

ANNUAL REPORT 1966



ARKANSAS POWER & LIGHT COMPANY | HELPING BUILD ARKANSAS

8006050187

From The President

TO OUR INVESTORS, EMPLOYEES AND CUSTOMERS

The high level of industrial activity, generally good business conditions and satisfactory agricultural production contributed to continued over-all growth during 1966 for Arkansas and your Company. Highlights of the Company's performance are as follows:

Customers: A net gain of 7,747 customers increased the total served at year end to 344,297, with 2,173 of this number accounted for by the leasing of the Crossett Electric Co. property.

Kilowatt Hour Sales: Total energy sales showed a growth of 16 percent — 8,492 million kilowatt hours compared to 7,305 million in 1965. Total general business sales (which exclude sales for resale) were up eight percent. The largest part of this increase was produced by sales to industrial customers, with substantial gains also made in energy sales to commercial and residential users.

Revenues and Expenses: 1966 revenues totaled \$99.8 million, up six percent from the previous year. The Company's annual compounded rate of revenue growth over the last ten years has been just over seven percent, which compares with a level of approximately six percent for the electric industry as a whole. The Company's revenue growth in 1966 was influenced by lower rate schedules which had become effective in 1965. The average price per kilowatt hour for residential electric service has dropped 25 percent during the past five years. This achievement was the result of increased usage along with the lower rates which were made possible by the improved efficiency of our employees, plants and equipment.

Operation and maintenance expense increased by eight percent, largely the result of increased power purchases related to energy for resale.

Net Income: Increased operation and maintenance expense, depreciation, taxes, and interest more than



At the close of 1966, the Company's 345-mile, 500,000-volt transmission system was near completion. The lines are part of the nation's largest Extra High Voltage system.

offset the increase in revenue which resulted in a net income of \$15.7 million, a decrease of three percent from 1965.

Construction: A total of \$66.6 million was required for construction projects, the largest one-year expenditure in the Company's history. In order to meet increasing power demands of the early Seventies, plans were announced for a \$41 million project to add a 500,000-kilowatt generating unit at our Lake Catherine plant.

Financing: To finance the construction program, \$45 million of new capital was raised during the year—\$25 million in March from the sale of first mortgage bonds; \$10 million from the sale of preferred stock and \$10 million from the sale of common stock in October.

1967 Outlook: We're expecting a good business year in 1967 and the outlook is optimistic for a continued high level of industrial growth. We estimate that our 1967 expansion program will cost \$57.4 million.

Behind the fine record of 1966 stand the 2,500 men and women of AP&L. With their effective performance, we feel confident that our Company will continue to grow and meet the challenges and changes that will come in 1967 and the future. We appreciate, too, the growing preference for electric service by our customers and the continued confidence of the investors who provide the large amounts of capital needed to sustain and expand our business.

Sincerely,

Reeves E. Ritchie
President

AP&L NEWS HEADLINES OF 1966

JANUARY	AP&L Announces Its Largest Construction Budget to Provide More Power, Expand System (page 10)
FEBRUARY	Company Leases Crossett Electric Co. System (page 6)
MARCH	Work Gets Underway on Phase III—Extra High Voltage System (page 10) Directors Approve Sale of \$25 Million First Mortgage Bonds (page 4)
APRIL	SEFOR Nuclear Reactor Mock-Up Scores Major Success (page 13) Steel Erection Underway on Robert E. Ritchie Unit No. 2 (page 10)
MAY	Five Companies, including AP&L, Will Build 450-Mile, 345,000-Volt Transmission Line (page 12)
JUNE	New Brinkley Office is First of Six New Buildings to be Completed in 1966 (page 9)
JULY	Customers Set New Record Peak Demand (page 3)
AUGUST	Cool Weather Reduces Power Usage (page 3)
SEPTEMBER	SEFOR Experimental Reactor Half Completed; Fuel Contract Announced (page 13)
OCTOBER	New 500,000-Kilowatt Unit to Require \$41 Million Expansion at Lake Catherine (page 11)
NOVEMBER	Diversity Interchange of Power is First and Largest between Regional Power Systems (page 10)
DECEMBER	Stator Lifted into Position at Robert E. Ritchie Station (page 10)

GROWTH CAPSULE 1966

	1966	1965	% Increase	1957
Revenues	\$ 99,752,398	\$ 93,898,099	6 %	\$ 55,266,221
Expenses	\$ 43,856,353	\$ 40,722,876	8 %	\$ 22,330,017
Taxes	\$ 21,555,685	\$ 20,628,156	5 %	\$ 13,382,468
Net Income	\$ 15,699,035	\$ 16,222,033	(3) %	\$ 8,355,647
Customers (Year End)	344,297	336,550	2 %	284,467
Employees	2,498	2,505	—	2,382
Wages	\$ 17,687,202	\$ 17,074,733	4 %	\$ 11,293,385
Energy Sales (Thousands of Kilowatt Hours)	8,492,419	7,304,853	16 %	4,906,614
Average Use of Electricity (Kilowatt Hours)				
Residential Customers	4,432	4,134	7 %	2,080
Commercial Customers	23,944	22,387	7 %	11,479
Peak Demand (Kilowatts)	1,692,000	1,524,000	11 %	818,295
Total Utility Plant Investment (Year End)	\$500,017,061	\$438,196,129	14 %	\$258,381,012
Construction Costs	\$ 66,616,000	\$ 49,612,000	34 %	\$ 10,613,000



hours and revenues by an estimated \$1.3 million below levels experienced during normal weather conditions.

Expenses on the Increase

Operation and maintenance expense in 1966 totaled \$43.9 million, an increase of \$3.1 million, or eight percent, over the previous year. The principal item causing such a substantial increase in expenses was the purchase of energy for resale to other South Central Electric Companies. Fuel costs and power purchases in 1966 totaled \$23.8 million, compared to \$21.3 million in 1965.

Salaries and wages paid by the Company in 1966 amounted to \$17.7 million, compared to \$17.1 million the previous year.

Depreciation

The 13 percent and seven percent increases in electric plant in service which occurred in 1965 and 1966 respectively, resulted in greater charges for depreciation.

Depreciation expense totaled \$12.2 million in 1966, an increase of \$1 million, or eight percent, over the previous year.

Taxes

Tax support of local, state and federal governments continued to increase in 1966, reaching a record high of \$21.9 million. This exceeds the combined amounts of wages and salaries charged to operating expense and dividends paid to our shareholders for the use of their money. Of the total amount set aside for taxes, \$21.7 million was charged to operating expense and represents the largest single item of expense.

The Company set aside for tax purposes 22 cents out of each dollar of revenue.

AP&L Taxes

(Thousands of Dollars)

	<u>1966</u>	<u>1965</u>	<u>Increase</u>
Federal	\$13,500	\$13,331	\$169
State	\$ 1,708	\$ 1,696	\$ 12
County & School ...	\$ 5,044	\$ 4,428	\$616
Local	\$ 1,601	\$ 1,400	\$201

Above Left: This total-electric local office building at Brinkley, dedicated on June 3, is situated on a lovely, tree-shaded lot.

Above Right: Like all new Company office buildings, the one in Stuttgart, dedicated on June 18, features a Reddy Kilowatt Room which is available for community meetings.

Interest

Total interest charges amounted to \$6.4 million in 1966, an increase of \$1.2 million, or 24 percent, over the previous year. This increase resulted primarily from the interest on first mortgage bonds which were sold in March to help finance the Company's construction program.

Net Income

In 1966, the loss of revenue resulting from abnormal weather conditions, the previous year's rate reductions, and the loss of sales to certain rural electric cooperatives, coupled with increased operation and maintenance expense, depreciation, taxes and interest caused the Company's net income to decline to \$15.7 million. This was a decrease of \$523,000, or three percent, from the previous year. The Company paid \$10.2 million in dividends to preferred and common shareholders, and the remaining \$5.5 million was re-invested in the business.

\$45 Million of New Capital Raised

To finance its expansion program, the Company went to the money markets twice in 1966 to raise \$45 million of new capital. On March 2, the Company sold at competitive bidding \$25 million principal amount of new 30-year, 5¾ percent first mortgage bonds. These bonds were sold at a cost of money to the Company of 5.696 percent.

On October 18, the Company sold 100,000 shares of 6.08 percent \$100 par value cumulative preferred stock at a cost of money of 6.07799 percent. Also in October, Middle South Utilities, Inc., invested an additional \$10 million of new equity money in the Company through the purchase of 800,000 shares of \$12.50 par value common stock.

The Year's Results

ENERGY SALES PEAK POWER DEMANDS AND REVENUES CONTINUE TO INCREASE DESPITE COOL SUMMER WEATHER

Customer Gain Continues

The number of customers served by Arkansas Power & Light Company continued to increase in 1966 with the total reaching 344,297 by year end. This increase of 7,747 customers represented a gain of two percent over the number of customers served at the end of the previous year.

During the past ten years, AP&L has added 63,468 customers, an increase of 23 percent.

New Peak Demand

Although generally cooler temperatures prevailed during the summer, one week of extremely hot weather occurred in July. The sharply increased power demands for air conditioning and cooling equipment during this period resulted in a new historic peak load being established at 2 p. m. on July 15. The maximum hourly load recorded on the Company's system was 1,692,000 kilowatts, 11 percent higher than the previous peak load of 1,524,000 kilowatts established in July, 1965.

Energy Sales Reach New High

Total energy sales climbed to 8.5 billion kilowatt hours, an increase of 1.2 billion. Total general busi-

ness energy sales (which exclude sales for resale) increased 500 million kilowatt hours, or eight percent.

For the period 1957 - 1966, the Company's annual compounded rate of growth in terms of general business energy sales has been more than five percent.

Total Revenues Rise to \$99.8 Million

Electric revenues in 1966 totaled \$99.8 million, an increase of \$5.9 million, or six percent, over the previous year. This gain was achieved despite the fact that lower electric rates placed in effect in 1965 reduced the increase in revenues by an estimated \$1.5 million.

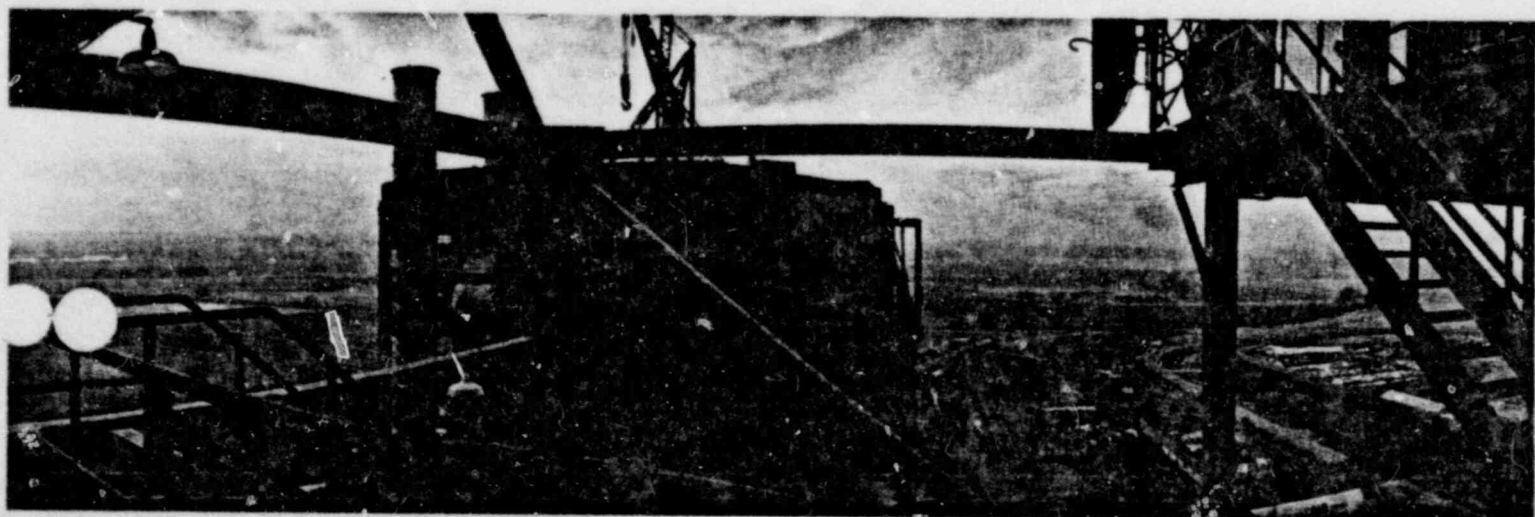
Also, the increase in total revenues was affected by the loss of revenue from four rural electric distribution cooperatives which, during 1966, began taking power from their own generating plant rather than from our Company.

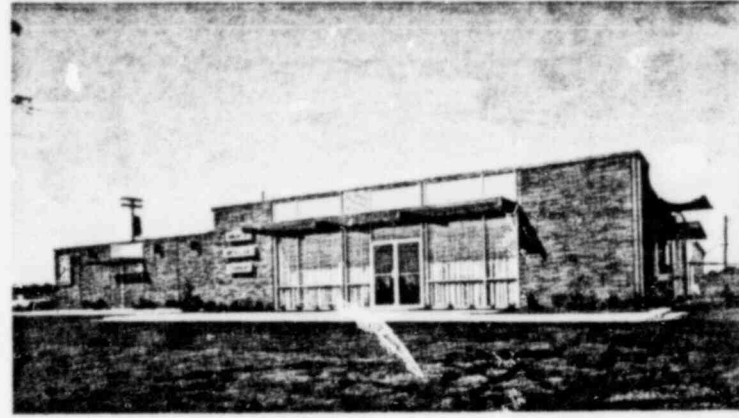
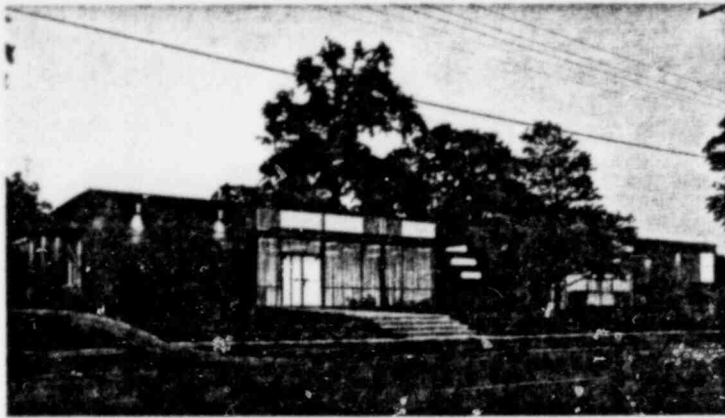
Total general business revenues increased \$3.4 million, or four percent, in 1966.

Cool Summer Weather Affects Sales

Cooling requirements, measured as "degree days," in 1966 were 19 percent below the five-year average. Analysis indicates that, as a consequence, total energy sales were reduced by an estimated 71 million kilowatt

When the second generating unit at Robert E. Ritchie Steam Electric Station goes on the line late in 1967, the station will have a generating capability of 906,000 kilowatts.





Financing Plans

In March, 1967, the Company plans to sell \$30 million of first mortgage bonds to repay bank loans and help finance its 1967 construction program, which is expected to require expenditures of \$57.4 million. In addition to funds obtained through long-term financing, the Company expects to generate more than \$19 million from Company operations and to borrow the remainder of the required funds through short-term bank loans.

More Power for Aluminum Production

Effective June 1, the Company entered into a new, ten-year power supply contract with Reynolds Metals Company which provides for a substantial increase in power requirements occasioned by the expansion and modernization of Reynolds' two aluminum reduction plants. By the end of 1967, Reynolds expects to be purchasing about 310,000 kilowatts of firm power from AP&L, including 200,000 kilowatts under the new contract. Under the new contract, Reynolds earns a lower average rate, and AP&L will be selling approximately 85,000 kilowatts more of firm power with an estimated annual increase in revenue of \$1.6 million. In addition, Reynolds' agreement to take or pay for 100 percent of the contract demand will minimize the effect on AP&L income periods when aluminum market conditions might cause fluctuations in power demands.

