

**A History of
Carolina Power and Light Company
1958 -- 1992**

By Albert L. Morris

Preface

This history of Carolina Power and Light Company is a reflection of the cumulative effort of thousands of employees, each doing an essential job which blends into the big picture to enable the company to provide the dependable service which customers expect.

It also is a reflection of the dreams, frustrations and personal philosophies of those who have led the Company, of responses to the environment in which the enterprise has operated, of efforts to maintain employee enthusiasm and morale during difficult periods, of the blending of new and old technologies, and of opening the door for the introduction of a new corporate culture.

This history of CP&L explores what happened in and to the Company between 1958 and 1993. It looks at the problems and opportunities of each period through the eyes of the chief executive officers -- Louis V. Sutton, Shearon Harris and Sherwood H. Smith, Jr. It reflects the achievements of the Company and its employees, and it describes the public, political and regulatory environment in which the Company operated.

Acknowledgments

The writing of this history required the cooperation of many individuals to whom the author wishes to express appreciation, individually and collectively.

For assistance with research, I am particularly indebted to Larry Lancaster, former secretary of the Company; to Stephen Meehan, a former employee of the corporate communications department; to Roxie Hart, secretary to the vice president for corporate communications, and to librarians Paula Fish, Donna Hitchings and Ann Carmichael.

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HISTORY IS ONLY AN INDICATION OF THINGS TO COME

The year was 1958. Dwight D. Eisenhower was president. Elvis was king of rock and roll, the hula hoop was the latest fad, American Express was launching its then-new credit card business, and Carolina Power and Light Company was marking its 50th anniversary. Louis V. Sutton, an engineer who had been chief executive since 1933, had led the Company through the Great Depression, the trying times of World War II, and to corporate independence which placed the "CPL" symbol on the "big board" in New York for the first time in 1946.

Only six years earlier, Sutton had led the merger with Tide Water Power Company which gave CP&L its final geographic shape. The Company served about half of North Carolina and one-fourth of South Carolina. It had 408,000 customers, 2,126 employees, and its generating capacity was 1,391 megawatts. A new 185 megawatt plant was under construction in Darlington county, South Carolina.

In 1958, CP&L had revenues of \$70.3 million, net income of \$12.7 million, and utility plant in service of \$310 million. Its rates were going down. But the winds of change were blowing. Sutton talked about these in an address to the Newcomen Society of New York, a group which bore the name of the inventor of the atmospheric steam engine.

"The progress of the past half-century is a mere indication of things to come," he said. "The electric industry proudly moves hand-in-hand with the citizens we serve toward a still better day, made the better by the `team' that makes up our Company.

"The next half-century offers challenges and opens vistas as vast and unexplored as any that faced our pioneer predecessors. Out of the courage and integrity and enterprise of the past, we can draw inspiration for the future."

These were prophetic words from a man nearing the end of his career at the helm of a rapidly-growing utility company, words whose truth was echoed through the next three and a half decades of change at a pace more remarkable perhaps than Sutton ever dreamed. The changes would shape Sutton's Raleigh-based company into a \$7.5 billion corporation serving more than one million customers. This is the story of CP&L during those years of challenge and change.

Sutton, then 68, guided the Company with a firm hand. Associates viewed him as flamboyant, a somewhat crusty southern gentleman, a leader in the power industry who had been president of Edison Electric Institute, the trade organization for electric utilities. He was credited with having insight into the kind of construction and money problems which the next decade would bring. A sales-minded engineer, he had introduced inducement rates during the 1930s. He had a firm jaw, a wide grin, and a reputation for being a man of action. He could be a very persuasive manager.

When Sutton was elected president of EEI in 1950, Electrical World said he "talks as readily and dynamically as any executive in the utility business" on system operation,

rates and merchandising. Noting that his "soft drawl and easy manner are deceptive," the magazine described him as "neither reticent nor ultra-conservative."

Working closely with Sutton as vice president and general manager was H. Burton Robinson who had been with CP&L since he joined the Company in 1931 following a stint with Electric Bond and Share Company in New York. He had been elected vice president in 1943, a director in 1953 and general manager in 1955. He was a brilliant engineer, dedicated to cost control and to providing affordable, quality service. Associates perceived him to be ready and willing to use new technology, an important virtue in view of changes taking place in the industry. A small man physically, he would pound his desk and raise his voice to make a point, prompting his secretary of many years, Izzy Gill, to say of him, "His bark is worse than his bite." He frequently would approve proposals and then add, "I hope you are right ... for your sake." Described as one who operated "by the books", he was not politically minded and was said to have little appreciation for public relations. Across the Company, people assumed he would succeed Sutton.

