GULF STATES UTILITIES COMPANY
POST OFFICE BOX 2951 · BEAUMONT, TEXAS 77704
AREA CODE 713 838-3843

April 7, 1983

RBG-14,762
File No. G9.5

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

Dear Mr. Denton:

River Bend Station Units 1 and 2
Docket Nos. 50-458/50-459
Annual Financial Report

Enclosed are ten (10) copies of the Gulf States Utilities Company 1982 Annual Report. This report is being submitted in accordance with Section 50.71 of Title 10 of the Code of Federal Regulations and U. S. Nuclear Regulatory Commission Regulatory Guide 10.1.

Sincerely,

William J Reed

for J. E. Booker
Manager-Engineering,
Nuclear Fuels & Licensing
River Bend Nuclear Group

JEB/WJR/kt

Enclosures

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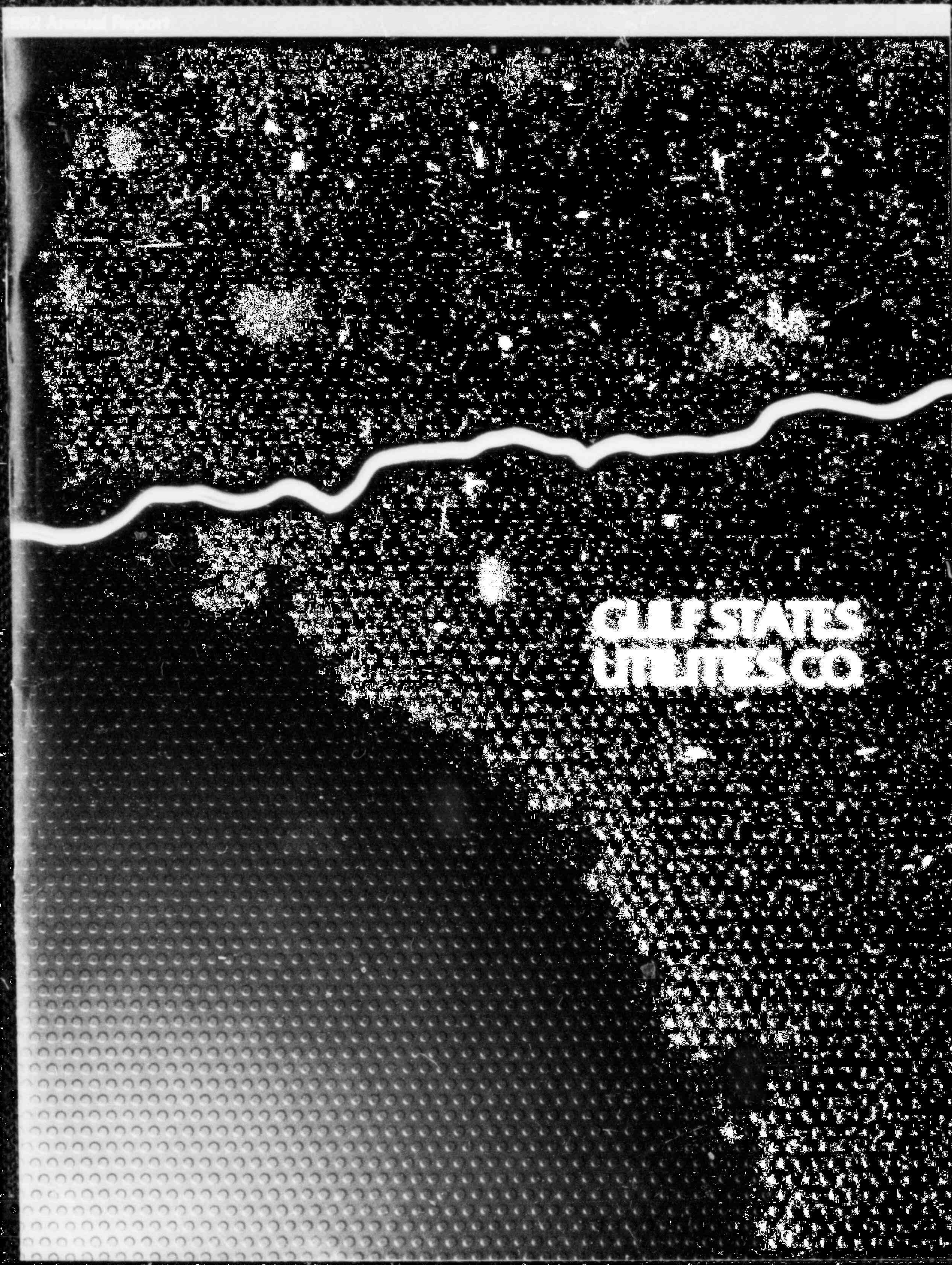
Annual Report
GULF STATES
UTILITIES CO.

Financial Highlights

	1982	1981	% Change
Total Operating Revenue (000)	**$ 1,307,259**	$ 1,221,714	7.0
Operating Expenses and Taxes (000)	**$ 1,036,850**	$ 991,421	4.6
Net Income (000)	**$ 165,979**	$ 150,931	10.0
Income Applicable to Common Stock (000)	**$ 127,030**	$ 120,550	5.4
Earnings per Share of Common Stock			
Based on Average Shares Outstanding	**$1.95**	$2.24	(12.9)
Assuming Conversion of Convertible Debentures	**$1.95**	$2.20	(11.4)
Dividends per Share	**$1.56**	$1.48	5.4
Average Common Shares Outstanding (000)	**65,056**	53,851	20.8
Number of Electric Customers (end of year)	**529,709**	516,812	2.5
Total Kilowatt-Hour Sales (000)	**28,968,502**	30,697,020	(5.6)
System Peak Load—Kilowatts	**5,164,000**	5,541,600	(6.8)

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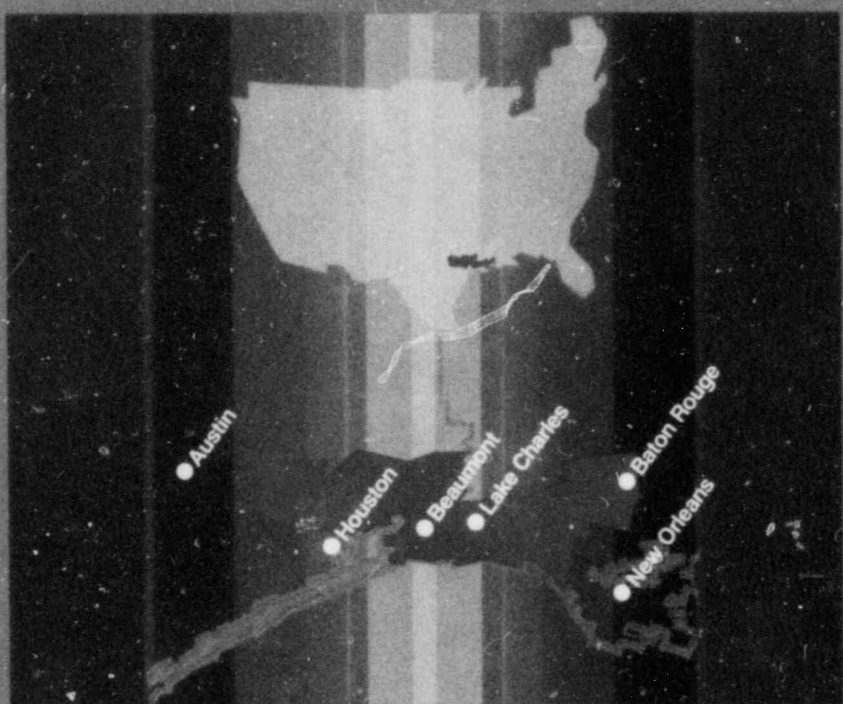


Dear Fellow Shareholders:

Doubtlessly, from all the newspaper, television and news magazine stories in 1982, the American people are getting the unmistakable message that our country is in a period of fundamental economic change. It is a form of change that offers many complex issues, none of which has more facets and nuances to it than energy supply.

For instance, in 1982 our customers along the Texas-Louisiana Gulf Coast were treated to a seemingly endless "oil glut" that put gasoline prices into decline. In point of fact, the oil glut is at least the partial result of Americans' transition to smaller, more efficient cars and other conservation measures. These, in turn, caused decreased use of processed petroleum products which forced some refineries into mothballs, and others to curtail production. Oil and gas exploration slowed and created a substantial recession for that part of the industry as well as its suppliers. During the same period that drilling was falling off, there was an almost contradictory and steady increase in natural gas prices because of the federal government's maze of natural gas pricing regulations.

Despite the array of forces that buffet the economic picture, it is evident that Gulf States Utilities, as a prime supplier of electricity in a 28,000-square-mile area of Southeast Texas and South Louisiana, must play a major role in the economic recovery and long-term well being of this area. But we must do this while operating with stringent, self-imposed cost controls to conduct our business at the lowest cost consistent with dependable service. While the service area is in a general recession, we continue to add new customers at about three percent per year, and they must receive the electricity they need if there is to be economic recovery and long-term economic prosperity in our area.

Our basic strategy to meet these energy needs is avoiding additional dependence on natural gas as our future prime fuel source to make electricity. In the long-term, gas will increasingly be one of the most expensive fuels we could use to make electricity. Conversely, coal and uranium will be among the least expensive and that is why we are turning to them.

While there are many valid viewpoints in the energy supply issue, it is unfortunate that the political debate of the subject continues to result in suggestions, potential solutions and decisions that are far too often aimed at the short-term future. At Gulf States, we, too, see many nagging short-term problems, but when we step back from our immediate circumstances and view the long-term prospects, the course that Gulf States adopted several years ago looks increasingly accurate.

The course is a long-term and very expensive construction program that has begun to bear fruit and will ultimately save our customers billions of dollars in fuel costs by limiting our need for natural gas. That saving will, in turn, help our customers be economically competitive which provides the basis for the long-term growth of Gulf States. The first significant step away from natural gas occurred in May when we began the commercial operation of the 540-megawatt coal-fired Nelson 6 generating unit near Lake Charles, La. Even though it was in operation for only about half the year, it supplied four percent of the energy we generated in 1982. If that energy had been generated with market priced gas instead of coal, it would have cost our customers an extra $24 million in fuel costs. We own 70 percent of this unit.

Later this year, we anticipate that a second coal-fired plant, in which we have a 42 percent ownership interest, will begin commercial operation. It is the Big Cajun 2, Unit 3, a 540-megawatt coal-fired plant near New Roads, La.

In 1984, we plan to put into operation a transmission line that will tie Gulf States to utilities in Mississippi, Alabama, Georgia and Florida. Under the terms of a contract between GSU and the Southern Companies, 1000 megawatts of predominantly coal-generated power will flow into the GSU system from Southern Companies' units in Mississippi and Alabama. GSU and the Southern Companies have signed a contract that will bring this electricity, made from relatively cheap fuel, to our customers through mid-1992.

Our final major move away from natural gas in the near future will be made in 1985 when the 940-megawatt River Bend 1 nuclear unit near Baton Rouge, La., is scheduled for commercial operation. GSU owns more than two-thirds of that unit. (The details of the various generating unit participation agreements are in the Construction section of this report.)

The sum total of these projects will be to move the company from being entirely reliant on natural gas and oil to a position in which less than half the kilowatt hours sold in 1986 may be generated from natural gas.

Certainly, such an ambitious program requires major capital expenditures that ultimately will be reflected in higher electric rates. These higher rates are a mandate to the company to operate in the most financially lean manner possible to minimize the costs to our customers.

From this plan for the future, let us turn to the recent past, the results of 1982. Earnings for the year ended Dec. 31, 1982, were $1.95 per share of common stock which is a decline from the $2.24 earned in 1981. It should be noted that the 1982 earnings reflect only a minor portion of the more than $180 million in rate increases the company received in the second half of 1982.

Dividends of $1.56 per common share in 1982 were up from the $1.48 paid in 1981.

Because increasing electric bills are affecting customers more than in years past, and electric utilities are becoming more and more a focal point for public debate, we determined during the year that our management group could be strengthened by putting several traditionally separate corporate disciplines under one senior officer. In October, Dr. E. Linn Draper, Jr., a senior vice president and nationally noted expert and communicator on nuclear power issues, was named senior vice president of external affairs. In his new position, he will coordinate the public affairs, rates and legal departments.

In an unrelated, but significant development that potentially may be very beneficial to customers, we believe a settlement is quite close in a long-standing law suit between Gulf States and United Gas Pipe Line Company. The suit centers on natural gas curtailments put into effect by United Gas in the early 1970's, which forced GSU to purchase much more expensive fuel on the open market. The tentative agreement calls for United to make a cash payment of $112 million, extend an existing contract with Gulf States for five years, and begin supplying gas to our Texas units in 1985 for a 10-year period. A more detailed discussion of this issue is covered in the Efficiency section of this report.

In closing, let us urge you to read the remainder of this report that documents 1982. It was a year in which the 4800 employees of Gulf States contributed substantially to the long-term success of the company, and it was a year in which they can be proud of their achievements. On the pages that follow, you will have a chance to meet a few of those people, and perhaps, get a sense of the magnitude and diversity of the work Gulf States' people do.

Sincerely,

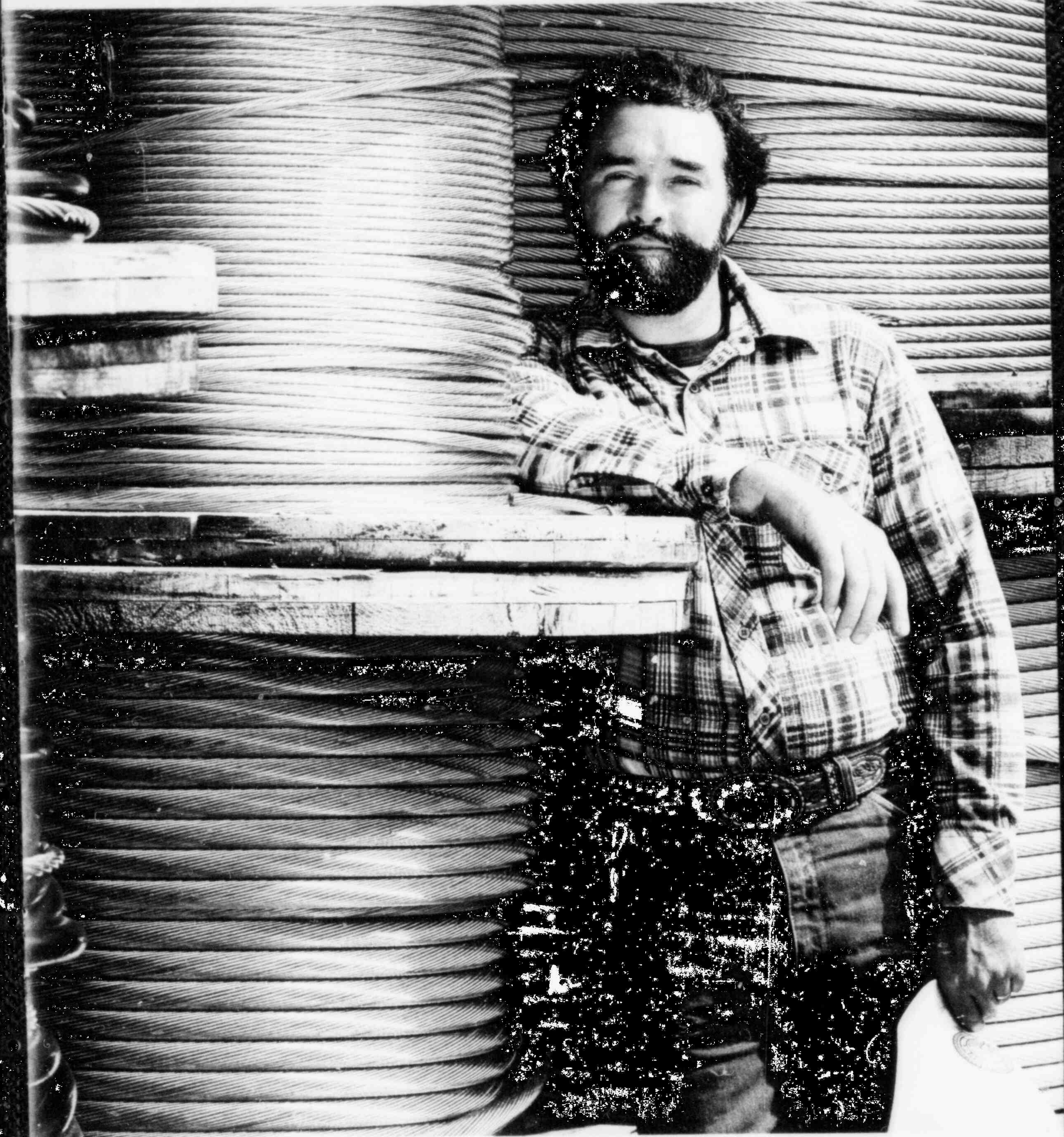
Norman R. Lee

Norman R. Lee
President and Chief Operating Officer

Paul W. Murrill

Paul W. Murrill
Chairman of the Board and Chief Executive Officer

Paul W. Murrill (seated) and Norman R. Lee



Senior Engineering Assistant Les Jones with some of the thousands of dollars worth of electric cable that is used every day to extend or replace lines

Sales declined from the 30.7 billion kilowatt hours recorded in 1981 to 29 billion kilowatt hours in 1982. The decrease was due primarily to lower industrial sales which consistently remained about nine percent below the 1981 levels. Also, wholesale electric sales were substantially less than 1981 because during the first half of 1981 we supplied about 262 megawatts of power to a neighboring utility. When the other utility brought a new generating unit into operation, our sales ceased to that utility and, of course, did not recur in 1982.

