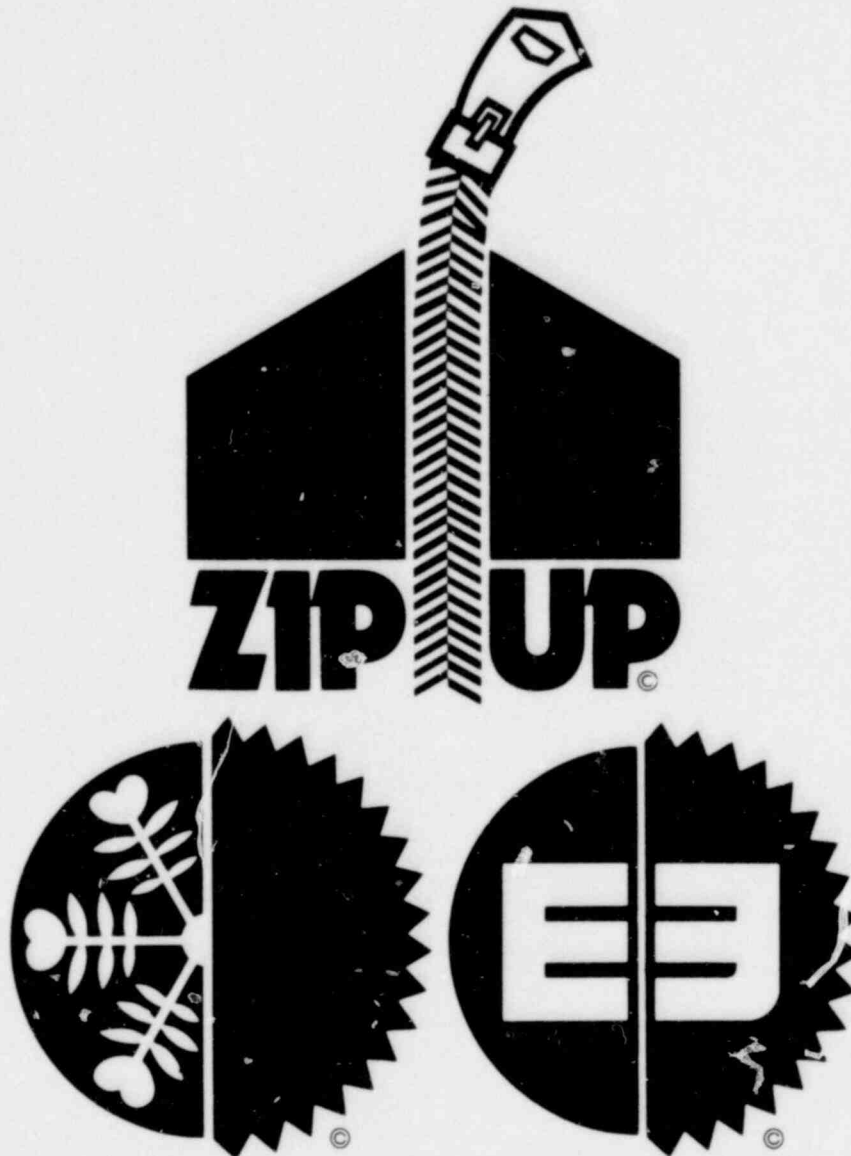


# ENERGY SAVERS



## MISSISSIPPI POWER & LIGHT COMPANY 1976 ANNUAL REPORT



*Officers and executive department heads are shown in these three informal photos. At top, from left: Donald Colmer, Vice President, Public Affairs and Environmental Matters; Frank S. York, Controller and Chief Financial Officer; Donald C. Lutken, President and Chief Executive Officer; George Ledlow, Director, Internal Auditing; W. R. Casper, Treasurer. Bottom left, from left: Donald E. Meiners, Manager, Customer Services; Thomas A. Dallas, Manager, Engineering, System Operations and Construction; Joe H. Box, Senior Vice President, Production, Engineering and Construction; W. T. Woods, Jr., Manager, General Property and Services; John D. Holland, Vice President, Area Affairs. Bottom right, from left, seated: James R. Martin, Assistant Treasurer; Norris L. Stampley, Vice President, Production; Alex McKeigney, Vice President, Informational Services; standing, from left: Marion Townsend, Chief Engineer; C. Lamar Stephenson, Director, Personnel (deceased); and Allan H. Mapp, Assistant Secretary.*

## 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.

## About Our Cover

Our cover for this report features emblems of the "big three" energy-saver campaigns developed and promoted by MP&L over the past several years. At top is the newest member of the trio, the Zip-Up program launched in early 1977. It is a united retrofit campaign designed to fit the individual homeowner's needs. Bottom left shows the familiar emblem developed by MP&L in support of the heat pump for heating and cooling, and at bottom right is the E3 (energy efficient electric) symbol introduced in 1976 to designate homes meeting the strict energy efficient standards in home construction. MP&L has pioneered in developing concentrated programs as indicated by these emblems, to benefit customers and the public during the worldwide energy crisis.

# To Our Stockholders and Members of Our Organization

Operation results for your Company during 1976 were satisfactory, even in the face of the multiple and growing problems enveloping the electric utility industry nationwide.

The above statement may sound somewhat paradoxical, since most authorities agree the energy crisis will get worse before it gets better, and that the world is approaching the end of the petroleum age. Nevertheless, during the Nation's bicentennial, MP&L in its 53rd year, met every demand for service to customers in the 45-county area of western Mississippi in which it operates. Also, the financial picture was improved somewhat due to an expanded cost reduction program and partial rate relief granted by regulatory agencies.

The better year allows no room for complacency, however. The three dominant problems affecting current operations, cited here last year, continue unabated. They are: inflation, high cost of new capital, and dwindling supply and uncertainty of boiler fuel. A fourth deterrent underlying all of these, is the continuing failure of the government to adopt a definite and positive energy policy. A sound energy policy which will produce more energy to meet the needs of people and provide for future economic growth is basic to solving the energy crisis. The future of our area, state and nation will be bleak indeed if we rely upon less production and higher costs to solve the problem. Also, conservation, as essential and important as it is, does not provide for more jobs, more opportunity and growth. For the immediate future, the nation must develop its uranium and coal resources to provide the fuel required to generate needed electricity.

## Some Rate Relief

The accomplishments of MP&L for 1976 would have been impossible without the partial rate relief granted (nearly 66% of the total requested) by the Mississippi Public Service Commission order of May 6, 1976. It was the second major retail rate increase in the history of the Company, and was put into effect under bond on December 11, 1975. The increase requested was approximately 15% for all retail customers, and would have resulted in some \$29,905,000 in additional revenue for 1976. The May decision of the MPSC reduced the annual increase requested by some \$10-million. Rather than incurring the expense of a lengthy legal appeal on the ruling, the Company accepted the decision, tightened its belt even further and made plans to live with the partial relief as long as possible. New retail rates in keeping with the decision were filed with the MPSC and approved on June 3, 1976. Customers were refunded some \$4-million collected for the period December, 1975, through June, 1976, as a result of the reduced amount granted by the MPSC.

