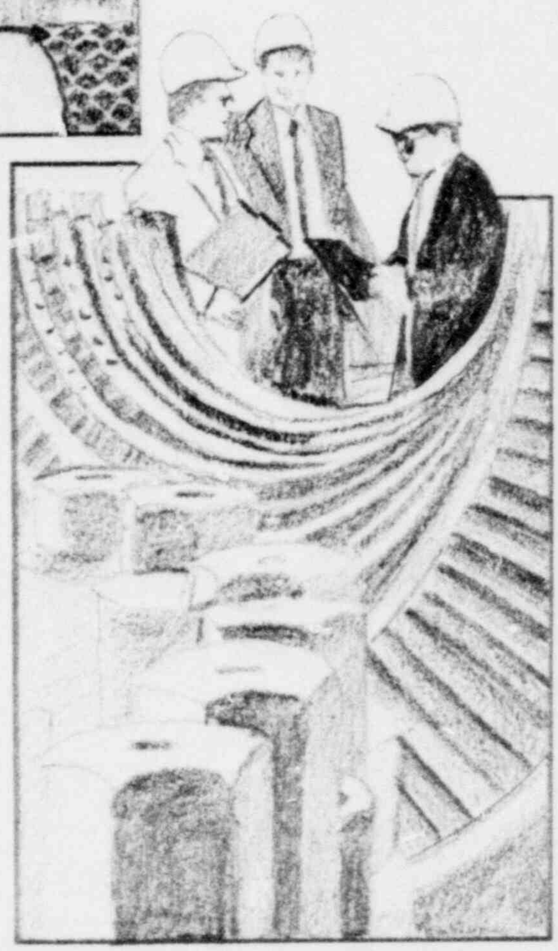
Mississippi Power & Light Company 1980 Annual Report



Mississippi Power & Light Company Annual Report

About the Cover

The hottest summer in the 57-year history of MP&L, put employees to the test as they worked to supply electric service to over 300,000 customers in Western Mississippi. Artist Patricia McNeal of Jackson pictured one employee who coped with the heat in order to do his job. One way customers were able to save money during the intense summer was through the "Saver Switch" program, a radio controlled device which permits the managed interruption of compressors on air conditioners during the four months of June through September. Approximately 7,450 switches were installed in 1980 in the homes of 6,725 customers with a total of 43,000 KW under control.

Power plant unit availability and efficiency have always been important to the company. In recent years the rapid increase in fuel costs, along with high inflation rates, have made these two items even more important. Research studies in this field, where substantial results are being achieved, comprise one of the many research projects involving MP&L people.

General Offices

Electric Building, Jackson, Mississippi 39205

General Information

MISSISSIPPI POWER & LIGHT COMPANY is a regulated electric utility operating in 45 counties of Western Mississippi. At December 31, 1980, the Company furnished electric energy, at retail, to 307,373 customers and, at wholesale, to 39 cooperatives and municipalities. The Company is one of the principal operating subsidiaries of Middle South Utilities, Inc. and its system is interconnected with and operated as a part of the Middle South Utilities System, which supplies the electric energy requirements of more than 1.5 million customers in a 92,000-square mile area of Arkansas, Louisiana, Mississippi and Missouri.

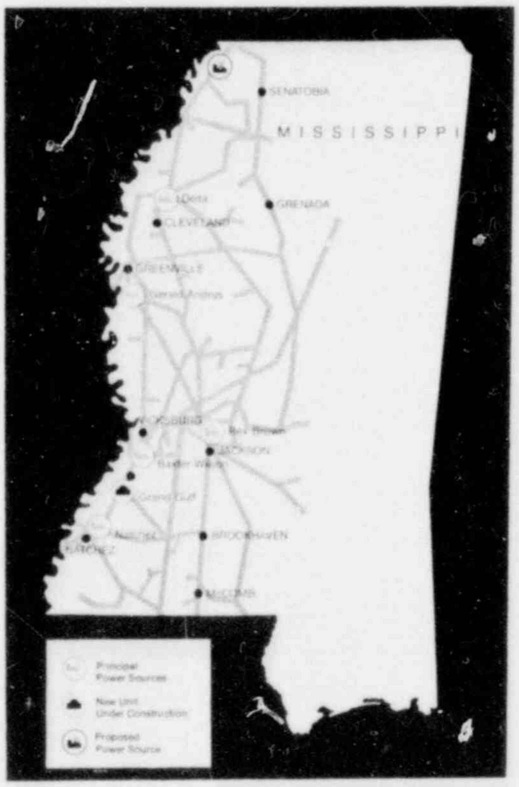
THE COMPANY'S 1980 ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-K (INCLUDING FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES) IS AVAILABLE TO ANY STOCKHOLDER UPON REQUEST WITHOUT CHARGE. Persons interested in obtaining a copy should write to Frank S. York, Jr., Vice President and Secretary, at the address below:

MISSISSIPPI POWER & LIGHT COMPANY
P. O. Box 1640
Jackson, Mississippi 39205
(601) 969-2311

REGISTRAR (for preferred stock):
Deposit Guaranty National Bank
Jackson, Mississippi

TRANSFER AGENT (for preferred stock):
First National Bank of Jackson
Jackson, Mississippi

System Map



President's Letter

To Our Shareholders:

For Mississippi Power & Light Company, as for other Mississippi businesses and industries, 1980 was a year which reflected the difficult times in which we live.

But, even though 1980 was a year which posed some serious challenges, it was a year in which MP&L recorded an appreciable degree of progress.

Mississippi Power & Light Company entered 1980 in a seriously weakened financial condition. Earnings were down by 22 percent, and our bonds were given a lower rating, moving from A to BBB+ by one of the major rating agencies. Our commercial paper notes were also downrated from Prime-1 to Prime-2, so the company had simply reached the point where rate relief was the only answer.

In November the Mississippi Public Service Commission granted the company $48.3 million, only 70 percent of the $68.8 million requested in rate relief, and we have subsequently appealed this decision to the Hinds County Chancery Court. The full amount of the rate increase was placed in effect under bond on July 1, and collections will continue to be made on this basis until the courts make final disposition of the case.

During 1980, Western Mississippi experienced the hottest summer in the 57-year history of the company. Extremely hot temperatures contributed significantly to increased electric usage in residential and commercial customer categories, and a new system peak demand of 2,078,000 kilowatts was reached in July, 8.6 percent over last year's peak. When 155,000 kilowatts of peak load transferred to South Mississippi Electric Power Association just prior to the 1980 peak are considered, the comparable peak would have been 2,233,000 kilowatts or 16.7 percent over 1979.

Net income for the year was $3 ,95 000, as compared to the disappointing $22,581,000 for 1979. This inc[illegible] was due to the record setting summ[illegible] and the granting of the badly nee[illegible] relief that is allowing us to re-establish our intergrity in the financial market and thus be able to issue and sell stocks and bonds on reasonable terms.

Progress continued to be made at Grand Gulf Nuclear Station (GGNS), one of the largest construction projects ever undertaken in the southern United States. The plant is owned by Middle South Energy, Inc. (MSEI), with construction supervision and plant operation being carried out by MP&L under contract with MSEI. The biggest real estate transaction ever occurring in Mississippi was consummated when MP&L negotiated a sale for MSEI of ten percent of GGNS to the South Mississippi Electric Power Association for about a third of a billion dollars.

