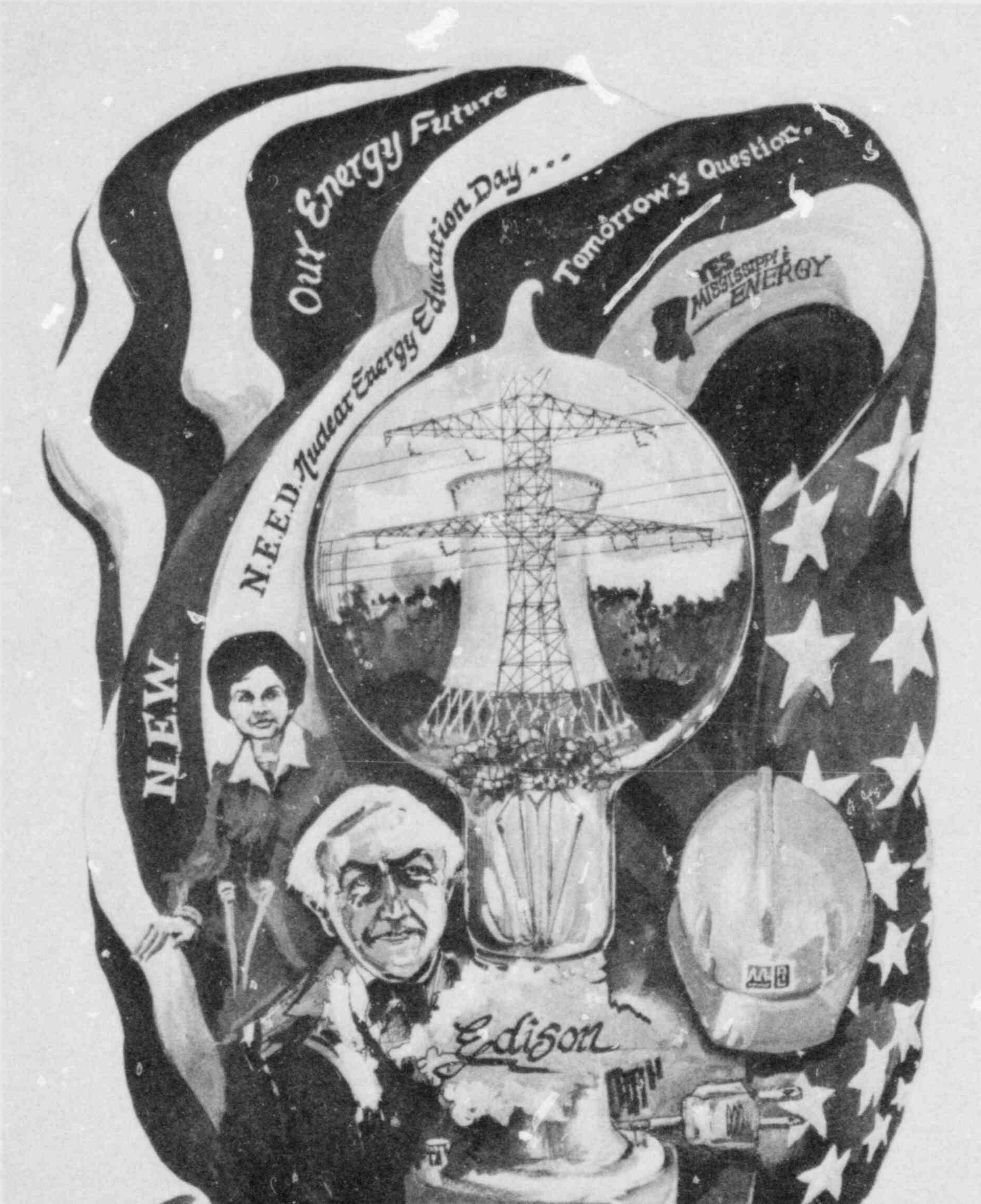
MISSISSIPPI POWER & LIGHT COMPANY
1979 ANNUAL REPORT



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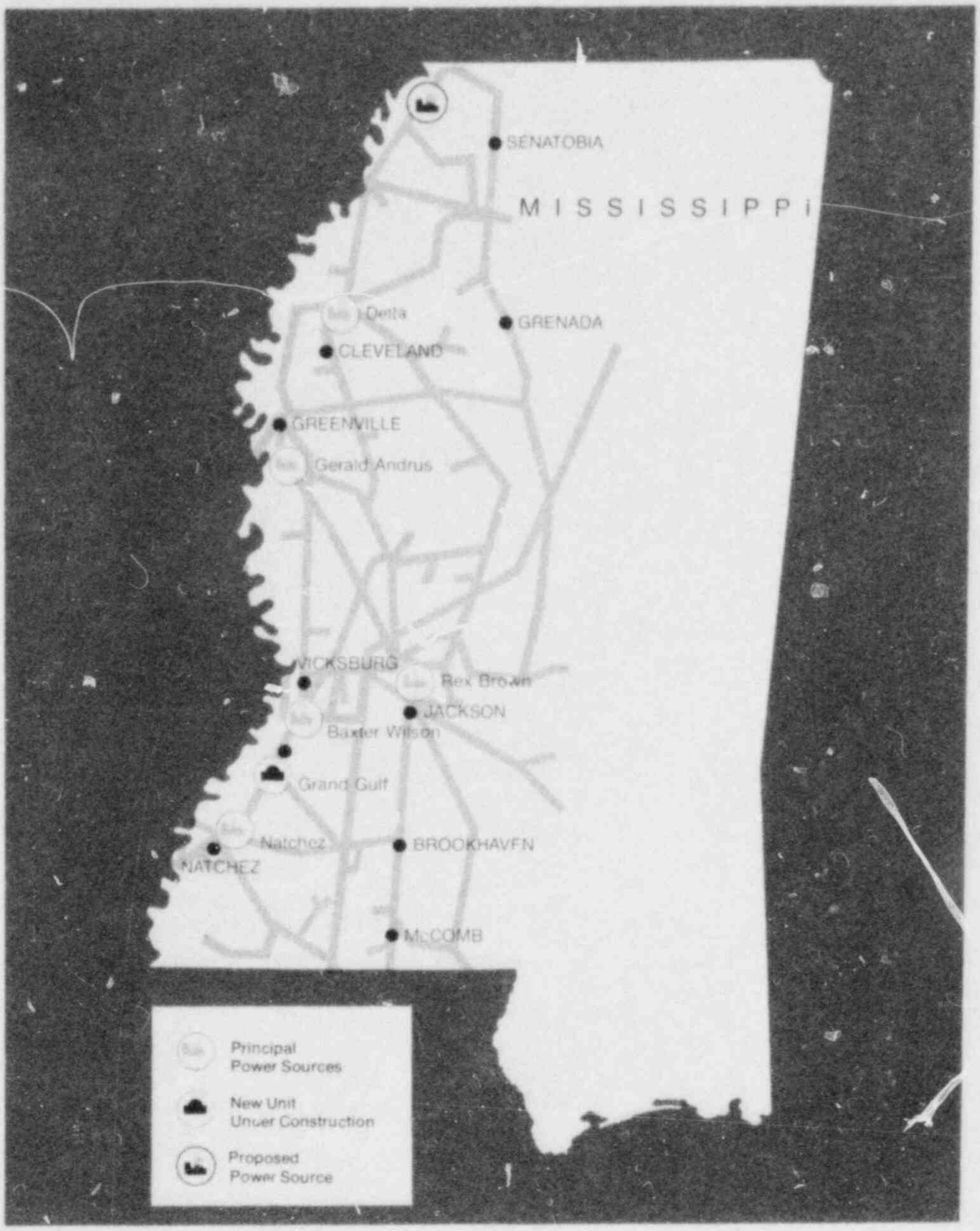
System Map