On July 30, 1976, MP&L filed with the Federal Power Commission new rate schedules which were revised on October 26, 1976, applicable to wholesale services to electric power association and municipally operated utilities. This increase should produce additional revenues of \$475,000 from municipalities, and \$2,091,000 from electric power associations, giving a projected total increase in wholesale revenue of \$2,566,000, based upon the test year ended December 31, 1976. Pursuant to an order of the FPC, the new rates, as revised, became effective on December 1, 1976, subject

to refund with interest. On September 8, 1976, the FPC approved a wholesale rate increase to municipalities and electric power associations which had been placed in effect in December, 1974. This rate increase amounted to \$800,000 for municipalities, and \$3,408,000 for electric power associations, based on the projected test year ended June 30, 1975.

## Power Demand Up

Energy requirements by MP&L customers increased during 1976, reflecting some economic recovery from the recessionary trend, and also a growth in the Company's operating area. Total energy sales reached 9.98-billion kilowatt-hours, up 16% over the previous year. Sales to ultimate customers amounted to 6.29-billion kilowatt-hours, an increase of 6% over the year before. Industrial use was up 11%; commercial use up 5% and residential use up 2%. Peak demand on Company lines, which occurred at 4 p.m. on July 26, was 1,733,000 kilowatts, an increase of 91,000 kilowatts, or 6% over 1975. During the year, there were 71 new and expanded industries announced for the Company service area.

## Revenues & Expenses Up

Higher fuel cost adjustment (resulting from higher cost of energy to the Company for boiler fuel), greater use of electricity by customers, and the slight rate increase resulted in a new record high reached in operating revenues for the year—\$308,776,000 as compared with \$240,057,000 for 1975. However, these increased revenues were offset substantially by the large increase in expenses, \$263,480,000 for 1976, up \$60,978,000 or 30% over the year before. The largest portion of expenses was for fuel and purchased power, \$177,292,000 for the year as compared with \$128,720,000 in 1975, up 38%. The Company's fuel cost adjustment has not fully recovered these added costs. MP&L's generating plants in 1976 burned 9,794,945 barrels of fuel oil, an increase of 38% for the year.

## Customers Increase

At year's end, the Company had a total of 285,338 customers, up 4,605 over 1975. Here is a breakdown of customers: residential, 245,384; commercial, 34,718; industrial, 3,247; government and municipal, 1,920; cooperatives and municipal, 67; other public utilities, 2.

Residential customers continue to consume the largest volume of MP&L electricity as a class. Such customers used a total of 2.5-billion kilowatt hours during the past year. Residential customers used an average of 10,237 kilowatt-hours during 1976. This was only 39 kilowatt-hours more than the average residential customer used in 1975, and reflects conservation efforts and the mild summer.

## Construction

Total construction expenditures for the year were \$40,084,000, a decrease of \$8,180,000 when compared with

1975. The conversion of plants originally built to burn natural gas to burn fuel oil was completed in 1976, with exception of some minor clean-up. Expenditures for such conversion work during the year were \$12,186,000.

The largest construction project in Mississippi's history, the \$1.9-billion Grand Gulf Nuclear Station near Port Gibson, remained on schedule during the year, with employment reaching some 3,200. Work on the first unit was approximately 38% complete at year's end. The unit, with 1,250,000 kilowatt capability, is to be completed in late 1980, with the second unit to be completed in 1984. The facility is owned and being financed by Middle South Energy, Inc., a subsidiary of Middle South Utilities, and will be maintained and operated by MP&L, under contract with MSE.

### The Revenue Dollar

Here is a percentage breakdown of the \$308,776,000 in operating revenues for 1976: Residential sales, 30%; commercial sales, 20%; industrial sales, 19%; government and municipal, 3%; sales to other electric utilities, 27%; and other revenues, 1%.

#### Distribution of Revenue Dollars

|   | (In Thousands)         | %              |
|---|------------------------|----------------|
| Fuel .....  | \$134,949 .....        | 43.71          |
| Purchased Power .....   | 42,343 .....           | 13.71          |
|   | 177,292 .....          | 57.42          |
| Taxes .....   | 29,721 .....           | 9.63           |
| Payroll .....   | 16,498 .....           | 5.34           |
| Depreciation .....  | 18,151 .....           | 5.88           |
| Other Expenses and<br>Deductions, including<br>Material, Supplies,<br>Rents, Etc. (net) ..... | 21,026 .....           | 6.81           |
| Cost of Capital:<br>Cost of Debt (interest) .....   | 20,342 .....           | 6.59           |
| Net Income (Cost of Preferred<br>& Common Stock) .....  | 25,745 .....           | 8.33*          |
| <b>TOTAL REVENUE .....</b>  | <b>\$308,776 .....</b> | <b>100.00%</b> |

\* .77% paid as preferred dividends, 4.82% paid as common dividends and 2.74% reinvested in facilities to serve customers.

### Transmission & Distribution

Construction expenditures in 1976 amounted to \$15,987,000 for transmission plant and \$8,751,000 for distribution plant. The major project in transmission was the construction of facilities to connect the Grand Gulf Nuclear Station to the transmission system. Of total transmission expenditures, \$10,245,000 was expended for the 500,000 volt switchyard at Grand Gulf and for a 500,000 volt circuit from this switchyard to the Franklin EHV substation. This construction was approximately 50% complete at year's end and will be finished in 1977.

Substantial progress was made in constructing 230,000 volt facilities in the Jackson area. A 115,000 volt line from the Ray Braswell EHV substation to the Rex Brown SES was converted to 230,000 volt and conductor capacity increased.

A 230/115,000 volt substation to terminate this line was built at Rex Brown SES. Other projects for 230,000 volt facilities to serve load growth in the Jackson area were started in 1976, and involved a 230,000 volt circuit from the Ray Braswell EHV substation to the present South Jackson 115,000 volt substation. A 230/115,000 volt substation will terminate this line at the South Jackson substation.

Other major construction items begun in 1976 are:

A new 115,000 volt substation that was completed on Canton Road in Jackson; new 115,000 volt substations at Southeast Greenville, Southeast Vicksburg, and Edwards; installation of additional transformer capacity at Longwood, Byram, and Luckney substations; installation and/or replacement of oil circuit breakers at Liberty, Franklin EHV, Rex Brown Switchyard, and East Jackson.

In addition, the installation of the Supervisory Control and Data Access System for control and monitoring of the transmission system and the Jackson area distribution system was begun and is now 60% complete.

### New Directors Welcomed

Two outstanding business leaders, Richard D. McRae of Jackson and Robert M. (Bob) Williams, Jr., of Southaven, were added to the board of directors during the year.

Both McRae and Williams are graduates of the University of Mississippi, and have achieved wide recognition in their respective business fields. McRae is president of McRae's, with ten department stores in six Mississippi cities and one Florida city. Williams is a partner in the realty development firm of Reeves-Williams Builders in Southaven. Both men are active in business and civic affairs, and bring valuable experience to the board.

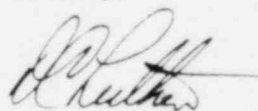
### Facing the Future

The year 1977 began with one of the most severe ice storms and most prolonged periods of severe cold weather in the history of Company operations. During this critical period, the Company met the test and filled its customers requirements. It was a period which called for complete dedication of all employees, who worked hard to keep the generating plants, transmission and distribution system, offices and other segments in operation to supply power to homes, businesses and factories of the 285,000 customers we are privileged to serve.

