indications of moderate vibrations have been experienced and the Company now anticipates that excessive vibrations may occur. Accordingly, the Company anticipates operating Unit No. 2 at about 55% of capacity, except during operational testing, until appropriate modifications can be effected to prevent excessive vibrations, and commercial operation, scheduled for December 1975, may be delayed. The Company's own costs with respect to performing these modifications are not expected to exceed $125,000. Reductions in the operating level of Unit No. 2 or delay or interruptions in its operation with respect to accomplishing these modifications may require the Company to purchase replacement energy at substantial cost. The commercial operation of Unit No. 1 is estimated for March 1977 and is subject to securing all necessary permits, including an operating license from the NRC.

Energy conservation and reduced economic activity of the Company's customers in 1974 and 1975 and milder weather in 1974 resulted in utilization of electric energy at only slightly above the level experienced in 1973 and the increase in peak load in 1974 was modest compared to previous years (see "Operating Statistics—Electric Sales"). If such factors continue, and if increases in the Company's rates also have the effect of reinforcing customer energy conservation, the construction program is expected to be sufficient to meet customer requirements through 1981. If, on the other hand, customer usage patterns and peak load demands return to prior trends of substantially increased usage, the Company's revised construction program may not be sufficient to maintain the same degree of reliable service during some periods after 1979 that it has provided in the past and the Company may be forced to implement load management policies, subject to regulatory approvals, including curtailments at peak times. The Company's 1975 peak load, experienced in August, was 6.1% above that of 1974 and 7.4% above that of 1973.

In the event the Company's load growth exceeds current expectations, the Company may elect to accelerate the construction of coal burning plants now proposed or under construction and install additional generating facilities requiring a relatively short construction period, provided fuel supplies are available and financial capability permits.

Power purchases under long-term contracts are anticipated to represent approximately 3.2 percent of the Company's total long-term power resources for the winter of 1975-76. In addition, the Company has short-term agreements for the temporary purchase of power.

Plant Accounts. During the period from January 1, 1970, through August 31, 1975, there was added to the Company's utility plant accounts, including nuclear fuel, $1,798,159,000, there was retired $68,224,000 of property, there was sold or assigned to lessors $92,643,000, and transfers to other accounts and adjustments resulted in a net decrease of $7,358,000, resulting in net additions during the period of $1,629,934,000, or an increase of approximately 197%.

FINANCING PROGRAM

Prior to the date of this Prospectus, the Company in 1975 issued $122,350,000 principal amount of First Mortgage Bonds, 4,000,000 shares of Common Stock for $56,000,000 and 2,000,000 shares of Preference Stock for $47,900,000. It is anticipated that on or about October 30, 1975, the Company's Leslie coal mining subsidiary will enter into a $34,700,000 equipment lease financing arrangement, to be guaranteed by the Company, of mining equipment to be acquired over the next three years (see fifth paragraph under "Business—Fossil Fuel Supply").

For its 1976 construction program estimated at approximately $250 million, the Company estimates that it will need approximately $170 million from long-term sources and proposes to issue additional securities in 1976, the type, amount and timing of which will depend on market conditions and the needs of the Company.

The proceeds from the foregoing sales of securities were used for general corporate purposes including the reduction of short-term borrowings incurred primarily for the construction of new facilities. Other than any additional leasing arrangements that may be made by the Company's coal mining subsidiaries in connection with the development of coal mines, and various minor transactions, the Company has no present plans for other such arrangements.

The Company is presently limited in its ability to issue additional preferred stock under the earnings test in its Charter, which requires among other things, that gross income (after depreciation and taxes) for a period of 12 consecutive months within the 15 preceding months shall have been at least 1.50 times the sum of annual interest charges and annual preferred dividend requirements on outstanding shares of preferred stock and on any shares proposed to be issued. At September 30, 1975, such ratio was 1.67, which would have permitted the Company to issue at that time 1,150,000 shares of additional preferred stock at an assumed $11 annual dividend rate. The Company, however, is authorized to issue up to 8,000,000 shares of additional preference stock which is not subject to an earnings test. In the event the Company fails to receive adequate and timely rate relief when requested from time to time in the future, it may be unable to meet the earnings test required for the issuance of additional preferred stock and may experience difficulty in marketing its first mortgage bonds and be required to reduce its construction program further. At August 31, 1975, the maximum additional first mortgage bonds that could be issued based on unused property additions at that date was $417,597,000, but based on the earnings for the twelve months ended August 31, 1975, the maximum additional first mortgage bonds which could be issued was $414,012,000 (such earnings reflect deferred fuel costs of $4,674,000 and revenues of $35,234,000 billed, which amounts have not yet been approved by regulatory authorities and are, therefore, subject to refund or adjustment to the extent not finally approved. Reference is made to the last paragraph of Note 6 to Financial Statements).

COMMON STOCK PRICE RANGE AND DIVIDENDS

The Common Stock is listed on the New York Stock Exchange. The high and low sales prices per share on the New York Stock Exchange for the periods indicated, as reported in *The Wall Street Journal*, and the dividends paid per share, were as follows:

	Price Range		Dividends	
	High	Low	Quarterly	Annual
1970	33⅞	21½		$1.46
1971	29⅞	22⅛		1.46
1972	32½	24		1.475
1973				
First Quarter	30⅜	24¼	.38	
Second Quarter	27¼	24	.38	
Third Quarter	25⅞	21½	.38	
Fourth Quarter	25⅛	19	.40	1.54
1974				
First Quarter	23¼	20	.40	
Second Quarter	19¾	13⅞	.40	
Third Quarter	14¼	11⅛	.40	
Fourth Quarter	14¾	10½	.40	1.60
1975				
First Quarter	17	11	.40	
Second Quarter	18⅝	13⅞	.40	
Third Quarter	18⅜	15¾	.40	
Fourth Quarter (through October 27, 1975)	18⅜	16⅛		

The reported last sale on the New York Stock Exchange on October 27, 1975 was 17⅞ per share. Because the price per share of the New Common is less than the book value as of August 31, 1975, there will be a dilutive effect on the book value of Common Stock held by present shareholders. The book value of the Common Stock as of August 31, 1975 was $23.01 per share and as adjusted (see "Capitalization") to give effect to the sale of the New Common would be $22.12 per share.

A fourth 1975 quarterly dividend of $.40 a share has been declared, payable November 1, 1975 to shareholders of record as of October 10, 1975. The New Common will not be entitled to such dividend.

The Company has paid quarterly dividends on its Common Stock in each year since 1946, the year the Company's Common Stock became publicly held. Of the dividends paid in 1973 and 1974, 57% and 100%, respectively, were not taxable for federal income tax purposes as ordinary income to the recipients thereof but constituted a return of capital which reduced the tax basis of the shares on which such dividends were paid. It is presently anticipated that approximately 30% of the dividends paid on the Common Stock in 1975 will also constitute a return of capital for such purposes, although such percentage can vary based on rate increases and other factors.

CAPITALIZATION

Capitalization as of August 31, 1975, and as adjusted to reflect the issuance and sale of the New Common, is as follows:

		August 31, 1975		Adjusted	
	Authorized	Outstanding(a)	Ratio	Outstanding(a)	Ratio
Long-term Debt, net (Note 3)	(b)	$1,155,175,404	54.3%	$1,155,175,404	52.2%
Preferred Stock (Note 2)	15,300,000 shs.	288,118,400	13.6	288,118,400	13.0
Preference Stock (Note 2) (2,000,000 shares outstanding)	10,000,000 shs.	47,900,000	2.2	47,900,000	2.2
Common Stock, without par value (27,604,589 shares outstanding; 32,604,589 shares to be outstanding) (Note 2)	60,000,000 shs.	477,980,155		564,055,155(c)	
Retained Earnings (Note 2)		157,098,939		157,098,939	
Common Equity		635,079,094	29.9	721,154,094	32.6
Total		$2,126,272,898	100.0%	$2,212,347,898	100.0%

(a) Excluding short-term loans of $14,163,924 at August 31, 1975 (see "Application of Proceeds" and Notes 1 and 4). See "Business—Fossil Fuel Supply" for information relating to guarantees by the Company.

(b) Not limited except as set forth in the Company's Mortgage and Deed of Trust, as supplemented (see "Financing Program").

(c) Includes proceeds from the sale of the New Common.

(d) Numbered notes refer to Notes to Financial Statements.

STATEMENT OF INCOME

The following statement of income for the five years ended December 31, 1974 has been examined by Haskins & Sells, independent certified public accountants, whose opinion with respect thereto is included elsewhere herein. The statement for the twelve months ended August 31, 1975 is unaudited but in the opinion of the Company includes all adjustments (consisting only of normal recurring accruals) necessary to a fair statement of the results of operations. The statement and its notes should be considered in conjunction with the other financial statements and related notes appearing elsewhere herein and additional information under "Business".

	Twelve Months Ended					
	December 31,					August 31, 1975 (Unaudited)
	1970	1971	1972	1973	1974	
	Thousands of Dollars					
Operating Revenues—Electric	$204,846	$255,643	$307,136	$341,206	$460,977(a)	$579,592(a)
Operating Expenses:						
Fuel for electric generation	69,014	84,749	88,549	106,191	235,842	269,644
Deferred fossil fuel expense (credit), net (a)					(35,028)	(342)
Purchased electric power	9,799	10,422	11,537	7,847	14,494	14,951
Other operation expenses	23,765	28,510	32,979	41,910	46,549	53,906
Maintenance	19,849	23,098	25,624	29,749	28,591	29,104
Depreciation	19,476	22,820	27,280	31,845	35,544	40,593
Taxes other than on income	19,053	21,399	24,021	28,706	40,684	48,508
Income tax expense (b)	8,289	14,329	26,378	21,268	16,947	28,746
Total operating expenses	169,245	205,327	236,368	267,516	383,623	485,110
Operating Income	35,601	50,316	70,768	73,690	77,354	94,482
Other Income:						
Allowance for funds used during construction (c)	10,505	14,708	24,759	38,093	54,609	63,561
Income taxes—credit (b)	2,709	3,532	6,666	10,477	16,068	20,581
Other—net	(33)	517	49	393	776	(443)
Total other income	13,181	18,757	31,474	48,963	71,453	83,699
Gross Income	48,782	69,073	102,242	122,653	148,807	178,181
Interest Charges:						
Long-term debt	19,604	27,903	39,119	50,149	69,878	80,913
Other	4,353	3,696	2,594	6,505	6,658	8,103
Total interest charges	23,957	31,599	41,713	56,654	76,536	89,016
Net Income	24,825	37,474	60,529	65,999	72,271	89,165
Preferred and Preference Stock Dividend Requirements	4,699	8,371	9,612	13,017	20,672	23,969
Earnings for Common Stock	$ 20,126	$ 29,103	$ 50,917	$ 52,982	$ 51,599	$ 65,196
Average Common Shares Outstanding (thousands)	12,934	14,776	17,814	20,554	23,324	25,835
Earnings per Common Share (based on average number of shares outstanding)	$1.56	$1.97	$2.86	$2.58	$2.21	$2.52
Cash Dividends Declared per Share of Common Stock (outstanding at respective dividend dates)	$1.46	$1.46	$1.49	$1.56	$1.60	$1.60

(a) See Notes 1 and 6 to Financial Statements for information relating to the accounting for deferred fossil fuel inventory costs and expenses and for information on revenues subject to refund. Also see "Business—Wholesale Rate Increases".

(b) See Notes 1 and 5 to Financial Statements for information relating to income tax accounting policy, components of income tax expense and the reconciliation of an amount (computed by applying the statutory income tax rate to pre-tax income) to total income tax expense.

(c) In accordance with the uniform systems of accounts prescribed by regulatory authorities, an allowance for funds used during construction (AFC) is included in the cost of construction work in progress and credited to income using a composite rate, applied to construction work in progress, which recognizes that funds used for construction were provided by borrowings, preferred stock, and common equity. This accounting practice results in the inclusion in construction work in progress of amounts considered by regulatory authorities as an appropriate cost for the purpose of establishing rates for utility charges to customers over the service life of the property sufficient to recover such cost. Allowances for the five years ended December 31, 1974, and the twelve months ended August 31, 1975, were determined on the basis of the following factors:

	(a) Average amount of applicable construction work in progress during the period, excluding accumulated AFC	(b) Composite rate applied to amounts in column (a) to arrive at AFC
Year:		
1970	$131,313,000	8.0%
1971	183,850,000	8.0
1972	309,488,000	8.0
1973	476,162,000	8.0
1974	682,613,000	8.0
Twelve months ended August 31, 1975	794,513,000	8.0

AFC has totaled 22%, 21%, 24%, 31%, 37% and 36% of gross income during the years 1970-1974 and the twelve months ended August 31, 1975, respectively. Although determination of the amount of AFC attributable to each source of funds used for construction is impracticable, based upon a pro rata allocation of the cost of funds (interest expense, preferred dividends, and earnings for common stock) on the ratio of AFC to gross income, adjusted for income tax effect of interest expense (assumed to be 50%), the portion of AFC attributable to funds provided by common equity would be approximately 29%, 28%, 30%, 40%, 49% and 48% of earnings for common stock for the years 1970-1974 and the twelve months ended August 31, 1975, respectively.

In May 1975 the Federal Power Commission published for comment certain proposed revisions in the Uniform System of Accounts and instructions relating thereto which would provide for a formula establishing a ceiling on permissible AFC rates and the separate reporting in the Statement of Income of the debt and equity portion of AFC. The ultimate effect, if any, on the Company's results of operations is not presently determinable pending definitive action on the proposal.

For the twelve months ended September 30, 1975, operating revenues, net income, earnings for Common Stock and earnings per Common Share were $590,571,000, $96,024,000, $71,610,000 and $2.73, respectively. These amounts are unaudited but in the opinion of the Company include all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results of operations. These amounts reflect $42,573,000 of revenues billed subject to refund with interest pending final regulatory determination, and a credit of $4,700,000 resulting from deferred fossil fuel costs applicable to wholesale customers, which deferred costs are subject to further regulatory review and approval which may necessitate adjustment if such review so requires. See "Business—Retail Rate Increases" and "Business—Wholesale Rate Increases."

MANAGEMENT'S COMMENTS ON STATEMENT OF INCOME

The following factors significantly affected various income statement items for the years 1973, 1974 and the twelve months ended August 31, 1975:

(a) *Operating revenues.* Various rate increases placed into effect since 1970 resulted in increased revenue in 1971, 1972, 1973, 1974 and the twelve months ended August 31, 1975, of approximately $27,825,000, $53,312,000, $68,091,000, $180,760,000, and $300,309,000, respectively. Included in the above increases in revenues in 1974 and the twelve months ended August 31, 1975 are $73,792,000 and $156,415,000, respectively, from fossil fuel adjustment clauses which became effective in February 1974 for retail customers and in January 1975 for wholesale customers. For information concerning regulatory and court proceedings see "Business—Retail Rate Increases" and "Business—Wholesale Rate Increases".

Sales of electric energy, excluding nonterritorial sales, increased 13% in 1973 over 1972. For 1974, the combined effect of energy conservation, relatively milder weather and reduced economic activity was such that such energy sales increased only about 2% over the year 1973 and for the twelve months ended August 31, 1975 increased only about 1% over the twelve months ended August 31, 1974. See "Operating Statistics—Electric Sales".

(b) *Fuel for electric generation.* Fuel expense in 1973 reflects increased generation. Costs of fossil fuel burned increased significantly, averaging 46.5 cents per million BTU in 1972; 50.6 cents in 1973; 118.8 cents during 1974 and 139.0 cents for the twelve months ended August 31, 1975. See "Business—Fossil Fuel Supply". Fuel expense per million BTU in 1972 reflected the first full year of availability of the Company's Robinson Nuclear Unit, thereby reducing the level of such expense. See "Operating Statistics—Electric Energy Generated and Purchased".

(c) *Deferred fossil fuel expense.* This item represents the adoption in 1974, at the time the fuel adjustment clauses became operative, of the accounting practice of deferring increased fuel cost when incurred and expensing it in the month the related revenue is billed (two months later). See Notes 1 and 6 to Financial Statements and "Business—Retail Rate Increases".

(d) *Purchased electric power.* In 1973, the Company generated a greater proportion of its energy requirements as compared with 1972, thus decreasing purchased power costs. See "Operating Statistics—Electric Energy Generated and Purchased". During 1974 and the twelve months ended

August 31, 1975, the Company purchased approximately 15% and 9%, respectively, more power than in 1973; however, fuel cost escalation provisions in contracts resulted in significantly higher cost per KWH for purchased power.

(e) *Other operation and maintenance expense.* New facilities, especially for generation, have required additional personnel and maintenance costs. Higher prices for goods and services of all kinds increased these items of expense. During 1973, the initial and first annual refueling and maintenance of the low-fuel-cost Robinson Nuclear Unit was performed, thereby increasing related operations and maintenance expense. During 1974 and the twelve months ended August 31, 1975, to improve earnings pending rate relief, the Company rescheduled discretionary maintenance for some of its facilities and thereby reduced maintenance expense during those periods.

(f) *Depreciation.* This item of expense increased as new facilities were placed in service.

(g) *Taxes other than on income.* State and city franchise taxes increased as revenues increased and ad valorem taxes increased as plant in service increased. See Note 8 to Financial Statements.

(h) *Income tax expense.* Income tax expense net of income taxes—credit decreased in 1973 from 1972 as the Company's operating income before income taxes decreased and related interest charges increased. The 1973 decrease in income tax expense would have been less except for the increase in the amount of tax deductible interest charges which were capitalized through the allowance for funds used during construction. Income tax expense for 1974 and the twelve months ended August 31, 1975, continued to be affected by the increasing amounts of interest and the allowance for funds used during construction. In addition, the latter periods reflect, especially for 1974, the inadequacy of increases in revenues to cover fully the increases in costs of service, thereby reducing the level of pre-tax income. See Note 5 to Financial Statements.

(i) *Allowance for funds used during construction.* This item increased as the Company's investment in construction work in progress increased.

(j) *Total interest charges.* These costs increased during each of the periods because of additional debt funds required and increased average interest rates.

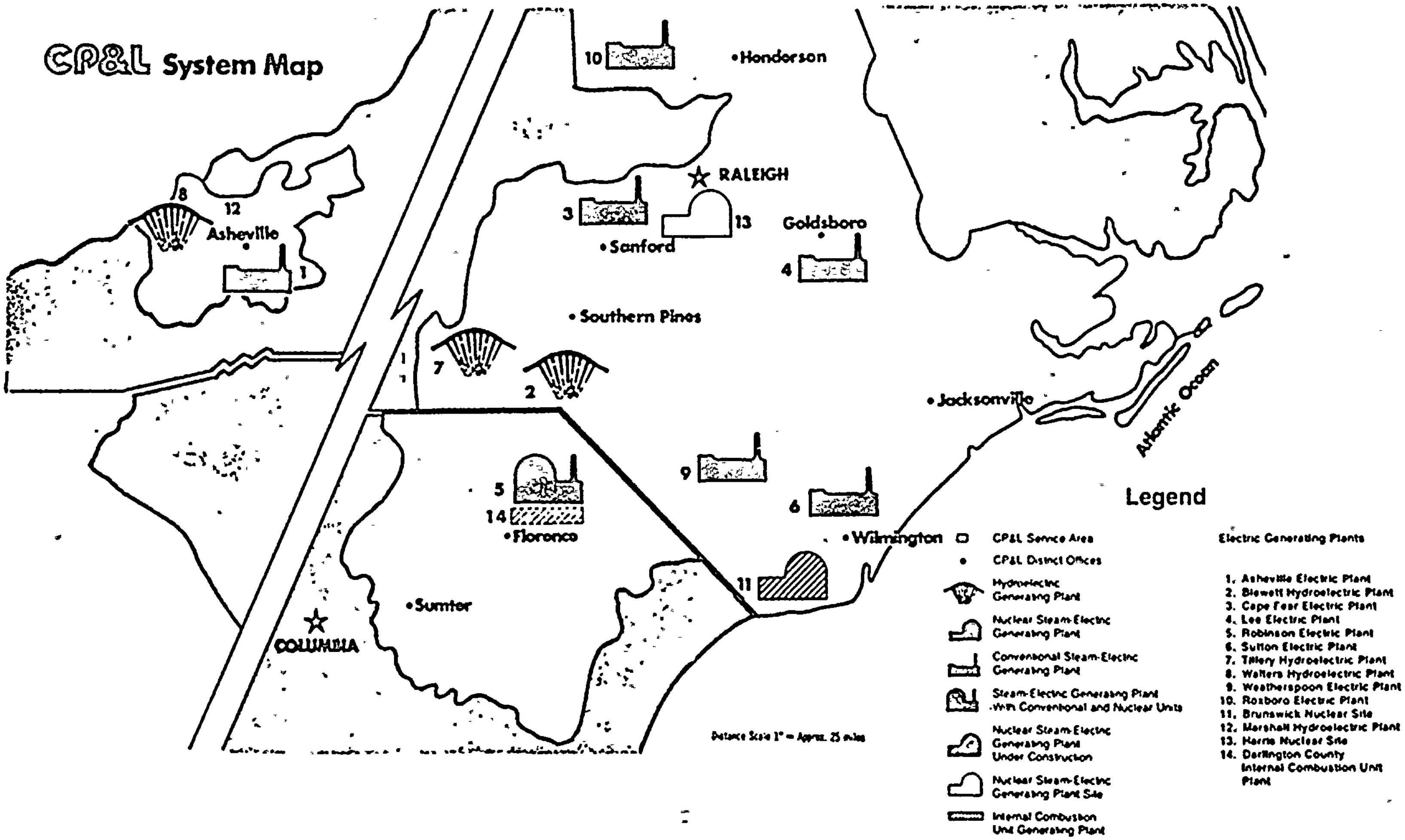
While the Company's revenues and net income for 1973, 1974 and the twelve months ended August 31, 1975, increased over the year 1972, earnings per common share were lower than in 1972. These decreases resulted primarily from increased capital costs, including preferred dividend requirements reflecting additional preferred stock issues, and increased operating expenses (especially fossil fuel costs which increased from 67.0 cents per million BTU in January 1974 to 175.46 cents in December 1974 before dropping to 110.38 cents in August 1975) which have not been fully offset by operating economies or growth in revenues. In addition, the lower earnings per common share reflected the increased average number of common shares outstanding.

See "Business—Retail Rate Increases" for additional information on retail rate increases and "Business—Wholesale Rate Increases" for information on wholesale rate increases especially increases (including a wholesale fossil fuel adjustment clause) placed into effect on January 2, 1975.

OPERATING STATISTICS

	Twelve Months Ended					
	December 31,					August 31,
	1970	1971	1972	1973	1974	1975
Electric Energy Generated and Purchased (Thousands of kilowatt-hours):						
Generated—Net Station Output:						
Steam—Fossil	16,310,649	16,134,787	16,605,222	19,875,274	18,602,934	18,359,572
Steam—Nuclear	3,335	2,414,172	4,828,594	3,763,608	4,813,207	5,165,999
Hydro	622,827	848,789	881,985	890,749	921,183	894,005
Other	315,175	256,433	209,526	113,545	215,209	102,161
Total Generated	17,251,986	19,654,181	22,525,327	24,643,176	24,552,533	24,521,737
Purchased and Net Interchange	1,544,451	1,309,355	1,247,164	939,578	1,079,517	1,025,171
Total Generated and Purchased	18,796,437	20,963,536	23,772,491	25,582,754	25,632,050	25,546,908
Company Use, Distribution Losses and Unaccounted for	1,248,937	1,306,863	1,671,019	1,501,435	1,555,604	1,700,313
Total Energy Sold	17,547,500	19,656,673	22,101,472	24,081,319	24,076,446	23,846,595
Average Fossil Fuel Cost per Million BTU (cents)	42.1	48.9	46.5	50.6	118.8	139.0
Average Total Fuel Cost (Fossil and Nuclear) per Million BTU (cents)	42.1	44.9	39.6	44.6	96.6	110.7
Average Nuclear Fuel Cost per Million BTU (cents)	18.4	18.4	17.5	18.0	16.5	19.1
Electric Sales (Thousands of kilowatt-hours):						
Residential	4,634,149	4,973,640	5,208,235	5,936,974	5,916,808	6,122,922
Commerical	2,693,338	2,944,735	3,202,067	3,627,739	3,576,529	3,733,108
Industrial	5,622,593	6,231,507	7,037,060	7,884,513	8,273,238	7,708,496
Government and Municipal	832,839	857,930	872,712	922,532	848,996	885,959
Total General Business	13,782,919	15,007,812	16,320,074	18,371,758	18,615,571	18,450,485
Sales for Resale	3,518,369	3,852,549	4,197,433	4,856,882	4,991,730	5,291,370
Nonterritorial Sales	246,212	796,312	1,583,965	852,679	469,145	104,740
Total Energy Sold	17,547,500	19,656,673	22,101,472	24,081,319	24,076,446	23,846,595
Number of Customers (As of End of Period):						
Residential	478,914	495,528	515,041	535,607	550,128	558,945
Commercial	82,456	86,292	90,529	92,142	93,293	99,906
Industrial	2,745	2,861	2,995	3,111	3,237	3,253
Government and Municipal	1,261	1,356	1,444	1,538	1,595	1,617
Total General Business	565,376	586,037	610,009	632,398	648,253	663,721
Resale	49	52	52	53	54	54
Total Customers	565,425	586,089	610,061	632,451	648,307	663,775
Operating Revenues (In thousands):						
Residential	$ 75,990	$ 89,711	$ 103,254	$ 117,559	$ 156,134	$ 188,354
Commercial	40,981	49,223	58,246	65,647	88,420	108,308
Industrial—Textile	21,174	26,725	33,438	36,689	56,661	67,903
Industrial—Other	28,889	34,096	41,161	47,677	78,649	96,943
Government and Municipal	8,573	9,685	10,827	11,632	16,034	20,324
Total General Business	175,607	209,440	246,926	279,204	395,898	481,832
Sales for Resale	25,794	31,643	35,396	43,827	46,015	83,741
Nonterritorial Electricity Sales	1,225	11,967	21,040	13,608	13,499	8,485
Total from Energy Sales	202,626	253,050	303,362	336,639	455,412	574,058
Miscellaneous	2,220	2,593	3,774	4,567	5,565	5,534
Total Operating Revenues	$ 204,846	$ 255,643	$ 307,136	$ 341,206	$ 460,977	$ 579,592
Peak Demand of Firm Load (kw):						
Within Service Area	3,484,000	3,625,000	4,119,000	4,711,000	4,771,000	5,060,000
Nonterritorial		170,000	516,000	212,000	143,000	38,000
Total Peak Demand	3,484,000	3,795,000	4,635,000	4,923,000	4,914,000	5,098,000
Total Capability at End of Period (kw):						
Steam Plants	2,728,000	3,622,000	3,973,000	4,593,000	4,578,000	4,482,000
Internal Combustion Turbines	312,000	560,000	560,000	560,000	1,136,000	1,018,000
Hydro Plants	211,000	211,000	211,500	211,500	211,500	214,000
Purchased	378,000	245,000	265,200	280,000	280,000	227,500
Total Capability(1)	3,629,000	4,638,000	5,009,700	5,644,500	6,205,500	5,941,500

(1) Additional reserve capacity is available from neighboring utilities under interchange agreements.



CP&L System Map
Henderson
10
RALEIGH
3
13
Goldsboro
Sanford
4
8
12
Asheville
1
Southern Pines
7
2
Jacksonville
Atlantic Ocean
9
6
5
14
Florence
Wilmington
11
Sumter
COLUMBIA
Distance Scale 1" = Approx. 25 miles
Legend
CP&L Service Area
CP&L District Offices
Hydroelectric Generating Plant
Nuclear Steam-Electric Generating Plant
Conventional Steam-Electric Generating Plant
Steam-Electric Generating Plant With Conventional and Nuclear Units
Nuclear Steam-Electric Generating Plant Under Construction
Nuclear Steam-Electric Generating Plant Site
Internal Combustion Unit Generating Plant
Electric Generating Plants
1. Asheville Electric Plant
2. Blewett Hydroelectric Plant
3. Cape Fear Electric Plant
4. Lee Electric Plant
5. Robinson Electric Plant
6. Sutton Electric Plant
7. Tillery Hydroelectric Plant
8. Walters Hydroelectric Plant
9. Weatherspoon Electric Plant
10. Roxboro Electric Plant
11. Brunswick Nuclear Site
12. Marshall Hydroelectric Plant
13. Harris Nuclear Site
14. Darlington County Internal Combustion Unit Plant

BUSINESS

Territory Served: The territory served, an area of approximately 30,000 square miles, includes a substantial portion of the Coastal Plain in North Carolina extending to the Atlantic coast between the Pamlico River and the South Carolina border, and the lower Piedmont section in North Carolina and in South Carolina, as well as an area in western North Carolina in and around the City of Asheville. The estimated total population of the territory served is in excess of 2,800,000.