AP&L Begins Service to Crossett

Following approvals by state and federal regulatory agencies, the Company on February 25 began serving the electrical needs of all retail customers in the City of Crossett, a community of 5,500 people which is the Arkansas headquarters for Georgia-

Above Left: AP&L's total-electric office at Magnolia, dedicated on July 9, provides more convenience for customers and better working conditions for employees.

Above Right: Dedicated on November 19, the total-electric office at Bald Knob is in the heart of the strawberry-producing area of the State.

Pacific. The Company's parent, Middle South Utilities, Inc., acquired Crossett Electric Co. and AP&L is operating the distribution system under a lease arrangement. At year end, the number of customers served in Crossett totaled 2,173.

Franchise Agreements

During 1966, the Company received its standard, exclusive franchise from seven newly-incorporated towns and the City of Crossett. This brought the total number of new franchises received in 1965 and 1966 to 225, and includes all the cities and towns where it has significant operations, except three where it operates under leases of municipal electric systems. These franchises provide AP&L with the exclusive right to deliver electric service within the municipality for an indeterminate period; it clarifies conditions under which the Company operates its system, and it provides for the municipality a franchise tax payment of 4¼ percent of residential and commercial electric revenues collected the previous year within the city.

Wholesale for Resale

In 1966, the Company sold 388.9 million kilowatt hours to 14 rural electric cooperatives at 102 points of delivery. Revenues from the REA distribution cooperatives for these energy sales totaled \$2.7 million. Two of these co-ops receive power under 20-year con-

REVENUES

(Thousands of Dollars)

	1966	1965	% Increase
Residential	\$31,552	\$30,187	5%
Commercial	\$22,731	\$21,831	4%
Industrial	\$29,846	\$28,799	4%
Other Sales	\$14,821	\$12,523	18%

ELECTRIC ENERGY SALES

(Thousands of Kilowatt Hours)

	1966	1965	% Increase
Residential	1,300,283	1,178,848	10%
Commercial	1,025,225	944,480	9%
Industrial	3,989,182	3,707,452	8%
Other Sales	2,177,729	1,474,073	48%

SIMPLIFIED FINANCIAL STATEMENT

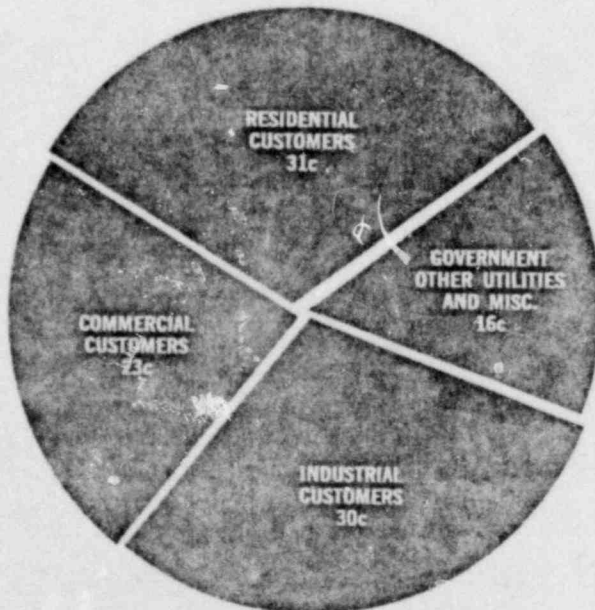
	1966	1965	Increase
We Received Total Income of	\$100,251,507	\$94,385,646	\$ 5,865,951
We Spent the Income For:			
Cost of Production	\$ 26,546,243	\$23,991,344	\$ 2,554,899
Other Operating Expenses	17,310,110	16,731,532	578,578
Taxes—Federal, State & Local	21,655,685	20,628,156	1,027,529
Replacement of Worn-out Equipment (depreciation)	12,212,250	11,256,188	956,062
Interest and Other Deductions	6,828,274	5,556,393	1,271,881
Total	\$ 84,552,562	\$78,163,613	\$ 6,388,949
We Had Left Over as Net Income	\$ 15,699,035	\$16,222,033	\$ (522,998)
We Paid to Our Shareholders for the Use of Their Money	10,179,787	9,467,420	712,367
We Had Left Over for Expansion of Business	\$ 5,519,248	\$ 6,754,613	\$ (1,235,365)

EARNINGS DATA

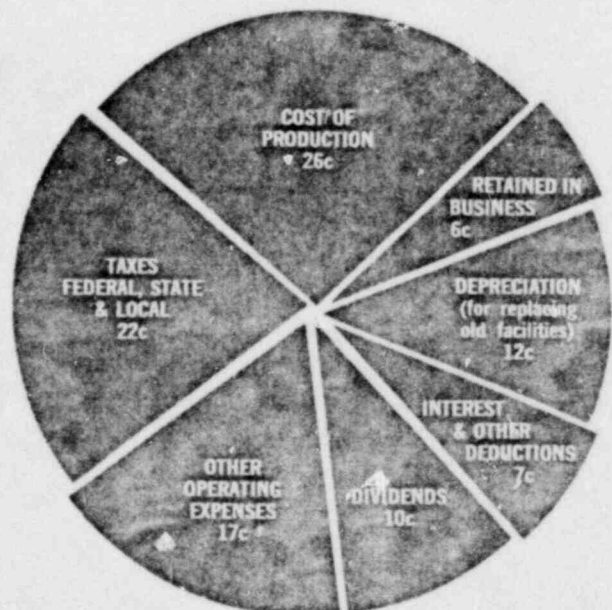
Times Earned:	1966	1965
Mortgage Bond Interest	3.15	3.86
All Bond Interest	3.07	3.72
Preferred Dividends	9.94	10.82

THE AP&L DOLLAR

WHERE IT CAME FROM



WHAT WE DID WITH IT



tracts (one of which was effected in 1966), the others under shorter-term agreements. Under a transmission agreement negotiated in 1963 with the Arkansas Electric Cooperative Corporation, a super cooperative in which 16 distribution cooperatives are members, AP&L on July 1, 1966, began moving power and energy from AECC's Bailey plant near Augusta to four distribution cooperatives and to the Southwestern Power Administration.

During the year, new 20-year power supply contracts were placed in effect for the municipally-owned electric distribution systems in North Little Rock and Hope and for Citizens Light and Power Company, Tuckerman. Negotiations continued with the cities of Prescott, West Memphis and Conway; the City of Benton increased its load requirement from five to 10,000 kilowatts under a ten-year contract, and the City of Osceola entered into a new one-year contract under which it has put its power plant on stand-by and purchases all of its requirements from AP&L.

FPC Jurisdiction Of Sales For Resale

In recent years, the Federal Power Commission has maintained that it has regulatory jurisdiction over wholesale sales of electric power and energy to municipal, rural electric cooperatives and small investor-owned electric systems in Arkansas. The Company and the Arkansas Public Service Commission contested this new assertion of Federal jurisdiction since the PSC had exercised unchallenged jurisdiction over these sales for more than 25 years. Following hearings, the FPC in September, 1965, held that it had jurisdiction over these sales. AP&L filed a petition for review of this decision in the United States Court of Appeals for the Eighth Circuit, at St. Louis, Missouri, and in November 1966 the Court issued a unanimous opinion upholding the FPC. The Company has decided not to seek review of this decision by the U. S. Supreme Court since a petition for review in similar cases has recently been denied by the Supreme Court. It now

appears that the only way to restore the pattern of state and federal regulatory jurisdiction which had functioned well for over 25 years would be through action by the Congress.

Lower Rates for Street Lighting

With Arkansas Public Service Commission approval, AP&L on March 19 placed new municipal street lighting rates in effect which reduced monthly rates for mercury vapor lighting by 14 to 50 percent. The new schedules were designed to promote the more modern mercury vapor lighting and to discontinue installation of incandescent lamps for street lighting on December 31, 1966. Working with the cities, by year end, the Company had converted 14,405 incandescent lamps to mercury vapor and 1,165 new mercury vapor fixtures had been installed. When the estimated total of 32,500 incandescent lamps have been replaced by mercury vapor, the Company will have invested approximately \$1.6 million in more modern street lighting systems.

More Modern Tools, Equipment

The Company completed the fifth year of a continuing program to equip its line and service crews with the most modern, mechanized equipment available. In 1966, 14 units including swivel derrick units and single- and twin-basket aerial units were placed in operation, bringing to 167 the number of highly mechanized construction and service units. During 1967, the Company plans to purchase 30 additional units, with most of these scheduled for operation during the first quarter.

Stockholders Amend Charter

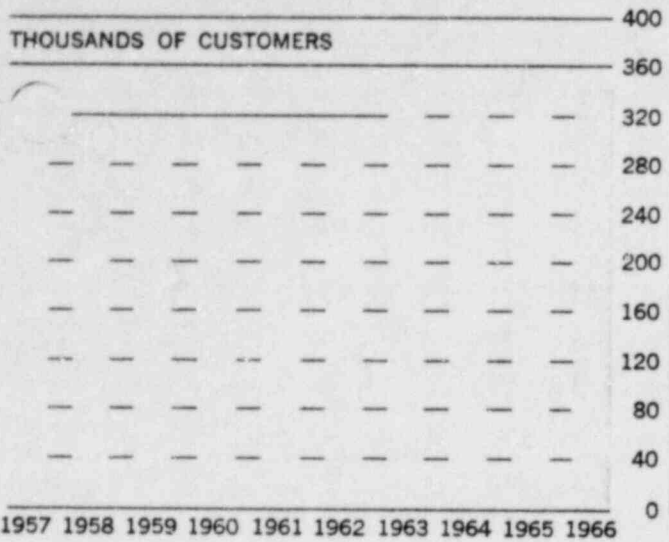
At a called meeting on July 28, stockholders ratified an amendment of the Company's Charter to increase the authorized preferred stock from 500,000 to 1,000,000 shares. Stockholders also approved minor amendments which bring provisions of the AP&L

8

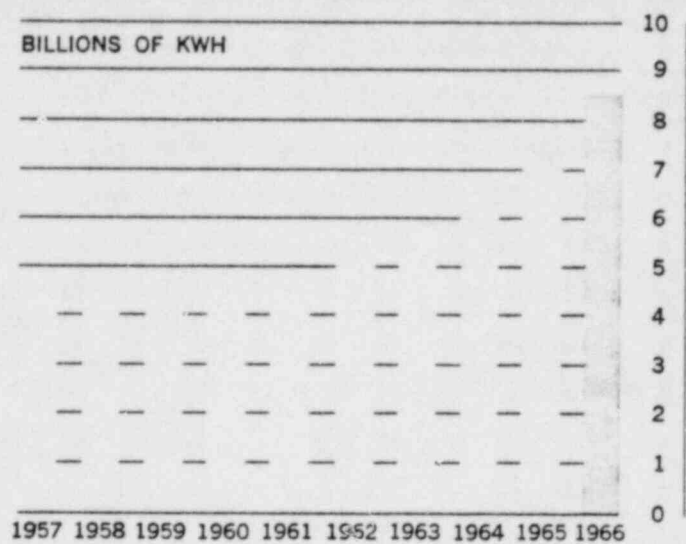


More lighting for less money was the result of lower street lighting rates placed in effect in 1966. The City of Magnolia was the first community to enter into a new contract to convert its street lighting system from incandescent to the more efficient and brighter mercury vapor fixtures. Also, it was the first community where AP&L crews completed the conversion, with the benefits illustrated by these "before and after" photographs.

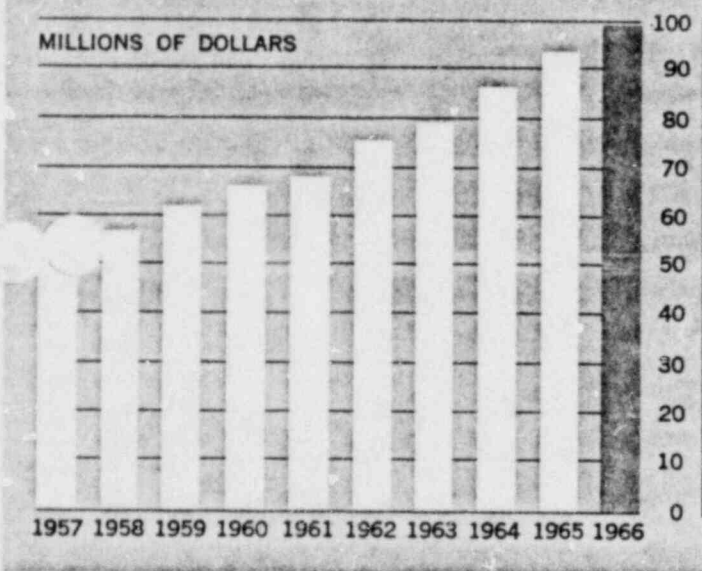
TOTAL CUSTOMERS (End of Year)



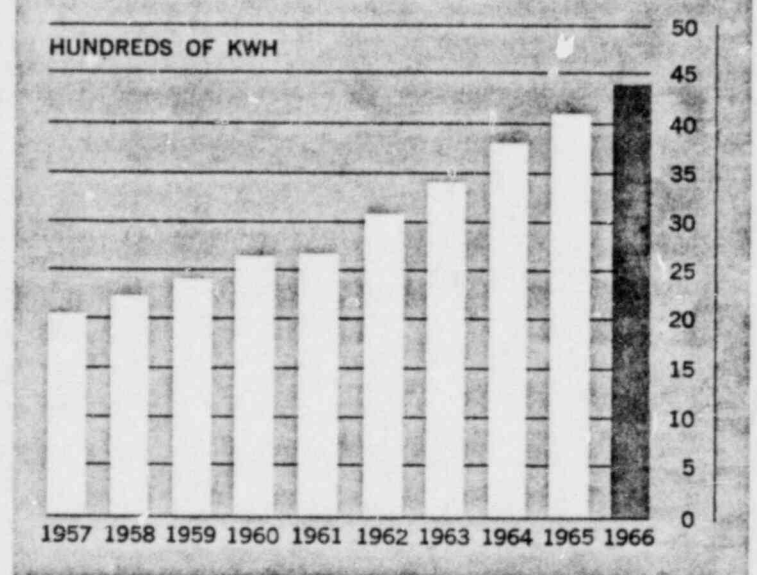
TOTAL KWH SALES



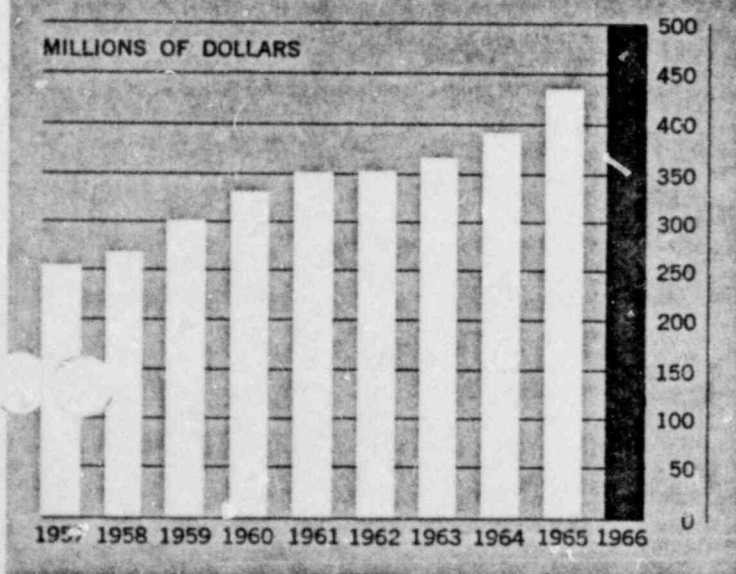
TOTAL OPERATING REVENUE



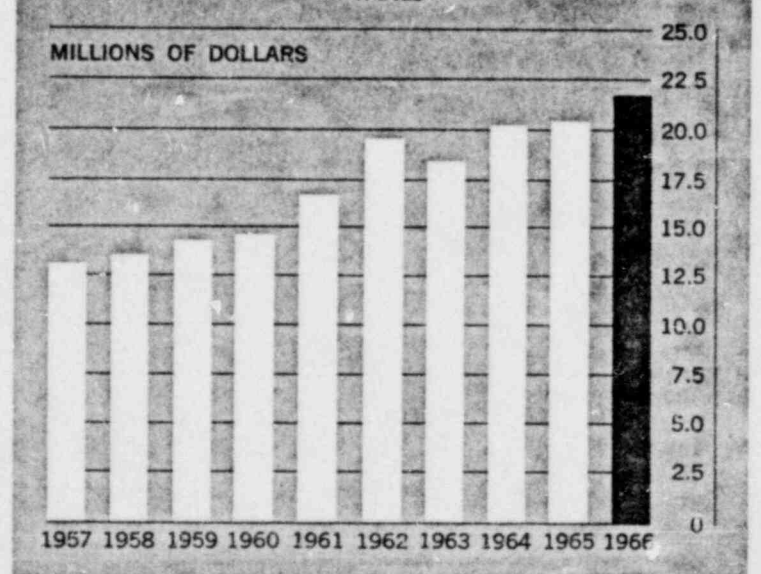
AVERAGE ANNUAL RESIDENTIAL KWH USE



TOTAL UTILITY PLANT



TAXES



AP&L's Biggest Year For Building

**\$66.6 MILLION
INVESTED TO PROVIDE MORE POWER
EXPANDED ELECTRIC SYSTEM**



Lifting the stator (or housing) of the new generator at the Robert E. Ritchie Steam Electric Station in December was equivalent to lifting the weight of two fully-loaded Boeing 707 jet transports.

