



Mississippi Power & Light Company  
1974 Annual Report

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*Officers and executive department heads of the Company are, seated from left: W. R. Casper, Treasurer; Donald Colmer, Vice-President, Public Affairs and Environmental Matters; Alex McKeigney, Vice-President, Informational Services; Alex Rogers, Senior Vice-President, Chief Financial Officer; R. Baxter Wilson, Chairman of the Board; Donald C. Lutken, President and Chief Executive Officer; Joe H. Box, Senior Vice-President, Production, Engineering and Construction; Hubert Q. Pray, Vice-President, Consultant to the President; John D. Holland, Vice-President, Central Division; Norris L. Stampely, Vice-President, Production; back row, from left: James R. Martin, Assistant Treasurer; Allan H. Mapp, Assistant Secretary; Frank S. York, Jr., Secretary; Donald E. Meiners, Manager, Division Operations; Thomas A. Dallas, Manager, Engineering, System Operations and Construction; C. Lamar Stephenson, Director, Personnel; George Wynne, Director, Marketing and Development; and Marion Townsend, Chief Engineer.*

## Highlights of 1974

--Total operating revenues reached an all-time high, \$178,441,000, but were largely offset by record-breaking expenses, \$150,236,000.

--The major increase in expenses was for fuel and purchased power, \$92,973,170, up \$46,546,361, or 100%, over the previous year.

--A modest rate increase, approximately 10%, was filed with the Public Service Commission on January 17, but was subsequently denied. It remains in effect subject to refund, and at year's end, the case was still before the Hinds County Chancery Court.

--Rate increases were filed for wholesale power supplied to four municipalities and seven rural electric cooperatives. The increases, 27% for municipalities and 23% for the cooperatives, were allowed to be placed in effect December 7, subject to refund, depending upon final action of the Federal Power Commission.

--Net income for 1974 was \$20,454,000, up \$3.1 million over 1973.

--The Atomic Energy Commission granted a full construction permit for Grand Gulf Nuclear Station on September 4, to MP&L and Middle South Energy, Inc., the latter being the new generating subsidiary of Middle South Utilities, Inc., which will finance and own the facility.

--The 750,000 kilowatt Gerald Andrus Steam Electric Station at Greenville was completed in December, giving the MP&L system a total capability of 2,752,000 kilowatts from five plants.

--The average kilowatt-hour usage by residential customers dropped to 9,717, compared with 10,615 KWH the year before.

--Industrial development continued at a rapid pace, a total of 85 new and expanded industries being recorded in 1974, one less than 1973.

--A \$160 million damage suit against United Gas Pipeline Company and the Pennzoil Company was filed in October, on grounds the firms failed to fulfill the firm natural gas delivery contract made with MP&L.

## 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.

## Contents

Management's Letter . . . . .	3	Directors . . . . .	13
Financial Statements . . . . .	5	Record of Progress . . . . .	14-15

## About Our Cover

"Electricity—The Forever Energy!" That's the slogan developed by MP&L's Marketing and Development Department, as it looks to the total-electric economy which becomes more evident as the energy crunch broadens. Transportation is one area under study, and the Company has in its day-to-day operations two electric passenger cars and an electric commercial van. Shown on our cover, are three employees involved with the project, from left: Will Leflore, a meter reader; A. W. Hardin, manager of program research and development; and Miss Rebecca Luter, electric living consultant.

# To Our Stockholders and Members of Our Organization

MP&L faced many complex, difficult and perplexing problems during 1974, and our 51st year will go down in history as one which presented constant challenges in all areas of operations.

MP&L was generally successful in meeting each challenge of the year. On fulfilling the first objective listed in the Company's official policy statement—that is, "furnish dependable service"—we were 100% successful. MP&L met every request for electric service from the more than 275,000 customers it is privileged to serve.

It should be emphasized that the two big "F's" in electric utility operations, fuel and financing, remained paramount, and will obviously continue as major problems for several years. They are challenges which must be solved if our society is to advance and our system of free enterprise is to survive.

## Operating Revenues & Expenses

While operating revenues reached an all-time high, \$178,441,000, so did operating expenses, \$150,236,000. The higher operating expenses largely offset higher revenues, with fuel and purchased power alone for the year showing a 100% increase, \$92,973,170, as compared with \$46,426,809 the year before. Operating revenues also included approximately \$10,000,000 collected from the rate increase put into effect on February 17, 1974. The rate increase was subsequently denied by the Mississippi Public Service Commission, but remains in effect subject to refund, with the courts to determine the outcome of the case. Fuel oil purchases for the year were up, due to the unavailability of natural gas. Fuel oil consumed amounted to 4,754,214 barrels, compared with 3,641,914 in 1973.

On October 9, the Company filed for rate increases to the four municipalities and seven rural electric power associations which MP&L serves at wholesale. These rates became effective December 7, and are being collected subject to refund, pending hearing and subsequent decision of the Federal Power Commission. The increase to municipalities amounted to approximately 27% and to cooperatives approximately 23%.

Despite the problems in the fuel and financial return areas, the Company's net income for the year, due principally to the retail rate increase, was up \$3.1 million over 1973. This increase in net return was essential to keep the Company in a sound financial position. Increased net income will be necessary to improve coverage of interest and preferred dividend requirements at a level sufficient to maintain the investment grade of present capital and to insure financing of facilities and construction required to meet customers' service needs.

Customers numbered 275,679 at year's end, or 7,803 over the year before. But for the first time since 1951, the average kilowatt-hour usage by residential customers declined. These customers used an average of 9,717 KWH in 1974, compared with 10,615 the year before. The decrease was due in part to the continuous educational campaign encouraging

conservation, and the mild weather conditions. Total electric residential customers on Company lines numbered 34,914, an increase of over 8,000 over the previous year. The peak demand for 1974 occurred at 4 p.m., on July 22, at 1,640,000 kilowatts, 75,000 kilowatts more than 1973.

