MISSISSIPPI POWER & LIGHT COMPANY
Helping Build Mississippi
P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

July 17, 1981

NORRIS L. STAMPLEY
SENIOR VICE PRESIDENT

U. S. Nuclear Regulatory Commission
Office of Nuclear Reactor Regulation
Washington, DC 20555

Attention: Mr. Harold R. Denton, Director

Dear Mr. Denton:

Subject: Grand Gulf Nuclear Station
Units 1 and 2
Docket Nos. 50-416 and 50-417
File 0260/16551
Responses to Utility Finance Branch Questions
AECM-81/230

Pursuant to your request by letter dated May 26, 1981 (R. L. Tedesco, NRC, to J. P. McGaughy, MP&L, MAEC-81/99), Mississippi Power & Light (MP&L) is providing the attached additional information for your review.

The information represents responses to formal questions from Utility Finance Branch and is presented in question and response format. Responses applicable only to Grand Gulf Nuclear Station, Unit 1 are so indicated.

In response to Question 410.1(a) pertaining to projected plant capacity factors, MP&L is submitting annual cost estimates using corporate planning plant capacity factors. In accordance with a June 26, 1981 telephone conversation between Mr. Alan Wright of Middle South Services and Mr. Darrel Nash and Mr. Jerry Saltzman of your office, a 10% differential study is provided. This study reflects a plant capacity factor varying in the range of 53% to 60%.

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Formal documentation of responses to these questions will be provided in the August, 1981 amendment to the Grand Gulf Final Safety Analysis Report. If you have any questions or require further information, please contact this office.

Sincerely,

N L Stampley

NLS:dp

Attachments: Responses to NRC Utility Finance Branch Questions

1. 410.1
2. 410.2
3. 410.3
4. 410.4
5. 410.5
6. 410.6
7. 410.7
8. 410.8
9. 410.9

cc: Mr. J. P. McGaughy
Mr. R. B. McGehee
Mr. T. B. Conner
Mr. G. B. Taylor

Mr. Victor Stello, Jr., Director
Office of Inspection & Enforcement
U. S. Nuclear Regulatory Commission
Washington, DC 20555

410.1 a. Indicate the estimated annual cost by year to operate each unit of the subject facility for the first seven full years of each unit's commercial operation. The types of costs included in the estimates should be indicated and include (but not necessarily be limited to) operation and maintenance expense (with fuel costs shown separately), depreciation, taxes and a reasonable return on investment. (Enclosed is a form which should be used for each year of the seven year period.) Indicate the projected plant capacity factor (in percent) for each unit during each of the seven years. Provide separate estimates using 50 percent and 60 percent plant capacity factors.

b. Indicate the unit price per kWh experienced by each applicant on system-wide sales of electric power to all customers for the most recent 12-month period.

RESPONSE

A. Attached is the estimated annual cost by year to operate Grand Gulf Nuclear Station, Unit 1, for the first seven full years of commercial operation using corporate planning plant capacity factors.

B. The unit price per kWh of electric power to all customers for the most recent 12 month period is listed below:

	Revenue (mills per kWh)	
Month	Mississippi Power & Light	South Mississippi Electric Power Association
June 1980	39.22	36.47
July 1980	38.30	35.59
August 1980	43.00	36.28
September 1980	41.59	36.95
October 1980	49.27	37.59
November 1980	50.39	38.72
December 1980	44.07	39.33
January 1981	51.77	40.16
February 1981	51.76	41.17
March 1981	48.24	39.45
April 1981	47.42	41.21
May 1981	51.54	41.65

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1983

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 64.4 %)	$ 52,369
2. Other operation and maintenance expenses	29,781
3. Property and liability insurance	3,792
TOTAL O & M EXPENSES	85,942
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,324
Other	2,361
Total taxes other than income taxes	11,685
Income taxes - Federal	46,547
Income taxes - other	1,918
Deferred income taxes - net	22,150
Investment tax credit adjustments - net	37,185
Return[1] and cost of money	345,145
TOTAL ANNUAL COST OF OPERATION	$ 642,148

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1984

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 64.8 %)	$ 50,343
2. Other operation and maintenance expenses	32,769
3. Property and liability insurance	3,876
TOTAL O & M EXPENSES	86,988
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,312
Other	2,873
Total taxes other than income taxes	12,185
Income taxes - Federal	41,029
Income taxes - other	2, 20
Deferred income taxes - net	15,347
Investment tax credit adjustments - net	48,812
Return[1] and cost of money	306,844
TOTAL ANNUAL COST OF OPERATION	$ 605,201

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1985

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 69.7 %)	$ 58,908
2. Other operation and maintenance expenses	36,050
3. Property and liability insurance	4,080
TOTAL O & M EXPENSES	99,0[illegible]8
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,900
Other	3,264
Total taxes other than income taxes	13,164
Income taxes - Federal	49,336
Income taxes - other	2,904
Deferred income taxes - net	16,564
Investment tax credit adjustments - net	41,785
Return[1] and cost of money	259,179
TOTAL ANNUAL COST OF OPERATION	$573,546

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: GRAND GULF UNIT NO. 1
FOR THE CALENDAR YEAR 1986
(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 69.9%)	$ 64,424
2. Other operation and maintenance expenses	39,637
3. Property and liability insurance	4,334
TOTAL O & M EXPENSES	108,395
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	10,668
Other	3,370
Total taxes other than income taxes	14,038
Income taxes - Federal	48,184
Income taxes - other	3,482
Deferred income taxes - net	2,847
Investment tax credit adjustments - net	48,922
Return[1] and cost of money	227,664
TOTAL ANNUAL COST OF OPERATION	$545,108

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: GRAND GULF UNIT NO. 1
FOR THE CALENDAR YEAR 1987
(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 70.0 %)	$ 70,368
2. Other operation and maintenance expenses	43,575
3. Property and liability insurance	4,649
TOTAL O & M EXPENSES	118,592
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	11,604
Other	3,479
Total taxes other than income taxes	15,083
Income taxes - Federal	94,138
Income taxes - other	5,422
Deferred income taxes - net	(3,020)
Investment tax credit adjustments - net	4,576
Return[1] and cost of money	207,481
TOTAL ANNUAL COST OF OPERATION	$533,848

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1988

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 70.0%)	$ 77,044
2. Other operation and maintenance expenses	47,933
3. Property and liability insurance	4,700
TOTAL O & M EXPENSES	129,677
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	12,600
Other	3,665
Total taxes other than income taxes	16,265
Income taxes - Federal	80,457
Income taxes - other	10,268
Deferred income taxes - net	(4,676)
Investment tax credit adjustments - net	4,783
Return[1] and cost of money	194,147
TOTAL ANNUAL COST OF OPERATION	$522,497

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1989

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 70.0 %)	$ 83,600
2. Other operation and maintenance expenses	52,798
3. Property and liability insurance	4,735
TOTAL O & M EXPENSES	141,133
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	12,803
Other	3,745
Total taxes other than income taxes	16,548
Income taxes - Federal	79,692
Income taxes - other	6,631
Deferred income taxes - net	(4,535)
Investment tax credit adjustments - net	(3,780)
Return[1] and cost of money	194,715
TOTAL ANNUAL COST OF OPERATION	$ 521,980

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING
UNIT: GRAND GULF UNIT NO. 1
FOR THE CALENDAR YEAR 1983
(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 53.7 %)	$ 43,633
2. Other operation and maintenance expenses	29,781
3. Property and liability insurance	3,792
TOTAL O & M EXPENSES	77,206
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,324
Other	2,361
Total taxes other than income taxes	11,685
Income taxes - Federal	46,486
Income taxes - other	1,918
Deferred income taxes - net	22,150
Investment tax credit adjustments - net	36,744
Return[1] and cost of money	344,652
TOTAL ANNUAL COST OF OPERATION	$632,417

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1984

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 54.9%)	$ 42,642
2. Other operation and maintenance expenses	32,769
3. Property and liability insurance	3,876
TOTAL O & M EXPENSES	79,287
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,312
Other	2,873
Total taxes other than income taxes	12,185
Income taxes - Federal	41,000
Income taxes - other	2,420
Deferred income taxes - net	15,347
Investment tax credit adjustments - net	48,889
Return[1] and cost of money	307,553
TOTAL ANNUAL COST OF OPERATION	$598,257

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1985

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 58.9 %)	$ 49,744
2. Other operation and maintenance expenses	36,050
3. Property and liability insurance	4,080
TOTAL O & M EXPENSES	89,874
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	9,900
Other	3,264
Total taxes other than income taxes	13,164
Income taxes - Federal	49,374
Income taxes - other	2,904
Deferred income taxes - net	16,564
Investment tax credit adjustments - net	41,766
Return[1] and cost of money	2[illegible]9,231
TOTAL ANNUAL COST OF OPERATION	$ 564,453

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1986

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%, Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 60.0%)	$ 55,227
2. Other operation and maintenance expenses	39,637
3. Property and liability insurance	4,334
TOTAL O & M EXPENSES	99,198
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	10,668
Other	3,370
Total taxes other than income taxes	14,038
Income taxes - Federal	47,680
Income taxes - other	3,482
Deferred income taxes - net	2,847
Investment tax credit adjustments - net	49,349
Return[1] and cost of money	228,164
TOTAL ANNUAL COST OF OPERATION	$536,334

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1987

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 60.0 %)	$ 60,488
2. Other operation and maintenance expenses	43,575
3. Property and liability insurance	4,649
TOTAL O & M EXPENSES	108,712
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	11,604
Other	3,480
Total taxes other than income taxes	15,084
Income taxes - Federal	94,268
Income taxes - Other	5,374
Deferred income taxes - net	(3,020)
Investment tax credit adjustments - net	4,574
Return[1] and cost of money	207,742
TOTAL ANNUAL COST OF OPERATION	$524,310

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1988

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 60.0 %)	$ 65,980
2. Other operation and maintenance expenses	47,933
3. Property and liability insurance	4,700
TOTAL O & M EXPENSES	118,613
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	12,600
Other	3,666
Total taxes other than income taxes	16,266
Income taxes - Federal	76,354
Income taxes - other	9,368
Deferred income taxes - net	(4,676)
Investment tax credit adjustments - net	4,783
Return[1] and cost of money	189,574
TOTAL ANNUAL COST OF OPERATION	$501,858

[1] Assumes 14% overall return on average common equity.

ATTACHMENT FOR ITEM NO. 410.1(a)

ESTIMATED ANNUAL COST OF OPERATING NUCLEAR GENERATING

UNIT: GRAND GULF UNIT NO. 1

FOR THE CALENDAR YEAR 1989

(thousands of dollars)

Note: Amounts Shown Represent MSEI Ownership (87.52%) Only

Operation and maintenance expenses	
1. Nuclear fuel expense (plant factor 59.9%)	$ 71,526
2. Other operation and maintenance expenses	52,798
3. Property and liability insurance	4,735
TOTAL O & M EXPENSES	129,059
Depreciation and Decommissioning expense	91,576
Taxes other than income taxes	
Property taxes	12,803
Other	3,746
Total taxes other than income taxes	16,549
Income taxes - Federal	71,693
Income taxes - other	6,125
Deferred income taxes - net	(4,535)
Investment tax credit adjustments - net	(3,780)
Return[1] and cost of money	176,730
TOTAL ANNUAL COST OF OPERATION	$483,417

[1] Assumes 14% overall return on average common equity.

410.2 Indicate the estimated costs of permanently shutting down each unit of the facility, stating what is included in such costs, the assumptions made in estimating the costs, the type of shutdown contemplated, and the intended source of funds to cover these costs.

RESPONSE

Costs will vary among the several methods which may be employed in facility decommissioning. Of the options available, several are presented below with initial estimated associated costs:

GRAND GULF NUCLEAR STATION
Unit 1
Total Estimated Costs of Decommissioning
1981 Constant Dollars (millions)

Mothballing	$191.961
Entombment	180.495
Immediate Dismantlement	93.442

These estimated costs include the following broad categories of anticipated costs:

GRAND GULF NUCLEAR STATION

Estimated Supporting Costs of Decommissioning
1981 Constant Dollars (millions)

	Mothballing	Entombment	Immediate Dismantlement
Radioactive Waste Disposal	1.800	$ 5.500	$10.900
Utilities	11.000	15.600	14.800
Project Engineering/ Management Staff	5.900	8.900	6.400
Field Decommissioning Staff	7.500	11.700	13.400
Facility Demolition	-	10.420	17.140
Nuclear Insurance	0.660	1.200	1.020
Local Property Taxes During 5 Years of Dismantling	83.500	56.250	4.996
Final Dismantling Costs	34.100	25.880	-
Special Tools, Miscellaneous Supplies, Etc.	9.111	8.946	6.098
25% Contingency	38.390	36.099	18.688
TOTAL	$191.961	$180.495	$93.442

The assumptions made in estimating the above costs are:

1. The initial estimates include Grand Gulf Nuclear Station Unit 1 only.

2. Mothballing of Unit 1 for approximately a six year period until the final shutdown of Unit 2.

3. Appropriate engineering and technical factors relating to specific methods of decommissioning were considered.

4. Appropriate fees and taxes were included.

Several methods of funding decommissioning costs are under consideration by the utility industry. No determination has been made as to the final funding method by Middle South Energy, Inc. (MSE), but MSE expects to collect through increased revenue requirements sufficient cash to provide for these decommissioning costs.

410.3 Provide an estimate of the annual cost to maintain each unit of the shutdown facility in a safe condition. Indicate what is included in the estimate, assumptions made in estimating costs, and the intended source of funds to cover these costs.

RESPONSE

Once decommissioned, costs to maintain a shutdown facility will depend upon the method employed in the decommissioning process. Annual costs for maintaining the Grand Gulf Nuclear Station during a surveillance period following mothballing are estimated to be $131,282. Similar annual costs associated with entombment are estimated at one half mothballing costs at $65,641. Dismantlement processes allow conversion to non-nuclear uses, therefore there are no associated costs to maintain a facility. The following broad category of costs were considered in estimating the costs associated with surveillance following mothballing:

ESTIMATED ANNUAL COSTS

Mothballing Surveillance Period
1981 Constant Dollars

	Costs
Submission of Reports to NRC as required	$ 10,260
Security Off-Site Guard	43,500
Other Staffing Requirements	17,550
Environmental Radiological Monitoring Program	25,630
Utilities and Services	15,000
Third Party Inspection	9,000
Equipment, Supplies, Insurance, etc.	3,842
Annual Maintenance Allowance for Repairs	6,500
TOTAL	$131,282

Assumptions in estimating these costs and the intended source of funds are provided in the response to Question 410.2.

410.4 If the facility is jointly-owned, provide copies of the joint participation agreement setting forth the procedures by which the applicants will share operating expenses and decommissioning costs.

RESPONSE

Application For Amendment of Construction Permit Nos. CPPR-118 and CPPR-119 for the Grand Gulf Nuclear Station to include South Mississippi Electric Power Association as a co-owner of the facility, Docket Nos. 50-417, was transmitted to the Nuclear Regulatory Commission by letter to Mr. Harold R. Denton from Mr. N. L. Stampley, Senior Vice President, Mississippi Power & Light Company, dated April 3, 1980 (letter No. AECM-80/65). The Exhibits to the Application are as follows:

Exhibit A	Joint Construction, Acquisition and Ownership Agreement between Middle South Energy, Inc. and South Mississippi Electric Power Association (SMEPA), dated as of May 1, 1980.
Exhibit B	Operating Agreement between Middle South Energy, Inc. and SMEPA, dated as of May 1, 1980.
Exhibit C	Substitute Power Agreement among Middle South Energy, Inc., Mississippi Power & Light Company, and SMEPA, dated as of May 1, 1980.
Exhibit D	SMEPA's Annual Report of 1980.
Exhibit E	SMEPA Additional Financial Information.

410.5 Provide copies of the prospectus for the most recent security issue and copies of the most recent SEC Form 10-K and 10-Q. Provide copies of the preliminary prospectus for any pending security issue. Submit copies of the Annual Report to Stockholders each year as required by 10 CFR 50.71(b).

RESPONSE

The following documents are attached:

1. Middle South Utilities, Inc. (MSU) SEC Form 10-K for Fiscal Year ended December 31, 1980.

2. MSU SEC Form 10-Q for Quarter ended March 31, 1981.

3. MSU Common Stock Prospectus dated April 28, 1981 and supplemented May 5, 1981.

4. 1980 Annual Report for MSU. As required by 10 CFR 50.71 (b), copies of the Annual Report to Stockholders will be submitted annually.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1980

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-3517	MIDDLE SOUTH UTILITIES, INC. (A Florida Corporation) 225 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 529-5262	13-5550175
0-375	ARKANSAS POWER & LIGHT COMPANY (An Arkansas Corporation) P.O. Box 551 Little Rock, Arkansas 72203 Telephone (501) 371-4000	71-0005900
0-1236	LOUISIANA POWER & LIGHT COMPANY (A Louisiana Corporation) 142 Delaronde Street New Orleans, Louisiana 70174 Telephone (504) 366-2345	72-0245590
0-320	MISSISSIPPI POWER & LIGHT COMPANY (A Mississippi Corporation) P.O. Box 1640 Jackson, Mississippi 39205 Telephone (601) 969-2311	64-0205830
1-1319	NEW ORLEANS PUBLIC SERVICE INC. (A Louisiana Corporation) 317 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 586-2121	72-0273040

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Class	Outstanding at February 28, 1981	Name of Each Exchange on Which Registered
Middle South Utilities, Inc.	Common Stock, $5 Par Value	108,052,530	New York Stock Exchange, Inc. Midwest Stock Exchange Incorporated Pacific Stock Exchange Incorporated

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Class
Arkansas Power & Light Company	Preferred Stock, Cumulative, $100 Par Value
	Preferred Stock, Cumulative, $25 Par Value
Louisiana Power & Light Company	Preferred Stock, Cumulative, $100 Par Value
	Preferred Stock, Cumulative, $25 Par Value
Mississippi Power & Light Company	Preferred Stock, Cumulative, $100 Par Value
New Orleans Public Service Inc.	Preferred Stock, Cumulative, $100 Par Value
	4¾% Preferred Stock, Cumulative, $100 Par Value

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes ✓ No__

The aggregate market value of Middle South Utilities, Inc. Common Stock, $5 Par Value, held by non-affiliates, was $1,309,488,651, based on the reported last sale price of such stock on the New York Stock Exchange on February 27, 1981. Middle South Utilities, Inc. is the sole holder of the common stock of Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Description	Part of Form 10-K Into Which Document Is Incorporated
Portions of Annual Reports to Shareholders of the following companies for the fiscal year ended December 31, 1980 as set forth in Part II: Middle South Utilities, Inc. Arkansas Power & Light Company Louisiana Power & Light Company Mississippi Power & Light Company New Orleans Public Service Inc.	Part II
Portions of Proxy Statement of Middle South Utilities, Inc. to be filed in connection with its Annual Meeting of Stockholders to be held May 15, 1981 as set forth in Part III	Part III

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Page Number

This combined Form 10-K is separately filed by Middle South Utilities, Inc., Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

DEFINITIONS

The following abbreviations or acronyms used in the text and notes are defined below:

Abbreviation or Acronym	Term
AEC	Atomic Energy Commission
AECC	Arkansas Electric Cooperative Corporation
AFDC	Allowance for Funds Used During Construction
Ambient Air Standards	National Ambient Air Quality Standards
ANO	AP&L's Arkansas Nuclear One Generating Station
ANO No. 1	Unit No. 1 of ANO
ANO No. 2	Unit No. 2 of ANO
AP&L	Arkansas Power & Light Company
APSC	Arkansas Public Service Commission
Ark-Mo	Arkansas-Missouri Power Company
Associated	Associated Natural Gas Company
Company or MSU	Middle South Utilities, Inc.
Conway	The City of Conway, Arkansas
Council	Council of the City of New Orleans
CWIP	Construction Work in Progress
DOE	Department of Energy
EPA	Environmental Protection Agency
EPRI	Electric Power Research Institute
ERA	Economic Regulatory Administration
ERDA	Energy Research and Development Administration
FERC	Federal Energy Regulatory Commission
FPC	Federal Power Commission
FWPCA	Federal Water Pollution Control Act
Grand Gulf Plant	MSE's Grand Gulf Generating Station (nuclear)
Holding Company Act	Public Utility Holding Company Act of 1935
Independence Plant	AP&L's Independence Steam Electric Generating Station (coal)
Jonesboro	City Water and Light Plant of the City of Jonesboro, Jonesboro, Arkansas
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
MEAM	Municipal Energy Agency of Mississippi
Middle South System	The Company and its various direct and indirect subsidiaries
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
MSE	Middle South Energy, Inc.
MSS	Middle South Services, Inc.
MSU or Company	Middle South Utilities, Inc.
NOPSI	New Orleans Public Service Inc.
NPDES	National Pollutant Discharge Elimination System

Abbreviation or Acronym	Term
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
Osceola	The City of Osceola, Arkansas
PSCM	Public Service Commission of Missouri
PSD	Prevention of Significant Deterioration of Air Quality
RCRA	Resource Conservation and Recovery Act
Reynolds	Reynolds Metals Company
SEC	Securities and Exchange Commission
SFI	System Fuels, Inc.
SMEPA	South Mississippi Electric Power Association
SPA	Southwestern Power Administration
System Agreement	Agreement, effective July 2, 1973, among the System operating companies and Ark-Mo, relating to the sharing of generating capacity and other power sources
System operating companies	AP&L, LP&L, MP&L and NOPSI
TPSC	Tennessee Public Service Commission
TVA	Tennessee Valley Authority
United	United Gas Pipe Line Company
Waterford No. 3	LP&L's Waterford Steam Electric Generating Station—Unit No. 3 (nuclear)
West Memphis	The City of West Memphis, Arkansas
White Bluff Plant	AP&L's White Bluff Steam Electric Generating Station (coal)
White Bluff No. 1	Unit No. 1 of the White Bluff Plant
White Bluff No. 2	Unit No. 2 of the White Bluff Plant

PART I

Item 1. *Business*

GENERAL

MSU, incorporated under the laws of the State of Florida on May 27, 1949, is a holding company registered under the Holding Company Act and neither owns nor operates any physical properties. MSU is the owner of all the outstanding common stock of its operating subsidiaries, AP&L, LP&L, MP&L and NOPSI.

Effective as of January 1, 1981, the electric operations of Ark-Mo, the common stock of which had been owned by MSU, were consolidated with those of AP&L. Ark-Mo's wholly-owned subsidiary, Associated, became a subsidiary of AP&L. See "Regulation and Litigation—Holding Company Act" for further information with respect to the consolidation of the operations of AP&L and Ark-Mo.

The two other wholly-owned principal subsidiaries of MSU are MSS, a service company, and MSE, a generating company formed in 1974 to undertake the construction, financing and ownership of certain base load generating units. In 1972, AP&L, LP&L, MP&L and NOPSI formed a special purpose company, SFI, to plan and implement programs for the procurement, delivery and storage of fuel supplies for the Middle South System.

INDUSTRY AND COMPANY PROBLEMS

The electric utility industry in general is currently experiencing problems in a number of areas, including increasing costs of fuel, wages and materials, greater capital outlays and longer construction periods for the larger and more complex new generating units needed to meet current and future service requirements of customers, increased reliance on capital markets with higher costs and limited availability of both equity and borrowed capital, compliance with environmental requirements, controversies over the use of nuclear power, regulatory lag in granting needed rate increases and the inadequacy of such increases when granted. In addition, Federal energy legislation enacted in 1978 may adversely affect electric utilities, including the Middle South System. Summarized below are certain factors currently affecting the Middle South System.

Construction Program and Financing Requirements and Restrictions

Construction expenditures (exclusive of nuclear fuel costs) for the Middle South System during the period of 1981 through 1983 were estimated at January 31, 1981 by MSU to be $2,437 million (including $556 million in AFDC). In addition, during the period 1981 through 1983, the Middle South System will need to raise $306 million to refinance maturing debt or to meet sinking fund requirements and $9 million to redeem preferred stock pursuant to sinking fund requirements. During this period, the Middle South System will need to obtain a substantial portion of these funds in the financial markets, which have been characterized in recent years by high interest rates for debt and high dividend rates for preferred stock as well as limited availability of capital. Moreover, the System operating companies' ability to issue additional first mortgage bonds and shares of preferred stock is limited by certain earnings coverage tests.

Under their respective earnings coverage tests as of December 31, 1980, AP&L would have been precluded from issuing additional first mortgage bonds, except for refunding purposes, and AP&L and NOPSI would have been precluded from issuing any additional preferred stock. Based upon the same coverage tests and assuming the availability of bondable property, LP&L, MP&L and NOPSI could have issued, based on earnings which, in the case of LP&L, include $8,037,000 of revenues subject to refund, in the aggregate, approximately $115,000,000 of preferred stock at an assumed annual dividend rate of 16% or $240,000,000 of first mortgage bonds at an assumed annual interest rate of 16%, plus any first mortgage bonds issued for refunding purposes. (See "Future Financing" for the amounts

of bonds or preferred stock issuable at December 31, 1980 by AP&L, LP&L, MP&L and NOPSI under their respective coverage tests, and for future financing requirements, including those of SFI and MSE.) The future ability of AP&L, LP&L, MP&L and NOPSI to issue additional first mortgage bonds and preferred stock is contingent upon increases in their earnings and upon their ability to obtain adequate rate relief. (See "Rate Matters".)

To satisfy the financing requirements of its construction program during 1981-1983, MSE is negotiating additional borrowing arrangements (see "Future Financing").

In April 1980, as a result of record levels of financing costs and other inflationary pressures resulting in reduced earnings in certain of the Company's subsidiaries, the Middle South System initiated a concentrated effort to reduce cash outlays and financing requirements. All areas of the construction program were reviewed for possible reductions, including proposed expenditures for generation, transmission and distribution facilities. In addition, reductions were sought in operating expenses and working capital requirements. The construction program discussed herein reflects these efforts.

A Presidential Commission, Congress and the NRC have investigated the cause of the incident which occurred at the Three Mile Island Unit 2 nuclear power plant located near Harrisburg, Pennsylvania. The report of the Presidential Commission recommended, among other things, that the NRC be reorganized and that the NRC or its successor should, on a case-by-case basis, before issuing a new construction permit or operating license in respect of a nuclear generating plant: (a) assess the need to introduce new safety improvements recommended in the report and in NRC and industry studies; (b) review the competency of the prospective operating licensee to manage the plant and the adequacy of its training program for operating personnel; and (c) condition licensing upon review and approval of state and local emergency plans.

As a result of the Presidential, Congressional and NRC studies, the NRC issued a document titled, "NRC Action Plan Developed as a Result of the TMI-2 Accident" in May 1980. Two other documents were issued which provided guidance for establishing radiological emergency plans and support facilities. The above documents require upgraded training and qualifications for operating personnel, improved accident and transient response procedures, plant systems safety improvements, establishment of emergency support facilities and a plant emergency plan that provides for federal, state and local government involvement in responding to a radiological emergency. These documents and subsequent NRC correspondence have been thoroughly studied by the affected companies in the Middle South System and substantial implementation work was already underway by the end of 1980. Additional TMI-2 related modifications are scheduled to be made in 1981 at both ANO units. Applicable TMI-2 related modifications are being incorporated in Waterford No. 3 and Unit Nos. 1 and 2 of the Grand Gulf Plant and the currently scheduled start-up dates reflect the inclusion of applicable TMI-2 related requirements imposed to date by the NRC. See "Atomic Energy Act of 1954 and Energy Reorganization Act of 1974" for further information with respect to applicable TMI-2 related modifications.

Waterford No. 3 is presently scheduled to go into commercial operation by April 1983 and Unit Nos. 1 and 2 of the Grand Gulf Plant by April 1982 and in 1986, respectively. Delay in presently scheduled completion would substantially increase the cost of these units (see "Construction Program").

Fuel Supply

The Middle South System has planned to rely increasingly on nuclear fuel and coal in an effort to further diversify its generating fuels base which in recent years has been dependent upon supplies of natural gas and fuel oil. The Middle South System's first two nuclear-fueled generating units went into commercial operation in December 1974 and March 1980, respectively. The first coal-fueled unit went into commercial operation in August 1980. In addition, the Middle South System presently has under construction three nuclear-fueled units and three coal-fueled units (see "Construction Program"). For further information with respect to supplies of nuclear fuel and coal, see "Fuel Supply".

For information with respect to the extent of the Middle South System's dependence on natural gas for boiler fuel, the supply of natural gas currently available to the Middle South System, the use of oil as a boiler fuel by the Middle South System, the increasing costs of both natural gas and oil for boiler fuel and the relatively greater cost of oil, see "Fuel Supply".

Need for Rate Relief and Rate Matters

To continue construction programs, to offset increasing costs in connection with operations and to maintain earnings at acceptable levels, the System operating companies have recently requested, and will in the future request, increases in retail or wholesale electric and gas rates from state or municipal regulatory authorities or the FERC. (See "Rate Matters".)

Compliance With Environmental Standards

Oil, coal and nuclear-fueled generation require various types of pollution control equipment. While the Middle South System generally is not experiencing significant delays attributable to environmental standards, it is incurring additional capital costs and operational expenses to meet such standards and may, in the future, incur additional costs and expenses. The System operating companies have had no difficulty in complying with present air quality standards when burning solely natural gas as boiler fuel. (See "Fuel Supply" and "Regulation and Litigation—Environmental Regulation".)

Federal Legislation

Federal energy legislation enacted in 1978, among other things, (i) requires state public utility commissions to consider standards relating to retail rate design, restrictions on automatic adjustment clauses and time-of-day and seasonal rates, (ii) requires states to develop residential energy conservation plans, (iii) grants the FERC authority to order wheeling and interconnection in specified situations and to limit automatic adjustment clauses for wholesale rates, (iv) deregulates the first sale prices of natural gas in 1985, (v) extends price regulation of natural gas to the intrastate market, (vi) provides for incremental pricing of higher priced new gas to industrial customers (other than electric utilities) of interstate pipelines, (vii) prohibits existing power plants from using natural gas as boiler fuel after 1990 with provisions for exemption from such prohibition until the year 2000, (viii) prohibits the use of natural gas in an existing electric power plant in greater proportion than the average yearly proportion of natural gas which such power plant used as a primary energy source in calendar years 1974 through 1976 with provisions for exemption from such prohibition, and (ix) grants the Secretary of Energy the authority to limit or prohibit the use of petroleum and natural gas in certain existing power plants. See "Fuel Supply" with respect to exemptions granted to the System operating companies relating to their use of natural gas as power plant fuel and related legal proceedings.

The State of Mississippi and the MPSC filed a suit in the United States District Court for the Southern District of Mississippi challenging the constitutionality of the Federal energy legislation referred to in clauses (i) through (iii) above. MP&L intervened in the suit in support of the State of Mississippi and the MPSC. In February 1981, the District Court ruled in favor of the State of Mississippi, the MPSC and MP&L and held that portions of such legislation were unconstitutional. In March 1981, the FERC and the Secretary of Energy, defendants in the suit, appealed the ruling to the United States Supreme Court. The Middle South System cannot, at this time, predict the effect of this litigation.

The System operating companies are petitioners in litigation, which is pending before the United States Court of Appeals for the Fourth Circuit, seeking judicial review of rules promulgated by the DOE to implement the portions of such legislation which would prohibit and/or regulate the use of petroleum or natural gas as a primary energy source in electric power plants. (See "Fuel Supply".)

