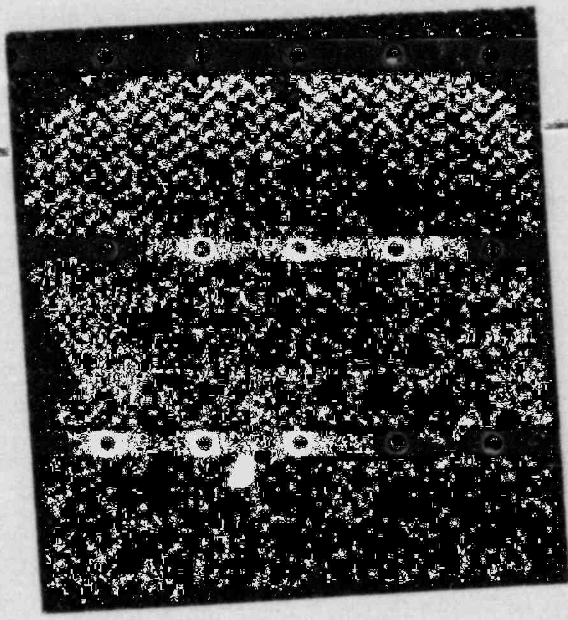
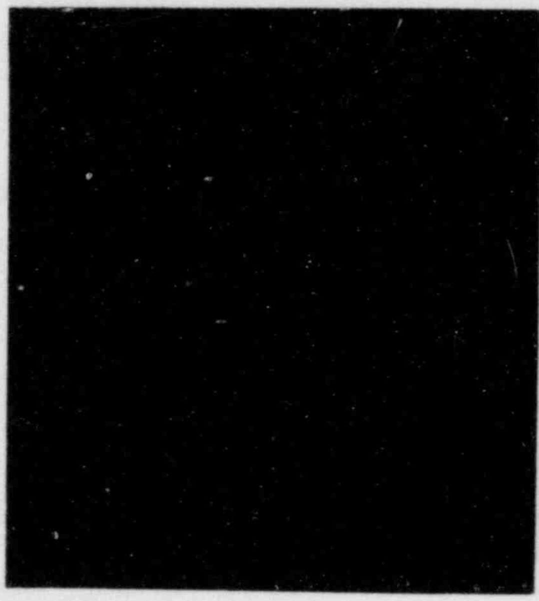
LOUISIANA
POWER
& LIGHT
COMPANY



ANNUAL REPORT 1984



This 1984 Annual Report is prepared for the information of stockholders, employees, and other interested persons.

The Company's 1984 Annual Report to the Securities and Exchange Commission on Form 10-K (including financial statement schedules) is available to any stockholder without charge. Stockholders can obtain a copy by writing to:

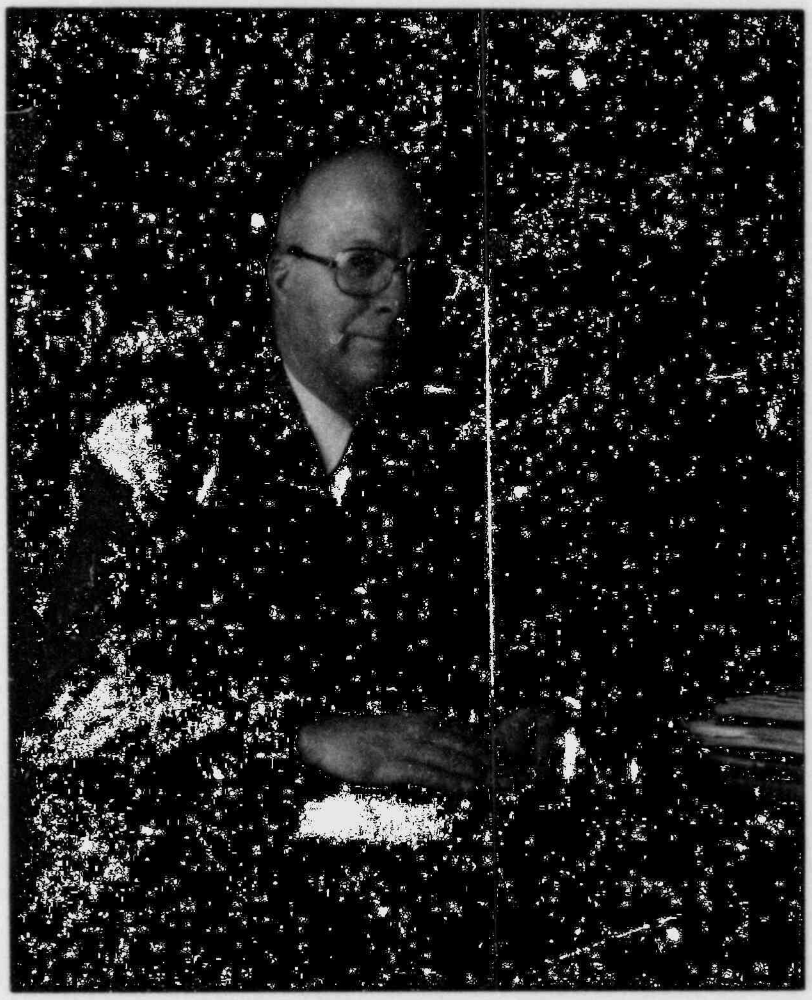
M. H. McLetchie
Senior Vice President —
Accounting & Finance, and Treasurer
Louisiana Power & Light Company
P. O. Box 6008
New Orleans, Louisiana 70174
Telephone: (504) 366-2345

MIDDLE SOUTH UTILITIES SYSTEM

HIGHLIGHTS

	As of Dec. 31, 1984	As of Dec. 31, 1983
Plant Investment	$4,116,786,000	$3,688,148,000
Revenue	$1,245,659,000	$1,144,743,000
Net Income	$ 201,011,000	$ 131,546,000
Peak Load (occurred 6/22/84 and 8/29/83)	4,200,000 KW	4,207,000 KW
Generating Capability	4,605,000 KW	4,618,000 KW
Customers	562,273	552,025
Average annual kilowatt-hours per residential customer	13,479	12,996
Average annual revenue per residential kilowatt-hour	6.10¢	5.72¢
Population in area served	1,654,000	1,629,000
Employees	2,973	2,756

THE POWER TEAM

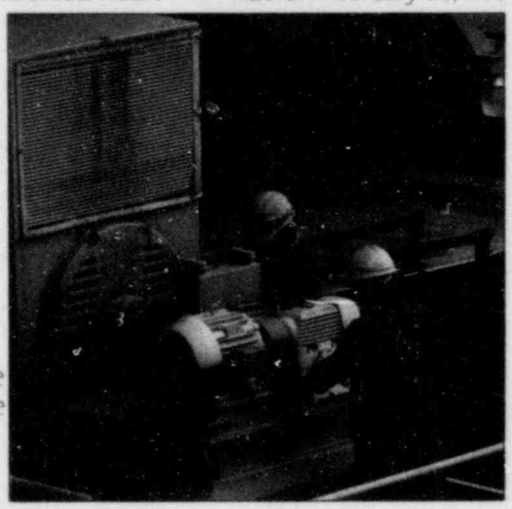


James M. Cain
James M. Cain
President

PRESIDENT'S LETTER

Gradual improvement in Louisiana's economy continued in 1984, and Louisiana Power & Light Company shared in that improvement.

For the first time since 1980, the average annual electric consumption increased among our residential customers. This was due to the improved economic climate and relatively stable fuel costs during 1984. Average residential use in 1984 was 13,479 kilowatt-hours — an increase of 483 kilowatt-hours over average residential use in 1983. LP&L industrial sales accounted for 53% of our retail sales in 1984. The average fuel cost for 1984 was 2.848 cents per kilowatt-hour compared to 2.762 cents in 1983.



Major industrial expansions in the area LP&L serves occurred at the Texaco and Tenneco refineries. In addition, Air Products completed a new plant.

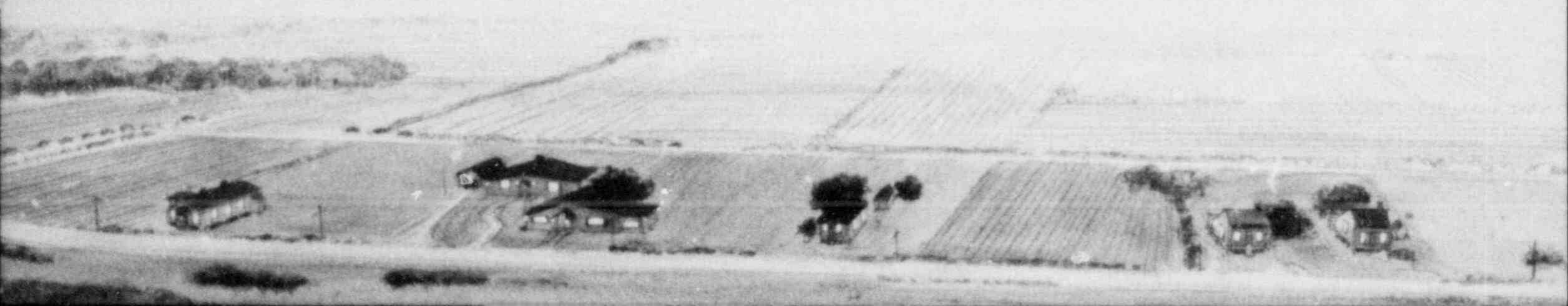
LP&L's Power Team, our highly experienced professionals who make up top management, was responsible for a number of important achievements which are highlighted in this letter.

Chief among Company accomplishments in 1984 was the obtaining of a low-power operating license for Waterford 3, our now complete nuclear generating unit in St. Charles Parish. The facility, located about 25 miles upriver from New Orleans on the Mississippi, is currently undergoing testing. We anticipate receiving a full power license soon and the unit is scheduled to be in commercial operation in June, 1985. Waterford 3 will add 1,104 megawatts to LP&L's generating capability of 4,605 megawatts at the end of 1984.

LP&L's net income in 1984 was $201.0 million, a 52.8% increase over 1983. However, Allowance for Funds Used During Construction accounted for 63.9% of this net income figure.

The Louisiana Public Service Commission granted LP&L an increase of $69 million in additional revenue on February 20, 1984. This increase went into effect March 2, 1984. This was less than the $309 million that had been requested in the Company's January 24, 1983 rate filing. The Company's requested increase had included the net additional revenues required when Waterford 3 and Grand Gulf 1 were anticipated to be placed into commercial operation. However, the LPSC directed the Company to refile its requested increases for the two nuclear units.

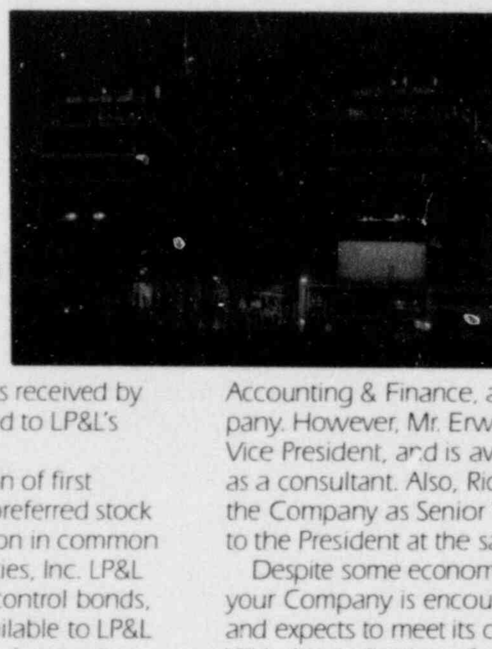
On April 12, 1984, the Company filed with the LPSC for additional annual revenues of $316 million. This amount was the Company's estimate of the net revenues required to cover Waterford 3 and a 14% allocation of Grand Gulf 1 to LP&L. The amount requested was net of the estimated fuel savings from the operation of these two nuclear units as well as a phase-in of the increased costs due to Waterford 3 being in commercial operation. Grand Gulf 1 is a



THE POWER TEAM

1,250-megawatt facility, 90% of which is owned by Middle South Energy, Inc. It is expected to be in commercial operation by mid-year 1985.

On March 4, 1985, the LPSC denied the April 1984 rate request on the basis that the commercial operation dates of the two units were still uncertain. The Company plans to refile its rate case and to take all necessary legal and other action in order to obtain the rate relief necessary to enable it to meet its obligations resulting from the anticipated second quarter 1985 in-service status of Waterford 3 and Grand Gulf 1.



On August 24, LP&L was awarded a judgment of $40,309,142 plus interest against United Gas Pipe Line Company in a long-standing suit for, among other things, breach of natural gas supply contracts. The award, made by Civil District Court Judge George C. Connolly, Jr., is being appealed by United. Any net amounts received by LP&L in this judgment will be returned to LP&L's customers.

During 1984, LP&L sold $190 million of first mortgage bonds and $50 million of preferred stock in public offerings, and sold $65 million in common stock to its parent, Middle South Utilities, Inc. LP&L also issued $220 million in pollution control bonds, of which $105 million will not be available to LP&L until after Waterford 3 is in commercial operation. Also during the year, LP&L expended $442.1 million in construction costs, which included $366.9 million for Waterford 3 construction.