Due to the ever escalating cost and uncertainties of supply of oil and natural gas, MP&L must move towards nuclear and coal generating stations for its base load needs in the future. This past year the company made plans to acquire a larger portion of the output of Grand Gulf than was originally contemplated. When both units are completed, it is anticipated that MP&L's allocation will be more than 800 megawatts.

We are also working to acquire a 25 percent ownership interest in the Independence Steam Electric Station now being built in northeast Arkansas. This proposed purchase will give our customers the advantage of about 400 megawatts of coal-fired capacity. Thus significant steps will be taken in the direction of a balanced production capability with uranium and coal supplementing our present gas and oil-fired capability. We feel that the diversification of our fuel mix is essential if we are to continue to provide reliable service to our customers at the lowest possible cost.

We are confident that MP&L is organized, structured, and motivated to meet the many grave challenges facing the electric utility industry today. Perhaps one of the most important of these challenges is to develop and maintain public understanding and confidence. One of our top priorities, therefore, is communication with customers and the public generally so they will better understand the complexities of our business and the necessity for adequate earnings as the essential ingredient in raising capital funds at competitive rates in order that the company may continue to provide dependable electric service.

On behalf of the management and the Board of Directors, I express appreciation for the continuing support of investors and employees. MP&L people are dedicated to using the best of their collective capabilities in well planned and continuing efforts aimed at strengthening our company.

Sincerely,

Donald C. Lutken

Year In Review

Energy Sales Up

Total energy sales for the year amounted to 12.9 billion kilowatt hours, an increase of 5.7 percent compared with the previous year. Energy sales to ultimate customers amounted to 7.6 billion kilowatt hours, an increase of four percent over the previous year. Residential usage for the year was 10 percent over 1979, the average residential customer using 886 kilowatt hours more in 1980, or 11,687 kilowatt hours as compared with 10,801 kilowatt hours for the year before. Usage by commercial customers was up five percent while industrial customers usage decreased three percent, reflecting the effects of the national economy.

Total customers at year's end numbered 307,414, an increase of 3,691 for the year. Customers by classification were: residential, 263,850; commercial, 38,115; industrial, 3,276; government and municipal, 2,132,; cooperatives and municipalities, 39; and other public utilities, 2.

An extremely hot summer, resulting in a higher demand for cooling, was primarily responsible for the higher than usual increase in peak demand. The year's peak was 165,000 kilowatts over 1979, and was reached at 4:00 p.m. on July 15, 1980, at 2,078,000 kilowatts, even after the transfer of 155,000 kilowatts of load to the South Mississippi Electric Power Association.

Operating Revenues Up

Total operating revenues for the year reached a new high, $532,988,000, as compared with $436,524,000 in 1979. The record summer usage and the company's new rates were two reasons for the increase. A third major factor was the high cost of fuel for power generation and purchased power costs, reflected in part in customers' bills through the fuel cost adjustment. Today fuel and purchased power account for 66 percent of the dollars MP&L collects from its customers. The company realizes no profit on increased fuel costs.

The distribution of the company's 1980 revenue dollars was as follows:

	Amount (in thousands)	%
Fuel	$267,685	50.22
Purchased Power	85,782	16.09
Total Fuel and Purchased Power	$353,467	66.31
Taxes	36,618	6.87
Payroll	25,311	4.75
Depreciation	22,672	4.25
Other Expenses and Deductions	40,825	7.66
Cost of Capital:		
Cost of Debt (Interest)	20,141	3.78
Net Income (Cost of Preferred and Common Stock)	33,954	6.38*
TOTAL REVENUE	$532,988	100.00

*.45% paid as preferred dividends, 4.13% paid as common dividends, and 1.80% reinvested in facilities to serve customers.

Aiding Customers

A program was started in 1980 to analyze customer complaints in an effort to get a better understanding of customer problems and concerns.

The company entered its second year on its load management control program which was launched under the name of "Saver Switch." This radio controlled device permits the managed interruption of compressors on air conditioners during the four months of June through September, for not more than 15 minutes of each hour during the hours of high usage. The customer is allowed a monthly credit of $1.00 per kilovolt ampere of controlled cooling during the four months. Some 7,450 switches were installed in the homes of 6,725 customerswith a total of 43,000 KW under control. This would result in a net peak reduction of over 10,800 KW. By June, 1981, an additional 10,000 switches will be installed, and by 1982, Saver Switches will be available in all divisions of the company.

MP&L is pioneering in the electric utility marketing field by offering two types of heat pump water heaters to customers on an installment purchase plan that includes service. The company also offers heat recovery water heating devices to heating and air conditioning installers. These two special water heating programs are designed to maintain MP&L's existing, strong, electric water heating customer base.

The company continued an aggressive program to aid customers, with emphasis being placed on efficient use and sensible conservation measures. Campaigns were continued in support of such proven energy-saving programs as the heat pump, the "Zip-Up" program, energy audits, promotion of insulation, the E3 (energy efficient electric) home construction plan, and solar water heater research.

Expenses Up Also

Operating expenses showed an increase, totaling $481,985,000 for the year. This was an increase of 22 percent, or $85,447,000 more than the year before. Fortunately, in 1980, the company was able to purchase more natural gas for generation than the year before, and this along with purchased power, helped reduce fuel oil purchases 48 percent, down to 5,045,118 barrels for the year. This had a moderating influence upon the rise in fuel costs. Even so, fuel and purchased power accounted for the greater part of expenses, amounting to $353,467,000 for a 23 percent increase over 1979.

Construction

Expenditures for construction during the year were $31,020,000, a decrease of $2.2 million under 1979, due to the fact that some projects were deferred to 1981.

Some of the major projects during the year included: completing the 115,000 volt Vertac Chemical Company Substation in Vicksburg and the 230,000/115,000 volt Substation at Tillatoba; making a 115,000 volt interconnection with Yazoo City Municipal Utilities; completing major modifications of the Rex Brown SES and South Jackson 115,000 volt substations; adding 115,000 volt capacitors at Colonial Pipeline, Horn Lake and Tunica Substations.

Ten 13,800 volt feeder and bus sections were added in various substations throughout the system, and 230,000 volt oil circuit breakers were added at Indianola and Tillatoba Substations.

Other projects included completing 115,000 volt lines from the Airport to Brandon, Fondren to Medical Center and Spencer Potash to Vertac Substations; finishing a major 230,000 volt interconnection between Indianola and Tillatoba; and working on the conversion of the 115,000 volt transmission line between Tillatoba and Batesville to a 230,000 volt line.

A 115,000 volt transmission line from Brandon to Brandon Switching Station was reconductored and work was begun on the reconductoring of the two, 115,000 volt transmission lines from Natchez SES to the Natchez Substation.

The conductor was removed from the 115,000 volt abandoned river crossing at Vicksburg, and all the site work and 95 percent of the foundations were completed at the McAdams 500,000 volt substation.

A new office building was completed at the Western Division Headquarters in Vicksburg.

SMEPA and MEAM

When the company and Middle South Energy, Inc. were issued permits by the Nuclear Regulatory Commission (NRC) to construct the Grand Gulf Nuclear Station, they were required to agree to offer to sell part of the plant to other utilities in the MP&L service area.

In 1972, South Mississippi Electric Power Association (SMEPA), and West Mississippi Electric Power Association (WMEPA), expressed a desire for an ownership interest in GGNS. WMEPA joined SMEPA, and in May of 1980 SMEPA executed an agreement to acquire a 10 percent undivided ownership interest in the Grand Gulf plant. In connection with the sale, the company installed an interconnection with SMEPA and agreed to a schedule for surrender to SMEPA of the company's power supply contracts with member cooperatives of SMEPA, beginning in June 1980. After eight years, negotiations were finally concluded and the transaction closed on October 31, 1980.