BUSINESS OF SYSTEM OPERATING COMPANIES

As of December 31, 1980, the Middle South System furnished electric service to 1,430 communities, of which 18 were served at wholesale, and to extensive rural areas at wholesale and retail, in the States of Arkansas, Louisiana, Mississippi and Missouri. In addition, NOPSI furnished gas and transit services in the City of New Orleans and Associated provided gas service in certain areas of the States of Arkansas and Missouri. For information with respect to the status of the disposition of the gas properties of Associated and the divestiture of the transit properties of NOPSI, see "Regulation and Litigation—Holding Company Act". For information with respect to the consolidation of the electric operations of Ark-Mo with those of AP&L, reference is made to "Future Financing", "Rate Matters—AP&L" and "Regulation and Litigation—Holding Company Act."

The aggregate population of the Middle South System area is approximately 5,000,000. Although the area is predominantly agricultural, it has a large number of natural resource industries and has had a continued growth of industry.

As of December 31, 1980, the Middle South System provided electric service to 1,546,733 customers and gas service to 241,565 customers as indicated below:

	Area Served	Customers at December 31, 1980 Electric	Gas
AP&L	Portions of State of Arkansas	469,013	—
LP&L	Portions of State of Louisiana	515,904	—
MP&L	Portions of State of Mississippi	307,414	—
NOPSI	City of New Orleans with exception of one ward provided electric service by LP&L	195,273	176,539
Ark-Mo	Portions of States of Arkansas and Missouri	59,134	—
Associated	Portions of States of Arkansas and Missouri	—	65,026
Consolidated		1,546,733	241,565

Selected 1980 sales data for the registrants is listed below:

Selected Electric Energy Sales Data—1980

	Consolidated	AP&L	LP&L	MP&L	NOPSI
	(Millions of KWH)				
Sales to ultimate customers	50,055	14,540	21,700	7,591	4,810
Sales for resale—affiliates	—	2,636	1,254	4,250	772
—others	5,099	2,809	991	1,079	137
Total	55,154	19,985	23,945	12,920	5,719
Average use per residential customer (KWH)	11,968	11,112	14,177	11,687	9,677

Selected Natural Gas Sales Data—1980

	Consolidated	NOPSI
Sales to ultimate customers (Million Cubic Feet)	39,482	27,564

The effect of natural gas and transit operations on consolidated operating revenues and income for each of the three years in the period ended December 31, 1980 is immaterial on a consolidated basis, but significant for NOPSI. The following table shows consolidated operating revenues and operating income by type of business (expressed as percentages) for each of the three years in the period ended December 31,

1980. (See "NOPSI Industry Segments" for a similar description of NOPSI's business segments.) Because it is impracticable to allocate interest charges and other income and deductions, the contribution to net income by type of business is not shown.

	Year Ended December 31,		
	1980*	1979*	1978*
Consolidated			
Operating Revenues			
Electric	93.1%	91.6%	91.9%
Natural gas	5.0	6.4	5.9
Transit	1.9	2.0	2.2
Total	100.0%	100.0%	100.0%
Operating Income (Loss):			
Electric	100.1%	99.5%	97.8%
Natural gas	0.8	1.5	2.0
Transit and other	(0.9)	(1.0)	0.2
Total	100.0%	100.0%	100.0%

* Includes adjustment for transit subsidy. See "Regulation and Litigation—Holding Company Act" regarding the subsidy of NOPSI's transit operations by the City of New Orleans and "NOPSI Industry Segments" for information concerning the reclassification of certain revenues in 1980, 1979 and 1978.

The System operating companies generally are not in direct competition with privately or municipally owned electric utilities. However, a few municipalities distribute electricity within their corporate limits and environs and some of these generate all or a portion of their requirements.

A number of electric cooperative associations or corporations serve a substantial number of retail customers in or adjacent to areas served by the System operating companies. Some of these cooperatives purchase all or a major portion of their energy requirements at wholesale rates from certain of the System operating companies. During the year ended December 31, 1980, the total revenue received by the Middle South System from service supplied to rural electric cooperatives was 3.3% of consolidated electric operating revenues. Certain cooperatives in Arkansas, Louisiana and Mississippi are participants in arrangements for the construction and operation of steam electric generating stations. These arrangements have superseded in part and may supersede in whole or in part the Middle South System as the supplier of the power requirements of these cooperatives.

Revenues derived from certain power supply contracts with Reynolds constituted approximately 9.2% of AP&L's total operating revenues for the year ended December 31, 1980. The contracts, one with Reynolds covering four plants located in Arkansas and the other with Reynolds and the United States of America, acting through the Secretary of the Interior, in connection with Reynolds' Patterson Reduction Plant, provide for AP&L to supply Reynolds with both capacity and energy to meet a stated amount of firm demand and also to supply a variable amount of non-firm demand to Reynolds during off-peak periods. Both contracts with Reynolds extend to December 31, 1983, with Reynolds having the right under the first contract to cancel upon 24 months written notice after any adverse rate adjustment, while the second contract allows Reynolds to cancel with one year's prior written notice. (See "Regulation and Litigation—Other Regulation and Litigation" for recently concluded litigation with respect to AP&L's contract with Reynolds and the United States of America.)

A total of 12,406 persons were employed by the Middle South System at year-end 1980. Included in the above number are 213 part-time employees. Details follow:

	December 31, 1980		
	Full Time	Part Time	Total Employees
MSU	3	—	3
AP&L	3,882	61	3,943
LP&L	2,342	34	2,376
MP&L	1,892	64	1,956
NOPSI	2,913	46	2,959
Other subsidiaries	1,161	8	1,169
Total	12,193	213	12,406

CONSTRUCTION PROGRAM

The 1981-1983 construction expenditures (exclusive of nuclear fuel costs) for the Middle South System were estimated at January 31, 1981 by MSU to total $2,437 million. The estimates by years are as follows: 1981, $897 million; 1982, $836 million; and 1983, $704 million (including AFDC of $260 million for 1981, $182 million for 1982, and $114 million for 1983). These estimates by company are as follows:

	1981	1982	1983
		(In Millions)	
Registrants:			
AP&L	$326(1)	$189	$166
LP&L	280	294	191
MP&L	64(2)	90	69
NOPSI	20	29	50
Other subsidiary:			
MSE	207	234	228
Consolidated	$897	$836	$704

(1) This amount includes an assumed reimbursement in 1981 by AP&L to AECC for AP&L's share of construction expenditures of White Bluff No. 1 and Unit Nos. 1 and 2 of the Independence Plant made by AECC since June 1, 1980. This amount does not reflect the reimbursement assumed to be made in 1981 by MP&L to AP&L of approximately $103 million which represents an initial payment in conjunction with MP&L's proposed acquisition of an interest in the Independence Plant. See below under this subheading.

(2) This amount excludes the $103 million payment by MP&L to AP&L described in (1) above.

The estimated construction expenditures for 1981 for AP&L, LP&L, MP&L, NOPSI and MSE and on a consolidated basis, include:

	Production	Transmission	Distribution	Other Plant
		(In Millions)		
Registrants:				
AP&L	$243	$35	$39	$ 9
LP&L	236	9	34	1
MP&L	34	16	12	2
NOPSI	3	—	11	6
Other subsidiary:				
MSE	207	—	—	—
Consolidated	$723	$60	$96	$18

The above table includes estimated environmental expenditures of $20 million for AP&L, $18 million for LP&L, $5 million for MP&L, $3 million for NOPSI and $0.3 million for MSE.

In addition, SFI expects to increase its investment in its fuel procurement and exploration programs. SFI's increased investment (excluding fuel oil inventory and nuclear fuel) was estimated at January 31, 1981 to be $8 million in 1981, $57 million in 1982 and $23 million in 1983. (See "Fuel Supply" for further information as to SFI's fuel procurement programs.) Middle South System expenditures for nuclear fuel not already provided for under existing leases were estimated at January 31, 1981 to be approximately $107 million in 1981, $56 million in 1982 and $41 million in 1983.

The following tabulation shows certain details with respect to certain planned generating facilities included in the estimated construction expenditures for 1981-1983:

	Location	Fuel Type	Net System Company Capability MW	Expenditures Before 1981	1981	1982	1983	Total System Company Cost(1)	Cost Per KW(2)	Scheduled Year of Completion
				(Millions of Dollars—except Cost Per KW)						
AP&L										
White Bluff No. 2(3)(5)	Redfield, Ark.	Coal	465	$ 125.9	$ 48.6	—	—	$ 174.5	$ 375(4)	1981
Independence No. 1(5)(6) ...	Newark, Ark.	Coal	257	69.8	127.5	$ 33.1	$ 2.0	153.4	597(4)	1983
Independence No. 2(5)(6) ...	Newark, Ark.	Coal	257	7.8	31.0	45.2	30.1	123.2	479(4)	1985
Sub-total				203.5	207.1	78.3	32.1	$ 451.1		
MP&L										
Independence No. 1(5)(6) ...	Newark, Ark.	Coal	204	—	20.0	24.4	2.0	$ 135.8	666(4)	1983
Independence No. 2(5)(6) ...	Newark, Ark.	Coal	204	—	10.8	25.5	29.4	96.8	475(4)	1985
Sub-total				—	30.8	49.9	31.4	$ 232.6		
LP&L										
Waterford No. 3	Killona, La.	Nuclear	1,104	1,010.6	235.2	207.5	38.2	$1,491.5	1,351	1983
Sub-total				1,010.6	235.2	207.5	38.2	$1,491.5		
MSE										
Grand Gulf No. 1(7)	Grand Gulf, Miss.	Nuclear	1,094	1,484.0	175.0	31.0	—	$1,690.0	1,545	1982
Grand Gulf No. 2(7)	Grand Gulf, Miss.	Nuclear	1,094	297.0	32.0	203.0	228.0	1,156.0	1,057	1986
Sub-total				1,781.0	207.0	234.0	228.0	$2,846.0		
Total				$2,995.1	$680.1	$569.7	$329.7			

(1) The costs shown include AFDC. Costs of acquiring nuclear fuel (net of amounts already provided for under existing leases) are excluded from construction expenditures of the nuclear units. For information with respect to the sale and leaseback of nuclear fuel by AP&L, LP&L and MSE, see "Fuel Supply—Nuclear Fuel". SFI has entered into an arrangement for the financing of $60,000,000 of expenditures in connection with its nuclear fuel procurement and services program for the Middle South System. See "Fuel Supply—Nuclear Fuel" for additional information concerning the SFI nuclear fuel arrangement.

(2) Common costs are identified with the first unit of each station. Therefore, the Cost Per KW is substantially greater for the first, as compared to the second, units at the Independence and Grand Gulf Plants.

(3) Co-owners AECC, Jonesboro, Conway and West Memphis own undivided interests of 35%, 5%, 2% and 1%, respectively, in White Bluff No. 2. The Table reflects AP&L's 57% ownership interest in the project. On August 22, 1980, White Bluff No. 1 was placed in commercial operation. Based on capability tests of White Bluff No. 1 in January 1981, the net capability of White Bluff No. 2 was estimated in March 1981 to be 815 MW.

(4) Costs of sulfur dioxide removal equipment for the White Bluff Plant and the Independence Plant are not included. The Plants have been designed and are being constructed so that such equipment could be installed should such installation be required in the future. AP&L has estimated that the Cost Per KW would be increased by approximately $73 for White Bluff No. 2 and by approximately $97 and $71 for Unit No. 1 and Unit No. 2 of the Independence Plant, respectively, should sulfur dioxide removal equipment be required. AP&L expects to burn low sulfur coal at White Bluff No. 2 and at the Independence Plant.

(5) Pursuant to its notice to the other joint owners of White Bluff No. 2 and of Unit No. 1 and Unit No. 2 of the Independence Plant, AP&L exercised its contractual right to cease making contributions to the construction of those Units on June 1, 1980 and AECC advanced AP&L's share of such construction costs after that date in order to keep the Units on schedule. As of March 25, 1981, AECC had advanced approximately $65.9 million of AP&L's share of construction expenditures. AP&L resumed payment of its portion of construction expenditures on February 1, 1981 for White Bluff No. 2. AP&L funded its share of the Independence Plant in March 1981, but anticipates AECC funding AP&L's share of the Independence Plant in April, May and part of June 1981. In June 1981, AP&L plans to resume funding its portion of construction expenditures for the Independence Plant. AP&L has a contractual right to repay to AECC the money advanced for AP&L's share of construction costs at any time before June 1, 1982, and thereby retain the ownership of its share of the Plants. AP&L and AECC have executed a written agreement for the purpose of facilitating the transfer to AECC of any portion of AP&L's share of either Plant for which AP&L does not reimburse AECC by June 1, 1982 for the construction costs advanced for it by AECC. The 1981 construction expenditures assume the reimbursement of AECC in 1981.

(6) The Independence Plant is owned by AP&L, AECC, Jonesboro, Conway, West Memphis and Osceola in proportions of 56.5%, 35%, 5%, 2%, 1% and .5%, respectively. AP&L and MP&L have executed an agreement, effective as of January 30, 1981, pursuant to which MP&L has agreed to purchase from AP&L 25% of the Independence Plant from AP&L's 56.5% interest in the Plant and 50% of AP&L's 100% interest in the coal handling equipment. The consummation of such sale will be dependent upon the receipt of various regulatory approvals. The Table reflects AP&L's 31.5% interest and MP&L's 25% interest in the Plant and AP&L's 50% and MP&L's 50% interest in the coal handling equipment, assuming completion of such sale in 1981. Based on preliminary capability tests of White Bluff No. 1 in January 1981, the capability of each of Unit Nos. 1 and 2 of the Independence Plant was estimated in March 1981 to be 815 MW. The amounts shown for AP&L for the period before 1981 and for 1981 have not been reduced by an estimated $103,000,000 initial payment anticipated to be made by MP&L to AP&L for the proposed purchase by MP&L of an interest in the Independence Plant. The amounts shown for MP&L in 1981 do not include the $103,000,000 initial payment by MP&L to AP&L.

(7) MSE has entered into an agreement pursuant to which SMEPA is acquiring a 10% undivided ownership interest in the Grand Gulf Plant. MSE is negotiating with MEAM for the possible acquisition by MEAM of up to a 2.48% undivided ownership interest in the Grand Gulf Plant (see "Regulation and Litigation—Atomic Energy Act of 1954 and Energy Reorganization Act of 1974"). The construction expenditures reflect the agreement with SMEPA and assume the consummation of the transaction with MEAM. The Table reflects MSE's resulting 87.52% ownership interest in the project. At December 31, 1980, construction of Unit Nos. 1 and 2 of the Grand Gulf Plant was approximately 85% and 22% completed, respectively, and engineering was approximately 89% and 43% completed, respectively.

The foregoing are only estimates of construction expenditures for the various facilities referred to above. Actual expenditures and dates of completion for the various construction projects may vary from the estimates because of availability of financing, changes in the plans of the respective companies, cost fluctuations, sales of interests in projects, availability of labor, materials and equipment, licensing and testing delays and other factors. The Middle South System is continuing to experience increases in costs for construction of new facilities as a result of continuing rises in the costs of material, labor and capital, increasing requirements of expenditures for environmental and ecological purposes (see "Regulation and Litigation—Environmental Regulation"), and deferred completion dates of projects.

ANO No. 2 and White Bluff No. 1 were placed into commercial operation in March 1980 and August 1980, respectively. For information with respect to the fuel supply for the units, see "Fuel Supply—Nuclear Fuel" and "Fuel Supply—Coal".

FUTURE FINANCING

Construction expenditures (exclusive of nuclear fuel costs) for the Middle South System during the period 1981 through 1983 were estimated at January 31, 1981 by MSU to be approximately $2,437 million (including $556 million in AFDC). During the period 1981-1983, increased investment in the fuels programs net of amounts provided for by existing leases will add $292 million to total capital requirements (including nuclear fuel cost not provided for under existing leases). MSU estimates that $1,071 million will be raised from sources outside the Middle South System through the sale of additional bonds and shares of preferred stock, long and short-term borrowings and pollution control and industrial development revenue bond financing and through the sale and leaseback or repurchase of property. In addition, $409 million is expected to be raised from the sale of MSU Common Stock. The balance of the capital expenditures for the period 1981 through 1983, presently estimated at $1,249 million, is expected to be met with internally generated funds (including $556 million in AFDC).

In addition to the financing requirements needed for capital expenditures, MSU estimates that during the period 1981-1983 the Middle South System will need to raise capital funds from external sources to refinance maturing long-term debt, or to make sinking fund redemptions, totalling $306 million, and to redeem $9 million of preferred stock pursuant to sinking fund requirements.

The coverage provisions of the indentures and charters of the System operating companies generally require minimum earnings coverages of twice the pro forma annual bond interest charges for the issuance of additional bonds and minimum earnings coverages of one and one-half times the pro forma annual interest charges and preferred dividends for the issuance of additional shares of preferred stock.

On the basis of the formulas contained in the indentures and charters of the System operating companies, the earnings coverages for the years ended December 31, 1978, 1979 and 1980 would be those stated in the following tabulation:

	AP&L		LP&L		MP&L		NOPSI	
Year	Bonds	Preferred Stock	Bonds	Preferred Stock	Bonds	Preferred Stock	Bonds	Preferred Stock
1978	2.39	1.91	1.94	1.63	3.89	2.11	3.17	1.83
1979	1.56	1.70	1.71	1.36	3.00	1.87	2.46	1.87
1980	1.96(a)(b)	1.32(a)(b)	2.49(b)	1.56(b)	4.19	2.34	2.26	1.25

(a) As adjusted to give effect to the consolidation in January 1981 (which included the issuance of $21,160,310 principal amount of additional first mortgage bonds) of the operations of AP&L and Ark-Mo. See "Regulation and Litigation—Holding Company Act" for further information with respect to the consolidation of the operations of AP&L and Ark-Mo.

(b) Includes in earnings revenues currently being collected which are subject to refund. See "Rate Matters".

Although certain of the System operating companies' first mortgage bond and preferred stock coverages at times during the period 1978-1980 set forth in the table above were below 2.00 and 1.50, respectively, these coverages during the period 1978-1980 were from time to time above the required minimum earnings coverages so that these System operating companies were able to sell additional first mortgage bonds and preferred stock. During the period 1978-1980, AP&L, LP&L and NOPSI sold the following amounts of first mortgage bonds and preferred stock:

	AP&L	LP&L (In Thousands)	NOPSI
First Mortgage Bonds	$205,000	$285,000	$15,000
Preferred Stock	$105,000	$165,000	$15,000

Based on the above earnings coverage tests as of December 31, 1980, and assuming the availability of bondable property, AP&L would have been precluded from issuing first mortgage bonds (except for refunding purposes) or preferred stock and LP&L, MP&L and NOPSI could have issued first mortgage bonds or preferred stock amounting to the following at an assumed annual interest or dividend rate of 16%:

	First Mortgage Bonds	Preferred Stock
LP&L	$111,000,000	$ 32,000,000
MP&L	122,000,000	83,000,000
NOPSI	7,000,000	—
Total	$240,000,000	$115,000,000

In addition to the above first mortgage bonds these System operating companies could have issued additional first mortgage bonds for refunding purposes.

The amounts of additional bonds and preferred stock which can be issued by the System operating companies in the future are contingent upon earnings and upon the ability of the System operating companies to obtain adequate rate relief.

Certain of the System operating companies have arranged and are attempting, to the extent practicable, to arrange in the future for the financing of certain of their estimated expenditures for pollution control facilities through the issuance by local governmental units of pollution control revenue bonds.

MSE estimated at January 31, 1981, that the total cost to MSE, assuming an 87.52% ownership interest, for the Grand Gulf Plant, excluding nuclear fuel, will be approximately $2,846 million. See "Regulation and Litigation—Atomic Energy Act of 1954 and Energy Reorganization Act of 1974" for further information with respect to the acquisition of 10% of the Grand Gulf Plant by SMEPA and the possible acquisition of up to 2.48% of the Grand Gulf Plant by MEAM. In connection with the Grand Gulf Plant, MSU has undertaken, to the extent not obtained by MSE from other sources, to furnish or cause to be furnished to MSE sufficient capital for construction and operation of the Grand Gulf Plant and related purposes. Through December 31, 1980, MSU had invested $443.6 million in the common stock of MSE. At February 28, 1981, MSE had made short-term borrowings of $81.6 million. In addition, at February 28, 1981, MSE had made interim bank borrowings of $700 million, which are due December 31, 1985, under an $808 million revolving loan agreement with a group of banks. At December 31, 1980, MSE had outstanding $400 million of its First Mortgage Bonds, 9¼% Series due 1989 and $98.5 million of its First Mortgage Bonds, 12½% Series due 2000. MSE is obligated to make annual cash sinking fund payments with respect to the 9¼% Bonds commencing July 1, 1982 designed to retire $328 million of those Bonds by maturity and with respect to the 12½% Bonds commencing on January 1, 1985 designed to retire about $93.5 million of those Bonds by maturity. MSE has covenanted with the bondholders and the banks that it will complete Unit No. 1 no later than December 31, 1982. MSE has also covenanted with the bondholders that Unit No. 2 will be completed no later than December 31, 1986. In the event either of these covenants is not fulfilled or MSE defaults in respect of either the Bonds or the bank borrowings, the Bonds and the bank borrowings will become due and payable unless extensions of time can be arranged. In these cases, MSU would be required to provide MSE with sufficient funds, to the extent not obtained by MSE from other sources, to meet these payment obligations of MSE with respect to any of the foregoing $498.5 million of Bonds and any bank borrowings under the $808 million revolving loan agreement which are then outstanding.

In order to obtain additional funds required by MSE to complete Unit No. 1 of the Grand Gulf Plant, MSE is negotiating for an increase in the amount of borrowings available under the revolving loan agreement to $1.3 billion. In addition, MSE is negotiating for changes in the covenants to extend the dates by which Unit Nos. 1 and 2 of the Grand Gulf Plant must be completed to not later than December 31, 1984 and not later than December 31, 1988, respectively. Necessary regulatory approvals will need to be obtained prior to effecting any changes.

MSE and the System operating companies have entered into a series of agreements (collectively, "Availability Agreement") whereby (i) MSE has agreed to complete the Grand Gulf Plant, to join in the System Agreement on or before the completion of the first unit of the Grand Gulf Plant and to sell to the System operating companies power available to MSE from the Grand Gulf Plant under the terms of the System Agreement, (ii) the System operating companies have agreed to pay to MSE (on the apportionment bases provided for in the Availability Agreement) such amounts as (when added to any amounts received by MSE under the System Agreement or otherwise) will be at least equal to MSE's operating expenses or an equivalent amount if either unit is not in operation (including such expenses as might be incurred by MSE for maintenance and surveillance in the event of shutdown of either or both units), including MSE's interest charges and an amount equal to an assumed depreciation rate for 27.4 years of 3.65% per annum applied to MSE's gross investment in the Grand Gulf Plant (exclusive of land and land rights), (iii) the System operating companies have agreed to make subordinated advances under certain circumstances to MSE in amounts equal to payments which would otherwise be owing under the payment formula of the Availability Agreement described in (ii) above and (iv) the System operating companies have agreed that their obligations to make payments or advances to MSE are absolute and unconditional. The requirement to make payments under (ii) above commences on the date on which either unit of the Grand Gulf Plant is placed in commercial operation; provided that if Unit No. 1 is not placed in commercial operation prior to December 31, 1982, the commencement date in respect to both Units is December 31, 1982; and provided, further, that if Unit No. 1 is placed in commercial operation prior to December 31, 1982 then, with respect to the assumed depreciation charge related to Unit No. 2, the commencement date for Unit No. 2 is the earlier of the date of commercial operation of Unit No. 2 or December 31, 1986.

The System operating companies have agreed in principle that the capability of the portion of Unit No. 1 and Unit No. 2 of the Grand Gulf Plant owned by MSE will be permanently allocated among LP&L, MP&L and NOPSI on a fixed percentage basis, subject to change by mutual agreement of such companies. The proposed percentages of allocated capability of MSE's share of Unit No. 1 and Unit No. 2 would be LP&L, 38.57% and 26.23%, MP&L, 31.63% and 43.97%, and NOPSI, 29.80% and 29.80%, respectively. Under the arrangement, LP&L, MP&L and NOPSI will assume, in proportion to such allocations, all of the responsibilities and obligations with respect to these Units and, in consideration thereof, AP&L and Ark-Mo will relinquish their rights in the Units. The proposed reallocation is subject to the receipt of the approval of regulatory agencies and of all other necessary approvals.

Dividends of $1.58 per share were paid by MSU on its Common Stock in 1980. MSU's tax position in 1980 was such that 98.24% of each of the 1980 quarterly dividend payments is estimated to be non-taxable as dividend income to the stockholder. This percentage is subject to verification and approval by the Internal Revenue Service at a future date. The portion of a dividend payment which does not represent income is treated under the Federal income tax law as a return of the stockholder's capital and necessitates a reduction in the tax basis of the shares on which these dividends were paid.

RATE MATTERS

General

On March 30, 1979, MSS, on behalf of AP&L, Ark-Mo, LP&L, MP&L and NOPSI, filed with the FERC an application for an increase in rates charged by System operating companies to each other under the System Agreement (see "Property-Interconnections") for capability equalization, transmission equalization, energy exchange and other services. The application was designed to increase charges under the System Agreement primarily through the expansion of the categories of expenses subject to automatic adjustment clauses to include operation and maintenance expenses and overhead expenses and through an increase in the allowed rate of return on equity investment. The FERC permitted the proposed rates to become effective on June 1, 1979, subject to refund. The System operating companies commenced charging the new rates, subject to refund, effective June 1, 1979. The Attorney General of Arkansas, the APSC and the LPSC have intervened in the proceeding. The record is complete

and awaiting decision by the FERC. The final resolution of this proceeding is not expected to have a material effect upon the 1979 or 1980 results of operations or financial condition of the individual System operating companies or of MSU on a consolidated basis.

As of March 26, 1981, the System operating companies had applications for electric and gas rate increases pending before their regulatory authorities or on appeal before the courts. Certain of the applications also request authorization to modify other provisions of rate schedules.

For details as to various pending electric and gas rate increase applications of the System operating companies, see below.

AP&L

The Attorney General of Arkansas filed a complaint with the APSC on April 23, 1979, in which he alleged that AP&L had erroneously applied the existing fuel adjustment clause to retail customers from April 1977 through March 1979 and thereby overcharged these customers a total of $17,297,124 and that such overcharges would continue as long as AP&L continued to apply the fuel adjustment clause in the same manner. The Staff of the APSC filed a motion concurring in the Attorney General's conclusion that AP&L erroneously applied the fuel adjustment clause and alleging that the overcharges from April 1977 through March 1979 totaled $17,158,719. AP&L does not believe there was any erroneous application or overcharge. On July 3, 1979, the APSC issued an interim order directing AP&L to begin and continue in the future applying its fuel adjustment clause according to the Attorney General's interpretation when the nuclear generating units are not down for refueling and in accordance with AP&L's interpretation when the nuclear generating units are down for refueling. On July 7, 1980, the APSC entered an order which found that AP&L had, prior to July 1, 1979, collected fuel adjustment overcharges totaling $1,308,000 and directed it to refund to its customers the overcharges by credits to September bills. Both the Attorney General and AP&L filed petitions for rehearing. By an order entered October 27, 1980, the APSC modified its order entered July 7, 1980 and found AP&L had over-collected from its customers in 1977, 1978 and 1979 a net of approximately $6,200,000 and ordered AP&L to repay this amount plus interest (aggregating approximately $1,580,000 to the date of this order) to its customers by crediting the fuel adjustment charges over six months beginning with November 1980. On November 3, 1980, AP&L appealed the APSC decision to the Circuit Court of Pulaski County, Arkansas and obtained a temporary stay of the obligation to credit the refund.

On May 29, 1980, AP&L filed with the APSC an application to increase its retail rates a total of approximately $130,100,000 on an annual basis, through a two stage process. On October 28, 1980, AP&L placed in effect, subject to refund, approximately $86,700,000 of the increase. The balance of approximately $43,400,000 is proposed to be implemented on June 1, 1981. In a pre-hearing stipulation agreement between AP&L and the APSC staff, the staff recommended an increase of approximately $90,000,000 and, in return, AP&L agreed not to contest certain staff adjustments which would have the effect of reducing AP&L's requested increase of $130,100,000 to approximately $117,000,000. The APSC has completed the taking of testimony and final briefs from all parties were filed in March 1981. Following a review of the record and the briefs the APSC will issue its order.

On May 6, 1980, AP&L filed with the FERC new Power Coordination, Interchange and Transmission Service Agreements between AP&L and each of the co-owners of White Bluff No. 1, AECC, Conway, Jonesboro and West Memphis. The Agreements, which superseded certain power supply contracts with these wholesale customers, provide for the transmission of power and energy from jointly-owned sources and for the sale of power and energy to these wholesale customers, all under formula rates which are designed to change annually to reflect changes in AP&L's cost of providing service. Such formula rates, based on 1979 costs, were implemented subject, in part, to refund on August 22, 1980. Under a settlement agreement among the parties, the formulas were revised and accepted by the parties on March 6, 1981. The settlement agreement provides that no refunds would be made for rates collected since August 22, 1980 and AP&L does not believe that the amount of any such refund which might be required would be material. On March 3, 1981, AP&L filed with the FERC revised formula rates, based on calendar 1980 costs, which would produce revenues (excluding the recovery of fuel costs) from these wholesale customers of approximately $12.3 million.

On August 28, 1980, AP&L filed with the FERC an application for an increase in its wholesale rates to those municipal and cooperative customers who are not co-owners in White Bluff No. 1 designed to produce approximately $9,970,000 additional annual revenues, based on billing determinants for the twelve months ended August 31, 1979. In its filing, AP&L stated that, pursuant to the terms of a settlement agreement entered into between AP&L and its wholesale customers, it proposed to implement the proposed increase as follows: increases designed to produce approximately $6,996,000 of the total proposed $9,970,000 increase would be placed into effect following implementation of increased retail rates on file with the APSC in AP&L's currently pending retail rate proceeding (as described in the second preceding paragraph) either under bond or pursuant to an interim or final order of the APSC; and increases designed to produce the remainder of the total proposed $9,970,000 increase would be placed into effect on June 1, 1981, on which date a corresponding phase of AP&L's retail rate increase is proposed to become effective. The wholesale customers have agreed to increases in their rates up to the estimated amounts set out above, with some possible reductions therein if the APSC should not allow the full amount of retail rate increases requested by AP&L in its currently pending retail rate increase application. By order issued October 21, 1980, the FERC accepted the proposed rates, suspended them for one day and permitted them to become effective thereafter, subject to refund, pursuant to the terms of the settlement agreement. AP&L placed the first phase of the new rates into effect, subject to refund, to be applied to electric consumption from November 2, 1980.