Somewhat offsetting these declines were four and five percent increases in sales to commercial and residential classes of customers respectively. These increases were attributable to growth in the number of customers in both classes as well as increased use per customer.

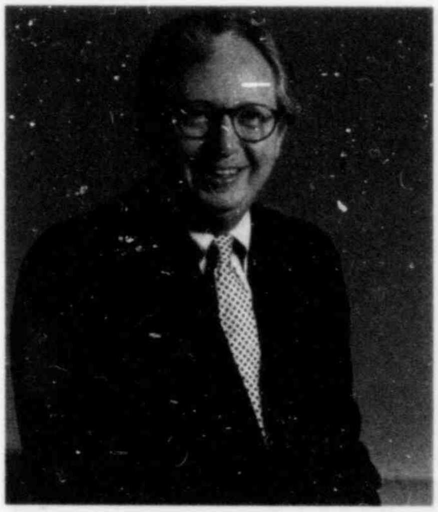
A definitive breakdown of electricity use by class of customer as well as average customer use is available in the Statistical Summary on page 42 of this report.

Trending with the sales decrease was a decrease in earnings per share.

For 1982 earnings were $1.95 per share of common stock compared to $2.24 for the previous year. Earnings for the last quarter of 1982 were 53 cents per common share compared to 37 cents for the corresponding period in 1981. The decrease in earnings per share in 1982 was primarily attributable to a 21 percent increase in average shares outstanding in 1982, lower kilowatt hour sales in 1982, and lack of adequate rate relief until the last half of 1982. The 1981 earnings benefited from a 14 cent per share gain attributable to a lignite coal exchange between a GSU subsidiary and another company. The dividend was $1.56 per share of common stock in 1982 compared to $1.48 in 1981.

To finance the company's 1982 construction program, which included portions of two coal-fired generating units and one nuclear facility, we issued more than $490 million in first mortgage bonds, guaranteed debentures, common stock and preference stock. Early in 1982, when the capital markets were unstable, we backstopped the company's long-range financing program by establishing an $800 million revolving credit agreement between Gulf States and more than 100 domestic and international banks. The agreement calls for three different interest rate options from which we can choose, and the agreement buttresses our financing plans through the anticipated completion of the River Bend nuclear unit in 1985 by providing a source of intermediate capital during periods of long-term capital market turbulence.

Specifically, our 1982 long-term construction financing took the form of nine different issues during the course of the year.



Joseph L. Donnelly
Executive Vice President-Finance

They were:

- $27 million, first mortgage bonds with an annual interest rate of 16.8 percent.
- $40 million, first mortgage bonds with an annual interest rate of 17.5 percent.
- 2 million shares ($50 million) of $25 stated value preference stock sold for $27.50 per share with a $4.40 annual dividend yielding 16 percent at issue. The $2.50 premium, after expenses, was added to common equity.
- $60 million, guaranteed debentures sold in the European capital market with an annual rate of 16 percent.
- $58 million (5 million shares) common stock sold at $11.75 to the public.
- $100 million, first mortgage bonds with an annual coupon rate of 15 percent.
- 2 million shares ($50 million) of $25 stated value preference stock sold for $27.50 per share with a $3.85 annual dividend yielding 14 percent at issue. The $2.50 premium, after expenses, was added to common equity.
- $48.3 million, pollution control bonds with an annual interest rate of 10⅜ percent.
- $61.5 million (5 million shares) common stock sold at $12.625 to the public.

A separate financing in 1982 was the sale of 2.3 million pounds of uranium yellowcake for $109 million. Under terms of the transaction, the fuel will be converted, enriched and fabricated for use as nuclear fuel in River Bend 1. We will repurchase the fuel as needed for the original cost plus manufacturing expenses and a carrying charge.

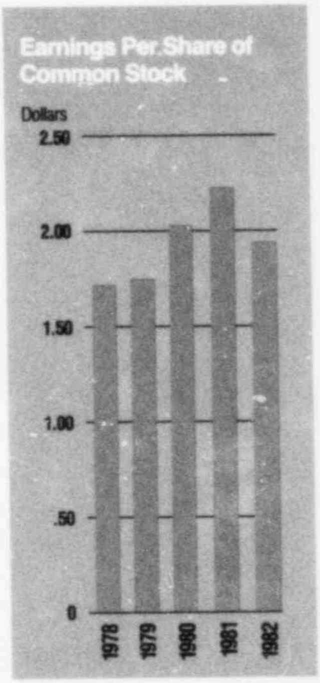
Recognition of the necessity to become greatly less dependent on natural gas led to the costly construction program we began in 1978. While we are beginning to see results from that program, it will continue to require hundreds of millions of dollars in financings each year until 1986. That pressure forces us to make periodic requests for rate increases and 1982 was no exception.

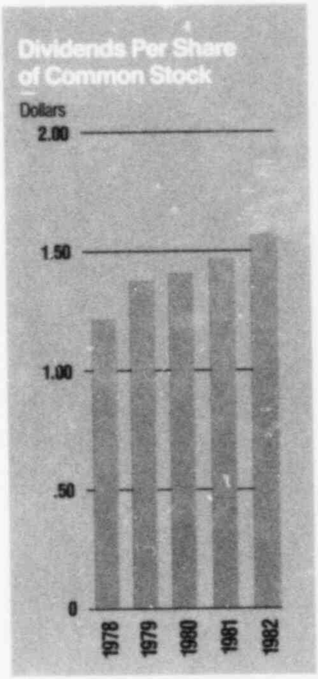
The Louisiana Public Service Commission, the Public Utility Commission of Texas and the Federal Energy Regulatory Commission each authorized the company to put higher rates into effect during the course of the year.

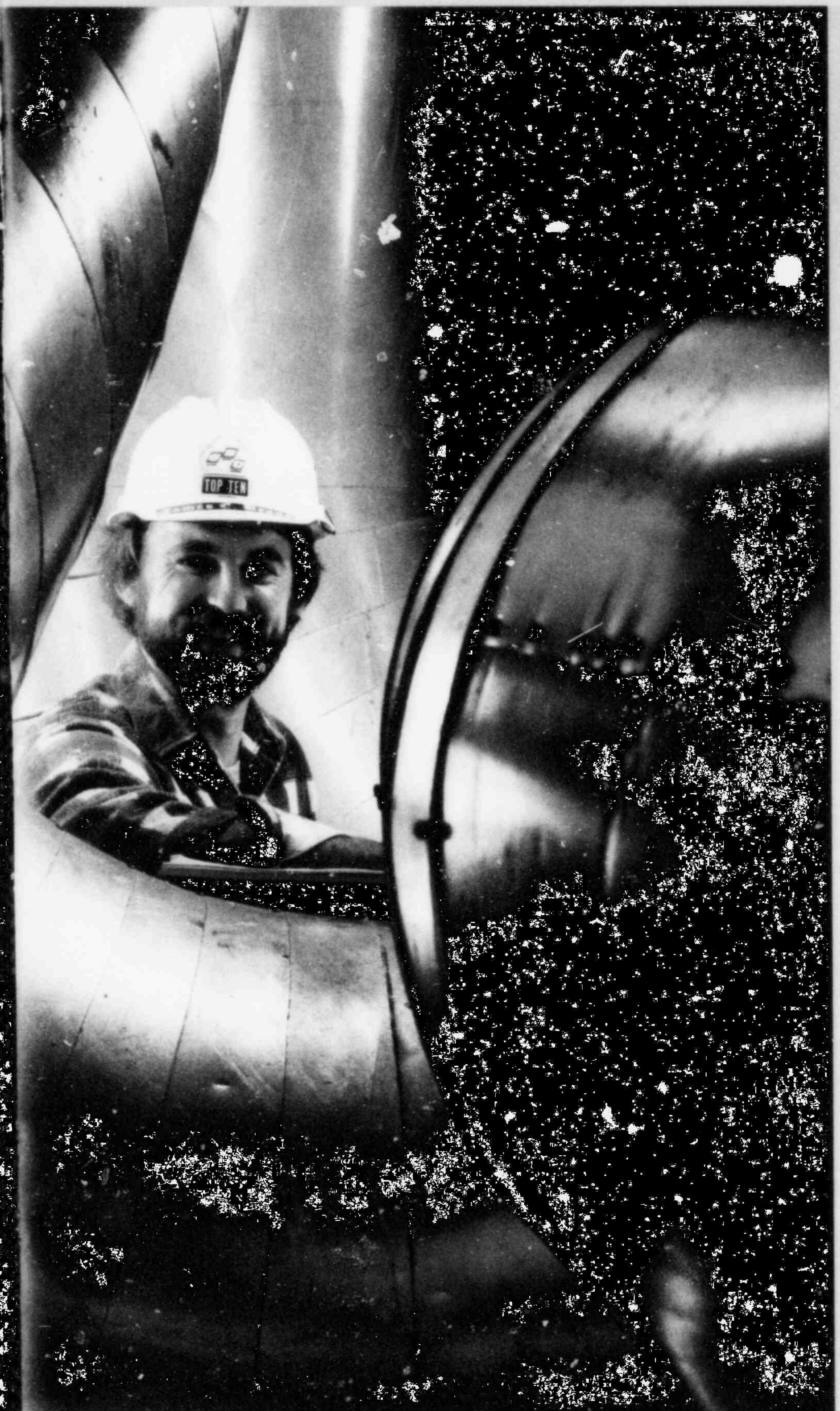
The Louisiana commission granted the company a $97.3 million rate increase in September based on a requested $230.4 million sought by GSU. The decision includes a 16.25 percent return on a target common equity ratio of 38 percent.

In Texas, we negotiated a settlement with all parties for a $57.5 million annual increase and the Texas commission affirmed that settlement in October. The settlement was based on a request of $124.8 million and provides for a return on common equity of 17.15 percent based on a common equity ratio of 34.64 percent.

FERC authorized a $32.6 million increase in July for our wholesale customers. That was based on a request earlier in the year of $33.3 million. The $32.6 million was authorized until hearings or negotiations were completed. It appears that the final negotiated amount of the rate increase may be somewhat less than $32.6 million.







Economy

The economy of the Gulf States service area burgeoned throughout the '70's. In the 10-year period from 1972 to 1982, our peak load and energy distributed grew at a compound annual growth rate of 3.7 percent. However, in 1982, there was a significant downturn as the recession slipped through the Sunbelt.

Today, our service area economy continues to grow in the commercial and residential areas, but the industrial segment suffers, particularly for those who staked their livelihood on the oil and gas industries including petrochemicals.

While statistical evidence does not yet support any contention of recovery, it is clear that the recession has bottomed out and there are trace signs of a beginning recovery.

Most encouraging is a growing attitude of cooperation across the service area between labor and management. It is an attitude that we must all work together to make recovery work.

Our service area is sprinkled with excellent colleges and universities including Louisiana State University and Texas A&M University that have potential to draw new high technology industry. At the same time, the natural resources along the Texas/Louisiana Gulf Coast simply are too abundant to be ignored by the basic industries that are located here to draw upon them in the first place.

Equipment operator James Braus stands amid high pressure steam lines that feed the turbine generator of the $150 million, 488-megawatt Sabine Station unit 5.

In the area of operations, 1982 was characterized by a decreased use of electricity and a decreased peak load. Our customers consumed about 29 billion kilowatt hours of electricity in 1982 as compared to 30.7 billion kilowatt hours in 1981, which is a 5.6 percent decline. Peak demand for the year was 5164 megawatts August 5 compared to 5542 megawatts in 1981, representing a seven percent decrease.

While customer demand for electricity did not put any undue strain on the company's generating facilities in 1982, it was encouraging to see that the generating units were available for use during the hot summer months more than 83 percent of the time. That was a continued improvement over previous years' "peak availability".

An equally good indicator of our system operations was a report published in mid-1982 by the First Boston Corporation research group. The report, which was an in-depth analysis of 75 major electric utilities in the United States, ranked Gulf States number one in system efficiency. The ranking is based on a number of criteria including heat rate, load factor, capacity factor and several others.

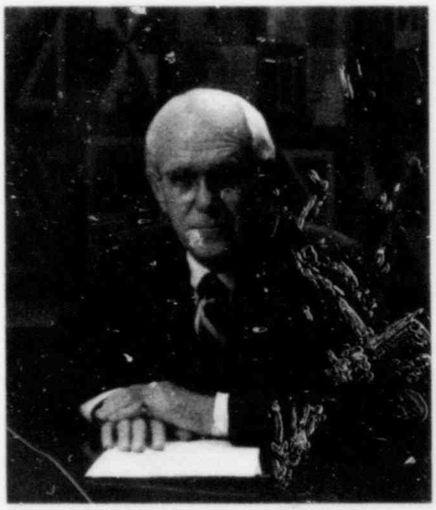
Certainly efficient operations are important to us, but the matter of declining sales in a service area that has felt the effects of the national recession is equally important. However, it is imperative to address the problem of decreased sales without being counterproductive in our energy conservation efforts. We have achieved this balance by moving into a very selective marketing program aimed at increasing the system load factor by building off-peak electric sales.

The marketing program has two distinct components. The first is a major economic development effort aimed at bringing new and diversified industry into the area we serve. A similar program was eminently successful a decade ago when the company was actively trying to build load. Five major deep-water ports with adjacent industrial sites, responsive local governments, outstanding colleges and universities, and excellent transportation are successful selling points to industry.

The second aspect is to increase the use of outdoor lighting — street, security, and floodlighting — along with greater use of electric heat pumps. The heat pumps are receiving special emphasis because they use electricity efficiently during the summer when they are in the cooling cycle and they efficiently replace other forms of home heating in the winter. Heat pumps will help build the electric load on our system in the off-peak winter months.