Company operating revenues in 1984 totalled $1.2 billion, a 9% increase over 1983 revenues. The Company's customers at year-end totalled 562,273, an increase of 1.9% over the 552,025 at the close of 1983. The Company's 1984 peak demand was 4,200 megawatts; this occurred at 4 p.m. June 22. This compares to the 4,207 megawatts of peak demand on the Company system in 1983.

Functional consolidation with New Orleans Public Service Inc., one of LP&L's associate companies in the Middle South System, continued to progress in 1984. The companies first announced their intention to consolidate in July, 1981. Applications for authority to consolidate have been filed with the LPSC and the Securities and Exchange Commission.

In November, Malcolm H. McLetchie succeeded John H. Erwin, Jr., as Senior Vice President — Accounting & Finance, and Treasurer of the Company. However, Mr. Erwin has remained as a Senior Vice President, and is available to the Company as a consultant. Also, Richard L. Murlowski joined the Company as Senior Vice President — Assistant to the President at the same time.

Despite some economic and regulatory problems, your Company is encouraged by its opportunities and expects to meet its challenges in the year ahead. With the dedication of our employees, we believe 1985 will be another successful year for the Company.

For the Board of Directors
March 4, 1985

James M. Cain

James M. Cain
President

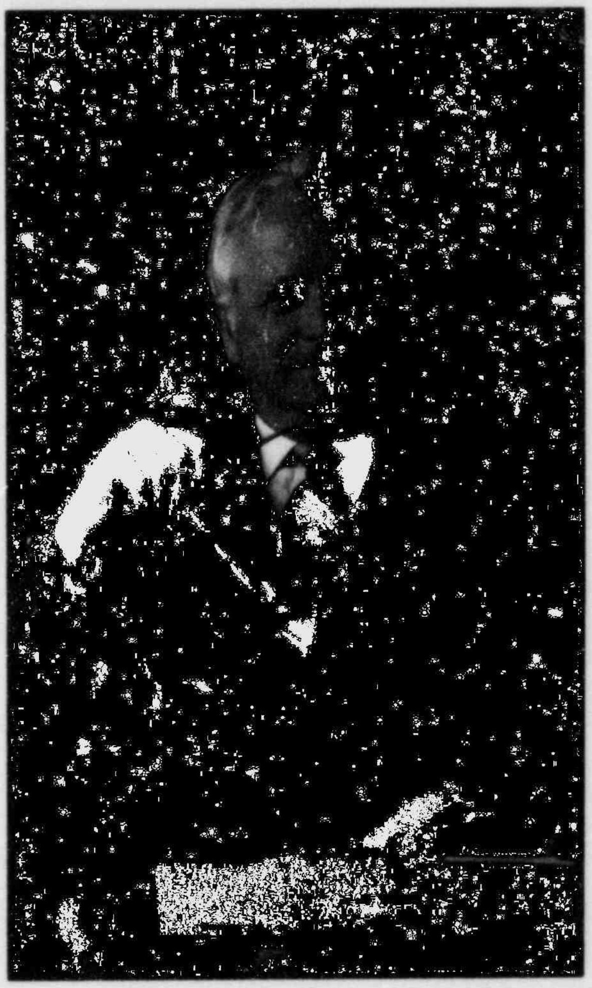
MANAGEMENT

1984. It was a year of achievements for LP&L management, all supporting the two-fold goal of increasing efficiency and lowering business costs.

An LP&L Task Force was formed of experienced employees to investigate the use of electronic meter reading. With a change from our present system, efficiency will increase, as well as accuracy. The electronic method will go into effect early in 1985, and will produce savings estimated at $250,000 per year.

In the area of Consumer Services, LP&L conducted 3,652 Energy Information and Educational Programs for 97,786 consumers and teachers. The participants were given facts on energy utilization and energy issues, in the belief that a well-informed public is essential for a well-run company.

1984 witnessed the conversion of LP&L's Pontchartrain substation from 115-KV to 230-KV. The company was also able to reduce its distribution transformer inventory to a very low 6%, compared to 14% in 1970. The applications of LP&L's computerized management systems increased significantly. Each of these measures and more will be continued in 1985, as will new goals to be set in our endeavor to maintain the highest levels of efficiency at LP&L.

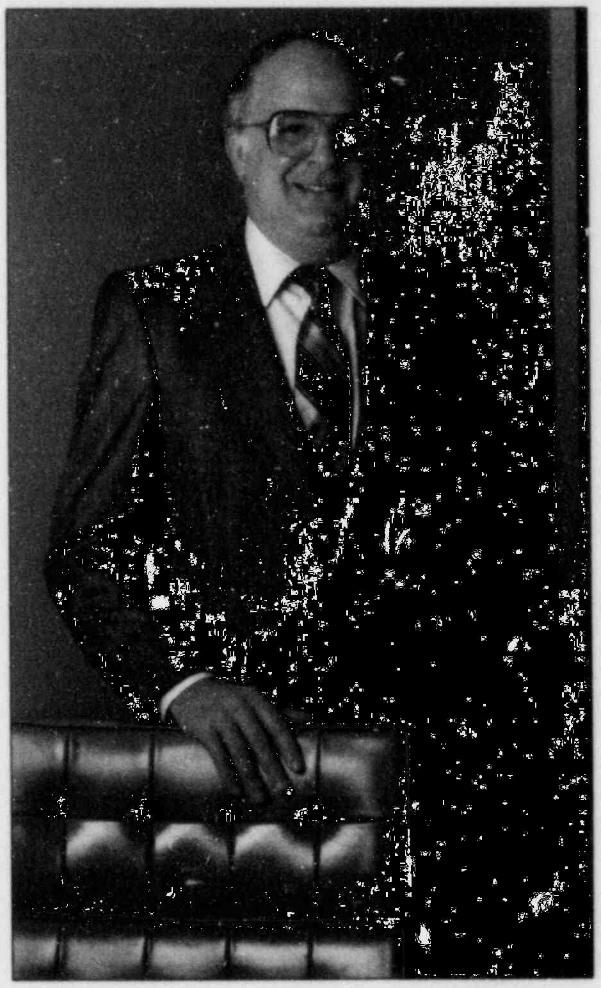


Gerald D. McLendon

G. D. McLendon
Executive Vice President

THE POWER TEAM

EXTERNAL AFFAIRS



J. J. Cordaro
Senior Vice President — External Affairs

As the years proceed, LP&L recognizes a growing need and obligation to communicate with its public — the consumers, civic leaders and elected officials — locally, statewide and nationally. 1984 was no exception. We met the need; we fulfilled the obligation.

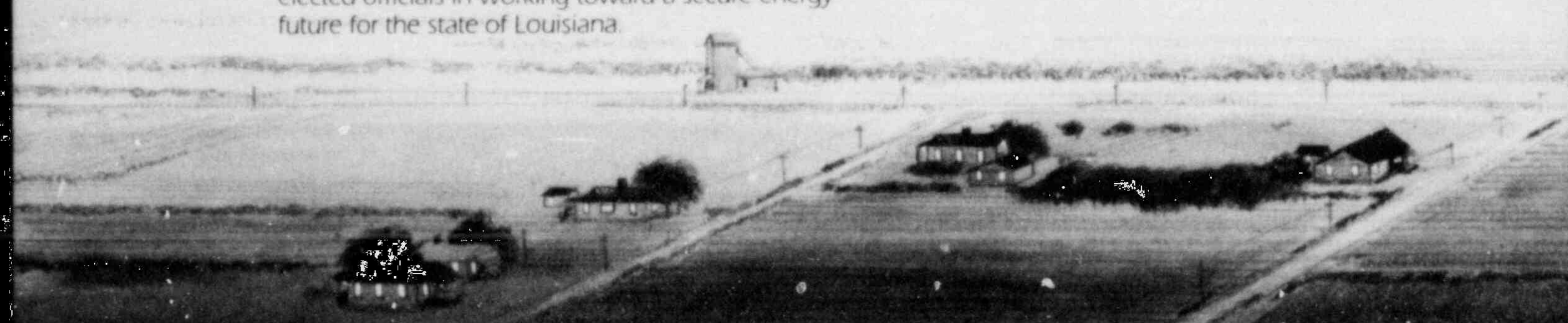
Management has maintained a close working relationship with Louisiana's Congressional delegation, enabling LP&L to protect favorable long term natural gas contracts from the detrimental effects of proposed legislation. As a result, adequate supplies of low cost natural gas for the generation of power will continue to hold down consumer electric bills, and aid areawide industrial development.

In the State Legislative arena efforts to preserve LP&L's tax exemptions on materials and energy sources used to generate electricity were highly successful. Retaining these exemptions, therefore minimizing tax increases, is a direct benefit to our customers who would otherwise be exposed to higher costs.

A strong political action committee enables LP&L's employees to meaningfully support national, state and local candidates for public office. Membership of Louisiana Employees Committee of Political Action of Louisiana Power & Light Company (LECOPA — LP&L) increased by 29% so that for the first time over half of the Company's eligible employees are now members. This indicates an employee awareness of the importance of being involved in the political process.

The Waterford 3 Safety Information Book, part of our emergency information plan, received the highest marks possible from the Federal Emergency Management Agency. A new Energy Education Center for visitors to Waterford 3 is under construction and will open in 1985 as an information resource center for the entire region.

We will continue to meet our obligation to communicate with our customers, civic leaders and elected officials in working toward a secure energy future for the state of Louisiana.



NUCLEAR

LP&L's leadership in the nuclear energy and technology fields was confirmed in 1984. First, on April 19 Waterford 3 construction was officially completed. Second, on December 18 the nuclear plant was given a low power license by the Nuclear Regulatory Commission to load fuel into the reactor and begin initial testing. Finally, in the last two days of 1984, all 217 fuel assemblies were successfully loaded into Waterford's reactor.

When the NRC awarded LP&L the license to begin low power test operation, it was a milestone. It also represented years of dedication and thousands of hours of work by our staff. It was in 1970 — 14 years ago — that LP&L committed to the long range plan of building Louisiana's first nuclear plant. Officials of the NRC have commended the depth and breadth of nuclear experience present on the Waterford 3 staff.

Next step? Full power. We anticipate getting the license to operate at 100% capacity by spring of 1985. That means 1,104 megawatts will be added to our current electric generating capacity, creating a base load generating facility for more than 562,000 LP&L customers.

Planning for a secure energy future is one of LP&L's most critical roles. We are proud that the Waterford 3 project is helping fulfill that very important obligation.

R. S. Leddick

R. S. Leddick
Senior Vice President — Nuclear Operations

THE POWER TEAM

FINANCIAL

According to recent management audits by Arthur Young & Company and Decision Management Company, Inc., the Company has been exceptionally efficient and effective to the benefit of stockholders and customers alike.

LP&L raised over $420 million from external sources during 1984, the major portion being used for construction expenditures relating to the Waterford 3 nuclear unit. Included in the funds raised externally was $190 million from the sale of three issues of First Mortgage Bonds and $115 from the sale of pollution control bonds.

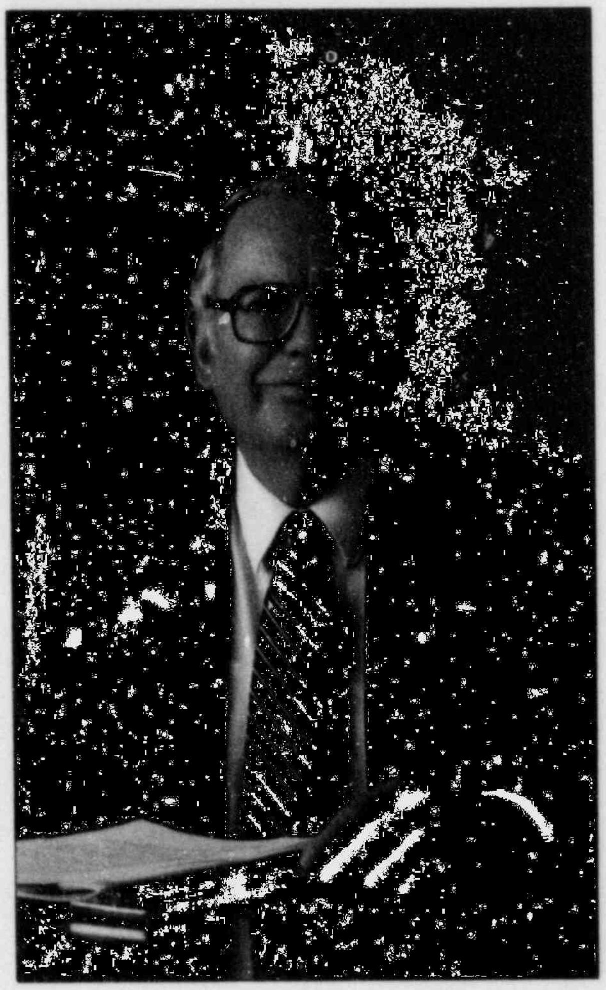
LP&L's Centralized Mail Remittance Processing Center has completed its first year of operation, and the results are excellent. We are now processing more than 250,000 customer payments per month, getting same day deposit of funds, and accelerating our cash flow by two days — all measures which improve the Company's financial position.

1984 was a year of important accomplishments which will continue to produce positive results in the years ahead.