All of AP&L's present retail rate schedules, with the exception of the large power supply contracts with Reynolds and rate schedules in effect with respect to AP&L's Missouri retail customers, have a fuel adjustment clause which provides for recovery of the excess cost of fuel and purchased power in the second preceding month with an assumed or targeted plant factor for the nuclear units when the units are not down for refueling. The targeted plant factor provision is a nuclear incentive and AP&L may either over- or under-recover the excess cost depending upon the generation from the nuclear units when they are not down for refueling. When either unit of ANO is down for refueling, the targeted plant factor for the unit down for refueling is 0 for the purpose of calculating the fuel adjustment factor. When either nuclear unit has been out of service for a period of 30 consecutive days for reasons other than refueling, beginning with the 31st day the targeted plant factor is 0 and the fuel adjustment clause provides for the recovery of 90% of the excess fuel and purchased power cost. The lack of any adjustment to the targeted plant factor during the first 30 days of a non-refueling outage has in the past resulted in a substantial decrease in AP&L's net income during the period involved. AP&L has requested in its currently pending retail rate case that it be allowed to place in effect a full recovery fuel adjustment clause. As an alternative, AP&L has proposed to limit the amount of over- or under-recovery on a monthly basis to a maximum of $1 million for its retail business sector. In addition, the fuel adjustment factor contains an amount for a nuclear reserve fund, estimated to cover the replacement cost of energy which would have been generated by nuclear fuel when a nuclear unit is down for refueling. This fund bears interest and is credited to the fuel and purchased power expense incurred during the time the nuclear unit is actually down for refueling. Energy charges to Reynolds on energy not supplied by SPA under a contract dated January 29, 1952 are based upon the weighted average cost of fuel and purchased power and therefore do not contain a fuel adjustment factor. Both the energy charge to Reynolds and the fuel adjustment factor contain an additional amount based upon the quantity of nuclear energy actually generated in the applicable cost month which is designed to recover the cost of disposing of spent nuclear fuel. For information concerning the power supply contracts with Reynolds, see "Business of System Operating Companies."

AP&L's wholesale rates to municipal and distribution co-operative customers being collected under a settlement agreement contain a fuel adjustment clause which is substantially the same as the retail fuel adjustment clause.

Substantially all of AP&L's rate schedules, except the large power supply contracts with Reynolds, the service schedules under interconnection agreements with other utilities and those applicable to rural electric cooperatives, contain a tax adjustment clause to cover increases and decreases in taxes

which is operative only by approval of the APSC. A municipal tax adjustment rider is in effect in Arkansas retail rates whereby billings to customers of AP&L within a municipality will be increased by an amount equal to the charges (other than special millage or general taxes applicable to all taxpayers) levied by that municipality upon AP&L. On February 7, 1980 the APSC entered an order requiring that each Arkansas utility subject to its jurisdiction, including AP&L, eliminate from base rates an amount representing municipal franchise taxes and collect from customers residing in each municipality all of the franchise tax levied by that muncipality on that utility. The rates now in effect, subject to refund, comply with this order.

AP&L has been authorized by the APSC and the PSCM to provide electric service to Ark-Mo's Arkansas and Missouri customers under tariffs which are identical to the tariffs under which Ark-Mo was serving such customers. On July 23, 1980, Ark-Mo filed with the APSC an application to increase its retail electric rates approximately $7,479,000 annually. The rates are based on an April 30, 1980 test year. Ark-Mo placed these rates in effect, subject to refund, for consumption on and after December 21, 1980. Hearings were held and the matter is pending before the APSC.

All present rate schedules for AP&L's Arkansas retail customers which were formerly Ark-Mo's customers contain a single base fuel adjustment tariff which provides for the recovery of the weighted average of the fuel cost of generation and the energy cost of purchased power in excess of 12.96 mills per KWH as incurred in the second preceding month.

No fuel adjustment tariff is currently in effect for AP&L's Missouri retail customers who were formerly Ark-Mo's customers. During 1979, the automatic fuel adjustment provision in Ark-Mo's rate schedule was eliminated by a Missouri Supreme Court ruling. The recovery of fuel cost and purchased power cost is presently limited to the amount of such costs as are included in each service rate schedule. In order to increase fuel cost recovery, it would be necessary to obtain a general rate increase.

AP&L assumed, effective with the consolidation, Ark-Mo's wholesale rate schedule containing a fuel adjustment tariff which allows for the recovery of the weighted average cost of fuel and energy cost of purchased power in excess of a stated base.

LP&L

On May 30, 1980, LP&L filed with the LPSC a general rate increase application with respect to customers under its jurisdiction, asking authorization to put into effect new retail rate schedules designed to provide additional annual revenues of approximately $203,600,000 on the basis of the test year ended December 31, 1979, and in connection therewith, on July 15, 1980, LP&L filed with the LPSC a request for almost $53,000,000 in interim emergency rate relief, to be put into effect under protective bond pending the outcome of the application filed on May 30, 1980. The application proposes, among other things, the inclusion of CWIP in the rate base and the concurrent cessation of capitalization of AFDC on the CWIP so included. A hearing was held on the request for emergency rate relief on August 25, 1980, and at such hearing LP&L revised the amount of such request to approximately $36,500,000. By order dated October 8, 1980 the LPSC permitted LP&L to implement an interim rate increase of approximately $32,400,000 under protective bond, subject to refund.

On July 3, 1980, LP&L filed with the Council a rate increase application with respect to its retail customers in the Fifteenth Ward of the City of New Orleans, asking authorization to put into effect new retail rate schedules designed to provide additional revenues of approximately $4,400,000 annually on the basis of the test year ended December 31, 1979, and in connection therewith, on October 24, 1980, LP&L filed with the Council a request for $704,000 in interim emergency rate relief, to be put into effect subject to refund pending the outcome of the application filed on July 3, 1980.

All of LP&L's rates schedules include adjustments for changes in the cost of fuel (which generally results in a two month lag between changes in fuel costs and billings therefor) and directly allocable taxes such as sales or excise taxes. In January 1979, LP&L received authorization from the LPSC allowing

and requiring LP&L to credit or charge customers through the fuel adjustment clause in future billings for net over- or under-collections of fuel costs in excess of those included in base rates. Concurrently with this change in billing for fuel costs, LP&L commenced deferring on its books fuel costs to be reflected in billings to customers pursuant to the fuel adjustment clause until such amounts are billed to customers.

MP&L

On May 28, 1980, MP&L filed with the MPSC for an increase in its retail electric rates of approximately $68,768,000 based on the projected test year beginning July 1, 1980. The new rates were put into effect for service on or after July 1, 1980 subject to refund. On November 24, 1980, the MPSC rendered its decision allowing MP&L $48,277,000 in additional annual revenues. On December 23, 1980, MP&L, the Mississippi Attorney General's Office and the Mississippi Legal Services Coalition appealed the MPSC's Order to the Chancery Court of Hinds County, Mississippi. MP&L is requesting that the full rate increase sought be allowed, appealing the MPSC's decisions on rate of return, the disallowance of CWIP in rate base, and the disallowance of a portion of the working capital requested by MP&L. The intervenors are seeking a reversal of the MPSC's decisions in a number of areas and have not specified any particular rate level in their filings. Until a decision is reached, the full amount of the rate increase sought will continue to be collected. MP&L is currently including only that portion approved by the MPSC in its earnings.

MP&L's retail rate schedules include a fuel adjustment clause which permits recovery from customers each month of any increase or decrease in the estimated cost of fuel and purchased energy applicable to sales to ultimate customers. The calculations of the monthly fuel adjustment rate involve the use of projected sales and energy costs for the month, adjusted for any over- or under-recoveries due to differences between the actual and estimated costs of energy and sales levels for the second prior month.

MP&L's wholesale rate schedules for municipal and rural cooperative distributors include a fuel adjustment clause which also allows the recovery from customers of any monthly increase or decrease in the cost of fuel and purchased energy. The calculation of the wholesale fuel adjustment reflects such increase or decrease based upon the second prior month's cost of energy.

NOPSI

In April 1980, NOPSI filed an application with the Council for an increase in its retail electric rates and its retail gas rates designed to produce annually approximately $23,277,000 and $9,181,000, respectively, of increased revenues based on a projected December 31, 1980 test year. Public hearings on the rate application have been completed and the matter is pending before the Council. The request by NOPSI for a generation capability adjustment clause has been separated from the rate application by the Council for consideration later in 1981.

NOPSI's electric rate schedules include fuel adjustment clauses which allow for the full recovery of increased power plant and purchased power fuel costs above the fuel costs collected through the basic rates. Similarly, NOPSI's gas rate schedules include a gas cost adjustment clause which allows for the full recovery of increased purchased gas costs above the gas costs collected through the basic rates. Both adjustment clauses allow for the monthly reconciliation of actual fuel or purchased gas costs incurred and billed. Any difference is included in the determination of the adjustments to be billed in the second following month. Two months' interest at the prime rate is paid on any resultant overcollections.

NOPSI INDUSTRY SEGMENTS

Selected Financial Information Relating to Industry Segments(1)

	Year Ended December 31,		
	1980	1979	1978
		(In Thousands)	
Revenue from sales to unaffiliated customers(2)(3):			
Electric	$242,807	$204,486	$181,418
Natural gas	79,680	85,624	70,013
Transit	44,112	36,996	36,399
Total	$366,599	$327,106	$287,830
Operating income (loss)(3):			
Electric	$ 14,631	$ 16,238	$ 15,521
Natural gas	(636)	1,046	2,269
Transit	765	759	530
Total	$ 14,760	$ 18,043	$ 18,320
Total utility plant:			
Electric	$331,155	$318,377	$308,935
Natural gas	71,873	69,771	61,239
Transit	17,535	19,049	21,081
Construction work in progress:			
Electric	3,159	4,638	1,251
Natural gas	256	147	1,989
Transit	—	1	3
Total	$423,978	$411,983	$394,498

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(1) Because it is impracticable to allocate interest charges and other income and deductions, the contribution to net income by type of business is not shown.

(2) NOPSI's intersegment sales are not material (less than 1% of sales to unaffiliated customers).

(3) Includes adjustment for transit subsidy. See "Regulation and Litigation—Holding Company Act" regarding the subsidy of NOPSI's transit operations by the City of New Orleans.

Narrative Description of Industry Segments

Electric Service. Electric service was supplied to 195,273 customers at December 31, 1980. During 1980, 31% of electric operating revenues was derived from residential sales, 30% from commercial sales, 13% from industrial sales, 11% from sales to governmental and municipal customers, 15% from sales to public utilities and from other sources.

Natural Gas Service. Natural gas service was supplied to 176,539 customers at December 31, 1980. During 1980, 47% of gas operating revenues was derived from residential sales, 17% from commercial sales, 18% from industrial sales, 15% from sales to governmental and municipal customers and 3% from other sources. (See "Fuel Supply—Natural Gas Purchased for Resale".)

Transit Service. The transit service of NOPSI consists of motor coach and electric railway services. During the year ended December 31, 1980, NOPSI's transit vehicles traveled approximately 14 million miles while carrying approximately 83.3 million passengers. During 1980, NOPSI consumed approximately 4 million gallons of diesel fuel in its transit operations and was able to obtain a sufficient supply thereof. NOPSI anticipates receiving an adequate supply of diesel fuel during 1981.

For further information with respect to NOPSI's industry segments, see "Business of System Operating Companies", "Property" and "Regulation and Litigation—Holding Company Act".

Employees by Segment

NOPSI's employees by industry segments are as follows:

	December 31, 1980		
	Full Time	Part Time	Total
Electric	628	—	628
Natural Gas	222	—	222
Transit	1,229	—	1,229
General	834	46	880
Total	2,913	46	2,959

OPERATING STATISTICS—CONSOLIDATED

ELECTRIC OPERATIONS

	Years Ended December 31, 1980	1979	1978
Energy Generated, Purchased and Interchanged (Millions of KWH):			
Generated—net station output	45,977	43,439	49,561
Purchased	13,078	12,476	6,183
Interchanged—net	(197)	340	(39)
Total generated, purchased and interchanged	58,858	56,255	55,705
Company use, losses and unaccounted for	3,704	3,308	3,731
Total energy sales	55,154	52,947	51,974
Energy Sales (Millions of KWH):			
Residential	16,065	14,606	14,782
Commercial	9,277	8,754	8,636
Industrial	22,876	22,329	19,714
Governmental	1,837	1,790	1,744
Total sales to ultimate customers	50,055	47,479	44,876
Sales for resale	5,099	5,468	7,098
Total energy sales	55,154	52,947	51,974
Number of Customers (End of period):			
Residential	1,351,838	1,327,515	1,299,831
Commercial	161,864	159,536	156,377
Industrial	23,880	23,996	24,088
Governmental	9,079	8,941	8,735
Total ultimate customers	1,546,661	1,519,988	1,489,031
Sales for resale	72	154	157
Total customers	1,546,733	1,520,142	1,489,188
Operating Revenues (In Thousands):			
Residential	$ 738,073	$ 553,746	$ 505,790
Commercial	447,688	357,064	317,412
Industrial	721,378	529,008	408,319
Governmental	77,428	63,054	54,171
Total from ultimate customers ..	1,984,567	1,502,872	1,285,692
Sales for resale	184,760	156,320	194,067
Total from energy sales	2,169,327	1,659,192	1,479,759
Miscellaneous	11,993	10,259	10,156
Total operating revenues	$2,181,320	$1,669,451	$1,489,915

AP&L

OPERATING STATISTICS

	Years Ended December 31,		
	1980	1979	1978
Energy Generated, Purchased and Interchanged (Millions of KWH):			
Generated—net station output	14,929	10,870	12,561
Purchased	6,459	7,740	6,162
Interchanged—net	(208)	296	8
Total generated, purchased and interchanged	21,180	18,906	18,731
Company use, losses and unaccounted for	1,195	1,018	1,157
Total energy sales	19,985	17,888	17,574
Energy Sales (Millions of KWH):			
Residential	4,480	3,884	4,061
Commercial	2,682	2,444	2,472
Industrial	7,086	7,030	6,231
Governmental	292	326	334
Total sales to ultimate customers	14,540	13,684	13,098
Sales for resale	5,445	4,204	4,476
Total energy sales	19,985	17,888	17,574
Number of Customers (End of period):			
Residential	405,717	400,290	394,766
Commercial	49,444	49,009	48,424
Industrial	12,285	12,152	11,725
Governmental	1,548	1,617	1,573
Total ultimate customers	468,994	463,068	456,488
Sales for resale	19	19	19
Total customers	469,013	463,087	456,507
Operating Revenues (In Thousands):			
Residential	$212,833	$161,466	$165,347
Commercial	128,477	101,048	99,021
Industrial	209,593	178,773	149,842
Governmental	12,824	11,486	11,326
Total from ultimate customers	563,727	452,773	425,536
Sales for resale	181,650	125,979	124,653
Total from energy sales	745,377	578,752	550,189
Miscellaneous	5,120	5,074	6,299
Total operating revenues	$750,497	$583,826	$556,488

LP&L

OPERATING STATISTICS

	Years Ended December 31,		
	1980	1979	1978
Energy Generated, Purchased and Interchanged (Millions of KWH):			
Generated—net station output	16,440	18,429	21,251
Purchased	8,670	5,860	2,799
Interchanged—net	5	33	(70)
Total generated, purchased and interchanged	25,115	24,322	23,980
Company use, losses and unaccounted for	1,170	1,070	1,268
Total energy sales	23,945	23,252	22,712
Energy Sales (Millions of KWH):			
Residential	6,398	5,996	5,862
Commercial	2,876	2,721	2,624
Industrial	11,963	11,388	9,685
Governmental	463	445	394
Total sales to ultimate customers	21,700	20,550	18,565
Sales for resale	2,245	2,702	4,147
Total energy sales	23,945	23,252	22,712
Number of Customers (End of period):			
Residential	457,191	443,527	427,938
Commercial	48,617	46,848	44,884
Industrial	6,846	7,162	7,518
Governmental	3,242	3,108	2,978
Total ultimate customers	515,896	500,645	483,318
Sales for resale	8	65	66
Total customers	515,904	500,710	483,384
Operating Revenues (In Thousands):			
Residential	$265,080	$180,364	$146,326
Commercial	123,656	85,983	68,328
Industrial	358,177	212,853	141,803
Governmental	17,208	11,688	8,451
Total from ultimate customers	764,121	490,888	364,908
Sales for resale	81,887	61,704	87,677
Total from energy sales	846,008	552,592	452,585
Miscellaneous	7,515	4,884	3,790
Total operating revenues	$853,523	$557,476	$456,375

MP&L

OPERATING STATISTICS

	Years Ended December 31, 1980	1979	1978
Energy Generated, Purchased and Interchanged (Millions of KWH):			
Generated—net station output	10,327	9,910	11,882
Purchased	3,423	3,066	1,769
Interchanged—net	1	15	3
Total generated, purchased and interchanged	13,751	12,991	13,654
Company use, losses and unaccounted for	831	763	821
Total energy sales	12,920	12,228	12,833
Energy Sales (Millions of KWH):			
Residential	3,069	2,788	2,857
Commercial	1,918	1,833	1,782
Industrial	2,219	2,285	2,187
Governmental	385	369	371
Total sales to ultimate customers	7,591	7,275	7,197
Sales for resale	5,329	4,953	5,636
Total energy sales	12,920	12,228	12,833
Number of Customers (End of period):			
Residential	263,850	260,421	255,174
Commercial	38,115	37,919	37,405
Industrial	3,276	3,230	3,245
Governmental	2,132	2,087	2,049
Total ultimate customers	307,373	303,657	297,873
Sales for resale	41	66	68
Total customers	307,414	303,723	297,941
Operating Revenues (In Thousands):			
Residential	$153,396	$120,246	$110,706
Commercial	100,472	83,562	73,541
Industrial	94,834	83,491	70,306
Governmental	16,601	13,433	11,804
Total from ultimate customers	365,303	300,732	266,357
Sales for resale	173,453	132,770	130,292
Total from energy sales	538,756	433,502	396,649
Miscellaneous	(5,768)	3,022	3,627
Total operating revenues	$532,988	$436,524	$400,276

NOPSI

OPERATING STATISTICS

ELECTRIC OPERATIONS

	Years Ended December 31, 1980	1979	1978
Energy Generated, Purchased and Interchanged (Millions of KWH):			
Generated—net station output	4,186	4,093	3,663
Purchased	1,843	1,992	1,837
Interchanged—net	—	7	3
Total generated, purchased and interchanged	6,029	6,092	5,503
Company use, losses and unaccounted for	310	265	290
Total energy sales	5,719	5,827	5,213
Energy Sales (Millions of KWH):			
Residential	1,685	1,565	1,618
Commercial	1,571	1,537	1,537
Industrial	881	873	875
Governmental	673	627	624
Total sales to ultimate customers	4,810	4,602	4,654
Sales for resale	909	1,225	559
Total energy sales	5,719	5,827	5,213
Number of Customers (End of Period):			
Residential	174,791	173,322	172,433
Commercial	17,797	17,763	17,694
Industrial	1,132	1,151	1,282
Governmental	1,552	1,532	1,542
Total ultimate customers	195,272	193,768	192,951
Sales for resale	1	1	1
Total customers	195,273	193,769	192,952
Operating Revenues (In Thousands):			
Residential	$ 84,308	$ 73,220	$ 65,782
Commercial	82,845	75,575	66,409
Industrial	34,784	31,649	26,942
Governmental	29,451	25,256	21,538
Total from ultimate customers	231,388	205,700	180,671
Sales for resale	36,237	38,057	15,691
Interdepartmental	702	689	686
Total from energy sales	268,327	244,446	197,048
Interdepartmental rents	202	190	211
Miscellaneous	4,038	(3,725)	(4,517)
Total operating revenues, including interdepartmental	272,567	240,911	192,742
Less interdepartmental	904	879	897
Total operating revenues, excluding interdepartmental	$271,663	$240,032	$191,845

PROPERTY

Generating Stations

The net capability of the Middle South System's generating stations at December 31, 1980 by company is indicated below:

	Net Capability MW (1)				
		Steam Turbine			
Company	Total	Fossil Fueled	Nuclear	Gas Turbine and Internal Combustion	Hydro
AP&L (includes Ark-Mo)	4,752	2,700(2)	1,694	289(3)	69
LP&L(4)	4,392	4,373(5)	—	19	—
MP&L	2,763	2,752	—	11	—
NOPSI	1,257	1,241	—	16	—
Total Middle South System	13,164	11,066	1,694	335	69

(1) "Net capability" as used herein is the dependable load carrying ability of the stations, as demonstrated under actual operating conditions based on the primary fuel which each station was designed to utilize.

(2) Includes 465 MW for White Bluff No. 1 which represents AP&L's 57% ownership share of the 815 MW rated White Bluff No. 1.

(3) Includes 188 MW of capacity leased through 1999 and 4 MW of capacity leased through 1987.

(4) Excludes 233 MW (consisting of 166 MW of steam units and 67 MW of internal combustion units) which represents the capability of generating stations in certain Louisiana towns and cities, which generating stations are being operated as part of the LP&L system.

(5) Includes 203 MW Combined Cycle (Gas/Oil-Fired).

Interconnections

The electric power supply facilities of the Middle South System consist principally of steam electric production facilities strategically located with reference to availability of fuel, protection of local loads and other controlling economic factors. These are interconnected by a transmission system operating at various voltages of up to 500 KV. Operating facilities are owned by the System operating company serving the area in which the facilities are located. Under the terms of the System Agreement, generating capacity and other power resources are shared. Among other things, the System Agreement provides that parties to the System Agreement who have excess generating capacity will sell the available excess to those parties to the System Agreement who have deficiencies in generating capacity and that for this entitlement the purchasers will pay to the sellers a capability equalization charge sufficient to cover the sellers' related operating expenses, fixed charges on debt and a fair rate of return on related equity investment. Generating facilities are operated with a view to realizing the greatest economy. This operation seeks, among other things, the lowest cost sources of power from hour to hour. The minimum of investment and the most efficient use of plant are sought to be achieved in part through the coordinated scheduling of maintenance, inspection and overhaul. Where energy is supplied with respect to which capability equalization payments have been made, the purchaser is required to pay only the cost of fuel consumed in generating such energy. For other energy generated and supplied under the System Agreement, the purchasers are required to pay the cost of fuel consumed in generating such energy plus a charge to cover other incremental costs.

The System operating companies have direct interconnections with neighboring utilities, including, in individual cases, Gulf States Utilities Company, Mississippi Power Company, Southwestern Electric Power Company, SPA, Central Louisiana Electric Company, Inc., Oklahoma Gas and Electric Company, Empire District Electric Company, Union Electric Company, AECC, TVA, Cajun Electric Power Cooperative, Inc., Associated Electric Cooperative Inc. and SMEPA.

The System operating companies are members of the Southwest Power Pool, which has 38 members. The primary purpose of the Southwest Power Pool is to ensure the reliability and adequacy of the electric

bulk power supply in the Southwest Region of the United States. The Southwest Power Pool is a member of the National Electric Reliability Council.

Arrangements have been made under which a group of eleven investor-owned utilities, including the System operating companies, and TVA exchange capacity and energy which is available for such purpose because of diversity in the periods of peak demands. The purpose of these exchange arrangements is to effect economies for the benefit of each of the systems involved. The investor-owned companies are supplying 700,000 KW to TVA during the winter exchange period, November 15 through March 15, and TVA is supplying a like amount of power to the investor-owned companies during the summer exchange period, June 1 through October 1, unless changed or terminated by one of the parties after four years notice. Of the total amount to be exchanged, the Middle South System's share is approximately 30%. Each participant in the arrangements is providing the necessary transmission lines and related facilities in its territory at voltages up to 500 KV. The annual costs of these lines and facilities are shared among the participants in the exchange substantially in proportion to their respective benefits.

The Middle South System peak demand of 11,769,000 KW occurred on July 16, 1980. At that time, net firm purchases available to the System operating companies amounted to 680,000 KW resulting in a requirement for Middle South System generated output of 11,089,000 KW. System owned and leased capability, adjusted to reflect curtailments of primary fuel (natural gas) and the use of alternate fuel, plus 832,000 KW of available non-firm purchases, amounted to 12,801,000 KW. The reserve margin at the time of peak was approximately 15%. Continuing capability evaluations by the Middle South System indicate that during the 1980 peak load season its loss of generating capability due to natural gas curtailment and the substitution of fuel oil was approximately 719,000 KW. (See "Fuel Supply".)

The peak demand, date of occurrence and net capability of owned and leased generating stations at the time of the peak for the System operating companies are indicated below:

	Peak Demand KW	Date	Net Capability at Time of Peak (KW)
AP&L	4,179,000	July 16, 1980	4,057,000
LP&L	4,078,000	July 16, 1980	4,392,000(1)
MP&L	2,078,000	July 15, 1980	2,763,000
NOPSI	1,091,000	July 16, 1980	1,257,000

(1) Excludes 233 MW which represents the capability of generating stations in certain Louisiana towns and cities, which generating stations are being operated as part of the LP&L system.

Unscheduled outages of two LP&L generating units occurred in the first quarter of 1981 as a result of mechanical problems. One unit (436 MW) is expected to return to service in early August 1981. The other unit (748 MW) is expected to return to service in early July 1981, with a 10% reduction in capacity after repairs. The unit is expected to be restored to full capacity during the 1981-1982 winter season.

Representatives of the Middle South System regularly review load and capacity conditions in order to coordinate and recommend the location and time of installation of additional generating capacity and of interconnections in the light of the availability of power, the location of new loads and maximum economy to the Middle South System. The Middle South System anticipates that it will have the ability to supply its presently forecasted load, subject to its ability to install presently planned capacity, to the receipt of purchased power under various contracts, to the magnitude, duration and timing of equipment forced outages, to the availability of fuel as required and to other factors.

Other Electric Property

At December 31, 1980, the System operating companies owned and operated 11,597 pole miles of electric lines of 33 KV and over (including 1,034 pole miles of 500 KV) and 63,592 pole miles of electric lines under 33 KV. These companies also owned and operated 873 substations.

Gas Property

At December 31, 1980, NOPSI distributed and transmitted natural gas within the limits of the City of New Orleans through a total of 1,424 miles of gas distribution mains and 38 miles of gas transmission lines. Deliveries of natural gas for distribution purposes by NOPSI are received at eleven separate locations or "City Gates". Gas from United is received by NOPSI at six of the City Gates and intrastate gas from other suppliers is received at the other gates.

At December 31, 1980, Associated owned approximately 602 miles of gas transmission lines ranging in size from 2 inch to 10 inch and approximately 1,285 miles of gas distribution mains.

Transit Property

At December 31, 1980, NOPSI owned or leased 493 motor coaches and 35 streetcars which operate over 509.4 miles of motor coach routes and 14.6 miles of single track equivalent of street railway track.

Titles

The Middle South System's electric generating stations are generally located on lands owned in fee simple. The greater portion of the transmission and distribution lines of System operating companies have been constructed over lands of private owners pursuant to easements or on public highways and streets pursuant to appropriate permits. The rights of each company in the realty on which its properties are located are considered by it to be adequate for its use in the conduct of its business. Minor defects and irregularities customarily found in properties of like size and character exist, but such defects and irregularities do not materially impair the use of the properties affected thereby. The System operating companies generally have the right of eminent domain whereby they may, if necessary, perfect or secure titles to privately-held lands used or to be used in their utility operations.

Substantially all the properties of each System operating company and MSE are subject to the lien of the mortgage and deed of trust securing the first mortgage bonds of such company.

FUEL SUPPLY

The Middle South System traditionally burned natural gas as its primary fuel but in recent years has generally burned increased amounts of fuel oil because of natural gas curtailments. However, fuel usage in 1979 and 1980 was affected by (i) the increased amounts of natural gas available for use in power plants during 1979 and 1980, and (ii) the higher cost of oil during 1979 and 1980. The commercial operation of AP&L's ANO No. 2 and White Bluff No. 1 further altered the percentage generation by fuel source in 1980.

The following tabulation shows the percentages of natural gas, fuel oil, nuclear fuel, and coal used in KWH generation and the average fuel cost per KWH (without application of heat factor) generated by each type of fuel during the past three years:

	Natural Gas		Fuel Oil		Nuclear Fuel		Coal	
Year	Percent of Generation	Fuel Cost Per KWH	Percent of Generation	Fuel Cost Per KWH	Percent of Generation	Fuel Cost Per KWH*	Percent of Generation	Fuel Cost Per KWH
1978	42%	.74¢	47%	1.94¢	11%	.27¢	—	—
1979	57	1.31	33	2.45	10	.37	—	—
1980	63	2.03	18	3.58	17	.60	2%	1.77¢

* Credits for sale of spent nuclear fuel (including plutonium and uranium residuals) pursuant to an existing contract are taken into account in computing item costs and averaged approximately .01¢ per KWH for the years 1978-1980. The costs of reprocessing of spent fuel are not included in computing item costs. For information with respect to the unavailability of reprocessing services, which will not be required until 1985 at the earliest, see "Fuel Supply—Nuclear Fuel".

The Middle South System's percentages of generation by type of fuel were, during 1980, and are estimated to be, in 1981, the following:

	Natural Gas		Fuel Oil		Nuclear		Coal	
	1980*	1981*	1980	1981	1980	1981	1980	1981
Consolidated	63%	66%	18%	3%	17%	18%	2%	13%
AP&L**	31	24	11	1	52	43	5	31
Ark-Mo	46	—	54	—	—	—	—	—
LP&L	81	94	19	6	—	—	—	—
MP&L	68	94	32	6	—	—	—	—
NOPSI	94	99	6	1	—	—	—	—

* These percentages reflect the receipt by the System operating companies from the ERA for certain of their power plants of temporary exemptions from restrictions on the use of natural gas as boiler fuel prescribed in the Powerplant and Industrial Fuel Use Act. That Act, among other things, prohibits the use of natural gas in an existing electric power plant in greater proportion than the average yearly proportion of natural gas which such power plant used as a primary energy source in calendar years 1974 through 1976. The temporary exemptions allow the power plants for which such exemptions have been granted to use natural gas as a primary energy source in excess of the amounts mandated by the above described prohibition. Some of the exemptions granted to the System operating companies expire on October 31, 1981, but are subject to extension for additional periods for a maximum exemption term of five years, including the initial period. Other exemptions have already been granted for the maximum five-year term. Certain of these exemptions are the subject of suits filed by various industrial groups and a gas utility company seeking to challenge such action by the ERA. The System operating companies have intervened in these suits, which have now been consolidated and are pending in the United States Court of Appeals for the District of Columbia Circuit.

** The balance of AP&L's generation is provided by hydroelectric power.

AP&L's ANO No. 2 and White Bluff No. 1, which went into commercial operation in March 1980 and August 1980, respectively, have altered the percentages of generation by fuel source which the Middle South System has experienced in recent years. Additional nuclear units under construction by LP&L and MSE, AP&L's coal-fueled units under construction at the White Bluff and Independence Plants, and additional coal-fueled units now in the design phase are expected to alter these percentages substantially in future years. Factors which may also affect the percentages in future years include availability and price of fuel and purchased power, customer energy requirements, restrictions on coal mining, environmental protection requirements, requirements of the NRC, and the effect of the provisions of Federal energy legislation enacted in 1978 restricting the use of natural gas as boiler fuel.

System Fuels, Inc.

SFI operates on a non-profit basis for the purposes of planning and implementing programs for the procurement of fuel supplies for the Middle South System. AP&L owns 35%, LP&L owns 33%, MP&L owns 19% and NOPSI owns 13% of the common stock of SFI. SFI supplies fuel for the Middle South System primarily through purchases from third parties.

SFI is also engaged in oil and gas exploration activities. During 1980, SFI had varying degrees of participation in the drilling of 21 wells. Of these wells, SFI held a major working interest and acted as operator of eight wells, four of which became commercial producers. Of the remaining 13 wells drilled with other parties as operator, five proved commercially operational.