This same spirit of ingenious dedication and loyalty to assigned tasks by the 1400 employees causes the board of directors and executive management to look to the future with confidence. There will be more and more problems, and they will not diminish in size; instead, without doubt, they will become even larger. However, challenges have a way of bringing out the best efforts of our people.

On behalf of the directors, Company executives, supervisors, and employees, we pledge to you our best in meeting the challenges which lie ahead, holding always to our longtime motto of "Helping Build Mississippi."

Sincerely,



Donald C. Lutken  
President and Chief Executive Officer



# 1976 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 Power 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 included 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 cost of additions to utility plant include contracted work, direct labor and materials, allocable overheads, and in 1975 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 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 1976 and 1975 amounted to approximately 3.3% and 3.1%, respectively, on average depreciable property.

### D. PENSION PLAN

The Company has a pension plan covering substantially all of its employees. Pension costs in 1976 and 1975 amounted to \$1,572,000 and \$1,533,000, respectively, including amortization of unfunded prior service costs over a period of 20 years. The policy of the Company is to fund pension costs accrued.

The Company's pension plan has been amended, effective January 1, 1976, to comply with the Employee Retirement Income Security Act of 1974. The revised plan had no significant effect on pension costs.

### E. INCOME TAXES

The Company joins its parent in filing a consolidated Federal income tax return and 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 utilized are deferred and amortized over the average useful life of the related plant.

### F. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

In accordance with its regulatory system of accounts, the Company, through 1975, capitalized as an appropriate cost of utility plant an allowance for funds used during construction representing the net cost of funds (interest on borrowed funds and a reasonable rate on other funds) used to finance construction, with a corresponding credit to non-operating income.

In 1976 the Company did not record an allowance for funds because amounts collected under rate schedules include construction work in progress in the rate base.

### 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.

#### MISSISSIPPI POWER & LIGHT COMPANY

We have examined the balance sheet of Mississippi Power & Light Company as of December 31, 1976 and 1975 and the related statements of income, retained earnings, and source of funds for utility plant additions for the years then ended. Our examination was 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, 1976 and 1975 and the results of its operations and the 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 11, 1977

*Haskins & Sells*

**Mississippi Power & Light Company**  
**Balance Sheet**  
**December 31, 1976 and 1975**

| ASSETS   | 1976              | 1975              |
|--|-------------------|-------------------|
|  | In Thousands      |                   |
| <b>UTILITY PLANT:</b>  |                   |                   |
| Electric plant .....   | \$ 647,207        | \$ 604,059        |
| Construction work in progress .....  | 28,061            | 35,772            |
| Electric plant acquisition adjustments .....                                   | 2,951             | 3,113             |
| Total .....  | 678,219           | 642,944           |
| Less accumulated depreciation .....  | 156,596           | 140,033           |
| Utility plant—net .....  | 521,623           | 502,911           |
| <b>OTHER PROPERTY AND INVESTMENTS—At cost:</b>                                 |                   |                   |
| Investment in associated company (Note 3) .....                                | 8,744             | 8,999             |
| Other .....  | 990               | 213               |
| Total .....  | 9,734             | 9,212             |
| <b>CURRENT ASSETS:</b>   |                   |                   |
| Cash (Note 2) .....  | 2,562             | 4,304             |
| Special deposits .....   | 763               | 764               |
| Temporary investments, at cost which approximates market .....                 | 17,705            | 8,000             |
| Accounts receivable less allowance<br>for doubtful accounts of \$154,000 ..... | 14,192            | 11,542            |
| Materials and supplies—at average cost:  |                   |                   |
| Fuel .....   | 3,939             | 3,694             |
| Other .....  | 6,785             | 6,440             |
| Other .....  | 2,850             | 2,260             |
| Total .....  | 48,796            | 37,004            |
| <b>DEFERRED DEBITS:</b>  |                   |                   |
| Advances for fuel oil purchases (Note 3) .....                                 | —                 | 5,897             |
| Advances for gas purchases .....   | 1,117             | 1,579             |
| Unamortized debt expense .....   | 1,267             | 1,321             |
| Other .....  | 1,485             | 1,085             |
| Total .....  | 3,869             | 9,882             |
| <b>TOTAL</b> .....   | <b>\$ 584,022</b> | <b>\$ 559,009</b> |

See Notes to Financial Statements.

| LIABILITIES  | 1976         | 1975       |
|--|--------------|------------|
| CAPITALIZATION:  | In Thousands |            |
| Preferred stock (Page 10) .....  | \$ 38,077    | \$ 38,077  |
| Common stock, no par value (stated value \$23 per share)<br>authorized 5,000,000 shares;<br>outstanding 4,540,000 shares ..... | 104,420      | 104,420    |
| Paid-in surplus .....  | 5            | 5          |
| Retained earnings (Note 4) .....   | 50,381       | 41,912     |
| Total .....  | 192,883      | 184,414    |
| Long-term debt (Page 10) .....   | 278,029      | 286,060    |
| Total .....  | 470,912      | 470,474    |
| CURRENT LIABILITIES:   |              |            |
| Long-term debt currently maturing (Page 10) .....  | 8,760        | —          |
| Accounts payable:  |              |            |
| Associated companies .....   | 5,625        | 4,980      |
| Other .....  | 7,308        | 6,263      |
| Customer deposits .....  | 6,285        | 5,205      |
| Taxes accrued .....  | 19,740       | 11,307     |
| Interest accrued .....   | 6,315        | 7,687      |
| Dividends declared .....   | 596          | 596        |
| Other .....  | 998          | 2,861      |
| Total .....  | 55,627       | 38,899     |
| DEFERRED CREDITS:  |              |            |
| Accumulated deferred income taxes .....  | 37,636       | 33,748     |
| Accumulated deferred investment tax credits .....  | 17,180       | 13,366     |
| Other .....  | 364          | 447        |
| Total .....  | 55,180       | 47,561     |
| RESERVES .....   | 2,303        | 2,075      |
| TOTAL .....  | \$ 584,022   | \$ 559,009 |

See Notes to Financial Statements.