J. H. Erwin, Jr.
Senior Vice President and Consultant

Malcolm H. McLetchie
Senior Vice President —
Accounting and Finance, and Treasurer

ENERGY SUPPLY



Donald L Aswell
D. L. Aswell
Senior Vice President — Fossil Operations

It is the weighty responsibility of LP&L management to have a constant, adequate supply of energy for our customers — industrial, commercial and residential. That means we must be prudent planners, looking into the years far ahead of us and predicting what energy sources will be plentiful and practical in meeting projected demand.

In 1984 LP&L accomplished a great deal in our efforts to maximize existing energy supplies. This year saw the development of the Power Plant Productivity Improvement Program which will be implemented in 1985. This new plan will improve unit efficiencies and availabilities, save on fuel costs, reduce replacement energy costs and maintenance costs, and save considerably on expenses, which ultimately benefits our customers.

Another accomplishment was the continuation of the Compromise Settlement Agreement with Texaco. Texaco's commitment to save LP&L's customers on fuel has resulted in Texaco lowering their gas prices on many occasions, and that has caused other suppliers to do the same. In 1984, the savings to LP&L from the use of Texaco gas alone were approximately $65 million. This can be added to several million saved from competing suppliers.

As the largest energy provider in the state of Louisiana, LP&L must rely on knowledge, experience and sound business decisions in predicting what lies in our energy future. In 1984, we were right on course.

THE POWER TEAM

ADMINISTRATIVE

The prime achievement of LP&L's Administrative Department in 1984 was the purchase of MMIS. These initials represent a state-of-the-art online computer system for Materials Management Information System, strongly recommended by various audit groups that have visited LP&L.

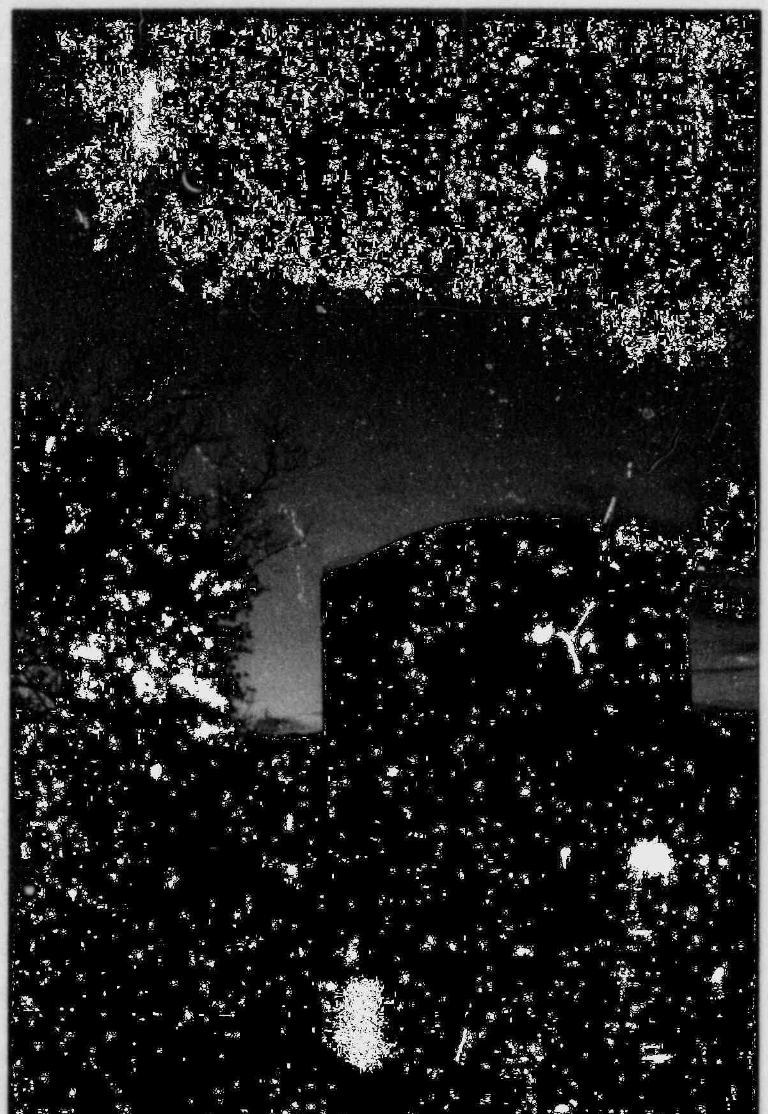
MMIS will support the full range of LP&L activities in the typical material cycle. For instance, purchasing outlays for 1984 exceeded $160 million. The new system is estimated to save LP&L at least $500,000 annually by providing improved information on vendor performance and physical inventory requirements. Other opportunities for savings will result from accurate material descriptions, expeditious material location, automated ordering and receiving, and material status tracking.

Also in 1984, an MMIS implementation team was formed with representatives from all LP&L departments. These 15 team members, along with 40 additional material related employees, were thoroughly trained on all facets of the system. With the installation of equipment and actual testing in progress, LP&L can expect total company-wide use of MMIS in late 1985 or early 1986. We're using high technology in administration for a more efficient energy future.

William C. Nelson
Senior Vice President —
Administration and Services

1. Waterford 1 & 2 Control Room
2. New St. Jude Hospital
3. Old Metairie Village Shopping Center
4. Xerox Centre Office Complex
5. Waterford 3 Nuclear Generating Unit


1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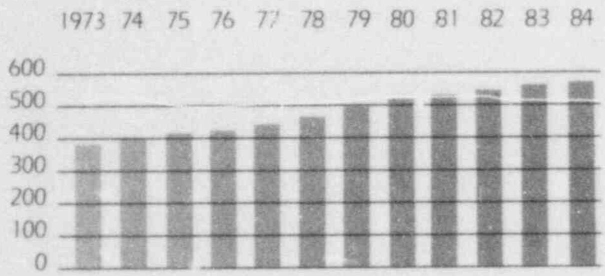
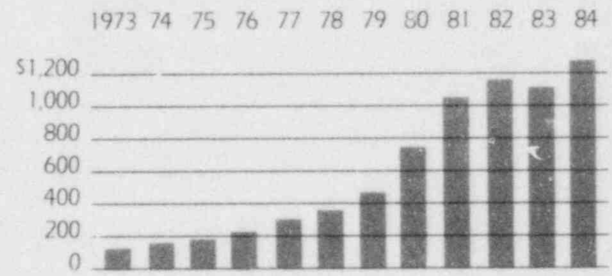
4

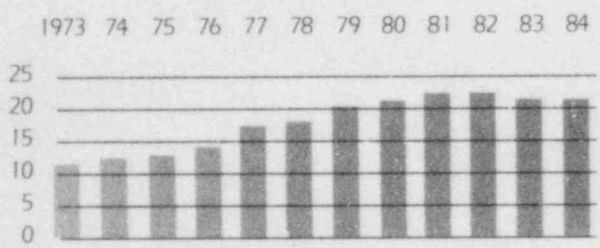
CUSTOMERS
(Thousands)
1984 = 562.3



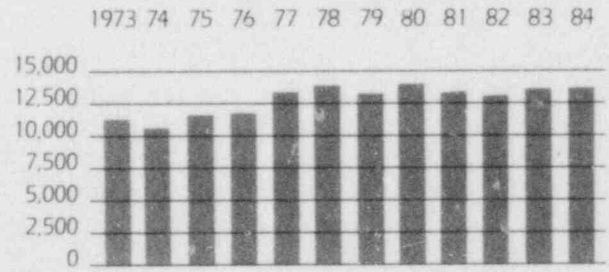
OPERATING REVENUES
From Retail Customers (Millions of Dollars)
1984 = $1,245.7



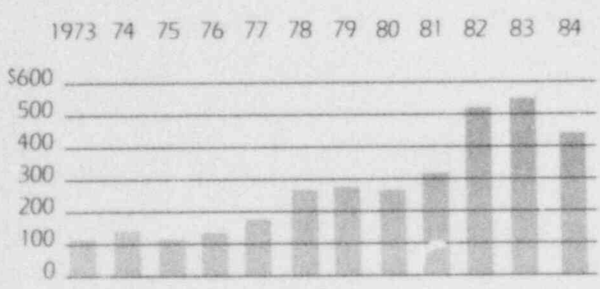
ENERGY SALES
To Retail Customers
(Billions of Kilowatt-Hours)
1984 = 22.76



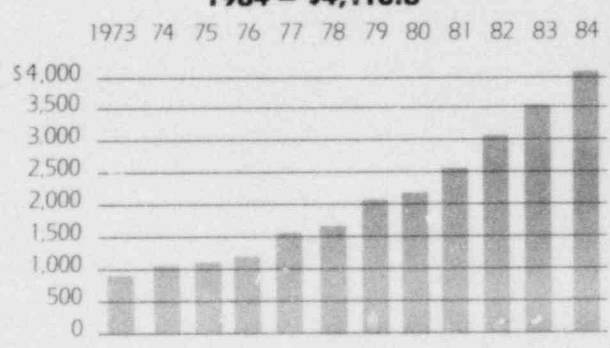
AVERAGE KWH USE
Per Residential Customer
1984 = 13,479



CONSTRUCTION EXPENDITURES
(Millions of Dollars)
1984 = $442.1



GROSS UTILITY PLANT
(Millions of Dollars)
1984 = $4,116.8



MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Net income increased \$69.5 million and \$14.1 million in 1984 and 1983, respectively, and decreased \$7.0 million in 1982. The large increase in 1984 was primarily due to increasing amounts of Allowance for Funds Used During Construction (AFDC) attributable to the financing of Waterford 3, the Company's nuclear generating unit, increased energy sales to retail customers, a \$69 million annual retail rate increase implemented in March 1984, a change in accounting method to include the cumulative effect of accruing unbilled revenues, and continuing cost control measures. When Waterford 3 is placed in commercial operation, the Company's construction program will be reduced substantially. However, upon commercial operation, AFDC, a major component of earnings in recent years, will cease accruing and earnings will be affected by the initiation of depreciation expense. Additional rate relief is critical, therefore, upon the commencement of commercial operation of the unit because the Company must begin to recover those costs associated with Waterford 3 that have not previously been allowed in rates and to earn a return on its investment.

During the year 1984, the Company sold \$65 million of common stock, \$50 million of preferred stock, \$190 million of first mortgage bonds, and \$220 million of pollution control revenue bonds (of which \$105 million is being retained in a cash collateral security account until four months after Waterford 3 is placed in operation), primarily for the payment of outstanding short-term borrowings, for the financing in part of its construction program and for other corporate purposes. At December 31, 1984, after such securities sales, the earnings coverage for the Company's first mortgage bonds was 1.98 times the annual first mortgage bond interest requirements, and its earnings coverage for preferred stock was 1.51 times the annual interest charges and preferred dividend requirements. Based on these coverages, which include the cumulative effect of the accounting change mentioned above, the Company could have issued no additional first mortgage bonds (except such bonds issued solely for refunding outstanding first mortgage bonds) and only a nominal amount of preferred stock.

With regard to rate matters, in April 1984 the Company filed with the LPSC a request for a \$316 million net increase in annual revenues from retail customers. The increase will be needed to provide cash earnings that reflect the in-service status of Waterford 3 and Grand Gulf 1, both of which are presently scheduled for commercial operation during the first half of 1985. In connection with that portion of the request related to Waterford 3, the Company proposed a plan to phase into rates the costs associated with that facility. The Grand Gulf 1 portion of this filing was based on the Company receiving a 14% allocation of MSE's share of the unit, as provided in the initial decision by an Administrative Law Judge (ALJ) of the Federal Energy Regulatory Commission (FERC). The ALJ's decision is now pending before the FERC, which has not yet ruled on the matter. Because of the question of how much of Grand Gulf 1's output will be assigned to the Company remains unsettled, the rate application proposed a formula-type rate adjustment clause. The proposed clause would permit the Company to recover non-fuel related expenses associated with buying power from Grand Gulf 1, no matter what portion of the unit's output is allocated to the Company. Accordingly, if the Company were allocated 38.57% of MSE's share of Grand Gulf 1 (as initially proposed to the FERC), its requested net increase in revenues would be \$496 million. On March 4, 1985, the LPSC denied the April 1984 rate request on the basis that the commercial operation dates of the two units were still uncertain. The Company plans to refile its rate case and to take all necessary legal and other action in order to obtain the rate relief necessary to enable it to meet its obligation resulting from the anticipated second quarter 1985 in-service status of Waterford 3 and Grand Gulf 1.

LIQUIDITY AND CAPITAL RESOURCES

Construction expenditures (including AFDC) totalled \$1.5 billion during the three-year period 1982-1984. These expenditures were funded by net financing transactions of \$853.6 million, funds from operations, and a portion of the proceeds from the settlement agreement with a gas supplier in 1982 (see Note 11).