About the Cover

The energy picture is not a simple one, and for our 1979 annual report cover Artist Sandy McNeal brings into focus some of the activities by MP&L during the past year which were intended to shed more light on the national energy problem. Some projects portrayed within the borders of our flag are such things as: the Centennial of Light, in observance of Edison's invention of the incandescent light; the need of utilizing coal and nuclear resources for electricity, as shown within the bulb; organization of Nuclear Energy Women (NEW); staging informational coffees over the operating area on Nuclear Energy Education Day (NEED), along with the sponsorship of such nationally known supporters of nuclear power as Dr. Margaret Maxey; and formation of citizen groups backing a sound energy policy through the Your Energy Solution (YES) program in Mississippi.

General Offices

Electric Building, Jackson, Mississippi 39205
Registrar (for preferred stock)
Deposit Guaranty National Bank, Jackson, Mississippi
Transfer Agent
First National Bank of Jackson, Jackson, Mississippi
This report is prepared for the information of security holders, employees and other interested persons. It is not transmitted in connection with the sale of any security or offer to sell or offer to buy any security.

To Our Stockholders and Members of Our Organization

Since an annual report is basically a financial report, it should be pointed out at the beginning that during 1979, MP&L's 56th year, the Company experienced a sharp decline in earnings. Net income for the year dropped to $22,581,000, approximately 22 percent under earnings for 1978. The downward trend was gaining momentum at year's end and conditions now indicate that time is approaching when rate relief must be requested in order to keep the Company financially sound.

While 1979 was not the best year in history, neither was it the worst. There were definite achievements, but most were attained under trying, and sometimes confusing, conditions. It is especially good to report that MP&L maintained its record of meeting all electrical requirements of its customers in the 45-county area of western Mississippi in which it operates.

The most disheartening aspect of operating results for 1979 lies in the fact that most factors bringing about a weaker financial picture were, and continue to remain, beyond control of management. Ranking high on the list of uncontrollable factors are such things as: galloping inflation which impacted all areas of operations; unrealistic and unreasonable government and bureaucratic regulations and restrictions; and an uncertain fuel supply situation compounded by high fuel costs. The latter was agitated by world unrest, continued dependence upon foreign oil, and a vacillating national energy policy inhibiting development of alternative energy resources. Also causing additional problems for the electric industry, and the energy outlook in general, were such things as the Three Mile Island incident; the lagging development of coal and nuclear resources; the general confusion of the public as to the true status of our energy supply; and the probable effect of future shortages.

Due to these factors, our Company, along with the rest of the electric energy industry, spent a great deal of time and effort in developing and carrying out educational campaigns to acquaint customers and the public with the need for more energy production, especially from coal and nuclear, while at the same time calling for sensible conservation and the efficient use of available energy. There was definite progress in these areas of public understanding.

Coal Unit Deferred

Due to new forecasts predicting slower load growth for the company system, it was decided in mid-year to defer for several years start-of-construction of the proposed coal-fired steam electric station in DeSoto County. The delay does not mean plans for the plant have been abandoned, but that it will be postponed for the time being. Need for the plant in the original time frame was affected by both the projected downturn in the economy and the efforts of our customers to conserve energy.

Also, due largely to the uncertain regulatory climate of the Nuclear Regulatory Commission, following some organizational changes and the revamped building requirements after the Three Mile Island incident, work on the second unit of the Grand Gulf Nuclear Station near Port Gibson was being slowed at the end of the year. Here again, plans for the second unit are not being abandoned; instead, major emphasis is being placed on completion of the first unit. (See Grand Gulf progress section later in this report.)

Ice Storm and Flood

Two unusual weather conditions clearly proved the determination and ability of the Company to provide service under trying conditions during the year, one being a major ice storm in January and the other being the Easter flood of the Pearl River in the Jackson area and downstream.

The major ice storm struck the northwestern portion of the service area on January 6-7, and was rated as the worst since 1951. Between 20,000 and 30,000 customers had their service interrupted during that time, with the hardest hit areas being in and around Rosedale, Cleveland, Shelby, Clarksdale and Tunica. Over 60 additional crews and 20 additional service supervisors helped regular crews restore service in the hard hit areas.

The devastating Pearl River flood, worst in history, struck MP&L's service area beginning on Good Friday, April 13th, and by the following Friday had seriously affected the Jackson-Pearl, Georgetown and Monticello areas. Hardest hit was the Jackson-Pearl area, where 3,000 customers were forced to flee their homes due to high water. Six substations had to be taken out of service, most of them in the Jackson area.

The most heroic performance, perhaps, was saving two vital substations in Jackson by erecting levees around them in record time. Employees from company headquarters in the Electric Building and the Central Division were joined by employees from other areas and several thousand volunteers in the Herculean effort. They worked around the clock, often in shifts. The major "impossible task" performed was construction of the levee around the East Jackson substation, and the Jefferson Street division headquarters building which houses the Jackson Sales, Service and Accounting offices. While the floodwaters rose rapidly, a levee around this substation was built to a height of 18 feet in places. Without it, service to the vital downtown Jackson area could have been cut off for an indefinite time. Over 100 trucks hauled clay and sand for three days, 24 hours a day, to provide material for the levees.

The other major facility saved by a hastily built levee in Jackson was the Old Canton Road substation.

Part of Georgetown was evacuated during the flood, as was a portion of Monticello. The flood lasted, in some degree, for almost two weeks, and it took most of the remaining year for many homes and businesses to be restored.

The cost to MP&L of both these major weather events, ice storm and flood, was in the neighborhood of two million dollars.

There was one other weather situation affecting sections of the Company during the year. A hurricane raked the Gulf Coast in mid-September, and some damage was experienced along MP&L's eastern border in the Southern, South Central, Central and North Central divisions.

Energy Sales Down

Total energy sales for the year amounted to 12.23 billion kilowatt hours, a decrease of five percent compared with the previous year. Energy sales to ultimate customers amounted to 7.3 billion kilowatt hours, an increase of only one percent over the previous year. Residential usage for the year was two percent under 1978, the average residential customer using 529 kilowatt hours less than in 1978, or 10,801 kilowatt hours as compared with 11,330 kilowatt hours for the year before. Usage by commercial customers was up only three percent, while industrial customers usage increased five percent.

