Duke Power Company

1984 Annual Report
To Shareholders

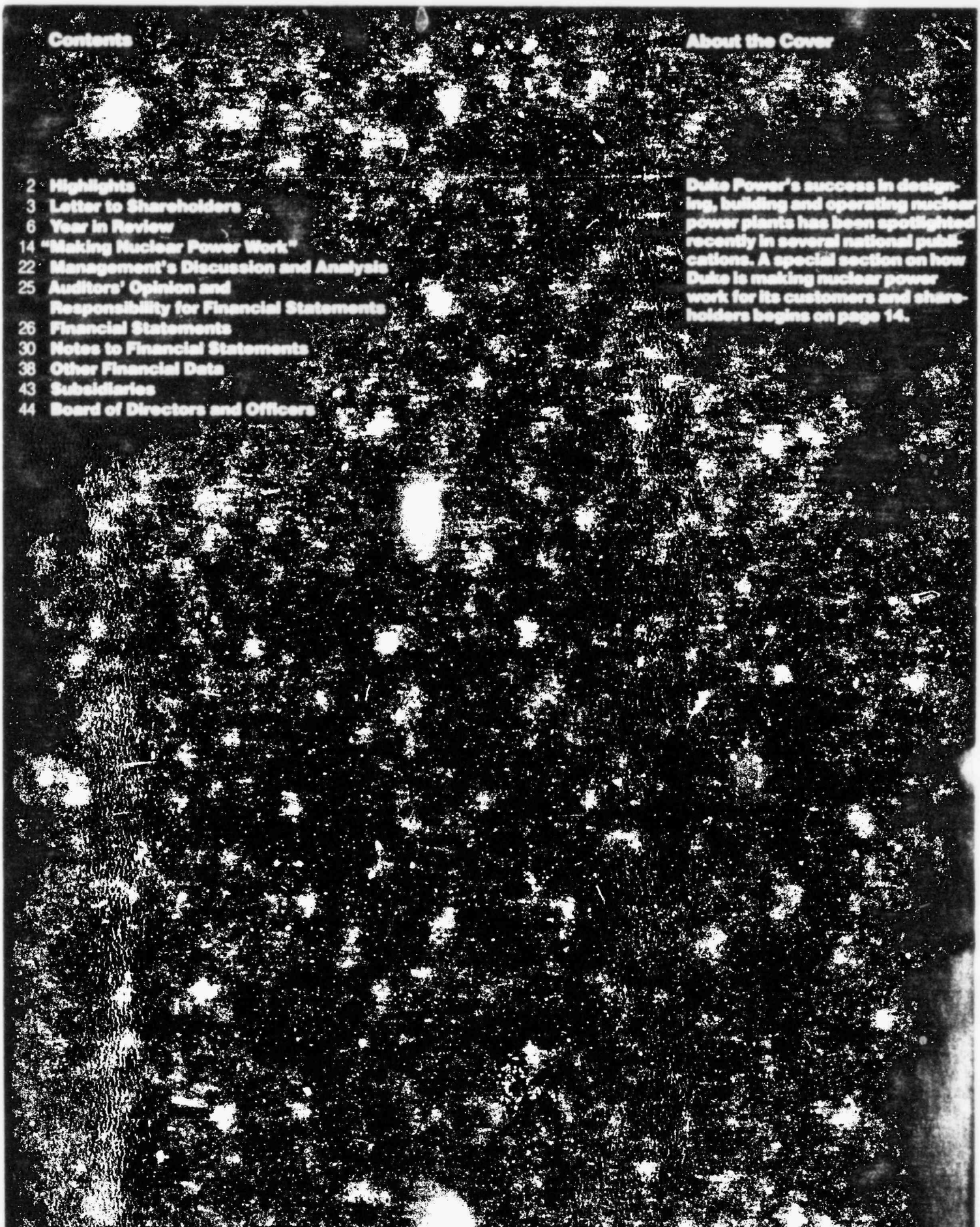
"If any utility was equipped to cope with the challenge of the nuclear age, that utility was North Carolina's Duke Power Co."

—Forbes, February 11, 1985

Contents

About the Cover

Duke Power's success in designing, building and operating nuclear power plants has been spotlighted recently in several national publications. A special section on how Duke is making nuclear power work for its customers and shareholders begins on page 14.

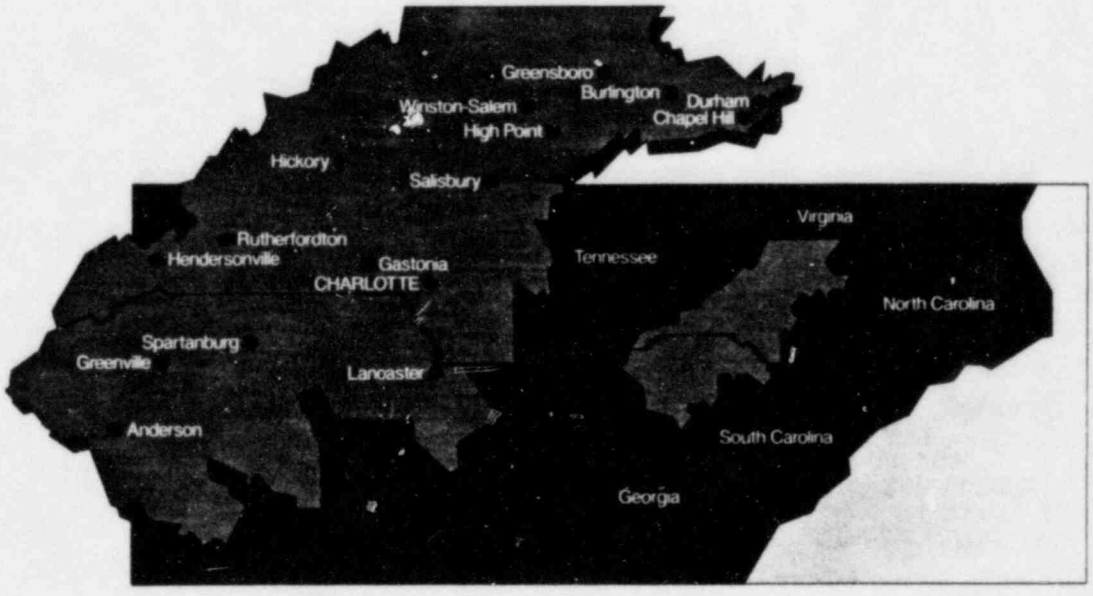


Duke Power is the nation's eighth largest investor-owned electric utility. With headquarters in Charlotte, N.C., the Company serves nearly 1.4 million customers in a 20,000-square-mile area of North and South Carolina known as the Piedmont.

Duke operates two nuclear stations, eight coal-fired plants and 26 hydroelectric facilities. A third nuclear station is undergoing pre-operational testing and is scheduled for commercial operation in 1985.

Sales in 1984 totaled 54.4 billion kilowatt-hours, 70 percent of which were derived from North Carolina, 30 percent from South Carolina. Revenues totaled $2.7 billion.

Duke's retail customers are served through 96 district and branch offices. In addition, the Company sells electricity to bulk users at wholesale and contractual rates.



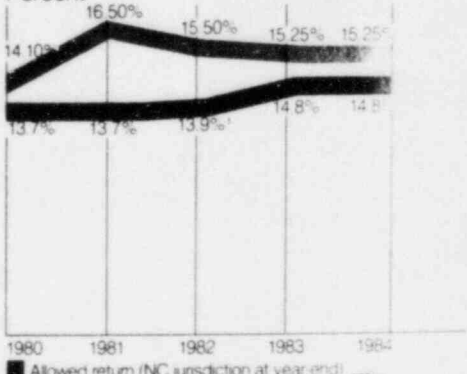
Financial Highlights

Duke Power Company	1984	1983	Percent increase (decrease)
Kilowatt-hour sales	**54,399,254,000**	54,151,333,000	—
Electric revenues	**$2,710,015,000**	$2,420,252,000	12.0
Earnings for common stock	**$ 399,545,000**	$ 368,677,000	8.4
Common stock data			
Average shares outstanding	**100,346,000**	97,784,000	2.6
Earnings per share	**$3.98**	$3.77	5.6
Dividends per share	**$2.42**	$2.32	4.3
Book value per share (year-end)	**$27.80**	$26.26	5.9
Return on average common equity	**14.8%**	14.8%	—
Plant construction costs	**$ 644,754,000**	$ 679,726,000	(5.1)
Total electric plant, net	**$6,152,618,000**	$6,162,492,000	—
Peak load (Kw)			
Summer	**11,043,000**	11,554,000	(4.4)
Winter	**10,863,000**	10,378,000	4.7

Earnings per share
Dollars

1 Including extraordinary item (gain on retirement of bonds) — $0.52

Return on average common equity
Percent



1 Excluding extraordinary item — gain on settlement of [illegible] and provision for loss

To Our Shareholders:

1984 was a productive and profitable year for Duke Power Company.

Earnings per share rose to $3.98, up 5.6 percent from $3.77 in 1983. Total return on common equity remained stable at 14.8 percent.

Higher sales, increased investment income and higher non-utility income contributed to the improved earnings. The effect of rate increases was substantially offset by higher costs.

Total kilowatt-hour sales, including portions of electricity supplied to certain purchasers of the Catawba Nuclear Station, increased 4 percent in 1984.

Financial position stronger

Improved earnings further strengthened the Company's long-term financial position, building on 1983's noteworthy gains. We generated 86 percent of our capital requirements from internal sources. Fixed charges coverage, which indicates the number of times earnings cover fixed costs before taxes and dividends, increased to 4.21 times. Common stock equity as a percentage of total capitalization climbed to 45 percent.

Each of these measures satisfied a target of the Company's long-term financial plan. In recognition of this stronger financial condition, major rating agencies again upgraded several of the Company's securities during the year.

Responding to heightened investor concern about nuclear utilities, the Board of Directors in January 1985 approved a revised long-term financial plan designed to maintain Duke's improved financial strength.

Superb nuclear performance

Nuclear power continues to be a success story at Duke Power. The Company's five nuclear units compiled an operating record in 1984 unequaled in the electric utility industry. And for the first time in the Company's history, more than half of its electricity was generated with clean, economical nuclear power. If this electricity had been generated with coal, it would have cost an estimated $400 million in additional fuel expense.

We also took major steps toward wrapping up one of the largest nuclear plant construction programs in the nation.

Unit 2 of the McGuire Nuclear Station was brought through the regulatory thicket into commercial operation at the lowest cost of any comparable unit in the nation. Construction of the Catawba Nuclear Station is nearing completion. We loaded fuel into Unit 1 of Catawba, received a full-power operating license and began generating electricity during pre-operational testing. The unit is scheduled for commercial service this spring. Construction of Unit 2 is ahead of its 1987 scheduled completion date.

In late December the Company completed the sale of another portion of the Catawba station to a group of South Carolina municipal customers. The $457 million received at closing added signifi-

cantly to corporate liquidity. The Company will retain the remaining 12.5 percent of Catawba and will be responsible for the station's completion and operation.

Duke's noted successes in the design, construction and operation of what we think are the finest nuclear plants in the country are featured in a special section of this report, beginning on page 14.

1985 and beyond

The next several years will be a period of both opportunity and challenge for Duke Power. With completion of our nuclear construction program, we expect to be able to finance near-term capital requirements entirely from internal sources. Therefore, no public offerings of common stock are anticipated for a number of years. This respite from capital markets, together with the prospect of our area's continued economic growth, strong nuclear generation and increased non-utility earnings, should help sustain or improve our financial position.

The addition of Catawba Units 1 and 2 to Duke's generating system will provide sufficient generating capacity and relatively stable rates into the 1990s — to the benefit of shareholders and customers alike. We are working hard to get both units into service on or ahead of schedule and under budget.

However, some critical challenges still lie ahead. When the Catawba units begin operating, corresponding rate increases will be required. Although most of the station has been sold, the Company will be purchasing large amounts of power from the plant's other owners for some years. The cost of this purchased power, along with the cost of Duke's interest in the plant, will have to be reflected in rates — a fact not well understood by many of our customers. We prepared for this, and an active public education effort is under way throughout our service territory to explain the need for increases.

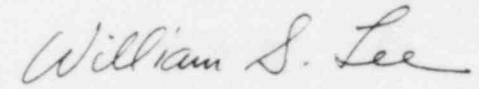
Similar educational efforts will be required to address a number of other issues likely to confront the electric utility industry in the years ahead. These include tax legislation, proposals to deal with acid rain, and nuclear regulatory reform. Management will continue to keep shareholders informed on these and other issues.

As we look ahead, we understand we cannot be satisfied with past and current successes. The environment for Duke and all electric utilities is constantly changing. Markets and technologies change. Laws and regulations change. The needs of our customers change. We intend to approach all areas of our business with the same flexibility and determination we have demonstrated in our nuclear power program. We face the future, alert to the difficulties, but confident in our abilities.

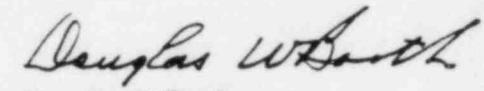
We would especially like to thank William L. Watkins, who retired from the Board of Directors after nine years of outstanding service. We all benefited from his wise counsel and wish him well in future endeavors. W. W. Johnson, chairman and chief executive officer of Bankers Trust of South Carolina, was elected to replace Bill Watkins on the Board. We welcome him to the Duke Power family.

The continued hard work and dedication of our employees also deserve applause. We must remember it is their individual achievements combined that produce the many accomplishments we are so proud of as a company.

Finally, thank you for your continued support. Let us hear from you if you have any suggestions or questions.

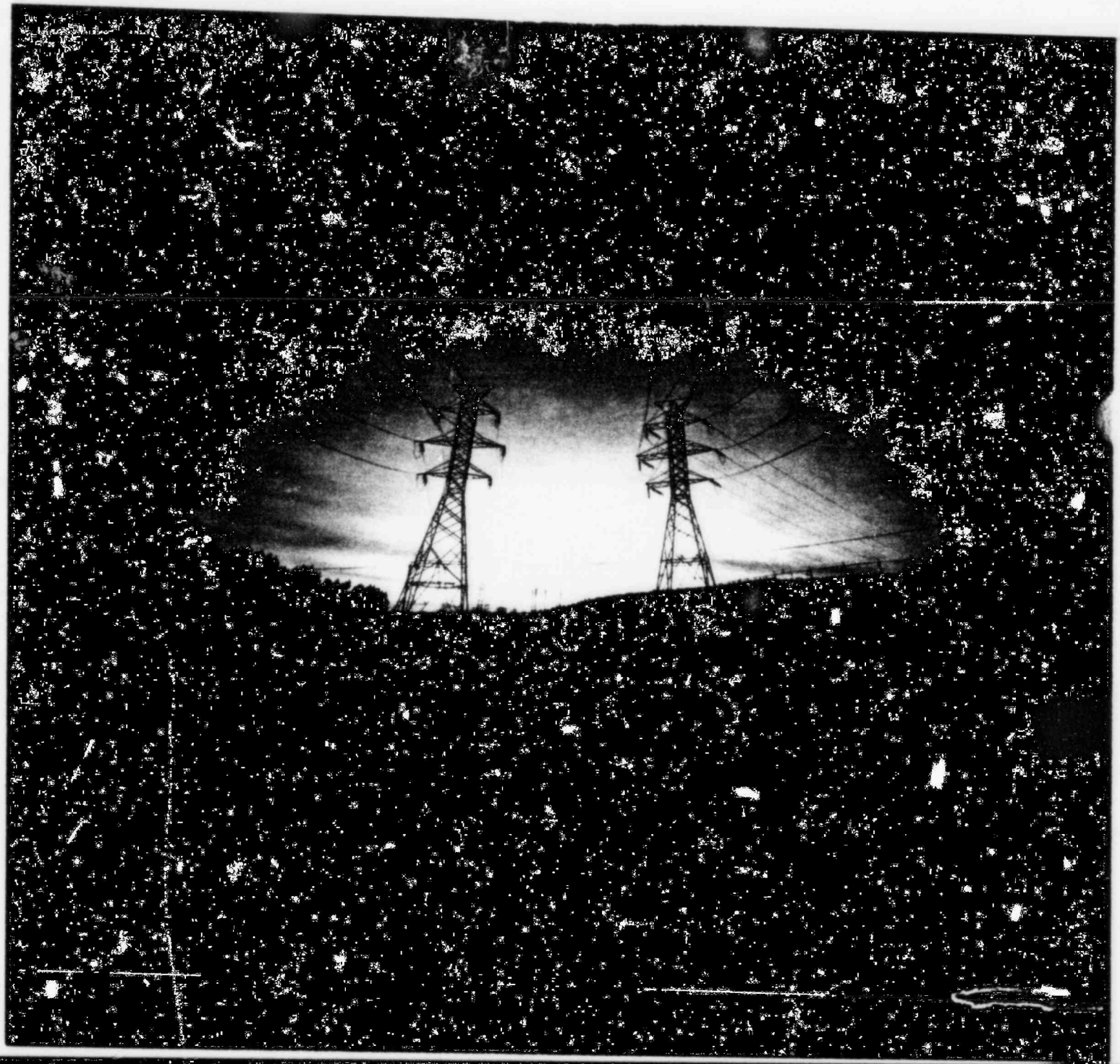


William S. Lee
Chairman of the Board and Chief Executive Officer



Douglas W. Booth
President and Chief Operating Officer

February 15, 1985



Financial results

Earnings per share of common stock rose 5.6 percent to $3.98 in 1984, up from $3.77 in 1983. Total earnings were $399.5 million, up from $368.7 million.