Perhaps Sutton's most trusted confidante was W. Herbert Weatherspoon, then 74, a vice president since 1932 and general counsel and a director since 1935. Described as having a sense of caution that balanced the sense of action of Sutton, Weatherspoon had served in the state legislature before coming to CP&L. One of his frequent phrases is recalled as, "Now wait a minute, Louie". The Company's plant at Lumberton was named for Weatherspoon.

Joseph C. Richert was vice president for district operations, a post he had held since 1948, and R. B. Carpenter who had followed Sutton from Mississippi to Raleigh in the early 1930s had been treasurer since 1946.

Preparing for Succession

One of Sutton's priorities was to prepare for management succession. He had brought Shearon Harris, an attorney and former member of the North Carolina General Assembly into the Company in 1957 as associate general counsel. In 1960, Reid Thompson also would join the Company as associate general counsel. Thompson was a former member of the General Assembly and had been the youngest superior court judge ever appointed in North Carolina. Weatherspoon was generally credited with recommending Harris and Thompson. However the employment of the two came about, it would prove to be a good judgment of executive talent as Harris would become chief executive of CP&L while Thompson would move to the same position at Potomac Electric and Power in Washington, D. C.

E. N. Pope, long-time manager of advertising and sales promotion and author of many of Sutton's speeches, credited Sutton with having the foresight to recognize that the Company's greater problems in the future would be in the regulatory and political arenas rather than engineering. For this reason he looked for leaders with political and regulatory insight and experience.

Sutton had a long history of opposing government power, specifically the

Tennessee Valley Authority, the South Carolina Public Service Authority and the rural electric cooperatives. He had testified before congressional committees during his year as president of Edison Electric Institute. He saw subsidized, untaxed power suppliers as unfair competition for investor-owned, taxpaying public utilities. This issue would intensify during the early 1960s.

The Company had other needs. More than half of its industrial sales were to textile manufacturers. Its service area was heavily dependent upon an agricultural economy. How to attract a more diversified industry and how to help farm customers increase their income were major concerns for a utility which saw its future as being inextricably tied to the future of the area it served.

The establishment of the Research Triangle Park, championed by Governor Luther Hodges, had just been announced. Located near the center of a triangle formed by Duke University, the University of North Carolina at Chapel Hill and North Carolina State University, its 4,300 acre campus was a prospective site for industries desiring to build research and development facilities.

A basic marketing decision had been made, but it remained to be fully implemented. The coming of air conditioning was causing the Company's summer peaks to grow faster than winter peaks. Therefore, the promotion of electric heating had become a way to keep the summer and winter loads more nearly balanced, and to achieve a better system load factor.

Customer opinion about the Company was very positive. For 20 years surveys had been commissioned to measure attitudes about the value of electric service, about the Company and its employees as community citizens, and about private versus government ownership of their electric supplier. In all areas, CP&L consistently had shown a better customer relations picture than the national average.

Many would recall later that the decade after 1958 was CP&L's brightest. Communities would actively seek to be the location of the Company's new, more efficient power plants. Customers would buy more and more electricity. The price would go down. Area lights would brighten the countryside. New industries would come, bringing new and better jobs. Construction would begin on the first commercial nuclear power plant in the southeast. The territorial issue with REA cooperatives would be resolved. And a new management team, headed by Shearon Harris, would assume leadership.

1959: ENTERING THE NUCLEAR FUTURE

An exciting new technology for the generation of electricity was on the horizon as 1959 began. The United States Atomic Energy Commission had granted an Access Permit in 1955 for certain CP&L employees to receive classified information on nuclear energy. Some CP&L engineers had completed nuclear courses at North Carolina State University, the first institution in this country to establish a nuclear engineering department and have a reactor on campus for instructional purposes. In 1956 the Company and three neighboring utilities -- Duke

Power Company, South Carolina Electric and Gas Company, and Virginia Electric and Power Company -- had chartered Carolinas Virginia Nuclear Power Associates, Inc.(CVNPA), a non-profit organization to do research and development of nuclear fuel. Now came the next big step.