Electric service is rendered at retail in 200 communities, each having an estimated population of 500 or more, and wholesale service is supplied to 24 municipalities, to 18 REA cooperatives and to two private electric systems.

At August 31, 1975, the Company was furnishing electric service to approximately 664,000 customers. During the twelve months ended August 31, 1975, 33% of operating revenues, excluding nonterritorial sales, was derived from residential sales, 29% from industrial sales, 19% from commercial sales and 19% from other sources. Of such operating revenues, approximately 84% was derived in North Carolina and approximately 16% in South Carolina.

For the twelve months ended August 31, 1975, average revenues per kilowatt-hour sold to residential, commercial and industrial customers were 3.08 cents, 2.90 cents and 2.14 cents, respectively. Sales to residential customers have increased as follows:

Period of Use	Average Total KWH use	Average Total Bill	Revenue per KWH
Year: 1970	9,795	$160.62	1.64¢
1971	10,205	184.08	1.80
1972	10,293	204.05	1.98
1973	11,276	223.29	1.98
1974	10,861	286.60	2.64
Twelve months ended August 31, 1975	11,105	341.62	3.08

The effect of energy conservation, milder weather and reduced economic activity on the Company's sales to date has been material to the extent that KWH sales, excluding nonterritorial sales, for 1974 increased only about 2% over 1973 and for the twelve months ended August 31, 1975 increased only about 1% over the twelve months ended August 31, 1974. In 1973 the Company experienced an increase in such KWH sales of about 13% over 1972. The Company is unable to predict precisely what effect such factors may have on future demand for electric service by its customers. The Company has taken steps to reduce energy consumption at its own facilities and is supporting conservation programs by promoting efficient use of energy.

For information with respect to possible effects of the reduced construction program, see "Construction Program".

Generating Capability: Approximately 71% of the Company's total installed summer generating capability is in units of 97 MW capacity or more. Information with respect to these units is shown below:

Plant	Unit No.	Year Installed	Fuel	Summer Capability	Net Station Generation MWH (Total 1974)	Fuel Cost (1974 Avg.) mills/KWH
Asheville	1	1964	Coal	198 MW	2,141,853	13.96
	2	1971	Coal	194 MW		
Cape Fear	5	1956	Coal	143 MW	1,746,514	15.96
	6	1958	Coal	173 MW		
H. F. Lee	3	1962	Coal	252 MW	1,886,341	14.68
H. B. Robinson	1	1960	Coal/Gas	174 MW	5,752,362	13.79
	2	1971	Nuclear	665 MW		1.82*
Roxboro	1	1966	Coal	385 MW	8,494,797	7.77
	2	1968	Coal	670 MW		
	3	1973	Coal	650 MW		
L. V. Sutton	1	1954	Coal/Oil	97 MW	2,799,339	17.46
	2	1955	Coal/Oil/Gas	106 MW		
	3	1972	Coal/Oil	351 MW		

* This cost is based upon assumed recovery and recycling of residual uranium and plutonium. Costs for storage of these residuals have been considered in determining the present fuel cost. In the event that recycling does not materialize, nuclear fuel cost will increase, the extent of which is dependent primarily upon NRC actions.

The Company maintains all of its properties in good operating condition in accordance with good management practice. The life expectancy of the Company's generating facilities (excluding internal combustion turbine units) is 40 years for fossil units installed prior to 1966, 35 years for fossil units installed thereafter, and 30 years for nuclear units. Of the total installed summer generating capability of 5,714 MW, 56.6% is coal, 18.3% is No. 2 oil, 11.6% is nuclear, 9.7% is dual coal/residual oil and 3.8% is hydro. Of the total capability, approximately 589 MW (10.3%) can alternately burn gas when available.

The Company's generation by energy source is set forth below:

	1973	1974	1975*
Coal	67.6%	66.3%	74.9%
Nuclear	15.3	19.6	20.0
Residual Oil	11.1	8.0	.1
Hydro	3.6	3.8	3.6
No. 2 fuel oil	.5	1.4	.6
Natural gas	1.9	.9	.8
	100%	100%	100%

* Estimated.

Fossil Fuel Supply: The Company expects to receive approximately 61% of its coal requirements for 1975 from long-term agreements. These agreements, including the Company's contract with its subsidiary, have expiration dates ranging from 1975 to 2002 and a weighted average remaining length of 9.6 years. The remainder of the Company's current coal requirements will be purchased in the spot or open market. During 1973 and 1974, the Company received approximately 66% (4,100,000 tons) and 41% (2,800,000 tons) respectively of its coal requirements from long-term agreements. The Company purchased 2,050,000 tons of coal in the spot market in 1973 and 4,600,000 tons of coal in the spot market in 1974. The Company's current contract coal purchase prices range from $13.78 to $29.75 per ton (F.O.B. mine) and based upon estimated deliveries have an average weighted price of $21.92 per ton (F.O.B. mine). These prices are subject to escalation under certain circumstances. The Company is currently paying from $15 to $17 per ton (F.O.B. mine) for coal purchased in the spot market.

In November 1974, the Company filed suit in federal district court for the Eastern District of North Carolina against Logan & Kanawha Coal Company, Inc. and Marvin H. M. Stone for approximately $8 million in damages for nondelivery of contracted for coal. Mr. Stone has counterclaimed for $114 million, and Logan & Kanawha has counterclaimed for an unstated total amount of commissions on coal which was to be sold to the Company under the contract. In the opinion of general counsel for the Company the counterclaims are without legal or factual merit. In December 1974, the Company filed suit in the federal district court for the Eastern District of North Carolina against General Coal Company and Westmoreland Coal Company for approximately $1.8 million for nondeliveries of coal. General Coal Company has answered to the effect that delivery had been excused by force majeure and Westmoreland Coal Company has filed a motion to dismiss for lack of jurisdiction, and both defendants have sought to remove the lawsuit to the federal district court for the Western District of Virginia. In October 1974, Texas Energy Services, Inc. filed suit against the Company in federal district court for the Eastern District of Kentucky seeking to recover approximately $1 million which the Company recouped for poor quality coal delivered

by Texas Energy Services, Inc. In addition to the amount recouped, in March 1975 the Company counterclaimed for approximately $1 million for breach of warranty, and is seeking to remove the lawsuit to the federal district court for the Eastern District of North Carolina. The Company is also engaged in arbitration with Island Creek Coal Company in Washington, D. C. over its claim for approximately $1 million for health and safety escalation allegedly due Island Creek for coal delivered pursuant to a contract which expired in 1972. All of the above matters are in the preliminary stages and the Company cannot now predict the final disposition of any of such claims.

The average cost of coal burned by the Company over the past five years and for the twelve months ended August 31, 1975 is as follows:

	$/ton	¢/Million BTU
1970	9.94	40.82
1971	11.61	47.77
1972	11.14	45.44
1973	11.91	48.76
1974	25.58	108.21
Twelve months ended August 31, 1975	31.55	133.55

As of August 31, 1974 and August 31, 1975, respectively, the Company had on hand about 50 and 71 days supply of coal based on anticipated burn rate. The Company considers its present coal inventory sufficient to meet its needs.

The Company has entered into agreements with Pickands Mather & Co., (PM) a firm engaged in owning, operating and managing mineral properties, to develop two adjacent deep coal mines in Pike County, Kentucky, with an aggregate capacity of two million tons of coal per year of which the Company is to receive 1.6 million tons per year for 25 years. Studies made on behalf of the Company and PM by Paul Weir Company Incorporated, Chicago, Illinois, independent mining consultants, show an estimated 43.6 million tons of minable and recoverable coal with an average sulfur content of 0.58 percent and a BTU content of 12,800 BTU's per pound to be located on the properties. The Company and PM have formed a subsidiary, Leslie Coal Mining Company (Leslie), to develop the first of these mines, the Leslie Coal Mine. The currently estimated maximum capital cost of the Leslie Coal Mine is $50 million, which is being financed through a combination of debt and leveraged leasing. The Company and PM have entered into coal purchase contracts with Leslie for 80% and 20%, respectively, of Leslie's production until the economically mineable coal reserves are exhausted, at prices at least sufficient to meet all of Leslie's operating costs and other obligations. A shareholders agreement between the Company and PM provides that, if no coal is delivered by Leslie during any calendar quarter under its coal purchase contracts with the Company and PM, then the Company shall provide to Leslie all funds required to cover Leslie's operating costs and other expenses during such quarter. The Company has guaranteed the obligations of Leslie under a $30 million term loan and revolving credit agreement which is providing funds for certain real property costs of the Leslie Coal Mine and for the interim financing of the mining equipment to be lease financed. In connection with the $34.7 million equipment lease financing arrangement, the Company expects to enter into a lease guaranty and completion agreement on or about October 30, 1975 pursuant to which the Company (i) will guarantee all of Leslie's obligations under the lease financing agreements and (ii) will agree to advance any funds required by Leslie (in addition to funds obtained by Leslie from other

sources), and to cause Leslie to complete the Leslie Coal Mine by not later than December 31, 1979. The Company presently believes that the $30 million term loan and revolving credit agreement and the $34.7 million equipment lease financing arrangement will provide all of the funds required by Leslie to complete the Leslie Coal Mine and that therefore no additional funds will be required to be provided by the Company for that purpose pursuant to its lease guaranty and completion agreement. Construction of the Leslie Coal Mine is progressing and the Company presently believes that the Leslie Coal Mine will be completed and fully operational by mid-1978. The Company's obligations under these guarantees are absolute and unconditional, whether or not the Leslie Coal Mine is completed, operating, operable or whether any coal is actually delivered to the Company. The Company and PM are negotiating with respect to the financing and development of the second mine estimated to be fully operational by mid-1979.

The Company has elected to meet federal and state emission limitations for sulfur dioxide at all of its coal-fired units (including Roxboro Unit No. 4 which is scheduled for completion in 1981 and the two additional coal-fired units scheduled for completion in 1983 and 1985, respectively) through burning low sulfur coal. In order to meet emission limitations for existing plants located in North Carolina, it is necessary to burn coal having an average sulfur content of 1.4% or less at an average BTU content of 12,000 BTU's per pound. To meet the standard in South Carolina requires coal with an average sulfur content of 2.1% or less at 12,000 BTU's per pound. Compliance with new source standards of performance in North and South Carolina requires coal with an average sulfur content of approximately 0.7% at 12,000 BTU's per pound. While the Company is presently able to obtain coal sufficiently low in sulfur content to meet these standards without significant additional costs, there is no assurance that it will be able to do so in the future. As indicated in the immediately preceding paragraph, the coal to be produced by the Company's joint venture with PM is expected to meet the foregoing standards.

The Company's existing coal-fired generating plants and the plant under construction are estimated to require an aggregate of 251 million tons of coal over their remaining useful lives. Of this total, approximately 40 million tons are expected to be supplied by the Company's coal mining subsidiaries, and approximately 47 million tons pursuant to existing contracts with nonaffiliated coal producers. The Company anticipates that the balance of approximately 164 million tons (65%) will be acquired through the negotiation of additional long-term contracts, short-term agreements, spot market purchases and, possibly, the acquisition and development of additional coal reserves. There can be no assurance that the Company will receive all of the coal it has presently under contract or that it will be able successfully to complete such negotiations or acquisitions or that the coal supply presently available or acquired to meet the balance of its future requirements will meet the sulfur limitations necessary to comply with environmental standards.

Fossil fuels, including natural gas, oil and coal, have been, or are purported to be, subject to allocation by the Federal Energy Administration (FEA) under various federal laws and executive orders. Such an allocation program could affect the ability of the Company to satisfy its requirements for oil used as fuel in combustion turbines, as fuel for startup, regulation and testing of coal-fired units and for coal and oil used as boiler fuel. In June 1975 the FEA promulgated regulations authorizing the FEA to allocate low sulfur coal supplies to those areas designated by the Administrator of the United States Environmental Protection Agency (EPA) as requiring low sulfur fuel to avoid or minimize adverse impact on public health. The Company is of the opinion that it will be unable to replace its long-term coal supplies with coal of similar quality on terms as favorable as those under which it presently receives such coal. The Company is

presently unable to determine whether or not any of its coal supplies will be allocated to other areas but believes that in the event such supplies are allocated, it will be required to pay substantially more for coal than it is presently paying.

In February 1975, the Company converted its Sutton Plant to coal fired generation since coal was cheaper than residual oil. In June 1975, the Company received an order from the FEA requiring the Company to convert the Sutton Plant to coal fired generation. Because the conversion had previously been completed and the cost of coal has been cheaper than oil, the Company has experienced no adverse effect as a result of this order. Also in June 1975, the Company received an order from the FEA requiring that two fossil fuel units presently scheduled for completion in 1983 and 1985 be constructed principally as coal fired units. The Company had planned for such units to be coal fired and accordingly no adverse effect is expected.

In January 1974, a group of New England electric utilities petitioned the Federal Power Commission (FPC) for emergency relief, under the Federal Power Act, to consist of an order directing a number of utilities in the eastern part of the United States, including the Company, to operate their non-oil fired generating facilities, and to permit the use of interconnected transmission facilities, during off-peak periods, in such a way that the New England utilities' needs for fuel oil could be reduced during such periods. The FPC issued an order in January 1974 indicating that the petition raises broad electric operating and reliability questions throughout a large area of the nation. In August 1974 the FPC issued an order permitting withdrawal of the petition and accepting certain settlement rate schedules. In October 1975 the FPC issued an order generally reaffirming its prior order. The Company cannot predict the ultimate outcome of these proceedings or its effect upon fuel resources available to the Company.

The Company primarily uses No. 2 fuel oil for its internal combustion turbine units for emergency backup and peaking purposes. At August 31, 1975 the Company had sufficient No. 2 fuel oil in storage to run all of such turbines 10 hours per day for 16 days which, based on current consumption estimates, is equal to approximately a 366 days supply. Additionally, the Company has fuel oil supply contracts for its requirements through 1977. The Company is unable to predict the effect that any mandatory allocation program might have on its future operations or its ability to utilize the No. 2 fuel oil under contract.

The average price of No. 2 oil burned over the past five years and the twelve months ended August 31, 1975 in cents per million BTU is as follows:

1970	81.12
1971	90.80
1972	90.07
1973	107.79
1974	217.55
Twelve months ended August 31, 1975	254.70

The Company utilizes natural gas when available as excess pipeline gas (dump gas), but does not rely on it as a regular source of supply.

The Company has experienced greatly increased costs for all of its fossil fuels. The availability and cost of fossil fuel could be further adversely affected by legislation pending in Congress, coal allocation, the failure of coal production to meet demand, the availability of railroad coal cars, and the production, pricing and embargo policies of oil producing foreign countries.

Nuclear Fuel Supply: The Company has contracts for the nuclear fuel supply chain for its Robinson, Brunswick and Harris Units through the years shown below:

Raw Materials and Services

Unit	Estimated in-service date	Uranium	Conversion	Enriching	Fabrication	Reprocessing
Robinson No. 2*	—	1988	1988	2002	1984	1983
Brunswick No. 1	1977	1988	1988	2002	1982	1983
Brunswick No. 2	1975	1988	1988	2002	1980	1983
Harris No. 1	1984	1987	1987	2002	1984	—
Harris No. 2	1986	1987	1987	2002	1986	—
Harris No. 3	1990	1990	1990	2002	1990	—
Harris No. 4	1988	1988	1988	2002	1988	—

* Robinson No. 2 is in commercial operation.

These services will supply the necessary nuclear fuel to operate Robinson No. 2 through 1985, Brunswick No. 1 through 1983, Brunswick No. 2 through 1981, Harris No. 1 through 1985, Harris No. 2 through 1987, Harris No. 3 through 1991, and Harris No. 4 through 1989. There can be no assurance that the Company will be able to obtain nuclear fuel services for years later than those mentioned above; however, the Company does not expect to have difficulty in obtaining fabrication services for its nuclear fuel for years later than those mentioned above.

The Company has sufficient storage space for spent fuel at its Robinson Nuclear Unit to accommodate spent fuel up to the fall of 1976. Sufficient time and space is available to add underwater storage racks to accommodate spent fuel through the fall of 1977. The Company has contracted for, and has applied to the NRC for a license to add, additional storage racks at its Robinson Nuclear Unit. In addition, the Company has contracted for reprocessing of spent fuel and expects to begin shipments to its reprocessor in early 1976. However, licensing of the reprocessor's storage facilities by the NRC must be completed prior to initiating fuel shipments. The Company cannot predict the outcome of these proceedings or their effect upon its ability to ship fuel. Should the Company be unable to ship fuel off site or install additional storage racks prior to the fall of 1976, its Robinson Nuclear Unit's continued operation would be adversely affected after the fall of 1976. Should the Company be able to install additional storage racks prior to the fall of 1976 but be unable to ship fuel prior to the fall of 1977, its Robinson Nuclear Unit's continued operation would be adversely affected beginning in the fall of 1977. The two Brunswick and four Harris nuclear units (not yet commercially operational) have sufficient spent fuel storage space as designed to provide for planned operation through 1982 and 1988, respectively, without either shipping off site to the reprocessor or expansion of storage racks.

The reprocessor has requested renegotiation of its contract with the Company and is seeking to raise its charges substantially because of increased costs which it has experienced and which it claims could not have been foreseen. The Company has not responded.

Interconnections With Other Systems: The Company's facilities in Asheville and vicinity are connected with the Company's system in the other areas served by the Company through the facilities of Appalachian Power Company (APCO) and of Duke Power Company (Duke), so that power may be

transferred from or to the Asheville area through interconnections with such companies. There are also interconnections with the facilities of Tennessee Valley Authority (TVA), Virginia Electric and Power Company (VEPCO), South Carolina Electric & Gas Company (SCE&G), South Carolina Public Service Authority (SCPSA) and Yadkin, Inc. Interconnections between the Company and Duke, SCE&G, SCPSA and VEPCO include 230 kv ties, and 500 kv ties with Duke and VEPCO.

The Company has two-party agreements with APCO, Duke, SCE&G and VEPCO. These agreements provide for the purchasing of limited term power for yearly periods, or for shorter periods where the availability of limited term power depends on the in-service dates of new generating equipment or by mutual agreement. Short-term power may be purchased for one or more calendar weeks or for the balance of any calendar week whenever such power is available. Additionally, two-party agreements made by the Company with SCPSA, TVA and the four utilities named above are such that emergency purchases may be made for periods normally extending less than 24 hours.

The Virginia-Carolinas Subregion of the Southeastern Electric Reliability Council is made up of the Company, Duke, SCE&G, SCPSA and VEPCO plus the Southeastern Power Administration and Yadkin, Inc. Contractual arrangements among the members contribute to the reliability of bulk power supply. Participation by the members in the activities of area, regional and national electric reliability organizations, including the Southeastern Electric Reliability Council and the National Electric Reliability Council, promotes electric service reliability.

Operation of Asheville Plant Unit No. 2 is subject to an agreement between the Company, Duke, SCE&G and VEPCO, providing for the sale by the Company to the other companies of a portion of the unit's capacity for a limited period. This agreement provides that it may be terminated by the Company when it requires this capacity because of its load growth in the Asheville area. Sutton Plant Unit No. 3 is also subject to an agreement between the Company and SCE&G providing for the sale by the Company to it of one-third of the Unit No. 3 capacity for a limited period. This agreement terminates on April 30, 1976.

In the Virginia-Carolinas Subregion, reserves for the summer of 1976 are estimated to be approximately 24% and the Company's individual reserves are estimated to be approximately 23% as compared with approximately 27% and 14%, respectively, for the summer of 1975. Reserves are expressed as a percentage of the anticipated peak load and are derived by dividing the difference between total power resources (installed capacity plus purchases minus sales) and the anticipated peak load by the anticipated peak load. The Company's generating capability is less in the summer.

Retail Rate Increases: The Company has received the following permanent retail rate increases effective subsequent to December 31, 1970:

Effective Date	Description	Annualized Increased Revenues Based on 1974 Level of Sales
January 1, 1971	South Carolina	$ 5,632,000
February 1, 1971	North Carolina	21,105,000
March 1, 1972	North Carolina	28,576,000
April 15, 1972	South Carolina	5,597,000
January 6, 1975	North Carolina	51,900,000
January 15, 1975	South Carolina	9,600,000

In October 1973, the Company filed with the North Carolina Utilities Commission (NCUC) an application for authority to increase its permanent retail rates to provide an approximate 21% increase in revenues from retail sales. In January 1975, the NCUC, by order, granted the Company the requested annual rate increase equal to approximately $51,900,000 based on 1974 level of kilowatt-hour sales. In March 1975, the North Carolina Attorney General and other intervenors appealed this rate order to the North Carolina Court of Appeals. This matter is pending. The Company expects this order to be sustained.

The Company was allowed to place into effect an automatic fossil fuel adjustment clause in North Carolina beginning in February 1974. In December 1974, the NCUC issued an order which, among other things, approved all revenues billed under the fossil fuel adjustment clause through September 30, 1974 and in April 1975 the NCUC issued an order supplementing its previous order and approving all revenues collected under the fossil fuel adjustment clause through March 31, 1975. In the April 1975 order, the NCUC found that the fuel adjustment clause "is a reasonable method to adjust rates to reflect changes in fuel expenses experienced by the company" and found that the Company's coal purchasing practices had not been unreasonable, rejecting contentions of the Attorney General of North Carolina that these practices showed poor management. It approved the Company's method of calculating the adjustment, with minor changes which had prospective effect. Revenues billed under the fossil fuel adjustment clause since March 31, 1975 have been approved by the NCUC on a monthly basis through August 31, 1975.

The North Carolina Attorney General and other intervenors have appealed in the North Carolina Court of Appeals the December 1974 NCUC order, challenging the validity of the Company's fossil fuel adjustment clause authorized by the NCUC on the ground, among others, that the NCUC is without authority to permit the automatic collection of revenues without public hearing prior to implementation of each monthly fossil fuel adjustment. The Company has recorded $131,912,000 of revenues through August 31, 1975 pursuant to such fossil fuel adjustment clause. The matter is pending. In the opinion of the Company the validity of its fossil fuel adjustment clause will be upheld.

In July 1975, the Company filed with the NCUC an application for authority to increase its retail rates in North Carolina by approximately 22% of total customer charges, which would produce additional revenue of $81,779,500 when applied to the test year ended December 31, 1974, to be effective August 15, 1975, and for an interim rate increase, should the 22% increase be suspended, of approximately 12%. The NCUC suspended the 22% general rate increase for 270 days and on August 20, 1975, granted the 12% interim increase, which would amount to an increase in annual revenues of approximately $45 million, based on 1974 sales, for service rendered on or after that date. Revenues collected under the interim rate increase are subject to refund, with 6% interest, to the extent, if any, that they are in excess of revenues finally approved. In addition, the Company was ordered to commence immediately certain maintenance, which it had previously deferred, at an estimated cost of $2 million. Hearings on the general rate increase are scheduled to begin December 2, 1975. The NCUC, in its order of January 1975, approved rates which would have produced a return on common equity of 14.6% based on a 1973 test year. The current filing seeks an approximate 15% return on common equity as applied to a 1974 test year. In this proceeding the Company has, among other things, also asked to be allowed to depreciate its generating plants at a faster rate.

Also in July 1975, the Company filed an application with the South Carolina Public Service Commission (SCPSC) requesting that it be permitted to increase rates to South Carolina residential customers only by approximately 7.5% of total customer charges, effective September 1, 1975, which it placed into effect on that date, subject to refund with 9% interest. This increase, which is intended to

equalize the rates charged to residential customers in South Carolina to those charged in North Carolina, would increase annual revenues by approximately $2 million, based on 1974 sales. In August 1975, the Company applied to the SCPSC for authority to increase its retail rates in South Carolina by about 23% which, if granted, would result in a further increase in revenues of about $19 million annually. At the same time, the Company asked for an interim increase in rates of approximately 12%, which was placed into effect on September 15, 1975. This interim increase, which is subject to refund with 9% interest to the extent, if any, that revenues collected under it exceed those finally approved, would result in an increase in annual revenues of approximately $10 million. SCPSC action on these matters is pending.

As of September 30, 1975 the Company had collected approximately $2,851,000 of retail revenues subject to refund in North and South Carolina.

Pursuant to legislation passed by the North Carolina General Assembly in 1975 eliminating fossil fuel adjustment clauses, the Company applied for, and in August 1975 the NCUC issued, an order allowing an increase in rates to cover the current cost of fuel as an "approved fuel charge". This order also requires the Company to cease deferring its fossil fuel expenses allocable to North Carolina retail customers and allows the Company to recover fossil fuel expenses which had been deferred prior to August 31, 1975 and previously unrecovered (approximately $12.4 million) through a surcharge to North Carolina retail customers over an approximate twelve-month period beginning September 1, 1975. (See paragraph (c) in "Management's Comments on Statement of Income" and Notes 1 and 6 to Financial Statements.) The NCUC has ruled that the Company must immediately file to reduce its rate charges for fossil fuel following any month in which such fossil fuel costs are less than the amount provided for in rates. Similarly, the Company may apply for an increase in rates to the extent that fossil fuel costs exceed the amount provided for. The North Carolina Attorney General has given notice that he intends to appeal this order.

In 1975, the North Carolina General Assembly amended the Public Utilities Act to allow the NCUC to hear rate cases in panels of three members and to permit the utilities to extend test year data to the close of proceedings in general rate cases, eliminating the use of a forward test period. The Company believes it is too early to determine the effect of these amendments.

In January 1975, certain records of the Company were subpoenaed by the Federal Trade Commission in connection with its national investigation of fuel adjustment clauses.

Wholesale Rate Increases: Effective in May 1971, the Company was granted a rate increase as to its wholesale customers in North Carolina and South Carolina amounting to $6,500,000 annualized increased revenues based on the 1974 level of sales.

Effective in March 1973, the Company was granted rate increases applicable to municipalities and private utilities amounting to $2,800,000 annualized increased revenues based on the 1974 level of sales.

Pursuant to settlements reached between the Company and a majority of its wholesale customers, in connection with these rate increases, and approved by the FPC, no further change or substitution in the rate or other terms and conditions of service was to be applicable to service rendered these wholesale customers prior to January 1, 1975. In July 1974, the Company filed an application with the FPC for an increase in the basic rates and an automatic fossil fuel adjustment clause for its wholesale customers to be effective January 1, 1975. On the average, if granted, the filing would increase basic rates to cooperatives by about 61% and to municipalities and private utilities by about 35% (before effect of the fossil fuel adjustment clause). The increase in the new basic rates would add approximately $20,300,000 annually to revenues based on 1974 level of KWH sales. On August 26, 1974, the FPC issued an order suspending for one day the application for an increase in the basic rates and a fossil fuel adjustment clause to be effective

January 1, 1975. Under this order, the Company placed the new basic rates and the fossil fuel adjustment clause into effect for service rendered on and after January 2, 1975, subject to refund with interest. As of September 30, 1975 the Company had collected approximately $39,722,000 of wholesale revenues, subject to refund. The majority of the Company's wholesale customers (Petitioners) have intervened in this rate proceeding. In September 1974 Petitioners filed an application for rehearing on the August order alleging their right to assert anticompetitive issues in the rate proceeding and that the fossil fuel adjustment clause was improper and should have been rejected. Petitioners' application was denied. Petitioners then filed a petition for review in the United States Court of Appeals for the District of Columbia which the FPC opposed by motion to dismiss. In February 1975 the United States Court of Appeals ordered that the motion to dismiss be held in abeyance pending a decision in a similar case before such Court. A decision in that similar case was handed down in April 1975 remanding to the FPC for consideration the petitioners' antitrust allegations. On September 2, 1975, the FPC filed with the United States Supreme Court a petition for a writ of certiorari to review the judgment of the United States Court of Appeals in this related case. At August 31, 1975 the Company had deferred applicable fossil fuel costs of approximately $4,674,000 which will be billed in September and October 1975 and had included in revenues through August 31, 1975 approximately $22,800,000 representing bills rendered in January through August 1975. (See Note 6 to Financial Statements.) Hearings before the FPC were held in April 1975 on the lawfulness and reasonableness of the increase in the basic rates and the fossil fuel adjustment clause. The FPC has also ordered hearings to commence on December 17, 1975 concerning certain alleged anticompetitive provisions of the application for the rate increase and fossil fuel adjustment clause. During the course of the April 1975 hearings, the administrative law judge granted the Company's motion to exclude certain evidence on the grounds that such evidence related exclusively to the alleged anticompetitive activities which are to be the subject of the December 1975 hearings. In June 1975, the FPC affirmed this decision. Petitioners' subsequent application for rehearing was denied and in August 1975, Petitioners filed a petition for review in the United States Court of Appeals for the District of Columbia. The Company has petitioned the Court of Appeals to intervene in this case. The Company cannot predict the outcome of these proceedings.