Total energy sales for 1974 amounted to 7.1 billion KWH, an increase of 27 million KWH; however, energy sales to ultimate customers only reached 5.7 billion KWH, a decrease of 1.7% as compared with 1973.

## Expenses Climb

Inflation, construction of new facilities and increased fuel costs helped boost total expenses for the year. They were up 47% over 1973.

The expense dollar, by percentages, was divided as follows: fuel for power generation, 44%; taxes, 10%; payroll and employee benefits, 10%; material and supplies, rents, etc., 9%; power purchased from other utilities, 18%; and depreciation of plant and facilities, 9%.

## Financing

New capital necessary to carry out the construction program and provide other facilities in 1974 was provided as follows:

In April, 435,000 shares of common stock were sold to Middle South Utilities for \$10,005,000.

In July, Washington County sold \$9,400,000 of pollution control bonds to finance environmental protection facilities being installed at the Gerald Andrus Steam Electric Station, and in October, Warren County sold \$8,575,000 of pollution control bonds to finance environmental protection facilities in connection with the conversion of the Baxter Wilson Steam Electric Station to burn fuel oil. The principal and interest on these bonds are being paid by MP&L under terms of installment sales agreements between the respective counties and the Company.

The short term debt issued by the Company decreased from \$15,100,000 at the beginning of 1974 to \$3,700,000 at year's end. This was the result of new financing and the sale of the Grand Gulf Nuclear Station to the new Middle South Utilities, Inc., subsidiary, Middle South Energy, Inc., and the sale of certain fuel unloading, storage, and handling facilities to System Fuels, Inc.

On September 1st, the Company retired \$12,000,000 of First Mortgage Bonds of 3 1/8% series, which matured.

Total construction expenditures for 1974 amounted to \$79,738,000. After reflecting the sale of facilities to Middle South Energy, Inc., and System Fuels, Inc., and minor adjustments, the net construction expenditures amounted to \$41,171,000.

## Grand Gulf and Gerald Andrus

Two major milestones that will help assure dependable

electric service to customers in the future occurred during the year. One was the granting of a construction permit for the 2,500,000 kilowatt Grand Gulf Nuclear Station near Port Gibson, by the Atomic Energy Commission on September 4, 1974. The \$1.2 billion facility will be financed and owned by Middle South Energy, Inc., the Middle South generating subsidiary, but will be constructed, operated and maintained by MP&L. A limited work authorization was granted on May 3, and site preparation started then. At year's end, site preparation was 75% complete.

Another milestone reached was completion of the 750,000 kilowatt Gerald Andrus Steam Electric Station at Greenville in December. Costing some \$107 million, the plant is the fifth in the Company system and the first built to burn fuel oil on a permanent basis.

#### Company Leadership

On May 22, Robert E. Kennington, II, president and chief executive officer of the Grenada Banking System was named to the board of directors. He is one of the state's leading business and civic leaders. In January, 1975, J. Herman Hines, chairman of the board of the Deposit Guaranty Corporation and the Deposit Guaranty National Bank, was named to the MP&L board, and Russ M. Johnson, retired official of the same

bank, and an MP&L director since 1969, was named to the advisory board.

Twenty-four managerial changes throughout the Company were made due to retirements, promotions and deaths.

Our Company "family" now consists of 1,401 employees, with the average tenure of service being 14 years. Without the loyal and dedicated service of these fellow workers, we would not have met the challenges of the past year. They assisted "beyond the call of duty" in patiently explaining such complex and hard to understand topics as "fuel cost adjustment" and "high bills", as well as carrying out assigned duties.

With the continued support of our employees, our customers, and our investors, we are confident future challenges will be overcome.

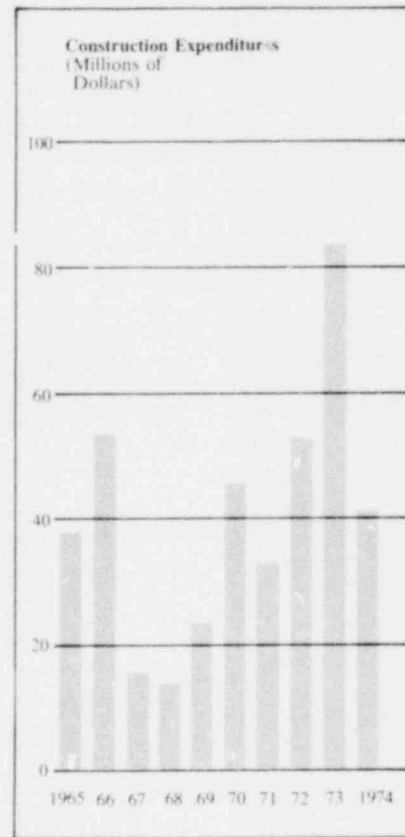
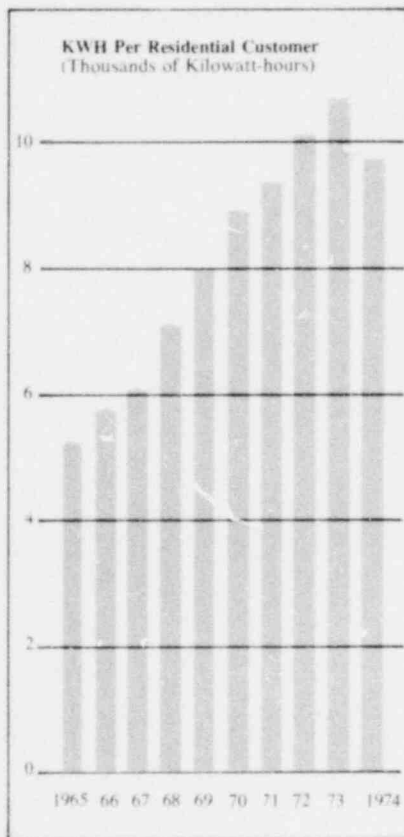
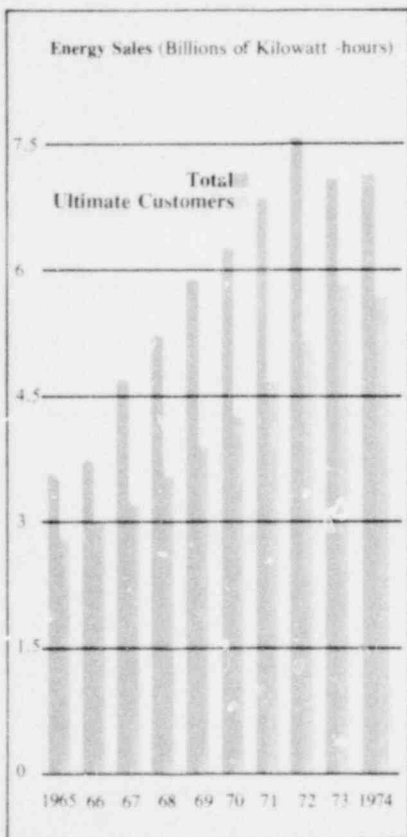
Sincerely,