Total customers at year's end numbered 303,723, an increase of 5,782 for the year. Customers by classification were: residential 260,421; commercial, 37,919; industrial, 3,230; government and municipal, 2,087; cooperatives and municipalities, 64; and other public utilities, 2.

A milder than normal summer, resulting in a lower demand for cooling, coupled with conservation by customers, was primarily responsible for the lower than usual increase in the peak demand. The year's peak was only 14,000 kilowatts over 1978, and was reached at 5:00 p.m. on August 8, 1979, at 1,913,000 kilowatts.

Operating Revenues Up

Total operating revenues for the year reached a new high, $436,524,000, as compared with $400,276,000 in 1978. However, the continued climb in the cost of fuel for power generation accounted for most of the increase, since fuel and purchased power costs above those included in the base rate are included in customers' bills in the form of fuel cost adjustment.

Distribution of Revenue

The Company's 1979 revenue dollars were spent as shown in this tabulation:

	Amount (in thousands)	%
Fuel	$217,160	49.75
Purchased Power	69,094	15.83
Total Fuel and Purchased Power	$286,254	65.58
Taxes	26,172	6.00
Payroll	22,042	5.04
Depreciation	21,974	5.03
Other Expenses & Deductions	37,264	8.54
Cost of Capital:		
Cost of Debt (Interest)	20,237	4.64
Net Income (Cost of Preferred & Common Stock)	22,581	5.17*
TOTAL REVENUE	$436,524	100.00

*.55% paid as preferred dividends, 4.45% paid as common dividends, and .17% reinvested in facilities to serve customers

Expenses Up Also

Operating expenses showed a bigger increase than operating revenues, totaling $396,538,000 for the year. This was an increase of 12 percent, or $43,259,000 more than the year before. Fortunately, in 1979 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 36 percent, down to 9,692,664 barrels for the year. Even so, fuel and purchased power accounted for the greater part of expenses, amounting to $286,254,000, for a 15 percent increase over 1978.

Aiding Customers

The Company carried out an aggresive 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, heat recovery and heat pump water heaters, and solar water heater research.

A new program designed to benefit customers and at the same time permit load management control was launched under the name of "Saver Switch." This 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 hours of high usage. The customer is allowed a credit of $1.00 per kilovolt ampere of controlled cooling during the four months. Some 30,000 such switches are expected to be installed on the system by 1982.

Another project designed to aid customers in their conservation efforts was the infrared flyover tested in the Jackson area. The resulting thermogram pictures were placed on display so homeowners could check the general energy efficiency of their residences. More than 2,400 checked the thermograms.

A far-reaching project of interest to customers is a feasibility study for a possible coal gasification plant to be located in DeSoto County. The Company, in cooperation with the state and others, proposed the study to the Department of Energy, which announced a $145,000 grant for the project. It will explore the possibility of using Mississippi lignite for coal gasification.

Construction

Expenditures for construction during the year were $33,218,000, an increase of almost $9 million over 1978. Some of the major projects completed during the year included:

The new Medical Center 115,000 volt Substation in Jackson, along with the transmission line between it and the Fondren Substation; rebuilding the Byram Substation; modification of the Georgetown Substation; and finishing the 500,000 volt transmission line between the Grand Gulf Nuclear Station and the Baxter Wilson Steam Electric Station at Vicksburg.

Also major additions and improvements to substations in the Port Gibson, West Jackson, East Jackson, Natchez and Vicksburg areas were completed.

A major interconnection during the year was completion of the 115,000 volt transmission tie with the South Mississippi Electric Power Association near Magee. A new interconnection is being planned with Yazoo City.

Plans were completed in 1979 for the new 500,000 volt Substation at McAdams, and preliminary construction was started. Design and plans for the new 115,000 volt transmission line between Silver Creek and Magee were completed, and a contract was awarded for construction of a 230,000 volt transmission line between Indianola and Tillatoba. Substantial progress also has been made in the planning, design, location and rights-of-way acquisition of other needed transmission lines.

A new office building was completed at Gloster, and an existing building was remodeled to house the district office in Pearl. The Jefferson Street office was improved following the flood, with the addition of two new drive-in windows.

Grand Gulf Progress

At year's end, the first unit of the Grand Gulf Nuclear Station was about 80% complete. Higher construction costs and other factors have pushed the estimated cost of both units to some $3-billion. The project is the largest in Mississippi's history. During the year, peak employment was over 4,500. The first unit is slated for completion in 1982, with the second unit to be in service by 1985. As pointed out earlier, major emphasis is now being put on completion of the first unit.

Each unit of the Grand Gulf Nuclear Station is to have a generating capability of 1,250,000 kilowatts, or a total of 2,500,000 kilowatts from both units. This will make it the largest generating station in the state, and one of the largest in the world.

To give full support to nuclear energy, the Company carried out an accelerated informational campaign to acquaint the public with facts about the necessity of using the atom to help solve the energy crisis. In addition to the numerous appearances before groups by members of the speakers bureau, the Company spearheaded the national NEED (Nuclear Energy Education Day) program in the state on October 18th. In the MP&L service area, there were 57 "coffees" held to explain nuclear power. Also, at Port Gibson the Company helped stage an Energy Fair for the area, and cooperated with the Vicksburg Chamber of Commerce in holding Energy Awareness Week there in October. Additionally, the Company supported the appearances in the state of such nationally known figures in energy as Dr. Margaret Maxey of the University of Detroit and Dr. Frank Iddings of Louisiana State University.

Management Changes

A number of executive and managerial changes were made during the year to strengthen the Company's leadership team. Among them were:

James L. Moore, formerly Central Division manager, to head the new Marketing and Area Development section in Customer Services. John Sherrod, former head of Distribution Operations in Customer Services, was named to the Central Division post. Hiram Walters, former division manager at Grenada, was named to succeed Sherrod, while Frank Buchanan, division superintendent at the Greenville office, was named manager of the district office in Grenada.

Jim Pilgrim, formerly manager at Brandon, was made manager of the Pearl-Brandon district, and Ted Walker of the Central Division staff was made manager of the Brandon office. Other new managers named included: Charles M. Brown, of Greenville, to the Marks office, succeeding Bob Weatherly, who moved to Port Gibson to become assistant to the manager of the Grand Gulf Nuclear Station; Wayne Johnson, of Shelby, to Kosciusko, succeeding John Garner, who was moved to the Marketing Department at McComb; and Paul Powers, of Jackson, to manager at Shelby.

Charles "Skip" Stewart, for 11 years with Niagara Mohawk in New York, was named assistant plant manager at Grand Gulf.