## Mississippi Power & Light Company

### Statement of Income

For the years ended December 31, 1976 and 1975

|  | 1976         | 1975       |
|--|--------------|------------|
|  | In Thousands |            |
| OPERATING REVENUES .....                           | \$ 308,776   | \$ 240,057 |
| OPERATING EXPENSES:                                |              |            |
| Operation:   |              |            |
| Fuel .....   | 134,949      | 93,398     |
| Power purchased .....                              | 42,343       | 35,322     |
| Other .....  | 26,093       | 23,941     |
| Maintenance .....                                  | 12,223       | 9,123      |
| Depreciation .....                                 | 18,151       | 17,532     |
| Taxes other than income taxes .....                | 12,962       | 11,626     |
| Income taxes (Note 1) .....                        | 16,759       | 11,560     |
| Total .....  | 263,480      | 202,502    |
| OPERATING INCOME .....                             | 45,296       | 37,555     |
| OTHER INCOME AND DEDUCTIONS:                       |              |            |
| Allowance for funds used during construction ..... | —            | 1,853      |
| Miscellaneous—net .....                            | 1,704        | 1,766      |
| Income taxes (Note 1) .....                        | (913)        | (919)      |
| Total .....  | 791          | 2,700      |
| INTEREST CHARGES:                                  |              |            |
| Interest on long-term debt .....                   | 20,074       | 18,154     |
| Other interest—net of debt premium .....           | 268          | 1,298      |
| Total .....  | 20,342       | 19,452     |
| NET INCOME .....                                   | \$ 25,745    | \$ 20,803  |

### Statement of Retained Earnings

For the years ended December 31, 1976 and 1975

|  |           |           |
|--|-----------|-----------|
| RETAINED EARNINGS, JANUARY 1 .....             | \$ 41,912 | \$ 36,477 |
| ADD—Net income .....                           | 25,745    | 20,803    |
| Total .....                                    | 67,657    | 57,280    |
| DEDUCT:  |           |           |
| Dividends—cash:                                |           |           |
| Preferred stock .....                          | 2,384     | 2,384     |
| Common stock .....                             | 14,892    | 12,984    |
| Total .....                                    | 17,276    | 15,368    |
| RETAINED EARNINGS, DECEMBER 31, (Note 4) ..... | \$ 50,381 | \$ 41,912 |

See Notes to Financial Statements.



# **Mississippi Power & Light Company** **Statement of Source of Funds For Utility Plant Additions**

For the years ended December 31, 1976 and 1975

|   | 1976                    | 1975                    |
|---|-------------------------|-------------------------|
|   | In Thousands            |                         |
| <b>SOURCE OF FUNDS:</b>   |                         |                         |
| From operations:  |                         |                         |
| Net income .....  | \$ 25,745               | \$ 20,803               |
| Depreciation .....  | 18,151                  | 17,532                  |
| Deferred income taxes and investment tax credit adjustments—net ..  | 7,702                   | 8,019                   |
| Allowance for funds used during construction .....  | —                       | (1,853)                 |
| Total .....   | <u>51,598</u>           | <u>44,501</u>           |
| Less—dividends declared:  |                         |                         |
| Preferred stock .....   | 2,384                   | 2,384                   |
| Common stock .....  | 14,892                  | 12,984                  |
| Total .....   | <u>17,276</u>           | <u>15,368</u>           |
| Funds retained in business .....  | <u>34,322</u>           | <u>29,133</u>           |
| From other sources:   |                         |                         |
| From decrease in working capital<br>(excluding short-term securities and<br>current maturities of long-term debt) ..... | 5,881                   | 4,298                   |
| Refund of advances for fuel oil purchases .....   | 12,752                  | —                       |
| Advances for fuel oil purchases .....   | (6,855)                 | (4,374)                 |
| Investments in associated company .....   | 255                     | 765                     |
| Miscellaneous—net .....   | 2,084                   | 267                     |
| Total .....   | <u>14,117</u>           | <u>956</u>              |
| From issuance of securities:  |                         |                         |
| First mortgage bonds .....  | —                       | 25,000                  |
| Pollution control bonds .....   | 1,041                   | 3,203                   |
| Principal amount of capitalized financing lease .....   | (242)                   | (224)                   |
| Short-term securities (net) .....   | (9,705)                 | (11,700)                |
| Total .....   | <u>(8,906)</u>          | <u>16,279</u>           |
| <b>UTILITY PLANT ADDITIONS .....</b>  | <u><u>\$ 39,533</u></u> | <u><u>\$ 46,368</u></u> |

See Notes to Financial Statements.

# **Mississippi Power & Light Company** **Schedule of Preferred Stock and Long-Term Debt**

December 31, 1976 and 1975

| December 31, 1976 and 1975  | Shares       |             | Current<br>Call Price<br>Per Share |
|---|--------------|-------------|------------------------------------|
|   | Authorized   | Outstanding |                                    |
| <b>PREFERRED STOCK</b>  |              |             |                                    |
| 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     | 108.39                             |
| 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   |                                    |
| <b>LONG-TERM DEBT</b>   |              |             |                                    |
|   | 1976         | 1975        |                                    |
| First Mortgage Bonds:   | In Thousands |             |                                    |
| 27/8% Series due 1977 .....   | \$ 8,498     | \$ 8,498    |                                    |
| 31/8% Series due 1979 .....   | 7,500        | 7,500       |                                    |
| 27/8% Series due 1980 .....   | 7,500        | 7,500       |                                    |
| 35/8% Series due 1983 .....   | 12,000       | 12,000      |                                    |
| 41/8% Series due 1988 .....   | 15,000       | 15,000      |                                    |
| 45/8% Series due 1995 .....   | 20,000       | 20,000      |                                    |
| 51/8% Series due 1996 .....   | 25,000       | 25,000      |                                    |
| 63/8% Series due 1996 .....   | 10,000       | 10,000      |                                    |
| 95/8% Series due 1999 .....   | 20,000       | 20,000      |                                    |
| 91/4% Series due 2000 .....   | 17,500       | 17,500      |                                    |
| 73/4% Series due 2002 .....   | 15,000       | 15,000      |                                    |
| 73/4% Series due 2003 .....   | 30,000       | 30,000      |                                    |
| 81/4% Series due 2003 .....   | 20,000       | 20,000      |                                    |
| 97/8% Series due 2004 .....   | 25,000       | 25,000      |                                    |
| 107/8% Series due 2005 .....  | 25,000       | 25,000      |                                    |
|   | 257,998      | 257,998     |                                    |
| Less bonds currently maturing .....   | (8,498)      | —           |                                    |
|   | 249,500      | 257,998     |                                    |
| Principal Amount of Capitalized Lease—  |              |             |                                    |
| 8%, due serially through 1993 .....   | 8,826        | 9,068       |                                    |
| Less notes currently maturing .....   | (262)        | —           |                                    |
| Pollution Control Bonds:  |              |             |                                    |
| 71/2% due 2004 .....  | 9,400        | 9,400       |                                    |
| 81/2% due 2004 .....  | 8,575        | 7,982       |                                    |
| 6% to 81/2% due 1978 to 1995 (net of \$1,773,000 cash<br>held by Trustee in 1976) .....   | 627          | 179         |                                    |
| Unamortized Premium on Debt .....   | 1,363        | 1,433       |                                    |
| Total (Annual sinking fund requirements,<br>which may be met by certification of<br>property additions at the rate of<br>167% of such requirements, amount to<br>\$2,655,000 for 1977.) ..... | \$ 278,029   | \$ 286,060  |                                    |

# Notes to Financial Statements

## 1. INCOME TAXES

Income tax expense consists of the following:

|  | 1976         | 1975     |
|--|--------------|----------|
|  | In Thousands |          |
| Current:   |              |          |
| Federal . . . . .                                | \$ 7,782     | \$ 2,812 |
| State . . . . .                                  | 1,275        | 729      |
| Total . . . . .                                  | 9,057        | 3,541    |
| Deferred—net:                                    |              |          |
| Liberalized depreciation . . . . .               | 5,036        | 5,067    |
| Unbilled revenues . . . . .                      | (1,131)      | 497      |
| Deferred fuel expenses . . . . .                 | ( 17)        | 495      |
|  | 3,888        | 6,059    |
| Investment tax credit adjustments—net . . . . .  | 3,814        | 1,960    |
| Total charged to operations . . . . .            | 16,759       | 11,560   |
| Charged to other income and deductions . . . . . | 913          | 919      |
| Total . . . . .                                  | \$17,672     | \$12,479 |

The total income tax expense reflects reductions resulting primarily from:

- the exclusion from taxable income in 1975 of the allowance for funds used during construction, and
- the effect of tax reduction attributable to the filing of a consolidated Federal income tax return.