The improved earnings were attributable to higher sales, increased investment income and higher non-utility earnings. The effect of rate increases was substantially offset by higher costs. Total Company return on common equity remained steady at 14.8 percent in 1984.

Earnings coverage of fixed charges rose to 4.21 times, attaining the Company's long-sought goal of 3.5 times.

Duke generated 86 percent of its capital needs internally in 1984, including proceeds from the Catawba sale, compared with 83 percent in 1983. The increase resulted primarily from the addition of Unit 2 of the McGuire Nuclear Station to rate base and the $457 million received from the sale of 25 percent interest in Unit 2 of the Catawba Nuclear Station.

At year-end the Company's capital structure consisted of 44 percent long-term debt, 11 percent preferred and preference stocks, and 45 percent common equity.

The Board of Directors in July raised the quarterly cash dividend on common stock to 62 cents per share, up from 59 cents. This brought the current indicated annual dividend rate to $2.48 per share, up from $2.36. The increase, effective with the dividend paid in September, marked the ninth consecutive year the dividend has been raised. It continued the Company's policy of regularly increasing the dividend and maintaining a payout ratio of between 60 and 65 percent.

Financial Statements and Notes begin on page 26.

Sales and customers

Total kilowatt-hour sales, including portions of electricity supplied to certain purchasers of the Catawba Nuclear Station, increased 4 percent for the year.

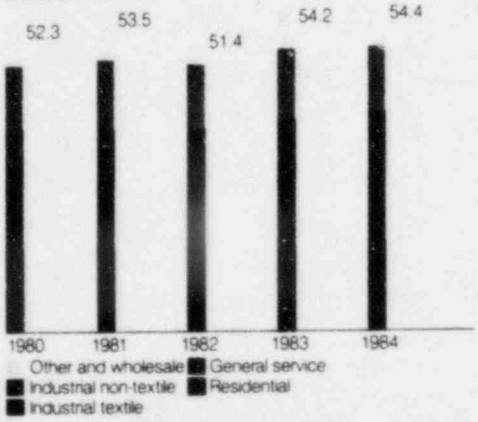
Sales of electricity, excluding certain joint Catawba owners, were essentially flat, reflecting milder weather during the year. Sales totaled 54.4 billion kilowatt-hours, compared with 54.2 billion in 1983.

Of the 54.4 billion kilowatt-hours sold in 1984, general service sales increased 5.6 percent, while residential sales rose 1.9 percent.

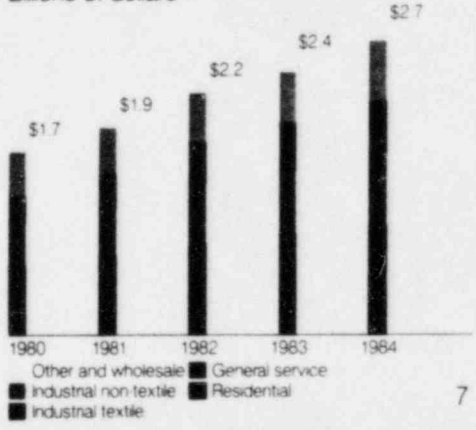
Total industrial sales increased 4.4 percent, primarily because of an 8 percent rise in non-textile industrial sales. Textile sales grew 0.5 percent for the year. However, in the last quarter, sales to textile customers declined 7.3 percent, compared with the fourth quarter of 1983. This reflected the rising pressure of imports on American textile producers.

Wholesale and other energy sales declined 17.5 percent because of reclassification of certain wholesale customers who were joint owners of the Catawba Nuclear Station during the year.

Sales
Billions of KWH



Electric revenues
Billions of dollars



Of the Company's total sales in 1984, residential customers accounted for 27 percent, general service customers 20 percent, non-textile industrial customers 21 percent and textile customers 19 percent. Wholesale and other energy sales accounted for the remaining 13 percent.

The Company's customer base grew 2.8 percent in 1984, totaling nearly 1.4 million at year-end.

Additional information on sales and customers can be found on page 39.

Rates and regulation

Regulatory commissions in both Carolinas approved rate increases in 1984, primarily to reflect operation of Unit 2 of the McGuire Nuclear Station. Nevertheless, the Company's rates remained well below the national average.

The North Carolina Utilities Commission authorized an 8.4 percent, or $131 million, rate increase in June. The ruling allows a 15.25 percent rate of return on common equity. The Company had asked the Commission for a 13.6 percent increase that would have generated an additional $212.8 million a year. The request sought a 16.5 percent rate of return on common equity.

The Public Service Commission of South Carolina approved a 17.4 percent, or $99.7 million, rate increase in March. The decision allows a 14.75 percent rate of return on common equity. Duke had requested a 23.7 percent, or $136 million, increase with a rate of return on common equity of 16.5 percent.

Rate increases will be filed in both North Carolina and South Carolina in early 1985 to reflect commercial operation of Unit 1 of the Catawba Nuclear Station and power purchased under contracts with the station's joint owners.

See Note 2 on page 31 for additional information.

Financing

Duke financed its construction program and fulfilled other capital requirements with internal funds in 1984. For the second consecutive year the Company had no public sales of common stock, and none are anticipated in the foreseeable future.

The Company received $457 million on December 20 from the sale of a 25 percent interest in Unit 2 of the Catawba Nuclear Station to the Piedmont Municipal Power Agency. The agency represents 10 wholesale municipal customers in South Carolina.

A group of North Carolina municipalities purchased 75 percent of Catawba Unit 2 in 1978. Groups of cooperatives in North Carolina and South Carolina bought 75 percent of Unit 1 in 1981. The Company will retain a 25 percent interest in Unit 1 and operate the station for the joint owners.

Duke raised $40 million in October through the sale of annual tender, pollution-control revenue bonds issued by York County, S.C. It was the Company's first use of annual tender bonds. The rate on these 30-year, tax-exempt bonds is 7¼ percent for the first year and will be reset annually. The funds are to be used to finance pollution control facilities at the Catawba Nuclear Station in York County.

At the time the bonds were sold, the county reimbursed the Company $34.1 million for costs already incurred for the facilities.

Also in October, Duke defeased $32.9 million of its $50 million issue of 14⅜ percent first and refunding mortgage bonds, due in 1987.

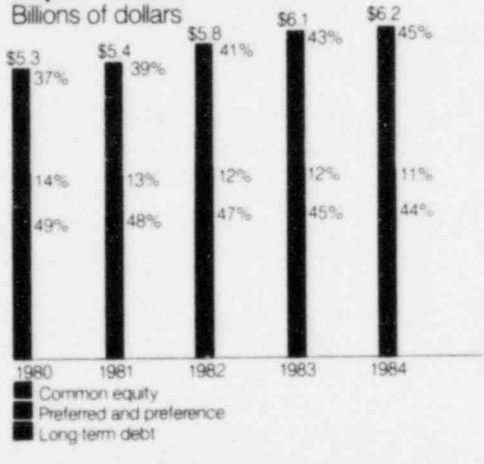
(A defeasance of debt is accomplished by placing into an irrevocable trust a portfolio of U.S. Treasury securities that will meet all interest and principal requirements of the debt being defeased. It is a method of removing debt from the balance sheet before the debt is retired.)

The Company also has chosen to redeem the remaining $17.1 million of the issue at par value on March 1, 1985, the first call date.

Two major rating agencies recognized the Company's improved financial condition in 1984 by upgrading certain of its securities. For the second consecutive year, Moody's Investors Service, Inc., raised its ratings on the Company's fixed-income securities. Moody's raised its ratings on Duke's first and refunding mortgage bonds to Aa2 from Aa3, preferred stock to aa2 from aa3 and preference stock to aa3 from a1. Duff & Phelps improved its rating on Duke's first and refunding mortgage bonds to 4 from 5 and its ratings on preferred and preference stocks

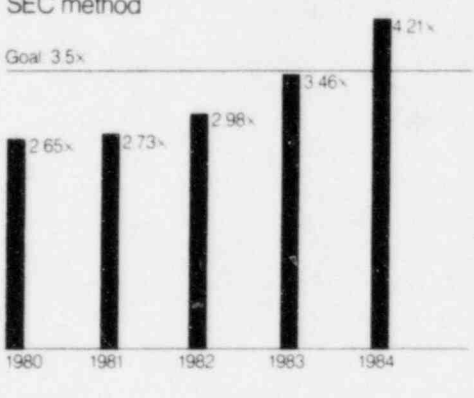
Capital structure *(Excludes current maturities)*

Billions of dollars



Earnings coverage of fixed charges

SEC method



one level to 5 and 6, respectively.

Additional information can be found on pages 38 and 39.

Investor plans

The Company in January 1985 began providing shares for the Customer Stock Purchase Plan and the Dividend Reinvestment and Stock Purchase Plan through stock market purchases.

As a result, dividends reinvested in additional shares of common stock after the first of the year no longer qualify for federal income tax deferral. The deferral only applies to newly issued stock.

This change followed decisions in 1983 and 1984 to provide shares of common stock for various employee stock plans through similar open-market purchases.

The Company expects to avoid issuing about 14 million new shares of common stock during the next four years by purchasing shares for its investment plans in the stock market.

The Company will continue to pay all commissions and administrative costs of the plans.

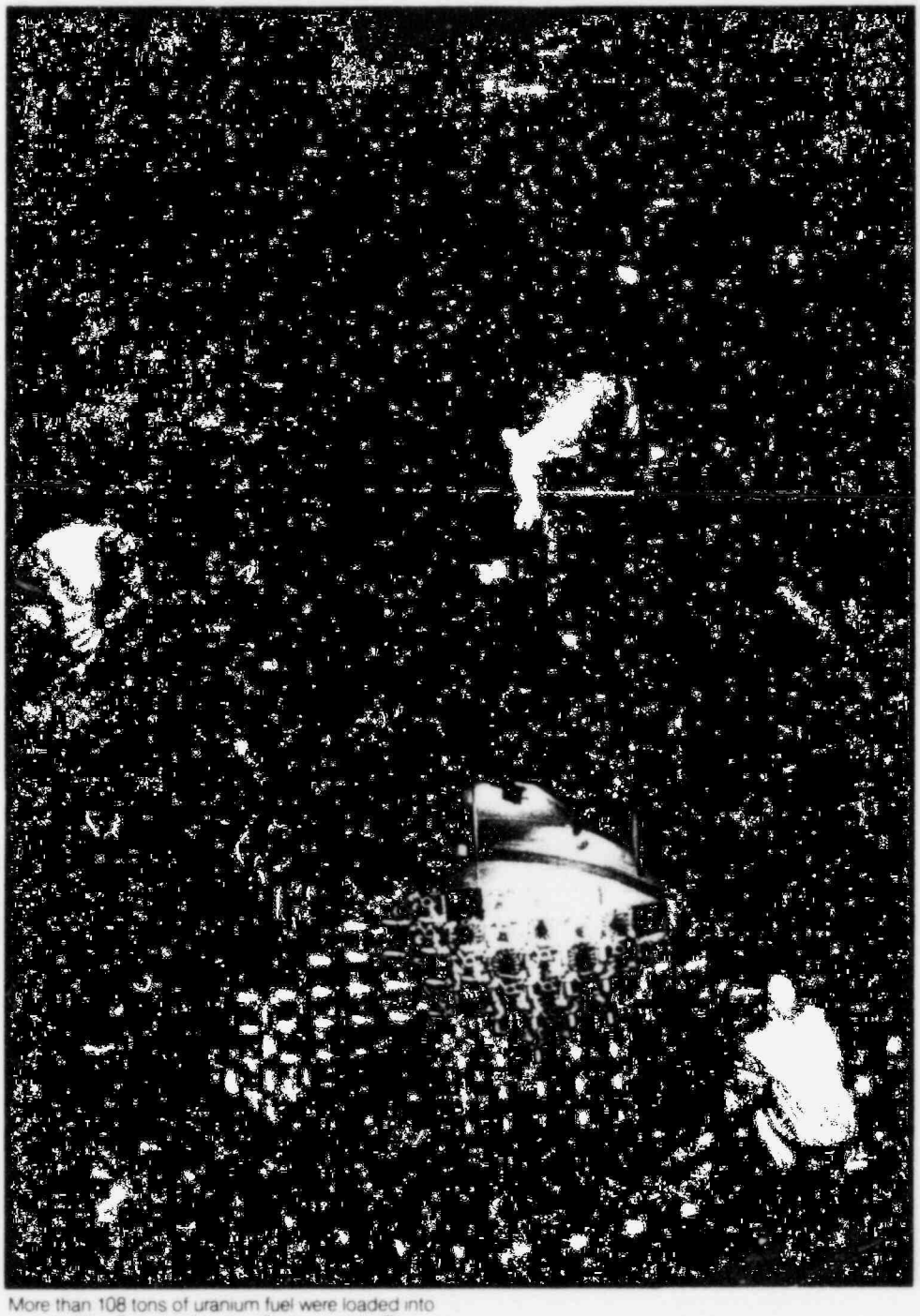
At year-end 33 percent of the Company's common shareholders and 14 percent of preferred shareholders were participating in the Dividend Reinvestment Plan, investing an additional $30.5 million during the year.

More than 8,000 Duke Power customers have bought shares through the Customer Stock Purchase Plan, investing $16.1 million in the Company through 1984.

Construction

After nearly two decades of rapid building to meet the expanding energy needs of the Piedmont Carolinas, Duke Power moved closer to completing its nuclear construction program.

The Company brought Unit 2 of the McGuire Nuclear Station into commercial operation in March. This completed the station on Lake Norman, northwest of Charlotte, N.C. The 1,180,000-kilowatt unit entered commercial service at the lowest cost of any nuclear unit in the nation coming on-line between March 1983 and March 1985.



More than 108 tons of uranium fuel were loaded into Unit 1 of the Catawba Nuclear Station in July. The 1,145,000-kilowatt unit received a full-power license from the Nuclear Regulatory Commission and generated its first electricity during testing in January 1985. It is scheduled for commercial operation this spring.