SFI's investment in developed and undeveloped oil and gas properties, however, amounted to approximately 1% of the consolidated assets of the Middle South System at January 31, 1981. The

following table sets forth information as to the estimated net quantities of reserves, all of which are located within the United States, as of the dates indicated:

	1980	
	Natural Gas (MCF)	Oil and Condensate (Barrels)
Proved developed reserves:		
As of January 1, 1980	73,167,069	1,858,523
Revisions of previous estimates	(13,702,714)	(362,763)
Extensions, discoveries and other additions	3,862,680	472,798
Production	(5,506,657)	(228,672)
As of December 31, 1980	57,820,378	1,739,886
Proved undeveloped reserves as of December 31, 1980	800,722	359,628
Proved developed and undeveloped reserves as of December 31, 1980	58,621,100	2,099,514

SFI's natural gas production is sold to the Middle South System and, under limited circumstances, to third parties. Since SFI is limited to its recovery of the cost of the reserves, the cost of this natural gas to the Middle South System is less than the cost of natural gas which could be purchased in the open market thereby reducing the cost of energy to Middle South System customers. SFI's sales to third parties are made at market prices and the profits realized on such sales are used to reduce the cost of reserves and the cost of energy to Middle South System customers.

During 1978, SFI initiated a program of exploration for uranium ores suitable for potential future extraction and conversion into nuclear fuels. Uranium exploration efforts are largely in the preliminary stages and results to date have not been significant.

At January 31, 1981, SFI estimated gross expenditures in 1981 of approximately $27.9 million for oil and gas exploration and development and for uranium exploration.

As of January 31, 1981, SFI had under charter a number of towboats and barges for the transport of fuel oil. For details of other fuel supply activities of SFI, reference is made to the subheadings, "Natural Gas", "Fuel Oil", "Coal" and "Nuclear Fuel" under this heading.

To finance, in part, its fuel supply arrangements, SFI has entered into various borrowing arrangements with its parent companies as follows:

	Period in Effect	Term of Loans Outstanding	Maximum Borrowings Authorized At 1/31/81	Amount Outstanding At 1/31/81
Loan Agreement dated January 4, 1972	1/4/72-12/31/73	10 years from date of borrowing	—	$26,500,000
Loan Agreement dated January 5, 1974, as amended	1/5/74-12/31/77	25 years from date of borrowing	—	13,000,000
Loan Agreement dated January 4, 1978, as amended	1/4/78-12/31/81	due 12/31/2006	$261,500,000	54,500,000
				$94,000,000

In addition, the System operating companies, as sole holders of the common stock of SFI, have covenanted and agreed, severally in accordance with their respective shares of ownership of SFI's common stock, that they will take any and all action necessary to keep SFI in a sound financial condition and to place SFI in a position to discharge, and to cause SFI to discharge, its obligations under certain borrowing arrangements. The total loan commitments under these arrangements amounted to $221,196,000 at January 31, 1981, of which $133,955,000 had been borrowed by SFI

and was outstanding at that date. SFI's parent companies have made similar covenants and agreements in connection with long-term leases of oil storage and handling facilities and coal hopper cars having at January 31, 1981, an aggregate discounted value of approximately $59,150,000. In addition, MSU has guaranteed the obligations of SFI in connection with long-term leases of other oil storage and handling facilities and bareboat charters of towboats and barges having, at January 31, 1981, an aggregate discounted value of approximately $38,976,000.

For information regarding an additional commitment of the System operating companies in connection with SFI's fuel supply business, reference is made to "Coal" under this heading.

Natural Gas

For several years prior to 1979 the interstate pipeline companies serving the Middle South System's power plants, either directly or indirectly through gas distribution companies, had imposed severe levels of curtailment under gas curtailment plans in effect or in the process of development. An improvement in system supply for these pipeline companies became apparent in mid-1979 in the form of higher allowable daily allocations of gas for power plant use to various companies. These higher levels of deliveries continued through 1980 and coupled with more readily available "spot" gas, purchased by SFI on an interruptible basis for Middle South System use from intrastate pipelines and gas distribution companies, accounted for a dramatic increase in 1979 and 1980 (over 1978) in the percentage of energy generated by gas-fired units of the Middle South System.

The projected duration of the higher deliveries of power plant gas recently experienced is a subject of disagreement among experts in the field of energy forecasting. Factors affecting the amount of gas available for power plant use include: overall supply available to the supplying gas system, extent of storage capability, severity of weather in the area to be served, economic activity affecting demand by higher priority gas customers, policy regarding connection of new higher priority customers and conservation efforts by existing customers. Federal energy legislation enacted in 1978 permits curtailment of gas deliveries to power plant users under order of the FERC during national emergency situations. The curtailment policy of United, a major supplier to the Middle South System, is currently the subject of review or litigation before Federal regulatory agencies and the courts and therefore constitutes another area of uncertainty regarding future gas supply.

Natural gas produced by SFI in Mississippi is primarily being sold to MP&L and energy generated by MP&L with such gas is shared among SFI's parent companies in proportion to their respective investments in SFI.

In large part as a result of curtailments of natural gas, the System operating companies will be required to supplement natural gas with oil during 1981. As a result of burning oil, the generating units require greater maintenance and restoration work. The anticipated oil usage is expected to continue to reduce the net generating capability of oil-burning generating units. (See "Property—Interconnections".)

Fuel Oil

The System operating companies expect during 1981 to obtain an adequate supply of fuel oil. Such supplies have been and, during 1981, will be supplied primarily by SFI. As of January 31, 1981, the fuel oil requirements of the Middle South System for 1981 were estimated to be approximately 3.3 million barrels, for all of which the Middle South System has contracted. At January 31, 1981, the total fuel oil inventory of the Middle South System was approximately 5.2 million barrels. The Middle South System's storage capacity at January 31, 1981 was 10.2 million barrels.

SFI has a long-term fuel oil supply agreement with Marathon Oil Company providing for the purchase of 50,000 barrels per day for a twenty-year period with the option of SFI, upon two years' written notice, to reduce the contract quantity to no less than 35,000 barrels per day. Deliveries of oil to SFI under this agreement commenced in January 1977. In February, 1979, SFI filed suit in the United States District Court for the Eastern District of Louisiana charging that Marathon had breached

the contract by failing to meet the quality specifications of some of the oil delivered under the contract and refusing to make appropriate adjustments to the price of the oil to reflect such quality deviations. SFI is seeking money damages and specific enforcement of the contract. In April 1979, Marathon filed a counter-claim against SFI alleging mutual error and requesting that the contract be set aside. The matter is pending.

Coal

AP&L estimates that each unit of the White Bluff Plant will require approximately 2.5 million tons of coal annually. AP&L has made arrangements for coal for the White Bluff Plant. Thereunder, AP&L has agreed to purchase, over a twenty-year period 100 million tons, and has the option to purchase, over a further 10 year period, an additional 50 million tons. The coal to be purchased under this arrangement is to be supplied by surface mining in the State of Wyoming from a mine which has been operational since January 1978. In September 1977, AP&L and SFI instituted proceedings before the Interstate Commerce Commission to determine a fair rate to be paid to the railroads for transporting this coal from Wyoming to the White Bluff Plant. Various issues arising out of these initial proceedings and SFI's challenges to the applicability of subsequent general or specific tariff additions proposed by the railroads are either pending before the Commission or on appeal to the Courts. Irrespective of the outcome of these proceedings, the passage of the Staggers Rail Act of 1980 (often referred to as the Railroad Deregulation Bill) may increase the cost of future deliveries of coal by rail to the White Bluff and Independence Plants and future coal burning units of the Middle South System; that Act narrows, in a number of respects, the Commission's jurisdiction over tariffs. Coal deliveries to the White Bluff Plant began in December 1979. As of January 31, 1981 approximately 1.8 million tons of coal had been delivered.

In December 1976, SFI entered into a contract with a joint venture consisting of a subsidiary of Peabody Coal Company and a subsidiary of Panhandle Eastern Pipeline Company for the supply from a mine to be developed in Wyoming of an expected 150 to 210 million tons of coal over a period of from 26 to 42 years. Coal so supplied is expected to be used in the Independence Plant. AP&L, LP&L, MP&L and NOPSI, each acting in accordance with its share of the ownership of SFI, joined in, ratified, confirmed and adopted the contract and the obligations of SFI thereunder and Peabody joined in, ratified, confirmed and adopted the contract and the obligations of the joint venture thereunder. Under the contract, investment in the mine for leases, plant and equipment is the responsibility of the joint venture. However, in order to limit the joint venture's investment rights and, hence, the amount to be paid to it as a component of the price of coal, the contract provides that SFI invest 50% of the funds for plant and equipment in excess of $43,800,000 up to $49,000,000 and 100% of any funds required for such purposes in excess of the latter amount. SFI also has, under the terms of the contract, the option of investing funds in certain rail facilities at the mine and certain coal leases to be mined by the joint venture. During the period through January 31, 1981, SFI made such an optional investment in the amount of $4.8 million, which was borrowed from its parent companies. In addition to this amount, SFI anticipated, at January 31, 1981, that its total additional investments would be approximately $30 to $40 million in current dollars over the 26 to 42 year life of the contract. Any funds supplied by SFI under its options in the contract will be obtained either through borrowings from its parent companies or other methods of financing. The joint venture management has advised SFI that due to difficulties in obtaining mining permits, first deliveries under the contract are estimated to be delayed approximately one year to January 1, 1984. SFI does not anticipate any difficulty in obtaining alternate coal supplies at reasonable cost during the delay period.

In February 1980, SFI executed a contract with Shell Oil Company, subject to regulatory approval which has not yet been requested, for the purchase of an estimated 247 million tons of lignite in Calhoun County, Arkansas over a thirty-year period. By separate agreements, AP&L guaranteed SFI's performance of the contract and agreed to purchase the lignite from SFI. The lignite is to be used at AP&L's planned lignite-fired power plant.

SFI is involved in negotiations with various non-affiliated parties with respect to possible arrangements for the transportation of coal from Wyoming to the Middle South System, including transportation by a coal slurry pipeline system and by rail cars. The transporting of coal through a slurry pipeline system is dependent upon, among other things, the availability of adequate supplies of water, the ability to finance a project of this magnitude and to obtain necessary rights-of-way and the comparative economics of pipeline versus other modes of transportation. SFI has entered into long-term leases for an aggregate of 1,350 hopper cars to be used initially to supply coal to the White Bluff Plant.

The Strip Mining Reclamation Control Act of 1977 providing for, among other things, reclamation of surface-mined lands, may increase substantially the cost, but the Middle South System does not believe it will reduce the availability, of low-sulfur western coal for the White Bluff Plant and the Independence Plant.

Nuclear Fuel

Generally, the supply of fuel for nuclear generating units involves the mining and milling of uranium ore to produce a concentrate, the conversion of uranium concentrate to uranium hexafluoride, enrichment of that gas, fabrication of the nuclear fuel assemblies and reprocessing of the spent fuel.

Beginning in 1978, SFI assumed the responsibility for contracting for the acquisition, conversion and enrichment of those nuclear materials required for the fabrication of nuclear fuel which may be utilized for any of the present or proposed Middle South System nuclear units and for establishing an inventory of such materials during the various stages of processing. Each Middle South System company having nuclear capacity is responsible for contracting for the fabrication of its own nuclear fuel and for purchasing the required enriched uranium hexafluoride from SFI. When possible, SFI will arrange for reprocessing of spent fuel and will purchase the uranium and plutonium residuals from the appropriate Middle South System company, unless such company is contractually obligated to sell such residuals to a third party.

Based upon the scheduled completion dates and planned fuel cycles for the Middle South System's nuclear units (including the two in service), the following tabulation shows the years through which existing contracts will provide materials and services for the continued operation of the respective units.

	Uranium Concentrate	Acquisition of or Conversion to Hexafluoride	Enrichment	Fabrication	Reprocessing (1)	Scheduled Completion Date
ANO No. 1	—(2)	1994	2001	1994		In service
ANO No. 2	—(2)	1994	2001	1991		In service
Waterford No. 3	1987	1985	2010	1993		1983
Grand Gulf No. 1	1983	1983	2010	1985		1982
Grand Gulf No. 2	1984	1984	2012	1985		1986

(1) It is the Company's understanding that no contractor is presently available in the United States who is able and willing to supply this service for the nuclear fuel involved. In the event reprocessing services do not become available at the time required, which is not earlier than 1985, additional arrangements will be necessary for the storage of spent fuel, the extent and cost of which cannot at this time be predicted. If the capability of full core discharge is not retained, then reprocessing or disposal services or additional storage capacity would not be needed until at least 1988.

(2) Under its existing contracts, AP&L acquires uranium converted to hexafluoride directly from the vendor.

Additional arrangements for segments of the nuclear fuel cycle beyond the dates shown above will be required. At this time the Middle South System cannot predict the ultimate availability or cost thereof which will probably be higher than existing costs.

AP&L is a party to a nuclear fuel lease permitting it to lease up to a maximum of $130,000,000 of nuclear fuel. Lease payments are based on nuclear fuel use and are treated as a cost of fuel. The lease, unless sooner terminated by one of the parties, will continue until 2018. The unrecovered cost base of the lease at December 31, 1980 was $123,740,000.

In March, 1981, the amount which LP&L is permitted to lease under its nuclear fuel lease was increased to $105,000,000 of nuclear fuel. Lease payments, based on nuclear fuel used, will be treated as cost of fuel. The lease, unless sooner terminated by one of the parties, will continue through June 1, 2028. The unrecovered cost base of the lease at December 31, 1980 was $59,400,000.

MSE is a party to a nuclear fuel lease permitting it to lease up to a maximum of $80,000,000 of nuclear fuel. Lease payments, based upon nuclear fuel used, will be treated as cost of fuel. The lease, unless sooner terminated by one of the parties, will continue through October 15, 2029. The unrecovered cost base of the lease at December 31, 1980 was $55,211,000.

Natural Gas Purchased for Resale

Associated and NOPSI obtain deliveries of natural gas for resale from various natural gas pipeline companies. Such deliveries of natural gas are subject to curtailments. As a result of shortages of natural gas for resale, Associated has had some reduction of gas service to interruptible and certain industrial customers.

Associated and NOPSI have also experienced increases in the cost of gas purchased for resale. Gas rate schedules for these companies include adjustment clauses for changes in the cost of gas purchased for resale.

During the year ended December 31, 1980, natural gas entitlements, subject to curtailment, of Associated amounted to approximately 18.0 billion cubic feet. Actual curtailments during this period amounted to approximately 480 million cubic feet. It was estimated at January 31, 1981, that curtailments for the year ending December 31, 1981, based on the same contract entitlements, will amount to 300 million cubic feet.

NOPSI's principal supplier of natural gas for resale is United. On January 31, 1975, NOPSI entered into a service agreement with United extending its contract for the purchase of gas for resale from June 1, 1975 to June 1, 1985. The annual base requirement for resale gas from United is approximately 37.2 billion cubic feet. During 1980, United imposed curtailments on deliveries to NOPSI only during January and portions of February and March, 1980. Because of the mild weather experienced during this period as well as the low levels of curtailments imposed, NOPSI was allocated sufficient quantities of gas to meet customer requirements.

NOPSI and Associated anticipate as of January 31, 1981, that they will be able to obtain an adequate supply of gas to meet the requirements of their "Human Needs" customers. The ability of NOPSI and Associated to serve their industrial customers in the future may be affected by Federal energy legislation enacted in 1978, the severity of future winters and decisions by regulatory and judicial bodies. Because of United's inability from time to time to serve NOPSI's entire requirements, NOPSI has contracted for supplementary supplies of intrastate natural gas to lessen the possibility of having to curtail deliveries to its natural gas customers.

Research

The Middle South System is a member of EPRI and through this group is actively supporting the effort to work in cooperation with the Federal government on segments of the energy research and development needs of the nation.

MSS is one of three companies selected nationwide by the ERDA to design an experimental energy storage system. If proven economically practical, it would ultimately reduce energy costs and oil consumption by storing compressed air in underground caverns for later use in producing electricity. The

compressed air energy storage system would use excess power available during times of low customer demand to pump air, under pressure, into a large underground cavity. During high demand periods the air would be released, then heated by burning about one-third the amount of oil normally needed for driving a turbine to generate a like amount of electricity. MSS' design will use as the storage facility one of the many salt domes that underlie much of Louisiana and Mississippi. The design site location will depend on a number of factors, including its proximity to existing electric transmission facilities. The design of the project began in late 1977 with completion estimated in early 1981. When the evaluation is finished, the technical, geological, economic and environmental information will help MSS, EPRI, and the DOE determine whether the project should be built.

For the years 1978, 1979 and 1980, the Middle South System has contributed approximately $7.1, $8.0 and $10.0 million, respectively, for the various research programs in which the Middle South System is involved.

REGULATION AND LITIGATION

Holding Company Act

The Company is a registered public utility holding company, subject to the broad regulatory provisions of the Holding Company Act. Section 11(b)(1) of the Holding Company Act limits the operations of a registered holding company system to a single integrated public utility system, plus additional systems and businesses as restricted by that Section. On March 20, 1953, the SEC issued an order and an accompanying opinion which, among other things, (i) found that the electric properties of the Middle South System constitute an integrated electric utility system; (ii) ordered AP&L, LP&L and MP&L to dispose of their non-electric utility properties; (iii) stated that, in view of the unified operations under which electric, gas and transit properties are operated in New Orleans, and in view of the expressed strong desire of the City of New Orleans for continued unified operation, the SEC did not then propose to take any action regarding gas and transit properties of NOPSI; and (iv) released the jurisdiction which had been reserved over problems under Section 11(b)(1) of the Act. The disposition of non-electric utility properties required by such order was completed in October 1960.

On May 5, 1971, the SEC issued its findings and opinion, and an accompanying order under the Holding Company Act which, among other things, (i) approved the proposal of the Company to acquire the common stock of Ark-Mo from the holders thereof by offering in exchange therefor common stock of the Company and (ii) ordered the Company to dispose of any direct or indirect interests in the gas properties of Ark-Mo and its subsidiary, Associated. On May 12, 1978, Ark-Mo transferred all of its gas properties to its subsidiary, Associated, thereby consolidating into one corporate entity gas properties which, with the exception of isolated operations of Associated, were already operated as an integrated system and enabling Associated, as an expanded gas corporation, to establish an operating record which could provide a basis for the eventual disposition of the securities or properties of Associated in accordance with the SEC's May 5, 1971 order.

On March 2, 1979, it was announced that, in the interest of increased economic efficiency, Ark-Mo and AP&L would jointly begin developing a plan to consolidate their electric operations. Effective January 1, 1981, and pursuant to authorizations of the SEC under the Holding Company Act and of the APSC, the TPSC and the PSCM, AP&L acquired from the Company all the outstanding common stock of Ark-Mo, whereupon AP&L, as sole stockholder of Ark-Mo, caused Ark-Mo to be dissolved and all of its assets, including all the outstanding common stock of Associated, to be distributed and conveyed to AP&L. Concurrently with the acquisition by AP&L of Ark-Mo's assets, AP&L assumed all of Ark-Mo's liabilities, including all contractual commitments, lease obligations and notes payable to banks, and, with respect to the $21,160,310 principal amount of Ark-Mo's outstanding first mortgage bonds, AP&L issued to the holders thereof, in exchange for the surrender and cancellation of such bonds, a like aggregate principal amount of AP&L's first mortgage bonds. Upon consummation of these transactions, Ark-Mo became a division of

AP&L and Associated a subsidiary of AP&L. At the time of the consolidation, the net book value of Ark-Mo was $33,112,555.

Due to the continued financial burden placed on NOPSI and its electric and gas customers by its transit operations, on July 15, 1976, NOPSI filed with the SEC an application for approval of a plan for divestiture of its transit properties to enable it to comply with the standards prescribed by the Holding Company Act. The City of New Orleans filed with the SEC a memorandum of law in opposition to NOPSI's application, and three citizens' groups requested that the SEC hold a hearing and that they be allowed to participate. The matter is pending before the SEC.

By letter dated July 15, 1976, NOPSI notified the Council that (i) it was surrendering its Indeterminate Transit Permits and Temporary Transit Franchise; (ii) it would discontinue transit operation at the earliest practicable time but in no event later than midnight, December 31, 1976; (iii) it was tendering its transit properties to the City of New Orleans pursuant to the option to purchase contained in the Indeterminate Transit Permits and Temporary Transit Franchise and (iv) in the event the City of New Orleans did not, prior to midnight, December 31, 1976, exercise its option and purchase NOPSI's transit properties or make other acceptable arrangements with NOPSI for the sale thereof to others, NOPSI would dispose of the transit properties. NOPSI continued and continues to operate the transit system on an interim basis beyond December 31, 1976 under subsidy agreements with the City of New Orleans for each of the years 1977 through 1981.

Pursuant to the subsidy agreement for 1981 the City of New Orleans has agreed, subject to certain limitations, to make monthly payments to NOPSI in such amounts as, when added to operating revenues from the transit operation and any subsidy from the combined electric and gas operations, will provide NOPSI with an annualized 8.33% rate of return on its transit rate base (or such other rate of return as authorized by the Council on NOPSI's electric and gas rate base). To the extent combined electric and gas revenues for any month exceed the amount required for NOPSI to earn an annualized 8.33% rate of return on the rate base applicable to electric and gas operations (or such other rate of return as authorized by the Council), such excess is required to be applied by NOPSI to subsidize the transit operation in reduction of the City's subsidy obligation. The subsidy agreements for each of the years 1978 through 1981 also provide for a sharing as between NOPSI (70%) and the City (30%) of the financial burden of any money damages, attorney fees, court costs and/or reduction in transit fares that may ultimately be assessed in connection with the class action suit involving transit revenues collected pursuant to the transit fare increase, effective November 14, 1975. See "Regulation and Litigation—Other Regulation and Litigation" and "NOPSI Industry Segments".

State Regulation

AP&L is subject to regulation by the APSC. APSC regulation includes the authority to fix rates, determine reasonable and adequate service, fix the value of property used and useful, require proper accounting, control leasing, acquisition or sale of any public utility plant or property constituting an operating unit or system, fix rates of depreciation, issue certificates of convenience and necessity and certificates of environmental compatability and public need, and control the issuance and sale of securities. AP&L is subject to regulation by the TPSC as to standards of service and rates for service to customers in Tennessee, accounting, issuance of securities and certificates of convenience and necessity. AP&L is also subject to regulation by the PSCM as to some of its activities. Associated is also subject to regulation as a public utility by the APSC and the PSCM.

LP&L is subject to the jurisdiction of the LPSC as to rates and charges, standards of service, depreciation, accounting and other matters, except in the City of New Orleans where it is regulated by the Council, which has power of local regulation. The LPSC does not exercise jurisdiction over the issuance of securities by LP&L because these matters are subject to the jurisdiction of the SEC under the Holding Company Act.

MP&L is subject to regulation as to service, service areas, facilities and retail rates by the MPSC.

NOPSI is subject to regulation by the Council. The ordinances under which NOPSI operates provide, among other things, for the establishment and continuing determination of NOPSI's rate base, the rate of return on the rate base and the rates and fares to produce such return; for the keeping of books of account; for an option to the City of New Orleans to purchase the property and assets of NOPSI's electric and/or gas and/or transit operations at respective rate base values; for the regulation of services rendered and for the regulation of the issuance of securities having maturities longer than twelve months.

Franchises

AP&L holds franchises to provide electric service in 321 incorporated cities and towns, 28 of which are in Missouri. Associated holds franchises to provide gas service in 76 incorporated cities and towns. LP&L holds franchises to provide electric service in 115 incorporated cities and towns. NOPSI holds indeterminate permits and a temporary franchise to provide electric, gas and transit service in the incorporated City of New Orleans.

LP&L supplies electric service in 381 unincorporated communities, all of which are located in parishes (counties) from which LP&L holds franchises to serve the areas in which the respective unincorporated communities are located. MP&L has received from the MPSC certificates of public convenience and necessity to provide electric service to the areas of Mississippi which MP&L serves. Associated provides gas service in 15 communities in which franchises are not required.

Federal Power Act

The System operating companies are subject to regulatory jurisdiction under the Federal Power Act, administered by the FERC and the DOE, over, among other things, the licensing of certain hydroelectric projects, the business of and facilities for the transmission and sale at wholesale of electric energy in interstate commerce and certain other activities of the System operating companies as interstate electric utilities, including accounting policies and practices.

AP&L holds a license for two hydroelectric projects (69 MW) which was granted July 2, 1980. This license, granted by the FERC, will expire February 2003.

Natural Gas Act

Associated is subject to provisions of the Natural Gas Act, as administered by the FERC and the DOE, since certain of its transmission lines, serving various parts of its distribution system, cross the Arkansas-Missouri state line. Regulatory jurisdiction under the Natural Gas Act relates to the construction and operation of facilities used in the transportation of natural gas in interstate commerce, the sale of natural gas in interstate commerce for resale for ultimate public consumption and the abandonment of either transportation facilities or the sale of natural gas for resale.

Environmental Regulation

In the area of air quality, water quality and other environmental matters, the System operating companies are subject to regulation by various federal, state and local authorities. The Middle South System has incurred increased costs of construction and increased operating costs in meeting environmental protection standards. Because environmental regulations are continually changing, the ultimate costs to the Middle South System cannot be precisely estimated. MSU estimates, as of January 31, 1981, that the Middle South System will make capital expenditures for environmental control purposes of approximately $46.3 million during 1981, $31.7 million during 1982, and $10.9 million during 1983.

Air Quality: Under the Clean Air Act, the EPA is required to establish NSPS for all new and modified facilities emitting certain pollutants and to establish ambient air standards for those pollutants. The NSPS for fossil fueled steam electric generating stations were revised by the EPA under the Clean Air Act Amendments of 1977 and are being challenged in litigation in the United States Court of Appeals for the District of Columbia Circuit by the System operating companies and MSS as members of a group of utilities.

The Clean Air Act provides a framework for states to regulate pollutants from certain sources in order to meet the ambient air standards. The states of Arkansas, Louisiana, Mississippi and Missouri adopted State Implementation Plans pursuant to the Clean Air Act as amended through 1970. The Clean Air Act Amendments of 1977 require revision of these plans. Among other things, the plans must incorporate such measures as may be necessary to prevent significant deterioration of air quality by certain pollutants in accordance with revised EPA PSD regulations.

In addition to the above litigation, the System operating companies and MSS are participating, as members of a group of utilities, in other litigation challenging the implementation of air quality legislation, including EPA regulations concerning PSD, visibility protection and certain noncompliance penalties.

Given the substantial complexities of the Clean Air Act Amendments of 1977 and the rules thus far promulgated pursuant thereto, and given the uncertainties of litigation and rulemaking, the Middle South System cannot predict the final impact of the amendments. Adverse decisions and/or regulations could necessitate the expenditure of substantial additional funds for pollution control equipment.

Each of the System operating companies believes its existing plants to be generally in compliance with current rules on air quality.

Water Quality: In October 1974, the EPA promulgated effluent guidelines and limitations under the FWPCA for certain existing and future steam electric generating stations. The FWPCA established the NPDES, which replaced the earlier Corps of Engineers Refuse Act permit program. The United States Court of Appeals for the Fourth Circuit in 1976 remanded a significant portion of the regulations to the EPA for further consideration. If the System operating companies were required to install closed cycle cooling systems at existing plants under revised rules, substantial expenditures would be involved. Revisions to the remanded portions of the rules concerning thermal discharges have not been proposed by the EPA at this time.

The System operating companies hold the requisite NPDES permits for their major existing generating stations. Facilities constructed at these stations have brought discharges into compliance with these permits. In accordance with permit conditions, the System operating companies have reported instances of noncompliance to the EPA.

In 1977 the FWPCA was amended and renamed the Clean Water Act. The Clean Water Act requires revision and renewal of all current NPDES permits. At the time of this renewal, substantial new requirements on toxic and hazardous substances could be incorporated into the permits under new EPA regulations issued May 19, 1980 and June 9, 1980, portions of which have been challenged in litigation by the System operating companies and MSS, as members of a group of utilities.

In March 1979, the National Wildlife Federation filed suit against the EPA in the United States District Court for the District of Columbia seeking to force the agency to require NPDES permits for spillway discharge from dams and for turbine discharges from hydroelectric dams. AP&L's two existing hydroelectric facilities could be affected. The System operating companies and MSS, as members of a utilities group, have intervened in the suit. The economic effect of an adverse ruling cannot be predicted at this time.

NOPSI has been experiencing certain water pollution control problems related to oil and other materials in discharges of water from its transit motor coach garages and maintenance facilities. Certain revised operating procedures have been instituted which have largely controlled these problems. At the direction of the Sewerage and Water Board of New Orleans, modifications of these facilities are being designed and will be installed during 1981 to bring these facilities into compliance.

Toxic Substances: Pursuant to the Toxic Substances Control Act the EPA has promulgated regulations for the control of polychlorinated biphenyls. These rules are requiring expenditures of funds for the proper handling, marking, storage, transportation and disposal of this substance, which is frequently found in varying concentrations in capacitors and transformers manufactured before 1977.

The System operating companies instituted plans for initial and continuing compliance with these regulations. Portions of the EPA rules were challenged by the Environmental Defense Fund. The System operating companies and MSS intervened in the suit as members of a utilities group. The United States Court of Appeals for the District of Columbia Circuit set aside certain of these regulations but granted in February 1981 an eighteen month stay of its ruling on the basis of a negotiated settlement agreement among the parties to the litigation which provides for an interim inspection program for certain transformers and for a program of information gathering designed to support subsequent EPA rulemaking.

Hazardous and Solid Wastes: Pursuant to the RCRA the EPA has issued guidelines for the states to use in formulating a solid waste control program. Louisiana recently promulgated a solid waste control program, effective January 20, 1981, and a related program regulating resource recovery and recycling. The effect of this program on LP&L and NOPSI is now being evaluated. Arkansas, Mississippi and Missouri also have solid waste control programs.

The EPA has promulgated and will continue to promulgate regulations for the cradle-to-grave regulation of hazardous waste under RCRA. The System operating companies filed the required August 19, 1980 notices of possible hazardous waste activities. Timely applications for permits were subsequently filed by November 19, 1980 for those facilities deemed to be treatment, storage or disposal facilities. The RCRA also provides for state administration of certain elements of the hazardous waste program during the initial period of this new regulatory plan. In order to obtain authority to administer such a program, a state must show that its plan is no less stringent than the federal rules and that it has the administrative capacity to handle the program. The States of Arkansas, Louisiana and Mississippi have received such authorization for portions of their programs. Plans for compliance with these programs have been or are being formulated by the System operating companies. The System operating companies and MSS, as members of a group of utilities, are participating in a court challenge to portions of the federal rules and the related portions of the Consolidated Permit Rules.

Atomic Energy Act of 1954 and Energy Reorganization Act of 1974

The Atomic Energy Act of 1954, as amended, vested broad jurisdiction in the AEC over the construction and operation of nuclear reactors, particularly with regard to public health and safety and antitrust matters. Under the terms of the Energy Reorganization Act of 1974, effective January 19, 1975, the AEC was abolished, its general licensing and regulatory jurisdiction was assumed by the NRC, and its general research functions were assumed by the ERDA.

As the owner and operator of ANO, AP&L is subject to the jurisdiction of the NRC. ANO No. 1 began commercial operation December 19, 1974. Its nuclear reactor was supplied by Babcock & Wilcox Company and is similar to the Unit 2 reactor at the Three Mile Island nuclear power station. Pursuant to an agreement with the NRC, AP&L has made certain modifications to the Unit as a result of the incident at Three Mile Island and has agreed to make further modifications, certain of which were made in January 1980. Additional modifications were made during a refueling outage in early 1981. The Unit is to shut down to effect further modifications in the fall of 1981.