The year 1966 was a record-setting one for construction and expansion of the Company's electric system. Construction expenditures reached a new historic high of \$66.6 million, which compares with the previous record amount of \$49.6 million spent for construction in 1965.

The largest share of the 1966 budget was required for production facilities, with the largest power maker in Arkansas taking shape on the banks of the Mississippi River at Helena. This 550,000-kilowatt generating unit addition at the Robert E. Ritchie Steam Electric Station will cost \$42.8 million; and at year end, construction was about 40 percent complete.

At year end, an estimated 340 workmen were employed at the construction site. The average weekly construction payroll at the time was \$60,000 and the total construction payroll is estimated at \$5.25 million when the plant is completed in December, 1967.

During 1966, the Company spent more money than ever before for construction of facilities:

Construction Expenditures

	(Millions of Dollars) (1966 Actual)	(1967 Budget)
Production	\$25.1	\$18.6
Transmission	23.2	15.6
Distribution	15.5	19.6
General	2.8	3.6
TOTAL	\$66.6	\$57.4

EHV System Nears Completion

By the end of 1966, the Company had nearly completed its part of an Extra High Voltage transmission

system under construction by 11 investor-owned electric companies who operate in seven states. The total EHV system, when completed in 1968, will stretch 1,160 miles across five states and will provide for the seasonal exchange of up to 1.5 million kilowatts of power between regional electric systems. In addition, the EHV lines will permit the exchange of economy energy on a larger scale, provide capacity for additional emergency power assistance between the interconnected systems, and permit the installation of larger, more efficient generating units.

AP&L's Extra High Voltage system is comprised of substations near West Memphis, Little Rock and El Dorado, connected by 345 miles of EHV lines. The line connecting West Memphis and Little Rock was placed in service in the summer of 1965; and the line connecting Little Rock with EHV facilities of Oklahoma Gas & Electric Company in western Arkansas, was energized in April, 1966. The third and final leg of the AP&L system runs from Little Rock to the Louisiana state line, by way of the El Dorado EHV substation, and is scheduled for operation by the summer of 1967.

Transmission, Distribution Expansion

Considerable work was performed on the Company's high voltage transmission system in 1966. Major new projects started during the year included: a 45-mile, 115,000-volt line between Brinkley and Searcy, via Cotton Plant; a 44.6-mile, 250,000-volt line from the Ritchie plant, at Helena, to Brinkley; a 32.4-mile,

Charter into conformity with technical provisions requested by the Securities and Exchange Commission.

Six New Buildings Completed

To provide better customer convenience and to improve efficiency of operations, the Company completed six new office buildings during the year: the Ozark Division Headquarters—Service Center, Harrison; local offices in Brinkley, Magnolia, Stuttgart, Bald Knob, and Batesville. An addition was completed to the Hot Springs Service Center, and a new store-room was built in Marshall. Office-Service Centers are under construction in Gurdon and Crossett and will be occupied in 1967. Modernization of the transformer shop in Little Rock is scheduled for completion early in 1967.

New Research on Customer Use

To learn more about the characteristics of the use of power and energy, magnetic tape metering equipment is being utilized to obtain on-site load surveys of various customer classes. The data is translated so that computers can be used to summarize the mass of information for easy analysis. The study of demand variations for extended periods of time serve as essential guides in the formulation of economically sound policies governing: system planning and design, cost of service studies, rate analysis, and sales promotion programs.

New Policy on Underground Lines

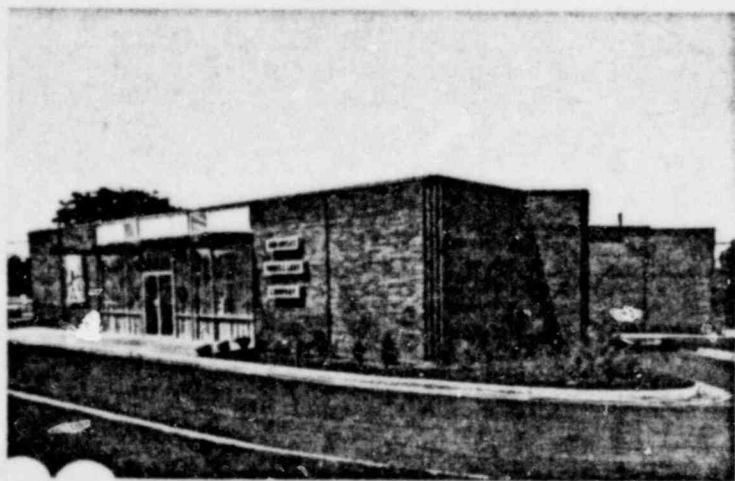
To encourage the installation of underground distribution systems in new subdivisions with 20 or more lots, the Company on November 10 obtained Arkansas Public Service Commission approval of a new underground distribution policy. Underground systems cost more than comparable overhead facilities, but improved technology and materials have reduced the cost differential. Under the new policy, the Company installs the underground system and the devel-

oper bears the cost of trenching and conduits under streets. In addition, the developer pays to the Company \$25 per lot plus 80 cents per front foot for footage in excess of an average of 70 feet per lot.

Negotiations with Southwestern Power Administration

Negotiations initiated in 1964 on a power pooling contract between eight investor-owned electric companies, including AP&L, and the Southwestern Power Administration reached substantial agreement in 1966. A form of contract which all parties indicated willingness to sign was submitted to the Secretary of the Interior, and it has been under study in Washington. After many months of study, certain provisions were found unacceptable by the Department. Negotiations on those provisions of the contract found unacceptable are continuing.

Under the proposed contract, hydro-electric power and energy from most of the federal dams in Arkansas and Oklahoma would go into the pool and be firmed up with steam energy from the electric companies. The agent of the companies would schedule the operation of the federal hydro-electric projects to the greatest advantage in carrying peak loads in the area. SPA could draw from the pool power, up to the dependable capacity of the hydro projects in the pool, and energy to furnish certain of its customers' requirements. Any hydro energy in excess of SPA withdrawals from the pool in any month and some peaking power and energy from the pool would be purchased by the companies. Deliveries of power and energy to any new customers of SPA located in the service area of the companies would be made over the facilities of the companies, for which a transmission service charge would be paid by SPA. The contract would assure the highest economic use of the low load-factor hydro projects, which would be for serving peak loads of short duration, and would make unnecessary any future construction of federal transmission lines in the service area of the companies.

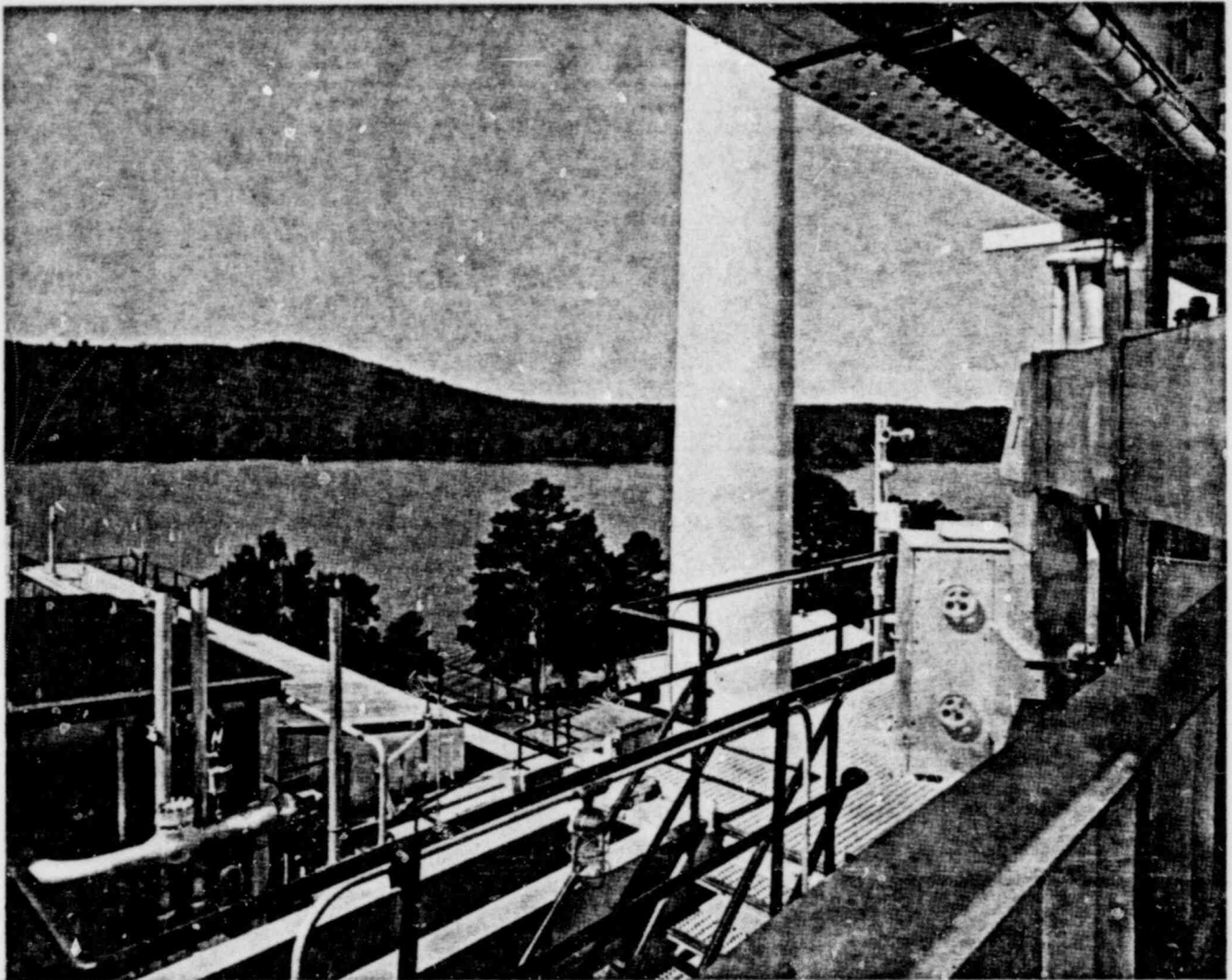


Upwards of 6,000 customers and friends toured the total electric AP&L building at Batesville when it was dedicated on August 27.

CAPITAL STRUCTURE AND RATIOS

(December 31, 1966)

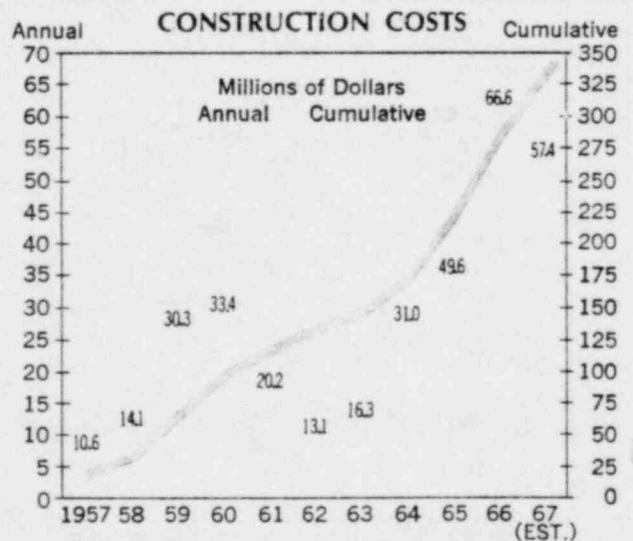
Mortgage Bonds	\$188,700,000	52.5%
Debentures	5,825,000	1.6%
Preferred Stock (Including Premium)	41,486,738	11.5%
Common Stock	99,750,000	27.8%
Earned Surplus	23,764,623	6.6%
Total Capital and Surplus	\$359,526,361	100.0%



in June, 1967, with completion scheduled in November, 1969. Construction of the 500,000-kilowatt unit will provide substantial economic benefits to the area. These include an estimated 400-man peak work force with payrolls of an estimated \$5.5 million during the two and one-half year construction period; an estimated \$1.75 million in local subcontracts; and \$1.25 million for materials and supplies. When the new unit goes into production, the Lake Catherine station will have a total capability of approximately 725,000 kilowatts, making it Arkansas' second largest steam electric station.

In May, announcement was made of a further expansion of the Company's extra high voltage transmission system. AP&L and four other members of SCEC will construct a 450-mile EHV line from the Company's El Dorado substation to Oklahoma City, by way of Shreveport, Louisiana. Construction of this 345,000-volt line will start in 1967, with the entire project scheduled for operation by 1970. The Company's share of the \$32 million project will be \$5.9 million, making AP&L's total investment in EHV facilities by 1970 an estimated \$62.7 million.

In October, President Reeves Ritchie revealed the Company's decision to construct a fourth generating unit at the Lake Catherine Steam Electric Station between Malvern and Hot Springs. Construction on the 500,000-kilowatt unit is scheduled to begin in June, 1967.

