



ENTERGY

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R. F. Burski
Director
Nuclear Safety
Washington

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QA

April 27, 1992

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Subject: Waterford 3 SES
Docket No. 50-382
License No. NPF-38
LP&L, NOPSI and Entergy Corporation Annual Report

Gentlemen:

Pursuant to the requirements stated in 10CFR50.71(b) and Regulatory Guide 10.1, please find attached ten (10) copies each of the Louisiana Power & Light Company, New Orleans Public Service Inc. and Entergy Corporation 1991 Annual Report.

If you have any questions concerning these reports, please contact O.P. Pipkins at (504) 739-6707.

Very truly yours,

R.F. Burski
Director, Nuclear Safety

RFB/OPP/dc
Attachment

cc: (w/o Attachments)
R.D. Martin, NRC Region IV
D.L. Wigginton, NRC-NRR
R.B. McGehee
N.S. Reynolds
NRC Resident Inspectors Office

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the Fiscal Year Ended December 31, 1991

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

<u>Commission File Number</u>	<u>Registrant, State of Incorporation, Address and Telephone Number</u>	<u>I.R.S. Employer Identification No.</u>
1-3517	ENERGY CORPORATION (A Florida Corporation) 225 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 529-5262	13-5550175
1-10764	ARKANSAS POWER & LIGHT COMPANY (An Arkansas Corporation) 425 West Capitol Avenue, 40th Floor Little Rock, Arkansas 72201 Telephone (501) 377-4000	71-0905900
1-8474	LOUISIANA POWER & LIGHT COMPANY (A Louisiana Corporation) 317 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 595-3100	72-0245590
0-320	MISSISSIPPI POWER & LIGHT COMPANY (A Mississippi Corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 969-2311	64-0205830
0-5807	NEW ORLEANS PUBLIC SERVICE INC. (A Louisiana Corporation) 317 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 595-3100	72-0273040
1-9067	SYSTEM ENERGY RESOURCES, INC. (An Arkansas Corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 984-9000	72-0752777

Securities registered pursuant to Section 12(b) of the Act:

<u>Registrant</u>	<u>Title of Class</u>	<u>Outstanding at February 28, 1992</u>	<u>Name of Each Exchange on Which Registered</u>
Entergy Corporation	Common Stock, \$5 Par Value	177,623,892	New York Stock Exchange, Inc. Midwest Stock Exchange Incorporated Pacific Stock Exchange Incorporated
Arkansas Power & Light Company	\$2.40 Preferred Stock, Cumulative, \$0.01 Par Value (\$25 Involuntary Liquidation Value)	2,000,000	New York Stock Exchange, Inc.
Louisiana Power & Light Company	9.65% Preferred Stock, Cumulative, \$25 Par Value	2,000,000	New York Stock Exchange, Inc.
	12.64% Preferred Stock, Cumulative, \$25 Par Value	1,500,370	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

<u>Registrant</u>	<u>Title of Class</u>
Arkansas Power & Light Company	Preferred Stock, Cumulative, \$100 Par Value
Louisiana Power & Light Company	Preferred Stock, Cumulative, \$25 Par Value
Mississippi Power & Light Company	Preferred Stock, Cumulative, \$100 Par Value
New Orleans Public Service Inc.	Preferred Stock, Cumulative, \$25 Par Value
	4 3/4% Preferred Stock, Cumulative, \$100 Par Value

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Entergy Corporation Common Stock, \$5 Par Value, held by non-affiliates, was \$4,951,265,990 based on the reported last sale price of such stock on the New York Stock Exchange on February 28, 1992. Entergy Corporation is the sole holder of the common stock of Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service Inc. and System Energy Resources, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 15, 1992, are incorporated by reference into Part III hereof.

TABLE OF CONTENTS

	<u>Page Number</u>
Definitions	i
PART I	
Item 1. Business	1
Item 2. Properties	36
Item 3. Legal Proceedings	36
Item 4. Submission of Matters to a Vote of Security Holders	36
PART II	
Item 5. Market for Registrants' Common Equity and Related Stockholder Matters	36
Item 6. Selected Financial Data	37
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 8. Financial Statements and Supplementary Data	39
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	259
PART III	
Item 10. Directors and Executive Officers of the Registrants	259
Item 11. Executive Compensation	269
Item 12. Security Ownership of Certain Beneficial Owners and Management	275
Item 13. Certain Relationships and Related Transactions	277
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form S-K	278
Experts	279
Signatures	280
Consents of Experts	285
Independent Auditors' Report on Financial Statement Schedules	294
Index to Financial Statement Schedules	S-1
Exhibit Index	E-1

This combined Form 10-K is separately filed by Entergy Corporation, Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service Inc. and System Energy Resources, Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

DEFINITIONS

Certain abbreviations or acronyms used in the text and notes are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>	<u>Abbreviation or Acronym</u>	<u>Term</u>
Algiers	15th Ward of the City of New Orleans, Louisiana	FERC	Federal Energy Regulatory Commission
Alliance	The Alliance for Affordable Energy, Inc.	Fifth Circuit	United States Court of Appeals for the Fifth Circuit
ANO	Arkansas Nuclear One Steam Electric Generating Station (nuclear)	Fourth Circuit	Louisiana Fourth Circuit Court of Appeal
ANO 2	Unit No. 2 of ANO	Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
AP&L	Arkansas Power & Light Company	Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
APSC	Arkansas Public Service Commission	Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof	Holding Company Act	Public Utility Holding Company Act of 1935, as amended
Capital Funds Agreement	Agreement, dated as of June 21, 1974, as amended, between System Energy and Entergy Corporation, and the assignments thereof	Independence Station	Independence Steam Electric Generating Station (coal)
City of New Orleans or City	New Orleans, Louisiana	Independence 2	Unit No. 2 of the Independence Station
Council	Council of the City of New Orleans, Louisiana	KV	Kilovolts
District Court	United States District Court for the Eastern District of Louisiana	KWH	Kilowatt-Hour(s)
DOE	United States Department of Energy	LP&L	Louisiana Power & Light Company
Electec	Electec, Inc.	LPSC	Louisiana Public Service Commission
Entergy	Entergy Corporation	MCF	1,000 cubic feet of gas
Entergy Operations	Entergy Operations, Inc.	MP&L	Mississippi Power & Light Company
Entergy Power	Entergy Power, Inc.	MPSC	Mississippi Public Service Commission
Entergy Services	Entergy Services, Inc.	MW	Megawatt(s)
Entergy System or System	Entergy Corporation and its various direct and indirect subsidiaries	1991 NOPSI Settlement	Settlement, retroactive to October 4, 1991, among NOPSI, the Council and the Alliance that settled certain Grand Gulf 1 prudence issues and certain litigation related to the February 4 Resolution
February 4 Resolution	The Resolution (including the Determinations and Order referred to therein) adopted by the Council on February 4, 1988, disallowing the recovery by NOPSI of \$135 million of previously deferred Grand Gulf 1-related costs	NOPSI	New Orleans Public Service Inc.
		NRC	Nuclear Regulatory Commission
		PSCM	Public Service Commission of Missouri

PART I

Item 1. *Business*

BUSINESS OF THE ENERGY SYSTEM

General

Entergy Corporation, incorporated under the laws of the State of Florida on May 27, 1949, is a holding company registered under the Holding Company Act and neither owns nor operates any physical properties. Entergy Corporation owns all of the outstanding common stock of four retail operating electric utility subsidiaries, AP&L, LP&L, MP&L and NOPSI. AP&L was incorporated under the laws of the State of Arkansas in 1926; LP&L and NOPSI were incorporated under the laws of the State of Louisiana in 1974 and 1926, respectively; and MP&L was incorporated under the laws of the State of Mississippi in 1963. As of December 31, 1991, these operating companies provided electric service to approximately 1,300 communities, of which 9 were served at wholesale, and to extensive rural areas at wholesale and retail in the States of Arkansas, Louisiana, Mississippi and Missouri. In addition, NOPSI furnished gas service in the City of New Orleans. The aggregate population of the area served by the Entergy System is approximately 5 million. Sales of electricity by the Entergy System during 1991 to the residential, commercial and industrial sectors were 28.6%, 20.5% and 36.6%, respectively, of the System's total energy sales. Electric revenues from these sectors as a percent of total System electric revenues during 1991 were: 36.8% residential, 25.1% commercial, and 26.9% industrial. The System's major industrial customers are in the chemical processing, petroleum refining, paper products, and food products industries. Sales to governmental and municipal sectors and non-affiliated utilities accounted for the balance of energy sales.

Entergy Corporation also owns all of the outstanding common stock of Entergy Services, Entergy Operations, Entergy Power, Electec and System Energy. Entergy Services provides general executive and advisory services, accounting, engineering and other technical services to the various System companies at cost. Entergy Operations, a nuclear management company, operates ANO, Waterford 3 and Grand Gulf 1, subject, respectively, to AP&L's, LP&L's, and System Energy's oversight. Entergy Power, an independent power producer, owns 809 MW of generating capacity and markets such capacity and energy in the wholesale market outside Arkansas and Missouri and in markets not otherwise presently served by the System. (For further information on regulatory proceedings related to Entergy Power, see "Rate Matters — Systemwide Rate Matters — *Entergy Power*," incorporated herein by reference.) Electec, a non-utility company, invests in businesses whose products and activities are of benefit to the System's utility business (see "Corporate Development") and markets, for a profit, technical expertise developed by the System companies when not required by the operations of the System companies. System Energy, a nuclear generating company, was incorporated under the laws of the State of Arkansas in 1974 and sells the capacity and energy from its 90% interest in Grand Gulf 1, at wholesale, to the System operating companies, its only customers (see "Capital Requirements and Future Financing — Certain System Financial and Support Agreements — *Unit Power Sales Agreement*," incorporated herein by reference). System Energy has approximately a 78.5% ownership interest and an 11.5% leasehold interest in Grand Gulf 1.

AP&L, LP&L, MP&L and NOPSI own, in ownership percentages of 35%, 33%, 19% and 13%, respectively, all of the common stock of System Fuels, a subsidiary that operates on a non-profit basis for the purpose of implementing and/or maintaining certain programs for the procurement, delivery and storage of fuel supplies for the System.

Functional Realignment

In order for the Entergy System to be prepared to meet successfully challenges in the changing utility industry and to have the flexibility to compete effectively in the years ahead (see "Certain Industry and System Challenges" and "Competition" below), the System began a functional restructuring of its activities during 1990. Such restructuring is designed to reduce costs, speed decision-making and increase economies of scale.

Selected Data

Selected customer and sales data, as of December 31, 1991, are summarized in the following tables.

1991 — Selected Customer Data

	Area Served	Customers at December 31, 1991	
		Electric	Gas
AP&L	Portions of States of Arkansas and Missouri	603,045	—
LP&L	Portions of State of Louisiana	589,771	—
MP&L	Portions of State of Mississippi	351,231	—
NOPSI	City of New Orleans, except that Algiers is provided electric service by LP&L	189,396	153,881
Entergy System		1,733,438	153,881

1991 — Selected Electric Energy Sales Data

	Entergy System	AP&L	LP&L	MP&L	NOPSI	System Energy
	(Millions of KWH)					
Sales to retail customers	56,862	15,386	26,785	9,449	5,241	—
Sales for resale — affiliates	—	10,991	6	376	145	8,219
— others	7,346	5,096	1,196	656	273	—
Total	<u>64,208</u>	<u>31,473</u>	<u>27,987</u>	<u>10,481</u>	<u>5,659</u>	<u>8,219</u>
Average use per residential customer (KWH)	<u>12,172</u>	<u>10,752</u>	<u>13,863</u>	<u>12,464</u>	<u>10,829</u>	

NOPSI's sales of natural gas to retail customers totaled 17,352,239 MCF in 1991. The effect of natural gas operations on operating revenues and operating income for each of the three years in the period ended December 31, 1991 was immaterial on a System basis but material for NOPSI. See "NOPSI Industry Segments" for a description of NOPSI's business segments.

See "Entergy Corporation and Subsidiaries Selected Financial Data — Five Year Comparison," "Arkansas Power & Light Company Selected Financial Data — Five Year Comparison," "Louisiana Power & Light Company Selected Financial Data — Five Year Comparison," "Mississippi Power & Light Company Selected Financial Data — Five Year Comparison," "New Orleans Public Service Inc. Selected Financial Data — Five Year Comparison" and "System Energy Resources, Inc. Selected Financial Data — Five Year Comparison" (which follow each company's notes to financial statements herein), incorporated herein by reference, for further information with respect to operating statistics of the System and of AP&L, LP&L, MP&L, NOPSI and System Energy, respectively.

Employees

At December 31, 1991, the Entergy System employed a total of 12,763 persons. Included in this number are 214 part-time employees. Details follow:

	December 31, 1991		
	Full Time	Part Time	Total Employees
Entergy Corporation	18	—	18
AP&L(1)	3,111	59	3,170
LP&L(1)	2,025	72	2,097
MP&L	1,460	47	1,507
NOPSI	928	16	944
System Energy(1)	—	—	—
Entergy Operations(1)	3,628	—	3,628
Other Subsidiaries(2)	1,379	20	1,399
Total	<u>12,549</u>	<u>214</u>	<u>12,763</u>

- (1) System Energy's, AP&L's and LP&L's nuclear operations-related employees transferred to Entergy Operations upon its formation in 1990.
- (2) As a result of the System functional realignment certain employees of the System operating companies transferred to Entergy Services during 1991.

Competition

General. The electric utility industry and the System operating companies have experienced retail load competition in recent years from cogeneration, as discussed below. The electric utility industry also is now experiencing increased competition in the wholesale power markets. The factors driving this trend include the enactment of the Public Utility Regulatory Policies Act, as amended (PURPA), increased transmission access, evolving regulatory precedents, policies and rulings, development of an independent power industry, advances in transmission technology enabling sellers to deliver power economically over greater distances, advances in power generation technology, greater availability and lower cost of natural gas, and increased consumer concerns of electric utility regulators. These initiatives provide both opportunities for the System in competing for new customers and potential risks because of alternative energy supplies available to existing customers.

The United States Congress (Congress) and others are considering acting on certain matters that could significantly affect the electric utility industry, including proposed amendments to the Holding Company Act and other federal energy legislation. The matters being considered include, among others, whether and to what extent registered holding companies and their subsidiaries, such as Entergy Corporation, may participate in the competitive wholesale power markets, the degree of deregulation of the industry in general, what role non-utility independent power producers will have in supplying electric power, what access there should be to the transmission systems of the nation, and the use of bidding to match prospective buyers and sellers. The Entergy System is unable to predict the ultimate outcome of these matters or what impact, if any, they may have on its operations.

Wholesale Competition. The Entergy System has, like other utility systems, significant quantities of generating capacity and energy available for a period of time for sale to other utility systems. The System is in competition with neighboring systems to sell such capacity and energy. Given this competition, the ability of the System to sell this capacity and energy is limited. However, the System in 1991 sold 7,346 million KWH of energy to non-affiliated utilities, and sold an average of 628 MW of capacity (compared to 610 MW in 1990), which represents 4% of the System's net capability at year-end 1991, to non-affiliated utilities outside of the System's service area. Under AP&L's and LP&L's Grand Gulf 1 rate orders, a portion of the capacity of Grand Gulf 1 represents capacity that is available for sale, subject to regulatory approval, to non-affiliated parties.

settlement in the consolidated proceeding was reached on May 21, 1991 and was approved by the FERC on September 16, 1991. (For a discussion of the material terms of the settlement, and the effect thereof on System Energy's and Entergy's consolidated results of operations, see Note 2 of System Energy's Notes to Financial Statements, "Rate and Regulatory Matters -- FERC Complaint Case," and Note 2 of Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements, "Rate and Regulatory Matters -- FERC Complaint Case," respectively, incorporated herein by reference.) The settlement did not resolve income tax accounting issues raised in the complaint (see "FERC Audit," below).

FERC Audit. The FERC Division of Audits conducted an audit of the books and records of System Energy for the years 1986 through 1988. On December 21, 1990, the FERC Division of Audits issued an audit report that recommended, among other things, an approximate \$95 million reduction in System Energy's Grand Gulf 1 rate base. Hearings before a FERC administrative law judge were held in August 1991. In an initial decision dated November 21, 1991, a FERC administrative law judge found, among other things, that System Energy overstated its Grand Gulf 1 utility plant account by approximately \$95 million as indicated in the FERC audit report. The decision, if ultimately sustained and implemented, would require System Energy to make corrective accounting entries and refunds, with interest, to the System operating companies. (For a discussion of the details and the effect of the November 21, 1991 decision, if ultimately sustained and implemented, on System Energy's and Entergy Corporation's consolidated financial position, see Note 2 of System Energy's Notes to Financial Statements, "Rate and Regulatory Matters -- FERC Audit," and Note 2 of Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements, "Rate and Regulatory Matters -- FERC Audit," respectively, incorporated herein by reference.)

System Agreement. For many years, the System operating companies have, through a series of agreements that were approved by the FERC, engaged in the coordinated planning, construction and operation of generation and transmission facilities (see "Property -- Generating Stations," incorporated herein by reference, for a description of the System Agreement).

On August 9, 1990, the LPSC filed a complaint at the FERC seeking a reduction in the FERC-approved rate of return on common equity as a component of intercompany capacity equalization charges under the System Agreement and requesting that the complaint be consolidated with pending proceedings before the FERC involving System Energy (see "FERC Complaint Case," above). On February 20, 1991, the FERC granted such request for consolidation. Pursuant to a settlement reached in the consolidated proceeding, the return on common equity under the System Agreement was reduced from 14% to 13%, effective retroactively to December 24, 1990.

On August 20, 1990, the City of New Orleans filed a complaint at the FERC against Entergy Corporation, the System operating companies and System Energy requesting the FERC to investigate certain issues related to the transfer of Independence 2 and Ritchie 2 from AP&L to Entergy Power and its effect upon the System operating companies and their ratepayers. On September 21, 1990, Entergy Corporation, the System operating companies and System Energy filed with the FERC an answer to the City's complaint asking that the complaint be dismissed. Numerous parties have intervened in this proceeding. On March 19, 1991, the FERC issued an order which, among other things, set for investigation the question of whether overall billings under the System Agreement will increase as a result of the transfer of the two units to Entergy Power and, if so, whether those higher charges reflect prudently incurred costs that may be reasonably passed through under the System Agreement, and provided that rates charged under the System Agreement after the transfer of the two units be subject to refund, effective October 19, 1990. Through December 31, 1991, substantially all power from these units has been sold to AP&L and, thus, to date, no refunds are likely to result due to the transfer to Entergy Power. Hearings on this matter are scheduled for late March 1992. On February 25, 1992, the City of New Orleans petitioned the United States Court of Appeals for the District of Columbia Circuit for appeal of a FERC order dated November 4, 1991 that limited the scope of the proceeding. The matter is pending.

Entergy Power. Applications were filed in 1989 with the SEC, the FERC, the APSC and the PSCM in connection with the approval of the formation of Entergy Power, a then-proposed subsidiary of Entergy Corporation formed to own generating capacity and to sell such capacity and energy in the wholesale market outside Arkansas and Missouri and in markets not otherwise served presently by the System, and the sale of certain generating capacity by AP&L to Entergy Power. All such necessary regulatory approvals were obtained in 1990. However, an appeal of the SEC order is still pending. Oral argument is scheduled for May 1992. (For further information, see Note 2 of AP&L's Notes to Financial Statements, "Rate and Regulatory Matters — Unit Power Purchase Agreement and Entergy Power," incorporated herein by reference.)

Open Access Transmission. On August 2, 1991, Entergy Services, acting as agent for the System operating companies and Entergy Power, submitted to the FERC (1) proposed tariffs that would provide to electric utilities "open access" to the System's integrated transmission system (subject to certain requirements of the tariffs) and (2) rate schedules providing for the sales of wholesale power at market-based rates. The System operating companies determined to make such access available in order to support a finding by the FERC that the Entergy System would not have market power over transmission. A generation study made a part of the filing would also support a similar finding with regard to generation. Under FERC policy, these findings are a prerequisite to FERC's approval of sales of power at negotiated "market-based" rates as proposed in the filing. It is proposed that the FERC tariffs take effect only upon (1) the FERC making such necessary findings in a final order (no longer subject to judicial review) and (2) the FERC's approval, without modification, of the tariffs (except as agreed to by the System operating companies). On August 26, 1991, requests to intervene were filed by the Council, APSC, MPSC, LPSC and others. On March 3, 1992, the FERC issued an order approving this filing, subject to certain conditions and modifications. The System is studying the order and has not yet determined what action it will take. This order is subject to requests for rehearing and review by the courts.

System Operating Company Rate Matters

General

Certain of the System operating companies have committed not to seek increased rates for stated periods, except under specific circumstances (see "LP&L" and "NOPSI" below). In addition to these commitments, the System is pursuing a strategy of delaying, for as long as possible, the filing by the System operating companies of requests for additional rate relief. Pursuit of such a strategy could negatively impact Entergy's consolidated net income and its earned return on average common equity to the extent that the System's expenses rise in future years and the increases in expenses are not offset by revenues derived from increased sales of energy. In an effort to avoid such an outcome, the System has established various short-term goals directed toward reducing its costs in order to avoid earnings erosions and to ensure rate stability and competitiveness in the retail market, including functional restructuring and reductions in costs of operations and cost of capital. Over the longer term, the System's strategies for stabilizing rates include programs such as least-cost planning, and the investment in the growth of its service region. (For further information concerning the System's strategic initiatives, see "Business of the Entergy System — Competition.")

AP&L

APSC Jurisdiction. On November 9, 1984, AP&L filed with the APSC a retail rate application requesting, among other things, recovery of its Grand Gulf 1-related costs. On September 9, 1985, the APSC approved the terms of a settlement agreement, pursuant to which AP&L would retain, defer and recover varying portions of such costs over the life of the unit. In 1985, the settlement agreement was amended (Revised Settlement Agreement) in order to bring the deferral provisions into compliance with the requirements of Statement of Financial Accounting Standards No. 92, an accounting standard that relates to recording of deferred amounts as assets for accounting purposes. Pursuant to the terms of the Revised Settlement Agreement, AP&L (1) permanently retains a portion of its Grand Gulf 1-

On August 29, 1991, in an effort to resolve the Grand Gulf 1 prudence issues and the pending litigation related to the February 4 Resolution, representatives of NOPSI reached an Agreement in Principle (Agreement in Principle) with advisors to the Council and the Alliance. This Agreement in Principle was the subject of public hearings by the Council on September 19, 1991, and, at a Council public meeting held on October 3, 1991, the Council adopted a resolution (October 3 Resolution) approving and substantially incorporating the Agreement in Principle. The October 3 Resolution was subject to satisfaction of certain conditions, all of which have been satisfied. The 1991 NOPSI Settlement was effective as of October 4, 1991 and constitutes a final settlement of the litigation related to the February 4 Resolution. Further, the 1991 NOPSI Settlement supersedes both the Rate Settlement and the February 4 Resolution.

The 1991 NOPSI Settlement provides that there will be no further disallowance of the recovery of any Grand Gulf 1-related costs incurred by NOPSI based on any alleged imprudence by NOPSI that may have occurred or may be alleged to have occurred prior to the effective date of the settlement. The 1991 NOPSI Settlement further provides that NOPSI will reduce its base electric rates by \$11.3 million, on an annual basis, effective October 4, 1991 (thereby offsetting in part an \$18.9 million step-up in NOPSI's Grand Gulf 1 rates implemented in April 1991), and will, thereafter, at the end of October in each of the years 1992, 1993, 1994 and 1995, implement annual Grand Gulf 1 rate increases in amounts ranging from \$4.4 million to \$7.3 million. In connection with these rate increases, NOPSI implemented a finalized phase-in plan for the recovery of previously-deferred Grand Gulf 1 costs over a 10-year period beginning October 1, 1991. NOPSI also agreed to a five-year base rate freeze, excluding the increases referred to above and subject to certain other exceptions. (For information with respect to other terms and effects of the 1991 NOPSI Settlement see Note 2 of NOPSI's Notes to Financial Statements, "Rate and Regulatory Matters — Prudence Settlement and Finalized Phase-In Plan," incorporated herein by reference.)

In 1989, NOPSI and the Council entered into a settlement agreement that addressed certain local retail rate issues involving Grand Gulf 1 and in which NOPSI agreed, among other things, to temporarily absorb, and not recover from its retail ratepayers, 18% of its FERC-allocated share of Grand Gulf 1-related costs, net of any sales of energy from the 18% absorbed portion to NOPSI's ratepayers at 4.6 cents per KWH, until June 1991, when the present value savings to NOPSI's retail ratepayers totaled \$23.5 million. (For discussion of the terms of the settlement agreement and its impact on NOPSI's results of operations, see Note 2 of NOPSI's Notes to Financial Statements, "Rate and Regulatory Matters — Project Olive Branch Settlements," incorporated herein by reference.)

Council Jurisdiction — Gas. On October 31, 1991, NOPSI filed an application with the Council for a net 14.9% increase in gas rates that would provide a \$12.5 million increase in net revenues on an annual basis. A provision of the 1991 NOPSI Settlement requires the Council to use its best efforts to render a decision within six months of the filing of an application for an increase in retail rates for NOPSI's gas operations. If approved, the rate increase could become effective in the first half of 1992. However, NOPSI cannot predict what action the Council will take.

Least-Cost Planning. On June 20, 1991, the Council adopted an ordinance laying the groundwork for the implementation of a least-cost resource plan process for Orleans Parish. Under the provisions of the ordinance, NOPSI (and LP&L for the Algiers area) will be required, among other things, to submit a 20-year least-cost resource plan by December 1992 (to be updated every two years thereafter) that incorporates least-cost planning, demand-side management, and various related matters. The proposal was supported by NOPSI (and LP&L), as well as by the City's consultants and the Alliance. Representatives of NOPSI, the Council, and various consumer groups have formed Least-Cost Planning Collaborative Working Groups which are working on the Least-Cost Plan to be presented to the Council in late 1992, as well as designing and implementing pilot programs regarding energy efficiency measures.

work backlog elimination project (which is designed to reduce the significant backlog of engineering work at ANO to a manageable level by dispositioning items systematically, commensurate with safety significance), and (2) lower priority items which have little or no safety impact but which will provide long-term benefits to programs that are acceptable now but could be improved. The NRC has approved the prioritization and scheduling of the remaining work. At the end of 1991, implementation of the action plan was ahead of schedule.

In 1990 and 1991, ANO experienced some degree of increased surveillance by the NRC stemming from the concerns reflected in the DE and SALP reports, and the NRC conducted periodic performance meetings with ANO representatives to discuss progress towards performance improvements. On January 29, 1991, the NRC issued an initial SALP report for ANO covering the period from October 1, 1989 through November 30, 1990. In this report, the NRC recognized management's commitment to higher quality operations at ANO and stated that overall performance at the facility had improved during the assessment period. In the seven functional areas evaluated by the NRC, ANO improved its SALP category rating in three of these areas and maintained its prior rating in the other four areas. ANO did not receive a "3" rating in any of the categories.

In December 1991, the NRC notified Entergy Operations that no further special inspection effort was warranted for concerns identified in the DE at ANO and that the periodic performance meetings would no longer be necessary. The stated basis for this determination by the NRC was that (1) the identified DE concerns were being appropriately tracked by the ANO action plan and were being closed out in a judicious and timely manner, (2) adequate progress had been made in addressing concerns raised in the DE, and (3) ANO management actions since the DE had improved the level of performance at ANO. Entergy Operations and AP&L are committed to taking the actions necessary to achieve the highest standards of operation and safety at ANO and will continue to work with the NRC to achieve that goal. (See AP&L's "Management's Financial Discussion and Analysis — Results of Operations" and Note 8 of AP&L's Notes to Financial Statements, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on related operating and maintenance expenditures at ANO.)

State Regulation

General. Each of the System operating companies is subject to regulation by its respective state and/or local regulatory authorities with jurisdiction over the service areas in which each company operates. Such regulation includes authority to fix rates for electric energy sold at retail. (See "Rate Matters — System Operating Company Rate Matters," incorporated herein by reference, for further information.)

AP&L is subject to regulation by the APSC and the Tennessee Public Service Commission. APSC regulation includes the authority to fix rates, determine reasonable and adequate service, fix the value of property used and useful, require proper accounting, control leasing, acquisition or sale of any public utility plant or property constituting an operating unit or system, fix rates of depreciation, issue certificates of convenience and necessity and certificates of environmental compatibility and public need, and control the issuance and sale of securities. Regulation by the Tennessee Public Service Commission includes the authority to set standards of service and rates for service to customers in the state, require proper accounting, control the issuance and sale of securities and issue certificates of convenience and necessity. (See "Property — Sale of Missouri Properties," incorporated herein by reference, regarding the sale by AP&L of its retail properties in Missouri in March 1992. Upon such sale, PSCM regulation over AP&L ceased.)

LP&L is subject to the jurisdiction of the LPSC as to rates and charges, standards of service, depreciation, accounting and other matters, and is subject to the jurisdiction of the Council with respect to such matters within Algiers.

Additional PCB contamination was found in a portion of a creek which runs through the Patterson facilities. Reynolds has demanded that AP&L participate in the remediation efforts with respect to this site, but independent contractors engaged by AP&L have advised AP&L that the PCBs are of a type which could not be identified with a source owned or operated by AP&L. It is AP&L's understanding that Reynolds has spent approximately \$10 million for remediation costs at this time and that future expenses are estimated to range from \$10 million to \$20 million. AP&L has not received a notice from the EPA that it may be a PRP with respect to remediation costs for this site. AP&L continues to deny responsibility for any of such remediation costs.

AP&L entered into a Consent Administrative Order dated February 21, 1991 with the Arkansas Department of Pollution Control and Ecology (PCE) that named AP&L as a PRP for clean-up costs associated with a site near Rison, Arkansas. Such site, which is neither owned nor operated by any Entergy System company, was found to have soil contaminated by PCBs and containers and drums that contained PCBs and other hazardous substances. Total remediation costs are estimated to range between \$3 million and \$5 million. AP&L is attempting to identify other PRPs but none has yet been found. AP&L has received assurances from the PCE that it will use its enforcement authority to allocate remediation expenses among AP&L and any other PRPs that can be identified. AP&L has performed the activities necessary to stabilize the site, which to date has resulted in costs of approximately \$50,000. AP&L believes that its potential liability for this site will not be material.

LP&L and NOPSI have received notices from time to time between 1986 and 1991 from the EPA and/or the states of Louisiana and Mississippi that each or either of the companies may be a PRP for clean-up costs associated with disposal sites that are currently in various stages of remediation in Arkansas, Illinois, Louisiana, Mississippi and Missouri and that are neither owned nor operated by any System company. LP&L and NOPSI have participated in various degrees in accordance with their potential liability, if any, in these site clean-ups and have, therefore, developed experience with clean-up costs. Their experience in these matters and their judgments related thereto are utilized by them in evaluating these sites. As to one Missouri site, LP&L's and NOPSI's aggregate liability is currently estimated not to exceed \$558,000, and because of the type and the large number (over 700, including many large utilities and national and international corporations) of PRPs, LP&L and NOPSI do not expect liabilities in excess of this amount. For the other Missouri site, LP&L and the other 64 PRPs (including several large, creditworthy utility companies) have received an EPA demand to pay approximately \$1,180,000 expended by the EPA. LP&L does not believe its liability, if any, for its share of total clean-up costs will be material. As to one Arkansas site (involving AP&L and LP&L), LP&L has been advised that current estimates for total clean-up approximate \$3 million. LP&L, as one of at least 18 PRPs, including other utilities, believes that it is a minor contributor to this site and that its exposure will not be material. For the other Arkansas site, in which LP&L and AP&L and approximately 30 other PRPs are involved, AP&L has satisfactorily completed an emergency removal and stabilization action demanded by the EPA, which action cost AP&L approximately \$54,900. Subsequently, the EPA notified LP&L and AP&L that each may be a PRP with regard to total clean-up costs for this site, which costs are estimated to be \$3 million. Because of the type and number of PRPs, LP&L does not expect its share of the clean-up costs to be material. For the Illinois site, NOPSI, upon its review of the site documentation and of its own records, has asserted to the EPA that it has no involvement in this site. However, NOPSI ranked 324 out of 362 PRPs (including many large and creditworthy corporations) in terms of material sent to the site, is participating with other PRPs as a prudent means of resolving potential liability, if any. As to the Mississippi site (three separate locations being treated as one) LP&L understands that EPA estimates of its costs for this site are \$740,000. LP&L has expended \$22,300 to settle with the EPA for its costs for this site and, because there are 44 PRPs for this site (including a number of major oil companies), does not expect its share of total costs to be material. As to three Louisiana sites, remediation has been completed at one site and costs were not material. At the second site (involving 57 PRPs, including a number of major corporations), NOPSI believes it has no liability for the site, because the material it sent to the site was not a hazardous substance. For the third Louisiana site (involving at least 71 PRPs, including many large and creditworthy corporations), LP&L has found in its records no evidence of its involvement.

filed an application for rehearing with the APSC, which was denied on November 8, 1991. On December 6, 1991, the complainant filed an appeal with the Arkansas Court of Appeals regarding the denial of rehearing and dismissal of the complaint on jurisdictional grounds. On December 9, 1991, AP&L filed a notice of appeal with the Arkansas Court of Appeals in order to protect its right to argue its position. It is AP&L's position that the APSC should ratify its policy on exclusive service territories as valid and in the public interest and dismiss the complaint on the merits of the case, not on jurisdictional grounds. The matter is pending.

LP&L. On February 7, 1986, LP&L filed a complaint in the District Court under the federal and state antitrust laws and under the Federal Racketeer Influenced and Corrupt Organizations Act against Fischbach and Moore, Inc., an electrical contractor involved in the construction of Waterford 3, and several other named electrical contractors, alleging a conspiracy by the defendants, beginning at least as early as 1974 and continuing until at least 1982, by bid rigging, collusion to establish prices that were non-competitive and excessive, and other means, to suppress and eliminate competition in electrical contracting in unreasonable restraint of the interstate trade and commerce therein, and to monopolize such trade and commerce, as a result of which LP&L paid higher prices for electrical contracting services on Waterford 3 than it otherwise would have paid, all to LP&L's damage in an amount of at least \$10 million, the actual amount to be proved at trial, and seeking judgment against the defendants for treble damages and costs of the lawsuit, including reasonable attorneys' fees. Discovery is currently ongoing and the trial has been set for August 3, 1992. The matter is pending.

On July 15, 1986, a suit was filed in the Twenty-first Judicial District Court for the Parish of Livingston, Louisiana (Livingston State Court) by the Livingston Parish Police Jury (the governing body of the Parish) and a number of individual plaintiffs appearing on their behalf and purportedly as members of a class who allegedly suffered damage or injury or who are survivors of persons who allegedly died as a result of exposure to "hazardous toxic waste" that emanated from an allegedly hazardous waste dump site in Livingston Parish against 71 named defendants, including LP&L (and also including many major national and international corporations), alleging that the defendants generated, transported or participated in the storage of the toxic wastes dumped at the site and seeking damages in the total amount of \$1 billion. From 1986 through 1988, 13 substantially identical but separate suits were filed in the same court by individual plaintiffs against the Livingston Parish Police Jury and substantially the same other defendants as are involved in the July 15 suit, including LP&L, on the basis of substantially the same allegations, seeking damages in total amounts ranging from \$1 million to \$10 billion. LP&L had been served with process in four of the suits after they had been transferred to the United States District Court for the Middle District of Louisiana. Subsequently, the federal court remanded the suits to the Livingston State Court, where they have been consolidated. A separate suit was filed in 1991 by one of the plaintiffs seeking an expedited trial. LP&L has now been served in ten of the fifteen suits. Upon certification of the class on April 4, 1991 by the Livingston State Court, the defendants appealed the certification to the Louisiana First Circuit Court of Appeal where oral argument was heard on January 6, 1992 and a decision is expected by April 1992. In connection with the class action, a master petition is to be served on all defendants. LP&L was served in December 1991 and answered the petition in January 1992. LP&L does not believe that it was a generator of any waste delivered to this site and plans to defend vigorously against the claims in these suits.

NOPSI. On June 30, 1981, American Standard, Inc. and others filed suit in the District Court against NOPSI, the City of New Orleans, the New Orleans Fire Department and the Sewerage and Water Board of the City of New Orleans alleging that, on July 7, 1980, due to the acts or negligence of the defendants, American Standard, Inc. suffered damages of \$70 million resulting from a fire at its New Orleans plant. During the trial of this matter in the District Court, NOPSI moved for a directed verdict on the grounds that the evidence presented by the plaintiffs was not sufficient to create a cause of action or to sustain a verdict for the plaintiffs against NOPSI. At the close of the plaintiffs' case, the District Court directed a verdict in favor of NOPSI. On June 19, 1990, after conclusion of the jury trial, the District Court entered a judgment in favor of all defendants, including NOPSI, and against the

plaintiffs. On July 2, 1990, the plaintiffs filed with the District Court a motion for a new trial, a motion for judgment notwithstanding the verdict, and a motion to alter or amend judgment in favor of the plaintiffs, and on August 3, 1990 filed a memorandum in support of the motions. The District Court denied all motions on January 9, 1991 and rendered judgment for court costs in NOPSI's favor. The plaintiffs appealed the District Court decision to the Fifth Circuit; however, a Joint Stipulation and Agreement and Motion to Dismiss was subsequently approved by the Fifth Circuit on April 10, 1991, effectively concluding this litigation. Among other stipulations, plaintiffs paid NOPSI \$25,000 for its share of court costs.

See "Rate Matters — System Operating Company Rate Matters — NOPSI," incorporated herein by reference, for information concerning settlement in the fourth quarter of 1991 of litigation arising from the Council's February 4, 1988 prudence disallowance.

EARNINGS RATIOS OF SYSTEM OPERATING COMPANIES AND SYSTEM ENERGY

The System operating companies and System Energy have calculated ratios of earnings to fixed charges and ratios of earnings to fixed charges and preferred dividends pursuant to Item 503 of Regulation S-K of the SEC as follows:

	Twelve Months Ended December 31,				
	1987	1988	1989	1990	1991
Ratios of Earnings to Fixed Charges(a)					
AP&L	2.39	2.24	2.31	2.16	2.25
LP&L	1.74	1.71	1.79	2.32	2.40
MP&L	2.86	2.22	1.04(e)	2.42	2.36
NOPSI	—(d)	2.05	1.89	2.73	5.66(e)
System Energy	2.17	1.98	—(f)	2.10	1.74

	Twelve Months Ended December 31,				
	1987	1988	1989	1990	1991
Ratios of Earnings to Fixed Charges and Preferred Dividends(a)(b)(g)					
AP&L	1.91	1.83	1.88	1.81	1.87
LP&L	1.31	1.32	1.39	1.87	1.95
MP&L	1.98	1.72	1.00(e)	1.93	1.94
NOPSI	—(d)	1.77	1.62	2.36	4.97(e)

- (a) "Earnings" as defined by SEC Regulation S-K represent the aggregate of (1) net income, (2) taxes based on income, (3) investment tax credit adjustments—net and (4) fixed charges. "Fixed Charges" include interest (whether expensed or capitalized), related amortization and interest applicable to rentals charged to operating expenses.
- (b) "Preferred Dividends" as defined by SEC Regulation S-K are computed by dividing the preferred dividend requirement by one hundred percent (100%) minus the income tax rate.
- (c) Earnings for the twelve months ended December 31, 1989 include the impact of the write-off of \$60 million of deferred Grand Gulf 1-related costs pursuant to an agreement between MP&L and the MPSC (see Note 2 of MP&L's Notes to Financial Statements, "Rate and Regulatory Matters — Project Olive Branch Settlements").
- (d) Earnings for the twelve months ended December 31, 1987, which were adjusted for the February 4 Resolution, were inadequate to cover either fixed charges or fixed charges and preferred dividends due to NOPSI's recording of a \$135 million write-off in that year. See "Rate Matters — System Operating Company Rate Matters — NOPSI." The amounts of the coverage deficiency for fixed charges and fixed charges and preferred dividends were \$94.5 million and \$97.4 million, respectively.
- (e) Earnings for the twelve months ended December 31, 1991 include the \$90 million effect of the 1991 NOPSI Settlement. (See Note 2 of NOPSI's Notes to Financial Statements, "Rate Matters — Prudence Settlement and Finalized Phase-In Plan.")
- (f) Earnings for the twelve months ended December 31, 1989 were inadequate to cover fixed charges due to System Energy's cancellation and write-off of its investment in Grand Gulf 2 in September 1989. The amount of the coverage deficiency for fixed charges was \$745.2 million.
- (g) System Energy's Amended and Restated Articles of Incorporation do not currently provide for the issuance of preferred stock.

NOPSI INDUSTRY SEGMENTS

Narrative Description of NOPSI Industry Segments

Electric Service. Electric service was supplied by NOPSI to 189,396 customers at December 31, 1991. During 1991, 34% of electric operating revenues was derived from residential sales, 40% from commercial sales, 6% from industrial sales, 14% from sales to governmental and municipal customers and 6% from sales to public utilities and from other sources.

Natural Gas Service. Natural gas service was supplied by NOPSI to 153,881 customers at December 31, 1991. During 1991, 55% of gas operating revenues was derived from residential sales, 19% from commercial sales, 8% from industrial sales, 17% from sales to governmental and municipal customers and 1% from other sources. (See "Fuel Supply - Natural Gas Purchased for Resale," incorporated herein by reference.)

Selected Financial Information Relating to Industry Segments

For selected financial information relating to NOPSI's industry segments, see NOPSI's financial statements and Note 11 of NOPSI's Notes to Financial Statements, "Business Segment Information," incorporated herein by reference.

Employees by Segment

NOPSI's employees by industry segments are as follows:

	December 31, 1991		
	Full Time	Part Time	Total
Electric	651	11	662
Natural Gas	277	5	282
Total	928	16	944

(For further information with respect to NOPSI's segments, see "Property.")

PROPERTY

Generating Stations

The total capability of the Entergy System's owned and leased generating stations at December 31, 1991 by company is indicated below:

Company	Owned and Leased Capability MW (1)				
	Total	Steam Turbine		Gas Turbine and Internal Combustion	Hydro
		Fossil Fuel	Nuclear		
AP&L	4,373(2)	2,379(3)	1,694	230(4)	70
LP&L	5,064(2)	3,970(5)	1,075(6)	19	—
MP&L	2,359(2)	2,948	—	11	—
NOPSI	821(2)	895	—	16	—
System Energy	<u>1,028</u>	<u>—</u>	<u>1,028(7)</u>	<u>—</u>	<u>—</u>
Total Entergy System(3)	<u>14,245</u>	<u>10,102</u>	<u>3,797</u>	<u>276</u>	<u>70</u>

- (1) "Owned and Leased Capability" as used herein is the dependable load carrying ability of the stations, as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) which each station was designed to utilize.
- (2) Excludes the capacity of fossil-fueled generating stations placed on extended reserve as follows: AP&L — 506 MW; LP&L — 378 MW; MP&L — 177 MW; and NOPSI — 256 MW. Generating stations which are not expected to be utilized in the near term to meet load requirements are placed in extended reserve shutdown in order to minimize operating expenses.
- (3) Excludes net capability of Entergy Power, which owns 809 MW of fossil-fueled capacity (see "Rate Matters — Systemwide Rate Matters — Entergy Power," incorporated herein by reference).
- (4) Includes 188 MW of capacity leased by AP&L through 1999.
- (5) Excludes 138 MW that represents the capability of a generating station in a Louisiana city, which generating station is being operated as part of the LP&L system.
- (6) LP&L's nuclear capability represents its 90.7% ownership interest and 9.3% leasehold interest in Waterford 3.
- (7) System Energy's capability represents its 90% interest in Grand Gulf 1 (78.5% ownership interest and 11.5% leasehold interest). South Mississippi Electric Power Association has the remaining 10% undivided ownership interest in Grand Gulf 1. Entitlement to System Energy's capacity has been allocated to the System operating companies pursuant to the Unit Power Sales Agreement.

Representatives of the Entergy System regularly review load and capacity projections in order to coordinate and recommend the location and time of installation of additional generating capacity and of interconnections in light of the availability of power, the location of new load, and maximum economy to the Entergy System. Based on load and capacity projections, the System has no need to install additional generating capacity until 1999. The System plans to meet any additional capacity needs by, among other things, removing generating stations from extended reserve shutdown and engaging in conservation and demand-side management programs. Certain generating stations currently in extended reserve shutdown will be brought out of reserve during 1992 while nuclear units are down for refueling and maintenance.

Under the terms of the System Agreement, some of the generating capacity and other power resources are shared among the System operating companies. Among other things, the System Agreement provides that parties having generating capacity greater than their load requirements sell such capacity to those parties having deficiencies in generating capacity and that the purchasers pay to the sellers a charge sufficient to cover certain of the sellers' ownership costs, including operating expenses, fixed charges on debt, dividend requirements on preferred stock and a fair rate of return on

common equity investment. Under the System Agreement, these charges are based on costs associated with the sellers' steam electric generating units fueled by oil or gas. In addition, for all energy to be exchanged among the System operating companies under the System Agreement, the purchasers are required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs. (See "Rate Matters -- Systemwide Rate Matters -- System Agreement," incorporated herein by reference, for a discussion of FERC proceedings relating to the System Agreement.)

The System's business is subject to seasonal fluctuations with the peak period occurring in the summer months. The Entergy System's 1991 peak demand of 11,852 MW occurred on July 12, 1991. The net System capability at the time of peak was 14,100 MW, which reflects a reduction of the System's total 14,245 MW of owned and leased capability by net off-system firm sales of 145 MW. The capacity margin at the time of the peak was approximately 15.0%, not including units placed on extended reserve and capacity owned by Entergy Power.

Interconnections

The electric power supply facilities of the Entergy System consist principally of steam-electric production facilities strategically located with reference to availability of fuel, protection of local loads and other controlling economic factors. These are interconnected by a transmission system operating at various voltages up to 500 KV. Generally, with the exception of Grand Gulf 1, Entergy Power's capacity and a small portion of MP&L's capacity, operating facilities or interests therein are owned by the System operating company serving the area in which the facilities are located. However, all of the System's generating facilities are centrally dispatched and operated with a view to realizing the greatest economy. This operation seeks, among other things, the lowest cost sources of energy from hour to hour. The minimum of investment and the most efficient use of plant are sought to be achieved, in part, through the coordinated scheduling of maintenance, inspection and overhaul.

The System operating companies have direct interconnections with neighboring utilities, including, in individual cases, Gulf States Utilities Company, Mississippi Power Company, Southwestern Electric Power Company, Southwestern Power Administration, Central Louisiana Electric Company, Inc., Oklahoma Gas and Electric Company, The Empire District Electric Company, Union Electric, Arkansas Electric Cooperative Corporation, Tennessee Valley Authority, Cajun Electric Power Cooperative, Inc., Associated Electric Cooperative, Inc., Municipal Energy Agency of Mississippi, Louisiana Energy and Power Authority, the City of Lafayette, Louisiana and South Mississippi Electric Power Association. The System operating companies also have interchange agreements with Alabama Electric Cooperative, Big River Electric Corporation, Northeast Texas Electric Cooperative, Inc. and Sam Rayburn G&T Electric Cooperative, Inc., and economic energy sales agreements with Florida Power Corporation, Florida Power & Light Company, Jacksonville Electric Authority and Oglethorpe Power Corporation.

The System operating companies are members of the Southwest Power Pool, the primary purpose of which is to ensure the reliability and adequacy of the electric bulk power supply in the southwest region of the United States. The Southwest Power Pool is a member of the North American Electric Reliability Council. The System operating companies are also members of the Western Systems Power Pool.

Other Electric Property

At December 31, 1991, the System operating companies owned and operated 12,978 miles of electric lines of 33 KV and over (including 1,515 miles of 500 KV) and 74,259 miles of electric lines under 33 KV. These companies also owned and operated 715 substations.

Sale of Missouri Properties

On March 12, 1992, AP&L sold to Union Electric AP&L's retail properties in Missouri. AP&L sold minor amounts of certain other property in Missouri to two cooperatives and to three mining

FUEL SUPPLY

The following tabulation shows the percentages of natural gas, nuclear fuel and coal used in generation, excluding that of Entergy Power, and the average fuel cost per KWH generated by each type of fuel during the past three years. The balance of generation, which was immaterial, was provided by fuel oil and hydroelectric power.

Year	Natural Gas		Nuclear Fuel		Coal	
	Percent of Generation	Fuel Cost Per KWH	Percent of Generation	Fuel Cost Per KWH	Percent of Generation	Fuel Cost Per KWH
1991	31	1.64¢	50	.79¢	18	1.76¢
1990	33	1.73¢	46	.88¢	19	1.75¢
1989	32	1.76¢	44	.94¢	22	1.77¢

Percentages of generation by type of fuel, excluding that of Entergy Power, were, during 1991, and are estimated to be, in 1992, the following:

	Natural Gas		Fuel Oil		Nuclear		Coal	
	1991	1992	1991	1992	1991	1992	1991	1992
Consolidated	31%	37%	1%	—	50%	39%	18%	24%
AP&L(a)	7	3	—	—	36	48	56	48
LP&L	59	66	—	—	41	34	—	—
MP&L	60	70	6	1%	—	—	34	29
NOPSI	100	100	—	—	—	—	—	—
System Energy	—	—	—	—	100(L)	100(b)	—	—

(a) The balance of generation, which is immaterial, is represented by hydroelectric power and fuel oil.

(b) Capacity and energy from System Energy's interest in Grand Gulf 1 is allocated as follows: AP&L — 36%, LP&L — 14%, MP&L — 33% and NOPSI — 17%.

Natural Gas

Natural gas supplies used by power plants in the Entergy System were generally available to the System operating companies in 1991. Supplies of natural gas are expected to be adequate in 1992.

The projected duration of the availability of adequate power plant gas supplies is a subject of disagreement among experts in the field of energy forecasting. Factors affecting the amount of gas usable for power stations include: overall supply available to the supplying gas system, costs relative to other energy sources, extent of storage capability, severity of weather in the area to be served, economic activity affecting demand by higher priority gas customers, policy regarding connection of higher priority customers, conservation efforts by existing customers and impact of new federal regulations regarding transmission pipelines. Federal energy legislation enacted in 1978 permits curtailment of gas deliveries to power plant users under order of the FERC during national emergency situations. To the extent natural gas supplies may be disrupted, alternate sources of energy (such as fuel oil) will be used.

Coal

AP&L has long-term contracts for the supply of low-sulfur coal for the White Bluff Steam Electric Generating Station (coal) (White Bluff Station) and the Independence Station (25% of which is owned by MP&L). Coal for the White Bluff Station is supplied under a contract providing for the deliveries of coal from a mine being operated in the State of Wyoming in amounts deemed sufficient for the operation of the White Bluff Station through approximately 2002. Coal for the Independence Station is being provided under a contract with a joint venture operating another mine in the State of Wyoming.

Coal supplied under this contract is expected to provide for the projected requirements of the Independence Station through at least 2014. The Entergy System believes, therefore, that it will have adequate supplies of low-sulfur coal for its generating needs for the foreseeable future.

Nuclear Fuel

Generally, the supply of fuel for nuclear generating units involves the mining and milling of uranium ore to produce a concentrate, the conversion of uranium concentrate to uranium hexafluoride gas, enrichment of that gas, fabrication of the nuclear fuel assemblies and reprocessing of the spent fuel (or disposal of spent fuel in lieu of reprocessing).

Beginning in 1978, System Fuels assumed the responsibility for contracting for the acquisition, conversion and enrichment of those nuclear materials required for the fabrication of nuclear fuel that may be utilized by any of the Entergy System nuclear units and for establishing an inventory of such materials during the various stages of processing. Each System company having nuclear capacity is currently responsible for contracting for the fabrication of its own nuclear fuel and for purchasing the required enriched uranium hexafluoride from System Fuels.

On October 3, 1989, System Fuels entered into a revolving credit agreement with banks that provides for up to \$45 million of borrowings to finance System Fuel's nuclear materials and services inventory. In connection with these arrangements, AP&L, LP&L and System Energy, as purchasers from System Fuels of the nuclear materials and services, agreed to purchase from System Fuels the nuclear materials and services financed under the agreement if System Fuels should default in its obligations thereunder. The purchases under these circumstances would be of percentages agreed upon among the parties but, in the absence of such agreement, each of AP&L, LP&L and System Energy would be obligated to purchase one-third of the nuclear materials and services.

Based upon the planned fuel cycles for the Entergy System's nuclear units, the following tabulation shows the years through which existing contracts and inventory will provide materials and services for the continued operation of the respective units:

	Uranium Concentrate	Acquisition of or Conversion to Uranium Hexafluoride	Enrichment(2)	Fabrication	Spent Fuel Disposal
ANO 1	(1)	(1)	1995	1997	(3)
ANO 2	(1)	(1)	1995	1994	(3)
Waterford 3	(1)	(1)	1995	1995	(3)
Grand Gulf 1	(1)	(1)	1995	1994	(3)

- (1) Current Entergy System contracts providing these materials and services for the various System nuclear units have termination dates ranging from 1992-1995. Additional materials and services to satisfy the System's requirements beyond these dates are estimated to be available for the foreseeable future.
- (2) Enrichment services are provided by an Entergy System contract with the DOE that provides such services for the various System nuclear units. The contract for enrichment services has been terminated for services after 1995 to permit flexibility on future pricing and terms that could be obtained.
- (3) The Nuclear Waste Policy Act of 1952 provides for the disposal of spent nuclear fuel or high level waste by the DOE. Under this Act, the DOE was to begin accepting spent fuel in 1995 and continue until the disposal of all spent fuel from reactor sites has been accomplished. In November 1989, the DOE indicated the repository program will be delayed. Current on-site spent fuel storage capacity at ANO, Waterford 3 and Grand Gulf 1 is estimated to be sufficient to store fuel from normal operations until 1995, 2000 and 2004, respectively. It is expected that any

(Notes continued on following page)

additional storage capacity required due to, among other things, delay of the DOE repository program will have to be provided by the affected companies. (See "Regulation and Litigation — Regulation of the Nuclear Power Industry — Spent Fuel and Other High-Level Radioactive Waste.")

Additional arrangements for segments of the nuclear fuel cycle beyond the dates shown above will be required. At this time, except as noted above, the Energy System cannot predict the ultimate availability or cost thereof.

AP&L, LP&L and System Energy have nuclear fuel leasing arrangements that provide that AP&L, LP&L and System Energy may lease not in excess of \$165 million, \$105 million and \$130 million of nuclear fuel, respectively. At December 31, 1991, the unrecovered cost base of AP&L's, LP&L's and System Energy's nuclear fuel leases amounted to approximately \$121.7 million, \$58.5 million and \$85 million, respectively. Each lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate-term notes. The credit agreements, which were entered into in 1988 and 1989, all have initial terms of five years, subject to annual renewal with the consent of the lender, and the intermediate-term notes have varying maturities of up to ten years. It is expected that these arrangements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements, based on the particular lessee's nuclear fuel requirements. If a lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, the particular lessee must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings.

Natural Gas Purchased for Resale

NOPSI obtains deliveries of natural gas for resale from various natural gas pipeline companies. NOPSI's system is currently interconnected with three interstate and three intrastate pipeline systems. Although deliveries to the NOPSI system are subject to curtailment, primarily weather-related, curtailment of deliveries to NOPSI's customers has not been experienced in recent years.

NOPSI's primary source of firm supply for its resale gas system is United. On January 31, 1975, NOPSI entered into a service agreement with United extending its contract for the purchase of gas for resale from June 1, 1975 to June 1, 1985. After its termination on June 1, 1985, this agreement was extended on a month-to-month basis through June 1986. Since that time, NOPSI has continued to receive gas service pursuant to the Natural Gas Act certificate granted by the FERC and subject to United's FERC-approved rate schedules. In 1987 and 1988, NOPSI entered into two additional firm service agreements with two other suppliers to bolster its supply reliability. In addition, interruptible spot market purchases are used to supply a portion of resale requirements when economically attractive.

In the event of a natural gas supply shortage on the United system, United's customers, including NOPSI, would receive a portion of United's available supply based upon each customer's nominated current entitlement quantities. In similar fashion, NOPSI would be entitled to a portion of its firm supply entitlements under the curtailment provisions of each of its other two firm supply arrangements. Based on current supply conditions and its diversified supply portfolio, NOPSI does not anticipate, barring any extreme weather-related force majeure conditions, any curtailment of deliveries to its end-use customers.

Research

AP&L, LP&L and MP&L are members of the Electric Power Research Institute (EPRI), which was established in 1973 and through which a broad range of research is conducted that is of value and application to the electric utility industry. The major technical divisions of EPRI are: (1) Electrical Power Systems, (2) Nuclear Power Systems, (3) Coal Combustion Systems, (4) Advanced Power Systems, (5) Energy Management and Utilization and (6) Energy Analysis and Environment. Through

the coordinated efforts of Entergy System personnel, the EPRI research results and applications are systematically screened for specific applicability in the Entergy System and certain projects are recommended for implementation.

During 1989, 1990 and 1991, the Entergy System contributed approximately \$4 million, \$7 million and \$10 million, respectively, for the various research programs in which the Entergy System is involved.

Item 2. Properties.

Reference is made to Item 1 "Business — Property," incorporated herein by reference, for information regarding the properties of the registrants.

Item 3. Legal Proceedings.

Reference is made to Item 1 "Business — Rate Matters," incorporated herein by reference, for details of the registrants' material rate proceedings that are pending or that terminated in the fourth quarter of 1991, and to Item 1 "Business — Regulation and Litigation," incorporated herein by reference, for information relating to the registrants' regulatory proceedings (other than rate proceedings) and litigation that are pending or that terminated in the fourth quarter of 1991.

Item 4. Submission of Matters to a Vote of Security Holders.

A consent in lieu of a special meeting of common stockholders of NOPSI was executed on November 26, 1991, pursuant to a Louisiana statute that permits such a procedure. The consent was signed on behalf of Entergy Corporation, which owns all of the outstanding common stock of NOPSI. Entergy Corporation acted to increase the number of directors of NOPSI to ten and to fill the vacancy created by such increase by electing Anne M. Milling to the board of directors. The other members of the board of directors remaining in office after this action were: James M. Cain, Brooke H. Duncan, Jack L. King, Joseph J. Krebs, Edwin Lupberget, Jerry L. Maulden, Donald E. Meiners, John B. Smallpage and Charles C. Teanner, Sr.

PART II

Item 5. Market for Registrants' Common Equity and Related Stockholder Matters.

Entergy Corporation. The shares of Entergy Corporation's common stock are listed on the New York, Midwest and Pacific Stock Exchanges.

The high and low prices for each quarterly period in 1991 and 1990 were as follows:

	1991		1990	
	High	Low	High	Low
	(In Dollars)			
First	24 $\frac{1}{2}$	21 $\frac{1}{2}$	23 $\frac{1}{2}$	19 $\frac{1}{2}$
Second	25	23 $\frac{1}{4}$	21 $\frac{1}{4}$	18 $\frac{3}{4}$
Third	26 $\frac{1}{2}$	23 $\frac{1}{4}$	20 $\frac{1}{2}$	18
Fourth	29 $\frac{1}{2}$	26	23 $\frac{1}{2}$	19

Four consecutive quarterly common stock dividends were paid to stockholders in each of 1991 and 1990. In 1991, dividends of 30 cents per share were paid in each of the first three quarters and 35 cents per share was paid in the fourth quarter. Dividends of 25 cents per share were paid in each of the first three quarters of 1990 and dividends of 30 cents per share were paid in the last quarter of 1990.

As of February 28, 1992, there were 71,263 stockholders of record of Entergy Corporation.

For information with respect to Entergy Corporation's future ability to pay dividends, reference is made to Note 7 of Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements, "Retained Earnings," incorporated herein by reference.

System Energy, AP&L, LP&L, MP&L and NOPSI. There is no market for the common stock of System Energy, AP&L, LP&L, MP&L and NOPSI, all of which is owned by Entergy Corporation. Common stock dividends paid by these companies to Entergy Corporation during the two most recent fiscal years were as follows:

	1991	1990
	(In Millions)	
System Energy	\$115.5	\$279.2
AP&L	39.9	115.2
LP&L	63.6	116.9
MP&L	7.8	33.9
NOPSI	4.5	—

For information with respect to restrictions that limit the ability of System Energy, AP&L, LP&L, MP&L, and NOPSI to pay dividends, reference is made, respectively, to Notes 7 of System Energy's, AP&L's, LP&L's, MP&L's and NOPSI's Notes to Financial Statements, "Retained Earnings," which information is incorporated herein by reference.

Item 6. Selected Financial Data.

Entergy Corporation. Reference is made to information under the heading "Entergy Corporation and Subsidiaries Selected Financial Data — Five-Year Comparison," contained herein at page 82, which information is incorporated herein by reference.

AP&L. Reference is made to information under the heading "Arkansas Power & Light Company Selected Financial Data — Five-Year Comparison," contained herein at page 124, which information is incorporated herein by reference.

LP&L. Reference is made to information under the heading "Louisiana Power & Light Company Selected Financial Data — Five-Year Comparison," contained herein at page 160, which information is incorporated herein by reference.

MP&L. Reference is made to information under the heading "Mississippi Power & Light Company Selected Financial Data — Five-Year Comparison," contained herein at page 192, which information is incorporated herein by reference.

NOPSI. Reference is made to information under the heading "New Orleans Public Service Inc. Selected Financial Data — Five-Year Comparison," contained herein at page 225, which information is incorporated herein by reference.

System Energy. Reference is made to information under the heading "System Energy Resources, Inc. Selected Financial Data — Five-Year Comparison," contained herein at page 258, which information is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Entergy Corporation. Reference is made to information under the heading "ENTERGY CORPORATION AND SUBSIDIARIES MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 48 through 53 and pages 43 through 45, respectively, which information is incorporated herein by reference.

AP&L. Reference is made to information under the heading "ARKANSAS POWER & LIGHT COMPANY MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 89 through 94 and pages 85 through 86, respectively, which information is incorporated herein by reference.

LP&L. Reference is made to information under the heading "LOUISIANA POWER & LIGHT COMPANY MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 131 through 134 and pages 127 through 128, respectively, which information is incorporated herein by reference.

MP&L. Reference is made to information under the heading "MISSISSIPPI POWER & LIGHT COMPANY MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 167 through 172 and pages 163 through 164, respectively, which information is incorporated herein by reference.

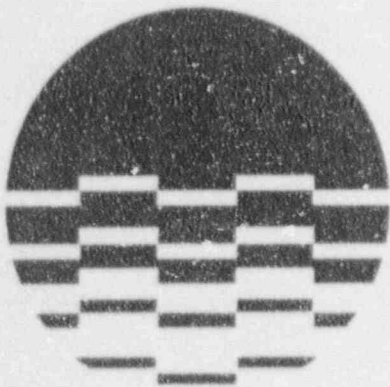
NPSI. Reference is made to information under the heading "NEW ORLEANS PUBLIC SERVICE INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 199 through 203 and pages 195 through 196, respectively, which information is incorporated herein by reference.

System Energy. Reference is made to information under the heading "SYSTEM ENERGY RESOURCES, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS" and "DEFINITIONS," contained herein at pages 233 through 236 and pages 229 through 230, respectively, which information is incorporated herein by reference.

INDEX TO FINANCIAL STATEMENTS

Energy Corporation and Subsidiaries Consolidated:	
Definitions	43
Management's Financial Discussion and Analysis	48
Independent Auditors' Report	55
Consolidated Balance Sheets, December 31, 1991 and 1990	56
Statements of Consolidated Income (Loss) For the Years Ended December 31, 1991, 1990 and 1989	58
Statements of Consolidated Retained Earnings and Paid-In Capital For the Years Ended December 31, 1991, 1990 and 1989	59
Statements of Consolidated Cash Flows For the Years Ended December 31, 1991, 1990 and 1989	60
Notes to Consolidated Financial Statements	61
AP&L:	
Definitions	85
Management's Financial Discussion and Analysis	89
Independent Auditors' Report	95
Balance Sheets, December 31, 1991 and 1990	96
Statements of Income For the Years Ended December 31, 1991, 1990 and 1989	98
Statements of Retained Earnings For the Years Ended December 31, 1991, 1990 and 1989	99
Statements of Cash Flows For the Years Ended December 31, 1991, 1990 and 1989	100
Notes to Financial Statements	101
LP&L:	
Definitions	127
Management's Financial Discussion and Analysis	131
Independent Auditors' Report	135
Balance Sheets, December 31, 1991 and 1990	136
Statements of Income For the Years Ended December 31, 1991, 1990 and 1989	138
Statements of Retained Earnings For the Years Ended December 31, 1991, 1990 and 1989	139
Statements of Cash Flows For the Years Ended December 31, 1991, 1990 and 1989	140
Notes to Financial Statements	141
MP&L:	
Definitions	163
Management's Financial Discussion and Analysis	167
Independent Auditors' Report	173
Balance Sheets, December 31, 1991 and 1990	174
Statements of Income For the Years Ended December 31, 1991, 1990 and 1989	176
Statements of Retained Earnings For the Years Ended December 31, 1991, 1990 and 1989	177
Statements of Cash Flows For the Years Ended December 31, 1991, 1990 and 1989	178
Notes to Financial Statements	179
NOPS:	
Definitions	195
Management's Financial Discussion and Analysis	199
Independent Auditors' Report	205
Balance Sheets, December 31, 1991 and 1990	206
Statements of Income For the Years Ended December 31, 1991, 1990 and 1989	208
Statements of Retained Earnings For the Years Ended December 31, 1991, 1990 and 1989	209
Statements of Cash Flows For the Years Ended December 31, 1991, 1990 and 1989	210
Notes to Financial Statements	211

Entergy Corporation and Subsidiaries/1991 Financial Statements



ENTERGY

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DEFINITIONS

Certain abbreviations or acronyms used in the Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC.....	Allowance for Funds Used During Construction
ANO.....	AP&L's Arkansas Nuclear One Steam Electric Generating Station (nuclear)
AP&L.....	Arkansas Power & Light Company
APSC.....	Arkansas Public Service Commission
Arkansas District Court.....	United States District Court for the Western District of Arkansas, Hot Springs Division
Availability Agreement.....	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof
Capital Funds Agreement.....	Agreement, dated as of June 21, 1974, as amended, between System Energy and Entergy Corporation, and the assignments thereof
City of New Orleans or City Council.....	New Orleans, Louisiana Council of the City of New Orleans, Louisiana
Electec.....	Electec, Inc.
Entergy.....	Entergy Corporation
Entergy Operations.....	Entergy Operations, Inc., a subsidiary of Entergy Corporation that has operating responsibility for Grand Gulf 1, Waterford 3 and ANO
Entergy Power.....	Entergy Power, Inc., a subsidiary of Entergy Corporation that markets capacity and energy from certain generating facilities to other parties, principally nonaffiliates, for resale
Entergy Services.....	Entergy Services, Inc.
Entergy System or System.....	Entergy Corporation and its various direct and indirect subsidiaries
FASB.....	Financial Accounting Standards Board
February 4 Resolution.....	The Resolution (including the Determinations and Order referred to therein) adopted by the Council on February 4, 1985, disallowing the recovery by NOPSI of \$135 million of previously deferred Grand Gulf 1-related costs
FERC.....	Federal Energy Regulatory Commission
FERC Complaint Case.....	Complaint filed with the FERC by the APSC, LPSC, MPSC, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991

ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DEFINITIONS — (Continued)

<u>Abbreviation or Acronym</u>	<u>Term</u>
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989, by the System operating companies and System Energy and approved by the FERC on July 21, 1989, to settle, among other things, certain then pending Grand Gulf Station-related issues, litigation and other rate matters
C&R Bonds	General and Refunding Mortgage Bonds issued and issuable by MP&L and NOPSI
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Independence 2	Unit No. 2 of the Independence Steam Electric Generating Station (coal)
June 13 Decision	An order issued by the FERC, on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement
KWH	Kilowatt-Hour(s)
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
March 1989 Order	LPSC rate order issued on March 1, 1989
Money Pool	Energy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
1986 Rate Settlement	Agreement, effective March 25, 1986, between NOPSI and the Council regarding NOPSI's Grand Gulf 1-related rate issues
1991 NOPSI Settlement	Settlement, retroactive to October 4, 1991, among NOPSI, the Council and the Alliance for Affordable Energy, Inc. and others that settled certain Grand Gulf 1 prudence issues and pending litigation related to the February 4 Resolution
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
Reallocation Agreement	1981 Agreement, superseded in part by the June 13 Decision, among the System operating companies and System Energy relating to the sale of capacity and energy from the Grand Gulf Station

ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
Ritchie 2	Unit No. 2 of AP&L's R. E. Ritchie Steam Electric Generating Station (natural gas/oil)
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
System Agreement	Agreement, effective January 1, 1983, as modified by the June 13 Decision, among the System operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
System operating companies	AP&L, LP&L, MP&L, and NOPSI, collectively
System or Energy System	Energy Corporation and its various direct and indirect subsidiaries
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
Waterford 3	Unit No. 3 of LP&L's Waterford Steam Electric Generating Station (nuclear)

ENTERGY CORPORATION AND SUBSIDIARIES
REPORT OF MANAGEMENT

The management of Entergy Corporation has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet these responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also supported by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

EDWIN LUPBERGER
Chairman and Chief Executive Officer

GERALD D. MCINVALE
Senior Vice President and Chief Financial Officer

ENTERGY CORPORATION AND SUBSIDIARIES

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Entergy Corporation Board of Directors' Audit Committee is composed of five directors, who are not officers of Entergy Corporation: John A. Cooper, Jr. (chairman), Bronke H. Duncan, Adm. Kinnaird R. McKee, James R. Nichols, and H. Duke Shackelford. The committee held five meetings during 1991.

The Audit Committee oversees Entergy's financial reporting process on behalf of Entergy's Board of Directors. In fulfilling its responsibility, the committee recommended to the board, subject to stockholder approval, the selection of Entergy's independent public accountants (Deloitte & Touche). Also, the committee oversees and coordinates the activities and policies of the subsidiary companies' audit committees.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants the overall scope and specific plans for their respective audits, as well as Entergy's consolidated financial statements and the adequacy of Entergy's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of Entergy's internal controls, and the overall quality of Entergy's financial reporting. The meetings also were designed to facilitate and encourage any private communication between the committee and the internal auditors or independent public accountants.

JOHN A. COOPER, JR.
Chairman, Audit Committee

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991 vs 1990		1990 vs 1989				
	1991	1990	1989	1988			
	Increase/ (Decrease)		Increase/ (Decrease)				
	%		%				
	(Dollars in Millions)						
Net income (loss)	\$ 482.0	\$ 478.3	\$ (479.6)	\$ 3.7	1	\$ 950.9	—
Electric operating revenues	\$3,974.5	\$3,894.1	7.1	\$ 80.4	2	\$ 260.5	7
Purchased power	\$ 205.1	\$ 155.0	\$ 49.8	\$ 49.5	32	\$ (31.2)	(17)
Other operation expense	\$ 896.4	\$ 827.6	\$ 725.8	\$ 68.8	8	\$ 101.8	14
Rate deferrals — net	\$ (12.8)	\$ (33.0)	\$ (149.3)	\$ 20.2	61	\$ 116.3	78
Total income taxes	\$ 277.2	\$ 315.3	\$ 5.6	\$ (38.1)	(12)	\$ 309.7	—
Project Olive Branch settlements	\$ —	—	\$(1,105.2)	\$ —	—	\$1,105.2	—
Miscellaneous other income — net	\$ 122.7	\$ 165.5	\$ 102.8	\$ (45.8)	(27)	\$ 65.7	64
Electric operating revenues:							
Residential	\$1,463.3	\$1,444.5	\$ 1,331.2	\$ 13.2	1	\$ 118.6	9
Commercial	996.6	988.4	930.3	8.2	1	58.1	6
Industrial	1,068.8	1,051.8	1,021.5	17.0	2	30.3	3
Governmental	128.8	124.6	121.9	4.2	3	2.7	2
Total retail	3,657.5	3,614.6	3,404.9	42.9	1	209.7	6
Sales for resale	220.3	212.5	177.0	7.5	4	25.0	20
Other	96.7	67.0	51.7	29.7	44	15.3	30
Total electric operating revenues	\$3,974.5	\$3,894.1	\$ 3,633.6	\$ 50.4	2	\$ 260.5	7
Energy sales (Millions of KWH)							
Residential	18,329	18,174	17,245	155	1	929	5
Commercial	13,164	12,977	12,533	187	1	444	4
Industrial	23,466	22,795	22,396	671	3	399	2
Governmental	1,905	1,831	1,833	72	4	(2)	—
Total retail	56,862	55,777	54,007	1,085	2	1,770	3
Sales for resale	7,346	6,292	4,857	1,054	17	1,435	30
Total energy sales	64,208	62,069	58,864	2,139	3	\$ 3,205	5

Net Income (Loss)

Consolidated net income increased slightly in 1991 as compared to 1990 due primarily to two significant nonrecurring events that took place in 1991 that nearly offset one another. The positive net income effect of the 1991 NPSI Settlement was largely offset by the net income effect of the FERC Complaint Case settlement, and by a reduction in consolidated interest income. Consolidated earnings per share of \$2.64 in 1991 increased over 1990 earnings per share of \$2.44, due primarily to the repurchase in 1991 by Entergy of 6,447,900 shares of its outstanding common stock.

Consolidated net income increased in 1990 as compared to 1989 due largely to the loss incurred in 1989 as a result of implementation of the FERC Settlement (the largest component of which was the \$900 million pretax write-off of System Energy's investment in Grand Gulf 2) and various related state and local agreements (such agreements, together with the FERC Settlement, comprise the Project Olive Branch settlements). Excluding the effects of the Project Olive Branch settlements, net income for 1989 would have been approximately \$359.9 million. Consolidated net income was also favorably affected in 1990 by a number of other factors including, among other things, lower depreciation

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

expense, reduced interest expense and preferred stock dividend requirements, and, as discussed below, increased energy sales.

For information with respect to the above settlements, see Entergy's Note 2, "Rate and Regulatory Matters — NOPSI Prudence Settlement and Finalized Phase-in Plan, — FERC Complaint Case, and — Project Olive Branch Settlements," incorporated herein by reference.

Electric Operating Revenues

Electric operating revenues increased in both 1991 and 1990 due primarily to increased retail energy sales and the step-up provisions of certain System operating company rate phase-in plans, which provide for greater current recovery in 1991 and 1990 of Grand Gulf 1-related costs. Increased operating revenues from such step-up provisions did not result in increased operating income due to the amortization of previously recorded rate deferrals.

Purchased Power

Purchased power expense increased in 1991 and declined in 1990, compared with, in each case, the prior year, due primarily to increased amounts of power purchased in 1991 and 1989 from outside utilities as a result of scheduled and unscheduled outages at certain System generating units during 1991 and 1989.

Other Operation Expense

Other operation expense increased in 1991 as compared to 1990 due in large part to the effects of the FERC Complaint Case settlement.

Other operation expense increased in 1990 as compared to the prior year due primarily to a general increase in the cost of operations throughout the System, including increased nuclear-related expenses resulting from a comprehensive action plan to improve operations and safety at ANO, as well as the recording of approximately \$15.5 million as a reduction in 1989 pension expense to reflect the settlement of NOPSI's pension plan.