Environmental and Nuclear Licensing Matters: To comply with state and federal environmental laws and regulations, the Company has included $66 million in the construction program for Brunswick Units 1 and 2 during the period 1975-77, of which approximately $9 million will be expended in 1975. For Roxboro No. 4 Unit, $18 million has been included between 1975 and 1980 to comply with environmental laws and regulations. In addition, approximately $25 million is estimated to be required between 1975 and 1977 for necessary modifications to comply with pollution control laws and regulations at the Company's existing facilities. This sum includes the projected cost of cooling towers at Roxboro No. 3 Unit and at Cape Fear, and cooling systems at Weatherspoon, but does not include sums for cooling system modifications which could be required at other existing facilities. The H. B. Robinson No. 2 Unit is the only other existing plant for which cooling system modifications are being contemplated by any of the regulatory agencies so far as the Company knows. If off-stream cooling is required for the Robinson No. 2 Unit, it is estimated to cost approximately $30 million.

Although the Company knows of no costs other than those outlined above which will be incurred for compliance with environmental laws and regulations, additional costs could be incurred as a result of full implementation of all federal and state laws and regulations or in the event it is found that modifications now planned to meet the requirements of environmental laws and regulations fail to provide the anticipated degree of control.

Air—Pursuant to regulations adopted by the EPA under the Clean Air Act and by North and South Carolina under similar state statutory authority, fossil generating units are subject to stringent emission limitations and other requirements, primarily for the control of particulate matter and sulfur dioxide. The Company was generally required to have its existing generating units in compliance with these standards by May 31, 1975. The EPA has also promulgated "Standards of Performance for New Stationary Sources" which include stringent limitations on emissions of particulates, sulfur dioxide and nitrogen oxides from power plants with construction commencing after August 1971. These standards are the subject of litigation and administrative proceedings in which the Company is not a party and the results of which cannot be predicted. Compliance with emission limitations for existing units with respect to particulate matter has necessitated the installation of electrostatic precipitators at all of the Company's fossil units. Except for Cape Fear Units No. 3 and 4, installation is complete. The precipitator for Unit No. 3 at the Lee Plant has not yet been tied in, however, and the precipitators for four other units have failed to achieve consistent compliance with the applicable limitation. As a consequence, the Company has been negotiating the terms and conditions of consent orders which the State of North Carolina has indicated it intends to issue for Sutton Units No. 1, 2 and 3 and Roxboro No. 3 Unit, and has consented to such an order for Lee No. 3 Unit. When and if issued, these consent orders would establish dates by which necessary modifications which will result in full compliance with particulate emission limitations must be completed. The Lee No. 3 Unit order establishes a date of March 15, 1976 for compliance. In addition, the Company has been negotiating a consent order with the State of North Carolina for Cape Fear Units No. 3 and 4. It is expected that an order will be issued for these units permitting continued operation without electrostatic precipitators conditioned upon retirement of the units or the installation of such precipitators by early 1981. The EPA, which has independent enforcement authority, is expected to issue notices of violation under Section 113 of the Clean Air Act and to issue orders for the above facilities or to agree formally to withhold independent enforcement action based upon its concurrence with the state orders. The Company has, in view of the FEA order prohibiting the burning of oil at the Sutton Plant, formally requested, as required by EPA regulations, that EPA extend the time within which the plant must comply with the Clean Air Act.

The Company complies with sulfur dioxide emission limitations through controlling the sulfur content of the fuel it burns. Coal distribution difficulties have resulted in failure to meet sulfur dioxide limitations at some units on some occasions. To overcome these problems, the Company has recently modified its coal sampling method and procurement practices. Until all currently stockpiled coal has been burned, there may be occasions when sulfur dioxide emission limitations are exceeded at certain plants. In the event the regulatory agencies prevent the future use of stockpiled coal, or in the event the regulatory agencies object to the Company's practice of using coal of differing quality to achieve overall compliance with emission limitations, the Company's fuel costs could increase substantially. In the event the Company is unable to purchase coal of sufficient quality to comply with emission limitations, significant additional costs could be incurred in conjunction with installation of sulfur dioxide removal equipment. In addition, the cost of the two new fossil units scheduled for operation in 1983 and 1985, respectively, could increase if it is determined that these units must comply with anti-degradation requirements established by EPA. Operating costs for Roxboro No. 4 Unit could also be increased if it is found that the unit must comply with new source standards of performance.

Water—The Federal Water Pollution Control Act Amendments of 1972 (FWPCA), among other things, prohibit the discharge of pollutants (including heat) except pursuant to the terms and conditions of

National Pollutant Discharge Elimination System (NPDES) permits issued by the Administrator of EPA or the Administrator of approved state programs. Timely permit applications have been filed for all of the Company's generating facilities. In January 1975, the Company received NPDES permits for four of its existing plants and filed petitions with EPA (Region IV) requesting that an adjudicatory hearing be held in conjunction with each of these permits to determine whether they should be modified to conform to the facts and the law. The Company's requests for hearings have been granted, but no hearing dates have been set. A similar petition was filed by an adjoining landowner in January 1975 in conjunction with the H. B. Robinson Plant permit challenging its thermal discharge provisions. The landowner petitioner in that proceeding has been allowed to intervene. While the final requirements imposed upon the Company following the conclusion of the four NPDES permit proceedings described above and for the plants for which permits have not yet been issued cannot be known at this time, they are not expected to result in expenditures significantly in excess of those described above, exclusive of the costs of any additional cooling facilities which may be required. NPDES permit applications have not yet been filed for the four units at the Shearon Harris Plant, or the two fossil-fired units scheduled for completion for 1983 and 1985, respectively. The terms and conditions of permits issued for these facilities are not expected to increase the costs of these units above those currently estimated, with the exception that additional and costly pollution control facilities could be required for the fossil units scheduled for 1983 and 1985 if they are determined to be new sources within the meaning of the FWPCA. The cooling system requirements for the Robinson and Brunswick Plants are at issue in the NPDES permit proceedings described above and also in proceedings before the NRC. See "Nuclear Licensing".

On October 15, 1975, the EPA alleged that the Company has failed to implement an oil spill prevention control and countermeasure plan at its Robinson Plant and proposed a $1,000 civil penalty. The Company has not yet responded.

Nuclear Licensing—The Final Environmental Impact Statement on the H. B. Robinson Unit No. 2 was published by the NRC Regulatory Staff in April 1975. This report recommends the continued operation of the unit conditioned upon adoption of certain administrative practices to assure protection of the environment. A contested hearing commenced on August 12, 1975, in which an adjoining landowner has asserted that the unit's thermal discharges to the Robinson impoundment are detrimental to fish and wildlife and adversely affect recreational use of the lake. The Company has challenged the jurisdiction of the NRC to establish any conditions requiring modification of the cooling system or to impose any other water quality related requirements as conditions of the NRC operating license. Also involved in the hearing is the Company's request for a license amendment permitting it to increase the core power level from 2200 MW thermal to 2300 MW thermal. The hearing has been completed, but the Company cannot predict its outcome. The main issue in contention, which is whether or not some form of off-stream cooling system should be required for the plant, is also at issue in the NPDES permit proceeding. The same landowner is also a party in that proceeding. EPA has given the Company until June 30, 1976 to submit evidence pursuant to Section 316(a) of the FWPCA demonstrating that the present once-through cooling system provides for the protection and propagation of a balanced indigenous population of shellfish, fish, and other aquatic wildlife. The Company cannot predict the outcome of this proceeding.

In December 1974, the NRC issued an operating license for the first of the two Brunswick Units subject to certain conditions. Among these is a requirement to construct cooling towers by the spring of 1978 to minimize the adverse impact that the NRC and EPA assumed the intake portion of the existing once-through cooling system would have on the Cape Fear estuary. As a result of biological studies it has

conducted, the Company has reason to believe that such adverse impact will not occur and, therefore, has taken appropriate steps before the NRC and the EPA to extend the date by which cooling towers must be operational so that it may conduct further studies to determine whether or not cooling towers are in fact needed. Regulatory action is pending and the Company cannot predict its outcome.

The NRC has proposed the assessment of a $7,000 civil penalty against the Company for alleged failure to implement fully the physical security plan for the Brunswick Plant. The Company has formally denied certain of the allegations, pleaded mitigating and extenuating circumstances with respect to others, and requested that no penalty be assessed.

The initial phase of the hearing on the Company's application for construction permits for the four units at the Shearon Harris Plant was held in October 1974. The hearing is expected to resume during 1976. Remaining to be considered are the intervenor's contentions relative to whether the current and projected demand for power justifies construction of the proposed units and whether or not the Company is financially qualified to construct such facilities. The Company cannot predict the ultimate outcome of the licensing hearing.

In December 1973, the NRC adopted new regulations governing the emergency core cooling systems of nuclear power plants. Preliminary analysis to date for Robinson No. 2 Unit and Brunswick Units No. 1 and 2 indicates that there will be no loss of capacity resulting from compliance with these regulations. Fuel to be supplied by Exxon Nuclear Company, Inc., will be used at Robinson for the first time in December 1975 and is undergoing licensing review by the NRC for such use. Although NRC approval of this fuel is scheduled for December 1, 1975, the Company cannot predict the outcome of this review.

In May 1975, the NRC established numerical guides for meeting the "as low as practicable" criterion for radioactive material in reactor effluents. By June 4, 1976, the Company must file its plans with the NRC for keeping radioactive releases as low as practicable. The Company does not anticipate that compliance with these guides will require major modifications to its facilities. If, however, EPA ultimately promulgates its proposed Standards of Environmental Radiation Protection for Nuclear Power Operations published on May 29, 1975, such modifications could be required.

In view of the environmental and nuclear licensing matters discussed in this section, the Company may incur increased construction or operating expenditures; and in the further event that the NRC should order the suspension of operation of the H. B. Robinson Unit No. 2 or of construction, or operation of the Brunswick Units or delay in the construction of the Harris Units beyond the adjusted construction schedule, system power resources may become inadequate.

Other Litigation: In February 1975, the Company was served with a complaint and summons in an action brought in the Court of Common Pleas of Marlboro County, South Carolina, by Frank E. Cain, Jr., for himself and a purported class consisting of other persons residing within one mile of the city limits of the City of Bennettsville, South Carolina, against the Company and the City of Bennettsville. The complaint, which has been amended, alleges that the Company and the City, a wholesale customer of the Company, have conspired to violate the civil rights of the plaintiff and the class by forcing them to buy electricity, at retail, from the City rather than from the Company and asks for a total of $50 million in actual and punitive damages and injunctive relief. The Company's general counsel is of the opinion that the suit is without foundation and can be successfully defended.

DESCRIPTION OF COMMON STOCK

The following is a summary of certain rights and privileges of the Common Stock of the Company. The summary does not purport to be complete, and reference is made to Article Fourth of the Agreement of Merger between Tide Water Power Company and the Company, dated December 12, 1951, as amended (Charter), filed as an exhibit to the Registration Statement, for complete statements. The following statements are qualified in their entirety by such reference. Reference is also made to the laws of North Carolina.

Dividend Rights: The Common Stock is entitled to all dividends after full provisions for Preferred Stock and Preference Stock dividends. The Charter contains provisions limiting the amount of dividends or distributions which the Company may pay or make on its Common Stock (i) unless certain ratios of Common Stock and surplus to total capitalization are maintained or (ii) if there is a failure to pay dividends on any Preferred Stock or Preference Stock or to meet sinking fund payments on the Preferred Stock A. So long as any of the present series of First Mortgage Bonds are outstanding, the payment of Common Stock dividends is restricted to aggregate net income available therefor (after dividends on all preferred stock outstanding) since December 31, 1948, plus $3,000,000. See Note 2 to Financial Statements for the amount of retained earnings restricted at August 31, 1975. There are no defaults in the payment of dividends on any of the outstanding Preferred Stocks or Preference Stock.

Voting Rights (Non-Cumulative Voting): Except with respect to Preferred Stock A, each share of Preferred Stock and each share of Common Stock is entitled to one vote on all matters. Since the holders of such shares do not have cumulative voting rights, the holders of more than 50% of the shares voting can elect all the Company's directors, and in such event the holders of the remaining shares voting (less than 50%) cannot elect any directors. If and when dividends payable on any of the Preferred Stocks shall be in default in an amount equivalent to four full quarterly payments or more per share, and thereafter until all arrears have been paid, holders of Preferred Stocks, voting as a class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the Board of Directors, and holders of Common Stock, voting as a class, shall have the right, subject to the prior rights of holders of Preference Stock, to elect the remaining directors. If and when dividends payable on the Preference Stock shall be in default in an amount equivalent to six full quarterly payments or more per share, thereafter until all arrears have been paid, holders of Preference Stock, voting as a class, shall be entitled, subject to the prior rights of the Preferred Stocks, to elect two directors.

Liquidation Rights: The Preferred Stocks are entitled, in liquidation, in preference to the Preference Stock and the Common Stock, to $100 per share and accumulated unpaid dividends. Each series of Preference Stock is entitled, in liquidation, in preference to the Common Stock, to the amount per share fixed at the time of issuance thereof ($25 per share in the case of $2.675 Preference Stock, Series A) and accumulated unpaid dividends. The holders of the Common Stock are entitled to share, ratably, in the distribution of all remaining assets.

Pre-emptive Rights: The holders of Common Stock have no pre-emptive rights to purchase additional shares of Common Stock unless the Board of Directors shall determine to offer such additional shares for money other than by a public offering or an offering to or through underwriters or investment bankers who shall have agreed promptly to make a public offering of such shares. Shares offered to employees of the Company pursuant to a plan approved by shareholders are also exempt from pre-emptive rights.

Miscellaneous: Upon the issue and sale of the New Common, such shares will be fully paid and non-assessable. The transfer agents for the Common Stock are Wachovia Bank and Trust Company, N.A., Winston-Salem, North Carolina, and Bankers Trust Company, New York, New York.

MANAGEMENT

Directors

DANIEL D. CAMERON, SR.
President, Atlantic Telecasting Corporation
Wilmington, N. C.

FELTON J. CAPEL
Regional Manager
Century Metalcraft Corporation
Southern Pines, N. C.

CHARLES W. COKER, JR.
President, Sonoco Products Company
Hartsville, S. C.

E. HERVEY EVANS
Farmer, Laurinburg, N. C.

MARGARET HARPER
Owner, Stevens Agency
Southport, N. C.

SHEARON HARRIS
Chairman/President of the Company
Raleigh, N. C.

L. H. HARVIN, JR.
President, Rose's Stores, Inc.
Henderson, N. C.

KARL G. HUDSON, JR.
Executive Vice President
Hudson-Belk Company
Raleigh, N. C.

J. A. JONES
Executive Vice President of the Company
Raleigh, N. C.

EDWARD G. LILLY, JR.
Senior Vice President of the Company
Raleigh, N. C.

SHERWOOD H. SMITH, JR.
Executive Vice President of the Company
Raleigh, N. C.

HORACE L. TILGHMAN, JR.
Real Estate and Investments
Marion, S. C.

JOHN B. VEACH
Business Consultant
Asheville, N. C.

JOHN F. WATLINGTON, JR.
Chairman of the Board
Wachovia Bank & Trust Company, N.A.
Winston-Salem, N. C.

Officers

SHEARON HARRIS
President

J. A. JONES
Executive Vice President
(Group Executive)

SHERWOOD H. SMITH, JR.
Executive Vice President
(Group Executive)

EDWARD G. LILLY, JR.
Senior Vice President
(Group Executive)

W. J. RIDOUT, JR.
Senior Vice President
(Group Executive)

SAMUEL BEHRENDS, JR.
Vice President

E. M. GEDDIE
Vice President

WILLIAM E. GRAHAM, JR.
Vice President and General Counsel

WILLIAM B. KINCAID
Vice President

M. A. MCDUFFIE
Vice President

DARRELL V. MENSCER
Vice President

ALBERT L. MORRIS, JR.
Vice President

J. R. RILEY
Vice President

R. S. TALTON
Vice President

EDWIN E. UTLEY
Vice President

J. L. LANCASTER, JR.
Secretary

ROBERT M. WILLIAMS
Assistant Secretary

JAMES S. CURRIE
Treasurer

J. R. POWELL
Controller

PAUL S. BRADSHAW
Assistant Treasurer

C. D. MANN
Assistant Treasurer

EXPERTS AND LEGALITY

The balance sheet as of December 31, 1974, and the related statements of income, retained earnings and source and use of financial resources for the five years then ended contained in this Prospectus have been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion included herein. The statements made as to matters of law and legal conclusions under "Business" and "Description of Common Stock" have been reviewed by William E. Graham, Jr., Esq., Vice President and General Counsel for the Company. All of such statements are set forth herein in reliance upon the opinions of said firm and individual, respectively, as experts, as expressed in their opinions with respect thereto.

The legality of the securities offered hereby will be passed upon for the Company by William E. Graham, Jr., Esq., Vice President and General Counsel for the Company, Raleigh, North Carolina, and by Reid & Priest, 40 Wall Street, New York, New York, counsel to the Company, and for the Underwriters by Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York, New York. However, all matters pertaining to the organization of the Company, titles, and local law will be passed upon only by William E. Graham, Jr., Esq., who may rely as to all matters of South Carolina law on the opinion of Paulling & James, Darlington, South Carolina. As of August 31, 1975, William E. Graham, Jr., Esq., owned 665 shares of the Company's Common Stock. Mr. Graham is acquiring additional shares of Common Stock at regular intervals as a participant in the Company's Stock Purchase-Savings Program for Employees.

The information appearing in this Prospectus relative to the estimates of the Company's subsidiary's coal reserves have, as hereinabove stated, been reviewed and verified by Paul Weir Company Incorporated, Chicago, Illinois, independent mining consultants and engineers, and have been included herein in reliance upon the authority of said firm as experts.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CAROLINA POWER & LIGHT COMPANY:

We have examined the balance sheet of Carolina Power & Light Company as of December 31, 1974 and the related statements of income, retained earnings and source and use of financial resources for the five years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company at December 31, 1974 and the results of its operations and the source and use of its financial resources for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Raleigh, North Carolina
February 13, 1975
(April 2, 1975 as to the last paragraph of Note 6 and May 1, 1975 as to Note 9)

CAROLINA POWER & LIGHT COMPANY

BALANCE SHEET

ASSETS

	December 31, 1974	August 31, 1975 (Unaudited)
Electric Utility Plant:		
Electric utility plant other than nuclear fuel:		
In service	$1,364,183,273	$1,417,784,173
Plant held for future use	7,542,840	8,009,627
Construction work in progress	826,012,064	970,349,409
Total	2,197,738,177	2,396,143,209
Less accumulated depreciation	256,659,461	282,537,524
Net	1,941,078,716	2,113,605,685
Nuclear fuel	55,117,915	60,769,924
Less accumulated amortization	11,466,631	15,365,914
Net	43,651,284	45,404,010
Electric utility plant, net	1,984,730,000	2,159,009,695
Other Property and Investments	3,828,783	2,047,978
Current Assets:		
Cash in banks	9,379,477	10,898,904
Special deposits for dividends, interest, etc.	19,864	22,537
Working funds	117,833	125,240
Temporary cash investments		4,998,438
Accounts receivable:		
Refundable income taxes (Note 5)	14,942,360	
Other, net	30,677,344	30,721,045
Deferred fossil fuel inventory costs (Notes 1 and 6)	35,028,046	19,888,635
Materials and supplies:		
Fuel	84,244,486	47,248,103
Other	13,434,110	15,600,876
Prepayments, etc.	1,787,436	2,216,112
Total current assets	189,630,956	131,719,890
Deferred Debits:		
Unamortized debt expense	1,253,151	1,476,555
Other	5,624,404	6,276,543
Total deferred debits	6,877,555	7,753,098
Total	$2,185,067,294	$2,300,530,661

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

BALANCE SHEET

LIABILITIES

	December 31, 1974	August 31, 1975 (Unaudited)
CAPITAL STOCK AND RETAINED EARNINGS (Notes 2 and 8):		
Preferred stock	$ 288,118,400	$288,118,400
Preference stock		47,900,000
Common stock	419,701,904	477,980,155
Retained earnings	128,762,726	157,098,939
Total capital stock and retained earnings	836,583,030	971,097,494
LONG-TERM DEBT (Note 3):		
Principal amounts	1,036,914,310	1,159,235,359
Less unamortized discount and premium, net	2,819,037	4,059,955
Long-term debt, net	1,034,095,273	1,155,175,404
CURRENT LIABILITIES:		
Notes payable (Note 4):		
Banks	50,315,000	
Commercial paper	81,275,000	14,075,000
Other	67,046	88,924
Accounts payable:		
Construction contract retentions	5,184,910	4,198,773
Other	54,227,273	15,782,805
Customers' deposits	2,818,650	3,516,517
Taxes accrued	11,276,899	19,160,839
Interest accrued	19,321,270	27,190,926
Dividends declared	19,240,143	5,800,199
Current portion of deferred income taxes (Note 1)	13,577,543	6,047,148
Other	1,823,299	2,618,269
Total current liabilities	259,127,033	98,479,400
DEFERRED CREDITS:		
Investment tax credits (Note 5)	4,514,126	9,324,559
Customers' advances for construction	125,873	173,198
Other	115,406	592,518
Total deferred credits	4,755,405	10,090,275
RESERVE FOR INJURIES AND DAMAGES	724,920	793,362
ACCUMULATED DEFERRED INCOME TAXES (Note 5)	49,781,633	64,894,726
COMMITMENTS AND CONTINGENCIES (Note 6)		
Total	$2,185,067,294	$2,300,530,661

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

STATEMENT OF RETAINED EARNINGS

	Twelve Months Ended December 31, 1970	1971	1972	1973	1974	August 31, 1975 (Unaudited)
Balance at Beginning of Period:						
As previously reported	$62,502,253	$ 62,447,802	$ 68,153,300	$ 90,673,379	$110,816,532	$132,503,809
Adjustments (Note 8)	4,159,988	4,159,988	4,159,988	4,159,988	5,246,508	1,086,520
As restated	66,662,241	66,607,790	72,313,288	94,833,367	116,063,040	133,590,329
Net Income	24,825,122	37,473,640	60,529,232	65,998,934	72,270,556	89,164,827
Total	91,487,363	104,081,430	132,842,520	160,832,301	188,333,596	222,755,156
Deductions:						
Cash dividends declared:						
$5 Preferred ($5.00 per share per annum)	1,186,295	1,186,295	1,186,295	1,186,295	1,186,295	1,186,295
Serial preferred:						
$4.20 Series ($4.20 per share per annum)	420,000	420,000	420,000	420,000	420,000	420,000
$5.44 Series ($5.44 per share per annum)	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
$9.10 Series ($9.10 per share per annum)	2,415,004	2,730,007	2,730,008	2,730,008	2,730,008	2,730,008
$7.95 Series ($7.95 per share per annum)		3,369,940	2,782,521	2,782,522	2,782,523	2,782,524
$7.72 Series ($7.72 per share per annum)			2,097,835	3,860,000	3,860,000	3,860,000
$8.48 Series ($8.48 per share per annum)					5,986,655	5,512,000
Preferred Stock A:						
$7.45 Series ($7.45 per share per annum)				678,195	3,725,000	3,725,000
$2.675 Preference Stock, Series A ($2.675 per share per annum)						2,838,496
Common stock (per share: $1.46 in 1970 and 1971; $1.49 in 1972; $1.56 in 1973 and $1.60 in 1974 and for the twelve months ended August 31, 1975)	19,012,828	22,121,658	27,173,710	32,691,198	37,374,994	40,779,840
Capital stock discount and expense	485,446	580,242	258,784	147,563	145,395	462,054
Total deductions	24,879,573	31,768,142	38,009,153	45,855,781	59,570,870	65,656,217
Balance at End of Period (Note 2)	$66,607,790	$ 72,313,288	$ 94,833,367	$114,976,520	$128,762,726	$157,098,939

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

STATEMENT OF SOURCE AND USE OF FINANCIAL RESOURCES

	Twelve Months Ended December 31, 1970	1971	1972	1973	1974	August 31, 1975 (Unaudited)
	Thousands of Dollars					
urce of Financial Resources:						
Current resources provided from operations:						
Net income	$ 24,825	$ 37,474	$ 60,529	$ 65,999	$ 72,271	$ 89,165
Items not requiring (providing) current resources:						
Depreciation and amortization	19,965	28,327	37,203	40,430	45,391	51,846
Allowance for funds used during construction	(10,505)	(14,708)	(24,759)	(38,093)	(54,609)	(63,561)
Noncurrent deferred income taxes—net	1,278	3,480	5,972	7,430	11,188	22,094
Investment tax credit adjustments—net	(1,505)	1,277	1,756	2,948	(6,241)	(821)
Total current resources from operations	34,058	55,850	80,701	78,714	68,000	98,723
Other resources provided:						
Additions to plant accounts representing capitalization of net cost of funds used during construction	10,505	14,708	24,759	38,093	54,609	63,561
Proceeds from assignment to lessor of internal combustion turbine generators					44,455	
Proceeds from sale and leaseback of nuclear fuel					47,593	47,593
Miscellaneous—net	1,228	883	663	109	3,995	9,579
Total resources provided from operations and other*	45,791	71,441	106,123	116,916	218,652	219,456
Financings:						
Sale of:						
First mortgage bonds	89,302	134,351	99,317	199,755	150,979	148,291
Six-year note			50,000			
Preferred stock	29,575	34,506	49,364	49,949	64,231	
Preference stock						47,744
Common stock	29,186	33,910	125,039	63,449	3,381	59,309
rease (decrease) in short-term notes payable less temporary cash investments	2,914	12,483	(70,164)	16,356	103,301	(10,583)
Total resources provided from financings	150,977	215,250	253,556	329,509	321,892	244,761
TOTAL	$196,768	$286,691	$359,679	$446,425	$540,544	$464,217
se of Financial Resources:						
Gross property additions excluding nuclear fuel*	$167,741	$239,291	$318,382	$359,056	$382,602	$355,868
Nuclear fuel additions*	3,722	20,232	16,918	37,610	39,939	28,495
Dividends for the year	23,712	30,492	36,785	45,708	58,048	64,748
Net increase (decrease) in working capital, excluding short-term notes payable and temporary cash investments	1,593	(3,324)	(12,406)	4,051	59,955	15,106
TOTAL	$196,768	$286,691	$359,679	$446,425	$540,544	$464,217
ıcrease (Decrease) in Working Capital, Excluding Short-term Notes Payable and Temporary Cash Investments, by Components:						
Materials and supplies (principally fuel)	$ 11,419	$ (9,107)	$ 5,576	$ 105	$ 69,335	$ 8,914
Deferred fossil fuel inventory costs					35,028	342
Accounts receivable	300	5,898	1,163	2,900	19,869	(10,774)
Accounts payable	(4,374)	(2,219)	(8,567)	3,557	(40,310)	17,720
Current portion of deferred income taxes					(13,578)	3,335
Taxes accrued	(3,845)	6,932	(3,222)	3,036	(7,693)	(5,461)
Interest and dividends payable	(5,426)	(5,656)	(5,876)	(5,153)	(6,077)	(6,511)
Other—net	3,519	828	(1,480)	(394)	3,381	7,541
Net increase (decrease) in working capital, excluding short-term notes payable	$ 1,593	$ (3,324)	$(12,406)	$ 4,051	$ 59,955	$ 15,106

*Includes amounts charged to utility plant representing the "allowance for (the cost of) funds used during onstruction".

See Notes to Financial Statements.

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS

For the Five Years Ended December 31, 1974 and (Unaudited) the Twelve Months Ended August 31, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

System of Accounts. The accounting records of the Company are maintained in accordance with uniform systems of accounts prescribed by the Federal Power Commission (FPC) and the regulatory commissions of North Carolina and South Carolina.

Electric Utility Plant. Electric utility plant is stated at original cost. The cost of additions, including replacements of units of property and betterments, is charged to utility plant. The Company includes in such additions an allowance for funds used during construction (8% for 1970 through August 31, 1975). Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are charged to maintenance expense. The cost of units of property replaced or renewed plus removal costs, less salvage, is charged to accumulated depreciation. Utility plant is subject to the lien of the Company's Mortgage.