In 1973, the cities of Clarksdale and Greenwood, claiming rights under the NRC Construction Permits, demanded that they, too, be allowed to acquire a part of the Grand Gulf plant. Although the company felt that this indication of interest was too late, it nevertheless decided, subject to certain conditions, to offer 2.48 percent of Grand Gulf to a newly formed association of eight municipalities in the MP&L service area, of which Clarksdale and Greenwood are members. This association is known as MEAM, the Municipal Energy Agency of Mississippi. Negotiations for the acquisition are in the early stages.

Grand Gulf Nuclear Station

The timely completion of Grand Gulf, particularly Unit No. 1, is of utmost importance to MP&L and to the entire Middle South System. The System portion of this project is being financed by Middle South Energy, Inc. through borrowed funds (65%) plus funds from sales of common stock by MSEI to Middle South Utilities, Inc. (35%). It is not being financed by, nor included in the rate base of, MP&L nor any of the other operating companies.

At year end Grand Gulf No. 1 was more than 85 percent complete and plans have been made to load nuclear fuel, the first step in actual start-up, in December of 1981. Unit No. 2 was about 20 percent complete and no major construction is currently being done on this unit in order that all available resources can be directed toward completion of the No. 1 unit.

Aggressive recruiting activities have continued in order to complete the staffing to a level which will enable MP&L to safely operate and maintain the plant. Presently, out of the managerial, supervisory and professional level employees, over 30 have had nuclear power experience prior to coming to work for the company. The plant staff organization has approximately 75 percent of its projected strength of 396, and expects to recruit the remainder of its staff within the first six months of 1981.

Independence Coal

Because of the continuing escalation of the price and uncertainties of supply and regulatory restrictions on the use of oil and gas for boiler fuel, MP&L is pursuing the management objective of moving toward increased use of nuclear and coal-fired base load generation.

The company has entered into a contract to acquire a 25 percent ownership interest in two coal-fired generating units under construction by Arkansas Power & Light Company scheduled for completion in 1983 and 1985. The purchase is subject to receipt of the necessary regulatory approvals, and MP&L has on file with the Mississippi Public Service Commission a petition for a Certificate of Public Convenience and Necessity for this transaction which is expected to be heard in 1981.

PURPA (Public Utility Regulatory Policies Act)

In 1978, President Carter signed the Public Utility Regulatory Policies Act as part of his energy program. This unfortunate piece of legislation attempts to impose federal initiatives on the states and requires that the state public service commissions must hold hearings to consider federal standards set out in the law.

These standards cover six areas relating to time-of-day rates, cost of service studies, declining block rates, seasonal rates, interruptible rates and load management.

There are five service standards set out in PURPA. They include termination of service, automatic adjustment clauses, advertising, master metering, and information to consumers.

Generic hearings on the PURPA standards are now under way before the Mississippi Public Service Commission.

The State of Mississippi, the Mississippi Public Service Commission and MP&L have challenged the constitutionality of PURPA in federal court. This case is still in litigation.

Production Plant Improvement

Power plant unit availability and efficiency have always been important to the company. However, in recent years the rapid increase in fuel cost, along with high inflation rates have made these two items even more important.

During 1980 plant availability increased 14 percent over 1979. This availability translates into approximately $7,000,000 of savings by minimizing the purchase of more expensive replacement power. The overall efficiency of the MP&L plants improved 1.8 percent in 1980 over 1979. This seemingly small increase in efficiency reflects savings to customers of approximately $4,500,000 in fuel cost.

Management Changes

A number of changes were made during the year to strengthen the company's leadership team. Among them were:

John P. Maloney, chairman of the board and chief executive officer of Deposit Guaranty National Bank, joined the company's Board of Directors. He succeeded J. Herman Hines.

Norris L. Stampley, formerly senior vice president Engineering, Production, System Operations and Construction, was named senior vice president, Nuclear, and has been released from all non-nuclear related duties so that he can devote full time to the Grand Gulf Nuclear Station project.

Thomas A. Dallas, director of Engineering, System Operations and Construction, was named vice president and chief engineer. In addition, he is responsible for all Fossil Fueled Production.

Walton T. Woods, Jr., director of General Property & Services, was promoted to vice president.

James P. McGaughy, Jr., director of Production, was named assistant vice president, Nuclear Production.

Other organizational changes include promotions for James R. Rider, manager of Fossil Production, who was promoted to director of Fossil Production; and Marion N. Townsend, chief engineer, who was promoted to director of Engineering.

George Rogers, who was employed by Middle South Services, Inc. in New Orleans, transferred to MP&L as site manager of Grand Gulf Nuclear Station. He will be responsible for GGNS Construction, Start-Up and Field Engineering.

David Comans, manager at Carthage, transferred to Belzoni as manager, and Charles Young, engineering aide at Southaven, was promoted to manager at Carthage.

Mississippi Power & Light Company
1980 Financial Review
Report of Management

The management of the 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. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls which 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, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The 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 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 control and perform such tests and other procedures they deem necessary to reach and express an opinion on the fairness of the financial statements.

We believe that these policies and procedures provide reasonable assurance that our operations are carried out with a high standard of business conduct.

Auditors' Opinion

Mississippi Power & Light Company

We have examined the balance sheets of Mississippi Power & Light Company as of December 31, 1980 and 1979 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, 1980. 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, 1980 and 1979 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, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

February 13, 1981
New Orleans, Louisiana

Mississippi Power & Light Company
Balance Sheets
December 31, 1980 and 1979

ASSETS	1980	1979
	In Thousands	
UTILITY PLANT:		
Electric plant	$ 760,885	$ 724,304
Construction work in progress	17,702	[illegible]5,913
Electric plant acquisition adjustments	2,225	2,406
Total	780,812	752,623
Less accumulated depreciation	239,534	218,476
Utility plant—net	541,278	534,147
OTHER PROPERTY AND INVESTMENTS		
Investment in associated company, at equity (Note 6)	16,644	16,984
Other	962	905
Total	17,606	17,889
CURRENT ASSETS:		
Cash (Note 7)	2,478	1,373
Special deposits	84	736
Temporary investments, at cost which approximates market	33,000	1,000
Accounts receivable:		
Customer and other—less allowance for doubtful accounts of $154,000	23,744	22,820
Associated companies	10,596	8,014
Materials and supplies—at average cost:		
Fuel	5,321	6,238
Other	9,104	9,805
Other	4,203	2,189
Total	88,530	52,175
DEFERRED DEBITS:		
Preliminary Survey and Investigation Charges	—	1,717
Unamortized debt expense	1,037	1,092
Other	650	623
Total	1,687	3,432
TOTAL	$ 649,101	$ 607,643

See Notes to Financial Statements.