Rate Deferrals-Net

Rate deferrals-net decreased in each comparable period due to the amortization of previously deferred Grand Gulf-1 related costs that are being recovered through rates and a reduction in current rate deferrals recorded. (See "Financial Condition — Liquidity" below.)

Total Income Taxes

Total income taxes decreased in 1991 as compared to 1990 due primarily to increased amortization of investment tax credits and decreased pretax book income. Income taxes significantly increased in 1990 as compared to 1989 primarily due to the tax effect of the Project Olive Branch settlements recorded in 1989.

Miscellaneous Other Income-Net

Miscellaneous other income-net decreased in 1991 as compared to 1990 due to one-time charges associated with the settlement of the FERC Complaint Case that were recorded in June 1991. The decrease was also due to decreased interest income resulting from lower short-term investment balances and lower yields on those investments. Miscellaneous other income-net increased in 1990 primarily due to increased interest income on higher temporary cash investment balances.

ENERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Energy Sales (KWH)

Energy sales increased in both 1991 and 1990 as compared to prior years. The 1991 increase was due to increased sales for resale to nonassociated companies and increased energy sales to industrial customers in the chemical and refining industries. The 1990 increase was due to increased sales for resale to nonassociated companies and increased energy sales to residential and commercial customers as a result of an increase in usage and extended periods of hot weather experienced throughout the System's service area during the summer months.

FINANCIAL CONDITION

Rate Issues

The System operating companies have no current plans to file for general changes in retail rates in 1992. Such plans will not adversely affect the System's financial condition as long as costs can be maintained at current levels or reduced. To the extent that operating expenses significantly increase, net income could be adversely impacted unless such increases are offset by revenues derived from increased sales of energy, or rate increases are obtained.

In March 1992, the FERC authorized the System operating companies and Entergy Power to sell wholesale power at market-based rates and to provide to electric utilities "open access" to the System's integrated transmission system for delivery to other electric utilities (subject to certain requirements). The FERC's order may be appealed by various intervenors in the proceeding. If it ultimately becomes final, the FERC's order will simultaneously produce increased marketing opportunities for the Entergy System and expose the Entergy System to the risk of loss of load or reduced revenues due to competition with alternative suppliers.

Liquidity

The System's primary cash requirements for 1991 included, among other things, working capital needs, construction expenditures, maturing debt, sinking fund requirements, and preferred stock dividend requirements. Cash requirements in 1991 were substantially satisfied with cash on hand and internally generated funds.

Net cash flow provided by operating activities totaled approximately \$901.7 million in 1991. As detailed in the Statements of Consolidated Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations. Increases in the amount of Grand Gulf 1-related costs being currently recovered, pursuant to rate phase-in plans, contributed to the System's liquidity. In 1991, recovery of previously deferred Grand Gulf 1-related costs for the affected System operating companies began exceeding the current deferral of Grand Gulf 1-related costs, and effective October 1992, no additional amounts of Grand Gulf 1-related costs will be deferred for future recovery. As previously deferred costs are recovered, revenue collections will exceed, to the extent of such recovery, current cash requirements for these costs. The amortization of previous deferrals matches the impact of the revenue collections in the income statement.

Investing activities for 1991 resulted in a net utilization of cash of approximately \$270.6 million due primarily to construction expenditures of approximately \$396.6 million, partially offset by a decrease in temporary investments other than cash equivalents of approximately \$150.6 million.

Financing activities for 1991 resulted in a net utilization of cash of approximately \$926.3 million. Among these activities were the retirement or refinancing of certain high-cost securities with lower-cost securities. During 1991, approximately \$133.2 million of preferred stock and \$68.5 million of other long-term debt were issued, and approximately \$655.9 of first mortgage bonds and \$55.5 million of

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

preferred stock were retired. Approximately \$161.6 million was expended to retire common stock during 1991 in connection with Entergy's ongoing program to reacquire and retire a portion of its outstanding common stock. In addition, common stock dividends of approximately \$228.8 million were paid by Entergy during 1991.

Capital and Refinancing Requirements and Capital Resources

See Entergy's Note 8, "Commitments and Contingencies -- Capital Requirements and Financing," incorporated herein by reference, for information on the System's capital and refinancing requirements for the period 1992-1994.

Entergy does not have any present plans in conjunction with its existing utility subsidiaries to issue additional shares of its common stock or otherwise to obtain funds from external sources through issuances of securities or other financings. (See, however, "Strategic Acquisitions" below for information regarding Entergy's consideration of potential strategic acquisitions.) Having no outstanding debt or preferred stock, Entergy's capital requirements derive principally from the need to periodically invest in, or make loans to, its subsidiaries. In this regard, MP&L has received SEC approval for the issuance and sale to Entergy through December 31, 1993 of up to approximately \$50 million of common stock, of which \$25 million was issued and sold to Entergy in February 1992, and LP&L has SEC approval for the issuance and sale to Entergy through December 31, 1993 of up to \$50 million of common stock. Entergy receives funds through dividend payments on outstanding shares of its subsidiaries' common stock, all of which is owned by Entergy. Certain restrictions limit the amounts that can be distributed to Entergy from the subsidiary companies in the form of dividends or other distributions. In addition, the subsidiary companies are prohibited from making loans or advances to Entergy. During 1991, the subsidiary companies declared and paid dividends to Entergy totaling \$231.6 million, while Entergy declared and paid dividends of \$228.8 million on its common stock. In the fourth quarter of 1991, Entergy increased its dividend from \$0.30 to \$0.35 per share. (See Entergy's Note 7, "Retained Earnings," incorporated herein by reference, for information on retained earnings available for distribution to common stockholders.)

See Entergy's Note 5, "Preferred and Common Stock," incorporated herein by reference, for information regarding the status of Entergy's share repurchase program whereby it repurchases and retires, from time to time, shares of its outstanding common stock.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Additional mortgage bonds and preferred stock that can be issued by the System operating companies and System Energy are limited by earnings coverage tests; available bondable property; for MP&L and NOPSI, the cumulative Grand Gulf 1-related rate deferrals recorded as assets available to support the issuance of additional G&R Bonds; and for System Energy, equity ratio requirements contained in its mortgage and its letters of credit and reimbursement agreement in conjunction with its sale and leaseback transactions. Based upon the most restrictive applicable tests at December 31, 1991, the System operating companies could have issued mortgage bonds or preferred stock, and System Energy could have issued mortgage bonds in the following approximate amounts, at an assumed annual interest or dividend rate of 9%.

	Bonds	Preferred Stock
	(In Millions)	
AP&L	\$385	\$318
LP&L	\$520	\$515
MP&L	\$232	\$110
NOPSI(1)	776	\$438
System Energy(2)	\$284	—

(1) NOPSI's preferred stock issuable amount at December 31, 1991 reflects the \$48.6 million earnings impact of the 1991 NOPSI Settlement.

(2) System Energy's charter does not presently provide for issuance of preferred stock.

In addition, the System operating companies and System Energy have the ability, subject to meeting certain conditions, to issue bonds against the retirement of bonds without meeting an earnings coverage test. Also, AP&L may issue preferred stock to refund outstanding preferred stock without meeting an earnings coverage test.

See Entergy's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

Strategic Acquisitions

As noted above under "Capital and Refinancing Requirements and Capital Resources," Entergy has no present plans to issue shares of its common stock or to effect other financing to fund the requirements of its existing subsidiaries. However, Entergy is considering acquisition opportunities consistent with its strategic goals, and, in that connection, Entergy may attempt to expand its utility operations through strategic acquisition of the stock or assets of one or more nonaffiliated utilities. In connection with any such acquisition transaction, Entergy may contemplate using a portion of its cash on hand and/or issuing shares of its common stock or other securities (including debt securities), in each case in amounts that cannot presently be determined, in order to effect the acquisition. Any possible acquisition by Entergy of stock or assets of another utility would be conditioned upon, among other things, receipt of all applicable regulatory, shareholder, and other approvals. Entergy cannot predict whether or on what terms any such transaction might be consummated.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Concluded)

ACCOUNTING ISSUES

SFAS No. 106

See Entergy's Note 10, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See Entergy's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

ENVIRONMENTAL MATTERS

Clean Air Legislation

The Clean Air Act Amendments of 1990 (Act), among other things, place limits on emissions of sulfur dioxide and nitrogen oxide from fossil-fueled generating plants. Based on evaluations to date, in connection with existing generating facilities, the System has determined that no additional equipment will be required to control sulfur dioxide emissions in order to comply with the Act. With respect to nitrogen oxide, the System may be required to install emission controls at its four coal units and to install continuous emission monitoring systems at some or all of its fossil-fueled units. Based on current expectations, the System estimates that total capital costs of approximately \$20 million could be incurred to comply with this and other provisions of the Act. However, final regulations have not been adopted. It is not possible to determine at this time what measures will be required and the ultimate cost to the System.

LITIGATION MATTERS

Three lawsuits (which have been consolidated) have been filed against AP&L and Entergy Services in connection with the operation of two dams during a period of heavy rainfall and flooding. The consolidated lawsuits seek, among other things, approximately \$14.4 million in property losses and other compensatory damages and \$500 million in punitive damages. While the outcome of these matters and their impact, if any, on the System's financial condition cannot be determined with certainty at this time, both AP&L and Entergy Services believe they have meritorious defenses, which they intend to assert aggressively and that the ultimate outcome will have no material adverse financial impact on either. (See Entergy's Note 8, "Commitments and Contingencies -- AP&L Flood Litigation," incorporated herein by reference.)

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ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Notes 1 and 9):		
Electric	\$13,374,588	\$13,039,585
Electric plant under leases (Note 9)	662,150	660,291
Property under capital leases — electric	75,270	111,405
Natural gas	104,960	100,356
Property under capital leases — gas	—	799
Construction work in progress	305,916	305,889
Nuclear fuel under capital leases	265,358	367,533
Nuclear fuel	24,778	5,483
Total	14,813,020	14,591,341
Less — Accumulated depreciation and amortization	4,000,967	3,663,287
Utility plant — net	10,812,053	10,928,054
Other Property and Investments	152,472	99,621
Current Assets:		
Cash and cash equivalents (Note 1):		
Cash	2,387	22,821
Temporary cash investments — at cost, which approximates market	454,966	729,764
Total cash and cash equivalents	457,347	752,585
Other temporary investments — at cost, which approximates market	131,663	282,243
Special deposits	12,945	14,067
Notes receivable	22,641	20,976
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$8.1 million in 1991 and in 1990)	181,370	195,610
Other	38,772	35,179
Accrued unbilled revenues (Note 1)	53,547	50,215
Fuel inventory — at average cost (Note 4)	105,603	67,686
Materials and supplies — at average cost	274,398	273,754
Rate deferrals (Note 2)	120,218	101,472
Prepayments and other	79,623	77,396
Total	1,478,127	1,871,188
Deferred Debits:		
Rate deferrals (Note 2)	1,652,513	1,655,287
Other	287,937	277,244
Total	1,940,450	1,932,531
 TOTAL	 \$14,383,102	 \$14,831,394

See Notes to Consolidated Financial Statements.

ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
	(In Thousands)	
Capitalization:		
Common stock, \$5 par value, authorized 500,000,000 shares; issued and outstanding 178,809,292 shares in 1991 and 185,257,198 shares in 1990 (Note 5)	\$ 046	\$ 926,286
Paid-in capital	1,370,527	1,410,883
Retained earnings (Note 7)	1,943,298	1,775,000
Total common shareholders' equity	4,267,871	4,121,169
Subsidiaries' preferred stock, net of premium and expense (Note 5):		
Without sinking fund	391,838	330,967
With sinking fund	298,332	311,230
Long-term debt (Notes 6 and 9)	5,282,906	5,765,885
Total	10,181,067	10,529,251
Other Noncurrent Liabilities:		
Obligations under capital leases (Note 9)	210,035	306,137
Other	61,713	62,858
Total	271,748	368,995
Current Liabilities:		
Currently maturing long-term debt (Note 6)	230,808	339,717
Notes payable (Note 4)	667	667
Accounts payable	367,610	334,520
Customer deposits	94,565	86,036
Taxes accrued	251,817	196,599
Accumulated deferred income taxes (Note 3)	19,985	11,299
Interest accrued	162,981	182,811
Preferred stock dividends declared	15,756	15,176
Gas contract settlements — liability to customers (Note 8)	56,403	60,253
Deferred revenue — gas supplier judgment proceeds (Note 2)	38,724	35,663
Deferred fuel cost	24,873	15,570
Obligations under capital leases (Note 9)	166,036	201,222
Other	92,209	88,349
Total	1,522,407	1,567,882
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	1,761,408	1,671,577
Accumulated deferred investment tax credits (Note 3)	195,404	170,297
Gas contract settlements — liability to customers (Note 8)	56,111	112,430
Deferred revenue — gas supplier judgment proceeds (Note 2)	57,623	103,749
Other	337,934	307,213
Total	2,407,880	2,365,266
Commitments and Contingencies (Notes 2 and 8)		
TOTAL	\$14,383,102	\$14,831,394

See Notes to Consolidated Financial Statements.

ENERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME (LOSS)

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues:			
Electric	\$3,974,478	\$3,894,119	\$3,633,637
Natural gas	76,951	87,943	90,367
Total	<u>4,051,429</u>	<u>3,982,062</u>	<u>3,724,004</u>
Operating Expenses:			
Operation:			
Fuel for electric generation and fuel-related expenses	735,986	808,214	766,787
Purchased power	205,131	155,570	186,835
Gas purchased for resale	49,986	61,718	62,705
Other	896,447	827,577	725,842
Maintenance	282,821	277,732	278,832
Depreciation and decommissioning	398,864	392,895	406,011
Taxes other than income taxes	184,247	178,810	185,660
Income taxes (Note 3)	247,008	261,145	211,973
Rate deferrals:			
Rate deferrals (Note 2)	(56,681)	(140,365)	(252,541)
Amortization of rate deferrals	133,838	107,407	103,211
Deferral of previously incurred Grand Gulf 1-related costs (Note 2)	(90,000)	—	—
Income taxes — (credit) (Note 3)	(3,248)	4,274	48,304
Total	<u>2,984,399</u>	<u>2,934,977</u>	<u>2,723,619</u>
Operating Income	<u>1,067,030</u>	<u>1,047,085</u>	<u>1,000,385</u>
Other Income:			
Project Olive Branch settlements (Note 2)	—	—	(1,105,185)
Allowance for equity funds used during construction ..	7,921	5,199	6,052
Miscellaneous — net	122,697	168,464	102,844
Income taxes — (debit) credit (Note 3)	(33,391)	(49,855)	254,680
Total	<u>97,227</u>	<u>123,808</u>	<u>(741,609)</u>
Interest and Other Charges:			
Interest on long-term debt	599,797	512,064	631,600
Other interest — net	27,245	23,151	28,607
Allowance for borrowed funds used during construction	(7,392)	(5,426)	(4,793)
Preferred dividend requirements of subsidiaries	62,575	62,786	75,947
Total	<u>682,225</u>	<u>692,575</u>	<u>731,361</u>
Net Income (Loss)	<u>\$ 482,032</u>	<u>\$ 478,318</u>	<u>\$ (472,585)</u>
Earnings (Loss) Per Average Common Share	\$2.64	\$2.44	\$(2.31)
Dividends Declared Per Common Share (Note 7)	\$1.25	\$1.05	\$ 0.90
Average Number of Common Shares Outstanding (Note 5)	182,665,303	195,876,850	204,576,247

See Notes to Consolidated Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS AND PAID-IN CAPITAL

	For the Years Ended December 31,		
	1991	1990	1989
		(In Thousands)	
Retained Earnings, January 1	\$1,775,000	\$1,636,254	\$2,310,242
Add:			
Net income (loss)	<u>482,032</u>	<u>478,318</u>	<u>(472,585)</u>
Total	<u>2,257,032</u>	<u>2,114,572</u>	<u>1,837,657</u>
Deduct:			
Dividends declared on common stock (Note 7)	228,555	206,167	184,123
Capital stock and other expenses	5,170	1,443	11,542
Common stock retirements (Note 5)	<u>80,009</u>	<u>131,962</u>	<u>5,738</u>
Total	<u>313,734</u>	<u>339,572</u>	<u>201,403</u>
Retained Earnings, December 31 (Note 7)	<u>\$1,943,298</u>	<u>\$1,775,000</u>	<u>\$1,636,254</u>
Paid-in Capital, January 1	\$1,419,883	\$1,563,313	\$1,567,781
Add:			
Gain on reacquisition of preferred stock	35	75	48
Deduct:			
Common stock retirements (Note 5)	<u>49,391</u>	<u>143,505</u>	<u>4,516</u>
Paid-in Capital, December 31	<u>\$1,370,527</u>	<u>\$1,419,883</u>	<u>\$1,563,313</u>

See Notes to Consolidated Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Activities:			
Net income (loss)	\$ 482,032	\$ 475,318	\$ (472,585)
Non-cash items included in net income (loss):			
Rate deferrals — net (Note 2)	(12,843)	(32,958)	(149,330)
Depreciation and decommissioning	398,864	392,895	406,011
Deferred income taxes and investment tax credits	194,830	252,823	(19,407)
Project Olive Branch settlements (Note 2)	—	—	1,047,565
Allowance for equity funds used during construction	(7,921)	(5,199)	(6,052)
Amortization of deferred revenues	(36,310)	(33,965)	(25,641)
Provision for estimated losses (Note 1)	5,759	17,962	5,178
Deferred interest related to Waterford 3 lease obligation	488	53,791	—
Changes in working capital:			
Receivables	5,855	(15,950)	(71,970)
Fuel inventory	(37,917)	2,626	(4,005)
Accounts payable	1,302	26,911	52,511
Other working capital accounts	54,209	(10,620)	6,998
Refunds to customers — gas contract settlements (Note 2)	(56,078)	(55,979)	(56,122)
Increase in decommissioning trust	(23,193)	(22,375)	(13,314)
Other	(70,195)	8,465	873
Net cash flow provided by operating activities	<u>901,562</u>	<u>1,021,745</u>	<u>700,710</u>
Investing Activities:			
Construction expenditures	(396,564)	(400,465)	(363,788)
Allowance for equity funds used during construction	7,921	5,109	6,052
Nuclear fuel sales (expenditures) — net	(37,168)	(50,155)	2,779
Decrease (increase) in other temporary investments	150,580	(282,243)	—
Expenditures on Grand Gulf 2	—	—	(7,175)
Other	616	5,296	1,319
Net cash flow used by investing activities	<u>(270,615)</u>	<u>(720,368)</u>	<u>(360,813)</u>
Financing Activities:			
Proceeds from issuance of:			
First mortgage bonds	—	414,520	73,282
General and refunding mortgage bonds	—	30,000	100,000
Preferred stock	133,175	—	—
Bank notes and other long-term debt (Note 9)	68,514	25,768	360,259
Proceeds from sale and leaseback of nuclear fuel	14,752	48,607	73,563
Retirement of:			
First mortgage bonds	(658,856)	(384,806)	(1,023,397)
Bank notes and other long-term debt	(7,442)	(5,584)	(6,110)
Common stock	(161,640)	(369,140)	(13,201)
Redemption of preferred stock	(85,560)	(40,586)	(117,449)
Common stock dividends paid	(228,816)	(205,793)	(183,834)
Change in short-term borrowings	—	—	(46,960)
Other	(272)	29	(71)
Net cash flow used by financing activities	<u>(926,285)</u>	<u>(486,985)</u>	<u>(783,648)</u>
Net decrease in cash and cash equivalents	<u>(295,238)</u>	<u>(185,608)</u>	<u>(443,751)</u>
Cash and cash equivalents at beginning of period	<u>752,585</u>	<u>938,193</u>	<u>1,381,944</u>
Cash and cash equivalents at end of period	<u>\$ 457,347</u>	<u>\$ 752,585</u>	<u>\$ 938,193</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	\$ 646,772	\$ 659,415	\$ 702,666
Income taxes	\$ 65,278	\$ 62,864	\$ 16,301
Noncash investing and financing activities:			
Capital lease obligations incurred	\$ 46,703	\$ 69,615	\$ 381,792

See Notes to Consolidated Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Systems of Accounts

The accompanying consolidated financial statements include the accounts of Entergy and its direct and indirect subsidiaries: AP&L, LP&L, MP&L, NOPSI, System Energy, Entergy Operations, Entergy Power, Entergy Services, System Fuels, and Electec. All significant intercompany transactions have been eliminated. The accounts of Entergy and its direct and indirect subsidiaries are maintained in accordance with the Uniform System of Accounts prescribed by FERC or in accordance with systems of accounts prescribed by the applicable regulatory bodies having jurisdiction (which substantially conform to those prescribed by the FERC).

Revenues and Fuel Costs

Three of the System operating companies record electric and gas revenues when billed to their customers on a cycle-billing basis. Revenues are not accrued for energy delivered but not yet billed. However, LP&L accrues revenue for the non-fuel portion of estimated unbilled revenues for energy delivered since the period covered by the latest billings.

Substantially all of the System operating companies' rate schedules include adjustment clauses under which the cost of fuel used for generation and gas purchased for resale above or below specified levels is permitted to be billed or required to be credited to customers. Each System operating company has a fuel adjustment clause that allows either current recovery of fuel costs or deferral of fuel costs until the related revenues are billed.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead, and AFUDC) are recorded at cost. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC results in an increase in utility plant and represents current earnings, it is a noncash item and is realized in cash through recovery of depreciation provisions included in rates. The System operating companies' effective composite rates for AFUDC were 9.1%, 8.7%, and 9.3% for 1991, 1990, and 1989, respectively.

The sales and leasebacks of the undivided portions of Grand Gulf 1 and Waterford 3 by System Energy and LP&L, respectively, are required to be reflected for financial reporting purposes as financing transactions in Entergy's Consolidated Financial Statements. For financial reporting purposes, utility plant includes the portions of Grand Gulf 1 and Waterford 3 that were sold and are currently under lease.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.0% in 1991 and 3.1% in 1990 and 1989.

Substantially all of the utility plant owned by the System is subject to the liens of the subsidiaries' mortgage bond indentures.

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Income Taxes

Entergy and its subsidiaries file a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to the System companies in proportion to their contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by the regulatory bodies for ratemaking purposes. Investment tax credits are deferred and amortized based upon the average useful life of the related property.

Other Noncurrent Liabilities

The System operating companies record provisions for uninsured property risks and claims for injuries and damages through charges to operation expenses on an accrual basis. Provisions for these accruals, classified as other noncurrent liabilities, have been allowed for ratemaking purposes.

Cash and Cash Equivalents

For purposes of the Statements of Consolidated Cash Flows, Entergy considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

NOTE 2. RATE AND REGULATORY MATTERS

NOPSI Prudence Settlement and Finalized Phase-In Plan

The February 4 Resolution required NOPSI to write off, and not recover from its retail electric customers, \$135 million of its previously deferred costs associated with Grand Gulf I. This write-off, which was recorded in NOPSI's 1987 financial statements, was in addition to the \$51.2 million of Grand Gulf I-related costs originally absorbed and not recovered by NOPSI in the 1986 Rate Settlement. On August 29, 1991, representatives of NOPSI reached an agreement in principle with advisors to the Council and with the Alliance for Affordable Energy, Inc. and others (Alliance) that resolved the Grand Gulf I prudence issues and the pending litigation related to the February 4 Resolution. The Council adopted a resolution approving and substantially incorporating the agreement in principle on October 3, 1991. In accordance with the Council's October 3 resolution, several actions were taken and the final condition to effectiveness of the 1991 NOPSI Settlement was satisfied on November 5, 1991.

The 1991 NOPSI Settlement, retroactive to October 4, 1991, supersedes both the 1986 Rate Settlement (which established a rate phase-in plan designed to reduce the immediate effect on ratepayers of the inclusion of Grand Gulf I costs in rates) and the February 4 Resolution and provides that there will be no further disallowance of the recovery of any Grand Gulf I-related costs incurred by NOPSI based on any alleged imprudence by NOPSI that may have occurred or may be alleged to have occurred prior to the effective date of the 1991 NOPSI Settlement. The terms of the settlement provide for a finalized phase-in plan for the increased recovery of NOPSI's Grand Gulf I-related costs over a ten-year period and for a five-year base rate freeze (subject to certain exceptions) with respect to non-Grand Gulf I electric rates. In accordance with the finalized plan, NOPSI reduced its base

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

electric rates by \$11.3 million, on an annual basis, effective October 4, 1991 (thereby offsetting in part an \$18.9 million step-up in NOPSI's Grand Gulf 1 rates implemented in April 1991), and will, thereafter, at the end of October in each of the years 1992, 1993, 1994, and 1995, implement annual Grand Gulf 1 rate increases in amounts ranging from \$4.4 million to \$7.3 million.

In accordance with the 1991 NOPSI Settlement, NOPSI recorded on its balance sheet, as a deferred asset, an additional \$90 million of previously incurred Grand Gulf 1-related costs with recognition of a corresponding pretax gain on its income statement. The \$90 million represents the increase in the present value of the recovery stream of deferred Grand Gulf 1-related costs. The gain increased 1991 consolidated net income by \$48.6 million after applicable income taxes and increased earnings per share by approximately \$0.27.

FERC Complaint Case

On February 1, 1990, the APSC, the LPSC, the MPSC, the Mississippi Attorney General, and the City of New Orleans filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 were not just and reasonable. This filing was consolidated with proceedings related to System Energy's decommissioning collections and proceedings related to a reduction of the allowed rate of return on the common equity component of charges under the System Agreement.

On May 21, 1991, a settlement in the consolidated proceedings was reached which, among other things, (1) reduced System Energy's rate of return on common equity from 14% to 13%, effective retroactively to April 1990, (2) imposed no ceiling for ratemaking purposes on System Energy's common equity ratio, (3) established a zero-cash working capital allowance for System Energy, effective retroactively to April 1990, (4) resolved the cost of service treatment of certain Grand Gulf 2 assets transferred to Grand Gulf 1, (5) set the amount to be collected in rates for the cost of decommissioning System Energy's 90% interest in Grand Gulf 1 at approximately \$198 million in 1989 dollars (with a new study of these costs to be prepared and submitted to FERC on or before June 1, 1995), and increased System Energy's decommissioning expense collections from approximately \$1.1 million to approximately \$4.3 million per year, effective retroactively to June 1990, subject to a 5% annual inflation adjustment, (6) provided for 1991 credits from System Energy to the System operating companies totaling approximately \$17 million relating to System Energy's rate treatment of the portions of Grand Gulf 1 sold and leased back, and (7) reduced the rate of return on common equity under the System Agreement from 14% to 13%, retroactive to December 24, 1990. The settlement did not resolve income tax accounting issues raised in the complaint (see "FERC Audit" below). The settlement was filed with a FERC Administrative Law Judge (ALJ) on June 14, 1991, and was approved by the FERC on September 16, 1991.

Based on the settlement, System Energy credited in June 1991 approximately \$47.6 million in the aggregate (including interest) against its bills to the System operating companies for capacity and energy from Grand Gulf 1. As a result of the FERC Complaint Case settlement, 1991 consolidated net income was reduced by approximately \$30 million.

FERC Audit

On December 21, 1990, the FERC Division of Audits issued an audit report for System Energy for the years 1986 through 1988. The report recommended, among other things, that System Energy (1) write off and not recover in its rates approximately \$95 million of Grand Gulf 1 costs included in utility plant related to the System's income tax allocation procedures (and System Energy's accounting resulting from certain allocated income tax charges) alleged to be inconsistent with FERC's account-

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

ing requirements and (2) compute refunds for the years 1987 to date to correct for overcollections from the System operating companies of depreciation expense and return on rate base related to amounts alleged to be incorrectly included in utility plant.

Hearings before a FERC ALJ were held in August 1991. In an initial decision dated November 21, 1991 (November 21 Decision), a FERC ALJ found, among other things, that System Energy overstated its Grand Gulf 1 utility plant account by approximately \$95 million as indicated in the FERC audit report. The decision, if ultimately sustained and implemented, would require System Energy to make correcting accounting entries and refunds, with interest, to the System operating companies. Should that be necessary, System Energy estimates that as of December 31, 1991, its net income would be negatively impacted by approximately \$128.7 million. This amount includes System Energy's potential refund obligation to the System operating companies, which is estimated to be approximately \$66.2 million (including interest) as of December 31, 1991. The ongoing effect of this decision, if implemented, would be to reduce System Energy's revenues by approximately \$22 million in 1992, and by a comparable amount (but decreasing by approximately \$0.5 million per year) in each subsequent year, and consolidated revenues would reflect this reduction.

In addition, because of the resulting impact on System Energy's earnings if the November 21 Decision is ultimately sustained and implemented, System Energy would need to obtain the consent of certain banks to waive the fixed charge coverage covenants in the letters of credit and reimbursement agreement related to the Grand Gulf 1 sale and leaseback transactions (see Note 9, "Leases -- Sale and Leaseback Transactions") for a limited period of time in order to avoid violation of this covenant upon implementation of the November 21 Decision. Should that be necessary, System Energy would request a waiver by the banks. Absent a waiver, failure of System Energy to perform this covenant could give rise to a draw under the letters of credit and/or early termination of the letters of credit, and if the letters of credit were not replaced in a timely manner, could result in a default under, or early termination of, System Energy's leases.

Assuming the System operating companies were required to refund or credit to their customers all of the System Energy refund (except for those portions attributable to AP&L's and LP&L's retained share of Grand Gulf 1 costs), the effect of System Energy's write-off of utility plant and refund to the System operating companies, as required by the November 21 Decision, on Entergy's consolidated financial statements as of December 31, 1991, would be to reduce consolidated net income by approximately \$125.2 million. However, the System operating companies would write off the unamortized balances of corresponding deferred credits, which approximated \$77.5 million at December 31, 1991. This action, together with any recovery from ratepayers of deferred credits that have been previously amortized and passed on to the ratepayers (approximately \$13.9 million as of December 31, 1991), would offset the reduction in consolidated net income. The amount of such offset would depend on each System operating company's associated retail rate treatment with respect to the recovery of previously amortized credits.

On January 8, 1992, System Energy filed a brief on exceptions with the FERC. Notwithstanding the November 21 Decision, System Energy believes that its consolidated income tax accounting procedures and related rate treatment are in compliance with SEC and FERC requirements and intends to vigorously contest this issue. However, the ultimate resolution of this matter cannot be determined. Accordingly, no provision has been made in the accompanying financial statements for the possible effects of a decision adverse to System Energy.

March 1989 Order

A March 1989 LPSC order in effect provided, among other things, that LP&L was entitled to an increase in retail rates of approximately \$45.9 million on an annual basis, but that in lieu of a rate

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

increase, LP&L would retain the LPSC jurisdictional portion of \$193.7 million of proceeds (stated to approximate \$188.6 million) received by LP&L in October 1988 as a result of litigation with a gas supplier. In addition, the order provided that, for the benefit of ratepayers, LP&L begin in March 1989 to amortize such jurisdictional proceeds plus interest thereon accrued through February 28, 1989 pursuant to a rate amortization schedule that is scheduled to extend for 5.3 years from that time. At December 31, 1991, the unamortized balance of such jurisdictional proceeds was approximately \$95.7 million. To date, LP&L believes that the March 1989 Order has provided approximately the same amount of additional net income available for common stock as would an annual rate increase of \$45.9 million (the amount of LP&L's revenue deficiency as determined by the LPSC) over the 5.3 year period. LP&L agreed to a five-year base rate freeze, at the then current level, subject to certain conditions. These conditions include, among others, a provision that the rate freeze would not serve as a bar to changes in rates as a result of changes in the federal tax law, net increases or decreases in LP&L's costs resulting from proceedings at the FERC relating to the Grand Gulf Station, or as a result of catastrophic events.

In April 1989, the Louisiana Energy Users Group (LEUG), a group of LP&L's large industrial customers, and the members of such group individually, filed a petition for appeal and judicial review of the March 1989 order in the 19th Judicial District Court for the Parish of East Baton Rouge, Louisiana (State District Court). The LEUG contends that the LPSC was without jurisdiction or authority to permit LP&L to retain the judgment proceeds. On March 1, 1990, the LEUG filed a motion with the State District Court requesting continuance, without date, of these proceedings and the State District Court granted such continuance. LP&L will defend vigorously against the appeal if it is prosecuted. As permitted by the March 1989 Order, LP&L is expending the judgment proceeds in the normal course of its business. LP&L believes the intent of the March 1989 Order is that the LPSC recognizes that LP&L is entitled to an annual revenue increase of approximately \$45.9 million and that such intent and the March 1989 Order will be upheld by the courts, if the matter is prosecuted. The matter is pending.

City of New Orleans Complaint

On August 20, 1990, the City of New Orleans filed a complaint with the FERC against Entergy, the System operating companies, and System Energy requesting the FERC to investigate certain issues related to the transfer of Independence 2 and Ritchie 2 from AP&L to Entergy Power and its effect upon the System operating companies and their ratepayers. On September 21, 1990, Entergy, the System operating companies, and System Energy filed with the FERC an answer to the City's complaint asking that the complaint be dismissed. Numerous parties have intervened in this proceeding. In the first quarter of 1991, the FERC issued an order, which, among other things, set for investigation the question of whether overall billings under the System Agreement will increase as a result of the transfer of the two units to Entergy Power and, if so, whether those higher charges reflect prudently incurred costs that may be reasonably passed through under the System Agreement, and provided that rates charged under the System Agreement after the transfer of the two units be subject to refund, effective October 19, 1990. Through December 31, 1991, substantially all power from these units has been sold to AP&L and, thus, to date, no refunds are likely to result due to the transfer to Entergy Power. Hearings on this matter are expected to commence in late March 1992. In February 1992, the City of New Orleans petitioned the United States Court of Appeals for the District of Columbia Circuit for appeal of a FERC order that limited the scope of the proceeding.

Rate Deferrals

The System operating companies have in effect various rate moderation or rate phase-in plans designed to reduce the immediate effect on ratepayers of the inclusion of Grand Gulf 1 and

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Waterford 3 costs in rates. Under these plans, certain costs are either permanently retained (and not recovered from ratepayers), deferred in the early year of commercial operation and collected in the later years, or recovered currently from customers. These plans vary both in the proportions of costs that each company retains, defers, or recovers and in the length of the deferral/recovery periods. Only those costs permanently retained and not recovered through rates or through sales to third parties result in a reduction of net income. In most cases, the carrying charges associated with the unamortized deferrals are recovered currently from customers.

With respect to permanently retained costs, AP&L's retained share (stated as a percentage of System Energy's 90% owned and leased share of Grand Gulf 1) ranges from 5.67% in 1989 to 7.92% in 1994 and all succeeding years of the unit's commercial operation. In the event AP&L is not able to sell its retained share to third parties, it has the right to sell such energy to its retail customers at a price equal to its avoided energy cost, which is currently less than AP&L's cost of such energy. In 1985, LP&L agreed to permanently absorb 18% of its 14% FERC-allocated share of Grand Gulf 1-related costs. LP&L is allowed to recover 4.6 cents per KWH for the energy related to such retained portion through the fuel adjustment clause. This recovery amount has been temporarily reduced to 2.55 cents per KWH pursuant to a 1989 agreement between LP&L and the LPSC. LP&L retains the right to sell such energy to nonaffiliated parties at prices in excess of the fuel adjustment clause recovery amount, subject to LPSC approval. For the year ended December 31, 1991, System Energy's billings to AP&L and LP&L for Grand Gulf 1-related costs totaled approximately \$245.0 million and \$96.1 million, respectively.

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies reached an agreement with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement (including the cancellation of Grand Gulf 2 and the related write-off) and the related state and local settlements reduced consolidated net income and retained earnings in 1989 by approximately \$862 million and reduced earnings per share in 1989 by approximately \$4.22.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Complaint Case" and "FERC Audit" above.)

Entergy Power

Entergy Power was formed as a subsidiary of Entergy in 1990. Some of the regulatory authorizations related to this transaction were appealed, and one such appeal is pending. In August 1990, Entergy Power (using funds borrowed from Entergy) purchased AP&L's interests in Independence 2 and Ritchie 2 (with net capacity of 809 megawatts) for an aggregate purchase price of approximately \$173.4 million. Entergy Power markets its capacity on a wholesale basis to markets outside Arkansas and Missouri, and in markets not currently served by the System and, although not a party to the System Agreement, sells energy, when not required by its customers, to AP&L. AP&L may then, at its option, sell such energy to the other System operating companies. For the year ended December 31, 1991, Entergy Power operated at a loss of \$16.7 million.

ENTERGY CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$ 64,111	\$ 35,000	—
State	13,155	35,231	\$ 25,004
Total	<u>77,269</u>	<u>70,231</u>	<u>25,004</u>
Deferred — net:			
Reclassification due to net operating loss carryforward	(8,004)	112,046	(43,652)
Tax gain on sale and leaseback transactions	(3,898)	(12,060)	(78,950)
Rate deferrals — net	(3,248)	4,274	45,304
Gas contract settlement	15,342	13,325	10,455
Liberalized depreciation	98,032	109,616	95,016
Amortization of excess deferred income taxes	(7,318)	(5,304)	(17,560)
Unbilled revenue	6,633	(4,901)	(24,307)
Project Olive Branch settlements	1,661	8,299	14,319
Alternative minimum tax	16,019	(55,578)	(1,508)
Other	6,040	(5,479)	(1,515)
Total	<u>121,259</u>	<u>161,238</u>	<u>(25)</u>
Investment tax credit adjustments — net	78,623	83,805	(19,352)
Recorded income tax expense	<u>\$277,151</u>	<u>\$315,274</u>	<u>\$ 5,597</u>
Charged to operations	\$243,760	\$265,419	\$260,277
Charged (credited) to other income	33,391	49,855	(254,680)
Recorded income tax expense	277,151	315,274	5,597
Income taxes applied against the debt component of AFUDC	152	471	556
Total income taxes	<u>\$277,333</u>	<u>\$315,745</u>	<u>\$ 6,153</u>

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$279,395	34.0	\$291,169	34.0	\$(132,954)	34.0
Increases (reductions) in tax resulting from:						
Project Olive Branch settlements	--	--	--	--	150,101	(38.4)
Amortization of excess deferred income taxes	(7,318)	(0.9)	(5,304)	(0.6)	(17,860)	4.6
State income taxes net of federal income tax effect	23,741	2.9	28,696	3.4	(242)	0.1
Amortization of investment tax credits	(22,470)	(2.7)	(16,655)	(1.9)	(7,747)	2.0
Depreciation	5,693	0.7	8,090	0.9	23,790	(6.1)
Other — net	(1,890)	(0.2)	9,278	1.0	(9,581)	2.4
Recorded income tax expense	277,151	33.8	315,274	36.8	5,597	(1.4)
Income taxes applied against the debt component of AFUDC	182	0.0	471	0.1	556	(0.1)
Total income taxes	<u>\$277,333</u>	<u>33.8</u>	<u>\$315,745</u>	<u>36.9</u>	<u>\$ 6,153</u>	<u>(1.5)</u>

Unused investment tax credits at December 31, 1991 amounted to \$267.7 million after the 35% reduction required by the Tax Reform Act of 1986. These credits may be applied against federal income tax liabilities in future years. If not used, they will expire in the years 1997 through 2005. The alternative minimum tax (AMT) credit at December 31, 1991 was \$98.2 million. This AMT credit can be carried forward indefinitely and will reduce the System's federal income tax liability in the future.

Cumulative income tax timing differences for which deferred income tax expenses have not been provided are \$552.4 million, \$533.2 million, and \$499.9 million at December 31, 1991, 1990, and 1989, respectively.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the System. Based on a preliminary study, the System expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact Entergy's results of operations. Entergy, the System operating companies, and System Energy plan to adopt SFAS No. 109 in 1993.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

The System operating companies and System Energy are authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time of up to specified dollar amounts and subject to increase to a maximum of specified dollar amounts with

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

further SEC approval as follows: AP&L — \$125 million and \$240 million, LP&L — \$125 million and \$260 million, MP&L — \$100 million and \$110 million, NOPSI — \$30 million and \$35 million, and System Energy — \$125 million and \$290 million. Short-term borrowings by MP&L and NOPSI are limited by the terms of their respective G&R Bond indentures to aggregate amounts not exceeding, in general, the greater of 10% of capitalization or 50% of Grand Gulf 1 rate deferrals available to support the issuance of G&R Bonds. In addition, unless specifically authorized by the SEC, NOPSI is prohibited from effecting any short-term borrowings if its common stock equity ratio (including retained earnings) is, or would thereby become, less than 30% of total capitalization plus short-term indebtedness. As a result of the 1991 NOPSI Settlement, NOPSI's ratio of common stock equity to total capitalization at December 31, 1991 was 40.4%.

AP&L, LP&L, and MP&L had unused lines of credit at December 31, 1991, providing for short-term borrowings of \$147.5 million through loans from banks within their service territory. Additionally, all of the System companies, with the exception of Entergy Power and Electec (and except Entergy with respect to borrowings), are authorized to participate in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. The maximum borrowing and average borrowing by participants from the Money Pool during 1991 were \$68.9 million and \$52.3 million, respectively. At December 31, 1991, the funds available in the Money Pool for borrowing aggregated \$439.6 million. In addition, Entergy Services, Entergy Operations, and Entergy Power have authorization for borrowings from Entergy (at an interest rate of prime) of \$90 million, \$15 million, and \$200 million, respectively, of which \$173.1 million was outstanding at December 31, 1991 for Entergy Power.

System Fuels has financing agreements totaling \$75 million that are restricted as to use and are secured by System Fuels' fuel inventories and certain accounts receivable arising from the sales of these inventories. Fees are paid on the unused portion of these agreements. At December 31, 1991, there were no borrowings outstanding under these agreements.

ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares and dollar value of the System operating companies' preferred stock was:

	At December 31,		Total Dollar		Call Price Per Share at December 31, 1991
	Shares		Value		
	Authorized 1991	Outstanding 1991	1991	1990	
			(In Thousands)		
Without sinking fund:					
Cumulative, \$100 par value:					
4.16% - 5.56% Series	1,070,106	1,070,106	\$107,011	\$107,011	\$102.50 to \$107.00
6.05% - 8.56% Series	1,180,000	1,180,000	118,000	118,000	\$102.80 to \$103.75
9.16% - 11.45% Series	445,000	445,000	44,500	79,500	\$104.06 to \$106.72
Cumulative, \$25 par value:					
8.54% - 9.65% Series	2,400,000	2,400,000	60,000	10,000	\$ 25.00 to \$ 26.56
10.40% Series	600,000	600,000	15,000	15,000	\$ 27.30
Cumulative, \$0.01 par value:					
\$2.40 Series*	2,000,000	2,000,000	50,000	—	
Premium	—	—	1,382	1,456	
Issuance/discount expense	—	—	(3,935)	—	
Total without sinking fund			<u>\$391,958</u>	<u>\$330,967</u>	
With sinking fund:					
Cumulative, \$100 par value:					
8.00% - 9.76% Series	1,454,940	1,454,940	\$145,494	\$118,500	\$100.00 to \$106.75
10.60% - 12.00% Series	207,700	207,700	20,770	27,770	\$104.09 to \$109.00
15.44% - 16.16% Series	109,495	109,495	10,950	13,950	\$107.72 to \$112.12
Cumulative, \$25 par value:					
9.92% - 12.64% Series	3,551,666	3,551,666	88,791	104,291	\$ 26.34 to \$ 27.37
13.12% - 15.20% Series	1,696,697	1,696,697	42,418	59,418	\$ 26.64 to \$ 28.22
Premium	—	—	401	463	
Issuance/discount expense	—	—	(10,492)	(13,162)	
Total with sinking fund			<u>\$298,332</u>	<u>\$311,230</u>	

* The involuntary liquidation value equals \$25 per share.

At December 31, 1991, the System operating companies had 5,171,560, 14,118,915, and 13,000,000 shares of cumulative, \$100, \$25, and \$0.01 par value preferred stock, respectively, that were authorized but unissued.

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Changes in the number of shares of preferred stock of the System operating companies, with and without sinking fund, during the last three years were:

	Number of Shares		
	1991	1990	1989
Preferred stock issuances:			
\$100 par value:			
6.00% Series	350,000	—	—
\$25 par value:			
9.68% Series	2,900,000	—	—
\$0.01 par value:			
\$2.40 Series	2,000,000	—	—
Preferred stock retirements:			
\$100 par value:			
5.52% Series	(10,000)	(15,000)	—
9.00% Series	(70,000)	—	—
10.60% Series	(20,000)	(10,000)	(8,000)
11.04% Series	(40,000)	(20,000)	(40,000)
11.48% Series	(350,000)	—	—
12.00% Series	(10,000)	(10,000)	(7,300)
15.44% Series	(15,000)	(15,000)	(7,500)
16.16% Series	(15,000)	(15,000)	(90,000)
\$25 par value:			
9.92% Series	(80,000)	(86,433)	(81,960)
10.72% Series	(240,000)	(240,000)	(116,004)
12.64% Series	(300,000)	(300,000)	(300,000)
13.12% Series	(160,000)	(160,000)	(160,000)
13.28% Series	(200,000)	(200,000)	(117,126)
14.72% Series	(200,000)	(200,000)	(802,000)
15.20% Series	(120,000)	(120,000)	(480,000)
19.20% Series	—	—	(2,000,000)

Cash sinking fund requirements for the ensuing five years for preferred stock outstanding at December 31, 1991, are (in thousands): 1992, \$31,750; 1993, \$38,629; 1994, \$37,250; 1995, \$37,250; and 1996, \$24,538.

Entergy has SEC authorization to repurchase, from time to time, through December 31, 1992, up to 39,033,118 shares of its outstanding common stock, either on the open market or through negotiated purchases or tender offers. At December 31, 1991, Entergy had repurchased and retired (returned to authorized but unissued status) 25,771,800 shares of its common stock at an aggregate cost of approximately \$544.0 million. Of this amount, 6,447,900 shares and 18,734,400 shares, respectively, were repurchased and retired in 1991 and 1990 at an aggregate cost of approximately \$161.2 million and \$369.1 million, respectively. The effect of these transactions reduced common stock, paid-in capital, and retained earnings by approximately \$32.2 million, \$49.4 million and \$80.0 million, respectively, in 1991, and \$93.7 million, \$143.5 million, and \$131.9 million, respectively, in 1990.

Purchases under the repurchase program are made from time to time depending upon favorable market conditions and authorization of the Entergy board of directors. There is no assurance of the actual amount of purchase that will occur.

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Stock Plan for Outside Directors (Directors Plan) and the Equity Ownership Plan of Entergy Corporation and Subsidiaries (Equity Plan) were approved by Entergy shareholders and adopted during 1991. The Directors Plan awards non-employee directors a portion of their compensation in the form of a fixed number of shares of Entergy common stock. During 1991, 7,000 shares were awarded under the Directors Plan. The Equity Plan grants stock options, restricted shares, and equity awards to key employees of the System companies. No options were granted under the Equity Plan in 1991. Entergy has requested SEC authorization to acquire through December 31, 1994, up to 3,000,000 shares of its common stock to be held as treasury shares, and to be reissued to meet the requirements of these (and certain other) stock benefit plans. The acquisition and holding of these treasury shares requires that Entergy's charter be amended, which is subject to shareholder approval and SEC authorization.

NOTE 6. LONG-TERM DEBT

The long-term debt of Entergy's subsidiaries at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds	\$3,213,021	\$3,870,529
General and Refunding Bonds — due 1993-1997, 9.90%-14.95%	318,600	320,000
Other:		
Long-term Obligation — Department of Energy (Note 8)	94,453	89,053
Municipal Revenue Bonds — due serially through 2004, 2.75%-8%	14,449	17,464
Pollution Control Revenue Bonds and Installment Purchase Contracts:		
Due serially through 2014, 6.4%-9.5%	55,890	57,235
Due 1995-2021, 6¼%-12¼%	979,367	915,710
Purchase Obligations Under Inventory Supply Agreement	23,679	25,131
Grand Gulf 1 Lease Obligations, 9.86% (Note 9)	500,000	500,000
Waterford 5 Lease Obligation, 8.76% (Note 9)	353,600	353,600
Miscellaneous	—	279
Total Other	<u>2,021,408</u>	<u>1,958,472</u>
Unamortized Premium and Discount—Net	(39,315)	(43,399)
Total Long-Term Debt	5,513,714	6,105,602
Less — Amount Due Within One Year	<u>230,808</u>	<u>339,717</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$5,282,906</u>	<u>\$5,765,885</u>

For the years 1992, 1993, 1994, 1995, and 1996, Entergy's subsidiaries have long-term debt maturities and sinking fund requirements in the aggregate of (in millions) \$246.5, \$167.0, \$340.1, \$243.5, and \$486.9, respectively. Certain of these sinking fund requirements, averaging approximately \$15 million annually, will be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The outstanding first mortgage bonds of Entergy's subsidiaries as of December 31, 1991 were:

Maturity	4%-5%	6%-8%	9%-11%	12%-14%	Total
	(In Thousands)				
1992	\$ 8,000	—	\$ 15,750	\$175,000	\$ 198,750
1993	\$ 15,000	—	\$ 30,000	—	45,000
1994	\$ 25,000	—	\$ 30,000	\$200,000	255,000
1995	\$ 45,000	—	\$105,000	—	150,000
1996	\$108,250	\$ 11,360	\$305,000	—	424,610
1997-2006*	\$ 58,000	\$463,657	\$497,916	—	1,019,603
2007-2016	—	—	\$646,508	—	646,508
2017-2021	—	—	\$473,550	—	473,550
Total First Mortgage Bonds					<u>\$ 3,213,021</u>

* In January 1992, MP&L retired \$25 million of its 10% Series First Mortgage Bonds and such amount is included at December 31, 1991 in currently maturing long-term debt.

NOTE 7. RETAINED EARNINGS

Various agreements relating to the long-term debt and preferred stock of Entergy's subsidiaries contain provisions restricting the payment of cash dividends or other distributions on their common stock. Also, without approval of the SEC under the Public Utility Holding Company Act of 1935, the unrestricted, undistributed retained earnings of any Entergy subsidiary are not available for distribution to the common stockholders of Entergy until such earnings are made available to Entergy through the declaration of dividends by such subsidiary. In addition to retained earnings distribution restrictions, the Public Utility Holding Company Act of 1935 prohibits Entergy's subsidiaries from making loans or advances to Entergy.

Consolidated retained earnings at December 31, 1991 include \$618 million of retained earnings of Entergy, which are unrestricted as to the payment of dividends, and \$566.9 million of unrestricted, undistributed retained earnings of Entergy's subsidiaries.

The total investment of Entergy in the common equity of its subsidiaries at December 31, 1991 amounted to approximately \$4.1 billion. Of this amount, approximately \$773.2 million, including \$566.9 million of unrestricted, undistributed retained earnings, was available for distribution by Entergy's subsidiaries to Entergy under the restrictive agreements discussed above, subject to SEC approval for distributions in excess of undistributed retained earnings.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC but excluding nuclear fuel) during the years 1992, 1993, and 1994 are estimated to aggregate \$428.8 million, \$448.3 million, and \$435.4 million, respectively. In addition to construction expenditure requirements, the System will require \$816.3 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. The System plans to meet the above requirements primarily with internally generated funds, including collections under the System operating companies' rate phase-in plans, and cash on hand. LP&L and MP&L will require funds from external sources during the period.

Certain System companies are proceeding or may proceed with arrangements for the possible refunding, redemption, purchase, or other acquisition of all or a portion of certain outstanding series of

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

high-cost debt and preferred stock. Also, AP&L currently intends to use approximately \$69 million of the \$72 million in proceeds from the sale of its Missouri retail properties to redeem all or a portion of certain series of its outstanding first mortgage bonds.

Capital Funds, Unit Power Sales, Availability, and Reallocation Agreements

Under the Capital Funds Agreement, Entergy has agreed to supply or cause to be supplied to System Energy sufficient amounts of capital to (1) maintain System Energy's equity capital at an amount equal to at least 35% of System Energy's total capitalization (excluding short-term debt) and (2) permit the continuation of commercial operation of Grand Gulf 1 and enable System Energy to pay in full all indebtedness for borrowed money of System Energy. In addition, Entergy has agreed in the Capital Funds Agreement to make cash capital contributions to enable System Energy to make payments when due on its long-term debt, as specified therein. System Energy has, with the consent of Entergy, assigned its rights under this agreement to certain creditors.

Under the Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its 90% owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L 36%, LP&L 14%, MP&L 33%, NOPSI 17%) as ordered by the FERC in the June 13 Decision. Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation, and capital costs (including a return on common equity). The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated under the Availability Agreement to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NOPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement, are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the write-off of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97%, and NOPSI 29.80% under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the obligation of AP&L to System Energy's lenders under the assignments referred to in the second preceding paragraph, and AP&L would be liable for its share of such amounts if the other System operating companies were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Long-Term Contracts

The Entergy System has several long-term contracts to purchase various quantities of natural gas and low-sulfur coal for use as fuel at its generating units.

LP&L has a long-term agreement to purchase, at specified prices, certain percentages of the energy generated by and made available from a hydroelectric generating facility through the year 2031. If the maximum percentage (94%) of the energy is made available to LP&L, current production projections would require estimated payments under the contract of approximately \$47.0 million per year through 1996, and a total of \$3.6 billion for the years 1997 through 2031. LP&L recovers the costs of purchased energy through its fuel adjustment clause pursuant to LPSC authorization.

Nuclear Insurance

The Price-Anderson Act provides a limit of public liability for a single nuclear incident, which at December 31, 1991, was approximately \$7.51 billion. The System has protection with respect to this liability through a combination of private insurance (currently \$200 million) and an industry assessment program. Under the assessment program, the maximum amount the System would be required to pay, with respect to each nuclear incident at a licensed nuclear facility, would be \$66.15 million per reactor (such amount to be indexed every five years for inflation and includes a 5% surcharge in the event the total public liability claims and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of \$16 million per licensed reactor per incident per year. As a co-licensee of Grand Gulf 1 with System Energy, South Mississippi Electric Power Association (SMEPA) would share in this obligation. The System has four licensed reactors.

AP&L, LP&L, and System Energy on behalf of themselves and other insured interests (including, in the case of System Energy and LP&L, the co-owners of Grand Gulf 1 and Waterford 3, respectively) are members of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1991, AP&L, LP&L, and System Energy each were insured against such losses up to \$2.45 billion with a \$300 million sublimit for premature decommissioning coverage. In addition, AP&L, LP&L, MP&L, and NOPSI are members of an insurance program that provides insurance coverage for certain costs of replacement power and business interruption incurred due to certain prolonged outages of nuclear units. Under the property damage and replacement power/business interruption insurance programs, these System companies could be subject to assessments if losses exceed the accumulated funds available to the insurers. At December 31, 1991, the maximum amounts of such possible assessments were: AP&L — \$10.52 million, LP&L — \$16.27 million, MP&L — \$0.53 million, NOPSI — \$0.29 million, and System Energy — \$16.71 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation.

The amount of property insurance presently carried by the System exceeds the NRC's minimum requirement for nuclear power plant licensees of \$1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete required decontamination operations. Only after proceeds are used

ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

or dedicated for such use and appropriate regulatory approval is obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

Spent Nuclear Fuel and Decommissioning Costs

The System operating companies are providing for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected System companies have entered into contracts with the Department of Energy (DOE), whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. AP&L, the only System company that generated electricity with nuclear fuel prior to that date, has elected to pay the one-time fee, plus accrued interest, and has recorded as a liability at December 31, 1991, approximately \$94.5 million, for this payment. The fees payable to the DOE may be adjusted in the future to assure full recovery. The System considers all costs incurred or to be incurred, except accrued interest, in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been or will be made in applications to regulatory authorities.

The DOE's repository program for the acceptance of spent nuclear fuel has been delayed, with initial shipments of spent fuel from ANO, Waterford 3, and Grand Gulf 1 expected to occur after 2013, 2019, and 2019, respectively. In the meantime, the affected companies will be responsible for storage of spent fuel. Current on-site spent fuel storage capacity at ANO, Waterford 3, and Grand Gulf 1 is estimated to be sufficient to store fuel from normal operations until 1995, 2001, and 2004, respectively. It is expected that any additional storage capacity required due to, among other things, delay of the DOE's repository program will be provided by the affected companies. The cost of providing the additional on-site spent fuel storage capability required at ANO, Waterford 3, and Grand Gulf 1 by 1995, 2001, and 2004, respectively, is approximately \$5.0 million to \$10.0 million per unit (in 1991 dollars). In addition, approximately \$3.0 million to \$5.0 million per unit (in 1991 dollars) will be required every two to three years subsequent to 1995, 2001, and 2004 for ANO, Waterford 3, and Grand Gulf 1, respectively, until the DOE's repository begins accepting such units' spent fuel.

AP&L, LP&L, and System Energy are recovering decommissioning costs for ANO, Waterford 3, and Grand Gulf 1, respectively. These amounts are deposited in external trust funds, with an after-tax market value of \$104.6 million at December 31, 1991, that can only be used for future decommissioning costs. Decommissioning costs for ANO, Waterford 3, and System Energy's 90% share of Grand Gulf 1 are estimated to be approximately \$399.4 million (in 1986 dollars), \$203.0 million (in 1988 dollars), and \$248.7 million (in 1989 dollars), respectively. AP&L and LP&L have been authorized to recover through rates amounts that, when added to estimated trust investment income during the collection period, should be sufficient to meet currently estimated decommissioning costs. As a result of the FERC Complaint Case settlement, the amount to be collected in rates for the total cost of decommissioning System Energy's 90% interest in Grand Gulf 1 was set at approximately \$198.0 million (in 1989 dollars). AP&L, LP&L and System Energy regularly review and update estimated decommissioning costs, and applications will be made to the appropriate regulatory authorities to reflect in rates any change in decommissioning costs.

Settlement Agreement with Gas Supplier

A 1982 settlement agreement between LP&L and a gas supplier resulted in the payment to LP&L of \$1.087 billion in cash and provided for a guaranty of savings of at least \$585 million in certain gas acquisition costs between 1982 and 1996. In 1983, the LPSC ordered LP&L to refund the settlement proceeds to customers over the period 1983-1993. At December 31, 1991, the remaining liability to

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

customers was approximately \$112.5 million (of which \$56.4 million was classified as a current liability).

AP&L Flood Litigation

Three lawsuits (which have been consolidated) have been filed against AP&L and Entergy Services in connection with the operation of two dams during a period of heavy rainfall and flooding. The consolidated lawsuits seek, among other things, approximately \$14.4 million in property losses and other compensatory damages and \$500 million in punitive damages. The Arkansas District Court's June 28, 1991 order granting AP&L's Motion for Summary Judgment with respect to the enforceability of its flowage easements and its November 26, 1991 order ruling that Entergy Services is also entitled to the benefit of such easements, in effect, remove from consideration damages in the approximate amount of \$13.5 million alleged to have occurred within the areas covered by the easements. The trial of these matters was scheduled to commence February 18, 1992, but the trial was postponed pending an interlocutory appeal by certain of the plaintiffs who have requested the United States Court of Appeals for the Eighth Circuit (Eighth Circuit) to accept their appeal of the Arkansas District Court's orders granting and implementing AP&L's request for summary judgment. AP&L and Entergy Services have indicated that, for reasons of judicial economy, they will not oppose the plaintiffs' interlocutory appeal. The Eighth Circuit has not ruled on the interlocutory appeal at this time. The matter is pending.

While the outcome of these matters and their impact, if any, on the System's financial condition cannot be determined with certainty at this time, both AP&L and Entergy Services believe they have meritorious defenses, which they intend to assert aggressively and that the ultimate outcome in this matter will have no material adverse financial impact on either.

ANO Improvement Plan

Certain management, organizational, and technical problems at ANO are being addressed as part of a comprehensive action plan designed to significantly improve the operations and safety of ANO. This action plan is combined with measures taken by management to significantly enhance the long-term operational effectiveness of the ANO units. The action plan will result in specific operating expenditures averaging approximately \$5.6 million per annum for the period 1987-1994. This action plan will be largely completed in 1993.

Other Commitments and Contingencies

See Entergy's Note 2, "Rate and Regulatory Matters," for information with respect to the March 1989 Order, the FERC Audit, and the City of New Orleans Complaint Case.

NOTE 9. LEASES

General

In accordance with SFAS No. 13, "Accounting for Leases," the System records the assets and related obligations applicable to capital leases as required by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 1991, the System had capital leases and noncancelable operating leases (excluding nuclear fuel leases and the sale and leaseback transactions discussed below) with minimum rental commitments as follows:

	Capital Leases	Operating Leases
	(In Thousands)	
1992	\$ 22,111	\$ 52,733
1993	22,272	49,546
1994	21,963	44,063
1995	21,639	36,906
1996	16,956	36,377
Years thereafter	91,036	109,248
Minimum rental commitments	195,977	\$328,873
Less: Amount representing interest	85,225	
Present value of net minimum lease payments	\$110,752	

Rental expense for capital and operating leases (excluding nuclear fuel leases and the sale and leaseback transactions discussed below) amounted to approximately \$73.8 million, \$81.3 million, and \$80.0 million in 1991, 1990, and 1989, respectively.

Nuclear Fuel Leases

AP&L, LP&L, and System Energy have arrangements that permit the leasing of nuclear fuel with an aggregate value of \$400 million. Under the current arrangements, each lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate-term notes. The credit agreements, which were entered into in 1985 and 1989, all have terms of five years, subject to annual renewal with the consent of the lender, and the intermediate-term notes have varying maturities of one and one-half to 10 years. It is expected that these arrangements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements, based on the particular lessee's nuclear fuel requirements. If a lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, the particular lessee must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense, including interest, of \$150.9 million, \$199.9 million, and \$188.9 million, was charged to operations in 1991, 1990, and 1989, respectively. The unrecovered cost base of the leases was \$265.4 million, \$367.5 million, and \$420.1 million at December 31, 1991, 1990, and 1989, respectively.

Sale and Leaseback Transactions

System Energy and LP&L have entered into sales and leasebacks of portions of their undivided ownership interests in Grand Gulf 1 and Waterford 3, respectively. The sales were made to owner trustees under trust agreements with owner participants. System Energy and LP&L are leasing back these interests sold during 1988 and 1989, respectively, on a net lease basis over 26½ year and 28 year basic lease terms, respectively. Both companies have options to terminate the leases, to repurchase the sold interests at certain intervals during the basic lease terms, and to renew the leases or to repurchase the interests sold at the end of the basic lease terms.

ENTERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Total 1991, 1990, and 1989 pension cost of Entergy and its subsidiaries, including amounts capitalized, included the following components:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Service cost -- benefits earned during the period	\$ 16,393	\$ 19,482	\$ 16,291
Interest cost on projected benefit obligation	44,367	40,117	36,689
Actual return on plan assets	(120,705)	2,858	(105,129)
Net amortization and deferral	70,760	(52,978)	56,517
Other	2,888	---	---
Net pension cost	<u>\$ 13,703</u>	<u>\$ 9,479</u>	<u>\$ 4,368</u>

The assets of the plans consist primarily of common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

The funded status of Entergy's various pension plans at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	\$494,331	\$363,805
Nonvested	39,549	24,366
Accumulated benefit obligation	<u>\$533,880</u>	<u>\$388,171</u>
Plan assets at fair value	\$637,395	\$546,161
Projected benefit obligation	<u>620,033</u>	<u>505,375</u>
Plan assets in excess of projected benefit obligation	17,362	40,786
Unrecognized prior service cost	22,750	12,439
Unrecognized transition asset	(76,266)	(83,619)
Unrecognized net gain	<u>(31,522)</u>	<u>(25,070)</u>
Accrued pension liability	<u>\$ (67,676)</u>	<u>\$ (55,464)</u>

The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 8.5% for 1989 and a weighted average rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990, and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990, and 1989. Transition assets are being amortized over the greater of the remaining service period of active participants or 15 years.

The System companies also provide certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for the System companies. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The total cost of providing these benefits, recorded on a cash basis, and the number of active employees and retirees for the last three years were:

	1991	1990	1989
Total cost of health care and life insurance (in thousands)	\$49,473	\$42,547	\$41,100
Number of active employees	12,391	13,403	12,938
Number of retirees	3,877	3,709	3,528

ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(Dollars in thousands, except per share amounts)				
Operating revenues	\$ 4,051,429	\$ 3,982,062	\$ 3,724,004	\$ 3,565,405	\$ 3,454,820
Net income (loss)(1)	\$ 482,032	\$ 478,318	\$ (472,585)	\$ 411,028	\$ 356,604
Earnings (loss) per share(1)	\$ 2.64	\$ 2.44	\$ (2.31)	\$ 2.01	\$ 1.74
Dividends declared per share	\$ 1.25	\$ 1.05	\$ 0.90	\$ 0.20	\$ —
Book value per share, year-end	\$ 23.53	\$ 22.25	\$ 20.68	\$ 23.96	\$ 22.13
Total assets	\$14,383,102	\$14,831,394	\$14,715,241	\$15,941,816	\$15,156,832
Long-term obligations(2)	\$ 5,791,273	\$ 6,383,252	\$ 6,697,282	\$ 6,911,265	\$ 6,686,936

(1) The year 1989 includes certain write-offs related to the Project Olive Branch settlements. (See Entergy's Note 2, "Rate and Regulatory Matters — Project Olive Branch Settlements.")

(2) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

Arkansas Power & Light Company/1991 Financial Statements



AP&L

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ARKANSAS POWER & LIGHT COMPANY

DEFINITIONS

Certain abbreviations or acronyms used in AP&L's Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AECC	Arkansas Electric Cooperative Corporation
AEEC	Arkansas Electric Energy Consumers
AFUDC	Allowance for Funds Used During Construction
ANO	Arkansas Nuclear One Steam Electric Generating Station (nuclear)
ANO 1	Unit No. 1 of ANO
ANO 2	Unit No. 2 of ANO
AP&L	Arkansas Power & Light Company
APSC	Arkansas Public Service Commission
Arkansas District Court	United States District Court for the Western Division of Arkansas, Hot Springs Division
Arkansas Settlement Agreement	Agreement, effective September 9, 1985, adopted by the APSC, settling AP&L's Grand Gulf 1-related and other rate issues for the state of Arkansas
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation
Entergy Operations	Entergy Operations, Inc.
Entergy Power	Entergy Power, Inc.
Entergy Services	Entergy Services, Inc.
Entergy System or System	Entergy and its various direct and indirect subsidiaries
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC Complaint Case	Complaint filed with the FERC by the APSC, LPSC, MPSC, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991
FERC Settlement	Settlement offer filed with the FERC on June 5, 1989 by the System operating companies and System Energy and approved by the FERC on July 21, 1989 to settle, among other things, certain then pending Grand Gulf Station-related issues, litigation and other rate matters
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Independence Station	Independence Steam Electric Generating Station (coal)

ARKANSAS POWER & LIGHT COMPANY

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
Independence 2	Unit No. 2 of the Independence Station
June 13 Decision	An order issued by the FERC on June 13, 1985, (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement
KWH	Kilowatt-Hour(s)
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
Money Pool	Entergy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
PSCM	Public Service Commission of Missouri
Reallocation Agreement	1981 Agreement, superseded in part by a June 13, 1985 decision of the FERC, among the System operating companies and System Energy relating to the sale of capacity and energy from the Grand Gulf Station
Revised Arkansas Settlement Agreement	Arkansas Settlement Agreement, as modified by an APSC order issued October 6, 1988, to bring the Grand Gulf 1-related phase-in plan into compliance with the requirements of SFAS No. 92
Ritchie 2	Unit No. 2 of the R. E. Ritchie Steam Electric Generating Station (natural gas/oil)
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
System or Entergy System	Entergy and its various direct and indirect subsidiaries
System Agreement	Agreement, effective January 1, 1983, as modified by the June 13 Decision, among the System operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
System operating companies	AP&L, LP&L, MP&L and NOPSI, collectively
Union Electric	Union Electric Company of St. Louis, Missouri
Unit Power Purchase Agreement	Agreement, terminated in December 1989, between AP&L and MP&L, related to MP&L's purchase of capacity and energy from AP&L's share of Independence 2
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
White Bluff Station	White Bluff Steam Electric Generating Station (coal)

ARKANSAS POWER & LIGHT COMPANY
REPORT OF MANAGEMENT

The management of Arkansas Power & Light Company has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

JERRY L. MAULDEN
Chairman and Chief Executive Officer

GERALD D. MCINVALE
Senior Vice President and Chief Financial Officer

ARKANSAS POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991	1990	1989	1991 vs 1990		1990 vs 1989	
				Increase/ (Decrease)	%	Increase/ (Decrease)	%
				(Dollars in Millions)			
Net income	\$ 143.5	\$ 129.8	\$ 132.0	\$ 13.7	11	\$ (2.2)	(2)
Electric operating revenues	\$1,528.3	\$1,481.4	\$1,381.9	\$ 46.9	3	\$ 99.5	7
Other operation expense	\$ 370.9	\$ 355.4	\$ 300.5	\$ 15.5	4	\$ 54.9	18
Rate deferrals -- net	\$ 8.3	\$ (37.3)	\$ (81.1)	\$ 45.0	—	\$ 43.8	54
Total income taxes	\$ 53.9	\$ 56.8	\$ 49.3	\$ (2.9)	(3)	\$ 7.5	15
Miscellaneous other income -- net	\$ 82.7	\$ 84.7	\$ 60.3	\$ (2.0)	(2)	\$ 24.4	40
Interest on long-term debt	\$ 133.9	\$ 132.6	\$ 120.2	\$ 1.3	1	\$ 12.4	10
Other interest -- net	\$ 2.4	\$ 4.4	\$ (3.9)	\$ (2.0)	(45)	\$ 8.3	—
Electric operating revenues:							
Residential	\$ 494.4	\$ 484.4	\$ 425.6	\$ 10.0	2	\$ 58.8	14
Commercial	289.3	284.0	254.6	5.3	2	29.4	12
Industrial	324.6	331.9	307.9	(7.3)	(2)	24.0	8
Governmental	19.7	19.6	21.0	0.1	1	(1.4)	(7)
Total retail	1,128.0	1,119.9	1,009.1	8.1	1	110.8	11
Sales for resale	373.8	339.3	345.5	34.5	10	(6.0)	(2)
Other	26.5	22.2	27.3	4.3	19	(5.3)	(19)
Total electric operating revenues	\$1,528.3	\$1,481.4	\$1,381.9	\$ 46.9	3	\$ 99.5	7
Energy sales:							
(Millions of KWH)							
Residential	5,564	5,401	5,598	163	3	303	6
Commercial	3,967	3,821	3,644	146	4	177	5
Industrial	5,565	5,532	5,513	33	1	19	—
Governmental	290	285	320	5	2	(35)	(11)
Total retail	15,386	15,039	14,375	347	2	464	3
Sales for resale	16,087	13,618	12,125	2,469	18	1,490	12
Total energy sales	31,473	28,657	26,700	2,816	10	1,954	7

Net Income

Net income increased in 1991 as compared to 1990 primarily due to increased revenues (discussed below) and lower Grand Gulf 1 operating and capacity costs, due to a reduction in the rate of return System Energy is allowed to earn on Grand Gulf 1 and to lower maintenance expense since there was not a refueling outage at Grand Gulf 1 in 1991. Also contributing to the increase in net income was the retained portion of the FERC Complaint Case settlement which decreased AP&L's retained share and impacted net income. (See AP&L's Note 2, "Rate and Regulatory Matters -- FERC Complaint Case," incorporated herein by reference.)

Net income decreased in 1990 as compared to 1989 by less than 2 percent. Net income was affected in 1990 by a number of factors including, among other things, increased revenues due in part to increased KWH sales to retail customers, decreased revenue due to the termination in December 1989 of the Unit Power Purchase Agreement providing for the sale to MP&L of AP&L's 51.5 percent share of capacity and energy from Independence 2, increased earnings as a result of the sale in 1990 of Independence 2 and Ritchie 2 to Entergy Power (see AP&L's Note 2, "Rate and Regulatory Matters -- Arkansas -- Stipulation and Settlement Agreement," incorporated herein by reference), and signifi-

ARKANSAS POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

cant increases in 1990 operation and maintenance expenses resulting from a comprehensive action plan to improve operations and safety at ANO. (See "Other Operation Expense" below and AP&L's Note 8, "Commitments and Contingencies — Capital Requirements and Financing and — NRC Actions" incorporated herein by reference.)

Electric Operating Revenues

Electric operating revenues increased in 1991 as compared to 1990 due to increased collection from retail customers of purchased power costs associated with AP&L's allocated share of Grand Gulf 1 pursuant to the Revised Arkansas Settlement Agreement, the implementation of revenue increases associated with the amortization of previously deferred Grand Gulf 1 costs and increased revenue from sales for resale. Revenue relating to sales for resale increased primarily due to increased System power pool sales and sales to cooperatives.

Electric operating revenues increased in 1990 as compared to 1989 due to increased collection from retail customers of purchased power costs associated with AP&L's allocated share of Grand Gulf 1 pursuant to the Revised Arkansas Settlement Agreement and increased retail KWH sales. Revenue relating to sales for resale decreased in 1990 as compared to 1989, primarily due to the elimination in 1990 of sales to MP&L from Independence 2 under the Unit Power Purchase Agreement partially offset by increased sales to the City of North Little Rock, AECC, and other nonaffiliates.

Other Operation Expense

Other operation expense increased in both 1991 and 1990 as compared to the prior years, due primarily to increased nuclear-related expenses of approximately \$14.6 million and \$31.4 million, respectively. This included an increase in the base level of operation expense necessary to maintain ANO at an improved level of performance. The base level of operation and maintenance expense and related support costs have increased by approximately \$14.6 million for 1991 and by approximately \$18.6 million for 1990 as compared to the prior years. Also, a comprehensive action plan, which began in early 1990, to improve operations and safety at ANO, resulted in an increase in operation expenses in 1990 as compared to 1989 of approximately \$9.0 million. (See AP&L's Note 8, "Commitments and Contingencies — Capital Requirements and Financing and — NRC Actions," incorporated herein by reference, for more information on the comprehensive action plan.) The increase in 1990 as compared to 1989 was also attributable to an approximate \$8.5 million increase in expenses recorded to offset the collection of revenue for previously deferred Grand Gulf 1 costs.

Rate Deferrals — Net

In accordance with the Revised Arkansas Settlement Agreement, the amount of rate deferrals — net decreased in 1991 as compared to 1990, resulting in increased operating expenses, due to the cessation of the deferral of purchased power costs, and the amortization of previously deferred purchased power costs, associated with AP&L's allocated share of Grand Gulf 1. (See "Financial Condition — Liquidity" below and AP&L's Note 2, "Rate and Regulatory Matters — Arkansas — Retail, Revised Arkansas Settlement Agreement," incorporated herein by reference, for further information.)

Reductions in the amount of rate deferrals in 1990 as compared to 1989 were due primarily to the increased current collection of purchased power costs associated with AP&L's allocated share of Grand Gulf 1 costs pursuant to the Revised Arkansas Settlement Agreement.

ARKANSAS POWER & LIGHT COMPANY

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Total Income Taxes

Total income taxes increased in 1990 as compared to 1989 primarily due to the cessation of crediting customers over a three-year period for the benefit of reductions in certain accumulated deferred income tax accounts which were no longer needed due to the 1986 reduction in the corporate income tax rate.