ANO No. 2 was placed in commercial operation on March 25, 1980. The engineering and construction for ANO No. 2 was performed by Bechtel Power Corporation. The turbine-generator was supplied by General Electric Company and the nuclear reactor was supplied by Combustion Engineering, Inc. Pursuant to an agreement with the NRC, AP&L has made certain modifications to ANO No. 2 as a result of the incident at Three Mile Island and has agreed to make further modifications, some of which are expected to be made during a refueling outage in early 1981.

The full extent of additional modifications, if any, which may be required at ANO as a result of the incident at Three Mile Island and the cost thereof are not known at this time.

LP&L, as owner and prospective operator of Waterford No. 3, is subject to the jurisdiction of the NRC. LP&L's application for the necessary permit and license to construct the Unit was filed with the

AEC on December 31, 1970. After hearings with respect to certain interventions, and after LP&L, in connection with the question whether its construction and operation of the Unit would create or maintain a situation inconsistent with the antitrust laws, and for the purpose of maintaining competitive conditions, had accepted licensing conditions relating principally to reserve-sharing coordination, bulk power supply, access to nuclear generation and transmission service, the AEC issued a construction permit for the Unit on November 14, 1974. Construction of the Unit is proceeding under the permit. On September 29, 1978, LP&L filed with the NRC an application for the necessary operating license for the Unit. Recent actions taken by the NRC have resulted in delays in licensing all nuclear reactors, including Waterford No. 3. Petitions for leave to intervene in the operating license proceeding have been filed by Oystershell Alliance, Inc., Save Our Wetlands, Inc. and by Louisiana Consumers' League, Inc. In general, these petitions ask that LP&L's application be disapproved or, if approved, that it be approved subject to additional safeguards. LP&L has answered and intends to oppose these petitions. The application is pending.

MSE, as owner, and MP&L, as prospective operator, of the two units at the Grand Gulf Plant are subject to the jurisdiction of the NRC. The application with the AEC for the requisite construction permits was filed on November 17, 1972. The Department of Justice accepted MP&L's and MSE's commitments, including those relating to interconnection, reserve-sharing and coordinated development with certain other systems in Western Mississippi, transmission for other systems, and wholesale power sales or the sale of an undivided interest in the Grand Gulf Plant to other systems, and recommended that no antitrust hearing would be necessary on MP&L's and MSE's application if such commitments were imposed by the AEC as operating license conditions for the Grand Gulf Plant. On September 4, 1974, the AEC issued construction permits for the two units containing such conditions. MP&L's and MSE's joint application for operating licenses for Unit Nos. 1 and 2 was docketed for review by the NRC on June 30, 1978. The first unit was scheduled for commercial operation in 1981 and the second unit in 1984. Commercial operation of the two units is dependent, among other things, upon the receipt of operating licenses from the NRC. Recent actions taken by the NRC have resulted in delays in licensing all nuclear reactors. In view of this, MSE has reviewed its schedule for testing and completion of the units and, as a result of the anticipated delays in licensing and by delaying expenditures on the second unit, has changed the scheduled commercial operation dates to 1982 and 1986 for the first unit and the second unit, respectively.

Under the antitrust conditions in the construction permits issued by the AEC for the Grand Gulf Plant, MSE was obligated to offer an opportunity to participate in the Grand Gulf Plant to entities in a defined area of Western Mississippi through ownership of a portion of the Plant or a contractual right to purchase a portion of the output of the Plant. Several entities expressed an interest in participating in the ownership of the Grand Gulf Plant. MSE has entered into an agreement pursuant to which SMEPA is aquiring a 10% undivided ownership interest in the Grand Gulf Plant. SMEPA has become responsible for 10% of the cost of construction of the Grand Gulf Plant and upon completion of the Grand Gulf Plant, SMEPA will be entitled to 10% of the energy from, and liable for 10% of the operating costs of, the Plant.

MEAM has asked, among other things, to be offered an ownership interest of at least 2.48% in the Grand Gulf Plant. The request for participation was rejected on the grounds of not being timely under the antitrust conditions referred to above. MEAM asked the NRC to commence proceedings to require MSE and MP&L to offer MEAM a participation in the Grand Gulf Plant and to require MP&L to comply with the antitrust conditions relating to interconnection and coordination of reserves and wheeling of bulk power. On May 29, 1980, in response to MEAM's request for enforcement of license conditions, the NRC issued a Notice of Violation to MSE and MP&L. The Notice of Violation stated that the NRC Staff had concluded that MSE and MP&L had violated the antitrust conditions in the construction permits, which relate to participation by MEAM in the ownership of the Grand Gulf Plant; to wheeling power for members of MEAM; and to selling for resale partial requirements power to members of MEAM. MSE and MP&L responded to the Notice of Violation on June 18,

1980, denying that they had violated the antitrust conditions and the construction permits, but offering to settle all issues raised in the Notice of Violation by allowing MEAM to acquire an interest in the Grand Gulf Plant, by agreeing to provide wheeling services for MEAM and by filing a rate schedule with the FERC under which members of MEAM can purchase partial requirements wholesale electric service from MP&L. MSE and MP&L are negotiating the settlement of these issues with MEAM. The NRC has retained jurisdiction over this matter pending the conclusion of these negotiations.

The Price-Anderson Act limits the public liability of a licensee of a nuclear power plant to $560,000,000 for a single nuclear incident, which amount is to be covered by private insurance and indemnity agreements with the NRC. Insurance for this exposure for the Middle South System companies which are licensees has been provided by purchasing private insurance in the maximum available amount of $160,000,000 and the remainder provided by such indemnity agreements with the NRC. Effective August 1, 1977, as part of a program to phase out the government indemnity, every licensee of a nuclear power plant became obligated, in the event of a nuclear incident involving any commercial nuclear facility in the United States that results in damages in excess of the private insurance, to pay retrospective assessments of up to $5,000,000 per incident for each licensed reactor operated by it and up to a maximum per reactor owned of $10,000,000 in any calendar year. The government indemnity will be reduced by the aggregate amount of all such assessments payable.

In 1980, AP&L became a member of Nuclear Electric Insurance Limited, a mutual insurer which provides insurance coverage to cover members for the cost of replacement power incurred due to prolonged outages of nuclear units caused by radioactive contamination or other specified damage. Members are insured against such increased costs in the amount of up to $2,000,000 per week (starting 26 weeks after the outage) for one year and $1,000,000 per week for a second year. Members are subject to assessments of up to five times their respective annual premiums if losses exceed the accumulated funds available to the insurer. The present maximum assessment for AP&L would be approximately $16.6 million.

Other Regulation and Litigation

AP&L

To supply Reynolds' Patterson Reduction Plant with capacity and energy, Reynolds, the United States of America, acting through the Secretary of the Interior, and AP&L entered into an agreement dated January 29, 1952. This agreement, as amended, extends to December 31, 1983, with Reynolds having the right to cancel after 15 years from the date of commencement of service on one year's prior written notice, and provides that the Department of the Interior will cause SPA to deliver to AP&L 150,000 KW and not less than 360,000,000 KWH per year and AP&L will in turn deliver to Reynolds 110,000 KW and the equivalent of the aforesaid 360,000,000 KWH annually. In April 1979, SPA notified AP&L of an increase in rates higher than that provided for in this agreement. On May 8, 1979, AP&L and Reynolds filed an action in the United States District Court in the District of Columbia for a declaratory judgment that the proposed rate increase is unlawful. DOE and SPA filed an answer claiming the right to increase the rates and charges. In addition, on May 16, 1979, AP&L and Reynolds petitioned to intervene in the proceeding pending before the FERC for final confirmation and approval by the FERC of the increased SPA rates. On October 20, 1980, the District Court entered an Order finding the proposed rate increase unlawful and enjoining SPA and the Secretary of Energy from imposing any rate higher than those permitted by the agreement. On December 19, 1980, DOE and SPA filed an appeal to the United States Court of Appeals for the District of Columbia Circuit. The appeal was voluntarily dismissed by DOE and SPA on January 26, 1981.

LP&L

On August 28, 1979, a suit was filed against LP&L in the United States District Court for the Eastern District of Louisiana by The Waldinger Corporation alleging that it had contracted to do the heating, ventilating and air conditioning work on Waterford No. 3 and that during the course of the work

LP&L had breached the contract by terminating Waldinger's right to perform further work thereunder, and making claim for $20,092,050.51, costs, interest, and such other relief as the Court might consider proper. The $20,092,050.51 consists of a claim for punitive damages of not less than $10,000,000, damage to reputation and loss of prospective business in the amount of $7,000,000, withheld amounts allegedly due under the contract totalling $720,235.51, reimbursement allegedly due under the contract for certain home office overhead costs in the amount of $1,670,000, tools and equipment allegedly misappropriated allegedly having a reasonable value of $351,815, and the cost of developing proprietary information and trade secrets furnished to LP&L in the amount of not less than $350,000. LP&L intends to deny liability and defend the suit vigorously. In the opinion of General Counsel for LP&L, (a) the claims for punitive damages of not less than $10,000,000 and damage to reputation and loss of prospective business in the amount of $7,000,000 are without merit and will be unsuccessful if and when proceeded with to final judgment, and (b) the other claims are of such nature that it will be necessary for the litigation to progress further before such General Counsel will be in a position to reach an opinion with respect thereto. On the same date, August 28, 1979, LP&L filed suit against Waldinger in the same Court claiming $21,250,000 in liquidated damages plus an unestimated additional amount of unliquidated claims, interest, costs and attorneys' fees resulting from Waldinger's failure to perform its commitments under the contract. The two suits have been consolidated for trial and on June 5, 1980 LP&L filed its answer and counterclaim in the suit brought by Waldinger, the answer denying liability and the counterclaim seeking judgment against Waldinger for the same amounts as LP&L's suit against Waldinger.

On September 5, 1974, LP&L filed suit in Civil District Court for the Parish of Orleans, State of Louisiana, against United and Pennzoil Company, alleging breach of gas supply contracts, tortious conduct, and violations of Louisiana antitrust laws, and seeking compensatory damages in the amount of $182,904,607 (of which $55,639,457 is for the increased cost for replacement fuel through June 1974), trebled to $548,713,821. On the same date LP&L filed with the LPSC a petition for a declaratory order providing a method whereby that part of the damages recovered from United in such suit attributable to increased cost of fuel passed through to LP&L's customers under fuel adjustment clauses would be made available to customers who receive service under the jurisdictional authority of the LPSC, less an appropriate portion of the costs of recovery. Discovery procedures are under way and the suit is pending in the state court.

On October 31, 1978, a suit was filed against LP&L in the Civil District Court for the Parish of Orleans, State of Louisiana, by Save Our Wetlands, Inc., seeking a declaratory judgment decreeing LP&L's Waterford No. 3 to be a nuisance, apparently on the basis that it will (allegedly) endanger the safety of the public, and an injunction to prevent LP&L from proceeding with the construction of such Unit. On November 17, 1978, LP&L filed a declinatory exception directed at the insufficiency of service of process upon it. In addition, on April 2, 1979, a mandamus suit (to which LP&L is not a party) was filed in the same Court by Save Our Wetlands, Inc. against the Governor and the Attorney General of the State of Louisiana and the State itself, asking that the Governor and the Attorney General be ordered to devise an adequate evacuation plan for metropolitan New Orleans in case of a "plant accident" at Waterford No. 3, and if such an evacuation plan is impossible (which plaintiff alleges it is), that these defendants be ordered to immediately enjoin the construction of Waterford No. 3.

MP&L

On October 4, 1980, Shell Oil Company filed suit against MP&L in the United States District Court for the Southern District of Mississippi, alleging breach of a contract under which MP&L agreed to purchase and Shell agreed to sell natural gas. The suit, which sought an injunction against MP&L to compel compliance with the terms of the contract and damages during the pendency of the breach, or in the alternative, judgment for damages of $17,964,000, has been dismissed.

MP&L filed suit on August 30, 1974 against United and Pennzoil Company in the United States District Court for the Southern District of Mississippi, for damages for breach of contract and for

misrepresentations made to MP&L. The suit seeks the recovery of damages from United and Pennzoil in the amount of $160,200,000 incurred as a result of breach of a Gas Sales Agreement between United and MP&L for the supply of up to 190,000 Mcf of gas per day for use as fuel in MP&L's Rex Brown and Baxter Wilson Steam Electric Stations. The damages sought include: $50,000,000 of increased fuel and power costs which MP&L incurred and passed on as fuel adjustment to its customers since United began curtailing gas deliveries and through July 31, 1974, which amount MP&L seeks to refund to its customers; $67,750,000 incurred or to be incurred by MP&L in converting its power plant facilities to use fuel oil as a primary boiler fuel and $42,450,000 for the cost of replacing capacity lost as a result of modifying its power plant facilities to use fuel oil as a substitute fuel. A declaration of rights is also being sought covering damages accruing with respect to increased fuel and power costs after July 31, 1974 and through the remaining term of the contract. On motion of the defendants, the Court on April 4, 1975 stayed these proceedings pending certain FPC actions; and on April 21, 1977, the Court referred the matter to the FPC. The FERC (successor to the FPC) accepted some of the referred issues.

On August 9, 1974, the United States filed suit against MP&L in the United States District Court for the Southern District of Mississippi seeking (1) a determination that MP&L is a government contractor as defined by Executive Order 11246 and subject to the equal employment opportunity clause and other obligations imposed upon contractors with the Federal government pursuant to the Executive Order and (2) an order enjoining MP&L from refusing to comply with the terms and conditions imposed by Executive Order 11246 and implementing regulations issued thereunder. MP&L filed a motion for judgment on the pleadings and the United States responded with a motion for partial summary judgment. On April 23, 1975, the District Court granted the government's motion and enjoined MP&L from refusing to comply with Executive Order 11246. On June 6, 1977, the Court of Appeals for the Fifth Circuit affirmed the opinion but vacated the injunction and remanded the case to the General Services Administration for administrative proceedings. On June 5, 1978, the United States Supreme Court granted MP&L's petition for writ of certiorari, vacated the Fifth Circuit's decision, and remanded the case for further consideration. The Fifth Circuit in turn remanded the case to the District Court. MP&L has renewed its motion for summary judgment, and the United States has renewed its motion for partial summary judgment. On May 30, 1979, the District Court ruled against MP&L. From this order MP&L filed an appeal to the Court of Appeals for the Fifth Circuit. On July 16, 1979, the District Court stayed its judgment of May 30, 1979 pending this appeal. The matter has been argued in the Court of Appeals.

NOPSI

On August 4, 1977, the Metropolitan New Orleans Chapter of the Louisiana Consumers' League, Inc. and others filed a class action suit in the Civil District Court for the Parish of Orleans against NOPSI and the Council. The plaintiffs are seeking to compel the defendants to refund the increase in transit fares collected under authority of a resolution of the Council, which resolution became effective on November 14, 1975; or, in the alternative, plaintiffs seek to compel a reduction of present transit fares for a sufficient period of time to allow transit riders to recoup the increase in fares collected under the resolution. The law suit results from the fact that the transit fare increase, which became effective on November 14, 1975 and, despite a judgment by the trial court that the increase was invalid, was permitted by the courts to continue in effect during the pendency of appeals through November 7, 1977, was finally held to be invalid on November 4, 1977, when the Louisiana Supreme Court refused to review rulings of lower courts which had held that the Council had failed to follow the prescribed statutory procedures in adopting the transit fare increase and hence the increase was null and void. (On December 1, 1977, the Council adopted a resolution, effective December 4, 1977 increasing the transit fare by the amount it was reduced.) On May 15, 1979, the District Court granted plaintiffs' request for a summary judgment against defendants and awarded the plaintiffs $5,518,990 (plus judicial interest), which sum was ordered to be paid through a reduction of NOPSI's transit fares by five cents for a period of two years. The Court further ordered defendants to pay

plaintiffs' attorney's fees in the amount of $100.000. On June 20, 1979, NOPSI and the Council filed a suspensive appeal from this summary judgment of the District Court to the Louisiana Fourth Circuit Court of Appeals. On November 14, 1980, the Court of Appeals ordered that the summary judgment issued by the District Court be annulled and that the case be returned to the District Court for further proceedings. In December 1980, the plaintiffs and the defendants petitioned the Louisiana Supreme Court for writs of review of the Court of Appeals decision. On January 26, 1981, the Louisiana Supreme Court denied the writs of review. Under the subsidy agreements for each of the years 1978 through 1981 with the City of New Orleans, the City would assume 30% of any ultimate liability resulting from this litigation. See "Regulation and Litigation—Holding Company Act".

On February 4, 1975, the Metropolitan New Orleans Chapter of the Louisiana Consumers' League, Inc. and others filed a class action suit in the Civil District Court for the Parish of Orleans against NOPSI and the Council alleging, among other things, that NOPSI's fuel adjustment clause in its electric rate schedules allows it to pass increased costs of fuel on to its customers without required regulatory hearing. A preliminary injunction and damages in the amount of $26.2 million are being sought. On January 19, 1979, the District Court refused to grant plaintiff's motion for summary judgment. On December 19, 1979, after trial of the case, the District Court entered a judgment in favor of both NOPSI and the Council and against the plaintiffs. On December 27, 1979, the plaintiffs filed an appeal of the District Court judgment to the Louisiana Fourth Circuit Court of Appeals. It is the opinion of NOPSI that final disposition of this matter will not have a material adverse effect upon NOPSI's financial position or results of operations.

On January 30, 1979, a class action suit was filed in Civil District Court for the Parish of Orleans against NOPSI, the City of New Orleans and the Council by two individuals on behalf of all of NOPSI's electric and gas customers alleging that the Council has allowed NOPSI to subsidize its transit operation with funds which NOPSI has received and is continuing to receive from its electric and gas customers. Plaintiffs further allege that they have never consented to nor did they have knowledge of this arrangement. A refund of all sums paid by plaintiffs to NOPSI for the subsidization of the transit operation and damages in the amount of $1.0 billion are being sought. NOPSI filed exceptions on April 12, 1979 and the matter is pending. NOPSI has been advised by counsel that based on its understanding of the facts and law, it is counsel's belief that NOPSI has substantial and meritorious defenses which will ultimately prevail.

NOPSI, the City of New Orleans and others filed suit on July 1, 1974 (amended June 8, 1978) against United in the Civil District Court for the Parish of Orleans for damages for breach of contract. Petitioners also include representatives of a class consisting of all persons and organizations purchasing electricity from NOPSI within the City of New Orleans. The suit, as amended, seeks the recovery of damages from United in the amount of $105,187,681 incurred as a result of breach of a Gas Sales Contract between United and NOPSI for the supply of all NOPSI's natural gas requirements for the generation of electricity. Of the total amount of damages sought, $43.2 million represents the increased amount of fuel costs which NOPSI incurred and passed on to its consumers of electricity through June 1, 1975, since United began curtailing gas deliveries for power plant generation in April 1971. Of the remainder of the damages sought, $62.0 million, $1.2 million represents increases in gross receipt and franchise taxes paid by NOPSI due to increases in gross revenues which resulted from the above mentioned $43.2 million increased cost of fuel being passed on to NOPSI's electric customers through the operation of the fuel adjustment clause in its electric rate schedules; $8.0 million represents expenditures up to June 1, 1975 for conversion of power plants to burn oil for prolonged periods and $52.8 million represents the profits NOPSI would have realized from the generation and sale of additional quantities of electricity had United not breached its contract with NOPSI and delivered to it the volumes of gas which United had contracted with NOPSI to deliver, but did not deliver. The defendant effected the removal of the suit from the state court to the United States District Court for the Eastern District of Louisiana. Plaintiffs moved for the remand of the suit to the state court which was granted by the United States District Court on November 20, 1974. United then filed a motion to dismiss on the grounds that the FPC had primary jurisdiction. On February 7, 1975, the state court denied the motion. On June 26, 1979, the District Court denied defendants'

motions for Referral of Issues to the FERC and for stay of trial pending the outcome of such referral. On September 18, 1980, the District Court ordered that discovery be completed by May 31, 1981 and that trial be set for January 1, 1982.

In May 1973, the United States of America filed suit against NOPSI in the United States District Court for the Eastern District of Louisiana seeking a determination that NOPSI is a "government contractor" as defined by Executive Order 11246 and is subject to the equal employment opportunity clause and other obligations imposed upon contractors with the Federal government pursuant to the Executive Order. The United States also sought an order requiring NOPSI to submit to a review of its records and employment practices to determine whether NOPSI meets the non-discrimination requirements prescribed by the Executive Order and requiring NOPSI to comply with its provisions. The District Court rendered a decision on November 16, 1979 holding NOPSI to be a government contractor and entered an order on December 17, 1979 permitting the United States to proceed by administrative action to enforce NOPSI's compliance with the Executive Order and the rules and regulations thereunder. On December 21, 1979, NOPSI filed notice of appeal with the United States Fifth Circuit Court of Appeals. On March 6, 1981 that Court issued an opinion affirming that NOPSI is a government contractor, but vacated the order and remanded the case to the District Court for a determination of whether or not the United States satisfied Constitutional criteria in seeking to inspect NOPSI's records without a warrant.

MSE

On January 30, 1979, MSE filed suit in the United States District Court for the Southern District of Mississippi, against Zurn Industries, Inc. alleging breach of the contract between MSE and Zurn for the design and construction of two natural draft cooling towers at the Grand Gulf Plant and seeking judgment for damages of $6,000,000. On March 12, 1979, Zurn filed a counterclaim against MSE, Bechtel Power Corporation and, individually, forty-three insurance companies in the American Nuclear Insurers property insurance pool, which insures the cooling towers at the Grand Gulf Plant, and a third-party complaint against the insurance companies. The counterclaim and third-party complaint alleged that MSE, Bechtel, and the insurance companies breached or caused to be breached the contract between MSE and Zurn and committed other wrongful acts and seeks damages against the counter-defendants in the amount of $37,130,000. On March 18, 1980, the District Court approved a settlement reached between the insurance companies and Zurn and dismissed with prejudice the counterclaim and third-party complaint against the insurance companies. Also in 1980, the District Court allowed MSE and Bechtel to amend their complaint against Zurn and allowed Zurn, in two instances, to amend its counterclaim against MSE and Bechtel, in each case, to allege additional damages, and has, on two occasions, granted a motion of MSE and Bechtel for partial summary judgment, dismissing claims of Zurn for damages. The total damages sought by MSE and Bechtel in the complaint is now $14,300,000; and the total damages sought by Zurn against MSE and Bechtel in the counterclaim is now $36,321,000 actual and $5,000,000 punitive.

Item 2. *Properties*

Reference is made to Item 1—"Business—Property" for information regarding the properties of the registrants.

Item 3. *Legal Proceedings*

Reference is made to Item 1—"Business—Rate Matters" for details of registrants' pending rate proceedings and to Item 1—"Business—Industry and Company Problems—Federal Legislation", Item 1—"Business—Regulation and Litigation", and Item 1—"Business—Fuel Supply—Fuel Oil" and "Fuel Supply—Coal" for information relating to the registrants' pending regulatory proceedings (other than rate proceedings) and litigation.

Item 4. ***Security Ownership of Certain Beneficial Owners and Management.***

(a) MSU owns 100% of the outstanding common stock of the four other registrants, AP&L, LP&L, MP&L and NOPSI. The registrants know of no contractual arrangements which may at a subsequent date result in a change in control of any of the registrants.

(b) Information called for by this item concerning the security ownership of the directors of MSU and the directors and officers of MSU as a group is set forth under the heading "Security Ownership of Management" contained in the Proxy Statement of MSU to be filed in connection with its Annual Meeting of Shareholders to be held May 15, 1981, which information is herein incorporated by reference. The directors listed below and the directors and officers as a group for AP&L, LP&L, MP&L and NOPSI, respectively, beneficially owned directly or indirectly the following cumulative preferred stock of their company and common stock of MSU:

	As of January 31, 1981								
	Preferred Stock, $100 Par Value			Preferred Stock, $25 Par Value			MSU Common Stock		
	Amount and Nature of Beneficial Ownership(A)			Amount and Nature of Beneficial Ownership(A)			Amount and Nature of Beneficial Ownership(A)		
Name	Sole Voting and Investment Power(B)	Other Beneficial Ownership	Percent of Class	Sole Voting and Investment Power(B)	Other Beneficial Ownership	Percent of Class	Sole Voting and Investment Power(B)	Other Beneficial Ownership(C)(D)	Percent of Class
AP&L									
Lawrence Blackwell	—	—	—	—	—	—	1,600	—	.0015%
Hal E. Hunter	—	—	—	—	—	—	—	100(G)	.0001
Floyd W. Lewis	—	—	—	—	—	—	3,935	2,921(F)	.0064
Jerry L. Maulden	—	100(E)	.0064%	—	—	—	—	2,923(G)	.0027
Roy L. Murphy	—	—	—	300	—	.0065%	481	214(R)	.0006
James D. Phillips	—	130(H)	.0083	—	—	—	1,365	1,189(G)	.0024
Robert D. Pugh	—	—	—	—	—	—	162	3,899(I)	.0038
George K. Reeves	—	—	—	—	—	—	13,069	6,143(T)	.0178
Reeves E. Ritchie	654	50(H)	.0449	—	—	—	3,103	—	.0029
Gus P. Walton, Jr.	—	—	—	—	—	—	19,827	—	.0184
All directors and officers	674	320	.0634	300	40	.0074	47,412	21,159	.0635
LP&L									
James M. Cain	—	—	—	—	—	—	—	542(G)	.0005
Charles J. Cassidy	—	—	—	—	—	—	3,000	—	.0028
Harry M. England	—	—	—	—	—	—	100	800(G)	.0008
Tex R. Kilpatrick	—	100(K)	.0069	—		—	—	3,441(K)	.0032
Floyd W. Lewis	—	120(L)	.0082	—	—	—	3,935	2,921(F)	.0064
E. A. Rodrigue	87	—	.0060	—	—	—	3,247	—	.0030
H. Duke Shackelford	—	—	—	—	—	—	1,000	1,590(U)	.0024
Jack M. Wyatt	5	—	.0003	—	—	—	2,391	931	.0031
All directors and officers	112	220	.0228	—	—	—	19,174	16,084	.0327

	As of January 31, 1981								
	Preferred Stock, $100 Par Value			Preferred Stock, $25 Par Value			MSU Common Stock		
	Amount and Nature of Beneficial Ownership(A)			Amount and Nature of Beneficial Ownership(A)			Amount and Nature of Beneficial Ownership(A)		
Name	Sole Voting and Investment Power(B)	Other Beneficial Ownership	Percent of Class	Sole Voting and Investment Power(B)	Other Beneficial Ownership	Percent of Class	Sole Voting and Investment Power(B)	Other Beneficial Ownership(C)(D)	Percent of Class
MP&L									
G. Lawrence Adams	—	5(S)	.0013%	—	—	—	—	—	—
Robert M. Hearin	—	275(J)	.0726	—	—	—	400	—	.0004%
J. Harvey Johnston, Jr. .	—	—	—	—	—	—	600	—	.0006
Floyd W. Lewis	—	—	—	—	—	—	3,935	2,921(F)	.0064
Donald C. Lutken	10	—	.0026	—	—	—	3,321	1,880(M)	.0048
Richard D. McRae	—	—	—	—	—	—	—	300(N)	.0003
LeRoy P. Percy	10	—	.0026	—	—	—	1,380	—	.0013
Dr. Walter Washington .	—	—	—	—	—	—	—	139(H)	.0001
All directors and officers	41	294	.0884	—	—	—	14,752	12,986	.0257
NOPSI									
James M. Cain	—	—	—	—	—	—	—	542(G)	.0005
Brooke H. Duncan	—	—	—	—	—	—	—	162(Q)	.0002
Richard W. Freemen ...	—	—	—	—	—	—	3,600	—	.0033
Sam Israel, Jr.	—	—	—	—	—	—	1,000	—	.0009
Arthur L. Jung, Jr.	—	—	—	—	—	—	1,406	3,000(O)	.0041
Floyd W. Lewis	—	—	—	—	—	—	3,935	2,921(F)	.0064
William C. Nelson	—	—	—	—	—	—	—	463	.0004
John B. Smallpage	—	—	—	—	—	—	300	1,168(P)	.0014
Charles C. Teamer	—	—	—	—	—	—	109	—	.0001
Jack M. Wyatt	—	—	—	—	—	—	2,391	931	.0031
All directors and officers	—	—	—	—	—	—	16,977	12,791	.0276

(A) Based on information furnished by the respective individuals.

(B) Includes all shares which the individual has the sole power to vote and dispose of, or to direct the voting and disposition of.

(C) Includes, for the named persons, shares of MSU Common Stock held in the Employee Stock Ownership Plan of the registrants as follows: Floyd W. Lewis, 331 shares; Jerry L. Maulden, 127 shares; James D. Phillips, 186 shares; James M. Cain, 160 shares; Jack M. Wyatt, 203 shares; Donald C. Lutken, 280 shares; William C. Nelson, 116 shares.

(D) Includes, for the named persons, shares of MSU Common Stock held in the System Savings Plan as follows: Floyd W. Lewis, 1,377 shares; Jerry L. Maulden, 574 shares; James M. Cain, 267 shares; Donald C. Lutken, 741 shares; Jack M. Wyatt, 728 shares; William C. Nelson, 347 shares; James D. Phillips, 403 shares.

(E) Reflects 100 shares held by Jerry L. Maulden for his minor child.

(F) Includes 785 shares held by Floyd W. Lewis' children, and 428 shares held in trusts of which he is a trustee. Floyd W. Lewis disclaims any personal interest in these 1,213 shares.

(G) Includes, for the named persons, shares of MSU Common Stock held jointly with their wives in which voting and investment powers are shared: James M. Cain, 115 shares; Harry M. England, 800 shares; Jerry L. Maulden, 2,222 shares; James D. Phillips, 600 shares; Hal E. Hunter, 100 shares.

(H) Owned jointly with wife.

(I) Includes 2,112 shares over which Robert D. Pugh has power as attorney-in-fact and in which voting and investment powers are shared. Robert D. Pugh disclaims any personal interest in these shares. Also includes 1,787 shares held by Robert D. Pugh's wife.

(J) Robert M. Hearin is a principal stockholder of VGS Corporation which owns beneficially approximately 80% of the outstanding voting stock of Lamar Life Corporation, which owns 100 shares of MP&L 4.36% Preferred Stock and 175 shares of MP&L 4.56% Preferred Stock.

(K) Tex R. Kilpatrick is President and 50% owner of Central American Life Insurance Company which owns 3,000 shares of MSU Common Stock and 100 shares of LP&L 7.36% Preferred Stock. Tex R. Kilpatrick holds jointly with his wife 441 shares of MSU Common Stock in which voting and investment powers are shared.

(L) Floyd W. Lewis is the trustee of two trusts, the assets of which include 95 shares of 9.52% Preferred Stock and 5 shares of 7.84% Preferred Stock of LP&L. His daughter owns 20 shares of 9.52% Preferred Stock of LP&L. Floyd W. Lewis disclaims any personal interest in all these shares.

(M) Includes 200 shares held by Donald C. Lutken's wife in which he disclaims any personal interest and 659 shares held in trust of which he is trustee.

(N) Reflects 300 shares owned by wife of Richard D. McRae.