LIABILITIES	1980	1979
	In Thousands	
CAPITALIZATION:		
Common stock, no par value (stated value $23 per share) authorized 5,000,000 shares; outstanding 4,540,000 shares	$ 104,420	$ 104,420
Retained earnings (Note 8)	74,985	65,389
The common shareholder's equity	179,405	169,809
Preferred stock, without sinking fund (Note 4)	38,077	38,077
Long-term debt and premium (Note 5)	262,860	263,380
Total	480,342	471,266
CURRENT LIABILITIES:		
Long-term debt currently maturing	456	7,929
Accounts payable:		
Associated companies	7,687	10,566
Customers (Note 2)	10,360	—
Other	25,265	13,609
Customer deposits	9,734	9,085
Taxes accrued	24,740	12,840
Interest accrued	6,994	6,279
Dividends declared	5,485	596
Other	2,808	2,960
Total	93,529	63,864
DEFERRED CRED S:		
Accumulated de[illegible]erred income taxes (Note 3)	49,453	51,804
Accumulated deferred investment tax credits (Note 3)	2[illegible],071	17,763
Other	452	506
Total	70,976	70,073
RESERVES	4,254	2,440
COMMITMENTS AND CONTINGENCIES (Notes 2 and 6)		
TOTAL	$ 649,101	$ 607,643

See Notes to Financial Statements.

Mississippi Power & Light Company
Statements of Income
For the Years Ended December 31, 1980, 1979 and 1978

	1980	1979 In Thousands	1978
OPERATING REVENUES (Note 2)	$ 532,988	$ 436,524	$ 400,276
OPERATING EXPENSES:			
Operation:			
Fuel	267,685	217,160	208,161
Power purchased	85,782	69,094	40,049
Other	43,207	38,638	32,102
Maintenance	26,021	23,500	16,997
Depreciation	22,672	21,974	20,528
Taxes other than income taxes	18,012	16,177	14,950
Income taxes (Note 3)	18,606	9,995	20,492
Total	481,985	396,538	353,279
OPERATING INCOME	51,003	39,986	46,997
OTHER INCOME AND DEDUCTIONS:			
Allowance for other funds used during construction	923	747	826
Miscellaneous—net	3,600	2,900	2,286
Income taxes (Note 3)	(1,431)	(1,145)	(916)
Total	3,092	2,502	2,196
INTEREST CHARGES:			
Interest on long-term debt	19,454	19,586	19,842
Other interest—net of debt premium	1,131	651	852
Allowance for borrowed funds used during construction	(444)	(330)	(346)
Total	20,141	19,907	20,348
NET INCOME (Note 2)	$ 33,954	$ 22,581	$ 28,845

Statements of Retained Earnings
For the years ended December 31, 1980, 1979 and 1978

	1980	1979	1978
RETAINED EARNINGS, JANUARY 1	$ 65,389	$ 64,623	$ 55,959
ADD—Net income	33,954	22,581	28,845
Total	99,343	87,204	84,804
DEDUCT:			
Dividends—cash:			
Preferred stock	2,384	2,384	2,384
Common stock	21,974	19,431	17,797
Total	24,358	21,815	20,181
RETAINED EARNINGS, DECEMBER 31, (Note 8)	$ 74,985	$ 65,389	$ 64,623

See Notes to Financial Statements.

Mississippi Power & Light Company
Statements of Changes in Financial Position
For the years ended December 31, 1980, 1979 and 1978

	1980	1979 In Thousands	1978
FUNDS PROVIDED BY:			
Operations:			
Net income	$ 33,954	$ 22,581	$ 28,845
Depreciation	22,672	21,974	20,528
Deferred income taxes and investment tax credit adjustments—net	957	6,620	4,572
Allowance for funds used during construction	(1,367)	(1,077)	(1,172)
Total funds provided from operations	56,216	50,098	52,773
Other:			
Decrease in working capital*	32,783	—	—
Allowance for funds used during construction	1,367	1,077	1,172
Decrease in short-term investments—net	—	23,500	—
Decrease in investment in associated company	340	—	1,070
Miscellaneous—net	4,601	1,394	4,144
Total funds provided	$ 95,307	$ 76,069	$ 59,159
FUNDS APPLIED TO:			
Construction expenditures for utility plant (Includes allowance for funds used during construction)	$ 31,020	$ 33,218	$ 24,386
Dividends declared on common stock	21,974	19,431	17,797
Dividends declared on preferred stock	2,384	2,384	2,384
Retirement of First Mortgage Bonds	7,500	7,500	—
Retirement of other long-term debt	429	405	106
Increase in short-term investments— net	32,000	—	2,500
Increase in investment in associated company	—	6,715	—
Increase in working capital*	—	4,545	11,986
Miscellaneous—net	—	1,871	—
Total funds applied	$ 95,307	$ 76,069	$ 59,159

*Working capital excludes short-term securities and current maturities of long-term debt; the 1980 net decrease is due primarily to increases in accounts payable and accrued income taxes; the 1978 net increase is due primarily to a decrease in accrued income taxes.

See Notes to Financial Statements.

Notes to Financial Statements

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 Federal Energy Regulatory Commission.

B. REVENUES

The Company records revenues as billed to its customers on a cycle billing basis. Revenue is not accrued for energy delivered but not billed at the end of the fiscal period. The rates of the Company include fuel adjustment clauses under which fuel costs above or below the base levels allowed in the various rate schedules are permitted to be billed or required to be credited to customers.

C. UTILITY PLANT AND DEPRECIATION

Utility plant is stated at original cost. The costs of additions to utility plant include contracted work, direct labor and materials, allocable overheads and an allowance for the composite cost of funds used during construction. 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 replacement and renewal of items determined to be less than units of property are charged to operating expenses. Principally all of the utility plant is subject to the lien of the Company's first mortgage bond indenture.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provided in 1980, 1979 and 1978 amounted to approximately 3.3% on average depreciable property.

D. PENSION PLAN

The Company has a pension plan covering substantially all of its employees. The policy of the Company is to fund pension costs as accrued.

E. INCOME TAXES

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

Deferred income taxes are provided for differences between book and taxable income to the extent permitted by the regulatory bodies for rate-making purposes.

Investment tax credits allocated to the Company are deferred and amortized over the average useful life of the related property beginning with the year utilized in the consolidated tax return.

F. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

In accordance with the regulatory system of accounts, the Company capitalizes, as an appropriate cost of utility plant, an allowance for funds used during construction (AFDC). Under this utility industry practice, construction work in progress 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. The effective composite AFDC rates were 7.30%, 7.79% and 7.35% for 1980, 1979 and 1978, respectively.

The Company continues to capitalize allowance for funds used during construction 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. RESERVES

It is the policy of the Company to provide reserves for uninsured property risks and for claims for injuries and damages through charges to operating expense on an accrual basis. Accruals for these reserves have been allowed for rate-making purposes.

2. Rate Matters

In May 1980, the Company filed with the Mississippi Public Service Commission (MPSC) a notice of intention to change rates that would produce additional annual revenues of approximately $68,800,000. The proposed rates were put into effect, under bond, with bills rendered on and after July 1, 1980. On November 24, 1980, the MPSC issued its order authorizing the Company to file new rates that would produce additional annual revenues of approximately $48,300,000.

In December 1980, the Attorney General of the State of Mississippi and others filed appeals in the Chancery Court of Hinds County seeking modifications to the MPSC's order. In Management's opinion, based on the opinion of legal counsel, these appeals will not be successful and therefore the Company is recording revenue based on the MPSC's order.

The Company is requesting that the full rate increase sought be allowed, appealing the MPSC's decision on rate of return, the disallowance of construction work in progress in rate base, and the disallowance of a portion of the working capital requested. The Company is continuing to bill customers using rates filed in May 1980 pending final determination of these appeals. These rates produced an additional $33,000,000 in the year ended December 31, 1980. The amount of $23,000,000 as authorized by the MPSC was recorded as revenue. The remainder is recorded as a liability.