The Coming Decade

To infer that the outlook for the decade of the '80's is encouraging, especially from an energy standpoint, would be misleading and would fly directly in the face of most every reliable indicator. Never in the history of the electric industry have so many obstacles been thrown in its path, and each year they seem to mount. On the national level, the energy question has become too much of a political question. No longer is the matter of developing and producing needed energy left principally to those with expertise in the field. If it were, the nation no doubt would be well on the road to solving the energy crisis by relying less on foreign oil and proceeding as fast as possible in the development of resources we already possess—mainly coal and uranium. Instead, our energy future is being dangerously hampered by such things as consumerism, political opinion polls, idealistic and unreasonable environmentalists most often opposed to any growth, and bureaucratic bungling at numerous levels of government.

Until these drawbacks to energy development are lifted, our energy future will continue to be cloudy with the result being even higher prices, and eventually critical shortages, a situation which will stagnate, and finally defeat this great nation. Let us work to avert such a calamity.

Despite the gloomy outlook, we are convinced that free men and women, working in a free economy can turn our nation, and the crisis around. This we at MP&L are working to accomplish. On behalf of our employees, directors and investors, we want to thank you for your help. Let us dedicate ourselves to the task ahead.

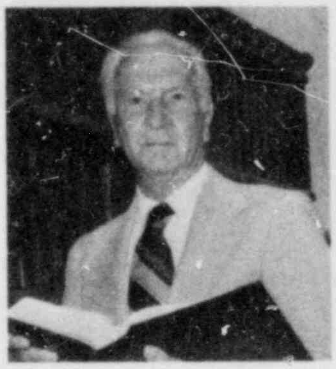
Sincerely,

D C Lutken

Donald C. Lutken
President and Chief Executive Officer

Board of Directors

Donald C. Lutken
Jackson
President and
Chief Executive Officer



G. Lawrence Adams
Natchez
Attorney-at-Law

Norman B. Gillis, Jr.
McComb
Attorney-at-Law

Robert M. Hearin
Jackson
Board Chairman
Chief Executive
First National Bank

J. Herman Hines
Jackson
Former Board Chairman
Chief Executive
Deposit Guaranty Nat'l. Bank

Russ M. Johnson*
Jackson
Retired Chairman
Deposit Guaranty Nat'l. Bank

J. H. Johnston, Jr., M.D.
Jackson

Robert E. Kennington, II
Grenada
Chairman
Chief Executive
Grenada Banking System

Floyd W. Lewis
New Orleans
Chairman
Middle South Utilities, Inc.

Richard D. McRae
Jackson
President, McRae's, Inc.

LeRoy P. Percy
Greenville
Planter

Dr. Walter Washington
Alcorn
President
Alcorn State University

Robert M. (Bob) Williams, Jr.
Southaven
Partner
Reeves-Williams Builders

*Retired from Advisory Board in September, 1979

Mississippi Power & Light Company
1979 Financial Review
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 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. Pension costs in 1979 and 1978 amounted to $2,712,000 and $2,402,000, respectively, including amortization of unfunded prior service costs over a period of 20 years. The policy of the Company is to fund pension costs as accrued. Assets of the plan are in excess of vested benefits.

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. This allowance (a non-cash item) represents the net cost of funds used to finance construction. The effective rates of such allowances were 7.79% and 7.35% for 1979 and 1978, respectively.

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. Effective January 1, 1979, the Company commenced recording deferred taxes on the reserve for uninsured property risks.

MISSISSIPPI POWER & LIGHT COMPANY

We have examined the balance sheets of Mississippi Power & Light Company as of December 31, 1979 and 1978 and the related statements of income, retained earnings, and source of funds for utility plant additions for the years then ended. 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, 1979 and 1978 and the results of its operations and source of funds for utility plant additions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

February 15, 1980
New Orleans, Louisiana

DELOITTE HASKINS & SELLS

Mississippi Power & Light Company
Balance Sheets
December 31, 1979 and 1978

ASSETS	1979	1978
	In Thousands	
UTILITY PLANT:		
Electric plant	$ 724,304	$ 708,217
Construction work in progress	25,913	10,820
Electric plant acquisition adjustments	2,406	2,588
Total	752,623	721,625
Less accumulated depreciation	218,476	197,299
Utility plant—net	534,147	524,326
OTHER PROPERTY AND INVESTMENTS—At cost:		
Investment in associated company (Note 3)	16,984	10,269
Other	905	930
Total	17,889	11,199
CURRENT ASSETS:		
Cash (Note 2)	1,373	445
Special deposits	736	891
Temporary investments, at cost which approximates market	1,000	24,500
Accounts receivable:		
Customer and other—less allowance for doubtful accounts of $154,000	22,820	16,261
Associated companies	8,014	4,724
Materials and supplies—at average cost:		
Fuel	6,238	5,439
Other	9,805	7,185
Other	2,189	6,683
Total	52,175	66,128
DEFERRED DEBITS:		
Preliminary Survey and Investigation Charges	1,717	—
Unamortized debt expense	1,092	1,149
Other	623	1,010
Total	3,432	2,159
TOTAL	$ 607,643	$ 603,812

See Notes to Financial Statements.

LIABILITIES	1979	1978
	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
Paid-in surplus	5	5
Retained earnings (Note 4)	65,384	64,618
Total common shareholder's equity	169,809	169,043
Preferred stock, without sinking fund (Page 6)	38,077	38,077
Long-term debt and premium (Page 6)	263,380	271,374
Total	471,265	478,494
CURRENT LIABILITIES:		
Long-term debt currently maturing	7,929	7,905
Accounts payable:		
Associated companies	10,566	6,776
Other	13,609	11,122
Customer deposits	9,085	8,303
Taxes accrued	12,840	15,528
Interest accrued	6,279	6,961
Dividends declared	596	596
Other	2,960	1,649
Total	63,864	58,840
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	51,804	47,369
Accumulated deferred investment tax credits (Note 1)	17,763	16,478
Other	506	344
Total	70,073	64,191
RESERVES	2,440	2,287
COMMITMENTS AND CONTINGENCIES (Note 3)		
TOTAL	$ 607,643	$ 603,812

See Notes to Financial Statements.

Mississippi Power & Light Company
Statements of Income

For the years ended December 31, 1979 and 1978	1979	1978
	In Thousands	
OPERATING REVENUES	$ 436,524	$ 400,276
OPERATING EXPENSES:		
Operation:		
Fuel	217,160	208,161
Power purchased	69,094	40,049
Other	38,638	32,102
Maintenance	23,500	16,997
Depreciation	21,974	20,528
Taxes other than income taxes	16,177	14,950
Income taxes (Note 1)	9,995	20,492
Total	396,538	353,279
OPERATING INCOME	39,986	46,997
OTHER INCOME AND DEDUCTIONS:		
Allowance for other funds used during construction	747	826
Miscellaneous—net	2,900	2,286
Income taxes (Note 1)	(1,145)	(916)
Total	2,502	2,196
INTEREST CHARGES:		
Interest on long-term debt	19,586	19,842
Other interest—net of debt premium	651	852
Allowance for borrowed funds used during construction	(330)	(346)
Total	19,907	20,348
NET INCOME	$ 22,581	$ 28,845

Statements of Retained Earnings

For the years ended December 31, 1979 and 1978	1979	1978
RETAINED EARNINGS, JANUARY 1	$ 64,618	$ 55,954
ADD—Net income	22,581	28,845
Total	87,199	84,799
DEDUCT:		
Dividends—cash:		
Preferred stock	2,384	2,384
Common stock	19,431	17,797
Total	21,815	20,181
RETAINED EARNINGS, DECEMBER 31, (Note 4)	$ 65,384	$ 64,618

See Notes to Financial Statements.