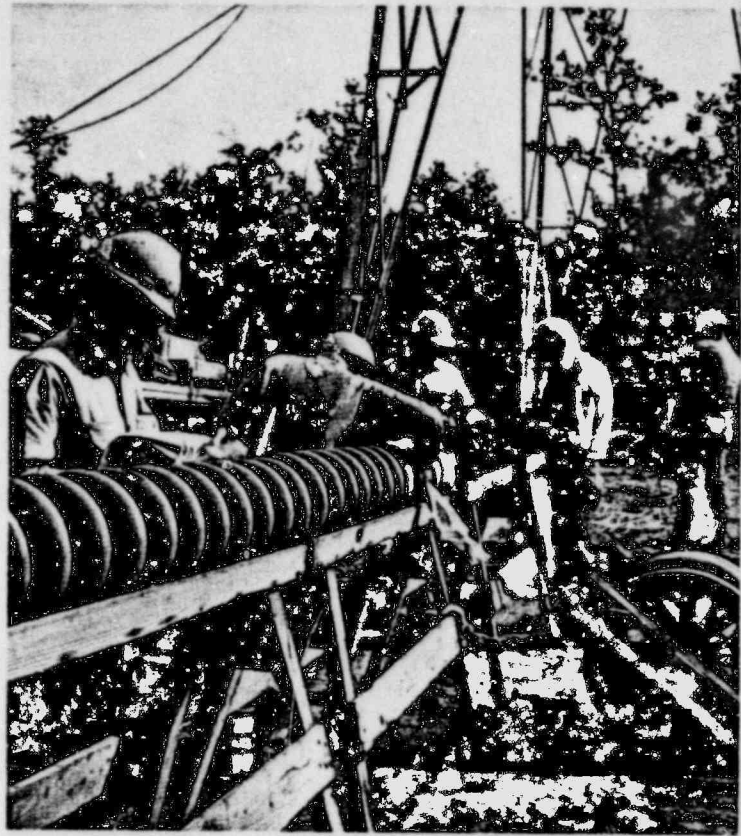


161,000-volt line between Lehi and Marked Tree; a six-mile, 115,000-volt line between Sylvan Hills and Jacksonville; an 18.3-mile, 161,000-volt line from near Marked Tree to Harrisburg; the installation of a second 230,000-volt line on the existing towers between Ritchie plant and Woodward Load Dispatching Center, Pine Bluff; and a 23.7-mile, 115,000-volt line to interconnect Harvey C. Couch Steam Electric Station, Stamps, with Southwestern Electric Power Company, via Lewisville.

New substations were constructed at Alexander, Sylvan Hills, Lepanto, Harrisburg, Almyra and Magnolia; and major distribution line work was completed at Harrison, Arkadelphia, Helena, Hot Springs, Magnolia, Pine Bluff, McGehee, Crossett, Little Rock, El Dorado, Mountain View, Jacksonville, and Harrisburg.

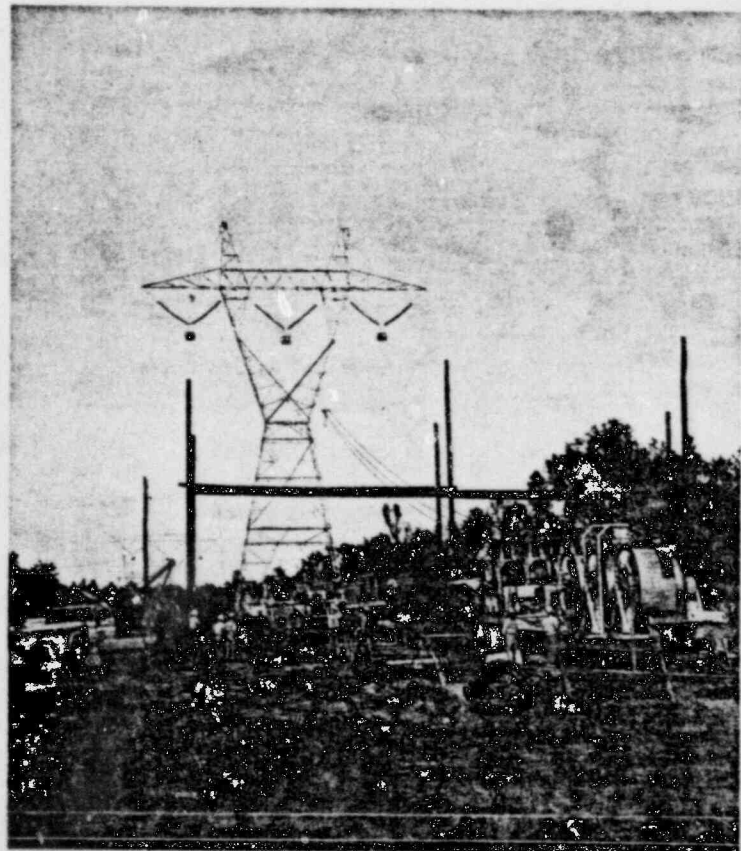
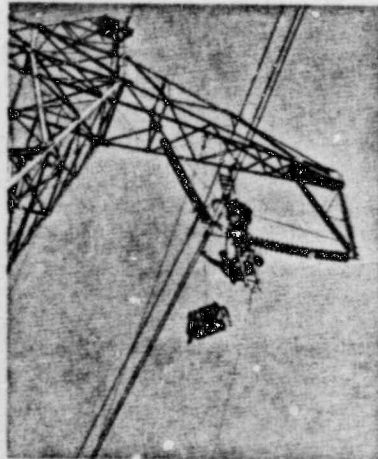
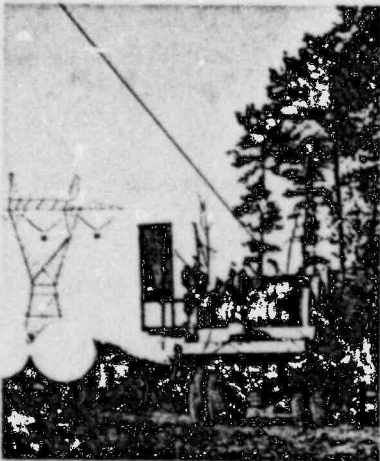
Future Projects Announced

The Company's Lake Catherine Steam Electric Station, which has three generating units, was chosen as the site for the installation of a new fourth unit. In October, the Company announced that construction is expected to begin on this \$41 million project



These are views of construction on the Company's 500,000-volt Extra High Voltage transmission system between Little Rock and El Dorado. This single transmission line is capable of moving as much power as 12 of the Company's 161,000-volt transmission lines. The dozen 161,000-volt lines would require rights-of-way of 760 feet and would cost approximately \$240,000 per mile to build. The single 500,000-volt line requires a right-of-way of 180 feet and costs approximately \$90,000 per mile to construct.

11



Best Year For Industrial Growth

MANY CLASSIFICATIONS INCLUDED IN AP&L AREA INDUSTRIAL EXPANSION

Arkansas' statewide industrial development program attained new record highs in 1966 for new and expanded industrial plants announced for Arkansas and the AP&L territory. The Arkansas State Chamber of Commerce Annual Survey disclosed a total of 70 new industries and 196 expansions of existing plants programmed for the State during the year. Of this number, 55 new plants and 110 expanded industries were announced in areas served by AP&L. In AP&L's area, this expansion is expected to create 11,350 new jobs and \$47 million in additional payrolls. At year end, new and assured industrial loads announced during 1966 totaled 73,762 kilowatts, with increased annual revenues estimated at \$3.3 million. The Company's four-man Industrial and Area Development staff played a large part in the year's record accomplishments. Their activities included 28 out-of-state trips; the organization of 40 community and industrial development clinics; 293 meetings to boost development activities; and more than 3,100 letters to discover industrial prospects.

The industrialization of Arkansas during the past decade has increased the number of jobs in manu-

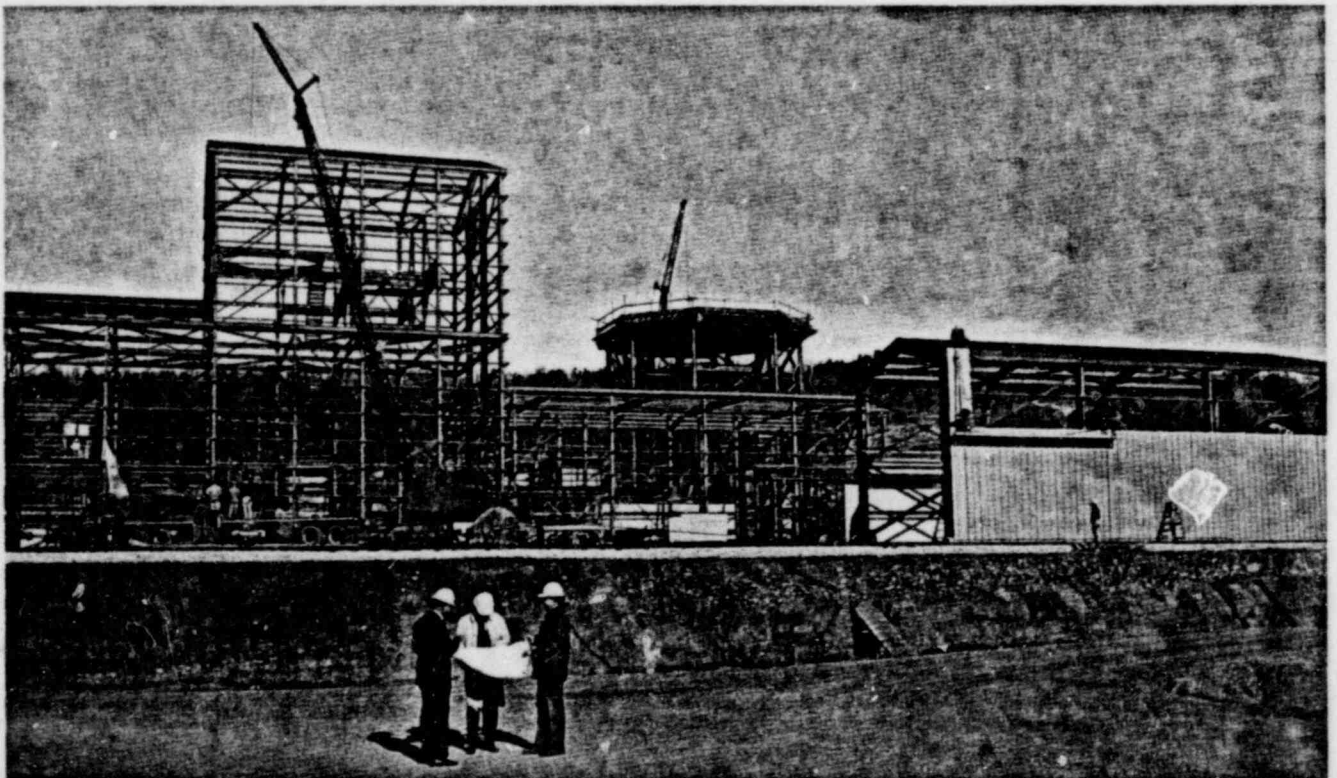
facturing from 87,000 in 1957 to 148,000 in 1966; boosted total manufacturing payrolls from \$284 million in 1957 to \$606 million in 1966. These gains in manufacturing employment and payrolls have contributed to pushing per capita income to \$1,856 compared to \$1,160 ten years ago.

17th Annual Community Development Program

Seeking recognition and cash awards which are offered top winners in each of four categories, 140 cities and towns signed up for the 17th annual Community Development Program. In this program, municipalities are judged on their own progress in attaining goals in municipal services, education, city beautification and special projects.

Checking blueprints at the construction site of the new Union Carbide facility under construction near Hot Springs—one of the "blue chip" industries landed for Arkansas in 1966—are AP&L Industrial Counselor Bill Fountain, Les Green, manager of the Hot Springs Chamber of Commerce, and Union Carbide Project Manager Bill Paris.

14



SEFOR PROJECT TERMED MOST SIGNIFICANT REACTOR EXPERIMENT IN FREE WORLD

During 1966, construction on the Southwest Experimental Fast Oxide Reactor moved past the half-way mark. Operation of the internationally sponsored \$25 million nuclear power research program is scheduled for May, 1968. At year end, construction of SEFOR was 57 percent complete over all, with 80 percent of the structural work finished. The remaining work is in the reactor building.

The SEFOR reactor has been designed and is being constructed by General Electric Company under a program sponsored by AP&L and 16 other investor-owned electric companies who are joined together as Southwest Atomic Energy Associates, the Atomic Energy Commission and the Federal Republic of West Germany.

The project's purpose is to experimentally verify physics calculations showing that fast oxide reactors can be designed with desirable operating characteristics for large central electric power generating stations.

By April, 1966, a mock-up of the SEFOR core had been successfully tested and demonstrated in the critical experimental facility of AEC's Argonne National Laboratory, Idaho Falls. In September, GE awarded the SEFOR fuel contract in excess of one million dollars, the first large, fast-reactor plutonium fuel-fabrication contract in the United States.

At the annual SAEA Trustees' meeting, Dr. Karl Cohen of General Electric reported that the fast oxide sodium-cooled reactor had been accepted as the prime nuclear power development objective of five major governments—the United Kingdom, France, West Germany, the U.S.S.R., and the U. S. The AEC is concentrating its research and development funds on the fast oxide sodium-cooled reactor. Dr. Cohen also said, "SEFOR is the most significant single reactor experiment in the Western World."

OTHER RESEARCH

Energy Storage

The Energy Conversion and Storage Research Program enters its third and final year in 1967 at Oklahoma State University. Sponsors are AP&L and

investor-owned companies in four states. This program is attempting to develop an electrolysis cell which will convert off-peak power into potential energy in the form of stored hydrogen and oxygen gases. Upon completion of the research and development phase, the scientists would design a pilot plant as the next step in the development program.

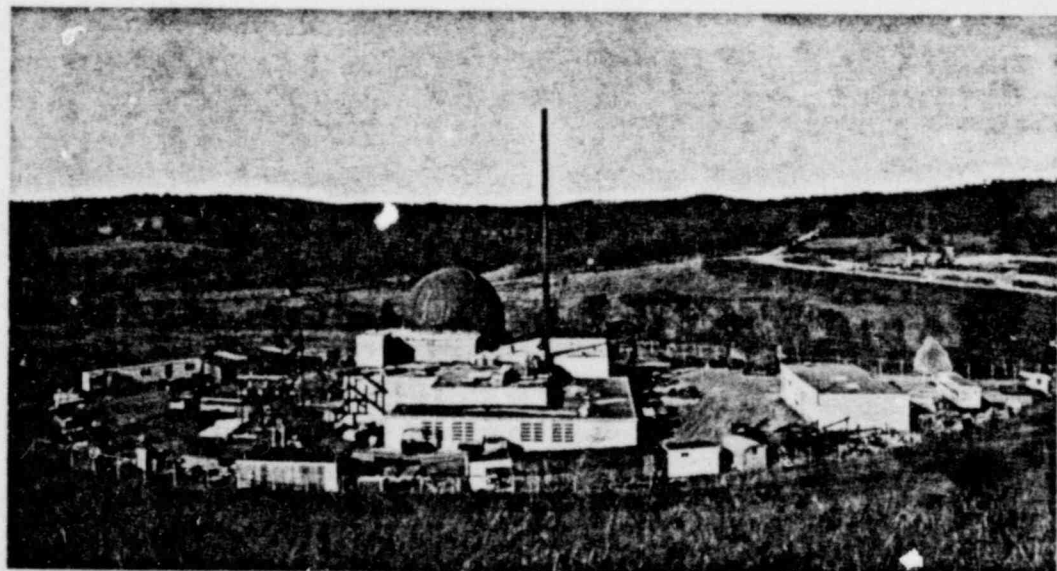
Direct Conversion

Since 1964, the Company has sponsored a University of Arkansas research project in the direct conversion of heat to electricity using the thermionic diode as a practical energy converter. Progress during 1966 included a feasibility study of the thermionic converter as a means of improving total efficiency of conventional or nuclear electric power plants.

Woodpecker Research

AP&L is among sponsors of a woodpecker research project which seeks ways to control extensive damage to wood poles caused by the birds. U. S. Forest Service biologists at the Southern Forest Experiment Station, Alexandria, Louisiana, have been successful in rearing red-headed and pileated woodpeckers. Adult, live captive specimens are of prime importance in success of the five-year project.