Miscellaneous Other Income — Net

Miscellaneous other income — net increased in 1990 as compared to 1989 primarily due to the third quarter 1990 sale of AP&L's interests in Independence 2 and Ritchie 2 to Entergy Power.

Interest on Long-Term Debt

Interest on long-term debt increased in 1990 as compared to 1989 primarily due to an increase in interest on first mortgage bonds of \$12.4 million in 1990 attributable to a greater principal amount of such bonds outstanding during 1990.

Other Interest — Net

Other interest — net increased in 1990 as compared to 1989 primarily due to a reduction of \$8.8 million in 1989 in interest accrued on potential income tax liability.

Energy Sales (KWH)

Energy sales (KWH) increased in 1991 as compared to 1990 primarily due to increased sales for resale to associated companies due to changes in generation capability and requirements among the System operating companies and to increased sales to nonassociated companies.

Energy sales (KWH) increased in 1990 as compared to 1989 primarily due to increases in sales for resale.

FINANCIAL CONDITION

Rate Issues

AP&L has no current plans to file for a general change in retail rates in 1992. Such plans will not adversely affect AP&L's financial condition as long as costs can be maintained at current levels or reduced. To the extent that operating expenses significantly increase, net income could be adversely impacted unless such increases are offset by revenues derived from increased sales of energy, or rate increases are obtained.

In March 1992, the FERC authorized the System operating companies and Entergy Power to sell wholesale power at market-based rates and to provide to electric utilities "open access" to the System's integrated transmission system for delivery to other electric utilities (subject to certain requirements). The FERC's order may be appealed by various intervenors in the proceeding. If it ultimately becomes final, the FERC's order will simultaneously produce increased marketing opportunities for AP&L and expose AP&L to the risk of loss of load or reduced revenues due to competition with alternative suppliers.

Liquidity

AP&L's primary cash requirements for 1991 included, among other things, construction expenditures, payments to System Energy for Grand Gulf 1 capacity and energy, and retirement of first

ARKANSAS POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

mortgage bonds. Cash requirements in 1991 were primarily satisfied with cash on hand and internally generated funds.

Net cash flow provided by operating activities totaled approximately \$261 million in 1991. Cash flow from operating activities was affected by a number of factors representative of normal operations. Factors of an unusual nonrecurring nature were not significant. In 1992-1994, AP&L will continue collecting in rates Grand Gulf 1 costs paid to System Energy but not collected from customers in previous years pursuant to the Revised Arkansas Settlement Agreement. During periods when deferred costs are recovered, revenue collections will exceed, to the extent of such current collections, current cash requirements for Grand Gulf 1 costs. The amortization of previous deferrals of Grand Gulf 1-related costs matches the impact of the revenue collections in the income statement. See AP&L's Note 2, "Rate and Regulatory Matters — Arkansas — Retail, Revised Arkansas Settlement Agreement," incorporated herein by reference.

Investing activities for 1991 resulted in a net utilization of cash of approximately \$151.5 million due primarily to construction expenditures.

Financing activities for 1991 resulted in a net utilization of cash of approximately \$45.9 million. The principal financing activities affecting cash in 1991 were the issuance of \$50 million of preferred stock, the retirement of first mortgage bonds and redemption of preferred stock, dividends paid on preferred stock, the payment of cash dividends on common stock to Entergy and the sale of \$27 million of solid waste disposal revenue bonds. Cash received during this period from the sale of the solid waste disposal revenue bonds was approximately \$13.8 million. The remainder of the proceeds are for identified projects pending construction and are invested in a construction trust fund. These funds will be received as construction costs are incurred.

Capital and Refinancing Requirements and Capital Resources

See AP&L's Note 8, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on the capital and refinancing requirements of AP&L for the period 1992-1994.

AP&L's minimum earnings coverage requirements for issuance of additional first mortgage bonds and preferred stock are 2.0 times the annual mortgage interest requirements and 1.5 times the annual interest and preferred dividend requirements, respectively, on a pro forma basis. For AP&L's first mortgage bonds and preferred stock, the earnings coverages for the twelve months ended December 31, 1991 were 2.70 times the annual mortgage interest requirements and 1.77 times the annual interest and preferred dividend requirements, respectively. Based upon earnings coverages at December 31, 1991 and an assumed interest/dividend rate of 9%, AP&L had adequate earnings coverages and sufficient unfunded bondable property to support the issuance of approximately \$385 million of first mortgage bonds or had sufficient earnings to support the issuance of approximately \$318 million of preferred stock. In addition, AP&L has the ability, subject to meeting certain conditions, to issue bonds against the retirement of bonds and to issue preferred stock to refund outstanding preferred stock without meeting an earnings coverage test.

See AP&L's Note 5, "Preferred and Common Stock," and AP&L's Note 6, "Long Term Debt," incorporated herein by reference, for information regarding regulatory authorization permitting the issuance of preferred stock and first mortgage bonds, and the possible refunding, redemption, purchase or other acquisition of outstanding securities.

See AP&L's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

ARKANSAS POWER & LIGHT COMPANY

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Union Electric and AP&L signed a contract for the sale of AP&L's retail properties in Missouri, subject to certain conditions. As a portion of this contract, Sho-Mie Power Corporation agreed to purchase certain of the AP&L retail properties in Missouri that were to have been sold to Union Electric. In order to reach a settlement with AP&L's intervening mine customers, AP&L and Union Electric agreed that the mine customers will purchase from AP&L seven substations that serve the mine facilities. The transactions were consummated on March 12, 1992. The aggregate sales price of AP&L's Missouri retail properties, Missouri account receivable, and Missouri material and supplies inventories was approximately \$72 million (which is greater than AP&L's book value of such properties). AP&L currently intends to use approximately \$69 million of the proceeds from these transactions to redeem all or a portion of certain series of AP&L's outstanding first mortgage bonds at special redemption prices, at or near par, pursuant to and in compliance with applicable provisions of AP&L's mortgage and deed of trust. The series of first mortgage bonds being redeemed are the 1 1/2% Series due June 1, 2004 and the 10 1/4% Series due July 1, 2016. (See AP&L's Note 2, "Rate and Regulatory Matters — Missouri Retail Operations," incorporated herein by reference.)

ACCOUNTING ISSUES

SFAS No. 106

See AP&L's Note 10, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See AP&L's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

ENVIRONMENTAL MATTERS

Clean Air Legislation

The Clean Air Act Amendments of 1990 (Act), among other things, place limits on emissions of sulfur dioxide and nitrogen oxide from fossil-fueled generating plants. Based on evaluations to date, in connection with existing generating facilities, AP&L has determined that no additional equipment will be required to control sulfur dioxide emissions in order to comply with the Act. With respect to nitrogen oxide, AP&L may be required to install emission controls at its coal units and to install continuous emission monitoring systems at some or all of its fossil-fueled units. Based on current expectations, AP&L estimates that total capital costs of approximately \$9.7 million could be incurred to comply with this and other provisions of the Act. However, final regulations have not been adopted. It is not possible to determine at this time what measures will be required and the ultimate cost to AP&L.

ARKANSAS POWER & LIGHT COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS — (Concluded)

LITIGATION MATTERS

Three lawsuits (which have been consolidated) have been filed against AP&L and Entergy Services in connection with the operation of two dams during a period of heavy rainfall and flooding. The consolidated lawsuits seek, among other things, approximately \$14.4 million in property losses and other compensatory damages and \$500 million in punitive damages. While the outcome of these matters and their impact, if any, on the financial condition of AP&L cannot be determined with certainty at this time, AP&L believes it has meritorious defenses which AP&L intends to assert aggressively and that the ultimate outcome will have no material adverse financial impact. See AP&L's Note 8, "Commitments and Contingencies -- Flood Litigation," incorporated herein by reference.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Arkansas Power & Light Company (AP&L) as of December 31, 1991 and 1990, and the related statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of AP&L's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of AP&L at December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
February 14, 1992
Little Rock, Arkansas

AT KANSAS POWER & LIGHT COMPANY

BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Notes 1, 2, and 8):		
Electric	\$3,930,511	\$3,796,461
Property under capital leases (Note 9)	73,233	95,940
Construction work in progress	139,773	138,185
Nuclear fuel under capital lease (Notes 8 and 9)	121,689	151,635
Nuclear fuel	—	158
Total	<u>4,265,296</u>	<u>4,182,379</u>
Less — Accumulated depreciation and amortization	1,339,519	1,245,702
Utility plant — net	<u>2,925,687</u>	<u>2,936,677</u>
Other Property and Investments:		
Investments in subsidiary companies, at equity (Note 8)	11,231	11,226
Other, at cost (less accumulated depreciation)	2,585	1,695
Total	<u>13,816</u>	<u>12,921</u>
Current Assets:		
Cash and cash equivalents (Note 1):		
Cash	1,042	12,301
Temporary cash investments — at cost, which approximates market:		
Associated companies (Note 4)	16,948	2,773
Other	158,078	97,371
Total cash and cash equivalents	<u>176,068</u>	<u>112,445</u>
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$3.4 million in 1991 and 1990)	55,396	63,597
Associated companies	27,710	27,886
Other	7,002	9,573
Fuel inventory — at average cost	69,133	31,951
Materials and supplies — at average cost	87,253	75,426
Rate deferrals (Note 2)	49,265	6,795
Deferred excess capacity (Note 2)	8,618	8,514
Prepayments and other	<u>38,291</u>	<u>36,654</u>
Total	<u>518,736</u>	<u>372,854</u>
Deferred Debits:		
Rate deferrals (Note 2)	646,244	697,017
Deferred excess capacity (Note 2)	46,488	55,222
Other	41,049	63,217
Total	<u>733,781</u>	<u>815,456</u>
TOTAL	<u>\$4,192,020</u>	<u>\$4,137,938</u>

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
	(In Thousands)	
Capitalization:		
Common stock, \$0.01 par value; authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 1991 and 1990 (Note 5)	\$ 470	\$ 470
Paid-in capital	595,492	595,457
Retained earnings (Note 7)	388,364	307,683
Total common shareholder's equity	984,326	903,610
Preferred stock, net of premium and expense (Note 5):		
Without sinking fund	175,041	126,890
With sinking fund	102,351	116,361
Long-term debt (Note 6)	1,440,123	1,443,200
Total	2,701,841	2,590,061
Other Noncurrent Liabilities:		
Obligations under capital leases (Note 9)	127,034	170,485
Other (Note 1)	24,873	29,904
Total	151,907	200,389
Current Liabilities:		
Currently maturing long-term debt (Note 6)	2,775	14,690
Notes payable (Note 4)	667	667
Accounts payable:		
Associated companies	27,348	34,474
Other	96,871	63,924
Customer deposits	13,711	11,115
Taxes accrued	65,746	66,232
Accumulated deferred income taxes	13,178	2,579
Interest accrued	39,250	39,404
Preferred stock dividends declared	6,063	5,263
Nuclear refueling reserve (Note 1)	7,612	8,550
Co-owner advances (Note 1)	30,312	30,177
Deferred fuel cost (Note 1)	15,309	8,553
Obligations under capital leases (Note 9)	67,885	77,090
Other	18,991	11,572
Total	408,721	404,290
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	622,063	621,103
Accumulated deferred investment tax credits (Note 3)	173,530	173,130
Other	134,018	146,965
Total	929,551	941,198
Commitments and Contingencies (Notes 2, 8 and 9)		
TOTAL	\$4,192,020	\$4,137,935

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues (Notes 1, 2, and 11)	\$1,528,270	\$1,481,405	\$1,381,871
Operating Expenses:			
Operation (Note 11):			
Fuel for electric generation and fuel-related expenses	268,699	295,862	297,795
Purchased power	378,069	377,166	379,095
Other	370,941	355,375	300,502
Maintenance	108,398	100,045	95,002
Depreciation and decommissioning	128,470	129,114	123,493
Taxes other than income taxes	23,068	28,991	34,558
Income taxes — (credit) (Note 3)	26,110	16,813	(1,903)
Rate deferrals (Notes 2 and 5):			
Rate deferrals	—	(37,246)	(81,122)
Amortization of rate deferrals	8,309	—	—
Income taxes — (credit) (Note 3)	(3,152)	14,142	30,769
Total	5,157	(23,104)	(50,353)
Total	1,308,852	1,286,172	1,178,489
Operating Income	219,418	201,236	203,382
Other Income:			
Allowance for equity funds used during construction	4,508	3,278	2,657
Miscellaneous — net (Note 2)	82,733	84,723	60,274
Income taxes — (debit) (Note 3)	(30,908)	(25,887)	(20,384)
Total	56,333	62,114	42,547
Interest Charges:			
Interest on long-term debt	133,854	132,667	120,164
Other interest — net	2,415	4,385	(3,910)
Allowance for borrowed funds used during construction	(3,969)	(3,407)	(2,304)
Total	132,300	133,585	113,950
Net Income	143,451	129,765	151,979
Preferred Stock Dividend Requirements	22,870	21,454	22,790
Earnings Applicable to Common Stock	<u>\$ 120,581</u>	<u>\$ 108,311</u>	<u>\$ 109,189</u>

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Retained Earnings January 1	\$307,683	\$314,602	\$303,105
Add:			
Net income	143,451	129,765	151,979
Total	<u>451,134</u>	<u>444,367</u>	<u>455,084</u>
Deduct:			
Dividends declared:			
Preferred stock	22,570	21,454	22,790
Common stock (Note 7)	39,900	115,230	97,692
Total	<u>62,770</u>	<u>136,684</u>	<u>120,482</u>
Retained Earnings, December 31 (Note 7)	<u>\$388,364</u>	<u>\$307,683</u>	<u>\$314,602</u>

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1981	1980	1989
		(In Thousands)	
Operating Activities:			
Net income	\$ 143,451	\$ 129,765	\$ 131,979
Noncash items included in net income:			
Rate deferrals/excess capacity — net (Note 2)	16,936	(29,044)	(73,517)
Depreciation and decommissioning	128,410	129,114	127,493
Deferred income taxes and investment tax credits	9,448	23,272	40,811
Allowance for equity funds used during construction	(4,508)	(3,278)	(2,657)
Changes in working capital:			
Receivables	10,948	(9,992)	(13,706)
Fuel inventory	(37,142)	3,883	(13,569)
Accounts payable	(4,528)	30,944	9,480
Deferred fuel costs	6,756	1,564	(2,308)
Taxes accrued	2,514	(43,747)	12,496
Other working capital accounts	(4,404)	(20,347)	(10,733)
Decommissioning trust contributions	(13,765)	(14,433)	(9,837)
Other	6,879	3,614	(6,287)
Net cash flow provided by operating activities	<u>260,995</u>	<u>201,315</u>	<u>185,645</u>
Investing Activities:			
Construction expenditures	(156,734)	(179,342)	(137,568)
Proceeds received from sale of property (Note 2)	—	173,406	—
Nuclear fuel sales (expenditures) — net	158	(104)	143
Allowance for equity funds used during construction	4,508	3,278	2,657
Other	616	107	1,320
Net cash flow used by investing activities	<u>(151,452)</u>	<u>(2,655)</u>	<u>(133,448)</u>
Financing Activities:			
Proceeds from issuance of:			
First mortgage bonds	—	314,520	73,282
Preferred stock	48,175	—	—
Proceeds from the sale of installment purchase contracts (Note 6)	13,208	19,107	—
Retirement of:			
First mortgage bonds	(35,598)	(151,322)	(55,700)
Installment purchase contracts	(1,110)	(1,025)	(925)
Common stock	—	(100,005)	—
Redemption of preferred stock	(14,000)	(11,056)	(9,766)
Long term obligations — DOE	5,399	6,661	6,659
Dividends paid:			
Common stock	(39,900)	(113,230)	(97,692)
Preferred stock	(22,071)	(21,775)	(23,070)
Changes in short-term borrowings	—	(27,000)	27,000
Other	7	(250)	(74)
Net cash flow used by financing activities	<u>(45,920)</u>	<u>(87,405)</u>	<u>(80,286)</u>
Net increase (decrease) in cash and cash equivalents (Note 1)	63,623	111,255	(25,089)
Cash and cash equivalents at beginning of period	112,445	1,190	29,279
Cash and cash equivalents at end of period	<u>\$ 176,068</u>	<u>\$ 112,445</u>	<u>\$ 1,190</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest (net of amount capitalized)	\$ 124,220	\$ 118,395	\$ 111,172
Interest on capital leases	\$ 9,160	\$ 10,357	\$ 11,772
Daily lease charges — nuclear fuel	\$ 11,205	\$ 11,352	\$ 13,099
Income taxes (refund)	\$ 36,396	\$ 61,030	\$ (3,667)
Noncash investing and financing activities:			
Capital lease obligations incurred	\$ 36,619	\$ 43,301	\$ 56,902

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulation and System of Accounts

The accounts of AP&L are maintained in accordance with the Uniform System of Accounts prescribed by its regulators, the APSC, the PSCM, and the FERC.

Revenues and Fuel Costs

AP&L records revenues when billed to its customers on a cycle-billing basis. Revenues are not accrued for energy delivered but not yet billed at the end of the fiscal period.

Substantially all of AP&L's rate schedules include adjustment clauses under which fuel and purchased power costs above or below specified levels are permitted to be billed or required to be credited to customers. AP&L has adopted a deferral method of accounting for these fuel and purchased power costs. Under this method, such costs are deferred to the month in which the related revenues are billed.

The fuel adjustment factor contains an amount for a nuclear reserve, estimated to cover the cost of replacement energy when either ANO 1 or ANO 2 is down for scheduled maintenance and refueling. The reserve earns interest and is used to reduce fuel expense for fuel adjustment purposes during the maintenance and refueling period. In addition, the fuel adjustment clause provides, as an incentive with respect to ANO, for over- or under-recovery of cost of replacement energy in excess of the cost of equal amounts of nuclear energy when the units are not down for refueling. The recovery of fuel cost and purchased power cost for Missouri retail customers is presently limited to the amount of such costs included in each service rate schedule.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead, and AFUDC) are recorded at cost. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction costs not eligible for inclusion in rate base. Although AFUDC results in an increase in utility plant and represents current earnings, it is a non-cash item and is realized in cash through recovery of depreciation provisions included in rates. AP&L's effective composite rates for AFUDC were 8.8%, 8.6%, and 9.0% for 1991, 1990, and 1989, respectively.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.4% in 1991 and 1990 and 3.3% in 1989.

Substantially all of the utility plant owned by AP&L is subject to the lien of its mortgage and deed of trust.

Jointly-Owned Generating Stations

AP&L is a co-owner in two coal-fueled, two-unit generating stations, the White Bluff Station and the Independence Station. (See AP&L's Note 2, "Rate and Regulatory Matters — Arkansas — Stipulation and Settlement Agreement and — Unit Power Purchase Agreement and Entergy Power" with respect to the sale of AP&L's interests in Independence 2 and Ritchie 2 to Entergy Power on August 28, 1990.) AP&L is the agent for the respective co-owners and operates the stations.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

AP&L records its investment and expenses associated with these generating stations to the extent of its ownership interests. At December 31, 1991, AP&L's investment and accumulated depreciation in these generating stations were as follows:

<u>Generating Stations</u>		<u>Ownership</u>	<u>Investment</u>	<u>Accumulated Depreciation</u>
White Bluff:	Unit 1*	57.00%	\$216,934,215	\$70,704,400
	Unit 2*	57.00	180,902,141	54,228,704
Independence:	Unit 1	31.50	116,326,088	30,321,051
	Common Facilities	15.73	28,662,573	6,722,771

* Including common facilities

Income Taxes

AP&L joins its parent and affiliates in filing a consolidated federal income tax return. Pursuant to an intra-system income tax allocation agreement, income taxes are allocated to AP&L in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by AP&L's regulatory bodies for ratemaking purposes. Investment tax credits allocated to AP&L are deferred and amortized based upon the average useful life of the related property. In April 1990, AP&L began amortizing all deferred investment tax credits. (See AP&L's Note 2, "Rate and Regulatory Matters — Arkansas — Stipulation and Settlement Agreement.")

Other Noncurrent Liabilities

AP&L records provisions for uninsured property risks and claims for injuries and damages through charges to operation expense on an accrual basis. Provisions for these accruals, classified as other noncurrent liabilities, have been allowed for ratemaking purposes.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, AP&L considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

NOTE 2. RATE AND REGULATORY MATTERS

Arkansas — Retail Settlement Agreement

On September 9, 1985, the APSC approved the terms of the Arkansas Settlement Agreement which, among other things, resolved all issues (except allocation and rate design, which were dealt with in a subsequent order) relating to recovery by AP&L of the portion, attributable to Arkansas retail customers, of its costs associated with its allocated share of capacity and energy from Grand Gulf 1 (Arkansas Costs). Under the terms of the Arkansas Settlement Agreement, AP&L would retain, defer and recover varying portions of such costs over the life of the unit.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Arkansas — Retail, Revised Arkansas Settlement Agreement

The deferral provisions of AP&L's Arkansas Settlement Agreement relating to recovery by AP&L of the Arkansas Costs did not comply with the requirements of SFAS No. 92, an accounting standard issued in August 1987 by the FASB relating to recording of deferred amounts as assets for accounting purposes. Therefore, the parties, pursuant to the terms of the Arkansas Settlement Agreement, negotiated an amendment hereof which brought such provisions into compliance. The Revised Arkansas Settlement Agreement was approved by the APSC on October 5, 1988, and became effective January 1, 1989.

Like the Arkansas Settlement Agreement, the Revised Arkansas Settlement Agreement provides that AP&L permanently retain and not recover (except through other sales as described below) a portion of its Arkansas Costs (Retained Share). The Retained Share (stated as a percentage of System Energy's share of Grand Gulf 1) ranges from 5.67% in 1989 to 7.92% in 1994 and all succeeding years of commercial operation of the unit. The retained share percentage was 6.57% in 1991.

Under the terms of the Revised Arkansas Settlement Agreement, AP&L is permitted to recover on a current basis a portion of its Arkansas Costs (Current Recovery Share). (See "Arkansas — Rate Riders" below.) The Arkansas Settlement Agreement had provided that prior to January 1, 1989, a portion of the Current Recovery Share would be phased in, with AP&L deferring for future recovery certain costs in the first three years. Under the Revised Arkansas Settlement Agreement, these previously deferred amounts are now included in the Deferred Balance described below, and there is no further deferral of any part of the Current Recovery Share. The Current Recovery Share (stated as a percentage of System Energy's 90% interest in Grand Gulf 1) ranges from 17.86% in 1989 to 29.43% in 1991 and declines to 25.08% in 1994 and thereafter.

Under the provisions of the Arkansas Settlement Agreement, through December 31, 1988, AP&L had deferred approximately \$578 million of its Arkansas Costs for future recovery, through both the phasing-in of part of the Current Recovery Share (as described above) and the inventorying of an additional portion of Arkansas Costs. The Revised Arkansas Settlement Agreement provided for an additional 12.47% and 6.95% of such costs (stated as a percentage of System Energy's share of Grand Gulf 1) to be deferred in 1989 and 1990, respectively, for future collection (Deferred Share). The Deferred Share, plus the \$578 million of previously deferred costs (collectively, Deferred Balance) will be recovered by AP&L in increasing percentages from 1991 through 1998, at which time the Deferred Balance will have been fully collected. The Deferred Balance at December 31, 1991, was approximately \$695.5 million. AP&L is permitted to recover on a current basis the incremental cost of financing the unrecovered portion of the Deferred Balance.

AP&L has the right under the Revised Arkansas Settlement Agreement to sell capacity and energy available from its Retained Share to third parties, which shall not include AP&L's wholesale customers. In the event AP&L is not able to sell such capacity and energy to such third parties, it has the right to sell the energy available from such capacity, and to date a significant portion has been sold, to its retail customers at a price equal to AP&L's avoided energy cost, which is currently less than AP&L's cost of such energy. Proceeds from sales of capacity and/or energy from AP&L's Retained Share shall accrue to the sole benefit of AP&L's stockholders and shall not be used to reduce the determination of the appropriate revenues to be recovered from AP&L's customers. However, any sales of capacity and energy from the Retained Share to third parties during the period between January 1, 1989, and December 31, 1995, will be allocated in the following manner: (1) fifty percent of the capacity and/or energy sold (not to exceed the amount of capacity allocated to the Retained Share) will be considered to be a sale of capacity and/or energy from the Retained Share; and (2) the remainder of the capacity and/or energy sold will, unless the APSC determines otherwise, be considered to be a sale proportion-

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

ately from the Deferral Share and the Current Recovery Share and the proceeds of such sale shall be applied to reduce the Deferred Balance.

The Revised Arkansas Settlement Agreement provides that, should any other System operating company enter into an agreement to absorb a greater portion of Grand Gulf 1-related costs than AP&L, or should System Energy enter into a settlement agreement to reduce its charges to AP&L under the June 13 Decision, the Retained Share will be correspondingly increased or decreased, respectively. (See AP&L's Note 8, "Commitments and Contingencies — Unit Power Sales Agreement" for a discussion of the June 13 Decision.)

Arkansas — Rate Riders

In conjunction with the Revised Arkansas Settlement Agreement, AP&L was permitted to implement annual updates to the Grand Gulf 1 rate rider, increasing Arkansas retail rates by approximately 3.1%, 2.6%, and 4.0% for the years 1992, 1991, and 1990, respectively. These increases reflect scheduled phase-in plan increases adjusted for any prior year over or under collection.

Various other rate riders, which modify non-Grand Gulf 1 rates under the Revised Arkansas Settlement Agreement, have been implemented with respect to tax adjustments, depreciation, and decommissioning costs.

In 1985, the Arkansas Settlement Agreement denied AP&L a current return on alleged excess capacity of 969 megawatts, but allowed AP&L to earn a full deferred return on the investment in such capacity through June 30, 1988. Deferrals ceased June 30, 1988, and pursuant to a rate rider, which was designed to recover such deferred amounts over a 10-year recovery period, AP&L began recovering such deferred amounts July 1, 1988.

Missouri — 1985 Rate Request

On June 7, 1985, AP&L filed an application with the PSCM for an annual increase in Missouri retail rates of approximately \$5.0 million and an additional rate rider to provide approximately \$12.2 million for Grand Gulf 1-related costs associated with Missouri retail customers (Missouri Costs). On April 24, 1986, the PSCM entered an order allowing AP&L to recover the Missouri Costs of \$9.0 million, offset by a reduction of approximately \$3 million in other costs, phased in over five years. On March 11, 1987, the PSCM issued an order approving a Stipulation and Agreement and Tariff Sheets disposing of all issues in this rate case. The phase-in concluded on March 21, 1991, after recovery of all Missouri Costs deferrals under the phase-in. At that time, an 11.59% reduction in rates took effect.

AP&L and Union Electric have signed a contract for the sale by AP&L to Union Electric of AP&L's retail properties in Missouri. The sale was consummated on March 12, 1992. As a result of the sale, AP&L no longer has retail customers in Missouri and is not subject to the jurisdiction of the PSCM. (See "Missouri Retail Operations" below.)

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies reached an agreement with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement in 1989 resulted in, among other things, a \$900 million pre-tax write-off by System Energy of its investment in Grand Gulf 2 without seeking rate recovery from its customers, the System operating companies, including AP&L. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of \$50 million, which was allocated among the System operating companies in

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

accordance with their respective allocations of Grand Gulf 1 capacity and energy. AP&L's share of this credit totaled \$18.0 million of which \$14.5 million was refunded to customers.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Complaint Case" below.)

Arkansas — Stipulation and Settlement Agreement

In addition to settlement of FERC-related issues embodied in the FERC Settlement, in 1989 AP&L, the Staff of the APSC and the Arkansas Attorney General entered into a Stipulation and Settlement Agreement requesting, among other things, that (1) the APSC permit AP&L to recover in 1995 certain credits, amounting to \$4.4 million, (2) in order to avoid an immediate application by AP&L for increased retail rates in Arkansas, the APSC approve the sale and transfer of AP&L's interests in Independence 2 and Ritchie 2 to Entergy Power (see "Unit Power Purchase Agreement and Entergy Power" below), (3) the APSC approve consolidation within the System of operating responsibility for the System's nuclear generating units, including ANO (see "Nuclear Management Consolidation" below), (4) the APSC permit amortization by AP&L of certain investment tax credits, without changing AP&L's retail rates to reflect such amortization and (5) the APSC approve a rate change moratorium whereby AP&L would not seek changes in retail rates until December 31, 1991, except under specific circumstances. By order dated April 2, 1990, the APSC approved the Stipulation and Settlement Agreement, subject to certain conditions. With respect to the Entergy Power transactions, the APSC required, among other things, (a) that AP&L have a right of first refusal to repurchase from Entergy Power its interests in Independence 2 and Ritchie 2 at Entergy Power's book value should Entergy Power ever wish to sell the facilities, (b) that AP&L agree to a "rate cap" which would limit AP&L's rates for new capacity for the next 15 years to a level that reflects the cost to ratepayers if the units had not been sold and (c) that without a waiver from the APSC, Entergy Power not serve retail or wholesale loads in Arkansas or enter into capacity sales with any Entergy affiliate. Such conditions were accepted by AP&L. The APSC order is also subject to certain conditions, which were accepted by AP&L, with respect to the consolidation of nuclear management in Entergy Operations.

During 1990, AEEC filed appeals of the APSC's April 2, 1990 order with the APSC, the Arkansas Court of Appeals, and the Arkansas Supreme Court which were all denied. The APSC's April 2, 1990 order is now final.

Unit Power Purchase Agreement and Entergy Power

AP&L and MP&L were parties to a Unit Power Purchase Agreement, which terminated in December 1989, for the sale to MP&L of AP&L's 31.5% share of capacity and energy from Independence 2. AP&L's revenue associated with the sale of such capacity to MP&L was approximately \$27 million in 1989. This adverse earnings impact associated with the termination of the Unit Power Purchase Agreement was partially offset in 1990 by the effects of the sale of AP&L's interest in Independence 2 (along with its interest in Ritchie 2) to Entergy Power on August 28, 1990 as discussed below.

AP&L filed applications in 1989 with the APSC, the PSCM, the FERC and the SEC in connection with the approval of the formation of Entergy Power, a then proposed subsidiary of Entergy to be formed to own generating capacity and to sell such capacity and energy in the wholesale market

AR, MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS -- (Continued)

outside Arkansas and Missouri and in markets not otherwise served presently by the System (see "Arkansas -- Stipulation and Settlement Agreement" above). On April 2, 1990, the APSC issued an order approving the Entergy Power transactions. On May 1, 1990, the PSCM issued an order approving the Entergy Power transactions. Such orders are now final.

On June 29, 1990, the FERC approved the related transmission service agreement. The FERC's order was appealed by various parties. Such appeals have been dismissed (the last such dismissal being on January 27, 1992) and the FERC order is now final.

On August 27, 1990, the SEC issued an order approving the Entergy Power transactions. On October 19, 1990, October 23, 1990, and October 26, 1990, the City of New Orleans (City), the LPSC, and the State of Mississippi, respectively, filed petitions with the D.C. Circuit for review of the SEC's August 27, 1990 order. Motions to intervene were granted with respect to numerous parties, including Entergy, Entergy Power, Entergy Services, AP&L and System Fuels (Entergy, et al.). On November 26, 1990 and November 30, 1990, the City and the LPSC, respectively, filed motions with the D.C. Circuit requesting that the D.C. Circuit consolidate the proceedings with respect to the appeal of the SEC's order with a proceeding brought by the City for review of the FERC's order. On December 6, 1990 and December 11, 1990 Entergy, et al. and the FERC, respectively, each filed replies requesting that the motions to consolidate of the City and the LPSC be denied. On September 4, 1991, the D.C. Circuit, on its own motion, consolidated the appeals of the SEC's order and dismissed as moot the City's and LPSC's motions to consolidate the appeal of the SEC's order with the petition for review of the FERC's order. Oral argument in the consolidated case is scheduled for May 19, 1992. The matter is pending.

On August 20, 1990, the City filed a complaint with the FERC against Entergy, the System operating companies, and System Energy requesting the FERC to investigate certain issues related to the transfer of Independence 2 and Ritchie 2 from AP&L to Entergy Power and its effect upon the System operating companies and their ratepayers. On September 21, 1990, Entergy, the System operating companies, and System Energy filed with the FERC an answer to the City's complaint asking that the complaint be dismissed. Numerous parties have intervened in this proceeding. In the first quarter of 1991, the FERC issued an order, which, among other things, set for investigation the question of whether overall billings under the System Agreement will increase as a result of the transfer of the two units to Entergy Power and, if so, whether those higher charges reflect prudently incurred costs that may be reasonably passed through under the System Agreement and provided that rates charged under the System Agreement after the transfer of the two units be subject to refund, effective October 19, 1990. Through December 31, 1991, substantially all power from these units has been sold to AP&L and, thus, to date, no refunds are likely to result due to the transfer to Entergy Power. Hearings on this matter are expected to commence in March 1992. In February 1992, the City petitioned the D.C. Circuit for appeal of a FERC Order that limited the scope of the proceeding.

Nuclear Management Consolidation

In 1990, Entergy Operations was organized as a subsidiary of Entergy with responsibility for the operation of ANO, LP&L's Waterford Steam Electric Generating Station Unit No. 3 (Waterford 3), and Grand Gulf 1, subject, respectively, to AP&L's, LP&L's, and System Energy's oversight. AP&L, LP&L, System Energy, and the other Waterford 3 and Grand Gulf 1 co-owners retain their ownership interests in their respective nuclear generating units. Further, AP&L, LP&L, and System Energy retain their associated capacity and energy entitlements and reimburse Entergy Operations at cost for services associated with the operation and maintenance of these units. Approval by the APSC and others required, among other things, that the APSC has the right to reexamine its approval and

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

withdraw such approval at any time, and that AP&L flow through to ratepayers, through AP&L's fuel adjustment clause, 50% of the projected savings from the nuclear consolidation. Projected savings began being flowed through to customers in March 1991 and will continue through February 1993.

Missouri Retail Operations

On March 12, 1992, AP&L sold to Union Electric AP&L's retail properties in Missouri. AP&L's retail properties in Missouri constituted less than 2 percent of AP&L's total property. The sale price of such property, Missouri accounts receivable, and material and supplies inventories was approximately \$72 million, which is in excess of book value. The properties, located in southeastern and southcentral Missouri, are generally contiguous to Union Electric's present service area. Under the terms of the contract, AP&L's 28,000 Missouri retail customers became Union Electric customers and AP&L's employees in Missouri became Union Electric employees. AP&L sold to certain mine customers seven substations that serve the mine facilities, and sold to Sho-Me Power Corporation certain transmission and distribution properties in Oregon and Taney Counties.

In addition, AP&L has agreed to sell to Union Electric 120 megawatts of capacity and associated energy for an initial period of 10 years, and beginning on January 1, 1995, Union Electric shall also purchase 40 megawatts of peaking capacity.

The sale and related transactions were approved by the PSCM by orders dated September 19, 1991 (effective October 4, 1991) and October 2, 1991 (effective October 16, 1991), the APSC by order dated January 15, 1992, the FERC by order dated September 4, 1991, and the SEC by order dated February 6, 1992.

AP&L currently intends to use approximately \$69 million of the proceeds from these transactions to redeem all or a portion of certain series of AP&L's outstanding first mortgage bonds at special redemption prices, at or near par, pursuant to and in compliance with applicable provisions of AP&L's mortgage and deed of trust. The series of first mortgage bonds being redeemed are the 10 $\frac{1}{2}$ % Series due June 1, 2004 and the 10 $\frac{3}{4}$ % Series due July 1, 2016.

FERC Complaint Case

On February 1, 1990, various regulatory agencies filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 were not just and reasonable. A settlement, reached on May 21, 1991 and approved by the FERC on September 16, 1991, among other things, reduced System Energy's rate of return on common equity from 14% to 13%.

In connection with the foregoing, AP&L received credits from System Energy during 1991. The APSC approved a plan whereby credits of approximately \$16.2 million were credited to customers primarily as reductions to monthly bills during 1991.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$ 34,648	\$ 45,669	\$ 9,227
State	9,770	5,232	(788)
Total	<u>44,418</u>	<u>50,921</u>	<u>8,439</u>
Deferred — net:			
Liberalized depreciation	5,885	827	28,697
Alternative minimum tax	6,249	(14,755)	(16,126)
Coal freight settlement	—	1,419	4,987
Net operating loss carryforward	—	21,028	10,025
Interest on tax deficiency	281	73	4,369
Amortization of excess deferred income taxes	—	1,880	(13,287)
Nuclear refueling and maintenance	(5,091)	(2,480)	(1,920)
Deferred purchased power costs	(1,868)	13,097	32,614
Deferred excess capacity costs	(1,609)	(3,233)	(3,114)
Unbilled revenue	3,424	(1,760)	(9,620)
Intangible plant	4,514	6,816	2,712
Other	(827)	(4,969)	(2,069)
Total	<u>11,048</u>	<u>17,943</u>	<u>37,268</u>
Investment tax credit adjustments — net	(1,600)	(12,022)	3,543
Recorded income tax expense	<u>\$ 53,866</u>	<u>\$ 56,842</u>	<u>\$ 49,250</u>
Charged to operations	\$ 22,958	\$ 30,955	\$ 28,866
Charged to other income	30,905	25,887	20,384
Recorded income tax expense	53,866	56,842	49,250
Income taxes applied against the debt component of AFUDC	94	134	77
Total income taxes	<u>\$ 53,960</u>	<u>\$ 56,976</u>	<u>\$ 49,327</u>

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS -- (Continued)

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$67,088	34.0	\$63,417	34.0	\$61,618	34.0
Increases (reductions) in tax resulting from:						
Amortization of excess deferred income taxes	—	—	1,880	1.0	(13,287)	(7.3)
State income taxes net of federal income tax effect	7,409	3.8	8,143	4.4	6,514	3.6
Amortization of investment tax credits	(11,064)	(5.6)	(20,428)	(11.0)	(1,767)	(1.0)
Basis difference of assets involved in the sale of Independence 2 and Ritchie 2	—	—	7,011	3.8	—	—
Depreciation	(6,122)	(3.1)	(4,579)	(2.5)	(3,800)	(2.1)
Other — net	(3,445)	(1.8)	1,368	0.7	(28)	—
Recorded income tax expense	53,866	27.3	56,842	30.4	49,250	27.2
Income taxes applied against debt component of AFUDC	94	0.1	134	0.1	77	—
Total income taxes	<u>\$53,960</u>	<u>27.4</u>	<u>\$56,976</u>	<u>30.5</u>	<u>\$49,327</u>	<u>27.2</u>

The alternative minimum tax (AMT) credit at December 31, 1991 was \$38.5 million. This AMT credit can be carried forward indefinitely and will reduce AP&L's federal income tax liability in the future.

Pursuant to an order of the APSC dated March 1, 1982, AP&L ceased providing deferred taxes on certain timing differences which were previously normalized. However, the order requires AP&L to continue providing deferred taxes on applicable decommissioning costs of nuclear plant and provides for continued normalization of timing differences which are required by the Internal Revenue Code or state law. In addition, the APSC approved normalization for deferred purchased power costs in accordance with the Revised Arkansas Settlement Agreement.

Cumulative income tax timing differences for which deferred income taxes have not been provided are \$302.5 million, \$282.3 million, and \$290.5 million at December 31, 1991, 1990, and 1989, respectively.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the System. Based on a preliminary study, AP&L expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact AP&L's results of operations. AP&L plans to adopt SFAS No. 109 in 1993.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS -- (Continued)

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

AP&L is authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time up to \$125 million, subject to increase to a maximum of \$240 million with further SEC approval.

AP&L had lines of credit with Arkansas banks at December 31, 1991, not requiring commitment fees, providing for short-term borrowings of \$73.5 million. Additionally, AP&L participates with certain other System companies in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. AP&L may borrow from these sources subject to its maximum authorized level of short-term borrowings and the availability of funds. At December 31, 1991, AP&L had no outstanding borrowings under these arrangements.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares and dollar value of AP&L's preferred stock was:

	At December 31,		Total Dollar		Call Price Per Share at December 31, 1991
	Shares		Value		
	Authorized 1991	Outstanding 1991	1991	1990	
			(In Thousands)		
Without sinking fund:					
Cumulative, \$100 par value:					
4.32% Series	70,000	70,000	\$ 7,000	\$ 7,000	\$103.647
4.72% Series	93,500	93,500	9,350	9,350	107.000
4.56% Series	75,000	75,000	7,500	7,500	102.830
4.56% 1965 Series	75,000	75,000	7,500	7,500	102.500
6.08% Series	100,000	100,000	10,000	10,000	102.830
7.32% Series	100,000	100,000	10,000	10,000	103.170
7.80% Series	150,000	150,000	15,000	15,000	103.250
7.40% Series	200,000	200,000	20,000	20,000	102.800
7.88% Series	150,000	150,000	15,000	15,000	103.000
Cumulative, \$25 par value:					
8.84% Series	400,000	400,000	10,000	10,000	26.560
10.40% Series	600,000	600,000	15,000	15,000	27.300
Cumulative, \$0.01 par value:					
\$2.40 Series*	2,000,000	2,000,000	50,000	—	N/A
Premium	—	—	540	540	
Issuance/discount expense	—	—	(1,849)	—	
Total without sinking fund			<u>\$175,041</u>	<u>\$126,890</u>	
With sinking fund:					
Cumulative, \$100 par value:					
10.60% Series	60,000	60,000	\$ 6,000	\$ 8,000	\$104.090
11.04% Series	80,000	80,000	8,000	12,000	104.260
8.52% Series	474,940	474,940	47,494	48,500	106.390
Cumulative, \$25 par value:					
9.92% Series	881,085	881,085	22,027	24,027	26.940
13.28% Series	800,000	800,000	20,000	25,000	28.220
Premium	—	—	401	463	
Issuance/discount expense	—	—	(1,571)	(1,629)	
Total with sinking fund			<u>\$102,351</u>	<u>\$116,361</u>	

The involuntary liquidation value equals \$25 per share.

At December 31, 1991, AP&L had 2,101,560, 6,318,915, and 13,000,000 shares of cumulative, \$100, \$25, and \$0.01 par value preferred stock, respectively, that were authorized but unissued.

ARKANSAS POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS -- (Continued)

Changes in the number of shares of common stock and preferred stock, with and without sinking fund, during the last three years were:

	Number of shares		
	1991	1990	1989
Common stock repurchased	—	(8,000,000)	—
Preferred stock issuances:			
\$0.01 par value:			
\$2.40 Series	2,000,000	—	—
Preferred stock retirements:			
\$100 par value:			
8.52% Series	(10,060)	(15,000)	—
10.60% Series	(20,000)	(10,000)	(8,000)
11.04% Series	(40,000)	(20,000)	(40,000)
\$25 par value:			
9.92% Series	(80,000)	(66,433)	(81,960)
13.28% Series	(200,000)	(200,000)	(117,126)

Cash sinking fund requirements for the ensuing five years for preferred stock outstanding at December 31, 1991 are (in thousands): 1992, \$10,000; 1993, \$10,000; 1994, \$8,000; 1995, \$10,000; and 1996, \$8,000. AP&L has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its preferred stock outstanding.

AP&L has authorization for the issuance and sale of up to \$50 million of preferred stock through August 31, 1992. In addition, AP&L has received SEC authorization to purchase or otherwise acquire up to \$150 million aggregate par value of its outstanding preferred stock through August 31, 1992.

NOTE 6. LONG-TERM DEBT

The long-term debt of AP&L at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds:		
4% Series due 1991	—	\$ 12,000
4% Series due 1993	\$ 15,000	15,000
4% Series due 1995	25,000	25,000
5% Series due 1996	25,000	25,000
6% Series due 1996	1,360	1,560
5% Series due 1997	29,000	30,000
8% Series due 1998	5,400	5,800
7% Series due 1998	15,000	15,000
9% Series due 1999	25,000	25,000
9% Series due 2000	25,000	25,000
9% Series due 2000	2,400	2,600
7% Series due 2001	30,000	30,000
8 % Series due 2001	30,000	30,000
7% Series due 2002	35,000	35,000
7½% Series due 2002	15,000	15,000

(Table continued on following page)

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

	1991	1990
	(In Thousands)	
8 % Series due 2003	\$ 40,000	\$ 40,000
8½% Series due 2003	40,000	40,000
10¼% Series due 2004	40,000	40,000
10¼% Series due 2005	40,000	40,000
9¼% Series due 2007	75,000	75,000
9¼% Series due 2008	75,000	75,000
10¼% Series due 2009	60,000	60,000
10¼% Series due 2010	50,000	50,000
9¼% Series due 2019	75,000	75,000
10 % Series due 2020	150,000	150,000
10¼% Series due 2020	153,550	175,000
Total First Mortgage Bonds	<u>1,077,710</u>	<u>1,111,960</u>
Installment Purchase Contracts:		
Pope County, Arkansas, due 1991 to 2020 at rates ranging from 7¼% to 11%*	174,140	160,275
Jefferson County, Arkansas; due 1991 to 2008 at rates ranging from 6¼% to 10%	65,520	66,575
Independence County, Arkansas; due 2013 at rate of 11¼%	45,000	45,000
Total Installment Purchase Contracts	<u>284,660</u>	<u>271,850</u>
Long-Term Obligation — DOE (Note 8)	94,453	89,053
Unamortized Premium and Discount — Net	(13,925)	(14,973)
Total Long-Term Debt	1,442,898	1,457,890
Less — Amount Due Within One Year	<u>2,775</u>	<u>14,690</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,440,123</u>	<u>\$1,443,200</u>

* \$20 million, 8% Pope County, Arkansas Solid Waste Disposal Revenue Bonds due November 2020, issued November 1990, are secured by \$21.1 million, 0.0% First Mortgage Bonds; \$27 million, 8% Pope County, Arkansas Solid Waste Disposal Revenue Bonds due January 2021, issued January 1991, are secured by \$28.4 million, 0.0% First Mortgage Bonds; and \$120 million, 11% Pope County, Arkansas Pollution Control Revenue Bonds due December 2015, issued December 1985, are secured by \$125.8 million, 0.0% First Mortgage Bonds.

For the years 1992, 1993, 1994, 1995 and 1996, AP&L has long-term debt maturities and sinking fund requirements of (in millions) \$7.8, \$22.8, \$7.9, \$32.8 and \$34.4, respectively. Sinking fund requirements averaging approximately \$5.5 million annually may be satisfied by certification of property additions at the rate of 167% of such requirements.

AP&L has authorization for the issuance and sale through August 31, 1992 of up to \$75 million of first mortgage bonds. Additionally, AP&L has SEC authorization to purchase or otherwise acquire, through August 31, 1992, up to \$350 million of first mortgage bonds and \$175 million of pollution control revenue bonds and/or solid waste disposal revenue bonds issued for the benefit of AP&L.

AP&L will receive \$27 million from solid waste disposal revenue bonds issued in January 1991. The cash received in 1991 from the January 1991 sale was approximately \$13.8 million. The remainder

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

of the proceeds are for identified projects pending construction and are invested in a construction trust fund. These funds will be received as construction costs are incurred.

On August 28, 1990, AP&L sold its interests in Independence 2 and Ritchie 2 to Entergy Power for approximately \$173.4 million. Proceeds from the sale were applied to the redemption on October 1, 1990 of \$50 million of the 13 $\frac{1}{2}$ % Series First Mortgage Bonds and \$100 million of the 14 $\frac{1}{2}$ % Series First Mortgage Bonds. (See AP&L's Note 2, "Rate and Regulatory Matters — Unit Power Purchase Agreement and Entergy Power," for information regarding the sale of Independence 2 and Ritchie 2 to Entergy Power, and "— Missouri Retail Operations" for information on the possible redemption of first mortgage bonds at special redemption prices at or near par with a portion of the proceeds from the sale of AP&L's Missouri retail properties.)

NOTE 7. RETAINED EARNINGS

The indenture relating to AP&L's long-term debt and provisions of the Amended and Restated Articles of Incorporation, as amended, relating to AP&L's preferred stock provide for restrictions on the payment of cash dividends on common stock. As of December 31, 1991, approximately \$97.1 million of retained earnings were free from such restrictions.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC but excluding nuclear fuel) during the years 1992, 1993, and 1994 are estimated to be approximately \$182.7 million, \$177.4 million, and \$177.0 million, respectively. In addition to construction expenditure requirements, AP&L will require \$49.5 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. AP&L plans to meet the above requirements with internally generated funds, including collections under its rate phase-in plan, and cash on hand. (See AP&L's Note 5, "Preferred and Common Stock" and AP&L's Note 6, "Long-term Debt" regarding the possible issuance of preferred stock and certain long-term debt securities and the possible refunding, redemption, purchase, or other acquisition of outstanding securities.)

Certain management, organizational and technical problems at ANO are being addressed as part of a comprehensive action plan designed to significantly improve the operations and safety of ANO (see "NRC Actions" below). This action plan is combined with measures taken by management to significantly enhance the long-term operational effectiveness of the ANO units. The action plan will result in specific operating expenditures averaging approximately \$5.6 million per annum for the period 1992-1994. This action plan will be largely completed in 1993.

AP&L currently intends to use approximately \$69 million of the \$72 million in proceeds from the sale of its Missouri retail properties to redeem all or a portion of certain series of its outstanding first mortgage bonds. The series of first mortgage bonds being redeemed are the 10 $\frac{3}{4}$ % Series due June 1, 2004 and the 10 $\frac{1}{4}$ % Series due July 1, 2016. (See AP&L's Note 2, "Rate and Regulatory Matters — Missouri Retail Operations," for information with respect to the sale of AP&L's Missouri retail properties.)

Unit Power Sales, Availability, and Reallocation Agreements

Under the Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its (owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L 36%, LP&L 14%, MP&L 33%, NPSI 17%)) as ordered by the FERC in the June 13 Decision.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation and capital costs (including a return on common equity). AP&L's monthly obligation for payments to System Energy for Grand Gulf 1 is approximately \$22 million. The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated under the Availability Agreement, to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NOPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement (of which AP&L's share is 36%), are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the write-off of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97%, and NOPSI 29.80% under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect the obligation of AP&L to System Energy's lenders under the assignments referred to in the second preceding paragraph, and AP&L would be liable for its share of such amounts if the other System operating companies were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

System Fuels

AP&L has a 35% interest in System Fuels, a jointly owned subsidiary of the System operating companies. System Fuels operates on a non-profit basis for the purpose of implementing and/or maintaining certain programs for the procurement, delivery and storage of fuel supplies for the System. Its costs are recovered primarily through charges for fuel delivered.

Fuel exploration and development activities of System Fuels have declined over recent years and some fuel programs have been or are being phased out or transferred to other System companies. In this connection, certain charges and credits relating to System Fuels' investment in the fuel programs

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

through a combination of private insurance (currently \$200 million) and an industry assessment program. Under the assessment program, the maximum amount AP&L would be required to pay, with respect to each nuclear incident at a licensed nuclear facility, would be \$66.15 million per reactor (to be indexed every five years for inflation and includes a 5% surcharge in the event total public liability claims and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of \$10 million per licensed reactor per incident per year. AP&L has two licensed reactors.

AP&L is a member of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1991, AP&L was insured against such losses up to \$2.45 billion with a \$300 million sublimit for premature decommissioning coverage. In addition, AP&L is a member of an insurance program that provides insurance coverage for certain costs of replacement power and business interruption incurred due to certain prolonged outages of nuclear units. Under the property damage and replacement power/business interruption insurance programs, AP&L could be subject to assessments if losses exceed the accumulated funds available to the insurers. At December 31, 1991, the maximum amount of such possible assessments to AP&L was \$10.5 million.

The amount of property insurance presently carried by AP&L exceeds the NRC's minimum requirement for nuclear power plant licensees of \$1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete required decontamination operations. Only after proceeds are used or dedicated for such use and appropriate regulatory approval obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

Spent Nuclear Fuel and Decommissioning Costs

AP&L is providing for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. AP&L has entered into contracts with the DOE, whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. AP&L has elected to pay the one-time fee, plus accrued interest, and has recorded as a liability at December 31, 1991, approximately \$94.5 million for this payment. The fees payable to the DOE may be adjusted in the future to assure full cost recovery. AP&L considers all costs, except accrued interest, incurred or to be incurred in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been or will be made in applications to regulatory authorities.

The DOE's repository program for the acceptance of spent nuclear fuel has been delayed. AP&L's initial shipment of spent fuel to the DOE's storage facilities is expected to occur after 2013. In the meantime, AP&L will be responsible for storage of spent fuel. Current on-site spent fuel storage capacity at ANO is estimated to be sufficient to store fuel from normal operations until 1995. It is expected that any additional storage capacity required due to, among other things, delay of the DOE's repository program will be provided by AP&L. The cost of providing the additional on-site spent fuel storage capability required at ANO by 1995 is estimated to approximate \$5.0 million to \$10.0 million per unit (in 1991 dollars). In addition, approximately \$3.0 million to \$5.0 million per unit (in 1991 dollars) will be required every two to three years subsequent to 1995 until the DOE's repository begins accepting ANO spent fuel.

AP&L is also recovering decommissioning costs for its two nuclear units. These amounts are deposited in external trust funds, with an after-tax market value of \$77.7 million at December 31, 1991, that can only be used for future decommissioning costs. The decommissioning costs for ANO are estimated to be approximately \$399.4 million (in 1986 dollars). AP&L has been authorized to recover through rates amounts that, when added to estimated trust investment income during the collection

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

performance meetings with ANO representatives to discuss progress towards performance improvements. On January 29, 1991, the NRC issued an initial SALP report for ANO covering the period from October 1, 1989 through November 30, 1990. In this report, the NRC recognized management's commitment to higher quality operations at ANO and stated that overall performance at the facility had improved during the assessment period. In the seven functional areas evaluated by the NRC, ANO improved its SALP category rating in three of these areas and maintained its prior rating in the other four areas. ANO did not receive a "3" rating in any of the categories.

In December 1991, the NRC notified Entergy Operations that no further special inspection effort was warranted for concerns identified in the DE at ANO and that the periodic performance meetings would no longer be necessary. The stated basis for this determination by the NRC was that (1) the identified DE concerns were being appropriately tracked by the ANO action plan and were being closed out in a judicious and timely manner, (2) adequate progress had been made in addressing concerns raised in the DE, and (3) ANO management actions since the DE had improved the level of performance at ANO. Entergy Operations and AP&L are committed to taking the actions necessary to achieve the highest standards of operation and safety at ANO and will continue to work with the NRC to achieve that goal. (See AP&L's "Management's Financial Discussion and Analysis — Results of Operations" and "Capital Requirements and Financing," above, incorporated herein by reference, for information on the effect of increased operating and maintenance expenditures at ANO on AP&L's results of operations and financial position.)

Flood Litigation

Three lawsuits (which have been consolidated) have been filed against AP&L and Entergy Services in connection with the operation of two dams during a period of heavy rainfall and flooding. The consolidated lawsuits seek, among other things, approximately \$14.4 million in property losses and other compensatory damages and \$500 million in punitive damages. The Arkansas District Court's June 28, 1991 order granting AP&L's Motion for Summary Judgment with respect to the enforceability of its flowage easements and its November 26, 1991 order ruling that Entergy Services is also entitled to the benefit of such easements, in effect, remove from consideration damages in the approximate amount of \$13.5 million alleged to have occurred within the areas covered by the easements. The trial of these matters was scheduled to commence February 18, 1992, but the trial was postponed pending an interlocutory appeal by certain of the plaintiffs who have requested the United States Court of Appeals for the Eighth Circuit (Eighth Circuit) to accept their appeal of the Arkansas District Court's orders granting and implementing AP&L's request for summary judgment. AP&L and Entergy Services have indicated that, for reasons of judicial economy, they will not oppose the plaintiffs' interlocutory appeal. The Eighth Circuit has not ruled on the interlocutory appeal at this time. The matter is pending.

While the outcome of these matters and their impact, if any, on AP&L's financial condition cannot be determined with certainty at this time, AP&L believes it has meritorious defenses which it intends to assert aggressively and that the ultimate outcome in this matter will have no material adverse financial impact on AP&L.

Other Commitments and Contingencies

See AP&L's Note 2, "Rate and Regulatory Matters" for information with respect to Entergy Power and a complaint filed by the City of New Orleans with the FERC.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 9. LEASES

In accordance with SFAS No. 13, "Accounting For Leases," AP&L records the assets and related obligations applicable to capital leases as required by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

At December 31, 1991, AP&L had capital leases and noncancelable operating leases (excluding nuclear fuel leases) with minimum rental commitments as follows:

<u>Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
	(In Thousands)	
1992	\$ 13,570	\$ 12,224
1993	13,547	12,471
1994	13,547	12,799
1995	13,793	13,415
1996	11,129	13,310
Years thereafter	<u>73,575</u>	<u>2,072</u>
Minimum rental commitments	139,161	<u>\$ 66,291</u>
Less: Amount representing interest	<u>(65,928)</u>	
Present value of net minimum lease payments	<u>\$ 73,233</u>	

Rental expense for capital and operating leases (excluding the nuclear fuel lease expense) amounted to approximately \$26.5 million, \$26.2 million, and \$24.3 million in 1991, 1990, and 1989, respectively.

AP&L has a leasing arrangement permitting the leasing of nuclear fuel of up to \$165 million. The lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate-term notes. The credit agreement, which was entered into in 1988, has been extended to December 1994 and the intermediate-term notes have varying remaining maturities of up to 6 years. It is expected that these arrangements will be extended or alternative financing will be secured by the lessor upon the maturity of the current arrangements, based on AP&L's nuclear fuel requirements. If the lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, AP&L must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense of \$76.9 million, \$69.7 million, and \$60.2 million was charged to operations in 1991, 1990, and 1989, respectively. The unrecovered cost base of the leases was \$121.7 million, \$151.6 million, and \$168.0 million at December 31, 1991, 1990, and 1989, respectively.

NOTE 10. POSTRETIREMENT BENEFITS

AP&L sponsors a defined benefit pension plan covering substantially all of its employees. The pension plan is noncontributory and provides pension benefits that are based on the employees' credited service and average compensation, during the last ten years of employment. AP&L's policy is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Effective June 6, 1990, AP&L's nuclear operations employees became employees of Entergy Operations. However, the employees still remain under AP&L's plan and no transfers of related pension liabilities and assets have been made.

AP&L's 1991, 1990, and 1989 pension cost, including amounts capitalized, was as follows:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Service cost — benefits earned during the period	\$ 6,210	\$ 7,223	\$ 5,968
Interest cost on projected benefit obligation	18,505	16,907	15,196
Actual return on plan assets	(47,707)	1,593	(42,495)
Net amortization and deferral	28,377	(20,994)	23,672
Other	915	—	—
Net pension cost	<u>\$ 6,300</u>	<u>\$ 4,729</u>	<u>\$ 2,341</u>

The assets of the plan consist primarily of common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

The funded status of AP&L's pension plan at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	\$ 209,108	\$ 160,946
Nonvested	13,736	7,613
Accumulated benefit obligation	<u>\$ 222,844</u>	<u>\$ 168,559</u>
Plan assets at fair value	\$ 251,351	\$ 216,931
Projected benefit obligation	<u>(257,093)</u>	<u>(212,826)</u>
Plan assets in excess of (less than) projected benefit obligation	(5,742)	3,205
Unrecognized prior service cost	6,495	3,306
Unrecognized transition asset	(23,358)	(25,693)
Unrecognized net (gain) loss	<u>(11,625)</u>	<u>(8,868)</u>
Accrued pension liability	<u>\$ (54,230)</u>	<u>\$ (28,050)</u>

The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 8.5% for 1989 and a rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990, and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990, and 1989. Transition assets are being amortized over 15 years.

AP&L also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for AP&L. The cost of providing these benefits for retired employees is not separable

ARKANSAS POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

from the cost of providing benefits for active employees. The total cost of providing these benefits, recorded on a cash basis, and the number of active and retired employees for the last three years were:

	1991	1990	1989
Total cost of health care and life insurance (in thousands)	\$16,500	\$11,100	\$12,900
Number of active employees	4,635	4,969	4,765
Number of retirees	1,535	1,381	1,319

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change from a cash method to an accrual method of accounting for these benefits. At January 1, 1992, the actuarially determined accumulated postretirement benefit obligation earned by retirees and active employees was estimated to be approximately \$95 million. This obligation may be amortized to expense over a 20 year period beginning in 1993 or alternatively, recorded as expense immediately upon the adoption of the new accounting standard. Adoption of the new standard is expected to increase annual expense associated with these benefits by approximately \$12 million for AP&L, including the effects of the amortization of the transition obligation. The portion of this additional expense that will immediately or ultimately be allowed in rates cannot presently be determined. In addition, the degree of regulatory assurance of future recovery that may be required to recognize a regulatory asset, and thus avoid an impact on earnings, cannot be determined at this time. AP&L plans to adopt this standard in the first quarter of 1993.

NOTE 11. TRANSACTIONS WITH AFFILIATES

AP&L buys electricity from and/or sells electricity to the other System operating companies and buys energy from System Energy and Entergy Power, under rate schedules filed with the FERC. In addition, AP&L purchases fuel from System Fuels, receives technical and advisory services from Entergy Services, and receives management and operating services from Entergy Operations.

AP&L and MP&L were parties to the Unit Power Purchase Agreement which terminated in December, 1989 for the sale to MP&L of AP&L's 31.5 percent share of capacity and energy from Independence 2. (See AP&L's Note 2, "Rate and Regulatory Matters — Unit Power Purchase Agreement and Entergy Power.") AP&L's before-tax income associated with the sale of such capacity to MP&L was approximately \$27 million in 1989. On August 28, 1990, AP&L sold its interest in Independence 2 and Ritchie 2 to Entergy Power. (See AP&L's Note 2, "Rate and Regulatory Matters — Arkansas — Stipulation and Settlement Agreement," with respect to the sale of Independence 2 and Ritchie 2 to Entergy Power.)

Operating revenues include revenues from sales to affiliates amounting to \$212.6 million in 1991, \$192.7 million in 1990, and \$218.1 million in 1989. Operating expenses include charges from affiliates for fuel costs, purchased power and related charges, management services, and technical and advisory services totaling \$535.7 million in 1991, \$449.9 million in 1990, and \$322.1 million in 1989. Operating expenses also include \$33.4 million in 1991 and \$12.5 million in 1990 of power purchased from Entergy Power. Also, effective June 6, 1990, Entergy Operations assumed operating responsibility for, but not ownership of, ANO. In return, AP&L pays directly or reimburses Entergy Operations for the costs associated with operating ANO, which were approximately \$248.6 million in 1991 and \$197.4 million in 1990.

ARKANSAS POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Concluded)

NOTE 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 1991 and 1990 were:

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income</u>
	(In Thousands)		
1991:			
First Quarter	\$330,129	\$45,002	\$26,226
Second Quarter	\$358,573	\$44,585	\$24,389
Third Quarter	\$492,171	\$94,897	\$75,770
Fourth Quarter	\$347,397	\$34,934	\$17,066
1990:			
First Quarter	\$330,062	\$41,434	\$20,306
Second Quarter	\$357,795	\$42,380	\$19,183
Third Quarter	\$475,554	\$86,937	\$78,717
Fourth Quarter	\$317,997	\$30,485	\$11,559

AP&L's business is subject to seasonal fluctuations, with the peak period occurring during the third quarter.

ARKANSAS POWER & LIGHT COMPANY
 SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(In Thousands)				
Operating revenues	\$1,528,270	\$1,481,408	\$1,381,871	\$1,356,789	\$1,404,856
Net income	\$ 143,451	\$ 129,765	\$ 131,979	\$ 131,149	\$ 141,160
Total assets	\$4,192,020	\$4,137,938	\$4,059,590	\$3,928,082	\$3,889,453
Long-term obligations(1)	\$1,669,508	\$1,730,046	\$1,583,615	\$1,565,870	\$1,525,901

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

Louisiana Power & Light Company/1991 Financial Statements



LP&L

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LOUISIANA POWER & LIGHT COMPANY

DEFINITIONS

Certain abbreviations or acronyms used in LP&L's Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC	Allowance for Funds Used During Construction
Algiers	15th Ward of the City of New Orleans, Louisiana
ANO	AP&L's Arkansas Nuclear One Steam Electric Generating Station (nuclear)
AP&L	Arkansas Power & Light Company
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof
Council	Council of the City of New Orleans, Louisiana
DOE	United States Department of Energy
Entergy	Entergy Corporation
Entergy Operations	Entergy Operations, Inc., a subsidiary of Entergy Corporation that has operating responsibility for Grand Gulf 1, Waterford 3, and ANO
Entergy System or System	Entergy Corporation and its various direct and indirect subsidiaries
EPA	Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC Complaint Case	Complaint filed with the FERC by the Arkansas Public Service Commission, LPSC, Mississippi Public Service Commission, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989 by the System operating companies and System Energy and approved by the FERC on July 21, 1989, to settle, among other things, certain then- pending Grand Gulf Station-related issues, litigation and other rate matters
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
June 13 Decision	An order issued by the FERC on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement
KWH	Kilowatt-Hour(s)

LOUISIANA POWER & LIGHT COMPANY

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
LPSC Settlement Agreement	An agreement between the LPSC and LP&L effective July 21, 1989 that settled certain retail rate issues involving Grand Gulf 1
March 1989 Order	LPSC rate order issued on March 1, 1989
Money Pool	Entergy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission
Owner Participant	A corporation that, in connection with the Waterford 3 sale and leaseback transactions, has acquired a beneficial interest in a trust, the Owner Trustee of which is the owner and lessor of undivided interests in Waterford 3
Owner Trustee	Each institution and/or individual acting as owner trustee under a trust agreement with an Owner Participant in connection with the Waterford 3 sale and leaseback transactions
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
State District Court	19th Judicial District Court for the Parish of East Baton Rouge, Louisiana
System Agreement	Agreement, effective January 1, 1983, as modified by the June 13 Decision, among the System operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
System operating companies	AP&L, LP&L, MP&L, and NOPSI, collectively
System or Entergy System	Entergy Corporation and its various direct and indirect subsidiaries
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
Waterford 3	Unit No. 3 of LP&L's Waterford Steam Electric Generating Station (nuclear)

LOUISIANA POWER & LIGHT COMPANY
REPORT OF MANAGEMENT

The management of Louisiana Power & Light Company has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

JERRY L. MAULDEN
Chairman and Chief Executive Officer

GERALD D. MCINVALE
Senior Vice President and Chief Financial Officer

LOUISIANA POWER & LIGHT COMPANY
AUDIT COMMITTEE CHAIRMAN'S LETTER

The Louisiana Power & Light Company Audit Committee of the Board of Directors is composed of three directors, who are not officers of LP&L: Joseph J. Krebs, Jr. (Chairman), William K. Hood, and H. Duke Shackelford. The committee held four meetings during 1991.

The Audit Committee oversees LP&L's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting, and financial controls are in existence and are adequately reviewed by programs of internal and external audits. The Chairman of the committee meets with LP&L management and LP&L's independent public accountants on a quarterly basis for the review and oversight of the quarterly financial reporting process.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Deloitte & Touche) the overall scope and specific plans for their respective audits, as well as LP&L's financial statements and the adequacy of LP&L's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of LP&L's internal controls, and the overall quality of LP&L's financial reporting. The meetings also were designed to facilitate and encourage any private communication between the committee and the internal auditors or independent public accountants.

Joseph J. Krebs, Jr.
Chairman, Audit Committee

LOUISIANA POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991	1990	1989	1991 vs 1990		1990 vs 1989	
				Increase/ (Decrease)	%	Increase/ (Decrease)	%
				(Dollars in Millions)			
Net income	\$ 166.6	\$ 155.0	\$ 106.6	\$ 11.6	7	\$ 48.4	45
Electric operating revenues	\$1,528.9	\$1,485.6	\$1,426.8	\$ 43.3	3	\$ 58.8	4
Fuel for electric generation and fuel-related expenses	\$ 213.0	\$ 258.2	\$ 250.4	\$(45.2)	(18)	\$ 7.8	3
Purchased power	\$ 344.6	\$ 292.3	\$ 296.9	\$ 52.3	18	\$ (4.6)	(2)
Total income taxes	\$ 84.7	\$ 79.2	\$ 57.7	\$ 5.5	7	\$ 21.5	37
Miscellaneous other income — net	\$ 8.7	\$ 11.6	\$ 20.6	\$(2.9)	(25)	\$ (9.0)	(44)
Interest on long-term debt	\$ 158.8	\$ 154.4	\$ 181.0	\$ 4.4	3	\$(26.6)	(15)
Other interest — net	\$ 9.2	\$ 9.9	\$ 13.6	\$ (0.7)	(7)	\$ (3.7)	(27)
Electric operating revenues:							
Residential	\$ 525.6	\$ 520.8	\$ 496.8	\$ 4.8	1	\$ 24.0	5
Commercial	318.6	314.7	305.6	3.9	1	9.1	3
Industrial	558.0	532.8	541.2	25.2	5	(8.4)	(2)
Governmental	28.3	26.5	25.8	1.8	7	0.7	3
Total retail	1,430.5	1,394.8	1,369.4	35.7	3	25.4	2
Sales for resale	32.0	41.8	38.1	(9.8)	(23)	3.7	10
Other	66.4	49.0	19.3	17.4	36	29.7	154
Total electric operating revenues	\$1,528.9	\$1,485.6	\$1,426.8	\$ 43.3	3	\$ 58.8	4
Energy sales:							
(Millions of KWH)							
Residential	7,182	7,169	6,865	13	—	304	4
Commercial	4,367	4,299	4,175	68	2	124	3
Industrial	14,832	14,170	14,025	662	5	145	1
Governmental	405	382	369	23	6	13	4
Total retail	26,786	26,020	25,434	766	3	586	2
Sale, for resale	1,201	1,149	1,014	52	5	135	13
Total energy sales	27,987	27,169	26,448	818	3	721	3

Net Income

Net income increased in 1991 as compared to 1990 primarily due to increased operating revenues partially offset by increased costs for fuel and purchased power combined, and lower miscellaneous other income — net. Net income increased in 1990 as compared to 1989 primarily due to an increase in operating revenues, a decrease in interest on long-term debt, and the recording in 1989 of the \$11.1 million effect of the LPSC Settlement Agreement. These and other factors resulting in the changes in net income are discussed below.

Electric Operating Revenues

Electric operating revenues increased in 1991 as compared to 1990 primarily due to an increase in base revenues of \$17.9 million and an increase in fuel adjustment revenues of \$17.8 million primarily as a result of an increased volume of industrial sales. Electric operating revenues increased in 1990 as compared to 1989 primarily due to an increase in base revenues of \$20.0 million and an increase in fuel adjustment revenues of \$5.4 million as a result of an increased volume of residential and commercial energy sales and sales for resale. Electric operating revenues also increased in 1990 due to a reduction

LOUISIANA POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

in revenues in 1989 of \$18.4 million in connection with the LPSC Settlement Agreement and an increase of \$8.3 million in the amortization of gas supplier judgment proceeds into revenues.

Fuel for Electric Generation and Fuel-Related Expenses

Fuel for electric generation and fuel-related expenses decreased in 1991 as compared to 1990 primarily due to a decrease in nuclear fuel expense as a result of a scheduled refueling outage at Waterford 3 from mid-March to mid-May, 1991. Additionally, an increase in electric fuel costs deferred (which decreases fuel for electric generation and fuel-related expenses) contributed to the decrease in fuel and fuel-related expenses for the year ended December 31, 1991.

Purchased Power

Purchased power expense increased in 1991 as compared to 1990 primarily due to an increase in the volume of power purchased as a result of a scheduled refueling outage at Waterford 3 in the first half of 1991.

Total Income Taxes

Total income taxes increased in 1990 as compared to 1989 primarily due to increased pretax book income.

Miscellaneous Other Income — Net

Miscellaneous other income — net decreased in 1990 as compared to 1989 primarily due to a decrease in interest income of approximately \$5.4 million resulting from lower average temporary cash investment balances during the year. Temporary cash investments in 1989 included certain gas supplier judgment proceeds. The majority of these proceeds was used to retire certain high-cost debt issues in 1989 and 1990.

Interest on Long-term Debt

Interest on long-term debt decreased in 1990 as compared to 1989 primarily due to the redemptions and retirements in October and December 1989 of high-cost first mortgage bonds. Also contributing to the decrease was the refunding in early 1990 of higher cost debt with lower cost debt.

Other Interest — Net

Other interest — net decreased in 1990 as compared to 1989 primarily due to higher interest expense in 1989 of approximately \$4.2 million in connection with a state income and franchise tax audit.

Energy Sales (KWH)

Energy sales increased in 1991 as compared to 1990 primarily due to increased KWH sales to industrial customers in the chemical, refining and paper industries. The increase in retail energy sales in 1990 as compared to 1989 was primarily due to increased energy sales in 1990 to residential, commercial, and industrial customers. The increases in residential and commercial sales were due to warmer than normal weather and an increase in average usage. Industrial sales increased in 1990 as a result of higher sales to customers in the chemical and refining industries.

LOUISIANA POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS -- (Concluded)

Capital and Refinancing Requirements and Capital Resources

See LP&L's Note 8, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on LP&L's capital and refinancing requirements for the period 1992-1994.

LP&L's minimum earnings coverage requirements for the issuance of additional first mortgage bonds (other than for refunding purposes) and preferred stock are 2.0 times annual bond interest requirements and 1.5 times annual interest and preferred dividend requirements, respectively, on a pro forma basis. For LP&L's first mortgage bonds and preferred stock, the earnings coverages for the twelve months ended December 31, 1991 were 5.97 times the annual bond interest requirements and 1.9 times the annual interest and preferred dividend requirements, respectively. Based upon earnings coverages at December 31, 1991 and an assumed annual interest or dividend rate of 9%, LP&L had adequate earnings coverages and sufficient unfunded bondable property to support the issuance of approximately \$520 million of first mortgage bonds or adequate earnings coverages to issue \$515 million of preferred stock; however, based upon the remaining amount of preferred stock authorized, but unissued, under LP&L's charter, LP&L could only issue \$464.5 million in additional preferred stock. LP&L's charter, however, could be amended to increase the amount of authorized preferred stock. In addition, LP&L has the ability, subject to meeting certain conditions, to issue bonds against the retirement of bonds without satisfying an earnings coverage test.

During 1991, proceeds from the issuance and sale of preferred and common stock and long-term debt were \$85.0 million, \$100.0 million, and \$49.9 million, respectively. See LP&L's Note 5, "Preferred and Common Stock," and Note 6, "Long-Term Debt," incorporated herein by reference, for information regarding 1991 financing activities and the possible issuance of preferred and common stock and certain long-term debt securities and the possible refunding, redemption, purchase or other acquisition of outstanding securities.