*R. Baxter Wilson*

R. Baxter Wilson  
Chairman

*D. C. Lutken*

Donald C. Lutken  
President and  
Chief Executive



# 1974 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, which revenues are adjusted for the difference between estimated fuel costs used in billings and actual fuel costs incurred. Such differential is subsequently billed or credited to customers. Revenue is not accrued for energy delivered but not billed at the end of the fiscal period.

### C. UTILITY PLANT AND DEPRECIATION

Principally all of the utility plant is subject to the liens of the First Mortgage Bond indentures.

Utility plant is stated at original cost. The cost 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, replaced, or renewed, 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.

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 1974 and in 1973 amounted to approximately 3.0% on average depreciable property.

### D. PENSION PLAN

The Company has a pension plan covering substantially all of its employees. Pension costs in 1974 and 1973 amounted to \$1,209,000 and \$977,000, respectively, including amortization of unfunded prior service costs over a period of ten years. The policy of the

Company is to fund pension costs accrued.

The Company is studying the Employee Retirement Income Security Act of 1974 and preliminary studies indicate it will have no significant effect on the pension plan and its related 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 in proportion to its contributions 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 property.

### F. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

In accordance with the regulatory system of accounts, the Company capitalizes 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 nonoperating income. This practice recognizes these amounts as an appropriate cost of utility plant which, in accordance with established regulatory practices, are recovered through utility charges to customers. A composite rate of 7-1/2% per annum was used in 1974 and 1973 in calculating the allowance for funds used during construction.

### 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. These reserves are established on the basis of historical loss experience of the Company.

## Accountants' Opinion

### MISSISSIPPI POWER & LIGHT COMPANY

We have examined the balance sheet of Mississippi Power & Light Company as of December 31, 1974 and 1973 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.

As discussed in Note 6 to the financial statements, the Company has placed in effect, during 1974, rate increases which are subject to refund, with interest.

In our opinion, subject, as to 1974, to the final settlement of the rate matters referred to above, the above-mentioned financial statements present fairly the financial position of the Company at December 31, 1974 and 1973 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 consistently applied.

New Orleans, Louisiana  
February 14, 1975

*Franklin & Sells*

**Mississippi Power & Light Company**  
**Balance Sheet**  
**December 31, 1974 and 1973**

ASSETS	1974	1973
	In Thousands	
<b>UTILITY PLANT:</b>		
Electric plant .....	\$ 576,689	\$ 431,743
Construction work in progress .....	16,688	121,908
Electric plant acquisition adjustments .....	3,293	3,067
Total .....	596,670	556,718
Less accumulated depreciation .....	123,631	112,930
Utility plant—net .....	473,039	443,788
<b>OTHER PROPERTY AND INVESTMENTS—At cost:</b>		
Investment in associated company .....	9,764	5,039
Other .....	213	220
Total .....	9,977	5,259
<b>CURRENT ASSETS:</b>		
Cash (Note 2) .....	2,418	2,537
Special deposits .....	771	802
Accounts receivable:		
Customer and other—less allowance		
for doubtful accounts of \$154,000 .....	11,410	9,523
Associated companies .....	151	114
Materials and supplies—at average cost:		
Fuel .....	4,667	1,503
Other .....	6,363	4,512
Prepayments .....	250	295
Other .....	2,208	852
Total .....	28,238	20,138
<b>DEFERRED DEBITS:</b>		
Advances for fuel oil purchases .....	1,523	—
Advances for gas purchases .....	1,344	1,437
Accumulated deferred income taxes .....	1,205	—
Unamortized debt expense ..	1,177	574
Other .....	1,139	1,440
Total .....	6,388	3,451
<b>TOTAL</b> .....	<b>\$ 517,642</b>	<b>\$ 472,636</b>

See Notes to Financial Statements.

# LIABILITIES

## CAPITALIZATION:

### Proprietary capital:

	1974	1973
	In Thousands	
Preferred stock and premium (Page 9) .....	\$ 38,077	\$ 38,077
Common stock, no par value (stated value \$23 per share) authorized 5,000,000 shares; outstanding 4,540,000 shares in 1974 and 4,105,000 shares in 1973 .....	104,420	94,415
Paid-in surplus .....	5	5
Retained earnings (Note 5) .....	36,477	30,815
Total proprietary capital .....	178,979	163,312
Long-term debt (Page 9) .....	258,082	230,753
Total .....	437,061	394,065

## CURRENT LIABILITIES:

Notes payable—commercial paper (Note 2) .....	3,700	15,100
Accounts payable:		
Associated companies .....	3,363	3,315
Other .....	5,009	3,664
Customer deposits .....	4,555	4,152
Taxes accrued .....	8,049	10,584
Interest accrued .....	6,763	5,529
Dividends declared .....	596	596
Other .....	5,908	830
Total .....	37,543	43,770

## DEFERRED CREDITS:

Accumulated deferred income taxes .....	28,894	25,276
Accumulated deferred investment tax credits .....	11,406	6,759
Other .....	606	432
Total .....	40,906	32,467

## RESERVES:

Property insurance .....	799	997
Other .....	1,333	1,337
Total .....	2,132	2,334

TOTAL .....