(O) Arthur L. Jung, Jr. is President of Jung Realty Co., Inc., which owns 3,000 shares of MSU Common Stock.

(P) Reflects 240 shares held in trusts of which John B. Smallpage is the trustee, 40 shares in which he has sole voting and investment power and 200 shares in which he has shared voting and investment power. Also includes 928 shares over which John B. Smallpage has power as attorney-in-fact in which voting and investment powers are shared. John B. Smallpage disclaims any personal interest in these shares.

(Q) Reflects 162 shares owned by wife of Brooke H. Duncan in which he disclaims any personal interest.

(R) Reflects 214 shares held by Roy L. Murphy's minor child. Roy L. Murphy disclaims any personal interest in these shares.

(S) G. Lawrence Adams holds jointly with his wife 5 shares of MP&L 4.56% Preferred Stock in which voting and investment powers are shared.

(T) George K. Reeves owns jointly with his wife 403 shares of MSU Common Stock in which voting and investment powers are shared. Also includes 5,740 shares held by George K. Reeves' wife.

(U) Includes 1,000 shares owned by wife of H. Duke Shackelford in which he disclaims any personal interest and 590 shares over which Mr. Shackelford has power of attorney and voting power.

PART II

Item 5. ***Market for the Registrants' Common Stock and Related Security Holder Matters.***

MSU. Reference is made to information under the headings "Corporate Information", "Financial Review-Common Stock Data" and Note 8 of "Notes to Consolidated Financial Statements" contained in MSU's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

AP&L, LP&L, MP&L and NOPSI. No similar information required by Item 9 of Regulation S-K is provided herein with respect to AP&L, LP&L, MP&L and NOPSI as the common stocks of all these companies are held solely by MSU.

Item 6. ***Selected Financial Data.***

MSU. Reference is made to information under the heading "Financial Review—Selected Financial Data" contained in MSU's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

AP&L. Reference is made to information under the heading "Ten years of Progress/Financial—Selected Financial Data" contained in AP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

LP&L. Reference is made to information under the heading "Record of Progress 1970-1980" contained in LP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

MP&L. Reference is made to information under the heading "Mississippi Power & Light Company—Record of Progress 1970-1980—Selected Financial Data" contained in MP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

NOPSI. Reference is made to information under the heading "Financial & Operating Statistics—Selected Financial Data" contained in NOPSI's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

MSU. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in MSU's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

AP&L. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in AP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

LP&L. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in LP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

MP&L. Reference is made to information under the heading "Mississippi Power & Light Company—Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in MP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

NOPSI. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in NOPSI's Annual Report to Shareholders, which information is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data.*

MSU. Reference is made to information under the headings "Auditors' Opinion", "Consolidated Balance Sheets", "Statements of Consolidated Income", "Statements of Consolidated Retained Earnings and Paid-In Capital", "Statements of Changes in Consolidated Financial Position" and "Notes to Consolidated Financial Statements" contained in MSU's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

AP&L. Reference is made to information under the headings "Auditors' Opinion", "Balance Sheets at December 31, 1980 and 1979", "Statements of Income and Retained Earnings For the Years Ended December 31, 1980, 1979 and 1978", "Statements of Changes in Financial Position For the Years Ended December 31, 1980, 1979 and 1978" and "Notes to Financial Statements" contained in AP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

LP&L. Reference is made to information under the headings "Auditors' Opinion", "Balance Sheets", "Statements of Income", "Statements of Retained Earnings", "Statements of Changes in Financial Position" and "Notes to Financial Statements" contained in LP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

MP&L. Reference is made to information under the headings "Auditors' Opinion", "Mississippi Power & Light Company—Balance Sheets—December 31, 1980 and 1979", "Mississippi Power & Light Company—Statements of Income For the Years Ended December 31, 1980, 1979 and 1978", "Statements of Retained Earnings For the Years Ended December 31, 1980, 1979 and 1978", "Mississippi Power & Light Company—Statements of Changes in Financial Position For the Years Ended December 31, 1980, 1979 and 1978" and "Notes to Financial Statements" contained in MP&L's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

NOPSI. Reference is made to information under the headings "Auditors' Opinion", "Balance Sheets", "Statements of Income", "Statements of Retained Earnings", "Statements of Changes in Financial Position" and "Notes to Financial Statements" contained in NOPSI's 1980 Annual Report to Shareholders, which information is incorporated herein by reference.

PART III

Item 9. *Directors and Executive Officers of the Registrants.*(1)

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
MSU					
Directors					

Information called for by this item concerning directors of MSU is set forth under the heading "Election of Directors" contained in the Proxy Statement of MSU to be filed in connection with its Annual Meeting of Shareholders to be held May 15, 1981, which information is incorporated herein by reference.

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
Officers					
Floyd W. Lewis	55	Chairman of the Board and President	1968	1972	Chairman of the Board and President of MSU since May 1980; Chairman of the Board and Chief Executive Officer of MSU from May 1979 to May 1980; President and Chief Executive Officer of MSU from 1972 to May 1979(3)
Donald J. Winfield	65	Senior Vice President—Financial Consultant	—	May 1980	Senior Vice President—Financial Consultant since May 1980; Senior Vice President—Finance from October 1977 to May 1980; Vice President—Finance from 1974 to October 1977; Vice President since 1970
Edwin A. Lupberger	44	Senior Vice President—Chief Financial Officer	—	Feb. 1981	Senior Vice President—Chief Financial Officer of MSU and MSS since February 1981; Vice President—Chief Financial Officer of MSU and MSS from May 1980 to February 1981 and Vice President—Finance of MSU and MSS from February 1979 to May 1980; Senior Vice President of Finance of Indianapolis Power and Light Company from 1977 to January 1979; Vice President and Treasurer of Gulf Power Company from 1969 to 1977
Dan E. Stapp	46	Secretary	—	Nov. 1974	Secretary since November 1974; Senior Vice President and Secretary of MSS since June 1980; Vice President and Secretary of MSS from 1968 to June 1980
Rodney J. Estrada	43	Treasurer	—	Feb. 1979	Treasurer of MSU and MSS since February 1979; Controller of MSS from 1970 to February 1979
AP&L					
Directors					
Lawrence Blackwell	70	—	1958	—	Attorney-at-Law, Pine Bluff, AR.
Hal E. Hunter, Jr.	59	—	1981	—	Prosecuting Attorney, New Madrid County, MO.; Member of Hunter & Hunter, Attorneys-at-Law since 1962
Floyd W. Lewis	55	—	1971	—	Chairman of the Board and President of MSU since May 1980; Chairman of the Board and Chief Executive Officer of MSU from May 1979 to May 1980; President and Chief Executive Officer of MSU from 1972 to May 1979(3)
Jerry L. Maulden	44	President and Chief Executive Officer	1979	April 1979	President and Chief Executive Officer of AP&L since April 1979; Vice President and Treasurer of MSU and MSS from May 1978 to February 1979; President of MSS from February 1979 through April 1979; Vice President, Treasurer and Secretary of AP&L from May 1975 to February 1978(3)

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
Roy L. Murphy	53	—	1977	—	President, Chairman of the Board and Director of Mid-South Engineering Co. (Consulting Engineers), Hot Springs, AR.
William C. Nolan, Jr.	41	—	1971	—	Attorney-at-Law, Nolan & Alderson, Attorneys; Director of Murphy Oil Corporation and Subsidiaries and Noalmark Broadcasting Corp.
James D. Phillips	62	Senior Vice President, System Engineering and Planning	1972	Aug. 1977	Senior Vice President, System Engineering and Planning since August 1977; Senior Vice President, Production, Transmission and Engineering from 1973 to August 1977
Robert D. Pugh	51	—	1971	—	President of Portland Gin Company (Agricultural and Agri-Business), January 1, 1977 to present; Partner, Pugh and Company (Agricultural and Agri-Business), 1972-1976, Portland, AR.(3)
George K. Reeves	66	—	1981	—	Partner, Ward & Reeves, Attorneys-at-Law(3)
Reeves E. Ritchie	66	—	1962	—	Chairman of the Board from 1976 through July 1979; President of AP&L from 1962 to 1976
Herman B. Smith, Jr.	53	—	1980	—	Chancellor of the University of Arkansas at Pine Bluff, AR. since July 1974
Gus B. Walton, Jr.	39	—	1981	—	Wright Lindsey & Jennings, Attorneys-at-Law; Director of Bar Review of Arkansas, Inc. and Pulaski Motor Lodge Corporation of AR.
Michael E. Wilson	38	—	1980	—	President of Lee Wilson & Company from February 1977 to the present, Vice President from February 1975 to February 1977; President of Lee Wilson Insurance Agency; President and Director of Delta Valley & Southern Railway Company since February 1979
Officers					
Jerry L. Maulden	44	President and Chief Executive Officer	1979	April 1979	President and Chief Executive Officer of AP&L since April 1979; Vice President and Treasurer of MSU and MSS from May 1978 to February 1979; President of MSS from February 1979 through April 1979; Vice President, Treasurer and Secretary of AP&L from May 1975 to February 1979(3)
James D. Phillips	62	Senior Vice President, System Engineering and Planning	1972	Aug. 1977	Senior Vice President—System Engineering and Planning since August 1977; Senior Vice President, Production, Transmission and Engineering from 1973 to August 1977
Charles L. Steel	56	Senior Vice President—Assistant to President	—	Jan. 1981	Senior Vice President—Assistant to President since January 1981; Vice President—Assistant to President from May 1979 to January 1981; Vice President, Public Affairs from May 1975 to May 1979
William Cavanaugh III	41	Senior Vice President—Energy Supply	—	Jan. 1981	Senior Vice President—Energy Supply since January 1981; Vice President, Generation and Construction from January 1979 to January 1981; Executive Director of Generation and Construction from August 1977 to 1979; Assistant Director of Power Production from June 1976 to 1977; Manager of Nuclear Services from February 1974 to 1976

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
Jack L. King	41	Senior Vice President—Energy Delivery and Services	—	Jan. 1981	Senior Vice President—Energy Delivery and Services since January 1981; Vice President, Divisions from December 1979 to January 1981; Director of Divisional Services from August 1978 to December 1979; Division Manager from April 1976 to August 1978
John J. Harton	39	Vice President, Treasurer and Chief Financial Officer	—	Jan. 1981	Vice President, Treasurer and Chief Financial Officer since January 1981; Treasurer from May 1979 to January 1981; Director of Corporate Planning from April 1974 to May 1979
Jerry D. Jackson	36	Senior Vice President—Finance, Regulation and Legal Services and Secretary	—	Jan. 1981	Senior Vice President—Finance, Regulation and Legal Services and Secretary since January 1981; Vice President, General Counsel and Secretary from May 1980 to January 1981; Secretary since July 1979; Attorney-at-Law from April 1969 to July 1979, Little Rock, AR.
Willie Ray Southern........	49	Vice President—Administrative Services	—	Jan. 1981	Vice President—Administrative Services since January 1981; Executive Director of Administrative Services from February 1980 to January 1981; Director of Internal Auditing until February 1980
Ralph C. Mitchell, III	45	Vice President—Conservation and Renewable Resources	—	Jan. 1981	Vice President—Conservation and Renewable Resources since January 1981; Executive Director Conservation and Renewable Resources from February 1980 to January 1981; Director Corporate Communications from May 19[illegible] to February 1980; Director, Management Services from May 1976 to May 1979; Special assistant to President of MSU from January 1976 to May 1976
Charles L. Kelly	43	Vice President—Corporate Communications	—	Jan. 1981	Vice President—Corporate Communications since January 1981; Director of Corporate Communications from February 1980 to January 1981; Communications Manager from February 1978 to February 1980; Manager of Media Communications from August 1977 to February 1978; News Director of KTHV-TV in Little Rock, Arkansas from 1966 to August 1977.
LP&L					
Directors					
James M. Cain	47	—	1978	—	President of NOPSI, April 1978 to date; President of MSS, November 1975 to April 1978(3)
Charles J. Cassidy	69	—	1966	—	Chairman of the Board and President of First State Bank & Trust Company, Bogalusa, LA.
Harry M. England	67	—	1970	—	President of Coastal Canning Enterprises, Inc. and Coastal Beverages, Inc.; Chairman of the Boards of First Commerce Corporation and First National Bank of Commerce from 1975 to 1978, New Orleans, LA.
Tex R. Kilpatrick	48	—	1972	—	President of Central American Life Insurance Company, West Monroe, LA.; Director of Misco, Inc.

Name	Age	Management Position	Director Since[1]	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships[2]
Floyd W. Lewis	55	—	1967	—	Chairman of the Board and President of MSU, since May 1980; Chairman of the Board and Chief Executive Officer of MSU from May 1979 to May 1980; President and Chief Executive Officer of MSU from 1972 to May 1979[3]
E. A. Rodrigue	68	—	1967	—	Chairman of the Board of LP&L from May 1976 to November 1977; President of LP&L, 1972 to 1976; President of Armelise Planting Co. from January 1975 to present
H. Duke Shackelford	54	—	1972	—	Planter; President of Shackelford Co., Inc. Shackelford Gin, Inc., Union Oil Mill, Inc. and Louisiana Cotton Warehouse Co., Inc. (All Agricultural and Agri-Businesses), Bonita, LA.; Director of Bastrop National Bank, Bastrop, LA.
Jack M. Wyatt	62	President	1976	May 1976	President of LP&L, 1976 to date; President of SFI from June 1975 to May 1976[3]
Officers					
Jack M. Wyatt	62	President	1976	May 1976	President of LP&L, 1976 to date; President of SFI from June 1975 to May 1976[3]
Gerald D. McLendon	58	Senior Vice President—Operations	—	May 1977	Senior Vice President—Operations since May 1977; Vice President—Operations from May 1975 to May 1977
John H. Erwin, Jr.	58	Vice President and Treasurer	—	Jan. 1974	Vice President since January 1974; Treasurer since 1967
W. H. Talbot	50	Secretary and Controller	—	1968	Secretary and Controller
Donald L. Aswell	54	Vice President—Power Production	—	May 1977	Vice President—Power Production from May 1977 to present; Manager of Power Production from 1965 to May 1977
Kenneth M. Brumfield	62	Vice President—Administration	—	May 1977	Vice President—Administration since May 1977; Corporate Services Manager from January 1975
Gus F. Delery	53	Vice President—Consumer Services	—	May 1977	Vice President—Consumer Services from May 1977 to date; Manager of Marketing from February 1974
Joseph M. Mooney	63	Vice President—Governmental and Public Affairs	—	May 1977	Vice President—Governmental and Public Affairs since May 1977; Vice President—Administration from May 1975 to May 1977
Jack Davey	54	Vice President and Chief Engineer	—	May 1979	Vice President and Chief Engineer since May 1979; Chief Engineer from August 1976 to May 1979; System Planning Manager from September 1965 to August 1976
MP&L					
Directors					
G. Lawrence Adams	67	—	1961	—	Attorney-at-Law, Adams, Forman, Truly, Ward, Smith and Bramlette, Attorneys, Natchez, MS.
Norman B. Gillis, Jr.	53	—	1968	—	Attorney-at-Law, McComb, MS.; Director of the First National Bank of Jackson, MS.
Robert M. Hearin	64	—	1959	—	Chairman of the Board and Chief Executive Officer of First National Bank of Jackson; Chairman of the Board of School Pictures, Inc.; Director of Lamar Life Corp.; Director of Lamar Life Insurance Co., South Central Bell Telephone Co., First Capital Corp. and Amerada Hess Corp.

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
J. Harvey Johnston, Jr.	62	—	1956	—	Surgeon
R. E. Kennington II	48	—	1974	—	Chairman of the Board and Chief Executive Officer of Grenada Banking System, Grenada, MS.
Floyd W. Lewis	55	—	1971	—	Chairman of the Board and President of MSU since May 1980; Chairman of the Board and Chief Executive Officer of MSU from May 1979 to May 1980; President and Chief Executive Officer of MSU from 1972 to May 1979(3)
Donald C. Lutken	56	President/Chief Executive	1970	1971	President and Chief Executive Officer of MP&L since 1971; Director of Lamar Life Corp., Lamar Life Insurance Co. and Magna Corp.(3)
John P. Maloney	62	—	1980	—	Chairman of the Board and Chief Executive Officer of Deposit Guaranty National Bank; President, Chief Operating Officer and Director of Deposit Guaranty Corporation; Director of Jackson Packing Company and Mississippi Valley Title Insurance Company
Richard D. McRae	59	—	1976	—	President of McRae's, Inc. (Department Stores), Jackson, MS.; Director of Deposit Guaranty Corporation
LeRoy P. Percy	63	—	1959	—	Cotton farmer, Chairman of the Boards of Mississippi Chemical Company, Yazoo City, MS., and First Mississippi Corporation (Agriculture and Chemical Supplies and Gas Exploration); Jackson, MS.; President of Greenville Compress Co., Greenville, MS.(3)
Dr. Walter Washington	57	—	1977	—	President of Alcorn State University, Lorman, MS.(3)
R. M. Williams, Jr.	44	—	1976	—	Partner, Reeves-Williams Builders, Southaven, MS.
Officers					
Donald C. Lutken	56	President/Chief Executive	1970	1971	President and Chief Executive Officer of MP&L since 1971; Director of Lamar Life Corp., Lamar Life Insurance Co. and Magna Corp.(3)
Norris L. Stampley	60	Senior Vice President—Nuclear	—	Jan. 1981	Senior Vice President—Nuclear since January 1981; Senior Vice President—Engineering, Production and Construction from May 1980 to January 1981; Vice President—Production and Engineering from December 1977 to May 1980; Vice President—Production from 1972 to December 1977
Alex McKeigney	63	Vice President—Information Services	—	1967	Vice President—Information Services
W. Donald Colmer	62	Vice President—Public Affairs and Environmental Matters	—	1971	Vice President—Public Affairs and Environmental Matters
John D. Holland	58	Vice President—Area Affairs	—	Jan. 1976	Vice President—Area Affairs from January 1976 to present; Vice President and Central Division Manager from 1971 to January 1976
J. Stewart Frame	59	Vice President—Personnel and Administrative Services	—	May 1978	Vice President—Personnel and Administrative Services since May 1978; Director of Personnel from April 1977 to May 1978; Division Manager from 1962 to April 1977

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
Walton T. Woods, Jr.	64	Vice President—General Property & Services	—	May 1980	Vice President—General Property and Services since May 1980; Manager—General Property and Services from 1976 to May 1980
Thomas A. Dallas	57	Vice President—Chief Engineer	—	June 1980	Vice President—Chief Engineer since June 1980; Manager—Engineering Systems Operations and Construction from 1976 to June 1980
Donald E. Meiners	45	Vice President—Customer Services	—	May 1978	Vice President—Customer Services from May 1978 to date; Manager of Customer Services from June 1977 to May 1978; Manager of Division Operations from 1971 to June 1977
Frank S. York, Jr.	59	Vice President—Finance and Secretary	—	May 1978	Vice President—Finance since May 1978; Controller from 1975 to May 1978; Secretary since 1962
James R. Martin	50	Treasurer	—	Dec. 1977	Treasurer since December 1977; Assistant Treasurer from 1968 to December 1977
NOPSI					
Directors					
James M. Cain	47	President	1978	April 1978	President of NOPSI, April 1978 to date; President of MSS, November 1975-April 1978(3)
Brooke H. Duncan	56	—	1967	--	President and director of Jno. Worner & Son, Inc. and The Foster Company, Inc. (Canvas Fabricator), New Orleans, LA.(4)
Laurance Eustis	67	—	1969	—	Chairman of the Board and Chief Executive Officer of Laurance Eustis Mortgage Corporation; President and Chief Executive Officer of Laurance Eustis Insurance Agency, Inc.; Director of the Bank of New Orleans and Trust Company, New Orleans, LA., and International Shipholding Corp.
Richard W. Freeman	67	—	1961	—	Chairman of The Louisiana Coca-Cola Bottling Company, Ltd.; Director of Delta Airlines, Inc., New Orleans, LA.(3)(4)
Sam Israel, Jr.	70	—	1969	—	Vice-Chairman and Director of ACLI International, Inc. (Commodities Broker); Director of Zapata Corporation, New Orleans, LA.(4)
Arthur L. Jung, Jr.	65	—	1951	—	President of Jung Realty Co., Inc., Director of the First Commerce Corporation and the First National Bank of Commerce, New Orleans, LA.
Floyd W. Lewis	55	—	1970	—	Chairman of the Board and President of MSU since May 1980; Chairman of the Board and Chief Executive Officer of MSU from May 1979 to May 1980; President and Chief Executive Officer of MSU from 1972 to May 1979(3)
William C. Nelson	58	Vice President, Administration and Legal and Secretary	1979	May 1978	Vice President, Administration and Legal since May 1978; Vice President and General Counsel from 1971 to May 1978; Secretary since November 1976
John B. Smallpage	55	—	1969	—	President-Secretary and Chairman of the Board of Donovan Boat Supplies, Inc., New Orleans, LA.
Charles C. Teamer, Sr.	47	—	1978	—	Vice President for Fiscal Affairs of Dillard University, New Orleans, LA.

Name	Age	Management Position	Director Since(1)	Date Officer Elected to Present Position	Principal Occupations During Last 5 Years and Other Directorships(2)
Jack M. Wyatt	62	—	1976	—	President of LP&L, 1976 to date; President of SFI from June 1975 to May 1976(3)
Officers					
James M. Cain	47	President	1978	April 1978	President of NOPSI, April 1978 to date; President of MSS, November 1975-April 1978(3)
John H. Chavanne	39	Vice President, Finance	—	Nov. 1980	Vice President—Finance since November 1980; Controller from November 1976 to November 1980; Assistant to Vice President, Finance from July 1974 to November 1976
Sherwood A. Cuyler	59	Vice President, Public and Regulatory Affairs	—	Nov. 1976	Vice President, Public and Regulatory Affairs since November 1976; Vice President, Community Relations from 1970 to November 1976
William C. Nelson	58	Vice President, Administration and Legal and Secretary	1979	May 1978	Vice President, Administration and Legal since May 1978; Vice President and General Counsel from 1971 to May 1978; Secretary since November 1976
Malcolm L. Hurstell	53	Vice President, Engineering and Production	—	June 1978	Vice President, Engineering and Production from May 1978 to present; Vice President, Engineering from April 1975 to May 1978
Hero J. Edwards, Jr.	47	Vice President, Operations	—	June 1978	Vice President, Operations from May 1978 to present; Vice President, Administration from May 1976 to June 1978; Director of Personnel from February 1975 to May 1976
Donald F. Schultz	64	Vice President, Corporate Communications	—	Nov. 1976	Vice President, Corporate Communications since November 1976; Manager of Public Relations from 1962 to November 1976
Harvey K. Hawkins	46	Treasurer	—	Nov. 1976	Treasurer from November 1976 to present; Assistant Secretary and Assistant Treasurer from 1972 to November 1976

1. Each director and officer is elected yearly to serve until the first Board meeting after the Annual Meeting of Shareholders of the applicable company, which annual meetings are currently expected to be held as follows:

MSU—May 15, 1981	MP&L—May 27, 1981
AP&L—May 27, 1981	NOPSI—May 25, 1981
LP&L—May 25, 1981	

2. Directorships shown are limited to entities subject to Sections 12 or 15(d) of the Securities Exchange Act of 1934 or to the Investment Company Act of 1940.

3. Presently a director of MSU.

4. Also a director of Hibernia Corporation and the Hibernia National Bank in New Orleans.

Item 10. *Management Remuneration and Transactions.*

MSU

Information called for by this item concerning the directors and officers of MSU is set forth under the heading "Remuneration of Officers and Directors" contained in the Proxy Statement of MSU to be filed in connection with its Annual Meeting of Shareholders to be held May 15, 1981, which information is incorporated herein by reference.

The tables below set forth the aggregate remuneration, in cash, cash-equivalent and contingent form, paid by AP&L, LP&L, MP&L and NOPSI during the year 1980 to the five most highly compensated executive officers or directors of the respective companies whose compensation exceeded $50,000 during the year. Also set forth are the respective totals of such remuneration paid to all officers and directors of the respective companies during the year as a group.

AP&L

			Cash and Cash-Equivalent Forms of Remuneration		
Name of Individual or Number of Persons in Group	Capacities in Which Served	Credited Years of Service	Salaries, Fees, Directors' Fees(1), Commissions, Bonuses	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(2)	Aggregate of Contingent Forms of Remuneration
Jerry L. Maulden	President and Director	14	$122,030	$ 3,159(3)	$2,200(3)
James D. Phillips	Senior Vice President, System Engineering and Planning and Director	33	78,056	5,781(3)	—
William Cavanaugh III	Vice President, Generation and Construction	10	67,653	2,317(3)	211(3)
Jack L. King	Vice President, Divisions	13	59,440	2,989(3)	1,115(3)
Jerry D. Jackson	Vice President, General Counsel, Secretary and Assistant Treasurer	0	60,589	1,501(3)	1,127(3)
All directors and officers as a group consisting of 22 persons, including the above named			639,214	26,072(3)	6,270(3)

(1) The directors of AP&L are paid an attendance fee of $400 for attendance at meetings of the Board of Directors and $400 for meetings of committees of the Board (except in the case of a committee meeting on the same day as a Board meeting, in which case the fee for attendance at the committee meeting is $200). In addition, directors who are not employees of a Middle South System company are paid $250 per month.

(2) AP&L has adopted executive medical and disability plans for certain groups of employees. The plans provide benefits in excess of those benefits generally available to salaried employees. The medical plan provides 100% reimbursement of specified medical expenses defined in Section 21. (e) (1) (A) of the Internal Revenue Code that are not paid by the general benefit plan, up to $3,00 per year for the employee and family. The disability plan provides 60% of basic earnings not payable by sick leave or basic disability plans.

(3) Reflects amounts paid pursuant to the Middle South Utilities System Savings Plan. The System Savings Plan provides that eligible employees (who elect to participate in the Savings Plan) may contribute through payroll deductions each payroll period from 1% to 6% of their base wages or salary. The employing System company contributes to the Plan from its current or accumulated earnings and profits an amount equal to 50% of each participant's contribution for each month. Amounts allocable to company contributions under the Plan are reflected as either a current or contingent form of remuneration depending upon whether or not the recipient, or his estate, has a vested, non-forfeitable right to the same.

Under the Employee Stock Ownership Plan, MSU and its subsidiaries may contribute each year to a trustee an amount equal to the additional 1% investment tax credit allowable under the Internal Revenue Code of 1954, as amended. The trustee uses the contribution to purchase Common Stock of MSU, which is allocated to the account of each eligible employee. No contributions were made during 1980 because the additional 1% investment tax credit claimed for the tax years 1977, 1978 and 1979 has not yet been utilized. For similar reasons, it is not anticipated that any contributions will be made during 1981 in respect of the tax year 1980.

AP&L's retirement income plan (a defined benefit plan) provides for a benefit at retirement from the Middle South System based upon (1) all years of service, after completion of one year of service, between ages 25 and 65, times (2) 1.5% for each year of service, times (3) the final average salary. Final average salary is based on the highest 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a life-time annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree.

The maximum benefit under the plan is limited by Section 415 of the Internal Revenue Code; however, AP&L has adopted a pension equalization plan for those employees whose benefits would be affected by such limitation.

The following tabulation shows estimated annual benefits upon retirement to persons in specified compensation and years-of-service categories payable pursuant to the retirement income and pension equalization plans described in the preceding two paragraphs:

Annual Covered Compensation	Years of Service 10	20	30	40
$ 20,000	$ 3,000	$ 6,000	$ 9,000	$ 12,000
40,000	6,000	12,000	18,000	24,000
60,000	9,000	18,000	27,000	36,000
80,000	12,000	24,000	36,000	48,000
100,000	15,000	30,000	45,000	60,000
125,000	18,750	37,500	56,250	75,000
150,000	22,500	45,000	67,500	90,000
200,000	30,000	60,000	90,000	120,000
250,000	37,500	75,000	112,500	150,000

Pursuant to an agreement dated June 21, 1979, Reeves E. Ritchie has agreed to provide advisory services, if and when requested, to the management of AP&L during the five-year period following his retirement as Chairman of the Board (but not as a director) of AP&L, with compensation at the annual rate of $25,000. Such five-year period commenced on July 31, 1979, the date of his retirement from AP&L.

LP&L

Name of Individual or Number of Persons in Group	Capacities in Which Served	Credited Years of Service	Cash and Cash-Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees(1), Commissions, Bonuses	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(2)	Aggregate of Contingent Forms of Remuneration
Jack M. Wyatt	President and Director	37	$142,633	$11,035(3)	—
Gerald D. McLendon ..	Senior Vice President—Operations	33	79,667	6,567(3)	—
John H. Erwin, Jr.	Vice President and Treasurer	32	69,633	5,467(3)	—
Kenneth M. Brumfield..	Vice President—Administration	32	59,567	4,720(3)	—
Donald L. Aswell	Vice President—Power Production	29	60,500	3,061(3)	$1,134(3)
All directors and officers as a group consisting of 22 persons, including the above named			815,408	46,036(3)	6,330(3)

(footnotes on following page)

(1) The directors of LP&L are paid an attendance fee of $400 for attendance at meetings of the Board of Directors and $250 for meetings of committees of the Board (except in the case of a committee meeting on the same day as a Board meeting, in which case the fee for attendance at the committee meeting is $125). In addition, directors who are not employees of a Middle South System company are paid $250 per month.

(2) LP&L has adopted an executive medical plan for certain groups of employees. The plan provides benefits in excess of those benefits generally available to salaried employees. The medical plan provides 100% reimbursement of specified medical expenses defined in Section 213 (e) (1) (A) of the Internal Revenue Code that are not paid by the general benefit plan, up to $3,000 per year for the employee and family.

(3) Reflects amounts paid pursuant to the Middle South Utilities System Savings Plan. The System Savings Plan provides that eligible employees (who elect to participate in the Savings Plan), may contribute through payroll deductions each payroll period from 1% to 6% of their base wages or salary. The employing System company contributes to the Plan from its current or accumulated earnings and profits an amount equal to 50% of each participant's contribution for each month. Amounts allocable to company contributions under the Plan are reflected as either a current or contingent form of remuneration depending upon whether or not the recipient, or his estate, has a vested, non-forfeitable right to the same.

Under the Employee Stock Ownership Plan, MSU and its subsidiaries may contribute each year to a trustee an amount equal to the additional 1% investment tax credit allowable under the Internal Revenue Code of 1954, as amended. The trustee uses the contribution to purchase Common Stock of MSU, which is allocated to the account of each eligible employee. No contributions were made during 1980 because the additional 1% investment tax credit claimed for the tax years 1977, 1978 and 1979 has not yet been utilized. For similar reasons, it is not anticipated that any contributions will be made during 1981 in respect of the tax year 1980.

LP&L's retirement income plan (a defined benefit plan) provides for a benefit at retirement from the Middle South System based upon (1) all years of service, after completion of one year of service, between ages 25 and 65, times (2) 1.5% for each year of service, times (3) the final average salary. Final average salary is based on the highest 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a life-time annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree.