John A. McCone, chairman of the Atomic Energy Commission, announced that a contract had been signed with CVNPA for a demonstration nuclear power plant at Parr Shoals, about 25 miles northwest of Columbia, South Carolina. Westinghouse would be the contractor for a 17,000 kilowatt heavy water, moderated pressure, tube-type reactor. Under the agreement, CVNPA would put up \$22 million for capital costs while the AEC would pay \$15 million for research and development and fuel use charges.

Other power companies were entering into similar agreements with the AEC to explore the feasibility of other types of reactors for generation of electricity on a commercial scale. There was optimism that the power of the atom could be harnessed to produce electric energy at much less cost. Raymond Talton, an engineer who was responsible for system planning, was assigned to oversee CP&L's interest in the Parr project. He was chairman of the project's technical committee.

There were two types of nuclear reactors which were viewed as potentially suitable for commercial use -- light water and heavy water. The light water type emerged as the choice for commercial application. Talton recalled that the heavy water design was chosen for Parr because it was the only one "we knew about that wouldn't require fuel enrichment. No one else in this country was building a heavy water reactor. There was a pioneering spirit associated with the project -- a sense that we were doing something that had never been done before. It was exciting, enjoyable and challenging."

Marketing Given More Emphasis

While taking a giant step into its nuclear future, CP&L also stepped up its marketing effort. The rationale was simple: new coal-burning generating plants were larger and more efficient, so growing sales benefited both the Company and its customers.

One of the first all-electric home promotions attracted 6,000 persons for an open house in Wilmington. A local newspaper reported that "large lighted closets throughout the house, with unique quick fold doors, were appreciated by the ladies. The men were attracted to the heat pump.... Day visitors were entranced by the yard light. When they placed their hand over the PE cell, the lamp would come on."

That the same machine could heat a house in winter and cool it in summer boggled the mind of many. This was the magic of the heat pump. The explanation to the curious was that the heat pump "is simply an application of refrigeration that utilizes a building as its cabinet and either heats or cools as it is directed by the inside temperature of the building."

There were other types of electric heating. Perhaps the most popular in the early years was electric ceiling. Small electric wires were imbedded in the ceiling. When activated

by a thermostat, the invisible system would radiate heat. Baseboard heaters also allowed room temperature control. The least efficient system was the electric furnace.

In January 1959 the Company offered a \$25 prize to the salesman who would sell the first electric school heating job. The prize went to Houston Black for the four-room Anson County Training School at Wadesboro.

1959 also saw the end of the Finer Carolina program, a competition which encouraged community improvement. The awards for the last year were to Hartsville, S.C., and to Cary and Parkton, N. C. During the seven years of Finer Carolina competition, 180 communities worked on more than 4,600 separate projects aimed at beautifying residential areas, improving cultural opportunities, upgrading municipal facilities, stimulating business, and attracting new industry. Cleveland Thayer, long-time manager in Asheboro, was quoted in the local newspaper:

"Show me a community whose citizens are proud of their town and what it has to offer, who are proud of their homes, of their jobs, of themselves, and what they are capable of doing; and I will show you a community with a future and one in which it is a real pleasure to live."

Shareholder Meetings in South Carolina

Seeking to broaden understanding of issues confronting CP&L, Sutton and other senior managers met with shareholders in Florence and Sumter. Robinson reminded that modernization, automation and careful planning had enabled CP&L to hold down its charges and avoid rate increases while everything else increased in cost. "Our residential customers," he said, "are using 43 percent more electricity than the national average and paying 24 percent less per unit for it." The theme was one that would be repeated often in ensuing years.

Harris told the shareholders that about one-fourth of every dollar CP&L customers were paying for electric service was used to pay taxes which for the most part were not required of TVA and REA cooperatives. Weatherspoon noted that the Company's \$17 million tax bill was almost double its payroll. "There is something wrong when taxes become the largest item of expense," he added.

This also was the year when the withholding for Social Security rose from 2.5 to 3 percent on earnings up to \$4,800. The Company bought its first compact cars, a Ford Falcon and a Chevrolet Corvair, expecting to test their suitability. None of the vehicles were air conditioned. An automatic dispatch computer and generation controller was installed at the Method dispatching center. A new access area was opened for public use on the southern shore of Blewett lake. The old landing near the dam was closed because the dam was a hazard for boaters and skiers who approached dangerously close before seeing it. The mood of the period was captured in a letter written by a retired minister to Jack Riley, publicity manager. The minister wrote, "I have seen how electricity helps people, and it seems to me that a company that brings so much good to so many people must be a good company to invest in."