\$ 517,642

\$ 472,636

## Mississippi Power & Light Company Statement of Income

For the years ended December 31, 1974 and 1973

	1974	1973
	In Thousands	
OPERATING REVENUES .....	\$ 178,441	\$ 126,642
OPERATING EXPENSES		
Operation:		
Fuel .....	65,859	32,051
Power purchased .....	27,114	14,376
Other .....	21,919	18,767
Maintenance .....	7,800	6,936
Depreciation .....	12,996	12,286
Taxes other than income taxes .....	9,924	8,781
Income taxes (Note 1) .....	(2,436)	6,542
Deferred income taxes—net (Note 1) .....	2,413	2,237
Investment tax credit adjustments—net (Note 1) .....	4,647	259
Total .....	150,236	102,235
OPERATING INCOME .....	28,205	24,407
OTHER INCOME AND DEDUCTIONS:		
Allowance for funds used during construction .....	8,883	5,453
Miscellaneous—net .....	306	236
Total .....	9,189	5,689
INTEREST CHARGES:		
Interest on long-term debt .....	15,504	12,215
Other interest—net of amortization of debt premium .....	1,436	535
Total .....	16,940	12,750
NET INCOME .....	\$ 20,454	\$ 17,346

See Notes to Financial Statements.

## Statement of Retained Earnings

For the years ended December 31, 1974 and 1973

RETAINED EARNINGS, JANUARY 1 .....	\$ 30,815	\$ 29,511
ADD—Net income .....	20,454	17,346
Total .....	51,269	46,857
DEDUCT:		
Dividends—cash:		
Preferred stock—at prescribed rate of each series .....	2,384	2,356
Common stock* .....	12,408	13,686
Total .....	14,792	16,042
RETAINED EARNINGS, DECEMBER 31 (Note 5) .....	\$ 36,477	\$ 30,815

\*1973 includes a special dividend of \$3,105,000 which was concurrently reinvested in the Company's common stock.

See Notes to Financial Statements.

# Mississippi Power & Light Company

## Schedule of Preferred Stock and Long-Term Debt

December 31, 1974 and 1973

December 31, 1974 and 1973	Shares Authorized		Shares Outstanding		Current Call Price
	1974	1973	1974	1973	Per Share
PREFERRED STOCK					
Cumulative, \$100 Par Value					
4.36% Series	60,000	60,000	59,920	59,920	\$ 103.86
4.56% Series	44,476	44,476	43,888	43,888	107.00
4.92% Series	100,000	100,000	100,000	100,000	104.38
9.16% Series	75,000	75,000	75,000	75,000	110.93
7.44% Series	100,000	100,000	100,000	100,000	108.39
Other Series	75,000	75,000	—	—	
Total	454,476	454,476	378,808	378,808	

In Thousands

Stated at \$100 a Share	\$ 37,881	\$ 37,881
Premium on Preferred Stock	196	196
Total	<u>\$ 38,077</u>	<u>\$ 38,077</u>

### LONG-TERM DEBT

#### First Mortgage Bonds:

3 1/8% Series due 1974	\$ —	\$ 12,000
2 7/8% Series due 1977	8,498	8,498
3 1/8% Series due 1979	7,500	7,500
2 7/8% Series due 1980	7,500	7,500
3 5/8% Series due 1983	12,000	12,000
4 1/8% Series due 1988	15,000	15,000
4 5/8% Series due 1995	20,000	20,000
5 1/8% Series due 1996	25,000	25,000
6 3/8% Series due 1996	10,000	10,000
9 5/8% Series due 1999	20,000	20,000
9 1/4% Series due 2000	17,500	17,500
7 3/4% Series due 2002	15,000	15,000
7 3/4% Series due 2003	30,000	30,000
8 1/4% Series due 2003	20,000	20,000
9 7/8% Series due 2004	25,000	—
	<u>232,998</u>	<u>219,998</u>

#### Principal Amount of Capitalized Lease—

8%, due serially through 1993	9,292	9,500
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#### Pollution Control Bonds:

7 1/2% due 2004 (net of \$113,000 cash held by Trustee)	9,287	—
8 1/2% due 2004 (net of \$3,504,000 cash held by Trustee)	5,071	—
Unamortized Premium on Debt	1,434	1,255

Total (Annual sinking fund requirements, which may be met by certification of proper additions at the rate of 167% of such requirements, amount to \$2,505,000 for 1975.)

	<u>\$ 258,082</u>	<u>\$ 230,753</u>
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See Notes to Financial Statements.