The overall marketing program continues to emphasize customer education in the efficient use of energy. Toward that end, consumer education programs increased by more than one-third in our operating divisions last year and there was a doubling of school programs. Also, more than 300 science teachers participated in the 1982 Thomas Alva Edison Foundation Science Institute held at Lamar University in Beaumont.

Efficient use of our generating system is important to produce the minimum cost for electricity to our customers. Improvement of our service area economy and developing additional load that occurs at times when otherwise some of our generating units would not be fully utilized are two methods to develop that efficiency. Another important method is to keep our operating expenses as low as possible consistent with reliable service to customers.



Joseph E. Bondurant
Executive Vice President-Operations

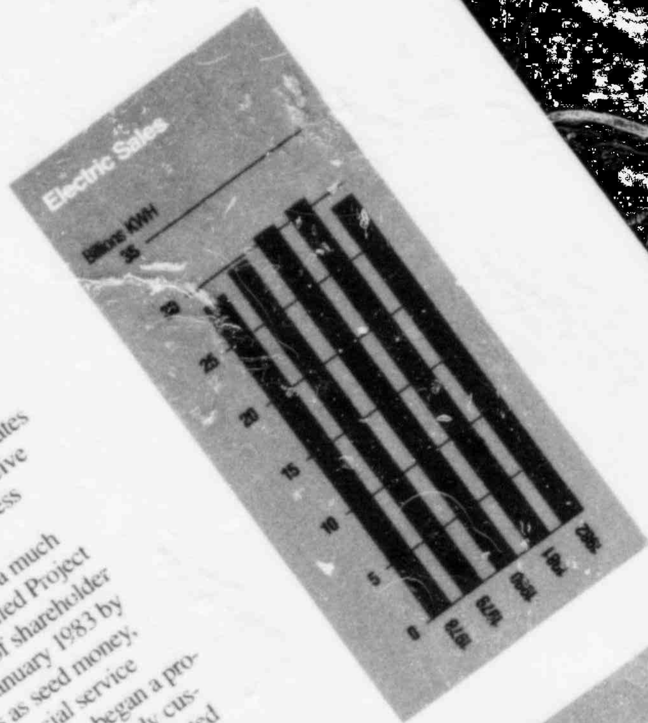
To gauge our effectiveness in these areas, we calculate how much it costs in the areas of customer service, transmission and distribution, and production to serve one customer. At the beginning of 1982, through the budgeting process, we established stringent goals in each of those areas on a cost per customer basis. The goals for 1982 were not only met, but exceeded, which is a tribute to the diligence and understanding of all employees that in an era of increasing electricity costs, we must do everything possible to minimize expenses.

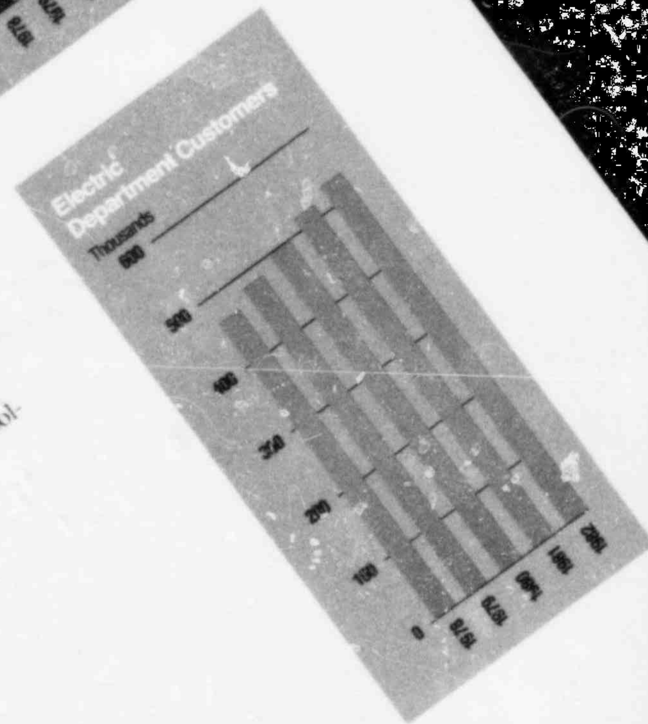
These results were realized by a number of methods that included Productivity Improvement Programs in all five of our operating divisions. In these programs, employees are invited to discuss ideas and methods they think may improve the way a certain job presently is being done. Almost without fail, when these ideas are put into effect, productivity is, indeed, increased and costs per customer decreased.

Operating expenses were cut in another area after an analysis was done to determine if there was a particular type of customer who might leave the area with an outstanding balance owed the company. Not surprisingly, it was found that there were many bad debts incurred by short-term, transient customers who might stay in the area only two or three months. Collection policies on these customers were tightened and in 1982 bad debts were only .35 percent [of tot]al residential and commercial

Two programs have been started to help minimize the effect of higher electric bills on our elderly customers. One came about when we realized that there were many retired customers who had good credit records with us, but who were worried because often their pension or Social Security checks were received after their electric bills became overdue. To stop this needless worry, we instituted a convenient payment program for those customers. After they sign up for the program, their payment due dates are matched with the time they receive their pension check, so the needless worry is eliminated.

The second program is of a much larger magnitude and is called Project CARE. With $100,000 of shareholder money authorized in January 1983 by the board of directors as seed money, Gulf States and three social service agencies in our service area began a program to identify and assist elderly customers with emergency energy-related expenses. A flyer explaining Project CARE was included with February Gulf States' bill payment and it invites customers to add one dollar to their monthly electric bills. Gulf States employees can contribute through payroll deductions. The money collected for Project CARE will be distributed on an emergency basis by the social service agencies. It will help elderly people pay for electric and gas service bills, costs of other fuels such as propane or butane, minor weatherization work and repairs to cooling and heating equipment.





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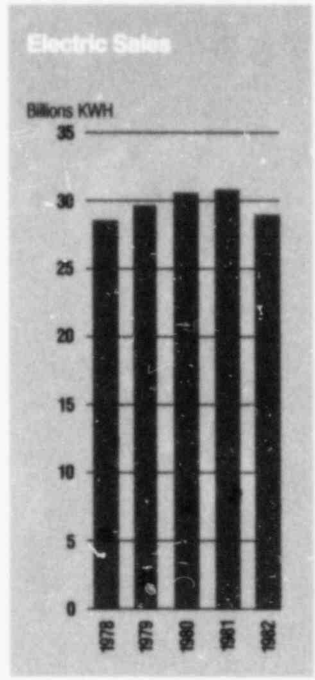
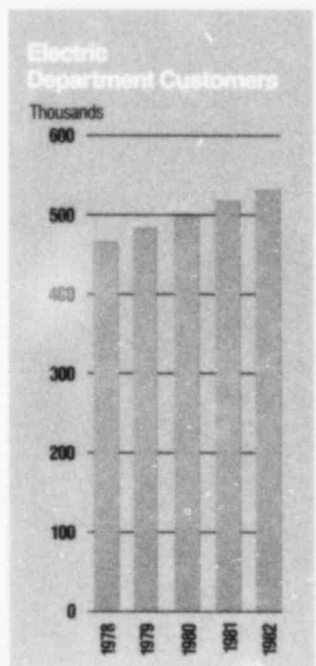
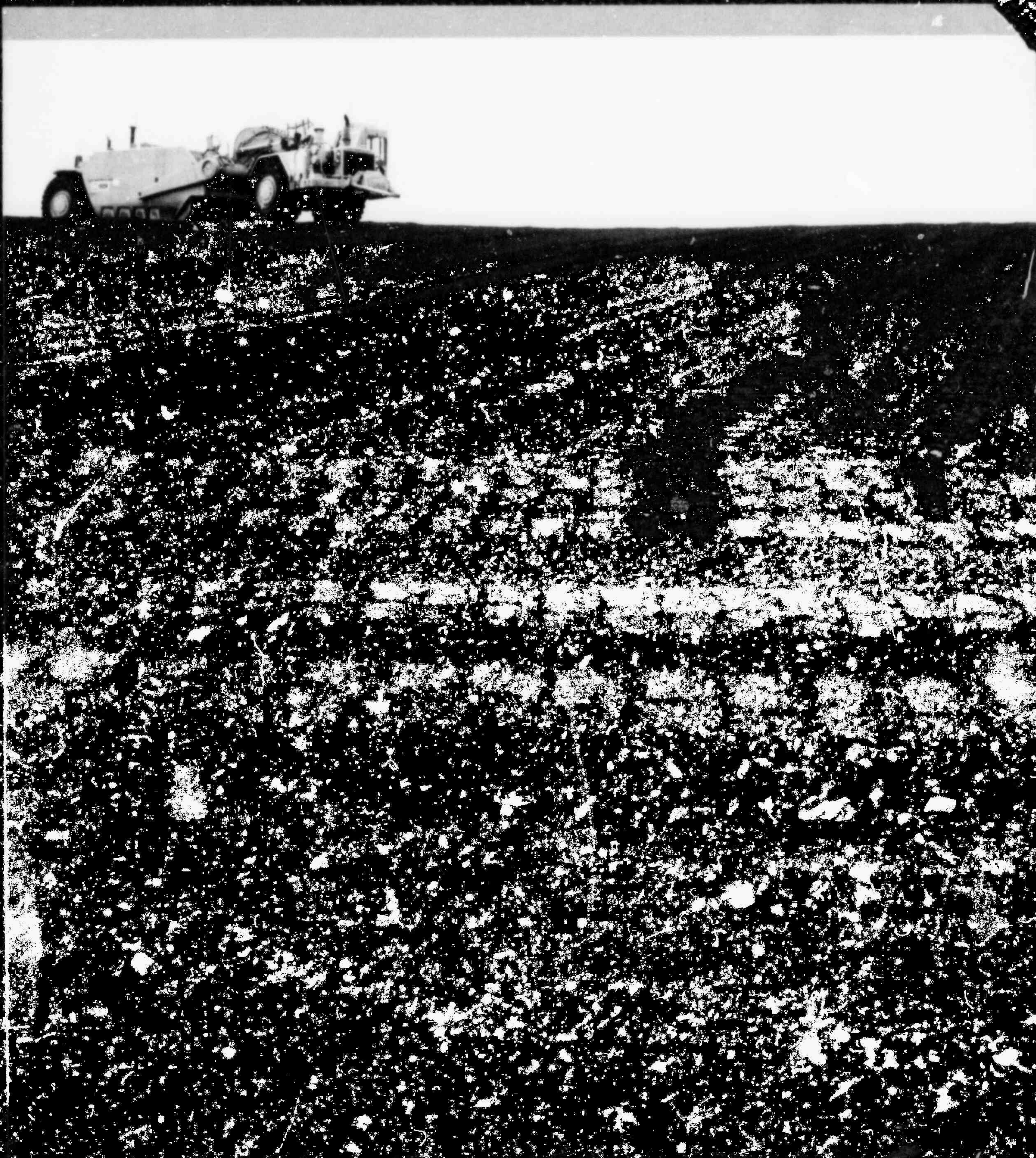






Operations

As one of the largest users of natural gas in the world, Gulf States always shops for the lowest prices, so it was gratifying to read in the Department of Energy's "Cost and Quality of Fuels for Electric Utility Plants" that GSU paid less for natural gas in the summer of 1982 than did any other investor-owned electric utility that relies heavily on gas.

The monthly report contains data on cost, quality and quantity of coal, gas and oil purchased by electric utilities throughout the country. Of the 10 largest gas consuming electric utilities in the country, Gulf States paid the least for natural gas in May, June, July and August.

Nationally, the average price paid by utilities for natural gas in the month of August—the highest electricity use month for our customers—was $3.67 per thousand cubic feet. Gulf States paid $1.56 per thousand cubic feet and other utilities' cost ranged upward to a high of $5.51 per thousand cubic feet recorded by a West Coast utility.

Our costs remain low because, almost 20 years ago, we negotiated a very favorable contract that is still in effect today. During these years our customers have saved billions of dollars because of this contract.

Fuel Handling Operator Carol Baker on a man-made mountain of coal that supplies the 540-megawatt Nelson Station unit 6. In the background is her half million dollar scrapper that maneuvers the coal on its way to be burned.

The extraordinary efficiency and reliability of the American electric utility industry did not just happen. It is the culmination of decades of dedicated effort by hundreds of thousands of people. In an era when electricity and other forms of energy have become much more expensive than the American public sees as reasonable, it requires more effort to keep costs as low as possible to the customers.

During 1982, the rate of increase in natural gas prices slowed, presenting us with new opportunities to moderate fuel costs for our customers. The company still has in effect a major contract for natural gas at a very favorable price. This contract, coupled with the efforts of our fuel buyers, has produced average natural gas costs that are among the lowest in the nation.

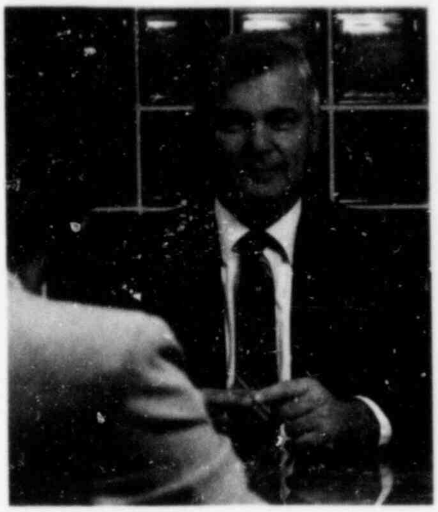
Even so, total fuel costs have been rising steadily as natural gas becomes more expensive. In 1982, fuel costs were 48 percent of the company's operating expenses.

A very significant and strategically important legal settlement was tentatively reached this February between Gulf States and United Gas Pipe Line Company over natural gas curtailments instituted by United in the early 1970's. Parties to the suit are in general agreement to the terms of settlement. The Louisiana Public Service Commission, which intervened in the suit on behalf of GSU customers, has been advised by its outside counsel and retained experts that the terms and conditions of the settlement are in the best interest of our customers. While the settlement is still subject to certain conditions, Gulf States believes it will become effective. The settlement calls for United to make a $112 million cash payment, which will be held in an interest-bearing escrow account until regulatory authorities can determine how the money will be used to benefit Gulf States customers.

Other aspects of the settlement assure Gulf States of a much more stable natural gas supply into the 1990s. One provision calls for a United sister company, United Texas Transmission Company, to begin supplying gas to GSU's Texas units for a 10-year period beginning January 1, 1985, which is the day the existing Exxon contract expires.

Also, United will extend its existing contract to supply GSU's Louisiana generating units until 1992. Both United and United Texas will transport some natural gas which GSU purchases from other companies.

GSU will pay for the United gas and other services at rates comparable to those paid by other large industrial customers.