A picturesque Ozark mountain valley southwest of Fayetteville is the site of the Southwest Experimental Fast Oxide Reactor, a nuclear power research project jointly sponsored by AP&L. The SEFOR project has been termed "the most significant single reactor experiment in the Western World."





The Changing Arkansas Economy

MOMENTUM OF INDUSTRIAL GROWTH FURTHER IMPROVES BALANCE BETWEEN INDUSTRY AND AGRICULTURE

16

Industrial development growth patterns are further improving the balance between manufacturing and agricultural production in Arkansas.

Even though 70 new plants planned for our State in 1966 represented an investment of \$95,177,960, plant expansions were even greater. A total of 196 plants programmed expansion of existing facilities during the year, with these projects to require capital investments of \$105,736,993.

It is interesting to note an estimated 6,100 jobs will be created by the 70 new plants, whereas the 196 major plant expansions will require an additional 10,600 employees. The U. S. Department of Labor reported a total of 143,300 manufacturing jobs in Arkansas in fiscal 1966 (ending in June) as compared to 132,600 jobs the previous fiscal year. The eight percent increase represented the largest rate of gain among southwestern states.

There are several basic reasons for

this accelerated growth pattern across our State:

- Our Interstate Highway system, comprising a total of 520 miles, is more than half completed. The expanding consumer markets both inside and outside the State can be reached quicker and cheaper. An overnight truck haul from Little Rock in any direction can reach more consumers than can be reached from any other major southwestern city. A total of 70 million consumers are within a 500-mile radius; and the United States' center of population, now in southern Missouri, is moving closer to Arkansas every year.

- Many industrial prospects are discovering the ample, high-quality water which is economically recoverable from rivers and lakes, or underground. In addition, a mild climate, rich soils and varied natural resources are attracting many processing industries.

- There are other industrial climate

pluses: The Arkansas tax structure at all governmental levels is fair and equitable; the Arkansas Constitution guarantees an individual freedom to work; industries have found our people to be easily trainable in technical skills; their sustained productivity makes unit production costs competitive in the marketplace.

- Navigation on the Arkansas River within the next two to three years is stimulating industrial interest. Ports at Pine Bluff and Little Rock will be operating by fall of 1968. Construction on the \$1.2 billion Arkansas River project is about 65 percent complete, and industries are securing plant sites along the river. Seventeen new lakes to be formed on the river will create an entirely new recreational environment for attracting the increasing tourist business.

The up-grading of Arkansas' economy through industrialization is reflected in the value added by manu-

Arkansas Power & Light Company Service Area

**DIVERSIFIED
INDUSTRIAL GROWTH**

New Industrial Plants—1966

<i>Type</i>	<i>Number</i>	<i>Estimated Number of Employees</i>	<i>Estimated Annual Payroll</i>
Food Products	4	416	\$ 1,705,600
Textile Products	1	110	451,000
Apparel Manufacturing	1	300	1,230,000
Lumber & Wood Products	6	515	2,111,500
Paper & Allied Products	3	360	1,476,000
Printing & Publishing	1	55	225,500
Chemical Products	7	656	2,769,600
Petroleum Products, Oil & Gas, Pipelines	2	270	1,107,000
Stone, Clay & Glass	3	313	1,283,300
Fabricated Metal Products	12	1,192	4,987,200
Machinery (Excl. Elec.)	1	135	553,500
Elec. Machinery & Appliances	5	511	2,167,100
Transportation Equipt. Mfg.	2	310	1,271,000
Misc. Manufacturing	7	626	2,566,600
Total	55	5,769	\$23,904,900

Expanded Industrial Plants—1966

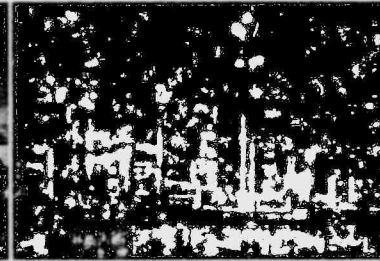
<i>Type</i>	<i>Number</i>	<i>Estimated Number of Employees</i>	<i>Estimated Annual Payroll</i>
Food Products	15	1,050	\$ 4,370,500
Textile Products	3	228	934,800
Apparel Manufacturing	9	1,171	4,886,000
Lumber & Wood Products	22	612	2,509,200
Furniture & Fixtures	1	25	102,500
Paper & Allied Products	3	120	492,000
Printing & Publishing	1	23	94,300
Chemical Products	6	240	984,000
Petroleum Products, Oil & Gas, Pipelines	6	288	1,180,800
Rubber Products	7	311	1,275,100
Leather Products	2	83	415,000
Stone, Clay & Glass	3	107	438,700
Fabricated Metal Products	14	510	2,091,000
Machinery (Excl. Elec.)	2	42	172,200
Elec. Machinery & Appliances	8	223	924,300
Transportation Equipt. Mfg.	2	72	295,200
Misc. Manufacturing	4	261	1,070,100
Primary Metal and Ore Mining	2	215	881,000
Total	110	5,581	\$23,117,000

Primary Metal
\$9,442,912

Miscellaneous Manufacturing
\$4,373,025

Petroleum, Oil & Gas
\$3,025,685

Food Products
\$2,490,222



• Reynolds Metals, Arkadelphia • Baldwin Electronics, Little Rock • Lion Oil, El Dorado • Morton Frozen Foods, Russellville

DIVERSIFICATION OF INDUSTRIAL REVENUES

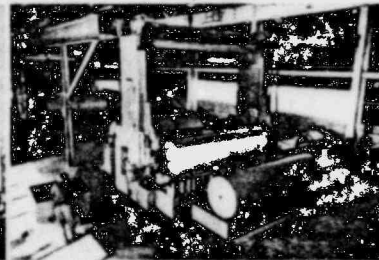
(Arkansas Power & Light Company's 1966 industrial revenue by U. S. Department of Commerce classifications)

Lumber & Wood Products
\$2,226,714

Paper & Allied Products
\$1,986,482

Chemical Products
\$1,422,131

Stone, Clay & Glass
\$1,124,259



• Georgia-Pacific, Crossett

• Dierks Forests, Pine Bluff

• Monsanto, El Dorado

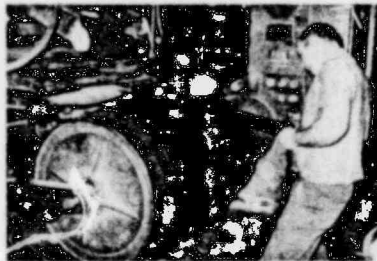
• Big Rock (3M), Little Rock

Rubber Products
\$638,139

Elec. Machinery & Appliances
\$492,417

Textile Products
\$465,415

Furniture & Fixtures
\$390,219



• Mohawk Rubber, Helena

• Central Transformer, Pine Bluff

• Burlington Mills, Monticello

• Singer, Trumann

Fabricated Metal
\$375,819

Apparel Manufacturing
\$369,418

Machinery (Excl. Elec.)
\$259,568

Printing, Publishing
\$250,313



• Douglas and Lomason, Marianna

• Bobbie Brooks, Helena

• Jacuzzi Pumps, Little Rock

• International Graphics, Little Rock

Transportation Equip...
\$204,099

Leather Products
\$169,072

Professional, Scientific and
Controlling Instruments
\$139,681

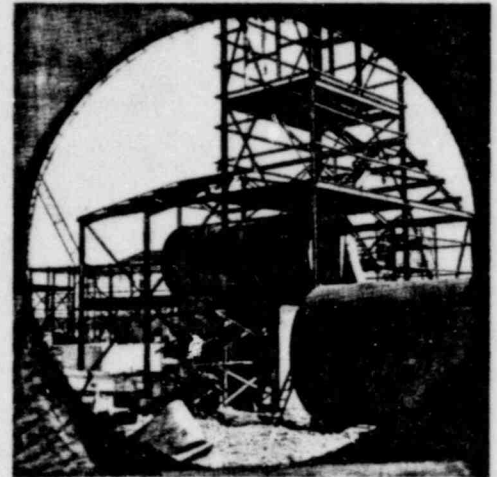
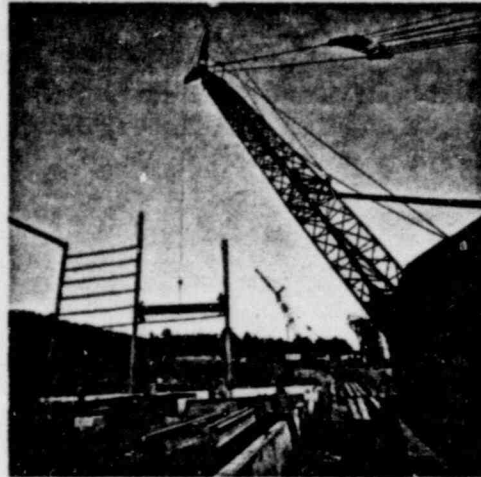


• AMF Cycle, Little Rock

• Stuttgart Footwear, Stuttgart

• U. S. Time, Little Rock





These construction views of the \$10 million Union Carbide plant near Hot Springs are illustrative of the record-setting pace of industrial expansion in Arkansas during 1966. This vanadium mining and processing facility will create 170 new jobs and annual payrolls estimated at \$1 million.

facture in our State. In the five-year period covered by the latest census of manufacturers (1958-1963), value added by manufacture in Arkansas increased \$369 million, or 62 percent, which compares with a 35 percent average gain in the U. S.

Arkansas' first ten industries, in order of their economic importance, are: food and kindred products; lumber and wood products; paper and allied products; electrical machinery; chemical and allied products; furniture and fixtures; apparel and related products; primary metal industries; stone, clay and glass products; and fabricated metal products.

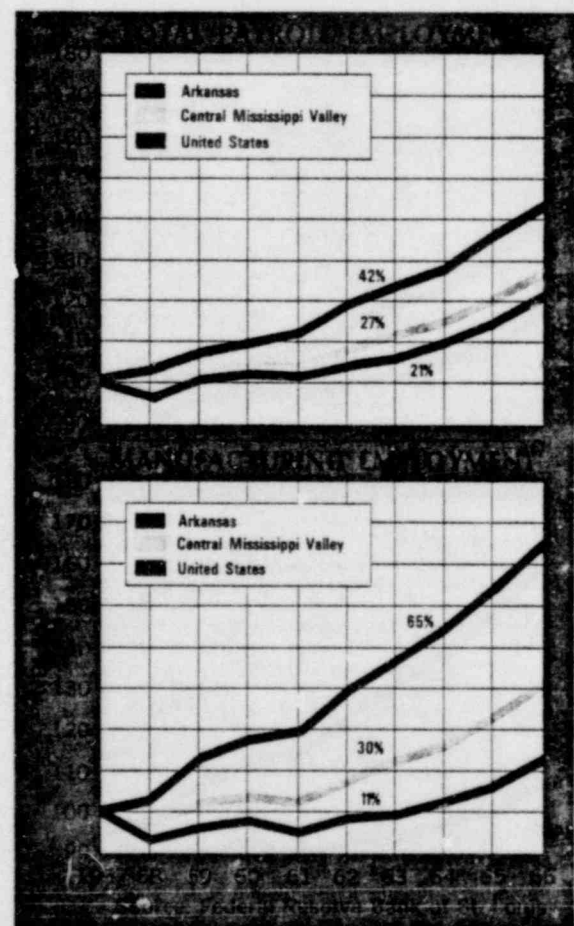
It is interesting to note that food and kindred products have pulled ahead of lumber and wood products in Arkansas. This change has been

led by the continuing growth of the poultry industry with Arkansas being the second largest producer of broilers in the nation.

The lumber industry, historically the largest industrial employer, has been moving toward broader product development. Arkansas trees are being processed into end products more than ever before in the State's history.

Decentralization and diversification of industry in Arkansas represent one of our basic economic strengths. (Nineteen of 20 Commerce Department manufacturing classifications are represented in Arkansas—tobacco is the single exception.) No single industry-wide slump can have an appreciable effect upon our total prosperity. It is significant that during the past ten years, all but one of Arkansas' 75 counties have located one or more new industrial plants.

This record-breaking year of industrial progress for Arkansas sets the stage for even greater accomplishments in the future because of expanding market opportunities in the Middle South and Southwest.



Moving Up To Electric Living

AP&L STEPS UP ACTIVITIES TO SELL TOTAL ELECTRIC CONCEPT

1290 Medallion, Total Electric Homes

Despite the slowdown in residential home starts during 1966, AP&L's Medallion Home program registered a substantial gain over the previous year. Two hundred seventy-six Gold Medallion All-Electric Homes in 1966 represented an increase of 17 percent over the previous year. The Bronze Medallion was awarded to 424 homes, a gain of three percent, and 590 total-electric homes were connected in 1966, an increase of 19 percent.

Appliance Promotion

The appliance market felt the impact of more aggressive AP&L sales activities in 1966. Special sales campaigns featuring installation allowances on electric ranges, dryers, water heaters and dishwashers pushed sales of these load-building appliances above the levels of the previous year. Total sales of these appliances reported in 1966 showed the following gains over the previous year: ranges, 11 percent; water heaters, 30 percent; electric dryers, 60 percent; and dishwashers, 64 percent.

Employee Prospecting

Employees reported a total of 64,152 prospects for specified appliances or services in 1966. Of this number, 55,916, or 87 percent, resulted in sales. Almost 25,000 of the total prospects turned in came from operating employees whose duties are not connected directly with the Sales Department.



Reddy Plan Financing

The Company completed its first calendar year with the Reddy Plan, the finance program inaugurated in 1965 to permit customers to purchase major electric appliances and pay for them on their monthly service bill. A total of 5,122 contracts, covering the financing of 6,290 appliances for \$1,528,623, was recorded under the Plan in 1966.

"Nightwatcher" Total Tops 28,000

At year end, 28,456 Nightwatchers, the automatic dusk-to-dawn luminaries, were lighting driveways, yards, parking lots, alleyways, playgrounds, commercial and industrial areas throughout the AP&L territory. This was a net increase of 3,999 Nightwatchers over the previous year.

Advertising

Company sales activities were supported by increasing dealer and distributor advertising in 1966. During special appliance campaigns, AP&L coordinated its newspaper, radio and television advertising with distributors and dealers to provide maximum impact. The Live Better Electrically Music Hour, sponsored on KARK, Little Rock, for more than ten years, was expanded to a statewide network of seven additional stations.

When Arkansas television stations installed equipment enabling advertisers to use "local" color, AP&L was among the first to employ color in presenting its messages.

320 Total-Electric Buildings

There was a continuing increase in the number of commercial establishments which chose total electric service. On December 31, there were 320 total-electric buildings served by the Company, 80 of which were connected in 1966. Of the total, 40 have been awarded AP&L's All-Electric Building Award for meeting standards of excellence in electrical construction and application.

Purchases of electric equipment and fixtures by commercial customers during the year showed significant gains over the previous year. The 1966 increases were reported as: resistance heating, eight percent; lighting, 55 percent; water heating, 44 percent; and commercial cooking, 20 percent.

A six-month program to assist employees in converting their homes to electric heating was sponsored by the Company in 1966. The first employee to convert his home heating system to electric heating was Journeyman Serviceman L. B. "Buck" Johnson of Warren, shown here with Mrs. Johnson, their grandson Mark and son Duel Lee.

FARM-RELATED INDUSTRIES INCREASED IN AP&L AREA

A better balance between total manufacturing payrolls and net farm income has been accomplished, in part, by the growing number of industries which process farm products in Arkansas. Typical of farm-related industries which have located or expanded their operations during 1956 in the AP&L area are: Morton Frozen Foods Division of Continental Baking Company, Russellville, which employs 800 workers who process 75,000 pounds of poultry daily to produce frozen table products; Atkins Pickle Company, Atkins, where 450 workers process 5,000 tons of cucumbers annually for a national market; and Birdseye Division of General Foods where 350 employees process approximately 3,000 acres of Arkansas-grown vegetables annually.