Allowance for Funds Used During Construction. In accordance with the uniform systems of accounts prescribed by regulatory authorities, an allowance for funds used during construction is included in construction work in progress and credited to income, recognizing that funds used for construction were provided by borrowings, preferred stock, and common equity. This accounting practice results in the inclusion in utility plant in service of amounts considered by regulatory authorities as an appropriate cost for the purpose of establishing rates for utility charges to customers over the service lives of the property.

Depreciation and Amortization. Depreciation of utility plant, other than nuclear fuel, for financial reporting purposes is computed on the straight-line method based on estimated useful lives and charged principally to depreciation expense. Depreciation provisions as a percent of average depreciable property other than nuclear fuel approximated 2.7% for 1970 through 1972, 2.8% for 1973 and 1974, and 3.1% for the twelve months ended August 31, 1975. Amortization of nuclear fuel is computed on the unit-of-production method and charged to fuel expense.

Compensating Bank Balances. The Company maintains average balances in various banks in connection with bank lines of credit. Such compensating balances include amounts to support outstanding bank loans and to provide back-up for bearer commercial paper and demand notes, and may be withdrawn without sanctions on a day-to-day basis so long as the required average balances are maintained at the banks. Average balances, where required, are typically 10% of line. Furthermore, all of such balances are available for use as general operating funds. At December 31, 1974 outstanding notes payable to banks required average compensating balances of $2,500,000. At August 31, 1975 there were no outstanding notes payable to banks, and unused bank lines of credit totaled $130,815,000 and required total average compensating balances in the respective banks of $9,350,000 plus commitment fees of approximately $17,000 per month.

During the twelve months ended August 31, 1975, average compensating balance requirements reached a maximum month end total of $9,350,000 plus commitment fees of approximately $17,000 per month in support of total lines of credit of $130,815,000.

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

Deferred Fossil Fuel Inventory Costs. On February 6, 1974, pursuant to state regulatory commissions' orders, the Company put into effect retail service fossil fuel adjustment clauses to recover increased fuel costs. The provisions of the clauses result in a time lag between the date increased fuel cost is incurred and the date such cost is billed to customers. Accordingly, to properly match increased fuel costs with the related revenues, the Company is deferring the increased fuel cost when incurred and expensing it in the month the related revenues are billed. Therefore, operating expenses in the statement of income for 1974 and the twelve months ended August 31, 1975 have been decreased and Deferred Fossil Fuel Inventory Costs in the balance sheet as of December 31, 1974 and August 31, 1975 have been increased as compared with the respective balance sheets one year earlier by $35,028,046 and $342,154, respectively, representing the normalization of such cost. Related deferred income taxes have been recorded by increasing income tax expense in the statement of income and are reflected in Current Portion of Deferred Income Taxes on the balance sheet. See Note 6 concerning status of the fuel adjustment clauses.

Income Taxes. Deferred income tax provisions are recorded only to the extent such amounts are currently allowed for rate-making purposes. In compliance with regulatory accounting, income taxes are allocated between Operating Income and Other Income, principally with respect to interest charges related to construction work in progress. See Note 5 with respect to certain other income tax information.

Investment Tax Credits. Investment tax credits generated and utilized after 1971 have been deferred and are being amortized over the service lives of the property; substantially all credits prior to 1972 were deferred for amortization over five-year periods. At December 31, 1974 the Company had generated but not utilized investment tax credits totaling $9,800,000 (see Note 5 for prior years' investment tax credits eliminated in 1974 and included herein).

Preferred Dividends. Preferred stock dividends declared and charged to retained earnings include amounts applicable to the first quarter of the following year, except for the Preferred Stock A, $7.45 Series, issued in 1973, which dividends are wholly applicable to the period in which they are declared.

Retirement Plan. The Company has a non-contributory retirement plan for all regular full-time employees and is funding the costs accrued under the plan. Retirement plan costs for 1970-1974 and the twelve months ended August 31, 1975 were approximately: $1,383,000, $1,627,000, $1,700,000, $1,748,000, $2,421,000 and $3,188,000, respectively. In 1975, the Company amended the plan by changing, among other things, vesting provisions to conform with the requirements of the Employee Retirement Income Security Act of 1974, the interest assumption from 4½% to 5%, and the amortization of the unfunded prior service cost over a period of twenty years from January 1, 1975. The effect of these changes on periodic net income is not material. The unfunded prior service cost at January 1, 1975, the date of the latest actuarial valuation, was approximately $24 million and the actuarially computed value of vested benefits exceeded assets of the plan by approximately $22 million.

Other Policies. Other property and investments are stated principally at cost, less accumulated depreciation where applicable. Materials and supplies inventories are stated at average cost. The Company maintains an allowance for doubtful accounts receivable (December 31, 1974—$427,876; August 31, 1975—$399,459). Bond premium, discount and expenses are amortized over the life of the related debt.

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

	December 31, 1974	August 31, 1975
2. CAPITAL STOCK		
Preferred Stock, without par value, cumulative:		
$5 (authorized, 300,000 shares; outstanding, 237,259 shares)	$ 24,375,900	$ 24,375,900
Serial (authorized, 10,000,000 shares):		
$4.20 Series (outstanding, 100,000 shares)	10,000,000	10,000,000
$5.44 Series (outstanding, 250,000 shares)	25,000,000	25,000,000
$9.10 Series (outstanding, 300,000 shares)	30,000,000	30,000,000
$7.95 Series (outstanding, 350,000 shares)	35,000,000	35,000,000
$7.72 Series (outstanding, 500,000 shares)	49,425,000	49,425,000
$8.48 Series (outstanding, 650,000 shares)	64,317,500	64,317,500
Preferred Stock A (authorized, 5,000,000 shares):		
$7.45 Series (outstanding, 500,000 shares)	50,000,000	50,000,000
Total	$288,118,400	$288,118,400
Preference Stock, without par value, cumulative (authorized, 10,000,000 shares):		
$2.675 Series A (outstanding, 2,000,000 shares) issued March 1975		$ 47,900,000
Common Stock, without par value (authorized, 60,000,000 shares):		
Outstanding—23,438,844 shares at December 31, 1974; 27,604,589 shares at August 31, 1975	$419,458,687	$477,980,155
Subscribed but not issued—19,875 shares	243,217	
Total	$419,701,904	$477,980,155

On May 21, 1975, the shareholders approved the increase in authorized preference stock from 2,000,000 to 10,000,000 shares.

At December 31, 1974, 965,460 (August 31, 1975, 799,715 shares) shares of unissued common stock were reserved for issuance under the Stock Purchase—Savings Program for Employees.

The $5 and Serial Preferred stocks are callable, in whole or in part, at redemption prices ranging from $102 to $115 a share plus accumulated dividends. The Preferred Stock A, $7.45 Series, is presently callable at $115 per share plus accumulated dividends unless refunding is involved, in which case there are substantial limitations on redemption until after September 2, 1980. The Preferred Stock A, $7.45 Series, has a mandatory sinking fund commencing in 1984 to redeem 20,000 shares annually at a redemption price of $100 per share plus accrued and unpaid dividends. In the event of liquidation, the preferred stocks are entitled to $100 a share plus accumulated dividends.

The $2.675 Preference Stock Series A is presently callable in whole or in part at $27.68 per share plus accumulated dividends unless refunding is involved, in which case there are substantial limitations on redemption until April 1, 1980, and in the event of liquidation is entitled to $25 a share plus accumulated dividends.

The Company's charter and the indentures relating to the First Mortgage Bonds contain provisions limiting payments of cash dividends on preference and common stock under certain circumstances. At December 31, 1974, $21,035,987 of retained earnings was so restricted under the charter provisions, which restriction was removed in January 1975 upon the sale of 4,000,000 shares of common stock, and at August 31, 1975, $19,084,446 of retained earnings was so restricted.

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

For the years 1970 through 1974 and the eight months ended August 31, 1975, shares of capital stock were issued as follows, representing the total increases in the respective accounts in the periods:

	Common Stock Sales		Preferred Stock Sales		Preference Stock Sales
	Public Offerings	Under the Stock Purchase—Savings Program for Employees	Public Offerings	Private Placement	Public Offerings
1970	1,250,000	62,333	300,000		
1971	1,500,000	69,226	350,000		
1972	4,500,000	69,442	500,000		
1973	3,000,000	109,247		500,000	
1974		205,081	650,000		
Eight months ended August 31, 1975	4,000,000	165,745			2,000,000

3. LONG-TERM DEBT

First mortgage bonds (principal amounts):	
3⅛% Series, due 1979	$ 20,100,000
3¼% Series, due 1979	43,930,000
2⅞% Series, due 1981	15,000,000
3½% Series, due 1982	20,000,000
11 % Series, due 1984	100,000,000**
4⅛% Series, due 1988	20,000,000
4⅞% Series, due 1990	25,000,000
4½% Series, due 1991	25,000,000
4½% Series, due 1994	30,000,000
11⅛% Series, due 1994	50,000,000*
5⅛% Series, due 1996	30,000,000
6⅜% Series, due 1997	40,000,000
6⅞% Series, due 1998	40,000,000
8¾% Series, due 2000	40,000,000
8¾% Series, due 2000	50,000,000
7⅜% Series, due 2001	65,000,000
7¾% Series, due 2001	70,000,000
7¾% Series, due 2002	100,000,000
7¾% Series, due 2003	100,000,000
8⅛% Series, due 2003	100,000,000
9¾% Series, due 2004	125,000,000
Total	1,109,030,000
Six-year note payable to a bank, due July 31, 1978 at a fluctuating rate (8.925% at August 31, 1975) related to the bank's prime rate	50,000,000
Miscellaneous promissory notes (1974, $234,310)	205,359
Total at August 31, 1975	$1,159,235,359

* $22,350,000 issued in January 1975.

** Issued in May 1975.

The bond indenture, as amended, contains requirements that additional property be certified or that specified amounts in cash and/or principal amount of bonds be delivered annually to the Trustee as an improvement fund. These requirements are approximately $6,100,000 for 1975 and $6,700,000 for each of the years 1976 through 1980. Current liabilities do not include the current improvement fund requirements since the Company meets such requirements by the certification of additional property.

Bonds of the 11⅛% Series due 1994 shall be redeemed under sinking fund provisions at $2,000,000 each year commencing on December 1, 1976, at the principal amount without premium plus accrued interest.

4. Notes Payable and Lines of Credit

At December 31, 1974, outstanding notes payable to banks totaled $50,315,000 representing notes due on or before February 27, 1975 with an average effective interest rate of 10.13%; outstanding commercial paper totaled $81,275,000, with due dates ranging from 2 to 42 days and had an average effective interest rate of 10.04%. During the twelve months then ended, short-term notes payable outstanding averaged (on a daily weighted basis) $63,162,000 at an average effective interest rate of 9.86% and with terms of up to three months.

At August 31, 1975 outstanding commercial paper totaled $14,075,000 with due dates from date of issue ranging from 40 to 42 days and had an average effective interest rate of 7%. During the twelve months then ended, short-term notes payable outstanding averaged (on a daily weighted basis) $68,366,741 at an average effective interest rate of 9.68% and with terms of up to three months.

During the twelve months ended December 31, 1974 and August 31, 1975, maximum month-end aggregate short-term notes payable totaled $161,185,961.

At August 31, 1975, the Company had firm, unused lines of credit with various banks totaling $130,815,000 including amounts to back up outstanding commercial paper. Such lines of credit are periodically reviewed by the various banks and at that time may be renewed or canceled.

5. Income Taxes

Income tax expense is composed of the following:

	Twelve Months Ended					
	December 31,					August 31,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Included in Operating Expenses:						
Provision (credit) for currently payable (refundable) taxes:						
Federal	$7,461	$ 7,893	$15,879	$ 8,952	$(3,190)	$8,480
State	1,055	1,679	2,771	1,938	1,612	2,328
Provision for deferred taxes, net	1,278	3,480	5,972	7,430	24,766	18,759
Investment tax credit adjustments, net (credit)	(1,505)	1,277	1,756	2,948	(6,241)	(821)
Total charged to operating income	8,289	14,329	26,378	21,268	16,947	28,746
Reduction in currently payable taxes allocated to Other Income	(2,709)	(3,532)	(6,666)	(10,477)	(16,068)	(20,581)
Total income tax expense	$5,580	$10,797	$19,712	$10,791	$ 879	$8,165

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

At December 31, 1974 the Company had recorded income tax refunds receivable totaling $14,942,360 which was collected in June 1975. The amount represented estimated tax recoveries resulting from the carryback of the 1974 net operating loss (see Note 1 for accounting policy for Investment Tax Credits and Note 8 with respect to income tax refund for years 1961 through 1968 totaling $4,159,988).

Federal income tax returns through 1970 have been examined and closed.

Provisions for net deferred income taxes result from timing differences in the recognition of the following items for tax and financial reporting purposes and which tax effects were as follows:

	Twelve Months Ended					
	December 31,					August 31,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Excess of accelerated depreciation deductions over straight-line depreciation otherwise deductible for income tax purposes	$1,278	$3,480	$5,972	$7,430	$14,513	$25,373
Deferred fossil fuel inventory costs					16,814	164
Taxable gain on sale and leaseback of properties					(3,325)	(3,279)
Accrual of franchise taxes on books but not deductible until paid					(3,236)	(3,499)
Provision for net deferred income taxes	$1,278	$3,480	$5,972	$7,430	$24,766	$18,759

A reconciliation of an amount, computed by applying the statutory federal income tax rate to pre-tax income (net income plus income tax expense), to total income tax expense follows:

	Twelve Months Ended					
	December 31,					August 31,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Amount derived by multiplying pre-tax income by statutory rate	$14,959	$23,170	$38,516	$36,859	$35,112	$46,718
Add (deduct):						
Investment tax credits (utilized) eliminated (See Note 1)	(81)	(3,439)	(4,027)	(5,386)	5,706	303
Other specific reconciling items multiplied by the statutory rate:						
Allowance for funds used during construction	(5,168)	(7,059)	(11,884)	(18,285)	(26,212)	(30,509)
Differences between book and tax depreciation for which deferred taxes have not been provided	(2,106)	(2,408)	(2,874)	(3,020)	(3,523)	(4,251)
Taxes and fringe benefit costs capitalized	(697)	(1,782)	(3,067)	(3,856)	(4,022)	(3,673)
State income taxes and other differences, net	178	1,038	1,292	1,531	59	398
Provision for current and deferred taxes	7,085	9,520	17,956	7,843	7,120	8,986
Investment tax credit adjustments, net (credit)	(1,505)	1,277	1,756	2,948	(6,241)	(821)
Total income tax expense	$ 5,580	$10,797	$19,712	$10,791	$ 879	$ 8,165

6. COMMITMENTS AND CONTINGENCIES

Reference is made to "Construction Program", "Financing Program", and "Business" for information regarding estimated future plant expenditures.

At December 31, 1974, firm commitments for construction aggregated approximately $400 million plus approximately $264 million for initial and replacement nuclear fuel. At August 31, 1975, those commitments were approximately $410 million plus approximately $310 million, respectively. In addition, the Company has a contract with the Energy Research and Development Administration for nuclear fuel enrichment requirements through June 30, 2002 which is cancelable without penalty upon five years written notice. Payments for enrichment services are anticipated to total $96 million during the next five years. Many contracts include escalation provisions.

The Company has entered into agreements with Pickands Mather & Co., a firm engaged in owning, operating and managing mineral properties, to develop through subsidiaries two adjacent deep coal mines. Reference is made to the fifth paragraph under "Business—Fossil Fuel Supply" for additional information including guarantees made by the Company under these agreements. As of August 31, 1975, the Company had advanced less than $1,000 to one of the subsidiaries.

During 1974 the Company assigned its rights to eleven internal combustion turbine generator units and related equipment for approximately $44.4 million. The property assigned excluded various auxiliary facilities, foundations and site preparation costs. The turbines and related equipment were simultaneously leased to the Company under a 25-year lease arrangement. All units have been placed in commercial operation. The Company's obligation to pay rent under the lease is unconditional. The lease requires the Company, among other things, to repurchase the equipment under certain circumstances and to pay certain tax and other indemnities.

In December 1974, the Company sold certain nuclear fuel materials for its cost of approximately $47.6 million and then leased those materials from the purchaser for use when required in the two units of its new Brunswick Plant. The Company is contingently liable to repurchase these materials under certain circumstances.

Electric utility plant at December 31, 1974 and August 31, 1975 includes approximately $15 million representing cost less accumulated depreciation of four hydroelectric projects licensed by the FPC, which licenses expire in 1976, 1993 and 2008. Upon or after expiration of each license, the United States may take over the project, or the FPC may issue a new license either to the Company or a new licensee. In the event of a takeover or licensing to another licensee, the Company would be paid its "net investment" in the project, not to exceed fair value, plus severance damages, if any. No provision for amortization reserves as

required for the determination of "net investment" has been recorded as such amounts, if any, are considered immaterial. In 1973, the Company applied for a new 50-year license for the Walters Hydroelectric Project which original license expires in 1976. A competing application has been filed by a group of rural electric cooperatives.

The Company has committed a total of $3,450,000 for research concerning development of the Liquid Metal Fast Breeder Reactor payable in ten equal annual installments which commenced in 1972.

Reference is made to "Business—Fossil Fuel Supply" for information with respect to claims against the Company and litigation with regard to coal supply contracts and to "Business—Environmental and Nuclear Licensing Matters" and to "Business—Other Litigation" with respect to other claims.

Reference is made to "Business—Retail Rate Increases" for information regarding challenges by the North Carolina Attorney General of the validity of the fossil fuel adjustment clause and the reasonableness of amounts billed by the Company for November 1974 and subsequent months.

Operating revenues for the year ended December 31, 1974 includes $30,444,000 which was billed subsequent to September 30, 1974 to retail customers in North Carolina under the provisions of a fossil fuel adjustment clause, and which was subject to further regulatory review and refund with interest. On April 2, 1975, the North Carolina Utilities Commission (NCUC) issued an order affirming such revenues and requiring monthly review by the NCUC of that month's billing by the Company under the terms of the fossil fuel adjustment clause. In August 1975, the NCUC issued a further order which includes all fossil fuel costs in basic rates as an "approved fuel charge", effective September 1, 1975, and eliminates billings under the fossil fuel adjustment clause provisions. Operating revenues for the twelve months ended August 31, 1975 include approximately $35,234,000 billed (including $22,800,000 under provisions of a fossil fuel adjustment clause) to wholesale customers during January through August 1975 which are subject to refund with interest to the extent, if any, not finally allowed in pending proceedings before the FPC. Deferred fossil fuel inventory costs at December 31, 1974 totaling $35,028,046 and at August 31, 1975 totaling $7,521,416 represent approximate amounts to be billed customers during the following two months. As a result of the April and August 1975 NCUC orders, the amounts of deferred costs which remain subject to further regulatory review and approval which may necessitate adjustment if such review so requires are approximately $5,500,000 (FPC) at December 31, 1974 and $4,673,793 (FPC) at August 31, 1975. Deferred fossil fuel inventory costs at August 31, 1975 include $12,367,219 representing unrecovered fuel costs applicable to North Carolina retail operations which, pursuant to the August 1975 NCUC order, will be recovered over approximately twelve months beginning September 1, 1975 through a temporary surcharge of $.00089 per kilowatt-hour of service billed.

CAROLINA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS—(Concluded)

7. SUPPLEMENTARY INCOME STATEMENT INFORMATION

	Twelve Months Ended					
	December 31,					August 31,
	1970	1971	1972	1973	1974	1975
	Thousands of Dollars					
Amortization of nuclear fuel, charged to fuel expense		$ 4,924	$ 9,261	$ 7,694	$ 8,757	$ 9,968
Taxes—Other than on income:						
Ad valorem	$ 7,352	$ 8,106	$ 9,406	$11,804	$13,273	$14,305
State and city franchise	10,999	12,709	14,866	17,384	28,085	34,901
Federal and state social security	1,003	1,217	1,513	2,323	2,961	3,361
Miscellaneous	100	103	129	161	179	193
Total	19,454	22,135	25,914	31,672	44,498	52,760
Less—Amount charged to plant and sundry accounts	401	736	1,893	2,966	3,814	4,252
Remainder—Charged to operating expenses	$19,053	$21,399	$24,021	$28,706	$40,684	$48,508

Annual rentals under long-term leases at December 31, 1974 and August 31, 1975 are not considered material.

Maintenance and repairs, and depreciation, other than amounts set out separately in the statement of income are not significant. Rent expense for each of the five years ended December 31, 1974 was less than 1% of revenues (rent expense for the twelve months ended August 31, 1975 approximated $7 million).

8. ADJUSTMENTS TO RETAINED EARNINGS

During 1974, the Company received a $4,159,988 refund of federal income taxes paid with respect to the years 1961 through 1968. The balances of retained earnings at December 31, 1968 and subsequent years have been restated by such amount. Received also in connection with the tax refund was $2,089,461 of refunded interest and interest earned applicable to years prior to 1974. Accordingly, such interest (net of income tax of $1,002,941) has also been added to the December 31, 1973 balance but has not been allocated to 1973 and prior years since the effect on any one year is not material.

9. SUBSEQUENT EVENTS

During 1974 the Company's construction program was reduced, including the elimination from its authorized construction budget of five proposed new generating units. On May 1, 1975 the Company reinstated the units into its construction program and therefore it does not now expect that there will be any charge-offs to operations related to such units. See "Construction Program".

UNDERWRITING

The Underwriters named below have severally agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company the following numbers of shares of New Common.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,334,000
Blyth Eastman Dillon & Co. Incorporated	65,000
The First Boston Corporation	65,000
Dillon, Read & Co. Inc.	65,000
Donaldson, Lufkin & Jenrette Securities Corporation	65,000
Drexel Burnham & Co. Incorporated	65,000
Goldman, Sachs & Co.	65,000
Halsey, Stuart & Co. Inc.	65,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	65,000
E. F. Hutton & Company Inc.	65,000
Kidder, Peabody & Co. Incorporated	65,000
Kuhn, Loeb & Co.	65,000
Lazard Freres & Co.	65,000
Lehman Brothers Incorporated	65,000
Loeb Rhoades & Co.	65,000
Paine, Webber, Jackson & Curtis Incorporated	65,000
Reynolds Securities Inc.	65,000
Salomon Brothers	65,000
Smith, Barney & Co. Incorporated	65,000
Wertheim & Co., Inc.	65,000
Wheat, First Securities, Inc.	65,000
White, Weld & Co. Incorporated	65,000
Dean Witter & Co. Incorporated	65,000
Shearson Hayden Stone Inc.	65,000
ABD Securities Corporation	37,000
Advest Co.	37,000
A. E. Ames & Co. Incorporated	37,000
Robert W. Baird & Co. Incorporated	37,000
Basle Securities Corporation	37,000
Bateman Eichler, Hill Richards, Incorporated	37,000
Bear, Stearns & Co.	37,000
J. C. Bradford & Co., Incorporated	37,000
Alex. Brown & Sons	37,000
Carolina Securities Corporation	37,000
Dain, Kalman & Quail, Incorporated	37,000
Dominion Securities Harris & Partners Inc.	37,000
A. G. Edwards & Sons, Inc.	37,000
Eppler, Guerin & Turner, Inc.	37,000
Faulkner, Dawkins & Sullivan Securities Corp.	37,000
Robert Fleming Incorporated	37,000
Harris, Upham & Co. Incorporated	37,000
Interstate Securities Corporation	37,000
Kleinwort, Benson Incorporated	37,000
Ladenburg, Thalmann & Co. Inc.	37,000
McDonald & Company	37,000
Moseley, Hallgarten & Estabrook Inc.	37,000
New Court Securities Corporation	37,000
Nomura Securities International, Inc.	37,000
Oppenheimer & Co., Inc.	37,000
Piper, Jaffray & Hopwood Incorporated	37,000
Prescott, Ball & Turben	37,000
R. W. Pressprich & Co. Incorporated	37,000
W. H. Reaves & Co., Inc.	37,000
The Robinson-Humphrey Company, Inc.	37,000
L. F. Rothschild & Co.	37,000
Shields Model Roland Securities Incorporated	37,000
SoGen-Swiss International Corporation	37,000
Suez American Corporation	37,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	37,000
Spencer Trask & Co. Incorporated	37,000
UBS-DB Corporation	37,000
Ultrafin International Corporation	37,000
Warburg Paribas Becker Inc.	37,000
Weeden & Co. Incorporated	37,000
Wood Gundy Incorporated	37,000
Wood, Struthers & Winthrop Inc.	37,000
American Securities Corporation	15,000
Bacon, Whipple & Co.	15,000
William Blair & Company	15,000
Blunt Ellis & Simmons Incorporated	15,000
Bruns, Nordeman, Rea & Co.	15,000
Butcher & Singer	15,000
The Chicago Corporation	15,000
First of Michigan Corporation	15,000
J. J. B. Hilliard, W. L. Lyons, Inc.	15,000
Johnson, Lane, Space, Smith & Co., Inc.	15,000
Johnston, Lemon & Co. Incorporated	15,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc.	15,000
Loewi & Co. Incorporated	15,000

Underwriter	Number of Shares
McCarley & Company, Inc.	15,000
Moore, Leonard & Lynch, Incorporated	15,000
Newhard, Cook & Co. Incorporated	15,000
The Ohio Company	15,000
Rauscher Pierce Securities Corporation	15,000
Reinholdt & Gardner	15,000
Rotan Mosle Inc.	15,000
R. Rowland & Co. Incorporated	15,000
Shuman, Agnew & Co., Inc.	15,000
Stern Brothers & Co.	15,000
Sutro & Co. Incorporated	15,000
Tucker, Anthony & R. L. Day, Inc.	15,000
C. E. Unterberg, Towbin Co.	15,000
William D. Witter, Inc.	15,000
Anderson & Strudwick, Incorporated	6,000
Baker, Watts & Co.	6,000
D. H. Blair & Co., Inc.	6,000
Craigie, Mason-Hagan, Inc.	6,000
Davenport & Co. of Virginia, Inc.	6,000
Doft & Co., Inc.	6,000
Elkins, Stroud, Suplee & Co.	6,000
Evans & Co. Incorporated	6,000
Frost, Johnson, Read & Smith, Inc.	6,000
Gruntal & Co.	6,000
Herzfeld & Stern	6,000
Howard, Weil, Labouisse, Friedrichs Incorporated	6,000
Investment Corporation of Virginia	6,000
Paul Kendrick & Co., Inc.	6,000
Laidlaw-Coggeshall Inc.	6,000
McDaniel Lewis & Co.	6,000

Underwriter	Number of Shares
The Milwaukee Company	6,000
Moore & Schley, Cameron & Co.	6,000
Murch & Co., Inc.	6,000
H. O. Peet & Co. Inc.	6,000
Pressman Frohlich Securities, Division of Philips, Appel & Walden, Inc.	6,000
Scott & Stringfellow, Inc.	6,000
Stern, Frank, Meyer & Fox, Incorporated	6,000
Underwood, Neuhaus & Co. Incorporated	6,000
Colin, Hochstin Co.	4,000
Cowen & Co.	4,000
Daniels & Bell, Inc.	4,000
R. G. Dickinson & Co.	4,000
Equitable Securities Corporation	4,000
First Manhattan Co.	4,000
Foley, Warendorf & Co.	4,000
Furman Investment Corp. of S.C., Inc.	4,000
Heine, Fishbein & Co., Inc.	4,000
Howe, Barnes & Johnson, Inc.	4,000
Joseph, Miller & Russell, Inc.	4,000
Josephthal & Co.	4,000
J. Lee Peeler & Company, Inc.	4,000
John J. Ryan & Co. Incorporated	4,000
Stix & Co. Inc.	4,000
Burton J. Vincent, Chesley & Co.	4,000
Wagenseller & Durst, Inc.	4,000
Total	5,000,000

The nature of the Underwriters' obligation is such that they are committed to take and pay for all of the shares if any are taken.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Representative of the Underwriters, has advised the Company that sales to certain dealers may be made at concessions not in excess of 46¢ per share and that the Underwriters may allow and such dealers may reallow not in excess of 37½¢ per share to certain other dealers. After the initial public offering, the public offering price and the concessions may be changed.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

TABLE OF CONTENTS

5,000,000 Shares

Carolina Power & Light Company

Common Stock

(Without Par Value)

PROSPECTUS

Merrill Lynch, Pierce, Fenner & Smith

Incorporated

Dated October 28, 1975

[illegible]

EXHIBIT C

HELPING TO BUILD A Finer Carolina

Carolina Power & Light Company

(ORGANIZED UNDER THE LAWS OF NORTH CAROLINA)

INTERIM FINANCIAL STATEMENTS

(NOT EXAMINED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS)

MARCH 31, 1976

THESE STATEMENTS HAVE BEEN PREPARED FOR THE PURPOSE OF PROVIDING INFORMATION CONCERNING THE COMPANY AND NOT IN CONNECTION WITH ANY SALE, OFFER FOR SALE, OR SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

Carolina Power & Light Company

BALANCE SHEET

(Thousands of Dollars) March 31	1976	1975
Assets:		
ELECTRIC UTILITY PLANT:		
Electric utility plant other than nuclear fuel (including construction work in progress: 1976, $683,815,072; 1975, $898,426,981)	$2,541,628	$2,282,213
Less accumulated depreciation	311,957	267,107
Electric utility plant other than nuclear fuel	2,229,671	2,015,106
Nuclear fuel (net of accumulated amortization)	49,267	41,015
Electric utility plant, net	2,278,938	2,056,121
OTHER PROPERTY AND INVESTMENTS	2,679	5,565
CURRENT ASSETS:		
Cash and temporary cash investments	34,315	7,912
Accounts receivable, net (1975 includes $14,942,000 of refundable income taxes)	32,483	48,677
Materials and supplies	75,122	80,029
Deferred fuel cost (Note 4)	9,333	22,181
Prepayments, etc.	3,046	1,736
Total current assets	154,299	160,535
DEFERRED DEBITS	8,160	9,709
TOTAL	$2,444,076	$2,231,930
Liabilities:		
CAPITAL STOCK AND RETAINED EARNINGS (Notes 1 and 2):		
Preferred stock (outstanding shares: 1976, 2,887,259; 1975, 2,887,259)	$ 288,118	$ 288,118
Preference stock (outstanding shares: 1976, 2,000,000; 1975, 2,000,000)	47,900	47,900
Common stock (outstanding shares: 1976, 32,733,487; 1975, 27,516,361)	566,447	476,571
Retained earnings	165,897	134,598
Total capital stock and retained earnings	1,068,362	947,187
LONG-TERM DEBT, net (Note 1)	1,153,311	1,056,434
CURRENT LIABILITIES:		
Long-term debt due within one year	2,000	
Notes payable:		
Banks		32,200
Other	11	24,764
Accounts payable	21,331	24,121
Customers' deposits	3,895	2,980
Taxes accrued	25,180	16,168
Current portion of deferred income taxes	377	7,411
Interest accrued	34,171	29,739
Dividends declared	25,625	22,364
Other	3,173	2,620
Total current liabilities	115,763	162,367
DEFERRED CREDITS (Includes accumulated deferred investment tax credits: 1976, $23,838,931; 1975, $10,110,756)	24,844	10,708
RESERVE FOR INJURIES AND DAMAGES	811	742
ACCUMULATED DEFERRED TAXES ON INCOME	80,985	54,492
TOTAL	$2,444,076	$2,231,930

STATEMENT OF RETAINED EARNINGS

For the Twelve Months Ended March 31,	1976	1975
BALANCE AT BEGINNING OF PERIOD	$ 134,598	$ 117,701
ADD—Net income	106,931	79,193
Total	241,529	196,894
DEDUCT:		
Preferred and preference stock cash dividends declared	26,926	23,077
Common stock cash dividends declared	48,260	39,074
Capital stock expense	446	145
Total deductions	75,632	62,296
BALANCE AT END OF PERIOD	$ 165,897	$ 134,598

See Notes to Financial Statements.