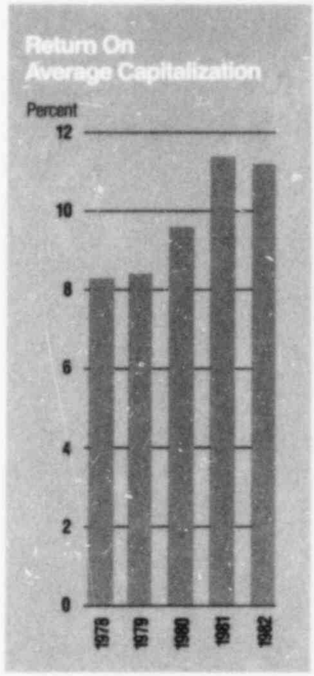
Edward M. Loggins
Executive Vice President-Administrative and Technical Services

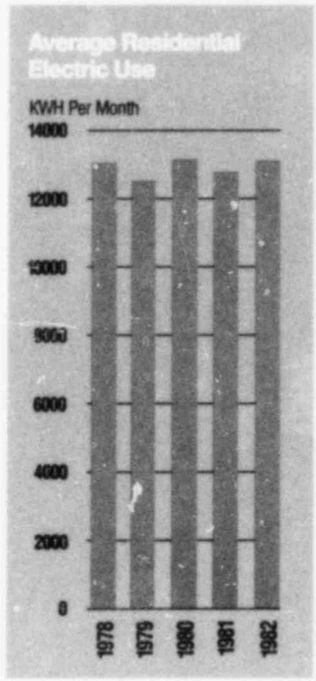
In an era of fundamental technological change, there is none that has more present and potential impact than the computer. We are now integrating data processing, word processing and communications into one network called OFFICE SYSTEMS. The results of computer networking are very high operational efficiencies coupled with greater confidence in decision making. Also, computer networking presents us with a future in which we anticipate fewer additional people will be needed to manage an increasing workload.

Presently, OFFICE SYSTEMS allows us to forward mail electronically through computer terminals, eliminates the drudgery of compiling routine reports, and offers a myriad of applications that improve productivity. The emphasis is to personalize the computer such that the decision maker can interact with engineering or business models in order to test solutions in seeking the best answer to problems.

Another area that has significant potential for major cost savings is the results that may come from research and development projects. One of the more promising projects we have underway, and one in which Gulf States is a leader, is investigating the use of micronized coal as a boiler fuel. Tests conducted by GSU and others over the last several years have indicated that coal reduced to a nearly microscopic size may have high potential for replacing natural gas in some power plant boilers. It could lead to lower cost fuel for existing generators. However, the potential for using micronized coal is going to take considerable additional testing. This year we intend to run in-depth tests on micronized coal in an industrial size boiler. If the results are good, we will do more tests in larger boilers. GSU, the Electric Power Research Institute and several other companies are considering a joint sponsorship of this project.

Other smaller research projects the company is conducting, and which may hold long-term benefits, include the direct conversion of sunlight into electricity and applications of wind power generation of electricity.





Cost Cutting

With our 1500 vehicle fleet, the cost of a gallon of gas is important and so is the mileage the fleet is getting. By down-sizing the cars only, the expected fuel savings alone totals nearly $80,000 per year. We save an additional $130,000 in lower purchase prices.

When a replacement is needed for a large truck, the replacement now comes with a diesel engine. The diesel is more expensive, but the company plans to use that truck day-in and day-out for at least seven years. Because a gasoline burning engine is much more complex and fragile, it would have to be replaced once or twice in that seven years, but not so with the diesel. The truck will have the same diesel engine in it at the end of seven years that it started with.

Plus, GSU mixes waste transformer oil with diesel fuel for the truck fleet and that brought the cost per gallon down from $1.10 at the filling station to 56 cents last year with no loss in performance.

Even a simple paint job on a truck can be done more cheaply. The truck fleet of the past was blue and white. However, that extra coat of blue paint was estimated to cost between $300 and $400 in material and labor.

To mangle an old saying, "Now, you can get a GSU truck in any color you like as long as it's white."

Garage Foreman Arthur Smith oversees the operation of the $1 million auto fleet that has been recently downsized with a resulting savings of about $1000 a year per car in gasoline expense.

The company reached major milestones in its construction program in 1982, and we saw the first significant steps taken toward our goal of reducing our dependence on natural gas with the completion of the company's first coal-fired power plant. It is the 540-megawatt Nelson 6 unit built in conjunction with two affiliates of the Texas-based Sam Rayburn Dam Electric Cooperative. Gulf States owns 70 percent of the unit with Sam Rayburn Municipal Power Agency owning 20 percent and Sam Rayburn G&T owning 10 percent.

Located near Lake Charles, La., the unit went into commercial operation at the end of May, and by year's end had produced nearly four percent of the company's total kilowatt hours generated in 1982. Its completion was on schedule and close to budget with GSU providing about $315 million in direct construction costs.

Because we have made arrangements to purchase our partners' shares of the unit's output for the next several years, it is conceivable that the unit could produce as much as 11 percent of the kilowatt hours to be generated by GSU in 1983 at a fuel cost of about one half that of market priced natural gas.

The unit's appetite for coal will keep five, 110-car unit trains shuttling between the power plant and the Gillette, Wyo., coal mine. Each train carries about 11,000 tons of coal to feed the plant, and the 18-story boiler at Nelson 6 can consume about 338 tons of coal an hour when it is in full operation.

Environmentally, the unit has been well accepted in Lake Charles and surrounding communities. In fact, customer attitude surveys indicate Lake Charles area residents have a higher regard for coal-fired power plants than do residents in any other area that Gulf States serves. Nearly 68 percent of Lake Charles area residents favor the use of coal while 63 percent of all customers favor its use.

A second coal-fired unit in which GSU has a major interest is approaching completion near New Roads, La., on the Mississippi River. It is the Big Cajun 2, Unit 3, being constructed by the Cajun Electric Power Cooperative. GSU has a 42 percent ownership interest in the 540-megawatt unit that is more than 95 percent complete and should go into commercial operation later this year. This unit will further reduce the company's dependence on natural gas.

In total, the GSU owned portions of the two coal-fired generating units will represent about nine percent of the company's generating capacity when the Big Cajun unit is in commercial operation. However, it is our intention and Cajun's intention to run these units at full power as much of the time as possible because of the lower fuel costs and that should make the units' contributions to total sales larger than eight percent.

To continue the trend away from natural gas, the company signed a contract with the Southern Companies, which is a holding company for a group of Mississippi, Alabama, Georgia and Florida utilities, to establish a major electric transmission intertie between GSU and Southern. The contract provides for Gulf States to buy 1000 megawatts of predominantly coal-fired power from Southern Companies subsidiary generating units from 1984 through mid-1992.

William J. Cahill
Senior Vice President-River Bend Nuclear Group

The transmission line will be about 140 miles long crossing 74 miles of southeastern Louisiana to the Mississippi border and continuing another 70 miles into Mississippi before reaching Mississippi Power's Plant Daniel. Presently, we have received all the necessary permits to complete the GSU portion of the line to the Mississippi border. Virtually all of our portion of the right-of-way has been acquired and engineering is progressing smoothly toward the on-time completion of the line. Mississippi Power, the builder of the eastern half of the line, reports satisfactory progress and present plans call for power to begin flowing in June of 1984.

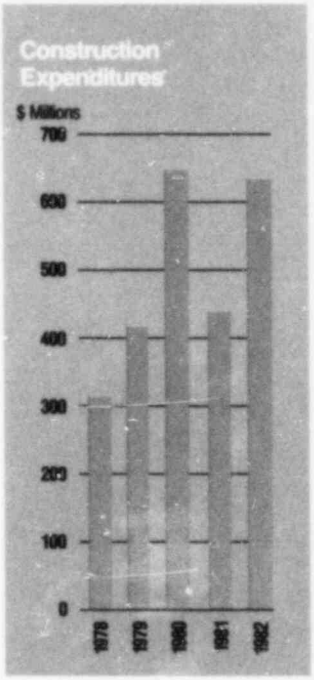
The major construction project in our present move away from natural gas is the 940-megawatt River Bend 1 nuclear unit being built near St. Francisville, La., about 30 miles north of Baton Rouge, La. The unit was two-thirds complete in February and is scheduled for commercial operation in December 1985.

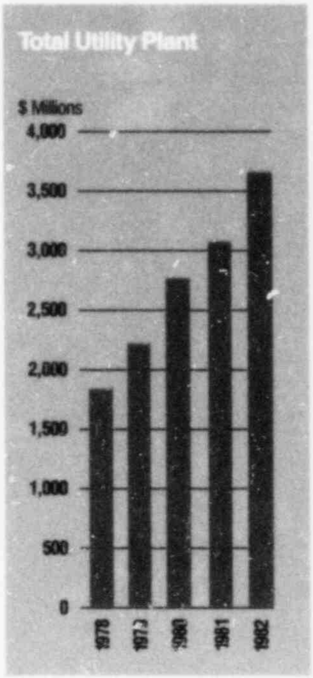
Estimated to cost about $2.5 billion in direct construction costs, the unit will provide power from the lowest priced fuel available—uranium. While the initial high cost of the plant will counterbalance the immediate fuel cost benefits, the long-term outlook is for the plant, by itself, to save customers billions of dollars in fuel expense over its 30-year estimated life. Presently, nuclear fuel costs about one-fourth as much as market priced natural gas and that difference is expected to widen by the end of the decade. Our estimates indicate that nuclear fuel may be only one-eighth as expensive as natural gas in 1990.

Both cost and construction schedule estimates were reviewed carefully late in 1982 by GSU and the architect-engineer, Stone & Webster Co., and they show no anticipated delays or cost increases. Additionally, the Nuclear Regulatory Commission, in its annual review of the plant construction, said "NRC attention should be maintained at normal levels" and "management attention and involvement are evident and (they) are concerned with nuclear safety."

As with the two coal-fired units, we have a partner in the River Bend project; Cajun Electric Power Cooperative owns a 30 percent portion of the unit. Both GSU and Cajun are funding their proportionate shares of construction costs.

Sam Rayburn G&T was thwarted from participating in 1982 when the Rural Electrification Administration denied the loan guarantees necessary for Sam Rayburn to finance a seven percent portion of the unit. Negotiations are continuing in an effort to reach some alternate participation agreement that would be agreeable to all parties.





Regulation

It has been said many times, but it remains true. There probably is no more heavily regulated industry in the world than that of nuclear power plant construction. The construction is so carefully controlled that there is even a documented pedigree for every safety related valve in the plant. You can read about what the valves were made from, who made them, when they were made, where they were made, who inspected them, when they were shipped and when they arrived.

GSU's River Bend 1 nuclear unit, now two-thirds complete, is no exception. Yet, under the scrutiny of the Nuclear Regulatory Commission and our own quality control personnel, the construction progressed with remarkably few incidents in 1982.

The NRC has a resident inspector at the site and other NRC teams came to make unannounced inspections during the year. These inspections turned up only a handful of minor quality control violations ranging from a welding machine that was moving too slowly to some bolts that had been improperly stored. Early in the year, the NRC did require the company to modify its procedures to determine when potential problems should be communicated to the government agency.

Quality Assurance Clerk Tanya Whetstone sits on the dome that soon will be raised to cover the reactor of the $2.5 billion, 940-megawatt, River Bend Station unit 1.

Contents

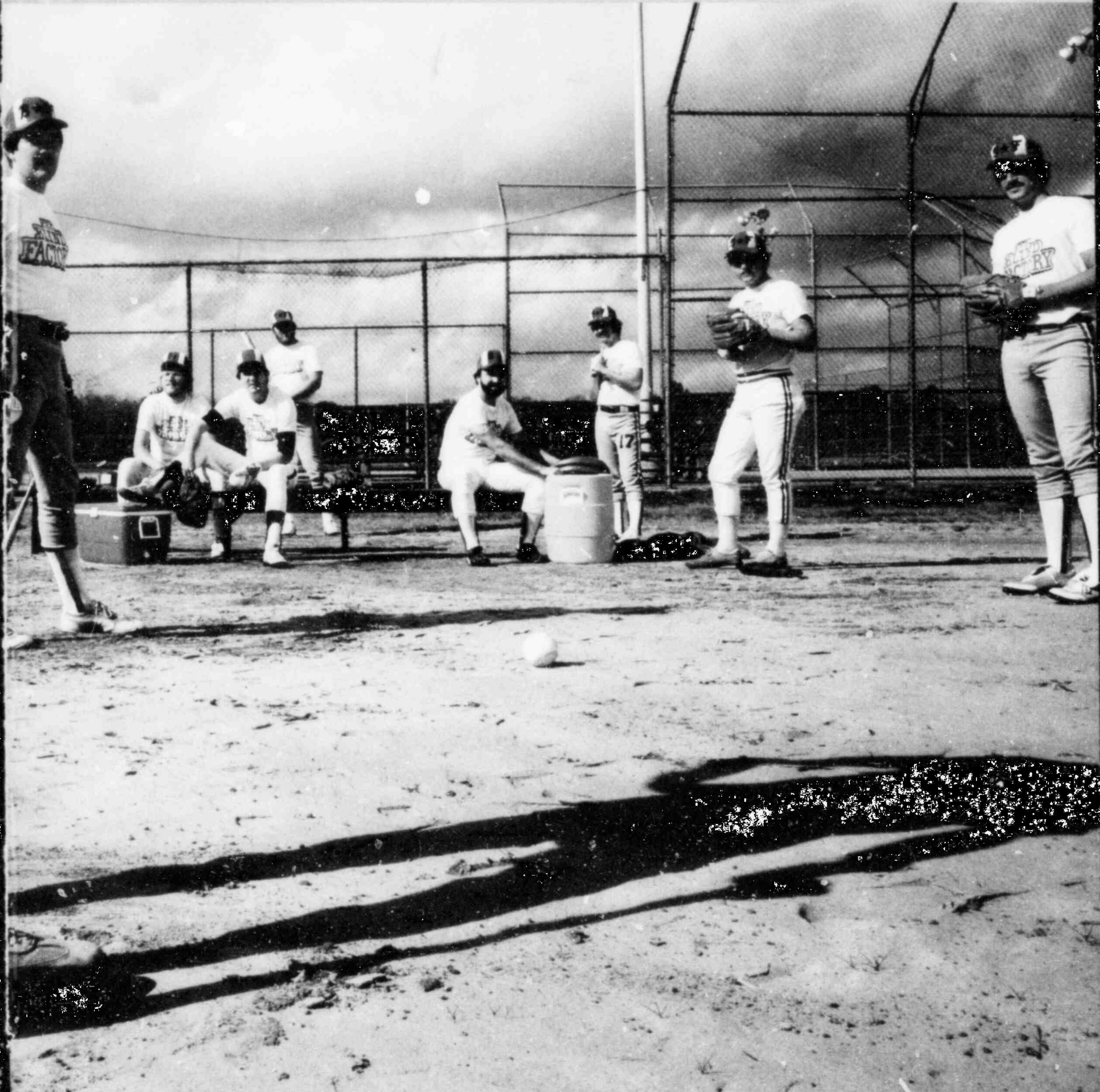
Management Responsibility for Financial Statements

Management is responsible for the preparation, integrity, and objectivity of the financial statements of Gulf States Utilities Company. The statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis, except for the change to deferred fuel accounting (see Note 2 to the Financial Statements) and, in some cases, reflect amounts based on estimates and judgment of management, giving due consideration to materiality.

The Company maintains a system of internal controls designed to help give reasonable assurance that the books and records properly reflect the transactions of the Company and that established policies and procedures are followed. Internal control systems are subject to inherent limits in recognition of the need to balance their costs with the benefits they produce. The Company's management strives to maintain this balance.

Coopers & Lybrand, independent certified public accountants, are engaged to examine, in accordance with generally accepted auditing standards, the financial statements of the Company and issue a report thereon, which appears on page 41. Such auditing standards include a review of internal accounting controls, tests of transactions, and other procedures sufficient to provide reasonable assurance that the financial statements are neither materially misleading nor contain material errors.

The Board of Directors, through its Audit Committee, has general oversight of management's preparation of the financial statements and is responsible for engaging, subject to shareholder approval, the independent accountants. The Audit Committee, comprised entirely of outside directors, reviews with the independent accountants the scope of their audits and the accounting principles applied in financial reporting. The Audit Committee meets regularly, both separately and jointly, with the independent accountants, representatives of management, and the internal auditors, to review activities in connection with financial reporting. The independent accountants have full and free access to meet with the Audit Committee, without management representatives present, to discuss the results of their examination and their opinion on the adequacy of internal accounting controls and the quality of financial reporting.