The effective income tax rates for 1976 and 1975 were 41% and 38%, respectively.

The Federal income tax returns for the years 1967 through 1972 have been examined and assessments which have been protested have been proposed by the Internal Revenue Service; also, the years 1973-1976 remain open. Management is of the opinion that adequate provisions have been made for any taxes that may ultimately be assessed.

## 2. LINES OF CREDIT AND SHORT-TERM BORROWINGS

The Company has obtained regulatory authorization to make short-term borrowings of \$44,000,000 through bank loans (not to exceed \$16,000,000) and the sale of commercial paper. Accounts are maintained with the lending banks, and although immaterial balances in some of these accounts may be deemed to be compensating balances, most of these accounts are working accounts and fluctuations in their balances do not reflect or depend upon fluctuations in the amounts of bank loans outstanding. The amount of the unused lines of credit as of December 31, 1976 was \$16,000,000.

The bank loans and commercial paper notes are unsecured short-term loans with various maturity dates not in excess of nine months. Interest rates on bank loans are the prime rates in effect from time to time of the lending banks. During the twelve months ended December 31, 1976, the maximum aggregate amount of short-term borrowings outstanding at the end of any month was \$5,300,000. The average amount of short-term borrowings outstanding during the twelve months ended December 31, 1976 (based on the average of the sum of daily outstanding principal balances) approximated \$1,331,000 of commercial paper. The approximate average interest rate (determined by dividing the actual interest expense on short-term borrowings during the year by the average short-term borrowings) was 5.4% for commercial paper.

## 3. COMMITMENTS AND CONTINGENCIES

The Company's construction program contemplates expenditures of approximately \$34,000,000 in 1977.

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 stockholders). 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 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 from its stockholders up to \$156,500,000 through December 31, 1977. As of December 31, 1976 the Company had loaned \$8,740,250 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 bank borrowings by SFI totaling \$42,184,000 at December 31, 1976, 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 to the lending banks.

During 1976, SFI entered into a contract with a joint venture for a supply of coal from a mine to be developed in Wyoming. The mine is expected to provide 150 to 210 million tons over a period of 26 to 42 years.

SFI made advance payments under an oil supply agreement to a supplier in connection with the construction of a refinery. During 1976, the supplier was sold to a major oil company and SFI (1) entered into a new long-term oil supply agreement with the oil company providing for the sale to SFI of up to 50,000 barrels of oil per day for a twenty-year period; (2) agreed to cancellation of the oil supply agreement with the first oil supplier; and (3) received repayment of the advances previously made, by SFI, together with accrued interest thereon, in the aggregate amount of \$67,120,000. The Company's portion of this repayment was \$12,752,000.

## 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, 1976, \$28,766,000 of retained earnings are free from such restrictions.

## 5. QUARTERLY RESULTS (Unaudited)

Unaudited operating results for the four quarters of 1976 follow:

|                              | Quarter Ended    |                  |                   |                  |
|------------------------------|------------------|------------------|-------------------|------------------|
|                              | Mar. 31,<br>1976 | June 30,<br>1976 | Sept. 30,<br>1976 | Dec. 31,<br>1976 |
|                              | In Thousands     |                  |                   |                  |
| Operating revenues . . . . . | \$66,530         | \$68,040         | \$90,747          | \$83,459         |
| Operating income . . . . .   | 10,909           | 8,415            | 14,475            | 11,497           |
| Net income . . . . .         | 5,957            | 3,772            | 9,517             | 6,499            |

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.

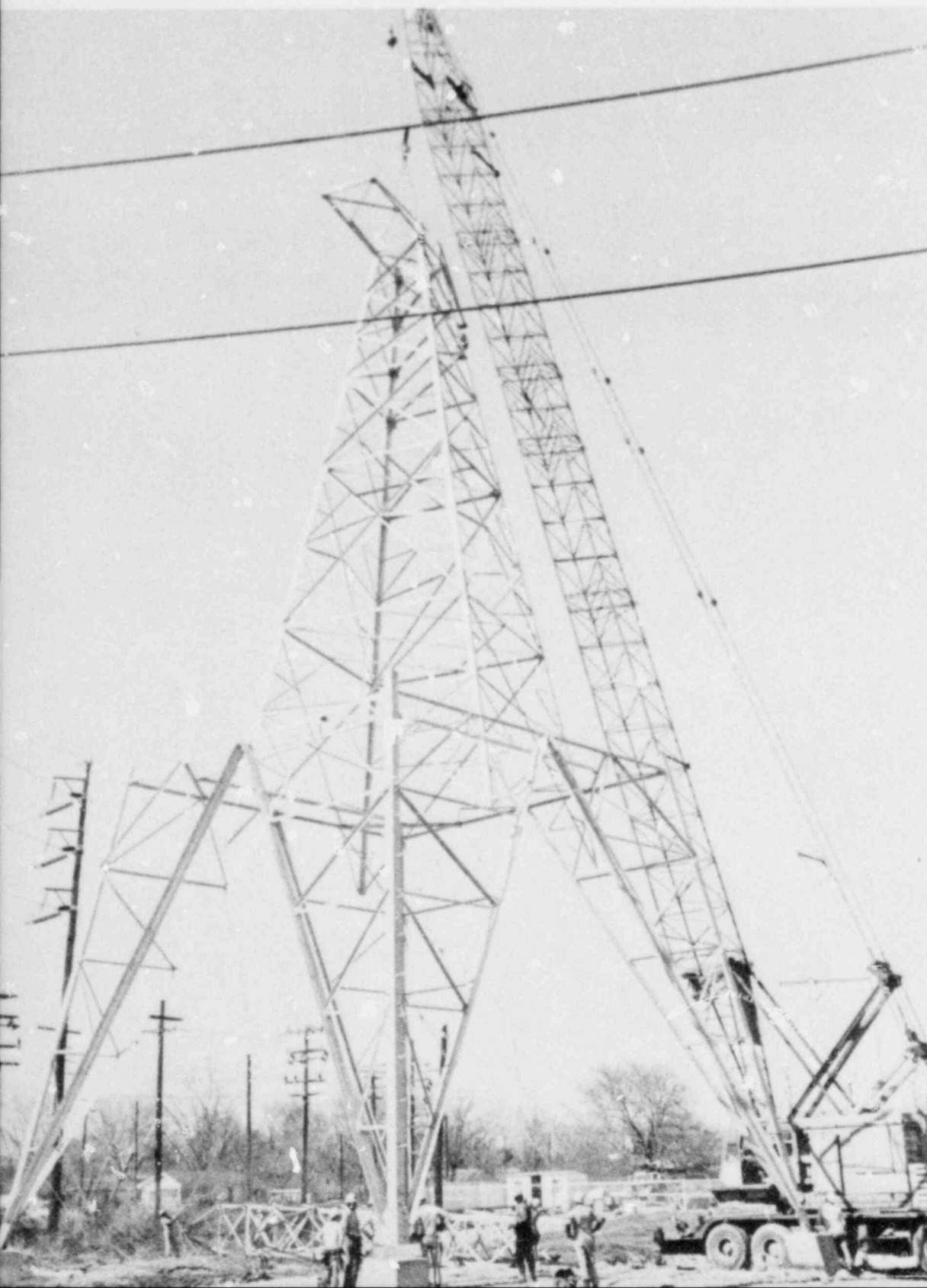
#### 6. REPLACEMENT COST (Unaudited)