See LP&L's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

ACCOUNTING ISSUES

SFAS No. 106

See LP&L's Note 10, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See LP&L's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
Louisiana Power & Light Company

We have audited the accompanying balance sheets of Louisiana Power & Light Company (LP&L) as of December 31, 1991 and 1990, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of LP&L's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of LP&L at December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
February 14, 1992
New Orleans, Louisiana

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Note 1):		
Electric	\$4,430,998	\$4,307,000
Electric plant under lease (Note 9)	223,740	1,092
Property under capital leases (Note 9)	913	8,051
Construction work in progress	93,954	101,752
Nuclear fuel under capital lease (Note 9)	58,463	81,989
Nuclear fuel	5,559	4,880
Total	4,813,627	4,726,429
Less — Accumulated depreciation and amortization	1,257,995	1,144,859
Utility plant — net	3,555,632	3,581,570
Other Property and Investments:		
Nonutility property	20,060	20,060
Investment in subsidiary company — at equity (Note 8)	14,230	14,230
Other	860	800
Total	35,150	35,090
Current Assets:		
Cash and cash equivalents (Note 1):		
Cash	—	33
Temporary cash investments — at cost, which		
approximate market:		
Associated companies (Note 4)	5,193	3,829
Other	63,283	164,715
Total cash and cash equivalents	68,476	168,577
Special deposits	7,422	8,398
Notes receivable	663	2,572
Accounts receivable:		
Customer (less allowance for doubtful accounts		
of \$2.0 million in 1991 and 1990)	63,167	63,391
Associated companies (Note 11)	654	6,849
Other	1,457	3,906
Accrued unbilled revenues	53,547	50,215
Accumulated deferred income taxes (Note 3)	3,667	8,086
Materials and supplies — at average cost	87,745	87,269
Rate deferrals (Note 2)	28,422	28,422
Prepayments and other	22,848	14,901
Total	352,068	442,686
Deferred Debits:		
Rate deferrals (Note 2)	110,876	139,298
Pension obligation-associated company (Note 10)	19,586	16,012
Other	58,439	47,468
Total	188,901	202,778
TOTAL	\$4,131,751	\$4,261,124

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
	(In Thousands)	
Capitalization:		
Common stock, no par value, authorized 250,000,000 shares; issued and outstanding 165,173,150 shares in 1991 and 150,004,350 shares in 1990 (Note 5)	\$1,088,893	\$ 988,900
Retained earnings (Note 7)	117,820	46,583
Total common shareholder's equity	1,206,713	1,035,483
Preferred stock, net of premium and expense (Note 5):		
Without sinking fund	158,723	145,882
With sinking fund	119,054	107,721
Long-term debt (Note 6)	1,433,721	1,701,759
Total	2,918,211	2,990,845
Other Noncurrent Liabilities:		
Obligations under capital leases (Note 9)	24,703	50,928
Accumulated provision for property insurance (Note 1)	9,174	7,463
Accumulated provision for injuries and damages (Note 1)	6,153	6,153
Total	40,030	64,544
Current Liabilities:		
Currently maturing long-term debt (Note 6)	4,073	4,427
Accounts payable:		
Associated companies (Note 11)	32,769	32,460
Other	99,502	93,067
Customer deposits	46,725	42,900
Taxes accrued	2,247	24,889
Interest accrued	38,221	44,901
Dividends declared	6,740	6,654
Gas contract settlement — liability to customers (Note 8)	56,403	56,403
Deferred revenue — gas supplier judgment proceeds (Note 2)	38,724	35,663
LPSC Settlement Agreement — liability to customers (Note 2)	3,605	3,960
Deferred fuel cost (Note 1)	4,984	3,859
Obligations under capital leases (Note 9)	34,615	39,384
Other	4,170	4,612
Total	372,836	393,179
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	387,926	324,552
Accumulated deferred investment tax credits (Note 3)	200,522	194,520
Gas contract settlement — liability to customers (Note 8)	36,111	112,430
Deferred revenue — gas supplier judgment proceeds (Note 2)	57,023	103,749
Deferred interest — Waterford 3 lease obligation (Note 9)	24,279	23,791
LPSC Settlement Agreement — liability to customers (Note 2)	5,335	8,930
Accrued pension cost (Note 10)	26,528	21,877
Other	42,750	23,707
Total	800,674	813,556
Commitments and Contingencies (Notes 2 and 8)		
TOTAL	\$4,131,751	\$4,262,124

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues (Notes 1, 2 and 11)	\$1,528,934	\$1,485,572	\$1,426,806
Operating Expenses:			
Operation (Note 11):			
Fuel for electric generation and fuel-related expenses (Note 1)	212,973	258,238	250,374
Purchased power (Notes 1, 2 and 8)	344,637	292,259	296,588
Other	253,080	243,017	238,799
Maintenance (Note 11)	101,896	96,779	98,609
Depreciation and decommissioning	130,898	131,887	126,681
Taxes other than income taxes	48,428	50,011	51,348
Income taxes (Note 3)	90,147	86,032	63,808
Rate deferrals (Note 2):			
Amortification of rate deferrals	28,422	28,422	28,422
Income taxes — (credit) (Note 3)	(14,043)	(14,043)	(14,043)
Total	14,379	14,379	14,379
Total	196,438	1,172,602	1,140,886
Operating Income	322,496	312,970	285,920
Other Income:			
Allowance for equity funds used during construction (Note 1)	1,244	1,158	1,595
Miscellaneous — net	8,739	11,642	20,580
Income taxes — (debit) (Note 3)	(8,616)	(7,239)	(7,966)
Total	1,367	5,561	14,209
Interest Charges:			
Interest on long-term debt	158,816	154,357	181,040
Other interest — net	9,206	9,862	13,584
Allowance for borrowed funds used during construction (Note 1)	(731)	(737)	(1,108)
Total	167,291	163,482	193,516
Net Income	166,572	155,049	106,613
Preferred Stock Dividend Requirements	27,343	27,762	36,910
Earnings Applicable to Common Stock	<u>\$ 139,229</u>	<u>\$ 127,287</u>	<u>\$ 69,703</u>

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Retained Earnings, January 1	\$ 46,583	\$ 37,762	\$ 49,265
Add:			
Net income	<u>166,572</u>	<u>155,049</u>	<u>106,613</u>
Total	<u>213,155</u>	<u>192,811</u>	<u>155,878</u>
Deduct:			
Dividends declared:			
Preferred stock	27,343	27,762	36,910
Common stock	63,552	116,865	69,218
Capital stock expenses	<u>4,440</u>	<u>1,601</u>	<u>11,988</u>
Total	<u>95,335</u>	<u>146,228</u>	<u>118,116</u>
Retained Earnings, December 31 (Note 7)	<u>\$117,820</u>	<u>\$ 46,583</u>	<u>\$ 37,762</u>

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1991	1990	1989
Operating Activities:			
Net income	\$166,572	\$153,049	\$106,613
Noncash items included in net income:			
Rate deferrals (Note 2)	28,422	28,422	28,422
Depreciation and decommissioning	130,898	131,857	126,681
Amortization of capital leases	34,465	51,669	46,766
Deferred income taxes and investment tax credits	73,795	9,805	28,660
Allowance for equity funds used during construction	(1,244)	(1,158)	(1,595)
Amortization of deferred revenues	(36,310)	(33,865)	(25,641)
Provisions for estimated losses	4,009	3,780	1,749
Deferred interest related to Waterford 3 lease obligation	488	23,791	—
Changes in working capital:			
Receivables	(8,753)	19,848	(30,405)
Accounts payable	13,971	2,861	28,631
Deferred fuel costs	1,125	9,425	(3,513)
Taxes and interest accrued	(29,322)	8,260	(1,409)
Other working capital accounts	(4,064)	5,142	(2,457)
Refunds to customer, —gas contract settlement	(56,098)	(55,979)	(56,122)
LPSC Settlement Agreement	(3,750)	(3,995)	16,885
Decommissioning trust contributions	(7,227)	(2,095)	(2,133)
Other	(556)	(856)	(14,224)
Net cash flow provided by operating activities	<u>306,421</u>	<u>351,991</u>	<u>246,905</u>
Investing Activities:			
Construction expenditures	(135,986)	(128,700)	(131,244)
Allowance for equity funds used during construction	1,244	1,158	1,595
Net cash flow used by investing activities	<u>(134,742)</u>	<u>(127,542)</u>	<u>(129,649)</u>
Financing Activities:			
Proceeds from the issuance of:			
First mortgage bonds	—	100,000	—
Preferred stock	85,000	—	—
Common stock	100,000	85,000	—
Other long-term debt	49,907	—	—
Proceeds from the sale and leaseback of a portion of			
Waterford 3	—	—	353,600
Proceeds from the sale and leaseback of nuclear fuel			
	—	—	29,666
Retirement of:			
First mortgage bonds	(314,258)	(131,250)	(415,000)
Other long-term debt	(4,702)	(4,224)	(4,860)
Redemption of preferred stock	(60,500)	(25,500)	(97,200)
Principal payments under capital leases	(36,781)	(46,062)	(40,085)
Dividends paid:			
Common stock	(63,552)	(116,865)	(69,218)
Preferred stock	(26,894)	(28,589)	(41,120)
Net cash flow used by financing activities	<u>(271,780)</u>	<u>(167,490)</u>	<u>(284,217)</u>
Net increase (decrease) in cash and cash equivalents	(100,101)	57,359	(166,958)
Cash and cash equivalents at beginning of period	165,577	111,618	278,576
Cash and cash equivalents at end of period	<u>\$ 68,476</u>	<u>\$168,577</u>	<u>\$111,618</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	\$172,421	\$129,260	\$203,076
Income taxes	\$ 33,133	\$ 61,538	\$ 13,729
Noncash investing and financing activities:			
Capital lease obligation incurred	\$ 10,002	\$ 30,387	\$139,262

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulation and System of Accounts

The accounts of LP&L are maintained in accordance with the Uniform System of Accounts prescribed by its regulators, the LPSC, the Council (in connection with LP&L's Algiers operations), and the FERC.

Revenues and Fuel Costs

LP&L records revenues when billed to its customers on a cycle-billing basis, and, in addition, accrues revenue for the non-fuel portion of estimated unbilled revenues for energy delivered since the period covered by the latest billings.

LP&L's rate schedules include adjustment clauses under which fuel and purchased power costs are permitted to be billed or required to be credited to customers. LP&L has adopted a deferral method of accounting for these fuel and purchased power costs. Under this method, such costs are deferred to the month in which the related revenues are billed.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead, and AFUDC) are recorded at cost. Partial disallowances of plant cost ordered by the regulators have been recorded as an adjustment to utility plant. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC results in an increase in utility plant and represents current earnings, it is a non-cash item and is realized in cash through recovery of depreciation provisions included in rates. LP&L's effective composite rates for AFUDC were 8.6%, 8.4%, and 8.8% for 1991, 1990, and 1989, respectively.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation for Waterford 3 includes a provision for nuclear plant decommissioning costs. Depreciation provisions on average depreciable property approximated 2.9%, 3.1%, and 2.9% in 1991, 1990, and 1989, respectively.

Substantially all of the utility plant owned by LP&L is subject to the lien of its mortgage indenture. In addition, certain assets of LP&L are subject to the liens of second mortgages related to pollution control revenue bonds.

Utility plant includes approximately \$224 million (recorded at book value) of electric plant representing the portions of Waterford 3 that were sold and are currently under lease. LP&L retired such property from its continuing property records as formerly owned property released from and no longer subject to LP&L's first mortgage indenture. LP&L is reflecting such property on its books and records for financial reporting purposes as property under lease from others and is depreciating this leased property over the life of the plant. The transactions are treated as financing transactions for financial reporting purposes and constitute sales and leases under applicable Louisiana law. See Note 9, "Leases."

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Income Taxes

LP&L joins its parent and affiliates in filing a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to LP&L in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on difference between book and taxable income to the extent permitted by LP&L's regulatory bodies for ratemaking purposes. Investment tax credits allocated to LP&L are deferred and amortized based upon the average useful life of the related property.

Other Noncurrent Liabilities

LP&L records provisions for uninsured property risks and claims for injuries and damages through charges to operation expenses on an accrual basis. Provisions for these accruals, classified as other noncurrent liabilities, have been allowed for ratemaking purposes.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, LP&L considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

NOTE 2. RATE AND REGULATORY MATTERS

Waterford 3 and Grand Gulf 1

In a series of LPSC orders, court decisions and agreements between November 1985 and June 1988, LP&L was granted certain Waterford 3 and Grand Gulf 1 rate relief on specified terms and conditions. In addition, LP&L, in accordance with certain judicial decisions and LPSC rate orders, deferred a net amount of \$266 million of its Waterford 3 costs that were related to the period November 14, 1985 through January 31, 1988. Of this amount, \$18.1 million was amortized in 1988 as a result of the amortization of certain investment tax credits, and the remainder of \$247.9 million is being recovered over approximately 5.6 years at the annual rate of \$23.8 million, net of deferred taxes, beginning in April 1988.

With respect to Grand Gulf 1, in November 1985, LP&L agreed to permanently absorb, and not recover from its retail customers, 18% of its FERC-allocated share of the costs of capacity and energy of Grand Gulf 1. However, LP&L was allowed to recover, through the fuel adjustment clause, 4.6 cents per KWH for the energy related to the permanently absorbed percentage, with LP&L's permanently retained percentage to be available for sale to non-affiliated parties, subject to LPSC approval (see "Project Olive Branch Settlements" below with respect to a temporary reduction in these recoveries).

March 1989 Order

The March 1989 Order in effect provided, among other things, that LP&L was entitled to an increase in retail rates of approximately \$45.9 million on an annual basis, but that in lieu of a rate increase, LP&L would retain the LPSC jurisdictional portion of \$193.7 million of proceeds (stated to

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

approximately \$188.6 million) received by LP&L in October 1988 as a result of litigation with a gas supplier. In addition, the order provides that, for the benefit of ratepayers, LP&L begin in March 1989 to amortize such jurisdictional proceeds plus interest thereon accrued through February 25, 1989 pursuant to a rate amortization schedule that is scheduled to extend for 5.3 years from that time. At December 31, 1991, the unamortized balance of such jurisdictional proceeds was approximately \$95.7 million. To date, LP&L believes that the March 1989 Order has provided approximately the same amount of additional net income available for common stock as would an annual rate increase of \$45.9 million (the amount of LP&L's revenue deficiency as determined by the LPSC) over the 5.3 year period. LP&L agreed to a five-year base rate freeze, at the then current level, subject to certain conditions. These conditions include, among others, a provision that the rate freeze would not serve as a bar to changes in rates as a result of changes in the federal tax law, net increases or decreases in LP&L's costs resulting from proceedings at the FERC relating to the Grand Gulf Station, or as a result of catastrophic events. The impact of the March 1989 Order was to increase net income in 1991, 1990, and 1989 by approximately \$27.7 million, \$27.7 million, and \$23.1 million, respectively.

In April 1989, the Louisiana Energy Users Group (LEUG), a group of LP&L's large industrial customers, and the members of such group individually, filed a petition for appeal and judicial review of the March 1989 Order in the State District Court. The LEUG contends that the LPSC was without jurisdiction or authority to permit LP&L to retain the judgment proceeds. On March 1, 1990, the LEUG filed a motion with the State District Court requesting continuance, without date, of these proceedings and the State District Court granted such continuance. LP&L will defend vigorously against the appeal if it is prosecuted. As permitted by the March 1989 Order, LP&L is expending the judgment proceeds in the normal course of its business. LP&L believes the intent of the March 1989 Order is that the LPSC recognizes that LP&L is entitled to an annual revenue increase of approximately \$45.9 million and that such intent and the March 1989 Order will be upheld by the courts, if the matter is prosecuted. The matter is pending.

FERC Complaint Case

On February 1, 1990, various regulatory agencies filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 were not just and reasonable. A settlement, reached on May 21, 1991 and approved by the FERC on September 16, 1991, among other things, reduced System Energy's rate of return on common equity from 14% to 13%.

In connection with the foregoing, LP&L received credits from System Energy during 1991. The LPSC approved a plan whereby credits of approximately \$7.4 million were credited to customers as reductions to monthly bills during 1991.

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies reached an agreement with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement in 1989 resulted in, among other things, a \$900 million pre-tax write-off by System Energy of its investment in Grand Gulf 2 without seeking rate recovery from its customers, the System operating companies, including LP&L. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of \$50 million, which was allocated among the System operating companies in

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

accordance with their respective allocations of Grand Gulf 1 capacity and energy. LP&L's share of this credit totaled \$7 million, which was refunded to customers.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Complaint Case" above.)

In addition to settlement of FERC-related issues embodied in the FERC Settlement, the LPSC Settlement Agreement, effective July 21, 1989, provides that LP&L temporarily reduce its recovery from retail ratepayers of certain Grand Gulf 1-related costs. In 1985 (as discussed above), LP&L had agreed to permanently absorb, and not recover from its LPSC jurisdictional retail ratepayers, 18% of LP&L's FERC-allocated share of Grand Gulf 1 costs of capacity and energy, except that LP&L was allowed to recover 4.6 cents per KWH for the energy related to such retained portion through the fuel adjustment clause. Under the terms of the LPSC Settlement Agreement, the amount of such recovery is being reduced to 2.55 cents per KWH until such time (projected to be approximately May 1994) as this reduction provides net present value savings of \$14.5 million to LP&L's retail ratepayers. LP&L retains the right to sell such energy to non-affiliated parties at more than 2.55 cents per KWH, subject to LPSC approval. The LPSC Settlement Agreement resulted in a reduction in net income of \$11.1 million for 1989, of which \$10.5 million was recorded in December 1989, representing the remaining future years' impact of the temporary revenue reduction under the LPSC Settlement Agreement.

Nuclear Management Consolidation

In 1990, Entergy Operations was organized as a subsidiary of Entergy with responsibility for the operation of ANO, Waterford 3, and Grand Gulf 1, subject, respectively, to AP&L's, LP&L's, and System Energy's oversight. AP&L, LP&L, System Energy and the other Waterford 3 and Grand Gulf 1 co-owners retain their ownership interests in their respective nuclear generating units. Further, AP&L, LP&L, and System Energy retain their associated capacity and energy entitlements and reimburse Entergy Operations at cost for service associated with the operation and maintenance of these units. Approval by the LPSC and others required, among other things, that LP&L flow through to ratepayers, through LP&L's fuel adjustment clause, 50% of the projected savings for the duration of the current rate freeze.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$ 5,180	\$ 51,961	\$ 9,219
State	3,504	10,276	19,850
Total	<u>8,684</u>	<u>62,237</u>	<u>29,069</u>
Deferred — net:			
Liberalized depreciation	56,132	58,358	24,368
Unbilled revenue	489	(4,352)	(8,612)
Decommissioning expenses	—	(96)	(1,050)
Deferred Waterford 3 expenses	(14,043)	(14,043)	(14,043)
Adjustment of prior years' tax provisions	(3,659)	(1,284)	6,061
Waterford 3 sale and leaseback	(2,898)	(10,920)	(76,497)
LPSC Settlement Agreement	1,661	1,656	(6,632)
Net operating loss carryforward utilization	—	—	54,114
Nuclear fuel	996	(2,680)	9,945
Gas contract settlement	15,342	13,325	10,458
Accrued interest expense	—	—	2,890
Nuclear refueling and maintenance	5,485	(6,401)	3,911
Materials and supplies inventory adjustments	(841)	4,021	(939)
Alternative minimum tax	10,361	(43,177)	6,186
Contract deferred revenue	540	(3,309)	—
Other	(773)	(753)	(2,320)
Total	<u>67,792</u>	<u>(9,655)</u>	<u>7,222</u>
Investment tax credit adjustments — net	<u>8,244</u>	<u>26,646</u>	<u>20,822</u>
Recorded income tax expense	<u>\$ 84,720</u>	<u>\$ 79,228</u>	<u>\$ 57,731</u>
Charged to operations	\$ 76,104	\$ 71,989	\$ 49,765
Charged to other income	8,616	7,239	7,966
Recorded income tax expense	84,720	79,228	57,731
Income taxes applied against the debt component of AFUDC	440	477	717
Total income taxes	<u>\$ 85,160</u>	<u>\$ 79,705</u>	<u>\$ 58,448</u>

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$85,439	34.0	\$79,654	34.0	\$55,877	34.0
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	3,797	1.5	4,654	2.0	(1,846)	(1.1)
Depreciation	3,182	1.3	3,739	1.6	5,700	3.4
Impact of change in tax rate	(3,012)	(1.2)	(3,060)	(1.3)	(1,635)	(1.0)
Recapture of prior years' consolidated income tax savings	5,032	2.0	2,895	1.2	—	—
Amortization of investment tax credits	(6,561)	(2.6)	(5,772)	(2.5)	(5,245)	(3.2)
Adjustment of prior years' tax provisions	(2,700)	(1.1)	(1,753)	(0.7)	3,218	2.0
Other — net	(457)	(0.2)	(1,157)	(0.5)	1,662	1.0
Recorded income tax expense	84,720	33.7	79,228	33.8	57,731	35.1
Income taxes applied against the debt component of AFUDC	440	0.2	477	0.2	717	0.5
Total income taxes	<u>\$85,160</u>	<u>33.9</u>	<u>\$79,705</u>	<u>34.0</u>	<u>\$58,448</u>	<u>35.6</u>

The alternative minimum tax (AMT) credit at December 31, 1991 was \$32.8 million. This AMT credit can be carried forward indefinitely and will reduce LP&L's federal income tax liability in the future.

Cumulative income tax timing differences for which deferred income taxes have not been provided are \$124.5 million, \$125.8 million, and \$126.8 million at December 31, 1991, 1990, and 1989, respectively.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards, and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the system. Based on a preliminary study, LP&L expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact LP&L's results of operations. LP&L plans to adopt SFAS No. 109 in 1993.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

LP&L is authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time up to \$125 million, subject to increase to a maximum of \$260 million with further SEC approval.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

LP&L had lines of credit with Louisiana banks at December 31, 1991 providing for short-term borrowings of \$43.8 million. Additionally, LP&L participates with certain other System companies in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. LP&L may borrow from these sources subject to its maximum authorized level of short-term borrowings and the availability of funds. LP&L had no outstanding short-term borrowings at December 31, 1991.

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares and dollar value of LP&L's preferred stock was:

	At December 31,		Total Dollar Value		Call Price Per Share at December 31, 1991
	Shares		1991		
	Authorized 1991	Outstanding 1991	1991	1990	
			(In Thousands)		
Without sinking fund:					
Cumulative, \$100 par value					
4.96% Series	60,000	60,000	\$ 6,000	\$ 6,000	\$104.25
4.16% Series	70,000	70,000	7,000	7,000	104.21
4.44% Series	70,000	70,000	7,000	7,000	104.06
5.16% Series	75,000	75,000	7,500	7,500	104.18
5.40% Series	80,000	80,000	8,000	8,000	103.00
6.44% Series	80,000	80,000	8,000	8,000	102.92
9.52% Series	70,000	70,000	7,000	7,000	104.20
7.84% Series	100,000	100,000	10,000	10,000	103.78
7.36% Series	100,000	100,000	10,000	10,000	103.36
8.56% Series	100,000	100,000	10,000	10,000	103.14
9.44% Series	300,000	300,000	30,000	30,000	106.72
11.48% Series	—	—	—	35,000	—
Cumulative, \$25 par value					
9.68% Series	2,000,000	2,000,000	50,000	—	—
Premium	—	—	309	382	
Issuance expense	—	—	(2,086)	—	
Total without sinking fund			<u>\$158,723</u>	<u>\$145,882</u>	
With sinking fund:					
Cumulative, \$100 par value					
8.00% Series	350,000	350,000	\$ 35,000	—	—
Cumulative, \$25 par value					
10.72% Series	870,211	870,211	21,755	\$ 27,755	\$ 26.34
13.12% Series	381,121	381,121	9,528	13,528	26.64
15.20% Series	115,160	115,160	2,879	5,879	26.90
14.72% Series	400,416	400,416	10,011	15,011	27.76
17.64% Series	1,800,370	1,800,370	45,009	52,509	27.37
Issuance expense	—	—	(5,128)	(6,961)	
Total with sinking fund			<u>\$119,054</u>	<u>\$107,721</u>	

At December 31, 1991, LP&L had 2,695,000 and 7,800,000 shares of cumulative, \$100 and \$25 par value preferred stock, respectively, that were authorized but unissued.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Changes in the number of shares of common stock and preferred stock, with and without sinking fund, during the last three years were:

	Number of shares		
	1991	1990	1989
Common stock issuances	15,168,800	12,803,480	—
Preferred stock issuances:			
\$100 par value:			
8.00% Series	350,000	—	—
\$25 par value:			
9.68% Series	2,000,000	—	—
Preferred stock retirements:			
\$100 par value:			
11.48% Series	(350,000)	—	—
\$25 par value:			
10.72% Series	(240,000)	(240,000)	(116,004)
12.64% Series	(500,000)	(300,000)	(300,000)
13.12% Series	(160,000)	(160,000)	(160,000)
14.72% Series	(200,000)	(200,000)	(832,000)
15.20% Series	(120,000)	(120,000)	(480,000)
19.20% Series	—	—	(2,000,000)

Cash sinking fund requirements for the ensuing five years for preferred stock outstanding at December 31, 1991 are (in thousands): 1992, \$12,750; 1993, \$12,629; 1994, \$11,250; 1995, \$11,250, and 1996, \$8,288. LP&L has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its preferred stock outstanding.

LP&L has SEC authorization for the issuance and sale, through December 31, 1992, of up to \$200 million of preferred stock (of which \$65 million remains available) and for the acquisition, in whole or in part, through December 31, 1992, of not more than \$75 million aggregate par value of certain outstanding series of its preferred stock, including, but not limited to, the 15.20% Series, the 14.72% Series, the 13.12% Series, and the 12.64% Series of its \$25 par value preferred stock. On February 4, 1992 LP&L issued and sold 500,000 shares of its 7.0% Series of Preferred Stock, cumulative, \$100 par value, for \$50 million.

LP&L has SEC authorization for the issuance and sale, through December 31, 1993, of up to \$50 million of additional common stock to Entergy.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 6. LONG-TERM DEBT

The long-term debt of LP&L at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds:		
10.500% Series due 1993	—	\$ 200,000
4.625% Series due 1994	\$ 25,000	25,000
10.360% Series due 1995	75,000	75,000
5.750% Series due 1996	35,000	35,000
5.625% Series due 1997	16,000	16,000
6.500% Series due 1997	18,000	18,000
7.125% Series due 1998	35,000	35,000
9.375% Series due 1999	25,000	25,000
9.375% Series due 2000	20,000	20,000
7.875% Series due 2001	18,700	25,000
7.500% Series due 2002	23,000	25,000
7.500% Series due 2002	15,259	25,000
8.000% Series due 2003	25,561	43,750
8.750% Series due 2004	30,917	45,000
8.750% Series due 2006	21,850	40,000
10.000% Series due 2008	58,205	60,000
10.375% Series due 2016	231,000	275,000
10.125% Series due 2020	95,000	95,000
Total First Mortgage Bonds	<u>768,492</u>	<u>1,082,750</u>
Other:		
St. Charles Parish Pollution Control Revenue Bonds:		
Series 1984, 6.25% due 2014	115,000	115,000
Second Series 1984, 8% due 2014	105,000	105,000
Series 1991, 7.5% due 2021	49,907	—
Other pollution control and industrial revenue bond obligations, 6.4%-8% due 1992-2009	15,725	15,930
Principal amount of municipal revenue bond obligations, 2.75%-8% due serially 1992-2004 and other future obligations under operating agreements	14,449	17,464
Purchase obligations under an inventory supply agreement, variable rate (8.03% and 8.07% average rate)	23,649	25,132
Waterford 3 lease obligation, 8.76% (Note 9)	<u>353,600</u>	<u>353,600</u>
Total Other	677,330	632,126
Unamortized Premium and Discount — Net	<u>(8,028)</u>	<u>(5,600)</u>
Total Long-Term Debt	1,437,794	1,706,186
Less — Amount Due Within One Year	<u>4,073</u>	<u>4,427</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,433,721</u>	<u>\$1,701,759</u>

For the years 1992, 1993, 1994, 1995, and 1996, LP&L has long-term debt maturities and sinking fund requirements of (in millions) \$11.4, \$11.0, \$36.5, \$102.8 and \$46.3, respectively. Sinking fund requirements of approximately \$7 million annually may be satisfied by certification of property additions at the rate of 167% of such requirements.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

LP&L has SEC authorization for the issuance and sale, through December 31, 1992, of up to \$500 million of first mortgage bonds, and has SEC authorization to enter into agreements, subject to meeting certain conditions, with the Parish of St. Charles, Louisiana (Parish) whereby the Parish would issue and sell up to \$200 million of tax-exempt revenue bonds in order to reimburse LP&L for, or to permanently finance, the costs of certain solid waste disposal, sewage disposal, and/or air or water pollution control facilities. Accordingly, on August 5, 1991, the Parish issued 7.5% Pollution Control Revenue Bonds (Louisiana Power & Light Company Project) Series 1991 in the principal amount of \$50 million. This issuance is secured by \$52.5 million of LP&L's non-interest bearing first mortgage bonds.

In connection with the foregoing, LP&L has SEC authorization to acquire, in whole or in part, through December 31, 1992 and prior to their respective maturities, (1) up to \$550 million of its outstanding first mortgage bonds, including, but not limited to, the 10.375% Series due November 1, 2016, the 10.36% Series due December 1, 1995, the 10% Series due July 1, 2008, the 9.375% Series due December 1, 1999, and the 9.375% Series due November 1, 2000, and (2) up to \$75 million of outstanding pollution control revenue bonds, including, but not limited to, the 5.25% St. Charles Parish Pollution Control Revenue Bonds, Series 1984 due 2014 and the 8% Second Series 1984 Bonds due 2014. During 1991, LP&L acquired approximately \$114.4 million of portions of certain series of its first mortgage bonds.

Additionally, during 1991, LP&L redeemed \$200 million of its 10.50% Series First Mortgage Bonds, due April 1, 1993 (which had been issued to collateralize secured notes in an equal principal amount) with, among other things, proceeds from the sale of common stock to Entergy.

NOTE 7. RETAINED EARNINGS

LP&L's Restated Articles of Incorporation, as amended, and certain of its indentures, contain provisions restricting the payment of cash dividends or other distributions on common stock. At December 31, 1991, all of LP&L's retained earnings were free from such restrictions.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC but excluding nuclear fuel) during the years 1992, 1993, and 1994 are estimated to be approximately \$154.0 million, \$154.8 million, and \$147.0 million, respectively. In addition to construction expenditure requirements, LP&L will require \$73.6 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. LP&L plans to meet the above requirements with internally generated funds, including collections under its rate phase-in plan, and cash on hand, supplemented by the issuance of preferred and common stock and long-term debt. (See Note 5, "Preferred and Common Stock" and Note 6, "Long-term Debt," regarding the issuance of preferred and common stock and certain long-term debt securities and the possible refunding, redemption, purchase or other acquisition of outstanding securities.)

Unit Power Sales, Availability, and Reallocation Agreements

Under the Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its 90% owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AF&L 36%, LP&L 14%, MP&L 33%, NPSI 17%) as ordered by the FERC in the June 13 Decision. Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

including System Energy's operating expenses, depreciation and capital costs (including a return on common equity). LP&L's monthly obligation for payments to System Energy for Grand Gulf 1 capacity and energy is approximately \$9 million. The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated under the Availability Agreement to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement (of which LP&L's share is 14%), are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the write-off of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

If a System operating company other than LP&L becomes unable in whole or in part to continue making payments to System Energy under the Unit Power Sales Agreement, and if System Energy were unable to procure funds from other sources sufficient to cover any potential shortfall between the amount owing under the Availability Agreement and the amount of continuing payments under the Unit Power Sales Agreement plus other funds then available to System Energy, LP&L could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement or the assignments thereof. The amount, if any, that LP&L would become liable to pay or advance over and above amounts it currently pays under the Unit Power Sales Agreement for capacity and energy from Grand Gulf 1 would depend on a variety of factors (especially the degree of any such shortfall and System Energy's access to other funds). LP&L cannot predict whether any such claims or demands, if made and upheld, could be satisfied.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97%, and NPSI 29.80% under the terms of the Reallocation Agreement. AP&L would be liable for its share of such amounts only if the other System operating companies are unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

years 1997 through 2013. LP&L recovers the cost of fuel consumed during the generation of electricity through its fuel adjustment clause pursuant to LPSC authorization.

Nuclear Insurance

The Price-Anderson Act provides a limit of public liability for a single nuclear incident, which at December 31, 1991, was approximately \$7.81 billion. LP&L has protection with respect to this liability through a combination of private insurance (currently \$200 million) and an industry assessment program. Under the assessment program, the maximum amount LP&L would be required to pay, with respect to each nuclear incident at a licensed nuclear facility, would be \$66.15 million per reactor (such amount to be indexed every five years for inflation, and includes a 5% surcharge in the event the total public liability claims and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of \$10 million per licensed reactor per incident per year. LP&L has one licensed reactor.

LP&L and the co-owners of Waterford 3 are members of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1991, LP&L was insured against such losses up to \$2.45 billion with a \$300 million sublimit for premature decommissioning coverage. In addition, LP&L is a member of an insurance program that provides insurance coverage for certain costs of replacement power and business interruption incurred due to certain prolonged outages of nuclear units. Under the property damage and replacement power/business interruption insurance programs, LP&L could be subject to assessments if losses exceed the accumulated funds available to the insurers. At December 31, 1991, the maximum amount of such possible assessment for LP&L was \$16.27 million.

The amount of property insurance presently carried by LP&L exceeds the NRC's minimum requirement for nuclear power plant licensees of \$1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete required decontamination operations. Only after proceeds are used or dedicated for such use and appropriate regulatory approval is obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

Spent Nuclear Fuel and Decommissioning Costs

LP&L is providing for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. LP&L has entered into a contract with the DOE, whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983. LP&L considers all costs incurred or to be incurred in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been accepted by the LPSC.

The DOE's repository program for the acceptance of spent nuclear fuel has been delayed. LP&L's initial shipment of spent fuel to the DOE's storage facilities is expected to occur after 2019. In the meantime, LP&L will be responsible for storage of spent fuel. Current on-site spent fuel storage capacity at Waterford 3 is estimated to be sufficient to store fuel from normal operations until 2001. It is expected that any additional storage capacity required due to, among other things, delay of the DOE's repository program will be provided by LP&L. The cost of providing the additional on-site spent fuel storage capability required at Waterford 3 by 2001 is estimated to approximate \$5.0 to \$10.0 million (in 1991 dollars). In addition, approximately \$3.0 to \$5.0 million (in 1991 dollars) will be required every two to three years subsequent to 2001 until DOE's repository begins accepting Waterford 3 spent fuel. Currently, these expenditures qualify for funding by the issuance of solid waste disposal revenue bonds, subject to certain restrictions on the issuance of such bonds.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

LP&L is also recovering decommissioning costs for Waterford 3. These amounts are deposited in an external trust fund, with an after-tax market value of \$12.7 million at December 31, 1991, that can only be used for future decommissioning costs. The decommissioning costs for Waterford 3 are estimated to be approximately \$203.0 million (in 1988 dollars). In a May 29, 1990 order, the LPSC authorized LP&L to increase its funding for Waterford 3 decommissioning costs from \$2.1 million to \$4.0 million annually, effective May 29, 1990, through 1993 for recovery of these estimated costs. In 1993, the LPSC will review the \$4.0 million funding level and future funding levels to determine whether these amounts, when added to estimated trust investment income during the collection period, will be sufficient to meet currently estimated decommissioning costs.

Settlement Agreement with Gas Supplier

A 1982 settlement agreement between LP&L and a gas supplier resulted in the payment to LP&L of \$1.087 billion in cash and provided for a guaranty of savings of at least \$585.0 million in certain gas acquisition costs between 1982 and 1996. In 1983, the LPSC ordered LP&L to refund the settlement proceeds to customers over the period 1983-1993. At December 31, 1991, the remaining liability to customers was approximately \$112.5 million (of which \$56.4 million was classified as a current liability).

Other Commitments and Contingencies

See Note 2, "Rate and Regulatory Matters," for information with respect to the March 1989 Order.

NOTE 9. LEASES

General

In accordance with SFAS No. 13, "Accounting for Leases," LP&L records the assets and related obligations applicable to capital leases as required by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

At December 31, 1991, LP&L had capital leases and noncancelable operating leases (excluding the nuclear fuel lease and the sale and leaseback transaction discussed below) with minimum rental commitments as follows:

	Capital Leases	Operating Leases
	(In Thousands)	
1992	\$ 419	\$ 8,561
1993	419	6,991
1994	314	4,997
1995	—	4,087
1996	—	3,468
Years thereafter	—	12,678
Minimum rental commitments	<u>1,152</u>	<u>\$40,782</u>
Less: Amount representing interest	<u>239</u>	
Present value of net minimum lease payments	<u>\$ 913</u>	

Rental expense for capital and operating leases (excluding the nuclear fuel lease and the sale and leaseback transaction described below) amounted to approximately \$8.6 million, \$8.9 million, and \$9.5 million in 1991, 1990, and 1989, respectively.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Nuclear Fuel Lease

LP&L has a leasing arrangement permitting the leasing of nuclear fuel of up to \$105 million. The lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate-term notes. The credit agreement, which was entered into in 1989, has been extended to January 1995 and the intermediate-term notes have varying remaining maturities of up to 7 years. It is expected that the credit arrangement will be extended or alternative financing will be secured by the lessor upon the maturity of the current arrangements. If the lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, LP&L must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense, including interest, of \$41.8 million, \$57.8 million, and \$53.4 million was charged to operations in 1991, 1990, and 1989, respectively. The unrecovered cost base of the lease was \$58.5 million, \$82.0 million, and \$101.5 million at December 31, 1991, 1990 and 1989, respectively.

Waterford 3 Lease Obligations

On September 25, 1989, LP&L entered into three substantially identical, but entirely separate, transactions for the sale (for an aggregate cash consideration of \$353.6 million) and leaseback of three undivided portions of its 100% ownership interest in Waterford 3. The three undivided interests in Waterford 3 sold and leased back exclude certain transmission, pollution control, and other facilities that are part of Waterford 3. The interests sold and leased back, as described above, are equivalent on an aggregate cost basis to approximately 9.3% of Waterford 3. The sales were made to an Owner Trustee under three separate, but identical, trust agreements with three Owner Participants. LP&L is leasing back the sold interests from the Owner Trustee on a net lease basis over an approximate 25-year basic lease term. LP&L has options to terminate the lease and to repurchase the sold interests in Waterford 3 at certain intervals during the basic lease term. Further, at the end of the basic lease term, LP&L has an option to renew the lease or to repurchase the undivided interests in Waterford 3.

The Owner Trustee acquired the interests with funds provided by the Owner Participants and with funds obtained from the issuance and sale by the Owner Trustee of intermediate-term and long-term bonds. The lease payments to be made by LP&L will be sufficient to service the debt incurred by the Owner Trustee.

If LP&L does not exercise its option to repurchase the undivided interests in Waterford 3 on the fifth anniversary (September, 1994) of the closing date of the sale and leaseback transactions, LP&L will be required to provide collateral to the Owner Participants for the equity portion of certain amounts payable by LP&L under the lease. Such collateral requirements are to be in the form of either a bank letter of credit or the pledge of new series of first mortgage bonds issued by LP&L under its first mortgage bond indenture.

Upon the occurrence of certain adverse events (including lease events of default, events of loss, deemed loss events or certain adverse "Financial Events" with respect to LP&L), LP&L may be obligated to pay amounts sufficient to permit the owner participants to withdraw from the lease transactions and LP&L may be required to assume the outstanding bonds issued by the Owner Trustee to finance its acquisition of the undivided interests in Waterford 3. "Financial Events" include, among other things, failure by LP&L, following the expiration of any applicable grace or cure periods, to maintain (1) as of the end of any fiscal quarter, total equity capital (including preferred stock) at least equal to 30% of adjusted capitalization or (2) in respect of the 12-month period ending on the last day of any fiscal quarter, a fixed charge coverage ratio of at least 1.50. At December 31, 1991, LP&L's total

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

equity capital (including preferred stock) was 49.79% of adjusted capitalization and its fixed charge coverage ratio was 2.45.

In accordance with SFAS No. 98, "Accounting for Leases," due to "continuing involvement" by LP&L, the sale and leaseback by LP&L of the undivided portions of Waterford 3, as described above, are required to be reflected for financial reporting purposes as financing transactions in LP&L's financial statements even though such portions are no longer owned by LP&L. See LP&L's Note 1, "Summary of Significant Accounting Policies," for further information regarding financial reporting treatment.

At December 31, 1991, LP&L had future minimum lease payments (reflecting an overall implicit rate of 8.76%) in connection with the Waterford 3 sale and leaseback transactions as follows:

	Minimum Lease Payments
	(In Thousands)
1992	\$ 32,569
1993	32,568
1994	32,568
1995	32,569
1996	35,165
Years thereafter	<u>807,994</u>
Total	<u>\$973,433</u>

NOTE 10. POSTRETIREMENT BENEFITS

LP&L has a defined benefit pension plan covering substantially all of its employees. The pension plan is noncontributory and provides pension benefits that are based on the employees' credited service and average compensation, generally during the last five years before retirement. LP&L's policy is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. Effective October 1, 1988, LP&L amended its plan to designate an associated company as a participating employer. LP&L has adopted a pension expense allocation policy such that pension expense recorded on its books is substantially the same as the expense that would have been recorded if LP&L had not designated an associated company as a participating employer. Pension costs are allocated to the associated company based on an actuarially-determined evaluation by an independent actuary.

Effective June 6, 1990, LP&L's Waterford 3 nuclear employees became employees of Entergy Operating Company. However, the employees still remain under LP&L's plan, and no transfers of related pension liabilities and assets have been made.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

LP&L's 1991, 1990, and 1989 pension cost (credit), including amounts capitalized, was as follows:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Service cost — benefits earned during the period	\$ 5,469	\$ 6,736	\$ 5,610
Interest cost on projected benefit obligation	14,693	13,422	12,525
Actual return on plan assets	(38,636)	565	(33,851)
Net amortization and deferral	21,975	(17,449)	17,327
Other	1,150	—	—
Pension expense allocation to associated company	(3,573)	(3,047)	(2,372)
Net pension cost (credit)	<u>\$ 1,078</u>	<u>\$ 227</u>	<u>\$ (761)</u>

The assets of the plan consist primarily of common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

The funded status of LP&L's pension plan at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	\$161,679	\$115,759
Nonvested	13,715	9,650
Accumulated benefit obligation	<u>\$175,394</u>	<u>\$123,409</u>
Plan assets at fair value	\$206,081	\$178,054
Projected benefit obligation*	<u>204,794</u>	<u>167,297</u>
Plan assets in excess of projected benefit obligation	1,287	10,757
Unrecognized prior service cost	10,130	6,531
Unrecognized transition asset	(29,821)	(32,824)
Unrecognized net gain	<u>(8,136)</u>	<u>(6,341)</u>
Accrued pension liability	<u>\$(26,540)</u>	<u>\$(21,877)</u>

* Includes approximately \$25.8 million for 1991 and approximately \$16.9 million for 1990 related to pension obligations of an associated company in connection with the plan amendment of October 1, 1988.

The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 3.5% for 1989 and a weighted average rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990, and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990, and 1989. Transition assets are being amortized over 15 years.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

LP&L also provides certain health care and life insurance benefits for its employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for LP&L. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The total cost of providing these benefits, recorded on a cash basis, and the number of active employees and retirees for the last three fiscal years were:

	1991	1990	1989
Total cost of health care and life insurance (in thousands)	\$15,097	\$12,026	\$11,815
Number of active employees	2,932	3,463	3,262
Number of retirees	880	914	539

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change from a cash method to an accrual method of accounting for these benefits. At January 1, 1991, the actuarially determined accumulated postretirement benefit obligation earned by retirees and active employees was estimated to be approximately \$62 million. This obligation may be amortized to expense over a 20-year period beginning in 1993 or, alternatively, recorded as expense immediately upon the adoption of the new accounting standard. Adoption of the new standard is expected to increase annual expense associated with these benefits by approximately \$8 million for LP&L, including the effects of the amortization of the transition obligation. The portion of this additional expense that will immediately or ultimately be allowed in rates cannot presently be determined. In addition, the degree of regulatory assurance of future recovery that may be required to recognize a regulatory asset, and thus avoid an impact on earnings, cannot be determined at this time. LP&L plans to adopt this standard in the first quarter of 1993.

NOTE 11. TRANSACTIONS WITH AFFILIATES

LP&L buys electricity from and/or sells electricity to the other System operating companies and System Energy under rate schedules filed with the FERC. In addition, LP&L purchases fuel from System Fuels, receives technical and advisory services from Entergy Services, Inc. and receives operating services from Entergy Operations.

Operating revenues include revenues from sales to affiliates amounting to \$0.2 million in 1991, \$1.5 million in 1990, and \$5.0 million in 1989. Operating expenses include charges from affiliates for fuel costs, purchased power and related charges, and technical and advisory services totaling \$327.9 million in 1991, \$298.2 million in 1990, and \$308.5 million in 1989. Also, effective June 6, 1990, Entergy Operations assumed operating responsibility for, but not ownership of, Waterford 3. In return, LP&L pays directly or reimburses Entergy Operations for the costs associated with operating Waterford 3, which were approximately \$151.1 million in 1991 and \$87.1 million in 1990.

LOUISIANA POWER & LIGHT COMPANY
 NOTES TO FINANCIAL STATEMENTS -- (Concluded)

NOTE 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 1991 and 1990 were:

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income</u>
	(In Thousands)		
1991:			
First Quarter	\$325,481	\$ 61,148	\$20,307
Second Quarter	\$399,073	\$ 88,508	\$47,870
Third Quarter	\$470,969	\$124,481	\$83,738
Fourth Quarter	\$333,411	\$ 58,359	\$14,057
1990:			
First Quarter	\$329,926	\$ 58,840	\$20,288
Second Quarter	\$364,596	\$ 87,812	\$48,203
Third Quarter	\$457,560	\$120,513	\$81,878
Fourth Quarter	\$333,490	\$ 45,805	\$ 4,680

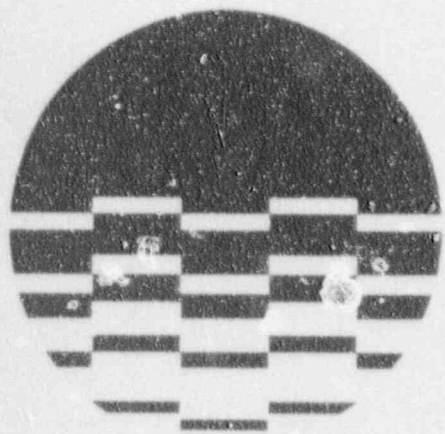
LP&L's business is subject to seasonal fluctuations with the peak period occurring during the third quarter.

LOUISIANA POWER & LIGHT COMPANY
 SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(In Thousands)				
Operating revenues	\$1,528,934	\$1,485,572	\$1,426,806	\$1,377,108	\$1,346,632
Net income	\$ 166,572	\$ 155,049	\$ 106,613	\$ 113,826	\$ 115,649
Total assets	\$4,131,751	\$4,262,124	\$4,280,474	\$4,458,409	\$4,234,349
Long-term obligations(1)	\$1,577,478	\$1,860,468	\$1,906,831	\$1,825,102	\$2,069,988

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

Mississippi Power & Light Company/1991 Financial Statements



MP&L

MISSISSIPPI POWER & LIGHT COMPANY

DEFINITIONS

Certain abbreviations or acronyms used in MP&L's Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC	Allowance for Funds Used During Construction
AP&L	Arkansas Power & Light Company
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies and the assignments thereof
Entergy	Entergy Corporation
Entergy Services	Entergy Services, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC Complaint Case	Complaint filed with the FERC by the Arkansas Public Service Commission, Louisiana Public Service Commission, MPSC, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989, by the System operating companies and System Energy and approved by the FERC on July 21, 1989, to settle, among other things, certain then pending Grand Gulf Station-related issues, litigation and other rate matters
Final Order on Rehearing	An order issued by the MPSC on September 16, 1985, with respect to MP&L's Grand Gulf 1-related rate issues
G&R Bonds	General and Refunding Mortgage Bonds issued and issuable under MP&L's G&R Mortgage dated as of February 1, 1988, as amended
G&R Mortgage	General and Refunding Mortgage established by MP&L effective February 1, 1988, to provide for issuances of G&R Bonds
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Independence Station	Independence Steam Electric Generating Station (coal)
Independence 2	Unit No. 2 of the Independence Station
June 13 Decision	An order issued by the FERC on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement
June 24 Decision	The decision of the United States Supreme Court issued on June 24, 1988, affirming MP&L's right to recover its Grand Gulf 1-related costs

MISSISSIPPI POWER & LIGHT COMPANY

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
KWH	Kilowatt-Hours
LP&L	Louisiana Power & Light Company
MCF	1,000 cubic feet of gas
MWH	Megawatt-Hours
Money Pool	Energy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
NOPSI	New Orleans Public Service Inc.
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
Reallocation Agreement	1981 Agreement, superseded, in part, by the June 13 Decision, among the System operating companies and System Energy relating to the sale of capacity and energy from the Grand Gulf Station
Revised Plan	MP&L's Grand Gulf 1-related rate phase-in plan, originally approved by the MPSC in the Final Order on Rehearing, as modified by the MPSC order issued September 29, 1988, to bring such plan into compliance with the requirements of SFAS No. 92
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
System Agreement	Agreement effective January 1, 1983 as modified by the June 13 Decision among the System operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
System	Energy Corporation and its various direct and indirect subsidiaries
System operating companies	MP&L, AP&L, LP&L and NOPSI, collectively
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1

MISSISSIPPI POWER & LIGHT COMPANY

REPORT OF MANAGEMENT

The management of Mississippi Power & Light Company has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

JERRY L. MAULDEN
Chairman and Chief Executive Officer

WALD D. MCINVALE
Senior Vice President and Chief Financial Officer

MISSISSIPPI POWER & LIGHT COMPANY
AUDIT COMMITTEE CHAIRMAN'S LETTER

The Mississippi Power & Light Company Audit Committee of the Board of Directors is composed of five directors, who are not officers of MP&L: Robert E. Kennington, II (Chairman), John O. Emmerich, Jr., Robert M. Williams, Jr., E. B. Robinson, Jr., and Dr. Clyda S. Rent. The committee held four meetings during 1991.

The Audit Committee oversees MP&L's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting, and financial controls are in existence and are adequately reviewed by programs of internal and external audits.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Deloitte & Touche) the overall scope and specific plans for their respective audits, as well as MP&L's financial statements and the adequacy of MP&L's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of MP&L's internal controls, and the overall quality of MP&L's financial reporting. The meetings also were designed to facilitate and encourage any private communication between the committee and the internal auditors or independent public accountants.

Robert E. Kennington, II
Chairman, Audit Committee

MISSISSIPPI POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991	1990	1989	1991 vs 1990		1990 vs 1989	
				Increase/ (Decrease)	%	Increase/ (Decrease)	%
				(Dollars in Millions)			
Net income	\$ 63.1	\$ 60.8	\$ 12.4	\$ 2.3	4	\$ 48.4	390
Electric operating revenues	\$754.6	\$761.2	\$709.7	\$ (6.6)	(1)	\$ 51.5	7
Fuel for electric generation and fuel-related expenses	\$104.6	\$119.2	\$ 91.5	\$ (14.6)	(12)	\$ 27.7	30
Purchased power	\$284.9	\$306.3	\$370.6	\$ (21.4)	(7)	\$ (64.3)	(17)
Maintenance	\$ 37.7	\$ 31.1	\$ 35.5	\$ 6.6	21	\$ (4.4)	(12)
Depreciation and amortization	\$ 30.1	\$ 38.0	\$ 37.2	\$ (7.9)	(21)	\$ 0.8	2
Rate deferrals — net	\$ 5.1	\$ (30.8)	\$ (72.3)	\$ 35.9	117	\$ 41.5	57
Rate deferral — write-off	—	—	\$ 60.0	—	—	\$ (60.0)	—
Total income taxes	\$ 27.9	\$ 37.9	\$ (9.5)	\$ (8.0)	(21)	\$ 47.7	487
Taxes other than income	\$ 37.5	\$ 36.8	\$ 31.4	\$.7	2	\$ 5.4	17
Miscellaneous other income — net	\$ 1.5	\$ (1.1)	\$ 1.4	\$ 2.6	236	\$ (2.5)	(179)
Electric operating revenues:							
Residential	\$307.3	\$302.6	\$274.8	\$ 4.7	2	\$ 27.8	10
Commercial	229.6	227.2	212.1	2.4	1	15.1	7
Industrial	162.1	160.0	147.2	2.1	1	12.8	9
Governmental	25.6	25.1	23.6	0.5	2	1.5	6
Total retail	724.6	714.9	657.7	9.7	1	57.2	9
Sales for resale	25.5	35.7	45.9	(10.2)	(29)	(10.2)	(22)
Other	4.5	10.6	6.1	(6.1)	(58)	4.5	74
Total electric operating revenues	\$754.6	\$761.2	\$709.7	\$ (6.6)	(1)	\$ 51.5	7
Energy sales:							
(Millions of KWH)							
Residential	3,739	3,701	3,452	38	1	249	7
Commercial	2,807	2,802	2,670	5	—	123	5
Industrial	2,582	2,564	2,368	18	1	196	8
Governmental	321	318	308	3	1	10	3
Total retail	9,449	9,385	8,807	64	1	578	7
Sales for resale	1,032	902	1,038	130	14	(136)	(13)
Total energy sales	10,481	10,287	9,845	194	2	442	4

Net Income

Net income increased in 1991 as compared to 1990 primarily due to (1) a reduction in depreciation expense that resulted in an increase in net income of approximately \$7.0 million in 1991 (see "Depreciation and Amortization" below for further information) and (2) a \$5.2 million decrease in 1991 income taxes, as compared to 1990, related to the impact of decreases in federal income tax rates on the utilization of MP&L's 1986 and 1987 net operating losses (see "Total Income Taxes" below for further information), offset by (3) the reduction in revenues from sales for resale pursuant to a one-time intra-system equalization billing adjustment recorded in September 1991 that resulted in a reduction in net income of approximately \$6.3 million (see "Electric Operating Revenues" below for further information) and (4) the net income impact in 1990 of approximately \$4.4 million resulting from the recording of power plant materials and supplies inventory, and due to a number of other factors as discussed below.

MISSISSIPPI POWER & LIGHT COMPANY

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS -- (Continued)

Net income in 1990 as compared to 1989 was significantly affected by the September 1989 \$60.0 million write-off of previously deferred Grand Gulf 1-related costs, which had been recorded on MP&L's books as an asset (see MP&L's Note 2, "Rate and Regulatory Matters -- Project Olive Branch Settlements," incorporated herein by reference). This write-off reduced 1989 net income by approximately \$32.8 million. Excluding the effect of this write-off, 1989 net income would have been approximately \$45.2 million. Net income also increased in 1990 as compared to 1989 due to various factors described below, including (1) an increase in electric energy sales, (2) the \$16.7 million increase in 1990 net income resulting from the December 1989 termination of the agreement concerning MP&L's purchase of AP&L's 31.5% share of capacity from Independence 2 and (3) the 1990 recording of power plant materials and supplies inventory as discussed above.

Electric Operating Revenues

Electric operating revenues decreased in 1991 as compared to 1990 primarily due to a decrease in revenues from sales for resale as a result of a one-time intra-system equalization billing adjustment. As a result of an internal review designed to ensure consistency among the System operating companies, certain 1985-1991 intra-system equalization billings pursuant to the System Agreement were adjusted in 1991 and reduced operating revenue in the amount of approximately \$10.6 million. Miscellaneous revenue decreased in 1991 as compared to 1990 by approximately \$6.1 million due primarily to the reduction in MP&L's fuel adjustment recorded in miscellaneous revenue. These decreases were partially offset by a \$9.7 million increase in operating revenues associated with a 1% increase in sales to retail customers.

Electric operating revenues increased in 1990 compared to 1989 primarily due to an increase of approximately \$34.1 million associated with an increase in energy sales to retail customers of 7%, and an increase of approximately \$27.9 million resulting from the scheduled rate phase-in plan increases of 3.0% and 1.3% that were implemented effective October 1, 1990 and October 1, 1989, respectively. These increases were partially offset by a decrease of approximately \$10.2 million in sales for resale to associated and nonassociated companies in 1990 as compared to 1989 which was due to changes in generation capability and requirements among the System operating companies.

Fuel For Electric Generation and Fuel-Related Expenses

Fuel for electric generation and fuel-related expenses decreased in 1991 as compared to 1990 primarily due to a decrease of approximately \$9.9 million in oil-fired generation cost due to lower oil-fired generation requirements and a decrease of approximately \$4.1 million in gas-fired generation cost due to lower average unit prices.

Fuel for electric generation and fuel-related expenses increased in 1990 as compared to 1989 primarily due to an increase in gas-fired generation costs of approximately \$27.3 million. The increase in gas-fired generation requirements was primarily due to a reduction in purchased power (see "Purchased Power" below for further information).

Purchased Power

The decrease in purchased power expense in 1990 as compared to 1989 was due to (1) a decrease of approximately \$26.7 million due to the expiration in December 1989 of the agreement between MP&L and AP&L for MP&L's purchase of AP&L's capacity from Independence 2, (2) a reduction of approximately \$11.9 million in the amount billed to MP&L by System Energy for Grand Gulf 1-related costs, (3) decreases of approximately \$10.7 million in power purchased from the System power pool and approximately \$6.5 million in power purchased from nonassociated utilities due to changes in generation capability and requirements among the System operating companies, and (4) the reduction

MISSISSIPPI POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

in expense due to the application against the rate deferral balance of approximately \$7.7 million of funds received by MP&L in November 1990 from a settlement of litigation with a gas supplier (see MP&L's Note 5, "Commitments and Contingencies — Settlement Agreement with Gas Supplier," incorporated herein by reference).

Maintenance

Maintenance expense increased in 1991 as compared to 1990 primarily due to the 1990 recording of approximately \$7.2 million of materials and supplies inventory at MP&L's power plants, which correspondingly reduced 1990 maintenance expense.

Maintenance expense decreased in 1990 as compared to 1989 due to the 1990 recording of a materials and supplies inventory as discussed above, and an increase of approximately \$2.0 million in maintenance on distribution property.

Depreciation and Amortization

Depreciation expense decreased in 1991 as compared to 1990 primarily as a result of the implementation of revised depreciation rates in the second quarter of 1991, approved by the MPSC, resulting from a new depreciation study. Implementation of the new depreciation rates, which are lower than previous depreciation rates, resulted in a reduction of approximately \$9.0 million in depreciation expense in 1991 as compared to the amount that would have been recorded using the previous depreciation rates.

Rate Deferrals — Net

The decreases in the amount of Grand Gulf 1-related costs deferred (Rate deferrals — net) in 1991 as compared to 1990 and in 1990 as compared to 1989 reflect the fact that MP&L, pursuant to the provisions of the Revised Plan, collected a larger portion of Grand Gulf 1-related costs from its customers in 1991 and 1990 than was recovered in 1990 and 1989, respectively. (See "Financial Condition — Liquidity" below for further information).

Total Income Taxes

Total income taxes decreased in 1991 as compared to 1990 primarily due to the \$5.2 million decrease related to the impact of reductions in federal income tax rates from 46% to 40% and from 40% to 34% on the utilization of MP&L's 1986 and 1987 net operating losses in 1991 and 1990. (See MP&L's Note 3, "Income Taxes," incorporated herein by reference.)

Total income taxes increased in 1990 as compared to 1989 primarily due to the reduction in 1989 taxable income resulting from the September 1989 \$60 million write-off of previously deferred Grand Gulf 1-related costs which had been recorded on MP&L's books as an asset. This write-off reduced income taxes by approximately \$27.2 million in 1989. Higher pretax book income also contributed to the increase in income taxes in 1990 as compared to 1989.

Taxes Other Than Income

Taxes other than income increased in 1990 as compared to 1989 due to an increase in Mississippi ad valorem taxes of approximately \$2.6 million, an increase in Arkansas ad valorem taxes of approximately \$3.7 million, an increase in city franchise taxes of approximately \$3.7 million and an increase in Mississippi state franchise taxes of approximately \$3.7 million.

MISSISSIPPI POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Miscellaneous Other Income — net

Miscellaneous other income — net increased in 1991 as compared to 1990 and decreased in 1990 as compared to 1989 primarily due to a 1990 reduction of approximately \$2.5 million in previously recorded finance charges related to sales of heat pumps.

Energy Sales (KWH)

Energy sales (KWH) increased in 1991 as compared to 1990 primarily due to the increases in sales for resale to associated and nonassociated companies due to changes in generation capability and requirements among the System operating companies.

Energy sales (KWH) to residential and commercial customers increased in 1990 as compared to 1989 due to warmer than normal weather and various incentive pricing plans. Energy sales (KWH) to industrial customers increased primarily due to a paper company's temporary turbine outage and continuing efficiency problems and increases in sales to customers in the chemical, food, and pipeline industries.

FINANCIAL CONDITION

Rate Issues

MP&L has no current plans to file for a general change in retail rates in 1992. Such plans will not adversely affect MP&L's financial condition as long as costs can be maintained at current levels or reduced. To the extent that operating expenses significantly increase, net income could be adversely impacted unless such increases are offset by revenues derived from increased sales of energy, or rate increases are obtained.

In March 1992, the FERC authorized the System operating companies and Entergy Power to sell wholesale power at market-based rates and to provide to electric utilities "open access" to the System's integrated transmission system for delivery to other electric utilities (subject to certain requirements). The FERC's order may be appealed by various intervenors in the proceeding. If it ultimately becomes final, the FERC's order will simultaneously produce increased marketing opportunities for MP&L and expose MP&L to the risk of loss of load or reduced revenues due to competition with alternative suppliers.

Liquidity

MP&L's primary cash requirements for 1991 included, among other things, construction expenditures and payments to System Energy for Grand Gulf 1 capacity and energy. Cash requirements in 1991 were satisfied with internally generated funds.

Net cash flow provided by operating activities totaled approximately \$125.5 million in 1991. As detailed in the Statements of Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations. In addition, net cash flow provided by operating activities increased during 1991 due to the reduction in the net amount deferred under the Grand Gulf 1 rate deferral as discussed below. Under the terms of the Revised Plan, MP&L collected approximately \$5.1 million more of previously deferred Grand Gulf 1-related costs than it deferred in 1991 for future recovery. This compares to a net amount of approximately \$30.8 million deferred for future recovery in 1990. The amounts of Grand Gulf 1-related costs deferred for future recovery have been decreasing with corresponding increases in the amounts billed to MP&L's customers. In October 1991, recovery of previously deferred Grand Gulf 1-related costs began exceeding the current deferral of Grand Gulf 1-related costs, and effective October 1992, no additional amounts of Grand Gulf 1-

MISSISSIPPI POWER & LIGHT COMPANY

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

related costs will be deferred for future recovery. As deferred costs are recovered, revenue collections will exceed, to the extent of such recovery, current cash requirements for Grand Gulf 1-related costs. The amortization of previous deferrals of Grand Gulf 1-related costs matches the impact of the revenue collections in the income statement.

Investing activities for 1991 resulted in a net utilization of cash of approximately \$57.1 million due primarily to construction expenditures.

Financing activities for 1991 resulted in a net utilization of cash of approximately \$30.9 million due primarily to the payment of preferred stock dividends, the redemption of preferred stock in accordance with sinking fund provisions, and the payment of cash dividends on common stock to Entergy.

Capital and Refinancing Requirements and Capital Resources

See MP&L's Note 8, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on MP&L's capital and refinancing requirements for the period 1992-1994.

Under MP&L's G&R Mortgage indenture and subject to the earnings coverage test discussed below, MP&L may issue G&R Bonds in an aggregate principal amount not exceeding 70% of property additions since December 31, 1987, plus up to 50% of cumulative deferred Grand Gulf 1-related costs recorded as an asset on the books of MP&L, provided that the maximum amount of G&R Bonds issuable against cumulative deferred Grand Gulf 1-related costs may not exceed \$400 million. As of December 31, 1991, MP&L had issued \$205 million of G&R Bonds against Grand Gulf 1-related deferrals. MP&L's minimum earnings coverage requirements for the issuance of additional G&R Bonds (whether issued against property additions or Grand Gulf 1-related deferrals) and preferred stock are 2.0 times annual mortgage interest requirements and 1.5 times annual interest and preferred dividend requirements, respectively, on a proforma basis. For MP&L's G&R Bonds and preferred stock, the earnings coverages for the twelve months ended December 31, 1991 were 2.70 times the annual bond interest requirements and 1.69 times the annual interest and preferred dividend requirements, respectively. Based upon the most restrictive test at December 31, 1991, and an assumed annual interest and preferred dividend rate of 9%, MP&L would have been permitted to issue \$231.7 million in additional G&R Bonds or \$109.9 million in additional preferred stock; however, based upon the remaining amount of preferred stock authorized, but unissued, under MP&L's charter, MP&L could only issue \$37.5 million in additional preferred stock. MP&L's charter, however, could be amended to increase the amount of authorized preferred stock. In addition, MP&L has the ability, subject to meeting certain conditions, to issue G&R Bonds against the retirement of bonds without satisfying an earnings coverage test.

See MP&L's Note 5, "Preferred and Common Stock," and MP&L's Note 6, "Long-Term Debt," incorporated herein by reference, for information regarding an application before the SEC for authorization of the issuance of preferred stock and certain long-term debt securities, and the possible redemption, purchase or other acquisition of outstanding securities.

See MP&L's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

MISSISSIPPI POWER & LIGHT COMPANY
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Concluded)

ACCOUNTING ISSUES

SFAS No. 106

See MP&L's Note 9, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See MP&L's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

ENVIRONMENTAL MATTERS

Clean Air Legislation

The Clean Air Act Amendments of 1990 (Act), among other things, place limits on emissions of sulfur dioxide and nitrogen oxide from fossil-fueled generating plants. Based on evaluations to date, in connection with existing generating facilities, MP&L has determined that no additional equipment will be required to control sulfur dioxide emissions in order to comply with the Act. With respect to nitrogen oxide, MP&L may be required to install emission controls at the Independence Station and to install continuous emission monitoring systems at some or all of its fossil-fueled units. Based on current expectations, MP&L estimates that total capital costs of approximately \$6.7 million could be incurred to comply with this and other provisions of the Act. However, final regulations have not been adopted. It is not possible to determine at this time what measures will be required and the ultimate cost to MP&L.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Mississippi Power & Light Company (MP&L) as of December 31, 1991 and 1990, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of MP&L's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MP&L at December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
February 14, 1992
New Orleans, Louisiana

MISSISSIPPI POWER & LIGHT COMPANY
BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Note 1):		
Electric	\$1,327,039	\$1,274,641
Construction work in progress	21,219	25,412
Electric plant acquisition adjustments	227	409
Total	1,348,485	1,300,462
Less — accumulated depreciation	524,626	499,332
Utility plant — net	823,859	801,130
Other Property and Investments:		
Investment in subsidiary company — at equity (Note 8)	5,531	5,531
Other	1,035	705
Total	6,566	6,236
Current Assets:		
Cash and cash equivalents (Note 1):		
Cash	152	2,852
Temporary cash investments — at cost, which approximates market:		
Associated companies (Note 4)	47,090	—
Other	—	3,820
Total cash and cash equivalents	47,242	6,672
Notes receivable (Note 1)	5,838	3,912
Accounts receivable:		
Customer (less allowance for doubtful accounts of \$1.4 million in 1991 and 1990)	30,251	29,147
Associated companies (Note 10)	1,000	72
Other	5,318	3,607
Fuel inventory — at average cost	9,386	6,809
Materials and supplies — at average cost	20,107	18,745
Rate deferrals (Note 2)	38,372	45,224
Prepayments and other	3,791	8,030
Total	161,305	122,218
Deferred Debits:		
Rate deferrals (Note 2)	652,076	659,850
Notes receivable (Note 1)	14,746	10,726
Other	13,723	16,362
Total	680,545	686,938
TOTAL	\$1,672,275	\$1,616,522

See Notes to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
(In Thousands)		
Capitalization:		
Common stock, no par value, authorized 15,000,000 shares, issued and outstanding 7,579,400 shares in 1991 and 1990 (Note 5)	\$ 174,326	\$ 174,326
Retained earnings (Note 7)	243,819	199,393
Total common shareholder's equity	418,145	373,719
Preferred stock, net of premium and expense (Note 5):		
Without sinking fund	38,077	38,077
With sinking fund	69,339	78,098
Long-term debt (Note 6)	502,848	592,972
Total	1,028,409	1,082,866
Other Noncurrent Liabilities:		
Obligations under capital leases	981	4,216
Accumulated provision for losses	4,413	3,187
Total	5,394	7,403
Current Liabilities:		
Currently maturing long-term debt (Note 6)	100,210	10,200
Notes payable -- associated companies (Note 4)	—	3,000
Accounts payable:		
Associated companies (Note 10)	30,165	28,174
Other	20,483	25,729
Customer deposits	19,622	18,849
Taxes accrued	26,278	25,638
Accumulated deferred income taxes (Note 3)	18,995	21,551
Interest accrued	22,286	24,998
Preferred stock dividends declared	2,404	2,652
Obligations under capital leases	143	1,333
Other	5,112	2,666
Total	245,698	164,790
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	349,864	321,231
Accumulated deferred investment tax credits (Note 3)	38,879	37,311
Other	4,031	2,921
Total	392,774	361,463
Commitments and Contingencies (Note 8)		
 TOTAL	 <u>\$1,672,275</u>	 <u>\$1,616,522</u>

See Notes to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues (Notes 1, 2 and 10)	\$754,632	\$761,188	\$709,746
Operating Expenses:			
Operation (Note 10):			
Fuel for electric generation and fuel-related expenses (Note 1)	104,553	119,166	91,505
Purchased power (Note 1)	284,868	306,296	370,646
Other	98,854	93,294	86,668
Maintenance	37,660	31,132	35,534
Depreciation and amortization (Note 1)	30,089	38,023	37,226
Taxes other than income taxes	37,534	36,788	31,436
Income taxes — (credit) (Note 3)	36,537	31,510	(5,260)
Rate deferrals:			
Rate deferrals	(53,333)	(89,273)	(135,736)
Amortization of rate deferrals	58,480	58,480	63,480
Income taxes — (credit) (Note 3)	(6,601)	6,803	22,003
Total	628,671	632,219	597,502
Operating Income	125,961	128,969	112,244
Other Income:			
Rate deferral write-off (Note 2)	—	—	(60,000)
Allowance for equity funds used during construction (Note 1)	1,302	261	787
Miscellaneous — net	1,525	(1,066)	1,410
Income taxes — credit (Note 3)	81	398	26,531
Total	2,908	(407)	(31,272)
Interest Charges:			
Interest on long-term debt	63,628	63,975	65,320
Other interest — net	4,013	4,743	4,170
Allowance for borrowed funds used during construction (Note 1)	(1,860)	(986)	(937)
Total	65,781	67,732	68,553
Net Income	63,088	60,830	12,419
Preferred Stock Dividend Requirements	10,074	10,802	12,074
Earnings Applicable to Common Stock	<u>\$ 53,014</u>	<u>\$ 50,028</u>	<u>\$ 345</u>

See Notes to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Retained Earnings, January 1	\$199,393	\$183,286	\$202,318
Add:			
Net income	<u>63,088</u>	<u>60,830</u>	<u>12,419</u>
Total	<u>262,481</u>	<u>244,116</u>	<u>214,737</u>
Deduct:			
Dividends declared:			
Preferred stock	10,074	10,802	12,074
Common stock	7,847	33,901	18,349
Premium paid on preferred stock redemption	—	—	909
Preferred stock expense	<u>741</u>	<u>20</u>	<u>119</u>
Total	<u>18,662</u>	<u>44,723</u>	<u>31,451</u>
Retained Earnings, December 31 (Note 7)	<u>\$243,819</u>	<u>\$199,393</u>	<u>\$183,286</u>

See Notes to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Activities:			
Net income	\$ 63,088	\$ 60,830	\$ 12,419
Noncash items included in net income:			
Rate deferrals — net (Note 2)	5,147	(30,793)	(72,256)
Rate deferral write-off (Note 2)	—	—	60,000
Depreciation	30,089	38,023	37,226
Deferred income taxes and investment tax credits	30,938	34,286	(10,158)
Allowance for equity funds used during construction	(1,302)	(261)	(787)
Provision for estimated losses	1,226	1,327	1,860
Changes in working capital:			
Receivables	(3,743)	(4,401)	(36,063)
Accounts payable	(3,255)	(4,212)	1,074
Taxes and interest accrued	(2,072)	1,551	5,746
Customer deposits	773	359	559
Materials and supplies	(3,939)	(6,829)	(3,000)
Other working capital accounts	7,589	(1,117)	(864)
Other	3,966	7,816	4,669
Net cash flow provided by operating activities	128,505	103,813	425
Investing Activities:			
Construction expenditures	(58,368)	(51,648)	(51,663)
Allowance for equity funds used during construction	1,302	261	787
Net cash flow used by investing activities	(57,066)	(51,387)	(50,876)
Financing Activities:			
Proceeds from issuance of general and refunding bonds	—	30,000	100,000
Retirement of:			
First mortgage bonds	—	(30,000)	(65,000)
Preferred stock	(9,500)	(2,500)	(9,730)
Other long-term debt	(200)	(335)	(325)
Loss on reacquisition of debt	—	—	(4,018)
Premium paid on preferred stock redemption	—	—	(909)
Dividends paid:			
Preferred stock	(10,322)	(10,892)	(12,452)
Common stock	(7,847)	(33,901)	(18,349)
Change in short-term borrowings	(3,000)	(1,700)	4,700
Net cash flow used by financing activities	(30,869)	(49,328)	(6,083)
Net increase (decrease) in cash and cash equivalents	40,570	3,098	(56,534)
Cash and cash equivalents at beginning of period	6,672	3,574	60,108
Cash and cash equivalents at end of period	\$ 47,242	\$ 6,672	\$ 3,574
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest (net of amount capitalized)	\$ 69,548	\$ 64,796	\$ 62,572
Income taxes (refund)	\$ 2,108	\$ 1,685	\$ (11,223)

See Notes to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulation and System of Accounts

The accounts of MP&L are maintained in accordance with the Uniform System of Accounts prescribed by its regulators, the MPSC and the FERC.

Revenues and Fuel Costs

MP&L records revenues when billed to its customers on a cycle-billing basis. Revenues are not accrued for energy delivered but not yet billed at the end of the fiscal period. MP&L's rate schedules include adjustment clauses under which fuel and purchased power costs above or below specified levels are permitted to be billed or required to be credited to customers.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead, and AFUDC) are recorded at cost. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC results in an increase in utility plant and represents current earnings, it is a non-cash item and is realized in cash through recovery of depreciation provisions included in rates. MP&L's effective composite rates for AFUDC were 10.4%, 9.4%, and 11.0% for 1991, 1990, and 1989, respectively.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 2.4%, 3.1%, and 3.3% in 1991, 1990, and 1989, respectively.

The MPSC approved implementation by MP&L of revised depreciation rates in the second quarter of 1991. Implementation of the new depreciation rates, which are lower than previous depreciation rates, resulted in a reduction of approximately \$9.0 million in depreciation expense in 1991 as compared to the amount that would have been recorded using the previous depreciation rates. This change in depreciation expense during 1991 resulted in an increase in net income of approximately \$7.0 million. Under current rate schedules, there is no impact on the rates charged to customers.

Substantially all of the utility plant owned by MP&L is subject to the liens of its mortgage bond indentures.

Notes Receivable

MP&L currently has a program wherein it finances heat pumps for its customers through notes receivable. Such notes are repayable in equal monthly installments of principal and interest over a 5 year period and bear interest at a market-based rate at the time of sale. The amounts financed are classified on the Balance Sheet as current and noncurrent notes receivable.