Here are a few of the accountants who put in hundreds of unheralded hours to prepare the financial section of this annual report. In their leisure time they make up the league champion "Blind Factory" softball team. The name is no reflection on their accounting skills; it just happens to be the name of the sponsoring company.

Selected Financial Data

For the years ended December 31
(in thousands except per share amounts, ratios, and sales)

	1982	1981	1980	1979	1978
Electric Sales (millions of KWH)	**28,969**	30,697	30,585	29,742	28,892
Operating Revenue	**$1,307,259**	$1,221,714	$1,005,226	$ 864,338	$ 717,958
Net Income*	**165,979**	150,931	117,189	84,181	70,146
Income Applicable to Common Stock	**127,030**	120,550	92,309	68,559	59,156
Earnings Per Share of Common Stock:					
Based on average shares outstanding	**1.95**	2.24	2.05	1.74	1.73
Assuming conversion of convertible debentures	**1.95**	2.20	1.96	1.65	1.62
Dividends Per Share of Common Stock	**1.56**	1.48	1.39	1.36	1.24
Total Assets	**3,806,111**	3,343,419	2,925,701	2,439,345	2,059,425
Long-Term Debt and Preferred Stock Subject to Mandatory Redemption	**1,771,078**	1,642,894	1,444,505	1,066,938	877,097
Capitalization Ratios:					
Common Shareholders' Equity	**36.0%**	34.4%	32.6%	35.6%	37.4%
Preference Stock	**3.2**	—	—	—	—
Preferred Stock (not subject to mandatory redemption)	**4.3**	5.0	5.8	7.3	7.4
Preferred Stock (subject to mandatory redemption)	**5.6**	6.5	7.5	4.0	1.9
Long-Term Debt	**50.9**	54.1	54.1	53.1	53.3
Return on Average Common Equity	**12.32**	14.21	12.94	10.91	10.93
Book Value Per Share, end of year	**$ 15.25**	$ 15.41	$ 15.60	$ 15.53	$ 15.50

* See Note 2 to the Financial Statements for the proforma effect of the change during 1981 in accounting for fuel costs.

Common Stock Prices and Cash Dividends Per Share

For years ended December 31

1982	High	Low	Cash Dividends Paid Per Share	1981	High	Low	Cash Dividends Paid Per Share
Fourth Quarter	$14	$12	$.39	Fourth Quarter	$12¾	$10⅞	$.37
Third Quarter	13⅛	11¼	.39	Third Quarter	12¼	10¾	.37
Second Quarter	13½	11¼	.39	Second Quarter	12⅞	10¾	.37
First Quarter	12½	11⅛	.39	First Quarter	12	10⅜	.37

The Common Stock of the Company is listed on the New York, Midwest and Pacific Stock Exchanges. The approximate number of common shareholders on December 31, 1982 was 95,000.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Net income increased $15,048,000, or 10%, during 1982, as compared to 1981. Excluding the non-recurring gain realized by Varibus Corporation (Varibus) on an exchange of lignite leases and the recording of certain tax adjustments during 1981, net income increased by 27%. Despite increases in both net income and income applicable to common stock, earnings per share of common stock decreased 13% primarily as a result of the dilutive effect of having 21% additional average shares outstanding.

Operating Revenue

Operating revenue increased 7% during 1982, as compared to increases of 22% and 16% during 1981 and 1980, respectively. The primary causes of these increases are detailed below:

	1982	1981	1980
	(In thousands)		
Rate Increases	**$ 93,033**	$120,036	$ 61,771
Changes in Fuel Cost Recovery	**(19,411)**	77,519	57,536
Fuel Included in Base Rates	**13,598**	—	—
Sales Volume and Other	**(1,675)**	18,933	21,581
	$ 85,545	$216,488	$140,888

Electric rate increases granted during 1982, on an annualized basis, and their approximate effect on revenues for the year, are detailed below:

	Amount of Increase	Month Placed In Effect	Effect on 1982 Revenues
	(In Millions)		(In Millions)
Texas	$57.5	October	$10.7
Louisiana	97.3	September	26.2
FERC	32.6	July	15.8

The Public Utility Commission of Texas (PUCT) approved and the Company placed into effect a $63.7 million increase in retail rates in October, 1981, and a $44 million increase in October, 1980.

In November, 1980, the Company placed into effect $50.2 million of a $77.3 million rate increase ordered by the Louisiana Public Service Commission (LPSC). The additional $27.1 million had been placed into effect in March, 1980, as an interim rate increase. The Company currently has a petition before the LPSC requesting increases in electric and gas retail rates of approximately $124 million and $2.4 million, respectively. An order from the LPSC is expected during 1983.

The Company is currently recognizing revenue from the 1982 FERC rate increase on an annualized basis of $28.8 million which represents the amount agreed upon in preliminary settlement discussions.

Kilowatt-hour sales decreased 6% during 1982, after an increase of less than 1% during 1981 and 3% during 1980. Decreases of 9% and 21%, respectively, in sales to industrial and wholesale customers were primarily responsible for the 1982 sales decrease; however, such decreases were offset in part by increases of 5% and 4% in residential and commercial sales, respectively. The decline in industrial sales was a reflection of the economic recession experienced throughout 1982, particularly in the housing and automobile industries. The decline in sales to wholesale customers is the result of transferring a major REA cooperative load to another supplier in June, 1981. During 1981, increases in commercial and industrial sales of 5% and 1%, respectively, were offset by an 11% decrease in sales for resale. The increase in kilowatt-hour sales during 1980 was attributable to a 10% increase in sales to residential customers, partially offset by a 1% decline in industrial sales.

Operating Expenses and Taxes

The Company's primary operating expenses are fuel for power generation and purchased power. After increases of 23% in 1981 and 7% during 1980, these two expense items decreased by less than 1% during 1982. Substantially all changes in fuel and purchased power costs are reflected in customer billings through the Company's fuel adjustment clauses and thus have no effect on net income. (See Note 12 to the Financial Statements for information on changes to the Company's Texas Fuel Adjustment Clause). The decrease in fuel expense during 1982 resulted from reduced generation requirements caused by lower sales levels, offset in part by higher unit fuel costs. Increases in fuel expense during the years 1981 and 1980, were primarily attributable to increases in the unit price paid for fuel along with increases in generation due to improved availability of Company-owned generating units.

The increases in purchased power expense during 1982 and 1981, were caused primarily by increases in the unit price paid for energy purchased. The reduction in purchased power expense during 1980, resulted from the increased availability of both lower cost natural gas and Company-owned generating facilities.

Total other operating and maintenance expenses continued a trend of steady increases during the three-year period from 1980 to 1982. Operating expenses have risen primarily because of increases experienced in the cost of gas purchased for resale, labor and material costs, and general administrative costs resulting from inflationary pressures and increased demand for energy services. Maintenance expenses increased during 1980 and 1981, primarily due to the performance of scheduled and unscheduled maintenance on generating units while the decline during 1982, reflected the improved availability of generating units resulting from the Company's preventive maintenance program.

Depreciation expense has increased as a result of increases in depreciable plant resulting primarily from placing Nelson Unit 6 into commercial operation.

The decrease in federal income taxes during 1981 was primarily the result of recording certain non-recurring adjustments for prior year taxes and other adjustments made in accordance with regulatory agency instructions.

Non-Operating Items

Increases in allowance for funds used during construction (AFUDC) are primarily due to the increases in the rate used to compute AFUDC, such increases in turn being due to continuing increases in the Company's cost of capital. These increases have been offset in part by varying amounts of construction work in progress (CWIP) included in the rate base (thereby not qualifying for AFUDC), as allowed by the PUCT and the LPSC and by reductions in the amount of CWIP resulting from placing Nelson Unit 6 into commercial operation.

The increase in non-utility subsidiary operations during 1981, resulted primarily from a gain realized by Varibus on an exchange of lignite leases during September and a change by Varibus in the method used to account for its oil and gas operations.

Increases in interest charges on long-term debt are attributable to increased borrowings made in connection with the Company's construction program.

Financings and Capital Resources

The Company's investment in utility and other plant totaled $629 million during 1982, up 44% over 1981, when funding by participants in jointly-owned projects helped reduce the Company's required cash outlay for construction. Construction expenditures are expected to total approximately $1.74 billion, including $455 million of AFUDC, during the period from 1983 to 1985, with expenditures (including AFUDC) of approximately $620 million in 1983, $600 million in 1984, and $523 million in 1985. The main focus of the Company's construction program continues to be the completion of River Bend Unit 1. During 1982, 53% of the Company's total construction expenditures were related to construction of the nuclear-fueled unit. Additionally, the Company must provide funding for its 42% share of Big Cajun 2 Unit 3. In addition to funding the construction program, the Company is required to periodically retire long-term debt and pay dividends to the holders of its preferred and preference stock. Long-term debt maturities are expected to approximate $10 million during the period from 1983 to 1985.

The Company's construction program is funded by a combination of internally generated funds and short and intermediate-term borrowings, which are subsequently refinanced using proceeds from issuances of long-term debt, equity, and other securities.

During 1982, the Company generated 26% of its construction expenditures (including AFUDC) from utility operations as compared to 31% during 1981. It is currently expected that internally generated funds and AFUDC will provide an average of approximately 42% of construction expenditures (including AFUDC) during the period from 1983 through 1985. Improved future internal cash generation will be directly related to adequate and timely rate relief which recognizes increases in the Company's cost of capital and its cost of service, and allows the Company to earn a cash return on CWIP.

The Company's ability to adequately fund its construction program is, and will continue to be, primarily dependent upon its ability to obtain funds through external financings, such ability, in turn, being dependent upon electric rates sufficient to maintain debt and preferred stock coverage ratios, and common stock equity earnings which permit the issuance of additional securities at reasonable rates. Long-term debt financings, sales of common and preference stock, and the sale and lease-back of nuclear fuel (see Note 5 to the Financial Statements), provided $649 million of the Company's capital requirements during 1982. An aggregate of $200 million of debt was repaid during 1982. Average daily short-term borrowings were approximately $91 million during 1982, up 12% from last year. (For information concerning funds available to the Company under a revolving credit agreement, bank lines of credit, and short-term borrowings, see Notes 9 and 10 to the Financial Statements.)

During January, 1982, the Company completed modification of the Trust Indenture under which its 7¼% Convertible Debentures due 1992 were issued. The modification eliminates the Indenture's interest coverage convenant thereby increasing the Company's financial flexibility.

The Company's Mortgage Indenture places limitations on the amount of first mortgage bonds which the Company is allowed to issue. The most restrictive of these is presently that based on the ratio of pre-tax earnings to interest on such bonds. Based on the results of operations at December 31, 1982, the Company would be able to issue $373 million in additional first mortgage bonds (assuming an interest rate of 14% for such bonds).

Limitations based on the ratio of after-tax earnings to fixed charges and preferred dividends are imposed by the Company's Restated Articles of Incorporation upon the issuance of additional preferred stock. Based on the results of operations for the year ended December 31, 1982, the Company would have been able to issue at year end $134 million in additional preferred stock (assuming a 14% dividend rate for such stock).

Statement of Income

For the years ended December 31
(in thousands except per share amounts)

	1982	1981	1980
Operating Revenue			
Electric	**$1,188,944**	$1,106,522	$ 904,871
Steam	**75,213**	77,624	69,346
Gas	**43,102**	37,568	31,009
	1,307,259	1,221,714	1,005,226
Operating Expenses and Taxes			
Fuel (Note 2)	**446,521**	481,285	378,794
Purchased power (Notes 2 and 6)	**182,106**	150,463	136,261
Other operations	**151,660**	133,647	111,928
Maintenance	**65,321**	70,867	57,155
Depreciation and amortization	**89,291**	78,194	73,422
Income taxes			
Federal (Note 3)	**52,847**	32,187	43,872
State	**3,314**	2,933	299
Other taxes	**45,790**	41,845	34,636
	1,036,850	991,421	836,367
Operating Income	**270,409**	230,293	168,859
Other Income and Deductions			
Allowance for equity funds used during construction	**56,141**	40,741	40,590
Non-utility subsidiary operations	**(206)**	11,498	(1,398)
Other — net	**2,581**	1,996	(3,621)
Income Before Interest Charges	**328,925**	284,528	204,430
Interest Charges			
Long-term debt	**181,985**	151,427	99,198
Other	**14,398**	17,698	20,954
Allowance for borrowed funds used during construction	**(33,437)**	(35,528)	(32,911)
	162,946	133,597	87,241
Net Income (Note 2)	**165,979**	150,931	117,189
Dividends on Preferred and Preference Stock	**38,949**	30,381	24,880
Income Applicable to Common Stock	**$ 127,030**	$ 120,550	$ 92,309
Average Shares of Common Stock Outstanding	**65,056**	53,851	44,987
Earnings Per Share of Common Stock (Note 2)			
Based on average shares outstanding	**$1.95**	$2.24	$2.05
Assuming conversion of convertible debentures	**1.95**	2.20	1.96

The accompanying notes are an integral part of the financial statements.

Statement of Sources of Funds Invested In Utility and Other Plant

For the years ended December 31
(in thousands)

	1982	1981	1980
Provided From Operations			
Net income	**$165,979**	$150,931	$117,189
Principal income items not requiring current funds			
Depreciation and amortization	**89,291**	78,194	73,422
Deferred income taxes — net	**32,684**	(6,252)	16,000
Investment tax credits — net	**14,020**	32,029	19,972
Equity component of allowance for funds used during construction	**(56,141)**	(40,741)	(40,590)
Non-utility subsidiary operations	**206**	(11,498)	1,398
Total provided from operations	**246,039**	202,663	187,391
Dividends			
Preferred and preference dividends	**(38,949)**	(30,381)	(24,880)
Common dividends	**(101,223)**	(79,379)	(62,299)
Reinvested funds provided from operations	**105,867**	92,903	100,212
Provided From Financing			
Sales of securities			
Common stock	**164,820**	132,762	71,422
Preferred stock subject to mandatory redemption	—	—	100,000
Preference stock	**100,000**	—	—
First mortgage bonds (principal amount)	**167,000**	168,000	175,000
Guaranteed debentures — net	**36,000**	60,000	—
Pollution control bonds	**48,285**	—	—
Net change in short-term borrowings	**52,162**	(20,433)	(39,579)
Retirement of first mortgage bonds and convertible debentures	**(26,507)**	(41,970)	(17,133)
Equipment purchase obligations	**(53,691)**	(16,181)	8,811
Nuclear fuel lease transaction	**108,969**	—	—
Net change in revolving credit agreement	**(120,000)**	30,000	160,000
Term loan agreement	**24,000**	—	—
Total provided from financing	**501,038**	312,178	458,521
Other Sources and Uses			
Investments in and advances to subsidiary companies	**(11,582)**	(1,123)	1,170
Retirement of Uranox Trust	**(27,216)**	—	—
Other — net (including changes in working capital)	**5,246**	(8,014)	43,655
Total other sources and uses	**(33,552)**	(9,137)	44,825
Expenditures for Utility and Other Plant	**573,353**	395,944	603,558
Equity component of allowance for funds used during construction	**56,141**	40,741	40,590
Invested in Utility and Other Plant	**$629,494**	$436,685	$644,148

The accompanying notes are an integral part of the financial statements.