Mississippi Power & Light Company
Statements of Source of Funds For Utility Plant Additions

For the years ended December 31, 1979 and 1978

	1979	1978
	In Thousands	
SOURCE OF FUNDS:		
From operations:		
Net income	$ 22,581	$ 28,845
Depreciation	21,974	20,528
Deferred income taxes and investment tax credit adjustments—net	6,620	4,572
Allowance for funds used during construction	(1,077)	(1,172)
Total	50,098	52,773
Less—dividends declared:		
Preferred stock	(2,384)	(2,384)
Common stock	(19,431)	(17,797)
Funds retained in business	28,283	32,592
From increase in working capital (excluding short-term securities and current maturities of long-term debt)*	(4,545)	(11,986)
Investments in associated company	(6,715)	1,070
Miscellaneous—net	(477)	4,144
Total	16,546	25,820
Financing transactions:		
First mortgage bonds (retirements)	(7,500)	—
Other long-term debt	(405)	(106)
Short-term securities—net	23,500	(2,500)
Total	15,595	(2,606)
UTILITY PLANT ADDITIONS (excludes allowance for funds used during construction)	$32,141	$ 23,214

*The increase in working capital in 1978 is primarily due to a decrease in accrued income taxes.

See Notes to Financial Statements.

Mississippi Power & Light Company
Schedules of Preferred Stock and Long-Term Debt

December 31, 1979 and 1978

	Shares		Current Call Price
	Authorized	Outstanding	Per Share
PREFERRED STOCK, without sinking fund			
Cumulative, $100 Par Value			
4.36% Series	60,000	59,920	$ 103.86
4.56% Series	44,476	43,888	107.00
4.92% Series	100,000	100,000	102.88
9.16% Series	75,000	75,000	108.64
7.44% Series	100,000	100,000	106.53
Other Series	325,000	—	
Total	704,476	378,808	

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

LONG-TERM DEBT AND PREMIUM	1979	1978
	In Thousands	
First Mortgage Bonds:		
2⅞% Series due 1980	$ —	$ 7,500
3⅝% Series due 1983	12,000	12,000
4⅛% Series due 1988	15,000	15,000
4⅝% Series due 1995	20,000	20,000
5⅛% Series due 1996	25,000	25,000
6⅜% Series due 1996	10,000	10,000
9⅝% Series due 1999	20,000	20,000
9¼% Series due 2000	17,500	17,500
7¾% Series due 2002	15,000	15,000
7¾% Series due 2003	30,000	30,000
8¼% Series due 2003	20,000	20,000
9⅞% Series due 2004	25,000	25,000
10⅞% Series due 2005	25,000	25,000
	234,500	242,000
Principal Amount of Capitalized Lease— 8%, due serially through 1993	7,648	7,977
Pollution Control Bonds:		
7½% due 2004	9,400	9,400
8½% due 2004	8,575	8,575
6¼% to 8½% due 1981 to 1995	2,100	2,200
Unamortized Premium on Debt	1,157	1,222
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 1980.)	$ 263,380	$ 271,374

Notes to Financial Statements

1. INCOME TAXES

Income tax expense consists of the following:

	1979	1978
	In Thousands	
Current		
Federal	$ 3,748	$15,410
State	772	1,426
Total	4,520	16,836
Deferred – Net		
Liberalized depreciation	4,617	5,139
Other	717	340
Total	5,334	5,479
Investment tax credit adjustments – net	1,286	(907)
Total income taxes	$11,140	$21,408
Charged to operations	$ 9,995	$20,492
Charged to other income	1,145	916
Total income taxes	$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:

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

Unused investment tax credits at December 31, 1979 amounted to $5,060,000, of which $2,352,000 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 in 1979 the method of allocating investment tax credit was changed so that it is allocated on the basis of each Company's contribution to the consolidated tax liability; any additional consolidated credit utilized is allocated on the basis of the remaining tax credits.

2. LINES OF CREDIT AND SHORT-TERM BORROWINGS

The Company had arrangements, not requiring commitment fees, with certain banks providing for short-term borrowings of up to $26,000,000 at December 31, 1979 and with a commercial paper dealer for the sale of commercial paper. The arrangement with a non-Mississippi bank required a 10% compensating balance on its line of credit and an additional 10% on the amount of outstanding loans. The lines of credit were unused at December 31, 1979 and 1978.

Subsequent to December 31, 1979, the Company has increased its lines to $34,000,000, substantially all of which requires a 7% compensating balance and an additional 7% on the amount of outstanding loans. The Company maintains, with the Mississippi banks, average daily operating balances adequate for their requirements. The non-Mississippi bank requires the maintenance of compensating balances.

The bank notes and commercial paper notes are unsecured short-term notes with maturity dates not in excess of nine months. During 1979, the maximum aggregate amount of commercial paper outstanding at the end of any month amounted to $9,000,000. The average amount of commercial paper outstanding during 1979 (based on the average of the sum of daily outstanding principal balances) approximated $1,153,000. The approximate average interest rate for commercial paper (determined by dividing the actual interest expense during the year by the average amount outstanding) was 11.2%. There were no bank loans during 1979. There were no short-term borrowings during 1978.

3. COMMITMENTS AND CONTINGENCIES

The Company's construction program contemplates expenditures of approximately $47,000,000 in 1980.

The Company has a 19% interest in System Fuels, Inc. (SFI), a jointly-owned subsidiary of four of the 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 Company has made loans to SFI to further its fuel supply business under certain loan agreements which provide for SFI to borrow up to $213,000,000 from its stockholders. As of December 31, 1979 the Company had loaned $16,980,250 to SFI pursuant to the loan agreements, and the Company's share of the unused loan commitment is approximately $19,890,000. Loans mature in 10 and 25 years from the date of borrowing.

In connection with certain financing arrangements by SFI totaling $94,723,000 at December 31, 1979, the Company and the other SFI stockholders 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.

SFI has entered into a contract with a joint venture for a supply of coal from a mine to be developed in Wyoming which is expected to provide 150 to 210 million tons over a period of 26 to 42 years.

The Company, together with the other System Operating Companies, is obligated under arrangements with Middle South Energy, Inc. (MSE) to make payments adequate to cover all of MSE's operating expenses and costs of capital and, in return, will receive the power available from MSE's Grand Gulf Plant. The completion dates of the two units of the Grand Gulf Plant, on which $1.4 billion has been expended through 1979, were changed by MSE in December 1979 to 1982 and 1985 from 1981 and 1984, respectively. 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. The Company's liability under these arrangements is not prospectively determinable.