# Mississippi Power & Light Company

## Statement of Source of Funds For Utility Plant Additions

For the years ended December 31, 1974 and 1973

	1974	1973
	In Thousands	
<b>SOURCE OF FUNDS:</b>		
From operations:		
Net income	\$ 20,454	\$ 17,346
Less—dividends declared:		
Preferred stock	2,384	2,356
Common stock*	12,408	13,686
Total	14,792	16,042
Remainder	5,662	1,304
Depreciation	12,996	12,286
Deferred income taxes and investment tax credit adjustments—net	7,040	2,496
Allowance for funds used during construction	(8,883)	(5,453)
Total	16,835	10,633
From sale of securities:		
Common stock*	10,005	23,115
Preferred stock	—	10,000
First mortgage bonds (net after retirement of \$12,000,000 in 1974)	13,000	50,000
Pollution control bonds	14,358	—
Principal amount of capitalized financing lease	(208)	9,500
Short-term notes (net)	(11,400)	1,750
Total	25,755	94,365
From changes in working capital (excluding short-term debt) (a)	(2,924)	(2,242)
Less funds used for:		
Investment in associated company	(4,725)	(3,429)
Advances for fuel oil purchases	(1,523)	—
Other—net	(1,150)	(1,451)
Total	(10,302)	(7,122)
<b>TOTAL</b>	<b>\$ 32,288</b>	<b>\$ 97,876</b>
<b>UTILITY PLANT ADDITIONS:</b>		
Construction expenditures (exclusive of allowance for funds used during construction)	\$ 70,855	\$ 77,656
Less sale of fuel handling and storage facilities to System Fuels, Inc.	(9,000)	—
Less transfer of Grand Gulf Nuclear Station facilities to Middle South Energy, Inc.	(29,988)	—
Acquisition of Capital Electric Power Association properties	421	10,720
Capitalized financing lease	—	9,500
<b>TOTAL</b>	<b>\$ 32,288</b>	<b>\$ 97,876</b>
<b>(a) (Increase) decrease in working capital (excluding short-term debt):</b>		
Cash	\$ 119	\$ (497)
Accounts receivable	(1,924)	(2,417)
Materials and supplies:		
Fuel	(3,164)	591
Other	(1,851)	(1,547)
Accounts payable:		
Associated companies	48	(712)
Other	1,348	(702)
Accrued taxes	(2,535)	186
Accrued interest	834	1,799
Other—net	4,201	1,057
<b>TOTAL</b>	<b>\$ (2,924)</b>	<b>\$ (2,242)</b>

\*1973 includes a special dividend of \$3,105,000 which was concurrently reinvested in the Company's common stock.  
See Notes to Financial Statements.

# Notes to Financial Statements

## 1. INCOME TAXES

Income taxes (including amounts attributable to Other Income and Deductions — Miscellaneous, \$468,000 in 1974 and \$313,000 in 1973) consists of the following:

	1974	1973
Current income tax expense:		
Federal .....	\$(2,251,000)	\$6,240,000
State .....	283,000	615,000
Total .....	<u>(1,968,000)</u>	<u>6,855,000</u>
Deferred income tax expense — net:		
Federal .....	2,230,000	2,069,000
State .....	183,000	168,000
Total .....	<u>2,413,000</u>	<u>2,237,000</u>
Investment tax credit adjustments — net	4,647,000	259,000
Total .....	<u>\$5,092,000</u>	<u>\$9,351,000</u>

The provision for current income tax expense reflects net reductions resulting from:

- the utilization, for income tax purposes, of liberalized depreciation (including the class life method provided by the Internal Revenue Code) and accelerated amortization. The net provision for deferred income tax expense principally represents an amount equivalent to the tax on the excess of such liberalized tax depreciation and amortization over the straight-line tax depreciation and amortization, less (beginning in 1974) an amount equivalent to the taxes associated with certain revenues recognized for income tax purposes in advance of their being recognized for financial reporting purposes. Such revenues relate solely to meters read before the close of an accounting period for which billings are made to customers in the next succeeding accounting period,
- the exclusion from taxable income of the allowance for funds used during construction,
- the effects of currently certain overhead costs, which for book purposes are capitalized as part of the cost of utility plant,
- the deduction, currently, of the cost of removal of utility plant retired which for book purposes is charged to accumulated depreciation, and
- the utilization of investment tax credits which for book purposes are deferred.

The effective income tax rates for 1974 and 1973 were 20% and 35%, respectively.

The Federal income tax returns for the years 1967 and 1968 have been examined and assessments have been proposed by the Internal Revenue Service which are under protest; also, the years 1969-1974 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 \$40,000,000 through bank loans (not to exceed \$12,000,000) 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 unused lines of credit as of December 31, 1974, was \$12,000,000.

The notes payable to banks and holders of commercial paper are unsecured short-term loans with various maturity dates not in excess of nine months. The average interest rate on commercial paper outstanding at December 31, 1974 is 10.1%. The 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, 1974, the maximum aggregate amount of short-term borrowings outstanding at any one time was \$37,348,000. The average amount of short-term borrowings outstanding during the twelve months ended December 31, 1974 (based on the average of the sum of daily outstanding principal balances) approximated \$1,286,000 of bank loans and \$11,030,000 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 10.9% for banks loans and 9.7% for commercial paper.

## 3. LEASES

The total rentals charged to operating expenses for 1974 and 1973 were \$888,000 and \$807,000, respectively.

At December 31, 1974 there were non-cancellable leases with minimum rental commitments as follows:

1975	\$1,222,000
1976	1,204,000
1977	1,185,000
1978	1,143,000
1979	1,015,000
1980-84	2,056,000
1985-89	768,000
1990-94	641,000
Remainder	<u>713,000</u>
Total	<u>\$9,947,000</u>

The total minimum rental commitments is applicable to transmission and distribution properties (50%), transportation fleet (33%), and other (17%).

The aggregate of noncapitalized financing leases was immaterial.

## 4. COMMITMENTS AND CONTINGENCIES

The Company's construction program contemplates expenditures of approximately \$54,000,000 in 1975.

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 \$30,000,000 through December 31, 1973 and up to an additional \$90,000,000 through December 31, 1975. As of December 31, 1974 the Company had loaned \$9,761,000 to SFI pursuant to the loan agreements, and the Company's share of the unused loan

commitment is \$11,475,000. Loans mature in ten years from the date of borrowing under the initial agreement and in 25 years from the date of borrowing under the second agreement.

In connection with certain bank borrowings by SFI, totaling \$42,812,000 at December 31, 1974, 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 1974 SFI entered into a contract with ECOL Ltd. (E.C.O.L.), a non-affiliated company, to purchase over a twenty-year period up to 50,000 barrels per day of No. 6 fuel oil to be produced in a refinery to be constructed by ECOL in Louisiana. Deliveries of the refined oil to SFI are scheduled to commence in 1977. The construction of the refinery is to be financed in part by advance payments for oil by SFI aggregating \$67,500,000. These funds will be supplied to SFI by the Company and the other SFI stockholders as prepayments for future deliveries of oil. The Company's share of the prepayments is \$12,825,000 of which \$1,478,000 had been advanced through December 31, 1974. The prepayments plus interest thereon are to be repaid through fuel oil deliveries through the tenth contract year.