To promote increased production of high-quality vegetables, the Company co-sponsors an irrigation research program in five counties to test the effect of controlled watering of vegetable crops. University of Arkansas records show that in some cases the income of farmers has been doubled through the use of irrigation.

Other farm research projects co-sponsored by the Company include work with the poultry industry on the use of lighting and automated electrical equipment in the broiler industry.

The Company's eight-man rural development staff continues to carry out other activities which in 1966 included:

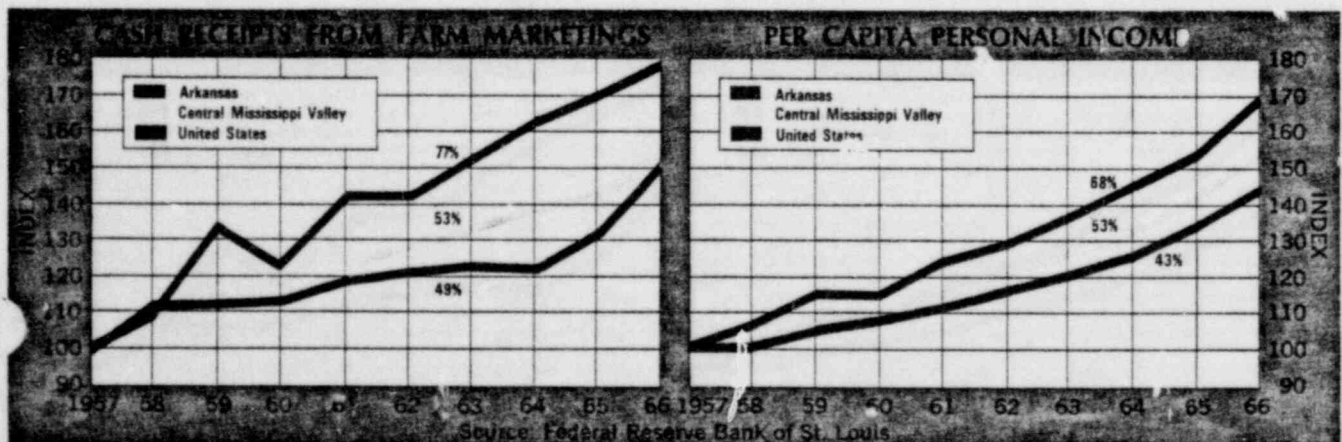
- co-sponsorship of the Arkansas Poultry Cookin' Contest.
- awards for 18 winners among 150 chapters of Future Farmers of America who participated in an electrification contest; sponsorship of the awards banquet attended by vocational-agricultural teachers and 550 FFA members.
- sponsorship of the Purple Circle Club, which inducted 20 new members during the Arkansas

Livestock Exposition, bringing to 374 the total number of farm youth who have been recognized by the Company for exhibiting championship livestock.

- co-sponsorship with the Arkansas Rural Electrification Council of a State Electrification Workshop for vocational-agricultural teachers.
- lighting workshops for 300 home economics teachers and home demonstration agents.
- recognition of 71 outstanding farm families through co-sponsorship with the Arkansas Press Association of the Farm Family of the Year program.



One of the Company's principal youth activities is its sponsorship of the Purple Circle Club, the members of which are the grand champion winners of the junior division of the annual Arkansas Livestock Exhibition. Rural Development Manager C. R. Sawrie is pictured here with two members inducted by the club in 1966, Marilyn Siegenthaler of Fort Smith and Gary Hood of Fayetteville.



On And Off The Job

AP&L PEOPLE ARE BUSY HELPING BUILD ARKANSAS

One vital factor in Arkansas' record-setting industrial progress over the past decade has been the driving force of her people. From every walk of life, in towns large and small, Arkansans have worked together to build better communities and to create a climate attractive to business and industry. And Arkansas Power & Light Company people are no exception.

Power Company people by the hundreds devote their energies to community betterment, working with industrial development committees, chambers of commerce, civic clubs, youth groups, school and church organizations.

That Power Company people can be counted on "to get the job done" is reflected in their on-the-job record of 1966.

With the help of more modern equipment and improved technology, the AP&L team provided dependable electric service to 7,747 more customers than they did in 1965. Their productivity and efficiency is demonstrated by the fact that there was a net decrease of seven employees to a total of 2,498 at year end.

To strengthen management and supervisory staffs, the Company made the following organizational and key personnel changes during 1966:

— William M. Shepherd, vice president in charge of Sales and Development, was named vice president in charge of the new Public Relations and Area Development Department.

— Edward G. Barry, Sr., assumed full responsibility for the Company's sales activities as general manager of the Sales Department.

— Bruce M. Menees, director of Communications and Informational Services, was named to head up the new Department of Governmental Affairs.

— James E. Brabston, Jr., was named system op-

erator for the Company's Woodward Load Dispatching Center in Pine Bluff.

— Production Department changes involved Harry C. Shively, superintendent of the Hamilton Moses Steam Electric Station, who was named superintendent of the Company's Lake Catherine Steam Electric Station, and W. A. Solomon, assistant superintendent of the Harvey Couch Steam Electric Station, who was promoted to superintendent of the Moses Station.

Employee benefits were broadened during 1966 by making revisions in the

Company's major medical and pension programs. The major medical plan was changed for employees and their dependents who reach age 65 to integrate it with the Federal Medicare Program. The pension program was shifted from a deferred annuity contract to deposit administration-flexible funded type contract, and improved for older employees. This will provide increased benefits and incentive to employees who continue satisfactory service with the Company.

Training programs were extended to include more employees in 1966. Senior Lineman training courses, Apprentice Lineman programs, and basic training courses for new sales personnel highlighted In-Company training. Employees improved their skills and knowledge by attending classes on the campuses of six universities.

Thirty-five students from 11 colleges and universities participated in the Company's seventh annual summer cadet program.

Employees earned recognition from the Edison Electric Institute during 1966 when they received the Institute's Safety Achievement Award for working 1,061,425 man hours from January 20 to April 4, 1966, without a lost-time accident.

There were four fewer disabling personal injuries to Company employees in 1966 than occurred in 1965, a 13 percent improvement. The vehicle accident rate was down about five percent and the non-disabling injury rate was two percent lower.

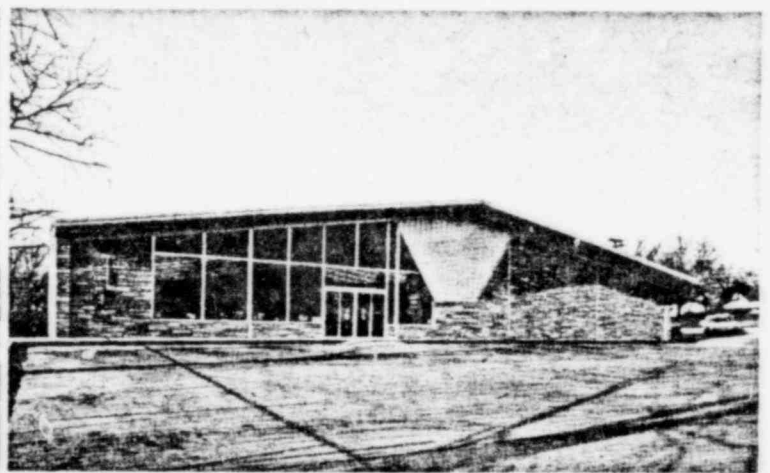
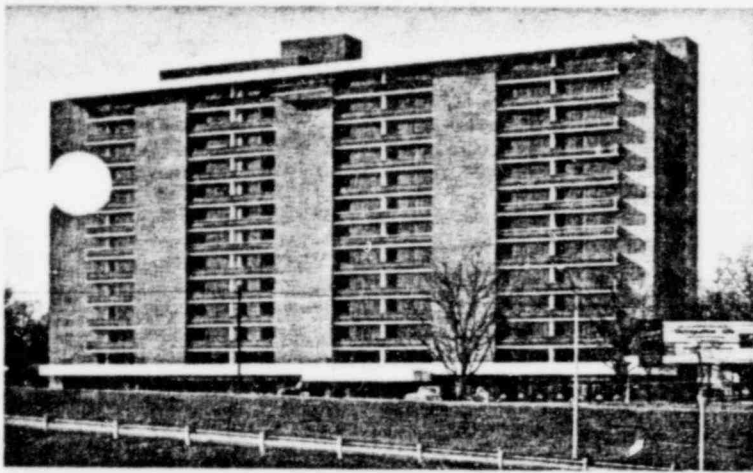


AP&L Truck Driver O. E. Kibb Searcy, saved the life of two-year-old Cynthia Kay Hunter, shown here with her mother, by administering mouth-to-mouth resuscitation when the child stopped breathing.

22



A total of 106 years of Arkansas Power & Light Company service is represented by these three veteran employees involved in organizational changes. They are from right Vice President W. M. Shepherd, who was named vice president for Public Relations and Area Development; Bruce M. Menees, who was named director of Governmental Affairs; and Edward G. Barry who, as general sales manager, assumed full responsibility for the Company's Sales Department.



These buildings are among the 80 total-electric commercial structures completed or sold in the Company's service area during 1966:

Top Left: The 144-unit Quapaw Towers apartment building in Little Rock utilizes resistance heating and circulating hot water. The Company connected 381 total-electric apartment units in 1966.

Top Right: The Town & Country Supermarket at Batesville is heated and cooled with heat pumps.

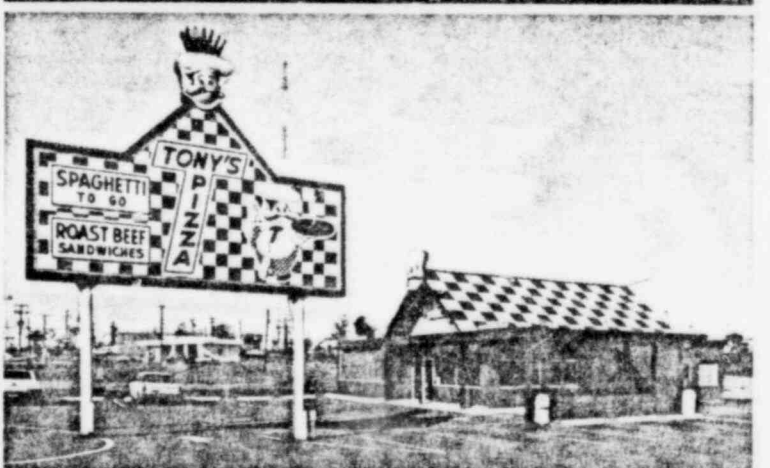
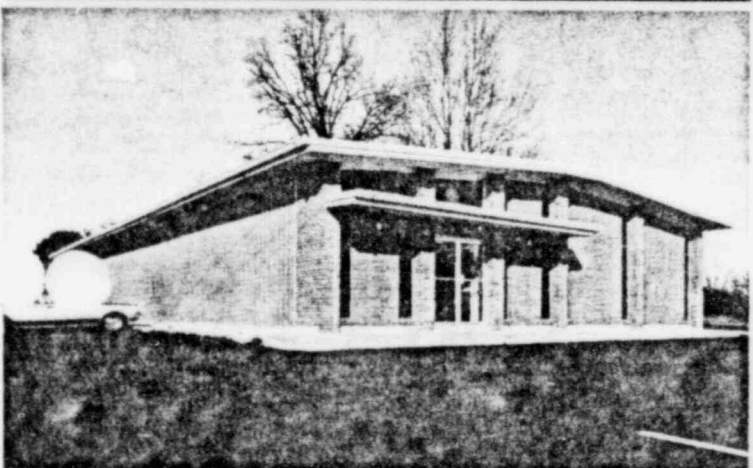
Right: The Tri-County Telephone Company building, Harrison, utilizes heat pumps for year-round comfort conditioning. The All-Electric Building Award was presented to Tri-County President R. E. Kellogg by Harrison Local Manager R. C. Miles, right.

Below Left: At Hot Springs, Top of Island Restaurant patrons enjoy the comfort of heat pumps and auxiliary resistance heating.

Below Right: The addition to the Boone County Hospital, Harrison, is equipped with heat pumps and resistance heating for total comfort.

Bottom Left: The colorful Tony's Pizza Restaurant, Little Rock, has an electric furnace and electric air conditioning.

Bottom Right: This office and meeting room of Local 295, International Brotherhood of Electrical Workers, Little Rock, earned the All-Electric Building Award.



A DECADE OF PROGRESS | FINANCIAL



AEROJET-GENERAL LIKES ARKANSAS
R. I. McKenzie, President
Aerojet-General Corporation
El Monte, California

Aerojet-General Corporation opened two facilities in Arkansas in recent months. The first was in a new building constructed in Batesville and the second was in leased facilities in Camden.

We are quite pleased with the manner in which the citizens of Arkansas helped us become established. We chose Arkansas because we were assured we would find ready and willing workers, a good power supply, and land on which to grow. We have found all of this to be true.

We are confident the future will be both productive and profitable for our new Arkansas facilities.



BALDWIN LIKES ARKANSAS
John F. Jordan, Vice President

D. H. Baldwin Co., Cincinnati, Ohio

"Plenty of room for expansion, excellent market location, an adequate tax base, good sources of raw materials and public utilities, easy access to rail and interstate highway routes but most of all, a large supply of willing and trainable people (individuals, not just labor) of excellent calibre . . ."

This is an excerpt from a report I prepared in 1956 and 1957. Our experience since we first located a plant in Arkansas, in 1958, has borne out my original analysis. From a small beginning in Fayetteville, our firm has continued to expand in the State. We have six plants employing more than 1,600 people. I believe our continued expansion, three new locations in Arkansas during 1966, speaks for itself.