Income Taxes

MP&L joins its parent and affiliates in filing a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to MP&L in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by MP&L's regulatory bodies for ratemaking purposes. Investment tax credits allocated to MP&L are deferred and amortized based upon the average useful life of the related property.

In addition, MP&L files a consolidated Mississippi state income tax return with certain other System companies.

Other Noncurrent Liabilities

MP&L records provisions for uninsured property risks and claims for injuries and damages through charges to operation expenses on an accrual basis. Provisions for these accruals, classified as other noncurrent liabilities, have been allowed for ratemaking purposes.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, MP&L considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

NOTE 2. RATE AND REGULATORY MATTERS

Grand Gulf 1 Rate Deferral

In 1984, MP&L filed a Notice of Intent with the MPSC to increase its retail rates, among other things, to meet its purchased power expenses associated with capacity and energy from Grand Gulf 1. In 1985, the MPSC issued the Final Order on Rehearing, but such order was appealed by the Mississippi Attorney General, among others, and was reversed by the Mississippi Supreme Court. The United States Supreme Court, in the June 24 Decision, reversed this ruling and affirmed MP&L's right to recovery of its FERC-allocated Grand Gulf 1-related costs.

The currently effective Grand Gulf 1-related rate deferral plan, referred to as the "Revised Plan," provides, among other things, for the recovery by MP&L, in equal annual installments over the ten-year period beginning October 1, 1988, of all Grand Gulf 1-related costs deferred through September 30, 1988 pursuant to the Final Order on Rehearing. The balance at September 30, 1988 of deferred Grand Gulf 1-related costs was approximately \$648.4 million. Approximately \$253.7 million has been recovered by MP&L from October 1, 1988 through December 31, 1991, leaving a balance of approximately \$394.7 million at December 31, 1991. Additionally, the Revised Plan provides that MP&L will defer, in decreasing amounts, a portion of its Grand Gulf 1-related costs over the four annual periods commencing October 1, 1988. These deferrals will then be recovered by MP&L over the succeeding six-year period ending September 30, 1995 in accordance with the annual recovery schedule specified in the Revised Plan. The Revised Plan further allows for the recovery by MP&L of carrying charges on all deferred amounts on a current basis.

FERC Complaint Case

On February 1, 1990, various regulatory agencies filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

energy from Grand Gulf 1 were not just and reasonable. A settlement, reached on May 21, 1991 and approved by the FERC on September 16, 1991, among other things, reduced System Energy's rate of return on common equity from 14% to 13%.

In connection with the foregoing, MP&L received credits from System Energy during 1991. The MPSC approved a plan whereby credits of approximately \$14.9 million were refunded to customers by the issuance of checks in December 1991.

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies reached an agreement with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement in 1989 resulted in, among other things, a \$900 million pre-tax write-off by System Energy of its investment in Grand Gulf 2 without seeking rate recovery from its customers, the System operating companies, including MP&L. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of \$50 million which was allocated among the System operating companies in accordance with their respective allocations of Grand Gulf 1 capacity and energy. MP&L's share of this credit totaled \$16.5 million, which was refunded to customers.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Complaint Case" above).

In addition to settlement of FERC-related issues embodied in the FERC Settlement, as of June 16, 1989, MP&L and the MPSC and, as of June 26, 1989, MP&L and the Attorney General of the State of Mississippi entered into separate, identical settlement agreements (called herein collectively the Mississippi Settlement Agreement) that resolved a number of retail rate matters affecting MP&L. On September 7, 1989 and September 29, 1989, the MPSC issued orders approving implementation of the Mississippi Settlement Agreement. Pursuant to the September 7, 1989 order of the MPSC in Docket No. U-4620, MP&L, among other things, wrote off in September 1989 \$60 million from the accumulated rate deferral balance.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$(1,001)	\$ 4,027	\$ 570
State	—	—	(200)
Total	<u>(1,001)</u>	<u>4,027</u>	<u>370</u>
Deferred — net:			
Federal reclassification due to net operating loss carryforward	29,756	21,308	(6,513)
State reclassification due to net operating loss carryforward ..	4,587	2,997	(1,033)
Liberalized depreciation	4,913	5,122	5,086
Rate deferrals — net	(10,137)	4,668	22,003
Rate deferral — write-off	—	—	(27,183)
Unbilled revenue	1,207	1,466	(1,691)
Other	<u>2,164</u>	<u>161</u>	<u>695</u>
Total	<u>32,480</u>	<u>35,722</u>	<u>(8,636)</u>
Investment tax credit adjustments — net	<u>(1,634)</u>	<u>(1,834)</u>	<u>(1,522)</u>
Recorded income tax expense (credit)	<u>\$29,855</u>	<u>\$37,915</u>	<u>\$ (9,788)</u>
Charged to operations	\$29,936	\$38,313	\$ 16,743
Credited to other income	<u>(81)</u>	<u>(398)</u>	<u>(26,531)</u>
Total income taxes	<u>\$29,855</u>	<u>\$37,915</u>	<u>\$ (9,788)</u>

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$31,601	34.0	\$33,573	34.0	\$ 895	34.0
Increases (reductions) in tax resulting from:						
Impact of change in tax rate	1,425	1.5	6,603	6.7	—	—
State income taxes net of federal income tax effect	3,175	3.4	3,472	3.5	105	4.0
Depreciation	944	1.0	981	1.0	539	20.5
Amortization of excess deferred income taxes	(4,682)	(5.0)	(4,682)	(4.7)	(9,752)	(370.7)
Amortization of investment tax credits	(1,634)	(1.8)	(1,620)	(1.6)	(1,653)	(62.8)
Other — net	<u>(974)</u>	<u>(1.0)</u>	<u>(412)</u>	<u>(0.5)</u>	<u>78</u>	<u>3.0</u>
Total income taxes	<u>\$29,855</u>	<u>32.1</u>	<u>\$37,915</u>	<u>38.4</u>	<u>\$ (9,788)</u>	<u>(372.0)</u>

The tax effects of federal net operating tax losses that are carried forward have been recorded as reductions of deferred income taxes. These tax losses totaling \$100.7 million at December 31, 1991 are

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

available to offset taxable income in future years and, if not used, will expire in the years 2002 through 2003.

The alternative minimum tax (AMT) credit at December 31, 1991 was \$5.8 million. This AMT credit can be carried forward indefinitely and will reduce MP&L's federal income tax liability in the future.

Cumulative income tax timing differences for which deferred income taxes have not been provided are \$61.0 million, \$61.0 million, and \$62.9 million at December 31, 1991, 1990, and 1989, respectively.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the System. Based on a preliminary study, MP&L expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact MP&L's results of operations. MP&L plans to adopt SFAS No. 109 in 1993.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

MP&L is authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time up to \$100 million, subject to increase to a maximum of \$110 million with further SEC approval. Short-term borrowings by MP&L are limited by the terms of its G&R Bond indenture to an aggregate amount not exceeding, in general, the greater of 10% of capitalization or 50% of Grand Gulf 1 rate deferrals available to support the issuance of G&R Bonds (see MP&L's Note 6, "Long-Term Debt.")

MP&L had lines of credit with Mississippi banks at December 31, 1991, not requiring commitment fees, providing for short-term borrowings of \$30 million. Additionally, MP&L participates with certain other System companies in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. MP&L may borrow from these sources subject to its maximum authorized level of short-term borrowings and the availability of funds. MP&L had no outstanding short-term borrowings at December 31, 1991. The maximum borrowing and average borrowing by MP&L from the Money Pool during 1991 were \$30.4 million and \$12.2 million, respectively. The average 1991 interest rate for MP&L (determined by dividing applicable interest expense by the average amount borrowed) was 5.9%.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares and dollar value of MP&L's cumulative, \$100 par value preferred stock was:

	At December 31,				Call Price Per Share at December 31, 1991
	Share		Total Dollar Value		
	Authorized 1991	Outstanding 1991	1991	1990	
			(In Thousands)		
Without sinking fund:					
4.36% Series	59,920	59,920	\$ 5,992	\$ 5,992	\$103.86
4.56% Series	43,888	43,888	4,389	4,389	107.00
4.92% Series	100,000	100,000	10,000	10,000	102.88
7.4% Series	100,000	100,000	10,000	10,000	102.81
9.16% Series	75,000	75,000	7,500	7,500	104.06
Premium	—	—	196	196	
Total without sinking fund			<u>\$ 38,077</u>	<u>\$ 38,077</u>	
With sinking fund:					
9.00% Series	280,000	280,000	\$ 28,000	\$ 35,000	\$106.75
9.76% Series	350,000	350,000	35,000	35,000	105.43
12.00% Series	67,700	67,700	6,770	7,770	109.00
16.16% Series	30,000	30,000	3,000	4,500	112.12
Discount	—	—	(3,451)	(4,172)	
Total with sinking fund			<u>\$ 69,339</u>	<u>\$ 78,098</u>	

At December 31, 1991, MP&L had 375,000 shares of cumulative, \$100 par value preferred stock that were authorized but unissued.

Changes in the number of shares of preferred stock during the last three years were:

	Number of Shares		
	1991	1990	1989
Preferred stock retirements:			
9.00% Series	(70,000)	—	—
12.00% Series	(10,000)	(10,000)	(7,300)
16.16% Series	(15,000)	(15,000)	(90,000)

Cash sinking fund requirements for the ensuing five years for preferred stock outstanding at December 31, 1991, are (in thousands): 1992, \$8,250; 1993, \$15,250; 1994, \$15,250; 1995, \$15,250; and 1996, \$7,500. MP&L has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its preferred stock outstanding.

MP&L has requested, but has not yet received, SEC authorization for the issuance and sale through December 31, 1993 of up to \$37.5 million of preferred stock, and has received SEC authorization for the possible acquisition, in whole or in part, of not more than \$50 million aggregate par value of certain outstanding series of its preferred stock, including but not limited to, the 16.16% Series, the 12.00% Series, and the 9.76% Series of its \$100 par value preferred stock. In the first quarter of 1992, MP&L redeemed 10,000 shares of its 12.00% Series of preferred stock, thereby exercising its option to double the number of shares redeemed in accordance with the sinking fund.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

MP&L also has SEC authorization allowing the issuance and sale through December 31, 1993 of up to approximately \$50 million of common stock, the proceeds of which may be used for the possible acquisition, in whole or in part, of certain of MP&L's outstanding securities and for other corporate purposes. In this connection, MP&L sold 1,086,957 shares of its common stock to Entergy in February 1992 for \$25 million. There were no sales of MP&L's common stock to Entergy in 1991, 1990 or 1989.

NOTE 6. LONG-TERM DEBT

The long-term debt of MP&L at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds:		
14.40% Series due 1992	\$ 75,000	\$ 75,000
4% Series due 1995	20,000	20,000
5% Series due 1996	25,000	25,000
6% Series due 1996	10,000	10,000
9% Series due 1999	20,000	20,000
9 1/4% Series due 2000	17,500	17,500
7 3/4% Series due 2002	15,000	15,000
7 3/4% Series due 2003	30,000	30,000
8 1/4% Series due 2003	20,000	20,000
9% Series due 2004	25,000	25,000
10% Series due 2005*	25,000	25,000
9% Series due 2016	70,000	70,000
Total First Mortgage Bonds	<u>352,500</u>	<u>352,500</u>
General and Refunding Bonds:		
14.65% Series due 1993	55,000	55,000
9.90% Series due 1994	30,000	30,000
11.11% Series due 1994	18,000	18,000
11.14% Series due 1995	10,000	10,000
14.95% Series due 1995	20,000	20,000
11.18% Series due 1996	26,000	26,000
11.20% Series due 1997	46,000	46,000
Total General and Refunding Bonds	<u>205,000</u>	<u>205,000</u>
Pollution Control Revenue Bonds:		
7 1/2% Series due 1992 to 2004	9,110	9,215
8 1/2% Series due 1992 to 2004	8,305	8,400
8 1/2% Series due 1995	950	950
9 1/2% Series due 2012	10,000	10,000
9% Series due 2013	10,000	10,000
9 1/2% Series due 2014	10,000	10,000
Total Pollution Control Revenue Bonds	<u>48,365</u>	<u>48,565</u>
Unamortized Premium and Discount — Net	(2,807)	(2,893)
Total Long-term Debt	603,058	603,172
Less — Amount Due Within One Year	100,210	10,200
Long-term Debt Excluding Amount Due Within One Year	<u>\$502,848</u>	<u>\$592,972</u>

* In January 1992, MP&L retired its 10% Series First Mortgage Bonds (\$25 million) and such amount is included at December 31, 1991 in currently maturing long-term debt.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS -- (Continued)

For the years 1992, 1993, 1994, 1995, and 1996, MP&L has long-term debt maturities and sinking fund requirements of (in millions) \$102.0, \$56.9, \$50.0, \$52.9, and \$62.6, respectively. Sinking fund requirements of approximately \$1.5 million annually may be satisfied by certification of property additions at the rate of 167% of such requirements.

The G&R Mortgage prohibits the issuance of additional first mortgage bonds (including for refunding purposes) under MP&L's first mortgage indenture, except such first mortgage bonds as may hereafter be issued from time to time at MP&L's option to the corporate trustee under the G&R Mortgage to provide additional security for MP&L's G&R Bonds.

Under MP&L's G&R Mortgage indenture and subject to the earnings coverage test discussed below, G&R Bonds are issuable based upon 70% of property additions since December 31, 1987, plus up to 50% of cumulative deferred Grand Gulf 1-related costs recorded as an asset on the books of MP&L, provided that the maximum amount of G&R Bonds issuable against cumulative deferred Grand Gulf 1-related costs may not exceed \$400 million. The G&R Mortgage also contains an earnings coverage test requiring a minimum earnings coverage (except for certain refunding issues) of twice the proforma annual mortgage interest requirements for the issuance of additional G&R Bonds. At December 31, 1991, the total amount of G&R Bonds outstanding aggregated \$265 million.

MP&L has requested, but has not yet received, SEC authorization for the issuance and sale through December 31, 1993 of up to \$150 million of G&R Bonds and up to \$25 million of tax-exempt bonds, and has received SEC authorization for the acquisition, in whole or in part, of not more than \$200 million of its outstanding bonds, including, but not limited to, MP&L's First Mortgage Bonds, 14.40% Series due 1992, 9% Series due 1993, 9% Series due 2004, and 9% Series due 2016, and MP&L's G&R Bonds, 14.65% Series due 1993 and 14.95% Series due 1995; and not more than \$25 million aggregate principal amount of outstanding pollution control revenue bonds, including but not limited to Independence County Pollution Control Revenue Bonds, 9% 1982 Series B due 2013, 9% 1982 Series C due 2014, 9% 1982-A Series A due 2013, and 9% 1982-A Series B due 2014.

NOTE 7. RETAINED EARNINGS

MP&L's bond indentures relating to long-term debt contain provisions restricting the payment of cash dividends on common stock. At December 31, 1991, approximately \$101.3 million of retained earnings were free from such restrictions.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC) during the years 1992, 1993, and 1994 are estimated to be approximately \$48.3 million, \$60.9 million, and \$58.3 million, respectively. In addition to construction expenditure requirements, MP&L will require \$247.6 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. MP&L plans to meet the above requirements with internally generated funds, including collections under its rate phase-in plan, and cash on hand, supplemented by the issuance of common and preferred stock and long-term debt. (See MP&L's Note 5, "Preferred and Common Stock," and MP&L's Note 6, "Long-Term Debt," regarding the possible issuance of common and preferred stock and certain long-term debt securities and the possible redemption, purchase, or other acquisition of outstanding securities.)

Unit Power Sales, Availability, and Reallocation Agreements

Under the Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its 90% owned and

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L 36%, LP&L 14%, MP&L 33%, NOPSI 17%) as ordered by the FERC in the June 13 Decision. Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation, and capital costs (including a return on common equity). MP&L's monthly obligation for payments to System Energy for Grand Gulf 1 capacity and energy is approximately \$20 million. The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated under the Availability Agreement to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NOPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement (of which MP&L's share is 31%) are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the write-off of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97%, and NOPSI 29.80% under the terms of the Reallocation Agreement. AP&L would be liable for its share of such amounts only if the other System operating companies were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

System Fuels

MP&L has a 19% interest in System Fuels, a jointly owned subsidiary of the System operating companies. System Fuels operates on a non-profit basis for the purpose of implementing and/or maintaining certain programs for the procurement, delivery, and storage of fuel supplies for the System. Its costs are recovered primarily through charges for fuel delivered.

Fuel exploration and development activities of System Fuels have declined over recent years and some fuel programs have been or are being phased-out or transferred to others. In this connection,

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

certain charges and credits relating to System Fuels' investment in the fuel programs may be allocated to the System operating companies including MP&L. Any such charges or credits allocated to MP&L are not expected to significantly affect MP&L's future results of operations.

The parent companies of System Fuels, including MP&L, agreed to make loans to System Fuels to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended through December 31, 1983. The rate of interest that is charged pursuant to this loan agreement is adjustable and is tied to the highest annual interest rate on outstanding short-term bank borrowings by MP&L or to the prime commercial rate if MP&L has no such short-term bank borrowings outstanding. At this time, no future loans may be made to System Fuels by the parent companies. At December 31, 1991, MP&L had approximately \$5.5 million of loans outstanding to System Fuels which mature in 2008.

System Fuels' parent companies, including MP&L, have covenanted and agreed, severally in accordance with their respective shares of ownership of System Fuels' common stock, that they will take any and all action necessary to keep System Fuels in a sound financial condition and to place System Fuels in a position to discharge, and to cause System Fuels to discharge, its obligations in connection with long-term leases of oil storage and handling facilities and coal cars having, at December 31, 1991, an aggregate discounted value of approximately \$57.9 million.

Settlement Agreement with Gas Supplier

During 1990 three lawsuits, filed during the period 1986-90 by MP&L against United Gas Pipe Line Company (United), arising out of a December 8, 1967 "Gas Sales Agreement" between MP&L and United were settled. A settlement agreement between the parties was approved by the MPSC on October 29, 1990, and the three suits were dismissed by the United States District Court for the Southern District of Mississippi on November 1, 1990. Pursuant to the settlement agreement, MP&L received approximately \$8.2 million that was applied, pursuant to a December 1990 MPSC order, to reduce the phase-in/recovery adjustment portion of MP&L's rate deferral balance. In addition, MP&L and United entered into a new four-year gas purchase agreement under which, beginning January 1, 1991, MP&L is purchasing from United approximately 34.1 billion cubic feet of gas.

NOTE 9. POSTRETIREMENT BENEFITS

MP&L has a defined benefit pension plan covering substantially all of its employees. The pension plan is noncontributory and provides pension benefits that are based on the employees' credited service and average compensation, generally during the last five years before retirement. MP&L's policy is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

MP&L's 1991, 1990, and 1989 pension cost (credit), including amounts capitalized, was as follows:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Service cost — benefits earned during the period	\$ 2,061	\$ 2,392	\$ 2,166
Interest cost on projected benefit obligation	7,472	6,743	7,388
Actual return on plan assets	(22,422)	445	(19,321)
Net amortization and deferral	13,323	(9,511)	10,608
Other	403	—	—
Net pension cost (credit)*	<u>\$ 837</u>	<u>\$ 69</u>	<u>\$ (159)</u>

* Excludes \$(250) each year pertaining to the amortization of the special early retirement program offered in 1985.

The assets of the plan consist primarily of common and preferred stocks, fixed income securities, interest in a money market fund, and insurance contracts.

The funded status of MP&L's pension plan at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	\$ 85,560	\$ 65,992
Nonvested	7,258	4,335
Accumulated benefit obligation	<u>\$ 92,818</u>	<u>\$ 70,327</u>
Plan assets at fair value	\$117,977	\$100,543
Projected benefit obligation	<u>103,718</u>	<u>85,186</u>
Plan asset excess of projected benefit obligation	14,259	15,357
Unrecognized prior service cost	3,730	2,119
Unrecognized transition asset	(12,503)	(13,753)
Unrecognized net gain	<u>(6,669)</u>	<u>(5,440)</u>
Accrued pension liability	<u>\$ (1,183)</u>	<u>\$ (1,717)</u>

The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 8.5% for 1989 and a weighted average rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990, and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990, and 1989. Transition assets are being amortized over 15 years.

MP&L also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for MP&L. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The total cost of providing these benefits, recorded on a cash basis, and the number of active employees and retirees for the last three years were:

	1991	1990	1989
Total cost of health care and life insurance (in thousands) ..	\$5,439	\$4,202	\$4,250
Number of active employees	1,572	1,621	1,596
Number of retirees	421	416	357

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change from a cash method to an accrual method of accounting for those benefits. At January 1, 1992, the actuarially determined accumulated postretirement benefit obligation earned by retirees and active employees was estimated to be approximately \$38 million. This obligation may be amortized to expense over a 20 year period beginning in 1993 or alternatively, recorded as expense immediately upon the adoption of the new accounting standard. Adoption of the new standard is expected to increase annual expense associated with these benefits by approximately \$5 million for MP&L, including the effects of the amortization of the transition obligation. The portion of this additional expense that will immediately or ultimately be allowed in rates cannot presently be determined. In addition, the degree of regulatory assurance of future recovery that may be required to recognize a regulatory asset, and thus avoid an impact on earnings, cannot be determined at this time. MP&L plans to adopt this standard in the first quarter of 1993.

NOTE 10. TRANSACTIONS WITH AFFILIATES

Jointly Owned Facilities

MP&L owns 25% of the Independence Station, a two-unit, coal-fired generating station located near Newark, Arkansas. MP&L records its investment in and expenses associated with this station to the extent of its ownership and participation. MP&L's investment in the Independence Station was approximately \$221.5 million and \$215.9, less accumulated depreciation of approximately \$57.4 million and \$53.0 million at December 31, 1991, and December 31, 1990, respectively.

MP&L owns certain coal mining equipment and facilities at the North Antelope Coal Mine which is located near Wright, Wyoming. The low-sulfur coal produced at this mine is dedicated to the Independence Station. The mine's estimated reserves are presently expected to provide the projected requirements of the Independence Station through at least 2014. MP&L records its investment in the equipment and facilities of the mine to the extent of its ownership interest. MP&L's investment in the coal mine equipment and facilities was approximately \$15.7 million and \$15.8 million, less accumulated depreciation of approximately \$5.7 million and \$5.1 million at December 31, 1991, and December 31, 1990, respectively.

Other Affiliated Transactions

MP&L buys electricity from and/or sells electricity to the other System operating companies and System Energy under rate schedules filed with the FERC. In addition, MP&L purchases fuel from System Fuels and receives technical and advisory services from Entergy Services.

Operating revenues include revenues from sales to affiliates amounting to \$9.8 million in 1991, \$19.0 million in 1990, and \$35.4 million in 1989. As a result of an internal review designed to ensure consistency among the System operating companies, certain 1985-1991 intra-system equalization billings pursuant to the System Agreement were adjusted in 1991 and reduced operating revenue in the amount of approximately \$10.6 million. Operating expenses include charges from affiliates for fuel costs, purchased power and related charges, and technical and advisory services totaling \$310.8 million in 1991, \$297.6 million in 1990, and \$313.0 million in 1989.

MISSISSIPPI POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS — (Concluded)

NOTE 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 1991 and 1990 were:

	<u>Operating Revenue</u>	<u>Operating Income</u>	<u>Net Income</u>
	(In Thousands)		
1991:			
First Quarter	\$173,118	\$28,468	\$12,122
Second Quarter	\$181,181	\$29,787	\$13,862
Third Quarter(1)	\$206,259	\$38,941	\$22,752
Fourth Quarter	\$194,074	\$28,765	\$14,352
1990:			
First Quarter	\$166,406	\$29,225	\$11,988
Second Quarter(2)	\$173,874	\$29,015	\$12,122
Third Quarter	\$217,349	\$44,067	\$27,658
Fourth Quarter	\$203,559	\$26,662	\$ 9,032

- (1) The third quarter of 1991 reflects a one-time decrease in operating revenues of approximately \$10.6 million as a result of an intra-system equalization billing adjustment recorded in September 1991. The impact of this adjustment on third quarter 1991 net income was \$6.3 million.
- (2) The second quarter of 1990 reflects an increase in net income of approximately \$4.4 million due to the recording of \$7.2 million of materials and supplies inventory at MP&L's steam electric stations, which correspondingly reduced maintenance expense.

MP&L's business is subject to seasonal fluctuations with the peak period occurring during the third quarter.

MISSISSIPPI POWER & LIGHT COMPANY
 SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(In Thousands)				
Operating revenues	\$ 754,632	\$ 761,188	\$ 709,746	\$ 683,547	\$ 620,836
Net income	\$ 63,088	\$ 60,830	\$ 12,419	\$ 52,886	\$ 51,767
Total assets	\$1,672,275	\$1,616,522	\$1,565,707	\$1,555,149	\$1,459,404
Long-term obligation	\$ 573,168	\$ 675,286	\$ 689,141	\$ 664,326	\$ 580,354

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

New Orleans Public Service Inc./1991 Financial Statements



NOPSI

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NEW ORLEANS PUBLIC SERVICE INC.

DEFINITIONS

Certain abbreviations or acronyms used in NOPSI's Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC	Allowance for Funds Used During Construction
Algiers	15th Ward of the City of New Orleans, Louisiana
Alliance	The Alliance for Affordable Energy, and others
AP&L	Arkansas Power & Light Company
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof
City of New Orleans or City	New Orleans, Louisiana
Council	Council of the City of New Orleans, Louisiana
Entergy	Entergy Corporation
Entergy System or System	Entergy Corporation and its various direct and indirect subsidiaries
FASB	Financial Accounting Standards Board
February 4 Resolution	The Resolution (including the Determinations and Order referred to therein) adopted by the Council on February 4, 1988, disallowing the recovery by NOPSI of \$135 million of previously deferred Grand Gulf 1-related costs
FERC	Federal Energy Regulatory Commission
FERC Complaint Case	Complaint filed with the FERC by the Arkansas Public Service Commission, Louisiana Public Service Commission, Mississippi Public Service Commission, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989, by the System operating companies and System Energy and approved by the FERC on July 21, 1989, to settle, among other things, certain then-pending Grand Gulf Station-related issues, litigation and other rate matters
G&R Bonds	General and Refunding Mortgage Bonds issued and issuable by NOPSI
G&R Mortgage	NOPSI's Mortgage and Deed of Trust, dated as of May 1, 1957, as supplemented
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)

NEW ORLEANS PUBLIC SERVICE INC.

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
June 13 Decision	An order issued by the FEIC on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement and the System Agreement
KWH	Kilowatt-Hour(s)
LP&L	Louisiana Power & Light Company
Money Pool	Entergy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
1986 Rate Settlement	Agreement, effective March 25, 1986, between NOPSI and the Council regarding NOPSI's Grand Gulf 1-related rate issues
1989 Settlement Agreement	An agreement between the Council and NOPSI, effective July 21, 1989, that settled certain local retail rate issues regarding Grand Gulf 1
1991 NOPSI Settlement	Settlement, retroactive to October 4, 1991, among NOPSI, the Council and the Alliance that settled certain Grand Gulf 1 prudence issues and pending litigation related to the February 4 Resolution
NOPSI	New Orleans Public Service Inc.
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
System Energy	System Energy Resources, Inc.
System operating companies	AP&L, LP&L, MP&L, and NOPSI, collectively
System or Entergy System	Entergy Corporation and its various direct and indirect subsidiaries
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1

NEW ORLEANS PUBLIC SERVICE INC.

REPORT OF MANAGEMENT

The management of New Orleans Public Service Inc. has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

JERRY L. MAULDEN
Chairman and Chief Executive Officer

GERALD D. MCINVALE
Senior Vice President and Chief Financial Officer

NEW ORLEANS PUBLIC SERVICE INC.
AUDIT COMMITTEE CHAIRMAN'S LETTER

The New Orleans Public Service Inc. Audit Committee of the Board of Directors is composed of four directors, who are not officers of NOPSI: John B. Smallpage (Chairman), Brooke H. Duncan, Anne M. Milling and Charles C. Teamer, Sr. The committee held four meetings during 1991.

The Audit Committee oversees NOPSI's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting and financial controls are in existence and are adequately reviewed by programs of internal and external audits. The Chairman of the committee meets with NOPSI management and NOPSI's independent public accountants on a quarterly basis for the review and oversight of the quarterly financial reporting process.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Deloitte & Touche) the overall scope and specific plans for their respective audits, as well as NOPSI's financial statements and the adequacy of NOPSI's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of NOPSI's internal controls, and the overall quality of NOPSI's financial reporting. The meetings also were designed to facilitate and encourage any private communication between the committee and the internal auditors or independent public accountants.

John B. Smallpage
Chairman, Audit Committee

NEW ORLEANS PUBLIC SERVICE INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991	1990	1989	1991 vs 1990		1990 vs 1989	
				Increase/ (Decrease)	%	Increase/ (Decrease)	%
(Dollars in Millions)							
Net income	\$ 74.7	\$ 27.5	\$ 14.5	\$ 47.2	171	\$ 13.0	90
Electric operating revenues	\$399.2	\$397.3	\$380.5	\$ 1.9	—	\$ 16.8	4
Gas operating revenues	\$ 77.0	\$ 87.9	\$ 90.4	\$ (10.9)	(12)	\$ (2.5)	(3)
Fuel for electric generation and fuel-related expenses	\$ 38.4	\$ 44.0	\$ 38.6	\$ (5.6)	(13)	\$ 5.4	14
Purchased power	\$168.3	\$176.3	\$220.6	\$ (8.0)	(5)	\$ (44.3)	(20)
Gas purchased for resale	\$ 50.0	\$ 61.7	\$ 62.9	\$ (11.7)	(19)	\$ (11.2)	(2)
Other operation expense	\$ 74.7	\$ 72.4	\$ 54.9	\$ 2.3	3	\$ 17.5	32
Rate deferrals — net	\$(54.7)	\$ 6.7	\$(18.2)	\$(61.4)	(916)	\$ 24.9	137
Total income taxes	\$ 45.2	\$ 17.4	\$ 10.6	\$ 27.8	159	\$ 6.8	64
Electric operating revenues							
Residential	\$136.0	\$141.9	\$134.0	\$ (5.9)	(4)	\$ 7.9	6
Commercial	159.1	162.6	158.0	(3.5)	(2)	4.6	3
Industrial	24.1	27.0	25.2	(2.9)	(11)	1.8	7
Governmental	55.1	55.5	51.5	1.6	3	2.0	4
Total retail	374.3	385.0	368.7	(10.7)	(3)	16.3	4
Sales for resale	9.8	8.4	8.0	1.4	17	0.4	5
Other	15.1	3.9	3.8	11.2	287	0.1	3
Total electric operating revenues	<u>\$399.2</u>	<u>\$397.3</u>	<u>\$380.5</u>	<u>\$ 1.9</u>	<u>—</u>	<u>\$ 16.8</u>	<u>4</u>
Electric energy sales: (Millions of KWH)							
Residential	1,844	1,903	1,830	(59)	(3)	73	4
Commercial	2,023	2,054	2,035	(31)	(2)	19	1
Industrial	457	530	490	(43)	(8)	40	8
Governmental	887	846	837	41	5	9	1
Total retail	5,241	5,333	5,192	(92)	(2)	141	3
Sales for resale	418	294	284	124	42	10	4
Total energy sales	<u>5,659</u>	<u>5,627</u>	<u>5,476</u>	<u>32</u>	<u>1</u>	<u>151</u>	<u>3</u>

Net Income

Net income increased in 1991 as compared to 1990 primarily due to the net income effect of the \$90 million 1991 NOPSI Settlement, which resulted in a \$48.6 million increase in net income. Absent the effects of the 1991 NOPSI Settlement, NOPSI's 1991 net income would have been \$26.1 million, a decrease of \$1.4 million compared to 1990.

Net income increased in 1990 as compared to 1989 primarily as a result of recording in 1989 the \$15.5 million effect of the 1989 Settlement Agreement. However, this effect was partially offset by the gain in 1989 of \$8.4 million recorded in connection with the 1989 settlement of NOPSI's pension plan. Absent the effects on 1989 net income of the two nonrecurring items mentioned above, 1990 net income increased by \$5.9 million as compared to 1989, due primarily to increased operating revenues and miscellaneous income — net.

NEW ORLEANS PUBLIC SERVICE INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Electric Operating Revenues

Electric operating revenues in 1991 were relatively unchanged from the prior year. The increase in electric base rates resulting from the implementation in April 1991 of the sixth year of NOPSI's then effective phase-in plan was partially offset by a decrease in fuel adjustment revenues and a fourth quarter reduction in NOPSI's base rates as part of the 1991 NOPSI Settlement. Additionally, the \$10.5 million refund received from System Energy was refunded to customers and has no net effect on operating revenues. Electric operating revenues increased in 1990 as compared to 1989 due to an increase in base rates (resulting from implementation of the fifth year of NOPSI's then effective phase-in plan) and increased energy sales, partially offset by a decrease in fuel adjustment revenues.

Gas Operating Revenues

Gas operating revenues decreased in 1991 as compared to 1990 due to a decrease in the recovery of resale gas costs through the city gate adjustment clause (due primarily to lower average per unit cost for gas purchased).

Fuel for Electric Generation and Fuel-Related Expenses

Fuel for electric generation and fuel-related expenses decreased in 1991 as compared to 1990 primarily due to a lower average per unit cost for gas purchased as a result of lower prices for gas purchased in the spot market. The decrease in fuel for electric generation and fuel-related expenses was partially offset by an increase in the volume of fuel purchased for electric generation attributable to increased NOPSI generation. Fuel and fuel-related expenses increased in 1990 as compared to 1989 primarily due to an increase in the volume of NOPSI's gas-fired generation as a result of increased energy sales.

Purchased Power

Purchased power expense decreased in 1991 as compared to 1990 primarily due to lower Grand Gulf 1 revenue requirements and a lower average per unit cost for the fuel component of purchased power. The decrease in purchased power was partially offset by a \$10.3 million decrease in the amortization of the liability recorded in 1990 in connection with the 1989 Settlement Agreement (this decrease in amortization was offset by an equal change in deferred Grand Gulf 1-related costs, as discussed below under "Rate Deferrals — Net"). Such amortization was completed in June 1991.

Purchased power expense decreased in 1990 as compared to 1989 primarily due to the recording in November 1989 of \$19.7 million of future estimated losses in connection with the 1989 Settlement Agreement, partially offset by a reduction of 1989 costs due to the application of the \$5.5 million credit by System Energy to NOPSI's Grand Gulf 1 bill pursuant to the FERC Settlement. Also contributing to the change in purchased power in 1990 as compared to 1989 was the amortization of the liability recorded in 1990 in connection with the 1989 Settlement Agreement which totaled \$15.1 million (this amortization was offset by a like amount of deferred Grand Gulf 1-related costs, as discussed below under "Rate Deferrals — Net"), lower System Energy revenue requirements, and a decrease in the volume of energy purchased from certain System operating companies.

Gas Purchased for Resale

Gas purchased for resale decreased in 1991 as compared to 1990 primarily due to a lower average per unit cost for gas purchased.

NEW ORLEANS PUBLIC SERVICE INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Other Operation Expense

Other operation expense increased in 1990 as compared to 1989 primarily as a result of recording in January 1989 approximately \$15.5 million as a reduction to pension expense to reflect the before-tax gain in connection with the settlement of NOPSI's pension plan.

Rate Deferrals — Net

NOPSI recorded net deferrals of Grand Gulf 1-related costs of \$54.7 million in 1991 as compared to net recoveries of such costs of \$6.7 million in 1990. This fluctuation was primarily a result of the 1991 NOPSI Settlement Agreement which allowed NOPSI to record an additional \$90 million of previously incurred Grand Gulf 1-related costs. This change of \$61.4 million in 1991 was partially offset by increased recovery of Grand Gulf 1-related costs through base rates in connection with the implementation in April 1991 of the sixth year of NOPSI's original phase-in plan and a decrease of \$10.3 million in the amortization to record the effect of temporarily absorbing 18% of NOPSI's FERC-allocated share of Grand Gulf 1-related costs in accordance with the 1989 Settlement Agreement.

The net recovery of \$6.7 million in 1990 represents a \$24.9 million change from 1989 when NOPSI recorded a net deferral of \$18.2 million. The change from deferral to recovery was due primarily to implementation in April 1990 of the fifth year of NOPSI's original phase-in plan. Also contributing to this change was the amortization in 1989 of \$15.1 million (an increase of \$5.9 million over the prior year) to record the effect of temporarily absorbing 18% of NOPSI's FERC-allocated share of Grand Gulf 1-related costs in accordance with the 1989 Settlement Agreement. Although such amortization was offset by a like reduction in purchased power in 1990, the amortization recorded in 1989 was not fully offset by a similar decrease in purchased power and had a negative impact of \$15.5 million on net income in 1989.

Total Income Taxes

Total income taxes increased in both 1991 and 1990 as compared to prior years primarily as a result of increases in pretax book income resulting from various factors as discussed above.

Electric Energy Sales (KWH)

Electric energy sales increased in 1991 as compared to 1990 primarily due to higher KWH sales to wholesale customers (primarily other System operating companies). Partially offsetting this increase was a decrease in the volume of residential energy sales due primarily to warmer than prior year winter weather and a decrease in the volume of electric energy sales to an industrial customer due to a decline in its demand as a result of market conditions. Electric energy sales increased in 1990 as compared to 1989 primarily due to increased residential sales due to warmer than normal summer weather conditions and to a general upward trend in average usage, as well as increased industrial sales to chemical manufacturers.

FINANCIAL CONDITION

Rate Issues

The 1991 NOPSI Settlement has significantly improved NOPSI's financial condition, cash flow and ability to effect external financing. The terms of the 1991 NOPSI Settlement provide for a finalized phase-in plan for the recovery of increased amounts of NOPSI's Grand Gulf 1-related costs and for a five year base rate freeze (subject to certain exceptions) with respect to non-Grand Gulf 1 electric rates. The rate freeze should not affect NOPSI's financial condition as long as NOPSI can maintain costs at current levels or reduce costs. To the extent that NOPSI's operating expenses significantly

NEW ORLEANS PUBLIC SERVICE INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

increase, net income could be adversely impacted. See NOPSI's Note 2, "Rate and Regulatory Matters," incorporated herein by reference, for further information regarding these matters and the filing of an application with the Council for a 14.9% increase in gas rates that would provide a \$12.5 million increase in net revenues on an annual basis.

In March 1992, the FERC authorized the System operating companies and Entergy Power to sell wholesale power at market-based rates and to provide to electric utilities "open access" to the System's integrated transmission system for delivery to other electric utilities (subject to certain requirements). The FERC's order may be appealed by various intervenors in the proceeding. If it ultimately becomes final, the FERC's order will simultaneously produce increased marketing opportunities for NOPSI and expose NOPSI to the risk of loss of load or reduced revenues due to competition with alternative suppliers.

Liquidity

NOPSI's primary cash requirements for 1991 included, among other things, payments to System Energy for Grand Gulf 1 capacity and energy, construction expenditures and maturing debt. Cash requirements in 1991 were satisfied with cash on hand and internally generated funds.

Net cash flow provided by operating activities totaled approximately \$51.7 million in 1991. As detailed in the Statements of Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations. Factors of an unusual and nonrecurring nature were not significant. In 1992-1994, NOPSI will be collecting in rates Grand Gulf 1 costs paid to System Energy but not collected from customers in previous years pursuant to the finalized phase-in plan in connection with the 1991 NOPSI Settlement. As deferred costs are recovered, revenue collections will exceed, to the extent of such recovery, current cash requirements for Grand Gulf 1 costs. The amortization of previous deferrals of Grand Gulf 1-related costs matches the impact of the revenue collections in the income statement.

Investing activities for 1991 resulted in a net utilization of cash of approximately \$22.4 million due primarily to construction expenditures.

Financing activities for 1991 resulted in a net utilization of cash of approximately \$24.6 million due primarily to the retirement of long-term debt and the payment of \$4.5 million of dividends on common stock related to 1985 declarations.

Capital and Refinancing Requirements and Capital Resources

See NOPSI's Note 8, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on NOPSI's capital and refinancing requirements for the period 1992-1994.

NEW ORLEANS PUBLIC SERVICE INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS -- (Concluded)

NOPSI's G&R Mortgage and Restatement of Articles of Incorporation, as amended, provide for the issuance of G&R Bonds and preferred stock, respectively. G&R Bonds are issuable on the basis, among others, of bondable property additions and NOPSI's accumulated deferred Grand Gulf 1-related costs recorded as assets. NOPSI's minimum earnings coverage requirements for the issuance of additional G&R Bonds and preferred stock are 2.0 times annual bond interest requirements (with respect to bonds outstanding under both the G&R Mortgage and NOPSI's 1944 Mortgage and Deed of Trust) and 1.5 times annual interest and preferred stock dividend requirements, respectively, on a pro forma basis. For NOPSI's bonds and preferred stock, the earnings coverages for the twelve months ended December 31, 1991 (which reflect the \$48.6 million increase in net income as a result of the 1991 NOPSI Settlement) were 6.16 times the annual bond interest requirements and 3.68 times the annual interest and preferred dividend requirements, respectively. Based upon earnings coverages at December 31, 1991 and an assumed annual interest or dividend rate of 9%, NOPSI had adequate earnings coverage and sufficient unfunded bondable property to support the issuance of approximately \$76 million of additional G&R bonds or adequate earnings coverages to issue \$438 million of additional preferred stock. In addition, NOPSI has the ability, subject to meeting certain conditions, to issue bonds against the retirement of bonds without satisfying an earnings coverage test.

See NOPSI's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

ACCOUNTING ISSUES

SFAS No. 106

See NOPSI's Note 9, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See NOPSI's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
New Orleans Public Service Inc.

We have audited the accompanying balance sheets of New Orleans Public Service Inc. (NOPSI) as of December 31, 1991 and 1990, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of NOPSI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of NOPSI at December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
February 14, 1992
New Orleans, Louisiana

NEW ORLEANS PUBLIC SERVICE INC.

BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Note 1):		
Electric	\$446,294	\$432,160
Property under capital leases -- electric	—	1,865
Natural gas	104,960	100,356
Property under capital leases -- gas	—	799
Construction work in progress	14,146	12,552
Total	565,400	547,732
Less -- accumulated depreciation and amortization	301,963	287,990
Utility plant -- net	<u>263,437</u>	<u>259,742</u>
Other Investments:		
Investment in subsidiary company -- at equity (Note 8)	<u>3,259</u>	<u>3,259</u>
Current Assets:		
Cash equivalents (Note 1):		
Temporary cash investments -- at cost, which approximates market:		
Associated companies (Note 4)	10,436	2,027
Other	<u>97,872</u>	<u>71,699</u>
Total cash equivalents	108,308	73,726
Special deposits	25	29
Accounts and notes receivable:		
Customer (less allowance for doubtful accounts of \$1.4 million in 1991 and 1990)	32,817	39,479
Associated companies (Note 10)	2,650	959
Other	1,044	655
Accumulated deferred income taxes (Note 3)	5,551	4,744
Materials and supplies -- at average cost	11,109	9,324
Rate deferrals (Note 2)	4,158	21,028
Prepayments and other	<u>2,002</u>	<u>1,951</u>
Total	<u>170,664</u>	<u>151,895</u>
Deferred Debits:		
Rate deferrals (Note 2)	243,317	159,123
Other	<u>4,540</u>	<u>3,264</u>
Total	<u>247,857</u>	<u>162,387</u>
 TOTAL	 <u>\$685,217</u>	 <u>\$577,283</u>

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
	(In Thousands)	
Capitalization:		
Common stock, \$4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 1991 and 1990 (Note 5)	\$ 67,735	\$ 67,735
Paid in capital (Note 5)	2,078	2,078
Retained earnings subsequent to the elimination of the accumulated deficit of \$13,852,000 on November 30, 1988 (Notes 5 and 7)	106,341	33,918
Total common shareholder's equity	176,154	103,731
Preferred Stock, net of premium and expense (Note 5):		
Without sinking fund	20,117	20,117
With sinking fund	7,595	9,050
Long-term debt (Note 6)	223,951	231,964
Total	427,817	364,862
Other Noncurrent Liabilities:		
Accumulated provision for property insurance	14,755	13,755
Accumulated provision for injuries and damages	2,344	2,395
Obligations under capital leases	—	1,825
Total	17,099	17,975
Current Liabilities:		
Currently maturing long-term debt (Note 6)	8,000	16,400
Accounts payable:		
Associated companies (Note 10)	23,676	19,608
Other	21,701	22,967
Customer deposits	14,507	13,171
Taxes accrued	3,770	1,299
Interest accrued	8,478	8,646
Dividends declared (Note 5)	548	5,059
1989 Settlement Agreement — liability to customers (Note 2)	—	4,637
Deferred electric fuel and resale gas costs	4,580	3,159
Obligations under capital leases	—	839
Other	1,378	1,406
Total	86,635	97,191
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	104,748	63,994
Accumulated deferred investment tax credits (Note 3)	12,863	13,630
Pension obligation — associated company (Notes 1 and 9)	19,586	16,013
Other	16,466	3,618
Total	153,663	97,255
Commitments and Contingencies (Notes 2 and 8)		
TOTAL	\$685,217	\$577,283

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.

STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues (Notes 1, 2 and 10):			
Electric	\$399,214	\$397,303	\$380,542
Natural gas	76,951	87,943	90,367
Total	<u>476,165</u>	<u>485,246</u>	<u>470,909</u>
Operating Expenses:			
Operation (Note 10):			
Fuel for electric generation and fuel-related expenses (Note 1)	38,428	44,028	38,583
Purchased power (Note 8)	168,315	176,276	220,605
Gas purchased for resale (Note 1)	49,956	61,718	62,887
Other (Note 9)	74,713	72,373	54,900
Maintenance	18,118	17,565	19,897
Depreciation	15,973	15,824	15,546
Taxes other than income taxes	25,733	25,659	26,673
Income taxes (Note 3)	21,450	17,421	2,595
Rate deferrals (Note 2):			
Rate deferrals	(3,348)	(10,337)	(34,041)
Amortization of rate deferrals	38,627	16,997	15,883
Deferral of previously incurred Grand Gulf 1 — related costs	(90,000)	—	—
Income taxes — (credit) (Note 3)	20,548	(2,629)	7,133
Total	<u>378,543</u>	<u>434,895</u>	<u>430,661</u>
Operating Income	<u>97,622</u>	<u>50,351</u>	<u>40,248</u>
Other Income:			
Allowance for equity funds used during construction (Note 1)	102	59	28
Miscellaneous — net	5,329	5,621	2,477
Income tax expense — (debit) (Note 3)	(3,242)	(2,637)	(860)
Total	<u>2,189</u>	<u>3,043</u>	<u>1,645</u>
Interest Charges:			
Interest on long-term debt	23,865	24,472	24,472
Other interest — net	1,358	1,410	3,001
Allowance for borrowed funds used during construction (Note 1)	(111)	(30)	(44)
Total	<u>25,112</u>	<u>25,852</u>	<u>27,429</u>
Net Income	<u>74,699</u>	<u>27,542</u>	<u>14,464</u>
Preferred Stock Dividend Requirements	<u>2,231</u>	<u>2,462</u>	<u>2,675</u>
Earnings Applicable to Common Stock	<u>\$ 72,468</u>	<u>\$ 25,080</u>	<u>\$ 11,789</u>

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Retained Earnings, January 1,	\$ 33,918	\$ 8,583	\$(2,884)
Add:			
Net income	74,699	27,542	14,464
Total	108,617	36,425	11,580
Deduct:			
Dividends declared:			
Preferred stock	(2,231)	(4,462)	(2,675)
Capital stock expenses	(45)	(45)	(22)
Total	(2,276)	(2,507)	(2,697)
Retained Earnings, December 31, (Note 7)	\$106,341	\$33,918	\$ 8,883

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Activities:			
Net income	\$ 74,699	\$ 27,542	\$ 14,464
Noncash items included in net income:			
Rate deferrals — net (Note 2)	(54,721)	6,660	(18,158)
Depreciation	15,973	15,824	15,540
Deferred income taxes and investment tax credits	36,180	17,157	9,740
Allowance for equity funds used during construction	(102)	(59)	(28)
Provision for estimated losses	3,524	3,161	3,242
Changes in working capital:			
Receivables	2,007	(1,018)	(7,582)
Accounts payable	2,802	(4,605)	2,941
Deferred electric fuel and resale gas costs	1,421	1,980	(1,112)
Taxes and interest accrued	2,303	(166)	1,784
Other working capital accounts	(1,363)	2,986	(213)
1989 Settlement Agreement	(4,637)	(15,112)	19,749
Other	3,571	4,099	3,435
Net cash flow provided by operating activities	81,657	58,449	43,808
Investing Activities:			
Construction expenditures	(22,535)	(16,142)	(15,160)
Allowance for equity funds used during construction	102	59	28
Net cash flow used by investing activities	(22,433)	(16,083)	(15,132)
Financing Activities:			
Retirement of long-term debt	(16,400)	—	—
Redemption of preferred stock	(1,500)	(1,500)	(750)
Dividends paid:			
Common stock	(4,453)	—	—
Preferred stock	(2,289)	(2,520)	(4,782)
Net cash flow used by financing activities	(24,642)	(4,020)	(5,532)
Net increase in cash and cash equivalents	31,582	38,346	23,144
Cash and cash equivalents at beginning of period	73,726	35,380	12,236
Cash and cash equivalents at end of period	\$108,308	\$ 73,726	\$ 35,380
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	\$ 25,341	\$ 25,263	\$ 25,428
Income taxes	\$ 6,357	\$ 100	\$ 615
Noncash investing and financing activities:			
Capital lease obligations incurred	\$ —	\$ 489	\$ 628

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulation and System of Accounts

The accounts of NOPSI are maintained in accordance with the Uniform System of Accounts prescribed by its regulators, the Council and the FERC.

Revenues and Fuel Costs

NOPSI records electric and gas revenues when billed to its customers on a cycle-billing basis. Revenues are not accrued for energy delivered but not yet billed at the end of the fiscal period.

NOPSI's rate schedules include electric fuel adjustment and city gate gas cost adjustment clauses under which fuel and purchased power costs are permitted to be billed or required to be credited to customers. NOPSI has adopted a deferral method of accounting for these fuel and purchased power costs. Under this method, such costs are deferred to the month in which the related revenues are billed.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead and AFUDC) are recorded at cost. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction costs. Although AFUDC results in an increase in utility plant and represents current earnings, it is a non-cash item and is realized in cash through recovery of depreciation provisions included in rates. NOPSI's effective composite rates for AFUDC were 11.3% for 1991 and 11.0% for 1990 and 1989.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.2% in 1991, 1990 and 1989.

Substantially all of the utility plant owned by NOPSI is subject to the liens of its mortgage bond indentures.

Income Taxes

NOPSI joins its parent and affiliates in filing a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to NOPSI in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by NOPSI's regulatory bodies for ratemaking purposes. Investment tax credits allocated to NOPSI are deferred and amortized based upon the average useful life of the related property.

Other Noncurrent Liabilities

NOPSI records provisions for uninsured property risks and claims for injuries and damages through charges to operation expenses on an accrual basis. Provisions for these accruals, classified as other noncurrent liabilities, have been allowed for ratemaking purposes.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, NOPSI considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

NOTE 2. RATE AND REGULATORY MATTERS

Prudence Settlement and Finalized Phase-In Plan

The February 4 Resolution required NOPSI to write off, and not recover from its retail electric customers, \$135 million of its previously deferred costs associated with Grand Gulf 1. This write-off, which was recorded in NOPSI's 1987 financial statements, was in addition to the \$51.2 million of Grand Gulf 1-related costs originally absorbed and not recovered by NOPSI in the 1986 Rate Settlement. On August 29, 1991, representatives of NOPSI reached an agreement in principle with advisors to the Council and with the Alliance that resolved the Grand Gulf 1 prudence issues and the pending litigation related to the February 4 Resolution. The Council adopted a resolution approving and substantially incorporating the agreement in principle on October 3, 1991. In accordance with the Council's October 3 resolution, several actions were taken and the final condition to effectiveness of the 1991 NOPSI Settlement was satisfied on November 5, 1991.

The 1991 NOPSI Settlement, retroactive to October 4, 1991, supersedes both the 1986 Rate Settlement (which established a rate phase-in plan designed to reduce the immediate effect on ratepayers of the inclusion of Grand Gulf 1 costs in rates) and the February 4 Resolution and provides that there will be no further disallowance of the recovery of any Grand Gulf 1-related costs incurred by NOPSI based on any alleged imprudence by NOPSI that may have occurred or may be alleged to have occurred prior to the effective date of the 1991 NOPSI Settlement. The 1991 NOPSI Settlement includes the following terms, among others:

(i)

<u>Effective Date</u>	<u>Annual Change in Base Electric Rates(1)</u>
October 4, 1991	\$11.3 million decrease(2)
October 31, 1992	\$ 7.3 million increase
October 31, 1993	\$ 6.7 million increase
October 31, 1994	\$ 5.2 million increase
October 31, 1995	\$ 4.4 million increase

(1) These changes could be subject to adjustment to reflect implementation of the least-cost planning ordinance adopted by the Council on June 20, 1991 (discussed below).

(2) The October 4, 1991 decrease partly offset an April 1991 increase of \$18.9 million.

(ii) In connection with the rate changes set forth in (i) above, NPSI implemented a finalized phase-in plan covering a ten-year period from October 1, 1991 through September 30, 2001 for recovery of all Grand Gulf 1 deferred costs, including associated carrying charges. The

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

amounts of deferred Grand Gulf 1 costs, including carrying charges, recoverable by year during the ten-year period (which in no circumstance are subject to adjustment) are set forth below:

Year Beginning October 1,	Recoverable Costs
1991	\$22,711,000
1992	\$37,505,000
1993	\$42,796,000
1994	\$47,636,000
1995	\$50,664,000
1996	\$49,518,000
1997	\$46,420,000
1998	\$34,653,000
1999	\$31,422,000
2000	\$15,333,000

(iii) NOPSI agreed to a five-year electric base rate freeze extending through October 31, 1996, excluding the annual rate increases provided for in (i) above and except for increases to reflect an increase in state and/or federal income tax rates or a catastrophic event such as a hurricane. Notwithstanding the rate freeze, NOPSI also agreed that during the period October 1, 1993 through October 31, 1996 the Council will have the right to investigate the appropriateness of NOPSI's rates if NOPSI's return on average equity on its electric operations (calculated in accordance with the applicable provisions of the 1991 NOPSI Settlement) for twelve month periods subsequent to September 30, 1992 were to exceed 13.76%, and, after hearing(s), to impose a credit on NOPSI's customers' bills in an amount that would have allowed NOPSI, during the relevant test year, to earn a return on equity incident to its electric operations of no less than 12.76%. Furthermore, the Council agreed otherwise not to reduce NOPSI's base electric rates during the period through October 31, 1996 except to reflect a decrease in state and/or federal income tax rates.

(iv) NOPSI will include in the "over/under" provision of its fuel adjustment clause, on a monthly basis, the difference, if any, between the non-fuel Grand Gulf 1 costs billed by System Energy to NOPSI and the estimate of such costs attached to the 1991 NOPSI Settlement, with the Council having the right to suspend this provision in the event of a catastrophe involving Grand Gulf 1. In the event the Council suspends this provision, NOPSI will have the right to seek a rate increase notwithstanding (iii) above.

In accordance with the 1991 NOPSI Settlement, NOPSI recorded on its balance sheet as a deferred asset, an additional \$90 million of previously incurred Grand Gulf 1-related costs with recognition of a corresponding pretax gain on its income statement. The \$90 million represents the increase in the present value of the recovery stream of deferred Grand Gulf 1-related costs consistent with the recoverable costs as set forth in (ii) above. The gain increased 1991 net income by \$48.6 million after applicable income taxes.

Gas Rate Filing

On October 31, 1991, NOPSI filed an application with the Council for a net 14.9% increase in gas rates that would provide a \$12.5 million increase in net revenues on an annual basis. A provision of the 1991 NOPSI Settlement requires the Council to use its best efforts to render a decision within six months of the filing of an application for an increase in retail rates for NOPSI's gas operations. If

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

approved, the rate increase could become effective in the first half of 1992. However, NOPSI cannot predict what action the Council will take. The matter is pending.

Least-Cost Planning

Least-cost planning, also known as integrated resource planning, is the process of developing a resource acquisition strategy that assures that electricity demands are met reliably and at the lowest possible cost. In June 1991, the Council adopted an ordinance requiring NOPSI to file a comprehensive least-cost resource plan by December 1, 1992. Representatives of NOPSI, the Council, and various consumer groups have formed a Least-Cost Planning Collaborative Working Group which is working on the least-cost plan to be presented to the Council in late 1992, as well as designing and implementing pilot programs regarding energy efficiency measures. In accordance with the 1991 NOPSI Settlement, NOPSI's base rates are subject to adjustment to reflect the costs associated with least-cost planning.

FERC Complaint Case

On February 1, 1990, various regulatory agencies filed a complaint with the FERC against System Energy and Entergy Services (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 were not just and reasonable. A settlement, reached on May 21, 1991 and approved by the FERC on September 16, 1991, among other things, reduced System Energy's rate of return on common equity from 14% to 13%.

In connection with the foregoing, NOPSI received credits from System Energy during 1991. The Council approved a plan whereby credits of approximately \$10.5 million were credited to customers as a reduction to monthly bills during 1991.

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies reached an agreement with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement in 1989 resulted in, among other things, a \$900 million pre-tax write-off by System Energy of its investment in Grand Gulf 2 without seeking rate recovery from its customers, the System operating companies, including NOPSI. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of \$50 million, which was allocated among the System operating companies in accordance with their respective allocations of Grand Gulf 1 capacity and energy. NOPSI's share of this credit totaled \$8.5 million, which reduced the amount of future Grand Gulf-1 related costs that would have otherwise been deferred by NOPSI.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Complaint Case" above.)

In addition to settlement of FERC-related issues embodied in the FERC Settlement, on June 19, 1989, NOPSI and the Council entered into the 1989 Settlement Agreement that addressed certain local retail rate issues involving Grand Gulf 1. Under the terms of the 1989 Settlement Agreement, NOPSI

NEW ORLEANS PUBLIC SERVICE INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

agreed to (1) temporarily absorb, and not recover from its retail ratepayers, 18% of its FERC-allocated share of Grand Gulf 1-related costs, net of any sales of energy from the 18% absorbed portion to NOPSI's ratepayers at 4.6 cents per KWH, until June 1991, when the present value savings to NOPSI's retail ratepayers totaled \$23.5 million and (2) utilize an \$8.5 million credit, applied by System Energy to NOPSI's Grand Gulf 1 bill pursuant to the terms of the FERC Settlement, to reduce by \$8.5 million the amount of future Grand Gulf 1-related costs that would have otherwise been deferred by NOPSI under the then effective phase-in plan for Grand Gulf 1-related costs (such credit was reflected in System Energy's July 1989 bill to NOPSI which was rendered in August 1989). The 1989 Settlement Agreement became effective on July 21, 1989. The 1989 Settlement Agreement resulted in a reduction in 1989 net income of \$15.5 million, of which \$12.0 million was recorded in December of 1989, representing the remaining future years' impact of the temporary absorption of 18% of NOPSI's FERC-allocated share of Grand Gulf 1-related costs as described in (1) above.

NOTE 3. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$ 8,885	\$ 134	\$ (64)
State	—	—	913
Total	<u>8,885</u>	<u>134</u>	<u>849</u>
Deferred — net:			
Rate deferrals — net	20,548	(2,745)	7,133
1989 Settlement Agreement	1,821	5,936	(7,757)
Net operating loss carryforward utilization	15,186	16,920	15,100
Unbilled revenue	1,513	(255)	(4,384)
Pension expense	(1,041)	(1,396)	(2,411)
Adjustment of prior years' tax provisions	—	—	512
Alternative minimum tax	(591)	(457)	325
Liberalized depreciation	(469)	(113)	(142)
Customer deposits	215	(23)	(717)
RTA benefit expense accrual	—	173	1,210
Deferred fuel or gas costs	(135)	(832)	490
Other	(100)	162	(64)
Total	<u>36,947</u>	<u>17,370</u>	<u>9,295</u>
Investment tax credit adjustments — net	(592)	(75)	444
Recorded income tax expense	<u>\$45,240</u>	<u>\$17,429</u>	<u>\$10,588</u>
Charged to operations	\$41,998	\$14,792	\$ 9,728
Charged to other income	3,242	2,637	860
Total income taxes	<u>\$45,240</u>	<u>\$17,429</u>	<u>\$10,588</u>

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$40,779	34.0	\$15,290	34.0	\$ 8,518	34.0
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	4,420	3.7	2,282	5.1	2,677	10.7
Depreciation	(654)	(0.6)	(377)	(0.8)	(551)	(2.2)
Nondeductible excise tax on pension termination	—	—	—	—	628	2.5
Amortization of investment tax credits	(50)	(0.6)	(827)	(1.8)	(489)	(2.0)
Adjustment of prior years' tax provisions	—	—	—	—	(617)	(3.3)
Amortization of excess deferred income tax	376	0.3	376	0.8	376	1.5
Other — net	969	0.9	685	1.5	246	1.0
Total income taxes	<u>\$45,240</u>	<u>37.7</u>	<u>\$17,429</u>	<u>38.8</u>	<u>\$10,558</u>	<u>42.2</u>

The alternative minimum tax (AMT) credit at December 31, 1991 was \$1.2 million. This AMT credit can be carried forward indefinitely and will reduce NOPSI's federal income tax liability in the future.

Cumulative income tax timing differences for which deferred income taxes have not been provided are \$21.1 million, \$20.8 million, and \$19.7 million at December 31, 1991, 1990, and 1989, respectively.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes", which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards, and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the System. Based on a preliminary study, NOPSI expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact NOPSI's results of operations. NOPSI plans to adopt SFAS No. 109 in 1993.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

NOPSI is authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time up to \$30 million, subject to increase to a maximum of \$35 million with further SEC approval and to the condition that unless specifically authorized by the SEC, NOPSI is prohibited from effecting any short-term borrowings if its common stock equity ratio (including retained earnings) is, or would thereby become, less than 30% of total capitalization plus short-term indebtedness. NOPSI's ratio of common stock equity to total capitalization at December 31, 1991 was 40.4%. Based on such ratio, NOPSI had short-term borrowing capacity of \$30 million

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

at December 31, 1991. Additionally, NOPSI participates with certain other System companies in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. NOPSI may borrow from the Money Pool subject to its maximum authorized level of short-term borrowings and the availability of funds. NOPSI had no outstanding short-term borrowings at December 31, 1991.

NOTE 5. PREFERRED AND COMMON STOCK

The number of shares and dollar value of NOPSI's cumulative, \$100 par value preferred stock was:

	Shares		Total Dollar Value		Call Price Per Share at December 31, 1991
	Authorized	Outstanding	1991	1990	
			(In Thousands)		
Without sinking fund:					
4% Preferred Stock	77,798	77,798	\$ 7,780	7,780	\$105.00
4.36% Series	60,000	60,000	6,000	6,000	104.58
5.56% Series	60,000	60,000	6,000	6,000	102.59
Premium	—	—	337	337	
Total without sinking fund			<u>\$20,117</u>	<u>\$20,117</u>	
With sinking fund:					
15.44% Series	79,495	79,495	\$ 7,950	\$ 9,450	\$107.72
Issuance expense	—	—	(355)	(400)	
Total with sinking fund			<u>\$ 7,595</u>	<u>\$ 9,050</u>	

Changes in the number of shares of preferred stock during the last three years were:

	Number of Shares		
	1991	1990	1989
Preferred stock retirements:			
15.44% Series	(15,000)	(15,000)	(7,500)

Cash sinking fund requirements for each of the ensuing five years (1992 through 1996) for preferred stock outstanding at December 31, 1991, are \$750,000 for the 15.44% Series preferred stock. NOPSI has the annual non-cumulative option to redeem, at par, up to an additional \$750,000 of its 15.44% Series preferred stock outstanding.

On November 26, 1991 NOPSI paid to Entergy Corporation \$4.5 million of dividends on common stock related to 1985 declarations.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 6. LONG-TERM DEBT

The long-term debt of NOPSI at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds:		
5.000% Series due 1991	—	\$ 15,000
4.500% Series due 1992	\$ 8,000	,000
5.625% Series due 1996	93,250	,250
11.000% Series due 1996	25,000	25,000
5.875% Series due 1997	12,000	12,000
10.000% Series due 2004	35,000	35,000
9.500% Series due 2005	15,000	15,000
Total First Mortgage Bonds	<u>118,250</u>	<u>193,250</u>
General and Refunding Mortgage Bonds:		
13.200% Series due 1991	—	1,400
13.600% Series due 1993	29,400	29,400
13.900% Series due 1995	9,200	9,000
10.950% Series due 1997	75,000	75,000
Total General and Refunding Mortgage Bonds	<u>113,600</u>	<u>115,000</u>
Unamortized Premium and Discount — Net	101	114
Total Long-Term Debt	<u>231,951</u>	<u>248,364</u>
Less — Amount Due Within One Year	8,000	16,400
Long-Term Debt Excluding Amount Due Within One Year	<u>\$223,951</u>	<u>\$231,964</u>

For the years 1992, 1993, 1994, 1995, and 1996, NOPSI has long-term debt maturities and sinking fund requirements of (in millions) \$8.8, \$45.3, \$15.9, \$25.1, and \$63.6, respectively. Sinking fund requirements of approximately \$1 million annually may be satisfied by certification of property additions at the rate of 167% of such requirements.

Under NOPSI's G&R Mortgage, G&R Bonds are issuable based upon 70% of bondable property additions or based upon 50% of accumulated deferred Grand Gulf 1-related costs. Further, the G&R Mortgage precludes the issuance of any additional G&R Bonds if the total amount of outstanding Rate Recovery Mortgage Bonds issued on the basis of the uncollected balance of deferred Grand Gulf 1-related costs exceeds 66% of the balance of such deferred costs. At December 31, 1991, the total amount of Rate Recovery Mortgage Bonds outstanding aggregated \$113.6 million, or approximately 45.9% of NOPSI's accumulated deferred Grand Gulf 1-related costs.

Because the 1991 NOPSI Settlement supersedes the 1986 Rate Settlement, holders of the outstanding G&R Bonds could have become entitled, under certain circumstances, to tender their G&R Bonds to NOPSI for redemption at par. However, in December 1991, NOPSI obtained the consent of bondholders to waive their potential tender rights arising out of the 1991 NOPSI Settlement, subject to the receipt by NOPSI of regulatory approvals (which were subsequently received).

NOTE 7. RETAINED EARNINGS

NOPSI's Restatement of Articles of Incorporation, as amended, and certain of its indentures contain provisions restricting the payment of cash dividends or other distributions on common stock.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

At December 31, 1991, under the most restrictive of these provisions, approximately \$82.1 million of retained earnings were free from such restrictions.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC) during the years 1992, 1993, and 1994 are estimated to be approximately \$20.2 million, \$29.3 million, and \$25.1 million, respectively. In addition to construction expenditure requirements, NOPSI will require \$69.8 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. NOPSI plans to meet the above requirements with internally generated funds, including collections under its finalized rate phase-in plan, and cash on hand.

Ordinances

NOPSI's electric and gas service in the City of New Orleans pursuant to City franchise agreements, among other things, that the City has a continuing option to purchase NOPSI's City properties.

Availability and Reallocation Agreements

The Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its 90% owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L 36%, LP&L 14%, MP&L 33%, NOPSI 17%) as ordered by the FERC in the June 13 Decision. Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation and capital costs (including a return on common equity). NOPSI's monthly obligation for payments to System Energy for Grand Gulf 1 capacity and energy is approximately \$11 million. The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated under the Availability Agreement to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NOPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement (of which NOPSI's share is 17%), are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the write-off of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

If a System operating company other than NOPSI becomes unable in whole or in part to continue making payments to System Energy under the Unit Power Sales Agreement and if System Energy were unable to procure funds from other sources sufficient to cover any potential shortfall between the amount owing under the Availability Agreement and the amount of continuing payments under the Unit Power Sales Agreement plus other funds then available to System Energy, NOPSI could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement or the assignments thereof. The amount, if any, that NOPSI would become liable to pay or advance over and above amounts it currently pays under the Unit Power Sales Agreement for capacity and energy from Grand Gulf 1 would depend on a variety of factors (especially the degree of any shortfall and System Energy's access to other funds). NOPSI cannot predict whether any such claims or demands, if made and upheld, could be satisfied. If any such claims or demands were upheld, the holders of outstanding G&R Bonds could, subject to certain conditions, require redemption of their bonds at par.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97% and NOPSI 29.80% under the terms of the Reallocation Agreement. AP&L would be liable for its share of such amounts only if the other System operating companies are unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

System Fuels

NOPSI has a 12% interest in System Fuels, a jointly owned subsidiary of the System operating companies. System Fuels operates on a non-profit basis for the purpose of implementing and/or maintaining certain programs for the procurement, delivery and storage of fuel supplies for the System. Its costs are recovered primarily through charges for fuel delivered.

Fuel exploration and development activities of System Fuels have declined over recent years and some fuel programs have been or are being phased out or transferred to others. In this connection, certain charges and credits relating to System Fuels's investment in the fuel programs may be allocated to the System operating companies, including NOPSI. Any such charges or credits allocated to NOPSI are not expected to significantly affect NOPSI's future results of operations.

The parent companies of System Fuels, including NOPSI, agreed to make loans to System Fuels to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended through December 31, 1983. The rate of interest that is charged pursuant to this loan agreement is adjustable and is tied to the highest annual interest rate on outstanding short-term bank borrowings by NOPSI or to the prime commercial rate if NOPSI has no such short-term bank borrowings outstanding. At this time, no further loans may be made to System Fuels by the parent companies. At December 31, 1991, NOPSI had approximately \$3.3 million of loans outstanding to System Fuels which mature in 2008.

System Fuels' parent companies, including NOPSI, have covenanted and agreed, severally, in accordance with their respective shares of ownership of System Fuels' common stock, that they will

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

take any and all action necessary to keep System Fuels in a sound financial condition and to place System Fuels in a position to discharge, and to cause System Fuels to discharge, its obligations in connection with long-term leases of oil storage and handling facilities and coal cars having, at December 31, 1991, an aggregate discounted value of approximately \$57.9 million.

Other Commitments and Contingencies

See NOPSI's Note 2, "Rate and Regulatory Matters," for information with respect to the 1991 NOPSI Settlement.

NOTE 9. POSTRETIREMENT BENEFITS

Effective October 1, 1988, NOPSI terminated its defined benefit pension plan and adopted, as a participating employer, a defined benefit pension plan sponsored by LP&L. The successor plan provides NOPSI employees with substantially the same benefit program with no loss of accrued benefits as provided under the terminated plan. The pension plan, covering substantially all employees, is noncontributory and provides pension benefits that are based on the employees' credited service and average compensation, generally during the last five years before retirement. Pension costs are funded in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

In January 1989, the accumulated benefit obligation of the terminated plan was settled by purchasing annuity contracts. As a result, NOPSI recorded a nonrecurring settlement gain (reflected as a \$15.5 million decrease to other operation expense), net of applicable taxes and adjustments, of approximately \$8.4 million in 1989. In addition, on January 31, 1989, NOPSI was refunded approximately \$16.7 million (net of a 10% excise tax) from the terminated plan representing the funds in excess of amounts required to purchase the annuity contracts, pay certain plan participants a pro-rata portion (approximately \$1.3 million) of excess plan assets as required by law, and satisfy other related costs and expenses connected with the settlement.

At December 31, 1991, the projected benefit obligation and plan assets of the successor plan totaled \$204.8 million (including \$25.8 million related to NOPSI employees) and \$206.1 million, respectively. At December 31, 1990, the projected benefit obligation and plan assets of the successor plan totaled \$167.3 million (including approximately \$16.9 million related to NOPSI employees) and \$178.1 million, respectively. The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 8.5% for 1989 and a weighted average rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990 and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990 and 1989. Transition assets are being amortized over 15 years.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOPSI's 1991, 1990, and 1989 pension cost, including amounts capitalized, was as follows:

	1991*	1990*	1989*
	(In Thousands)		
Service cost — benefits earned during the period	\$1,366	\$1,769	\$1,498
Interest cost on projected benefit obligation	1,572	1,255	931
Net amortization and deferral	35	(43)	(57)
Other	600	—	—
Net pension cost	\$3,573	\$2,981	\$2,372

* Pension cost represents NOPSI's allocated portion of the total pension expense (as calculated by an independent actuary) for the defined benefit pension plan sponsored by LP&L.

NOPSI also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for NOPSI. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The total cost of providing these benefits, recorded on a cash basis, and the number of active employees and retirees for the last three fiscal years were:

	1991	1990	1989
Total cost of health care and life insurance (in thousands)	\$5,053	\$4,625	\$5,114
Number of active employees	929	1,073	1,128
Number of retirees	976	952	970

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change from a cash method to an accrual method of accounting for these benefits. At January 1, 1992, the actuarially determined accumulated postretirement benefit obligation earned by retirees and active employees was estimated to be approximately \$53 million. This obligation may be amortized to expense over a 20-year period beginning in 1993 or, alternatively, recorded as expense immediately upon the adoption of the new accounting standard. Adoption of the new standard is expected to increase annual expense associated with these benefits by approximately \$4 million for NOPSI, including the effects of the amortization of the transition obligation. The portion of this additional expense that will immediately or ultimately be allowed in rates cannot presently be determined. In addition, the degree of regulatory assurance of future recovery that may be required to recognize a regulatory asset, and thus avoid an impact on earnings, cannot be determined at this time. NOPSI plans to adopt this standard in the first quarter of 1993.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 10. TRANSACTIONS WITH AFFILIATES

NOPSI buys electricity from and/or sells electricity to the other System operating companies and System Energy, under rate schedules filed with the FERC. In addition, NOPSI purchases fuel from System Fuels and receives technical and advisory services from Entergy Services, Inc.

Operating revenues include revenues from sales to affiliates amounting to \$2.8 million in 1991, \$0.6 million in 1990, and \$2.0 million in 1989. Operating expenses include charges from affiliates for fuel costs, purchased power and related charges, and technical and advisory services totaling \$187.9 million in 1991, \$203.3 million in 1990, and \$208.8 million in 1989.