#### 5. RETAINED EARNINGS

The indenture provisions relating to the Company's long-term debt restrict the amount of retained earnings available for cash dividends on common stock. As of December 31, 1974, \$18,712,000 of retained earnings are free from such restrictions.

#### 6. RATE INCREASES

Operating revenues for the twelve months ended December 31, 1974 include approximately \$10,082,000 from increases in electric rate schedules placed into effect during 1974 subject to refund with interest. Reference should be made to page 3 for information concerning rate increases applied for in 1974.

#### 7. FUEL SUPPLY

In recent years, the Company has experienced severe curtailments of contracts for natural gas supplies pursuant to Federal Power Commission proceedings whereby priorities have been established for end use of natural gas, with boiler fuel being given a low priority. As a result, the Company is modifying extensively its major generating units in order to use fuel oil as a primary source of fuel. The Company is actively seeking sources of fuel for present and future generating units through SFI (Note 4), from spot purchases and short-term contracts, and from intrastate natural gas suppliers.

#### 8. RECLASSIFICATIONS

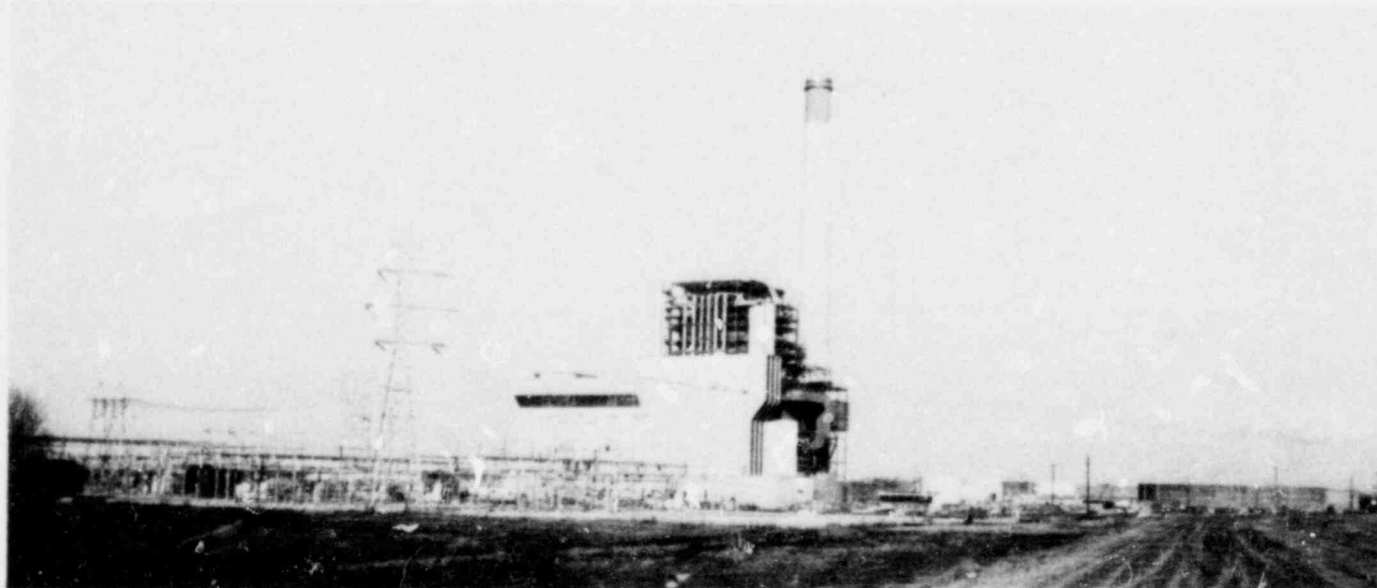
In accordance with orders of the Federal Power Commission which became effective January 1, 1974, the balance in contributions in aid of construction as of December 31, 1973, was credited to utility plant and to accumulated depreciation as applicable. Similarly, the balance of unamortized premium on long-term debt was reclassified to long-term debt. The 1973 amounts relating to these items and certain other items have been reclassified to conform to the current classification.

#### 9. NEW GENERATING UNIT

The 750,000 kilowatt Gerald Andrus Steam Electric Station at Greenville was completed in December, 1974. Since this unit is in commercial operation, capitalization of allowance for funds used during construction will cease with respect to this unit and depreciation will commence as operating expenses. During the year 1974, such allowance with respect to this unit amounted to \$6,517,000. The reduction in allowance for funds and the increased operating expenses for depreciation are expected to be offset by an increase in operating income resulting from the operation of this unit.

#### 10. ACCOUNTING POLICIES

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



*The 750,000 kilowatt Gerald Andrus Steam Electric Station, located just south of Greenville, was completed during the year. It is the fifth generating station in the Company system.*