Duke also began testing Unit 1 of the Catawba Nuclear Station, located in York County, S.C. The 1,145,000-kilowatt unit is scheduled for commercial service in the spring of 1985. It first generated electricity during testing January 22, 1985, after receiving a full-power license January 17.

Unit 2 of the Oconee Nuclear Station completed 418 days of uninterrupted operation January 29, 1985 — a world record for a light-water reactor. During its continuous run, the 860,000-kilowatt unit generated more than 8 billion kilowatt-hours of electricity, a national record.

Catawba Unit 2, the Company's final nuclear unit, was 87 percent complete at year-end. It is scheduled for commercial operation in 1987 and is currently ahead of that timetable.

The Board of Directors in February 1984 set completion dates for the Bad Creek Hydroelectric Station, under construction near Lake Jocassee in northwestern South Carolina. Units 1 and 2 of the 1,000,000-kilowatt, pumped-storage hydroelectric plant are scheduled for operation in 1991. Units 3 and 4 are set for 1992.

The station is designed to pump water from Lake Jocassee into an upper reservoir during periods of low demand and then release it to generate electricity during times of peak demand.

The project was 4 percent complete at year-end.

Generation and capacity

For the first time in 11 years of operating nuclear power plants, in 1984 Duke Power generated more than half of its electricity with the atom.

Duke's two nuclear stations produced 56 percent of total generation for the year, compared with the previous all-time high of 42 percent in 1983.

The Company's network of eight coal-fired plants continued to carry a large portion of the load, producing 45 percent of total generation. Hydroelectric stations supplied 4 percent of system energy.

Interchange sales, principally to certain Catawba owners, reduced total

generation available to Duke's customers by 5 percent in 1984.

The addition of Unit 2 of the McGuire Nuclear Station to the Duke generating system boosted nuclear output. The 1,180,000-kilowatt unit, declared commercial in March, generated 7.4 billion kilowatt-hours of electricity during the year.

Concurrent with commercial operation of the McGuire unit, the Company removed 997,000 kilowatts of aging coal-fired capacity from service. The units are being prepared for extended cold shutdown for possible use in the future.

Duke's nuclear units achieved their best operating performance ever in 1984. The nuclear system achieved an overall capacity factor of 76 percent for the year, a substantial improvement over last year's 68 percent and well above the industry average of approximately 60 percent.

The three-unit Oconee Nuclear Station recorded an 83 percent combined capacity factor for the year, surpassing 1983's record performance of 79 percent. McGuire Nuclear Station's two units achieved a 68 percent capacity factor.

(Capacity factor refers to the amount of electricity a unit produces in relation to the amount it is designed to produce if operated without interruption year-round.)

On an individual-unit basis, Oconee Unit 2 led the nation in 1984 with a capacity factor of almost 97 percent. On January 29, 1985, the unit set the world record for longest continuous operation of a light-water reactor — 418 days. It generated 8.3 billion kilowatt-hours of electricity during the uninterrupted run, a national record.

Belews Creek Steam Station, the largest coal-fired generating plant on the Duke system, celebrated its 10th anniversary in September. At year-end the two-unit, 2,240,000-kilowatt facility had generated almost 125 billion kilowatt-hours of electricity since going into operation. Belews Creek has consistently competed with the Company's Marshall Steam Station for top national honors in generating efficiency, placing one of its units first in the country three times.

Duke Power's generating capacity as of December 31, 1984, totaled 13,594,000 kilowatts. It consisted of 6,603,000 kilowatts of coal-fired capacity, 4,940,000 kilowatts of nuclear power, 1,452,000 kilowatts of hydroelectric capability and 599,000 kilowatts of combustion turbines. This represented 49 percent coal, 36 percent nuclear, 11 percent hydroelectric and 4 percent combustion turbine capacity.

Generating efficiency

Duke Power was cited as the most efficient producer of electricity in the United States in 1983, the latest year for which industry operating statistics are available. It was the third time the Company has captured the honor in the past four years.

Duke's combined coal and nuclear generating system led the nation in fuel efficiency, according to *Electric Light & Power* magazine's most recent survey of comparative heat rates among the country's 100 largest investor-owned electric utilities.

(Heat rate is the amount of energy required to produce a kilowatt-hour of electricity.)

In addition to the overall award, Duke's network of eight coal-fired generating plants was recognized as the most efficient fossil system in the nation again in 1983. The coal-burning system has led the country in efficiency 12 of the past 14 years.

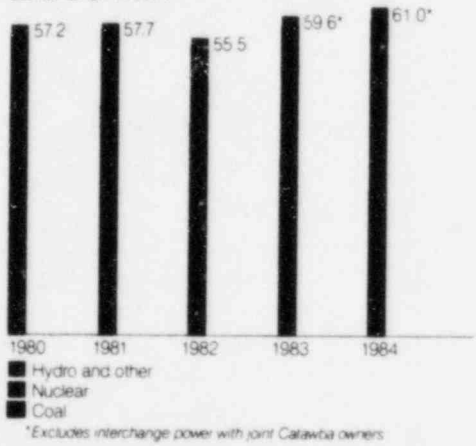
Further, six of Duke's individual coal-fired units placed in the top 10 among more than 2,000 fossil-fired generating units evaluated in the survey. Unit 3 of Marshall Steam Station was named the most efficient fossil unit in the country. A Duke unit has held the top spot seven of the past eight years.

If the Company's overall generating system had performed at the average efficiency of the systems surveyed, fuel costs would have been $73 million higher.

Duke also operated the two most efficient pressurized-water reactor (PWR) nuclear units in the nation in 1983, according to heat rate statistics compiled by the Nuclear Regulatory Commission.

Overall, the four nuclear units the Company operated placed among the top seven of the 46 units of similar design. Unit 1 of the McGuire Nuclear Station led the nation's PWRs. A Duke nuclear unit has ranked first in the United States seven of the past 10 years.

Net generation
Billions of KWH



*Excludes interchange power with joint Catawba owners

Load management/peak demand

Duke Power's load management program aims to reduce the rate of growth in peak demand while increasing off-peak energy usage. The program continued surpassing its targets by reducing summer peak demand by 352,000 kilowatts and winter peak demand by 427,000 kilowatts in 1984.

Since the load management effort began in 1976, the Company has achieved a cumulative reduction of 1.8 million kilowatts in summer peak demand and 2.3 million kilowatts in winter peak demand. The goal is to reduce the summer peak by 5.4 million kilowatts and the winter peak by 6.9 million kilowatts by 1999 and thereby avoid or delay the need to build costly new generating facilities.

Expanding on 40 existing load management programs, the Company introduced in 1984 an off-peak water heating rate for residential customers. It offers a lower kilowatt-hour rate to customers who agree to heat water during limited, off-peak hours.

Winter usage for 1984 peaked February 8, when customer demand reached 10,863,000 kilowatts. This figure was 4.7 percent above 1983's winter peak.

The Company hit its summer peak of 11,043,000 kilowatts on July 11, 1984. Because of a milder summer, it was 4.4 percent below the all-time peak of 11,554,000 kilowatts set August 23, 1983.

A new all-time peak of 12,687,000 kilowatts was reached January 21, 1985, during record cold weather. The new peak was 9.8 percent above the previous all-time peak.

Investment in new and expanded industry in Duke's service territory rose to a record $2.6 billion in 1984, a 43 percent increase over 1983. The General Electric Microelectronics Center in Research Triangle Park near Durham, N.C., is representative of the type of high technology that is being attracted to the Piedmont Carolinas.

Employee incentive program

Duke Power's 20,000 employees continued to excel in the ever-toughening Employee Incentive Goals Program in 1984, achieving eight of 10 goals, plus a bonus goal of cost reduction.

Employees met or surpassed targets in safety, service reliability, affirmative action, load management, nuclear generation, design and construction, corporate spending and quality of nuclear operations.

Employees have achieved 36 of 42 corporate goals since the program began in 1981 — an 86 percent success rate. Achievement of the goals results in additional Company contributions to the Stock Purchase-Savings Program for Employees.

New, more stringent goals have been established for 1985.

Community service

Duke Power employees gave from the heart as well as the pocketbook in 1984, serving on community boards, volunteering in schools, supporting local churches and helping the less fortunate.

In addition to serving in traditional ways, the Company and its employees established important new civic programs. Through its "Power in Education" program announced in April, the Company is marshaling its resources to improve primary and secondary education in the Piedmont Carolinas and is encouraging other businesses and industries to do the same.

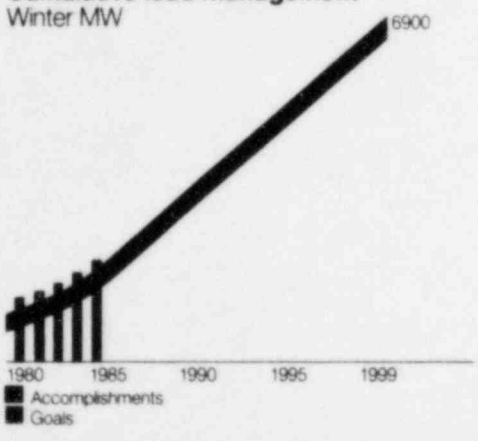
Through a related effort, the Company is awarding six, four-year college scholarships and 14 honorary stipends each year to high school seniors in its service area. Called "The Duke Power Scholastic Excellence Awards," the scholarships and stipends will be awarded to students who show exceptional scholastic ability and leadership potential.

Duke employees responded to the 1984 general election by organizing a bipartisan good government campaign called "Power In Citizenship." The grass roots effort registered nearly 20,000 new voters, informed citizens about issues and encouraged them to vote.

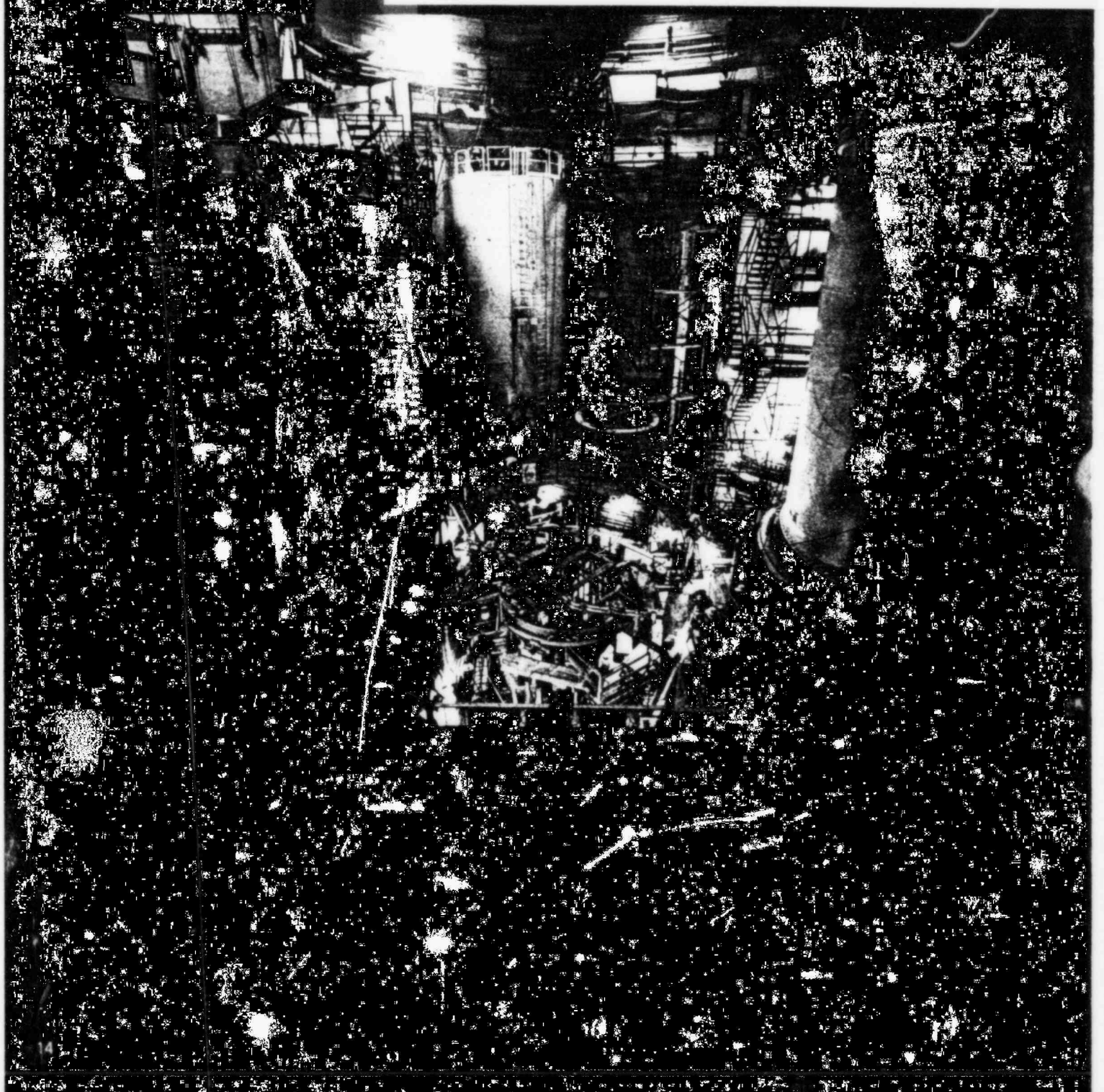
Duke Power set a record in 1984 for United Way giving. Employee contributions and corporate gifts to local campaigns across the service area totaled nearly $2.3 million, making Duke and its employees the largest single contributor in North Carolina and South Carolina.

Duke also expanded its Community Challenge Heating Fund, which helps the needy pay their heating bills. The Company provided $1 to designated community service organizations for every $3 raised from other sources. Duke pledged $150,000 in matching funds, making available $600,000.

Cumulative load management



Duke is the only investor-owned electric utility that designs, builds and operates its power plants with its own work force. With the completion of Unit 2 of the Catawba Nuclear Station, the Company will have built and placed into service seven nuclear units in 20 years — all at costs at or among the lowest in the nation.



"While other utilities are reeling from cost overruns and operating difficulties at nuclear plants, Duke, the nation's eighth-largest investor-owned electric utility, has compiled a record that is the envy of the industry."

The Wall Street Journal, October 17, 1984

1984 was generally a bad news year for the nuclear power industry. Reports of delayed and abandoned plants, skyrocketing costs, licensing holdups and charges of mismanagement made front-page news. In many cases these problems found their way to Wall Street.

Against this bleak backdrop, Duke Power's nuclear program recorded its most outstanding year ever.

The Company placed its fifth nuclear unit into commercial operation at a cost of only $918 per kilowatt — the lowest of any nuclear unit completed in its era. Duke also began pre-operational testing of its sixth unit, built at a price expected to be well below the comparable national average. The Company's five operating nuclear units set records for both capacity factor and efficiency. And far from being a financial liability, the nuclear units were again credited with boosting earnings. At the same time, fuel savings from the units helped keep customer rates well below the national average.

Duke's successes helped balance the nuclear news of 1984 as upbeat stories about the Company's program appeared in print. One long-time nuclear critic told *The Wall Street Journal* that Duke was "the glaring exception," describing it as "the company that manages to do it right." Duke's top executives were repeatedly asked to share the Company's nuclear philosophy and help formulate industry policy.

While the attention was flattering, the truth of the matter is that the news wasn't new. The achievements of 1984 simply continued a Duke tradition of making nuclear power work. Going back to 1973, when the first unit of the Oconee Nuclear Station began operation, Duke has built each of its nuclear plants at a cost substantially below the national average. And year after year they have ranked among the top in the nation for efficiency.

Before exploring the reasons behind Duke's nuclear success, it is appropriate to assess the benefits: Why should anyone evaluating Duke Power consider its nuclear program a plus?