NOTE 11. BUSINESS SEGMENT INFORMATION

As an operating public utility, NOPSI supplies electric and natural gas services in the City. Segment information about NOPSI's operations is as follows (in thousands):

	1991		1990		1989	
	Electric	Gas	Electric	Gas	Electric	Gas
Operating revenues	\$399,214	\$76,951	\$397,303	\$87,943	\$380,542	\$90,367
Revenue from sales to unaffiliated customers (1)	\$396,456	\$76,951	\$396,723	\$87,943	\$378,566	\$90,367
Operating income (loss) before income taxes	\$143,031 (3)	\$(3,411)	\$ 68,460	\$(3,317)	\$ 48,267 (2)	\$ 1,709
Operating income (loss)	\$ 98,096 (3)	\$ (474)	\$ 50,652	\$ (301)	\$ 37,438 (2)	\$ 2,810
Net utility plant	\$204,200	\$59,237	\$201,436	\$58,307	\$202,805	\$56,970
Depreciation expense	\$ 13,278	\$ 2,695	\$ 13,206	\$ 2,618	\$ 12,694	\$ 2,852
Construction expenditures	\$ 18,084	\$ 4,451	\$ 12,086	\$ 4,056	\$ 10,103	\$ 5,057

- (1) NOPSI's intersegment transactions are not material (less than 1% of sales to unaffiliated customers).
- (2) Operating income (loss) before income taxes and operating income (loss) reflect a nonrecurring decrease of \$25.7 million and \$15.5 million, respectively, in connection with the 1989 Settlement Agreement.
- (3) Operating income (loss) before income taxes and operating income (loss) reflect a nonrecurring increase of \$90.0 million and \$48.6 million, respectively, in connection with the 1991 NOPSI Settlement.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS — (Concluded)

NOTE 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 1991 and 1990 were:

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income</u>
	(In Thousands)		
1991:			
First Quarter	\$113,215	\$12,401	\$ 6,825
Second Quarter	\$112,214	\$10,663	\$ 4,857
Third Quarter	\$139,999	\$16,304	\$10,752
Fourth Quarter(1)	\$111,537	\$58,254	\$52,265
1990:			
First Quarter	\$112,710	\$11,453	\$ 5,768
Second Quarter	\$113,342	\$11,704	\$ 5,754
Third Quarter	\$141,762	\$16,713	\$10,963
Fourth Quarter	\$117,422	\$10,481	\$ 5,057

(1) The fourth quarter of 1991 reflects a nonrecurring increase in operating income and net income of \$48.6 million, net of tax, due to the 1991 NOPSI Settlement.

NOPSI's business is subject to seasonal fluctuations with the peak periods occurring during the third quarter for electric and during the first quarter for gas.

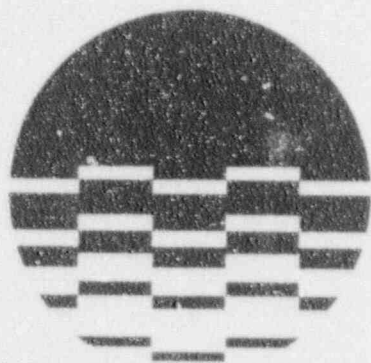
NEW ORLEANS PUBLIC SERVICE INC.
SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(In Thousands)				
Operating revenues.....	\$476,165	\$485,246	\$470,909	\$453,397	\$415,967
Net income (loss)(1).....	\$ 74,699	\$ 27,542	\$ 14,464	\$ 18,772	\$(48,974)
Total assets.....	\$685,217	\$577,283	\$564,251	\$506,874	\$424,645
Long-term obligations(2).....	\$231,546	\$242,839	\$261,050	\$262,065	\$221,736

(1) 1991 reflects the \$48.6 million after tax effect of the 1991 NOPSI Settlement. 1989 reflects the \$15.8 million negative after tax effect of the 1989 Settlement Agreement. 1987 reflects the write-off of \$72.9 million, after tax, of previously deferred Grand Gulf 1-related costs.

(2) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

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**System
Energy**

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SYSTEM ENERGY RESOURCES, INC.

DEFINITIONS

Certain abbreviations or acronyms used in System Energy's Financial Statements, Notes and Management's Financial Discussion and Analysis are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO	AP&L's Arkansas Nuclear One Steam Electric Generating Station (nuclear)
AP&L	Arkansas Power & Light Company
APSC	Arkansas Public Service Commission
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and the System operating companies, and the assignments thereof
Capital Funds Agreement	Agreement, dated as of June 21, 1974, as amended, between System Energy and Entergy, and the assignments thereof
City of New Orleans or City Council	New Orleans, Louisiana Council of the City of New Orleans, Louisiana
DOE	Department of Energy
Entergy	Entergy Corporation
Entergy Operations	Entergy Operations, Inc.
FASB	Financial Accounting Standards Board
February 4 Resolution	The Resolution (including the Determinations and Order referred to therein) adopted by the Council on February 4, 1988 disallowing the recovery by NOPSIS of \$135 million of previously deferred Grand Gulf 1-related costs
FERC	Federal Energy Regulatory Commission
FERC Complaint Case	Complaint filed with the FERC by the APSC, LPSC, MPSC, Mississippi Attorney General, and City of New Orleans on February 1, 1990 with respect to System Energy's Grand Gulf 1 rates, which matter was settled effective September 16, 1991
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989, by the System operating companies and System Energy and approved by the FERC on July 21, 1989, to settle, among other things, certain then pending Grand Gulf Station-related issues, litigation and other rate matters
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
June 13 Decision	An order issued by the FERC on June 13, 1985 (Opinion No. 234) relating to the Unit Power Sales Agreement
KWH	Kilo-watt-Hours
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission

SYSTEM ENERGY RESOURCES, INC.

DEFINITIONS — (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
Money Pool	Entergy System Money Pool, which allows certain System companies to borrow from, or lend to, certain other System companies
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
PCRBs	Pollution Control Revenue Bonds
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
SMEPA	South Mississippi Electric Power Association
System or Entergy System	Entergy and its various direct and indirect subsidiaries
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
System operating companies	AP&L, LP&L, MP&L and NOPSI, collectively
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
Waterford 3	Unit No. 3 of LP&L's Waterford Steam Electric Generating Station (nuclear)

SYSTEM ENERGY RESOURCES, INC.

REPORT OF MANAGEMENT

The management of System Energy Resources, Inc. has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

WILLIAM CAVANAUGH, III
President and Chief Executive Officer

GERALD D. MCINVALE
Senior Vice President and Chief Financial Officer

SYSTEM ENERGY RESOURCES, INC.

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Entergy Operations Board of Directors' Audit Committee functions as the Audit Committee for System Energy. The Audit Committee is composed of three directors, who are not officers of System Energy or Entergy Operations: James B. Campbell (Chairman), Robert D. Pugh, and William Clifford Smith. The committee held two meetings during 1991.

The Audit Committee oversees System Energy's financial reporting process on behalf of System Energy's Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting, and financial controls are in existence and are adequately reviewed by programs of internal and external audits.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Deloitte & Touche) the overall scope and specific plans for their respective audits, as well as System Energy's financial statements and the adequacy of System Energy's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of System Energy's internal controls, and the overall quality of System Energy's financial reporting. The meetings also were designed to facilitate and encourage any private communication between the committee and the internal auditors or independent public accountants.

James B. Campbell
Chairman, Audit Committee

SYSTEM ENERGY RESOURCES, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Grand Gulf 1 was on-line for 335 of 365 days in 1991 as compared to 282 of 365 days in 1990. The capacity factor, which is a measure of the unit's performance (based on a ratio of net electrical generation to maximum dependable capacity), was 91.1% for 1991 as compared to 73.9% for 1990. The improved capacity factor in 1991 was primarily attributable to Grand Gulf 1 having a 57 day refueling outage in 1990 but no refueling outage in 1991.

Listed in the table below are those significant factors affecting results of operations for which changes have occurred between the years 1991 and 1990, and 1990 and 1989. The principal reasons for the changes from period to period are discussed following the table.

Description	1991	1990	1989	1991 vs 1990		1990 vs 1989	
				Increase/ (Decrease)	%	Increase/ (Decrease)	%
	(Dollars in Millions)						
Net income (loss)	\$104.6	\$168.7	\$(655.5)	\$ (64.1)	(38)	\$ 824.2	--
Operating revenues	\$686.7	\$801.6	\$ 837.3	\$(114.9)	(14)	\$ (35.7)	(4)
Other operation expense	\$ 79.5	\$ 97.1	\$ 98.6	\$ (17.6)	(18)	\$ (1.5)	(2)
Maintenance	\$ 14.3	\$ 31.6	\$ 29.8	\$ (17.3)	(55)	\$ 1.8	6
Depreciation and decommissioning	\$ 87.3	\$ 75.8	\$ 103.1	\$ 11.5	15	\$ (27.3)	(27)
Total income taxes	\$ 73.6	\$113.9	\$ (89.7)	\$ (40.3)	(35)	\$ 203.6	--
Miscellaneous other income -- net	\$ 6.4	\$ 25.1	\$ 11.0	\$ (18.7)	(75)	\$ 14.1	128
Gain on disposition of property	\$ --	\$ 7.2	\$ --	\$ (7.2)	(100)	\$ 7.2	--

Net Income (Loss)

Net income decreased in 1991 as compared to 1990 due, in part, to the effect of the FERC Complaint Case settlement which reduced net income by approximately \$36 million in 1991, of which approximately \$15.8 million related to billings in 1990. The FERC Complaint Case settlement is expected to reduce net income by approximately \$12 million in 1992 and by decreasing amounts in years thereafter. See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference. In addition, as discussed below, net income decreased due to the impact of the lower return System Energy earned on its investment in Grand Gulf 1 and a number of other factors, including changes in interest income, depreciation expense, and gain on disposition of property.

Net income increased in 1990 as compared to 1989 primarily due to the implementation in 1989 of the terms of the FERC Settlement, including the cancellation and write-off of System Energy's investment in Grand Gulf 2, the write-off of \$43 million of Grand Gulf 1 AFUDC and a \$50 million one-time credit to the System operating companies. System Energy's 1989 net income would have been approximately \$156 million absent the impact of the FERC Settlement. Net income was also affected to a lesser extent by a number of other factors, including changes in interest income, income taxes, depreciation expense and a lower return on System Energy's investment in Grand Gulf 1.

Operating Revenues

Operating revenues recover operating expenses, depreciation and capital costs attributable to Grand Gulf 1. The capital costs are computed by allowing a return (currently set at a rate of 13%, see System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference) on System Energy's common equity funds allocable to its investment in Grand Gulf 1 and adding to such amount System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf 1.

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Operating revenues decreased in 1991 as compared to 1990 primarily due to the effect of the FERC Complaint Case settlement. As a result of this settlement, System Energy's operating revenues were reduced by approximately \$70 million during 1991 and are estimated to be reduced by approximately \$22 million in 1992 and by lesser amounts in years thereafter. Operating revenues also declined due to the lower return System Energy earned on its investment in Grand Gulf 1 resulting from a decrease in net unit investment. Future revenues attributable to the return on investment are expected to decrease by approximately \$13 million in 1992 and by declining amounts each year thereafter as a result of the depreciation of System Energy's investment in Grand Gulf 1.

Operating revenues decreased in 1990 as compared to 1989 by approximately \$35.7 million primarily due to a decrease in System Energy's return on its investment in Grand Gulf 1 resulting from a decrease in the equity portion of its capital structure due to the impact of the write-offs associated with the FERC Settlement and a decrease in net unit investment.

Other Operation Expense

Other operation expense decreased in 1991 as compared to 1990 primarily due to the FERC Complaint Case settlement providing for 1991 credits from System Energy to the System operating companies totaling approximately \$10 million relating to System Energy's rate treatment of the portions of Grand Gulf 1 sold and leased back. These credits were provided through a reduction in other operation expense which decreased billings to the System operating companies. (See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference.)

Maintenance

Maintenance expense decreased in 1991 as compared to 1990 primarily due to the fact that Grand Gulf 1's fourth refueling outage, which lasted approximately 57 days, occurred during 1990, whereas there was no refueling outage for Grand Gulf 1 during 1991. Maintenance expense for 1990 attributable to Grand Gulf 1's fourth refueling outage was approximately \$22 million.

Depreciation and Decommissioning

Depreciation expense increased during 1991 as compared to 1990 and decreased in 1990 as compared to 1989 due to the deferral in 1990 of approximately \$30.0 million of depreciation expense representing current and prior year depreciation expense related to the sale and leaseback property. The amount of depreciation expense deferred in 1991 was approximately \$15 million. In December 1990, consistent with a recommendation contained in a FERC audit report, System Energy recorded as a deferred asset the current and prior year difference between the amounts collected in revenues for lease payments and the amounts expensed for interest and depreciation on the related property. The deferred asset will increase in the early years of the lease term and will reverse over the later years of the lease term as the revenues associated with the leases exceed the charges for depreciation and lease interest. (See System Energy's Note 9, "Leases," incorporated herein by reference.)

Total Income Taxes

Total income taxes decreased in 1991 as compared to 1990 due to a decrease in pretax income due primarily to the FERC Complaint Case settlement. (See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference.)

Total income taxes for 1989 reflect a tax benefit resulting from the write-off of System Energy's investment in Grand Gulf 2, offset in part by the reversal of related deferred income taxes.

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Continued)

Miscellaneous Other Income — Net

Miscellaneous other income-net decreased in 1991 as compared to 1990 due to one-time charges associated with the FERC Complaint Case settlement that were recorded in June 1991. (See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference.) The reduction in miscellaneous other income-net was also due to a decrease in interest income as a result of lower investment balances.

Miscellaneous other income-net increased in 1990 as compared to 1989 primarily due to an increase in interest income on System Energy's temporary cash investments, which were maintained at higher than average balances during 1990.

Gain on Disposition of Property

System Energy's gain on disposition of property in 1990 was due to the sale of certain Grand Gulf 2 property which was written off in 1989.

FINANCIAL CONDITION

General

On December 21, 1990, the FERC Division of Audits issued an audit report for System Energy which recommended, among other things, that System Energy write off and not recover in its rates approximately \$95 million of Grand Gulf 1 costs included in utility plant, and compute refunds for overcollections from the System operating companies related to amounts alleged to be incorrectly included in utility plant. In an initial decision dated November 21, 1991, the FERC ALJ concurred with the recommendations contained in the FERC audit report. If the decision is ultimately sustained and implemented, System Energy estimates that as of December 31, 1991, net income would be negatively impacted by approximately \$128.7 million. This amount includes refund obligations of approximately \$66.2 million (including interest). See System Energy's Note 2, "Rate and Regulatory Matters — FERC Audit," incorporated herein by reference, for further information.

Liquidity

System Energy's primary cash requirements for 1991 included, among other things, ongoing operating expenses, construction expenditures, retirement of long-term debt and common stock dividend payments. Cash requirements in 1991 were satisfied with internally generated funds and cash on hand at the beginning of the period.

Net cash flow provided by operating activities totaled approximately \$282.6 million in 1991. As detailed in the Statements of Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations. In addition, net cash flow provided by operating activities during 1991 was reduced due to the impact of the FERC Complaint Case settlement on System Energy's net income. (See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case," incorporated herein by reference.)

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS — (Concluded)

Investing activities for 1991 resulted in cash provided of approximately \$75.4 million due primarily to the reduction of other temporary investments offset, in part, by construction expenditures and nuclear fuel expenditures.

Financing activities for 1991 resulted in a net utilization of cash of approximately \$395.5 million due primarily to the retirement of approximately \$294 million of first mortgage bonds and the payment of approximately \$115.8 million of cash dividends on common stock to Entergy. This net utilization of cash was partially offset by approximately \$14.6 million in proceeds from the sale and leaseback of nuclear fuel.

Capital and Refinancing Requirements and Capital Resources

See System Energy's Note 8, "Commitments and Contingencies — Capital Requirements and Financing," incorporated herein by reference, for information on System Energy's capital and refinancing requirements for the period 1992-1994.

The amount of additional first mortgage bonds that System Energy can issue in the future is contingent upon earnings, the amount of unfunded bondable property available to support the issuance of additional first mortgage bonds and equity ratio requirements contained in its mortgage and the reimbursement agreement related to System Energy's sale and leaseback transactions. System Energy's minimum earnings coverage requirement for the issuance of additional first mortgage bonds is 2.0 times the annual interest on a pro forma basis. For System Energy's first mortgage bonds, the earnings coverage for the year ended December 31, 1991 was 3.80 times the annual bond interest requirements. Based upon the most restrictive of the above tests, System Energy could have issued approximately \$284 million of additional first mortgage bonds at December 31, 1991. In addition, System Energy has the ability, subject to meeting certain conditions, to issue first mortgage bonds against the retirement of outstanding first mortgage bonds without satisfying an earnings coverage test.

In connection with the financing of Grand Gulf I, Entergy has undertaken in the Capital Funds Agreement, in relevant part, to provide or cause to be provided to System Energy sufficient capital to (1) maintain System Energy's equity capital at an amount equal to at least 35% of System Energy's total capitalization (excluding short-term debt) and (2) permit the continuation of commercial operation of Grand Gulf I and enable System Energy to pay in full all indebtedness for borrowed money of System Energy, whether at maturity, on prepayment, on acceleration or otherwise. In addition, Entergy has agreed in the Capital Funds Agreement to make cash capital contributions to enable System Energy to make payments when due on its long-term debt, as specified therein.

See System Energy's Note 4, "Lines of Credit and Related Borrowings," incorporated herein by reference, for information regarding short-term lines of credit.

ACCOUNTING ISSUES

SFAS No. 106

See System Energy's Note 10, "Postretirement Benefits," incorporated herein by reference, for information with respect to a new accounting standard on employers' accounting for postretirement benefits other than pensions.

SFAS No. 109

See System Energy's Note 3, "Income Taxes," incorporated herein by reference, for information with respect to a new accounting standard on accounting for income taxes.

INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of
System Energy Resources, Inc.:

We have audited the accompanying balance sheets of System Energy Resources, Inc. (System Energy) as of December 31, 1991 and 1990, and the related statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of System Energy's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of System Energy at December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 2, "Rate and Regulatory Matters — FERC Audit" of Notes to Financial Statements, a regulatory proceeding is pending which, if ultimately resolved in an adverse manner, would require that System Energy (1) write off and not recover in rates approximately \$95 million of costs charged to utility plant resulting from System Energy's accounting for certain allocated income tax charges and (2) make refunds for overcollections from the Entergy System operating companies related thereto. The ultimate outcome of this uncertainty cannot presently be determined. Accordingly, no provision has been made in the accompanying financial statements for the possible effects of a decision adverse to System Energy.

DELOITTE & TOUCHE
February 14, 1992
New Orleans, Louisiana

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS

ASSETS

	December 31,	
	1991	1990
	(In Thousands)	
Utility Plant (Note 1):		
Electric	\$3,011,223	\$3,011,911
Electric plant under lease (Note 9)	438,410	438,499
Construction work in progress	34,091	26,491
Plant held for future use	12,119	4,425
Nuclear fuel under capital leases (Notes 8 and 9)	85,206	133,908
Nuclear fuel (Note 11)	14,369	—
Total	3,595,418	3,615,234
Less — Accumulated depreciation and amortization	505,928	419,923
Utility plant — net	3,089,490	3,195,311
Other Investments:		
Decommissioning trust fund (Note 8)	13,486	11,285
Current Assets:		
Cash and cash equivalents (Note 1):		
Cash	175	58
Temporary cash investments — at cost, which approximates market	94,335	131,940
Total cash and cash equivalents	94,510	131,998
Other temporary investments — at cost, which approximates market	—	125,225
Accounts receivable:		
Associated companies (Note 11)	61,962	56,496
Other	3,735	3,671
Materials and supplies — at average cost	66,189	76,668
Recoverable income taxes (Note 3)	54,600	69,600
Prepayments and other	4,165	9,384
Total	255,161	473,042
Deferred Debits:		
Recoverable income taxes (Note 3)	164,766	135,489
Unamortized loss on reacquired debt	11,751	15,866
Other (Note 9)	77,549	52,248
Total	254,066	203,603
TOTAL	\$3,642,203	\$3,883,241

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31,	
	1991	1990
	(In Thousands)	
Capitalization:		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 1991 and 1990	\$ 789,350	\$ 789,350
Retained earnings (Note 7)	375,306	386,469
Total common shareholder's equity	1,164,656	1,175,819
Long-term debt (Note 6)	1,682,265	1,795,991
Total	2,846,921	2,971,810
Other Noncurrent Liabilities:		
Obligations under capital leases (Note 9)	25,206	53,909
Current Liabilities:		
Currently maturing long-term debt (Note 6)	115,750	294,000
Accounts payable:		
Associated companies (Note 11)	16,345	1,805
Other	49,446	26,475
Taxes accrued	20,552	20,730
Interest accrued	49,308	59,553
Obligations under capital leases (Note 9)	60,000	80,000
Other	139	121
Total	311,540	482,684
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	315,148	282,024
Accumulated deferred investment tax credits (Note 3)	111,981	69,489
Other	31,407	23,325
Total	458,536	374,838
Commitments and Contingencies (Notes 2 and 8)		
TOTAL	<u>\$3,642,203</u>	<u>\$3,883,241</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF INCOME (LOSS)

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Revenues	\$686,664	\$801,618	\$ 837,307
Operating Expenses:			
Operation:			
Fuel for electric generation and fuel-related expenses ...	78,060	78,968	88,350
Other	79,494	97,133	98,647
Maintenance	14,358	31,594	29,789
Depreciation and decommissioning (Notes 8 and 9)	87,296	75,789	103,065
Taxes other than income taxes	27,342	25,879	24,350
Income taxes (Note 3)	81,302	110,227	131,225
Total	<u>367,852</u>	<u>419,590</u>	<u>475,426</u>
Operating Income	<u>318,812</u>	<u>382,028</u>	<u>361,881</u>
Other Income (Deductions):			
Project Olive Branch Settlement (Note 2)	—	—	(1,000,932)
Allowance for equity funds used during construction (Note 1)	763	442	985
Miscellaneous — net	6,378	25,093	11,018
Income taxes — (debit) credit (Notes 1 and 3)	7,726	(675)	220,937
Gain on disposition of property	—	7,189	—
Total	<u>14,867</u>	<u>29,049</u>	<u>(767,992)</u>
Interest Charges:			
Interest on long-term debt	218,538	230,643	239,697
Other interest — net	11,111	11,992	10,116
Allowance for borrowed funds used during construction (Note 1)	(592)	(235)	(400)
Total	<u>229,057</u>	<u>242,400</u>	<u>249,413</u>
Net Income (Loss)	<u>\$104,622</u>	<u>\$168,677</u>	<u>\$ (655,524)</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Retained Earnings, January 1	\$386,469	\$497,022	\$1,240,219
Add:			
Net income (loss)	<u>104,622</u>	<u>168,677</u>	<u>(655,524)</u>
Total	491,091	665,699	584,695
Deduct:			
Cash dividends	<u>115,785</u>	<u>279,230</u>	<u>87,673</u>
Retained Earnings, December 31 (Note 7)	<u>\$375,306</u>	<u>\$386,469</u>	<u>\$ 497,022</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Operating Activities:			
Net income (loss)	\$ 104,622	\$ 168,677	\$(655,524)
Noncash items included in net income (loss):			
Depreciation and amortization	85,986	69,653	101,952
Deferred income taxes and investment tax credits	79,660	109,282	78,727
Allowance for equity funds used during construction	(763)	(442)	(985)
Amortization of debt discount	7,495	10,532	8,069
Burnup of nuclear fuel not under lease	—	—	6,224
Loss on Grand Gulf 2 cancellation	—	—	907,932
Writeoff of AFUDC — equity	—	—	43,000
Changes in working capital:			
Receivables	(5,530)	13,175	14,077
Accounts payable	37,511	(23,632)	(7,571)
Materials and supplies	10,479	(6,577)	(27,776)
Taxes and interest accrued	(10,423)	(481)	1,142
Other working capital accounts	5,237	(264)	(1,020)
Income tax impact of future benefits related to AFUDC (Note 3)			
Recoverable income taxes (Note 3)	(14,277)	32,246	(237,335)
Gain on disposition of property	—	(7,189)	—
Change in decommissioning trust	(2,201)	(5,847)	(1,344)
Other	(15,175)	900	13,944
Net cash flow provided by operating activities	<u>282,621</u>	<u>369,894</u>	<u>312,828</u>
Investing Activities:			
Construction expenditures	(21,663)	(24,633)	(28,153)
Allowance for equity funds used during construction	763	442	985
Nuclear fuel expenditures	(28,922)	(48,607)	(26,672)
Expenditures on Grand Gulf 2	—	—	(7,175)
Proceeds from sale of assets	—	13,046	—
Decrease (Increase) in other temporary investments	125,225	(125,225)	—
Net cash flow provided (used) by investing activities	<u>75,403</u>	<u>(184,977)</u>	<u>(61,015)</u>
Financing Activities:			
Proceeds from sale and leaseback of nuclear fuel	14,552	48,607	44,197
Retirement of first mortgage bonds (Note 6)	(294,000)	(72,234)	(487,697)
Common stock dividend payments	(115,785)	(279,230)	(87,673)
Other	(279)	279	—
Net cash flow used by financing activities	<u>(395,512)</u>	<u>(302,578)</u>	<u>(531,173)</u>
Net decrease in cash and cash equivalents	(37,488)	(117,661)	(279,360)
Cash and cash equivalents at beginning of period	131,998	249,659	529,019
Cash and cash equivalents at end of period	<u>\$ 94,510</u>	<u>\$ 131,998</u>	<u>\$ 249,659</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest (net of amount capitalized)	\$ 238,199	\$ 246,250	\$ 244,129
Income taxes (refund)	\$ (12,667)	\$ (37,383)	\$ 11,741
Noncash investing and financing activities:			
Capital lease obligations incurred	—	—	\$ 185,000
Plant impact of future benefits related to AFUDC	—	—	\$ 69,593

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

System Energy, formerly Middle South Energy, Inc., is a generating company providing electricity to the System operating companies and has a 90% interest in Grand Gulf 1, a nuclear generating station which began commercial operation July 1, 1985. The Grand Gulf Station was originally designed as two 1250 megawatt nuclear generating units. In September 1989, System Energy canceled and wrote off its investment in Grand Gulf 2, construction on which had been suspended since September 1985. (See System Energy's Note 2, "Rate and Regulatory Matters — Project Olive Branch Settlements.") On June 6, 1990, Entergy Operations assumed responsibility for the operation and maintenance of Grand Gulf 1.

System Energy has a combined ownership and leasehold interest of 90% and SMEPA has an undivided ownership interest of 10% in Grand Gulf 1. System Energy records its investment associated with Grand Gulf 1 to the extent to which it owns and maintains a leasehold interest in the generating station. Likewise, System Energy's operating expenses reflected in the accompanying financial statements represent 90% of such Grand Gulf 1 expenses.

Regulation and System of Accounts

The accounts of System Energy are maintained in accordance with the Uniform System of Accounts prescribed by its regulator, the FERC.

Utility Plant

Utility plant is stated at original cost. Additions to utility plant (labor, materials, overhead, and AFUDC) are recorded at cost. The original cost of utility plant retired or otherwise removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance and repairs of property and minor replacement costs are charged to operating expenses.

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC results in an increase in utility plant and represents current earnings, it is a non-cash item and is realized in cash through recovery of depreciation provisions included in rates. System Energy's effective composite rates for AFUDC were 9.9%, 10.2%, and 10.7% for 1991, 1990, and 1989, respectively.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 2.85% in 1991 and 1990 and 3.0% in 1989.

Substantially all of the utility plant owned by System Energy is subject to the lien of its mortgage bond indenture.

Utility plant includes the portions of Grand Gulf 1 that were sold and are currently under lease. System Energy retired such property from its continuing property records as formerly owned property released from and no longer subject to System Energy's mortgage and deed of trust. System Energy is reflecting such property on its books and records for financial reporting purposes as property under lease from others and is depreciating this leased property over the life of the basic lease term. Such depreciation is being deferred until recoverable from customers in future periods. (See System Energy's Note 9, "Leases.")

SYSTEM ENERGY RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

Income Taxes

System Energy joins its parent and affiliates in filing a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to System Energy in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to make payments greater than would have been paid had a separate income tax return been filed. Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by System Energy's regulatory body for ratemaking purposes. Investment tax credits allocated to System Energy are deferred and amortized based upon the average useful life of the related property.

In addition, System Energy files a consolidated Mississippi state income tax return with certain other System companies.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, System Energy considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 2. RATE AND REGULATORY MATTERS

FERC Audit

On December 21, 1990, the FERC Division of Audits issued an audit report for System Energy for the years 1986 through 1988. The report recommended, among other things, that System Energy (1) write off and not recover in its rates approximately \$95 million of Grand Gulf 1 costs included in utility plant related to the System's income tax allocation procedures (and System Energy's accounting resulting from certain allocated income tax charges) alleged to be inconsistent with FERC's accounting requirements and (2) compute refunds for the years 1987 to date to correct for overcollections from the System operating companies of depreciation expense and return on rate base related to amounts alleged to be incorrectly included in utility plant.

Hearings before a FERC ALJ were held in August 1991. In an initial decision dated November 21, 1991 (November 21 Decision), the FERC ALJ found, among other things, that System Energy overstated its Grand Gulf 1 utility plant amount by approximately \$95 million as indicated in the FERC audit report. The decision, if ultimately sustained and implemented, would require System Energy to make correcting accounting entries and refunds, with interest, to the System operating companies. Should that be necessary, System Energy estimates that as of December 31, 1991, its net income would be negatively impacted by approximately \$128.7 million. This amount includes System Energy's potential refund obligation to the System operating companies which is estimated to be approximately \$66.2 million (including interest) as of December 31, 1991. The ongoing effect of this decision, if implemented, would be to reduce System Energy's revenues by approximately \$22 million in 1992, and by a comparable amount (but decreasing by approximately \$0.5 million per year) in each subsequent year.

In addition, because of the resulting impact on System Energy's earnings if the November 21 Decision is ultimately sustained and implemented, System Energy would need to obtain the consent of certain banks to waive the fixed charge coverage covenants in the letter of credit reimbursement agreement related to the Grand Gulf 1 sale and leaseback transactions (see System Energy's Note 8, "Commitments and Contingencies — Reimbursement Agreement") for a limited period of time in order to avoid violation of this covenant upon implementation of the November 21 Decision. Should that be necessary, System Energy would request a waiver by the banks. Absent a waiver, failure of

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

System Energy to perform this covenant could give rise to a draw under the letters of credit and/or early termination of the letters of credit, and if the letters of credit were not replaced in a timely manner, could result in a default under, or early termination of, System Energy's leases.

On January 8, 1992, System Energy filed a brief on exceptions with the FERC. Notwithstanding the November 21 Decision, System Energy believes that its consolidated income tax accounting procedures and related rate treatment are in compliance with SEC and FERC requirements and intends to vigorously contest this issue. However, the ultimate resolution of this matter cannot be determined. Accordingly, no provision has been made in the accompanying financial statements for the possible effects of a decision adverse to System Energy.

FERC Complaint Case

On February 1, 1990, the APSC, the LPSC, the MPSC, the Mississippi Attorney General, and the City of New Orleans filed a complaint with the FERC against System Energy and Entergy Services, Inc. (as agent for Entergy and the System operating companies), alleging that the rates then being charged to the System operating companies by System Energy for capacity and energy from Grand Gulf 1 were not just and reasonable. This filing was consolidated with proceedings related to System Energy's decommissioning collections.

On May 21, 1991, a settlement in the consolidated proceedings was reached which, among other things, (1) reduced System Energy's rate of return on common equity from 14% to 13% effective retroactively to April, 1990, (2) imposed no ceiling for ratemaking purposes on System Energy's common equity ratio, (3) established a zero-cash working capital allowance for System Energy, effective retroactively to April 1990, (4) resolved the cost of service treatment of certain Grand Gulf 2 assets transferred to Grand Gulf 1, (5) set the amount to be collected in rates for the cost of decommissioning System Energy's 90% interest in Grand Gulf 1 at approximately \$198 million in 1989 dollars (with a new study of these costs to be prepared and submitted to FERC on or before June 1, 1995) and increased System Energy's decommissioning expense collections from approximately \$1.1 million to approximately \$4.3 million per year, effective retroactively to June 1990, subject to a 5% annual inflation adjustment, and (6) provided for 1991 credits from System Energy to the System operating companies totaling approximately \$17 million relating to System Energy's rate treatment of the portions of Grand Gulf 1 sold and leased back. The settlement did not resolve income tax accounting issues raised in the complaint (see "FERC Audit" above). The settlement was filed with a FERC ALJ on June 14, 1991, and was approved by the FERC on September 16, 1991.

Based on the settlement, System Energy credited in June 1991 approximately \$47.6 million in the aggregate (including interest) against its bills to the System operating companies for capacity and energy from Grand Gulf 1. As a result of the FERC Complaint Case settlement, 1991 net income was reduced by approximately \$36.0 million, of which approximately \$15.8 million relates to billings in 1990.

Grand Gulf 1 Rate Activity -- System Operating Companies

The February 4 Resolution required NOPSI to write off, and not recover from its retail electric customers, \$135 million of its previously deferred costs associated with Grand Gulf 1. This write-off, which was recorded in NOPSI's 1987 financial statements, was in addition to the \$51.2 million of Grand Gulf 1-related costs originally absorbed and not recovered by NOPSI in a 1980 rate settlement. On August 29, 1991, representatives of NOPSI reached an agreement in principle with advisors to the Council and with the Alliance for Affordable Energy, Inc. and others that resolved the Grand Gulf 1 prudence issues and the pending litigation related to the February 4 Resolution. The Council adopted a resolution approving and substantially incorporating the agreement in principle on October 3, 1991.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

In accordance with the Council's October 3 resolution, several actions were taken and a final settlement in this matter became effective as of October 4, 1991.

As a result of the above settlement, NPSI will be allowed to recover additional deferred Grand Gulf 1 costs and should continue to have adequate resources to meet its monthly Grand Gulf 1 payment obligations to System Energy.

Project Olive Branch Settlements

In the FERC Settlement, System Energy and the System operating companies agreed with the FERC staff, state and local regulators and officials, and other interested parties to resolve a number of Grand Gulf Station-related and other rate matters that had been adversely affecting the System for a number of years. Implementation of the FERC Settlement in 1989, including the cancellation and abandonment of Grand Gulf 2, resulted in, among other things, a \$900 million pre-tax write-off of System Energy's investment in Grand Gulf 2 without seeking recovery from its customers, the System operating companies. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of \$50 million, which was allocated among the System operating companies in accordance with their respective allocations of Grand Gulf 1 capacity and energy. System Energy also recorded a \$43 million write-off of Grand Gulf 1 AFUDC - equity.

The after tax impact on System Energy's 1989 net income was a reduction of approximately \$803 million. However, System Energy's cash position was not materially affected.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement. (See "FERC Audit" and "FERC Complaint Case" above.)

Nuclear Management Consolidation

In 1990, Entergy Operations was organized as a subsidiary of Entergy with responsibility for the operation of ANO, Waterford 3, and Grand Gulf 1, subject, respectively, to AP&L's, LP&L's, and System Energy's oversight. AP&L, LP&L, System Energy, and the other Waterford 3 and Grand Gulf 1 co-owners retain their ownership interests in their respective nuclear generating units. Further, AP&L, LP&L, and System Energy retain their associated capacity and energy entitlements and reimburse Entergy Operations at cost for services associated with the operation and maintenance of these units.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 2. INCOME TAXES

Income tax expense (credit) consists of the following:

	For the Years Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Current:			
Federal	\$(31,900)	\$ (4,176)	\$(145,012)
State	5,052	8,796	(23,427)
Total	<u>(26,848)</u>	<u>4,620</u>	<u>(168,439)</u>
Deferred — net:			
Liberalized depreciation	45,551	46,825	43,290
Nuclear fuel	(2,927)	1,424	(1,336)
Capitalized interest	(1,441)	(721)	(13,674)
Taxes capitalized	(572)	(1,154)	(672)
Grand Gulf 2 cancellation	—	2,363	55,892
Alternative minimum tax	—	(189)	7,807
Other	(3,443)	4,414	1,741
Total	<u>37,168</u>	<u>52,962</u>	<u>93,048</u>
Investment tax credit adjustments — net	63,256	56,320	(14,321)
Recorded income tax expense (credit)	<u>\$ 73,576</u>	<u>\$113,902</u>	<u>\$ (89,712)</u>
Charged to operations	\$ 81,332	\$110,227	\$ 131,225
Charged (credited) to other income	<u>(7,726)</u>	<u>3,675</u>	<u>(220,937)</u>
Recorded income tax expense (credit)	73,576	113,902	(89,712)
Income taxes applied against the debt component of AFUDC	<u>(352)</u>	<u>(140)</u>	<u>(238)</u>
Total income taxes (credit)	<u>\$ 73,224</u>	<u>\$113,762</u>	<u>\$ (89,950)</u>

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

Total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income or loss before taxes. The reasons for the differences are (dollars in thousands):

	For the Years Ended December 31,					
	1991		1990		1989	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	\$60,587	34.0	\$ 96,077	34.0	\$(253,380)	34.0
Increases (reductions) in tax resulting from:						
Depreciation	8,343	4.7	8,326	2.9	14,874	(2.0)
State income taxes net of federal income tax effect	6,084	3.4	10,115	3.6	(7,695)	1.0
Project Olive Branch Settlement	—	—	—	—	154,995	(20.8)
Other	(1,438)	(0.8)	(616)	(0.2)	1,494	(0.2)
Recorded income tax expense	3,576	41.3	113,902	40.3	(89,712)	12.0
Income taxes applied against the debt component of AFUDC	(352)	(0.2)	(140)	(0.1)	(238)	0.1
Total income taxes (credit) ..	<u>\$73,224</u>	<u>41.1</u>	<u>\$113,762</u>	<u>40.2</u>	<u>\$(89,950)</u>	<u>12.1</u>

Recoverable income taxes includes the tax effects of the substantial tax loss generated in September 1989 by the Grand Gulf 2 write-off. The loss was recognized in 1989 and increased System Energy's tax net operating loss carryforward to a total of approximately \$699 million as of December 31, 1991, which may be utilized in the future to offset taxable income. If not utilized to offset consolidated federal taxable income, income tax benefits related to the net operating loss carryforwards will expire in the years 2000 through 2004.

The alternative minimum tax (AMT) credit at December 31, 1991 was \$19 million. This AMT credit can be carried forward indefinitely and will reduce System Energy's federal income tax liability in the future.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires that deferred income taxes be recorded for all temporary differences and carryforwards and that deferred tax balances be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse. The impact of the new standard is currently under study by the System. Based on a preliminary study, System Energy expects that the new standard will result in an increase in accumulated deferred income taxes with a corresponding increase in assets and will not significantly impact System Energy's results of operations. System Energy plans to adopt SFAS No. 109 in 1993.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

System Energy is authorized by the SEC, through November 1992, to effect short-term borrowings in an aggregate amount outstanding at any one time up to \$125 million, subject to increase to a maximum of \$290 million with further SEC approval. Additionally, System Energy participates with certain other System companies in the Money Pool, an intra-System borrowing arrangement designed to reduce the System's dependence on external short-term borrowings. System Energy may borrow

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

from these sources subject to its maximum authorized level of short-term borrowings and the availability of funds. System Energy had no outstanding short-term borrowings at December 31, 1991.

NOTE 5. COMMON STOCK

There were no changes in the number of shares of System Energy's common stock during the years 1991, 1990 and 1989.

NOTE 6. LONG-TERM DEBT

The long-term debt of System Energy at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
First Mortgage Bonds:		
9% Series due 1991.....	—	\$ 294,000
14.34% Series due 1992.....	\$ 100,000	100,000
14% Series due 1994.....	200,000	200,000
10¼% Series due 1996.....	250,000	250,000
11% Series due 2000.....	255,750	255,750
11% Series due 2016.....	90,319	90,319
Total First Mortgage Bonds.....	<u>896,069</u>	<u>1,190,069</u>
Pollution Control Revenue Bonds:		
Claiborne County, Mississippi:		
0¼% Series due 2013.....	49,500	49,500
5.25% Series due 2014.....	27,100	27,100
9% Series due 2014.....	206,000	206,000
12.5% Series due 2015.....	44,000	44,000
9.5% Series due 2016.....	90,000	90,000
Total Pollution Control Revenue Bonds.....	<u>416,600</u>	<u>416,600</u>
Grand Gulf 1 Lease Obligations, 9.86% (Note 9).....	500,000	500,000
Miscellaneous.....	—	279
Total.....	<u>500,000</u>	<u>500,279</u>
Unamortized Discount.....	(14,654)	(16,957)
Total Long-Term Debt.....	1,798,015	2,089,991
Less — Amount Due Within One Year.....	115,750	294,000
Long-Term Debt Excluding Amount Due Within One Year....	<u>\$1,682,265</u>	<u>\$1,795,991</u>

For the years 1992, 1993, 1994, 1995, and 1996 System Energy has long-term debt maturities and sinking fund requirements of (in millions) \$115.8, \$30.0, \$230.0, \$30.0, and \$280.0, respectively.

In September 1991, System Energy retired, upon maturity, \$294 million in principal amount of its 9% Series First Mortgage Bonds.

System Energy has SEC authorization for the acquisition of not more than \$400 million of its outstanding first mortgage bonds through December 1992, of which \$72.2 million have been acquired at December 31, 1991.

The PCRBs due 2015 at 12.50% and those due 2016 at 9.50% are collateralized by \$47.2 million and \$95.6 million, respectively, of non-interest bearing first mortgage bonds.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 7. RETAINED EARNINGS

The provisions of System Energy's first mortgage bond indenture restrict the amount of retained earnings available for cash dividends on common stock. Under its mortgage, System Energy may not declare dividends, other than stock dividends, or make other distributions on or acquisitions of its stock (except where concurrently certain contributions or stock proceeds are received) unless System Energy is not in default under certain of its financing agreements, and the sum of certain indebtedness does not exceed 65% of adjusted capitalization.

In connection with the 1988 sale and leaseback transactions, System Energy agreed, under the provisions of the letters of credit and reimbursement agreement, as amended, to maintain its equity at not less than 53% of its adjusted capitalization (as defined in the agreement) and to maintain its common equity at not less than 29% of such amount. (See System Energy's Note 8, "Commitments and Contingencies — Reimbursement Agreement," for more information.)

At December 31, 1991, approximately \$196 million of retained earnings were free from the above restriction.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

Construction expenditures (including AFUDC but excluding nuclear fuel) during the years 1992, 1993, and 1994 are estimated to be approximately \$22.6 million, \$24.6 million, and \$25.8 million, respectively. In addition to construction expenditure requirements, System Energy will require \$375.8 million during the period 1992-1994 to meet long-term debt maturities and to satisfy sinking fund requirements. System Energy plans to meet the above requirements with internally generated funds and cash on hand unless System Energy chooses to externally finance such obligations. (See System Energy's Note 6, "Long-Term Debt," regarding the possible redemption, purchase, or other acquisition of one or more series of its outstanding first mortgage bonds.)

Capital Funds, Unit Power Sales, Availability, and Reallocation Agreements

Under the Capital Funds Agreement, Entergy has agreed to supply or cause to be supplied to System Energy sufficient amounts of capital to (1) maintain System Energy's equity capital at an amount equal to at least 35% of System Energy's total capitalization (excluding short-term debt) and (2) permit the continuation of commercial operation of Grand Gulf 1 and enable System Energy to pay in full all indebtedness for borrowed money of System Energy, whether at maturity, on prepayment, on acceleration or otherwise. In addition, Entergy has agreed in the Capital Funds Agreement to make cash capital contributions to enable System Energy to make payments when due on its long-term debt, as specified therein. System Energy has, with the consent of Entergy, assigned its rights under this agreement to certain creditors.

Under the Unit Power Sales Agreement among System Energy and the System operating companies, System Energy agreed to sell to the System operating companies all of its 90% owned and leased share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (AP&L 36%, LP&L 14%, MP&L 33%, NPSI 17%) as ordered by the FERC in the June 13 Decision. Charges under this agreement are paid in consideration for the respective entitlements of the System operating companies to receive capacity and energy, and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. Charges under the Unit Power Sales Agreement are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation, and capital costs (including a return on common equity). The monthly obligation for payments from the System operating companies to System Energy for Grand

SYSTEM ENERGY RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

Gulf 1 capacity and energy is approximately \$62 million. The agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

The System operating companies are also individually obligated, under the Availability Agreement to make payments or subordinated advances to System Energy in accordance with stated percentages (AP&L 17.1%, LP&L 26.9%, MP&L 31.3%, NOPSI 24.7%) in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Payments or advances under the Availability Agreement are only required to be made to the extent that funds available to System Energy from all sources, including the Unit Power Sales Agreement, are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies amended the Availability Agreement so that the writeoff of Grand Gulf 2 in September 1989 would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books and would not require a payment by the System operating companies under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement. Should there be a shortfall in any month as a result of the inability of any System operating company to make a payment under the Unit Power Sales Agreement, amounts received by System Energy from any other sources (including financings, sales of property and the like) and available at that time would be credited toward the obligations owing under the Availability Agreement.

In 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy from the Grand Gulf Station. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supersedes the Reallocation Agreement as it related to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been allocated to LP&L 26.23%, MP&L 43.97% and NOPSI 29.80% under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect the obligation of AP&L to System Energy's lenders under the assignments referred to in the second preceding paragraph, and AP&L would be liable for its share of such amounts only if the other System operating companies were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Reimbursement Agreement

On December 25, 1985, System Energy entered into two entirely separate, but identical, arrangements for the sale and leasebacks of an approximate aggregate 11.5% ownership interest in Grand Gulf 1 (see System Energy's Note 9, "Leases"). In connection with the equity financing of the sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The letters of credit currently maintained are effective until January 15, 1994.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

Under the provisions of the reimbursement agreement, as amended, related to the letters of credit, System Energy has agreed to a number of covenants relating to, among other things, the maintenance of certain capitalization and fixed charge coverage ratios. In this connection, System Energy agreed, during the term of the reimbursement agreement, to maintain its equity at not less than 33% of its adjusted capitalization (as defined in the reimbursement agreement) and to maintain its common equity at not less than 29% of such amount. In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense (calculated, in each case, as specified in the reimbursement agreement) of at least 1.60. At December 31, 1991, System Energy's equity and common equity in each case approximated 37.26% of its adjusted capitalization, and its fixed charge coverage ratio was 1.74.

Failure by System Energy to perform its covenants under the reimbursement agreement could give rise to a draw under the letters of credit and/or an early termination of the letters of credit. If such letters of credit were not replaced in a timely manner, a default under System Energy's related leases could result. Draws under the letters of credit must be repaid by System Energy within 5 days (and, in some cases, 90 days) following the date of drawing.

See System Energy's Note 2, "Rate and Regulatory Matters — ERG Audit," for information with respect to a FERC ALJ decision that, if ultimately sustained and implemented, could cause System Energy to seek waivers from the banks to avoid violation of the fixed charge coverage covenant.

Nuclear Insurance

The Price-Anderson Act provides a limit of public liability for a single nuclear incident, which at December 31, 1991, was approximately \$7.81 billion. System Energy has protection with respect to this liability through a combination of private insurance (currently \$200 million) and an industry assessment program. Under the assessment program, the maximum amount System Energy would be required to pay, with respect to each nuclear incident at a licensed nuclear facility, would be \$66.15 million per reactor (such amount to be indexed every five years for inflation and includes a 5% surcharge in the event the total public liability claims and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of \$10 million per licensed reactor per incident per year. As a co-licensee of Grand Gulf 1 with System Energy, SMEPA would share in this assessment obligation. System Energy has one licensed reactor.

System Energy, on behalf of itself and other insured interests (including other co-owners of Grand Gulf 1), is a member of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1991, System Energy was insured against such losses up to \$2.45 billion with a \$300 million sublimit for premature decommissioning coverage. Under the property damage insurance program, System Energy could be subject to assessments if losses exceed the accumulated funds available to the insurers. At December 31, 1991, the maximum amount of such possible assessments to System Energy was \$16.71 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation.

The amount of property insurance presently carried by System Energy exceeds the NRC's minimum requirement for nuclear power plant licensees of \$1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition and, second, to complete required decontamination operations. Only after proceeds are used or dedicated for such use and appropriate regulatory approval is obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

Spent Nuclear Fuel and Decommissioning Costs

System Energy is providing for estimated future disposal costs for spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. System Energy has entered into a contract with the DOE, whereby the DOE will furnish disposal service at a cost of one mill per net KWH generated and sold after April 7, 1983. The fees payable to the DOE may be adjusted in the future to assure full cost recovery. System Energy considers all costs incurred or to be incurred in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense and recovers such costs in rates.

The DOE's repository program for the acceptance of spent nuclear fuel has been delayed. System Energy's initial shipment of spent fuel to the DOE's storage facilities is expected to occur after 2019. In the meantime, System Energy will be responsible for storage of spent fuel. Current on-site spent fuel storage capacity is estimated to be sufficient to store fuel from normal operations until 2004. It is expected that any additional storage capacity required due to, among other things, delay of the DOE's repository program will be provided by System Energy. The cost of providing the additional on-site spent fuel storage capability required at Grand Gulf 1 by 2004 is estimated to approximate \$5.0 million to \$10.0 million (in 1991 dollars). In addition, approximately \$3.0 million to \$5.0 million (in 1991 dollars) will be required every two to three years subsequent to 2004 until DOE's repository begins accepting Grand Gulf 1 spent fuel.

As a result of the FERC Complaint Case settlement, the amount to be collected in rates for the total cost of decommissioning System Energy's 90% interest in Grand Gulf 1 was set at approximately \$198 million (in 1989 dollars). These collections through rates are deposited in external trust funds, with an after-tax market value of \$14.1 million at December 31, 1991, that can only be used for future decommissioning costs. These decommissioning costs are estimated to approximate \$248.7 million in 1989 dollars based on a 1989 decommissioning cost study. System Energy regularly reviews and updates estimated decommissioning costs to reflect inflation and changes in regulatory requirements and technology. Applications will be made to the FERC to reflect in rates any changes in estimated decommissioning costs.

System Fuels

On October 3, 1989, System Fuels entered into a revolving credit agreement with banks that provides for up to \$45 million of borrowings to finance System Fuels' nuclear materials and services inventory. In connection with these arrangements, System Energy, AP&L and LP&L, as purchasers from System Fuels of the nuclear materials and services, agreed to purchase from System Fuels the nuclear materials and services financed under the agreement if System Fuels should default in its obligations thereunder. The purchases under these circumstances would be of percentages agreed upon among the parties but, in the absence of such agreement, System Energy, AP&L, and LP&L would each be obligated to purchase one-third of System Fuels' nuclear materials and services.

Other Commitments and Contingencies

See System Energy's Note 2, "Rate and Regulatory Matters," for information with respect to the FERC Audit.

NOTE 9. LEASES

Nuclear Fuel Leases

System Energy has a leasing arrangement permitting the leasing of nuclear fuel of up to \$130 million at December 31, 1991. The lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate-term notes. The credit agreement,

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

which was entered into in 1989 has been extended to February 1995 and the intermediate-term notes have varying remaining maturities of up to 10 years. It is expected that the credit arrangements will be extended or alternative financing will be secured by the lessor upon the maturity of the current arrangements. If the lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, System Energy must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings.

Lease payments, based upon nuclear fuel use, are treated as a cost of fuel. Nuclear fuel lease expense, including interest, of \$66.9 million, \$72.4 million, and \$75.3 million, was charged to operations in 1991, 1990, and 1989 respectively. The unrecovered cost base of the leases was \$85 million and \$134 million at December 31, 1991 and 1990, respectively.

Sale and Leaseback Transactions

On December 28, 1988, System Energy entered into two entirely separate, but identical, arrangements for the sales and leasebacks of an approximate aggregate 11.5% undivided ownership interest in Grand Gulf 1 for an aggregate cash consideration of \$500 million. System Energy is leasing back the undivided interest on a net lease basis over a 26½ year basic lease term. System Energy has options to terminate the leases and to repurchase the undivided interest in Grand Gulf 1 at certain intervals during the basic lease term. Further, at the end of the basic lease term, System Energy has an option to renew the leases or to repurchase the undivided interest in Grand Gulf 1. See System Energy's Note 8, "Commitments and Contingencies — Reimbursement Agreement," with respect to certain other terms of the transaction.

In accordance with SFAS No. 98, "Accounting for Leases," due to "continuing involvement" by System Energy, the sales and leasebacks of the undivided portions of Grand Gulf 1, as described above, are required to be reflected for financial reporting purposes as financing transactions in System Energy's financial statements. The amounts charged for financial reporting purposes to expense include the interest portion of the lease obligations and depreciation of the plant. However, operating revenues include the recovery of the lease payments since the transactions are accounted for as sales and leasebacks for rate-making purposes. The total of interest and depreciation expense exceeds the corresponding revenues realized during the early part of the lease term. In December 1990, consistent with a recommendation contained in a FERC audit report, System Energy recorded as a deferred asset the current and prior year difference between the recovery of the lease payments and the amounts expensed for interest and depreciation, and began recording such difference as a deferred asset on an ongoing basis. Recognition of the deferred asset resulted in an increase in net income of approximately \$24 million in 1990 compared to 1989. The effect of the deferral was to decrease depreciation expense by approximately \$15 million in 1991 and \$30 million in 1990, to decrease interest expense by approximately \$1 million in 1991 and \$2 million in 1990, and to increase related taxes by approximately \$4 million in 1991 and \$8 million in 1990. The deferral will reverse over the later years of the lease term as the revenues associated with the leases exceed the charges for depreciation and lease interest.

See System Energy's Note 1, "Summary of Significant Accounting Policies — Utility Plant," for further information regarding the accounting for the sale and leaseback transactions.

SYSTEM ENERGY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS — (Continued)

At December 31, 1991, System Energy had future minimum lease payments (reflecting an overall implicit rate of 9.86%) in connection with the sale and leaseback transactions as follows:

	Minimum Lease Payments
	(In Thousands)
1992	\$ 49,333
1993	49,333
1994	51,295
1995	52,247
1996	52,247
Years thereafter	<u>1,143,626</u>
Total	<u>\$1,398,081</u>

NOTE 10. POSTRETIREMENT BENEFITS

System Energy participates in a defined benefit pension plan sponsored by Entergy. Effective June 6, 1990, all of System Energy's employees became employees of Entergy Operations. However, the employees still remain under System Energy's plan and no transfers of related pension liabilities and assets have been made. The pension plan, which covers substantially all of the employees, is noncontributory and provides pension benefits that are based on employees' credited service and average compensation, generally during the last five years before retirement. System Energy's policy is to fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

System Energy's 1991, 1990, and 1989 pension cost (credit), including amounts capitalized, was as follows:

	For the Year Ended December 31,		
	1991	1990	1989
	(In Thousands)		
Service cost — benefits earned during the period	\$ 1,327	\$ 1,398	\$ 1,073
Interest cost on projected benefit obligation	1,035	762	559
Actual return on plan assets	(5,432)	48	(3,992)
Net amortization and deferral	2,991	(2,402)	1,759
Other	17	—	—
Net pension cost (credit)	<u>\$ (62)</u>	<u>\$ (194)</u>	<u>\$ (601)</u>

The assets of the plan consist primarily of common and preferred stocks, fixed income securities, and interest in a money market fund.

SYSTEM ENERGY RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)

The funded status of System Energy's pension plan at December 31, 1991 and 1990 was as follows:

	1991	1990
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	\$ 8,580	\$ 4,036
Nonvested	2,088	982
Accumulated benefit obligation	<u>\$10,668</u>	<u>\$ 5,018</u>
Plan assets at fair value	\$28,194	\$22,797
Projected benefit obligation	16,067	10,478
Plan assets in excess of projected benefit obligation	12,127	12,319
Unrecognized prior service cost	971	156
Unrecognized transition asset	(5,274)	(6,871)
Unrecognized net gain	<u>(2,825)</u>	<u>(1,667)</u>
Accrued pension asset	<u>\$ 1,999</u>	<u>\$ 1,937</u>

The significant actuarial assumptions used included a weighted average discount rate of 8.25% for 1991, 8.75% for 1990, and 8.5% for 1989 and a weighted average rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1991, 1990, and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1991, 1990, and 1989. Transition assets are being amortized over the average remaining service period of active participants.

System Energy also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for the Energy System. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The cost of providing these benefits, recorded on a cash basis, and the number of active employees and retirees for the last three years were:

	'91	1990	1989
Total cost of health care and life insurance (in thousands) ...	\$2,453	\$2,845	\$1,865
Number of active employees	1,283	1,307	1,147
Number of retirees	5	4	3

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change from a cash method to an accrual method of accounting for those benefits. At January 1, 1992, the actuarially determined accumulated postretirement benefit obligation earned by retirees and active employees was estimated to be approximately \$5 million. This obligation may be amortized to expense over a 20 year period beginning in 1993 or alternatively, recorded as expense immediately upon the adoption of the new accounting standard. Adoption of the new standard is expected to increase annual expense associated with these benefits by approximately \$1 million for System Energy, including the effects of the amortization of the transition obligation. The portion of this additional expense that will immediately or ultimately be allowed in rates cannot presently be determined. In addition, the degree of regulatory assurance of future recovery that may be required to recognize a regulatory asset, and thus avoid an impact on earnings, cannot be determined at this time. System Energy plans to adopt this standard in the first quarter of 1993.

SYSTEM ENERGY RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS — (Concluded)

NOTE 11. TRANSACTIONS WITH AFFILIATES

System Energy sells all of the capacity and energy from its share of Grand Gulf 1 to the System operating companies under rate schedules approved by the FERC in its June 13 Decision regarding the Unit Power Sales Agreement. Accordingly, all of System Energy's operating revenues consist of billings to the System operating companies.

MP&L provides a minimal amount of technical and advisory services and other miscellaneous services to System Energy. In addition, pursuant to a service agreement, System Energy receives technical and advisory services from Entergy Services, Inc. Charges from MP&L and Entergy Services, Inc. for technical, advisory and miscellaneous services amounted to approximately \$10.9 million in 1991, \$10.6 million in 1990, and \$12.3 million in 1989. Also, effective June 6, 1990, Entergy Operations assumed operating responsibility for, but not ownership of, Grand Gulf 1. In return, System Energy pays directly or reimburses Entergy Operations for the costs associated with operating Grand Gulf 1, which were approximately \$136.0 million in 1991 and \$138.0 million in 1990.

In addition, certain materials and services required for fabrication of nuclear fuel are acquired and financed by System Fuels and then sold to System Energy, as needed. Charges for these materials and services, which represent additions to nuclear fuel, amounted to approximately \$28.9 million in 1991, \$34.3 million in 1990, and \$0.06 million in 1989.

NOTE 12. QUARTERLY FINANCIAL DATA (Unaudited)

Operating results for the four quarters of 1991 and 1990 were:

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income</u>
	(In Thousands)		
1991:			
First Quarter	\$185,048	\$ 87,703	\$35,184
Second Quarter	\$143,738	\$ 65,216	\$ 6,910(1)
Third Quarter	\$174,516	\$ 82,443	\$30,589
Fourth Quarter	\$183,362	\$ 83,450	\$31,939
1990:			
First Quarter	\$201,660	\$ 88,955	\$38,487
Second Quarter	\$197,992	\$ 86,431	\$36(1)
Third Quarter	\$204,583	\$ 88,280	\$3
Fourth Quarter	\$197,383	\$118,362	\$5(2)

(1) See System Energy's Note 2, "Rate and Regulatory Matters — FERC Complaint Case."

(2) See System Energy's Note 9, "Leases — Sale and Leaseback Transactions."

SYSTEM ENERGY RESOURCES, INC.
 SELECTED FINANCIAL DATA — FIVE-YEAR COMPARISON

	1991	1990	1989	1988	1987
	(In Thousands)				
Operating revenues	\$ 686,664	\$ 801,618	\$ 837,307	\$ 933,828	\$ 962,549
Net income (loss)	\$ 104,622	\$ 168,677	\$ (655,524)	\$ 180,314	\$ 198,801
Total assets	\$3,642,203	\$3,883,241	\$3,987,055	\$5,160,249	\$5,422,329
Long-term obligations(1)	\$1,707,470	\$1,849,500	\$2,229,022	\$2,553,002	\$2,245,155

(1) Includes long-term debt (excluding current maturities) and noncurrent capital lease obligations.

ITEM 9. *Changes in and Disagreements With Accountants On Accounting and Financial Disclosure.*

No event that would be described in response to this item has occurred with respect to Entergy, System Energy, AP&L, LP&L, MP&L or NOPSI.

Part III

ITEM 10. *Directors and Executive Officers Of The Registrants.*

All officers and directors listed below held the specified positions with their respective companies as of the date of filing this report.

ENERGY

Directors

Information required by this item concerning directors of Entergy is set forth under the heading "Election of Directors" contained in the Proxy Statement of Entergy to be filed in connection with its Annual Meeting of Stockholders to be held May 15, 1992, and is incorporated herein by reference.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
<u>Officers</u>			
Edwin Lupberger(a)	55	Chairman of the Board, Chief Executive Officer and Director of Entergy	1985-Present
		Director of AP&L, LP&L, MP&L, NOPSI, System Energy and System Fuels	1986-Present
		Chairman of the Board of System Energy and Electee	1986-Present
		Chairman of the Board of Entergy Operations and Entergy Power	1990-Present
		Chairman of the Board of Entergy Services	1985-Present
		Chief Executive Officer of Entergy Services and Electee	1991-Present
		Director of Electee	1984-Present
		President of Entergy	1985-1991
		President of Entergy Services and Electee	1990-1991
		Chairman of the Board of System Fuels	1986-1990
		President of System Fuels	1986-1987
		Chief Executive Officer of Electee	1984-1987
		James M. Cain(b)	58
Director of LP&L and NOPSI	1978-Present		
Director of System Energy	1978-Present		
Director of Entergy Operations	1990-Present		
Director of Entergy Services	1975-Present		
Director of System Fuels	1978-Present		
Chief Administrative Officer of Entergy Services	1991-Present		
Senior Vice President, System Executive, Louisiana Division of Entergy	1988-1991		
Chairman of the Board of LP&L	1989-1991		
Chief Executive Officer of LP&L	1983-1991		
President of LP&L	1983-1988		
Chairman of the Board of NOPSI	1990-1991		
Chief Executive Officer of NOPSI	1989-1990		
President of NOPSI	1978-1990		
Jerry L. Maulden	55	Group President, System Executive -- Distribution and Customer Service of Entergy and Entergy Services	1991-Present
		Chairman of the Board of AP&L	1989-Present
		Chief Executive Officer of AP&L	1979-Present
		Director of AP&L	1979-Present
		Chairman of the Board and Chief Executive Officer of LP&L and NOPSI	1991-Present
		Chairman of the Board and Chief Executive Officer of MP&L	1989-Present
		Director of MP&L	1988-Present
		Director of System Energy	1987-Present
		Director of Energy Operations	1990-Present
		Director of Energy Services	1979-Present
		Director of System Fuels	1979-Present
		Senior Vice President, System Executive -- Arkansas/Mississippi/Missouri Division of Entergy	1988-1991
		President of AP&L	1979-1988

Name	Age	Position	Period
Jerry D. Jackson	47	Executive Vice President of Finance and External Affairs of Entergy and Entergy Services	1990-Present
		Secretary of Entergy	1991-Present
		Director of Entergy Power and Entergy Services	1993-Present
		President of Electec	1991-Present
		Director of Electec	1990-Present
		Senior Vice President, System Executive - Legal and External Affairs of Entergy and Entergy Services	1987-1990
William Cavanaugh, III	53	Senior Vice President, System Executive - Nuclear of Entergy and Entergy Services	1987-Present
		Executive Vice President and Chief Nuclear Officer of AP&L and LP&L	1990-Present
		Director of AP&L and LP&L	1990-Present
		President and Chief Executive Officer of System Energy	1986-Present
		President and Chief Executive Officer of Entergy Operations	1990-Present
		Director of System Fuels	1992-Present
		Director of System Energy	1986-Present
		Director of Entergy Operations	1990-Present
Director of Entergy Services	1986-Present		
Jack L. King	52	Senior Vice President, System Executive - Operations of Entergy	1987-Present
		Director of AP&L, LP&L, MP&L, NOPSI, Entergy Power and Entergy Services	1990-Present
		President and Chief Executive Officer of Entergy Power	1990-Present
		Executive Vice President - Operations of Entergy Services	1990-Present
		Chairman of the Board of System Fuels	1990-Present
		Senior Vice President, System Executive - Operations of Entergy Services	1987-1990
Gerald D. McIvane	48	Senior Vice President and Chief Financial Officer of Entergy, AP&L, LP&L, MP&L, NOPSI, System Energy, Entergy Operations and Entergy Services	1991-Present
		Senior Vice President and Chief Financial Officer of Electec	1991-Present
		Director of Electec	1991-Present
		President - Executive Information Strategies (Consulting Firm), Dallas, Texas	1990-1991
		Senior Vice President and Chief Financial Officer of Frito-Lay, Inc. (Subsidiary of PepsiCo, Inc.) Dallas, Texas	1987-1990
		Vice President of Research and Development of Frito-Lay, Inc.	1984-1987
Michael G. Thompson	51	Senior Vice President and Chief Legal Officer of Entergy and Entergy Services	1992-Present
		Senior partner of Friday, Eldredge & Clark (law firm)	1987-1992
S. M. Henry Brown, Jr.	53	Vice President - Governmental Affairs of Entergy and Entergy Services	1989-Present
		Director - Public Affairs of Carolina Power & Light Company	1986-1989
Glenn H. Parsons	58	Vice President - Corporate Communications of Entergy and Entergy Services	1989-Present
		Director - Communications of Entergy Services	1987-1989
		Director - Corporate Communication of Eastern Airlines	1984-1987
Lee W. Randall	43	Vice President and Chief Accounting Officer of Entergy, AP&L, LP&L, MP&L, NOPSI, System Energy, Entergy Operations and Entergy Services	1991-Present
		Assistant Secretary of AP&L, LP&L, MP&L, NOPSI, Entergy Operations, and Entergy Services	1991-Present
		Senior Vice President - Finance & Administration and Chief Financial Officer of AP&L	1988-1991
		Secretary of AP&L	1989-1991
		Assistant Secretary of AP&L	1988-1988
		Assistant Treasurer of AP&L	1988-1991
		Vice President - Accounting & Treasury of LP&L and NOPSI	1985-1988
		Assistant Treasurer of LP&L and NOPSI	1986-1988
H. Stuart Ball	48	Treasurer of Entergy and System Fuels	1987-Present
		Treasurer of AP&L, LP&L, MP&L, NOPSI, System Energy and Entergy Operations	1991-Present
		Treasurer of Entergy Power and Electec	1990-Present
		Assistant Secretary of Entergy Power	1990-Present
		Treasurer of Entergy Services	1985-Present
		Assistant Secretary of System Fuels	1992-Present
		Assistant Secretary of Electec	1991-Present
		Assistant Treasurer of Entergy	1986-1987
		Assistant Treasurer of System Energy	1987-1991
		Assistant Treasurer and Assistant Secretary of Entergy Operations	1990-1991

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
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ARKANSAS POWER & LIGHT COMPANY

Directors

William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Cathy Cunningham(e)	46	Director of AP&L Self employed in real estate development and contracting. Heber Springs, West Helena and Helena, AR	1983-Present 1982-Present
Richard P. Herget, Jr.(d)	52	Director of AP&L Vice Chairman of Rebsamen Insurance Managing Director of Marsh & McLennan, Inc. (Insurance) Senior Vice President of Marsh & McLennan, Inc.	1981-Present 1992-Present 1987-1992 1986-1987
Tommy H. Hillman(e)	55	Director of AP&L President of Winrock Farms, Inc. (Agriculture), Carlisle, AR Vice Chairman of Reeland Foods, Inc.	1985-Present 1980-Present 1985-Present
Kaueaster Hodges, Jr.(f)	53	Director of Entergy Director of AP&L Attorney-at-Law, Sole Practitioner, Newport, AR	1984-Present 1981-Present 1981-Present
Hal E. Hunter, Jr.	70	Director of AP&L Senior Partner of Hunter & Hunter, Attorneys-at-Law Prosecuting Attorney, New Madrid County, MO	1981-Present 1963-Present 1963-1990
R. Drake Keith	56	President, Chief Operating Officer and Director of AP&L Secretary of AP&L Senior Vice President, System Executive — Finance of Entergy and Entergy Services Treasurer of Entergy and System Fuels Executive Vice President of LP&L and NOPSI Senior Vice President — Chief Financial Officer of System Energy and System Fuels	1989-Present 1991-Present 1987-1987 1984-1987 1987-1988 1986-1987
Jack L. King	52	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Edwin Lupberger	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Raymond P. Miller, Sr.(g)	55	Director of AP&L Physician, Little Rock, AR	1982-Present 1970-Present
Roy L. Murphy(h)	64	Director of AP&L Chairman of the Board of Mid-South Engineering Co. (Consulting Engineers), Hot Springs, AR President of Mid-South Engineering Co.	1977-Present 1969-Present 1969-1991
William C. Nolan, Jr.(i)	52	Director of AP&L Attorney-at-Law, Nolan & Alderson, Attorneys.	1971-Present 1969-Present
Robert D. Pugh(j)	63	Director of Entergy Director of AP&L Director of Entergy Operations Chairman of the Board of Portland Bank and Portland Bankshares, Inc. Chairman of the Board of Portland Ctn Company (Agricultural and AgriBusiness) Portland, AR	1977-Present 1971-Present 1990-Present 1991-Present 1981-Present
Woodson D. Walker	41	Director of AP&L Attorney-at-Law, Walker, Roaf, Campbell, Ivory & Dunklin, P.A., Little Rock, AR	1985-Present 1977-Present
Gus B. Walton, Jr.	50	Director of AP&L Vice President, Secretary and part owner of Frederick Poe Travel Service, Inc. (Travel Service)	1981-Present 1983-Present
Michael E. Wilson(k)	49	Director of AP&L Chairman of the Board and Chief Executive Officer of Lee Wilson & Company (Agricultural and Agri-Business), Wilson, AR President and Director of Delta Valley & Southern Railway Company President of Lee Wilson & Company	1980-Present 1987-Present 1979-Present 1977-1987

Officers

Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.
R. Drake Keith	56	See the information under the AP&L Directors Section above, incorporated herein by reference.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Donald C. Hintz	49	Senior Vice President — Nuclear of AP&L Group Vice President — Nuclear of LP&L Executive Vice President and Chief Operating Officer of Entergy Operations Director of Entergy Operations Executive Vice President & Chief Operating Officer of System Energy Senior Vice President — Power Production of Wisconsin Public Service Vice President — Nuclear Power of Wisconsin Public Service	1990-Present 1990-Present 1990-Present 1990-Present 1980-1990 1985-1989 1986-1988
Donald Hunter	55	Senior Vice President — Fossil Operations of AP&L, LP&L, MP&L, NOPS1 and Entergy Services President and Chief Executive Officer of System Fuels Director of System Fuels Director of Electec President and Chief Operating Officer of LP&L Executive Vice President of LP&L Chief Operating Officer of NOPS1 Executive Vice President of NOPS1 Vice President of Yankee Atomic Electric	1990-Present 1990-Present 1990-Present 1991-Present 1989-1990 1987-1988 1989-1990 1987-1990 1983-1987
Gerald D. McInvale	48	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Cecil L. Alexander (I)	56	Vice President — Governmental Affairs of AP&L Vice President — Public Affairs of AP&L Vice President — Governmental Relations of AP&L	1991-Present 1989-1991 1985-1989
Kay K. Arnold	38	Vice President — Communications of AP&L Director — Federal Government Relations of AP&L General Manager — Communications of AP&L Director — State of Arkansas Department of Arkansas Heritage	1991-Present 1989-1991 1978-1988 1986-1988
David M. Eldridge	51	Vice President — Marketing and Economic Development of AP&L Executive Director — Sales and Marketing of AP&L Executive Director — Marketing of AP&L Director — Economic Development of AP&L Manager — Economic Development of AP&L Director — Economic Development of North Carolina Department of Commerce	1991-Present 1991-1991 1990-1991 1988-1990 1987-1988 1986-1987
John J. Harton	50	Vice President — Administration of AP&L Assistant Secretary of AP&L Vice President — Financial Services of AP&L Treasurer of AP&L	1991-Present 1979-Present 1981-1991 1979-1991
Richard J. Landy	46	Vice President — Human Resources of AP&L, LP&L, MP&L, NOPS1, Entergy Operations and Entergy Services Vice President — Human Resources and Administration of System Energy Vice President — Human Resources & Administration of Entergy Operations	1991-Present 1986-1990 1990-1991
John B. Marshall	42	Vice President — Customer Services of AP&L Director of Electec Executive Director of Human Resources of AP&L Vice President of INFOTECH (Engineering and Management Consulting)	1988-Present 1991-Present 1986-1988 1988-1988
Lee W. Randall	43	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry J. Saacks	51	Vice President — Transmission of AP&L, LP&L, MP&L and NOPS1 Vice President — System Transmission of Entergy Services Group Vice President — Division Operations of LP&L and NOPS1 Group Vice President — System Power Operations of Entergy Services	1990-Present 1990-Present 1985-1987 1987-1990
H. Stuart Ball	45	See the information under the Entergy Officers Section above, incorporated herein by reference.	

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
LOUISIANA POWER & LIGHT COMPANY			
<u>Directors</u>			
Michael B. Bemis(m)	45	President and Chief Operating Officer and Director of LP&L and NOPSI Executive Vice President, Chief Financial and Administrative Officer of AP&L Executive Vice President — Operations of AP&L Secretary of AP&L Assistant Treasurer of AP&L President and Chief Operating Officer of MP&L Secretary of MP&L	1992-Present 1985-1988 1985-1988 1985-1988 1989-1991 1991-1991
James M. Carr	58	See the information under the Entergy Officers Section above, incorporated herein by reference.	
William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.	
William K. Hood(n)	41	Director of LP&L Manages the daily operations of four automobile dealerships and various related companies	1989-Present 1972-Present
Tex R. Kilpatrick	59	Director of LP&L President of Central American Life Insurance Company, West Monroe, LA	1972-Present 1957-Present
Jack L. King	52	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Joseph J. Krebs, Jr.	62	Director of LP&L and NOPSI Chairman and Chief Executive Officer of J. J. Krebs & Sons, Inc. (Engineering, Planning and Surveying)	1983-Present 1977-Present
Edwin Lopberger	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
H. Duke Shackelford(o)	65	Director of Entergy Director of LP&L Planter President of Shackelford Company, Inc. President of Bonita Gin, Inc. President of Louisiana Cotton Warehouse Co. Inc. (Agricultural and Agri-Business) President of Shackelford Gin, Inc. Chairman, Union Oil Mill, Inc. (Agricultural and Agri-Business), Bonita, LA	1981-Present 1972-Present 1950-Present 1973-Present 1991-Present 1976-Present 1976-1991 1981-1989
Wm. Clifford Smith(p)	56	Director of Entergy Director of LP&L Director of Entergy Operations President of T. Baker Smith & Son, Inc. (Consultants-Civil Engineer and Land Survey) Vice Chairman of American Bancshares, Inc., Houma, LA	1983-Present 1981-Present 1990-Present 1962-Present 1987-1988
<u>Officers</u>			
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Michael B. Bemis	45	See the information under the LP&L Directors Section above, incorporated herein by reference.	
William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Donald Hunter	58	See the information under the AP&L Officers Section above, incorporated herein by reference.	
Gerald D. McInvale	48	See the information under the Entergy Officers Section above, incorporated herein by reference.	
J. J. Cordaro	58	Group Vice President — External Affairs of LP&L and NOPSI Senior Vice President — External Affairs of LP&L and NOPSI	1989-Present 1983-1988
Donald C. Hintz	49	See the information under the AP&L Officers Section above, incorporated herein by reference.	
C. J. Brunet	44	Vice President — Marketing & Economic Development of LP&L and NOPSI Director of Electec Vice President — Marketing of Entergy Services Division Manager — Customer Response Center of AT&T Director — Education and Training of AT&T	1991-Present 1991-Present 1989-1991 1988-1988 1987-1987

Name	Age	Position	Period
S. G. Cunningham, Jr.	51	Vice President -- Rates and Regulatory Affairs of LP&L and NOPSI Senior Vice President -- Rates & Regulatory Affairs of LP&L and NOPSI Senior Vice President -- Marketing and Rates of LP&L and NOPSI	1991-Present 1989-1991 1986-1988
R. C. Guthrie	49	Vice President -- Public Affairs of LP&L and NOPSI	1986-Present
Dorothy J. W. Klyce	49	Vice President -- Communications of LP&L and NOPSI Vice President -- Public Relations of LP&L and NOPSI Director of Public Relations of LP&L and NOPSI Manager -- Community Relations of LP&L and NOPSI	1991-Present 1990-1991 1989-1990 1986-1989
Richard J. Landy	46	See the information under the AP&L Officers Section above, incorporated herein by reference.	
T. O. Lind	54	Vice President -- Regulatory Counsel of LP&L and NOPSI Secretary of LP&L and NOPSI Assistant Treasurer of LP&L and NOPSI Assistant Secretary of LP&L and NOPSI	1985-Present 1987-Present 1989-Present 1985-1987
Lee W. Randall	43	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry J. Saacks	51	See the information under the AP&L Officers Section above, incorporated herein by reference.	
Henry L. Warren	51	Vice President -- Administration of LP&L and NOPSI Vice President -- Planning and Control of AP&L Vice President -- Administrative Services of AP&L Vice President -- Assistant to President of AP&L	1991-Present 1988-1991 1986-1988 1985-1986
Thomas J. Wright	45	Vice President -- Customer Service of LP&L and NOPSI Senior Vice President -- Customer Service of LP&L and NOPSI Group Vice President of LP&L and NOPSI President and Chief Executive Officer of Associated Natural Gas Company	1991-Present 1989-1991 1987-1988 1986-1987
H. Stuart Ball	48	See the information under the Entergy Officers Section above, incorporated herein by reference.	