Balance Sheet

December 31
(in thousands)

	1982	1981
Assets		
Utility and Other Plant, at original cost		
Plant in service (Note 6)	**$2,760,434**	$2,140,180
Less: Accumulated provision for depreciation	**811,853**	743,730
	1,948,581	1,396,450
Construction work in progress (Notes 6 and 11)	**1,574,925**	1,595,005
Nuclear fuel (Note 5)	**—**	98,259
	3,523,506	3,089,714
Other Property and Investments		
Non-utility subsidiary companies	**43,850**	32,474
Other	**7,035**	1,960
	50,885	34,434
Current Assets		
Cash and temporary cash investments	**6,230**	4,508
Receivables		
Customers	**102,188**	73,794
Notes	**30**	13,333
Other	**11,533**	14,967
Materials and supplies	**16,111**	17,545
Fuel stock	**42,526**	39,127
Prepayments and other	**6,560**	11,425
	185,178	174,699
Deferred Charges		
Unamortized debt expense	**14,567**	6,716
Unamortized project cancellation costs	**13,451**	17,307
Other	**18,524**	20,549
	46,542	44,572
	$3,806,111	$3,343,419
Capitalization and Liabilities		
Capitalization (See Statement of Capitalization)		
Common shareholders' equity	**$1,128,991**	$ 933,383
Preference stock	**100,000**	—
Preferred stock		
Not subject to mandatory redemption	**136,444**	136,444
Subject to mandatory redemption	**175,553**	175,553
Long-term debt	**1,595,525**	1,467,341
	3,136,513	2,712,721
Current Liabilities		
Long-term debt due within one year (Note 9)	**10,000**	63,691
Notes payable (Note 10)		
Banks	**69,000**	—
Commercial paper	**17,907**	34,745
Accounts payable		
Trade	**88,456**	65,384
Subsidiaries	**2,350**	761
Taxes accrued	**15,073**	16,770
Interest accrued	**55,221**	33,127
Other	**50,454**	57,134
	308,461	271,612
Deferred Credits		
Investment tax credits	**151,696**	145,389
Accumulated deferred income taxes	**199,842**	175,444
Other	**9,599**	11,037
	361,137	331,870
Proceeds from Sale of Nuclear Fuel (Note 5)	**—**	27,216
Commitments and Contingencies (Notes 6 and 11)	**—**	—
	$3,806,111	$3,343,419

The accompanying notes are an integral part of the financial statements.

Statement of Capitalization

December 31
(in thousands of dollars)

	Shares Outstanding	Current Redemption Price	1982	1981
Common Shareholders' Equity (Note 7)				
Common stock				
Authorized 100,000,000 shares without par value				
Outstanding 74,049,921 and 60,574,877 shares, respectively			**$ 767,125**	$ 602,305
Premium and expense on capital stock			**4,501**	(2,088)
Other paid-in capital			**25,876**	25,876
Retained earnings			**331,489**	307,290
			1,128,991	933,383
Preference Stock (Note 7)				
Authorized 20,000,000 shares without par value, cumulative				
Outstanding 4,000,000 shares.				
Dividend Series	**Shares Outstanding**	**Current Redemption Price**		
$ 4.40	2,000,000	$ 31.90	**50,000**	—
3.85	2,000,000	31.35	**50,000**	—
			100,000	—
Preferred Stock (Notes 7 and 8)				
Authorized 6,000,000 shares, $100 par value, cumulative				
Outstanding 3,119,970 shares.				
Dividend Series	**Shares Outstanding**	**Current Redemption Price**		
Not subject to mandatory redemption				
$ 4.40	51,173	$108.00	**5,117**	5,117
4.50	5,830	105.00	**583**	583
4.40-1949	1,655	103.00	**166**	166
4.20	9,745	102.818	**975**	975
4.44	14,804	103.75	**1,480**	1,480
5.00	10,993	104.25	**1,099**	1,099
5.08	26,845	104.63	**2,685**	2,685
4.52	10,564	103.57	**1,056**	1,056
6.08	32,829	103.34	**3,283**	3,283
7.56	350,000	103.80	**35,000**	35,000
8.52	500,000	106.43	**50,000**	50,000
9.96	350,000	111.60	**35,000**	35,000
			136,444	136,444
Subject to mandatory redemption				
8.80	371,835	107.00	**37,183**	37,183
9.75	33,697	107.00	**3,370**	3,370
8.64	350,000	108.64	**35,000**	35,000
11.48	500,000	111.48	**50,000**	50,000
12.64	500,000	113.64	**50,000**	50,000
			175,553	175,553

(Statement continued on following page)

	1982	1981
Long-Term Debt (Note 9)		
First mortgage bonds		
Maturing 1983 through 1987 —		
3⅜% due December 1, 1983	—	10,000
4¼% due September 1, 1986	**15,000**	15,000
14¾% due March 1, 1987	**100,000**	100,000
4⅞% due October 1, 1987	**17,000**	17,000
Maturing 1988 through 1992 — 4% through 17½%	**255,000**	215,000
Maturing 1993 through 1997 — 5% through 16.8%	**115,000**	88,000
Maturing 1998 through 2002 — 6⅝% through 8½%	**210,000**	210,000
Maturing 2003 through 2007 — 8½% through 10.15%	**270,000**	270,000
Maturing 2008 through 2012 — 10⅛% through 15%	**325,000**	225,000
	1,307,000	1,150,000
Pollution control and industrial development bonds		
7% due 2006	**25,000**	25,000
5.9% due 2007	**23,000**	23,000
10⅜% due 2012	**48,285**	—
Guaranteed debentures 17½% and 16% due 1988 and 1990 — net	**96,000**	60,000
Convertible debentures 7¼% due 1992	**3,976**	20,483
Term-loan agreement		
Variable rates (14⅞% at December 31, 1982) due 1987	**24,000**	—
Revolving credit agreement	**70,000**	190,000
	1,597,261	1,468,483
Unamortized premium and discount on debt — net	**(1,736)**	(1,142)
	1,595,525	1,467,341
	$3,136,513	$2,712,721

First mortgage bond sinking fund requirements and long-term debt maturities for each of the next five years are as follows:

	Sinking Fund Requirements	Long-Term Debt Maturities
	(In thousands)	
1983	$11,784	$ 10,000
1984	11,664	—
1985	11,664	—
1986	11,484	15,000
1987	19,850	141,000

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Capital Stock and Retained Earnings

For the years ended December 31
(in thousands of dollars)

	Preferred Stock Subject to Mandatory Redemption	Preference Stock	Common Stock	Premium (Less Expense)	Other Paid-In Capital	Retained Earnings
Balance: January 1, 1980	$ 75,553	$ —	$398,121	$(1,094)	$25,847	$240,751
Net income — 1980						117,189
Preferred stock sold (1,000,000 shares)	100,000			(1,045)		
Common stock sold:						
Public offerings (5,000,000 shares)			57,400			
Conversion of debentures (253,054 shares)			3,701			
Dividend reinvestment and stock purchase plan (522,440 shares)			5,761			
Employee benefit plans (410,456 shares)			4,560			
Dividends declared:						
Preferred stock						(24,880)
Common stock						(62,299)
Capital stock expense				(30)		(786)
Balance: December 31, 1980	175,553	—	469,543	(2,169)	25,847	269,975
Net income — 1981						150,931
Common stock sold:						
Public offerings (8,000,000 shares)			92,375			
Conversion of debentures (1,625,572 shares)			23,791			
Dividend reinvestment and stock purchase plan (570,428 shares)			6,648			
Employee benefit plans (883,053 shares)			9,936			
Acquisition of subsidiary (588,000 shares)			12		29	
Dividends declared:						
Preferred stock						(30,381)
Common stock						(79,379)
Capital stock expense				81		(3,856)
Balance: December 31, 1981	175,553	—	602,305	(2,088)	25,876	307,290
Net income — 1982						165,979
Preference stock sold (4,000,000 shares)		100,000		5,840		
Common stock sold:						
Public offerings (10,000,000 shares)			121,250			
Conversion of debentures (1,245,746 shares)			16,291			
Dividend reinvestment and stock purchase plan (1,636,481 shares)			20,056			
Employee benefit plans (592,817 shares)			7,223			
Dividends declared:						
Preferred and preference stock						(38,949)
Common stock						(101,223)
Capital stock expense				749		(1,608)
Balance: December 31, 1982	$175,553	$100,000	$767,125	$ 4,501	$25,876	$331,489

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

System of Accounts. The accounting records of the Company are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the Louisiana Public Service Commission (LPSC) and the Public Utility Commission of Texas (PUCT).

Utility Plant and Depreciation. Utility and other plant is stated at original cost when first dedicated to public service and the amounts shown do not represent reproduction costs or current values. Costs of repairs and minor replacements are charged to expense as incurred. The original cost of depreciable utility plant retired and cost of removal, less salvage, are charged to accumulated provision for depreciation. The provision for depreciation is computed using the straight-line method at rates which will amortize the unrecovered cost of depreciable plant over the estimated remaining service life.

Composite depreciation rates were as follows:

	1982	1981	1980
Electric	**3.66%**	3.70%	3.72%
Steam	**2.44**	2.80	2.77
Gas	**3.51**	3.50	3.57
Total Company	**3.63**	3.68	3.69

Allowance for Funds Used During Construction and Capitalization of Interest. Allowance for funds used during construction (AFUDC) is a utility accounting practice calculated under guidelines prescribed by the FERC and capitalized as part of the cost of utility plant representing the cost of servicing the capital invested in construction work in progress. Such AFUDC has been segregated into two component parts — borrowed and equity funds. That portion allocated to borrowed funds is reflected as an adjustment to interest charges. Interest incurred by certain trusts (see Notes 5 and 9) is included in interest expense in the statement of income and a corresponding amount is included as part of the borrowed funds component of AFUDC. Both the equity and the borrowed portions of AFUDC are non-cash items which have the effect of increasing the Company's reported net income by their full amounts. However, when the related utility plant is placed in service, a return on and recovery of these costs is permitted in determining the rates charged for utility service. The Company computed AFUDC at the following rates compounded semiannually (net): *1982* — 9.5% from January 1 through September 30 and 10.25% from October 1 through December 31; *1981* — 8.5% from January 1 through March 31 and 9.0% from April 1 through December 31; *1980* — 8.0% from January 1 through December 31.

Revenue, Fuel and Purchased Power. The Company records revenue as billed to its customers on a cycle billing basis. Revenue is not recorded for energy delivered and unbilled at the end of each fiscal period. Rate schedules of the Company provide for adjustments to substantially all rates for increases or decreases in the costs of fuel for generation, purchased power, and gas distributed. Fuel and purchased power costs in excess of those included in base rates are deferred (or accrued) until such costs are billed (or credited) to customers.

Inventories. The Company's fuel inventories are comprised of fuel oil, valued at average cost, and coal, valued at last-in, first-out (LIFO) cost. Materials and supplies inventories are valued at average cost.

Income Taxes. The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to the individual companies based on their respective taxable income or loss and investment tax credits.

The Company follows a policy of comprehensive interperiod income tax allocation where such treatment is permitted for ratemaking purposes by regulatory bodies. Deferred income taxes result from timing differences in the recognition of revenue and expenses for tax and accounting purposes. These deferred income taxes are charged or credited to income and recorded in accumulated deferred income taxes.

Investment tax credits have been deferred and are being amortized ratably over the useful lives of the related property. The Company claims the additional 1½% investment tax credit, as permitted by the Internal Revenue Code, as a result of the provisions of the Employee Stock Ownership Plan.

Non-Utility Subsidiary Companies. The Company has made investments in and advances to non-utility subsidiary companies and accounts for its investments on the equity basis. The Company's wholly-owned subsidiary, Prudential Drilling Company, is engaged primarily in the exploration for and development of oil and gas properties. The Company's other wholly-owned subsidiary, Varibus Corporation (Varibus), operates pipelines and holds lignite reserves.

Retirement Plan. Effective January 1, 1983, the Company's pension plan, which covers all employees meeting certain age and service requirements, was changed from a contributory to a non-contributory plan. The Company's policy is to fund accrued pension cost annually. Past and prior service costs are being funded and amortized by the Company over a thirty-year period.

Earnings Per Share. Earnings per share are based on the weighted average number of common shares outstanding during the period. Earnings per share assuming conversion of convertible debentures are based on the weighted average number of common shares outstanding plus the shares which would have been issued if the outstanding convertible debentures had been converted on the date of original issue, after giving effect to the elimination of related interest expense, amortization of bond discount, and expense of issue (net of related income taxes). The number of shares for the latter computation was approximately 65,356,000, 55,231,000 and 47,992,000, for the years 1982, 1981, and 1980, respectively.

2. Change in Accounting for Fuel

In June, 1981, at the urging and authorization of the LPSC, the Company changed its method of accounting for fuel and purchased power costs in Louisiana. The change, effective January 1, 1981, results in the Company deferring or accruing on its books any under or over recovered fuel and purchased power costs in excess of those included in base rates until such costs are reflected in billings to customers pursuant to its Louisiana fuel adjustment clause. The cumulative effect of the change on years prior to 1981 is immaterial and included in income for 1981. The effect of the change for the year 1981 was to decrease net income by $4.8 million ($.09 per share). The pro forma effects of the change in accounting for fuel in 1980, assuming the new method was applied retroactively to that year, would have been to decrease net income by $3.6 million ($.08 per share).

3. Federal Income Taxes

The provisions for federal income taxes were less than the amounts computed by applying the statutory federal income tax rate to net income before federal income taxes. The reasons for these differences are as follows:

	1982	1981	1980
		(In thousands)	
Net income before federal income taxes	$221,526	$185,016	$167,810
Federal income taxes at statutory tax rate (46%)	$101,902	$ 85,107	$ 77,193
Reductions in federal income taxes resulting from:			
Exclusions from taxable income of AFUDC	(40,875)	(32,053)	(26,704)
Items capitalized for book purposes, but expensed for tax purposes	(7,189)	(3,034)	(3,985)
Non-deferred depreciation differences	6,825	6,380	6,555
Adjustment for prior years taxes and other regulatory adjustments	(1,172)	(13,159)	(2,251)
Equity in earnings of non-utility subsidiaries	95	(5,289)	643
Amortization of investment tax credit	(3,848)	(3,391)	(3,230)
Other items	(191)	(476)	2,400
Total federal income taxes	$ 55,547	$ 34,085	$ 50,621
Effective federal income tax rate	25.1%	18.4%	30.2%

The components of federal income taxes are as follows:

	1982	1981	1980
		(In thousands)	
Charged to operating expenses:			
Current federal income taxes	$ 7,317	$ 5,779	$ 5,820
Deferred federal income taxes — net:			
Tax depreciation	21,468	9,255	14,870
Capitalized construction costs	2,751	(4,392)	5,337
Amortized nuclear unit cancellation costs	(1,629)	(1,659)	(1,594)
Fuel and purchased power costs deferred (accrued)	4,554	(6,532)	—
Book expenses deferred for tax purposes	2,300	(2,300)	—
Other	2,066	7	(533)
Total deferred federal income taxes — net	31,510	(5,621)	18,080
Investment tax credits — net	14,020	32,029	19,972
Total federal income taxes charged to operating expenses	52,847	32,187	43,872
Charged to other income — net	2,700	1,898	6,749
Total federal income taxes	$ 55,547	$ 34,085	$ 50,621

The Company was able to reduce its income tax liability for the years 1982, 1981, and 1980, by utilizing investment tax credits. At December 31, 1982, the Company had accumulated carryforwards of investment tax credit of $89,510,000. These carryforwards expire through 1997, and will be used to reduce income taxes in future years. The investment tax credit utilization limit has increased progressively, from a maximum of 70% of the income tax liability (before application of the investment tax credit) in 1980, to 80% in 1981, and 90% in 1982.