The answers are several, and they are all important.

- Security. In the face of an uncertain world energy picture, it would be imprudent to rely on any one fuel source. Duke's mix of nuclear, coal and hydroelectric generation ensures its customers a reliable supply of electricity. The Company is dependent on no overseas country for its fuels.

- Economy. Despite higher construction costs, nuclear plants pay off through lower fuel expenses. In 1984 the cost of fuel for electricity generated by Duke's nuclear plants averaged only .6 cents per kilowatt-hour — just over half a penny. By comparison, the per kilowatt-hour cost for coal was 1.8 cents, while oil and gas were many times higher.

- The environment. Nuclear plants offer the cleanest available method of generating electricity on a large scale. That's

". . . Duke has an engineer's conviction that the best-engineered plant inevitably also will be the most efficient, lowest-cost, most reliable and, in the end, most profitable. Things have pretty much worked out that way."
Forbes, February 11, 1985

especially important as Americans become increasingly concerned about acid rain.

Summing up the pluses, Duke's nuclear plants promise a reliable, secure, cost-efficient and environmentally sound source of electricity. With completion of the Catawba Nuclear Station in 1987, the Company will have a generating system adequate to meet the expanding needs of the Piedmont Carolinas into the 1990s.

Duke put its faith in nuclear power and is making it work for customers and shareholders alike.

The do-it-yourself approach

Duke's nuclear success is rooted in its "do-it-yourself" approach — unique among the nation's investor-owned utilities. Design, construction, operation — it's all done in-house, with Duke people, from start to finish. This do-it-yourself tradition dates back 80 years to the Company's founders.

Duke's design engineering staff of nearly 1,500 qualifies it as one of the principal architectural/engineering teams in the nation. Add to that a 5,000-member construction force, a quality assurance team of 400 and a power operations department of more than 5,700, and Duke has the in-house resources to meet any challenge.

Much like the do-it-yourselfer at home, Duke saves money by avoiding contractors' fees, outside consultants and mark-ups on materials. The Company reduces substantially its cost for materials by purchasing them through its subsidiary, Mill-Power Supply.

But more important than the fees saved is the control gained with the use of in-house personnel. The people building a Duke Power plant work for the same company that will operate it for decades. They have a long-term commitment to Duke Power, its objectives and its programs. Therefore, they have a long-term stake in the plant's quality, safety, reliability and efficiency.

Many of the skilled craftsmen building the Catawba plant today worked on the Oconee and McGuire plants before it. They share the pride when those plants lead the nation in capacity factor and efficiency.

Duke construction and operating employees are also part of the community in which a plant is being built. They and their families live nearby, and their presence in the community is testimony to their commitment to the plant's safety and quality.

Finally, use of in-house talent ensures intimate management involvement in the design and construction of Duke's nuclear plants. Lines of communication are short, and keeping them open is a top priority. Managers and supervisors work on-site and ask the tough questions, enabling them to identify problem areas and make corrections early. This saves time and money.

Management attention to design and construction goes beyond the drawing board and construction site. Four of Duke's top five officers are

Duke Power was one of the first utilities in the nation to establish its own training program for nuclear plant operators.

Candidates for the reactor operator training program first must undergo a battery of psychological and aptitude tests. Only 4 percent are accepted, but nearly 75 percent of those go on to complete the program, which can take as long as five years.

The training includes rigorous classroom instruction in mathematics, nuclear fundamentals, health physics, radiation protection, nuclear reactor theory and power plant systems. Trainees also get hands-on experience in their assigned plant and months of practice on a control room simulator which can duplicate as many as 250 different operating conditions.

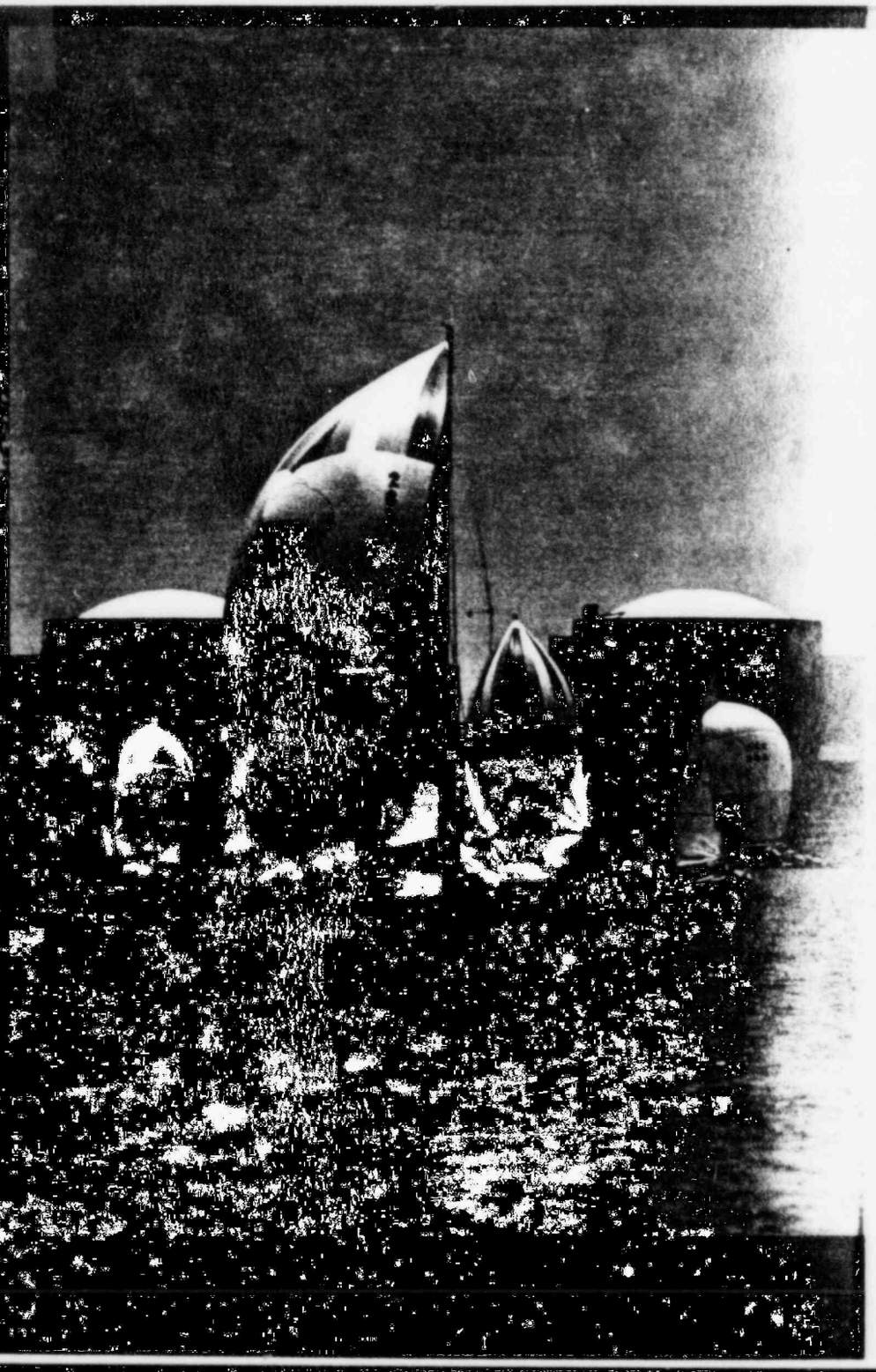
After successfully completing the Duke program, future operators must pass a comprehensive Nuclear Regulatory Commission examination to be licensed. The test includes a six-hour written exam, a two-hour oral evaluation, a four-hour practical test in the plant identifying equipment and its functions, and a four-hour session on the simulator.

Even after an operator is licensed, training never ends. All operators spend one week in five retraining and must reapply for a license every two years.

Duke Power is an industry leader in the management of radioactive waste and in radiation protection.

The Company's McGuire Nuclear Station was awarded the North Carolina Governor's Award of Excellence in Waste Management in 1984 for its sophisticated radioactive waste treatment system. The system helped Duke reduce the volume of low-level radioactive waste — protective clothing, tools and other equipment — produced at the plant to less than 15 percent of the industry average. This saved the Company an estimated $3.2 million in disposal costs at McGuire in one year alone.

Employees at Duke's nuclear stations are exposed to far less radiation each year than the industry average. In fact, Duke's standard for employee exposure to radiation is now recommended by the Institute of Nuclear Power Operations for all nuclear utilities in the nation.



"Many electric utility analysts have concluded that heavy reliance on nuclear power spells trouble. One utility that contradicts this theory is the Duke Power Company."

Public Utilities Fortnightly, November 22, 1984

experienced engineers. Together they have accumulated 135 years of experience in designing, constructing and operating power plants.

Experience and expertise

While there are advantages to being a do-it-yourselfer, most people know from personal experience that if you don't know what you're doing, you had better call the plumber. So along with Duke's do-it-yourself approach came a commitment to acquire the experience and expertise necessary to do the job right.

The importance of this was highlighted in a report prepared by a leading engineering and construction firm in 1983 for the U.S. Department of Energy. Not surprisingly, it concluded that the more experience a utility had with nuclear power, the better its plants were built, the less they cost and the better they ran.

Duke started acquiring its nuclear expertise early. In the late '50s and early '60s, the Company participated with three other Southeastern utilities in an experimental reactor project at Parr Shoals, S.C. Duke's top engineers worked closely with the designer and contractor on the 17,000-kilowatt, heavy-water reactor prototype. At the same time, others were sent to study nuclear operations at federal training centers and major universities.

Duke and the other Parr owners operated the plant from 1963 to 1967, coming away with invaluable experience in design, construction, testing, operation, radiation monitoring and decommissioning. In addition, Duke hired nuclear experts from the project, integrating their knowledge and talents into the organization.

The Company broke ground on its first nuclear unit, Oconee Unit 1, in 1967. All three Oconee units were finished in just seven years and at a total cost of only $500 million, an average of $194 per kilowatt. Today, Oconee has generated more electricity than any other nuclear plant in the nation. When Catawba Unit 2 is completed, the Company will have designed and built seven units in 20 years. Throughout that time, knowledge acquired from the operating units has been applied to the design and construction of new units. Experience has been translated into expertise.

In addition to on-the-job learning, Duke was one of the first utilities to establish formal training programs for nuclear personnel. At its Technical Training Center, adjacent to the McGuire Nuclear Station, the Company offers comprehensive instruction for nuclear plant operators as well as for technicians in health physics, chemistry, maintenance, instrumentation and electronics. Recruiting mostly local people from nearby technical schools, Duke has developed a highly skilled work force with a strong loyalty to the Company and the communities it serves.

"For winning big, our hats off to . . . Duke Power Co.'s leader William States Lee for proving that utilities can build nuclear-power plants at affordable prices."
Dun's Business Month, December 1984

Looking ahead

With this kind of nuclear success story, what path does Duke Power follow in an age in which the pundits are asking: "Is nuclear dead"?

In the face of today's regulatory uncertainty, Duke has no plans for nuclear units beyond Catawba Unit 2. Duke will commit to no new nuclear construction until regulatory reform enables a utility to shorten the time necessary to complete a plant and accurately predict its cost from the outset. While the nation needs the nuclear energy option, the Company cannot accept the financial risk of new nuclear construction until public policy again supports the peaceful use of the atom.

To help achieve this, Duke is working to inform and educate the public about nuclear power. The Company is also participating in national efforts to shape a more supportive nuclear policy.

In the meantime, Duke looks forward to operating seven superior nuclear units while constantly honing its skills to enhance safety, reliability and efficiency. In addition to operating its own plants, Duke will continue its role as an industry leader through support of the Institute of Nuclear Power Operations and other industry organizations. And the Company will continue to put its nuclear expertise to work for other utilities through its Management and Technical Services section, established in 1982 to market its skills in design, construction and operation of power plants.

Through these activities the Company will continue to build on its tradition of superior nuclear performance. Duke stands ready to take the lead when the United States turns back to nuclear power and looks for the expertise needed to make it work.

Unit 1 of the Catawba Nuclear Station generated its first electricity at 2:11 a.m. January 22, 1985. Capable of producing 1,145,000 kilowatts when operating at full power, the unit is scheduled for commercial operation this spring.

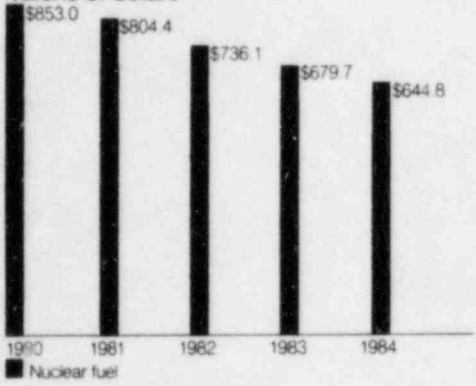
To help keep Catawba and the Company's other nuclear units on-line and operating at full capacity, Duke has established a reliability assurance group. Meeting once a month, this special team zeros in on 10 items most likely to affect reliability at each nuclear plant. Members are then assigned responsibility for heading off potential problems.

In 1984 Duke's nuclear system achieved a 76 percent capacity factor, outperforming the industry average of roughly 60 percent.

A few percentage points may not sound like much, but a 1 percent improvement in capacity factor saves an estimated $5 million a year in fuel expenses.

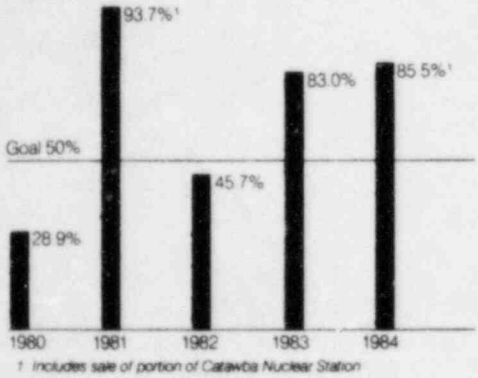
Construction costs

Millions of dollars



Internal cash generation

Percent



1 Includes sale of portion of Catawba Nuclear Station

Liquidity and resources

The Company demonstrated continued financial improvement in 1984. During the year — and at year-end — the market price of the Company's common stock exceeded book value for the first time since 1978. Credit ratings on first and refunding mortgage bonds, preferred stock, and preference stock were upgraded during the year, reflecting the improved financial condition.

In January 1985 the Board of Directors approved a revised long-term financial plan. The goals established by the plan are designed to maintain the improved financial position the Company has achieved in recent years.

Fixed charges coverage

Coverage of fixed charges, using the Securities and Exchange Commission method, increased to 4.21 times at year-end.

This improvement is the result of earnings increasing while fixed charges remained relatively constant. The near completion of major nuclear construction projects and the sale of a portion of the Catawba Nuclear Station reduced the amount of long-term financing needed and contributed to stable fixed charges.

A revised goal of 4.00 times has been established to maintain the Company's financial position.

Capital structure

The Company's capital structure at year-end was 44 percent long-term debt, 45 percent common equity and 11 percent preferred stock. This composition is in line with the revised goal of maintaining a capital structure with a maximum of 45 percent long-term debt, 45 to 50 percent common equity and the remainder in preferred stock.

In January 1985 the Company began purchasing common stock on the open market for its Dividend Reinvestment and Stock Purchase Plan and its Customer Stock Purchase Plan. For the next several years, the Company expects to issue new shares of common stock only for the conversion of the outstanding 6.75%, Convertible Series AA Preference Stock.

Funds from operations

Including the proceeds from the sales of portions of the Catawba Nuclear Station, funds retained in the business accounted for 86 percent of total capital requirements in 1984 and 63 percent for the period 1980 through 1983.