The following tabulation shows estimated annual benefits upon retirement to persons in specified compensation and years-of-service categories payable pursuant to the retirement income plans described in the preceding paragraph:

Annual Covered Compensation	Years of Service			
	10	20	30	40
$ 20,000	$ 3,000	$ 6,000	$ 9,000	$ 12,000
40,000	6,000	12,000	18,000	24,000
60,000	9,000	18,000	27,000	36,000
80,000	12,000	24,000	36,000	48,000
100,000	15,000	30,000	45,000	60,000
125,000	18,750	37,500	56,250	75,000
150,000	22,500	45,000	67,500	90,000
200,000	30,000	60,000	90,000	120,000
250,000	37,500	75,000	112,500	150,000

Pursuant to a memorandum of understanding effective December 1, 1977, E. A. Rodrigue was retained as a consultant to the management of LP&L during the five-year period following the retirement of E. A. Rodrigue as Chairman of the Board (but not as a director) of LP&L, with compensation at the annual rate of $25,000. The arrangement also provides that during such five-year period E. A. Rodrigue will be provided with an office and secretarial assistance, and will be annually re-elected as a member of the Board of Directors of LP&L, but that he will not stand for re-election at the first annual meeting following his 70th birthday.

MP&L

Name of Individual or Number of Persons in Group	Capacities in Which Served	Credited Years of Service	Cash and Cash-Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees(1), Commissions, Bonuses	Cash and Cash-Equivalent Forms of Remuneration: Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(2)	Aggregate of Contingent Forms of Remuneration
Donald C. Lutken	President and Director	30	$148,394	$ 8,735(3)	—
Norris L. Stampley ...	Senior Vice President—Engineering, Production and Construction	32	75,097	5,641(3)	—
Frank S. York, Jr.	Vice President—Finance and Secretary	33	62,518	4,086(3)	—
Alex McKeigney	Vice President—Information Services	20	56,999	4,747(3)	—
Donald E. Meiners	Vice President—Customer Services	19	57,168	2,260(3)	$ 517(3)
All directors and officers as a group consisting of 28 persons, including the above named			793,450	48,191(3)	3,008(3)

(1) The directors of MP&L are paid, since May 1980, an attendance fee of $350 for attendance at meetings of the Board of Directors and $350 for meetings of committees of the Board (except in the case of a committee meeting on the same day as a Board meeting, in which case there is no fee for attendance at the committee meeting). In addition, directors who are not employees of a Middle South System company are paid $200 per month.

(2) MP&L has adopted an executive medical plan for certain groups of employees. The plan provides benefits in excess of those benefits generally available to salaried employees. The medical plan provides 100% reimbursement of specified medical expenses defined in Section 213 (e) (1) (A) of the Internal Revenue Code that are not paid by the general benefit plan, up to $3,000 per year for the employee and family.

(3) Reflects amount paid pursuant to the Middle South Utilities System Savings Plan. The System Savings Plan provides that eligible employes (who elect to participate in the Savings Plan), may contribute through payroll deductions each payroll period from 1% to 6% of their base wages or salary. The employing System company contributes to the Plan from its current or accumulated earnings and profits an amount equal to 50% of each participant's contribution for each month. Amounts allocable to company contributions under the Plan are reflected as either a current or contingent form of remuneration depending upon whether or not the recipient, or his estate, has a vested, non-forfeitable right to the same.

Under the Employee Stock Ownership Plan, MSU and its subsidiaries may contribute each year to a trustee an amount equal to the additional 1% investment tax credit allowable under the Internal Revenue Code of 1954, as amended. The trustee uses the contribution to purchase Common Stock of MSU, which is allocated to the account of each eligible employee. No contributions were made during 1980 because the additional 1% investment tax credit claimed for the tax years 1977, 1978 and 1979 has not yet been utilized. For similar reasons, it is not anticipated that any contributions will be made during 1981 in respect of the tax year 1980.

MP&L's retirement income plan (a defined benefit plan) provides for a benefit at retirement from the Middle South System based upon (1) all years of service, after completion of one year of service, between ages 25 and 65, times (2) 1.5% for each year of service, times (3) the final average salary. Final average salary is based on the highest 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a life-time annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree.

The following tabulation shows estimated annual benefits upon retirement to persons in specified compensation and years-of-service categories payable pursuant to the retirement income plans described in the preceding paragraph:

Annual Covered Compensation	Years of Service			
	10	20	30	40
$ 20,000	$ 3,000	$ 6,000	$ 9,000	$ 12,000
40,000	6,000	12,000	18,000	24,000
60,000	9,000	18,000	27,000	36,000
80,000	12,000	24,000	36,000	48,000
100,000	15,000	30,000	45,000	60,000
125,000	18,750	37,500	56,250	75,000
150,000	22,500	45,000	67,500	90,000
200,000	30,000	60,000	90,000	120,000
250,000	37,500	75,000	112,500	150,000

NOPSI

Name of Individual or Number of Persons in Group	Capacities in Which Served	Credited Years of Service	Cash and Cash-Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees (1), Commissions, Bonuses	Cash and Cash-Equivalent Forms of Remuneration: Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits (2)	Aggregate of Contingent Forms of Remuneration
James M. Cain	President and Director	20	$108,700	$ 3,421(3)	$1,070(3)
William C. Nelson	Vice President, Administration and Legal and Secretary	33	66,850	4,471(3)	—
A. J. Brodtmann(4)	Vice President, Finance	40	64,862	4,024(3)	—
Hero J. Edwards, Jr.	Vice President, Operations	22	56,917	2,771(3)	1,067(3)
Sherwood A. Cuyler	Vice President, Public and Regulatory Affairs	33	54,917	4,356(3)	—
All directors and officers as a group consisting of 23 persons, including the above named			676,128	32,187(3)	4,861(3)

(1) The directors of NOPSI are paid an attendance fee of $350 for attendance at meetings of the Board of Directors and $200 for meetings of the Audit Committee of the Board (except in the case of an Audit Committee meeting on the same day as a Board meeting, in which case the fee for attendance at such meeting is $100). In addition, directors who are not employees of a Middle South System company are paid $250 per month.

(2) NOPSI has adopted an executive medical plan for certain groups of employees. The plan provides benefits in excess of those benefits generally available to salaried employees. The medical plan provides 100% reimbursement of specified medical expenses defined in Section 213 (e) (1) (A) of the Internal Revenue Code that are not paid by the general benefit plan, up to $3,000 per year for the employee and family.

(3) Reflects amounts paid pursuant to the Middle South Utilities System Savings Plan. The System Savings Plan provides that eligible employees (who elect to participate in the Savings Plan) may contribute through payroll deductions each payroll period from 1% to 6% of their base wages or salary. The employing System company contributes to the Plan from its current or accumulated earnings and profits an amount equal to 50% of each participant's contribution for each month. Amounts allocable to company contributions under the Plan are reflected as either a current or contingent form of remunera-

(footnotes continued on following page)

tion depending upon whether or not the recipient, or his estate, has a vested, non-forfeitable right to the same.

(4) A. J. Brodtmann retired effective November 1, 1980.

Under the Employee Stock Ownership Plan, MSU and its subsidiaries may contribute each year to a trustee an amount equal to the additional 1% investment tax credit allowable under the Internal Revenue Code of 1954, as amended. The trustee uses the contribution to purchase Common Stock of MSU, which is allocated to the account of each eligible employee. No contributions were made during 1980 because the additional 1% investment tax credit claimed for tax years 1977, 1978 and 1979 has not yet been utilized. For similar reasons, it is not anticipated that any contributions will be made during 1981 in respect of the tax year 1980.

NOPSI's retirement income plan (a defined benefit plan) provides for a benefit at retirement from the System based upon (1) all years of service, after completion of one year of service, between the ages 25 and 65, times (2) 1.5% for each year of service, times (3) the final average salary. Final average salary is based on the highest 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a life-time annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree.

The following tabulation shows estimated annual benefits upon retirement to persons in specified compensation and years-of-service categories payable pursuant to the retirement income plans described in the preceding paragraph:

Annual Covered Compensation	Years of Service			
	10	20	30	40
$ 20,000	$ 3,000	$ 6,000	$ 9,000	$ 12,000
40,000	6,000	12,000	18,000	24,000
60,000	9,000	18,000	27,000	36,000
80,000	12,000	24,000	36,000	48,000
100,000	15,000	30,000	45,000	60,000
125,000	18,750	37,500	56,250	75,000
150,000	22,500	45,000	67,500	90,000
200,000	30,000	60,000	90,000	120,000
250,000	37,500	75,000	112,500	150,000

OTHER TRANSACTIONS

MSU and certain of its subsidiaries have had, and it is anticipated that they will continue to have, relationships with Hibernia National Bank in New Orleans ("Hibernia"), through loan agreements, bank accounts, transfer agent and registrar arrangements and through Hibernia's position as trustee for the Middle South Utilities System Savings Plan for employees. The maximum aggregate principal amount of bank loans to the companies outstanding at any month end during 1980 was $3,750,000, and the aggregate principal amount of such loans outstanding at December 31, 1980 was $2,500,000. In addition, cash received by Hibernia as trustee under the System Savings Plan has been, and may in the future be, invested for brief periods of time in United States treasury securities purchased from Hibernia, subject to repurchase agreements of Hibernia (commonly called "Repos"), pending distribution or investment in accordance with the Plan. Mr. Richard W. Freeman, a director of MSU and NOPSI, and Messrs. Brooke H. Duncan and Sam Israel, Jr., each a director of NOPSI, are also directors of Hibernia and its parent, Hibernia Corporation.

LP&L also borrowed a maximum of $480,000 during 1979 from First State Bank & Trust Company in Bogalusa, Louisiana. Mr. Charles J. Cassidy, Chairman of the Board and President of the Bank, is a director of LP&L.

Lamar Life Insurance Company ("Lamar Life") provides group hospital and medical insurance for MP&L. Total premiums paid by MP&L to Lamar Life for 1980 aggregated approximately $994,000. Mr. Donald C. Lutken, President and a director of MP&L and a director of MSU, and Mr. Robert M. Hearin, a director of MP&L, are directors of Lamar Life and of its parent, Lamar Life Corporation. In addition, Mr. Lutken owns beneficially approximately 1.4% of the outstanding voting stock of Lamar Life Corporation, and VGS Corporation, of which Mr. Hearin is a principal stockholder, owns beneficially approximately 81% of the outstanding voting stock of Lamar Life Corporation.

PART IV

Item 11. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

Page

(a) 1.(a) The following financial statements have been incorporated herein by reference (see Item 8).

MSU and its subsidiaries consolidated:

Auditors' Opinion; Consolidated Balance Sheets at December 31, 1980 and 1979; Consolidated Statements of Income, Changes in Financial Position, and Retained Earnings and Paid-In Capital for the years ended December 31, 1980, 1979 and 1978; and Notes to Consolidated Financial Statements; all as set forth in MSU's 1980 Annual Report to Shareholders.

AP&L, LP&L, MP&L and NOPSI:

Auditors' Opinions; Balance Sheets at December 31, 1980 and 1979; Statements of Income, Retained Earnings and Changes in Financial Position for the years ended December 31, 1980, 1979 and 1978; and Notes to Financial Statements; all as set forth in the 1980 Annual Reports to Shareholders for the above listed companies.

(a) 2. Financial Statement Schedules

(a) 3. Exhibits

(b) Reports on Form 8-K

No reports on Form 8-K have been filed by any of the registrants during the fourth quarter of 1980.

MIDDLE SOUTH UTILITIES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MIDDLE SOUTH UTILITIES, INC.

By F. W. LEWIS
F. W. Lewis, Chairman of the Board, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
F. W. LEWIS **F. W. Lewis**	Chairman of the Board, President and Director (Principal Executive Officer)	March 26, 1981
E. A. LUPBERGER **E. A. Lupberger**	Senior Vice President—Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1981
GEORGE F. BENNETT **George F. Bennett** JAMES M. CAIN **James M. Cain** RICHARD W. FREEMAN **Richard W. Freeman** D. C. LUTKEN **D. C. Lutken** JERRY L. MAULDEN **Jerry L. Maulden** LEROY P. PERCY **LeRoy P. Percy** ROBERT D. PUGH **Robert D. Pugh** GEORGE K. REEVES **George K. Reeves** F. G. SMITH **F. G. Smith** WALTER WASHINGTON **Walter Washington** R. E. L. WILSON **R. E. L. Wilson** J. M. WYATT **J. M. Wyatt**	Directors	March 26, 1981

ARKANSAS POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ARKANSAS POWER & LIGHT COMPANY

By JERRY L. MAULDEN
Jerry L. Maulden, President,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
JERRY L. MAULDEN **Jerry L. Maulden**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 26, 1981
JOHN J. HARTON **John J. Harton**	Vice-President, Treasurer and Assistant Secretary, Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1981
LAWRENCE BLACKWELL **Lawrence Blackwell** F. W. LEWIS **F. W. Lewis** ROY L. MURPHY **Roy L. Murphy** WILLIAM C. NOLAN, JR. **William C. Nolan, Jr.** J. D. PHILLIPS **J. D. Phillips** ROBERT D. PUGH **Robert D. Pugh** REEVES E. RITCHIE **Reeves E. Ritchie** HERMAN B. SMITH, JR. **Herman B. Smith, Jr.** MICHAEL E. WILSON **Michael E. Wilson**	Directors	March 26, 1981

LOUISIANA POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

LOUISIANA POWER & LIGHT COMPANY

By J. M. WYATT
J. M. Wyatt, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
J. M. WYATT **J. M. Wyatt**	President and Director (Principal Executive Officer)	March 26, 1981
J. H ERWIN, JR. **J. H. Erwin, Jr.**	Vice President and Treasurer (Principal Financial and Accounting Officer)	March 26, 1981
JAMES M. CAIN **James M. Cain**	Directors	March 26, 1981
CHARLES J. CASSIDY **Charles J. Cassidy**		
HARRY M. ENGLAND **Harry M. England**		
TEX R. KILPATRICK **Tex R. Kilpatrick**		
F. W. LEWIS **F. W. Lewis**		
E. A. RODRIGUE **E. A. Rodrigue**		
H. DUKE SHACKELFORD **H. Duke Shackelford**		

MISSISSIPPI POWER & LIGHT COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER & LIGHT COMPANY

By D. C. LUTKEN
D. C. Lutken, President,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
D. C. LUTKEN **D. C. Lutken**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 26, 1981
F. S. YORK, JR. **F. S. York, Jr.**	Vice President, Finance and Secretary (Principal Financial Officer)	March 26, 1981
J. R. MARTIN **J. R. Martin**	Treasurer (Principal Accounting Officer)	March 26, 1981
G. LAWRENCE ADAMS **G. Lawrence Adams**		
NORMAN B. GILLIS, JR. **Norman B. Gillis, Jr.**		
ROBERT M. HEARIN **Robert M. Hearin**		
J. HARVEY JOHNSTON, JR. **J. Harvey Johnston, Jr.**		
ROBERT E. KENNINGTON, II **Robert E. Kennington, II**		
F. W. LEWIS **F. W. Lewis**	Directors	March 26, 1981
JOHN P. MALONEY **John P. Maloney**		
RICHARD D. MCRAE **Richard D. McRae**		
LEROY P. PERCY **LeRoy P. Percy**		
WALTER WASHINGTON **Walter Washington**		
ROBERT M. WILLIAMS, JR. **Robert M. Williams, Jr.**		

NEW ORLEANS PUBLIC SERVICE INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

NEW ORLEANS PUBLIC SERVICE INC.

By JAMES M. CAIN
James M. Cain, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
JAMES M. CAIN **James M. Cain**	President and Director (Principal Executive Officer)	March 26, 1981
JOHN H. CHAVANNE **John H. Chavanne**	Vice President—Finance (Principal Financial and Accounting Officer)	March 26, 1981
BROOKE H. DUNCAN **Brooke H. Duncan**	Directors	March 26, 1981
LAURANCE EUSTIS **Laurance Eustis**		
R. W. FREEMAN **R. W. Freeman**		
SAM ISRAEL, JR. **Sam Israel, Jr.**		
ARTHUR L. JUNG, JR. **Arthur L. Jung, Jr.**		
F. W. LEWIS **F. W. Lewis**		
WILLIAM C. NELSON **William C. Nelson**		
JOHN B. SMALLPAGE **John B. Smallpage**		
CHARLES C. TEAMER **Charles C. Teamer**		
J. M. WYATT **J. M. Wyatt**		

AUDITORS' OPINION

Middle South Utilities, Inc. and Subsidiaries:

We have examined the consolidated financial statements of Middle South Utilities, Inc. and subsidiaries and the financial statements of certain of its subsidiaries, listed in Item 11 herein, as of December 31, 1980 and 1979 and for each of the three years in the period ended December 31, 1980, and have issued our opinions thereon dated February 13, 1981; such financial statements and opinions are included in your 1980 Annual Reports to Shareholders and are incorporated herein by reference. Our examinations also comprehended the supplemental schedules of Middle South Utilities, Inc. and subsidiaries and of certain of its subsidiaries, listed in Item 11. In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

We have also examined the financial statements an supplemental schedules of Middle South Utilities, Inc., listed in Item 11. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to in the preceding paragraph present fairly the financial position of Middle South Utilities, Inc. at December 31, 1980 and 1979 and the results of its operations and source of funds for investment for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis; also, in our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells
New Orleans, Louisiana
February 13, 1981

MIDDLE SOUTH UTILITIES, INC.

BALANCE SHEETS

December 31, 1980 and 1979

ASSETS

	1980	1979
	(In Thousands)	
Investments in Wholly-owned Subsidiaries—at equity (Schedule III)	$2,012,474	$1,803,840
Current Assets:		
Cash	992	1,315
Notes receivable from subsidiary	—	2,100
Temporary investments—at cost, which approximates market	1,450	38,714
Dividends receivable	42,014	—
Other	40	103
Total	44,496	42,232
Total	$2,056,970	$1,846,072

LIABILITIES

	1980	1979
Capitalization:		
Common stock, $5 par value, authorized 150,000,000 shares; issued and outstanding 107,349,943 shares in 1980 and 90,432,998 shares in 1979	$ 536,750	$ 452,165
Paid-in capital	748,593	630,445
Retained earnings	619,572	581,445
Total common shareholders' equity	1,904,915	1,664,055
Long-term debt—promissory notes	108,150	—
Total capitalization	2,013,065	1,664,055
Current Liabilities:		
Notes payable—banks	—	145,900
Accounts payable:		
Associated company	97	124
Other	271	208
Interest and taxes accrued	72	71
Dividends declared	43,465	35,714
Total	43,905	182,017
Total	$2,056,970	$1,846,072

Notes to Financial Statements of Middle South Utilities, Inc. and Subsidiaries are incorporated herein by reference from MSU's 1980 Annual Report to Shareholders.

MIDDLE SOUTH UTILITIES, INC.

STATEMENTS OF INCOME
For the Years Ended December 31, 1980, 1979 and 1978

	1980	1979	1978
		(In Thousands)	
Income:			
Dividends from subsidiaries	$176,251	$141,793	$119,216
Undistributed earnings of subsidiaries	45,515	53,942	75,357
Interest on loans to subsidiaries	1,361	1,115	798
Other interest	526	881	404
Total	223,653	197,731	195,775
Expenses and Other Deductions:			
Administrative and general expenses	3,355	2,919	2,247
Taxes	8	17	12
Interest	24,383	12,737	8,078
Total	27,746	15,673	10,337
Net Income	$195,907	$182,058	$185,438

STATEMENTS OF SOURCE OF FUNDS FOR INVESTMENT
For the Years Ended December 31, 1980, 1979 and 1978

	1980	1979	1978
		(In Thousands)	
Funds From Operations:			
Net income	$195,907	$182,058	$185,438
Undistributed earnings of subsidiaries	(45,515)	(53,942)	(75,357)
Total	150,392	128,116	110,081
Dividends Declared On Common Stock	(156,968)	(132,585)	(110,849)
Funds used in business	(6,576)	(4,469)	(768)
Funds From Financing:			
Common stock	202,733	202,269	143,147
Notes payable:			
Issues	294,250	209,000	111,000
Retirements	(332,000)	(192,100)	(140,000)
Funds from financing—net	164,983	219,169	114,147
Decrease in Working Capital (excluding notes payable)	5,524	4,415	4,908
Miscellaneous—net	(281)	(415)	(287)
Investment in Subsidiaries	$163,650	$218,700	$118,000

Notes to Financial Statements of Middle South Utilities, Inc. and Subsidiaries are incorporated herein by reference from MSU's 1980 Annual Report to Shareholders.

MIDDLE SOUTH UTILITIES, INC.

STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL

For the Years Ended December 31, 1980, 1979 and 1978

RETAINED EARNINGS

	1980	1979	1978
		(In Thousands)	
Retained Earnings, January 1	$581,445	$534,893	$460,608
Add—Net Income	195,907	182,058	185,438
Total	777,352	716,951	646,046
Deduct:			
Dividends declared on common stock—$1.59, $1.535 and $1.46 a share for 1980, 1979 and 1978, respectively	156,968	132,585	110,849
Capital stock expenses, etc.	812	2,921	304
Total	157,780	135,506	111,153
Retained Earnings, December 31	$619,572	$581,445	$534,893

PAID-IN CAPITAL

	1980	1979	1978
Paid-in Capital, January 1	$630,445	$499,850	$401,151
Add excess of Proceeds over Par Value:			
8,500,000 shares of common stock sold in January 1978	—	—	94,460
8,500,000 shares of common stock sold in January 1979	—	84,490	—
5,000,000 shares of common stock sold in November 1979	—	38,099	—
7,000,000 shares of common stock sold in May 1980	50,819	—	
8,000,000 shares of common stock sold in October 1980	54,023	—	
Common stock issued in connection with dividend reinvestment and stock purchase plan	11,030	5,865	4,053
Common stock issued in connection with employee stock ownership plan	74	126	54
Common stock issued in connection with employee savings plan	2,202	2,021	132
Retirement of 994 unclaimed shares of MSU stock	—	(6)	—
Paid-in Capital, December 31	$748,593	$630,445	$499,850

Notes to Financial Statements of Middle South Utilities, Inc. and Subsidiaries are incorporated herein by reference from MSU's 1980 Annual Report to Shareholders.

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are either not required, not applicable or the required information is shown in the financial statements or notes thereto.

Columns omitted from schedules filed have been omitted because the information is not applicable.

Separate financial statements of The Arklahoma Corporation (AP&L owns 34% of the capital stock and uses the equity method of accounting) have been omitted since it does not constitute a significant subsidiary.

MIDDLE SOUTH UTILITIES, INC.

SCHEDULE III—INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM RELATED PARTIES

Years Ended December 31, 1980, 1979 and 1978

(In Thousands Except Share Amounts)

Column A	Column B		Column C		Column D		Column E	
	Balance at Beginning of Period		Additions		Deductions		Balance at End of Period	
Name of Issuer and Description of Investment	Number of Shares or Units—Principal Amount of Bonds and Notes	Amount in Dollars (a)	Equity Taken Up in Earnings (Losses) of Affiliates and Other Persons for the Period	Other (b)	Distribution of Earnings by Persons in Which Earnings (Losses) Were Taken Up	Other (c)	Number of Shares or Units—Principal Amount of Bonds and Notes	Amount in Dollars
Year Ended December 31, 1980:								
AP&L, Common Stock	34,236,773	$ 518,617	$ 39,827	$ 30,000	$ 71,463	$ (3)	36,636,773	$ 516,984
LP&L, Common Stock	65,140,000	487,441	76,173	70,000	69,110	395	75,746,400	564,109
MP&L, Common Stock	4,540,000	169,804	31,570	—	21,974	—	4,540,000	179,400
NOPSI, Common Stock	5,935,900	78,668	3,944	—	10,091	138	5,935,900	72,383
Ark-Mo, Common Stock	4,691,988	27,715	3,261	5,750	3,613	—	6,991,988	33,112
MSE, Common Stock	385,700	514,949	66,991	57,900	—	—	443,600	639,840
MSS:								
Common Stock	2,000	20	—	—	—	—	2,000	20
Notes	$6,626	6,626	—	—	—	—	$6,626	6,626
Total		$1,803,840	$221,766	$163,650	$176,251	$ 530		$2,012,474
Year Ended December 31, 1979:								
AP&L, Common Stock	31,836,773	$ 479,408	$ 66,268	$ 30,000	$ 57,060	—	34,236,773	$ 518,617
LP&L, Common Stock	53,776,000	417,192	49,688	75,000	52,673	$1,765	65,140,000	487,441
MP&L, Common Stock	4,540,000	169,038	20,197	—	19,432	—	4,540,000	169,804
NOPSI, Common Stock	5,935,900	78,812	9,045	—	9,189	—	5,935,900	78,668
Ark-Mo, Common Stock	4,691,988	28,810	3,020	—	3,440	675	4,691,988	27,715
MSE, Common Stock	272,000	353,732	47,517	113,700	—	—	385,700	514,949
MSS:								
Common Stock	2,000	20	—	—	—	—	2,000	20
Notes	$6,626	6,626	—	—	—	—	$6,626	6,626
Total		$1,533,638	$195,735	$218,700	$141,794	$2,440		$1,803,840
Year Ended December 31, 1978:								
AP&L, Common Stock	30,656,773	$ 438,602	$ 73,600	$ 15,000	$ 47,793	—	31,836,773	$ 479,408
LP&L, Common Stock	46,200,000	363,763	45,636	50,000	42,194	$13	53,776,000	417,192
MP&L, Common Stock	4,540,000	160,374	26,461	—	17,797	—	4,540,000	169,038
NOPSI, Common Stock	5,935,900	77,562	9,678	—	8,429	—	5,935,900	78,812
Ark-Mo, Common Stock	4,691,988	28,226	3,587	—	3,003	—	4,691,988	28,810
MSE, Common Stock	219,000	265,121	35,611	53,000	—	—	272,000	353,732
MSS:								
Common Stock	2,000	20	—	—	—	—	2,000	20
Notes	$6,626	6,626	—	—	—	—	$6,626	6,626
Total		$1,340,294	$194,573	$118,000	$119,216	$13		$1,533,638

(a) Represents 100% ownership interest.

(b) Investment in common stock of subsidiaries by MSU.

(c) Charges to subsidiaries' retained earnings not recognized by MSU.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE V—UTILITY PLANT

Year Ended December 31, 1980

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Note 1)	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 2 and 3)	Balance at End of Period
Electric Utility Plant:					
Intangible	$ 440	—	—	—	$ 440
Production	1,461,244	$ 858,846	$ 1,788	$ 6,314	2,[illegible]4,61[illegible]
Transmission	604,699	72,205	3,036	224	674,092
Distribution	1,380,818	100,215	14,855	3,440	1,469,619
General	103,619	4,897	19,092	155	89,579
Leased to others	5,144	—	—	—	5,144
Plant held for future use	11,800	117	—	—	11,917
Plant in process of reclassification	317	(317)	—	—	—
Plant purchased or sold	25,568	4,141	—	(5,899)	23,810
Natural Gas:					
Intangible	297	—	—	—	297
Storage	4,670	—	—	—	4,670
Transmission	14,852	62	3	—	14,911
Distribution	75,942	3,144	325	—	78,761
General	6,809	433	278	—	6,964
Transit:					
Land	135	—	—	—	135
Way and structures	4,245	141	1	—	4,385
Revenue equipment	11,817	—	1,580	—	10,237
General	2,852	68	140	(2)	2,778
Construction Work in Progress	3,282,202	(75,479)*	62,013**	—	3,144,710
Nuclear Fuel	—	22,326	—	—	22,326
Plant Acquisition Adjustments	4,582	(19)	—	(317)	4,246
Total Utility Plant	$7,002,052	$990,780	$103,111	$ 3,915	$7,893,636

Notes:

(1) All intangibles identifiable in the accounts are set forth above.

(2) Transfer of gross assets from plant purchased or sold to other functional groups of accounts	$10,131
(3) Transfers among functional groups of accounts	$ 42
Transfer in the balance in plant purchased or sold to appropriate accounts	$ 4,194
Represents accumulated expenses associated with Ark-Mo/AP&L merger	38
Amortization of plant acquisition adjustments	(317)
Total	$ 3,915
* Includes cost of nuclear fuel	$48,625
** Sales include the following:	
Cost of nuclear fuel	$44,663
Sales and leaseback transactions	16,416
Book value of utility plant sold	934
Total	$62,013

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE V—UTILITY PLANT

Year Ended December 31, 1979

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Note 1)	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Note 2)	Balance at End of Period
Electric Utility Plant:					
Intangible	$ 424	$ 16	—	—	$ 440
Production	1,439,807	25,872	$ 4,429	$ (6)	1,461,244
Transmission	589,394	16,313	[illegible]94	(1[illegible])	604,699
Distribution	1,300,165	94,603	13,964	14	1,380,818
General	97,537	8,715	2,636	3	103,619
Leased to others	5,144	—	—	—	5,144
Plant held for future use	11,296	514	10	—	11,800
Plant in process of reclassification	—	317	—	—	317
Plant purchased or sold	23,685	1,796	—	87	25,568
Natural Gas:					
Intangible	280	17	—	—	297
Storage	4,669	1	—	—	4,670
Transmission	9,202	5,652	2	—	14,852
Distribution	72,625	3,587	270	—	75,942
General	6,280	792	269	6	6,809
Transit:					
Land	135	—	—	—	135
Way and structures	4,109	139	3	—	4,245
Revenue equipment	14,206	1,252	3,641	—	11,817
General	2,631	417	193	(3)	2,852
Construction Work in Progress	2,465,517	916,241*	99,556**	—	3,282,202
Plant Acquisition Adjustments	4,917	1	—	(336)	4,582
Total Utility Plant	$6,052,023	$1,076,245	$125,967	$ (249)	$7,002,052

Notes:

(1) All intangibles identifiable in the accounts are set forth above.

(2) Transfers among functional groups of accounts	$ 26
Represents accumulated expenses associated with Ark-Mo/AP&L merger	$ 87
Amortization of plant acquisition adjustments	(336)
Total	$ (249)
* Includes cost of nuclear fuel	$46,804
** Sales included the following:	
Sales and leaseback transactions	$65,357
Book value of utility plant sold	34,199
Total	$99,556

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE V—UTILITY PLANT

Year Ended December 31, 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification (Note 1)	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 2 and 3)	Balance at End of Period
Electric Utility Plant:					
Intangible	$ 257	$ 236	—	$ (69)	$ 424
Production	1,405,360	34,803	$ 2,169	1,813	1,439,807
Transmission	570,407	20,310	1,328	5	589,394
Distribution	1,221,760	89,079	12,176	1,502	1,300,165
General	95,811	4,485	2,784	25	97,537
Leased to others	5,144	—	—	—	5,144
Plant held for future use	11,315	68	39	(48)	11,296
Plant purchased or sold	—	25,736	—	(2,051)	23,685
Natural Gas:					
Intangible	53	227	—	—	280
Production	1	—	—	(1)	—
Storage	4,668	1	—	—	4,669
Transmission	8,231	865	11	117	9,202
Distribution	70,804	2,119	183	(115)	72,625
General	5,917	794	426	(5)	6,280
Transit:					
Land	135	—	—	—	135
Way and structures	3,961	150	2	—	4,109
Revenue equipment	13,131	1,075	—	—	14,206
General	2,396	387	152	—	2,631
Construction Work in Progress	1,759,440	714,287*	8,210**	—	2,465,517
Plant Acquisition Adjustments	4,493	744	—	(320)	4,917
Total Utility Plant	$5,183,284	$ 895,366	$ 27,480	$ 853	$6,052,023

Notes:

(1) All intangibles identifiable in the accounts are set forth above.