STATEMENT OF INCOME
(000's Omitted)

	Three Months Ended March 31		Twelve Months Ended March 31	
	1976	1975	1976	1975
OPERATING REVENUES (Notes 3 and 4)	$170,807	$156,797	$620,339	$528,634
OPERATING EXPENSES:				
Fuel	53,771	61,926	224,567	264,643
Deferred fuel expense – net (Note 4)	5,045	12,847	12,848	(16,647)
Purchased and interchange power – net	(1,092)	3,159	8,864	14,865
Other operation expense	15,997	12,815	60,219	48,434
Maintenance	7,868	7,365	34,189	28,610
Depreciation	15,655*	11,083	51,220*	37,252
Taxes other than on income	13,517	12,023	47,931	44,627
Income tax expense (Note 5)	23,475	9,323	59,321	22,007
Total operating expenses	134,236	130,541	499,159	443,791
OPERATING INCOME	36,571	26,256	121,180	84,843
OTHER INCOME:				
Allowance for funds used during construction	11,323	14,787	56,493	58,009
Income taxes–credit	3,476	5,033	18,177	17,786
Other income (deductions)–net	177	(15)	1,212	824
Total other income	14,976	19,805	75,882	76,619
GROSS INCOME	51,547	46,061	197,062	161,462
INTEREST CHARGES:				
Interest on long-term debt	22,284	19,663	88,361	74,119
Other interest charges	217	2,662	1,770	8,150
Total interest charges	22,501	22,325	90,131	82,269
NET INCOME	29,046	23,736	106,931	79,193
PREFERRED AND PREFERENCE DIVIDEND REQUIREMENTS	6,732	5,557	26,926	21,739
EARNINGS FOR COMMON STOCK	$ 22,314	$ 18,179	$ 80,005	$ 57,454
AVERAGE COMMON SHARES OUTSTANDING	32,705	26,507	29,646	24,128
EARNINGS PER SHARE	$ .68	$ .69	$ 2.70	$ 2.38

* Includes $2,558,000 for the three months and $5,096,000 for the twelve months resulting from the adoption as of October 1, 1975, of revised depreciation rates.

See Notes to Financial Statements.

SUPPLEMENTAL DATA

Operating Revenues ($000):				
Sales of electricity-				
Within service area-				
Retail	$140,698	$128,383	$505,486	$450,353
For resale	26,073	25,194	100,868	60,293
Nonterritorial	2,647	2,000	8,132	12,315
Miscellaneous	1,389	1,220	5,853	5,673
Total	$170,807	$156,797	$620,339	$528,634
Electric Energy Sales (millions of KWH):				
Within service area-				
Retail	5,182	4,561	19,309	18,569
For resale	1,480	1,338	5,512	5,154
Nonterritorial	71	22	110	360
Total	6,733	5,921	24,931	24,083
Electric Energy Generated and Purchased (millions of KWH):				
Steam-Nuclear	2,169	1,435	6,326	4,821
Steam-Fossil	4,513	4,063	18,824	18,576
Hydro	246	350	843	937
Internal combustion turbines	7	4	33	203
Purchased and interchanged - net	(104)	203	567	1,015
Total	6,831	6,055	26,593	25,552

NOTES TO FINANCIAL STATEMENTS

1. These interim financial statements are prepared in conformity with the accounting principles reflected in the financial statements included in the Company's 1975 Annual Report. Reference is also made to that Annual Report for details concerning Preferred Stock, Long-Term Debt, and Common Stock then and presently issued and outstanding. These are interim financial statements and because of temperature variations between seasons of the year and the time of scheduled downtime and maintenance of electric generating units, especially nuclear fueled units, the amounts reported in the Statement of Income for periods of less than twelve months are not necessarily indicative of amounts expected for the year.

2. During the two years covered by the Statement of Income 4,000,000 shares of Common Stock in January 1975 and 5,000,000 shares in November 1975 were issued and sold in public offerings and 464,931 shares in sales under the Company's Stock Purchase-Savings Program for Employees; and the Company sold 2,000,000 shares of $2.675 Preference Stock, Series A, in a public offering in March 1975. As of March 31, 1976, 683,454 shares of Common Stock were reserved for issuance under the Program.

3. Some rate increases in effect during the periods covered by these financial statements were not in effect for the entire periods. The following tabulation sets forth the approximate effects on revenues of such rate increases plus fuel adjustment charges which vary with fuel costs (in thousands of dollars):

Description		Annualized Revenue	Actual Revenue Increase Realized			
			3 Months		12 Months	
Effective Date	Type	Based On 1975 Level of Sales	1976	1975	1976	1975
1-6-75	NC Retail[1]	$ 52,900	$14,452	$13,163	$ 54,190	$ 42,782
1-15-75	SC Retail[1]	10,100	2,748	2,415	10,440	7,831
1-2-75	Wholesale	21,100	5,672[2]	3,887[2]	21,763[2]	3,887[2]
2-20-76	NC Retail[1]	84,800	18,395		32,807	
3-1-76	SC Retail[1]	20,300	3,242[2]		5,768[2]	
9-1-75	SC Retail-Residential	2,100	535[2]		1,070[2]	
		$191,300	45,044	19,465	126,038	54,500
Fuel adjustment charges:						
2-6-74	NC Retail		17,793	32,947	86,082	92,508
2-6-74	SC Retail		4,105	7,343	17,310	20,050
1-2-75	Wholesale		6,899[2]	9,086[2]	28,568[2]	9,086[2]
			$73,841	$68,841	$257,998	$176,144

[1]Total increase effective date shown; revenue included from related interim increase which was terminated at same date.

[2]Being billed subject to refund pending final determinations by regulatory authorities.

4. At March 31, 1976 the Company has recorded $9,333,000 of deferred fuel cost including $2,993,000 subject to further regulatory review and approval which may necessitate adjustments if such review so requires. Also included is $4,413,000 remaining unamortized deferred fossil fuel costs applicable to North Carolina retail operations which is being recovered by a temporary rate surcharge over an approximate twelve-month period which began September 1, 1975, the date when the old automatic "fossil fuel adjustment clause" was replaced by an "approved fuel charge."

Operating revenues include $47,928,000 of "approved fuel charges" billed from September 1, 1975 through March 31, 1976 ($17,793,000 for the three months ending March 31, 1976) applicable to North Carolina retail operations; and the Company has remaining $4,413,000 of related unbilled deferred fossil fuel inventory costs at March 31, 1976. The Attorney General of North Carolina has appealed the August 27, 1975 order of the North Carolina Utilities Commission under which such charges are billed.

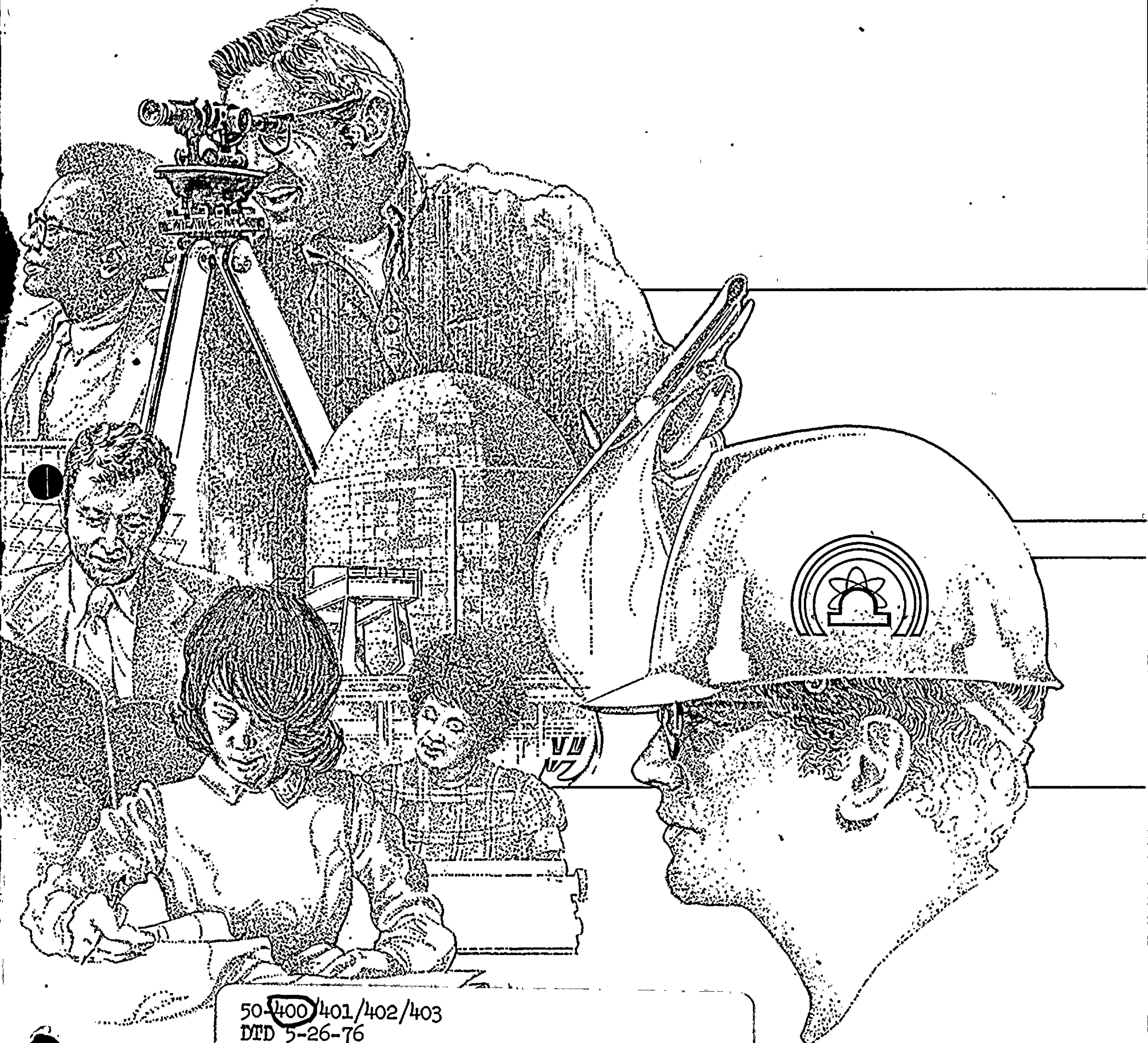
5. In accordance with the Company's policy of providing for deferred income taxes to the extent that such are currently allowed for ratemaking purposes, the Company commenced, in the first quarter of 1976, providing for deferred income taxes applicable to taxes and fringe benefit costs capitalized and tax depreciation differences resulting from different tax and book straight-line depreciation rates, thereby increasing the provision for deferred income taxes by $296,000 for the three months and the twelve months ended March 31, 1976.

JAMES S. CURRIE
Treasurer

RALEIGH, N. C. 27602
April 21, 1976

Carolina Power & Light Company
1975 Annual Report

EXHIBIT A



50-400/401/402/403
DTD 5-26-76
CONTROL 5390

Regulatory Docket File

Annual Meeting

The 1976 Annual Meeting of Shareholders will be held in Raleigh, North Carolina, on May 19 at 11 A.M. A formal notice of the meeting together with a proxy statement and form of proxy will be mailed about April 14.

Highlights

	1975	1974	Percent Change
Operating Revenues	$ 606,329,000	$ 460,977,000	32%
Net Income	$ 101,622,000	$ 72,271,000	41
Number Shares of Common Stock Outstanding (Year End)	32,693,000	23,439,000	39
Earned per average Common Share outstanding	$ 2.70	$ 2.21	22
Cash Dividends Paid per Common Share	$ 1.60	$ 1.60	—
Dividends Paid (Common and Preferred)	$ 66,894,000	$ 56,326,000	19
Kilowatt-Hour Sales (Thousands)			
*Excluding Nonterritorial Sales	24,057,000	23,607,000	2
Total Sales	24,118,000	24,076,000	—
System Capability Including Purchases (Kilowatts)	7,072,000	6,206,000	14
Maximum Service Area Hourly Load (Kilowatts)	5,060,000	4,771,000	6
Total Utility Plant (Including Nuclear Fuel)	$2,559,346,000	$2,252,856,000	14
Construction Expenditures	$ 300,659,000	$ 381,375,000	(21)
Customers (Year End)	661,000	648,000	2
Employees (Year End)	4,749	4,742	—

*Nonterritorial sales are sales to other electric utilities outside the Company service area.

Operating Revenue Dollar

Source

	Amount	Cents Per Dollar
Residential customers	$192,734,000	32¢
Commercial customers	111,602,000	18
Industrial customers	167,798,000	28
Wholesale customers	99,990,000	17
Nonterritorial sales	7,485,000	1
Other electric operating revenues	26,720,000	4
	$606,329,000	100¢

Use

	Amount	Cents Per Dollar
Fuel	$232,722,000	38¢
Deferred fossil fuel expense, net	20,650,000	4
Purchased and interchange power, net	13,115,000	2
Taxes	91,606,000	15
Wages and employee benefits*	43,667,000	7
Depreciation	46,648,000	8
Maintenance (except employee wages)	23,604,000	4
Other operating expenses	23,451,000	4
Compensation to investors for use of their funds (interest, 9¢; preferred and preference stock, 2¢; common stock, 7¢)	110,866,000	18
	$606,329,000	100¢

*Does not include $22,882,000 of wages and employee benefits for Company employees that was charged to Construction and other accounts.

Contents

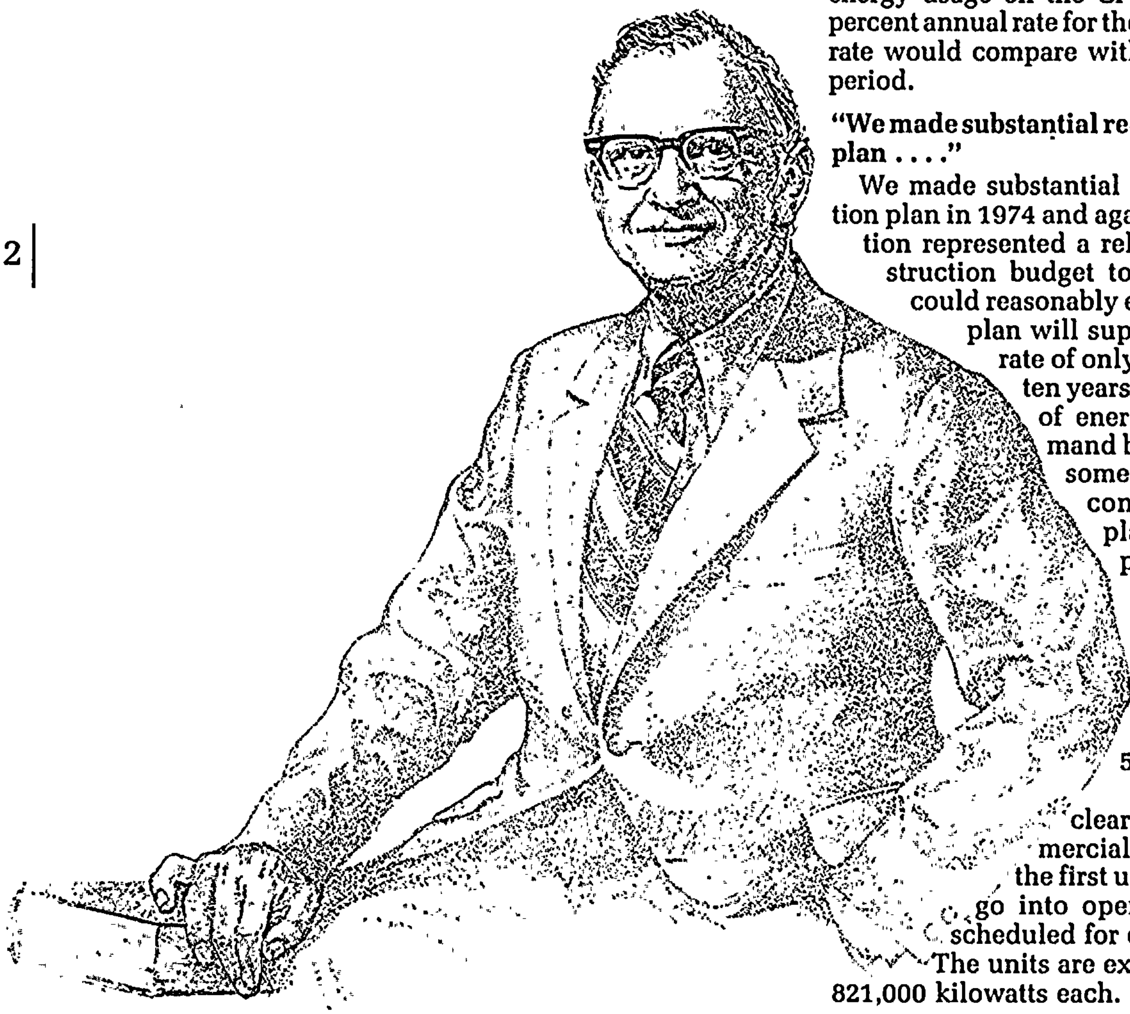
Carolina Power & Light Company,
336 Fayetteville Street,
Raleigh, N. C. 27602

The President's Message

My fellow shareholders:

Our Company's financial picture showed improvement in 1975, largely as the result of additional revenues produced from rate increases.

Earnings per share of common stock were $2.70, up from the severely depressed level of $2.21 in 1974. The annual dividend per share of common remained at $1.60.



". . . industrial sales lagged behind 1974 . . . ."

Territorial energy sales increased only 2 percent to 24.1 billion kilowatt-hours. Commercial and residential sales showed a healthy increase, but industrial sales lagged behind 1974, reflecting the general slowdown in the economy. During the fourth quarter some turnaround was experienced in the industrial sector.

Total operating revenues were $606 million, up from $461 million in 1974, and net income rose from $72.3 million to $101.6 million.

During 1975 our Company spent $301 million for construction and raised a net of $169 million of new capital. We expect to spend $270 million on construction during 1976 and $826 million for the three years 1976-78.

Our energy forecasts indicate that as industrial activity returns to a more normal level, growth in energy usage on the CP&L system will be at a 7.4 percent annual rate for the next ten years. That growth rate would compare with 9 percent for the 1966-75 period.

"We made substantial reductions in our construction plan . . . ."

We made substantial reductions in our construction plan in 1974 and again in 1975. The latter reduction represented a reluctant tailoring of the construction budget to the amount of capital we could reasonably expect to attract. The present plan will support growth in demand at a rate of only 6.5 percent during the next ten years, and may result in shortages of energy at intervals of peak demand beginning in 1981. We retain some flexibility for moving up the construction of coal-burning plants if load grows as we expect that it will and earnings improve sufficiently to permit us to obtain the additional capital on a reasonable basis.

Peak demand on the system rose 6.1 percent to 5,060,000 kilowatts in 1975.

We placed our second nuclear generating facility in commercial operation in November. It is the first unit of the Brunswick plant to go into operation. The second unit is scheduled for commercial service in 1977. The units are expected to have capacities of 821,000 kilowatts each.

". . . we produced 22 percent of our energy from nuclear plants. . . ."

During the year we produced 22 percent of our energy requirements in nuclear plants, 74 percent in coal-burning plants, 4 percent in hydro plants, and less than 1 percent by burning oil and natural gas. We are fortunate to have most of our generation from the more plentiful fuels — coal and uranium. In 1976 we expect that 30 percent of total generation will be from nuclear plants.

If it had been necessary for CP&L to produce the same amount of energy it obtained from nuclear plants during 1975 by burning coal or oil at the average cost for our system, the Company's fuel bill would have been increased $52 million.

". . . 1975 was a good year for our customers . . . ."

In spite of the fact that electric bills have risen sharply, 1975 was a good year for our customers, too. In 1960 the average CP&L electric bill for 5,067 kilowatt-hours annually required a little less than 2 percent of the average buying income of Carolina families. Income figures for 1975 are not available. But in 1975 the average CP&L electric bill for 11,094 kilowatt-hours required less than 3 percent of the 1974 average buying income. Thus, while energy usage more than doubled in the last 15 years, the share of buying income required to pay the bill increased much slower.

Our average revenue per kilowatt-hour for sales to residential customers continues to be one of the lowest for electric companies that operate along the east coast.

In January of 1975 we received decisions in the retail rate cases that were filed in late 1973. Also in January we began billing a higher base rate and fuel charge to wholesale customers. With escalating costs, we found it necessary to file during the summer for another retail rate increase, part of which we began collecting on an interim basis. The details of these rate actions are presented elsewhere in this report.

While our revenues are up and earnings have improved and while tight cost controls are in effect in every area of our operation, the Company's earnings have remained below what the regulatory commissions have found to be just and reasonable because of the escalating costs in every area of the Company's operation.

"We are very dependent upon reasonable and responsive regulation . . . ."

We are very dependent upon reasonable and responsive regulation. The speed with which regulators act is very important. In 1975 the North Carolina General Assembly expanded the State Utilities Commission from five to seven members and authorized it to act in three-member panels. The case we filed in July 1975 was decided in February. That is only seven months from filing to final disposition.

In December the North Carolina Commission called for bids from independent firms to study the operation of CP&L and three other utility companies. This is a step we have publicly advocated. We are confident that such a study will provide additional evidence for our customers that we are doing a good job for them.

". . . for the remainder of this century, the electric industry must depend primarily on coal and uranium for fuel."

Through participation in the Electric Power Research Institute, our Company is involved in the exploration and development of alternative methods of producing electricity. However, it is very clear that for the remainder of this century the electric industry must depend primarily on coal and uranium for fuel. Other technologies simply will not be commercially available within this period.

A small but vocal minority continues to question the safety of nuclear plants. The safety record of this industry is without parallel. Extensive studies indicate that the risk involved with nuclear plants is minimal and controllable so as to make them quite acceptable, and particularly so when one considers the energy choices available to our society.

"This country needs a cohesive national energy policy."

This country needs a cohesive national energy policy. That policy should balance the need to protect the environment with reasonable use of domestic resources to supply energy. As it is now, some 50 committees and agencies of the federal government administer a fragmented energy program. Until this inefficient system is streamlined, there is little chance for developing a comprehensive program to resolve the national energy dilemma. There is need for much broader public understanding of energy issues.

The year just ended was not an easy one for our Company. We hope we have turned the corner and that the days ahead will be better. I am proud of the 4,700 men and women with whom I work at CP&L. They have shown commendable flexibility and resourcefulness in adapting to changing circumstances and in finding solutions to the varied problems that face us.

We also appreciate your continued support and confidence and pledge our best efforts in the challenging days ahead.

Respectfully submitted by order of our Board of Directors.

Sincerely yours,

Shearon Harris

Chairman/President

March 17, 1976

Net Income, Earnings and Dividends

Net income for 1975 was $101,622,000 as compared with $72,271,000 for 1974. Earnings per share based on the larger number of shares outstanding were $2.70 as compared with $2.21 in 1974. Dividends totaling $1.60 per share were paid on common stock during the year.

Operating Revenues

Operating revenues from sales of electricity within the service area during 1975 increased $151.2 million over 1974. Rate increases placed into effect since 1970 to recover increased costs resulted in increased revenues of $324,819,000 in 1975, $180,760,000 in 1974 and $68,091,000 in 1973.

Sales of electric energy, excluding nonterritorial sales, increased about two percent in 1975, essentially the same percentage of growth as in 1974. The small increase during the past two years reflected the effects of energy conservation, relatively mild weather and reduced economic activity. Sales of energy to industrial customers showed a 5 percent net decrease in 1975 from the year earlier. In the fourth quarter, however, industrial sales reflected a 7 percent increase over the fourth quarter of 1974.

Operating Expenses

Operating expenses increased 29 percent or $111.8 million in 1975 as compared with a 43 percent or $116 million increase in 1974.

Cost of fuel for electric generation decreased 1 percent in 1975 after increasing 122 percent in 1974. Total kilowatt-hours generated in fuel-burning plants increased 2 percent in 1975 after decreasing 1 percent in 1974. Average costs of fossil fuels increased only 1 percent in 1975 after increasing by 135 percent in 1974. Nuclear-fueled generation increased by 16 percent in 1975, reflecting the operation of unit two of the Brunswick nuclear plant which was declared in commercial operation in November 1975.

Deferred fuel cost accounting (begun in 1974 with the implementation of fossil fuel adjustment clauses) resulted in a net charge against income of $20.7 million in 1975 as compared with a net credit to income in 1974 of $35 million. Deferred fuel costs to be billed in future months reached $35 million at the end of 1974 and dropped to $14.4 million at the end of 1975 principally as a result of a significant drop in the unit cost of fossil fuel burned. Also, for North Carolina retail operations, the Company started billing for higher fuel costs on a current basis effective September 1, 1975; and the accumulated deferred and unbilled fuel costs which totaled $12.4 million at that time ($7,942,000 at December 31, 1975) are being collected over approximately 12 months.

Purchased power costs decreased 10 percent in 1975 as compared with an 85 percent increase in 1974. The 1975 decrease reflects a 19 percent reduction in kilowatt-hours purchased because the Company's own plants generated a greater proportion of energy requirements.

Maintenance expense (excluding employee wages) increased $3.4 million in 1975 as compared with a decrease of $2 million in 1974. During the last quarter of 1975, the Company resumed normal maintenance schedules which were interrupted in 1974 when discretionary maintenance was deferred because of reduced revenues.