Maintaining this current level of internally generated funds will require timely and adequate recovery of increases in costs. These increases will occur because of the Company's share of the operating expenses, its investment in the Catawba Nuclear Station, and the requirements for the purchased capacity and energy expenses established by the agreements with the Catawba buyers. (See Note 14, "Notes to Financial Statements.")

Additional funds

During the past five years, the Company obtained additional funds from the sale of $599 million in first and refunding mortgage bonds and $88 million in preferred stock. Proceeds from the sale of common stock, including the issuance of common stock in a non-cash exchange for bonds, totaled $462 million. (See Note 4, "Notes to Financial Statements.")

The Company also received $978 million from the sales of portions of the Catawba Nuclear Station in 1984 and 1981. The December 20, 1984 sale of a 25 percent interest in Catawba Unit 2 to the Piedmont Municipal Power Agency contributed $457 million of

this total amount. The Company will continue to retain a 12.5 percent ownership interest in the two-unit station. (See Note 3, "Notes to Financial Statements.")

In October 1984 the Company borrowed the proceeds of the sale of $40 million principal amount of annual tender, pollution-control revenue bonds issued by York County, S.C. The bonds were issued to finance pollution-control and solid waste disposal facilities at the Catawba Nuclear Station. As of year-end the Company had received $34 million in proceeds, with the remainder to be received as expenditures are made.

On October 2, 1984, the Company transferred certain U.S. government securities to an irrevocable trust for the defeasance of $32.9 million of its 14⅜ percent first and refunding mortgage bonds. The entire series of the 14⅜ percent bonds will be retired by the Company on March 1, 1985. (See Note 12, "Notes to Financial Statements.")

The short-term obligations of one of the Company's nuclear fuel trusts were reduced by $40 million in January 1985. This reduction resulted in a total balance of $85 million in the two nuclear fuel trusts. (See Note 12, "Notes to Financial Statements.")

The Company intends to make a lump-sum payment of $122 million in mid-1985 to the Department of Energy in accordance with the Nuclear Waste Policy Act of 1982. This payment is for the obligation related to disposal costs for nuclear fuel consumed prior to April 7, 1983. (See Note 1, "Notes to Financial Statements.")

Rate increases

Retail rate increases, allowing approximately 57 percent of requested additional revenues, were granted to the Company from 1980 to 1983. These rate increases sought recovery of the Company's investment in both units of the McGuire Nuclear Station, higher rates of return on common equity, compensation for increased operating expenses, and recovery for the amortization of two canceled nuclear projects. In 1984 the Company was granted 66 percent of the amounts requested from its retail jurisdictions, primarily to recover its investment in McGuire Unit 2. (For rate information by jurisdiction, see Note 2, "Notes to Financial Statements.")

The Company intends to file rate requests with the North Carolina Utilities Commission, The Public Service Commission of South Carolina and the Federal Energy Regulatory Commission by the spring of 1985. These requests for rate increases will reflect the Company's investment in Unit 1 of the Catawba Nuclear Station and the expenses related to purchased power contracts associated with portions of the units that have been sold. (See Note 14, "Notes to Financial Statements.")

Capital needs

Property additions and retirements

Additions to property and nuclear fuel of $645 million and retirements of $410 million have resulted in a net increase in gross plant of $235 million in 1984.

Since January 1, 1980, additions to property and nuclear fuel of $3.7 billion and retirements of $1.5 billion have resulted in a net increase in gross plant of $2.2 billion. Retirements during the period were unusually large because portions of the Catawba Nuclear Station were sold and the Cherokee and Perkins nuclear projects were canceled. (See Notes 3 and 5, "Notes to Financial Statements.")

Construction and other expenditures

Total plant construction costs declined during the period 1980 through 1984 because the Company placed the McGuire Nuclear Station in commercial operation (Unit 1 in 1981; Unit 2 in 1984), sold portions of the Catawba Nuclear Station and canceled two nuclear projects. As a result, construction work in progress as of December 31, 1984, was less than $1.0 billion for the first time since 1975.

Expenditures for construction of major generating facilities and for nuclear fuel constituted approximately 61 percent of capital requirements during 1984, compared with 80 percent for 1980. Additional funds were required for the expansion and replacement of transmission and distribution facilities, the refunding of maturing securities and the requirements of sinking funds.

Future construction program

Major plant construction costs will constitute a lower percentage of the Company's capital requirements from 1985 through 1987, compared with the previous five years. Projected construction and nuclear fuel costs, excluding costs related to portions of the Catawba Nuclear Station that have been sold, are $2.3 billion for the three-year period.

An operating license was granted to the Company for the Catawba Nuclear Station on January 17, 1985. Commercial operation of Unit 1 is scheduled for the spring of 1985. Commercial operation of Catawba Unit 2 is planned for 1987, and construction on that unit is currently ahead of schedule.

The Company's portion of the total estimated construction and initial core nuclear fuel costs for both units of Catawba is $517 million. This amount includes $405 million spent as of December 31, 1984.

Construction of the Bad Creek Hydroelectric Station continued in 1984. Units 1 and 2 of the 1,000,000-kilowatt pumped-storage facility are scheduled for completion in 1991, with Units 3 and 4 in 1992. The estimated cost of Bad Creek totals $1.0 billion, with $41.5 million spent as of December 31, 1984.

Beyond the completion of Catawba and Bad Creek, the Company has no plans to place a new generating plant in service before the mid-1990s.

Results of operations

Revenues and sales

Electric revenues increased at an annual rate of 13 percent from 1980 to 1984 because of increases in rates and kilowatt-hour sales. Kilowatt-hour sales fluctuated during the five-year period. The factors affecting sales included the economic recession in the early 1980s, unusual weather patterns and the economic growth in the Piedmont Carolinas over the past few years.

Kilowatt-hour sales in 1984, including portions of electricity delivered to certain purchasers of the Catawba Nuclear Station under the terms and conditions of their contracts, were 4 percent higher than in 1983, largely because of continuing economic growth in the Piedmont Carolinas.

Non-textile industrial kilowatt-hour sales rose 8 percent in 1984, while textile industrial sales increased only slightly because of the recent slowdown in the textile industry. While sales to textile customers amounted to approximately 19 percent of total Company sales, fourth quarter textile sales declined 7 percent from the same period in 1983.

Operating expenses

Non-fuel operation and maintenance expense rose at an annual rate of 17 percent from 1980 to 1984. This growth rate was largely the result of placing two nuclear units into commercial operation, additional Nuclear Regulatory Commission requirements and inflation. (See "Selected Financial Data — Effects of Changing Prices," page 41.)

In the last three years, fuel expense has decreased at an annual rate of 5 percent. Fuel expense decreased in 1984 and 1983 because increased nuclear generation reduced the Company's need for coal, a more expensive source of fuel per kilowatt-hour. The 1982 decrease reflected lower levels of production mainly because of the economic recession. Fuel expense rose from 1980 to 1981 because the unit price of fuel increased.

"Net interchange and purchased power" expense decreased in 1984 and 1983. The decrease resulted from the McGuire Reliability Exchange, an agreement which entitles certain Catawba buyers to a portion of the energy from the McGuire Nuclear Station prior to the commercial operation of Catawba Unit 1. The energy purchased by the Catawba buyers, which was previously recorded as sales to wholesale customers, is now classified as a part of interchange sales.

Other

Allowance for funds used during construction (ADC) was equivalent to 32 percent of earnings for common stock in 1984, a decrease from 67 percent for the period 1980 through 1983. The reduction of construction work in progress resulting from the completion of two nuclear units, the sale of an additional portion of the Catawba Nuclear Station and the cancellation of two nuclear projects caused a decline in ADC from 1981 to 1984. (See Notes 3 and 5, "Notes to Financial Statements.") Increases in construction work in progress and higher embedded costs of funds caused ADC to rise during 1980 and 1981.

Interest and dividend income, subsidiary earnings, merchandise sales, and Management and Technical Services earnings increased from 1983 to 1984. These non-utility earnings represented 10 percent of total earnings for 1984, an increase from 5 percent in 1983.

Earnings and dividends for common stock

Earnings per share increased at an annual rate of 7 percent, to $3.98 in 1984 from $3.08 in 1980.

In 1984 the Company's total earned return on average common equity was 14.8 percent, the same percentage earned in 1983.

Dividends paid increased at an annual rate of 6 percent, to $2.42 in 1984 from $1.95 in 1980. Indicated annual dividends per share increased to $2.48 in 1984, up 5 percent from 1983.

Significant trends

Although the Company has experienced several years of solid growth, the next several years present many challenges.

Numerous factors could affect earnings, liquidity and capital resources. The most significant of these is whether the Company will receive timely and adequate rates to cover costs of the Catawba units after they begin commercial operation. Revenues from sales to textile customers could be materially affected if the economic problems caused by foreign imports continue to plague the industry. Factors that could have a positive effect on earnings, liquidity and capital resources include continuing increases in non-utility earnings, a steady growth in non-textile kilowatt-hour sales and maintaining high levels of nuclear generation.

Auditors' Opinion

Duke Power Company:

We have examined the balance sheets and the statements of capitalization of Duke Power Company as of December 31, 1984 and 1983, and the related statements of income, retained earnings and source of funds for plant construction costs for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company at December 31, 1984 and 1983, and the results of its operations and the source of its funds for plant construction costs for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
Certified Public Accountants
Charlotte, North Carolina
February 15, 1985

Responsibility for Financial Statements

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

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

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

Norman P. Morrow

Norman P. Morrow
Controller

Statements of Income

Dollars in thousands

Duke Power Company — Year ended December 31,	1984	1983	1982
Electric revenues (Notes 1 and 2)	**$2,710,015**	$2,420,252	$2,244,480
Electric expenses			
Operation			
Fuel used in electric generation (Note 1)	**683,563**	739,829	781,406
Net interchange and purchased power (credit)	**(36,408)**	(19,819)	(10,685)
Wages, benefits and materials	**393,448**	350,162	329,954
Maintenance of plant facilities	**207,951**	187,267	177,766
Depreciation and amortization (Notes 1 and 5)	**303,429**	209,750	186,080
General taxes	**194,095**	173,826	158,289
Income taxes (Notes 1 and 6)	**415,836**	330,023	231,902
Total electric expenses	**2,161,914**	1,971,038	1,854,712
Electric operating income	**548,101**	449,214	389,768
Other income (Notes 1 and 6)			
Allowance for equity funds used during construction	**98,711**	144,048	146,214
Earnings of subsidiaries, net	**17,221**	10,415	7,039
Provision for loss on disposal of assets	**—**	—	(30,000)
Other, net	**33,834**	5,391	12,548
Income taxes — other, net	**(29,180)**	(3,037)	(11,687)
Income taxes — credit	**42,209**	56,184	50,934
Total other income	**162,795**	213,001	175,048
Income before interest deductions	**710,896**	662,215	564,816
Interest deductions			
Interest on long-term debt	**276,520**	272,349	254,643
Other interest	**3,075**	6,766	12,802
Allowance for borrowed funds used during construction (credit) (Note 1)	**(30,030)**	(48,177)	(52,506)
Total interest deductions	**249,565**	230,938	214,939
Income before extraordinary item	**461,331**	431,277	349,877
Extraordinary item (Note 4)	**—**	—	48,304
Net income	**461,331**	431,277	398,181
Dividends on preferred and preference stocks	**61,786**	62,600	62,164
Earnings for common stock	**$ 399,545**	$ 368,677	$ 336,017
Common stock data			
Average shares outstanding (thousands)	**100,346**	97,784	93,679
Earnings before extraordinary item	**$3.98**	$3.77	$3.07
Extraordinary item	**—**	—	0.52
Earnings per share	**$3.98**	$3.77	$3.59
Dividends per share	**$2.42**	$2.32	$2.24

See Notes to Financial Statements.

Statements of Source of Funds for Plant Construction Costs

Dollars in thousands

Duke Power Company — Year ended December 31,	1984	1983	1982
Funds from operations			
Income before non-fund extraordinary item	**$ 461,331**	$431,277	$349,877
Non-fund items			
Depreciation and amortization (Notes 1 and 5)	**469,711**	324,608	268,651
Deferred income taxes and investment tax credit, net of amortization (Note 6)	**103,800**	333,045	159,515
Equity component of the allowance for funds used during construction	**(98,711)**	(144,048)	(146,214)
Other, net	**(13,137)**	(6,073)	25,171
Funds from operations	**922,994**	938,809	657,000
Dividends paid	**(304,577)**	(289,564)	(272,115)
Funds retained in the business	**618,417**	649,245	384,885
Funds from financings and sale of assets — net proceeds			
Sale of an interest in the Catawba Nuclear Station (Note 3)	**457,086**	—	—
Common stock (Note 4)	**37,194**	84,326	199,134
Pollution-control series	**60,720**	45,648	—
Nuclear fuel trusts	**84,461**	60,645	33,052
Term notes	**—**	—	79,721
First mortgage bonds	**—**	—	221,521
Preferred stock	**—**	—	38,296
Decrease in notes payable	**—**	(57,210)	(114,140)
Funds from financings and sale of assets	**639,461**	133,409	457,584
Total available funds	**1,257,878**	782,654	842,469
Increase in working capital (Note 13)	**(303,952)**	(170,979)	(20,816)
Long-term debt retired/preferred stocks reacquired (Note 4)	**(138,652)**	(81,097)	(194,555)
Other, net (Notes 1 and 13)	**(269,231)**	5,100	(37,252)
Plant construction expenditures	**546,043**	535,678	589,846
Equity component of the allowance for funds used during construction	**98,711**	144,048	146,214
Plant construction costs	**$ 644,754**	$679,726	$736,060
Summary of plant construction costs			
Production	**$ 253,025**	$376,134	$405,329
Transmission	**42,765**	32,022	40,599
Distribution	**156,075**	127,989	113,881
General	**55,558**	38,966	23,895
Subtotal	**507,423**	575,111	583,704
Nuclear fuel	**137,331**	104,615	152,356
Plant construction costs	**$ 644,754**	$679,726	$736,060

See Notes to Financial Statements.

Balance Sheets
Dollars in thousands

Duke Power Company	December 31, 1984	1983
Assets		
Electric plant (at original cost — Notes 1, 3, 12 and 14)		
Electric plant in service	**$7,810,094**	$6,270,799
Less accumulated depreciation and amortization	**2,646,266**	2,405,150
Electric plant in service, net	**5,163,828**	3,865,649
Construction work in progress	**988,790**	2,296,843
Total electric plant, net	**6,152,618**	6,162,492
Other property and investments		
Other property — at cost (less accumulated depreciation: 1984 - $7,423; 1983 - $8,022)	**38,774**	34,773
Investments in and advances to subsidiaries (Note 1)	**77,785**	61,808
Other investments — at cost or less	**22,596**	29,317
Total other property and investments	**139,155**	125,898
Current assets		
Cash (Note 7)	**5,754**	596
Short-term investments	**815,628**	125,590
Receivables (less allowance for losses: 1984 - $4,030; 1983 - $3,982)	**262,669**	232,577
Refundable income taxes (Note 6)	**—**	41,209
Materials and supplies — at average cost		
Coal	**114,787**	138,217
Other	**107,831**	105,735
Prepayments	**8,073**	10,316
Total current assets	**1,314,742**	654,240
Deferred debits		
Debt expense, being amortized over terms of related debt	**4,068**	4,045
Canceled construction projects (Note 5)	**395,519**	414,633
Other	**12,716**	18,137
Total deferred debits	**412,303**	436,815
Total assets	**$8,018,818**	$7,379,445

	December 31, 1984	1983
Capitalization and Liabilities		
Capitalization (See Statements of Capitalization)	**$6,214,754**	$6,079,430
Current liabilities		
Accounts payable	**153,109**	116,297
Nuclear fuel disposal costs payable (Note 1)	**122,003**	—
Taxes accrued	**214,064**	56,063
Interest accrued	**88,114**	89,973
Other	**67,668**	26,075
Total	**644,958**	288,408
Current maturities of long-term debt and preferred stocks	**119,819**	55,993
Total current liabilities	**764,777**	344,401
Accumulated deferred income taxes (Notes 1 and 6)	**683,023**	605,399
Deferred credits and other liabilities		
Investment tax credit (Notes 1 and 6)	**329,376**	313,139
Other	**26,888**	37,076
Total deferred credits and other liabilities	**356,264**	350,215
Commitments and contingencies (Notes 5 and 14)	**—**	—
Total capitalization and liabilities	**$8,018,818**	$7,379,445

See Notes to Financial Statements.