The Company contemplates construction expenditures, including AFDC, of \$719 million for 1985 through 1987, including \$160 million required to achieve commercial operation of Waterford 3. Further, during 1985, the Company is obligated under a Power Purchase Advance Payment Agreement to make advance power purchase payments to MSE of \$4.8 million per month until the earlier of commercial operation of Grand Gulf 1 or December 31, 1985. The Company intends to meet these and its other corporate requirements during the period through commercial operation in 1985 of these nuclear units with funds derived from operations, with funds received from the sale of common stock to its parent, Middle South Utilities, Inc., and with the proceeds of short-term borrowings. In this latter connection, the Company is currently authorized by the SEC to make short-term borrowings of up to the lesser of \$200 million or 10% of capitalization, \$125 million of which was outstanding at February 28, 1985.

With respect to the full 1985-1987 period, and in addition to the foregoing capital requirements, approximately \$255 million will be needed for financing the above-mentioned proposed plan to phase into rates the costs associated with Waterford 3 and \$125 million will be required in order to meet long-term debt maturities and preferred stock sinking fund requirements. Assuming adequate retail rate relief, the Company estimates that its requirements for capital funds from external sources during this period will be approximately \$447 million, and expects to obtain such funds from the sale of common stock to its parent, the above-mentioned

$105 million held in a cash collateral security account, short-term borrowings and the issuance and sale of such other securities as may be determined to be appropriate. If the March 4, 1985 LPSC decision (as discussed under "Financial Condition") has the effect of allowing, for a substantial period of time, less than adequate rate relief needed for the Company to meet its obligations resulting from the anticipated second quarter 1985 in-service status of Waterford 3 and Grand Gulf 1, the Company's earnings, liquidity, and financial condition would be materially and adversely affected.

RESULTS OF OPERATIONS

As mentioned above, net income increased $69.5 million and $14.1 million in 1984 and 1983, respectively, following a $7.0 million decrease in 1982. However, net income exclusive of AFDC and the cumulative effect of the change in accounting method in 1984, two non-cash items, reflects an increase of $22.4 million in 1984 and decreases of $30.8 million and $12.6 million in 1983 and 1982, respectively.

Operating revenues increased $100.9 million in 1984 primarily as a result of the above-mentioned rate increase and an increase of 6% in energy sales to retail customers. For the year 1983, revenue decreased $50.8 million and energy sales to retail customers declined by 7% due to mild weather conditions and reduced industrial activity. Revenue increased $77.8 million in 1982 primarily as a result of a 1981 retail rate increase. The change in sales of energy was relatively small in 1982.

The combined fuel and purchased power expenses increased during the year 1984 due to increased energy requirements slightly offset by the lower average unit prices and decreased in 1983 primarily as a result of a net reduction in energy requirements. These expenses increased in 1982 due to higher average unit prices and to large volumes of purchased power used to displace even higher gas and/or oil-fueled generation. The variances in other operating expenses in 1984-1982 were attributable to deferred fuel costs, which at times reflected wide fluctuations in the cost of energy, and to the effects of increased costs of labor, materials and supplies, and services.

Total income taxes included in operating expenses and in other income in the years 1984-1982 varied primarily because of changes in income before income taxes and the increased level of AFDC.

For each of the years 1984, 1983, and 1982, increased interest charges were primarily attributable to the Company's issuance of additional debt and to the accrual by the Company of interest on the portion of the proceeds used by the Company of the settlement entered into by the Company with a gas supplier in 1982.

EFFECTS OF INFLATION

Despite the reduced level of inflation in 1984 and 1983, its impact on the Company's operations in recent years has been significant (see Note 14 to Financial Statements, "Effect of Inflation on Operations (Unaudited)").

SUMMARY

The ability of the Company to secure adequate and timely rate relief to cover the costs associated with Grand Gulf 1 and Waterford 3 and other increased costs will have a significant impact on the financial condition of the Company, and its ability to provide the generating capacity and other resources necessary to serve the present and future energy requirements of its customers.

REPORT OF MANAGEMENT

The management of Louisiana Power & Light Company has prepared and is responsible for the financial statements and related financial information included in this annual report. The financial statements are based on generally accepted accounting principles consistently applied, except for the change in 1984 in the method of accounting for revenues as described in Note 1B to 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, as well as organization 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 board of directors pursues its responsibility for reported financial information through its audit committee, composed of outside directors. The audit committee meets periodically with management, the internal auditors, and the independent public accountants to discuss auditing, internal control, and financial reporting matters. The independent public accountants and the internal auditors have free access to the audit committee at any time.

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.

AUDITORS' OPINION

Louisiana Power & Light Company:

We have examined the balance sheets of Louisiana Power & Light Company as of December 31, 1984 and 1983 and the related statements of income, retained earnings, and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the Company at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in 1984 in the method of accounting for revenues as described in Note 1B to the financial statements.

Deloitte Haskins & Sells

New Orleans, Louisiana
March 4, 1985

BALANCE SHEETS

December 31, 1984 and 1983

Assets

	1984	1983
	(In Thousands)	
UTILITY PLANT (Notes 8 and 9):		
Electric	$1,514,442	$1,463,856
Construction work in progress	2,602,344	2,224,292
Nuclear fuel	11,040	4,764
Total	4,127,826	3,692,912
Less accumulated depreciation	556,406	522,508
Utility plant — net	3,571,420	3,170,404
OTHER PROFERTY AND INVESTMENTS:		
Investment in subsidiary — at equity (Note 8)	51,017	46,073
Other	550	515
Total	51,567	46,588
CURRENT ASSETS:		
Special deposits	10,825	10,856
Temporary investments — at cost, which approximates market:		
Associated companies	600	—
Other	9,543	7,069
Notes receivable	729	841
Accounts receivable:		
Customer and other (less allowance for doubtful customer accounts (in thousands) $1,035 in 1984 and $135 in 1983)	62,339	55,738
Associated companies	262	197
Accrued unbilled revenues (Note 1B)	36,977	—
Receivable from gas supplier (Note 11)	—	250,000
Deferred fuel costs	—	4,577
Materials and supplies — at average cost	13,372	11,355
Power purchase advance payments (Note 8)	12,475	—
Other	9,779	4,105
Total	156,901	344,738
DEFERRED DEBITS:		
Power purchase advance payments (Note 8)	49,902	—
Other	19,348	3,586
Total	69,250	3,586
TOTAL	$3,849,138	$3,565,316

See Notes to Financial Statements.

Capitalization and Liabilities

	1984	1983
	(In Thousands)	
CAPITALIZATION:		
Common stock, no par value, authorized 150,000,000 shares; issued and outstanding 121,958,900 shares in 1984 and 112,111,100 shares in 1983 (Note 5)	$ 803,900	$ 738,900
Paid-in capital	758	—
Retained earnings (Note 7)	51,199	39,898
Total common shareholder's equity	855,857	778,798
Preferred stock, without sinking fund (Note 5)	145,882	145,882
Preferred stock, with sinking fund (Note 5)	284,501	240,951
Long-term debt (Note 6)	1,471,855	1,173,453
Total	2,758,095	2,339,084
OTHER NONCURRENT LIABILITIES:		
Accumulated provision for property insurance	6,852	4,540
Accumulated provision for injuries and damages	1,610	957
Total	8,462	5,497
CURRENT LIABILITIES:		
Notes payable (Note 4):		
Associated companies	—	100,100
Banks	—	77,900
Currently maturing long-term debt	2,549	20,462
Accounts payable:		
Associated companies	32,990	48,782
Other	63,096	63,119
Customer deposits	26,451	24,220
Taxes accrued	8,745	4,088
Accumulated deferred income taxes (Note 3)	2,618	(5,086)
Interest accrued	43,191	33,916
Dividends declared	48,777	32,418
Gas contract settlement — liability to customers (Note 11)	62,652	58,884
Deferred fuel costs	16,855	—
Other	1,856	2,010
Total	309,780	460,813
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 3)	126,675	123,147
Accumulated deferred investment tax credits (Note 3)	171,482	136,506
Gas contract settlement — liability to customers (Note 11)	451,214	475,000
Other	23,430	25,269
Total	772,801	759,922
COMMITMENTS AND CONTINGENCIES (Notes 2, 6, 8, and 9)		
TOTAL	$3,849,138	$3,565,316

See Notes to Financial Statements.

STATEMENTS OF INCOME

For the years ended December 31, 1984, 1983 and 1982

	1984	1983 (In Thousands)	1982
OPERATING REVENUES	$1,245,659	$1,144,743	$1,195,583
OPERATING EXPENSES:			
Operation:			
Fuel	379,924	349,596	387,710
Purchased power	367,287	385,144	375,924
Other	127,596	100,737	75,244
Maintenance	51,805	46,625	45,556
Depreciation	47,951	45,815	45,286
Taxes other than income taxes	28,397	24,756	22,685
Income taxes (Note 3)	35,975	19,616	55,842
Total	1,038,935	972,289	1,008,247
OPERATING INCOME	206,724	172,454	187,336
OTHER INCOME:			
Allowance for equity funds used during construction (Note 1F)	91,517	71,266	38,967
Miscellaneous income and deductions — net	13,230	6,505	7,353
Income taxes (Note 3)	(6,085)	(3,020)	(1,298)
Total	98,662	74,751	45,022
INTEREST CHARGES:			
Interest on long-term debt	138,824	121,609	100,174
Other interest — net (Note 11)	20,105	21,765	29,880
Allowance for borrowed funds used during construction (Note 1F)	(36,928)	(27,715)	(15,154)
Total	122,001	115,659	114,900
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING METHOD	183,385	131,546	117,458
CUMULATIVE EFFECT TO JANUARY 1, 1984 OF ACCRUING UNBILLED REVENUES (NET OF INCOME TAXES OF $16,548 THOUSAND) (Note 1B)	17,626	—	—
NET INCOME	$ 201,011	$ 131,546	$ 117,458

STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 1984, 1983 and 1982

	1984	1983 (In Thousands)	1982
RETAINED EARNINGS, January 1	$ 39,898	$ 60,981	$ 76,995
ADD — Net income	201,011	131,546	117,458
Total	240,909	192,527	194,453
DEDUCT:			
Dividends — cash:			
Preferred stock at prescribed rates (Note 5)	49,207	44,600	33,518
Common stock	140,182	107,786	99,789
Capital stock expenses, etc.	321	243	165
Total	189,710	152,629	133,472
RETAINED EARNINGS, December 31 (Note 7)	$ 51,199	$ 39,898	$ 60,981

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1984, 1983 and 1982

	1984	1983	1982
		(In Thousands)	
FUNDS PROVIDED BY:			
Operations:			
Net income (1984 includes $17.6 million special item) (Note 1B)	$201,011	$131,546	$ 117,458
Depreciation	47,951	45,815	45,286
Deferred income taxes and investment tax credit adjustments — net	46,208	16,901	48,703
Allowance for equity funds used during construction (Note 1F)	(91,517)	(71,266)	(38,967)
Total funds provided by operations	203,653	122,996	172,480
Other:			
Allowance for equity funds used during construction (Note 1F)	91,517	71,266	38,967
Gas contract settlement (Note 11)	(20,018)	—	1,132,535
Funds on hand or due from gas supplier (Note 11)	247,526	—	(782,197)
Investment in subsidiary	—	2,627	—
Decrease (increase) in working capital	(13,207)	29,020	6,942
Total funds provided, excluding financing transactions	509,471	225,909	568,727
Financing transactions:			
Common stock	65,000	150,000	50,000
Preferred stock	50,000	75,000	47,720
First mortgage bonds	190,000	250,000	—
Other long-term debt	113,543	—	25
Short-term securities — net	—	134,000	—
Total funds provided by financing transactions	418,543	609,000	97,745
Total funds provided	$928,014	$834,909	$ 666,472
FUNDS APPLIED TO:			
Utility plant additions:			
Construction expenditures for utility plant	$442,051	$548,495	$ 506,722
Nuclear fuel	6,276	385	546
Total gross additions (includes allowance for funds used during construction)	448,327	548,880	507,268
Other:			
Dividends declared on preferred stock	49,207	44,600	33,518
Dividends declared on common stock	140,182	107,786	99,789
Investment in subsidiary	4,944	—	6,543
Gas contract settlement (Note 11)	—	598,651	—
Funds on hand or due from gas supplier (Note 11)	—	(525,128)	—
Power purchase advance payments (Note 8)	62,377	—	—
Miscellaneous — net	18,915	7,770	4,028
Total funds applied to other	275,625	233,679	143,878
Financing transactions:			
Redemption of preferred stock	5,000	—	—
Retirement of first mortgage bonds	18,000	50,000	—
Retirement of other long-term debt	2,462	2,350	2,267
Short-term securities — net	178,600	—	13,059
Total funds applied to financing transactions	204,062	52,350	15,326
Total funds applied	$928,014	$834,909	$ 666,472
Decrease (increase) in working capital*:			
Notes and accounts receivable — net	$ (43,531)	$ (4,019)	$ (15,993)
Deferred fuel costs	21,432	5,500	(11,020)
Accounts payable	(15,815)	(804)	33,166
Taxes and interest accrued	13,932	11,215	(9,804)
Other	10,775	17,128	10,593
Total	$ (13,207)	$ 29,020	$ 6,942

*Excludes short-term securities — net, currently maturing long-term debt, deferred income taxes, gas contract settlement — liability to customers included in current liabilities and power purchase advance payments included in current assets.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 1984, 1983 and 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SYSTEM OF ACCOUNTS

The accounts of the Company are maintained in accordance with the system of accounts prescribed by the Louisiana Public Service Commission (LPSC) which substantially conforms to that of the Federal Energy Regulatory Commission (FERC).