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.

4. 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, 1979, $43,768,000 of retained earnings are free from such restrictions.

5. TRANSACTIONS WITH AFFILIATES

The Company buys from and sells electricity to the operating subsidiaries of Middle South Utilities, Inc., its parent, under rate schedules filed with the Federal Energy Regulatory Commission. In addition, the Company purchases fuel from System Fuels, Inc.

Operating revenues include revenues from sales to affiliates amounting to $90,959,000 in 1979 and $82,899,000 in 1978. Operating expenses include fuel cost and purchased power charges from affiliates totaling $161,302,000 in 1979 and $164,360,000 in 1978.

6. QUARTERLY RESULTS (Unaudited)

Unaudited operating results by quarters follow (in thousands):

	Quarter Ended			
	March	June	September	December
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
1978				
Operating revenues	$104,034	$81,694	$119,694	$ 94,654
Operating income	12,059	7,629	14,839	12,470
Net income	7,564	2,826	10,349	8,106

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.

7. CHANGING PRICES (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.

Mississippi Power & Light Company
Statement of Income from Operations and Other Financial Data
Adjusted for Effects of Changing Prices for the Year Ended
December 31, 1979
(In Thousands)

	As Reported In The Financial Statements	Adjusted For General Inflation (Constant Dollars)	Adjusted For Changes In Specific Prices (Current Costs)
Revenues	$436,524	$436,524[1]	$436,524[1]
Operating expenses (excluding depreciation)	374,564	374,564[1]	374,564[1]
Depreciation	21,974	40,397	47,172
Total operating expense	396,538	414,961	421,736
Operating income	39,986	21,563	14,788
Other income	2,502	2,502[1]	2,502[1]
Interest & other charges	19,907	19,907[1]	19,907[1]
Income from operations (excluding reduction to net recoverable cost)	$ 22,581	$ 4,158[2]	$ (2,617)
Increase in specific prices (current cost) of property, plant, and equipment held during the year[3]			$262,692
Reduction to net recoverable cost		$ (46,794)	(110,103)
Effect of increase in general price level			(192,607)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			(40,018)
Gain from decline in purchasing power of net amounts owed		44,253	44,253
Net		$ (2,541)	$ 4,235

[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 $42,636 for 1979.
[3]At December 31,1979, current cost of property, plant, and equipment, net of accumulated depreciation was $1,194,994, while historical cost or net cost recoverable through depreciation was $532,574.

Mississippi Power & Light Company
Five-Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices

(In Thousands of Average 1979 Dollars)

	Years Ended December 31				
	1975	1976	1977	1978	1979
Operating revenues	$323,749	$393,712	$437,610	$445,343	$436,524
Historical cost information adjusted for general inflation					
Income from operations (excluding reduction to net recoverable cost)					$ 4,158
Income per common share (after dividend requirements on preferred stock and excluding reduction to net recoverable cost)					$ .92
Net assets at year-end at net recoverable cost					$160,925
Current cost information					
Income from operations (excluding reduction to net recoverable cost)					$ (2,617)
Income per common share (after dividend requirements on preferred stock)					$ (.58)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost					$ (40,018)
Net assets at year-end at net recoverable cost					$160,925
General Information					
Gain from decline in purchasing power of net amounts owed					$ 44,253
Average consumer price index	161.2	170.5	181.5	195.4	217.4

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 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.

8. ACCOUNTING POLICIES

The summary of significant accounting policies on page 1 is an integral part of these notes to financial statements.


Executive Staff

Top row, from left: DONALD C. LUTKEN, President and Chief Executive Officer; ALEX McKEIGNEY, Vice-President, Informational Services; second row, from left: NORRIS L. STAMPLEY, Vice-President, Production and Engineering; W. DONALD COLMER, Vice-President, Public Affairs and Environmental Matters; third row, from left: FRANK S. YORK, JR., Vice-President, Chief Financial Officer and Secretary; J. S. FRAME, Vice-President, Personnel and Administrative Services; JOHN D. HOLLAND, Vice-President, Area Affairs; fourth row, from left: DONALD E. MEINERS, Vice-President, Customer Services; JAMES R. MARTIN, Treasurer; THOMAS A. DALLAS, Manager, Engineering, System Operations and Construction; W. T. WOODS, JR., Manager, General Property and Services; fifth row, from left; ALLAN H. MAPP, Assistant Treasurer and Assistant Secretary; GEORGE LEDLOW, Director, Internal Auditing; JAMES L. MOORE, Director, Marketing and Area Development; and MARION TOWNSEND, Chief Engineer.













Division Managers

Top row, from left:
THOMAS M. BOX, Delta, Cleveland; DAVID I. BRIDGERS, Western, Vicksburg; BERT M. CANTRELL, Southern, McComb.
Middle row, from left:
JOHN R. CRAFT, North Central, Greenville; ROBERT C. LOFLIN, Southwestern, Natchez; and JOHN SHERROD, Central, Jackson.
Bottom row, from left:
GRAHAM H. TEMPEL, South Central, Brookhaven; and RAY TOMLINSON, Northern, Senatobia.