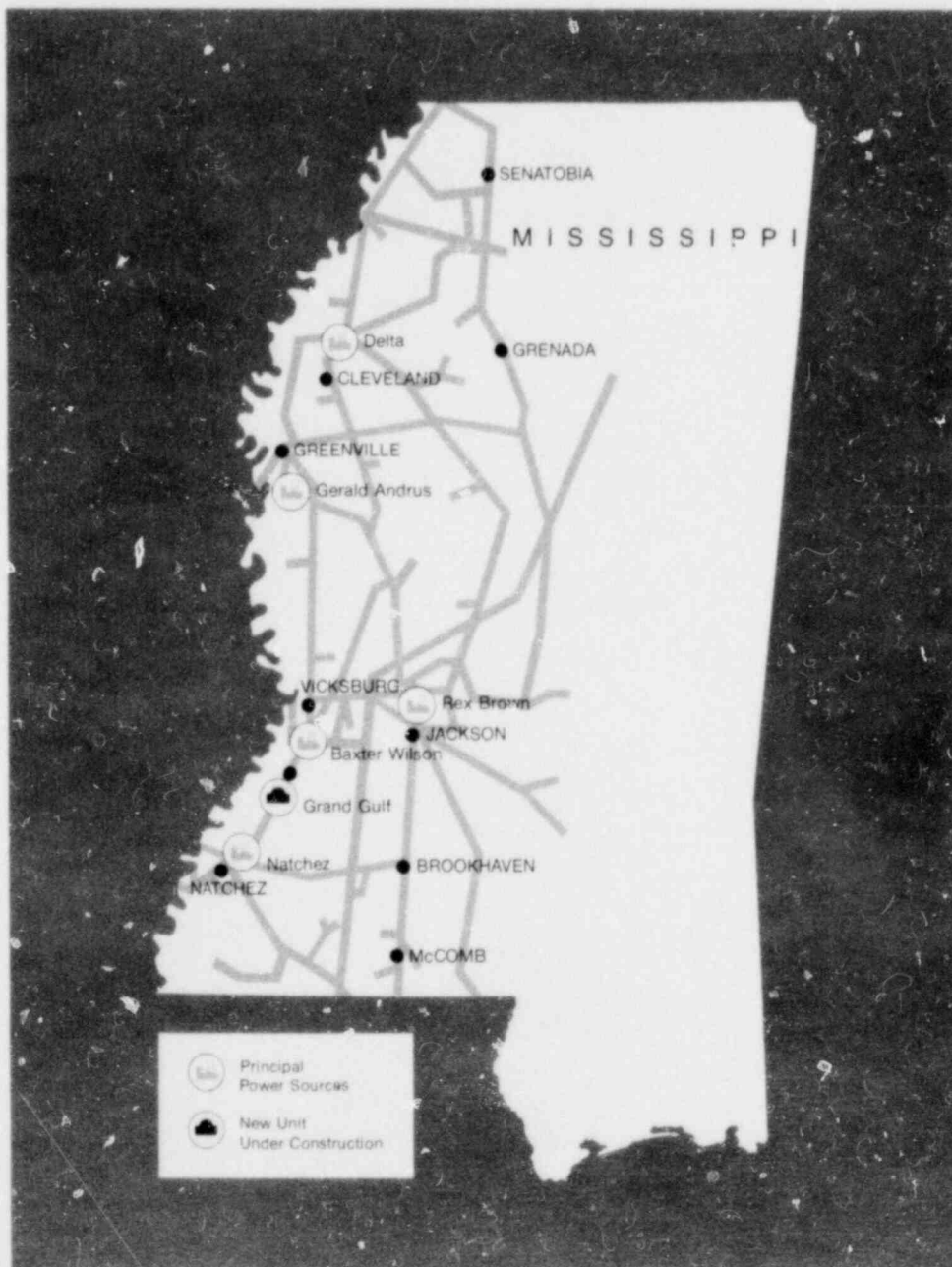
## Directors

R. Baxter Wilson  
 Donald C. Lutken  
 G. Lawrence Adams  
 Robert P. Cooke  
 Norman B. Gillis, Jr.  
 Robert M. Hearin  
 J. Herman Hines\*  
 Russ M. Johnson\*\*  
 J. H. Johnston, Jr., M.D.  
 Robert E. Kennington, II  
 Floyd W. Lewis  
 LeRoy P. Percy

*Jackson, Chairman of the Board*  
*Jackson, President and Chief Executive Officer of the Company*  
*Natchez, Attorney-at-Law*  
*Hernando, Chairman of the Board and President, The Hernando Bank*  
*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*  
*Chairman and Chief Executive, Grenada Banking System*  
*New Orleans, President, Middle South Utilities, Inc.*  
*Greenville, Planter*

\*Elected to the Board in January, 1975

\*\*Retired from the Board and named to the Advisory Board in January, 1975



**Mississippi Power & Light Company**  
**Record of Progress 1964 - 1974**

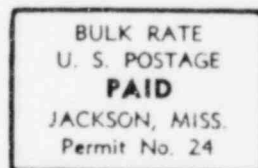
	1974	1973	1972
<b>ELECTRIC OPERATING REVENUES (000s OMITTED)</b>			
Residential .....	\$ 67,690	\$ 47,473	\$ 38,096
Commercial .....	43,559	31,294	25,701
Industrial .....	41,743	26,852	22,399
Government & Municipal .....	6,163	3,975	3,193
Cooperatives & Municipalities .....	13,362	9,915	9,884
Total From Energy Sales (Miss. Area) .....	172,517	119,509	99,273
Sales to Other Public Utilities .....	10,484	6,684	15,223
Total From Energy Sales .....	183,001	126,193	114,496
Miscellaneous Revenues .....	574	449	374
Deferred Fuel Adjustment Revenues* .....	(5,134)	—	—
Total Electric Operating Revenues .....	\$ 178,441	\$ 126,642	\$ 114,870
<b>ELECTRIC ENERGY SALES (MKWH)</b>			
Residential .....	2,268,954	2,356,073	2,032,670
Commercial .....	1,356,173	1,380,035	1,213,432
Industrial .....	1,793,055	1,787,741	1,677,137
Government & Municipal .....	271,233	262,645	238,624
Cooperatives & Municipalities .....	938,205	988,351	1,089,349
Total Energy Sales (Miss. Area) .....	6,627,620	6,774,845	6,251,212
Sales to Other Public Utilities .....	487,097	312,454	1,269,927
Total Electric Energy Sales .....	7,114,717	7,087,299	7,521,139
<b>ELECTRIC CUSTOMERS (END OF PERIOD)</b>			
Residential .....	237,085	229,761	206,227
Commercial .....	33,474	33,109	30,629
Industrial .....	3,267	3,213	3,168
Government & Municipal .....	1,759	1,731	1,618
Cooperatives & Municipalities .....	63	61	74
Total Customers (Miss. Area) .....	275,678	267,875	241,711
Other Public Utilities .....	1	1	2
Total Electric Customers .....	275,679	267,876	241,713
<b>SYSTEM INPUT (MKWH)</b>			
Mississippi Area .....	7,249,896	7,378,216	6,906,300
Other .....	4,353,673	4,160,152	5,081,123
Total System Input .....	11,603,569	11,538,368	11,987,423
<b>PEAK LOAD (MISS. AREA)—KW</b>			
	1,685,000	1,565,000	1,476,000
<b>LOAD FACTOR (MISS. AREA)—PER CENT</b>			
	49	54	53
<b>NET PLANT CAPABILITY—KW</b>			
Owned .....	2,752,000	2,002,000	2,002,000
Leased .....	—	—	—
Total .....	2,752,000	2,002,000	2,002,000
<b>CIRCUIT MILES OF ELECTRIC LINES</b>			
	17,461	17,146	14,279
<b>TOTAL ELECTRIC UTILITY PLANT (000s OMITTED)</b>			
Production .....	\$ 296,836	\$ 175,217	\$ 166,537
Transmission .....	105,626	91,535	91,068
Distribution .....	128,256	148,492	130,191
General & Other .....	14,752	14,355	13,598
Total Utility Plant Completed .....	\$75,470	430,599	401,394
Plant Held for Future Use .....	1,219	1,144	1,146
Construction Work in Progress .....	16,688	121,908	50,070
Electric Plant Acquisition Adjustments .....	3,293	3,067	—
Total Utility Plant .....	\$ 596,670	\$ 556,718	\$ 452,610