B. REVENUES

Prior to December 31, 1983 the Company recognized revenue when billed. To provide a better matching of revenues and expenses, effective January 1, 1984, the Company adopted, in March 1984, a change in accounting method to provide for accrual of the non-fuel portion of estimated unbilled revenues. Unbilled revenues result from energy delivered since the period covered by the latest billings to customers. The cumulative effect of this accounting change as of January 1, 1984 was recorded in March 1984 and increased 1984 net income approximately $17.6 million (net of related income taxes of $16.5 million). Had this new accounting method been in effect during 1983 and 1982, the Company's net income before the cumulative effect would not have been materially different from that shown in the accompanying Financial Statements.

The rate schedules of the Company include fuel adjustment clauses under which fuel costs are billed to customers. The Company defers under/over recoveries of fuel costs which occur through operation of the fuel adjustment clauses until these amounts are reflected in billings to customers.

C. UTILITY PLANT AND DEPRECIATION

Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and an allowance for the composite cost of funds used during construction (AFDC). The costs of units of property retired are removed from utility plant and such costs plus removal costs, less salvage, are charged to accumulated depreciation. Maintenance and repairs of property and the replacement of items determined to be less than units of property are charged to operating expenses. Substantially all of the utility plant is subject to the lien of the Company's Mortgage.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provided on average depreciable property amounted to approximately 3.3% in 1984 and 1983 and 3.4% in 1982.

D. POSTRETIREMENT BENEFITS

The Company has postretirement plans covering substantially all employees. The Company's policy is to fund pension costs accrued. Costs of other postretirement plans are accrued as incurred.

E. INCOME TAXES

The Company joins its parent in filing a consolidated Federal income tax return. Income taxes are allocated to the Company in proportion to its contribution to the consolidated taxable income.

Deferred income taxes are provided for differences between book and taxable income to the extent permitted by the regulatory bodies for ratemaking purposes. Investment tax credits allocated to the Company are deferred and amortized based on the average useful life of the related property beginning with the year allowed in the consolidated tax return.

F. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

To the extent that the Company is not permitted by its regulatory bodies to recover in current rates the carrying costs of funds used for construction, it capitalizes, as an appropriate cost of utility plant, AFDC which is calculated and recorded as provided by the regulatory system of accounts. Under this utility industry practice, construction work in progress (CWIP) on the balance sheet is charged and the income statement is credited for the approximate net composite interest cost of borrowed funds and for a reasonable return on the equity funds used for construction. This procedure is intended to remove from the income statement the effect of the cost of financing the construction program and results in treating the AFDC charges in the same manner as construction labor and material costs. As non-cash items, these credits to the income statement have no effect on current cash earnings. After the property is placed in service, the AFDC charged to construction costs is recoverable from customers through depreciation provisions included in rates charged for utility service. In accordance with a rate order received in February 1984, the Company, beginning March 2, 1984, used an accrual rate of 3.50% on its investment in Waterford 3, a nuclear generating unit scheduled for operation in 1985, up to an investment of [illegible]5,000,000, and an accrual rate of 9.79% on the remaining CWIP and its investment in Waterford 3 in excess of $1,695,000,000. For the period January 1, 1982 through March 1, 1984, the Company used an accrual rate of 3% on its investment in Waterford 3, up to an investment of $1,260,000,000, and an accrual rate of 9.40% on the remaining CWIP and on investments in Waterford 3 in excess of $1,260,000,000.

The Company's policy is to continue to capitalize AFDC on projects during periods of interrupted construction when such interruption is temporary and the continuation can be justified as being reasonable under the circumstances.

G. OTHER NONCURRENT LIABILITIES

The Company provides for uninsured property risks and for claims for injuries and damages through charges to operating expenses on an accrual basis. Such expenses have been allowed for ratemaking purposes.

H. RECLASSIFICATIONS

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

2. RATE MATTERS

On April 12, 1984, the Company filed with the LPSC a general rate increase application with respect to customers under its jurisdiction. The Company requested authorization to put into effect, upon commencement of commercial operation of Waterford 3, new retail rate schedules designed to provide additional annual net revenues, based on the test year ended June 30, 1983, of $234.5 million. The amount so requested was based on the additional revenue requirements of the Company after giving effect to the projected reduction in fuel costs associated with nuclear generation in the amount of approximately $119.8 million and a rate moderation proposal. This rate moderation proposal contemplated that the Company would defer the collection from customers of an aggregate of $270 million of the amount otherwise recoverable by it on its investment in Waterford 3 during the first three years of commercial operation of that unit, would neither defer further amounts nor recover any deferred amounts in the fourth year, and would collect such aggregate deferred amount from customers over the following five years. The proposal further contemplated that the Company would fund a substantial portion of its cash requirements in respect of the deferred amount through external financing arrangements and would bill the related carrying costs to customers on a current basis until the deferred amount was fully recovered.

The application also requested that, in addition to the rate relief related to Waterford 3, the LPSC issue an order prior to the in-service date of Grand Gulf 1, to be put into effect when that unit commences commercial operation, accepting and approving "formula rates" proposed in the application in order to provide the Company with the additional electric revenues it will need to meet its purchased power expenses associated with power and energy from Grand Gulf 1. These formula rates, if applied on the basis of the allocation to the Company of a 14% share of MSE's share of the power from Grand Gulf 1 as determined in the initial decision of the ALJ of the FERC in proceedings pending before the FERC, would require a net increase in test year revenues of $81 million, or, if applied on the basis of a 38.57% share of MSE's share of power from Grand Gulf 1 being allocated to the Company in such FERC proceedings, as originally proposed in such proceedings, would require a $261.1 million net increase in test year revenues. These amounts give effect to the projected reduction in fuel costs associated with the nuclear fuel component of such purchased power expenses in the amounts of approximately $12.4 million and $29 million, respectively.

On March 4, 1985, the LPSC denied the April 1984 rate request on the basis that the commercial operation dates of the two units were still uncertain. The Company plans to refile its rate case and to take all necessary legal and other action in order to obtain the rate relief necessary to enable it to meet its obligations resulting from the anticipated second quarter 1985 in-service status of Waterford 3 and Grand Gulf 1.

3. INCOME TAXES

Income tax expense is composed of the following:

	1984	1983	1982
	(In Thousands)		
Current:			
Federal	$ 5,019	$ 2,725	$ 1,463
State	7,381	3,010	6,974
Total	12,400	5,735	8,437
Deferred — net:			
Liberalized depreciation	826	4,550	5,967
Deferred fuel cost	(10,378)	(2,663)	5,336
Unbilled revenue	18,082	(348)	(689)
Other	2,702	2,069	5,345
Total	11,232	3,608	15,959
Investment tax credit adjustments — net	34,976	13,293	32,744
Recorded income tax expense	$58,608	$22,636	$57,140
Charged to operations	$35,975	$19,616	$55,842
Charged to other income	6,085	3,020	1,298
Charged to cumulative effect of change in accounting method	16,548	—	—
Recorded income tax expense	58,608	22,636	57,140
Income taxes applied against the debt component of AFDC	34,249	26,019	14,227
Total income taxes	$92,857	$48,655	$71,367

Total income taxes differ from the amount computed by applying the statutory Federal income tax rate to income before taxes. The reasons for the differences are as follows:

	1984		1983		1982	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate	$119,425	46.0%	$70,924	46.0%	$80,315	46.0%
Increases (reductions) in tax resulting from:						
Allowance for funds used during construction	(58,879)	(22.7)	(45,500)	(29.5)	(24,896)	(14.3)
State income taxes net of Federal income tax effect	2,801	1.1	1,895	1.2	4,652	2.7
Other — net	(4,739)	(1.8)	(4,683)	(3.0)	(2,931)	(1.7)
Recorded income tax expense	58,608	22.6	22,636	14.7	57,140	32.7
Income taxes applied against debt component of AFDC	34,249	9.0	26,019	12.3	14,227	5.1
Total income taxes	$ 92,857	31.6%	$48,655	27.0%	$71,367	37.8%

Unused investment tax credits at December 31, 1984 amounted to $70.1 million. These credits may be applied against federal income tax liabilities in future years. If not used, they will expire in 1992 through 1999.

Curr. [illegible] me tax timing differences for which deferred income t. [illegible] not been provided are $68.0 million, $59.0 million, and [illegible] million in 1984, 1983, and 1982, respectively.

4. LINES OF CREDIT AND RELATED BORROWINGS

At December 31, 1984 the Company had $28.1 million in lines of credit with Louisiana banks and participated with the other Middle South System operating companies in $180 million of consolidated lines of credit with banks outside the Middle South System area of service. In February 1985, these non-territorial bank lines of credit were reduced to $140 million. Compensating balances (approximately 5% of the commitment amounts) or equivalent fees are required by certain of the lending banks. Additionally, the Company participates with certain other companies of the Middle South System in a money pool arrangement whereby those companies with available funds make short-term loans to other companies in the System having short-term borrowing requirements. The Company also has arrangements with a commercial paper dealer for the sale of commercial paper.

The Company may borrow from these sources subject only to its maximum authorized level of short-term borrowings. The Company has received authorization from the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 to have outstanding at any one time short-term borrowings aggregating not more than the lesser of $200 million or 10% of the Company's capitalization. At the end of the years 1984 and 1983 the aggregate amount of unused lines of credit with Louisiana banks were $28.1 million and $29.2 million, respectively. The operating companies had available at the end of 1984 and 1983 $180 million and $122.1 million, respectively, under the consolidated lines of credit.

The short-term borrowings and the applicable interest rates (determined by dividing applicable interest expense, excluding that accrued on settlement agreement funds used by the Company (see Note 11), by the average amount borrowed) for the Company were as follows:

	1984	1983	1982
		(In Thousands)	
Maximum borrowing	$159,201	$185,118	$145,793
Year-end borrowing	—	$178,000	$ 44,000
Average borrowing:			
Bank loans	$ 32,861	$ 59,699	$ 31,728
Commercial paper	—	$ 592	$ 25,180
Associated companies	$ 26,066	$ 25,892	—
Average interest rate during the period:			
Bank loans	11.7%	9.9%	15.4%
Commercial paper	—	9.5%	15.7%
Associated companies	10.7%	9.4%	—
Average interest rate at end of period:			
Bank loans	—	11.0%	9.8%
Commercial paper	—	—	—
Associated companies	—	9.9%	—

5. PREFERRED AND COMMON STOCK

Preferred stock at December 31, 1984 and 1983 consisted of the following:

Cumulative, $100 Par Value	Shares Authorized at December 31 1984	Shares Outstanding at December 31, 1984	1983	Current Call Price Per Share
Without sinking fund:				
4.96% Series	60,000	60,000	60,000	$104.25
4.16% Series	70,000	70,000	70,000	104.21
4.44% Series	70,000	70,000	70,000	104.06
5.16% Series	75,000	75,000	75,000	104.18
5.40% Series	80,000	80,000	80,000	103.00
6.44% Series	80,000	80,000	80,000	102.92
9.52% Series	70,000	70,000	70,000	106.58
7.84% Series	100,000	100,000	100,000	105.74
7.36% Series	100,000	100,000	100,000	105.20
8.56% Series	100,000	100,000	100,000	105.28
9.44% Series	300,000	300,000	300,000	109.06
11.48% Series	350,000	350,000	350,000	111.11
Total	1,455,000	1,455,000	1,455,000	
Unissued	3,045,000	—	—	
Total	4,500,000	1,455,000	1,455,000	
Cumulative, $25 Par Value				
With sinking fund:				
10.72% Series	2,280,000	2,280,000	2,400,000	$ 27.01
13.12% Series	1,520,000	1,520,000	1,600,000	27.46
15.20% Series	1,200,000	1,200,000	1,200,000	28.80
14.72% Series	2,000,000	2,000,000	2,000,000	28.68
12.64% Series	3,000,000	3,000,000	3,000,000	28.16
19.20% Series	2,000,000	2,000,000	—	29.80
Total	12,000,000	12,000,000	10,200,000	
Unissued	9,800,000	—	—	
Total	21,800,000	12,000,000	10,200,000	

	1984	1983
	(In Thousands)	
Without sinking fund:		
Stated at $100 a share	$ 145,500	$ 145,500
Premium	382	382
Total preferred stock and premium, without sinking fund	$ 145,882	$ 145,882
With sinking fund:		
Stated at $25 a share	$ 300,000	$ 255,000
Issuance expense	(15,499)	(14,049)
Total preferred stock and issuance expense, with sinking fund	$ 284,501	$ 240,951

The 10.72%, 13.12%, 15.20%, 14.72%, 12.64% and 19.20% preferred stock issues are each subject to a sinking fund pursuant to which the Company is obligated to redeem, commencing on July 1, 1984, October 1, 1984, November 1, 1985, May 1, 1987, February 1, 1988 and August 1, 1990, respectively, and ending in the year in which all of the shares of said issues have been redeemed, 120,000, 80,000, 60,000, 100,000, 150,000 and 400,000 shares, respectively, at a price of $25 per share plus accumulated and unpaid dividends.