MISSISSIPPI POWER & LIGHT COMPANY

Directors

James B. Campbell(q)	60	Director of Entergy Director of MP&L Director of Entergy Operations President and Chairman of the Board of MISSCO Corporation (distributors of electronic equipment and supplies, office machines and furniture manufacturers)	1988-Present 1987-Present 1990-Present 1985-Present
Frank R. Day(r)	60	Director of MP&L Chairman of the Board and Chief Executive Officer of Trustmark National Bank, Jackson, MS Chairman of the Board and Chief Executive Officer of Trustmark Corporation (Bank Holding Company) Chairman of the Board of the Bank of Edwards, Edwards, MS Chairman of the Board and President of Smith County Bank, Taylorsville, MS	1981-Present 1981-Present 1981-Present 1985-Present 1972-Present
John O. Emmerich, Jr.	62	Director of MP&L Editor & Publisher of Greenwood Commonwealth, Greenwood, MS	1989-Present 1970-Present
Norman B. Gillis, Jr.(s)	64	Director of MP&L Attorney-at-Law, McComb, MS	1986-Present 1950-Present
R. E. Kennington, II(t)	59	Director of MP&L Chairman of the Board and Chief Executive Officer of Grenada Sunburst System Corporation (Bank Holding Company) and of Sunburst Bank, Grenada, MS	1974-Present 1975-Present
Jack L. King	52	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Edwin Lupberger	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Donald E. Meiners(u)	56	President, Chief Operating Officer, Secretary and Director of MP&L Senior Vice President, System Executive - Services Division of Entergy President and Chief Operating Officer of LP&L and NOPSI President and Chief Executive Officer of Entergy Services, System Fuels, and Electric	1992-Present 1988-1990 1990-1991 1987-1990

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
John N. Palmer, Sr. (s)	57	Director of MP&L Chairman and Chief Executive Officer of Mobile Telecommunication Technologies	1987-Present 1989-Present
Dr. Clyda S. Beut (w)	50	Director of MP&L President of Mississippi University for Women, Columbus, MS Vice President of Queens College, Charlotte, NC	1991-Present 1989-Present 1984-1989
E. B. Robinson, Jr. (s)	50	Director of MP&L Chairman of the Board and Chief Executive Officer of Deposit Guaranty Corporation and Deposit Guaranty National Bank	1984-Present 1984-Present
Dr. Walter Washington	68	Director of Entergy Corporation and MP&L President of Alcorn State University, Lorman, MS	1977-Present 1969-Present
R. M. Williams, Jr.	56	Director of MP&L Partner-Reeves-Williams, Southaven, MS (Building and Development)	1976-Present 1969-Present

Officers

Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Donald E. Meiners	56	See the information under the MP&L Directors Section above, incorporated herein by reference.	
Donald Hunter	58	See the information under the AP&L Officers Section above, incorporated herein by reference.	
Gerald D. McIntyre	45	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Bill F. Cossar	53	Vice President — Governmental Affairs of MP&L Director of Governmental Affairs of MP&L	1987-Present 1983-1987
Johany D. Ervin	42	Vice President — Customer Services of MP&L Director of Electric Vice President — Marketing of LP&L and NOPSI Vice President — Division Manager of LP&L Director of Marketing of MP&L	1991-Present 1991-Present 1990-1991 1988-1990 1984-1988
Richard J. Landy	46	See the information under the AP&L Officers Section above, incorporated herein by reference.	
James L. Moore	54	Vice President — Communication of MP&L	1985-Present
Lee W. Randall	43	See the information under the Entergy Officers Section above, incorporated herein by reference.	
J. Michael Russ	41	Vice President — Sales and Marketing of MP&L Executive Director of Marketing of AP&L General Manager — Business Development of AP&L Vice President of Associated Natural Gas Company	1990-Present 1988-1990 1987-1988 1986-1987
Jerry J. Saecks	51	See the information under the AP&L Officers Section above, incorporated herein by reference.	
H. Stuart Ball	45	See the information under the Entergy Officers Section above, incorporated herein by reference.	

NEW ORLEANS PUBLIC SERVICE INC.

Directors

Michael B. Bemis	45	See the information under the LP&L Directors Section above, incorporated herein by reference.	
James M. Cain	56	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Brooke H. Duncan (s)	65	Director of Entergy Director of NOPSI President of Jno. Warner Hardware, Inc. President of The Montegut Corporation (formerly The Foster Company Inc., a Canvas Fabricator)	1983-Present 1967-Present 1980-Present 1966-Present
Jack L. King	52	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Joseph J. Krebs, Jr.	62	See the information under the LP&L Directors Section above, incorporated herein by reference.	
Edwin Lupberger	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Anne M. Milling	51	Director of NOPSI	1991-Present

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
John B. Smallpage	66	Director of NOPSI Chairman of the Board and Secretary of Donovan Marine, Inc., New Orleans, LA	1969-Present 1970-Present
Charles C. Teamer, Sr. (x)	58	Director of NOPSI Vice President for Fiscal Affairs of Dillard University, New Orleans, LA Commissioner of the Port of New Orleans	1975-Present 1965-Present 1983-1988

Officers

Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.
Michael B. Bemis	45	See the information under the LP&L Directors Section above, incorporated herein by reference.
J. J. Cordaro	58	See the information under the LP&L Officers Section above, incorporated herein by reference.
Donald Hunter	58	See the information under the AP&L Officers Section above, incorporated herein by reference.
Gerald D. McInvale	48	See the information under the Entergy Officers Section above, incorporated herein by reference.
C. J. Brunet	44	See the information under the LP&L Officers Section above, incorporated herein by reference.
S. G. Cunningham, Jr.	51	See the information under the LP&L Officers Section above, incorporated herein by reference.
R. C. Guthrie	49	See the information under the LP&L Officers Section above, incorporated herein by reference.
Dorothy J. W. Klyce	49	See the information under the LP&L Officers Section above, incorporated herein by reference.
Richard J. Landy	46	See the information under the AP&L Officers Section above, incorporated herein by reference.
T. O. Lind	54	See the information under the LP&L Officers Section above, incorporated herein by reference.
Lee W. Randall	43	See the information under the Entergy Officers Section above, incorporated herein by reference.
Jerry J. Saacks	51	See the information under the AP&L Officers Section above, incorporated herein by reference.
Henry L. Warren	51	See the information under the LP&L Officers Section above, incorporated herein by reference.
Thomas J. Wright	45	See the information under the LP&L Officers Section above, incorporated herein by reference.
H. Stuart Ball	45	See the information under the Entergy Officers Section above, incorporated herein by reference.

SYSTEM ENERGY RESOURCES, INC.

Directors

James M. Cairn	56	See the information under the Entergy Officers Section above, incorporated herein by reference.
William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.
Edwin Lupberger	53	See the information under the Entergy Officers Section above, incorporated herein by reference.
Jerry L. Maulden	55	See the information under the Entergy Officers Section above, incorporated herein by reference.

Officers

Edwin Lupberger	55	See the information under the Entergy Officers Section above, incorporated herein by reference.	
William Cavanaugh, III	53	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Gerald D. McInvale	48	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Glenn E. Harder	41	Vice President — Administrative Services and Regulatory Affairs of System Energy Vice President — Financial Strategies of Entergy Services Vice President — Accounting of System Energy Treasurer of System Energy Vice President Accounting and Treasurer of Entergy Operations Vice President — Administrative Services & Regulatory Affairs of Entergy Operations	1991-Present 1991-Present 1986-1991 1986-1991 1990-1991 1991-1991

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
Lee W. Ballard	43	See the information under the Entergy Officers Section above, incorporated herein by reference.	
H. Stuart Ball	48	See the information under the Entergy Officers Section above, incorporated herein by reference.	
Joseph L. Blount	45	Secretary of System Energy and Entergy Operations	1991-Present
		Vice President Legal and External Affairs of Entergy Operations	1990-Present
		Vice President Legal and External Affairs of System Energy	1989-1990
		Assistant Secretary for System Energy	1987-1991
		General Counsel and Assistant Vice President for System Energy	1986-1989
		Assistant Secretary for Entergy Operations	1990-1991

- (a) Mr. Lupberger is a director of International Shipholding Corporation and First National Bank of Commerce, New Orleans, LA.
- (b) Mr. Cain is a director of Delchamps, Inc., Whitney National Bank and Whitney Holding Corporation (Bank Holding Company), New Orleans, LA.
- (c) Ms. Cunningham is a director of First National Bank of Phillips County, Helena, AR.
- (d) Mr. Herget is a director of Union National Bank and Union Modern Mortgage Corporation, Little Rock, AR.
- (e) Mr. Hillman is a director of RiceLand Foods, Inc., Hazen First State Bank Hazen, AR, Bank of North Arkansas, Melbourne, AR, First National Bank of Stuttgart, Stuttgart, AR, Investark Bankshares, Inc., Stuttgart, AR, Carlisle Bankshares, Inc., Carlisle, AR, Tigermart, Inc. and Citizens Bank & Trust.
- (f) Mr. Hodges is a director of Worthen Banking Corporation, Little Rock, AR, and Newport Federal Savings and Loan Association.
- (g) Dr. Miller is a director of Worthen Bank & Trust Company, Little Rock, AR.
- (h) Mr. Murphy is a director of Arkansas Bank & Trust Company, Hot Springs, AR.
- (i) Mr. Nolan is a director of Murphy Oil Corporation and subsidiaries, First Financial Bank of El Dorado, El Dorado, AR, and First Commercial Corporation, Little Rock, AR.
- (j) Mr. Pugh is a director of Portland Bank, Portland Bankshares, Inc., Portland, AR, and Worthen National Bank of Pine Bluff, Pine Bluff, AR.
- (k) Mr. Wilson is a director of American State Bank, Osceola, AR.
- (l) Mr. Alexander is a director of First National Bank of Cleburne County, Heber Springs, AR.
- (m) Mr. Bemis is a director of Deposit Guaranty National Bank, Jackson, MS.
- (n) Mr. Hood is a director of First Guaranty Bank, Hammond, LA.
- (o) Mr. Shackelford is a director of Bastrop National Bank, Bastrop, LA.
- (p) Mr. Smith is a director of American Bank & Trust Company of Houma, Houma, LA, and American Bancshares, Inc., Houma, LA.
- (q) Mr. Campbell is a director of Bellsouth Corporation, Trustmark National Bank, Jackson, MS, and Trustmark Corporation, Jackson, MS.
- (r) Mr. Day is a director of Trustmark National Bank, Jackson, MS, Trustmark Corporation, Jackson, MS, Smith County Bank, Taylorsville, MS, Bank of Edwards, Edwards, MS, and South Central Bell Telephone Company.
- (s) Mr. Gillis is a director of Trustmark National Bank, Jackson, MS.
- (t) Mr. Kennington is a director of Grenada Sunburst System Corporation (Bank Holding Company), Grenada, MS, and Sunburst Bank, Grenada, MS.
- (u) Mr. Meiners is a director of Trustmark National Bank, Jackson, MS, and Trustmark Corporation, Jackson, MS.
- (v) Mr. Palmer is a director of Deposit Guaranty National Bank, Jackson, MS, and Mobile Telecommunication Technology (MTEL).

Item 11. *Executive Compensation*

ENTERGY

Information called for by this item concerning the directors and officers of Entergy is set forth under the heading "Executive Compensation" contained in the Proxy Statement of Entergy to be filed in connection with its Annual Meeting of Stockholders to be held on May 15, 1992, which information is incorporated herein by reference.

AP&L, LP&L, MP&L, NOPSI AND SYSTEM ENERGY

Cash Compensation Table

The table below includes each individual who was among the five most highly compensated executive officers of AP&L, LP&L, MP&L, NOPSI and System Energy based on aggregate compensation received from all System companies for services rendered in 1991.

Name of Individual	Principal Capacities in Which Served	Cash Compensation Year 1991	
		(1)	(2)
Michael B. Bemis	President, Chief Operating Officer and Secretary of MP&L	\$	362,348
James M. Cain	Vice Chairman of Entergy and Entergy Services; Chief Administrative Officer of Entergy Services; Chairman of the Board of LP&L and NOPSI; Chief Executive Officer of LP&L; Senior Vice President, System Executive, Louisiana Division of Entergy		543,036
William Cavanaugh, III	Senior Vice President, System Executive — Nuclear of Entergy and Entergy Services; Executive Vice President and Chief Nuclear Officer of AP&L and LP&L; President and Chief Executive Officer of System Energy and Entergy Operations		479,774
Glenn E. Harder	Vice President — Administrative Services and Regulatory Affairs of System Energy and Entergy Operations; Vice President — Financial Strategies of Entergy Services; Vice President — Accounting and Treasurer of System Energy and Entergy Operations		193,877
Donald C. Hintz	Senior Vice President — Nuclear of AP&L; Group Vice President — Nuclear of LP&L; Executive Vice President and Chief Operating Officer of Entergy Operations		305,115
Donald Hunter	Senior Vice President — Fossil Operations of AP&L, LP&L, MP&L, NOPSI and Entergy Services; President and Chief Executive Officer of System Fuels		363,543
R. Drake Keith	President, Chief Operating Officer and Secretary of AP&L		393,587
Edwin Lupberger	Chairman of the Board and Chief Executive Officer of Entergy, Entergy Services and Electec; Chairman of the Board of System Energy, Entergy Operations and Entergy Power		763,194

(Table continued on following page)

<u>Name of Individual</u>	<u>Principal Capacities in Which Served</u>	<u>Cash Compensation Year 1991 (1)-(2)</u>
Jerry L. Maulden	Group President, System Executive — Distribution and Customer Service of Entergy and Entergy Services; Chairman of the Board and Chief Executive Officer of AP&L, LP&L, MP&L and NPSI	658,904
Donald E. Meiners	President and Chief Operating Officer of LP&L and NPSI	356,779
Lee W. Randall	Vice President and Chief Accounting Officer of Entergy, AP&L, LP&L, MP&L, NPSI, System Entergy, Entergy Operations and Entergy Services; Senior Vice President — Finance and Administration and Chief Financial Officer of AP&L	279,840
Jerry J. Saacks	Vice President — Transmission of AP&L, LP&L, MP&L, NPSI and Entergy Services	224,115
Dan E. Stapp	Senior Vice President — Administration of Entergy Services; Secretary of Entergy, System Energy, Entergy Operations, Entergy Power, Entergy Services and System Fuels	201,105
48 Executive officers as a group (3)		\$10,048,049

- (1) As shown in the table, most executive officers are employed by several System companies. Allocation of such officers' salaries among the various companies is impracticable and would, in some cases, cause a given officer not to be included in the group of five most highly compensated for one or more companies and not reflect his actual level of compensation for services to the System. Accordingly, the amounts of cash compensation disclosed in the above table reflect aggregate amounts of compensation paid by all System companies to each such individual and to all executive officers as a group with respect to the year 1991.
- (2) Cash compensation includes amounts received, if any, pursuant to the Entergy System's various benefit plans (each of which is described below), and amounts deferred pursuant to Section 401(k) of the Internal Revenue Code, to the extent applicable. No payments of any kind were made during 1991 under the Equity Ownership Plan of Entergy Corporation and Subsidiaries.
- (3) This number includes all individuals who served as executive officers of AP&L, LP&L, MP&L, NPSI and System Energy, eliminating duplication for individuals serving several companies. The number of executive officers of each System operating company and System Energy was, for AP&L 18, LP&L 26, MP&L 17, NPSI 23 and System Energy 8. A total of 16 executive officers, including Mr. Stapp, retired or resigned from their positions with the System operating companies and System Energy in 1991. Other executive officers, including Messrs. Bemis, Cain, Harder, Meiners and Randall, resigned from some positions with the System companies and were elected to other positions with System companies during and subsequent to 1991. See Item 10, "Directors and Executive Officers of the Registrants" for information on the names of current executive officers and their positions with the various System companies.

Compensation paid to executive officers during 1991 other than cash and compensation pursuant to plans, as described below, did not exceed the minimum amounts required to be reported.

Board of Director's Fees

Directors of AP&L, LP&L, MP&L, and NPSI who are not employees of a System company are paid an attendance fee of \$1,000 for attendance at meetings of their respective Board of Directors and \$1,000 (except for the chairman of such committee who is paid \$1,500) for meetings of committees of

the Board. In addition, directors who are not employees of a System company are paid a fee of \$1,000 for participation, on behalf of their respective company, in any inspection trip or conference not held on the same day as a Board or committee meeting. All non-employee directors are also compensated on a quarterly basis in the form of fixed awards of Entergy common stock pursuant to the Stock Plan for Outside Directors (Directors Plan) and cash based on $\frac{1}{4}$ the value of the stock awarded pursuant to the Directors Plan. Effective May 17, 1991, the shareholders of Entergy approved the Directors Plan. The purpose of the Directors Plan is to enable AP&L, LP&L, MP&L, and NOPSI to attract and retain persons of outstanding competence to serve on their respective Board of Directors by paying such persons a portion of their compensation in the form of Entergy's common stock. Non-employee directors are awarded 50 shares of Entergy common stock quarterly, which may be authorized but unissued shares or shares acquired in the open market. System Energy has no non-employee directors.

ENTERGY SYSTEM BENEFIT PLANS

AP&L, LP&L, MP&L, NOPSI and System Energy participate in the benefit plans described below.

Private Ownership Vehicle Plan

AP&L, LP&L, MP&L, NOPSI and System Energy each has a Private Ownership Vehicle Plan (Vehicle Plan) whereby its executive officers, in lieu of the use of company-owned vehicles, may elect to use a privately-owned vehicle to facilitate company business. Those executive officers who have made such election received monthly cash payments based on the executive officer's position in the Entergy System. To the extent any personal benefits were paid by the System companies to executive officers under the Vehicle Plan, such amounts have been included in the amounts reported in the Cash Compensation Table.

Executive Incentive Compensation Program

AP&L, LP&L, MP&L, and NOPSI each participate in the Entergy Annual Incentive Plan (Annual Plan) designed to attract and to retain key executives of high ability and strengthen the extent to which such individuals identify with the goals of the Entergy System. Under the Annual Plan, System, company and individual performance goals are established annually. After one year, achievement of the goals is measured and awards are made. Awards under the Annual Plan are made in cash and individual participants may elect to defer any portion of such cash payments. No awards may be made under the Annual Plan if certain minimum performance goals are not met. The Annual Plan was in effect for 1991.

Under the 1991 Annual Plan, the maximum award that could have been paid to a participant if all performance goals had been achieved would have equaled a percentage of such participant's paid base salary as of January 1, 1991, with the exact percentage varying within a specified range for different participants. The aggregate award under the 1991 Annual Plan was based upon the System reaching pre-established performance levels with respect to specific stockholder earnings goals and customer cost containment goals for the year. Individual awards under the 1991 Annual Plan were based upon an assigned weighted average of these performance measures, with the specific relative percentage weight of such measures varying depending upon the individual. Eligible participants and specific performance goals were recommended by the Entergy Chief Executive Officer and submitted to both the Entergy Board of Directors and the appropriate participating System company's Board of Directors for approval. For the year 1991, incentive awards were paid in February 1992 to certain participants in the Annual Plan. Any amounts paid in 1991 by the System companies under the Annual Plan to the listed executive officers and to all executive officers as a group have been included in the amounts reported in the Cash Compensation Table.

Executive Financial Counseling Program

AP&L, LP&L, MP&L, NOPSI and System Energy each has an Executive Financial Counseling Program which provides that eligible senior officers may receive reimbursement for fees associated

with professional financial counseling services including financial advice, tax planning and forms preparation, retirement planning, estate planning, and will and trust preparation. In 1991, System companies reimbursed participating executive officers for fees paid by them under this program. Such amounts for listed executive officers and all executive officers as a group have been included in the Cash Compensation Table.

Executive Medical and Disability Plans

AP&L, LP&L, MP&L, NOPSI and System Energy each has executive medical and disability plans available for all executive officers. The executive medical plan provides 100% reimbursement of medical expenses as defined in certain sections of the Internal Revenue Code that are not paid by the general benefit plan, up to \$4,000 per year for the employee and family. At present, the System companies have arranged for insurance policies to provide such payments. The amounts paid by System companies for insurance premiums in 1991 for the benefit of each of the listed executive officers and all executive officers as a group have been included in the Cash Compensation Table. The disability plan provides that the respective System company will continue to pay an amount which, when combined with monthly payments from other sources such as the long-term disability plan, will provide total disability compensation equal to 65% of basic monthly salary.

Equity Ownership Plan

AP&L, LP&L, MP&L, NOPSI and System Energy adopted the Equity Ownership Plan of Entergy Corporation and Subsidiaries, effective July 1, 1991 (EOP) whereby certain officers and executive personnel have an opportunity to acquire shares of common stock of Entergy to more closely tie the interests of key employees to those of Entergy's stockholders and to reward effective leadership through the use of equity incentives. A maximum of 3,000,000 shares of Entergy common stock is available for awards under the plan, subject to adjustments due to stock dividends, stock splits, recapitalizations, mergers, consolidations or other reorganizations.

The EOP provides for several mechanisms for building the equity holdings of key employees. These mechanisms include (1) stock options, wherein participants are given the option to purchase shares of common stock of Entergy at a given price over an extended period (Options), (2) restricted shares, wherein participants are issued shares of common stock of Entergy with restrictions (Restricted Shares), which restrictions lapse upon the attainment of certain performance goals or targets and (3) equity awards wherein participants may be granted or permitted to purchase phantom stock or "equity" units with funds from the Annual Plan as described above (Equity Awards). The EOP is administered by the Entergy personnel committee and certain levels of officers and key employees are eligible to participate in the plan. For the year ended December 31, 1991, no Options, Restricted Shares or Equity Awards were granted and no payments of any kind were made.

Employee Stock Ownership Plan

Under the Employee Stock Ownership Plan of Entergy Corporation and Subsidiaries (ESOP), the System companies may contribute to a trustee an amount based on an additional 1% investment tax credit claimed for tax years 1977 through 1987, based on expenditures made prior to 1983. The ESOP was amended during 1990 to permit the System companies to contribute additional amounts based on an additional $\frac{1}{2}$ % investment tax credit claimed for the same period. All contributions would be made by System companies no later than 30 days following the time these credits are used in Entergy's tax returns. In order to take advantage of the additional $\frac{1}{2}$ % investment tax credit, eligible employees could elect to voluntarily contribute an amount up to the amount of such credit which must be deposited with a trustee and matched with System company contributions dollar for dollar. The trustee will use the funds to purchase common stock of Entergy, which will be allocated to the accounts of each eligible employee.

In addition, the ESOP was amended to allow participating System companies to make contributions unrelated to those for which the 1% and ½% investment tax credits are allowed. No contributions of this nature were made to the ESOP in 1991. However, investment tax credit-based contributions were made during 1991. Such amounts contributed to the ESOP by the System companies have been included in the amounts reported in the Cash Compensation Table.

Savings Plan of Entergy Corporation and Subsidiaries

The Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan) provides that eligible employees who elect to participate in the Savings Plan may contribute through payroll deductions on a before-tax, after-tax, or combination basis each payroll period from 1% to 6% of their base salary as basic contributions, and an additional 1% to 10% of their base salary as supplemental contributions (not in excess of the maximum dollar limitations prescribed under certain sections of the Internal Revenue Code). The employing System company contributes to the Savings Plan an amount equal to 50% of each participant's basic contribution for each month. A participant has an immediate fully vested interest in his basic and supplemental contributions and has a fully vested interest in System company matching contributions after 5 years of System service. The Savings Plan offers certain withdrawal options and a loan program to actively employed participants. Participants become eligible for distribution of contributions and the earnings therefrom in the form of a single sum distribution upon the participant's separation from System service. Vested amounts from contributions made by the System companies in 1991 under the Savings Plan for the accounts of the listed executive officers and all executive officers as a group have been included in the Cash Compensation Table.

Defined Contribution Restoration Plan

AP&L, LP&L, MP&L, NOPSI and System Energy each participate in the Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (Restoration Plan) for executive officers and certain other senior employees which provides benefits in dollar amounts for their employees substantially equivalent to all employer-provided benefits which would be provided under the Savings Plan and ESOP were it not for the limitations under certain sections of the Internal Revenue Code. Effective January 1, 1991, the Restoration Plan was amended to eliminate any continued benefits under the Restoration Plan which are attributable to limitations on benefits provided under the ESOP as the result of limitations set forth in the Internal Revenue Code. However, any benefits accrued by any participants in the Restoration Plan prior to January 1, 1991, including any benefits allocated to a participant's ESOP restoration account as of December 31, 1990, shall be maintained in accordance with the terms of the Restoration Plan in effect on December 31, 1990. The vested values of the benefits accrued by the System companies under the Restoration Plan during 1991 for the accounts of the listed executive officers and for all executive officers as a group have been included in the Cash Compensation Table.

The Retirement Income Plan

AP&L, LP&L, MP&L, NOPSI and System Energy each individually has a Retirement Income Plan (a defined benefit plan) which provides for a benefit for employees at retirement from the System based upon (1) all years of service between ages 21 and 65, with a 20 year maximum, times (2) 1.5% for each year of service, times (3) the final average salary. Final average salary is based on the highest 60 months of earned compensation in the last 120 months of service. The normal form of benefit for a single employee is a lifetime annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree. Retirement benefits are not subject to any deduction for Social Security or other offset amounts.

The maximum benefit under the retirement income plan is limited by Sections 401 and 415 of the Internal Revenue Code; however, the System companies have adopted pension equalization plans for those employees whose benefits would be affected by such limitations.

The following tabulation shows estimated annual benefits upon retirement to persons in specified compensation and years-of-service classifications payable pursuant to the retirement income and pension equalization plans:

Annual Covered Compensation	Years of Service			
	10	20	30	40
\$100,000	\$ 15,000	\$ 30,000	\$ 45,000	\$ 60,000
200,000	30,000	60,000	90,000	120,000
300,000	45,000	90,000	135,000	180,000
400,000	60,000	120,000	180,000	240,000
500,000	75,000	150,000	225,000	300,000
600,000	90,000	180,000	270,000	360,000

The numbers of credited years of service under the retirement income plan as of December 31, 1991 for the individuals named in the Cash Compensation Table (without giving effect to the five additional years of service credited pursuant to recent amendments to the retirement income plan described below) were: Mr. Bennett, 9 years; Mr. C... years; Mr. Cavanaugh, 22 years; Mr. Harder, 13 years; Mr. Hunter, 5 years; Mr. ... 8 years; Mr. Maulden, 26 years; Mr. Meiners, 31 years; Mr. Randall, 12 years; Mr. Saacks, 27 years; and Mr. Stapp, 32 years. Mr. Lupberger has entered into an agreement with Entergy whereby he is currently credited with 28 years of service for purposes of calculating his retirement income benefit. Mr. Hintz has entered into a Supplemental Credited Service agreement with System Energy whereby he is credited with 20 years of service for purposes of calculating his retirement income plan benefits. The amount of such individuals' annual compensation covered by the plan as of December 31, 1991 was substantially lower than the amount in the Cash Compensation Table, but was within the range specified in the pension table above.

Effective February 1, 1991, the retirement income plan was amended to allow eligible employees to take advantage of added retirement benefits. The amended plan provides a minimum accrued benefit calculated as of February 1, 1991 for any employee who is vested under the plan as of that date. For purposes of calculating such minimum accrued benefit, each eligible employee will be deemed to have 5 additional years of service and age. The additional years of age serve only to reduce the early retirement discount factor. In addition, during the period between March 7, 1991 and April 8, 1991, those employees who were between the ages of 55 and 61, inclusive, and had a minimum of 10 years of service, could have elected to retire on June 1, 1991 and receive a supplement to their retirement income which will continue until they become eligible for Social Security benefits.

The Post-Retirement and Supplemental Retirement Plans

In addition to the retirement income plans discussed above, AP&L, LP&L, P&L, NCPSI and System Energy have adopted the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries (SRP) and the Post-Retirement Plan of Entergy Corporation and Subsidiaries (PRP). Participation is limited to one of these two plans and is at the invitation of the System companies. The participant may receive from the appropriate System company a monthly benefit payment not in excess of .025 (under the SRP) or .0333 (under the PRP) times the participant's average basic annual salary (as defined in the plans) for a maximum of 120 months. Eligibility for and receipt of benefits under either of these plans are contingent upon several factors. The participant must agree that, without the specific consent of the System company, he may take no employment after retirement with any entity that is in competition with, or similar in nature to, the System company or any affiliate thereof. Eligibility for benefits is forfeitable for various reasons including violation of an agreement with the System company, resignation of employment or termination for cause. As of January 31, 1992, 24 executive officers, including the listed executive officers, have entered into PRP participation contracts, and 7 executive officers have entered into SRP participation contracts.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

(a) Entergy Corporation owns 100% of the outstanding common stock of registrants AP&L, LP&L, MP&L, NOPSI and System Energy. The information with respect to persons known by Entergy Corporation to be beneficial owners of more than 5% of Entergy Corporation's common stock is included under the heading "Voting Securities Outstanding" in the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders to be held May 15, 1992, which information is incorporated herein by reference. The registrants know of no contractual arrangements which may at a subsequent date result in a change in control of any of the registrants.

(b) The directors listed below and the directors and officers as a group for Entergy Corporation, AP&L, LP&L, MP&L, NOPSI and System Energy, respectively, beneficially owned directly or indirectly the following cumulative preferred stock of a System company and common stock of Entergy Corporation:

Name	As of December 31, 1991					
	Preferred Stock, \$100 Par Value		Preferred Stock, \$25 Par Value		Entergy Corporation Common Stock	
	Amount and Nature of Beneficial Ownership		Amount and Nature of Beneficial Ownership (A)		Amount and Nature of Beneficial Ownership (A)	
	Sole Voting and Investment Power (B)	Other Beneficial Ownership	Sole Voting and Investment Power (B)	Other Beneficial Ownership	Sole Voting and Investment Power (B)	Other Beneficial Ownership (C) (D)
Entergy Corporation						
W. Frank Blount	—	—	—	—	700	—
James B. Campbell	—	—	—	—	2,500	—
John A. Cooper, Jr.	6,000	—	—	—	5,150	—
Lrooke H. Duncan	—	—	—	—	460	—
Kaneaster Hodges Jr.	—	—	—	—	400	—
Edwin Lupberger	—	—	—	—	2,146	5,507 (F)
Adm. Kinnaird R. McKee	—	—	—	—	900	—
James R. Nichols	—	—	—	—	854	—
Robert D. Pugh	—	—	—	—	2,500	—
H. Duke Shackelford	—	—	—	—	6,200	3,500 (G)
Wm. Clifford Smith	—	—	—	—	900	—
Dr. Walter Washington	—	—	—	—	422	4,017 (H)
All directors and officers	6,000	—	—	—	46,328	52,616
AP&L						
William Cavanaugh, III	—	—	—	—	1,905	2,424
Cathy Cunningham	—	200 (I)	—	—	700	1,500 (I)
Richard P. Herget, Jr.	—	—	—	—	300	—
Tommy H. Hillman	—	—	—	—	—	200 (J)
Kaneaster Hodges, Jr.	—	—	—	—	400	—
Hal E. Hunter, Jr.	—	—	—	—	—	100 (H)
R. Drake Keith	—	—	—	—	300	3,095
Jack L. King	—	—	—	—	5,618	4,942
Edwin Lupberger	—	—	—	—	2,146	5,507 (F)
Jerry L. Maulden	—	—	—	—	12,772	15,476 (E)
Raymond P. Miller, Sr.	—	—	—	—	200	—
Roy L. Murphy	—	—	—	—	600	—
William C. Noian	—	—	—	—	100	—
Robert D. Pugh	—	—	—	—	2,500	—
Gus B. Walton, Jr.	—	—	—	—	19,927	—
Michael E. Wilson	—	—	—	—	100	—
All directors and officers	—	210	—	—	56,387	56,910
LP&L						
Michael B. Bemis	—	—	—	—	5,780	3,725
James M. Cain	—	—	—	—	214	7,657 (E)
William Cavanaugh, III	—	—	—	—	1,905	2,424
William K. Hood	400	—	—	—	1,750	—
Tex R. Kilpatrick	—	—	—	—	—	993 (K)
Jack L. King	—	—	—	—	5,618	4,942
Joseph J. Krebs, Jr.	—	—	—	—	220	—
Edwin Lupberger	—	—	—	—	2,146	5,507 (F)
Jerry L. Maulden	—	—	—	—	12,772	15,476 (E)
H. Duke Shackelford	—	—	—	—	6,200	3,500 (G)
Wm. Clifford Smith	—	—	—	—	900	—
All directors and officers	400	—	—	—	48,492	77,720

As of December 31, 1991

Name	Preferred Stock, \$100 Par Value		Preferred Stock, \$25 Par Value		Entergy Corporation Common Stock	
	Amount and Nature of Beneficial Ownership (A)		Amount and Nature of Beneficial Ownership (A)		Amount and Nature of Beneficial Ownership (A)	
	Sole Voting and Investment Power (B)	Other Beneficial Ownership	Sole Voting and Investment Power (B)	Other Beneficial Ownership	Sole Voting and Investment Power (B)	Other Beneficial Ownership (C) (D)
MP&L						
James B. Campbell	—	—	—	—	2,500	—
Frank R. Day	—	—	—	—	1,600	—
John O. Emmerich, Jr.	—	—	—	—	100	—
Norman B. Gillis, Jr.	—	—	—	—	100	—
Jack L. King	—	—	—	—	5,618	4,942
Edwin Lupberger	—	—	—	—	2,146	5,507(F)
Jerry L. Maulden	—	—	—	—	12,772	15,476(E)
Donald E. Meiners	—	—	—	—	100	3,448
John N. Palmer, Sr.	—	—	—	—	100	—
Clyda S. Rent	—	—	—	—	100	—
E. B. Robinson, Jr.	—	—	—	—	100	—
Dr. Walter Washington	—	—	—	—	422	4,017(H)
Robert M. Williams, Jr.	—	—	—	—	100	1,200(H)
All directors and officers	18	5	—	—	29,352	63,390
NOPSI						
Michael B. Bemis	—	—	—	—	5,780	3,725
James M. Cain	—	—	—	—	214	7,657(E)
Brooke H. Duncan	—	—	—	—	400	—
Jack L. King	—	—	—	—	5,618	4,942
Joseph J. Krebs, Jr.	—	—	—	—	220	—
Edwin Lupberger	—	—	—	—	2,146	5,507(F)
Jerry L. Maulden	—	—	—	—	12,772	15,476(E)
John B. Smallpage	—	—	—	—	100	—
Charles C. Teamer, Sr.	—	—	—	—	312	—
All directors and officers	—	—	—	—	38,549	69,950
System Energy						
James M. Cain	—	—	—	—	214	7,657(E)
William Cavanaugh, III	—	—	—	—	1,905	2,424
Edwin Lupberger	—	—	—	—	2,146	5,507(F)
Jerry L. Maulden	—	—	—	—	12,772	15,476(E)
All directors and officers	—	—	—	—	19,075	44,101

- (A) Based on information furnished by the respective individuals. The ownership amounts shown for each individual and for directors and officers as a group do not exceed one percent of the outstanding securities of any class of security so owned.
- (B) Include all shares which the individual has the sole power to vote and dispose of, or to direct the voting and disposition of.
- (C) Includes, for the named persons, shares of Entergy Corporation common stock held in the Employee Stock Ownership Plan of the registrants as follows: Michael B. Bemis, 338 shares; James M. Cain, 493 shares; William Cavanaugh, III, 620 shares; R. Drake Keith, 374 shares; Jack L. King, 226 shares; Edwin Lupberger, 434 shares; Jerry L. Maulden, 525 shares; Donald E. Meiners, 253 shares.
- (D) Includes, for the named persons, shares of Entergy Corporation common stock held in the Savings Plan as follows: Michael B. Bemis, 3,387 shares; James M. Cain, 6,526 shares; William Cavanaugh, III, 1,804 shares; R. Drake Keith, 2,721 shares; Jack L. King, 4,716 shares; Edwin Lupberger, 4,629 shares; Jerry L. Maulden, 8,277 shares; Donald E. Meiners, 3,195 shares.
- (E) Includes, for the named persons, shares of Entergy Corporation common stock held jointly with their spouses, in which voting and investment powers are shared: James M. Cain, 638 shares; and Jerry L. Maulden, 6,674 shares.
- (F) Reflects 444 shares held by Edwin Lupberger as custodian.

- (G) Shares held by H. Duke Shackelford's wife. Mr. Shackelford disclaims any personal interest in these shares.
- (H) Owned jointly with wife.
- (I) Reflects 1,000 shares of Entergy common stock and 200 shares of AP&L's 7.40% \$100 par value Preferred Stock owned by a Profit Sharing Plan at Cunningham Butane Gas Company and 500 shares of Entergy common stock not owned by Cathy Cunningham of which she has shared voting and investment power.
- (J) Reflects 200 shares owned by Tommy Hillman Farms, Inc.
- (K) Tex R. Kilpatrick is President of Central American Life Insurance Company which owns 993 shares of Entergy common stock.

Item 13. *Certain Relationships and Related Transactions.*

Information called for by this item concerning the directors and officers of Entergy Corporation is set forth under the heading "Certain Transactions" in the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders to be held on May 15, 1992, which information is incorporated herein by reference.

During 1991, the law firm of Hunter & Hunter provided legal services to AP&L. Payments by AP&L were not a material component of AP&L's total legal services expenditures and did not exceed five percent of the law firm's gross revenues for its last fiscal year. Mr. Hal Hunter, a director of AP&L, is a partner in the law firm.

During 1991, the law firm of Walker, Roaf, Campbell, Ivory & Dunklin, P.A. was on retainer for AP&L. Payments by AP&L were not a material component of AP&L's total legal services expenditures and did not exceed five percent of the law firm's gross revenues for its last fiscal year. Mr. Woodson D. Walker, a director of AP&L, is a partner in the law firm.

During 1991, various divisions of MISSCO Corporation sold electronic equipment, maintenance and office supplies to, and received payments of approximately \$231,000 from, certain of the subsidiary companies of Entergy Corporation. Of this amount, payments of approximately \$225,000 and \$4,900 were received from MP&L and System Energy, respectively. Mr. James B. Campbell, a director of Entergy Corporation and MP&L, is President and Chairman of the Board of MISSCO Corporation. Mr. Campbell owns approximately 5% and members of his immediate family own approximately 25% of the voting stock of MISSCO Corporation.

During 1991, T. Baker Smith & Son, Inc. performed land surveying services for, and received payments of approximately \$132,000 from, LP&L. Mr. Wm. Clifford Smith, a Director of Entergy Corporation and LP&L is President of T. Baker Smith & Son, Inc. Mr. Smith's children are the beneficiaries of seven trusts that own 100% of the voting stock of T. Baker Smith & Son, Inc.

The System companies do not have policies whereby transactions involving executive officers and directors and the System are approved by a majority of disinterested directors. However, pursuant to the Entergy Corporation Code of Conduct, transactions involving a System company and its executive officers must have prior approval by the next higher reporting level of that individual, and transactions involving a System company and its directors must be reported to the secretary of the appropriate System company.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

- (a)1. Financial Statements and Independent Auditors' Report, incorporated herein by reference, for Entergy Corporation, AP&L, LP&L, MP&L, NOPSI and System Energy are listed in the Index to Financial Statements (see pages 39 through 40)
- (a)2. Financial Statement Schedules
Independent Auditors' Report on Financial Statement Schedules, incorporated herein by reference (see page 294)
Financial Statement Schedules are listed in the Index to Financial Statement Schedules, incorporated herein by reference (see page S-1)
- (a)3. Exhibits
Exhibits for Entergy Corporation, AP&L, LP&L, MP&L, NOPSI and System Energy are listed in the Exhibit Index, incorporated herein by reference (see page E-1)
- (b) Reports on Form 8-K

Entergy Corporation and System Energy

A current report on Form 8-K, dated November 21, 1991 was filed with the SEC on December 17, 1991, reporting information under Item 5. "Other Events."

LP&L

A current report on Form 8-K, dated October 24, 1991, was filed with the SEC on November 7, 1991, reporting information under Item 7. "Financial Statements and Exhibits."

EXPERTS

All statements in Part I of this Annual Report on Form 10-K as to matters of law and legal conclusions, based on the belief or opinion of System Energy or any System operating co., any or otherwise, pertaining to the titles to properties, franchises and other operating rights of certain of the registrants filing this Annual Report on Form 10-K, and their subsidiaries, the regulations to which they are subject and any legal proceedings to which they are parties are made on the authority of Friday, Eldredge & Clark, 2000 First Commercial Building, 400 West Capitol, Little Rock, Arkansas, as to AP&L and as to Entergy Services in regards to flood litigation; Monroe & Lemann (A Professional Corporation), 201 St. Charles Avenue, Suite 3300, New Orleans, Louisiana, as to LP&L and NOPSI (not including litigation challenging the Council's February 4, 1988 prudence resolution as to NOPSI's involvement with Grand Gulf 1); Wise Carter Child & Caraway, Professional Association, Heritage Building, Jackson, Mississippi, as to MP&L and System Energy; and Jones, Walker, Waechter, Poitevent, Carrere and Denegre, 201 St. Charles Avenue, New Orleans, Louisiana, as to litigation challenging the Council's February 4, 1988 prudence resolution as to NOPSI's involvement with Grand Gulf 1 and the 1991 NOPSI Settlement.

The statements as to matters of law and legal conclusions with respect to legal proceedings with respect to NOPSI referred to under Item 1 — "Business — Regulation and Litigation — Other Regulation and Litigation" have been prepared under the supervision of, and reviewed by, Thomas O. Lind, Esq., Vice President — Regulatory Counsel, Secretary and Assistant Treasurer of NOPSI, and such statements are included herein upon his authority as an expert.

ENTERGY CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENTERGY CORPORATION

By EDWIN LUPBERG JR.
Edwin Lupberger, Chairman of the Board,
Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>EDWIN LUPBERG</u> Edwin Lupberger	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. MCINVALLE</u> Gerald D. McInvale	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randall	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>W. FRANK BLOUNT</u> W. Frank Blount	} Directors	March 16, 1992
<u>JAMES B. CAMPBELL</u> James B. Campbell		
<u>JOHN A. COOPER, JR.</u> John A. Cooper, Jr.		
<u>BROOKE H. DUNCAN</u> Brooke H. Duncan		
<u>Lucie J. Fjeldstad</u>		
<u>KANEASTER HODGES, JR.</u> Kaneaster Hodges, Jr.		
<u>Robert v.d. Luft</u>		
<u>KINNAIRD R. MCKEE</u> Kinnaird R. McKee		
<u>JAMES R. NICHOLS</u> James R. Nichols		
<u>ROBERT D. PUGH</u> Robert D. Pugh		
<u>H. DUKE SHACKELFORD</u> H. Duke Shackelford		
<u>WM. CLIFFORD SMITH</u> Wm. Clifford Smith		
<u>Walter Washington</u>		

ARKANSAS POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ARKANSAS POWER & LIGHT COMPANY

By JERRY L. MAULDEN
 Jerry L. Maulden, Chairman of the Board,
 Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>JERRY L. MAULDEN</u> Jerry L. Maulden	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. MCINVALE</u> Gerald D. McInvale	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randall	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>WILLIAM CAVANAUGH, III</u> William Cavanaugh, III	} Directors	March 16, 1992
<u>CATHY CUNNINGHAM</u> Cathy Cunningham		
<u>RICHARD P. HERGET, JR.</u> Richard P. Herget, Jr.		
<u>TOMMY H. HILLMAN</u> Tommy H. Hillman		
<u>KANEASTER HODGES, JR.</u> Kaneaster Hodges, Jr.		
<u>Hal E. Hunter, Jr.</u>		
<u>R. DRAKE KEITH</u> R. Drake Keith		

<u>Signature</u>	<u>Title</u>	<u>Date</u>
JACK L. KING Jack L. King		
EDWIN LUPBERGER Edwin Lupberger		
RAYMOND P. MILLER, SR. Raymond P. Miller, Sr.		
ROY L. MURPHY Roy L. Murphy		
WILLIAM C. NOLAN, JR. William C. Nolan, Jr.	Directors	March 16, 1992
ROBERT D. PUGH Robert D. Pugh		
WOODSON D. WALKER Woodson D. Walker		
GUS B. WALTON, JR. Gus B. Walton, Jr.		
MICHAEL E. WILSON Michael E. Wilson		

LOUISIANA POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

LOUISIANA POWER & LIGHT COMPANY

BY JERRY L. MAULDEN
 Jerry L. Maulden, Chairman of the Board,
 Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>JERRY L. MAULDEN</u> Jerry L. Maulden	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. McINVALE</u> Gerald D. McInval	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randall	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>MICHAEL B. BEMIS</u> Michael B. Bemis	} Directors	March 16, 1992
<u>JAMES M. CAIN</u> James M. Cain		
<u>WILLIAM CAVANAUGH, III</u> William Cavanaugh, III		
<u>WILLIAM K. HOOD</u> William K. Hood		
<u>TEX R. KILPATRICK</u> Tex R. Kilpatrick		
<u>JACK L. KING</u> Jack L. King		
<u>JOSEPH J. KREBS, JR.</u> Joseph J. Krebs, Jr.		
<u>EDWIN LUPBERGER</u> Edwin Lupberger		
<u>H. DUKE SHACKELFORD</u> H. Duke Shackelford		
<u>WM. CLIFFORD SMITH</u> Wm. Clifford Smith		

MISSISSIPPI POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER & LIGHT COMPANY

By JERRY L. MAULDEN
Jerry L. Maulden, Chairman of the Board,
Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>JERRY L. MAULDEN</u> Jerry L. Maulden	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. MCINVALE</u> Gerald D. McInvale	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randall	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>JAMES B. CAMPBELL</u> James B. Campbell	} Directors	March 16, 1992
<u>FRANK R. DAY</u> Frank R. Day		
<u>JOHN O. EMMERICH, JR.</u> John O. Emmerich, Jr.		
<u>NORMAN B. GILLIS, JR.</u> Norman B. Gillis, Jr.		

<u>Signature</u>	<u>Title</u>	<u>Date</u>
ROBERT E. KENNINGTON, II Robert E. Kennington, II	Directors	March 16, 1992
JACK L. KING jack L. King		
EDWIN LUPBERGER Edwin Lupberger		
DONALD E. MEINERS Donald E. Meiners		
JOHN N. PALMER John N. Palmer		
CLYDA S. RENT Clyda S. Rent		
E. B. ROBINSON, JR. E. B. Robinson, Jr.		
WALTER WASHINGTON Walter Washington		
ROBERT M. WILLIAMS, JR. Robert M. Williams, Jr.		

NEW ORLEANS PUBLIC SERVICE INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

NEW ORLEANS PUBLIC SERVICE INC.

By JERRY L. MAULDEN
 Jerry L. Maulden, Chairman of the Board,
 Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>JERRY L. MAULDEN</u> Jerry L. Maulden	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. MCINVALLE</u> Gerald D. McInvale	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randal	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>MICHAEL B. BEMIS</u> Michael B. Bemis	} Directors	March 16, 1992
<u>JAMES M. CAIN</u> James M. Cain		
<u>BROOKE H. DUNCAN</u> Brooke H. Duncan		
<u>JACK L. KING</u> Jack L. King		
<u>JOSEPH J. KREBS, JR.</u> Joseph J. Krebs, Jr.		
<u>EDWIN LUPBERGER</u> Edwin Lupberger		
<u>ANNE M. MILLING</u> Anne M. Milling		
<u>JOHN B. SMALLPAGE</u> John B. Smallpage		
<u>CHARLES C. TEAMER, SR.</u> Charles C. Teamer, Sr.		

SYSTEM ENERGY RESOURCES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company.

SYSTEM ENERGY RESOURCES, INC.

By WILLIAM CAVANAUGH, III
 William Cavanaugh, III, President,
 Chief Executive Officer and Director

Date: March 16, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>WILLIAM CAVANAUGH, III</u> William Cavanaugh, III	President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1992
<u>GERALD D. MCINVALE</u> Gerald D. McInvale	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1992
<u>LEE W. RANDALL</u> Lee W. Randall	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 16, 1992
<u>JAMES M. CAIN</u> James M. Cain	} Directors	March 16, 1992
<u>EDWIN LUPBERGER</u> Edwin Lupberger		
<u>JERRY L. MAULDEN</u> Jerry L. Maulden		

CONSENT OF EXPERTS

We consent to the incorporation by reference in Registration Statement No. 2-75422 of Entergy Corporation on Form S-8, and the related Prospectus, of our reports dated February 14, 1992, appearing in this Annual Report on Form 10-K of Entergy Corporation for the year ended December 31, 1991.

We also consent to the incorporation by reference in Registration Statement No. 33-36149 of Arkansas Power & Light Company on Form S-3, and the related Prospectus, pertaining to the sale of First Mortgage Bonds and/or Preferred Stock, of our reports dated February 14, 1992, appearing in this Annual Report on Form 10-K of Arkansas Power & Light Company for the year ended December 31, 1991.

We also consent to the incorporation by reference in Registration Statements Nos. 33-33607, 33-46055 and 33-39221 of Louisiana Power & Light Company on Form S-3, and the related Prospectuses, pertaining to the sale of First Mortgage Bonds and Preferred Stock, of our reports dated February 14, 1992, appearing in this Annual Report on Form 10-K of Louisiana Power & Light Company for the year ended December 31, 1991.

DELOITTE & TOUCHE
New Orleans, Louisiana
March 16, 1992

CONSENT OF EXPERTS

We consent to the reference to our firm under the heading "Experts" in this Annual Report on Form 10-K. We further consent to the incorporation by reference of such reference to our firm into AP&L's Registration Statement (Form S-3, File No. 33-36149) and related Prospectus, pertaining to AP&L's First Mortgage Bonds and/or its Preferred Stock.

Very truly yours,

FRIDAY, ELDREDGE & CLARK

Date: March 16, 1992

CONSENT OF EXPERTS

We consent to the reference to our firm under the heading "Experts" in this Annual Report on Form 10-K. We further consent to the incorporation by reference of such reference to our firm into LP&L's Registration Statements (Form S-3, File Nos. 33-33607, 33-46085 and 33-39221) and the related Prospectuses, pertaining to LP&L's First Mortgage Bonds and Preferred Stock.

Very truly yours,

MONROE & LEMANN

Date: March 16, 1992

CONSENT OF EXPERTS

We consent to the reference to our firm under the heading "Experts" in this Annual Report on Form 10-K.

Very truly yours,

WISE CARTER CHILD & CARAWAY
Professional Association

By ROBERT B. MCGEHEE
Robert B. McGehee

Date: March 16, 1992

CONSENT OF EXPERT

I consent to the use of my name under the heading "Experts" in this Annual Report on Form 10-K.

Very truly yours,

Thomas O. Lind

Date: March 16, 1992

CONSENT OF EXPERTS

We consent to the reference to our firm under the heading "Experts" in this Annual Report on Form 10-K.

Very truly yours,

JONES, WALKER, WAECHTER,
POITEVENT, CARRERE &
DENEGRÉ

By R. LEWIS MCHENRY
R. Lewis McHenry

Date: March 16, 1992

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

To the Shareholders and the Board of Directors
of Entergy Corporation:

We have audited the consolidated financial statements of Entergy Corporation and subsidiaries and the financial statements of Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service Inc., and System Energy Resources, Inc. as of December 31, 1991 and 1990, and for each of the three years in the period ended December 31, 1991, and have issued our reports thereon dated February 14, 1992 (which report as to System Energy Resources, Inc. includes an explanatory paragraph as to an uncertainty resulting from a regulatory proceeding); such reports are included elsewhere in this Form 10-K. Our audits also included the financial statement schedules of these companies, listed in Item 14(a)2. These financial statement schedules are the responsibility of the companies' managements. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE
February 14, 1992
New Orleans, Louisiana

INDEX TO FINANCIAL STATEMENT SCHEDULES

<u>Schedule</u>		<u>Page</u>
III	Financial Statements of Entergy Corporation:	
	Balance Sheets — December 31, 1991 and 1990	S-2
	Statements of Income (Loss) — For the Years Ended December 31, 1991, 1990 and 1989	S-3
	Statements of Retained Earnings and Paid-In Capital — For the Years Ended December 31, 1991, 1990 and 1989	S-4
	Statements of Cash Flows — For the Years Ended December 31, 1991, 1990 and 1989	S-5
V	Utility Plant	
	1991, 1990 and 1989:	
	Entergy Corporation and Subsidiaries	S-6
	Arkansas Power & Light Company	S-9
	Louisiana Power & Light Company	S-11
	Mississippi Power & Light Company	S-12
	New Orleans Public Service Inc.	S-13
	System Energy Resources, Inc.	S-14
VI	Accumulated Depreciation and Amortization of Property	
	1991, 1990 and 1989:	
	Entergy Corporation and Subsidiaries	S-15
	Arkansas Power & Light Company	S-18
	Louisiana Power & Light Company	S-20
	Mississippi Power & Light Company	S-21
	New Orleans Public Service Inc.	S-22
	System Energy Resources, Inc.	S-23
VIII	Valuation and Qualifying Accounts	
	1991, 1990 and 1989:	
	Entergy Corporation and Subsidiaries	S-24
	Arkansas Power & Light Company	S-25
	Louisiana Power & Light Company	S-26
	Mississippi Power & Light Company	S-27
	New Orleans Public Service Inc.	S-28
X	Supplementary Income Statement Information	
	1991, 1990 and 1989:	
	Entergy Corporation and Subsidiaries	S-29
	Arkansas Power & Light Company	S-30
	Louisiana Power & Light Company	S-31
	Mississippi Power & Light Company	S-32
	New Orleans Public Service Inc.	S-33
	System Energy Resources, Inc.	S-34

Schedules other than those listed above are omitted because they are either not required, not applicable or the required information is shown in the financial statements or notes thereto.

Columns omitted from schedules filed have been omitted because the information is not applicable.

ENTERGY CORPORATION
SCHEDULE III — FINANCIAL STATEMENTS OF ENTERGY CORPORATION
BALANCE SHEETS
Years Ended December 31, 1991 and 1990
(In Thousands)

ASSETS

	<u>1991</u>	<u>1990</u>
Investments in Wholly-owned Subsidiaries	\$4,113,950	\$3,736,105
Current Assets:		
Cash and cash equivalents:		
Cash	—	650
Temporary cash investments:		
Associated companies	889	6,772
Other	<u>5,843</u>	<u>261,767</u>
Total cash and cash equivalents	6,732	269,189
Other temporary investments	131,663	157,018
Accounts receivable	2,625	998
Interest receivable	5,794	9,781
Dividends receivable from subsidiary	—	4,453
Other	<u>17,144</u>	<u>16,030</u>
Total	<u>163,958</u>	<u>457,469</u>
Deferred Debits	<u>20,648</u>	<u>17,502</u>
Total	<u>\$4,298,556</u>	<u>\$4,211,076</u>

LIABILITIES

Capitalization:		
Common stock, \$5 par value, authorized 500,000,000 shares:		
issued and outstanding 178,809,292 shares in 1991 and 185,257,192		
shares in 1990	\$ 894,046	\$ 926,286
Paid-in capital	1,370,527	1,419,883
Retained earnings	<u>1,943,298</u>	<u>1,775,000</u>
Total common shareholders' equity	<u>4,207,871</u>	<u>4,121,169</u>
Current Liabilities:		
Accounts payable:		
Associated companies	9,031	9,220
Other	28,080	26,924
Interest payable	5,388	5,256
Other current liabilities	<u>1,262</u>	<u>1,515</u>
Total	<u>43,761</u>	<u>42,915</u>
Deferred Credits	<u>46,924</u>	<u>46,992</u>
Total	<u>\$4,298,556</u>	<u>\$4,211,076</u>

Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8 are incorporated herein by reference.

ENTERGY CORPORATION

SCHEDULE III — FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF INCOME (LOSS)

For the Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

	<u>1991</u>	<u>1990</u>	<u>1989</u>
Income:			
Equity in income (loss) of subsidiaries	\$471,250	\$473,307	\$(465,948)
Interest on temporary investments	39,664	48,544	49,162
Total	<u>510,914</u>	<u>521,851</u>	<u>(416,786)</u>
Expenses and Other Deductions:			
Administrative and general expenses	27,422	39,970	53,524
Income taxes	93	2,891	(13,085)
Taxes other than income	1,156	645	10,024
Interest	211	27	5,336
Total	<u>28,882</u>	<u>43,533</u>	<u>55,799</u>
Net Income (Loss)	<u>\$482,032</u>	<u>\$478,318</u>	<u>\$(472,585)</u>

Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8 are incorporated herein by reference.

ENTERGY CORPORATION

SCHEDULE III — FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL

For the Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

RETAINED EARNINGS

	<u>1991</u>	<u>1990</u>	<u>1989</u>
Retained Earnings, January 1	\$1,775,000	\$1,636,254	\$2,310,242
Add — Net Income (Loss)	482,032	478,318	(472,585)
Total	<u>2,257,032</u>	<u>2,114,572</u>	<u>1,837,657</u>
Deduct:			
Dividends declared on common stock	228,555	206,167	184,123
Common stock retirements	80,009	131,962	5,730
Capital stock and other expenses	5,170	1,443	11,542
Total	<u>313,734</u>	<u>339,572</u>	<u>201,403</u>
Retained Earnings, December 31	<u>\$1,943,298</u>	<u>\$1,775,000</u>	<u>\$1,636,254</u>

PAID-IN CAPITAL

Paid-in Capital January 1	\$1,419,883	\$1,563,313	\$1,567,781
Add — Gain on reacquisition of preferred stock		75	48
Deduct — Common stock retirements	<u>49,391</u>	<u>143,505</u>	<u>4,516</u>
Paid-in Capital, December 31	<u>\$1,370,527</u>	<u>\$1,419,883</u>	<u>\$1,563,313</u>

Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8 are incorporated herein by reference.

ENTERGY CORPORATION

SCHEDULE III — FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

	1991	1990	1989
Operating Activities:			
Net income (loss)	\$ 482,032	\$ 478,318	\$(472,585)
Noncash items included in net income (loss):			
Equity in earnings of subsidiaries	(471,250)	(473,307)	465,948
Deferred income taxes	(3,146)	—	(17,500)
Changes in working capital:			
Receivables	6,812	(135)	(7,014)
Payables	1,099	19,401	21,032
Other working capital accounts	(1,368)	(15,288)	143
Common stock dividends received	231,537	545,226	272,932
Other	(4,259)	11,584	35,000
Net cash flow provided by operating activities	<u>241,457</u>	<u>565,799</u>	<u>297,956</u>
Investing Activities:			
Change in investment in subsidiaries	(114,650)	13,995	—
Investment in other temporary investments	25,355	(157,018)	—
Advance to subsidiary	(24,163)	(148,890)	—
Net cash flow used by investing activities	<u>(113,458)</u>	<u>(291,913)</u>	<u>—</u>
Financing Activities:			
Common stock dividends paid	(228,816)	(205,793)	(183,834)
Retirement of common stock	(161,640)	(369,140)	(13,201)
Net cash flow used by financing activities	<u>(390,456)</u>	<u>(574,933)</u>	<u>(197,035)</u>
Net increase (decrease) in cash and cash equivalents	(262,457)	(301,047)	100,921
Cash and cash equivalents at beginning of period	269,189	570,236	469,315
Cash and cash equivalents at end of period	<u>\$ 6,732</u>	<u>\$ 269,189</u>	<u>\$ 570,236</u>

Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8 are incorporated herein by reference.

ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V—UTILITY PLANT

Year Ended December 31, 1991

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Note 3)	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes— Debits (Credits) (Note 2)	Balance at End of Period
Electric Utility Plant:					
Intangible	\$ 48,362	\$ 17,996	\$ 240	—	\$ 66,118
Production	8,900,671	96,732	26,249	\$(15,630)	8,955,524
Transmission	1,290,481	75,112	1,794	(26)	1,363,773
Distribution	2,577,101	160,656	22,703	3	2,715,057
General (Note 4)	288,044	295	8,925	15,619	295,033
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 1)	660,291	2,798	939	—	662,150
Plant held for future use	39,426	1,053	365	7,728	47,842
Natural Gas:					
Intangible	141	236	—	—	377
Transmission	6,500	(12)	—	—	6,488
Distribution	88,435	4,326	296	—	92,467
General	6,078	(316)	132	—	5,630
Construction Work in Progress ..	305,858	3,721	—	(3,693)	305,916
Nuclear Fuel	373,016	124,717	208,547	950	290,136
Plant Acquisition Adjustments ...	1,763	—	—	(396)	1,367
Total Utility Plant	\$14,591,341	\$487,314	\$270,190	\$ 4,555	\$14,813,020

Notes:

- (1) Includes amounts associated with the Grand Gulf 1 and Waterford 3 sale and leaseback transactions
- (2) Transfers among functional groups of accounts \$ 15,802
 Amortization of plant acquisition adjustments \$ (396)
 Transfer to preliminary survey and investigation charges (3,693)
 State sales tax and related interest paid under protest 950
 FERC Complaint Case Settlement 7,694
 Total \$ 4,555
- (3) Depreciation is computed on a straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.0% in 1991.
- (4) Lease reclassification \$(27,393)

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V—UTILITY PLANT

Year Ended December 31, 1990

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Notes 1 and 4)	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes— Debits— (Credits) (Note 2)	Balance at End of Period
Electric Utility Plant:					
Intangible	\$ 40,574	\$ 7,788	—	—	\$ 48,362
Production	8,820,924	93,798	\$ 39,626	\$ 25,575	8,900,671
Transmission	1,254,880	40,929	5,187	(141)	1,290,481
Distribution	2,456,936	145,213	25,152	104	2,577,101
General	256,015	38,719	6,728	38	288,044
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 3)	655,212	5,121	42	—	660,291
Plant held for future use	40,886	1,015	—	(2,475)	39,426
Natural Gas:					
Intangible	141	—	—	—	141
Transmission	5,601	899	—	—	6,500
Distribution	86,742	2,177	484	—	88,435
General	6,291	48	261	—	6,078
Construction Work in					
Progress	240,808	62,325	—	2,755	305,888
Nuclear Fuel	425,185	104,076	157,737	1,492	373,016
Plant Acquisition					
Adjustments	1,403	788	—	(428)	1,763
Total Utility Plant ..	\$14,296,742	\$502,896	\$235,217	\$ 26,920	\$14,591,341

Notes:

(1) All intangibles identifiable in the accounts are set forth above.

(2) Transfers among functional groups of accounts	\$ 134
Amortization of plant acquisition adjustments	\$ (428)
Transfer to non-utility plant	(1,324)
Transfer to preliminary survey and investigation charges	2,755
State sales tax and related interest paid under protest	1,492
Adjustment to the 1989 retirement of the sold portions of Waterford 3	25,576
Transfer from plant held for future use to appropriate accounts	(1,151)
Total	\$ 26,920

(3) Includes amounts associated with the Grand Gulf 1 and Waterford 3 sale and leaseback transactions.

(4) Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.1% in 1990.

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V - UTILITY PLANT
 Year Ended December 31, 1989
 (In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Notes 1 and 5)	Balance at Beginning of Period	Additions at Cost	Retirement or Sales	Other Changes— Debits (Credits) (Note 2)	Balance at End of Period
Electric Utility Plant:					
Intangible	\$ 42,386	\$ (39)	—	\$ (1,773)	\$ 40,574
Production (Note 3)	8,989,060	115,636	\$267,301	(16,471)	8,820,924
Transmission	1,223,054	34,734	2,466	(442)	1,254,850
Distribution	2,349,418	128,417	21,341	442	2,456,936
General	246,942	17,150	8,019	(58)	256,015
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 4)	434,993	223,311	3,092	—	655,212
Plant held for future use	30,712	—	320	(9,506)	40,886
Natural Gas:					
Intangible	96	45	—	—	141
Transmission	5,603	13	15	—	5,601
Distribution	83,879	3,117	254	—	86,742
General	6,364	58	131	—	6,291
Construction Work in					
Progress	170,265	73,097	—	(2,554)	240,808
Nuclear Fuel	491,508	26,453	186,318	(6,458)	425,185
Plant Acquisition					
Adjustments	531	—	—	(428)	1,403
Total Utility Plant	\$14,101,255	\$721,992	\$489,257	\$(37,248)	\$14,296,742

Notes:

- (1) All intangibles in the accounts are set forth above.
- (2) Transfers among functional groups of accounts

Amortization of plant acquisition adjustments	\$ 5,595
Transfers to non-utility plant	\$ (428)
Council disallowance of Waterford 3 cost	(20,130)
Amortization of nuclear fuel	(5,907)
Transfer to preliminary survey and investigation charges	(6,458)
Acquisition adjustment applicable to Independence Station per FERC Audit	(3,832)
Transfer of suspended construction project costs to appropriate accounts	(7,347)
Transfer of suspended construction project costs to appropriate accounts	6,854
Total	\$(37,248)

- (3) Retirements include \$244,507 representing the sold portions of Waterford 3 that were retired at original cost.
- (4) Includes amounts associated with the Grand Gulf 1 and Waterford 3 sale and leaseback transactions.
- (5) Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximated 3.1% in 1989.

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT
 Years Ended December 31, 1991, 1990 and 1989
 (In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales (Note 3)	Other Changes—Debits (Credits) (Notes 1 and 2)	Balance at End of Period
Year ended December 31, 1991					
Electric Utility Plant:					
Intangible	\$ 47,007	\$ 17,941	—	—	\$ 64,948
Production	2,060,032	45,319	\$ 6,719	—	2,098,632
Transmission	625,244	12,214	530	—	636,928
Distribution	1,022,421	66,419	9,180	—	1,079,660
General (Note 4)	130,685	(11,148)	2,926	—	119,463
Plant held for future use	6,625	—	—	—	6,625
Construction Work in Progress ..	138,185	1,588	—	—	139,773
Nuclear Fuel	151,793	34,883	64,987	—	121,689
Plant Acquisition Adjustments ..	387	—	—	\$ (47)	340
Total Utility Plant	<u>\$4,182,379</u>	<u>\$167,216</u>	<u>\$ 84,342</u>	<u>\$ (47)</u>	<u>\$4,265,206</u>
Year ended December 31, 1990					
Electric Utility Plant:					
Intangible	\$ 40,511	\$ 6,496	—	—	\$ 47,007
Production	2,234,414	38,678	\$213,060	—	2,060,032
Transmission	621,693	7,109	3,463	\$ (95)	625,244
Distribution	970,803	62,743	11,220	95	1,022,421
General	131,096	11,492	11,903	—	130,685
Plant held for future use	7,948	1	—	(1,324)	6,625
Construction Work in Progress ..	90,125	48,060	—	—	138,185
Nuclear Fuel	168,115	42,772	59,094	—	151,793
Plant Acquisition Adjustments ..	434	—	—	(47)	387
Total Utility Plant	<u>\$4,265,139</u>	<u>\$217,351</u>	<u>\$298,740</u>	<u>\$ (1,371)</u>	<u>\$4,182,379</u>

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

(Continued)

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 1-2)	Balance at End of Period
Year ended December 31, 1989					
Electric Utility Plant:					
Intangible	\$ 42,323	\$ (39)	—	\$ (1,773)	\$ 40,511
Production	2,190,372	48,460	\$ 1,247	(3,171)	2,234,414
Transmission	610,648	11,460	500	85	621,693
Distribution	920,832	58,969	8,913	(85)	970,803
General	127,838	3,619	304	(51)	131,096
Plant held for future use	3,024	—	—	4,924	7,948
Construction Work in Progress	75,357	14,738	—	—	90,125
Nuclear Fuel	162,942	53,135	47,962	—	168,115
Plant Acquisition Adjustments, ...	480	—	—	(46)	434
Total Utility Plant	<u>\$4,133,846</u>	<u>\$190,356</u>	<u>\$58,926</u>	<u>\$ (117)</u>	<u>\$4,265,139</u>

Notes:

	1991	1990	1989
(1) Transfer among functional groups of accounts	—	\$ 95	\$5,009
(2) Amortization of plant acquisition adjustments	\$ (47)	\$ (47)	\$ (46)
Transfers to non-utility plant	—	(1,324)	(71)
Total	<u>\$ (47)</u>	<u>\$ (1,371)</u>	<u>\$ (117)</u>
(3) Includes amounts reflecting the sale of property to Entergy Power, Inc.	—	\$215,206	—
Transfer to Entergy Services from General plant	\$ 2,808	—	—
Total	<u>\$ 2,808</u>	<u>\$215,206</u>	<u>—</u>
(4) Lease reclassifications	<u>\$(17,638)</u>	—	—

LOUISIANA POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 1-2)	Balance at End of Period
Year ended December 31, 1991					
Electric Utility Plant:					
Intangible	\$ 1,034	\$ 16	\$ 240	—	\$ 810
Production	2,930,598	32,330	5,465	\$ (30)	2,937,433
Transmission	322,982	26,740	493	8	349,237
Distribution	986,725	66,072	8,153	3	1,044,647
General (Note 5)	69,240	5,937	683	19	74,513
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 4)	221,792	1,945	—	—	223,740
Plant held for future use	114	—	—	—	114
Construction Work in Progress	101,752	(4,105)	—	(3,693)	93,954
Nuclear Fuel	86,869	8,556	32,353	950	64,022
Plant Acquisition Adjustments	179	—	—	(167)	12
Total Utility Plant	<u>\$4,726,429</u>	<u>\$137,494</u>	<u>\$ 47,387</u>	<u>\$ (2,910)</u>	<u>\$4,813,626</u>
Year ended December 31, 1990					
Electric Utility Plant:					
Intangible	\$ 63	\$ 971	—	—	\$ 1,034
Production	2,883,950	39,078	\$ 18,006	\$ 25,576	2,930,598
Transmission	298,496	27,463	2,930	(47)	322,982
Distribution	944,919	51,658	9,861	9	986,725
General	52,318	16,984	100	38	69,240
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 4)	219,971	1,821	—	—	221,792
Plant held for future use	114	—	—	—	114
Construction Work in Progress	112,954	(13,957)	—	2,755	101,752
Nuclear Fuel	104,615	29,146	48,384	1,492	86,869
Plant Acquisition Adjustments	379	—	—	(200)	179
Total Utility Plant	<u>\$4,622,923</u>	<u>\$153,164</u>	<u>\$ 79,281</u>	<u>\$ 29,623</u>	<u>\$4,726,429</u>
Year ended December 31, 1989					
Electric Utility Plant:					
Intangible	\$ 63	—	—	—	\$ 63
Production (Note 3)	3,124,744	\$ 9,939	\$244,832	\$ (5,901)	2,883,950
Transmission	298,394	2,706	84	(520)	298,496
Distribution	910,409	42,285	8,295	520	944,919
General	54,815	3,767	6,258	(6)	52,318
Leased to others	5,144	—	—	—	5,144
Leased from others (Note 4)	—	219,971	—	—	219,971
Plant held for future use	20,173	—	—	(20,059)	114
Construction Work in Progress	39,771	77,015	—	(3,832)	112,954
Nuclear Fuel	91,989	64,281	45,197	(6,458)	104,615
Plant Acquisition Adjustments	579	—	—	(200)	379
Total Utility Plant	<u>\$4,544,081</u>	<u>\$419,964</u>	<u>\$304,666</u>	<u>\$ (36,456)</u>	<u>\$4,622,923</u>

Notes:

	1991	1990	1989
(1) Transfers among functional groups of accounts	\$ 30	\$ 47	\$ 526
(2) Amortization of plant acquisition adjustments	\$ (167)	\$ (200)	\$ (200)
Transfers to nonutility plant	—	—	(20,059)
Council disallowance of Waterford 3 cost	—	—	(5,907)
Amortization of nuclear fuel	—	—	(6,458)
Transfer from (to) preliminary survey and investigation charges	(3,693)	2,755	(3,832)
Adjustment to the 1989 retirement of the sold portions of Waterford 3	—	25,576	—
State sales tax and related interest paid under protest	950	1,492	—
Total	<u>\$ (2,910)</u>	<u>\$ 29,623</u>	<u>\$ (36,456)</u>
(3) Retirements include \$244,507 representing the sold portions of Waterford 3 that were retired at original cost.			
(4) Includes amounts associated with the portion of Waterford 3 placed under lease.			
(5) Lease re-classifications	<u>\$ (6,154)</u>	<u>—</u>	<u>—</u>

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 1-2)	Balance at End of Period
Year Ended December 31, 1991					
Electric Utility Plant:					
Production	\$ 572,338	\$ 3,279	\$ 216	\$(15,669)	\$ 559,732
Transmission	293,788	32,771	742	(34)	325,783
Distribution	352,449	20,408	4,280	—	368,577
General (Note 3)	51,323	5,701	5,211	15,669	67,482
Plant held for future use	4,743	1,053	365	34	5,465
Construction Work in Progress	25,412	(4,193)	—	—	21,219
Plant Acquisition Adjustments	409	—	—	(182)	227
Total Utility Plant	<u>\$1,300,462</u>	<u>\$59,019</u>	<u>\$10,814</u>	<u>\$ (182)</u>	<u>\$1,348,485</u>
Year Ended December 31, 1990					
Electric Utility Plant:					
Production	\$ 568,748	\$ 3,640	\$ 49	\$ (1)	\$ 572,338
Transmission	288,372	6,221	805	—	293,788
Distribution	330,243	25,298	3,093	1	352,449
General	47,092	10,023	5,792	—	51,323
Plant held for future use	3,729	1,014	—	—	4,743
Construction Work in Progress	17,131	8,281	—	—	25,412
Plant Acquisition Adjustments	590	—	—	(181)	409
Total Utility Plant	<u>\$1,255,905</u>	<u>\$54,477</u>	<u>\$ 9,739</u>	<u>\$ (181)</u>	<u>\$1,300,462</u>
Year Ended December 31, 1989					
Electric Utility Plant:					
Production	\$ 575,320	\$ 2,364	\$ 1,537	\$ (7,399)	\$ 568,748
Transmission	270,655	19,470	1,746	(7)	288,372
Distribution	310,964	22,239	2,967	7	330,243
General	38,798	9,430	1,135	(1)	47,092
Plant held for future use	3,968	—	292	53	3,729
Construction Work in Progress	16,743	388	—	—	17,131
Plant Acquisition Adjustments	772	—	—	(182)	590
Total Utility Plant	<u>\$1,217,220</u>	<u>\$53,891</u>	<u>\$ 7,677</u>	<u>\$ (7,529)</u>	<u>\$1,253,905</u>

Notes:

	1991	1990	1989
(1) Transfers among functional groups of accounts	<u>\$15,703</u>	<u>\$ 1</u>	<u>\$ 60</u>
(2) Amortization of plant acquisition adjustments	<u>\$ (182)</u>	<u>\$ (181)</u>	<u>\$ (182)</u>
Adjustment applicable to Independence Station per FERC audit	<u>—</u>	<u>—</u>	<u>(7,347)</u>
Total	<u>\$ (182)</u>	<u>\$ (181)</u>	<u>\$ (7,529)</u>
(3) Lease reclassifications	<u>\$(3,571)</u>	<u>—</u>	<u>—</u>

NFW ORLEANS PUBLIC SERVICE INC.