Other operation and maintenance expenses increased in 1975, reflecting the impact of inflation on the costs of goods and services. In 1975 the Company placed in service the initial unit at the Brunswick nuclear power plant which, while having a significantly lower fuel cost than coal-fired plants, has a higher requirement for other operating expenses.

Depreciation expense increased $11.1 million in 1975 as compared with $3.7 million in 1974. During 1975 the Company began depreciating the first unit of its Brunswick nuclear plant, and effective October 1, 1975 adopted revised depreciation rates. The revised rates generally reflect shorter remaining service lives for electric plant in service, which increased depreciation expense by $2,538,000.

Taxes other than income taxes reflect increased state and local taxes on revenues and plant in service. The increase in 1975 over 1974 was not as much as normal because in 1974 the Company refined its accounting for North Carolina gross receipts taxes. This resulted in a nonrecurring increase of $3,991,000 in expenses in 1974.

Income tax expense increased to $45.2 million in 1975 from $16.9 million in 1974. In 1975 the increase resulted primarily from increased operating income before income taxes.

Tax expense for 1975 represented 15 cents of each revenue dollar with 8 cents for state and local governments and 7 cents for federal taxes. This compares with 13 cents, 9 cents and 4 cents, respectively, for 1974.

Other Income

Other income increased $9.3 million in 1975 as compared with a $22.5 million increase in 1974. The

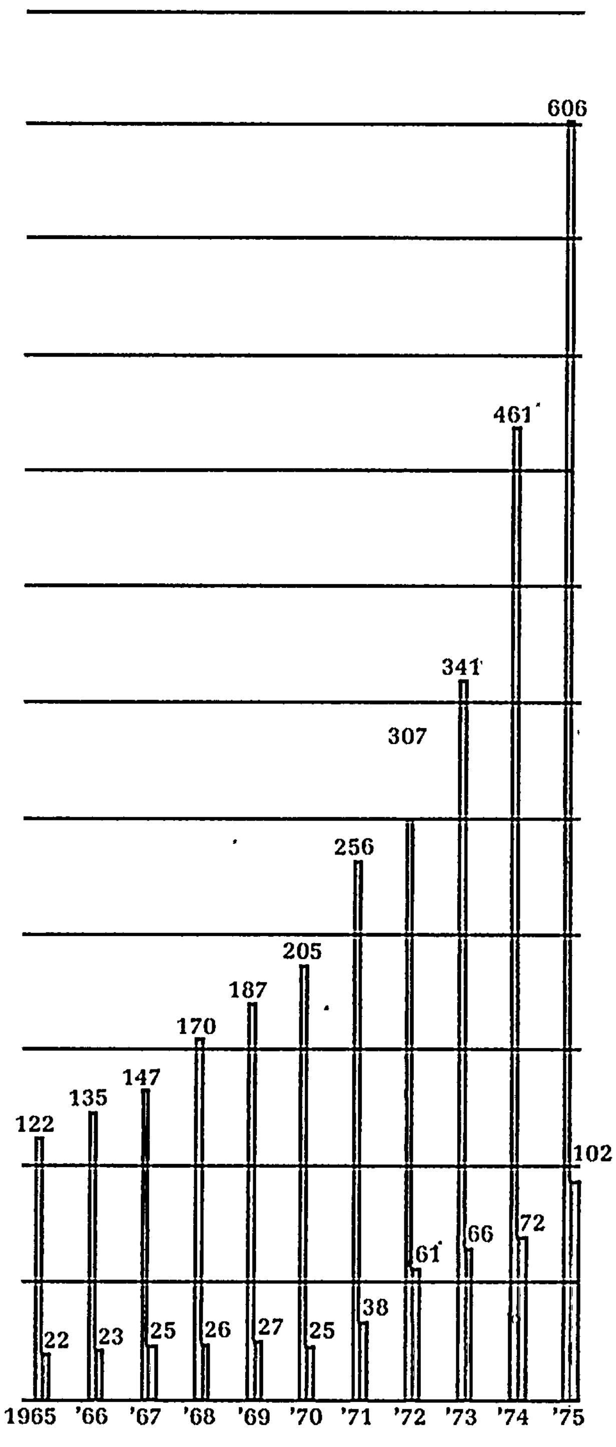
Analysis of Results of Operations

	1975 (000's omitted)	Percent Change from 1974	1974 (000's omitted)	Percent Change from 1973
Operating revenues:				
Total from electricity sales in service area	$593,161	34%	$441,913	37%
Nonterritorial electricity sales	7,485	(45)	13,499	(1)
Miscellaneous electric revenues	5,683	2	5,565	22
Total operating revenues	606,329	32	460,977	35
Operating expenses:				
Fuel	232,722	(1)	235,842	122
Deferred fossil fuel expense (credit), net	20,650	159	(35,028)	—
Purchased power	13,115	(10)	14,494	85
Wages and employee benefits	43,667	15	38,031	17
Maintenance (except employee wages)	23,604	17	20,180	(9)
Other operation expenses	23,451	39	16,929	(1)
Depreciation	46,648	31	35,544	12
Taxes other than income taxes	46,436	14	40,684	42
Income tax expense	45,170	167	16,947	(20)
Total operating expenses	495,463	29	383,623	43
Operating income	110,866	43	77,354	5
Other income:				
Allowance for funds used during construction	59,957	10	54,609	43
Income taxes—credit	19,734	23	16,068	53
Other, net	1,020	31	776	97
Total other income	80,711	13	71,453	46
Gross income	191,577	29	148,807	21
Interest charges	89,955	18	76,536	35
Net income	101,622	41	72,271	10
Preferred and preference stock dividend requirements	25,752	25	20,672	59
Earnings for common stock	$ 75,870	47	$ 51,599	(3)
Average common shares outstanding	28,109	21	23,324	13
Earnings per common share	$ 2.70	22	$ 2.21	(14)
Common dividends paid per share	$ 1.60	—	$ 1.60	4

See Statistical Review for additional data for the years 1965 and 1970 through 1975.

Electric Operating Revenues □
and
Net Income □

(Millions of Dollars)



allowance for funds used during construction increased $5.3 million in 1975 as compared with a $16.5 million increase in 1974. These increases reflect larger amounts of construction work in progress during the respective periods.

Income tax credits increased $3.7 million in 1975 as compared with a $5.6 million increase in 1974, reflecting primarily the increases in tax-deductible interest charges applicable to the greater amount of funds invested in facilities under construction.

Financing and Construction

Construction expenditures during 1975 totaled $301 million. Of this, $244 million was for generating facilities, $23 million for transmission and $34 million for distribution and general facilities. In addition, nuclear fuel expenditures for 1975 totaled $17.5 million.

During 1975 the Company completed the following financings: January 1975, four million shares of common stock for net proceeds of $56 million and $22.35 million principal amount of First Mortgage Bonds, 11⅛% Series, due 1994; in March, two million shares of $2.675 Series A Preference Stock for net proceeds of $47.9 million; in May, $100 million principal amount of First Mortgage Bonds, 11% Series, due April 15, 1984; and in November, five million shares of common stock for net proceeds of $86.075 million.

Proceeds from 1975 financings were used to retire $131.6 million of short-term notes outstanding at the beginning of the year.

In addition to financings, funds were provided from the recovery of capital through depreciation and amortization totaling $57 million; from earnings retained and invested in the business of $30 million; and from deferred income taxes and investment tax credits totaling $39 million.

The Company's construction program for 1976 through 1978 is estimated to require $826 million with $270 million of this amount budgeted for 1976.

Tax Status of Common, Preferred and Preference Dividends

Under existing Internal Revenue Service regulations, two percent of dividends paid to common shareholders during 1975 constituted a return of capital for federal income tax purposes and is not taxable as dividend income. All dividends paid in 1975 to holders of preferred and preference stock are taxable as dividend income.

Capitalization

The Company's capitalization at December 31, 1975 was $2,213,558,580, consisting of 49.9 percent first mortgage bonds, 32.6 percent common equity, 15.2 percent preferred and preference stock and 2.3 percent a six-year promissory note.

Price Ranges and Dividends Paid Per Share Common and Preferred Stock

	Common Stock		
	N.Y. Stock Exchange Reported Prices		
1974	High	Low	Dividends Paid
First Quarter	$23¼	$20	$.40
Second Quarter	19¾	13⅞	.40
Third Quarter	14¼	11⅛	.40
Fourth Quarter	14¾	10½	.40
1975			
First Quarter	17	11	.40
Second Quarter	18⅝	13⅞	.40
Third Quarter	18⅜	15¾	.40
Fourth Quarter	20¼	16⅛	.40

	$5 Preferred Stock		
	American Stock Exchange Reported Prices		
1974	High	Low	Dividends Paid
First Quarter	$66½	$60	$1.25
Second Quarter	61¼	55	1.25
Third Quarter	56¼	50	1.25
Fourth Quarter	52½	46	1.25
1975			
First Quarter	55½	49	1.25
Second Quarter	53½	48	1.25
Third Quarter	55½	49¾	1.25
Fourth Quarter	59	50	1.25

Note: Other voting stocks are not actively traded. Regular quarterly dividends have been paid on all preferred and preference stocks.

Rates

Rate increases placed into effect during 1974 and 1975 produced additional revenues of $252,996,000 for the Company during 1975.

North Carolina

A permanent retail rate increase of approximately 21.5 percent was approved by the North Carolina Utilities Commission in January 1975 with a minor modification of the residential rate schedule. The Company had filed for this increase in October 1973, and most of it had been placed in effect by the Company in October 1974. In August 1975, the commission approved a revised fuel charge requested by the Company and allowed the Company to collect the unamortized fuel expense account over a 12-month period at the rate of .089 cents per kilowatt-hour. Intervenors in these proceedings have appealed to the Court of Appeals.

South Carolina

A permanent retail rate increase of 18.3 percent (rather than the 21 percent requested in October 1973) was granted by the South Carolina Public Service Commission in January 1975. In the same month, the South Carolina Commission also approved a fossil fuel adjustment clause similar to the one approved in North Carolina, which continues to be in effect in South Carolina.

Wholesale

An increase in wholesale rates and a fossil fuel adjustment clause for municipalities, private utilities, and rural electric cooperatives were placed in effect by the Company in January 1975. Application for these increases was made to the Federal Power Commission in July 1974. Hearings on the case began in April 1975, but a final decision is pending. During 1975, these increases produced additional revenues of $50,732,000 ($19,978,000 from base rates and $30,754,000 from the fossil fuel adjustment charge), which are subject to refund.

Increasing costs in almost every area of the Company's operations required that the Company file for additional rate relief in 1975.

North Carolina

In July 1975, an application to increase retail rates in North Carolina by approximately 22 percent was filed by the company, and a 12 percent interim increase was granted by the North Carolina Utilities Commission in August. Hearings on the general rate increase began in December 1975 and were concluded in January. In February, the commission rendered its decision allowing an increase of 22 percent or $82 million annually which was the full amount requested.

In its order, the commission redesigned all residential rates and included a basic facilities charge regardless of the kilowatt-hours used. In addition, it instituted a higher summer than winter rate for all-electric customers for June through September usage.

The commission also modified the approved fuel charge to reflect nuclear fuel costs and purchase and interchange power, and rolled more of the current fuel costs into the basic rates.

South Carolina

The Company also made application in July 1975 for a rate increase of 7.5 percent to South Carolina residential customers. This increase was to equalize the residential rates in North Carolina and South Carolina. In August 1975, the Company filed to increase retail rates in South Carolina by about 23 percent. An interim increase of 12 percent was placed in effect in September. The South Carolina Public Service Commission has not yet set a hearing date, but effective March 1, 1976, the full increase was placed into effect subject to refund pending final hearings.

Wholesale

In December 1975, the Federal Power Commission directed CP&L to modify the basis of its fuel charge to wholesale customers effective January 1, 1976. The charge must now be based on costs for fossil and nuclear fuel and purchased and interchange power.

On January 30, 1976, the Company filed with the Federal Power Commission to increase wholesale rates by approximately 34.5 percent. The increase, based on anticipated 1976 sales, would produce additional annual revenue of $33.7 million for the Company. In addition, the Company is seeking a temporary fuel charge of .088 cents per kilowatt-hour (to be applied over a period of up to 12 months) as a means of recovering $4.6 million in deferred fuel expenses.

On February 27, 1976 the FPC accepted the Company's wholesale rate filing and suspended the effective date until May 1, 1976. However, the FPC order required the Company to submit revised tariffs reflecting the elimination of tax normalization.

Peak Pricing Hearings

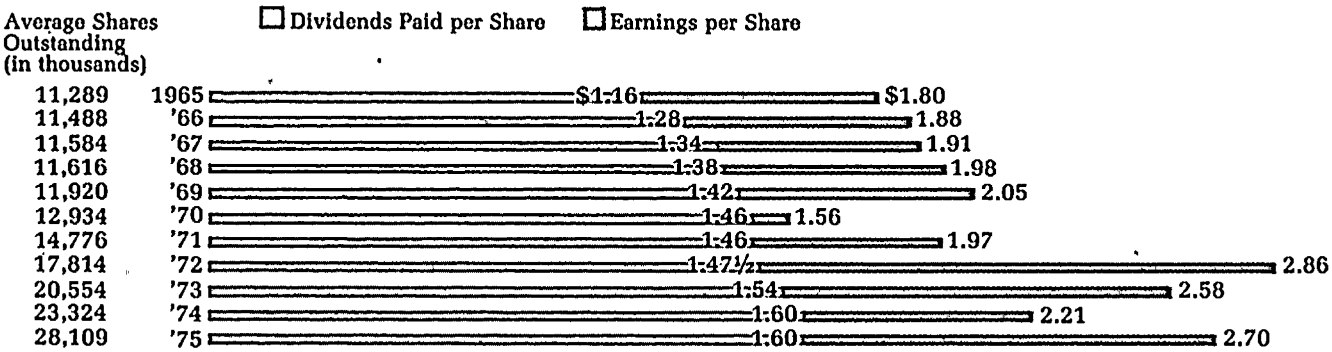
As a result of the growing interest in new methods of rate design and a statutory requirement, a hearing on peak load pricing, time-of-day metering, conservation, and load management began on December 16, 1975 before the North Carolina Utilities Commission. The Company filed affidavits setting forth its position and recommended that studies be made to determine whether the benefits of new rate designs would outweigh the costs. In their testimony, CP&L representatives described the Company's efforts in load management and its participation in national rate design studies being conducted by the Electric Power Research Institute and the Edison Electric Institute.

Construction

New Facilities

On November 3, Unit No. 2 of the Brunswick plant was placed into commercial operation at 790,000 kilowatts. During pre-operational testing, this unit produced the first nuclear-generated electricity in North Carolina on April 29. When the second unit is

Common Stock



Construction Expenditures (Millions of Dollars)

completed in 1977, the plant will represent an investment of approximately $793 million, including the expense for cooling towers and other modifications to the cooling system which are required under present operating and discharge permits.

Construction Plan Revision

Revised energy forecasts, coupled with the unavailability of capital on reasonable terms, caused the Company to make major revisions in construction plans. The revisions involved all future generating units and were designed to reduce capital outlays during the 1976-1979 time period.

The current plan supports a growth rate of 6.5 percent annually—less than the 7.4 percent compounded ten-year growth rate which latest studies indicate will occur. Growth of more than 6.5 percent annually may result in negative reserves in the early 1980s. However, if earnings are sufficient to attract more capital, the Company could accelerate the construction of one or more coal-fired plants.

Proposed Construction

Unit		Type	In-Service Date
Brunswick #1	(821MW)	Nuclear	4/77
Roxboro #4	(720MW)	Fossil	3/80
Mayo #1	(720MW)	Fossil	3/83
Harris #1	(900MW)	Nuclear	3/84
Mayo #2	(720MW)	Fossil	3/85
Harris #2	(900MW)	Nuclear	3/86
Undesignated	(1150MW)	Nuclear	3/87
Harris #4	(900MW)	Nuclear	3/88
Undesignated	(1150MW)	Nuclear	3/89
Harris #3	(900MW)	Nuclear	3/90

Transmission Lines Authorized

Authorized transmission line construction for 1976 and following years includes 286 miles of 500,000-volt line, 650 miles of 230,000-volt line, and 151 miles of 115,000-volt line.

Environmental Matters

CP&L spent nearly $15.3 million during 1975 for construction of environmental protection facilities. Of this, $8 million went for air quality control equipment and $7.3 million for water quality control devices. Projects completed during 1975 included electrostatic precipitators at the Cape Fear, Lee, Sutton, and Weatherspoon plants; modifications to the circulating water system at the Weatherspoon plant; and installation of mechanical cooling towers at the Cape Fear plant.

Expenditures for environmental protection equipment at new and existing plants are expected to be $34 million in 1976. A cooling tower at Roxboro #3 is scheduled for completion in 1976. Construction is underway at the Brunswick plant on two natural draft, salt water cooling towers which are scheduled to be operational by May 1978.

However, the Company has challenged that portion of the Environmental Protection Agency (EPA) plant discharge permit which requires construction of the towers for the Brunswick plant and has asked for a re-evaluation of that requirement so that further studies of the present cooling system's impact on marine life in the Cape Fear estuary may be completed and evaluated. Because construction of towers may not be necessary, the Company feels that the re-evaluation is clearly in the public interest. A prehearing conference before an EPA administrative judge was held in January 1976; the full hearing is scheduled to begin in Raleigh on June 1.

Amendments to the Clean Air Act of 1970 were among the important issues proposed in Congress during 1975. Originally intended to provide more time and flexibility for meeting the strict provisions of the 1970 law, the amendments now being considered by Congress would, instead, increase its restrictiveness. If adopted, the amendments would close a major portion of the nation's land to industrial development, nearly double the cost of pollution control equipment for electric plants, greatly increase the electric industry's capital requirements, and bring about further large increases in the cost of electricity for customers.

Operations

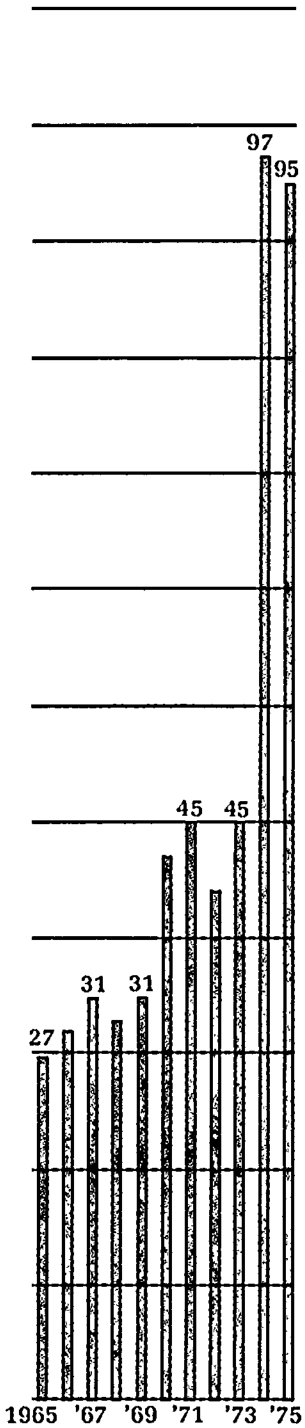
Total system energy requirements for 1975 were 25.8 billion kilowatt-hours. Of this total, about 0.1 billion kilowatt-hours were sold to utilities outside the service area. System load factor was 58.1 percent as compared to 60.2 percent in 1974. System capability, including long-term contract purchases from other utilities, was 7,071,500 kilowatts.

Total generating capacity is 6,843,500 kilowatts. Of this, 56.7 percent is from seven steam electric plants burning fossil fuels, 21.8 percent from the Robinson and Brunswick nuclear units, 18.4 percent from 33 internal combustion turbine generators, and the remaining 3.1 percent from four hydroelectric plants.

Sources for the total energy produced were: 72.5 percent coal, 22.4 percent nuclear, 3.8 percent hydroelectric, .1 percent residual oil, .4 percent No. 2 oil, and .8 percent natural gas. The Sutton plant was converted from residual oil to coal in January 1975. The

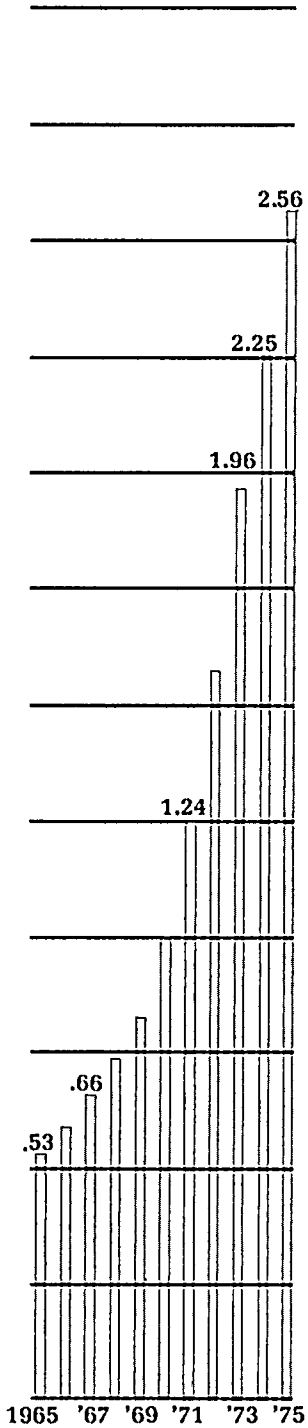
Fuel Expense

All fuels as burned
(Cents per Million Btu)



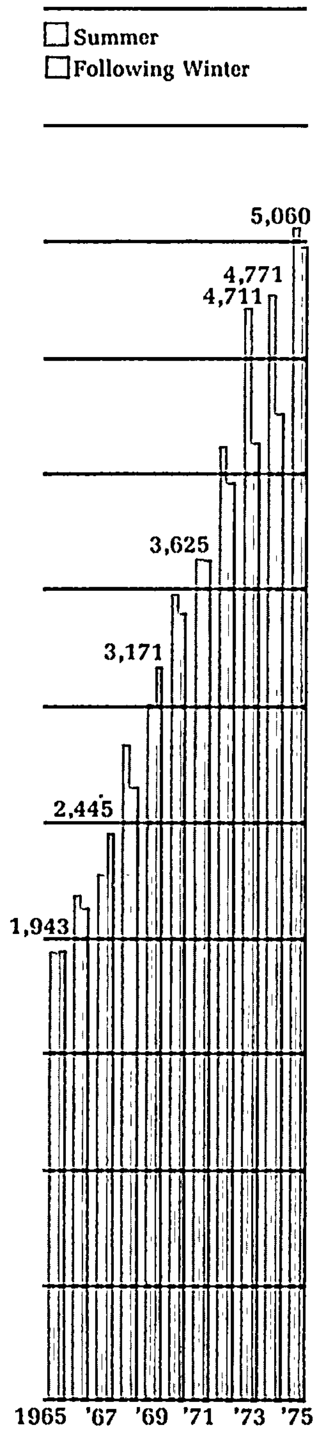
Total Utility Plant

(Billions of Dollars)



Service Area Peak Load

(Thousands of Kilowatts)



Company does not plan to use residual oil or gas as future fuel sources.

Of the 7.5 million tons of coal burned during the year, 61.1 percent was received under long-term contracts. The Company expects to receive approximately 81 percent of its 1976 coal requirements from contractual agreements.

Peak Loads

A new peak load for the system was reached on August 25 when customer demand was 5,060,000 kilowatts, 6.1 percent higher than the 1974 summer peak. A winter peak load of 4,968,000 kilowatts was reached on January 19, 1976. A new record for energy used in one day was set on January 19 when customers required 102,578,000 kilowatt-hours. The previous one-day record of 97,158,000 kilowatt-hours was on August 26, 1975.

Reliability Groups

CP&L continues its participation as one of the 30 companies in the Southeastern Electric Reliability Council (SERC). Membership includes all power suppliers with generating capacities of at least 25,000 kilowatts. The Company is also one of seven electric utilities in the Virginia-Carolinas Reliability Group (VACAR). Improving system reliability for member companies is the principal purpose of both groups.

Long-term Coal Contract

The Company is currently negotiating with Pickands Mather & Company to develop a second deep coal mine in Pike County, Kentucky. In 1974, an agreement was made to develop the first mine from which initial deliveries of coal are expected in 1976. CP&L expects to receive a total of 1.6 million tons per year for 25 years from the two mines. This is low sulfur coal which the Company expects will enable it to meet air quality requirements without adding scrubbers to a new plant.

Ownership

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

	Shareholders		Shares	
	Number	Percent	Number	Percent
The Carolinas	39,510	43.12	8,607,230	22.90
Elsewhere	52,118	56.88	28,972,820	77.10
Totals	91,628	100.00	37,580,050	100.00

The total number of shares and shareholders increased considerably during the year as a result of the issuance and sale of nine million shares of common stock and two million shares of preference stock.

At the end of the year, there were 69,199 holders of common stock, 15,418 holders of preferred stock, and 7,011 holders of preference stock, or a total of 91,628 shareholders compared with 67,688 at the end of 1974. The percentage of those living in the Carolinas was 43.12 percent at the end of 1975.

In addition to shareholders indicated by these statistics, several thousand shareholders own shares which are held by banks, stockbrokers, investment trusts, or nominees.

At the 1975 annual meeting, more than 82 percent of the total shares outstanding were represented in person or by proxy.

The largest beneficial shareholder of record at the end of 1975 had less than 2 percent of the shares outstanding.

Dividend Reinvestment Service

Interest in the dividend reinvestment plan continued to increase during 1975. About 4,100 shareholders are participating in the Dividend Reinvestment Plan initiated by the Company in 1973. Under the plan, Company common, preferred, or preference dividends may be automatically reinvested in additional shares of common stock.

The program is administered by North Carolina National Bank and any questions regarding participation should be directed to NCNB, Dividend Reinvestment Service, Post Office Box 120, Charlotte, North Carolina 28201.

Customers

Although total energy sales increased in 1975 by only 1.9 percent, energy consumption by all classes except industrial was up significantly. Sales within the service area were 24.1 billion kilowatt-hours compared to 23.6 billion in 1974. Kilowatt-hour sales to residential customers increased 4.0 percent; sales to commercial customers increased 6.2 percent; sales for resale increased 7.6 percent; and sales to industrial customers decreased 5.3 percent.

The number of retail customers increased 1.9 percent to 660,474. Electric service for resale was supplied to 18 electric membership corporations, 24 municipalities, and 2 privately owned utilities. These resale customers used 5.4 billion kilowatt-hours in 1975, 22 percent of total Company sales.

Of the total residential units served by CP&L at year's end, 22.4 percent were all-electric. Similarly, 23.4 percent of the commercial and 11.2 percent of the industrial customers had total electric facilities.

Residential

Residential customers totaled 560,954, or 84.9 percent of the Company's total customers, and accounted for 31.8 percent of 1975 operating revenues. Average annual consumption per customer was 11,094 kilowatt-hours, up from 10,861 in 1974. The average annual residential bill of $347.54 was less than 3 percent of the average family buying income for the Carolinas as reported by *Sales Management Magazine's* Survey of Buying Power.

Commercial

The Company's 94,556 commercial customers represented 14.3 percent of the total retail customers and produced 18.4 percent of the operating revenues.

In 1975, average annual usage by commercial customers was 40,049 kilowatt-hours, an increase of 2,088 kilowatt-hours over 1974.

Industrial

For the year, CP&L's 3,318 industrial customers used 7.8 billion kilowatt-hours, representing a decrease from 1974 of 5.3 percent. Industrial sales represented 27.7 percent of the total Company operating revenues.

Expenditures announced for new and expanded industries in the service area totaled $269.1 million, substantially below the previous one-year high of $658.9 million established in 1974.

It is estimated that 8,444 new job opportunities, with an annual payroll of $51 million, will be provided by this increased industrial activity.

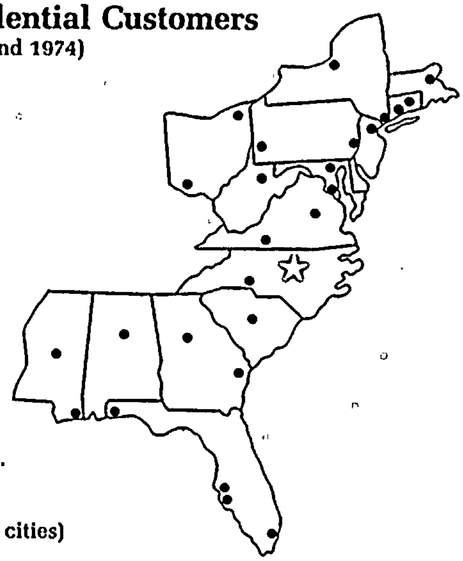
Customer Relations

In June, the Company launched "Project Communicate," an intensive program of customer contact to help explain rising electric costs, counsel customers on efficient use of electricity, and answer other questions about the Company and its operations. The object of the program, designed as an on-going effort to supplement the Company's regular customer communications activities, is greater public understanding. Over 30,000 customer-households were contacted during the latter half of the year.