The impact of the rate of inflation experienced in recent years has resulted in replacement costs of productive capacity that are significantly greater than the historical cost of such assets reported in the Company's financial statements. In compliance

with reporting requirements, estimated replacement cost information is disclosed in the Middle South Utilities, Inc. annual report to the Securities and Exchange Commission on Form U5S.

#### 7. ACCOUNTING POLICIES

The summary of significant accounting policies on page 5 is an integral part of these notes to financial statements.



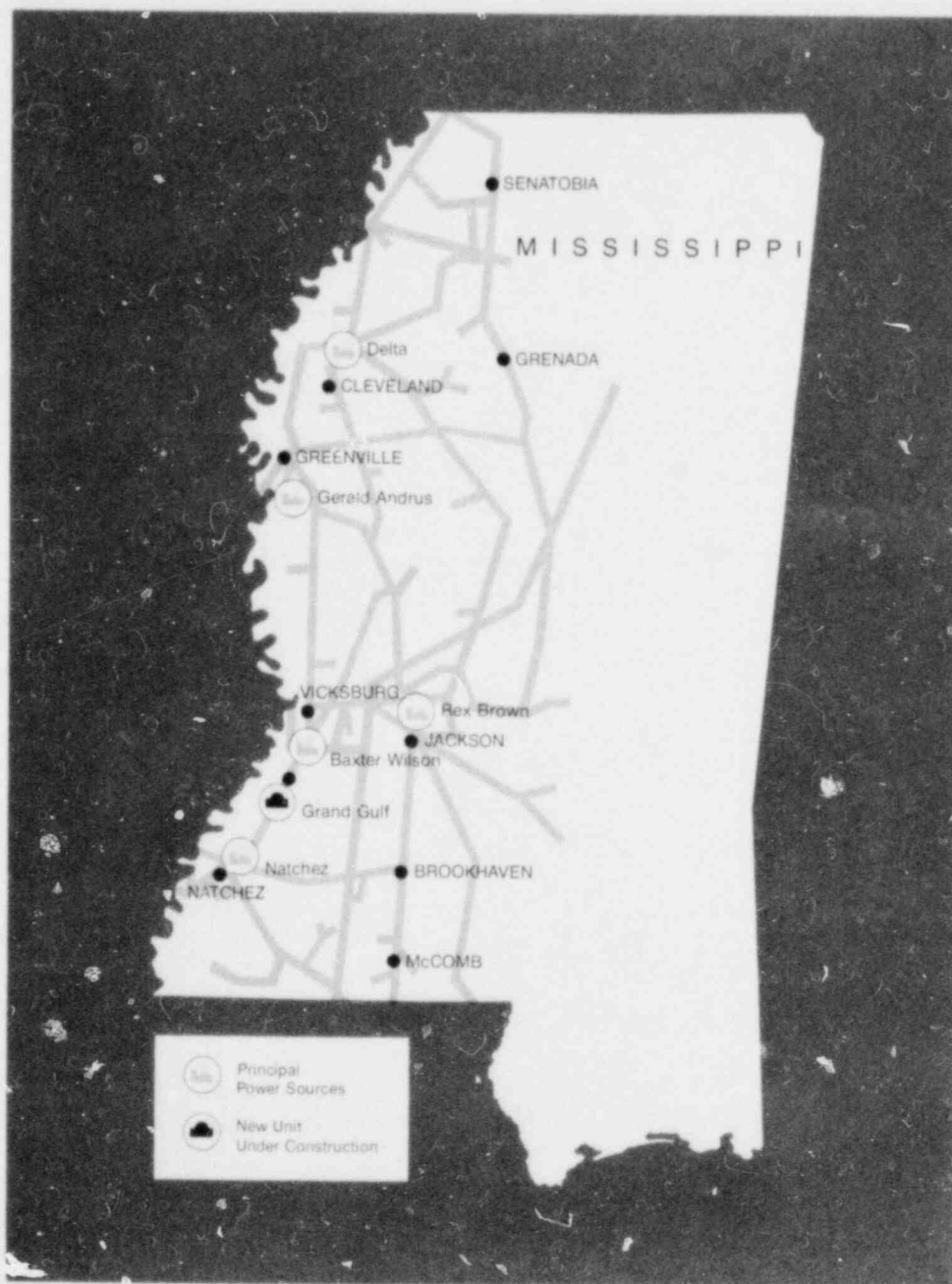
*A major expense item in 1976 construction was for new transmission lines in a number of areas in the MP&L system. Among the projects was construction of the 230,000 volt facilities in the Jackson area, as shown in the photo. The line is being installed from the Ray Braswell EHV substation in Clinton to the South Jackson substation.*

## Directors

Donald C. Lutken  
G. Lawrence Adams  
Norman B. Gillis, Jr.  
Robert M. Hearin  
J. Herman Hines  
Russ M. Johnson\*  
J. H. Johnston, Jr., M.D.  
Robert E. Kennington, II  
Richard D. McRae  
Floyd W. Lewis  
LeRoy P. Percy  
Robert M. (Bob) Williams, Jr.

*Jackson, President and Chief Executive Officer of the Company*  
*Natchez, Attorney-at-Law*  
*McComb, Attorney-at-Law*  
*Jackson, Chairman of the Board and Chief Executive Officer, First National Bank*  
*Jackson, Chairman of the Board and Chief Executive Officer, Deposit Guaranty National Bank*  
*Jackson, Retired Chairman, Deposit Guaranty National Bank*  
*Jackson*  
*Grenada, Chairman and Chief Executive, Grenada Banking System*  
*Jackson, President, McRae's, Inc.*  
*New Orleans, President, Middle South Utilities, Inc.*  
*Greenville, Planter*  
*Southaven, Partner, Reeves-Williams Builders*