3. Income Taxes

Income tax expense consists of the following:	1980	1979	1978
		In Thousands	
Current			
Federal	$16,828	$ 3,748	$15,410
State	2,252	772	1,426
Total	19,080	4,520	16,836
Deferred – Net			
Revenue subject to refund	(4,989)	—	—
Unbilled revenue	(1,617)	524	357
Liberalized depreciation	4,827	4,617	5,139
Other	(572)	193	(17)
Total	(2,351)	5,334	5,479
Investment tax credit adjustments – Net	3,308	1,286	(907)
Total income taxes	$20,037	$11,140	$21,408
Charged to operations	$18,606	$ 9,995	$20,492
Charged to other income	1,431	1,145	916
Total income taxes	$20,037	$11,140	$21,408

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

	1980		1979		1978	
			In Thousands			
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate	$24,836	46.0%	$15,512	46.0%	$24,122	48.0%
Increases (reductions) in tax resulting from:						
Tax savings due to filing consolidated return	(4,792)	(8.9%)	(3,200)	(9.5%)	(1,900)	(3.8%)
Other – net	(7)	—	(1,172)	(3.5%)	(814)	(1.6%)
Recorded income taxes	$20,037	37.1%	$11,140	33.0%	$21,408	42.6%

Unused investment tax credits at December 31, 1980 amounted to $5,039,000, of which $2,331,000 may be carried forward through 1984, and $2,708,000 through 1985.

Prior to 1979 the investment tax credit utilized in the consolidated tax return was allocated to each System Company on the basis of the credit contributed by each Company. Effective with 1979 the method of allocating investment tax credit was changed whereby each Company is allocated the credit allowable based on its portion of the consolidated tax liability. Any additional consolidated credit utilized is allocated on the basis of the remaining tax credits.

4. Preferred Stock

Preferred stock, without sinking fund, at December 31, 1980, 1979 and 1978 consisted of cumulative, $100 par value stock as follows:

	Authorized	Outstanding	Current Call Price Per Share
Series:			
4.36%	60,000	59,920	$ 103.86
4.56%	44,476	43,888	107.00
4.92%	100,000	100,000	102.88
9.16%	75,000	75,000	106.35
7.44%	100,000	100,000	106.53
Other	325,000	—	
Total	704,476	378,808	

	In Thousands
Stated at $100 a share	$ 37,881
Premium on Preferred Stock	196
Total	$ 38,077

5. Long-Term Debt

Long-term debt at December 31, 1980 and 1979 consisted of the following:

	1980	1979
First Mortgage Bonds:	In Thousands	
3-5/8% Series due 1983	$ 12,000	$ 12,000
4-1/8% Series due 1988	15,000	15,000
4-5/8% Series due 1995	20,000	20,000
5-1/8% Series due 1996	25,000	25,000
6-3/8% Series due 1996	10,000	10,000
9-5/8% Series due 1999	20,000	20,000
9-1/4% Series due 2000	17,500	17,500
7-3/4% Series due 2002	15,000	15,000
7-3/4% Series due 2003	30,000	30,000
8-1/4% Series due 2003	20,000	20,000
9-7/8% Series due 2004	25,000	25,000
10-7/8% Series due 2005	25,000	25,000
	234,500	234,500

Principal Amount of Capitalized Lease—		
8%, due serially through 1993	7,292	7,648
Pollution Control Bonds:		
7-1/2% due 2004	9,400	9,400
8-1/2% due 2004	8,575	8,575
6-1/4% to 8-1/2% due 1982 to 1995	2,000	2,100
Unamortized Premium on Debt	1,093	1,157
Total (Annual sinking fund requirements, which may be met by certification of property additions at the rate of 167% of such requirements, amount to $2,304,000 for 1981 and 1982, and $2,148,000 for 1983, 1984 and 1985.)	$262,860	$ 263,380

6. Commitments and Financing

The Company's 1981 construction program contemplates expenditures of approximately $64 million, excluding $103 million expected to be reimbursed by the Company to Arkansas Power & Light Company (AP&L) in 1981 as an initial payment in conjunction with the Company's proposed purchase of a 25% interest in a coal-fired generating station currently being constructed by AP&L. The consummation of this purchase is dependent upon the receipt of various regulatory approvals. Construction expenditures for 1982 and 1983 are estimated to be $90 million and $69 million, respectively.

The Company has a 19% interest in System Fuels, Inc. (SFI), a jointly-owned subsidiary of the four principal operating subsidiaries of Middle South Utilities, Inc. SFI operates on a non-profit basis in planning and implementing programs for the procurement of fuel supplies for the generating units of these 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 4, 1978, as amended January 1, 1981, which provides for SFI to borrow up to $261,500,000 from its parent companies through December 31, 1981. As of December 31, 1980, the Company had loaned $9,265,000 to SFI pursuant to this loan agreement and the Company's share of the unused loan commitment is $33,120,000. Notes under this agreement mature December 31, 2006. In addition the Company had loaned SFI $7,375,250 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowing 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 obligation under these arrangements. At December 31, 1980, the total loan commitment under these arrangements amounted to $221,196,000 of which $128,224,000 was outstanding at that date. Also SFI's parent companies, including the Company, have made similar covenants and agreeents in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At December 31, 1980, the aggregate discounted value of these lease arrangements was $59,150,000.

In December, 1976, SFI entered into a contract with a joint venture for a supply of coal from a mine to be developed in Wyoming. The Contract is expected to provide an estimated 150 to 210 million tons of coal over a period of 26 to 42 years; the coal supplied is expected to be used at a future AP&L power plant. SFI's parent companies, including the Company, each acting in accordance with their respective shares of ownership of SFI's common stock, joined in, ratified, confirmed and adopted the contract and the obligations of SFI thereunder.

The Company, together with the other Middle South System operating companies, is obligated under agreements with Middle South Energy, Inc. (MSE) to make payments or subordinated advances adequate to cover all of the operating expenses and capital costs of MSE and, in return, is entitled to receive the power available to MSE from the Grand Gulf Plant. Through 1980 $1.8 billion had been expended by MSE on the Grand Gulf Plant's two units which are scheduled for completion in 1982 and 1986. Under certain circumstances, payments may be required to be made commencing December 31, 1982, if the first unit of the Grand Gulf Plant has not been completed by that date. During 1980 the operating companies agreed in principle to a permanent allocation of the Grand Gulf Plant's capability. Under this arrangement those companies receiving allocations, Louisiana Power & Light Company, New Orleans Public Service Inc., and the Company, will assume, in proportion to such allocations, all responsibilities and obligations related to the Grand Gulf Plant, and Arkansas Power & Light Company and Arkansas-Missouri Power Company which did not receive allocations will relinquish their rights in the plant. The proposed reallocation is subject to the receipt of the approval of regulatory agencies and of all other necessary approvals.

The Federal income tax returns for the years 1971 through 1976 have been examined by the Internal Revenue Service (IRS) and adjustments have been proposed. The principal issue is whether customer deposits are includible in taxable income. A formal written protest has been filed and conferences are being held with an Appeals Officer of the IRS. Any final liability for taxes resulting from settlement with the IRS would not have a material effect on net income. Income taxes on customer deposits would be normalized. Most of the other issues have been settled and adequate provisions have been recorded.

7. Lines of Credit and Short-Term Borrowings

At December 31, 1980 the Company had $20.1 million in lines of credit with Mississippi banks. Additionally, the Company has joined with three other Middle South System operating companies in establishing $253 million in lines of credit with banks outside the Middle South System service area. The Company may borrow any portion of these lines and/or issue commercial paper subject only to its maximum authorized level of short-term borrowings as specified below. These lines require a 7% compensating balance and an additional 7% on the amount of outstanding loans. There were no short-term borrowings at December 31, 1980, 1979 and 1978.