Average Price of Electricity Paid by Residential Customers

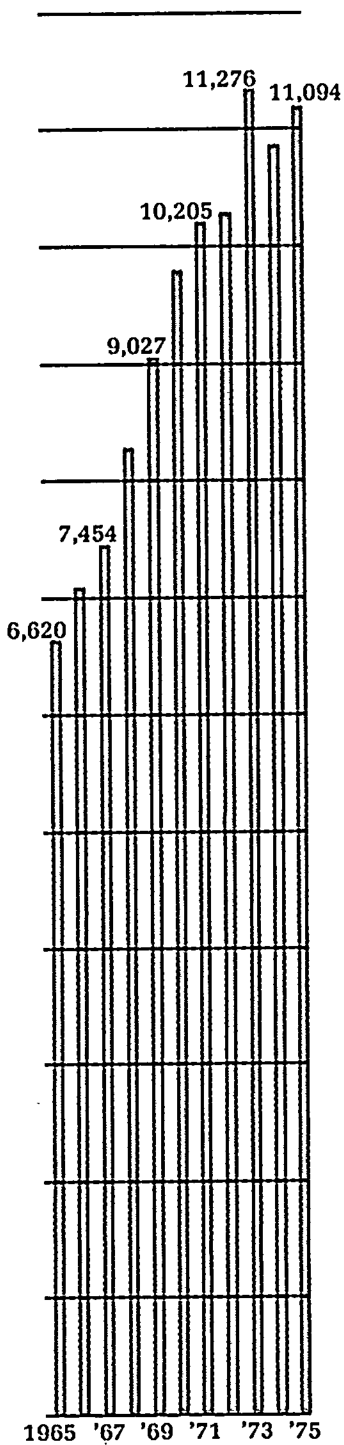
(Twelve Months Ending December 31, 1975 and 1974)

Cents Per Kilowatt-Hour 1975	Cents Per Kilowatt-Hour 1974	Place	Cents Per Kilowatt-Hour 1975	Cents Per Kilowatt-Hour 1974	Place
8.27	7.70	New York, N. Y.	3.53	2.89	Miami, Fla.
5.44	5.50	Newark, N. J.	3.37	2.63	Fairmont, W. Va.
5.36	5.06	Boston, Mass.	3.36	2.89	Syracuse, N. Y.
5.01	4.80	Philadelphia, Pa.	3.25	2.48	Atlanta, Ga.
4.71	4.02	Hartford, Conn.	3.18	2.86	Cincinnati, Ohio
4.56	4.18	New Haven, Conn.			
4.55	3.78	Pittsburgh, Pa.	3.13	2.64	CP&L
4.25	3.93	Baltimore, Md.			
4.09	3.42	St. Petersburg, Fla.			
3.89	3.67	Washington, D. C.	3.04	2.98	Jackson, Miss.
3.89	3.07	Richmond, Va.	3.00	2.61	Charlotte, N. C.
3.88	3.67	Cleveland, Ohio	3.00	2.37	Pensacola, Fla.
3.69	3.06	Columbia, S. C.	2.97	2.55	Roanoke, Va.
3.61	3.35	Savannah, Ga.	2.97	2.44	Birmingham, Ala.
3.59	2.74	Tampa, Fla.	2.89	2.53	Gulfport, Miss.



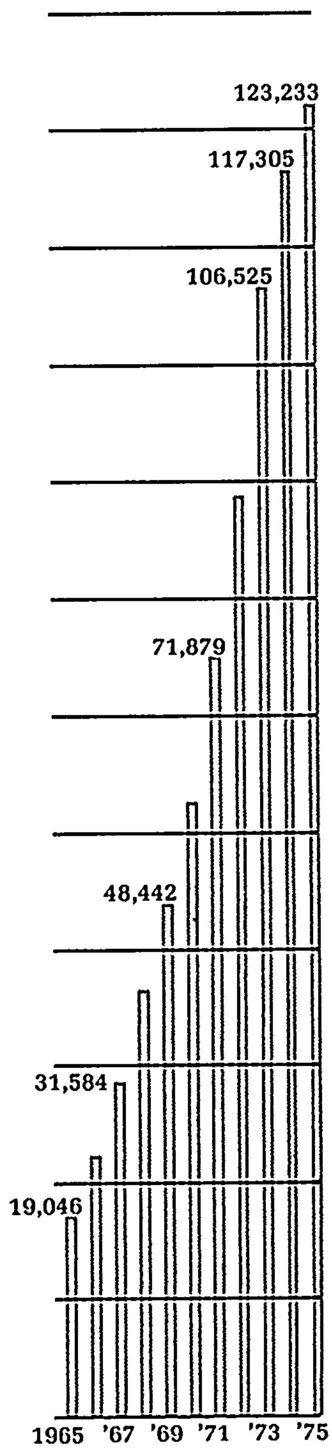
(Prices shown are averages for the systems of companies which serve these cities)

Average Annual Kilowatt-Hour Sales to Residential Customers



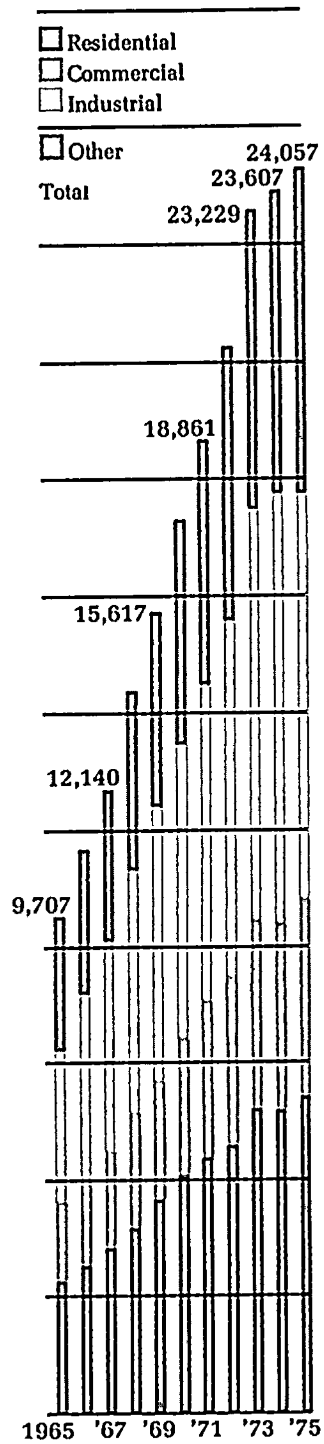
Total-Electric Residential Units

(Cumulative Total)

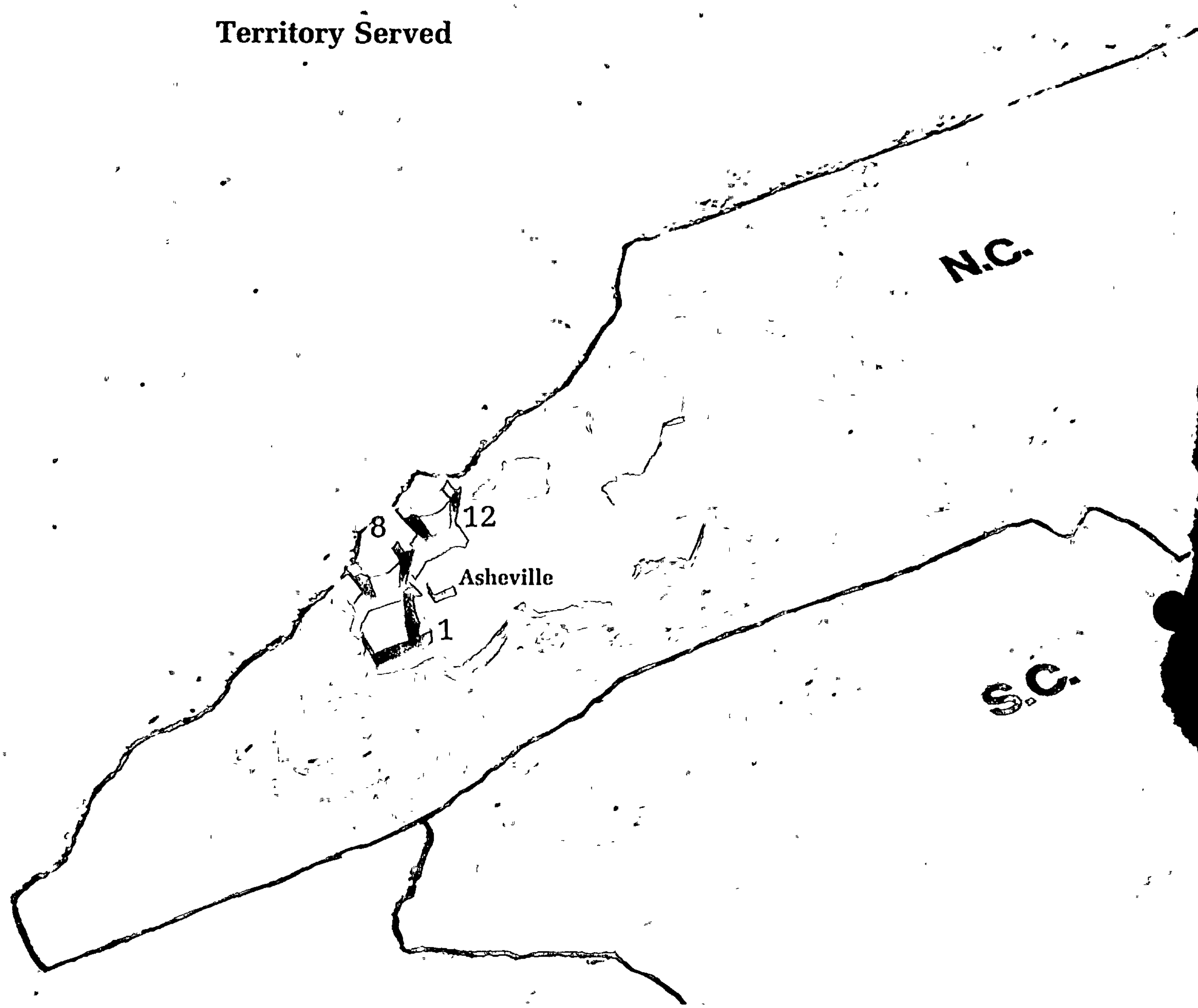


Energy Sales By Classes

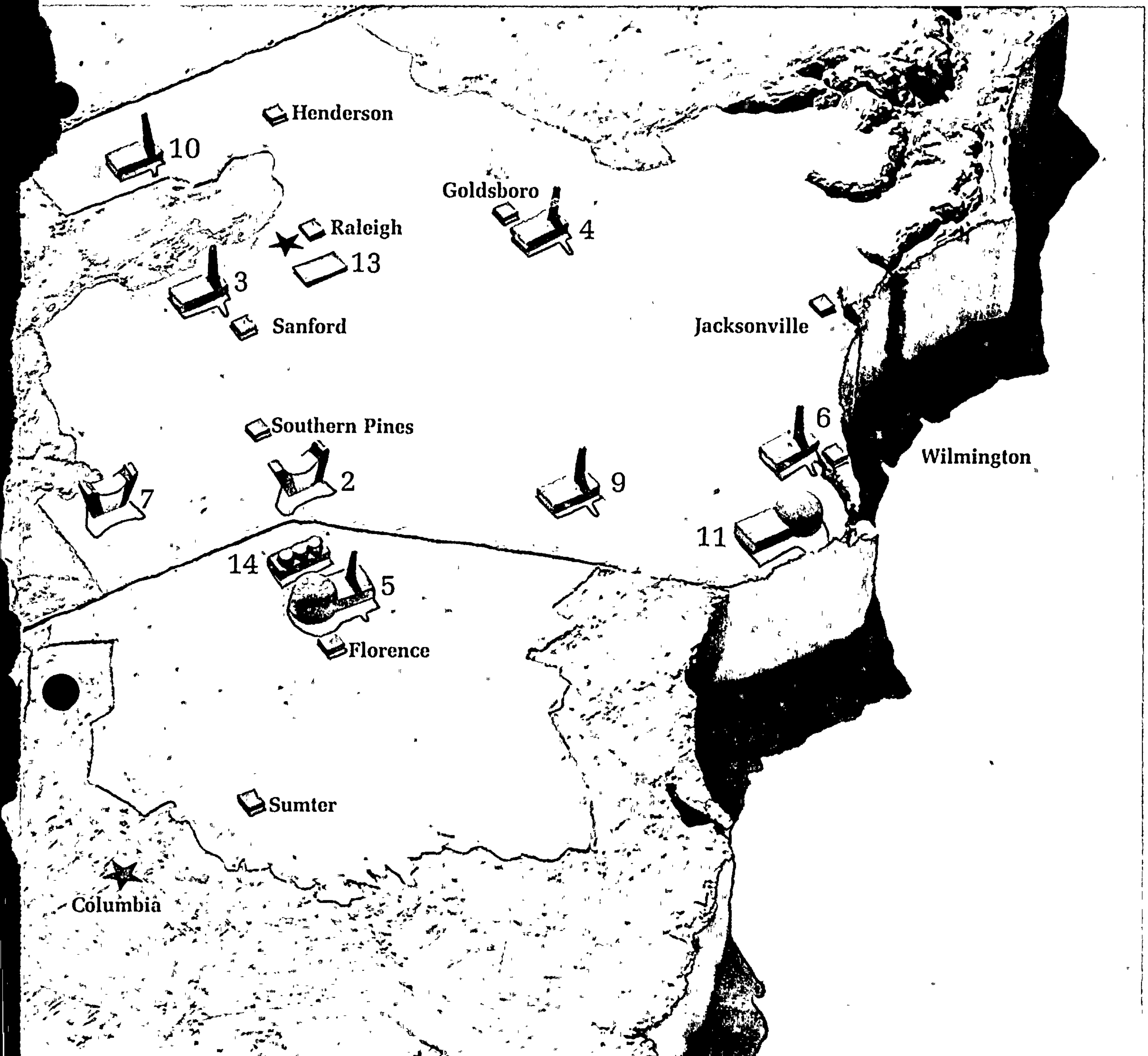
within service area
(Millions of Kilowatt-Hours)



Territory Served



At the end of 1975, CP&L was providing electric service to more than 660,500 customers in an area of 30,000 square miles—almost half of North Carolina and about one-fourth of South Carolina. Total population of the territory is estimated to be about 2.8 million. This territory is comparable in size to the combined areas of Connecticut, Massachusetts, Rhode Island, New Jersey and New Hampshire. It includes part of the Mountain and Piedmont regions, but is largely in the Coastal Plains section. Service to customers is provided by more than 4,700 employees through 5 division, 10 district and 40 area offices.



Legend

1. Asheville Electric Plant
2. Blewett Hydroelectric Plant
3. Cape Fear Electric Plant
4. Lee Electric Plant
5. Robinson Electric Plant
6. Sutton Electric Plant
7. Tillery Hydroelectric Plant
8. Walters Hydroelectric Plant
9. Weatherspoon Electric Plant
10. Roxboro Electric Plant
11. Brunswick Nuclear Plant
12. Marshall Hydroelectric Plant
13. Harris Nuclear Site
14. Darlington Plant

.CP&L District Offices

People

Directors Named

In March, the board of directors elected Charles W. Coker, Jr. and Mrs. Margaret Harper to the board.

Mr. Coker, president of Sonoco Products Company, Hartsville, S.C., is a graduate of Princeton University and Harvard Business School. He is a director of NCNB Corporation, First Federal Savings & Loan of Hartsville, the National Association of Manufacturers, and serves on the executive committee of the board of the American Paper Institute.

Mrs. Harper, owner of the Stevens Agency, insurance, Southport, N.C., is a graduate of Greensboro College. She is secretary-treasurer of the North Carolina Press Association, a trustee of the University of North Carolina at Chapel Hill, North Carolina Blue Cross and Blue Shield, and a member of the board of governors of the Research Triangle Institute. She is a past president of the North Carolina Federation of Women's Clubs and of the North Carolina Council of Women's Organizations.

Mr. Coker

Mrs. Harper

Management Changes

Darrell V. Menscer, vice president, was named to head a new department of corporate performance analysis. A graduate in electrical engineering from North Carolina State University, Menscer joined the Company in 1960. He served in various engineering positions until he was named budget director in 1968. He was promoted to manager of the special services department of the engineering, construction, and operating group in 1971 and elected a vice president in 1973.

Patrick W. Howe was named manager of the special services department succeeding Menscer. A graduate in chemistry from The Citadel, Howe has more than 20 years' experience in the nuclear energy field. Prior to joining CP&L in 1971, he was chief of the site, environmental, and radiological safety group in the AEC's division of reactor licensing.

Paul S. Bradshaw was named an assistant treasurer of the Company. A graduate of Southeastern University, Washington, D.C., Bradshaw joined CP&L in 1962. He was manager of budget and statistics at the time of his promotion.

Employee Relations

The Company ended 1975 with 4,749 employees, substantially the same number as at the end of 1974.

During the year, more than 1,500 employees from all levels of the organization participated in 14 different courses and seminars designed to upgrade job performance.

For the third consecutive year, CP&L was the safest utility in the Southeastern Electric Exchange, an association of electric companies located in the Southeast. The Company had a frequency rate of 1.28 lost-time injuries for each million man-hours worked as compared to an average of 4.52 lost-time injuries per million man-hours worked for the 25 members of the exchange. CP&L also placed first, for the second year in a row, in the Southeastern Electric Exchange standing for vehicle safety with a frequency rate of 5.16 accidents per million miles driven.

Statement of Income

For the Years Ended December 31, 1975 and 1974

	1975	1974
Operating Revenues—Electric (Notes 5 and 6)	$606,329,122	$460,977,024
Operating Expenses:		
Fuel for electric generation	232,722,278	235,842,050
Deferred fossil fuel expense (credit) (Notes 1 and 5)	20,650,131	(35,028,046)
Purchased electric power	13,114,681	14,493,620
Other operation expenses	57,035,576	46,549,415
Maintenance	33,685,947	28,591,432
Depreciation	46,648,000	35,544,206
Taxes other than on income	46,436,686	40,683,529
Income tax expense (Note 4)	45,169,792	16,946,789
Total operating expenses	495,463,091	383,622,995
Operating Income	110,866,031	77,354,029
Other Income:		
Allowance for funds used during construction (Note 7)	59,956,830	54,608,879
Income taxes—credit (Note 4)	19,733,336	16,067,820
Other, net	1,020,787	775,762
Total other income	80,710,953	71,452,461
Gross Income	191,576,984	148,806,490
Interest Charges:		
Long-term debt	85,740,402	69,877,700
Other	4,214,861	6,658,234
Total interest charges	89,955,263	76,535,934
Net Income	101,621,721	72,270,556
Preferred and Preference Stock Dividend Requirements	25,751,863	20,672,481
Earnings for Common Stock	$ 75,869,858	$ 51,598,075
Average Common Shares Outstanding	28,109,092	23,324,111
Earnings per Common Share	$2.70	$2.21

Statement of Retained Earnings

For the Years Ended December 31, 1975 and 1974

	1975	1974
Balance at Beginning of Year	$128,762,726	$116,063,040
Net Income	101,621,721	72,270,556
Total	230,384,447	188,333,596
Deduct:		
Cash dividends declared:		
$5 preferred stock	1,186,295	1,186,295
Serial preferred stock:		
$4.20 series	420,000	420,000
$5.44 series	1,360,000	1,360,000
$9.10 series	2,730,009	2,730,008
$7.95 series	2,782,525	2,782,523
$7.72 series	3,860,000	3,860,000
$8.48 series	5,512,000	5,986,655
Preferred stock A, $7.45 series	3,725,000	3,725,000
$2.675 preference stock, series A	5,513,534	
Common stock (at annual rate of $1.60 a share in 1974 and 1975)	46,172,859	37,374,994
Total cash dividends declared	73,262,222	59,425,475
Capital stock expense	445,797	145,395
Total deductions	73,708,019	59,570,870
Balance at End of Year	$156,676,428	$128,762,726

See notes to financial statements.

Balance Sheet

December 31, 1975 and 1974

ASSETS	1975	1974
Electric Utility Plant:		
Electric utility plant other than nuclear fuel:		
In service	$1,837,332,579	$1,364,183,273
Held for future use	8,705,994	7,542,840
Construction work in progress	643,068,549	826,012,064
Total	2,489,107,122	2,197,738,177
Less accumulated depreciation	296,425,899	256,659,461
Net	2,192,681,223	1,941,078,716
Nuclear fuel	70,239,100	55,117,915
Less accumulated amortization	18,507,102	11,466,631
Net	51,731,998	43,651,284
Electric utility plant, net	2,244,413,221	1,984,730,000
Other Property and Investments	2,026,358	3,828,783
Current Assets:		
Cash	9,354,350	9,517,174
Temporary cash investments	13,496,583	
Accounts receivable, net (1974 includes $14,942,360 of refundable income taxes)	31,484,653	45,619,704
Deferred fossil fuel inventory costs (Notes 1 and 5)	14,377,915	35,028,046
Materials and supplies:		
Fuel	60,008,940	84,244,486
Other	18,093,951	13,434,110
Prepayments, etc.	1,472,295	1,787,436
Total current assets	148,288,687	189,630,956
Deferred Debits:		
Unamortized debt expense	1,518,038	1,253,151
Other	5,775,927	5,624,404
Total deferred debits	7,293,965	6,877,555
Total	$2,402,022,231	$2,185,067,294

See notes to financial statements.

Carolina Power & Light Company

LIABILITIES	1975	1974
Capital Stock and Retained Earnings (Note 2):		
Preferred stock	$ 288,118,400	$ 288,118,400
Preference stock	47,900,000	
Common stock	565,609,691	419,701,904
Retained earnings	156,676,428	128,762,726
Total capital stock and retained earnings	1,058,304,519	836,583,030
Long-Term Debt (excluding current maturities):		
Principal amounts (Note 3)	1,157,234,359	1,036,914,310
Less unamortized discount and premium, net	3,980,298	2,819,037
Long-term debt, net	1,153,254,061	1,034,095,273
Current Liabilities:		
Long-term debt due within one year (Note 3)	2,000,000	
Notes payable	78,385	131,657,046
Accounts payable	28,710,977	59,412,183
Customers' deposits	3,753,970	2,818,650
Taxes accrued	9,380,705	11,276,899
Current portion of deferred income taxes (Note 4)	3,285,558	13,577,543
Interest accrued	20,932,577	19,321,270
Dividends declared	25,608,792	19,240,143
Other	2,114,170	1,823,299
Total current liabilities	95,865,134	259,127,033
Deferred Credits:		
Investment tax credits (Note 1)	18,787,931	4,514,126
Customers' advances for construction	202,420	125,873
Other	459,170	115,406
Total deferred credits	19,449,521	4,755,405
Reserve for Injuries and Damages	794,184	724,920
Accumulated Deferred Income Taxes (Note 4)	74,354,812	49,781,633
Commitments and Contingencies (Note 5)		
Total	$2,402,022,231	$2,185,067,294

See notes to financial statements.

Statement of Source and Use of Financial Resources

For the Years Ended December 31, 1975 and 1974

	1975	1974
Source of Financial Resources:		
Current resources provided from operations:		
Net income	$101,621,721	$ 72,270,556
Items not requiring (providing) current resources:		
Depreciation and amortization	57,242,327	45,391,668
Noncurrent deferred income taxes, net	24,573,179	11,187,984
Investment tax credit adjustments, net	14,273,805	(6,241,299)
Allowance for funds used during construction	(59,956,830)	(54,608,879)
Total current resources provided from operations	137,754,202	68,000,030
Other resources provided:		
Additions to plant accounts representing capitalization of the net cost of funds used during construction	59,956,830	54,608,879
Proceeds from assignment to lessor of internal combustion turbine generators		44,455,470
Proceeds from sale and leaseback of nuclear fuel		47,593,386
Miscellaneous, net	7,096,477	3,994,354
Total resources provided from operations and other	204,807,509	218,652,119
Financings:		
Sale of:		
First mortgage bonds	120,742,943	150,978,924
Preferred stock		64,230,667
Preference stock	47,744,042	
Common stock	145,617,948	3,380,868
Increase (decrease) in short-term notes payable less temporary cash investments	(145,075,244)	103,301,247
Total resources provided from financings	169,029,689	321,891,706
TOTAL	$373,837,198	$540,543,825
Use of Financial Resources:		
Gross property additions, excluding nuclear fuel*	$305,552,826	$382,602,011
Nuclear fuel additions*	17,515,265	39,939,431
Dividends for the year	71,924,721	58,047,475
Net increase (decrease) in working capital, excluding temporary cash investments, long-term debt due within one year, and short-term notes payable	(21,155,614)	59,954,908
TOTAL	$373,837,198	$540,543,825
Increase (decrease) in working capital, excluding temporary cash investments, long-term debt due within one year, and short-term notes payable, by components:		
Accounts receivable	$(14,135,051)	$ 19,868,712
Deferred fossil fuel inventory costs	(20,650,131)	35,028,046
Material and supplies (principally fuel)	(19,575,705)	69,334,972
Accounts payable	30,701,206	(40,310,318)
Taxes accrued	1,896,194	(7,693,279)
Current portion of deferred income taxes	10,291,985	(13,577,543)
Interest and dividends payable	(7,979,956)	(6,076,738)
Other, net	(1,704,156)	3,381,056
Net increase (decrease) in working capital, excluding temporary cash investments, long-term debt due within one year, and short-term notes payable	$(21,155,614)	$ 59,954,908

*Includes amounts capitalized as allowance for funds used during construction.

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

System of Accounts. The accounting records of the Company are maintained in accordance with uniform systems of accounts prescribed by the Federal Power Commission and the regulatory commissions of North Carolina and South Carolina.

Electric Utility Plant. Electric utility plant is stated at original cost. The cost of additions, including replacements of units of property and betterments, is charged to utility plant. The Company includes in such additions an allowance for funds used during construction (8% for 1975 and 1974). Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are charged to maintenance expense. The cost of units of property replaced or renewed plus removal costs, less salvage, is charged to accumulated depreciation. Utility plant is subject to the lien of the Company's mortgage.

Allowance for Funds Used During Construction. In accordance with the uniform systems of accounts prescribed by regulatory authorities, an allowance for funds used during construction is included in construction work in progress and credited to income, recognizing that funds used for construction were provided by borrowings, preferred stock, and common equity. This accounting practice results in the inclusion in utility plant in service of amounts considered by regulatory authorities as an appropriate cost for the purpose of establishing rates for utility charges to customers over the service lives of the property.

Depreciation and Amortization. Depreciation of utility plant, other than nuclear fuel, for financial reporting purposes is computed on the straight-line method based on estimated useful lives and charged principally to depreciation expense. Depreciation provisions as a percent of average depreciable property other than nuclear fuel approximated 3.0% in 1975 and 2.8% in 1974. Effective as of October 1, 1975 the Company adopted revised depreciation rates generally reflecting shorter estimated useful lives for utility plant, which increased the provision for depreciation by $2,538,000 in 1975. Amortization of nuclear fuel charged to fuel expense (1975, $9,190,000; 1974, $8,757,000) is computed on the unit-of-production method.

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

Deferred Fossil Fuel Inventory Costs. In 1974, pursuant to state regulatory commission orders, and in January 1975, pursuant to Federal Power Commission order, the Company put into effect automatic fossil fuel adjustment clauses to recover increased fuel costs. The provisions of the clauses result in a time lag between the date increased fuel cost is incurred and the date such cost is billed to customers. To properly match increased fuel costs with the related revenues, the Company defers, except for North Carolina retail operations, increased fuel cost when incurred and expenses it in the month the related revenue is billed. Beginning September 1, 1975 for North Carolina retail operations, the fossil fuel adjustment clause was replaced by an "approved fuel charge" adjustment to basic rates (which results in billing increased fuel costs on a current basis) and the Company was authorized to recover the deferred fossil fuel inventory costs accumulated at August 31, 1975 by a temporary rate surcharge over an approximate twelve-month period, with matching amortization of the deferred costs (see Note 5). Therefore, as a result of deferred fuel cost accounting, operating expenses include a charge of $20,650,131 in 1975 and a credit of $35,028,046 in 1974 and deferred fossil fuel inventory costs on the balance sheet decreased $20,650,131 in 1975 and increased $35,028,046 in 1974, representing the normalization of such costs. Related deferred income taxes have been recorded (see Note 4) and are reflected in income tax expense; and the accumulated deferred tax liability is reflected in Current Portion of Deferred Income Taxes on the balance sheet.