\*Member of the Advisory Board



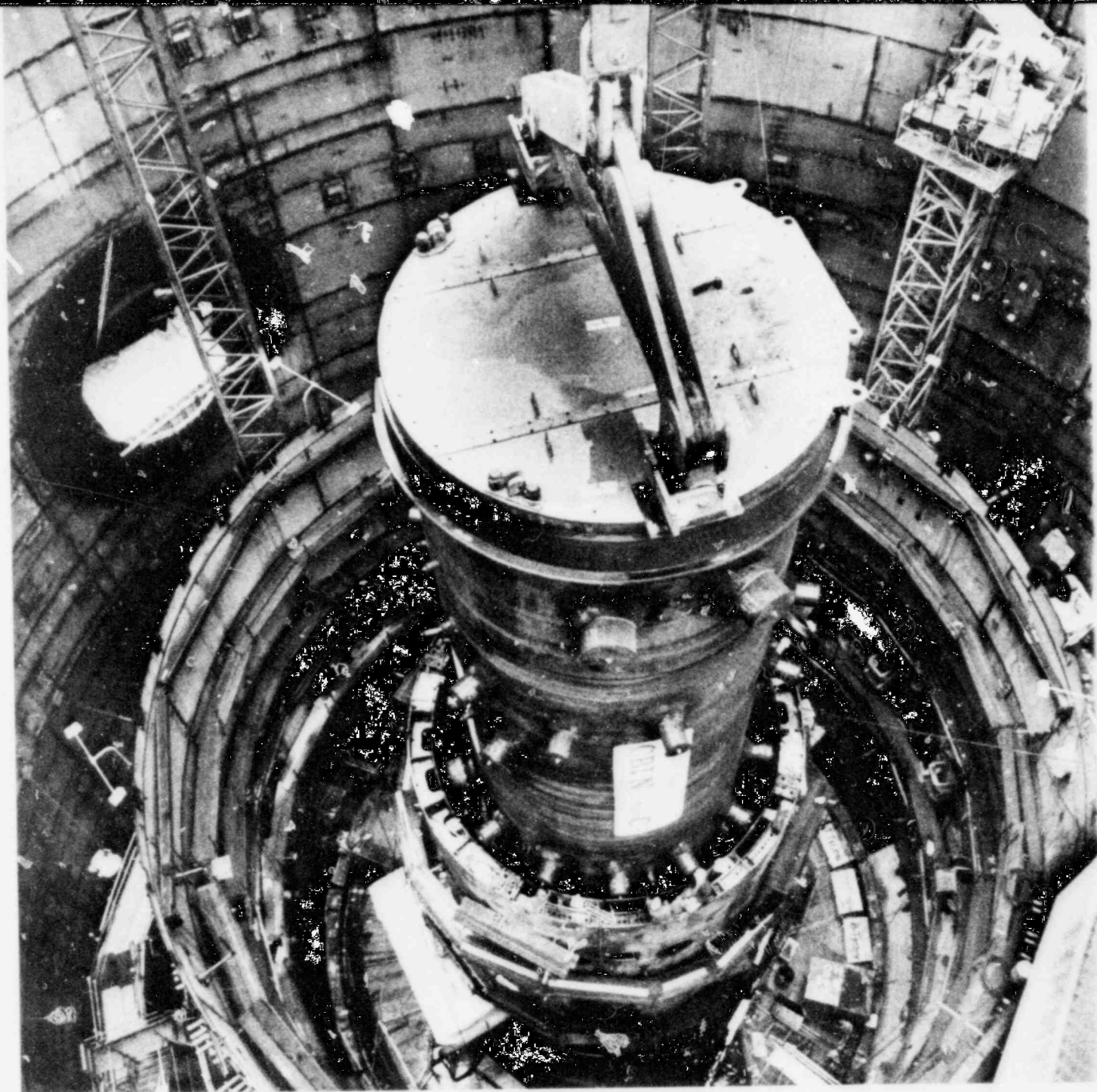


# **Mississippi Power & Light Company** **Record of Progress 1966 - 1976**

|  | 1976       | 1975       | 1974       |
|--|------------|------------|------------|
| <b>ELECTRIC OPERATING REVENUES (000s OMITTED)</b>  |            |            |            |
| Residential .....                                  | \$ 91,849  | \$ 74,296  | \$ 67,690  |
| Commercial .....                                   | 60,855     | 47,484     | 43,559     |
| Industrial .....                                   | 58,645     | 42,863     | 41,743     |
| Government & Municipal .....                       | 9,899      | 7,022      | 6,163      |
| Cooperatives & Municipalities .....                | 25,622     | 21,399     | 13,362     |
| Total From Energy Sales (Miss. Area) .....         | 246,870    | 193,064    | 172,517    |
| Sales to Other Public Utilities .....              | 57,298     | 43,084     | 10,484     |
| Total From Energy Sales .....                      | 304,168    | 236,148    | 183,001    |
| Miscellaneous Revenues .....                       | 3,176      | 5,972      | 574        |
| Deferred Fuel Adjustment Revenues* .....           | 1,432      | (2,063)    | (5,134)    |
| Total Electric Operating Revenues .....            | \$ 308,776 | \$ 240,057 | \$ 178,441 |
| <b>ELECTRIC ENERGY SALES (MKWH)</b>                |            |            |            |
| Residential .....                                  | 2,491,067  | 2,440,460  | 2,268,954  |
| Commercial .....                                   | 1,537,169  | 1,457,505  | 1,356,173  |
| Industrial .....                                   | 1,935,573  | 1,751,042  | 1,793,055  |
| Government & Municipal .....                       | 326,275    | 302,319    | 271,233    |
| Cooperatives & Municipalities .....                | 1,064,636  | 990,309    | 938,205    |
| Total Energy Sales (Miss. Area) .....              | 7,354,720  | 6,941,635  | 6,627,620  |
| Sales to Other Public Utilities .....              | 2,624,001  | 1,638,144  | 487,097    |
| Total Electric Energy Sales .....                  | 9,978,721  | 8,579,779  | 7,114,717  |
| <b>ELECTRIC CUSTOMERS (END OF PERIOD)</b>          |            |            |            |
| Residential .....                                  | 245,384    | 241,739    | 237,085    |
| Commercial .....                                   | 34,718     | 33,801     | 33,474     |
| Industrial .....                                   | 3,247      | 3,247      | 3,267      |
| Government & Municipal .....                       | 1,920      | 1,879      | 1,789      |
| Cooperatives & Municipalities .....                | 67         | 66         | 63         |
| Total Customers (Miss. Area) .....                 | 285,336    | 280,732    | 275,678    |
| Other Public Utilities .....                       | 2          | 1          | 1          |
| Total Electric Customers .....                     | 285,338    | 280,733    | 275,679    |
| <b>SYSTEM INPUT (MKWH)</b>                         |            |            |            |
| Mississippi Area .....                             | 7,995,184  | 7,583,971  | 7,249,896  |
| Other .....  | 6,275,856  | 5,369,242  | 4,353,673  |
| Total System Input .....                           | 14,271,040 | 12,953,213 | 11,603,569 |
| <b>PEAK LOAD (MISS. AREA)—KW</b> .....             | 1,733,000  | 1,642,000  | 1,640,000  |
| <b>LOAD FACTOR (MISS. AREA)—PER CENT</b> .....     | 53         | 52         | 51         |
| <b>NET PLANT CAPABILITY—KW</b> .....               | 2,752,000  | 2,752,000  | 2,752,000  |
| <b>CIRCUIT MILES OF ELECTRIC LINES</b> .....       | 17,859     | 17,713     | 17,461     |
| <b>TOTAL ELECTRIC UTILITY PLANT (000s OMITTED)</b> |            |            |            |
| Production .....                                   | \$ 338,118 | \$ 299,583 | \$ 292,491 |
| Transmission .....                                 | 118,137    | 118,450    | 109,960    |
| Distribution .....                                 | 171,955    | 166,590    | 158,256    |
| General & Other .....                              | 15,727     | 15,366     | 14,763     |
| Total Utility Plant Completed .....                | 643,937    | 599,989    | 575,470    |
| Plant Held for Future Use .....                    | 3,270      | 4,070      | 1,219      |
| Construction Work in Progress .....                | 28,061     | 35,772     | 16,688     |
| Electric Plant Acquisition Adjustments .....       | 2,951      | 3,113      | 3,293      |
| Total Utility Plant .....                          | \$ 678,219 | \$ 642,944 | \$ 596,670 |