Statements of Capitalization and Retained Earnings

Dollars in thousands

Duke Power Company	December 31, 1984	1983
Capitalization		
Common stock equity (Note 9)		
Common stock, no par, 150,000,000 shares authorized; 101,152,724 shares outstanding for 1984 and 99,633,699 shares outstanding for 1983	**$1,859,639**	$1,820,828
Retained earnings	**952,360**	795,512
Total common stock equity	**2,811,999**	2,616,340
Preferred and preference stocks without sinking fund requirements (Note 10)	**420,534**	422,148
Preferred stocks with sinking fund requirements (Note 11)	**285,426**	295,053
Long-term debt (Note 12)		
First and refunding mortgage bonds	**2,530,506**	2,511,370
Promissory note due subsidiary, 16½% — due 1989	**58,725**	58,725
Term note, floating rate — due 1987	**21,000**	21,000
Term note, floating rate — due 1985	**2,000**	4,000
Capitalized leases	**90,877**	93,937
Nuclear fuel trusts	**125,000**	125,000
Unamortized debt discount and premium, net	**(17,894)**	(18,550)
Current maturities of long-term debt	**(113,419)**	(49,593)
Total long-term debt	**2,696,795**	2,745,889
Total capitalization	**$6,214,754**	$6,079,430

Year ended December 31,	1984	1983	1982
Retained Earnings			
Balance — Beginning of year	**$ 795,512**	$ 653,981	$ 529,842
Add — Net income	**461,331**	431,277	398,181
Total	**1,256,843**	1,085,258	928,023
Deduct			
Dividends			
Common stock	**242,791**	226,964	210,206
Preferred and preference stocks	**61,786**	62,600	62,164
Capital stock transactions, net	**(94)**	182	1,672
Total deductions	**304,483**	289,746	274,042
Balance — End of year	**$ 952,360**	$ 795,512	$ 653,981

See Notes to Financial Statements.

Note 1
Summary of significant accounting policies

A. Additions to electric plant
The Company capitalizes all construction-related direct labor and materials, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of money (allowance for funds used during construction). The cost of renewals and betterments of units of property is capitalized. The cost of repairs and replacements representing less than a unit of property is charged to electric expenses. The original cost of property retired, together with removal costs less salvage value, is charged to accumulated depreciation.

B. Allowance for funds used during construction (ADC)
ADC represents the debt and equity costs of capital funds necessary to finance the construction of new facilities. ADC, a non-cash, non-operating item, is recognized as a cost of "Construction work in progress," with offsetting credits to "Other income" and "Interest deductions." After construction is completed, a utility is permitted to recover these capital costs, including a fair return, through their inclusion in rate base and in the provision for depreciation.

ADC is not capitalized on construction work in progress (CWIP) included in rate base. As of December 31, 1984, no CWIP was included in the Company's rate base. CWIP of approximately $280 million was included in North Carolina rate base as of December 31, 1983 and 1982.

ADC, which is compounded semiannually, was calculated on average embedded rates (net of applicable income taxes) of 9.65 percent for 1984, 9.45 percent for 1983 and 9.38 percent for 1982.

C. Depreciation and amortization
Provisions for depreciation are recorded using the straight-line method. The year-end composite weighted-average depreciation rates were 3.56 percent for 1984 and 3.47 percent for 1983 and 1982. All coal-fired generating units are depreciated at the rate of 3.57 percent. Nuclear units are depreciated at a 4 percent rate, which includes an allowance for decommissioning costs.

Provisions for amortization of nuclear fuel include amounts for disposal costs. Such provisions, which are included in "Fuel used in electric generation," are recorded using the unit-of-production method.

Under provisions of the Nuclear Waste Policy Act of 1982, the Company began making quarterly payments to the Department of Energy (DOE) in 1983. These payments are based on nuclear fuel consumption after April 7, 1983.

The Company is obligated to pay DOE a one-time fee of $122,003,000 relating to disposal costs for nuclear fuel consumed before April 7, 1983. The Company intends to make a single payment for this fee before June 30, 1985. Although this amount has been reclassified to current liabilities from accumulated depreciation and amortization, the increase in electric plant has been included in "Other, net" on the Statements of Source of Funds for Plant Construction Costs.

D. Subsidiaries
The Company uses the equity method to account for investments in its subsidiaries, all of which are wholly owned. (See "Subsidiaries," page 43.) Retained earnings as of December 31, 1984, include $70,894,000 of undistributed earnings of subsidiaries. Dividends received from subsidiaries were $2,300,000 in 1984, $2,250,000 in 1983 and $1,600,000 in 1982.

The assets of Eastover Mining Company and the related land leased from Eastover Land Company were sold in 1983. A provision for loss of $30 million (net of income tax benefits of $28 million) was recorded in 1982.

E. Income taxes
The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to each company based on its taxable income or loss.

Income taxes are allocated to electric operating expense and to non-electric operations under "Other income." The "Income taxes — credit" classified under "Other income" results from tax deductions of interest costs relating to investments in non-utility properties, mainly CWIP not included in rate base and canceled construction projects.

Deferred income taxes are provided for timing differences between book and tax income, principally resulting from accelerated tax depreciation, capitalized taxes, employee benefits and loss on canceled construction projects. Investment tax credit is deferred and amortized over the useful lives of the related properties. The Company had no unused investment tax credit as of December 31, 1984.

F. Fuel cost adjustment procedures
Fuel costs are reviewed semiannually in the wholesale and South Carolina retail jurisdictions, with provisions for changing such costs in base rates. These jurisdictions allow the Company to reflect in revenues the difference between actual fuel costs incurred and fuel costs recovered through base rates.

In the North Carolina retail jurisdiction, an annual fuel hearing to review fuel costs in base rates is required. In addition, fuel costs must be reviewed during general rate case proceedings.

Note 2
Rate matters

The North Carolina Utilities Commission and The Public Service Commission of South Carolina must approve rates for retail sales within the respective states. The Federal Energy Regulatory Commission (FERC) must approve the Company's rates for sales to wholesale customers. The revenues shown (in millions of dollars) are annualized on the basis of the filing test year.

A summary of all general rate increases requested or implemented by the Company since January 1, 1982, is as follows:

		Approved				
Jurisdiction and date filed	Requested revenues	Revenues	% of request	% of increase over previous revenues	Rate order effective	End of 12-month test period
N.C. retail						
March 1982	$197.0	$ 61.7	31.3	4.38	November 1982	December 31, 1981
February 1983	112.9	76.2	67.5	5.18	September 1983	September 30, 1982
November 1983	212.8	131.0	61.6	8.40	June 1984	June 30, 1983
S.C. retail						
December 1980	103.7	57.0	54.9	13.00	January 1982	December 31, 1980
February 1982	99.4	40.7	40.9	7.10	March 1983	June 30, 1982
September 1983	136.0	99.7	73.3	17.40	March 1984	April 30, 1983
FERC wholesale*						
June 1981	46.9	30.7	65.5	11.90	August 1982	September 30, 1982
August 1982	44.1	26.0	59.0	8.70	June 1983	December 31, 1983
December 1983	9.5	8.0	84.2	9.60	October 1984	December 31, 1984

**FERC wholesale filings beginning December 1983 do not include the North Carolina Municipal Power Agency Number 1, the North Carolina Electric Membership Corporation and the Saluda River Electric Cooperative, Inc. that in previous years purchased interests in the Catawba Nuclear Station. Effective July 1, 1983, and November 1, 1983, these rates are set through contractual agreements. Sales to these municipalities and cooperatives previously represented a majority of the Company's wholesale revenues.*

Note 3
Sale of assets

The Company sold a 25 percent interest in Unit 2 of the Catawba Nuclear Station on December 20, 1984, to the Piedmont Municipal Power Agency, which represents 10 South Carolina municipalities. The Company received $457,086,000 at closing. The $1.8 million net of tax profit from the sale has been deferred.

As of December 31, 1984, "Construction work in progress" included $404,823,000, representing the Company's investment in its remaining interest in Catawba.

Note 4
Extraordinary item

The Company issued 3,727,544 shares of common stock with a market value of $73,489,000 on January 7, 1982, in exchange for portions of several series of outstanding first and refunding mortgage bonds with a face value of $119,902,000. The transaction resulted in a non-taxable gain of $48,304,000, or $0.52 per share, on the retirement of the bonds.

Note 5
Canceled construction projects

The Cherokee and Perkins Nuclear Stations have been canceled. All jurisdictions have permitted recovery of the costs incurred through April 30, 1983. These costs are being amortized principally over a 10-year period beginning October 1983. The Company intends to seek recovery of the remaining incurred costs.

As of December 31, 1984 and 1983, the balance for these canceled projects, excluding land and net of amortization, was $611,971,000 and $632,127,000, respectively ($395,519,000 and $414,633,000 net of income tax benefits, respectively). (See Note 6.)

Note 6
Income tax expense

Income tax expense consisted of the following (dollars in thousands):

	1984	1983	1982
Electric expenses			
Current income taxes			
Federal	$271,960	$ 701	$ 58,118
State	47,876	(966)	21,694
	319,836	(265)(a)	79,812
Deferred taxes, net			
Excess tax over book depreciation	67,107	79,890	46,985
Capitalized taxes, employee benefits, etc.	10,337	8,999	9,287
Loss on cancellation of Cherokee Nuclear Station (b)	(2,234)	210,329	—
Nuclear fuel disposal costs (c)	(6,184)	51,260	(12,893)
Other	8,143	(6,318)	6,456
	77,169	344,160	49,835
Investment tax credit			
Deferred	37,381	— (a)	109,596
Amortization of deferments (credit)	(18,550)	(13,872)	(7,341)
	18,831	(13,872)	102,255
Total electric expenses	415,836	330,023	231,902
Other income			
Income taxes — other, net	91,497 (d)	3,037	11,687
Income taxes — (credit)	(42,209)	(56,184)	(50,934)
Total other income	49,288	(53,147)(a)	(39,247)
Total income tax expense	$465,124	$276,876	$192,655

Total current income taxes were $376,949,000 for 1984, $(56,186,000) for 1983 and $33,128,000 for 1982. Of these amounts, state income taxes were $57,587,000 for 1984, $(7,981,000) for 1983 and $15,687,000 for 1982.

Total deferred income taxes were $69,344,000 for 1984, $346,934,000 for 1983 and $57,272,000 for 1982. Of these amounts, deferred state income taxes were $7,687,000 for 1984, $42,773,000 for 1983 and $7,430,000 for 1982.

(a) Current income tax expense for 1983 is a credit principally due to the loss on the cancellation of all units of the Cherokee Nuclear Station and the deduction of the Company's liability to date under the Duke/Department of Energy Spent Nuclear Fuel Disposal Contract. The benefit of this tax loss for 1983 has been recognized as "Refundable income taxes" on the Balance Sheets. This loss also eliminated all investment tax credit utilization for 1983.

(b) Represents deferred income tax expense related to the loss on the cancellation of all units of the Cherokee Nuclear Station. The related deferred income tax credits have been classified as a reduction of "Canceled construction projects" on the Balance Sheets. (See Note 5.)

(c) Reflects deferred income tax expense related to the non-deductible portion of nuclear fuel disposal costs. 1983 also includes reversal of deferred income tax expense related to prior period liabilities under the Duke/Department of Energy Spent Nuclear Fuel Disposal Contract.

(d) Includes $62,317,000 resulting from the sale of assets in December 1984. Such income taxes, which are included in "Other, net" on the Statements of Income, reflect a taxable gain in excess of book gain resulting principally from the treatment of ADC. (See Note 3.)

Income taxes differ from amounts computed by applying the statutory tax rate to pretax income as follows (dollars in thousands):

	1984	1983	1982
Income taxes on pretax income at the statutory federal rate of 46%	$426,169	$325,751	$263,365*
Increase (reduction) in tax resulting from:			
Allowance for all funds used during construction (ADC)	(59,220)	(88,424)	(91,411)
Amortization of electric investment tax credit deferrals	(18,550)	(13,872)	(7,341)
ADC in book depreciation/amortization	45,298	23,884	12,798
State income taxes, net of federal income tax benefit	35,832	18,874	12,132
Increase in tax expense primarily because of excess of tax gain over book profit on sale of assets	27,280	—	—
Other items, net	8,315	10,663	3,112
Total income tax expense (see above)	$465,124	$276,876	$192,655

**Pretax income excludes provision for loss on disposal of assets of subsidiaries recorded net of income tax benefits. (See Note 1.)*

Note 7
Short-term borrowings

The Company had short-term credit facilities with 60 commercial banks as of December 31, 1984. These facilities, plus the sale of commercial paper, are normally used to finance current cash requirements. The facilities were on a fee basis and/or a compensating-balance basis, with total average balance requirements of $1,372,000. Bank loans are at the lending bank's commercial prime or market rate. Certain of the facilities may require additional balances related to usage.

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

	1984	1983	1982
Amount outstanding at year-end (average rate of 10.38% for 1982)	$ —	$ —	$ 57,210
Maximum amount outstanding during the year	$ —	$111,210	$189,950
Average amount outstanding during the year	$ —	$ 30,951	$ 74,148
Weighted-average interest rate for the year (computed on a daily basis)	—	8.92%	12.38%
Credit facilities at year-end	$319,500*	$385,400	$385,400

**Includes $40,000,000 allocated to the 1984 issue of annual tender, pollution-control revenue bonds.*

Note 8
Retirement plan

The Company and two of its subsidiaries have a non-contributory, defined benefit retirement plan covering substantially all their employees. The Company's policy is to fund pension costs accrued. Total pension expense, including trustee fees, amounted to $32,828,000 in 1984, $33,137,000 in 1983 and $32,000,000 in 1982. In 1983 the plan was amended to provide for certain changes, including increased benefits for retired employees and additional survivor benefits. Also, the plan was changed in 1984 to include the Early Retirement Supplement Plan, a one-time early retirement offer to eligible employees. The effect of these changes did not significantly increase the Company's pension cost.

A comparison of accumulated plan benefits and plan net assets as of December 31, 1983, the date of the latest actuarial report, and December 31, 1982, is as follows (dollars in thousands):

	1983	1982
Actuarial present value of accumulated plan benefits		
Vested	$310,185	$251,426
Non-Vested	71,011	52,554
Total	$381,196	$303,980
Net assets available for benefits	$421,556	$343,430

The weighted-average assumed rate of return used to determine the actuarial present value of accumulated plan benefits was 8.6 percent in 1983 and 9.25 percent in 1982. The actuarial present value of accumulated plan benefits does not consider future salary increases.

Note 9
Common stock and retained earnings

Common stock

A summary of issuances of shares of common stock is as follows (dollars in thousands). (See Note 4.)

Year	Proceeds	Shares issued
1984	$ 37,194	1,451,607
1983	84,326	3,605,980
1982	199,134	7,274,724

In 1983 and 1984 the Company began using open-market purchases to satisfy the requirements of certain stock plans. For the next several years, the Company anticipates using open-market purchases to satisfy the requirements of all its stock plans and intends to issue new shares of common stock only for the conversion of preference stock.

As of December 31, 1984, a total of 4,805,091 shares was reserved for the issuance to stock plans and for the conversion of preference stock.