(In Thousands of Dollars)

1966

CAPITALIZATION:

First Mortgage Bonds	\$188,700
Other Long-Term Debt	5,825
Preferred Stock	41,850
Premium on Capital Stock	137
Common Stock	99,750
Earned Surplus	23,764
Total Capitalization	<u>\$359,526</u>

UTILITY PLANT:

Utility Plant Completed	\$451,002
Construction Work in Progress	49,015
Total Utility Plant	<u>\$500,017</u>
Accumulated Provisions for Depreciation and Amortization	\$ 98,796
Accumulated Deferred Income Taxes	<u>\$ 25,579</u>

INCOME STATEMENT:

Operating Revenues	<u>\$ 99,752</u>
Operating Expenses:	
Operation and Maintenance Expense	\$ 43,856
Taxes Charged Operating Expense	21,656
Provision for Depreciation	12,212
Total Operating Expenses	<u>\$ 77,724</u>
Operating Income	\$ 22,028
Other Income	499
Total Income	<u>\$ 22,527</u>
Miscellaneous Income Deductions	417
Income Before Interest Charges	<u>\$ 22,110</u>
Interest Charges:	
Interest on Mortgage Bonds	\$ 7,140
Interest on Debentures	203
Other Interest (Net)	493
Interest Charged to Construction—Credit	1,4 ^c
Total Interest Charges (Net)	<u>\$ 6,411</u>
Net Income	<u>\$ 15,699</u>

OFFICERS AND DIRECTORS

OFFICERS

Reeves E. Ritchie, <i>President</i>	Little Rock, Arkansas
Floyd W. Lewis, <i>Senior Vice President</i>	Little Rock, Arkansas
H. F. Minnis, <i>Vice President</i>	Little Rock, Arkansas
W. M. Shepherd, <i>Vice President</i>	Little Rock, Arkansas
C. Allon Clift, <i>Vice President</i>	Little Rock, Arkansas
C. H. Walsh, <i>Vice President</i>	Pine Bluff, Arkansas
Wm. McCollam, Jr., <i>Vice President and Assistant Secretary</i>	Little Rock, Arkansas
A. B. Coen, <i>Vice President, Treasurer and Secretary</i>	Pine Bluff, Arkansas
Paul Griffith, <i>Assistant Vice President</i>	Little Rock, Arkansas
W. A. Mebane, <i>Assistant Treasurer</i>	Pine Bluff, Arkansas
J. D. Doyle, <i>Assistant Secretary</i>	Pine Bluff, Arkansas

DIRECTORS

Gerald L. Andrus, <i>President, Middle South Utilities, Inc.</i>	New Orleans, Louisiana
Donald Barger, <i>President, Peoples Bank & Trust Company</i>	Russellville, Arkansas
Lawrence Blackwell, <i>Attorney</i>	Pine Bluff, Arkansas
W. W. Campbell, <i>Chairman of the Board, First National Bank of Eastern Arkansas</i>	Forrest City, Arkansas
L. C. Carter, <i>General Manager, The Arkansas Rice Growers Cooperative Association</i>	Stuttgart, Arkansas
J. B. Lambert, <i>President, J. B. Lambert & Son, Real Estate</i>	Helena, Arkansas
Floyd W. Lewis, <i>Senior Vice President of the Company</i>	Little Rock, Arkansas
Reeves E. Ritchie, <i>President of the Company</i>	Little Rock, Arkansas
L. A. Watkins, <i>Farmer and Businessman</i>	Harrison, Arkansas
Harold A. Young, <i>Planter</i>	North Little Rock, Arkansas

In Memoriam



C. Hamilton Moses, whose leadership contributed to the progress of Arkansas and Arkansas Power & Light Company for a half century, died in Little Rock on July 25 at age 79. He had earned national fame as the architect of the "Arkansas Plan," a statewide program of area and industrial development.

Mr. Moses had retired on May 26, 1966, as a member of the Company's Board of Directors, ending nearly 47 years of association with the Company. AP&L Founder Harvey C. Couch employed Mr. Moses as general counsel in 1919, and he became the Company's second president in 1941. He was chairman of the board from 1952 until 1956, when he retired from active Company service.

At the time of his death Mr. Moses was chairman of the Arkansas Industrial Development Commission, and board chairman of the Arkansas I. stock Exposition.

Upon leaving P&L active service, he re-entered the practice of law with the firm of Moses, McClellan, Arnold, Owen & McDermott.

An Arkansas editor, the late Clarence F. Byrns, said of Mr. Moses:

"He has built of Arkansas a new personality, a new self confidence, a new vision of what we can do with what we have, a new achievement as of today, and an unlimited horizon for tomorrow."

COLTER HAMILTON MOSES, 1887-1966

A DECADE OF PROGRESS | OPERATING

1966



DOW CHEMICAL LIKES ARKANSAS

H. D. Doan, President
The Dow Chemical Co., Michigan
The new Dow Chemical plant near Magnolia will produce 100,000 pounds of bromine annually when it starts operation in 1967.

Deposits of salt water, containing minor quantities of bromine, will serve as the raw material for the new plant. The availability of raw material, however, was but one of the many points we considered when selecting the location of this new plant. Other factors included available personnel, utilities and other services, community attitudes and the industrial climate of the State.



GENERAL CABLE LIKES ARKANSAS

A. L. Fergenson, President
General Cable Corporation, New York, N. Y.
In 1966, General Cable's planning called for a new facility to be our central aluminum cable factory, far larger than any of our existing aluminum conductor facilities.

Proper location was, naturally, of prime importance in our planning of this \$10,000,000 investment. Arkansas was prominent in our thinking because of the information conveyed to us over many years by the Arkansas Power & Light Company as to the advantages in the State available to companies like ours. We had been made well aware of the ready supply of raw material, economical fuel and electric power, excellent road and rail transport, and people to man a complex plant. The Industrial Park near Hot Springs proved most desirable for our particular needs, including a nearby source of molten and ingot aluminum.

ELECTRIC OPERATING REVENUES:

Residential	\$31,551,691
Commercial	22,730,646
Industrial	29,845,591
Government and Municipal	789,206
Total General Business Revenues	\$86,917,134
Public Utilities	12,032,291
Miscellaneous Revenues	802,973
Total Electric Operating Revenues	<u>\$99,752,398</u>

ELECTRIC SALES (Thousands of KWH):

Residential	1,300,283
Commercial	1,025,225
Industrial	3,989,182
Government and Municipal	232,755
Total General Business Sales	6,547,445
Public Utilities	1,944,974
Total Energy Sold	<u>8,492,419</u>

NUMBER OF CUSTOMERS—END OF YEAR:

Residential	296,211
Commercial	42,930
Industrial	4,077
Government and Municipal	1,002
Total General Business Customers	344,220
Public Utilities	77
Total Customers	<u>344,297</u>

ELECTRIC ENERGY GENERATED AND PURCHASED (Thousands of KWH):

Generated—Net Station Output:	
Hydro	111,972
Steam	5,599,597
Total Generated	5,711,569
Purchased	3,429,525
Net Interchange	(42,679)
Total Generated and Purchased	9,098,415
Company Use, Furnished Without Charge, Losses and Unaccounted For	605,904
Total Energy Sold	<u>8,492,419</u>
Peak Demand (KW)	<u>1,692,000</u>

	1964	1963	1962	1961	1960	1959	1958	1957
\$163,700	\$138,700	\$138,700	\$138,700	\$138,700	\$126,700	\$126,700	\$111,700	\$111,700
6,050	6,275	6,500	6,500	6,950	7,400	7,600	7,850	12,850
31,350	31,350	23,850	23,850	23,850	23,850	23,850	16,350	16,350
133	202	186	186	186	186	185	106	106
86,750	83,750	78,750	75,750	75,750	75,750	68,250	62,250	62,250
21,245	17,947	18,608	18,534	15,374	12,116	9,117	7,083	5,113
<u>\$309,228</u>	<u>\$278,224</u>	<u>\$266,594</u>	<u>\$263,520</u>	<u>\$260,810</u>	<u>\$246,002</u>	<u>\$235,703</u>	<u>\$205,339</u>	<u>\$208,369</u>
\$424,003	\$377,028	\$367,027	\$355,995	\$351,486	\$286,723	\$277,565	\$265,515	\$256,700
14,193	16,323	2,473	714	435	45,086	23,154	5,142	1,681
<u>\$438,196</u>	<u>\$393,351</u>	<u>\$369,500</u>	<u>\$356,709</u>	<u>\$351,921</u>	<u>\$331,809</u>	<u>\$300,719</u>	<u>\$270,657</u>	<u>\$258,381</u>
\$ 90,129	\$ 82,881	\$ 76,563	\$ 68,981	\$ 66,654	\$ 58,537	\$ 51,808	\$ 45,787	\$ 39,627
<u>\$ 23,941</u>	<u>\$ 22,572</u>	<u>\$ 21,397</u>	<u>\$ 20,167</u>	<u>\$ 18,861</u>	<u>\$ 17,979</u>	<u>\$ 17,844</u>	<u>\$ 16,322</u>	<u>\$ 13,667</u>
\$ 93,898	\$ 86,996	\$ 79,823	\$ 76,656	\$ 68,512	\$ 66,852	\$ 62,847	\$ 57,317	\$ 55,266
\$ 40,723	\$ 37,834	\$ 33,775	\$ 30,349	\$ 28,073	\$ 30,174	\$ 27,614	\$ 23,801	\$ 22,330
20,628	20,349	18,625	19,636	16,730	14,674	14,543	13,707	13,382
11,256	10,406	10,250	9,904	8,853	8,044	7,725	7,415	6,870
<u>\$ 72,607</u>	<u>\$ 68,589</u>	<u>\$ 62,650</u>	<u>\$ 59,889</u>	<u>\$ 53,656</u>	<u>\$ 52,892</u>	<u>\$ 49,882</u>	<u>\$ 44,923</u>	<u>\$ 42,582</u>
\$ 21,291	\$ 18,407	\$ 17,173	\$ 16,767	\$ 14,856	\$ 13,960	\$ 12,965	\$ 12,394	\$ 12,684
487	338	291	205	362	235	185	236	216
<u>\$ 21,778</u>	<u>\$ 18,745</u>	<u>\$ 17,464</u>	<u>\$ 16,972</u>	<u>\$ 15,218</u>	<u>\$ 14,195</u>	<u>\$ 13,150</u>	<u>\$ 12,630</u>	<u>\$ 12,900</u>
376	441	363	326	233	479	467	477	475
<u>\$ 21,402</u>	<u>\$ 18,304</u>	<u>\$ 17,101</u>	<u>\$ 16,646</u>	<u>\$ 14,980</u>	<u>\$ 13,716</u>	<u>\$ 12,683</u>	<u>\$ 12,153</u>	<u>\$ 12,425</u>
\$ 5,644	\$ 4,818	\$ 4,849	\$ 5,006	\$ 4,775	\$ 4,421	\$ 3,615	\$ 3,577	\$ 3,577
208	219	219	231	242	251	258	265	267
239	272	672	101	180	102	136	196	317
	371	92	67	1,390	1,813	608	178	92
<u>\$ 5,100</u>	<u>\$ 4,938</u>	<u>\$ 5,648</u>	<u>\$ 5,271</u>	<u>\$ 3,807</u>	<u>\$ 2,961</u>	<u>\$ 3,401</u>	<u>\$ 3,860</u>	<u>\$ 4,069</u>
<u>\$ 16,222</u>	<u>\$ 13,366</u>	<u>\$ 11,453</u>	<u>\$ 11,375</u>	<u>\$ 11,173</u>	<u>\$ 10,755</u>	<u>\$ 9,282</u>	<u>\$ 8,293</u>	<u>\$ 8,356</u>



ILLINOIS TOOL LIKES ARKANSAS

Harold Byron Smith, Chairman

Illinois Tool Works, Inc., Chicago, Illinois

Illinois Tool Works, Inc. is pleased to become part of the Pine Bluff community. The most important factor that contributed to our locating in Arkansas was the "good business climate," a conclusion arrived at only after a careful study of Pine Bluff in comparison with other industrial areas.

Pine Bluff is an impressive city with a well-developed business district, a good industrial development and an outstanding civic center. All of this is supported by fine community spirit and good civic leadership. There appears to be good local and state government, and there is also a good education system. Of key importance are the excellent utilities which supply the necessary goods and services that are basic to our operations.

BALANCE SHEET

ASSETS

1966

1965

ELECTRIC UTILITY PLANT:

At original cost (including construction work in progress of \$49,014,652 in 1966 and \$14,192,145 in 1965)	\$498,921,480	\$436,857,086
Plant acquisition adjustments—unamortized portion (Note 1)	1,095,581	1,339,043
Total electric utility plant	500,017,061	438,196,129
Less accumulated provision for depreciation	98,795,742	90,129,155
Electric utility plant, less accumulated provision for depreciation	<u>401,221,319</u>	<u>348,066,974</u>

OTHER PROPERTY AND INVESTMENTS:

28 Non-utility property, less accumulated depreciation	219,037	93,851
Miscellaneous investments, at cost (includes non-current notes receivable of \$437,236 in 1966 and \$888,546 in 1965)	806,632	1,248,073
Total other property and investments	<u>1,025,669</u>	<u>1,341,924</u>

CURRENT ASSETS:

Cash	4,839,727	5,573,631
Special deposits for interest, etc.	176,049	181,217
Working funds	114,820	145,712
Notes receivable:		
Customer—electrical equipment (less accumulated provision for uncollectible notes of \$42,820 in 1966 and \$41,622 in 1965)	1,747,660	1,011,779
Other	435,175	435,539
Accounts receivable—Customer and other (less accumulated provision for uncollectible accounts of \$130,383 in 1966 and 1965)	5,819,270	5,593,774
Materials and supplies, at average cost	3,353,184	2,746,062
Prepayments and other current assets	450,594	366,429
Total current assets	<u>16,936,479</u>	<u>16,054,143</u>

DEFERRED DEBITS:

Advance to gas supplier for construction (Note 2)	1,020,370	1,147,918
Other	510,416	300,616
Total deferred debits	<u>1,530,786</u>	<u>1,448,534</u>
TOTAL	<u><u>\$420,714,253</u></u>	<u><u>\$366,911,575</u></u>

See accompanying Notes to Financial Statements.

	1964	1963	1962	1961	1960	1959	1958	1957
\$30,186,827	\$28,388,964	\$26,021,525	\$25,497,867	\$22,680,901	\$21,839,093	\$19,991,719	\$18,573,038	\$17,081,917
21,831,581	20,328,305	18,727,140	18,444,660	16,870,474	16,282,084	15,126,189	13,820,134	12,794,046
28,798,792	26,413,602	23,728,348	22,782,868	20,498,906	20,757,330	20,871,782	18,784,832	19,024,806
2,723,100	2,558,656	2,355,299	2,122,050	1,910,783	1,846,644	1,676,528	1,338,926	1,307,094
\$83,540,300	\$77,689,527	\$70,832,312	\$68,847,445	\$61,961,064	\$60,725,151	\$57,666,218	\$52,516,930	\$50,207,863
9,799,803	8,775,336	8,526,016	7,275,631	5,909,616	5,736,779	4,774,152	4,419,294	4,722,474
557,996	530,999	465,395	532,479	641,701	389,586	406,794	380,626	335,884
\$93,898,099	\$86,995,862	\$79,823,723	\$76,655,555	\$68,512,381	\$66,851,516	\$62,347,164	\$57,316,850	\$55,266,221
1,178,848	1,057,137	923,705	819,542	695,376	677,065	602,263	550,002	495,158
944,480	844,807	760,230	694,126	609,940	587,881	536,465	483,988	447,794
3,707,452	3,271,235	2,821,993	2,538,669	2,217,596	2,398,063	2,774,693	2,718,049	2,998,020
218,100	202,372	181,017	159,179	148,353	149,191	134,597	95,399	104,980
6,043,880	5,375,551	4,686,945	4,211,516	3,671,265	3,812,200	4,048,018	3,847,438	4,048,952
1,255,973	1,150,216	1,107,677	1,022,931	842,195	874,726	724,816	745,087	857,662
853	6,525,767	5,794,622	5,234,447	4,513,460	4,686,926	4,772,834	4,592,525	4,906,614
289,248	281,125	275,544	269,345	262,960	257,321	252,744	246,533	241,799
42,257	41,940	40,909	40,239	40,482	40,564	40,401	39,821	39,205
3,965	3,907	4,054	4,015	3,805	3,045	2,999	2,877	2,807
972	1,273	1,186	1,118	672	642	619	588	558
336,442	328,245	321,693	314,717	307,919	301,572	296,763	289,819	284,369
10%	112	112	107	105	103	99	97	98
336,550	328,357	321,805	314,824	308,024	301,675	296,862	289,916	284,467
97,247	101,572	34,661	143,559	182,313	184,686	119,657	186,589	238,176
5,879,778	5,635,126	5,200,430	4,663,526	3,725,101	4,100,775	4,323,063	4,044,735	4,141,664
5,977,025	5,736,698	5,235,091	4,807,085	3,907,414	4,285,461	4,442,720	4,231,324	4,379,840
1,944,929	1,337,487	1,142,392	883,337	882,038	710,626	707,954	658,937	742,652
(31,555)	(40,743)	(99,629)	(48,767)	107,591	60,949	(15,541)	70,104	123,858
7,890,399	7,033,442	6,277,854	5,641,655	4,897,043	5,057,036	5,135,133	4,960,365	5,246,350
546	507,675	483,232	407,208	383,583	370,110	362,299	367,840	339,736
7,304,853	6,525,767	5,794,622	5,234,447	4,513,460	4,686,926	4,772,834	4,592,525	4,906,614
1,524,000	1,424,000	1,227,000	1,073,000	921,000	941,000	988,000	804,000	818,295