The short-term borrowings and the applicable interest rates (determined by dividing the actual interest expense during the year by the average amount outstanding) were as follows (all commercial paper):

	1980	1979	1978
		In Thousands	
Maximum borrowing	$10,000	$9,000	—
Average borrowing	$ 1,993	$1,153	—
Average interest rate	12%	11.2%	—

The Company has received authorization from the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 to have outstanding short-term borrowings in the maximum amount at any one time not exceeding the lesser of $45 million or 10% of the Company's capitalization.

8. Retained Earnings

The indenture provisions relating to the Company's long-term debt provide for restrictions on the payment of cash dividends on common stock. As of December 31, 1980, $53,364,000 of retained earnings are free from such restrictions.

9. Transactions With Affiliates

The Company buys from and sells electricity to the operating subsidiaries of Middle South Utilities, Inc., its parent, under

schedules filed with the Federal Energy Regulatory Commission. In addition, the Company purchases fuel from System Fuels, Inc.

	1980	1979	1978
	In Thousands		
Sales to Affiliates	$132,417	$90,959	$82,899
Purchases from Affiliates:			
Fuel	$115,955	$134,552	$145,276
Power	21,400	26,750	19,084
Total	$137,355	$161,302	$164,360

10. Pension Plan

Pension costs in 1980, 1979 and 1978 amounted to $3,543,000, $2,712,000 and $2,402,000, respectively, which includes amortization of unfunded prior service costs over a period of 10 years. A comparison of accumulated plan benefits and plan net assets is presented below:

	January 1, 1980	1979
	In Thousands	
Actuarial present value of accumulated plan benefits:		
Vested	$25,463	$21,151
Nonvested	443	369
Total	$25,906	$21,520
Net assets (Market value) available for benefits	$30,156	$26,145

The weighted average assumed rate of return used in determining the actuarial present values of accumulated plan benefits was 7% for 1980 and 1979.

11. Quarterly Results (Unaudited)

Unaudited operating results by quarters follow (in thousands):

	Quarter Ended March	June	September	December
1980				
Operating revenues	$113,063	$106,455	$191,202	$122,268
Operating income	9,703	7,129	22,265	11,906
Net income	5,477	2,948	18,009	7,520
1979				
Operating revenues	$99,000	$97,145	$136,005	$104,374
Operating income	11,389	7,219	13,133	8,245
Net income	6,938	2,881	8,725	4,037

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

12. Effect of Inflation on Operations (Unaudited)

The following supplementary information about the effects 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". It should be viewed as an estimate of the effect 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, 1980

(In Thousands)

	As Reported In The Financial Statements	Adjusted For General Inflation (Constant Dollars)	Adjusted For Changes In Specific Prices (Current Costs)
Operating Revenues	$532,988	$532,988[1]	$532,988[1]
Operating expenses (excluding depreciation)	459,313	459,313[1]	459,313[1]
Depreciation	22,672	46,151	48,753
Total operating expense	481,985	505,464	508,066
Operating income	51,003	27,524	24,922
Other income	3,092	3,092[1]	3,092[1]
Interest & other charges	20,141	20,141[1]	20,141[1]
Income from operations (excluding reduction to net recoverable cost)	$ 33,954	$ 10,475[2]	$ 7,873
Increase in specific prices (current cost) of property, plant, and equipment held during the year[3]			$116,059
Reduction to net recoverable cost		$ (38,317)	(19,363)
Effect of increase in general price level			(132,411)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			(35,715)
Gain from decline in purchasing power of net amounts owed		42,848	42,848
Net		$ 4,531	$ 7,133

[1]Assumed to be in "average for the year" dollars and thus are not restated.
[2]Including the reduction to net recoverable cost, the loss from operation on a constant dollar basis would have been $27,842 for 1980.
[3]At December 31,1980, current cost of property, plant, and equipment, net of accumulated depreciation was $1,177,715, while historical cost or net cost recoverable through depreciation was $539,860.

Five-Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices

(In Thousands of Average 1980 Dollars)

	Years Ended December 31,				
	1980	1979	1978	1977	1976
Operating revenues	$532,988	$495,557	$505,569	$496,790	$446,955
Historical cost information adjusted for general inflation					
Income from operations (excluding reduction to net recoverable cost)	$ 10,475	$ 4,720			
Net assets at year-end at net recoverable cost	$171,350	$182,688			
Current cost information					
Income from operations (excluding reduction to net recoverable cost)	$ 7,873	$ (2,971)			
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	$ 35,715	$ 45,430			
Net assets at year-end at net recoverable cost	$171,350	$182,688			
General Information					
Gain from decline in purchasing power of net amounts owed	$ 42,848	$ 50,238			
Average consumer price index	246.8	217.4	195.4	181.5	170.5

Note: The statement requires that historical cost information adjusted for general inflation and current cost information be provided for 1979 and subsequent years. Comparable information is not readily available for the years prior to 1979 and thus is not provided.

Constant dollar amounts represent historical costs adjusted for the effects of general inflation. The effects are determined by converting these costs into dollars of equal purchasing power using the Consumer Price Index for all Urban Consumers (CPI-U).

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 which are not included in the HWI were converted using the CPI-U.

The difference between current cost amounts and constant dollar amounts results from specific prices of property, plant and equipment (as measured by the Handy-Whitman Index) changing at a rate different than the rate of general inflation (as measured by the Consumer Price Index).

The current year's depreciation expense on the constant dollar and current cost amounts of property, plant and equipment were 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 through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason fuel inventories are effectively monetary assets.

As prescribed in Statement of Financial Accounting Standard 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 constant dollars or current cost over the historical cost of plant is not presently recoverable in rates. This excess is reflected as a reduction to net recoverable cost. While the rate-making 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 on 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 reduction of net property, plant and equipment to net recoverable cost is offset by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance 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.

Mississippi Power & Light Company
Management's Discussion and Analysis of Financial Condition and Results of Operations

I. FINANCIAL CONDITION

The financial condition of the Company improved materially in 1980 chiefly as a result of rate relief granted by the Mississippi Public Service Commission (MPSC). Although the MPSC granted only $48.3 million, about 70%, of the $68.8 million applied for by the Company (see "Note 2. Rate Matters" in the Financial Statements) the allowed amount enabled the Company to recover from the subnormal return on invested capital earned in 1979. For example, the decline in net income from $28.8 million in 1978 to $22.6 million in 1979 was turned around and for 1980 net income was almost $34.0 million. As a result, coverage ratios (important in the review and rating of the Company's bonds and preferred stock by investment analysts) improved. For example, the Company's pre-tax earnings coverage of bond interest requirements, which declined from 3.89 times in 1978 to 3.00 times in 1979, increased to 4.19 times in 1980. The coverage of interest charges and fixed preferred stock dividend requirements, which declined from 2.11 times to 1.87 times in 1979, increased to 2.34 times in 1980. These were much needed improvements, since the Company would be legally precluded from issuing additional bonds should the coverage be less than 2.0 times the total of the interest requirements for the present bonds plus the additional bonds. The similar requirement for additional preferred stock is 1.5 times. Any incursion toward these limits influences the investment quality and therefore market value of the Company's existing bonds and preferred stock, as well as the Company's ability to raise additional capital on reasonable terms and with varying options, depending upon market conditions.