Retained earnings

As of December 31, 1984, none of the Company's retained earnings were restricted as to the declaration or payment of dividends.

Note 10
Preferred and preference stocks without sinking fund requirements

The following shares of stock were authorized with or without sinking fund requirements as of December 31, 1984 and 1983:

	Par value	Shares
Preferred stock	$100	10,000,000
Preferred stock A	25	10,000,000
Preference stock	100	1,500,000

The outstanding preference stock, 6¾% Convertible Series AA, is convertible into shares of common stock at the adjusted conversion price of $23.89 per share, with each share of preference stock valued at $100 par. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution. In 1984, 1983 and 1982, shares of preference stock were converted into shares of common stock as follows:

Year	Preference shares	Common shares
1984	16,136	67,510
1983	18,868	78,936
1982	45,759	191,463

Preferred and preference stocks without sinking fund requirements as of December 31, 1984 and 1983, were as follows (dollars in thousands):

Rate/series	Year issued	Shares outstanding	1984	1983
4.50% C	1964	350,000	$ 35,000	$ 35,000
5.72% D	1966	350,000	35,000	35,000
6.72% E	1968	350,000	35,000	35,000
8.70% F	1970	600,000	60,000	60,000
8.20% G	1971	600,000	60,000	60,000
7.80% H	1972	600,000	60,000	60,000
8.28% K	1977	500,000	50,000	50,000
8.84% M	1978	400,000	40,000	40,000
15.40% A	1982	1,600,000	40,000	40,000
6¾%, AA Convertible	1969	55,346	5,534	—
		71,482	—	7,148
Total			$420,534	$422,148

Note 11
Preferred stocks with sinking fund requirements

The following shares of stock were authorized with or without sinking fund requirements as of December 31, 1984 and 1983:

	Par value	Shares
Preferred stock	$100	10,000,000
Preferred stock A	25	10,000,000
Preference stock	100	1,500,000

Preferred stocks with sinking fund requirements as of December 31, 1984 and 1983, were as follows (dollars in thousands):

Rate/series	Year issued	Shares outstanding	1984	1983
7.35% I	1973	576,000	$ 57,600	$ —
		600,000	—	60,000
8.20% J	1977	440,000	44,000	—
		460,000	—	46,000
8.375% L	1978	460,000	46,000	—
		480,000	—	48,000
8.84% N	1979	483,750	48,375	—
		500,000	—	50,000
11.00% O	1980	500,000	50,000	50,000
10.76% A	1975	2,100,000	52,500	—
		2,160,000	—	54,000
Less: Preferred shares reacquired for current and future sinking fund requirements (at cost)				
		Shares reacquired		
10.76% A		120,000	(2,891)	(2,899)
8.84% N		32,500	(2,529)	(2,419)
11.00% O		13,750	(1,229)	(1,229)
Less: Current sinking fund requirements				
7.35% I			(2,400)	(2,400)
8.20% J			(2,000)	(2,000)
8.375% L			(2,000)	(2,000)
Total			$285,426	$295,053

The annual sinking fund requirements through 1989, net of amounts reacquired, are $6,400,000 in 1985 and 1986, $9,525,000 in 1987 and $10,900,000 in 1988 and 1989, with some additional redemptions permitted at the Company's option.

The call provisions for the outstanding preferred and preference stocks specify various redemption prices not exceeding 115 percent of par values, plus accumulated dividends to the redemption date.

Note 12
Long-term debt

First and refunding mortgage bonds outstanding as of December 31, 1984 and 1983, were as follows (dollars in thousands):

Series	Year due	1984	1983
3⅝%	1986	$ 30,000	$ 30,000
14⅜%	1987	17,150	50,000
12%	1990	75,000	75,000
15⅛%	1991	100,000	100,000
4½%	1992	50,000	50,000
4¼% B	1992	50,000	50,000
11%	1994	71,000	77,750
4½%	1995	40,000	40,000
5⅜%	1997	72,600	72,600
6⅜%	1998	68,500	68,500
7%	1999	56,075	56,075
8% B	1999	64,739	64,739
8½%	2000	69,244	69,244
8⅝% B	2000	95,635	95,635
7½%	2001	97,900	97,900
7⅜% B	2001	38,050	38,050
7¾%	2002	78,100	78,100
7⅜% B	2002	67,900	67,900
7¾%	2003	94,872	94,872
(continued)			
8⅛% B	2003	98,050	98,050
9¾%	2004	95,623	95,623
9½%	2005	92,800	92,800
8⅜%	2006	96,850	96,850
8⅛%	2007	119,500	119,500
9⅜%	2008	120,610	120,610
10⅛%	2009	145,050	145,050
10⅞% B	2009	148,000	148,000
14⅞%	2010	100,000	100,000
13⅛% B	2010	50,000	50,000
14½%	2012	125,000	125,000
Pollution control			
6⅝%	1988	25,000	25,000
9⅛%	2013	77,000	77,000
7¼%	2014	40,000	—
Less: Funds held in trust		(39,742)	(58,478)
Total		$2,530,506	$2,511,370

Substantially all electric plant was mortgaged as of December 31, 1984.

On October 2, 1984, the Company transferred certain U.S. government securities to an irrevocable trust for the defeasance of $32,850,000 of its 14⅜ percent first and refunding mortgage bonds. The cash flow from this trust will be sufficient to fund the scheduled principal and interest payments on these bonds. Accordingly, in 1984 this amount was removed from the balance sheet. The entire series of 14⅜ percent bonds will be retired on March 1, 1985.

The annual maturities of long-term debt (including sinking fund requirements and capitalized lease principal payments) through 1989 are $113,419,000 in 1985, $80,095,000 in 1986, $32,844,000 in 1987, $36,091,000 in 1988 and $70,216,000 in 1989.

The annual maturities for 1985 include $40 million related to the reduction of one of the Company's two nuclear fuel trusts. Annual maturities through 1989 include amounts relating to the remaining $85 million in outstanding obligations under the fuel trusts. The maturities are based on estimated fuel consumption. Instead of making cash payments, the Company intends to transfer title of additional nuclear fuel to the trusts as fuel is consumed.

Note 13
Reclassification

On the Statements of Source of Funds for Plant Construction Costs, certain prior year information has been reclassified to conform with 1984 classifications.

Note 14
Commitments and contingencies

A. Joint ownership of plants

The Company, the North Carolina Municipal Power Agency Number 1 (NCMPA No. 1), the North Carolina Electric Membership Corporation (NCEMC), the Saluda River Electric Cooperative, Inc. and the Piedmont Municipal Power Agency (PMPA) are joint owners of the 2,290,000-kilowatt Catawba Nuclear Station. Unit 1 is scheduled to begin commercial operation in 1985; Unit 2 in 1987. The Company owns 12.5 percent of the plant. Each participant has provided its own financing for its share of the plant.

In connection with this joint ownership, the Company has entered into agreements with these buyers to purchase declining percentages of the capacity and energy from the plant. The agreements will be effective beginning with the commercial operation of each unit — 15 years for NCMPA No. 1 and PMPA and 10 years for NCEMC and Saluda River.

Energy cost payments will be based on the variable operating costs, a function of the generation of the plant. Capacity payments will be based on the fixed costs of the plant. The estimated purchased capacity payments through 1989 are $225 million in 1985, $425 million in 1986, $624 million in 1987, $583 million in 1988 and $542 million in 1989. The capacity and energy costs will be reported in "Net interchange and purchased power" in the Statements of Income.

B. Construction program

For the years 1985 through 1987, projected construction and nuclear fuel costs are $1.71 billion and $560 million, respectively. The program is subject to periodic review and revision, and actual construction costs incurred may vary from such estimates. Cost variances are due to various factors, including revised load estimates, the outcome of licensing and environmental matters, and the cost and availability of capital.

C. Nuclear insurance

The Company's public liability for claims resulting from any nuclear incident is limited to $620 million under provisions of the Price-Anderson Act, which provides for nuclear liability insurance up to that amount. Under these provisions the Company could be assessed up to $5 million for each of its licensed reactors for a nuclear incident involving any licensed facility in the nation. If more than one nuclear incident occurred, the Company could be assessed up to $10 million a year for each of its licensed reactors. As of December 31, 1984, the Company had six licensed reactors, including Catawba Unit 1, which had a low-power license but is not scheduled to begin commercial operation until the spring of 1985.

The Company is a member of Nuclear Mutual Limited (NML), which provides property damage coverage for certain of the Company's nuclear facilities. If NML's losses ever exceed its reserves, the Company would be liable, on a pro rata basis, for additional assessments of up to $70 million. This amount represents 10 times the Company's current annual premium to NML.

The Company is also a member of Nuclear Electric Insurance Limited (NEIL). This organization provides insurance for the increased cost of generation and/or purchased power resulting from an accidental outage of a nuclear unit. If NEIL's losses ever exceed its reserves, the Company would be liable, on a pro rata basis, for additional assessments of up to $20 million. This amount represents five times the Company's current annual premium to NEIL.

The Company purchases $450 million of property damage insurance through NEIL's Excess Property Insurance Program. This coverage is in addition to the $500 million of coverage provided by the Company's underlying property damage policies issued through NML. If losses ever exceed the accumulated funds available to NEIL for the Excess Property Insurance Program, the Company would be liable, on a pro rata basis, for additional assessments of up to $28 million. This amount represents 7.5 times the Company's current annual premium for excess property insurance.

D. Other

The Company is involved in legal and regulatory proceedings before various courts and agencies with respect to matters arising in the ordinary course of business, some of which involve substantial amounts. Management is of the opinion that the final disposition of these proceedings will not have a material adverse effect on the results of operations or the financial position of the Company.

Long-Term Financings and Sale of Assets

Duke Power Company

To meet its capital requirements, the Company has financed with long-term debt and equity securities and has raised additional capital through other types of financings plus the sale of certain assets. In March 1983 the Company introduced the Customer Stock Purchase Plan, which enables customers to purchase common stock without paying brokerage fees. Financings and sale of assets from 1982 through 1984 were as follows (dollars in thousands):

	Price per share	**1984 Net proceeds**	1983 Net proceeds	1982 Net proceeds
Financings				
Common stock				
Dividend Reinvestment and Stock Purchase Plan*				
(1,188,333 shares)	$25.70	**$ 30,539**		
(1,226,818 shares)	23.56		$ 28,903	
(1,019,484 shares)	21.62			$ 22,042
Customer Stock Purchase Plan*				
(263,274 shares)	25.28	**6,655**		
(403,911 shares)	23.37		9,439	
Stock Purchase-Savings Program for Employees*				
(1,831,618 shares)	23.32		42,712	
(1,624,436 shares)	21.79			35,390
Employees' Stock Ownership Plan*				
(143,633 shares)	22.78		3,272	
(903,260 shares)	22.04			19,909
Bond/Stock Exchange				
(3,727,544 shares)	19.715			121,793
Total common stock		**37,194**	84,326	199,134
Preferred stock, $25 par				
15.40% Series A, 1982 (1,600,000 shares; March 2)				38,296
Total preferred stock				38,296
Long-term debt				
First mortgage bonds				
Pollution-Control Series		**60,720**	45,648	
15⅛% Series due 1991 (March 2)				98,680
14½% Series due 2012 (September 16)				122,841
Total first mortgage bonds		**60,720**	45,648	221,521
Other financings				
Nuclear fuel trusts		**84,461**	60,645	33,052
Promissory note due subsidiary — due 1989				58,725
Term note — due 1987				20,996
Total other financings		**84,461**	60,645	112,773
Total long-term debt		**145,181**	106,293	334,294
Total financings		**182,375**	190,619	571,724
Sale of assets				
Sale of an interest in the Catawba Nuclear Station		**457,086**		
Total long-term financings and sale of assets		**$639,461**	$190,619	$571,724

Average price per share

The Company began open-market purchases in the following years to satisfy the requirements of its stock plans:

	Open-market purchases initiated
Employees' Stock Ownership Plan	1983
Stock Purchase-Savings Program for Employees	1984
Dividend Reinvestment and Stock Purchase Plan	1985
Customer Stock Purchase Plan	1985

Selected Financial Data

Duke Power Company	1984	1983	1982	1981	1980
Condensed statements of income (thousands)					
Electric revenues	**$2,710,015**	$2,420,252	$2,244,480	$1,908,454	$1,682,822
Electric expenses	**2,161,914**	1,971,038	1,854,712	1,632,104	1,402,722
Electric operating income	**548,101**	449,214	389,768	276,350	280,100
Other income	**162,795**	213,001	175,048	254,043	208,365
Income before interest deductions	**710,896**	662,215	564,816	530,393	488,465
Interest deductions	**249,565**	230,938	214,939	194,142	177,374
Income before extraordinary item	**461,331**	431,277	349,877	336,251	311,091
Extraordinary item	**—**	—	48,304	—	—
Net income	**461,331**	431,277	398,181	336,251	311,091
Dividends on preferred and preference stocks	**61,786**	62,600	62,164	57,895	58,612
Earnings for common stock	**$ 399,545**	$ 368,677	$ 336,017	$ 278,356	$ 252,479
Common stock data					
Shares of common stock — year-end (thousands)	**101,153**	99,634	95,949	88,483	86,294
— average (thousands)	**100,346**	97,784	93,679	87,313	81,985
Per share of common stock					
Earnings before extraordinary item	**$3.98**	$3.77	$3.07	$3.19	$3.08
Extraordinary item	**—**	—	0.52	—	—
Earnings	**$3.98**	$3.77	$3.59	$3.19	$3.08
Dividends	**$2.42**	$2.32	$2.24	$2.08	$1.95
Book value — year-end	**$27.80**	$26.26	$24.89	$23.83	$22.82
Market price — high-low	**$30⅛-22¼**	$26⅜-21¾	$24-20⅜	$22½-15⅞	$19¼-14⅛
— year-end	**$29**	$25⅛	$23¼	$20⅝	$18⅛
Balance sheet data (thousands)					
Total assets	**$8,018,818**	$7,379,445	$7,057,780	$6,531,044	$6,328,174
Long-term debt	**$2,696,795**	$2,745,889	$2,712,372	$2,545,694	$2,594,008
Preferred stocks with sinking fund requirements	**$ 285,426**	$ 295,053	$ 304,026	$ 308,674	$ 316,559
Electric and other statistics					
Kilowatt-hour sales (millions)					
Residential	**14,493**	14,219	13,711	13,861	13,765
General service	**10,922**	10,339	10,087	9,731	9,395
Industrial	**21,821**	20,907	19,345	20,667	20,060
Other energy and wholesale*	**7,163**	8,686	8,237	9,289	9,091
Total kilowatt-hour sales	**54,399**	54,151	51,380	53,548	52,311
Number of customers — year-end					
Residential	**1,199,718**	1,167,846	1,139,248	1,125,371	1,105,035
Other	**195,992**	189,329	183,061	181,331	179,370
Total customers	**1,395,710**	1,357,175	1,322,309	1,306,702	1,284,405
Residential customer data					
Average annual KWH use	**12,210**	12,278	12,065	12,392	12,560
Average revenue billed per KWH	**6.11¢**	5.67¢	5.41¢	4.51¢	4.11¢
Number of employees — year-end					
Operating and maintenance	**13,465**	13,278	12,539	12,134	11,463
Engineering and construction	**6,860**	7,687	7,735	7,943	8,149
Source of energy (millions of KWH)					
Generated— Coal	**26,394**	32,466	38,927	42,513	40,984
— Nuclear	**32,632****	25,059**	15,009	14,229	14,213
— Hydro	**1,995**	2,114	1,569	843	1,820
— Oil and gas	**—**	8	7	146	203
Net interchange and purchased power*	**(2,908)**	(1,003)	(301)	494	(472)
System average heat rate	**9,853**	9,762	9,666	9,633	9,675
System load factor	**62.2%**	58.6%	56.8%	61.9%	61.6%

Reflects the effect of the McGuire Reliability Exchange invoked by certain municipalities and cooperatives that purchased interests in the Catawba Nuclear Station. (See Note 2, "Notes to Financial Statements.")