ARKANSAS POWER & LIGHT COMPANY
STATEMENT OF INCOME AND EARNED SURPLUS

For The Years Ended December 31, 1966 and 1965

INCOME	1966	1965
ELECTRIC OPERATING REVENUES	\$99,752,398	\$93,898,100
OPERATING EXPENSES:		
Operation	39,333,938	36,325,397
Maintenance	4,522,415	4,397,479
Provision for depreciation	12,212,250	11,256,188
Taxes other than income taxes	7,360,673	6,314,648
Provision for income taxes (Note 4):		
Federal	10,754,172	10,377,165
State	1,223,104	1,241,538
Deferred income taxes—net	1,637,858	1,369,106
Investment tax credit adjustments—net (Note 4)	679,878	1,325,699
Total operating expenses	<u>77,724,288</u>	<u>72,607,220</u>
OPERATING INCOME	22,028,110	21,290,880
OTHER INCOME	499,199	487,546
TOTAL INCOME	<u>22,527,309</u>	<u>21,778,426</u>
MISCELLANEOUS INCOME DEDUCTIONS:		
Amortization of electric plant acquisition adjustments (Note 1)	243,462	243,463
Other	173,452	132,542
Total miscellaneous income deductions	<u>416,914</u>	<u>376,005</u>
INCOME BEFORE INTEREST CHARGES	<u>22,110,395</u>	<u>21,402,421</u>
INTEREST CHARGES:		
Interest on mortgage bonds	7,140,472	5,643,684
Interest on debentures	202,943	208,769
Amortization of debt discount and expense—net	45,693	50,370
Other interest	446,973	188,624
Interest charged to construction—credit	1,424,721 Cr.	911,059 Cr.
Total interest charges—net	<u>6,411,360</u>	<u>5,180,388</u>
NET INCOME	<u>\$15,699,035</u>	<u>\$16,222,033</u>
EARNED SURPLUS		
BALANCE, JANUARY 1, 1966		\$21,245,375
ADD—Net income		15,699,035
Total		<u>36,944,410</u>
DEDUCT:		
Dividends:		
Preferred stock:		
4.32% series		302,400
4.72% series		441,320
4.56% series		342,000
4.56% 1965 series		342,000
6.08% series		111,467
Common stock		8,640,600
Transfer to common stock (par value of 240,000 shares issued)		3,000,000
Total deductions		<u>13,179,787</u>
BALANCE, DECEMBER 31, 1966 (Note 3)		<u>\$23,764,623</u>

30

See accompanying Notes to Financial Statements.

MORTON JOBS LIKES ARKANSAS
George R. Vail, President
*Morton Frozen Foods Division, Continental Baking Company,
Rye, New York*

Morton Frozen Foods selected Russellville, in 1965, after inspecting many locations. Our decision was based on many things—the availability of raw materials, particularly poultry; a good labor market; a central location; expanding transportation facilities; exceptional cooperation from State and local officials; ample public utilities, and a fine community atmosphere.

Our Russellville plant has now been operating for a year and a half, and we have no reason to regret our choice. In that short time, demand for our products has forced us to expand our Russellville facilities to a point where our labor force has tripled. We honestly believe that our Arkansas plant is the finest of its type in the world.



ARKANSAS POWER & LIGHT COMPANY | DECEMBER 31, 1966 | 1965

LIABILITIES	1966	1965
PROPRIETARY CAPITAL:		
Preferred stock, per schedule attached	\$ 41,350,000	\$ 31,350,000
Premium on preferred stock	136,738	133,438
Common stock and earned surplus:		
Commo., \$12.50 par; authorized, 10,000,000 shares; out- standing, 1966, 7,980,000 shares; 1965, 6,940,000 shares	99,750,000	86,750,000
Earned surplus (Note 3)	23,764,623	21,245,375
Total proprietary capital	<u>165,001,361</u>	<u>139,478,813</u>
LONG-TERM DEBT, PER SCHEDULE ATTACHED	<u>194,525,000</u>	<u>169,750,000</u>
CURRENT LIABILITIES:		
Notes payable to banks	3,055,000	2,175,000
Accounts payable	3,663,981	3,538,225
Dividends declared	508,930	356,930
Customer deposits	2,872,652	2,729,437
Taxes accrued	13,003,626	13,903,602
Interest accrued	2,380,152	1,901,589
Other current liabilities	614,505	585,326
Total current liabilities	<u>26,098,846</u>	<u>25,190,109</u>
DEFERRED CREDITS:		
Unamortized premium on debt	694,677	621,021
Customer advances for construction	347,005	367,277
Accumulated deferred investment tax credit (Note 4)	3,180,662	2,500,784
Other	519,545	461,386
Total deferred credits	<u>4,741,889</u>	<u>3,950,468</u>
RESERVES:		
Pensions and benefits	1,067,033	932,135
Injuries and damages	107,417	107,417
Property insurance (including storm damage)	578,171	589,171
Total reserves	<u>1,752,621</u>	<u>1,628,723</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>3,015,380</u>	<u>2,972,164</u>
ACCUMULATED DEFERRED INCOME TAXES (Note 4)	<u>25,579,156</u>	<u>23,941,298</u>
TOTAL	<u>\$420,714,253</u>	<u>\$366,911,575</u>

See accompanying Notes to Financial Statements.



WHIRLPOOL LIKES ARKANSAS

Glenn A. Evans, President
 Warwick Electronics, Inc.
 and Director, Whirlpool Corporation
 Benton Harbor, Michigan

Early in 1966, Whirlpool, the world's largest home appliance manufacturer, announced that it had acquired, by lease, a million square-foot manufacturing plant in Fort Smith, Arkansas, to be used in the production of home freezers and central air conditioning equipment. In August, Whirlpool acquired majority ownership of Warwick Electronics, Inc. with its mobile color television manufacturing facility in Forrest City.

Whirlpool looks to a future in Arkansas with enthusiasm and confidence. Arkansas has all the ingredients for business success. From its geographic location near the heart of the Southwest to the attitudes of its people and government, Arkansas is right for Whirlpool and Warwick. In addition to the economic advantages of equitable tax base, labor supply, land conservation programs and a generally good business climate, there is a noticeable desire for opportunity in the people of Arkansas and, of great importance, the quality of leadership that makes community development possible and successful.

**ARKANSAS POWER & LIGHT COMPANY
 NOTES TO FINANCIAL STATEMENTS**

December 31, 1966

1. Plant acquisition adjustments relate to property acquired in 1961 and are being amortized by charges to income over the period ending June 30, 1971.
2. The advance to gas supplier for construction was amortized by partial credits for gas consumed through May 1965; and the unamortized balance at that time is being amortized by charges to income to December 31, 1974, the expiration date of the Company's gas purchase agreement.
3. Various restrictions on the payment of cash dividends or other distributions on common stock are contained in the indentures underlying the Company's mortgage bonds and sinking fund debentures and in the Company's articles of incorporation, as amended. At December 31, 1966, \$8,472,151 of the earned surplus was restricted under the bond indenture provisions which was then most restrictive. Under the provisions of the proposed 1967 supplement to the Mortgage Bond Indenture, earned surplus at December 31, 1966 in excess of \$11,828,000 would have been restricted.
4. The Company's provisions for income taxes reflect net reductions attributable to the recognition of accelerated amortization and liberalized depreciation, for tax purposes only, in advance of the periods in which depreciation would otherwise be deductible in computing such taxes. A provision has been made for deferred income taxes in an amount equivalent to such net reductions.
 The Company's provision for Federal income tax reflects a further reduction attributable to the investment tax credit. An amount equivalent to such reduction has been deferred by a charge to income and the deferred amount is being amortized over the average useful life of the related property. Amortization for 1966 amounted to \$93,056.
5. The Company's construction program contemplates expenditures of approximately \$57,400,000 in 1967.
6. In January 1966, the Federal Power Commission issued a Notice of Proposed Rulemaking relating to the determination of the "net investment" in hydroelectric projects licensed by that commission. The extent to which any such rule, if adopted, would affect the Company's current net investment of about \$5,200,000 in its licensed projects is not presently ascertainable.

32

ACCOUNTANTS' OPINION

Arkansas Power & Light Company:

We have examined the balance sheet of Arkansas Power & Light Company as of December 31, 1966 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of the Company at December 31, 1966 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint Louis, Missouri
 February 2, 1967

Haskins & Sells

**ELECTRIC SYSTEM MAP
 AND AREA SERVED**

The Company owns electric facilities and serves customers in 61 of Arkansas' 75 counties. Power is moved over 2,930 miles of high voltage transmission lines to 161 distribution centers (substations) for delivery over a network of 23,133 miles of lower-voltage lines to customers. The Company delivers service at retail within 228 incorporated towns and supplies power at wholesale to nine rural electric cooperatives, seven municipalities and one small investor-owned system. AP&L's production and transmission system is interconnected with and operated as part of the Middle South System, which supplies the power requirements of more than one million customers in 89,000 square-mile area of Arkansas, Louisiana, and Mississippi. Thirty generating units at various locations in the system are automatically controlled by the Woodward Load Dispatching Center, Pine Bluff, to deliver the lowest-cost power throughout the transmission system on a continuous basis.

PRINCIPAL POWER SOURCES

	<i>Capability In Kilowatts</i>
Steam Electric	
Ritchie	356,000
Lynch	239,000
Lake Catherine	209,000
Moses	144,000
Couch	161,000
Hydroelectric	
Rommel, Carpenter	69,000
Total Generation	1,178,000
Under Contract	
SPA	161,000
TVA (Through Contract with MP&L Company)	212,000
CLECO (Through Contract with LP&L)	64,000
Other Middle South Companies	227,000
Total Contract	664,000
*TOTAL CAPABILITY	1,842,000

* Additional power available in an emergency through interconnections with neighboring systems.

REVERE COPPER LIKES ARKANSAS

John H. Eikenberg, President

Revere Copper and Brass Incorporated, New York, N. Y.

Some ten years ago Revere Copper and Brass expanded its operation to include manufacture of metal foils, by purchasing the facilities of Standard Rolling Mills, Inc., including the present Revere mill at Newport, Arkansas. Newport has proved to be a good locality in which to live and work.

Industrial growth depends upon many factors—one of the most important being people and the spirit they bring to the job. This will be a significant element in the success of our expanded operations in Newport, and we are confident that the community and the company will grow and prosper together.



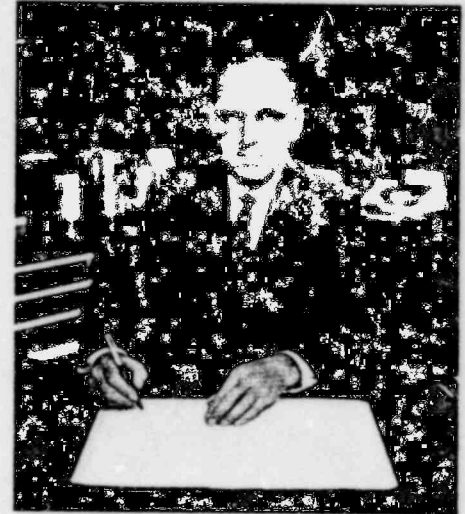
John H. Eikenberg

TELETYPE LIKES ARKANSAS

M. T. Goetz, President

Teletype Corporation, Skokie, Illinois

The vigorous growth that Arkansas has experienced certainly confirms the judgment we made ten years ago when we selected Little Rock, Arkansas, as a location to expand our operations. At present Teletype occupies two leased plants in Little Rock and employs about 750 people. We are proud of the fact that our Little Rock management team is composed predominantly of Arkansans who were hired, trained, and promoted to positions of responsibility in Little Rock. We reaffirmed our faith in the future of Arkansas when we broke ground for a new plant in Little Rock on December 16, 1966. We hope to move into our new building early in 1968. When the plant is operating at full capacity, we should employ about 1,500 people in the area. Teletype is proud to be a part of this growing community.



M. T. Goetz

PREFERRED STOCK AND LONG-TERM DEBT

December 31, 1966 and 1965

PREFERRED STOCK

CUMULATIVE, \$100 PAR VALUE:

	SHARES AUTHORIZED	SHARES OUTSTANDING	
		1966	1965
4.32% series	70,000	70,000	70,000
4.72% series	93,500	93,500	93,500
4.56% series	75,000	75,000	75,000
4.56% 1965 series	75,000	75,000	75,000
6.08% series	100,000	100,000	None
Other series	586,500	None	None
		<u>413,500</u>	<u>313,500</u>

STATED AT \$100 A SHARE \$ 41,350,000 \$ 31,350,000

LONG-TERM DEBT

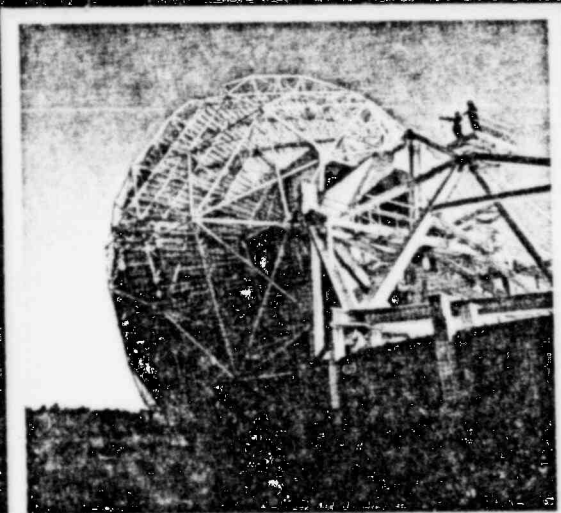
FIRST MORTGAGE BONDS:

3-1/8% series due 1974	\$ 30,000,000	\$ 30,000,000
2-7/8% series due 1977	11,000,000	11,000,000
3-1/8% series due 1978	7,500,000	7,500,000
2-7/8% series due 1979	8,700,000	8,700,000
2-7/8% series due 1980	6,000,000	6,000,000
3-5/8% series due 1981	8,000,000	8,000,000
3-1/2% series due 1982	15,000,000	15,000,000
3-1/4% series due 1984	7,500,000	7,500,000
3-3/8% series due 1985	18,000,000	18,000,000
4-7/8% series due 1991	12,000,000	12,000,000
4-3/8% series due 1993	15,000,000	15,000,000
4-5/8% series due 1995	25,000,000	25,000,000
5-3/4% series due 1996	25,000,000	

Total first mortgage bonds (sinking fund requirements, which may be met by certification of property additions at the rate of 167% of such requirements, amount to \$1,887,000 for each of the years 1967 through 1971) 188,700,000 163,700,000

3/8% SINKING FUND DEBENTURES DUE 1974 (cash sinking fund payment of \$225,000 required in each of the years 1968 through 1971) 5,825,000 6,050,000

TOTAL LONG-TERM DEBT \$194,525,000 \$169,750,000



In 1966, Arkansas became the base for the first privately-owned communications satellite research station of the Hughes Aircraft Company. Located near Caddo Gap, between Glenwood and Mount Ida, the Arkansas Research Test Station is an engineering development center which will demonstrate the feasibility of a multiple access satellite communications system. The Arkansas site provides geographical visibility to both Atlantic and Pacific satellites, and is relatively free of microwave relay link interference. This installation can communicate via satellite with earth stations located between the West Coast of Africa and the International Dateline in the Pacific.



ARKANSAS POWER & LIGHT COMPANY

HELPING BUILD ARKANSAS