Plant Managers

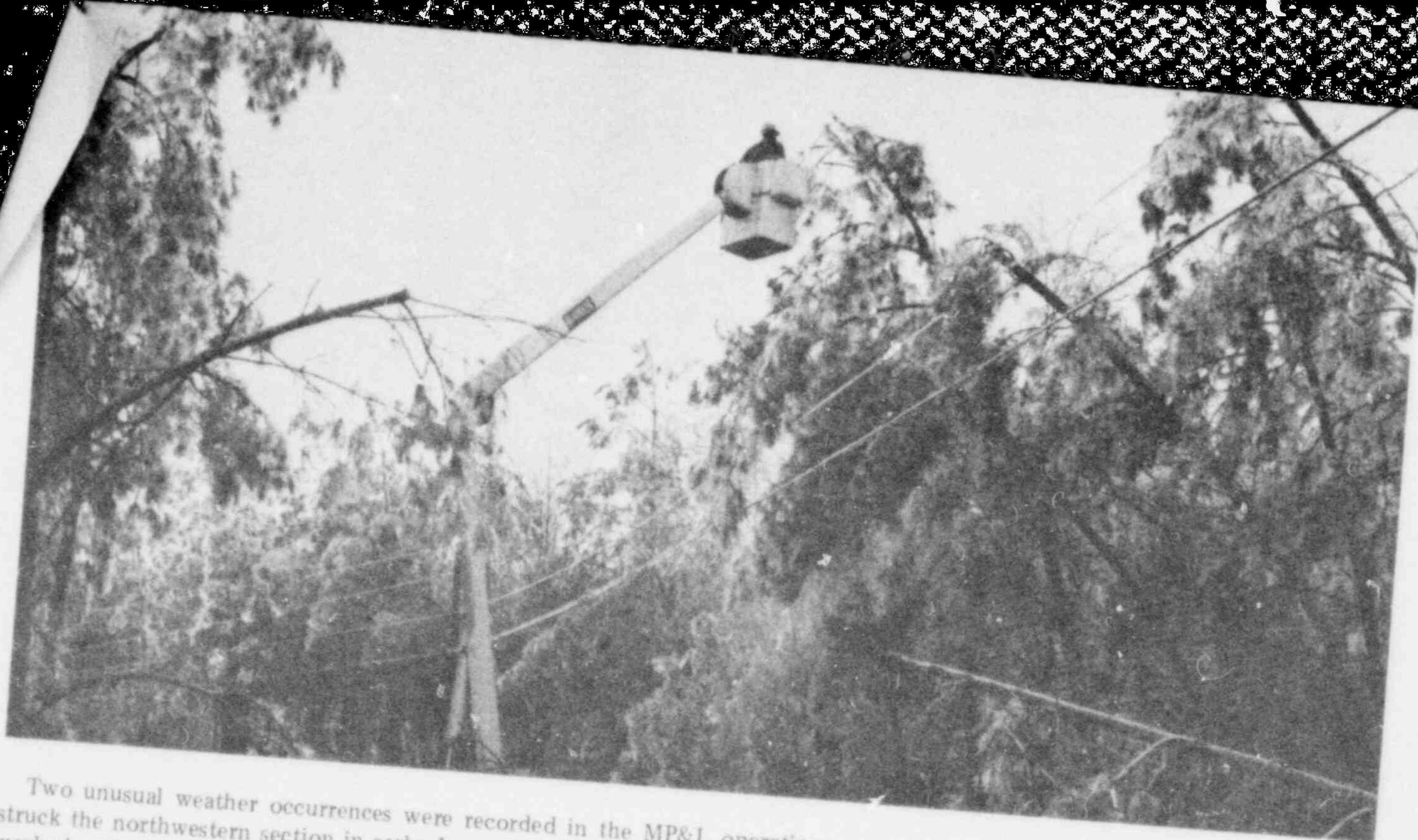
Top row, from left:
MALCOLM ALLRED, Baxter Wilson, Vicksburg; RICHARD DENMAN, Natchez, Natchez; and A. T. JOHNSON, Rex Brown, Jackson.
Bottom row, from left:
KENNETH McCOY, Grand Gulf Nuclear*, Port Gibson; ALAN SEBREN, Gerald Andrus, Greenville; and REX SHANNON, Delta, Cleveland.
*First unit to be operational in 1982

Mississippi Power & Light Company
Record of Progress 1969 - 1979

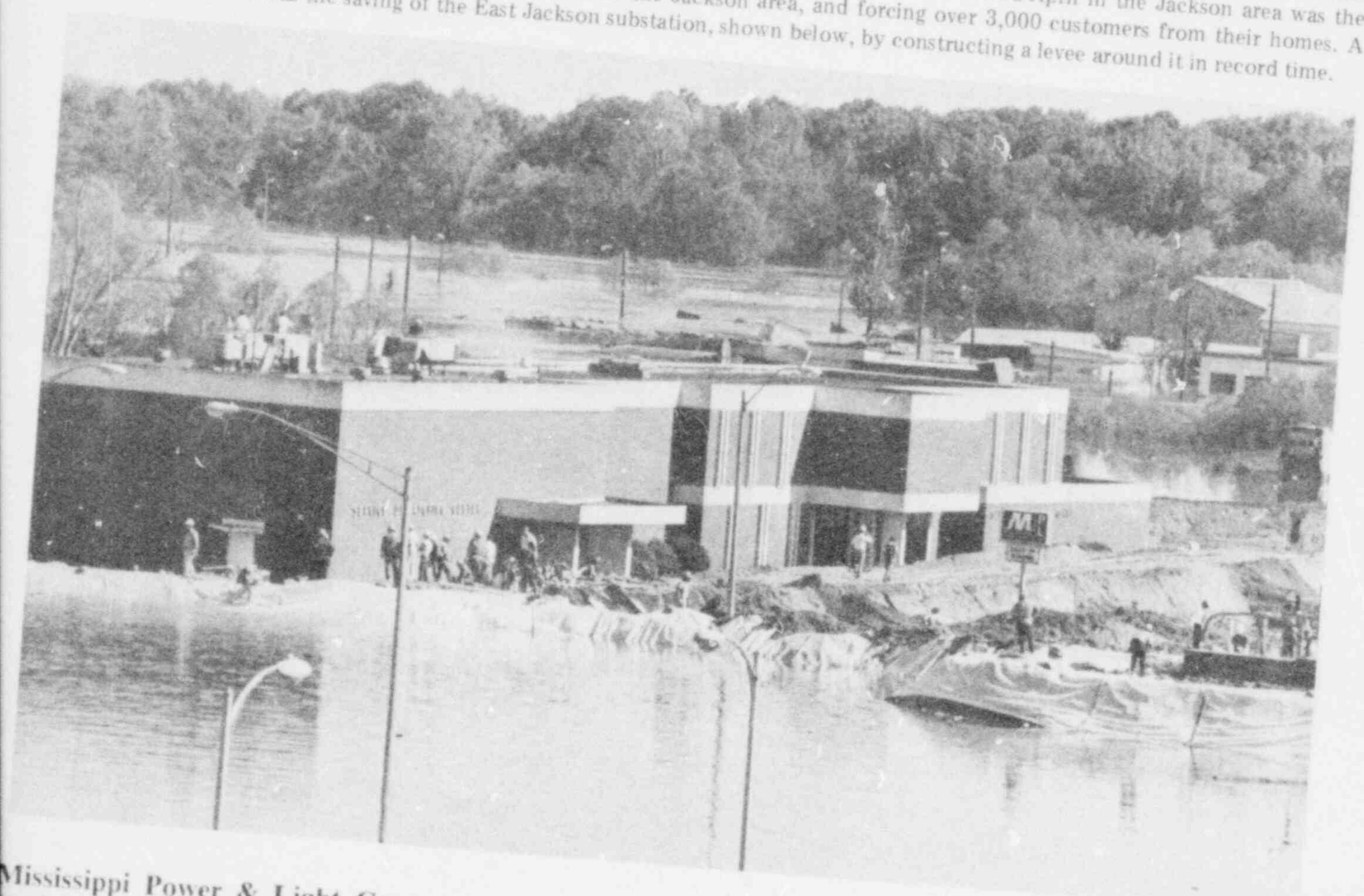
	1979	1978	197
ELECTRIC OPERATING REVENUES (000s OMITTED)			
Residential	$ 120,246	$ 110,705	$ 106,520
Commercial	83,562	73,542	69,114
Industrial	83,491	70,306	67,948
Government & Municipal	13,433	11,804	11,158
Cooperatives & Municipalities	39,423	36,591	34,073
Total From Energy Sales (Miss. Area)	340,155	302,948	288,813
Sales to Other Public Utilities	93,347	93,701	77,732
Total From Energy Sales	433,502	396,649	366,545
Miscellaneous Revenues	4,568	3,187	1,441
Deferred Fuel Adjustment Revenues*	(1,546)	440	(2,640)
Total Electric Operating Revenues	$ 436,524	$ 400,276	$ 365,346
ELECTRIC ENERGY SALES (MKWH)			
Residential	2,787,432	2,856,736	2,727,718
Commercial	1,832,462	1,781,881	1,647,919
Industrial	2,285,120	2,187,020	2,071,093
Government & Municipal	369,441	371,811	344,634
Cooperatives & Municipalities	1,270,584	1,280,949	1,217,042
Total Energy Sales (Miss. Area)	8,545,039	8,478,397	8,008,406
Sales to Other Public Utilities	3,681,898	4,354,425	3,580,571
Total Electric Energy Sales	12,226,937	12,832,822	11,588,977
ELECTRIC CUSTOMERS (END OF PERIOD)			
Residential	260,421	255,174	249,889
Commercial	37,919	37,405	35,922
Industrial	3,230	3,245	3,301
Government & Municipal	2,087	2,049	1,965
Cooperatives & Municipalities	64	66	67
Total Customers (Miss. Area)	303,721	297,939	291,144
Other Public Utilities	2	2	2
Total Electric Customers	303,723	297,941	291,146
SYSTEM INPUT (MKWH)			
Mississippi Area	9,309,449	9,299,653	8,739,930
Other	7,177,690	8,105,780	7,422,162
Total System Input	16,487,139	17,405,433	16,162,092
PEAK LOAD (MISS. AREA)—KW	1,913,000	1,899,000	1,784,000
LOAD FACTOR (MISS. AREA)—PER CENT	56	56	56
NET PLANT CAPABILITY—KW	2,763,000	2,763,000	2,763,000
CIRCUIT MILES OF ELECTRIC LINES	18,504	18,334	18,109
TOTAL ELECTRIC UTILITY PLANT (000s OMITTED)			
Production	$ 352,658	$ 351,646	$ 349,195
Transmission	149,887	146,227	132,966
Distribution	201,361	190,820	180,035
General & Other	17,128	16,254	16,154
Total Utility Plant Completed	721,034	704,947	678,350
Plant Held for Future Use	3,270	3,270	3,270
Construction Work in Progress	25,913	10,820	15,660
Electric Plant Acquisition Adjustments	2,406	2,588	2,769
Total Utility Plant	$ 752,623	$ 721,625	$ 700,049