**Includes McGuire Unit 2 generation prior to commercial operation.*

Selected Financial Data

Duke Power Company

Quarterly financial data

A summary of quarterly financial data for 1984 and 1983 is as follows (dollars in thousands, except per-share data):

	Electric revenues	Electric operating income	Net income	Earnings per share
1984 by quarter				
Fourth	$680,177	$129,979	$ 97,862	$0.81
Third	729,047	156,746	139,001	1.23
Second	629,483	132,990	101,276	0.86
First	671,308	128,386	123,192	1.08
1983 by quarter				
Fourth	$593,064	$ 91,310	$ 89,717	$0.74
Third	667,947	136,525	129,867	1.17
Second	553,388	103,450	96,922	0.83
First	605,853	117,929	114,771	1.03

Generally, quarterly earnings fluctuate with seasonal weather conditions, timing of rate increases, fuel cost adjustment procedures and maintenance of electric generating units, especially nuclear units.

Stock market information

The Company had approximately 120,395 holders of record of common stock as of December 31, 1984, and 124,609 holders as of December 31, 1983. During 1984, approximately 39,432,900 shares of common stock were traded, compared with 58,664,500 during the previous year. The Company's common stock prices, as quoted by the New York Stock Exchange, and dividends paid are as follows:

	Dividends per share	Stock price range High	Stock price range Low
1984 by quarter			
Fourth	$0.62	$30⅛	$27⅛
Third	0.62	27⅞	24⅜
Second	0.59	25	22¾
First	0.59	26⅛	22¼
1983 by quarter			
Fourth	$0.59	$26⅜	$24
Third	0.59	24⅛	21¾
Second	0.57	24	22⅜
First	0.57	24	22

Duke Power Company

Effects of changing prices

In recent years, the impact of general inflation and changes in specific prices has caused distortions in traditional accounting measurements of income and capital. Although the rates of inflation in recent years have substantially decreased, the replacement of existing plant capacity occurs at a significantly higher cost than recovered through historical cost depreciation because of the high levels of inflation in previous years. In response to this problem, the Financial Accounting Standards Board requires certain disclosures of the effects of inflation on a company's operations and financial position.

Because the accompanying supplementary information involves various assumptions and approximations, it should be viewed as an estimate of the effects of inflation, rather than a precise measurement.

Constant dollar accounting

Constant dollar accounting reflects the overall decline in the purchasing power of the dollar by restating historical costs in terms of dollars of equal purchasing power.

Current cost accounting

Current cost accounting reflects changes in specific prices of the property used in the Company's operations from the date the property was acquired to the present. This method differs from constant dollar accounting to the extent that costs of specific utility property have increased more or less rapidly than the rate of general inflation. The current cost amounts of plant in service represent the estimated cost for replacing existing plant facilities and were determined by indexing surviving plant costs by internally generated indices or the Handy-Whitman Index of Public Utility Construction Costs. Since plant facilities are not expected to be replaced precisely in kind, "current cost" does not necessarily represent the replacement cost of existing productive capacity. Current cost depreciation is computed by applying the same rates used in the historical cost statements to the current cost plant amounts.

Effects of rate regulation

Under the Company's present ratemaking procedures, only the historical cost of plant in service is recoverable in rates as depreciation. Therefore, in times of relatively high inflation, the erosion of plant in service resulting from inflation in the current year may be greater than is reflected in current cost adjustments and is reflected as a reduction to net recoverable cost. This reduction was not necessary in 1984 and 1983 because the level of inflation was less than in previous years.

The Company has significant amounts of long-term debt outstanding which serves as a partial hedge against inflation, as well as other net monetary liabilities, which will be paid back in dollars of less purchasing power. In the accompanying schedules, the gain from decline in purchasing power of net amounts owed results from inflation's effect on obligations to pay cash at a future date.

Other

Income statement items other than depreciation have not been adjusted. The Company's operation and maintenance expenses already include the average effects of changing prices during the period. Therefore, no adjustments have been made to them. No adjustments to income tax expense have been made in computing the impact of inflation since only historical costs are deductible for income tax purposes.

Supplementary Statement of Earnings for Common Stock Adjusted for Changing Prices

Dollars in thousands

Duke Power Company — Year ended December 31, 1984	Historical dollar	Current cost
Electric revenues	$2,710,015	$2,710,015
Operating expenses	1,040,603	1,040,603
Maintenance of plant facilities	207,951	207,951
Depreciation	303,429	566,691
Taxes	609,931	609,931
Total electric expenses	2,161,914	2,425,176
Electric operating income	548,101	284,839
Other income	162,795	162,795
Income before interest deductions	710,896	447,634
Interest deductions	249,565	249,565
Net income	461,331	198,069
Dividends on preferred and preference stocks	61,786	61,786
Earnings for common stock	$ 399,545	$ 136,283
Increase in specific prices (current cost) of utility plant held during the year*		$ 117,903
Reduction to net recoverable cost**		—
Effect of increase in general price level		(376,032)
Excess of increase in general price level over increase in specific prices		(258,129)
Gain from decline in purchasing power of net amounts owed		137,912
Net		$ (120,217)

At December 31, 1984, current cost of electric plant, net of accumulated depreciation, was $9,673,781,000.

***Due to the decrease in the rates of inflation in recent years, there is no reduction to the net recoverable cost of plant reflected for 1984.*

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

In thousands of average 1984 dollars, except per-share figures

Duke Power Company	**1984**	1983	1982	1981	1980
Current cost information:					
Income before extraordinary item	**$198,069**	$207,023	$135,244	$165,293	$190,979
Earnings per share before extraordinary item	**1.36**	1.45	0.72	1.13	1.43
Net assets at year-end	**2,772,783**	2,681,856	2,541,351	2,330,692	2,370,741
Decrease in the current cost of electric plant in service, net of inflation, after reduction to net recoverable cost	**258,129**	279,226	107,053	301,990	564,248
Constant dollar information:					
Electric revenues	**2,710,015**	2,523,259	2,415,281	2,179,589	2,121,256
Common stock dividends per share	**2.42**	2.42	2.41	2.38	2.46
Market price per common share at year-end	**28.60**	25.75	24.74	22.79	21.82
General information:					
Purchasing power gain on net monetary items	**137,912**	140,026	157,269	373,361	519,675
Average consumer price index	**311.1**	298.4	289.1	272.4	246.8

Duke Power Company

Subsidiary investments
Dollars in thousands

	1984	1983
Property and investments — at cost		
Real estate, recreational and land development	**$39,323**	$39,115
Net current assets, principally investments, receivables and inventories	**42,485**	27,600
Total assets	**81,808**	66,715
Deferred income taxes	**(4,023)**	(4,907)
Total liabilities	**(4,023)**	(4,907)
Investments in and advances to subsidiaries	**$77,785**	$61,808

Crescent Land & Timber Corp.

Richard C. Ranson
President

In 1984 Crescent Land & Timber opened its second major business park — the 150-acre Greenway Industrial Park located just south of Charlotte. It also began construction of a 100,000-square-foot build-to-suit facility at the site.

Crescent established its first park, Lakemont Business Park, in 1983. The 45-acre development for light industry, office and certain limited retail uses, is located south of Charlotte in South Carolina.

Crescent was formed in 1969 to own and manage approximately 270,000 acres of non-utility property. In addition to investigating the potential for expanded industrial, commercial and residential development, Crescent continued to carry out exploration programs for minerals and other natural resources that may exist on its land.

In 1984 Crescent harvested 44.5 million board feet of timber and 82,600 cords of pulpwood and planted 3.3 million seedlings.

Duke Power Overseas Finance N.V.

Duke Power Overseas Finance N.V. was formed in 1982 in Curacao, Netherlands Antilles, to provide financial resources from outside the United States.

Duke Power made a capital contribution to the subsidiary that year, which is invested in short-term securities.

Also in 1982, Duke Power borrowed from the subsidiary the net proceeds of the sale in the Eurodollar market of $60 million principal amount of notes. The notes will mature April 15, 1989.

Mill-Power Supply Company

W. T. Robertson, Jr.
President

Mill-Power Supply Company continued its plan of growth in 1984 by establishing the Applied Technologies Department. This new group in the Sales Division represents Mill-Power's entry into the high-technology market.

In addition to energy management equipment which the subsidiary has marketed for several years, the new department has added programmable controllers and computer equipment and systems to its product lines. Professional staff has been added also.

Mill-Power was founded in 1910 to supply equipment to textile mills and other industries then converting to electricity and to act as Duke Power's purchasing agent. The subsidiary has 284 employees.

From its headquarters and warehouse in Charlotte, N.C., its distribution centers in Greensboro, N.C., Greenville, S.C., and Lancaster, S.C., and sales offices in Hickory, N.C., and Kinston, N.C., Mill-Power's Sales Division continues to perform as one of the largest electrical wholesale distributors in the Southeast.

As Duke Power's purchasing agent, Mill-Power's Purchasing Division purchased approximately $1 billion worth of equipment, fuel, services and supplies in 1984.

Board of Directors

William S. Lee
Chairman and Chief Executive Officer[1,3,4]

Naomi G. Albanese
Dean Emeritus School of Home Economics University of North Carolina at Greensboro[2]

Douglas W. Booth
President and Chief Operating Officer[1,4]

Thomas H. Davis
Chairman of the Executive Committee Piedmont Aviation, Inc.[2]

Robert C. Edwards
Chairman of the Board Textile Hall Corporation[3]

John L. Fraley
Vice Chairman and Chief Executive Officer Carolina Freight Carriers Corporation[2,3]

Alester G. Furman, III
Chairman of the Board Furman Co., Inc.[4]

Steve C. Griffith, Jr.
Senior Vice President and General Counsel[1]

William H. Grigg
Executive Vice President Finance and Administration[1,4]

Paul H. Henson
Chairman and Chief Executive Officer United Telecommunications, Inc.[4]

George R. Herbert
President Research Triangle Institute[2]

John D. Hicks
Senior Vice President Public Affairs[1]

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

W. W. Johnson
Chairman and Chief Executive Officer Bankers Trust of South Carolina[2]

Buck Mickel
Chairman of the Board Daniel International Corporation[3]

Reece A. Overcash, Jr.
Chairman of the Board and Chief Executive Officer Associates Corporation of North America[4]

Warren H. Owen
Executive Vice President Engineering, Construction and Production Group[1]

James C. Self
Chairman of the Executive Committee Greenwood Mills, Inc. Trustee The Duke Endowment[4]

Maceo A. Sloan
Vice Chairman North Carolina Mutual Life Insurance Company[4]

Austin C. Thies
Executive Vice President Transmission, Distribution and Electric Operations Group[1]

1. Executive Committee
2. Audit Committee
3. Compensation Committee
4. Finance Committee

Officers

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

Douglas W. Booth
President and Chief Operating Officer

William H. Grigg
Executive Vice President Finance and Administration

Warren H. Owen
Executive Vice President Engineering, Construction and Production Group

Austin C. Thies
Executive Vice President Transmission, Distribution and Electric Operations Group

Henry L. Cranford
Senior Vice President Division Operations

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

Steve C. Griffith, Jr.
Senior Vice President and General Counsel

John D. Hicks
Senior Vice President Public Affairs

James R. Bavis
Vice President Human Resources

Thomas C. Berry
Vice President Southern Division

Shem K. Blackley, Jr.
Vice President Transmission

Ralph W. Bostian
Vice President Production Support Department

J. Kenneth Clark
Vice President Corporate Communications

William A. Coley
Vice President Operation

Robert L. Dick
Vice President Construction

George W. Ferguson, Jr.
Vice President and Deputy General Counsel

Excell O. Ferrell, III
Vice President Northern Division

Elbert N. Hedgepeth, Jr.
Vice President Distribution

Duncan E. Lennon
Vice President and Tax Counsel

John F. Lomax
Vice President Western Division

Paul G. Martin
Vice President Eastern Division

Dwight B. Moore
Vice President Central Division

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

Richard B. Priory
Vice President Design Engineering

William R. Stimart
Vice President Regulatory Affairs

George E. Stubbins
Vice President Information Systems

Hal B. Tucker
Vice President Nuclear Production Department

Fred E. West, Jr.
Vice President Charlotte Division

James W. White
Vice President General Services

C. Joe Sherrill
Assistant Vice President Transmission-Substation Division

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

Norman P. Morrow
Controller

Richard J. Osborne
Treasurer

Eugene C. Sites
Assistant Controller

Hansel D. Whitley
Assistant Controller

Sue A. Becht
Assistant Treasurer

W. Bruce Shannon
Assistant Treasurer

Carolyn R. Duncan
Assistant Secretary

Phyllis T. Simpson
Assistant Secretary

Retired Officers

The following officers retired during 1984

Frank A. Jenkins
Senior Vice President Transmission and Distribution

Linwood C. Dail
Vice President Design Engineering

M. Thomas Hatley, Jr.
Vice President Rates

Samuel T. Lattimore
Vice President Finance Administration

Joseph G. Mann
Vice President Northern Division

Paul H. Mann, Jr.
Vice President Operation

E. Bruce Shuler
Vice President Transmission

John C. Goodman, Jr.
Assistant Secretary

Joe S. Major, Jr., *Vice President, Personnel, died March 5, 1984, after more than 46 years of service to Duke Power. We are grateful for his many contributions and regret his passing.*

Other Information

Notice of annual meeting

The 1985 meeting of holders of Duke Power Company common stock will be held Friday, April 26, at 10 a.m. in the O.J. Miller Auditorium of the Electric Center, 526 South Church Street, Charlotte, N.C.

Transfer agent and registrar

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, N.Y. 10015

Stock exchange listing

Duke Power Company common stock is listed and traded on the New York Stock Exchange. The trading symbol is DUK.

Corporate headquarters

422 South Church Street
P.O. Box 33189
Charlotte, N.C. 28242
704/373-4011

SEC Form 10-K and statistical supplement

Upon request, the Company will provide without charge a copy of its 1984 Annual Report to Shareholders on Form 10-K as filed with the Securities and Exchange Commission. Also available without charge is the Statistical Supplement to the 1984 Annual Report. Requests for these documents should be directed to Richard Williams, Investor Relations, Duke Power Company, P.O. Box 33189, Charlotte, N.C. 28242. Shareholders may call Investor Relations at 373-4579 (Charlotte) or at the following toll-free numbers: 1-800-532-0492 (North Carolina); 1-800-438-0142 (elsewhere in the United States).

DUKE POWER COMPANY
P.O. BOX 33189
CHARLOTTE, N.C. 28242

HAL B. TUCKER
VICE PRESIDENT
NUCLEAR PRODUCTION

TELEPHONE
(704) 373-4531

August 9, 1985

Mr. Harold R. Denton, Director
Office Of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Attention: Ms. E. G. Adensam, Chief
Licensing Branch No. 4

Re: McGuire Nuclear Station
Docket Nos. 50-369 and 50-370

Dear Mr. Denton:

Please find enclosed ten (10) copies of the Duke Power Company 1984 Annual Report. This financial report is submitted pursuant to 10 CFR 50.71(b).

Very truly yours,

H.B. Tucker/SAG

Hal B. Tucker

SAG/hrp

Enclosures (10)

cc: (w/o enclosures)

Dr. J. Nelson Grace, Regional Administrator
U. S. Nuclear Regulatory Commission
Region II
101 Marietta Street, NW, Suite 2900
Atlanta, Georgia 30323

Mr. W. T. Orders
NRC Resident Inspector
McGuire Nuclear Station

M004
1/10