4. Retirement Plan

The total costs of the Company's contributory pension plan for the years ended December 31, 1982, 1981, and 1980, were $3,698,000, $6,696,000, and $5,393,000, respectively. Of such amounts, $2,472,000, $4,245,000, and $3,506,000, respectively, were charged to income with the balance of such costs for each period charged to construction and other accounts.

The valuation date of the latest pension information is January 1 of the subsequent years for each plan year ended December 31. The information for the plan years 1981 and 1980, is shown below. Such valuation information is not yet available with respect to plan year 1982.

	1981	1980
	(In thousands except percents)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 44,189	$ 41,742
Nonvested	2,912	2,573
Present value of accumulated plan benefits	$ 47,101	$ 44,315
Net assets available for benefits	$ 69,730	$ 59,008
Assumed rate of return in determining actuarial present values of plan benefits	10%	9%

5. Leases

The Company has existing agreements for the leasing of certain vehicles, coal rail cars and other equipment, and buildings. Lease rental payments were $12,799,000, $6,830,000 and $6,628,000 during 1982, 1981, and 1980, respectively. Of such amounts, $10,395,000, $5,679,000, and $5,315,000, respectively, were charged to income, with the remainder charged to construction and other accounts.

Future minimum lease payments under non-cancellable capital and operating leases (excluding those payments to be due under the nuclear fuel lease as discussed below) for each of the next five years and in the aggregate at December 31, 1982, are estimated to be (in thousands):

1983	$ 16,035
1984	15,830
1985	15,728
1986	12,984
1987	12,984
Remaining years	215,105
	$288,666

During August, 1982, the Company entered into a nuclear fuel financing agreement with a non-affiliated third party fuel corporation (the "Lessor"). Under the terms of the agreement, the Lessor will provide financing for up to $300 million of nuclear fuel which will eventually be leased-back to the Company for use at River Bend Unit 1, a 940 MW nuclear-fueled generating unit. The Lessor will purchase nuclear fuel from the Company or its vendors and will make all payments necessary for further processing of the fuel. Once River Bend Unit 1 is placed into commercial operation, the Company will make quarterly payments to the Lessor for the cost (including capitalized interest) of fuel consumed during the quarter. During 1982, the Company sold nuclear fuel to the Lessor for proceeds of approximately $109 million. At December 31, 1982, the Lessor's investment in nuclear fuel was approximately $115 million.

In connection with the aforementioned transaction, the Company repurchased and subsequently sold to the Lessor, all of the uranium oxide held by the Uranox Capital Trust. Interest charges on the trust were approximately $1,345,000, $2,823,000, and $5,994,000 for the years 1982, 1981, and 1980, respectively.

In accordance with the ratemaking treatment afforded its leases by regulatory agencies, the Company does not capitalize those leases which meet the criteria for capital leases under the guidelines of Statement of Financial Accounting Standards (SFAS) No. 13. However, had such leases been accounted for as capital leases, the balance sheet would have included leased assets and related liabilities of approximately $154.9 million at December 31, 1982, and $37.2 million at December 31, 1981.

6. Jointly-Owned Facilities

The Company owns a 70% undivided interest in the 540 MW Roy S. Nelson Unit 6 coal-fired generating unit which was placed in-service May 31, 1982. The participants, Sam Rayburn Municipal Power Agency and Sam Rayburn G&T (SRG&T), have funded their proportionate ownership shares of 20% and 10%, respectively. The Company's share of utility plant in-service for this unit at December 31, 1982, is $404,244,000, with $7,684,000 of associated accumulated depreciation. The Company's share of operations and maintenance expense related to Nelson Unit 6 is included in operating expenses for 1982.

The Company has agreements with the participants in Nelson Unit 6 to purchase all or a portion of their share of the unit's capacity for periods ranging from seven to fourteen years. During 1982, the Company purchased 100% of such capacity from both participants. The fixed costs applicable to the buy-backs of power are based on gross plant investment and other factors which are not currently determinable for years subsequent to 1982. The variable costs associated with such buy-backs are composed of fuel costs and operations and maintenance expenses. For 1982, the fixed costs applicable to the buy-backs were $22,302,000, while fuel costs and operations and maintenance expenses were $10,532,000 and $2,284,000, respectively.

Additionally, the Company owns undivided interests in certain generating units currently under construction as detailed below:

Generating Station	Scheduled In-Service Date	Company Share	Company's Share of Expenditures at 12/31/82
			(In thousands)
Big Cajun 2 Unit 3 (Coal — 540 MW)	1983	42%	$ 163,995
River Bend Unit 1 (Nuclear — 940 MW)	1985	70	1,227,844

The Company is currently funding its share of the costs of Big Cajun 2 Unit 3. Cajun Electric Power Cooperative (CEPCO) is the project manager and will operate this unit. The Company expects to utilize all of the energy generated by its share of the capacity at the time this unit is placed in-service.

River Bend Unit 1 is jointly owned by the Company (70%) and CEPCO (30%). The Company is acting as project manager for construction and operation of such unit. Based upon the latest projections of the total cost of River Bend Unit 1, CEPCO's share will exceed its existing loan guarantee, and it will need additional loan guarantees from the Rural Electrification Administration (REA) or other funds to fulfill its obligation. The Company has been advised that CEPCO has filed an application for an additional loan guarantee; however, there can be no assurance that the REA will grant such loan guarantee. If additional loan guarantees are not granted, CEPCO's share of construction expenditures, above current loan guarantees, estimated at approximately $62 million and $112 million for 1983 and 1984, respectively, would have to be borne by the Company. Under existing agreements, SRG&T had proposed to become owner of 7% of River Bend Unit 1. However, SRG&T has informed the Company that the REA has rejected SRG&T's application for a loan guarantee for such unit. Unless and until other arrangements acceptable to the REA are made, the Company will continue to bear SRG&T's proposed share of expenditures.

The Company has agreements with CEPCO and SRG&T whereby, after River Bend Unit 1 goes into commercial operation, the Company will initially be obligated to purchase 100% of the participants' share of the unit's capacity. Thereafter, the Company is obligated to purchase declining amounts for periods ranging from two to nine years. The fixed costs applicable to the buy-backs of power are based in part on final unit costs and other factors and are not determinable at this time. The variable costs associated with such buy-backs will be composed of fuel costs and operations and maintenance expenses.

7. Capital Stock and Retained Earnings

Certain limitations on the payment of cash dividends on common stock are contained in the Company's Restated Articles of Incorporation, as amended, and indentures. The most restrictive limitation is contained in the Trust Indenture, dated as of September 1, 1977. Based on such limitations, the retained earnings available for payment of dividends as of December 31, 1982 and 1981, amounted to approximately $234 million and $212 million, respectively (see Note 8 for restrictions on the payment of dividends on common stock under the sinking fund provisions for preferred stock).

At December 31, 1982, the Company had reserved 3,168,799 shares of common stock to be issued in connection with its employee benefit plans and Dividend Reinvestment and Stock Purchase Plan.

During 1982, the Company issued 4,000,000 shares of preference stock. Payment of dividends on preference stock is subordinate to payment of dividends on preferred stock and preferred stock sinking fund obligations, but has priority to payment of dividends on common stock. There are no limitations on the issuance of preference stock.

At December 31, 1982, the Company had authorized 10,000,000 shares of preferred stock without par value (none issued). The Company's Restated Articles of Incorporation, as amended, places limitations on the issuance of additional preferred stock. For information with respect to the amount of preferred stock currently issuable subject to this limitation, see "Management's Discussion and Analysis of Results of Operations and Financial Condition."

At the Company's option, all or part of its preferred and preference stock may be redeemed at stated prices. Certain issues are subject to restrictions which prohibit redemption for a period of time directly or indirectly out of the proceeds of or in anticipation of borrowings or issuance of additional preferred stock having a lower interest cost or dividend rate.

8. Preferred Stock Subject to Mandatory Redemption

The $8.80 and $9.75 Dividend Preferred Stock are entitled to mandatory sinking funds sufficient to retire 3% of the shares of each series beginning in 1984. The $8.64, $11.48, and $13.64 Dividend Preferred Stock are entitled to mandatory sinking funds sufficient to retire 4% of the shares of each series beginning in the sixth year after the date of issuance. The aggregate sinking fund requirements, which begin in 1984, are approximately $1,217,000 in 1984, $2,617,000 in 1985, and $6,617,000 in 1986 and 1987. Preferred stock sinking fund provisions restrict the payment of dividends on common and preference stock and the purchases of such stock by the Company unless the sinking fund requirements are met.

9. Long-Term Debt

The Company's Mortgage contains sinking fund provisions which require, generally, that the Company make annual cash deposits equal to 1.2% of the greatest aggregate principal amount of first mortgage bonds outstanding or, in lieu thereof, to apply property additions or reacquired first mortgage bonds for that purpose. The Company has satisfied the mortgage requirements in past years and plans to meet current and future requirements by certifying "available net additions" to the trustee. Those series of the Company's first mortgage bonds which were privately placed require cash sinking funds beginning in 1987. Accordingly, the 1987 sinking fund requirements shown on the Statement of Capitalization include $8,570,000 of cash sinking fund requirements related to such bonds.

The Company's Mortgage Indenture contains an interest coverage covenant which limits the amount of first mortgage bonds which the Company may issue. For information with repect to the additional amount of first mortgage bonds which the Company is currently able to issue under this limitation, see "Management's Discussion and Analysis of Results of Operations and Financial Condition."

On March 12, 1982, the Company entered into an agreement for an $800 million revolving credit agreement providing for intermediate-term loans in principal amounts of at least $10 million to be made available until September 12, 1986, with the balance then outstanding being repayable over a three-year period beginning in 1987. On March 17, 1982, the Company retired the balance outstanding ($190 million) under the $200 million revolving credit agreement with an equal amount from the $800 million revolving credit agreement. The new agreement requires certain fees and bears interest at the following rates:

Eurodollar Loans — ⅝% + the London Interbank Offering Rate (LIBOR) during the Revolving Credit Term and ¾% + LIBOR during the term loan period.

Domestic Fixed Rate Loans — ⅝% + Certificates of Deposit Rate during the Revolving Credit Term and ¾% + Certificates of Deposit Rate during the term loan period.

Domestic Base Rate Loans — Prime Rate as determined by Irving Trust Company during the Revolving Credit Term and ¼% + Prime Rate as determined by Irving Trust Company during the term loan period.

At December 31, 1982, the amount outstanding under the revolving credit agreement consisted of $50 million bearing an interest rate of 10½% and $20 million bearing an interest rate of 11½%.

During July, 1982, the Company and Gulf States Overseas Finance, N.V. (Finance), a wholly-owned subsidiary of the Company, entered into an escrow agreement, renewable annually, with certain financial institutions. Under the terms of the agreement, Finance deposited with an escrow agent $24 million in certificates of deposit which were previously purchased with the equity contribution made to Finance by the Company. Since the use of the deposit is restricted to payment to the trustee for both series of guaranteed debentures in the event of default, the deposit has been treated as an offset to such debentures in the financial statements presented herein. Related interest income of $2,552,000, from the $24 million investment has been offset against long-term interest expense for 1982.

During March, 1981, and January, 1982, the Company liquidated the Tur-Gen and Gideon Trust obligations by payment of $27,583,000 and $53,760,000, respectively. Interest on the trusts totaled approximately $10,212,000 and $8,013,000 during 1981 and 1980, respectively.

10. Notes Payable

As of December 31, 1982, the Company had agreements with banks and banking institutions which provided for short-term lines of credit totaling approximately $205 million. Interest rates associated with these lines range from the LIBOR + ⅝% to the prime rate or a mutually agreeable rate to be determined at the time of borrowing. Commitment fees range from ⅜ of 1% to ½ of 1% of amount of available credit. In lieu of commitment fees, certain banks require a cash balance be maintained equal to 5% to 10% of the commitment.

Information regarding short-term debt outstanding is detailed below:

	1982	1981	1980
		(In thousands)	
Maximum amount outstanding at any one time	$187,585	$159,035	$168,225
Average daily amount outstanding	91,456	81,712	111,984
Weighted average interest rate for amount outstanding at year-end	9.58%	13.28%	16.75%
Weighted average annual interest rate(a)	13.91%	17.74%	13.69%

(a) Calculated by dividing the sum of the effective interest for the year by the average daily short-term debt outstanding.

11. Commitments and Contingencies

Construction. The 1983 construction program is currently estimated to be $620 million, including approximately $122 million of AFUDC. In connection with the construction program, the Company has incurred substantial commitments, some prior to receipt of required governmental permits, which are related to 1984 and subsequent years. No provision is made in the financial statements for possible losses which could occur if such permits should not be obtained.

Construction of River Bend Unit 2, a 940 MW nuclear-fueled generating unit, has been deferred at least until the completion of River Bend Unit 1. Total Company expenditures on this unit through December 31, 1982, were $94.5 million, including $28.4 million of AFUDC.

Purchase Power Agreement. In February, 1982, the Company entered into an interchange contract with the Southern Companies to purchase, subject to approval by the FERC, at least 500 MW of electricity in 1984 and 1000 MW from 1985 through 1992. The contract requires the Company to build a 500 kilovolt line scheduled for completion in 1984 that will tie the Company's system with that of the Southern Companies.

The fixed costs applicable to the purchases of power are based in part on existing unit costs and future unit costs of generating units and other factors and are not determinable at this time. The variable costs associated with such purchases will be composed of fuel costs and operations and maintenance expenses.

Nuclear Fuel. In 1980, the Company sold a portion of the uranium oxide inventory held by the Uranox Trust to SRG&T. In March, 1982, the Company and SRG&T signed an agreement, which replaced an earlier agreement and called for the Company to purchase the uranium oxide presently owned by SRG&T not earlier than May 28, 1983 (at a price expected to approximate $12 million at that time).

For additional information regarding the retirement of the Uranox Trust and the Company's nuclear fuel lease, see Note 5.

Proposed Remedial Order. During October, 1982, Varibus received a Proposed Remedial Order (Order) from the Economic Regulatory Administration branch of the Department of Energy (DOE). The Order alleges that Varibus was subject to Mandatory Petroleum Price Regulations and, therefore, overcharged the Company by approximately $7.5 million on fuel oil sales made during the period from October, 1973 through January, 1974, and seeks to have Varibus refund those charges. The Order also seeks payment of interest on the alleged overcharges at varying rates from the time of the sale until eventual settlement. The Company has estimated that the interest on the alleged overcharges could amount to approximately $11.4 million through December 31, 1982. Varibus' prior correspondence from the DOE concerning the fuel oil sales was in February of 1981, when a Notice of Probable Violation was issued which alleged overcharges of approximately $1.1 million. No reason has been offered by the DOE as to why the alleged overcharges have been increased so substantially. Outside legal counsel has advised and management believes that on the basis of applicable legislative, regulatory, and judicial authorities, Varibus and the Company have meritorious defenses against issuance of a Final Remedial Order and that precedents exist which support exemption from the Mandatory Petroleum Price Regulations of Varibus' fuel oil sales to the Company. The Company and Varibus plan to contest the Order; however, no assurances can be given at this time as to the outcome of these proceedings.

12. Subsequent Events

During February, 1983, the PUCT adopted a new rule which changes purchased power and fuel cost recovery procedures for electric companies operating in Texas. Under the new procedures, long range cost estimates will be reviewed by the PUCT, and the fuel and purchased power cost factors will be fixed for a period not to exceed one year. Additionally, the new procedures provide for adjustments for over or undercollections and for emergency requests for changes in the factor in the event of unforeseen circumstances. These new procedures may impact cost recoveries during the third and fourth quarter of 1983; however, the Company believes that these procedures will not have a significant effect upon its ability to recover such costs in a timely fashion.