II. LIQUIDITY AND CAPITAL RESOURCES

The Company's construction program for the past three years has been relatively small and has been more than covered by internal cash generation. As a result, the Company ended the year 1980 with a total of $35.5 million of cash and temporary cash investments. Also, the improvement in earnings in 1980 has strengthened the Company's financial position by placing it in a position of being able to raise about $122 million of first mortgage bonds or about $83 million of preferred stock in 1981, assuming the continuation of such earnings level, an interest and preferred dividend rate of 16% and the availability of fundable property.

The Company's construction program for 1981 is expected to be $64 million, excluding $103 million anticipated to be paid to Arkansas Power & Light Company (AP&L) as reimbursement by the Company to AP&L as an additional payment in 1981 in conjunction with MP&L's proposed acquistion of a 25% interest in the Independence Steam Electric Station (See "Note 6. Commitments and Financing" in the Financial Statements.) The Construction Program for 1982 is projected to be $90 million for 1983 to be $69 million.

The Statements of Changes in Financial Position for the years ended December 31, 1980, 1979 and 1978 graphically illustrate the improvement in the Company's operations resulting from the 1980 rate increase. Funds arising from operations for 1979 declined to $50.1 million from the $52.8 million in 1978 but recovered to $56.2 million in 1980. The improvement in internal generation of cash was in net income developed as a result of the rate increase. During the year 1980 the Company decreased its working capital by approximately $32.8 million, but increased its temporary cash investments by $32.0 million. The modest construction expenditures of the Company, absent the necessity to build and finance base load generating capacity, were more than met with internally generated funds. This situation is expected to change in 1981 with the acquisition of a share of the Independence Steam Electric Station, which is subject to the approval of regulatory authorities. The Company made minimal use of short term borrowing in 1980, with the maximum amount of $10.0 million being utilized of approximately $45.0 million authorized by the Securities and Exchange Commission. The Company presently expects to fund approximately $80 million of its expected $101 million of external cash requirements in 1981 through the issuance and sale of first mortgage bonds, preferred stock and common stock. It is expected that the remaining $21 million of the Company's requirements would be secured through short-term borrowings or issuance of additional securities, depending upon market conditions.

III. RESULTS OF OPERATIONS

Operating results for the year 1980 improved substantially over 1979, due principally to the rate increase placed into effect on July 1, 1980. Without this increase net income for 1980 would have been approximately $22.0 million, $11.9 million less than recorded for the year. The decrease in net income which would have occurred primarily reflects the effect of inflation upon the Company's operations as well as the added costs of operating its generating plants with a fuel (No. 6 Oil) which they were not originally designed to burn.

The cost of Fuel and Purchased Power continues to be one of the Company's major costs, accounting for more than two-thirds of its revenues from customers. Fuel adjustment clauses in the Company's retail rates provide recovery on a current basis of anticipated fuel costs, with subsequent adjustment for actual results. Such clauses in its wholesale rates provide recovery of actual costs with a two-month lag. Escalating fuel costs, such as the Company has experienced over the past two years, have produced distortions in the Company's fuel expenses and related revenues. However, these factors tend to cancel out and have a negligible effect on net income. The effect of inflation is felt more in the area of wages, interest rates, materials and supplies and other goods and services which the Company acquires from outside suppliers. Such price pressures are expected to continue to exist and will require the Company to file future rate increases with the Mississippi Public Service Commission on a regular basis.

The ability of the Company to secure adequate and timely rate relief from its regulators will have a material effect upon its ability to remain financially viable and able to finance its operations on a reasonable basis.

IV. EFFECT OF INFLATION

Inflation has had a significant impact on the Company's operations in recent years (see Note 12 to the Financial Statements – "Effect of Inflation on Operations").

V. SUMMARY

As indicated, the ability of the Company to reach and maintain a sound financial position and thus be able to provide the generating capacity and other resources necessary to serve the present and future energy requirements of our customers at reasonable costs depends upon the granting of timely, fair and sufficient rate relief by the regulatory bodies to which the Company is subject.

Mississippi Power & Light Company
Record of Progress 1970-1980

	1980	1979	1978
SELECTED FINANCIAL DATA (000's OMITTED)			
ELECTRIC OPERATING REVENUES:			
Residential	$ 153,397	$ 120,246	$ 110,705
Commercial	100,471	83,562	73,542
Industrial	94,834	83,491	70,306
Government & Municipal	16,601	13,433	11,804
Cooperatives & Municipalities	34,377	39,423	36,591
Total From Energy Sales (Miss. Area)	399,680	340,155	302,948
Sales to Other Public Utilities	139,076	93,347	93,701
Total From Energy Sales	538,756	433,502	396,649
Miscellaneous Revenues	(6,877)[2]	4,568	3,187
Deferred Fuel Adjustment Revenues[1]	1,109	(1,546)	440
Total Electric Operating Revenues	$ 532,988	$ 436,524	$ 400,276
NET INCOME	$ 33,954	$ 22,581	$ 28,845
TOTAL ELECTRIC UTILITY PLANT:			
Production	$ 355,084	$ 352,658	$ 351,646
Transmission	171,810	149,887	146,227
Distribution	212,035	201,361	190,820
General & Other	18,641	17,128	16,254
Total Utility Plant Completed	757,570	721,034	704,947
Plant Held for Future Use	3,316	3,270	3,270
Construction Work in Progress	17,702	25,913	10,820
Electric Plant Acquisition Adjustments	2,224	2,406	2,588
Total Utility Plant	$ 780,812	$ 752,623	$ 721,625
TOTAL ASSETS	$ 649,101	$ 607,643	$ 603,812
LONG-TERM DEBT	$ 262,860	$ 263,380	$ 271,374
OTHER DATA			
ELECTRIC ENERGY SALES (MKWH):			
Residential	3,069,404	2,787,432	2,856,736
Commercial	1,918,334	1,832,462	1,781,881
Industrial	2,217,846	2,285,120	2,187,020
Government & Municipal	385,133	369,441	371,811
Cooperatives & Municipalities	986,063	1,270,584	1,280,949
Total Energy Sales (Miss. Area)	8,576,780	8,545,039	8,478,397
Sales to Other Public Utilities	4,343,224	3,681,898	4,354,425
Total Electric Energy Sales	12,920,004	12,226,937	12,832,822
ELECTRIC CUSTOMERS (END OF PERIOD):			
Residential	263,850	260,421	255,174
Commercial	38,115	37,919	37,405
Industrial	3,276	3,230	3,245
Government & Municipal	2,132	2,087	2,049
Cooperatives & Municipalities	39	64	66
Total Customers (Miss. Area)	307,412	303,721	297,939
Other Public Utilities	2	2	2
Total Electric Customers	307,414	303,723	297,941
SYSTEM INPUT (MKWH)			
Mississippi Area	9,407,985	9,309,449	9,299,653
Other	7,033,874	7,177,690	8,105,780
Total System Input	16,441,859	16,487,139	17,405,433
PEAK LOAD (MISS. AREA)–KW	2,078,000	1,913,000	1,899,000
LOAD FACTOR (MISS. AREA)–PER CENT	52	56	56
NET PLANT CAPABILITY–KW	2,763,000	2,763,000	2,763,000
CIRCUIT MILES OF ELECTRIC LINES	18,855	18,504	18,334

[1]See Item B to Note 1–Summary of Significant Accounting Policies.

[2]Includes $10,360,000 adjustment for revenues billed subject to refund. See Note 2 to Financial Statements.