*See Item B to Summary of Significant Accounting Policies.

1976	1975	1974	1973	1972	1971	1970	1969
91,849	$ 74,296	$ 67,690	$ 47,473	$ 38,096	$ 32,499	$ 30,097	$ 27,353
60,855	47,484	43,559	31,294	25,701	22,126	20,290	18,507
58,645	42,863	41,743	26,852	22,399	19,439	17,535	17,076
9,899	7,022	6,163	3,975	3,193	2,842	2,707	2,437
25,622	21,399	13,362	9,915	9,884	7,914	7,027	6,299
246,870	193,064	172,517	119,509	99,273	84,820	77,656	71,672
57,298	43,084	10,484	6,684	15,223	9,423	4,911	5,090
304,168	236,148	183,001	126,193	114,496	94,243	82,567	76,762
1,113	838	574	449	374	393	364	342
3,495	3,071	(5,134)	—	—	—	—	—
308,776	$ 240,057	$ 178,441	$ 126,642	$ 114,870	$ 94,636	$ 82,931	$ 77,104
491,067	2,440,460	2,268,954	2,356,073	2,032,670	1,802,675	1,674,415	1,470,430
537,169	1,457,505	1,356,173	1,380,035	1,213,432	1,091,553	1,007,557	907,912
935,573	1,751,042	1,793,055	1,787,741	1,677,137	1,624,499	1,464,602	1,410,912
326,275	302,319	271,233	262,645	238,624	219,463	210,951	179,178
064,636	990,309	938,205	988,351	1,089,349	966,015	959,649	860,842
354,720	6,941,635	6,627,620	6,774,845	6,251,212	5,704,205	5,317,174	4,829,274
624,001	1,638,144	487,097	312,454	1,269,927	1,282,153	984,933	1,143,398
978,721	8,579,779	7,114,717	7,087,299	7,521,139	6,986,358	6,302,107	5,972,672
245,384	241,739	237,085	229,761	206,222	198,435	191,529	187,670
34,718	33,801	33,474	33,109	30,629	29,453	28,419	28,109
3,247	3,247	3,267	3,213	3,168	3,209	3,140	3,022
1,920	1,879	1,789	1,731	1,618	1,558	1,514	1,447
67	66	63	61	74	75	71	70
285,336	280,732	275,678	267,875	241,711	232,730	224,673	220,318
2	1	1	1	2	3	4	4
285,338	280,733	275,679	267,876	241,713	232,733	224,677	220,322
995,184	7,583,971	7,249,896	7,378,216	6,906,300	6,246,040	5,875,777	5,326,174
275,856	5,369,242	4,353,673	4,160,152	5,081,123	4,700,857	4,429,887	4,957,040
271,040	12,953,213	11,603,569	11,538,368	11,987,423	10,946,897	10,305,664	10,283,214
733,000	1,642,000	1,640,000	1,565,000	1,476,000	1,343,000	1,238,000	1,176,000
53	52	51	54	53	53	54	51
752,000	2,752,000	2,752,000	2,002,000	2,002,000	2,002,000	1,231,000	1,231,000
17,859	17,713	17,461	17,146	14,279	14,061	13,892	13,783
338,118	$ 299,583	$ 292,491	$ 176,217	$ 166,537	$ 156,364	$ 106,419	$ 106,434
118,137	118,450	109,960	91,535	91,068	85,074	79,225	79,218
171,955	166,590	158,256	148,492	130,191	124,523	119,198	113,428
15,727	15,366	14,763	14,355	13,598	13,372	13,283	12,401
643,937	599,989	575,470	430,599	401,394	389,333	318,125	311,481
3,270	4,070	1,219	1,144	1,146	594	564	564
28,061	35,772	16,688	121,908	50,070	12,396	53,257	16,445
2,951	3,113	3,293	3,067	—	—	—	—
678,219	$ 642,944	$ 596,670	$ 556,718	$ 452,610	$ 402,323	$ 371,946	$ 328,490



Two unusual weather occurrences were recorded in the MP&L operating area during 1979. The worst ice storm since 1951 struck the northwestern section in early January. Over 80 additional crews and service supervisors, such as the one shown above, worked with regular crews in the area to restore service. The Pearl River Easter Flood in mid-April in the Jackson area was the worst in history, causing multi-million dollar losses in the Jackson area, and forcing over 3,000 customers from their homes. A heroic performance was the saving of the East Jackson substation, shown below, by constructing a levee around it in record time.



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