The changes in the number of shares of Common and Preferred Stock outstanding during the three years ended December 31, 1984 were as follows:

	Number of Shares		
	1984	1983	1982
Common Stock shares sold	9,847,800	22,728,000	7,576,000
$25 Preferred Stock shares sold	2,000,000	3,000,000	2,000,000
$25 Preferred Stock shares redeemed	200,00	—	—

In September 1983 the Company sold 3,994,000 shares of its common stock, no par value, to its parent company concurrently with, and for an amount equal to, the payment of a $26,359,000 cash dividend on its common stock.

6. LONG-TERM DEBT

Long-term debt at December 31, 1984 and 1983 consisted of the following:

	1984	1983
	(In Thousands)	
First Mortgage Bonds:		
3⅛% Series due 1984	$ —	$ 18,000
9 % Series due 1986	75,000	75,000
4¾% Series due 1987	20,0[illegible]	20,000
15¾% Series due 1988	50,000	50,000
10⅜% Series due 1989	45,000	45,000
5 % Series due 1990	20,000	20,000
16 % Series due 1991	75,000	75,000
16¼% Series due December 1, 1991	100,000	100,000
12 % Series due 1993	100,000	100,000
4⅝% Series due 1994	25,000	25,000
16 % Series due 1994	100,000	—
5¾% Series due 1996	35,000	35,000
5⅝% Series due 1997	16,000	16,000
6½% Series due September 1, 1997	18,000	18,000
7⅛% Series due 1998	35,000	35,000
9⅜% Series due 1999	25,000	25,000
9⅜% Series due 2000	20,000	20,000
7⅝% Series due 2001	25,000	25,000
7½% Series due 2002	25,000	25,000
7½% Series due November 1, 2002	25,000	25,000
8 % Series due 2003	45,000	45,000
8¾% Series due 2004	45,000	45,000
8¾% Series due 2006	40,000	40,000
10 % Series due 2008	60,000	60,000
13½% Series due 2009	55,000	55,000
13¼% Series due 2013	100,000	100,000
13 % Series due September 1, 2013	50,000	50,000
14¾% Series due 2014	55,000	—
15¼% Series due December 1, 2014	35,000	—
Total First Mortgage Bonds	1,319,000	1,147,000

Other:	1984	1983
St. Charles Parish Pollution Control Revenue Bonds, Series 1984 (less $1,457 on deposit with trustee)	113,543	—
St. Charles Parish Pollution Control Revenue Bonds, Second Series 1984 (less $105,000 held in cash collateral security account)	—	—
Other pollution control and industrial revenue bond obligations, 6.40%-8% due 1988-2009	16,300	16,300
Principal amount of municipal revenue bond obligations, 1¼%-8% due serially 1985-2004, and other future obligations under operating agreements	34,342	36,804
Total Other	164,185	53,104
Unamortized premium and discount on long-term debt — net	(8,781)	(6,189)
Total Long-Term Debt	1,474,404	1,193,915
Less — Amount due within one year	2,549	20,462
Long-Term Debt excluding Amount Due Within One Year	$1,471,855	$1,173,453

In June and December 1984 the Company entered into agreements with St. Charles Parish (Parish) whereby the Parish issued $115 million (Series 1984) and $105 million (Second Series 1984), respectively, in adjustable/fixed rate Pollution Control Revenue Bonds due 2014. The bonds bear interest at 8.75% per annum for three years and thereafter convert to an annually adjusted interest rate, not to exceed 15% per annum. The bonds are secured by letters of credit and are subject to redemption in June and December 1986, respectively, at the option of the issuers of the letters of credit, if Waterford 3 is not in commercial operation by January 15, 1986.

At December 31, 1984, the Second Series 1984 bond proceeds are held by the issuer of the letter of credit (issuer) in a cash collateral security account. The Company and issuer have 120 days following the commercial operation date of Waterford 3 to obtain participation from other banks in the letter of credit, at which time the proceeds will be released to the Company. If such participation is not obtained, the bonds are subject to redemption, at the option of the bondholders.

Sinking fund requirements on First Mortgage Bonds and maturities under long-term debt instruments in effect at December 31, 1984 for the years 1985 through 1989 are as follows:

Year	Sinking Fund*	Maturities**
	(In Thousands)	
1985	$11,290	$ 2,549
1986	12,440	77,675
1987	12,240	22,774
1988	12,240	52,832
1989	11,740	48,016

*Sinking fund requirements may be satisfied by certification of property additions at a rate of 167% of such requirements.
**It is anticipated that First Mortgage Bond maturities will be refinanced at maturity.

7. RETAINED EARNINGS

The Mortgage, which is presently more restrictive than the Articles of Incorporation, contains provisions restricting the payment of dividends or other distributions to common stockholders. At December 31, 1984, all retained earnings were free from such restrictions.

8. COMMITMENTS AND CONTINGENCIES

Capital Requirements

The Company's construction program contemplates the following estimated expenditures (including AFDC):

	1985	1986	1987
		(In Millions)	
Construction expenditures	$321.1	$217.9	$180.2
AFDC (included above)	91.5	8.1	13.5

In addition to the capital requirements necessary to fund the construction program, substantial additional capital would be required in the period 1985-1987 if certain costs associated with Waterford 3 are deferred in accordance with a rate moderation proposal to be included in a retail rate increase application with the LPSC.

System Fuels, Inc.

The Company has a 33% interest in System Fuels, Inc. (SFI), a jointly-owned subsidiary of the four principal operating subsidiaries of Middle South Utilities, Inc. (MSU). SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for all of the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have made loans to SFI to finance its fuel supply business under a loan agreement dated January 1, 1984, as amended January 1, 1985, which provides for SFI to borrow up to $120,000,000 from its parent companies through December 31, 1985. As of December 31, 1984, the Company had loaned $6,204,000 to SFI pursuant to this loan agreement and the Company's share of the unused loan commitment was $45,537,000. Notes under this agreement mature December 31, 2010. In addition, the Company had loaned SFI $44,806,000 under previous loan agreements. Notes mature in 2002 and 2008 under the provisions of the previous loan agreements.

In connection with certain of SFI's borrowing arrangements, SFI's parent companies, including the Company, have covenanted and agreed severally in accordance with their respective shares of ownership of SFI's common stock, that they will take any and all action necessary to keep SFI in a sound financial condition and to place SFI in a position to discharge, and to cause SFI to discharge its obligations under these arrangements. At December 31, 1984, the total loan commitment under these arrangements amounted to $225,000,000 of which $203,625,000 was outstanding at that date. Also, SFI's parent companies, including the Company, have made similar covenants and agreements in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At December 31, 1984, the aggregate discounted value of these lease arrangements was $80,769,000.

SFI has contracted with a joint venture for a supply of coal from a mine in Wyoming, which, based on estimated reserves, is presently expected to provide for at least thirty years of the projected requirements of the Independence Station. SFI's parent companies, including the Company, each acting in accordance with their share of the ownership of SFI's common stock, joined in, ratified, confirmed and adopted the contract and obligations of SFI thereunder. Under the contract, investment in the mine for leases, plant and equipment is the responsibility of the joint venture. In order to limit the joint venture's investment rights and, hence, the amount to be paid to it as a component of the price of coal, the contract provided that SFI invest any funds for plant and equipment in excess of a specified amount. Arkansas Power & Light Company (AP&L), Mississippi Power & Light Company (MP&L) and Arkansas Electric Cooperative Corporation, as co-owners in part of the Independence Station, have agreed to make the investments rather than SFI and, accordingly, have reimbursed SFI for investments previously made by it.

SFI executed a coal supply agreement for the purchase of approximately 100 million tons of coal over an 18 year period for use at the proposed Wilton Station with an option to purchase an additional 50 million tons. By separate agreement, the Company guaranteed SFI's performance under the Contract and agreed to purchase the coal from SFI. SFI has advised the coal supplier that because of forces beyond its control, including in particular the regulatory situation, the earliest possible dates that the two units of the station could be put into operation are 1993 and 1995, respectively, and further that the station may be delayed to a time that would make the existing contract non-viable. The supplier has refused to agree that regulatory constraints or any other difficulties constitute events of force majeure under the Coal Supply Agreement, but has indicated a willingness to continue an exchange of views with the hope that they will lead to a mutually satisfactory resolution of the matter. Resolution of this matter could adversely impact the cost of fuel for the Wilton Station, or could possibly expose either SFI or the Company to claims for significant damages in the event SFI does not ultimately prevail in asserting that events of force majeure have excused performance or in the event efforts to mitigate any possible damages are unsuccessful.

Availability Agreement and Power Purchase Advance Payment Agreement

The Company, together with the other System operating companies, is obligated under the Availability Agreement to Middle South Energy, Inc. (MSE) in accordance with stated percentages (the Company 26.9%, AP&L 17.1%, MP&L 31.3%, New Orleans Public Service Inc.(NOPSI) 24.7%) to make payments or subordinated advances adequate to cover all of the operating expenses and certain of the capital costs of MSE. In addition, under the Power Purchase Advance Payment Agreement the Company, together with the other System operating companies, agreed, if Grand Gulf 1 were not placed in commercial operation by December 31, 1983, to make advance payments to MSE for power purchases which in the aggregate total $12.5 million per month. Such payments, adjusted to exclude AP&L as contemplated by the Reallocation Agreement discussed in the next paragraph, commenced January 2, 1984 and will continue until commercial operation of Grand Gulf 1 or December 31, 1985, whichever occurs earlier. The Company's share of these monthly payments is $4.8 million. Through 1984, $3.9 billion had been expended by MSE on the Grand Gulf plants' two units, the first unit of which is scheduled for commercial operation in the second quarter of 1985.

Realocation Agreement

Effective November 1981, the System operating companies entered into a Reallocation Agreement allocating the capacity and energy available to MSE from Grand Gulf 1 and 2 as follows: the Company, 38.57% and 26.23%, MP&L, 31.63% and 43.97%, and NOPSI, 29.80% and 29.80%, respectively. This allocation was consistent with a prior allocation of capacity and energy for the units among the Company, MP&L, and NOPSI, pursuant to a memorandum of understanding executed by the System operating companies on July 21, 1980. Under the Reallocation Agreement, the Company, MP&L, and NOPSI, in proportion to such allocations, have assumed all of the responsibilities and obligations of AP&L with respect to these units under the Availability Agreement and the Power Purchase Advance Payment Agreement and, in consideration thereof, AP&L has relinquished its rights in the Grand Gulf Station. However, each of the System operating companies, including AP&L, remains primarily liable to MSE and its assignees for payment or advances under the Availability Agreement and the Power Purchase Advance Payment Agreement in accordance with the respective original percentages set forth in the immediately preceding paragraph. AP&L would be obligated to make its share of the payments or advances only if the other System operating companies were unable to meet their contractual obligations. The percentage allocations to the System operating companies of capacity and energy available to MSE from Grand Gulf 1 and 2, as set forth in the agreements referred to above, are subject to the approval of the FERC, which has jurisdiction in the matter.

Unit Power Sales Agreement and New System Agreement

The System operating companies, including the Company, have requested, or will request, from their respective state public utility commissions rate adjustments adequate to permit them to meet their obligations to MSE to purchase power under the Unit Power Sales Agreement (See Note 2). Under the Unit Power Sales Agreement, as filed with the FERC, the capacity and energy available to MSE from Grand Gulf Station would be sold to the Company, MP&L and NOPSI in accordance with the percentages set forth in the Reallocation Agreement discussed above. An Administrative Law Judge (ALJ) of the FERC has rendered his initial decision regarding such Agreement. The ALJ has deferred any decision on Grand Gulf 2 and has recommended that capacity and energy from Grand Gulf 1 be allocated to AP&L as well as the other System operating companies. The ALJ's decision allocates MSE's share of the capacity and energy from Grand Gulf 1, as follows: 14% to the Company, 36% to AP&L, 33% to MP&L, and 17% to NOPSI, compared to MSE's request that such costs be allocated 38.57% to the Company, 31.63% to MP&L, and 29.80% to NOPSI. This decision, which AP&L is opposing, is subject to review of the FERC. In addition to the Company, the other three System operating companies also have intervened in the proceeding.

On April 30, 1982, Middle South Services, Inc. (MSS), on behalf of the System operating companies, filed with the FERC for approval of the New System Agreement that provides for the coordinated planning, construction, and operation of their generation and transmission facilities. Rates under the New System Agreement became effective on January 1, 1983, subject to refund. Various parties have intervened in this proceeding. Some parties are contesting the method by which the agreement equalizes capacity and energy among the System operating companies and certain proposals, if adopted, could cause significant changes in the allocation of costs among the companies. Hearings concluded in December 1983. On February 4, 1985, the ALJ hearing the New System Agreement proceeding issued his initial decision recommending that the New System Agreement be adopted, as filed with the FERC, with certain modifications. Principally, the decision recommended that a 15.75% return on common equity be granted; that no periodic review conditions be attached to approval of the New System Agreement; that production cost equalization of all System generating units, as proposed by various intervening parties, not be granted; and that the reserve equalization provisions in the New System Agreement, as filed, be adopted. However, the ALJ went on to recommend that the Grand Gulf Station be integrated into the New System Agreement by having each of the System operating companies pay for the capacity and energy costs of Grand Gulf based on the ratio that each System operating company's annual demand bears to the annual demand of the entire System and that each System operating company's share of Grand Gulf be included in calculating such Company's capability, and, consequently, its reserve equalization payments. This decision is subject to review of the FERC.