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

1971	1970	1969	1968	1967	1966	1965	1964
\$ 32,499	\$ 30,097	\$ 27,353	\$ 24,528	\$ 21,573	\$ 20,389	\$ 19,006	\$ 18,051
22,126	20,290	18,507	16,797	15,126	13,939	13,348	12,702
19,139	17,535	17,076	15,979	15,037	14,228	13,661	13,127
2,842	2,707	2,437	2,194	2,003	1,876	1,476	1,344
7,914	7,027	6,299	5,592	4,796	4,446	4,114	3,760
84,820	77,656	71,672	65,090	58,535	54,878	51,605	48,984
9,423	4,911	5,090	4,452	4,929	426	229	1,647
94,243	82,567	76,762	69,542	63,464	55,304	51,834	50,631
393	364	342	309	279	276	266	239
—	—	—	—	—	—	—	—
\$ 94,636	\$ 82,931	\$ 77,104	\$ 69,851	\$ 63,743	\$ 55,580	\$ 52,100	\$ 50,870
1,802,675	1,674,415	1,470,430	1,274,923	1,069,029	991,362	890,865	790,567
1,091,553	1,007,557	907,912	823,035	738,521	677,002	659,009	595,765
1,624,499	1,464,602	1,410,912	1,351,195	1,345,938	1,267,425	1,188,664	1,082,012
219,463	210,951	179,178	157,279	142,904	136,781	98,118	96,592
966,015	959,649	850,842	765,837	659,025	601,110	547,959	496,527
5,704,205	5,317,174	4,829,274	4,372,269	3,955,417	3,673,680	3,384,615	3,061,463
1,282,153	984,933	1,143,398	870,335	832,157	108,742	58,217	330,429
6,986,358	6,302,107	5,972,672	5,242,604	4,787,574	3,782,422	3,442,832	3,391,892
198,435	191,529	187,670	183,538	180,415	175,783	173,570	169,857
29,453	28,419	28,109	27,532	26,941	26,149	25,568	25,006
3,209	3,140	3,022	2,990	2,892	2,816	2,757	2,712
1,558	1,514	1,447	1,393	1,347	1,318	1,228	1,226
75	71	70	67	64	63	57	57
232,730	224,673	220,318	215,520	211,659	207,129	203,180	198,858
3	4	4	4	2	2	2	2
232,733	224,677	220,322	215,524	211,661	207,131	203,182	198,860
6,246,040	5,875,777	5,326,174	4,783,640	4,337,494	4,062,033	3,730,378	3,368,266
4,700,857	4,429,887	4,957,040	3,677,783	2,318,574	334,842	58,217	330,429
10,946,897	10,305,664	10,283,214	8,461,423	6,656,068	4,396,875	3,788,525	3,698,695
1,343,000	1,238,000	1,176,000	1,005,000	924,000	887,000	788,000	718,000
53	54	51	53	54	52	54	53
2,002,000	1,231,000	1,231,000	1,231,000	1,220,000	1,220,000	683,000	683,000
—	—	—	—	—	—	3,000	3,000
2,002,000	1,231,000	1,231,000	1,231,000	1,220,000	1,220,000	686,000	686,000
14,061	13,892	13,783	13,588	13,418	13,103	12,828	12,716
\$ 166,364	\$ 106,319	\$ 106,434	\$ 106,582	\$ 106,030	\$ 105,379	\$ 61,444	\$ 61,599
85,074	79,225	79,218	76,988	71,350	56,415	33,684	32,659
124,523	119,198	113,428	108,049	102,827	97,968	91,664	86,447
13,372	13,283	12,401	11,765	8,429	7,689	7,331	7,705
389,333	318,125	311,481	303,384	288,636	267,451	194,123	188,410
594	564	564	511	396	394	152	—
12,396	53,257	16,445	3,524	6,844	13,612	34,765	5,395
—	—	—	—	—	—	—	—
\$ 402,323	\$ 371,946	\$ 328,490	\$ 307,419	\$ 295,876	\$ 281,457	\$ 229,040	\$ 193,805



*Site preparation for the \$1.2 billion Grand Gulf Nuclear Station, located north of Port Gibson in Claiborne County, was approximately 75% complete at year's end. A full construction permit for the 2,500,000 kilowatt facility was granted in September.*



Mississippi Power & Light Company  
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Jackson, Mississippi 39205

Eddie Williams  
Board Room