\*See Item B to Summary of Significant Accounting Policies.

| 1973       | 1972       | 1971       | 1970       | 1969       | 1968       | 1967       | 1966       |
|------------|------------|------------|------------|------------|------------|------------|------------|
| \$ 47,473  | \$ 38,096  | \$ 32,499  | \$ 30,097  | \$ 27,353  | \$ 24,528  | \$ 21,573  | \$ 20,389  |
| 31,294     | 25,701     | 22,126     | 20,290     | 18,507     | 16,797     | 15,126     | 13,939     |
| 26,852     | 22,399     | 19,439     | 17,535     | 17,076     | 15,979     | 15,037     | 14,228     |
| 3,975      | 3,193      | 2,842      | 2,707      | 2,437      | 2,194      | 2,003      | 1,876      |
| 9,915      | 9,884      | 7,914      | 7,027      | 6,299      | 5,592      | 4,796      | 4,446      |
| 119,509    | 99,273     | 84,820     | 77,656     | 71,672     | 65,090     | 58,535     | 54,878     |
| 6,684      | 15,223     | 9,423      | 4,911      | 5,090      | 4,452      | 4,929      | 426        |
| 126,193    | 114,496    | 94,243     | 82,567     | 76,762     | 69,542     | 63,464     | 55,304     |
| 449        | 374        | 393        | 364        | 342        | 309        | 279        | 276        |
| —          | —          | —          | —          | —          | —          | —          | —          |
| \$ 126,642 | \$ 114,870 | \$ 94,636  | \$ 82,931  | \$ 77,104  | \$ 69,851  | \$ 63,743  | \$ 55,580  |
| 2,356,073  | 2,032,670  | 1,802,675  | 1,674,415  | 1,470,430  | 1,174,923  | 1,069,029  | 991,362    |
| 1,380,035  | 1,213,432  | 1,091,553  | 1,007,557  | 907,912    | 823,035    | 738,521    | 677,002    |
| 1,787,741  | 1,677,137  | 1,624,499  | 1,464,602  | 1,410,912  | 1,351,195  | 1,345,938  | 1,267,425  |
| 262,645    | 238,624    | 219,463    | 210,951    | 179,178    | 157,279    | 142,904    | 136,781    |
| 988,351    | 1,089,349  | 966,015    | 959,649    | 860,842    | 765,837    | 659,025    | 601,110    |
| 6,774,845  | 6,251,212  | 5,704,205  | 5,317,174  | 4,829,274  | 4,372,269  | 3,955,417  | 3,673,680  |
| 312,454    | 1,269,927  | 1,282,153  | 984,933    | 1,143,398  | 870,335    | 832,157    | 108,742    |
| 7,087,299  | 7,521,139  | 6,986,358  | 6,302,107  | 5,972,672  | 5,242,604  | 4,787,574  | 3,782,422  |
| 229,761    | 206,222    | 198,435    | 191,529    | 187,670    | 183,538    | 180,415    | 176,783    |
| 33,109     | 30,629     | 29,453     | 28,419     | 28,109     | 27,532     | 26,941     | 26,149     |
| 3,213      | 3,168      | 3,209      | 3,140      | 3,022      | 2,990      | 2,892      | 2,816      |
| 1,731      | 1,618      | 1,558      | 1,514      | 1,447      | 1,393      | 1,347      | 1,318      |
| 61         | 74         | 75         | 71         | 70         | 67         | 64         | 63         |
| 267,875    | 241,711    | 232,730    | 224,673    | 220,318    | 215,520    | 211,659    | 207,129    |
| 1          | 2          | 3          | 4          | 4          | 4          | 2          | 2          |
| 267,876    | 241,713    | 232,733    | 224,677    | 220,322    | 215,524    | 211,661    | 207,131    |
| 7,378,216  | 6,906,300  | 6,246,040  | 5,875,777  | 5,326,174  | 4,783,640  | 4,337,494  | 4,062,033  |
| 4,160,152  | 5,081,123  | 4,700,857  | 4,429,887  | 4,957,040  | 3,677,785  | 2,318,574  | 334,842    |
| 1,538,368  | 11,987,423 | 10,946,897 | 10,305,664 | 10,283,214 | 8,461,423  | 6,656,068  | 4,396,875  |
| 1,565,000  | 1,476,000  | 1,343,000  | 1,238,000  | 1,176,000  | 1,005,000  | 924,000    | 887,000    |
| 54         | 53         | 53         | 54         | 51         | 53         | 54         | 52         |
| 2,002,000  | 2,002,000  | 2,002,000  | 1,231,000  | 1,231,000  | 1,231,000  | 1,220,000  | 1,220,000  |
| 17,146     | 14,279     | 14,061     | 13,892     | 13,783     | 13,588     | 13,418     | 13,103     |
| 176,217    | \$ 166,537 | \$ 166,364 | \$ 106,419 | \$ 106,434 | \$ 106,582 | \$ 106,030 | \$ 105,379 |
| 91,535     | 91,068     | 85,074     | 79,225     | 79,218     | 76,988     | 71,350     | 56,415     |
| 148,492    | 130,191    | 124,523    | 119,198    | 113,428    | 108,049    | 102,827    | 97,968     |
| 14,355     | 13,598     | 13,372     | 13,283     | 12,401     | 11,765     | 8,429      | 7,689      |
| 430,599    | 401,394    | 389,333    | 318,125    | 311,481    | 303,384    | 288,636    | 267,451    |
| 1,144      | 1,146      | 594        | 564        | 564        | 511        | 396        | 394        |
| 121,908    | 50,070     | 12,396     | 53,257     | 16,445     | 3,524      | 6,844      | 13,612     |
| 3,067      | —          | —          | —          | —          | —          | —          | —          |
| 556,718    | \$ 452,610 | \$ 402,323 | \$ 371,946 | \$ 328,490 | \$ 307,419 | \$ 295,876 | \$ 281,457 |



*A milestone in the construction of Grand Gulf Nuclear Station near Port Gibson took place on February 12, 1977, with the lifting of the 830-ton reactor vessel into the containment building. At year's end, construction on the first unit was 38 per cent complete. The first unit is to be completed in 1980, and will have a capability of 1,250,000 kilowatts. The second unit, with the same capability, will be completed in 1984. The project is owned and being financed by Middle South Energy, Inc., a subsidiary of Middle South Utilities, Inc. It is being constructed and will be maintained and operated by MP&L.*

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

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