1977	1976	1975	1974	1973	1972	1971	1970
$ 106,520	$ 91,849	$ 74,296	$ 67,690	$ 47,473	$ 38,096	$ 32,499	$ 30,097
69,114	60,855	47,484	43,559	31,294	25,701	22,126	20,290
67,948	58,645	42,863	41,743	26,852	22,399	19,439	17,535
11,158	9,899	7,022	6,163	3,975	3,193	2,842	2,707
34,073	25,622	21,399	13,362	9,915	9,884	7,914	7,027
288,813	246,870	193,064	172,517	119,509	99,273	84,820	77,656
77,732	57,298	43,084	10,484	6,684	15,223	9,423	4,911
366,545	304,168	236,148	183,001	126,193	114,496	94,243	82,567
1,441	1,113	838	574	449	374	393	364
(2,640)	3,495	3,071	(5,134)	—	—	—	—
$ 365,346	$ 308,776	$ 240,057	$ 178,441	$ 126,642	$ 114,870	$ 94,636	$ 82,931
$ 25,027	$ 25,745	$ 20,803	$ 20,454	$ 17,346	$ 18,101	$ 15,106	$ 13,728
$ 349,195	$ 338,118	$ 299,583	$ 292,491	$ 176,217	$ 166,537	$ 166,364	$ 106,419
132,966	118,137	118,450	109,960	91,535	91,068	85,074	79,225
180,035	171,955	166,590	158,256	148,492	130,191	124,523	119,198
16,154	15,727	15,366	14,763	14,355	13,598	13,372	13,283
678,350	643,937	599,989	575,470	430,599	401,394	389,333	318,125
3,270	3,270	4,070	1,219	1,144	1,146	594	564
15,660	28,061	35,772	16,688	121,908	50,070	12,396	53,257
2,769	2,951	3,113	3,293	3,067	—	—	—
$ 700,049	$ 678,219	$ 642,944	$ 596,670	$ 556,718	$ 452,610	$ 402,323	$ 371,946
$ 594,985	$ 584,022	$ 559,009	$ 516,437	$ 473,943	$ 373,752	$ 332,129	$ 315,756
$ 279,073	$ 278,029	$ 286,060	$ 258,082	$ 229,498	$ 169,998	$ 154,998	$ 154,998
2,727,718	2,491,067	2,440,460	2,268,954	2,356,073	2,032,670	1,802,675	1,674,415
1,647,919	1,537,169	1,457,505	1,356,173	1,380,035	1,213,432	1,091,553	1,007,557
2,071,093	1,935,573	1,751,042	1,793,055	1,787,741	1,677,137	1,624,499	1,464,602
344,634	326,275	302,319	271,233	262,645	238,624	219,463	210,951
1,217,042	1,064,636	990,309	938,205	988,351	1,089,349	966,015	959,649
8,008,406	7,354,[illegible]20	6,941,635	6,627,620	6,774,845	6,251,212	5,704,205	5,317,174
3,580,571	2,624,001	1,638,144	487,097	312,454	1,269,927	1,282,153	984,933
11,588,977	9,978,721	8,579,779	7,114,717	7,087,299	7,521,139	6,986,358	6,302,107
249,889	245,384	241,739	237,085	229,761	206,222	1[illegible]8,435	191,529
35,922	34,718	33,801	33,474	33,109	30,629	29,453	28,419
3,301	3,247	3,247	3,267	3,213	3,168	3,209	3,140
1,965	1,920	1,879	1,789	1,731	1,618	1,558	1,514
67	67	66	63	61	74	75	71
291,144	285,336	280,732	275,678	267,875	241,711	232,730	224,673
2	2	1	1	1	2	3	4
291,146	285,338	280,733	275,679	267,876	241,713	232,733	224,677
8,739,930	7,995,184	7,583,971	7,249,896	7,378,216	6,906,300	6,246,040	5,875,777
7,422,162	6,275,856	5,369,242	4,353,673	4,160,152	5,081,123	4,700,857	4,429,887
16,162,092	14,271,040	12,953,213	11,603,569	11,538,368	11,987,423	10,946,897	10,305,664
1,784,000	1,733,000	1,642,000	1,640,000	1,565,000	1,476,000	1,343,000	1,238,000
56	53	52	51	54	53	53	54
2,763,000	2,752,000	2,752,000	2,752,000	2,002,000	2,002,000	2,002,000	1,231,000
18,109	17,859	17,713	17,461	17,146	14,279	14,061	13,892

Board of Directors and Executive Staff

Board of Directors:

Donald C. Lutken, Jackson, President and Chief Executive Officer
G. Lawrence Adams, Partner, Adams, Forman, Truly, Ward, Smith and Bramlette, Attorneys-at-Law, Natchez
Norman B. Gillis, Jr., Attorney-at-Law, McComb
Robert M. Hearin, Chairman of the Board and Chief Executive Officer, First National Bank, Jackson
J. H. Johnston, Jr., M. D., Jackson
Robert E. Kennington, II, Chairman of the Board and Chief Executive Officer, Grenada Banking System, Grenada
Floyd W. Lewis, Chairman of the Board and President, Middle South Utilities, Inc., New Orleans
John P. Maloney, Chairman of the Board and Chief Executive Officer, Deposit Guaranty National Bank, Jackson
Richard D. McRae, President, McRae's Inc., Jackson
LeRoy P. Percy, Planter, Greenville
Dr. Walter Washington, President, Alcorn State University, Lorman
Robert M. (Bob) Williams, Jr., Partner, Reeves-Williams Builders, Southaven

Executive Staff:

Donald C. Lutken, President and Chief Executive Officer
Norris L. Stampley, Senior Vice President, Nuclear
Alex McKeigney, Vice President, Informational Services
Frank S. York, Jr., Vice President, Chief Financial Officer and Secretary
J. Stewart Frame, Vice President, Personnel and Administrative Services
W. Donald Colmer, Vice President, Public Affairs and Environmental Matters
Thomas A. Dallas, Vice President and Chief Engineer
Donald E. Meiners, Vice President, Customer Services
John D. Holland, Vice President, Area Affairs
Walton T. Woods, Jr., Vice President, General Property and Services
James P. McGaughy, Assistant Vice President, Nuclear Production
George M. Ledlow, Director, Internal Auditing
James L. Moore, Director, Marketing and Area Development
James R. Martin, Treasurer and Assistant Secretary
Allan H. Mapp, Assistant Treasurer and Assistant Secretary
James R. Rider, Director, Fossil Production
Marion N. Townsend, Director, Engineering
Dorris B. Rodgers, Executive Assistant

Division Managers:

Thomas M. Box, Delta, Cleveland
David I. Bridgers, Western, Vicksburg
Bert M. Cantrell, Southern, McComb
John R. Craft, North Central, Greenville
Robert C. Loflin, Southwestern, Natchez
John E. Sherrod, Central, Jackson
Graham H. Tempel, South Central, Brookhaven
T. Ray Tomlinson, Northern, Senatobia

Plant Managers:

Malcolm Allred, Baxter Wilson, Vicksburg
Richard Denman, Natchez, Natchez
A. T. Johnson, Rex Brown, Jackson
Kenneth McCoy, Grand Gulf Nuclear, Port Gibson
Alan Sebren, Gerald Andrus, Greenville
Rex Shannon, Delta, Cleveland

Mississippi Power & Light Company
Post Office Box 1640
Jackson, Mississippi 39205

BULK RATE
U. S. POSTAGE
PAID
JACKSON, MISS.
PERMIT NO. 24