In an effort to resolve the difficult and complex issues involved in the Unit Power Sales Agreement and the New System Agreement proceedings, the System operating companies, MSE, and MSS, as agent for the System operating companies, submitted an Offer of Settlement to the FERC on January 4, 1985. Under the terms of the Settlement Offer, the New System Agreement, as currently in effect would remain in effect unchanged. The Unit Power Sales Agreement, as proposed to be amended, allocates MSE's share of the capacity and energy from Grand Gulf 1, from the date of commercial operation through December 31, 1990, as follows: 14% to the Company, 17.1% to AP&L, 19% to MP&L, 17% to NOPSI and 32.9% as inventoried capacity. Effective January 1, 1991, the allocation changes as follows: 27.48%

to the Company, 27.87% to AP&L, 24.42% to MP&L, and 20.23% to NOPSI. Accordingly, beginning January 1, 1991, the Company would commence paying its respective share of the full cost of service of Grand Gulf 1, including amortization of the deferred carrying charges on inventoried capacity over the remaining life of Grand Gulf 1, plus a return on the deferred carrying charges. This proposed Offer of Settlement is subject to review of the FERC.

On February 22, 1985, the FERC issued an order convening a settlement conference for the purpose of addressing the proposed Settlement Offer and of resolving the issues in the Unit Power Sales Agreement and New System Agreement proceedings. The initial settlement conference is scheduled to convene on March 12, 1985.

It is not possible to predict what decision or decisions the FERC will ultimately render in the New System Agreement and Unit Power Sales Agreement proceedings or with respect to the Offer of Settlement. If timely recovery of any cost allocated to the Company as a result of any FERC decision in these cases is not permitted by the LPSC, the Company's financial position could be adversely impacted.

Nuclear Liability Insurance

As of December 31, 1984, the Price-Anderson Act limited the public liability of a licensee of a nuclear power plant to $620 million for a single nuclear incident. This limit will increase by $5 million for each additional operating license issued by the Nuclear Regulatory Commission (NRC). Insurance for this exposure is provided by private insurance and an indemnity agreement with the NRC. Every licensee of a nuclear power plant is obligated, in the event of a nuclear incident involving any commercial nuclear facility in the United States that results in damages in excess of the private insurance, to pay retrospective assessments of up to $5 million per incident for each licensed reactor it operates or up to a maximum per reactor owned of $10 million in any calendar year. At December 31, 1984 the Company had one licensed reactor.

The Company is a member-insured under a primary property damage insurance program provided by Nuclear Mutual Limited, a mutual insurer. As a member-insured with this mutual, the Company is subject to assessments if losses exceed the accumulated funds available to the insurer. The present maximum assessment for incidents occurring during a policy year is approximately $21 million.

Spent Nuclear Fuel

Under the terms of its nuclear fuel lease, the Company is responsible for the disposal of spent nuclear fuel. The Company considers all costs incurred or to be incurred in the use and disposal of nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been made in an application to the LPSC. The Company has executed a contract with the Department of Energy (DOE) whereby the DOE will furnish disposal service for the Company's spent nuclear fuel at a cost of one mill per kilowatt-hour of gross generation.

Federal Income Tax Issues — IRS

The Federal income tax returns for the years 1971 through 1978 have been examined by the IRS. For the years 1971 through 1976, all issues, other than an issue involving the taxability of customer deposits, have been settled and a tax assessment of $1.6 million, plus interest of $1.8 million, has been paid. Payment of the tax assessment and interest did not have a material effect on net income. For the years 1977 and 1978, the IRS has proposed certain adjustments that, except for the customer deposits issue, are not material. A written protest has been filed with the IRS. Any additional tax liability that may result from resolution of the customer deposits issue would not have a material effect on net income because income taxes on customer deposits would be normalized.

Consolidation with NOPSI

In the interest of increased economic efficiency, the Company and NOPSI have developed a plan to consolidate the two companies and their operations into a new company to be called Louisiana Power & Light Company. MSU, which currently owns all of the outstanding common stock of the Company and NOPSI, would own all of the common stock of the new company.

9. LEASES

In 1980, the Company entered into a sale and leaseback of certain office buildings and related real properties. A gain of $13,438,000 has been deferred and is now being amortized over the life of the lease. The lease is for a primary term of 20 years and requires minimum annual rentals of approximately $2,996,000 through 1985 and $3,307,000 thereafter.

Rental expense amounted to approximately $5,736,000, $5,586,000 and $5,748,000 in 1984, 1983, and 1982, respectively.

The Company has SEC authorization to lease nuclear fuel up to $130,000,000. Lease payments, based on nuclear fuel use, will be treated as cost of fuel. The lease, unless sooner terminated by one of the parties, will continue through June 1, 2028. The unrecovered cost base of the lease at December 31, 1984, 1983, and 1982 was $129,230,000, $120,332,000, and $108,479,000, respectively.

Other lease commitments are not significant.

10. POSTRETIREMENT BENEFITS

The companies of the Middle South System have various postretirement benefit plans covering substantially all of their employees.

Pension plans are administered by a trustee who is responsible for pension payments to retirees. Various investment managers have responsibility for management of the plans' assets. In addition, an independent actuary performs the necessary actuarial valuations for the individual company plans.

Effective January 1, 1982, the Company modified the method of amortizing prior service costs by changing from a fixed amortization period of thirty years to varying amortization periods not to exceed thirty years. The effect of this change on 1982 pension expense was not significant. Total pension expense of the Company for 1984, 1983 and 1982 was $7,471,000, $6,841,000 and $5,007,000, respectively.

The comparison of the actuarial present values of accumulated pension plan benefits and plan net assets for the Company's defined benefit plan is presented below. This comparison was determined in accordance with the provisions of Statement of Financial Accounting Standards No. 36 which requires the use of certain assumptions which are different from those used by the Company's actuary in determining an appropriate level of funding for the Company.

	January 1, 1984	1983
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$ 54,348	$49,759
Nonvested	3,584	3,876
Total	$ 57,932	$53,635
Net assets available for pension benefits	$110,138	$92,935

The assumed rate of return used in determining the actuarial present value of accumulated pension plan benefits was 9%.

The Company 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 Company. These benefits and similar benefits for active employees are provided through various means including payments of premiums to insurance companies and/or accruals for self insurance policies managed by insurance companies. The Company recognizes the cost of providing these benefits by expensing the payments made to the insurance 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 and the number of active employees and retirees for the last three fiscal years were as follows:

	1984	1983	1982
Total cost of health care and life insurance (in thousands)	$6,598	$5,426	$5,181
Number of active employees	2,915	2,700	2,674
Number of retirees	522	491	473

11. SETTLEMENT AGREEMENT WITH GAS SUPPLIER

A dispute between a gas supplier and the Company arising from the gas supplier's claimed inability to deliver full quantities of fuel gas due the Company under several natural gas contracts was settled by the execution of a settlement agreement on June 4, 1982. The settlement agreement provides for the payment of $1.087 billion in cash (of which $587 million, $250 million and $250 million were received by the Company in June 1982, January 1983 and January 1984, respectively) plus a guaranty of savings of at least $585 million in certain gas acquisition costs between 1982 and 1996. In March 1983, the LPSC ordered in general that the refunds be made as follows: the $587 million received on June 4, 1982, plus interest, or a total of $637 million, shall be refunded in 1983; the $250 million received in January 1983 shall be refunded in ten equal installments beginning in 1984; and the $250 million received in January 1984 shall be refunded in nine equal annual installments beginning in 1985. In addition, in February 1984 the LPSC ordered the Company to refund $32.6 million, representing interest not already covered in its March 1983 refund order, to customers in equal installments over a nine year period beginning with the 1985 refund. As a result of the LPSC Orders, the Company accrued in 1984, 1983, and 1982 net interest expense in the amounts of $9.2 million, $11.1 million, and $19.2 million, respectively.

12. TRANSACTIONS WITH AFFILIATES

The Company buys electricity from and sells electricity to the other operating subsidiaries of MSU, its parent, under rate schedules filed with the FERC. In addition, the Company purchases fuel from SFI and receives technical and advisory services from Middle South Services, Inc.

Operating revenues include revenues from sales to affiliates amounting to $12,236,000 in 1984, $25,310,000 in 1983, and $30,832,000 in 1982. Operating expenses include charges from affiliates for fuel cost, purchased power, and technical and advisory services totalling $338,686,000 in 19£4, $339,314,000 in 1983, and $407,903,000 in 1982.

13. QUARTERLY RESULTS (Unaudited)

Unaudited operating results for the four quarters of 1984 and 1983 follow:

Quarter Ended	Operating Revenues	Operating Income As Previously Reported	Operating Income As Restated (2)	Net Income
	(In Thousands)			
1984:				
March (1)	$267,901	$31,665	$40,026	$57,200
June	295,646	61,616	53,255	45,431
September	377,277	66,510	66,510	55,167
December	304,835	46,933	46,933	43,213
1983:				
March	267,205	33,016	38,424	23,623
June	252,322	30,929	37,017	28,254
September	349,138	49,177	56,166	47,373
December	276,078	33,313	40,847	32,296

(1) For the quarter ended March 31, 1984 net income was increased by $17.6 million as a result of a change in accounting method to provide for the initial accrual of the non-fuel portion of estimated unbilled revenues (See Note 1B).

(2) In order to conform financial statement presentation to rate-making treatment, the Company has reclassified certain income tax credits from inclusion in other income to inclusion in operating income. Accordingly, operating income for the quarters ended March 31, 1984, June 30, 1984 and for each of the quarters in 1983 has been restated.

The business of the Company is subject to seasonal fluctuations with the peak period occurring during the summer months. Accordingly, earnings information for any interim period should not be considered as a basis for estimating the results of operations for a full year.

14. EFFECT OF INFLATION ON OPERATIONS (Unaudited)

The following supplementary information about the effect of changing prices on the Company is provided in accordance with the requirements of Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices", as amended by Statement of Financial Accounting Standards No. 82. It should be viewed as an estimate of the effects of changing prices, rather than as a precise measure.

Statement of Income from Operations and Other Financial Data
Adjusted for Effects of Changing Prices
for the Year Ended December 31, 1984
(In Thousands)

	As Reported in the Financial Statements	Adjusted for Changes in Specific Prices (Current Costs)
Revenues*	$1,245,659	$1,245,659
Operating expenses (excluding depreciation)*	990,984	990,984
Depreciation	47,951	122,824
Total operating expenses	1,038,935	1,113,808
Operating income	206,724	131,851
Other income*	98,662	98,662
Interest & other charges*	122,001	122,001
Income from operations (excluding adjustment to net recoverable cost)	$ 183,385	$ 108,512
Increase in specific prices (current costs) of property, plant, and equipment held during the year**		$ 107,421
Adustment to net recoverable cost		47,646
Effect of increase in general price level		(209,392)
Excess (deficiency) of increase in specific prices, after adjustment to net recoverable cost, over increase in general price level		(54,325)
Gain from decline in purchasing power of net amounts owed		97,771
Net		$ 43,446

*Assumed to be in "average for the year" dollars and thus are not restated.

**At December 31, 1984, current cost of property, plant, and equipment, net of accumulated depreciation, was $5,649,255,000, while historical cost or net cost recoverable through depreciation was $3,571,420,000.

Five-Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices
(In Thousands of Average 1984 Dollars)

	Year Ended December 31,				
	1984	1983	1982	1981	1980
OPERATING REVENUES	$1,245,659	$1,193,464	$1,286,565	$1,276,562	$1,075,895
CURRENT COST INFORMATION:					
Income from operations (excluding adjustment to net recoverable cost)	$ 108,512	$ 61,410	$ 49,624	$ 68,159	$ 58,252
Excess (deficiency) of increase in specific prices, after adjustment to net recoverable cost, over increase in general price level	$ (54,325)	$ (24,929)	$ (5,245)	$ (120,558)	$ (195,7[illegible])
Net assets at year-end at net recoverable cost	$ 843,174	$ 798,300	$ 691,444	$ 680,657	$ 679,157
GENERAL INFORMATION:					
Gain from decline in purchasing power of net amounts owed	$ 97,771	$ 85,067	$ 70,592	$ 142,830	$ 190,819
Average consumer price index	311.1	298.4	289.1	272.4	246.8

Current cost amounts reflect the changes in specific prices of property, plant, and equipment from the year of acquisition to the present. The current costs of property, plant, and equipment, which represent the estimated costs of replacing existing plant assets, are determined by applying the Handy-Whitman Index of Public Utility Construction Costs (HWI) to the cost of the surviving plant by year of acquisition. Land and certain other plant assets that are not included in the HWI were converted using the Consumer Price Index for all Urban Consumers (CPI-U).

The current year's depreciation expense on the current cost amounts of property, plant, and equipment was determined by applying the Company's depreciation rates to the indexed amounts.

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

As prescribed in Statement of Financial Accounting Standards No. 33, income taxes were not adjusted.