13. Quarterly Financial Information (Unaudited)

(In thousands except per share amounts)

1982	Operating Revenue	Operating Income	Net Income	Earnings Per Share of Common Stock* Based On Average Shares Outstanding	Earnings Per Share of Common Stock* Assuming Conversion of Convertible Debentures
First Quarter	**$285,737**	**$51,728**	**$26,242**	**$.31**	**$.30**
Second Quarter	**309,758**	**61,939**	**34,464**	**.40**	**.40**
Third Quarter	**375,816**	**85,277**	**56,885**	**.69**	**.69**
Fourth Quarter	**335,948**	**71,465**	**48,388**	**.53**	**.53**
1981					
First Quarter	266,123	47,986	27,333	.40	.39
Second Quarter	320,607	53,023	32,994	.50	.49
Third Quarter	373,116	74,724	61,415	.97	.95
Fourth Quarter	261,868	54,560	29,189	.37	.37

* The individual quarters may not add to the yearly totals since the per share amounts are based upon the average number of shares outstanding during each quarter.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" for discussion concerning a non-recurring gain in the third quarter of 1981, by a subsidiary as a result of an exchange of lignite leases. See Note 2 for information concerning a change during 1981 in the method of accounting for fuel costs.

14. Supplemental Information on Changing Prices (Unaudited)

The following supplementary information is supplied in accordance with the requirements of the SFAS No. 33 for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

SFAS No. 33 attempts to measure the effects of inflation in two ways:

1. Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumers Price Index for all Urban Consumers.
2. Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

The current cost of utility and other plant, which includes land, land rights, plant held for future use, and construction work in progress, represents the estimated cost of replacing existing plant assets and was determined by indexing surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. The current year's provision for depreciation on the constant dollar and current cost amounts of utility and other plant was determined by applying the Company's depreciation rates to the indexed plant amounts.

Fuel inventories, the cost of fuel used in generation, and gas purchased for resale have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel and purchased costs through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason fuel inventories are effectively monetary assets.

As prescribed in SFAS No. 33, income taxes were not adjusted.

Other factors affecting the Statement of Income Adjusted for Changing Prices are as follows:

1. Increase in the current cost of net utility plant as a result of specific price changes experienced:

   The increase in the current cost amount of net utility plant is shown before and after eliminating the effects of general inflation as measured by the CPI-U.

2. Reduction to net recoverable cost:

   Under the rate-making prescribed by the regulatory commissions to which the Company is subject, only the historical cost of plant is recoverable in revenue as depreciation. Therefore, the excess of the cost of plant, is not presently recoverable in rates as depreciation, and is reflected as a reduction to net recoverable cost. While the rate-making process gives no recognition to the current cost of replacing utility and other plant, the Company believes, based on past practices, it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

3. Gain from decline in purchasing power of net amounts owed:

   To reflect properly the economics of rate regulation in the Statement of Income Adjusted for Changing Prices, the reduction of net utility and other plant should be offset by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance utility and other plant. Since the depreciation on this plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Statement of Income Adjusted for Changing Prices (Unaudited)

For the year ended December 31, 1982	Conventional Historical Cost	Constant Dollar Average 1982 Dollars	Current Cost Average 1982 Dollars
		(In thousands)	
Operating revenue	$1,307,259	$1,307,259	$1,307,259
Fuel	446,521	446,521	446,521
Purchased power	182,106	182,106	182,106
Other operations and maintenance	216,981	216,981	216,981
Depreciation and amortization	89,291	199,161	220,552
Taxes	101,951	101,951	101,951
Other — net	(58,516)	(58,516)	(58,516)
Interest charges	162,946	162,946	162,946
	1,141,280	1,251,150	1,272,541
Net Income (excluding reduction to net recoverable cost)	$ 165,979	$ 56,109*	$ 34,718
Increase in specific prices (current cost) of utility and other plant held during the year**		$	$ 551,924
Reduction to net recoverable cost		(36,781)	(335,961)
Effect of increase in general price level			(231,353)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			(15,390)
Gain from decline in purchasing power of net amounts owed		93,755	93,755
Net		$ 56,974	$ 78,365

* Including the reduction to net recoverable cost, the gain on a constant dollar basis would have been $19,328 for 1982.

** At December 31, 1982, current cost of utility and other plant, net of accumulated depreciation was $5,663,270 while historical cost or net cost recoverable through depreciation was $3,523,506.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (Unaudited)

	Years Ended December 31,				
	1982	1981	1980	1979	1978
	(In thousands of average 1982 dollars)				
Operating revenue	$1,307,259	$1,297,511	$1,178,330	$1,150,198	$1,062,975
Historical cost information adjusted for general inflation:					
Net income (excluding reduction to net recoverable cost)	56,109	61,183	44,184	28,758	
Net income per common share (after dividend requirements on preferred and preference stock)	.26	.54	.33	.20	
Net assets at year-end at net recoverable cost	1,341,783	1,092,897	1,006,801	1,006,662	
Current Cost Information:					
Net income (excluding reduction to net recoverable cost)	34,718	47,191	23,555	7,315	
Income (Loss) per common share (after dividend requirements on preferred and preference stock and excluding reduction to net recoverable cost)	(.07)	.28	(.12)	(.34)	
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	(15,390)	(149,907)	(241,294)	(227,679)	
Net assets at year-end at net recoverable cost	1,341,783	1,092,897	1,006,801	1,006,662	
General Information:					
Gain from decline in purchasing power of net amounts owed	93,755	174,756	219,983	211,123	
Cash dividends declared per common share	$1.56	$1.57	$1.63	$1.81	$1.84
Market price per common share at year-end	13.14	12.20	13.02	13.84	16.75
Average consumer price index	289.3	272.4	246.8	217.4	195.4

AUDITORS' REPORT

To the Shareholders of Gulf States Utilities Company:

We have examined the balance sheet and statement of capitalization of GULF STATES UTILITIES COMPANY as of December 31, 1982 and 1981, and the related statements of income, sources of funds invested in utility and other plant and changes in capital stock and retained earnings for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of GULF STATES UTILITIES COMPANY as of December 31, 1982, and 1981, and the results of its operations and sources of its funds invested in utility and other plant for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis except for the change, with which we concur, in the method of accounting for fuel costs (effective January 1, 1981) as described in Note 2 to the financial statements.

COOPERS & LYBRAND

Houston, Texas
February 4, 1983

Statistical Summary

For the years ended December 31

	1982	1981	1980	1979	1978
ELECTRIC					
Number of customers at year end:					
Residential	**465,162**	455,160	438,560	423,850	407,761
Commercial	**55,265**	52,955	52,731	50,807	48,892
Industrial	**4,165**	3,852	3,414	3,386	3,392
Temporary Construction	**3,132**	2,871	3,354	3,279	4,304
Other	**1,985**	1,974	1,984	1,873	1,790
Total	**529,709**	516,812	500,043	483,195	466,139
Sales — Kilowatt-hours (thousands):					
Residential	**5,991,578**	5,717,715	5,682,016	5,147,436	5,198,421
Commercial	**4,359,739**	4,178,126	3,969,390	3,759,289	3,738,114
Industrial	**13,728,469**	15,066,330	14,870,419	14,961,211	14,447,417
Temporary Construction	**48,170**	50,306	37,691	44,059	42,358
Other	**2,261,350**	2,797,761	3,098,910	2,638,490	2,452,228
Total Sales	**26,389,306**	27,810,238	27,658,426	26,550,485	25,878,538
Revenue (thousands):					
Residential	**$ 362,223**	$ 315,625	$ 249,603	$ 203,029	$ 181,967
Commercial	**226,104**	198,676	157,616	133,988	117,987
Industrial	**495,461**	494,388	413,265	364,797	291,259
Temporary Construction	**2,786**	2,723	1,728	1,673	1,367
Other	**102,370**	95,110	82,659	65,928	53,319
Total Electric Revenue	**$1,188,944**	$1,106,522	$ 904,871	$ 769,415	$ 645,899
Average Annual KWH Use Per Customer:					
Residential	**13,015**	12,786	13,173	12,374	13,009
Commercial	**80,814**	79,558	76,529	75,291	77,472
Industrial	**3,451,098**	4,095,224	4,340,461	4,402,946	4,221,922
Revenue Per KWH — (cents):					
Residential	**6.05**	5.52	4.39	3.94	3.50
Commercial	**5.19**	4.76	3.97	3.56	3.16
Industrial	**3.61**	3.28	2.78	2.44	2.02
Electric Energy Output — Thousands of KWH:					
Net Generated	**25,523,512**	28,115,700	27,775,374	25,381,996	28,299,011
Net Purchased and Interchanged	**5,160,731**	4,411,795	4,507,245	5,871,615	1,985,508
	30,684,243	32,527,495	32,282,619	31,253,611	30,284,519
System Peak Load — Including Interruptible Load (MW)	**5,164**	5,542	5,604	5,229	5,138
Total Capability (Including Contract Purchases) — At Time of System Peak Load (MW)	**7,208**	6,745	6,602	6,169	5,620
Load Factor	**67.8%**	67.0%	65.2%	68.2%	67.3%
STEAM:					
Steam Revenue (thousands)	**$ 75,213**	$ 77,624	$ 69,346	$ 68,278	$ 50,513
Steam Sales — KWH (millions)	**2,579**	2,887	2,927	3,191	3,013
Steam Sales — millions of Pounds	**9,447**	12,209	14,906	14,796	15,787
GAS:					
Gas Revenue (thousands)	**$ 43,102**	$ 37,568	$ 31,009	$ 26,645	$ 21,546
Number of Customers	**85,394**	85,664	85,218	83,910	82,391
Output — MM cu. ft. of natural gas purchased	**8,229**	8,738	9,148	10,333	10,734
Sales — MM cu. ft.	**8,535**	8,599	9,097	9,892	10,207
Weather Data:					
Cooling degree days (Normal 2,726)	**2,883**	2,775	2,910	2,502	3,017
Percentage change from normal	**5.8**	1.8	6.7	(8.2)	10.7
Heating degree days (Normal 1,558)	**1,588**	1,620	1,637	1,885	2,002
Percentage change from normal	**1.9**	4.0	5.1	21.0	28.5

**John W. Barton
President—C. B. Enterprises, Inc.
Baton Rouge, La. (1970)

Edwin Hiam
Vice President—Tucker Anthony Management Corp.
Boston, Mass. (1959)

Dr. Frederic A. Holloway
Consultant
Retired Exxon Vice President—Science and Technology
Baton Rouge, La. (1979)

William H. LeBlanc, Jr.
President—Baton Rouge Supply Co., Inc.
Baton Rouge, La. (1974)

*Norman R. Lee
President and Chief Operating Officer
Beaumont, Tx. (1967)

*Paul W. Murrill
Chairman of the Board and Chief Executive Officer
Beaumont, Tx. (1978)

Alvin T. Raetzsch, Sr.
Retired Assistant to the Vice President and General Manager—U.S. Chemical Division of PPG Industries, Inc.
Lake Charles, La. (1975)

Monroe J. Rathbone, Jr.
Medical doctor and partner—The Surgical Clinic
Baton Rouge, La. (1975)

Lorene L. Rogers
President Emeritus, The University of Texas at Austin
Austin, Tx. (1976)

*Nat S. Rogers
Chairman of the Board—First City Bancorporation of Texas, Inc. and First City National Bank of Houston
Houston, Tx. (1978)

*Bismark A. Steinhagen
Partner—Steinhagen Oil Co.
Beaumont, Tx. (1974)

James E. Taussig II
Real Estate Development
Lake Charles, La. (1975)

* *Executive Committee*
** *Chairman, Executive Committee*
( ) *Year Elected*

Chairman
Paul W. Murrill (1) 48
Chairman of the Board and Chief Executive Officer

President
Norman R. Lee (34) 58
President and Chief Operating Officer

Executive Vice Presidents
Joseph E. Bondurant (25) 53
Executive Vice President—Operations
Joseph L. Donnelly (4) 53
Executive Vice President—Finance
Edward M. Loggins (24) 52
Executive Vice President—Administrative and Technical Services

Senior Vice Presidents
Thomas H. Burbank (4) 61
Senior Vice President—Executive Projects
William J. Cahill, Jr. (3) 59
Senior Vice President—River Bend Nuclear Group
E. Linn Draper (4) 41
Senior Vice President—External Affairs

Vice Presidents
James R. Aldridge (3) 52
Vice President—Human Resources
William E. Barksdale (25) 51
Vice President—Technical Services
*James C. Deddens (0) 54
Vice President—River Bend Nuclear Group
James H. Derr, Jr. (42) 62
Vice President—Power Plant Engineering and Design
Anthony F. Gabrielle (3) 55
Vice President—Computer Applications
Charles D. Glass (33) 54
Vice President—Texas Operations
Calvin J. Hebert (20) 48
Vice President—Financial Services
William J. Jefferson (3) 53
Vice President—Rates and Regulatory Affairs
Fred C. Repper (4) 55
Vice President—Public Affairs
Edward J. Serwan (4) 61
Vice President—Production
Aubrey D. Sprawls (33) 54
Vice President—Consumer Services
Summa L. Stelly (34) 57
Vice President—Louisiana Operations
J. Gary Weigand (5) 47
Vice President—Nuclear Operations
Jasper F. Worthy (27) 54
Vice President—General Services

Division Vice Presidents
John W. Conley (25) 51
Division Vice President—Western
James E. Moss (24) 47
Division Vice President—Baton Rouge
Arden D. Loughmiller (22) 45
Division Vice President—Beaumont
J. Ted Meinscher (32) 50
Division Vice President—Lake Charles
Ronald M. McKenzie (15) 42
Division Vice President—Port Arthur

Other Officers
Leslie D. Cobb (27) 48
Secretary
Bobby J. Willis (21) 47
Controller
Jack L. Schenck (2) 44
Treasurer
Roy E. Eyler (24) 58
Assistant Secretary
Jon P. Trevelise (2) 37
Assistant Controller
Clyde W. McBride (5) 31
Assistant Treasurer

Effective February 1, 1983

Principal Offices

350 Pine Street
Beaumont, Texas 77701

Divisions

285 Liberty Avenue
Beaumont, Texas 77701

1540 Ninth Avenue
Port Arthur, Texas 77640

Highway 75 North
Conroe, Texas 77301

446 North Boulevard
Baton Rouge, Louisiana 70802

314 Broad Street
Lake Charles, Louisiana 70601

Stockholder Information

Stock Listing

Gulf States Utilities Company's Common Stock is traded under the symbol GSU on the New York, Midwest and Pacific Stock Exchanges.

Stock Transfer Agents

Texas Commerce Bank Beaumont, N.A.
Beaumont, Texas

Morgan Guaranty Trust Company
New York, New York

First National Bank of Chicago
Chicago, Illinois

Registrars

First City National Bank of Beaumont
Beaumont, Texas

Morgan Guaranty Trust Company
New York, New York

First National Bank of Chicago
Chicago, Illinois

Dividend Reinvestment Plan Agent

Gulf States Utilities Company
P.O. Box 1671
Beaumont, Texas 77704

Form 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission and GSU's 1982 Financial and Statistical Report can be obtained without charge from Leslie D. Cobb, Secretary, P.O. Box 2951, Beaumont, Texas 77704.

Notice of Annual Meeting

The 1983 Annual Meeting of Shareholders will be held at 2 p.m., Thursday, May 5, 1983, in the company's headquarters, 350 Pine Street, Beaumont, Texas. Formal notices of the meeting, proxy statements and proxies will be mailed to the common shareholders on or about March 28, 1983. Shareholders are invited to attend, but if they cannot, they are urged to fill out and return their proxies.