Income Taxes. Deferred income tax provisions are recorded only to the extent such amounts are currently allowed for rate-making purposes. In compliance with regulatory accounting, income taxes are allocated between Operating Income and Other Income, principally with respect to interest charges related to construction work in progress. Deferred income taxes are provided relating to the deduction for income tax purposes of a coal mining subsidiary's development costs and such taxes are charged to Other Income. See Note 4 with respect to certain other income tax information.

Investment Tax Credits. Investment tax credits generated and utilized after 1971 have been deferred and are being amortized over the service lives of the property; substantially all credits prior to 1972 were deferred for amortization over five-year periods. At December 31, 1975 the Company had generated but not utilized investment tax credits totaling $14,600,000.

Preferred Dividends. Preferred stock dividends declared and charged to retained earnings include amounts applicable to the first quarter of the following year, except for the Preferred Stock A, $7.45 Series which dividends are wholly applicable to the year in which declared.

Retirement Plan. The Company has a non-contributory retirement plan for all regular full-time employees and is funding the costs accrued under the plan. Retirement plan costs for 1975 and 1974 were approximately $3,526,000 and $2,421,000, respectively. In 1975, the Company amended the plan by changing, among other things, vesting provisions to conform with the requirements of the Employee Retirement Income Security Act of 1974, the interest assumption from 4½% to 5%, and the amortization of unfunded prior service cost over a period of twenty years from January 1, 1975 instead of from January 1, 1974. The effect of these changes on periodic net income is not material. At January 1, 1975, the date of the latest actuarial valuation, the unfunded prior service cost was approximately $24 million and the actuarially computed value of vested benefits exceeded assets of the plan by approximately $22 million.

Other Policies. At December 31, 1975 the Company had available lines of credit with various banks and maintains account balances in connection with certain of such lines. Other property and investments are stated principally at cost, less accumulated depreciation where applicable, except for the investment in its coal mining subsidiary which is accounted for on the equity basis. Temporary cash investments are stated at cost, approximating market value. Materials and supplies inventories are stated at average cost. The Company maintains an allowance for doubtful accounts receivable (1975, $580,237; 1974, $427,876). Bond premium, discount and expense are amortized over the life of the related debt.

2. CAPITAL STOCK

	1975	1974
Preferred Stock, without par value, cumulative:		
$5 (authorized, 300,000 shares; outstanding, 237,259 shares)	$ 24,375,900	$ 24,375,900
Serial (authorized, 10,000,000 shares):		
$4.20 Series (outstanding, 100,000 shares)	10,000,000	10,000,000
$5.44 Series (outstanding, 250,000 shares)	25,000,000	25,000,000
$9.10 Series (outstanding, 300,000 shares)	30,000,000	30,000,000
$7.95 Series (outstanding, 350,000 shares)	35,000,000	35,000,000
$7.72 Series (outstanding, 500,000 shares)	49,425,000	49,425,000
$8.48 Series (outstanding, 650,000 shares)	64,317,500	64,317,500
Preferred Stock A (authorized, 5,000,000 shares)—		
$7.45 Series (outstanding, 500,000 shares)	50,000,000	50,000,000
Total	$288,118,400	$288,118,400
Preference Stock, without par value, cumulative (authorized, 10,000,000 shares)—		
$2.675 Series A (outstanding, 2,000,000 shares)	$ 47,900,000	
Common Stock, without par value (authorized, 60,000,000 shares):		
Outstanding (1975, 32,692,791 shares; 1974, 23,438,844 shares)	$565,609,691	$419,458,687
Subscribed but not issued—19,875 shares		243,217
Total	$565,609,691	$419,701,904

Authorized Preference Stock was increased from 2,000,000 to 10,000,000 shares in May 1975.

Common stock outstanding increased $146,151,004 in 1975 and $3,137,651 in 1974 from the sale of 9,000,000 shares in public offerings and the sale of 253,947 shares in 1975 and 205,081 shares in 1974 under the Company's Stock Purchase-Savings Program for Employees. At December 31, 1975, 711,513 shares of unissued common stock were reserved for issuance under the Program. The preferred stock account increased $64,317,500 in 1974 from the sale of 650,000 shares and the preference stock account increased $47,900,000 in 1975 from the sale of 2,000,000 shares of such securities in public offerings.

The preferred stock is callable, in whole or in part, at redemption prices ranging from $102 to $115 a share plus accumulated dividends. The Preferred Stock A, $7.45 Series, has a sinking fund requirement, commencing in 1984, to redeem 20,000 shares annually at $100 per share plus accumulated dividends. In the event of liquidation, the preferred stock is entitled to $100 a share plus accumulated dividends. The $2.675 Preference Stock Series A is presently callable

in whole or in part at $27.68 per share plus accumulated dividends, unless refunding is involved in which case there are substantial limitations on redemption until April 1, 1980; and in the event of liquidation is entitled to $25 a share plus accumulated dividends in preference only to the common stock.

The Company's charter and the first mortgage bond indenture as amended contain provisions limiting payments of cash dividends on common stock under certain circumstances. At December 31, 1975, none of the retained earnings was restricted under these provisions.

3. LONG-TERM DEBT—PRINCIPAL AMOUNTS

First mortgage bonds:	
3⅛% Series, due 1979	$ 20,100,000
3¼% Series, due 1979	43,930,000
2⅞% Series, due 1981	15,000,000
3½% Series, due 1982	20,000,000
11% Series, due 1984	100,000,000*
4⅛% Series, due 1988	20,000,000
4⅞% Series, due 1990	25,000,000
4½% Series, due 1991	25,000,000
4½% Series, due 1994	30,000,000
11⅛% Series, due 1994	50,000,000**
5⅛% Series, due 1996	30,000,000
6⅝% Series, due 1997	40,000,000
6⅞% Series, due 1998	40,000,000
8¾% Series, due 2000	40,000,000
8¾% Series, due 2000	50,000,000
7⅝% Series, due 2001	65,000,000
7¾% Series, due 2001	70,000,000
7¾% Series, due 2002	100,000,000
7¾% Series, due 2003	100,000,000
8⅛% Series, due 2003	100,000,000
9¾% Series, due 2004	125,000,000
Total	1,109,030,000
Six-year note payable to a bank, due July 31, 1978, at a fluctuating rate (8.33% at December 31, 1975) related to the bank's prime rate	50,000,000
Miscellaneous promissory notes (1974, $234,310)	204,359
Total long-term debt, including current maturities	1,159,234,359
Less long-term debt due within one year—11⅛% Series, due 1994	2,000,000
Total long-term debt excluding current maturities at December 31, 1975	$1,157,234,359

*Issued in 1975
**$22,350,000 issued in 1975

The bond indenture, as amended, contains requirements that additional property be certified or that specified amounts in cash and/or principal amount of bonds be delivered annually to the Trustee as an improvement fund. Current liabilities do not include the current improvement fund requirements (approximately $6,700,000 at December 31, 1975) since the Company meets such requirements by the certification of additional property.

Bonds of the 11⅛% Series, due 1994, shall be redeemed under sinking fund provisions at $2,000,000 each year commencing on December 1, 1976, at the principal amount without premium plus accrued interest.

4. INCOME TAXES

	Year Ended December 31, 1975	1974
	(Amounts in Thousands)	
Income tax expense is composed of the following:		
Included in Operating Expenses:		
Provision (credit) for currently payable (refundable) taxes	$19,452	$ (1,578)
Provision for deferred taxes, net	11,444	24,766
Investment tax credit adjustments, net (credit)	14,274	(6,241)
Total charged to operating income	45,170	16,947
Included in Other Income:		
Reduction in currently payable taxes	(22,571)	(16,068)
Provision for deferred taxes	2,837	
Total credited to other income	(19,734)	(16,068)
Total income tax expense	$25,436	$ 879
Provisions for net deferred income taxes result from timing differences in the recognition of the following items for tax and financial reporting purposes and which tax effects were as follows:		
Excess of accelerated depreciation deductions over straight-line depreciation otherwise deductible	$21,245	$14,513
Deferred fossil fuel inventory costs	(9,912)	16,814
Utilization of subsidiary's tax net loss	2,837	
Taxable gain on sale and leaseback of properties	491	(3,325)
Accrual of franchise taxes on books, not deductible until paid	(380)	(3,236)
Total provisions for deferred taxes, net	$14,281	$24,766

4. INCOME TAXES (continued)

	Year Ended December 31, 1975	1974
	(Amounts in Thousands)	
Reconciliation of an amount, computed by applying the federal income tax rate of 48% to pre-tax income (net income plus income tax expense), to total income tax expense follows:		
Amount derived by multiplying pre-tax income by 48%	$60,988	$35,112
Add (deduct):		
Investment tax credits (utilized) eliminated	(14,820)	5,706
Other specific reconciling items multiplied by 48%:		
Allowance for funds used during construction	(28,779)	(26,212)
Differences between book and tax property depreciation and amortization for which deferred taxes have not been provided	(2,512)	(3,523)
Taxes and fringe benefit costs capitalized	(3,154)	(4,022)
State income taxes and other differences, net	(561)	59
Provisions for current and deferred taxes	11,162	7,120
Investment tax credit adjustments, net	14,274	(6,241)
Total income tax expense	$25,436	$ 879

5. COMMITMENTS AND CONTINGENCIES

It is estimated the Company's construction program for 1976 through 1978, excluding nuclear fuel, will cost approximately $826 million. At December 31, 1975, firm commitments for construction aggregated approximately $436 million plus approximately $306 million for initial and replacement nuclear fuel. In addition, the Company has a contract with the Energy Research and Development Administration for nuclear fuel enrichment requirements through June 30, 2002, which is cancelable without penalty upon five years written notice. Payments for enrichment services are anticipated to approximate $110 million during the next five years. Many contracts include escalation provisions.

The Company has entered into agreements with Pickands Mather & Co. (PM), a firm engaged in owning, operating and managing mineral properties, to develop two adjacent deep coal mines in Pike County, Kentucky, each capable of producing 1,000,000 tons of coal per year over about 25 years. A subsidiary, Leslie Coal Mining Company (LC), has been formed, owned 80% by the Company and 20% by PM, to construct and develop one of the mines. Significant aspects of LC's financial position are summarized as follows (in thousands):

	December 31, 1975	1974
Total assets	$17,744	$2,956
Notes payable to bank (guaranteed by the Company)	$16,200	

The Company has guaranteed the obligations of LC under the terms of bank loan agreements and a lease financing arrangement which can provide up to $49.7 million in funds for the LC mine (currently estimated maximum capital cost is $50 million). The Company has further agreed to advance any other funds required by LC and to cause LC to complete the mine not later than December 31, 1979. The Company and PM have entered into coal purchase contracts for 80% and 20%, respectively, of LC's production at prices sufficient to meet all of its costs. The adjacent mine is currently expected to cost approximately $46.6 million.

Rentals, excluding nuclear fuel, charged to income were approximately $7,400,000 in 1975 and $4,300,000 in 1974. Minimum rental commitments under noncancelable leases (except for nuclear fuel) at December 31, 1975 were approximately (in thousands):

Payable	ICT Generators	Other	Total
1976	$ 3,800	$2,800	$ 6,600
1977	3,800	2,400	6,200
1978	3,800	1,400	5,200
1979	3,800	800	4,600
1980	3,800	700	4,500
1981-1985	19,000	3,400	22,400
1986-1990	19,000	3,100	22,100
1991-1995	19,000	2,300	21,300
Remainder	13,300	6,300	19,600

Rentals under a nuclear fuel lease totaled $5,400,000 in 1975 and $300,000 in 1974 of which $3,500,000 for 1975 and none for 1974 was charged to income. Such rentals include a component based on energy produced and another computed on the lessor's unamortized acquisition cost ($47,100,000 at December 31, 1975). Rental payments for nuclear fuel presently under lease are estimated to approximate $11,000,000 in 1976 and 1977 and declining each year thereafter through 1980. Under the terms of the leases for the internal combustion turbine (ICT) generators and the nuclear fuel, the Company, under certain circumstances, is contingently liable to purchase the properties from the lessors. The Company is responsible for expenses in connection with most of the

leased properties, including insurance, taxes and maintenance.

Electric utility plant at December 31, 1975 includes approximately $15 million representing cost less accumulated depreciation of four hydroelectric projects licensed by the Federal Power Commission (FPC), which licenses expire in 1976, 1993, and 2008. Upon or after expiration of each license, the United States may take over the project, or the FPC may issue a new license either to the Company or a new licensee. In the event of a takeover or licensing to another licensee, the Company would be paid its "net investment" in the project, not to exceed fair value, plus severance damages, if any. No provision for amortization reserves as required for the determination of "net investment" has been recorded as such amounts, if any, are considered immaterial. In 1973, the Company applied for a new 50-year license for the Walters Hydroelectric Project which original license expires in November 1976. A competing application has been filed by a group of rural electric cooperatives. The Company expects that its license application will be granted.

The Company is a member of Nuclear Mutual Limited, established to provide insurance coverage against property damage to members' nuclear generating facilities. The Company would be subject to a maximum assessment of about $19 million in the event of losses.

In 1972 the Company committed a total of $3,450,000 for research concerning development of the Liquid Metal Fast Breeder Reactor payable in ten equal annual installments through 1981.

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

Federal income tax returns after 1973 have not been examined.

The decision of the North Carolina Court of Appeals affirming the order, dated December 1974, of the North Carolina Utilities Commission (NCUC) with respect to the Company's automatic fossil fuel adjustment clause applicable to North Carolina retail operations has been appealed to the North Carolina Supreme Court by the Attorney General of North Carolina. The Company recorded revenues of $71,101,000 in 1975 and $60,811,000 in 1974 pursuant to such automatic fossil fuel adjustment clause. The resolution of the matter is pending. In the opinion of the Company the validity of the fossil fuel adjustment clause will be upheld.

On February 20, 1976 the NCUC approved the Company's application for a permanent increase in rates applicable to North Carolina retail operations, and also approved $14,412,000 of related interim-increase revenues billed in 1975.

Operating revenues for the year ended December 31, 1975 include $53,793,000 (including $30,754,000 under provisions of a fossil fuel adjustment clause applicable to wholesale customers) subject to possible refund to the extent not finally allowed by pending rate proceedings. Included in the balance sheet is deferred fossil fuel inventory costs of $3,790,000 which is subject to FPC review and approval which may necessitate adjustments if such review so requires.

The Attorney General of North Carolina has appealed the NCUC order of August 27, 1975 which authorized the Company, effective September 1, 1975, to replace its automatic fossil fuel adjustment clause with a corresponding increase in basic rates, and to recover through revenues over approximately twelve months deferred fossil fuel costs totaling $12,367,000 at August 31, 1975. Accordingly, the Company, from September 1 through December 31, 1975, has recorded revenues of $30,135,000, including $4,425,000 applicable to recovery of the previously unbilled deferred fossil fuel costs. Although, upon motion of the Attorney General, the NCUC has reconsidered its order and determined that the Attorney General's exceptions were without merit, the ultimate outcome of this matter is uncertain pending final judicial determination.

6. RATE INCREASES

Operating revenues include amounts (1975, $252,996,000; 1974, $110,486,000) attributable to authorized rate increases placed in effect during 1975 and 1974 (see Note 5).

7. PROPOSED ACCOUNTING RULES

In May 1975 the FPC published for comment certain proposed revisions in its uniform system of accounts which would provide for a formula establishing a ceiling on AFC (allowance for funds used during construction) rates and the separate reporting in the statement of income of the debt and equity portions of AFC. The ultimate effects, if any, on the Company's financial position and results of operations are not presently determinable pending definitive action on the proposal.

Auditors' Opinion

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

We have examined the balance sheet of Carolina Power & Light Company as of December 31, 1975 and 1974, and the related statements of income, retained earnings, and source and use of financial resources for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the next to last paragraph of Note 5 to financial statements, operating revenues for 1975 include $53,793,000 and the balance sheet includes deferred fossil fuel inventory costs of $3,790,000, which amounts are subject to possible refund or adjustment to the extent not finally allowed in pending rate proceedings.

As discussed in the last paragraph of Note 5 to financial statements, the Attorney General of North Carolina has appealed the North Carolina Utilities Commission order of August 27, 1975, under which the Company has recorded revenues of $30,135,000 from September 1 through December 31, 1975 and has unrecovered deferred fossil fuel inventory costs of $7,942,000 at December 31, 1975. The ultimate outcome of this matter is uncertain pending final judicial determination.

In our opinion, subject to the effect, if any, of the final determination of the uncertainties described in the preceding two paragraphs, the financial statements referred to above present fairly the financial position of the Company at December 31, 1975 and 1974, and the results of its operations and the source and use of its financial resources for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

Raleigh, North Carolina
February 20, 1976

Directors

At January 1, 1976

Year shown in parenthesis indicates beginning of period of service as a director

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

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

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

E. Hervey Evans, Farmer, Laurinburg, N. C. (1946)

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

Shearon Harris, Chairman/President of the Company, Raleigh, N. C. (1961)

L. H. Harvin, Jr., President, Rose's Stores, Inc., Henderson, N. C. (1958)

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

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

Edward G. Lilly, Jr., Senior Vice President of the Company, Raleigh, N. C. (1971)

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

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

John B. Veach, President, Veach-May-Wilson, Inc., Asheville, N. C. (1958)

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

Officers

At January 1, 1976

Shearon Harris
President

J. A. Jones
Executive Vice President
(Group Executive)

Sherwood H. Smith, Jr.
Executive Vice President
(Group Executive)

Edward G. Lilly, Jr.
Senior Vice President
(Group Executive)

W. J. Ridout, Jr.
Senior Vice President
(Group Executive)

William E. Graham, Jr.
Vice President and
General Counsel

Samuel Behrends, Jr.
Vice President

E. M. Geddie
Vice President

William B. Kincaid
Vice President

M. A. McDuffie
Vice President

Darrell V. Menscer
Vice President

Albert L. Morris, Jr.
Vice President

J. R. Riley
Vice President

R. S. Talton
Vice President

Edwin E. Utley
Vice President

J. L. Lancaster, Jr.
Secretary

Robert M. Williams
Assistant Secretary

James S. Currie
Treasurer

J. R. Powell
Controller

Paul S. Bradshaw
Assistant Treasurer

C. D. Mann
Assistant Treasurer

Transfer Agents and Registrars

For Common Stock and Preference Stock:

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

Bankers Trust Company, New York, N. Y.

For Preferred Stock:

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

Statistical Review

(Dollars in Thousands)	1975	1974	1973	1972	1971	1970	1965
Balance Sheet Data (End of Period):							
Total Utility Plant other than Nuclear Fuel	$2,489,107	2,197,738	1,872,859	1,524,238	1,212,822	981,571	530,839
Accumulated Depreciation	296,426	256,659	227,645	200,190	178,096	161,827	101,828
Net Utility Plant other than Nuclear Fuel	$2,192,681	1,941,079	1,645,214	1,324,048	1,034,726	819,744	429,011
Capitalization							
Common Stock and Retained Earnings	$ 722,287	548,465	531,297	447,609	299,852	260,154	156,524
Preferred Stock	288,118	288,118	223,801	173,801	124,376	89,376	34,376
Preference Stock	47,900						
First Mortgage Bonds, Net[1]	1,105,050	983,861	832,548	632,497	533,003	398,427	199,446
Other Long-Term Debt	50,204	50,234	50,253	50,110	123	134	1,280
Total	$2,213,559	1,870,678	1,637,899	1,304,017	957,354	748,091	391,626
Ratio of Accumulated Depreciation to Utility Plant in Service	% 16.1	18.8	17.7	18.4	18.9	20.9	21.2
Percent of Total Capitalization							
Common Stock and Retained Earnings	32.6	29.3	32.4	34.3	31.3	34.8	40.0
Preferred Stock	13.0	15.4	13.7	13.3	13.0	12.0	8.8
Preference Stock	2.2						
First Mortgage Bonds, Net[1]	49.9	52.6	50.8	48.5	55.7	53.2	50.9
Other Long-Term Debt	2.3	2.7	3.1	3.9	—	—	.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ratio Bonds to Net Utility Plant other than Nuclear Fuel	% 50.4	50.7	50.6	47.8	51.5	48.6	46.5
Results of Operations							
Operating Revenues	$ 606,329	460,977	341,206	307,136	255,643	204,846	122,003
Operating Expenses							
Fuel for Generation of Power	232,722	235,842	106,191	88,549	84,749	69,014	23,677
Deferred Fossil Fuel Expense (Credit)	20,650	(35,028)					
Purchased Power	13,115	14,494	7,847	11,537	10,422	9,799	6,050
Other Operation Expense	57,036	46,549	41,910	32,979	28,510	23,765	16,971
Maintenance	33,686	28,591	29,749	25,624	23,098	19,849	8,282
Depreciation	46,648	35,544	31,845	27,280	22,820	19,476	11,280
Taxes—Other	46,436	40,684	28,706	24,021	21,400	19,053	10,962
Taxes—Income	45,170	16,947	21,268	26,378	14,328	8,289	17,119
Total Operating Expenses	495,463	383,623	267,516	236,368	205,327	169,245	94,341
Operating Income	110,866	77,354	73,690	70,768	50,316	35,601	27,662
Other Income							
Allowance for Funds Used During Construction	59,957	54,609	38,093	24,759	14,708	10,505	1,628
Income Taxes—Credit	19,734	16,068	10,477	6,666	3,532	2,709	266
Other Income (Deductions)—Net	1,020	776	393	49	517	(33)	282
Other Income	80,711	71,453	48,963	31,474	18,757	13,181	2,176
Gross Income	191,577	148,807	122,653	102,242	69,073	48,782	29,838
Interest Charges							
Bond Interest	81,108	63,676	45,653	37,782	27,895	19,601	7,706
Other Interest Charges	8,847	12,860	11,001	3,931	3,704	4,356	175
Total Interest Charges	89,955	76,536	56,654	41,713	31,599	23,957	7,881
Net Income	101,622	72,271	65,999	60,529	37,474	24,825	21,957
Preferred Stock Dividend Requirements	25,752	20,672	13,017	9,612	8,371	4,699	1,606
Earnings for Common Stock	75,870	51,599	52,982	50,917	29,103	20,126	20,351
Dividends Declared on Common Stock	46,173	37,375	32,691	27,174	22,122	19,013	13,436
Earnings Invested in the Business	$ 29,697	14,224	20,291	23,743	6,981	1,113	6,915
Earnings Per Share—Weighted Average	$ 2.70	2.21	2.58	2.86	1.97	1.56	1.80
Dividends Paid Per Common Share	$ 1.60	1.60	1.54	1.47½	1.46	1.46	1.16
Payout Percent	59.3	72.4	60.0	51.6	74.1	93.6	64.4
Shares Common Stock Outstanding (000's)							
Year-End	32,693	23,439	23,234	20,125	15,555	13,986	11,297
Weighted average during year	28,109	23,324	20,554	17,814	14,776	12,934	11,289
Times Earned							
Bond Interest—Before Income Taxes	2.68	2.35	2.92	3.23	2.86	2.77	6.06
—After Income Taxes	2.36	2.34	2.69	2.71	2.48	2.49	3.87
Preferred Dividend Requirements	3.95	3.50	5.07	6.30	4.48	5.28	13.67
Fixed Charges[2]	2.27	1.92	2.34	2.90	2.50	2.25	5.77

[1]Includes current maturities of long-term debt.
[2]For purposes of this ratio, earnings represent net income plus income taxes and fixed charges; fixed charges represent interest charges plus an imputed interest factor portion of rentals.

Revenues (Thousands)	1975	1974	1973	1972	1971	1970	1965
Residential	$ 192,734	156,134	117,559	103,254	89,711	75,990	47,985
Commercial	111,602	88,420	65,647	58,246	49,223	40,981	23,888
Industrial—Textile[1]	70,225	56,661	36,689	33,438	26,725	21,174	11,909
Industrial—Other	97,573	78,649	47,677	41,161	34,096	28,889	15,385
Government and Municipal	21,037	16,034	11,632	10,827	9,685	8,573	7,292
Sales for Resale	99,990	46,015	43,827	35,396	31,643	25,794	14,376
Total Electricity Sales Within Service Area	593,161	441,913	323,031	282,322	241,083	201,401	120,835
Nonterritorial Electricity Sales	7,485	13,499	13,608	21,040	11,967	1,225	
Miscellaneous Revenues	5,683	5,565	4,567	3,774	2,593	2,220	1,168
Total Operating Revenues	$ 606,329	460,977	341,206	307,136	255,643	204,846	122,003
Load Data							
Electric Energy Sales (Millions):							
Residential ....Kwh	6,152	5,917	5,937	5,208	4,974	4,634	2,708
Commercial	3,798	3,576	3,628	3,202	2,945	2,693	1,462
Industrial	7,833	8,273	7,885	7,037	6,232	5,623	3,030
Other	6,274	5,841	5,779	5,070	4,710	4,352	2,507
Total Energy Sales Within Service Area	24,057	23,607	23,229	20,517	18,861	17,302	9,707
Nonterritorial	61	469	853	1,584	796	246	—
Total Electric Energy Sales	24,118	24,076	24,082	22,101	19,657	17,548	9,707
Company Uses, Losses and Unaccounted For	1,700	1,556	1,501	1,671	1,307	1,248	866
Total Energy Requirements ....Kwh	25,818	25,632	25,583	23,772	20,964	18,796	10,573
Electric Energy Supply (Millions):							
Generated—Steam—Fossil ....Kwh	18,374	18,603	19,875	16,605	16,135	16,311	8,978
Generated—Steam—Nuclear	5,591	4,813	3,764	4,828	2,414	3	—
Generated—Hydro	947	921	891	882	849	623	742
Generated—Other Fuel	31	215	113	210	257	315	—
Purchased and interchange—Net	875	1,080	940	1,247	1,309	1,544	853
Total Energy Supply ....Kwh	25,818	25,632	25,583	23,772	20,964	18,796	10,573
Peak Demand of Firm Load (000's):							
Within Service Area ....KW	5,060	4,771	4,711	4,119	3,625	3,484	1,931
Nonterritorial	38	143	212	516	170	—	—
Total Peak Demand ....KW	5,098	4,914	4,923	4,635	3,795	3,484	1,931
Total Capability at December 31 (000's):							
Fossil Fuel Plants ....KW	5,142	5,014	4,453	3,833	3,482	3,040	1,632
Nuclear Plants	1,490	700	700	700	700	—	—
Hydro Plants	212	212	212	212	211	211	211
Purchased	228	280	280	265	245	378	334
Total Capability[2] ....KW	7,072	6,206	5,645	5,010	4,638	3,629	2,177
Miscellaneous							
Customers at Year End							
Residential	560,954	550,128	535,607	515,041	495,528	478,914	415,396
Other	99,574	98,179	96,844	95,020	90,561	86,511	70,911
Total	660,528	648,307	632,451	610,061	586,089	565,425	486,307
Average Revenue Per KWH							
Residential ....Cents	3.13	2.64	1.98	1.98	1.80	1.64	1.77
Commercial	2.94	2.47	1.81	1.82	1.67	1.52	1.63
Industrial	2.14	1.64	1.07	1.06	.98	.89	.90
Total Energy Sales Within Service Area	2.47	1.87	1.39	1.38	1.28	1.16	1.24
Residential							
Average Annual Energy Use ....Kwh	11,094	10,861	11,276	10,293	10,205	9,794	6,620
Average Annual Bill	$ 347.54	286.60	223.29	204.05	184.08	160.62	117.28
Steam Electric Generating Plant Fossil Fuel							
Average Annual Heat Rate (BTU Per Net KWH)	9,951	10,090	9,739	9,946	9,832	9,785	9,770
Average Cost Per Million BTU ....Cents	119.0	116.7	50.0	45.7	48.0	41.2	27.0
Average Cost Per Million BTU—All Fuels	94.6	96.6	44.6	39.6	44.9	42.1	27.0
Annual Load Factor, Service Area Load ....%	58.1	60.2	59.9	61.3	63.5	60.8	62.5

[1]Includes yarn mills, weaving or cloth mills, finishing plants (bleaching, shrinking, dyeing and printing), knitting mills, and hosiery mills.

[2]Company now has 821,000 Kw. under construction for service in 1977.

CP&L

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

CORRECTED ADDRESS REQUESTED