SCHEDULE V—UTILITY PLANT
Years Ended December 31, 1991, 1990 and 1989
(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Note 1)	Balance at End of Period
Year ended December 31, 1991					
Electric Utility Plant:					
Production	\$123,134	\$ 2,518	15	\$ 69	\$125,706
Transmission	46,440	3,387	29	—	49,798
Distribution	215,507	7,758	1,090	—	222,175
General	25,426	(195)	66	(69)	25,096
Plant held for future use	23,519	—	—	—	23,519
Natural Gas:					
Miscellaneous Intangible					
Plant	141	236	—	—	377
Transmission	6,500	(12)	—	—	6,488
Distribution	88,435	4,326	296	—	92,465
General	6,078	(316)	132	—	5,630
Construction Work in Progress	12,552	1,594	—	—	14,146
Total Utility Plant	\$547,732	\$19,296	\$1,628	—	\$565,400
Year ended December 31, 1990					
Electric Utility Plant:					
Production	\$122,931	\$ 203	—	—	\$123,134
Transmission	46,319	136	\$ 15	—	46,440
Distribution	210,971	5,514	978	—	215,507
General	25,508	220	302	—	25,426
Plant held for future use	23,519	—	—	—	23,519
Natural Gas:					
Miscellaneous Intangible					
Plant	141	—	—	—	141
Transmission	5,601	899	—	—	6,500
Distribution	86,742	2,177	484	—	88,435
General	6,291	48	261	—	6,078
Construction Work in Progress	6,153	6,399	—	—	12,552
Total Utility Plant	\$534,176	\$15,596	\$2,040	—	\$547,732
Year ended December 31, 1989					
Electric Utility Plant:					
Production	\$122,310	\$ 633	\$ 12	—	\$122,931
Transmission	45,357	1,098	136	—	46,319
Distribution	207,213	4,924	1,166	—	210,971
General	25,490	340	322	—	25,508
Plant held for future use	23,547	—	28	—	23,519
Natural Gas:					
Miscellaneous Intangible					
Plant	96	45	—	—	141
Transmission	5,603	13	15	—	5,601
Distribution	83,879	3,117	254	—	86,742
General	6,364	58	131	—	6,291
Construction Work in Progress	1,410	4,743	—	—	6,153
Total Utility Plant	\$521,269	\$14,971	\$2,064	—	\$534,176

Notes:

(1) Transfers among functional groups of accounts

	1991	1990	1989
	\$69	—	—

SYSTEM ENERGY RESOURCES, INC.

SCHEDULE V—UTILITY PLANT
 Years Ended December 31, 1991, 1990 and 1989
 (In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Note 1)	Balance at End of Period
Year ended December 31, 1991					
Electric Utility Plant:					
Production	\$3,011,911	\$ 12,953	\$ 13,641	—	\$3,011,223
Leased from others (Note 2)	438,499	850	939	—	438,410
Plant held for future use	4,425	—	—	\$ 7,694	12,119
Construction Work in Progress	26,491	7,600	—	—	34,091
Nuclear Fuel	133,908	28,922	63,255	—	99,575
Total Utility Plant	<u>\$3,615,234</u>	<u>\$ 50,325</u>	<u>\$ 77,835</u>	<u>\$ 7,694</u>	<u>\$3,595,418</u>
Year ended December 31, 1990					
Electric Utility Plant:					
Production	\$3,010,881	\$ 11,352	\$ 10,322	—	\$3,011,911
Leased from others (Note 2)	435,241	3,300	42	—	438,499
Plant held for future use	5,576	—	—	\$ (1,151)	4,425
Construction Work in Progress	14,446	12,045	—	—	26,491
Nuclear Fuel	150,567	—	16,659	—	133,908
Total Utility Plant	<u>\$3,616,711</u>	<u>\$ 26,697</u>	<u>\$ 27,023</u>	<u>\$ (1,151)</u>	<u>\$3,615,234</u>
Year ended December 31, 1989					
Electric Utility Plant:					
Production	\$2,976,315	\$ 54,239	\$ 19,673	—	\$3,010,881
Leased from others (Note 2)	434,993	3,340	3,092	—	435,241
Plant held for future use	—	—	—	\$ 5,576	5,576
Construction Work in Progress	36,955	(23,787)	—	1,278	14,446
Nuclear Fuel	205,382	18,269	73,084	—	150,567
Total Utility Plant	<u>\$3,653,645</u>	<u>\$ 52,061</u>	<u>\$ 95,849</u>	<u>\$ 6,854</u>	<u>\$3,616,711</u>

Notes:

	1991	1990	1989
(1) Transfer of suspended construction project costs to appropriate accounts	—	—	\$ 6,854
Transfer from plant held for future use to appropriate accounts	—	\$(1,151)	—
FERC Complaint Case Settlement	\$ 7,694	—	—
Total	<u>\$ 7,694</u>	<u>\$(1,151)</u>	<u>\$ 6,854</u>
(2) Includes amounts associated with the Grand Gulf I sale and leaseback transactions.			

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Year Ended December 31, 1991

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F	
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income (Note 3)	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 27,020	\$ 5,530	—	—	—	\$ 32,550
Production	2,176,179	253,928	\$(13,111)	\$27,025	\$ 224	2,390,095
Transmission	395,208	33,705	—	2,115	(65)	426,733
Distribution	905,591	86,370	—	23,951	61	968,071
General	66,502	7,147	1,693	3,336	3	72,009
Leased to others	5,144	—	—	—	—	5,144
Leased from others	36,664	17,771	—	938	—	53,497
Plant held for future use	5,550	—	—	—	—	5,550
Natural Gas:						
Transmission	4,859	38	—	—	—	4,897
Distribution	37,849	2,412	—	549	—	39,712
General	2,721	267	—	279	—	2,709
Total	<u>\$3,663,287</u>	<u>\$407,068</u>	<u>\$(11,418)</u>	<u>\$58,193</u>	<u>\$ 223</u>	<u>\$4,000,967</u>

Notes.

- (1) Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks, and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment
- Provision on basis of usage of other tangible property (coal mining equipment) charged to account(s) and allocated to operating expense as a portion of the cost of coal burned
- Amortization of equipment charged to fuel expense
- ANR Decommissioning Trust Fund Contribution
- Removal cost of Ritchie 2
- Salvage on coal mining equipment
- Total
- (2) Transfer of net gain on sale of property from reserve
- Reclassification of decommissioning amounts pursuant to LPSC order
- Adjustment to the 1989 retirement of the sold portions of Waterford 3
- Transfer of reserve applicable to property being transferred to Distribution Plant
- Transfer of reserve applicable to property being transferred to Transmission Plant
- Donation of property
- Total
- (3) Depreciation expense in the Statement of Income for the year ended December 31, 1991 has been reduced by System Energy's deferral of depreciation expense consistent with FERC audit recommendations.

ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY
Year Ended December 31, 1990
(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income (Note 4)	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 22,769	\$ 4,251	—	—	—	\$ 27,020
Production	1,926,251	265,746	\$(14,058)	\$ 33,187	\$ 31,427	2,176,179
Transmission	368,892	31,206	—	4,853	(37)	395,208
Distribution	850,187	81,282	—	25,833	(45)	905,591
General	60,579	5,998	1,510	1,589	4	66,502
Leased to others	5,144	—	—	—	—	5,144
Leased from others (Note 3)	15,278	21,428	—	42	—	36,664
Plant held for future use	5,550	—	—	—	—	5,550
Natural Gas:						
Transmission	4,830	29	—	—	—	4,859
Distribution	36,072	2,444	—	667	—	37,849
General	2,818	145	—	242	—	2,721
Total	<u>\$3,298,370</u>	<u>\$412,529</u>	<u>\$(12,548)</u>	<u>\$ 66,413</u>	<u>\$ 31,349</u>	<u>\$3,663,287</u>

Notes:

- Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks, and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment \$ 532
Provision on basis of usage of other tangible property (coal mining equipment) charged to account(s) and allocated to operating expense as a portion of the cost of coal burned 848
Amortization of equipment charged to fuel expense 683
ANO Decommissioning Trust Fund Contribution (14,433)
Removal cost of Ritchie Unit (308)
Depreciation on coal mine subsequent to purchase 130
Total \$(12,548)
- Transfer of net gain on sale of property from reserve \$ (206)
Reclassification of decommissioning amounts pursuant to LPSC order 5,979
Adjustment to the 1989 retirement of the sold portions of Waterford 3 25,576
Total \$ 31,349
- Includes amounts associated with the Grand Gulf 1 and Waterford 3 sale and leaseback transactions.
- Depreciation expense in the Statement of Income for the year ended December 31, 1990 has been reduced by System Energy's deferral of depreciation expense consistent with FERC audit recommendations.

ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Year Ended December 31, 1989

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 17,899	\$ 5,224	—	—	\$ (354)	\$ 22,769
Production (Note 3)	1,733,098	261,923	\$ (9,250)	\$267,835	208,315	1,926,251
Transmission	340,421	30,488	—	1,762	(255)	368,892
Distribution	794,303	77,732	—	22,059	211	850,187
General	57,549	5,921	1,273	4,170	6	60,579
Leased to others	5,144	—	—	—	—	5,144
Leased from others (Note 4)	—	18,370	—	3,092	—	15,278
Plant held for future use	—	—	—	—	5,550	5,550
Natural Gas:						
Transmission	4,462	370	—	2	—	4,830
Distribution	34,374	2,183	—	485	—	36,072
General	2,613	299	2	96	—	2,818
Total	<u>\$2,989,863</u>	<u>\$402,510</u>	<u>\$ (7,975)</u>	<u>\$299,501</u>	<u>\$213,473</u>	<u>\$3,998,370</u>

Notes:

- Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks, and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment \$ 128
 Provision on basis of usage of other tangible property (coal mining equipment) charged to account(s) and allocated to operating expense as a portion of the cost of coal burned 1,147
 Amortization of coal mine equipment charged to fuel expense 587
 ANO Decommissioning Trust Fund Contribution (9,837)
 Total \$ (7,975)
- Adjustment for gain on sale of property \$ (36)
 Transfer of reserve applicable to property being transferred from transmission plant (271)
 Transfer of reserve applicable to property being transferred to transmission plant 271
 Transfer of gain on sale from reserve to other accounts (29)
 Transfer to Electric Utility Plant — Leased from others, as a result of the Waterford 3 sale and leaseback transactions 219,971
 Donation of property 25
 Accumulation provision for amortization of nuclear fuel (6,455)
 Total \$213,473
- Retirements include \$244,507 representing the sold portions of Waterford 3 that were retired at original cost.
- Includes amounts associated with the Grand Gulf 1 and Waterford 3 sale and leaseback transactions.

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY
 Years Ended December 31, 1991, 1990 and 1989
 (In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Expirations, Renewals and Replacements	Add (Deduct) (Note 2)	
Year ended December 31, 1991						
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 26,999	\$ 5,455	—	—	—	\$ 32,454
Production	665,081	69,553	\$(13,765)	\$ 7,338	—	713,531
Transmission	179,670	15,800	—	656	\$ (65)	194,749
Distribution	343,347	34,540	—	10,505	61	367,363
General	25,055	3,062	574	2,819	—	25,872
Plant held for future use	5,550	—	—	—	—	5,550
Total	<u>\$1,245,702</u>	<u>\$128,410</u>	<u>\$(13,191)</u>	<u>\$21,398</u>	<u>\$ (4)</u>	<u>\$1,339,519</u>
Year ended December 31, 1990						
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 22,769	\$ 4,230	—	—	—	\$ 26,999
Production	677,529	73,870	\$(14,433)	\$11,401	\$(60,484)	665,081
Transmission	166,209	15,643	—	1,587	(595)	179,670
Distribution	321,762	32,724	—	11,139	—	343,347
General	24,884	2,646	950	532	(2,890)	25,055
Plant held for future use	5,550	—	—	—	—	5,550
Total	<u>\$1,218,763</u>	<u>\$129,113</u>	<u>\$(13,483)</u>	<u>\$24,659</u>	<u>\$(63,972)</u>	<u>\$1,245,702</u>

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

(Continued)

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F	
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	
Year ended December 31, 1989						
Accumulated depreciation of utility plant:						
Electric:						
Intangible	\$ 17,899	\$ 5,224	—	—	\$ (354)	\$ 22,769
Production	624,539	69,412	\$ (9,837)	\$ 1,387	(5,198)	677,529
Transmission	151,602	15,390	—	799	16	166,209
Distribution	300,091	30,973	—	9,271	(31)	321,762
General	21,464	2,495	1,238	292	(19)	24,884
Plant held for future use	—	—	—	—	5,550	5,550
Total	<u>\$1,115,595</u>	<u>\$123,492</u>	<u>\$ (8,599)</u>	<u>\$11,749</u>	<u>\$ (36)</u>	<u>\$1,218,703</u>

Notes:

	1991	1990	1989
(1) Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment	\$ 61	\$ 102	\$ 91
Provision on basis of usage of other tangible property (coal mining equipment) charged to account 151 — Fuel Stock and allocated to operating expenses as a portion of the cost of coal burned	513	848	1,147
ANO Decommissioning Trust Fund Contribution	(13,765)	(14,433)	(9,837)
Total	<u>\$(13,191)</u>	<u>\$(13,483)</u>	<u>\$(8,599)</u>
(2) Adjustment for gain on sale of property	—	—	\$ (36)
Transfer of net gain on sale of property from reserve	\$ (4)	\$ (118)	—
Transfer of reserve related to the sale of property to Entergy Power, Inc.	—	(63,854)	—
Transfer of reserve applicable to property being transferred to Distribution Plant	65	—	—
Transfer of reserve applicable to property being transferred from Transmission Plant	(65)	—	—
Total	<u>\$ (4)</u>	<u>\$(63,972)</u>	<u>\$ (36)</u>

LOUISIANA POWER & LIGHT COMPANY
SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY
Years Ended December 31, 1991, 1990, and 1989
(In Thousands)

Description	Column A	Column B	Column C	Column D	Column E	Column F
		Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewal and Replacements	Other Changes Add (Deduct) (Note 2)
Year ended December 31, 1991						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$ 629,381	\$ 78,634	—	\$ 5,529	\$ 224	\$ 702,710
Transmission	116,401	9,363	—	621	—	125,143
Distribution	366,582	33,840	—	7,600	—	392,822
General	17,451	2,009	\$ 70	140	3	19,393
Leased to others	5,144	—	—	—	—	5,144
Leased from others (Note 3)	9,900	2,883	—	—	—	12,783
Total	<u>\$1,144,859</u>	<u>\$126,729</u>	<u>\$ 70</u>	<u>\$ 13,890</u>	<u>\$ 227</u>	<u>\$1,257,995</u>
Year ended December 31, 1990						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$ 538,486	\$ 77,501	—	\$ 18,461	\$ 31,555	\$ 629,381
Transmission	109,970	8,776	—	2,302	(43)	116,401
Distribution	344,336	32,433	—	10,142	(45)	392,822
General	15,744	1,664	\$ 38	(5)	—	17,451
Leased to others	5,144	—	—	—	—	5,144
Leased from others (Note 3)	2,000	7,900	—	—	—	9,900
Total	<u>\$1,015,680</u>	<u>\$128,574</u>	<u>\$ 38</u>	<u>\$ 30,900</u>	<u>\$ 31,467</u>	<u>\$1,144,859</u>
Year ended December 31, 1989						
Accumulated depreciation of utility plant:						
Electric:						
Production (Note 4)	\$ 488,725	\$ 81,709	—	\$245,461	\$213,513	\$ 538,486
Transmission	101,593	8,397	—	(251)	(271)	109,970
Distribution	321,463	31,148	—	8,517	242	344,336
General	17,870	1,307	\$ 2	3,460	25	15,744
Leased to others	5,144	—	—	—	—	5,144
Leased from others (Note 3)	—	2,000	—	—	—	2,000
Total	<u>\$ 934,795</u>	<u>\$124,561</u>	<u>\$ 2</u>	<u>\$257,167</u>	<u>\$213,509</u>	<u>\$1,015,680</u>

Notes:

	1991	1990	1989
(1) Provision on basis of estimated life of transportation equipment (automobiles and trucks) charged to a clearing account and allocated on the basis of the use of such equipment	\$ 70	\$ 38	\$ 2
(2) Transfer of reserves applicable to property being transferred to (from) transmission plant	—	—	\$ (271)
Transfer of reserve applicable to property being transferred to (from) distribution plant	—	—	271
Transfer of gain on sale from reserve to other accounts	—	\$ (88)	(29)
Transfer to Electric Utility Plant — Leased from others as a result of the Waterford 3 sale and leaseback transactions	—	—	219,971
Donation of property	\$ 2	—	25
Accumulated provision for amortization of nuclear fuel	—	—	(6,458)
Reclassification of decommissioning amounts pursuant to LPSC order	224	5,979	—
Adjustment to the 1989 retirement of the sold portions of Waterford 3	1	25,576	—
Total	<u>\$ 227</u>	<u>\$31,467</u>	<u>\$213,509</u>
(3) Includes amounts associated with the Waterford 3 sale and leaseback transactions.			
(4) Retirements include \$244,507 representing the sold portions of Waterford 3 that were retired at original cost.			

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct)	
Year ended December 31, 1991						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$312,330	\$ 9,552	\$ 641	\$ 11	—	\$322,782
Transmission	72,168	7,156	—	793	—	78,531
Distribution	105,116	11,479	—	4,710	—	111,855
General	9,748	1,242	663	225	—	11,428
Total	<u>\$499,332</u>	<u>\$29,729</u>	<u>\$1,304</u>	<u>\$5,739</u>	<u>—</u>	<u>\$524,626</u>
Year ended December 31, 1990						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$290,475	\$21,190	\$ 683	\$ 48	—	\$312,300
Transmission	61,334	5,542	—	908	—	72,168
Distribution	98,757	9,912	—	3,553	—	105,116
General	9,128	1,019	381	780	—	9,748
Total	<u>\$465,894</u>	<u>\$37,663</u>	<u>\$1,064</u>	<u>\$5,289</u>	<u>—</u>	<u>\$499,332</u>
Year ended December 31, 1989						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$269,108	\$21,148	\$ 587	\$ 368	—	\$290,475
Transmission	63,189	5,385	—	1,040	—	67,534
Distribution	92,871	9,198	—	3,312	—	98,757
General	8,090	1,227	8	197	—	9,128
Total	<u>\$433,258</u>	<u>\$36,958</u>	<u>\$ 595</u>	<u>\$4,917</u>	<u>—</u>	<u>\$465,894</u>

Notes:

(1) Provision on basis of estimated life of transportation equipment

(automobiles and trucks) charged to a clearing account and allocated on the basis of the use of such equipment

\$ 663 \$ 381 \$ 8

Amortization of coal mining equipment charged to fuel expen. 571 677 587

Amortization of gas pipeline charged to fuel expense

70 6 —

Total

\$ 1,304 \$1,064 \$ 595

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct)	
Year ended December 31, 1991						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$114,443	\$ 4,629	—	\$ 23	—	\$119,049
Transmission	26,350	1,335	—	45	—	27,640
Distribution	90,546	6,517	—	1,056	—	96,001
General	11,221	834	\$ 12	113	—	11,954
Natural Gas:						
Transmission	4,859	38	—	—	—	4,897
Distribution	37,849	2,412	—	549	—	39,712
General	2,722	267	—	279	—	2,710
Total	<u>\$287,990</u>	<u>\$16,026</u>	<u>\$ 12</u>	<u>\$2,065</u>	<u>—</u>	<u>\$301,963</u>
Year ended December 31, 1990						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$109,346	\$ 5,097	—	—	—	\$114,443
Transmission	25,179	1,227	—	\$ 56	—	26,350
Distribution	85,332	6,213	—	999	—	90,546
General	10,823	669	\$ 11	282	—	11,221
Natural Gas:						
Transmission	4,830	29	—	—	—	4,859
Distribution	36,072	2,444	—	667	—	37,849
General	2,819	145	—	242	—	2,722
Total	<u>\$274,401</u>	<u>\$15,824</u>	<u>\$ 11</u>	<u>\$2,146</u>	<u>—</u>	<u>\$287,990</u>
Year ended December 31, 1989						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$105,282	\$ 4,071	—	\$ 7	—	\$109,346
Transmission	24,037	1,316	—	174	—	25,179
Distribution	79,578	6,413	—	959	—	85,332
General	10,125	894	\$ 25	221	—	10,823
Natural Gas:						
Transmission	4,452	370	—	2	—	4,830
Distribution	34,374	2,183	—	485	—	36,072
General	2,614	299	2	96	—	2,819
Total	<u>\$260,772</u>	<u>\$15,546</u>	<u>\$ 27</u>	<u>\$1,944</u>	<u>—</u>	<u>\$274,401</u>

Notes:

	1991	1990	1989
(1) Provision on basis of estimated life of transportation equipment (automobiles and trucks) charged to a clearing account and allocated on the basis of the use of such equipment	<u>\$12</u>	<u>\$11</u>	<u>\$27</u>

SYSTEM ENERGY RESOURCES, INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions		Deductions	Other Changes	Balance at End of Period
		Charged to Income (Note 1)	Charged to Other Accounts	Retirements, Renewals and Replacements	Add (Deduct)	
Year ended December 31, 1991						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$393,159	\$ 85,986	—	\$ 13,931	—	\$465,214
Leased from others (Note 2)	26,764	—	\$14,888	938	—	40,714
Total	<u>\$419,923</u>	<u>\$ 85,986</u>	<u>\$14,888</u>	<u>\$ 14,869</u>	<u>—</u>	<u>\$505,928</u>
Year ended December 31, 1990						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$310,413	\$ 86,023	—	\$ 3,277	—	\$393,159
Leased from others (Note 2)	13,278	13,528	—	42	—	26,764
Total	<u>\$323,691</u>	<u>\$ 99,551</u>	<u>—</u>	<u>\$ 3,319</u>	<u>—</u>	<u>\$419,923</u>
Year ended December 31, 1989						
Accumulated depreciation of utility plant:						
Electric:						
Production	\$245,444	\$ 85,581	—	\$ 20,612	—	\$310,413
Leased from others (Note 2)	—	16,370	—	3,092	—	13,278
Total	<u>\$245,444</u>	<u>\$101,951</u>	<u>—</u>	<u>\$ 23,704</u>	<u>—</u>	<u>\$323,691</u>

Note:

- (1) Depreciation expense in the Statement of Income for the years ended December 31, 1991 and 1990 has been reduced by System Energy's deferral of depreciation expense consistent with FERC audit recommendations.
- (2) Includes amounts associated with the Grand Gulf 1 sale and leaseback transactions.

ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions		Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Provisions (Note 2)	
Year ended December 31, 1991					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 8,100	\$ 9,831	—	\$ 9,806	\$ 8,125
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$33,181	\$ 8,594	—	\$ 6,717	\$35,058
Injuries and damages (Note 3)	12,664	11,444	\$ 20	10,764	13,364
Pensions and benefits (Note 4)	8,683	18,249	732	16,468	11,196
Misc. Operating Reserves (Note 5)	—	500	—	—	500
Total	\$54,528	\$38,787	\$ 752	\$33,949	\$60,118
Year ended December 31, 1990					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 8,412	\$10,561	—	\$10,873	\$ 8,100
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$29,750	\$ 6,961	—	\$ 3,530	\$33,181
Injuries and damages (Note 3)	13,255	7,883	\$ 20	8,494	12,664
Pensions and benefits (Note 4)	8,660	15,130	1,096	16,203	8,683
Total	\$51,665	\$29,974	\$ 1,116	\$28,227	\$54,528
Year ended December 31, 1989					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 7,596	\$13,002	—	\$12,186	\$ 8,412
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$28,999	\$ 6,524	—	\$ 5,773	\$29,750
Injuries and damages (Note 3)	14,023	9,358	\$(2,002)	8,124	13,255
Pensions and benefits (Note 4)	6,784	14,869	2,818	15,811	8,660
Total	\$49,806	\$30,751	\$ 816	\$29,708	\$51,665

Notes:

- (1) Charged to clearing and other accounts.
- (2) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (3) Injuries and damages provision is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.
- (4) Pensions and benefits provision is provided to account for provisions made by AP&L for group medical insurance coverage on its employees.
- (5) In November 1991, MP&L provided a reserve for environmental exposures.

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions		Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts	Deductions from Provisions (Note 1)	
Year ended December 31, 1991					
Accumulated Provisions					
Deducted from Assets--					
Doubtful Accounts.....	\$ 3,430	\$ 2,946	—	\$ 2,946	\$ 3,430
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance.....	\$ 9,320	\$ 3,274	—	\$ 4,767	\$ 7,827
Injuries and damages (Note 2)....	3,571	6,017	—	5,334	4,254
Pensions and benefits (Note 3)....	8,683	18,249	\$ 732	16,468	11,196
Total.....	\$21,574	\$27,540	\$ 732	\$26,569	\$23,277
Year ended December 31, 1990					
Accumulated Provisions					
Deducted from Assets--					
Doubtful Accounts.....	\$ 4,290	\$ 2,133	—	\$ 2,993	\$ 3,430
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance.....	\$ 9,298	\$ 2,141	—	\$ 2,119	\$ 9,320
Injuries and damages (Note 2)....	4,326	4,840	—	5,595	3,571
Pensions and benefits (Note 3)....	8,660	15,130	\$1,096	16,203	8,683
Total.....	\$22,284	\$22,111	\$1,096	\$23,917	\$21,574
Year ended December 31, 1989					
Accumulated Provisions					
Deducted from Assets--					
Doubtful Accounts.....	\$ 4,290	\$ 4,302	—	\$ 4,302	\$ 4,290
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance.....	\$ 9,298	\$ 1,604	—	\$ 1,604	\$ 9,298
Injuries and damages (Note 2)....	5,078	4,581	—	5,333	4,326
Pensions and benefits (Note 3)....	6,784	14,869	\$2,818	15,811	8,660
Total.....	\$21,160	\$21,054	\$2,818	\$22,748	\$22,284

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision is provided to absorb all current expense, appropriate thereto and for the estimated cost of settling claims for injuries and damages.
- (3) Pensions and benefits provision is provided to account for provisions made by AP&L for group medical insurance coverage on its employees.

LOUISIANA POWER & LIGHT COMPANY

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions		Other Changes	Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Provisions (Note 2)	
Year ended December 31, 1991					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts.....	\$ 1,956	\$2,298	—	\$2,298	\$ 1,956
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$ 7,463	\$2,800	—	\$1,088	\$ 9,175
Injuries and damages (Note 3)....	6,153	4,421	—	4,421	6,153
Total	\$13,616	\$7,221	—	\$5,509	\$15,328
Year ended December 31, 1990					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts.....	\$ 1,956	\$2,327	—	\$2,327	\$ 1,956
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$ 6,010	\$2,300	—	\$ 847	\$ 7,463
Injuries and damages (Note 3)....	6,153	1,435	—	1,435	6,153
Total	\$12,163	\$3,735	—	\$2,282	\$13,616
Year ended December 31, 1989					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts.....	\$ 1,956	\$3,186	—	\$3,186	\$ 1,956
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$ 7,629	\$2,300	—	\$3,919	\$ 6,010
Injuries and damages (Note 3)....	6,152	751	—	750	6,153
Total	\$13,781	\$3,051	—	\$4,669	\$12,163

Notes:

- (1) Charged to clearing and other accounts.
- (2) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (3) Injuries and damages provision is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Other Changes Deductions from Provisions (Net of 1)	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
Year ended December 31, 1991					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 1,364	12	—	\$ 1,987	\$ 1,389
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance (Note 3)	\$ 2,642	\$ 1,520	—	\$ 862	\$ 3,300
Injuries and damages (Notes 2 and 3)	545	577	\$ 20	529	613
Misc. Operating Reserves (Note 5)	—	500	—	—	500
Total	<u>\$ 3,187</u>	<u>\$ 2,597</u>	<u>\$ 20</u>	<u>\$ 1,391</u>	<u>\$ 4,413</u>
Year ended December 31, 1990					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 816	\$ 3,733	—	\$ 3,185	\$ 1,364
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance (Note 3)	\$ 1,520	\$ 1,520	—	\$ 398	\$ 2,642
Injuries and damages (Notes 2 and 3)	340	1,322	\$ 20	1,137	545
Total	<u>\$ 1,860</u>	<u>\$ 2,842</u>	<u>\$ 20</u>	<u>\$ 1,535</u>	<u>\$ 3,187</u>
Year ended December 31, 1989					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts (Note 4)	—	\$ 2,841	—	\$ 2,025	\$ 816
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance (Note 3)	—	\$ 1,520	—	—	\$ 1,520
Injuries and damages (Notes 2 and 3)	—	1,481	—	\$ 141	340
Total	<u>—</u>	<u>\$ 3,001</u>	<u>—</u>	<u>\$ 1,141</u>	<u>\$ 1,860</u>

Notes:

- (1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (2) Injuries and damages provision was provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.
- (3) Effective January 1, 1985 current operating reserve provisions were suspended and effective June 1, 1985 amortization of operating reserve balances was implemented. Effective January 1, 1989 current operating reserve provisions were reinstated as authorized by the MPSC.
- (4) No provision for doubtful accounts existed at December 31, 1988 as a result of MP&L's sale of its customer accounts receivable in October 1987. In January 1989, MP&L repurchased its customer accounts receivable and reinstated its provision for doubtful accounts.
- (5) In November 1991, MP&L provided a reserve for environmental exposures.

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS
 Years Ended December 31, 1991, 1990 and 1989
 (In Thousands)

Column A Description	Column B Balance at Beginning of Period	Column C Additions		Column D Other Changes	Column E Balance at End of Period
		Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Provisions (Note 2)	
Year ended December 31, 1991					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 1,350	\$2,575	—	\$2,575	\$ 1,350
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$13,755	\$1,000	—	—	\$14,755
Injuries and damages (Note 3)	2,395	429	—	\$ 480	2,344
Total	\$16,150	\$1,429	—	\$ 480	\$17,099
Year ended December 31, 1990					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 1,350	\$2,368	—	\$2,368	\$ 1,350
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$12,922	\$1,000	—	\$ 167	\$13,755
Injuries and damages (Note 3)	2,436	286	—	327	2,395
Total	\$15,358	\$1,286	—	\$ 494	\$16,150
Year ended December 31, 1989					
Accumulated Provisions					
Deducted from Assets—					
Doubtful Accounts	\$ 1,350	\$2,673	—	\$2,673	\$ 1,350
Accumulated Provisions					
Not Deducted from Assets:					
Property insurance	\$12,072	\$1,100	—	\$ 250	\$12,922
Injuries and damages (Note 3)	2,793	2,545	\$(2,002)	900	2,436
Total	\$14,865	\$3,645	\$(2,002)	\$1,150	\$15,358

Notes:

- (1) Charged to clearing and other accounts.
- (2) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.
- (3) Injuries and damages provision is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 93,036
State and city franchise	44,886
Other	<u>25,311</u>
Total	<u>\$163,233</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 93,271
State and city franchise	47,121
Other	<u>19,521</u>
Total	<u>\$159,913</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 95,870
State and city franchise	57,734
Other	<u>22,161</u>
Total	<u>\$175,765</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$14,972
State and city franchise	675
Other	<u>11,579</u>
Total	<u>\$27,226</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$19,165
State and city franchise	700
Other	<u>9,458</u>
Total	<u>\$29,323</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$24,096
State and city franchise	708
Other	<u>9,208</u>
Total	<u>\$34,012</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

LOUISIANA POWER & LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$22,365
State and city franchise	17,922
Other	4,663
Total	<u>\$44,950</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$21,577
State and city franchise	19,143
Other	4,343
Total	<u>\$45,063</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$22,894
State and city franchise	19,726
Other	5,685
Total	<u>\$48,308</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$22,359
State and city franchise	9,810
Other	4,482
Total	<u>\$36,681</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$22,662
State and city franchise	9,966
Other	3,153
Total	<u>\$35,781</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$19,136
State and city franchise	8,563
Other	2,912
Total	<u>\$30,611</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 9,857
State and city franchise	12,965
Other	1,783
Total	<u>\$24,605</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 8,934
State and city franchise	13,297
Other	1,747
Total	<u>\$23,978</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$ 9,022
State and city franchise	12,710
Other	3,802
Total	<u>\$25,534</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

SYSTEM ENERGY RESOURCES, INC.

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1991, 1990 and 1989

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year ended December 31, 1991	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$20,071
State and city franchise	3,697
Other	761
Total	<u>\$24,459</u>
Year ended December 31, 1990	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$17,727
State and city franchise	3,843
Other	555
Total	<u>\$22,125</u>
Year ended December 31, 1989	
Taxes, other than payroll and income taxes:	
Ad Valorem	\$17,537
State and city franchise	5,479
Other	542
Total	<u>\$23,558</u>

Notes:

- (1) Taxes other than payroll and income taxes includes taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have heretofore been filed with the SEC, respectively, as the exhibits and in the file numbers indicated and are incorporated herein by reference. Reference is made to a separate list of exhibits being filed as a part of this Form 10-K, which list, prepared in accordance with Section 301 of Regulation S-K of the SEC, immediately precedes the exhibits being physically filed with this Form 10-K.

(3) Articles of Incorporation and By-Laws

Entergy Corporation

- 1--Restated Articles of Incorporation of Entergy Corporation (A-1 to Form U-1 in 70-7938).
- 2--By-Laws of Entergy Corporation, as amended and currently in effect (3(a) to Form 10-Q for the quarter ended June 30, 1991 in 1-3517).

System Energy

- 1--Amended and Restated Articles of Incorporation of System Energy, as executed April 28, 1989 (A-1(a) to Form U-1 in 70-5399).
- 2--By-Laws of System Energy as presently in effect (A-2(a) to Form U-1 in 70-5399).

AP&L

- (c) 1--Amended and Restated Articles of Incorporation of AP&L, as executed November 9, 1988 (A-2(c) to Rule 24 Certificate in 70-7535).
- (c) 2--Articles of Amendment to Amended and Restated Articles of Incorporation of AP&L, as executed May 23, 1991 (3(a) to Form 8 dated May 23, 1991 in 1-10764).
- (c) 3--By-Laws of AP&L, as amended and currently in effect (3(b) to Form 10-Q for the quarter ended June 30, 1989 in 1-10764).

LP&L

- (d) 1--Restated Articles of Incorporation of LP&L, as executed February 21, 1980 (A-1 to Form U-1 in 70-6491).
- (d) 2--Articles of Amendment to Restated Articles of Incorporation of LP&L, as executed October 14, 1980 (C-1 to Rule 24 Certificate in 70-6491).
- (d) 3--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed May 12, 1982 (C-1 to Rule 24 Certificate in 70-6635).
- (d) 4--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed February 16, 1983 (C-1 to Rule 24 Certificate in 70-6834).
- (d) 5--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed June 7, 1984 (C-1 to Rule 24 Certificate in 70-6972).
- (d) 6--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed August 10, 1984 (C-2 to Rule 24 Certificate in 70-6972).
- (d) 7--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed February 25, 1989 (3(d)-7 to Form 10-K for the fiscal year ended December 31, 1988 in 1-8474).
- (d) 8--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed June 24, 1991 (A-13(c) to Rule 24 Certificate dated July 5, 1991 in File No. 70-7822).
- (d) 9--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed October 24, 1991 (A-13(e) to Rule 24 Certificate dated November 1, 1991 in File No. 70-7822).
- (d) 10--Articles of Amendment to Restated Articles of Incorporation, as amended, of LP&L, as executed January 27, 1992 (A-13(f) to Rule 24 Certificate dated February 5, 1992 in File No. 70-7822).
- (d) 11--By-Laws of LP&L, as amended and currently in effect (A-4 to Form U-1 in 70-6962).

MP&L

- (e) 1—Restated Articles of Incorporation of MP&L, as executed December 21, 1983 (A-5 to Form U-1 in 70-6962).
- (e) 2—Statement of Resolution Establishing Series of Shares of MP&L, as executed October 25, 1984 (C-1 to Rule 24 Certificate in 70-7020).
- (e) 3—Statement of Resolution Establishing Series of Shares of MP&L, as executed July 24, 1986 (A-2(b) to Rule 24 Certificate in 70-7230).
- (e) 4—Statement of Resolution Establishing Series of Shares of MP&L, as executed January 13, 1987 (A-2(c) to Rule 24 Certificate in 70-7230).
- (e) 5—Articles of Amendment to Restated Articles of Incorporation of MP&L, as executed March 8, 1988 (B-6(e) to Form U5S for the year ended December 31, 1988).
- (e) 6—Articles of Amendment to Restated Articles of Incorporation of MP&L, as executed January 19, 1989 (3(b) to Form 10-Q for the quarter ended March 31, 1989 in 0-320).
- (e) 7—Articles of Amendment to Restated Articles of Incorporation of MP&L, as executed March 30, 1989 (3(c) to Form 10-Q for the quarter ended March 31, 1989 in 0-320).
- (e) 8—Articles of Amendment to Restated Articles of Incorporation of MP&L, as executed March 30, 1990 (3 to Form 10-Q for the quarter ended March 31, 1990 in 0-320).
- (e) 9—By-Laws of MP&L, as presently in effect (3(a) to Form 10-Q for the quarter ended September 30, 1989 in 0-320).

NOPSI

- (f) 1—Restatement of Articles of Incorporation of NOPSI, as executed September 30, 1969 (A-1 to Form U-1 in 70-6392).
- (f) 2—Articles of Amendment to Restatement of Articles of Incorporation of NOPSI, as executed February 27, 1980 (A-2(a) to Rule 24 Certificate in 70-6392).
- (f) 3—Articles of Amendment to Restatement of Articles of Incorporation, as amended, of NOPSI, as executed March 19, 1980 (C-1 to Rule 24 Certificate in 70-6404).
- (f) 4—Articles of Amendment to Restatement of Articles of Incorporation, as amended, of NOPSI, as executed January 23, 1984 (A-7(d) to Form U-1 in 70-6962).
- (f) 5—Articles of Amendment to Restatement of Articles of Incorporation, as amended, of NOPSI, as executed February 21, 1985 (3(f)5 to Form 10-K for the year ended December 31, 1984, in 0-5807).
- (f) 6—Articles of Amendment to Restatement of Articles of Incorporation as amended, of NOPSI, as executed November 21, 1988 (A-2(b) to Rule 24 Certificate in 70-7558).
- (f) 7—Articles of Amendment to Restatement of Articles of Incorporation, as amended, of NOPSI, as executed June 12, 1989 (3(a) to Form 10-Q for the quarter ended June 30, 1989 in 0-5807).
- (f) 8—By-Laws of NOPSI, as amended and currently in effect (3(b) to Form 10-Q for the quarter ended September 30, 1989 in 0-5807).

(4) Instruments Defining Rights of Security Holders, Including Indentures

Entergy Corporation

- (a) 1—See (4)(b) through (4)(f) below for instruments defining the rights of holders of long-term debt of System Energy, AP&L, LP&L, MP&L, and NOPSI.
- (a) 2—Revolving Credit Agreement, dated as of January 31, 1989 between System Fuels and Bank of America National Trust and Savings Association (B-1(c) to Rule 24 Certificate, dated February 1, 1989, in 70-7574), as amended by First Amendment to Revolving Credit Agreement, dated as of August 28, 1989 (A to Rule 24 Certificate, dated October 31, 1990, in 70-7574).
- (a) 3—Security Agreement dated as of January 31, 1989 between System Fuels and Bank of America National Trust and Savings Association (B-3(c) to Rule 24 Certificate, dated February 1, 1989, in 70-7574).
- (a) 4—Credit Agreement, dated as of October 3, 1989, between System Fuels and The Yasuda Trust and Banking Co., Ltd., New York Branch, as agent (B-1(c) to Rule 24 Certificate, dated October 6, 1989, in 70-7665).
- * (a) 5—First Amendment, dated as of March 1, 1992, to Credit Agreement, dated as of October 3, 1989, between System Fuels and The Yasuda Trust and Banking Co., Ltd., New York Branch, as agent.

- (a) 6—Security Agreement, dated as of October 3, 1989, as amended, between System Fuels and The Yasuda Trust and Banking Co., Ltd., New York Branch, as agent (B-3(c) to Rule 24 Certificate, dated October 6, 1989, in 70-7668), as amended by First Amendment to Security Agreement, dated as of March 14, 1990 (A to Rule 24 Certificate, dated March 7, 1990, in 70-7668).
- (a) 7—Consent and Agreement, dated as of October 3, 1989, among System Fuels, The Yasuda Trust and Banking Co., Ltd., New York Branch, as agent, AP&L, LP&L, and System Energy (B-5(c) to Rule 24 Certificate, dated October 6, 1989, in 70-7668).

System Energy

- (b) 1—Mortgage and Deed of Trust, as amended by fourteen Supplemental Indentures (A-1 in 70-5890 (Mortgage); B and C to Rule 24 Certificate in 70-5890 (First); B to Rule 24 Certificate in 70-6259 (Second); 20(a)-5 to Form 10-Q for the quarter ended June 30, 1981, in 1-3517 (Third); A-1(e)-1 to Rule 24 Certificate in 70-6885 (Fourth); B to Rule 24 Certificate in 70-7021 (Fifth); C to Rule 24 Certificate in 70-7021 (Sixth); A-3(b) to Rule 24 Certificate in 70-7026 (Seventh); A-3(b) to Rule 24 Certificate in 70-7158 (Eighth); B to Rule 24 Certificate in 70-7123 (Ninth); B-1 to Rule 24 Certificate in 70-7272 (Tenth); B-2 to Rule 24 Certificate in 70-7272 (Eleventh); B-3 to Rule 24 Certificate in 70-7272 (Twelfth); B-1 to Rule 24 Certificate in 70-7382 (Thirteenth); and B-2 to Rule 24 Certificate in 70-7382 (Fourteenth)).
- (b) 2—Facility Lease No. 1, dated as of December 1, 1988, between Meridian Trust Company and Stephen M. Carta, as Owner Trustees, and System Energy (B-2(c)(1) to Rule 24 Certificate dated January 9, 1989 in 70-7561).
- (b) 3—Facility Lease No. 2, dated as of December 1, 1988 between Meridian Trust Company and Stephen M. Carta, as Owner Trustees, and System Energy (B-2(c)(2) to Rule 24 Certificate dated January 9, 1989 in 70-7561).

AP&L

- (c) —Mortgage and Deed of Trust, as amended by forty-five Supplemental Indentures (7(d) in 2-5463 (Mortgage); 7(b) in 2-7121 (First); 7(c) in 2-7605 (Second); 7(d) in 2-8100 (Third); 7(a)-4 in 2-9192 (Fourth); 7(a)-5 in 2-9149 (Fifth); 4(a)-6 in 2-9789 (Sixth); 4(a)-7 in 2-10261 (Seventh); 4(a)-8 in 2-11043 (Eighth); 2(b)-9 in 2-11468 (Ninth); 2(b)-10 in 2-15767 (Tenth); D in 70-3952 (Eleventh); D in 70-4099 (Twelfth); 4(d) in 2-23185 (Thirteenth); 2(c) in 2-24414 (Fourteenth); 2(c) in 2-25913 (Fifteenth); 2(c) in 2-28869 (Sixteenth); 2(d) in 2-28869 (Seventeenth); 2(c) in 2-35107 (Eighteenth); 2(d) in 2-36646 (Nineteenth); 2(c) in 2-39253 (Twentieth); 2(c) in 2-41080 (Twenty-first); C-1 to Rule 24 Certificate in 70-5151 (Twenty-second); C-1 to Rule 24 Certificate in 70-5257 (Twenty-third); C to Rule 24 Certificate in 70-5343 (Twenty-fourth); C-1 to Rule 24 Certificate in 70-5404 (Twenty-fifth); C to Rule 24 Certificate in 70-5502 (Twenty-sixth); C-1 to Rule 24 Certificate in 70-5556 (Twenty-seventh); C-1 to Rule 24 Certificate in 70-5693 (Twenty-eighth); C-1 to Rule 24 Certificate in 70-6078 (Twenty-ninth); C-1 to Rule 24 Certificate in 70-6174 (Thirtieth); C-1 to Rule 24 Certificate in 70-6246 (Thirty-first); C-1 to Rule 24 Certificate in 70-6498 (Thirty-second); A-4b-2 to Rule 24 Certificate in 70-6326 (Thirty-third); C-1 to Rule 24 Certificate in 70-6607 (Thirty-fourth); C-1 to Rule 24 Certificate in 70-6650 (Thirty-fifth); C-1 to Rule 24 Certificate, dated December 1, 1982, in 70-6774 (Thirty-sixth); C-1 to Rule 24 Certificate, dated February 17, 1983, in 70-6774 (Thirty-seventh); A-2(a) to Rule 24 Certificate, dated December 5, 1984, in 70-6858 (Thirty-eighth); A-3(a) to Rule 24 Certificate in 70-7127 (Thirty-ninth); A-7 to Rule 24 Certificate in 70-7068 (Fortieth); A-8(b) to Rule 24 Certificate dated July 6, 1989 in 70-7346 (Forty-first); A-8(c) to Rule 24 Certificate, dated February 1, 1990 in 70-7346 (Forty-second); 4 to Form 10-Q for the quarter ended September 30, 1990 in 1-10764 (Forty-third); A-2(a) to Rule 24 Certificate, dated November 30, 1990, in 70-7802 (Forty-fourth); and A-2(f) to Rule 24 Certificate, dated January 24, 1991, in 70-7802 (Forty-fifth)).

NOPSI

- (f) 1—Mortgage and Deed of Trust, as amended by eleven Supplemental Indentures (B-3 in 2-5411 (Mortgage); 7(b) in 2-7674 (First); 4(a)-2 in 2-10126 (Second); 4(b) in 2-12136 (Third); 2(b)-4 in 2-17959 (Fourth); 2(b)-5 in 2-19807 (Fifth); D to Rule 24 Certificate in 70-4023 (Sixth); 2(c) in 2-24523 (Seventh); 4(c)-9 in 2-26031 (Eighth); 2(a)-3 in 2-50438 (Ninth); 2(a)-3 in 2-62575 (Tenth); and A-2(b) to Rule 24 Certificate in 70-7262 (Eleventh)).
- (f) 2—Indenture of Trust, dated as of July 1, 1986 (A-5(a) to Rule 24 Certificate in 70-7262).
- (f) 3—Mortgage and Deed of Trust, dated as of May 1, 1987, as amended by two Supplemental Indentures (A-2(c) to Rule 24 Certificate in 70-7350 (Mortgage); A-5(b) to Rule 24 Certificate in 70-7350 (First); and A-4(b) to Rule 24 Certificate in 70-7448 (Second)).

(10) Material Contracts

Entergy Corporation

- (a) 1—Agreement, dated April 23, 1982, among certain System companies, relating to System Planning and Development and Intra-System Transactions (10(a)1 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (a) 2—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).
- (a) 3—Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (a) 4—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (a) 5—Service Agreement with Entergy Services, dated as of April 1, 1963 (5(a)-5 in 2-41080).
- (a) 6—Amendment, dated January 1, 1972, to Service Agreement with Entergy Services (5(a)-6 in 2-43175).
- (a) 7—Amendment, dated April 27, 1984, to Service Agreement with Entergy Services (10(a)-7 to Form 10-K for the fiscal year ended December 31, 1984, in 1-3517).
- (a) 8—Amendment, dated August 1, 1988, to Service Agreement with Entergy Services (10(a)-8 to Form 10-K for the fiscal year ended December 31, 1988, in 1-3517).
- (a) 9—Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(a)-9 to Form 10-K for the fiscal year ended December 31, 1990, in 1-3517).
- (a) 10—Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (a) 11—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977, in 70-5399).
- (a) 12—Second Amendment to Availability Agreement, dated as of June 15, 1981 (E to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
- (a) 13—Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-6985).
- (a) 14—Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (a) 15—Fourteenth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (a) 16—Fifteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (a) 17—Sixteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (C to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (a) 18—Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).

- (a) 19—Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (a) 20—Twentieth Assignment of Availability Agreement, Consent and Agreement, dated as of November 15, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (a) 21—Twenty-first Assignment of Availability Agreement, Consent and Agreement, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (a) 22—Twenty-third Assignment of Availability Agreement, Consent and Agreement, dated as of January 11, 1991, with Chemical Bank, as Agent (B-3(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7561).
- (a) 23—Capital Funds Agreement, dated June 21, 1974, between Entergy Corporation and System Energy (C to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (a) 24—First Amendment to Capital Funds Agreement, dated as of June 1, 1989 (B to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (a) 25—Fourteenth Supplementary Capital Funds Agreement and Assignment, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-4(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (a) 26—Fifteenth Supplementary Capital Funds Agreement and Assignment, dated as of May 1, 1986, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-4(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (a) 27—Sixteenth Supplementary Capital Funds Agreement and Assignment, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (D to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (a) 28—Eighteenth Supplementary Capital Funds Agreement and Assignment, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (a) 29—Nineteenth Supplementary Capital Funds Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (a) 30—Twentieth Supplementary Capital Funds Agreement and Assignment, dated as of November 15, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (a) 31—Twenty-first Supplementary Capital Funds Agreement and Assignment, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (a) 32—Twenty-third Supplementary Capital Funds Agreement and Assignment, dated as of January 11, 1991, with Chemical Bank, as agent (B-4(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7561).
- (a) 33—First Amendment to Supplementary Capital Funds Agreements and Assignments, dated as of June 1, 1989, by and between Entergy Corporation, System Energy, Deposit Guaranty National Bank, United States Trust Company of New York and Gerard F. Ganey (C to Rule 24 Certificate, dated June 8, 1989, in 70-7026).
- (a) 34—First Amendment to Supplementary Capital Funds Agreements and Assignments, dated as of June 1, 1989, by and between Entergy Corporation, System Energy, United States Trust Company of New York and Gerard F. Ganey (C to Rule 24 Certificate, dated June 8, 1989, in 70-7123).
- (a) 35—First Amendment to Supplementary Capital Funds Agreement and Assignment, dated as of June 1, 1989, by and between Entergy Corporation, System Energy and Chemical Bank (C to Rule 24 Certificate, dated June 8, 1989, in 70-7561).
- (a) 36—Agreement between Entergy Corporation and Edwin Lupberger (10(a)-42 to Form 10-K for the fiscal year ended December 31, 1985, in 1-3517).
- (a) 37—Agreement between Entergy Corporation and Floyd Lewis (10(a)-43 to Form 10-K for the fiscal year ended December 31, 1985, in 1-3517).

- (a) 38—Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- (a) 39—Joint Construction, Acquisition and Ownership Agreement, dated as of May 1, 1980, between System Energy and SMEPA (B-1(a) in 70-6337), as amended by Amendment No. 1, dated as of May 1, 1980 (B-1(c) in 70-6337) and Amendment No. 2, dated as of October 31, 1980 (1 to Rule 24 Certificate, dated October 30, 1981, in 79-6337).
- (a) 40—Operating Agreement dated as of May 1, 1980, between System Energy and SMEPA (B(2)(a) in 70-6337).
- (a) 41—Assignment, Assumption and Further Agreement No. 1, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(1) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (a) 42—Assignment, Assumption and Further Agreement No. 2, dated as of December 1, 1988, among System Energy, Meridian Trust Company and Stephen M. Carta, and SMEPA (B-7(c)(2) to Rule 24 Certificate, dated January 9, 1989, in 70-7561).
- (a) 43—Substitute Power Agreement, dated as of May 1, 1980, among MP&L, System Energy and SMEPA (B(3)(a) in 70-6337).
- (a) 44—Grand Gulf Unit No. 2 Supplementary Agreement, dated as of February 7, 1986, between System Energy and SMEPA (10(aaa) in 33-4033).
- (a) 45—Compromise and Settlement Agreement, dated June 4, 1982, between Texaco, Inc. and LP&L (28(a) to Form 8-K, dated June 4, 1982, in 1-3517).
- (a) 46—Post-Retirement Plan (10(a)37 to Form 10-K for the fiscal year ended December 31, 1983, in 1-3517).
- (a) 47—Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and AP&L, LP&L, MP&L and NOPSI (10(a)-39 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (a) 48—First Amendment to Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and AP&L, LP&L, MP&L and NOPSI (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (a) 49—Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (a) 50—Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (Exhibit D-1 to Form U5S for the year ended December 31, 1987).
- (a) 51—First Amendment to Tax Allocation Agreement, dated January 1, 1990 (D-2 to Form U5S for the year ended December 31, 1989).
- (a) 52—Guaranty Agreement between Entergy Corporation and AP&L, dated as of September 20, 1990 (B-1(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (a) 53—Guarantee Agreement between Entergy Corporation and LP&L, dated as of September 20, 1990 (B-2(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (a) 54—Guarantee Agreement between Entergy Corporation and System Energy, dated as of September 20, 1990 (B-3(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (a) 55—Loan Agreement between Entergy Operations and Entergy Corporation, dated as of September 20, 1990 (B-12(b) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (a) 56—Loan Agreement between Entergy Power and Entergy Corporation, dated as of August 28, 1990 (A-4(b) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (a) 57—Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (a) 58—Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 53 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (a) 59—Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (a) 60—Entergy Corporation Long-Term Incentive Plan (10(a) 55 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (a) 61—Stock Plan for Outside Directors (A-5(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- (a) 62—Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

* (a) 63—Retired Outside Director Benefit Plan.

System Energy

- (b) 1—Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (b) 2—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977, in 70-5399).
- (b) 3—Second Amendment to Availability Agreement, dated as of June 15, 1981 (E to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
- (b) 4—Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-6985).
- (b) 5—Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (b) 6—Fourteenth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (b) 7—Fifteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York, Malcolm J. Hood, and Deposit Guaranty National Bank, as Trustees (B-3(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (b) 8—Sixteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (C to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (b) 9—Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (b) 10—Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (b) 11—Twentieth Assignment of Availability Agreement, Consent and Agreement, dated as of November 15, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (b) 12—Twenty-first Assignment of Availability Agreement, Consent and Agreement, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (b) 13—Twenty-third Assignment of Availability Agreement, Consent and Agreement, dated as of January 11, 1991, with Chemical Bank as Agent (B-3(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7561).
- (b) 14—Capital Funds Agreement, dated June 21, 1974, between Entergy Corporation and System Energy (C to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (b) 15—First Amendment to Capital Funds Agreement, dated as of June 1, 1989 (B to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (b) 16—Fourteenth Supplementary Capital Funds Agreement and Assignment, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-4(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (b) 17—Fifteenth Supplementary Capital Funds Agreement and Assignment, dated as of May 1, 1986, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-4(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (b) 18—Sixteenth Supplementary Capital Funds Agreement and Assignment, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (D to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (b) 19—Eighteenth Supplementary Capital Funds Agreement and Assignment, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (D-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).

- (c) 18—Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (c) 19—Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (c) 20—Twentieth Assignment of Availability Agreement, Consent and Agreement, dated as of November 15, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (c) 21—Twenty-first Assignment of Availability Agreement, Consent and Agreement, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (c) 22—Twenty-third Assignment of Availability Agreement, Consent and Agreement, dated as of January 11, 1991, with Chemical Bank, as Agent (B-3(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7561).
- (c) 23—Agreement, dated August 20, 1954, between AP&L and the United States of America (SPA) (13(b) in 2-11467).
- (c) 24—Amendment, dated April 19, 1955, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-2 in 2-41080).
- (c) 25—Amendment, dated January 3, 1964, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-3 in 2-41080).
- (c) 26—Amendment, dated September 5, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-4 in 2-41080).
- (c) 27—Amendment, dated November 19, 1970, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-5 in 2-41080).
- (c) 28—Amendment, dated July 18, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-6 in 2-41080).
- (c) 29—Amendment, dated December 27, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-7 in 2-41080).
- (c) 30—Amendment, dated January 25, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-8 in 2-41080).
- (c) 31—Amendment, dated October 14, 1971, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-9 in 2-43175).
- (c) 32—Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-10 in 2-60233).
- (c) 33—Agreement, dated May 14, 1971, between AP&L and the United States of America (SPA) (5(e) in 2-41080).
- (c) 34—Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated May 14, 1971 (5(e)-1 in 2-60233).
- (c) 35—Contract, dated May 28, 1943, Amendment to Contract, dated July 21, 1949, and Supplement to Amendment to Contract, dated December 30, 1949, between AP&L and McKamie Gas Cleaning Company; Agreements, dated as of September 30, 1965, between AP&L and former stockholders of McKamie Gas Cleaning Company; and Letter Agreement, dated June 22, 1966, by Humble Oil & Refining Company accepted by AP&L on June 24, 1966 (5(k)-7 in 2-41080).
- (c) 36—Agreement, dated April 3, 1972, between Entergy Services and Gulf United Nuclear Fuels Corporation (5(l)-3 in 2-46152).
- (c) 37—Fuel Lease, dated as of December 22, 1988, between River Fuel Trust #1 and AP&L (B-1(b) to Rule 24 Certificate in 70-7571).
- (c) 38—White Bluff Operating Agreement, dated June 27, 1977, among AP&L and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas (B-2(a) to Rule 24 Certificate, dated June 30, 1977, in 70-6009).
- (c) 39—White Bluff Ownership Agreement, dated June 27, 1977, among AP&L and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas (B-1(a) to Rule 24 Certificate, dated June 30, 1977, in 70-6009).
- (c) 40—Agreement, dated June 29, 1979, between AP&L and City of Conway, Arkansas (5(r)-3 in 2-66235).

- (c) 41—Transmission Agreement, dated August 2, 1977, between AP&L and City Water and Light Plant of the City of Jonesboro, Arkansas (5(r)-3 in 2-60233).
- (c) 42—Power Coordination, Interchange and Transmission Service Agreement, dated as of June 27, 1977, between Arkansas Electric Cooperative Corporation and AP&L (5(r)-4 in 2-60233).
- (c) 43—Independence Steam Electric Station Operating Agreement, dated July 31, 1979, among AP&L and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas and City of Conway, Arkansas (5(r)-6 in 2-66235).
- (c) 44—Amendment, dated December 4, 1984, to the Independence Steam Electric Station Operating Agreement (10(c) 51 to Form 10-K for the fiscal year ended December 31, 1984, in 1-10764).
- (c) 45—Independence Steam Electric Station Ownership Agreement, dated July 31, 1979, among AP&L and Arkansas Electric Cooperative Corporation and City Water and Light Plant of the City of Jonesboro, Arkansas and City of Conway, Arkansas (5(r)-7 in 2-66235).
- (c) 46—Amendment, dated December 28, 1979, to the Independence Steam Electric Station Ownership Agreement (5(r)-7(a) in 2-66235).
- (c) 47—Amendment, dated December 4, 1984, to the Independence Steam Electric Station Ownership Agreement (10(c) 54 to Form 10-K for the fiscal year ended December 31, 1984, in 1-10764).
- (c) 48—Owner's Agreement, dated November 28, 1984, among AP&L, MP&L, other co-owners of the Independence Station (10(c) 55 to Form 10-K for the fiscal year ended December 31, 1984, in 1-10764).
- (c) 49—Consent, Agreement and Assumption, dated December 4, 1984, among AP&L, MP&L, other co-owners of the Independence Station and United States Trust Company of New York, as Trustee (10(c) 56 to Form 10-K for the fiscal year ended December 31, 1984, in 1-10764).
- (c) 50—Power Coordination, Interchange and Transmission Service Agreement, dated as of July 31, 1979, between AP&L and City Water and Light Plant of the City of Jonesboro, Arkansas (5(r)-8 in 2-66235).
- (c) 51—Power Coordination, Interchange and Transmission Agreement, dated as of June 29, 1979, between City of Conway, Arkansas and AP&L (5(r)-9 in 2-66235).
- (c) 52—Agreement, dated June 21, 1979, between AP&L and Reeves E. Ritchie ((10)(b)-90 to Form 10-K for the fiscal year ended December 31, 1980, in 1-10764).
- (c) 53—Agreement, dated as of January 30, 1981, between AP&L and MP&L, relating to the Independence Station (B-3 in 70-66, 4).
- (c) 54—Amendment No. 1, dated as of June 30, 1981, to Agreement, dated as of January 30, 1981, between AP&L and MP&L, relating to the Independence Station (10(b) in 2-73310).
- (c) 55—Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-66, 4).
- (c) 56—Post-Retirement Plan (10(b) 55 to Form 10-K for the fiscal year ended December 31, 1983, in 1-10764).
- (c) 57—Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and AP&L, LP&L, MP&L, and NOPSI (10(a) 39 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (c) 58—First Amendment to Unit Power Sales Agreement, dated as of June 25, 1984, between System Energy, AP&L, LP&L, MP&L, and NOPSI (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (c) 59—Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (c) 60—Contract For Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste, dated June 30, 1983, among the DOE, System Fuels and AP&L (10(b)-57 to Form 10-K for the fiscal year ended December 31, 1983, in 1-10764).
- (c) 61—Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (E-1 to Form U5S for the year ended December 31, 1987).

- (c) 62—First Amendment to Tax Allocation Agreement, dated January 1, 1990 (D-2 to Form U5S for the year ended December 31, 1989).
- (c) 63—Assignment of Coal Supply Agreement, dated December 1, 1987, between System Fuels and AP&L (B to Rule 24 letter filing, dated November 10, 1987 in 70-5964).
- (c) 64—Coal Supply Agreement, dated December 22, 1976, between System Fuels and Antelope Coal Company (B-1 in 70-5964), as amended by First Amendment (A to Rule 24 Certificate in 70-5964); Second Amendment (A to Rule 24 letter filing, dated December 16, 1983, in 70-5964); and Third Amendment (A to Rule 24 letter filing, dated November 10, 1987 in 70-5964).
- (c) 65—Operating Agreement between Entergy Operations and AP&L, dated as of June 6, 1990 (B-1(b) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (c) 66—Guaranty Agreement between Entergy Corporation and AP&L, dated as of September 20, 1990 (B-1(a) to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (c) 67—Agreement for Purchase and Sale of Independence Unit 2 between AP&L and Entergy Power, dated as of August 28, 1990 (B-3(c) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 68—Agreement for Purchase and Sale of Ritchie Unit 2 between AP&L and Entergy Power, dated as of August 28, 1990 (B-4(d) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 69—Ritchie Steam Electric Station Unit No. 2 Operating Agreement between AP&L and Entergy Power, dated as of August 28, 1990 (B-5(a) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 70—Ritchie Steam Electric Station Unit No. 2 Ownership Agreement between AP&L and Entergy Power, dated as of August 28, 1990 (B-6(a) to Rule 24 Certificate, dated September 6, 1990, in 70-7684).
- (c) 71—Power Coordination, Interchange and Transmission Service Agreement between Entergy Power and AP&L, dated as of August 28, 1990 (10(c)-71 to Form 10-K for the fiscal year ended December 31, 1990, in 1-10764).
- (c) 72—Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a)52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (c) 73—Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (c) 74—Entergy Corporation Annual Incentive Plan (10(a)54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (c) 75—Stock Plan for Outside Directors (A-5(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- (c) 76—Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

LP&L

- (d) 1—Agreement, dated April 23, 1982, among LP&L and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a)1 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (d) 2—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).
- (d) 3—Amendment, dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (d) 4—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (d) 5—Service Agreement with Entergy Services, dated as of April 1, 1963 (5(a)-5 in 2-42523).
- (d) 6—Amendment, dated as of January 1, 1972, to Service Agreement with Entergy Services (4(a)-6 in 2-45916).
- (d) 7—Amendment, dated as of April 27, 1984, to Service Agreement with Entergy Services (10(a)7 to Form 10-K for the fiscal year ended December 31, 1984, in 1-3517).
- (d) 8—Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(d)8 to Form 10-K for the fiscal year ended December 31, 1988, in 1-8474).
- (d) 9—Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(d)-9 to Form 10-K for the fiscal year ended December 31, 1990, in 1-8474).

- (d) 10—Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (d) 11—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 30, 1977, in 70-5399).
- (d) 12—Second Amendment to Availability Agreement, dated as of June 15, 1981 (E to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
- (d) 13—Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-5985).
- (d) 14—Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (d) 15—Fourteenth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (d) 16—Fifteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York, Malcolm J. Hood, and Deposit Guaranty National Bank, as Trustees (B-3(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (d) 17—Sixteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (C to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (d) 18—Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (d) 19—Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (d) 20—Twentieth Assignment of Availability Agreement, Consent and Agreement, dated as of November 16, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (d) 21—Twenty-first Assignment of Availability Agreement, Consent and Agreement, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (d) 22—Twenty-third Assignment of Availability Agreement, Consent and Agreement, dated as of January 11, 1991, with Chemical Bank, as Agent (B-3(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7531).
- (d) 23—Fuel Lease, dated as of January 31, 1989, between River Fuel Company #2, Inc., and LP&L (B-1(b) to Rule 24 Certificate in 70-7580).
- (d) 24—Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- (d) 25—Compromise and Settlement Agreement, dated June 4, 1982, between Texaco, Inc. and LP&L (28(a) to Form 8-K, dated June 4, 1982, in 1-8474).
- (d) 26—Post-Retirement Plan (10(c)23 to Form 10-K for the fiscal year ended December 31, 1983, in 1-8474).
- (d) 27—Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and AP&L, LP&L, MP&L and NOPSI (10(a) 39 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (d) 28—First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and AP&L, LP&L, MP&L and NOPSI (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (d) 29—Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (d) 30—Middle South Utilities, Inc. and Subsidiary Companies Intercompany Tax Allocation Agreement, dated April 28, 1988 (D-1 to Form U5S for the year ended December 31, 1987).
- (d) 31—First Amendment to Tax Allocation Agreement, dated January 1, 1990 (D-2 to Form U5S for the year ended December 31, 1989).

- (d) 32—Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste, dated February 2, 1984, among DOE, System Fuels and LP&L (10(d)33 to Form 10-K for the fiscal year ended December 31, 1984, in 1-8474).
- (d) 33—Operating Agreement between Entergy Operations and LP&L, dated as of June 6, 1990 (B-2(c) to Rule 24 Certificate, dated June 15, 1990, in 70-7679).
- (d) 34—Guarantee Agreement between Entergy Corporation and LP&L, dated as of September 20, 1990 (B-2(a), to Rule 24 Certificate, dated September 27, 1990, in 70-7757).
- (d) 35—Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (d) 36—Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 53 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (d) 37—Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (d) 38—Stock Plan for Outside Directors (A-5(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- (d) 39—Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

MP&L

- (e) 1—Agreement dated April 23, 1982, among MP&L and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a)-1 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (e) 2—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).
- (e) 3—Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (e) 4—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (e) 5—Service Agreement with Entergy Services, dated as of April 1, 1963 (D in 37-63).
- (e) 6—Amendment, dated January 1, 1972, to Service Agreement with Entergy Services (A to Notice, dated October 14, 1971, in 37-63).
- (e) 7—Amendment, dated April 27, 1984, to Service Agreement with Entergy Services (10(a) 7 to Form 10-K for the fiscal year ended December 31, 1984, in 1-3517).
- (e) 8—Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(e)-8 to Form 10-K for the fiscal year ended December 31, 1988, in 0-320).
- (e) 9—Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(e)-9 to Form 10-K for the fiscal year ended December 31, 1990, in 0-320).
- (e) 10—Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (e) 11—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977, in 70-5399).
- (e) 12—Second Amendment to Availability Agreement, dated as of June 15, 1981 (F to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
- (e) 13—Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-6985).
- (e) 14—Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (e) 15—Fourteenth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (e) 16—Fifteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York, Malcolm J. Hood, and Deposit Guaranty National Bank, as Trustees (B-3(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (e) 17—Sixteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (C to Rule 24 Certificate, dated June 4, 1986, in 70-7123).

- (e) 40—Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a) 52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (e) 41—Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a) 53 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (e) 42—Entergy Corporation Annual Incentive Plan (10(a) 54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (e) 43—Stock Plan for Outside Directors (A-5(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- (e) 44—Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

NOPSI

- (f) 1—Agreement, dated April 23, 1982, among NOPSI and certain other System companies, relating to System Planning and Development and Intra-System Transactions (10(a)-1 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (f) 2—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).
- (f) 3—Amendment dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).
- (f) 4—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).
- (f) 5—Service Agreement with Entergy Services dated as of April 1, 1963 (5(a)-5 in 2-42523).
- (f) 6—Amendment, dated as of January 1, 1972, to Service Agreement with Entergy Services (4(a)-6 in 2-45916).
- (f) 7—Amendment, dated as of April 27, 1984, to Service Agreement with Entergy Services (10(a)7 to Form 10-K for the fiscal year ended December 31, 1984, in 1-3517).
- (f) 8—Amendment, dated as of August 1, 1988, to Service Agreement with Entergy Services (10(f)-8 to Form 10-K for the fiscal year ended December 31, 1988, in 0-5807).
- (f) 9—Amendment, dated January 1, 1991, to Service Agreement with Entergy Services (10(f)-9 to Form 10-K for the fiscal year ended December 31, 1990, in 0-5807).
- (f) 10—Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (B to Rule 24 Certificate, dated June 24, 1974, in 70-5399).
- (f) 11—First Amendment to Availability Agreement, dated June 30, 1977 (B to Rule 24 Certificate, dated June 30, 1977, in 70-5399).
- (f) 12—Second Amendment to Availability Agreement, dated as of June 15, 1981 (E to Rule 24 Certificate, dated July 1, 1981, in 70-6592).
- (f) 13—Third Amendment to Availability Agreement, dated as of June 28, 1984 (B-13(a) to Rule 24 Certificate, dated July 6, 1984, in 70-6985).
- (f) 14—Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (A to Rule 24 Certificate, dated June 8, 1989, in 70-5399).
- (f) 15—Fourteenth Assignment of Availability Agreement, Consent and Agreement, dated as of June 15, 1985, with Deposit Guaranty National Bank, United States Trust Company of New York and Malcolm J. Hood, as Trustees (B-3(b) to Rule 24 Certificate, dated July 31, 1985, in 70-7026).
- (f) 16—Fifteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York, Malcolm J. Hood and Deposit Guaranty National Bank, as Trustees (B-3(b) to Rule 24 Certificate, dated June 5, 1986, in 70-7158).
- (f) 17—Sixteenth Assignment of Availability Agreement, Consent and Agreement, dated as of May 1, 1986, with United States Trust Company of New York and Malcolm J. Hood, as Trustees (C to Rule 24 Certificate, dated June 4, 1986, in 70-7123).
- (f) 18—Eighteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).
- (f) 19—Nineteenth Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 1986, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-3 to Rule 24 Certificate, dated October 1, 1986, in 70-7272).

- (f) 20—Twentieth Assignment of Availability Agreement, Consent and Agreement, dated as of November 15, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-1 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (f) 21—Twenty-first Assignment of Availability Agreement, Consent and Agreement, dated as of December 1, 1987, with United States Trust Company of New York and Gerard F. Ganey, as Trustees (C-2 to Rule 24 Certificate, dated December 1, 1987, in 70-7382).
- (f) 22—Twenty-third Assignment of Availability Agreement, Consent and Agreement, dated as of January 11, 1991, with Chemical Bank, as Agent (B-3(a) to Rule 24 Certificate, dated January 23, 1991, in 70-7561).
- (f) 23—Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (B-1(a) in 70-6624).
- (f) 24—Post-Retirement Plan (10(e) 22 to Form 10-K for the fiscal year ended December 31, 1983, in 1-1319).
- (f) 25—Unit Power Sales Agreement, dated as of June 10, 1982, between System Energy and AP&L, LP&L, MP&L and NOPSI (10(a) 39 to Form 10-K for the fiscal year ended December 31, 1982, in 1-3517).
- (f) 26—First Amendment to the Unit Power Sales Agreement, dated as of June 28, 1984, between System Energy and AP&L, LP&L, MP&L and NOPSI (19 to Form 10-Q for the quarter ended September 30, 1984, in 1-3517).
- (f) 27—Revised Unit Power Sales Agreement (10(ss) in 33-4033).
- (f) 28—Transfer Agreement, dated as of June 28, 1983, among the City of New Orleans, NOPSI and Regional Transit Authority (2(a) to Form 8-K, dated June 24, 1983, in 1-1319).
- (f) 29—Middle South Utilities, Inc. and Subsidiary Companies Intercompany Income Tax Allocation Agreement, dated April 28, 1988 (Exhibit D-1 to Form U5S for the year ended December 31, 1987).
- (f) 30—First Amendment to Tax Allocation Agreement, dated January 1, 1990 (D-2 to Form U5S for the year ended December 31, 1989).
- (f) 31—Executive Financial Counseling Program of Entergy Corporation and Subsidiaries (10(a)52 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (f) 32—Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries (10(a)53 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (f) 33—Entergy Corporation Annual Incentive Plan (10(a)54 to Form 10-K for the year ended December 31, 1989, in 1-3517).
- (f) 34—Stock Plan for Outside Directors (A-5(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).
- (f) 35—Equity Ownership Plan of Entergy Corporation and Subsidiaries (A-4(a) to Rule 24 Certificate, dated May 24, 1991, in 70-7831).

(i2) Statement Re Computation of Ratios

- * (a) AP&L's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.
- * (b) LP&L's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.
- * (c) MP&L's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.
- * (d) NOPSI's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Fixed Charges and Preferred Dividends, as defined.
- * (e) System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.

(22) *Subsidiaries of the Registrants

(24) Consents of Experts and Counsel

- * (a) The consent of Deloitte & Touche is contained herein at page 288.
- * (b) The consent of Friday, Eldredge & Clark is contained herein at page 289.
- * (c) The consent of Monroe & Lemann (A Professional Corporation) is contained herein at page 290.
- * (d) The consent of Wise Carter Child & Caraway, Professional Association, is contained herein at page 291.
- * (e) The consent of Thomas O. Land, Esq. is contained herein at page 292.
- * (f) The consent of Jones, Walker, Waechter, Poitevent, Carrere & Denegre is contained herein at page 293.