The regulatory commissions to which the Company is subject allow only the historical cost of plant to be recovered in revenues as depreciation. Therefore, the excess cost of plant stated in terms of current cost over the historical cost of plant is not presently recoverable in rates. This excess (deficiency) is reflected as an adjustment to net recoverable cost. While the ratemaking process gives no recognition to the current cost of replacing property, plant, and equipment, the Company believes, based on past experiences, that it will be allowed to earn the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Operations presented above, the adjustment of net property, plant, and equipment to net recoverable cost is adjusted by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant, and equipment. Since the depreciation on this plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Record of progress 1974-1984

	1984	1983	1982	1981
Estimated population served	1,654,000	1,629,000	1,600,000	1,585,000
Electric customers—year end				
Residential	495,416	487,148	478,360	469,998
Commercial	55,838	53,812	52,001	50,574
Industrial	7,342	7,503	6,618	6,655
Other	3,677	3,562	3,408	3,352
Total electric customers	562,273	552,025	540,387	530,579
Electric operating revenues ($000)				
Residential	$ 404,752	$ 358,840	$ 364,005	$ 341,555
Commercial	215,444	186,822	182,981	164,653
Industrial	562,088	529,649	574,060	525,349
Other	63,375	69,432	74,537	86,204
Total electric operating revenues	$1,245,659	$1,144,743	$1,195,583	$1,117,761
KWH sales (millions)				
Residential	6,630	6,274	6,429	6,405
Commercial	3,410	3,168	3,130	3,016
Industrial	12,168	11,491	12,997	13,067
Other	1,082	1,305	1,385	1,664
Total Sales	23,290	22,238	23,941	24,152
Residential customer data				
Average annual use — KWH	13,479	12,996	13,545	13,791
Average annual revenue per KWH	6.10¢	5.72¢	5.66¢	5.33¢
Commercial customer data				
Average annual use — KWH	62,039	59,886	60,900	60,669
Average annual revenue per KWH	6.32¢	5.90¢	5.85¢	5.46¢
Peak System demand (MW)	4,200	4,207	4,259	4,256
System input (KWH in millions)				
Generation	14,100	12,922	14,540	15,471
Purchased power	10,419	10,662	10,567	9,745
Total system input	24,519	23,584	25,107	25,216
Fuel cost for generation ($000)	$ 379,924	$ 349,596	$ 387,710	$ 356,786
Generating capability (MW)	4,605	4,618	4,625	4,625
Heat rate — BTU Per KWH generated	10,649	10,793	10,800	10,681
Operating income ($000)	$ 206,724	$ 172,454	$ 187,336	$ 167,224
Net income ($000)	$ 201,011*	$ 131,546	$ 117,458	$ 124,469
Gross electric plant ($000)	$4,116,786	$3,688,148	$3,131,461	$2,634,000
Total assets ($000)	$3,849,138	$3,565,316	$3,602,112	$2,330,201
Capitalization ($000)				
Long-term debt	$1,471,855	$1,173,453	$ 947,596	$1,001,209
Preferred stock, with sinking fund	284,501	240,951	169,101	121,381
Preferred stock, without sinking fund	145,882	145,882	145,882	145,882
Common equity	855,857	778,798	649,881	615,895
Total capitalization	$2,758,095	$2,339,084	$1,912,460	$1,884,367
Employees — year end	2,973	2,756	2,721	2,499

*Net income for 1984 includes the cumulative effect to January 1, 1984 of accruing unbilled revenues in amount of $17,626 thousand after income taxes.

1980	1979	1978	1977	1976	1975	1974
1,553,000	1,509,000	1,455,000	1,345,000	1,304,000	1,250,000	1,225,000
457,191	443,527	427,938	395,479	384,213	366,242	356,479
48,617	46,848	44,884	40,096	38,632	36,166	35,014
6,846	7,162	7,518	7,651	6,586	5,824	5,424
3,250	3,173	3,044	2,770	2,634	2,496	2,425
515,904	500,710	483,384	445,996	432,065	410,728	399,342
$ 265,080	$ 180,364	$ 146,326	$ 124,500	$ 93,712	$ 87,819	$ 85,791
123,656	85,983	68,328	55,398	42,505	39,789	38,092
358,177	212,853	141,803	114,874	77,278	64,386	65,264
106,610	78,276	99,918	84,179	117,782	72,850	53,605
$ 853,523	$ 557,476	$ 456,375	$ 378,951	$ 331,277	$ 264,844	$ 242,752
6,398	5,996	5,862	5,334	4,597	4,346	4,956
2,876	2,721	2,624	2,268	1,965	1,852	1,671
11,963	11,388	9,685	9,028	8,068	6,600	6,133
2,708	3,147	4,541	4,322	6,921	6,359	6,788
23,945	23,252	22,712	20,952	21,551	19,157	18,548
14,177	13,758	14,063	13,680	12,328	12,028	11,249
4.14¢	3.01¢	2.50¢	2.33¢	2.04¢	2.02¢	2.17¢
60,129	59,363	60,498	57,502	53,115	51,940	48,447
4.30¢	3.16¢	2.60¢	2.44¢	2.16¢	2.15¢	2.28¢
4,078	4,091	3,852	3,515	3,180	2,883	2,692
16,440	18,429	21,251	20,204	21,541	18,931	17,904
8,670	5,860	2,799	1,901	1,077	1,154	1,594
25,110	24,289	24,050	22,105	22,618	20,085	19,498
$ 296,820	$ 190,226	$ 168,117	$ 141,236	$ 135,211	$ 85,134	$ 76,846
4,625	4,612	4,603	4,447	4,392	4,346	3,569
10,753	10,625	10,185	10,202	10,036	10,198	10,345
$ 133,018	$ 88,067	$ 79,659	$ 69,040	$ 63,617	$ 64,663	$ 59,146
$ 100,676	$ 65,129	$ 53,744	$ 44,406	$ 39,227	$ 43,695	$ 40,886
$2,319,246	$2,069,106	$1,792,952	$1,509,785	$1,309,439	$1,172,911	$1,077,798
$2,078,445	$1,842,365	$1,557,157	$1,298,751	$1,158,262	$1,051,242	$ 946,933
$ 828,989	$ 827,430	$ 728,748	$ 566,315	$ 575,809	$ 519,088	$ 468,987
121,381	92,990	—	—	—	—	—
145,882	145,882	110,809	110,809	80,776	80,776	80,776
564,109	487,441	417,192	363,763	332,725	307,361	247,174
$1,660,361	$1,553,743	$1,256,749	$1,040,887	$ 989,310	$ 907,225	$ 796,937
2,342	2,329	2,216	2,129	2,118	2,104	2,089

DIRECTORS

JAMES M. CAIN
President and Chief Executive Officer of the Company
President
New Orleans Public Service Inc.

TEX R. KILPATRICK
President
Central American Life Insurance Company

JOSEPH J. KREBS, JR.
Chairman of the Board
J. J. Krebs & Sons, Inc.

FLOYD W. LEWIS
Chairman and President
Middle South Utilities, Inc.

H. DUKE SHACKELFORD
Agricultural Interests

W. CLIFFORD SMITH
President
T. Baker Smith & Son

JACK M. WYATT
Former Chairman of the Board and Chief Executive Officer of the Company
(Retired August 1, 1983)

OFFICERS

JAMES M. CAIN
President

G. D. McLENDON
Executive Vice President

MALCOLM L. HURSTELL
Senior Vice President — Energy Delivery

D. L. ASWELL
Senior Vice President — Fossil Operations

J. J. CORDARO
Senior Vice President — External Affairs

J. H. ERWIN, JR.
Senior Vice President and Consultant

R. S. LEDDICK
Senior Vice President — Nuclear Operations

MALCOLM H. McLETCHIE
Senior Vice President — Accounting and Finance, and Treasurer

RICHARD L. MURLOWSKI
Senior Vice President — Assistant to the President

WILLIAM C. NELSON
Senior Vice President — Administration and Services

D. E. KNOWLES, JR.
Group Vice President — Division Operations

JOHN H. CHAVANNE
Vice President — Corporate Control and Assistant Secretary

S. G. CUNNINGHAM, JR.
Vice President — Rates and Regulatory Affairs

G. F. DELERY
Vice President — Consumer Services

L. V. MAURIN
Vice President — Fossil Operations

W. H. TALBOT
Vice President — Assistant to President, and Secretary

T. W. BOATRIGHT
Assistant Treasurer

R. N. GARRETT, JR.
Assistant Treasurer

N. J. BRILEY
Assistant Secretary

E. A. LUPBERGER
Assistant Secretary and Assistant Treasurer

R. J. ESTRADA
Assistant Secretary and Assistant Treasurer*

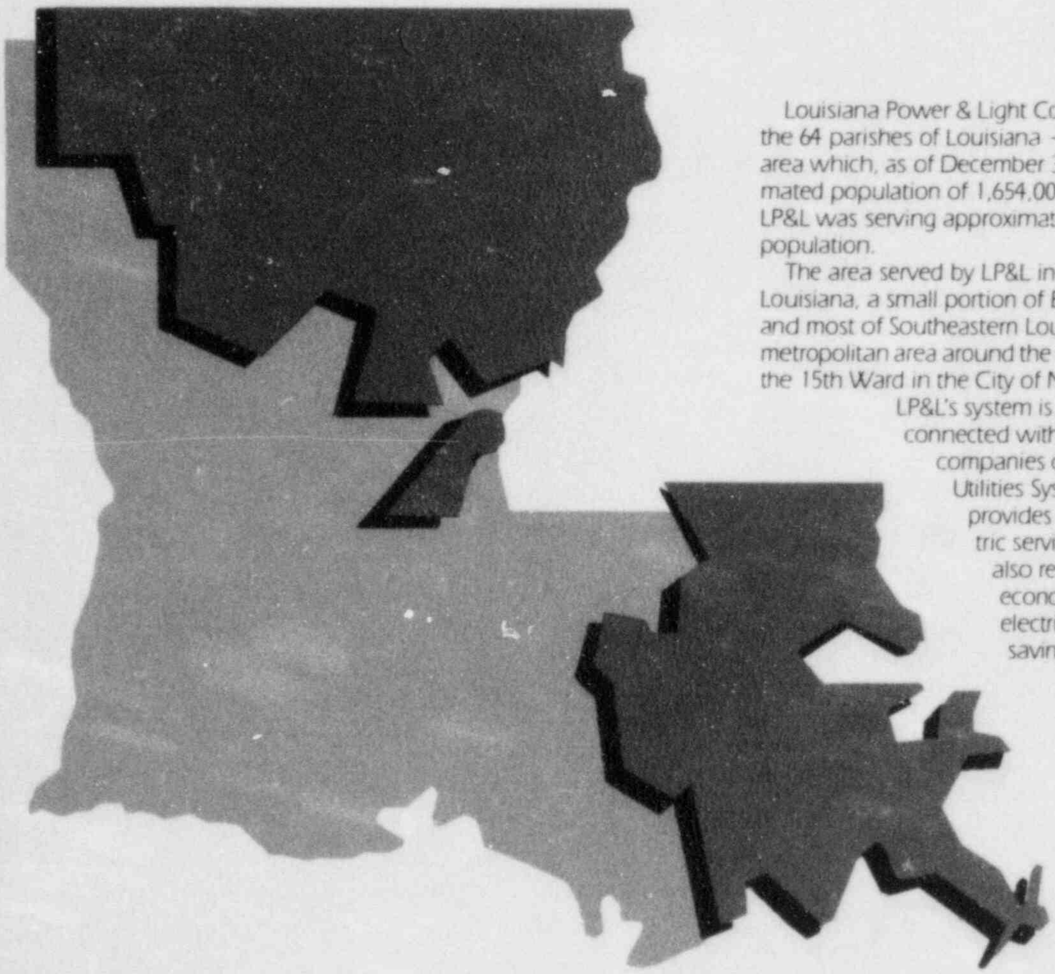
R. DRAKE KEITH
Assistant Secretary and Assistant Treasurer**

R. J. ABADIE
Controller

*Resigned effective February 25, 1985.

**Elected effective February 25, 1985.

AREA SERVED BY LP&L



Louisiana Power & Light Company operates in 46 of the 64 parishes of Louisiana — a 19,500-square-mile area which, as of December 31, 1984, had an estimated population of 1,654,000. At year-end 1984, LP&L was serving approximately 42% of Louisiana's population.

The area served by LP&L includes most of North Louisiana, a small portion of East Central Louisiana, and most of Southeastern Louisiana, including the metropolitan area around the City of New Orleans and the 15th Ward in the City of New Orleans.

LP&L's system is part of, and is interconnected with, the other operating companies of the Middle South Utilities System. This arrangement provides more dependable electric service for customers, and also results in the greatest economy in the generation of electric power, with resultant savings to customers.

GENERAL OFFICE
142 Delaronde Street
P. O. Box 6008
New Orleans, Louisiana 70174
(504) 366-2345

REGISTRAR FOR
PREFERRED STOCK
Harris Trust Company of New York
Ninth Floor
110 William Street
New York, New York 10038

TRANSFER AGENT FOR
PREFERRED STOCK
Bradford Trust Company
67 Broad Street
New York, New York 10004

TRUSTEE FOR
FIRST MORTGAGE BONDS
The Chase Manhattan Bank, N.A.
Corporate Trust Administrative Division
1 New York Plaza, 14th Floor
New York, New York 10081