(2) Transfer of gross assets from plant purchased or sold to other functional groups of accounts	$3,347
(3) Transfers among functional groups of accounts	$ 192
Transfer of the balance in plant purchased or sold to appropriate accounts	$1,296
Adjustment to capitalized lease	(54)
Represents a direct charge for costs associated with computer software	(69)
Amortization of plant acquisition adjustments	(320)
Total	$ 853
* Includes cost of nuclear fuel	$8,910
** Includes cost of nuclear fuel sold to non-affiliates	$8,210

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost (Note 3)	Retirements or Sales	Other Changes—Debits (Credits) (Notes 1-4)	Balance at End of Period
Year ended December 31, 1980					
Electric Utility Plant:					
Intangible	$ 86	—	—	—	$ 86
Production	486,968	$ 834,573	$ 166	—	1,321,375
Transmission	227,732	43,866	2,463	—	269,135
Distribution	491,445	33,011	4,995	—	519,461
General	21,425	1,473	3,199	—	19,699
Plant purchased or sold	87	—	—	$ 38	125
Plant in process of reclassification	317	(317)	—	—	—
Plant held for future use	3,472	71	—	—	3,543
Construction Work in Progress	980,054	(680,328)	17,350***	—	282,376
Nuclear Fuel	—	7,151	—	—	7,151
Plant Acquisition Adjustments	300	—	—	(20)	280
Total Utility Plant	$2,211,886	$ 239,500	$ 28,173	$ 18	$2,423,231
Year ended December 31, 1979					
Electric Utility Plant:					
Intangible	$ 86	—	—	—	$ 86
Production	472,151	$ 16,683	$ 1,866	—	486,968
Transmission	220,951	7,161	380	—	227,732
Distribution	464,849	31,274	4,678	—	491,445
General	17,241	4,858	674	—	21,425
Plant purchased or sold	—	—	—	$ 87	87
Plant in process of reclassification	—	317	—	—	317
Plant held for future use	2,968	514	10	—	3,472
Construction Work in Progress	785,684	248,883*	54,513***	—	980,054
Plant Acquisition Adjustments	319	—	—	(19)	300
Total Utility Plant	$1,964,249	$ 309,690	$ 62,121	$ 68	$2,211,886
Year ended December 31, 1978					
Electric Utility Plant:					
Intangible	$ 155	—	—	$ (69)	$ 86
Production	464,741	$ 8,034	$ 624	—	472,151
Transmission	218,859	2,310	218	—	220,951
Distribution	435,774	32,876	4,231	430	464,849
General	16,721	1,565	1,045	—	
Plant held for future use	3,119	(112)	39	—	2,968
Plant purchased or sold	—	430	—	(430)	—
Construction Work in Progress	623,304	175,912*	13,532**	—	785,684
Plant Acquisition Adjustments	126	213	—	(20)	319
Total Utility Plant	$1,762,799	$ 221,228	$ 19,689	$ (89)	$1,964,249

(Footnotes on following page)

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT—(Continued)

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Notes:	1980	1979	1978
(1) Represents a direct charge for costs associated with computer software	—	—	$ (69)
(2) Amortization of plant acquisition adjustment	$ (20)	$ (19)	$ (20)
(3) Represents purchase of Citizens Light & Power Company distribution system	—	—	$ 430
(4) Represents accumulated expenses associated with Ark-Mo/AP&L merger	$ 38	$ 87	—
* Includes cost of nuclear fuel	—	$20,314	$ 785
** Includes cost of nuclear fuel (sold in 1978 to SFI)	—	—	$13,532
*** Sales included the following:			
Sale and leaseback transactions	$16,416	$20,314	—
Book value of utility plant sold	934	34,199	—
Total	$17,350	$54,513	—

LOUISIANA POWER AND LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Notes 1, 2 & 3)	Balance at End of Period
Year ended December 31, 1980					
Electric Utility Plant:					
Intangible	$ 63	—	—	—	$ 63
Production	483,180	$ 15,684	$ 75	$ 6,302	505,091
Transmission	163,712	3,817	106	201	167,624
Distribution	511,071	43,785	5,638	3,465	552,683
General	42,523	741	14,785	163	28,642
Leased to others	5,144	—	—	—	5,144
Plant held for future use	4,599	—	—	—	4,599
Plant purchased or sold	25,481	4,141	—	(5,937)	23,685
Construction Work in Progress	831,837	198,508	—	—	1,030,345
Nuclear Fuel	—	15,175	—	—	15,175
Plant Acquisition Adjustments	1,496	(19)	—	(107)	1,370
Total Utility Plant	$2,069,106	$281,832	$20,604	$ 4,087	$2,334,421
Year ended December 31, 1979					
Electric Utility Plant:					
Intangible	$ 63	—	—	—	$ 63
Production	479,987	$ 5,100	$ 1,907	—	483,180
Transmission	159,967	3,891	138	$ (8)	163,712
Distribution	475,478	41,351	5,766	8	511,071
General	42,912	786	1,175	—	42,523
Leased to others	5,144	—	—	—	5,144
Plant held for future use	4,599	—	—	—	4,599
Plant purchased or sold	23,685	1,796	—	—	25,481
Construction Work in Progress	599,496	232,341	—	—	831,837
Plant Acquisition Adjustments	1,621	—	—	(125)	1,496
Total Utility Plant	$1,792,952	$285,265	$ 8,986	$ (125)	$2,069,106
Year ended December 31, 1978					
Electric Utility Plant:					
Intangible	$ 63	—	—	—	$ 63
Production	457,645	$ 21,208	$ 736	$ 1,870	479,987
Transmission	159,314	808	174	19	159,967
Distribution	445,766	32,837	4,130	1,005	475,478
General	42,775	675	561	23	42,912
Leased to others	5,144	—	—	—	5,144
Plant held for future use	4,599	—	—	—	4,599
Plant purchased or sold	—	25,306	—	(1,621)	23,685
Construction Work in Progress	393,189	219,351*	13,044**	—	599,496
Plant Acquisition Adjustment	1,290	433	—	(102)	1,621
Total Utility Plant	$1,509,785	$300,618	$18,645	$ 1,194	$1,792,952

Notes:

	1980	1979	1978
(1) Transfer of gross assets from plant purchased or sold to other functional groups of accounts	$10,131	—	$ 2,917
(2) Transfers among functional groups of accounts	—	$ 8	—
(3) Transfer of the balance in plant purchased or sold to appropriate accounts	$ 4,194	—	$ 1,296
Amortization of plant acquisition adjustments	(107)	$(125)	(102)
Total	$ 4,087	$(125)	$ 1,194
* Includes cost of nuclear fuel	—	—	$ 568
** Includes cost of nuclear fuel ($4,834 sold to SFI in 1978)	—	—	$13,044

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost (Note 1)	Retirements or Sales	Other Changes—Debits (Credits) (Notes 2-4)	Balance at End of Period
Year ended December 31, 1980					
Electric Utility Plant:					
Intangible	$ 34	—	—	—	$ 34
Production	352,658	$ 2,483	$ 58	$ 1	355,084
Transmission	149,887	22,261	364	26	171,810
Distribution	201,361	13,371	2,669	(28)	212,035
General	17,094	1,962	450	1	18,607
Plant held for future use	3,270	46	—	—	3,316
Construction Work in Progress	25,913	(8,211)	—	—	17,702
Plant Acquisition Adjustments	2,406	—	—	(182)	2,224
Total Utility Plant	$752,623	$31,912	$3,541	$(182)	$780,812
Year ended December 31, 1979					
Electric Utility Plant:					
Intangible	$ 34	—	—	—	$ 34
Production	351,646	$ 1,232	$ 214	$ (6)	352,658
Transmission	146,227	3,930	266	(4)	149,887
Distribution	190,820	12,406	1,869	4	201,361
General	16,220	999	131	6	17,094
Plant held for future use	3,270	—	—	—	3,270
Construction Work in Progress	10,820	15,093	—	—	25,913
Plant Acquisition Adjustments	2,588	—	—	(182)	2,406
Total Utility Plant	$721,625	$33,660	$2,480	$(182)	$752,623
Year ended December 31, 1978					
Electric Utility Plant:					
Intangible	$ 34	—	—	—	$ 34
Production	349,195	$ 2,756	$ 248	$ (57)	351,646
Transmission	132,966	13,454	196	3	146,227
Distribution	180,035	13,063	2,278	—	190,820
General	16,120	295	195	—	16,220
Plant held for future use	3,270	—	—	—	3,270
Construction Work in Progress	15,660	(4,840)	—	—	10,820
Plant Acquisition Adjustments	2,769	—	—	(181)	2,588
Total Utility Plant	$700,049	$24,728	$2,917	$(235)	$721,625

Notes:

	1980	1979	1978
(1) Represents increase of $31,912, $33,660 and $24,728 less transfers to plant in service of $40,123, $18,567 and $29,567 in 1980, 1979 and 1978, respectively	$(8,211)	$15,093	$(4,840)
(2) Transfer among functional groups of accounts	$ 28	$ 10	$ 3
(3) Amortization of plant acquisition adjustments	$ (182)	$ (182)	$ (181)
(4) Adjustment to capital lease	—	—	$ (54)

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE V—UTILITY PLANT

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Note 1)	Balance at End of Period
Year ended December 31, 1980					
Electric Utility Plant:					
Production	$131,290	$ 6,103	$1,488	$ 11	$135,916
Transmission	33,679	1,847	22	—	35,504
Distribution	135,246	7,100	1,001	—	141,345
General	17,883	527	290	(9)	18,111
Plant held for future use	279	—	—	—	279
Natural Gas:					
Transmission	6,295	30	—	—	6,325
Distribution	57,900	2,424	301	—	60,023
General	5,577	123	175	—	5,525
Transit:					
Land	135	—	—	—	135
Way and structures	4,245	141	1	—	4,385
Revenue equipment	11,817	—	1,580	—	10,237
General	2,852	68	140	(2)	2,778
Construction Work in Progress	4,785	(1,370)	—	—	3,415
Total Utility Plant	$411,983	$16,993	$4,998	—	$423,978
Year ended December 31, 1979					
Electric Utility Plant:					
Production	$128,886	$ 2,846	$ 442	—	$131,290
Transmission	33,644	71	36	—	33,679
Distribution	129,495	7,016	1,265	—	135,246
General	16,631	1,736	481	$ (3)	17,883
Plant held for future use	279	—	—	—	279
Natural Gas:					
Transmission	688	5,607	—	—	6,295
Distribution	55,224	2,889	213	—	57,900
General	5,327	447	203	6	5,577
Transit:					
Land	135	—	—	—	135
Way and structures	4,109	139	3	—	4,245
Revenue equipment	14,206	1,252	3,641	—	11,817
General	2,631	417	193	(3)	2,852
Construction Work in Progress	3,243	1,542	—	—	4,785
Total Utility Plant	$394,498	$23,962	$6,477	—	$411,983

(Continued on next page)

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE V—UTILITY PLANT—(Continued)

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes—Debits (Credits) (Note 1)	Balance at End of Period
Year ended December 31, 1978					
Electric Utility Plant:					
Production	$126,663	$ 2,783	$ 560	—	$128,886
Transmission	34,175	24	555	—	33,644
Distribution	123,300	6,994	847	$ 48	129,495
General	15,938	1,549	856	—	16,631
Plant held for future use	327	—	—	(48)	279
Natural Gas:					
Transmission	—	688	—	—	688
Distribution	53,616	1,744	139	3	55,224
General	4,999	710	379	(3)	5,327
Transit:					
Land	135	—	—	—	135
Way and structures	3,961	150	2	—	4,109
Revenue equipment	13,131	1,075	—	—	14,206
General	2,396	387	152	—	2,631
Construction Work in Progress	1,643	1,600	—	—	3,243
Total Utility Plant	$380,284	$17,704	$3,490	—	$394,498

Note:

	1980	1979	1978
(1) Transfers among functional groups of accounts	$11	$ 6	$51

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Year Ended December 31, 1980

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes—	
Description	Balance at Beginning of Period	Charged to Income (Note 1)	Charged to Other Accounts (Note 2)	Retirements, Renewals, and Replacements	Add (Deduct) (Note 3)	Balance at End of Period
Accumulated depreciation of utility plant:						
Electric:						
Intangible	$ 121	$ 63	—	—	—	$ 184
Production	462,596	68,695	$1,161	$ 1,423	$ 2,682	533,711
Transmission	164,787	15,417	—	2,413	79	177,870
Distribution	419,791	49,922	—	10,585	980	460,108
General	41,367	3,306	1,394	(10,635)	(16,990)	39,712
Leased to others	2,578	346	—	—	—	2,924
Natural Gas:						
Intangible	155	69	—	—	—	224
Production	(5)	5	—	—	—	—
Storage	1,373	212	—	—	—	1,585
Transmission	3,994	833	—	3	50	4,874
Distribution	27,926	2,148	—	409	11	29,676
General	2,747	211	107	258	56	2,863
Transit:						
Way and structures	1,475	94	—	2	—	1,567
Revenue equipment	9,599	521	—	1,581	—	8,539
General	660	153	—	125	—	688
Total	$1,139,164	$141,995	$2,662	$ 6,164	$(13,132)	$1,264,525
Accumulated depreciation of non-utility property	$ 154	$ 38	—	$ 8	—	$ 184

Notes:

(1) Accumulated amortization of utility plant acquisition adjustments classified as depreciation.

(2)

Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment	$ 1,501
Amortization of pipelines charged to fuel expense	904
Interest on decommissioning of ANO	257
Total	$ 2,662

(3)

Transfer of reserve from plant purchased or sold	$ 4,223
Transfer of reserve applicable to property transferred between departments and subsidiary	33
Accumulated depreciation on equipment purchased under a lease-purchase agreement	61
Transfer of gain on sale from reserve to other accounts	(17,776)
Adjustment for depreciation recorded on buildings sold in 1980	(24)
Salvage less cost of removal on property retired	351
Total	$ (13,132)

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Year Ended December 31, 1979

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income (Note 1)	Charged to Other Accounts (Note 2)	Retirements, Renewals and Replacements	Add (Deduct) (Note 3)	Balance at End of Period
Accumulated depreciation of utility plant:						
Electric:						
Intangible	$ 58	$ 63	—	—	—	$ 121
Production	414,204	50,333	$1,096	$ 3,037	—	462,596
Transmission	150,946	14,390	—	663	$ 114	164,787
Distribution	384,177	46,707	—	11,035	(58)	419,791
General	38,582	3,258	1,761	2,259	26	41,367
Leased to others	2,232	346	—	—	—	2,578
Natural Gas:						
Intangible	87	68	—	—	—	155
Production	(11)	6	—	—	—	(5)
Storage	1,161	212	—	—	—	1,373
Transmission	3,436	540	—	2	20	3,994
Distribution	26,266	2,061	—	394	(7)	27,926
General	2,671	209	86	242	23	2,747
Transit:						
Way and structures	1,395	91	—	11	—	1,475
Revenue equipment	12,367	872	—	3,640	—	9,599
General	685	149	—	174	—	660
Total	$1,038,256	$119,305	$2,943	$21,457	$ 118	$1,139,164
Accumulated depreciation of non-utility property	$ 124	$ 30	—	—	—	$ 154

Notes:

(1) Accumulated amortization of utility plant acquisition adjustments classified as depreciation.

(2)

Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment	$ 1,847
Amortization of pipelines charged to fuel expense	1,096
Total	$ 2,943

(3)

Transfer of reserve from plant purchased or sold	$ 50
Transfer of reserve applicable to property transferred between departments and subsidiary	1
Accumulated depreciation on equipment purchased under a lease purchase agreement	59
Accumulated depreciation on property acquired	8
Total	$ 118

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Year Ended December 31, 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income (Note 1)	Charged to Other Accounts (Note 2)	Retirements, Renewals, and Replacements	Add (Deduct) (Note 3)	Balance at End of Period
Accumulated depreciation of utility plant:						
Electric:						
Intangible	$ 3	$ 55	—	—	—	$ 58
Production	366,086	46,804	$1,890	$ 1,434	$ 856	414,204
Transmission	137,696	14,198	102	1,110	60	150,946
Distribution	348,541	44,829	183	10,306	930	384,177
General	35,431	3,159	2,215	2,246	22	38,582
Leased to others	1,886	346	—	—	—	2,232
Natural Gas:						
Intangible	24	63	—	—	—	87
Production	(16)	5	—	—	—	(11)
Storage	949	212	—	—	—	1,161
Transmission	3,096	241	110	11	—	3,436
Distribution	24,466	1,985	30	235	20	26,266
General	2,773	209	66	378	1	2,671
Transit:						
Way and structures	1,938	87	—	630	—	1,395
Revenue equipment	11,878	477	—	(12)	—	12,367
General	951	133	—	399	—	685
Total	$ 935,702	$112,803	$4,596	$16,737	$ 1,889	$1,038,256
Accumulated depreciation of non-utility property	$ 93	$ 31	—	—	—	$ 124

Notes:

(1) Accumulated amortization of utility plant acquisition adjustments classified as depreciation.

(2) Provision on basis of usage or estimated life of transportation equipment (automobiles, trucks and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment .... $ 2,706

Amortization of company owned pipelines charged to fuel expense 1,890

Total .... $ 4,596

(3) Accrued depreciation on acquisition of Citizens Light and Power Company .... $ 282

Transfer of reserve from plant purchased or sold 1,349

Reserve applicable to property transferred between departments and subsidiary 146

Accumulated depreciation on equipment purchased under a lease-purchased agreement 89

Adjustment for depreciation recorded on buildings sold in 1976 23

Total .... $ 1,889

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Notes 2 and 3)	Balance at End of Period
Year ended December 31, 1980						
Accumulated depreciation of utility plant:						
Electric:						
Production	$149,453	$35,035	$ 257	$ (173)	$ (2)	$184,916
Transmission	58,778	6,121	—	2,545	7	62,361
Distribution	148,657	17,725	—	3,853	(7)	162,522
General	7,559	693	7	601	(22)	7,636
Total	$364,447	$59,574	$ 264	$ 6,826	$ (24)	$417,435
Accumulated depreciation of non-utility property	$ 29	$ 6	—	$ 8	—	$ 27
Year ended December 31, 1979						
Accumulated depreciation of utility plant:						
Electric:						
Production	$133,973	$17,006	—	$ 1,526	—	$149,453
Transmission	53,619	5,518	—	359	—	58,778
Distribution	136,163	16,598	—	4,104	—	148,657
General	7,440	586	$ 45	512	—	7,559
Total	$331,195	$39,708	$ 45	$ 6,501	—	$364,447
Accumulated depreciation of non-utility property	$ 28	$ 1	—	—	—	$ 29
Year ended December 31, 1978						
Accumulated depreciation of utility plant:						
Electric:						
Production	$117,726	$16,840	—	$ 593	—	$133,973
Transmission	48,490	5,310	—	181	—	53,619
Distribution	123,850	15,699	—	3,668	$ 282	136,163
General	7,382	516	$ 267	748	23	7,440
Total	$297,448	$38,365	$ 267	$ 5,190	$ 305	$331,195
Accumulated depreciation of non-utility property	$ 25	$ 3	—	—	—	$ 28

Notes:

	1980	1979	1978
(1) Provision on basis of usage of transportation equipment (automobiles, trucks and aircraft) charged to clearing accounts and allocated on the basis of the use of such equipment	$ 7	$ 45	$267
Interest on decommissioning of ANO	257	—	—
Total	$264	$ 45	$267
(2) Accrued depreciation on acquisition of Citizens Light & Power Company	—	—	$282
(3) Adjustment for depreciation recorded on buildings sold in 1980 and 1976	$(24)	—	$ 23

LOUISIANA POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	Balance at End of Period
Year ended December 31, 1980						
Accumulated depreciation of utility plant:						
Electric:						
Production	$131,815	$15,184	—	$ (82)	$ 2,684	$149,765
Transmission	50,742	4,576	—	(328)	13	55,659
Distribution	148,631	20,881	—	3,279	938	167,171
General	20,228	1,526	$1,140	(12,117)	(17,188)	17,823
Leased to others	2,578	346	—	—	—	2,924
Total	$353,994	$42,513	$1,140	$ (9,248)	$(13,553)	$393,342
Year ended December 31, 1979						
Accumulated depreciation of utility plant:						
Electric:						
Production	$117,756	$15,045	—	$ 986	—	$131,815
Transmission	46,457	4,473	—	189	$ 1	50,742
Distribution	132,942	19,397	—	3,636	(72)	148,631
General	18,196	1,602	$1,482	1,052	—	20,228
Leased to others	2,232	346	—	—	—	2,578
Total	$317,583	$40,863	$1,482	$ 5,863	$ (71)	$353,994
Year ended December 31, 1978						
Accumulated depreciation of utility plant:						
Electric:						
Production	$103,361	$14,258	—	$ 720	$ 857	$117,756
Transmission	42,202	4,342	—	57	(30)	46,457
Distribution	117,506	17,874	—	2,961	523	132,942
General	15,404	1,569	$1,688	464	(1)	18,196
Leased to others	1,886	346	—	—	—	2,232
Total	$280,359	$38,389	$1,688	$ 4,202	$ 1,349	$317,583

Notes:

	1980	1979	1978
(1) Provision on basis of estimated life of transportation equipment (automobiles and trucks) charged to a clearing account and allocated on the basis of the use of such equipment	$ 1,140	$1,482	$1,688
(2) Transfer of reserve from plant purchased or sold	$ 4,223	$ (79)	$1,349
Accumulated depreciation on property acquired	—	8	—
Transfer of gain on sale from reserve to other accounts	(17,776)	—	—
Total	$(13,553)	$ (71)	$1,349

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1980, 1979 and 1978
(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Retirements, Renewals and Replacements	Add (Deduct) (Note 2)	Balance at End of Period
Year Ended December 31, 1980						
Accumulated depreciation of utility plant:						
Electric:						
Production	$114,518	$13,943	$ 904	$ 59	—	$129,306
Transmission	35,067	2,963	—	333	$ 61	37,758
Distribution	62,790	5,453	—	1,991	—	66,252
General	6,101	313	71	267	—	6,218
Total	$218,476	$22,672	$ 975	$ 2,650	$ 61	$239,534
Accumulated depreciation of non-utility property	$ 100	$ 25	—	—	—	$ 125
Year Ended December 31, 1979						
Accumulated depreciation of utility plant:						
Electric:						
Production	$ 99,752	$13,859	$1,096	$ 189	—	$114,518
Transmission	32,430	2,690	—	112	$ 59	35,067
Distribution	59,294	5,120	—	1,624	—	62,790
General	5,823	305	86	113	—	6,101
Total	$197,299	$21,974	$1,182	$ 2,038	$ 59	$218,476
Accumulated depreciation of non-utility property	$ 75	$ 25	—	—	—	$ 100
Year ended December 31, 1978						
Accumulated depreciation of utility plant:						
Electric:						
Production	$ 86,793	$11,337	$1,890	$ 268	—	$ 99,752
Transmission	29,620	2,873	—	152	$ 89	32,430
Distribution	55,393	5,941	—	2,040	—	59,294
General	5,518	377	96	168	—	5,823
Total	$177,324	$20,528	$1,986	$ 2,628	$ 89	$197,299
Accumulated depreciation of non-utility property	$ 50	$ 25	—	—	—	$ 75

NOTES:

	1980	1979	1978
(1) Provision on basis of estimated life of transportation equipment (automobiles, trucks and aircraft) charged to a clearing account and allocated on the basis of the use of such equipment	$ 71	$ 86	$ 96
Amortization of pipelines charged to fuel expense	904	1,096	1,890
Total	$975	$1,182	$1,986
(2) Accumulated depreciation on equipment purchased under a lease-purchase agreement	$ 61	$ 59	$ 89

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY

Years Ended December 31, 1980, 1979, and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note)	Retirements, Renewals and Replacements	Add (Deduct)	Balance at End of Period
Year ended December 31, 1980						
Accumulated depreciation of utility plant:						
Electric:						
Production	$ 61,938	$ 4,268	—	$ 1,618	—	$ 64,588
Transmission	12,847	1,081	—	(218)	—	14,146
Distribution	45,938	4,457	—	910	—	49,485
General	5,991	684	$ 53	246	—	6,482
Natural Gas:						
Transmission	394	635	—	—	—	1,029
Distribution	21,282	1,685	—	385	—	22,582
General	2,169	161	66	155	—	2,241
Transit:						
Way and structures	1,475	94	—	2	—	1,567
Revenue equipment	9,599	521	—	1,581	—	8,539
General	660	153	—	125	—	688
Total	$162,293	$13,739	$ 119	$ 4,804	—	$171,347
Year ended December 31, 1979						
Accumulated depreciation of utility plant:						
Electric:						
Production	$ 58,117	$ 4,157	—	$ 336	—	$ 61,938
Transmission	11,625	1,051	—	(171)	—	12,847
Distribution	42,959	4,264	—	1,285	—	45,938
General	5,696	667	$ 35	407	—	5,991
Natural Gas:						
Transmission	51	343	—	—	—	394
Distribution	20,003	1,616	—	337	—	21,282
General	2,120	169	56	176	—	2,169
Transit:						
Way and structures	1,395	91	—	[illegible]	—	1,475
Revenue equipment	12,367	872	—	3,640	—	9[illegible]
General	685	149	—	174	—	660
Total	$155,018	$13,379	$ 91	$ 6,195	—	$162,293

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY—(Continued)

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions		Deductions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note)	Retirements, Renewals and Replacements	Add (Deduct)	Balance at End of Period
Year ended December 31, 1978						
Accumulated depreciation of utility plant:						
Electric:						
Production	$ 53,885	$ 4,084	—	$ (148)	—	$ 58,117
Transmission	11,100	1,060	—	535	—	11,625
Distribution	39,839	4,068	—	948	—	42,959
General	5,795	603	$ 35	737	—	5,696
Natural Gas:						
Transmission	—	51	—	—	—	51
Distribution	18,643	1,551	—	191	—	20,003
General	2,248	176	27	331	—	2,120
Transit:						
Way and structures	1,938	87	—	630	—	1,395
Revenue equipment.	11,878	477	—	(12)	—	12,367
General	951	133	—	399	—	685
Total	$146,277	$12,290	$ 62	$ 3,611	—	$155,018

Note:	1980	1979	1978
Provision on basis of estimated life of transportation equipment (automobiles and trucks) charged to a clearing account and allocated on the basis of the use of such	$119	$91	$62

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Reserves (Note 2)	Balance at End of Period
Year ended December 31, 1980					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 1,800	$ 4,378	$ 3	$ 3,928	$ 2,253
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$11,858*	$ 6,167	$ 307	$ 2,154	$16,178*
Injuries and damages (Notes 3 and 4)	6,122	5,396	743	5,360	6,901
Pensions and benefits (Note 5)	—	1,639	—	98	1,541
Total	$17,980	$13,202	$ 1,050	$ 7,612	$24,620
Year ended December 31, 1979					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 1,601	$ 3,904	—	$ 3,705	$ 1,800
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$ 7,947	$ 5,221	$ 7,478	$ 8,788	$11,858*
Injuries and damages (Notes 3 and 4)	4,963	4,531	2,065	5,438	6,122
Total	$12,910	$ 9,752	$ 9,543	$14,226	$17,980
Year ended December 31, 1978					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 1,046	$ 3,895	—	$ 3,340	$ 1,601
Reserves Not Deducted from Assets:					
Property insurance	$ 8,268	$ 2,839	—	$ 3,161	$ 7,947
Injuries and damages (Note 3)	4,038	5,513	$ 412	4,999	4,963
Total	$12,306	$ 8,352	$ 412	$ 8,160	$12,910

Notes:

(1) Charged to clearing and other accounts.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the reserve for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(3) Injuries and damages reserve is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

(4) Effective during the first quarter of 1979, certain of the System operating companies commenced recognizing deferred income taxes on reserves which resulted in no effect on net income.

(5) Pensions and benefits reserve is provided to account for provisions made by AP&L for group medical insurance coverage on its employees up to a limit as defined in the policy with the carrier.

* Reclassification of the property insurance reserve balances for two subsidiaries in 1979 and for one subsidiary in 1980 have been made to deferred debits for financial statement presentation.

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions from Reserves (Note 1)	Balance at End of Period
Year ended December 31, 1980					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 924	$ 1,572	—	$ 1,100	$ 1,396
Reserves Not Deducted from Assets:					
Property insurance (Note 3)	$(1,413)*	$ 3,161	—	$ 923	$ 825
Injuries and damages (Notes 2 and 3)	604	1,853	—	1,685	772
Pension and benefits (Note 4)	—	1,639	—	98	1,541
Total	$ (809)	$ 6,653	—	$ 2,706	$ 3,138
Year ended December 31, 1979					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 744	$ 1,171	—	$ 991	$ 924
Reserves Not Deducted from Assets:					
Property insurance (Note 3)	$ 239	$ 2,311	—	$ 3,963	$(1,413)*
Injuries and damages (Notes 2 and 3)	670	1,776	—	1,842	604
Total	$ 909	$ 4,087	—	$ 5,805	$ (809)
Year ended December 31, 1978					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 410	$ 1,704	—	$ 1,370	$ 744
Reserves Not Deducted from Assets:					
Property insurance	$ 565	$ 772	—	$ 1,098	$ 239
Injuries and damages (Note 2)	570	1,856	—	1,756	670
Total	$ 1,135	$ 2,628	—	$ 2,854	$ 909

Notes:

(1) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the reserve for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages reserve is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

(3) Effective during the first quarter of 1979, AP&L commenced recognizing deferred income taxes on reserves which resulted in no effect on net income.

(4) Pensions and benefits reserve is provided to account for provisions made by AP&L for group medical insurance coverage on its employees up to a limit as defined in the policy with the carrier.

* Reclassified to deferred debits for the purpose of financial statement presentation.

LOUISIANA POWER & LIGHT COMPANY

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Reserves (Note 2)	Balance at End of Period
Year ended December 31, 1980					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 135	$ 1,093	$ 3	$ 1,096	$ 135
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$ 5,792	$ 600	—	$ 487	$ 5,905
Injuries and damages (Notes 3 and 4)	1,130	639	$ 439	1,115	1,093
Total	$ 6,922	$ 1,239	$ 439	$ 1,602	$ 6,998
Year ended December 31, 1979					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 135	$ 655	—	$ 655	$ 135
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$ 3,661	$ 600	$ 3,436	$ 1,905	$ 5,792
Injuries and damages (Notes 3 and 4)	1,194	454	586	1,104	1,130
Total	$ 4,855	$ 1,054	$ 4,022	$ 3,009	$ 6,922
Year ended December 31, 1978					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 135	$ 468	—	$ 468	$ 135
Reserves Not Deducted from Assets:					
Property insurance	$ 3,691	$ 634	—	$ 664	$ 3,661
Injuries and damages (Note 3)	874	1,035	$ 343	1,058	1,194
Total	$ 4,565	$ 1,669	$ 343	$ 1,722	$ 4,855

Notes:

(1) Charged to clearing and other accounts.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the reserve for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(3) Injuries and damages reserve is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

(4) Effective during the first quarter of 1979, LP&L commenced recognizing deferred income taxes on its property insurance reserves and on its injuries and damages reserves.

MISSISSIPPI POWER & LIGHT COMPANY

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Others Accounts	Deductions from Reserves (Note 1)	Balance at End of Period
Year ended December 31, 1980					
Accumulated Provisions Deducted from Assets—Doubtful Accounts	$ 154	$ 659	—	$ 659	$ 154
Reserves Not Deducted from Assets:					
Property insurance (Note 3)	$ 1,364	$ 1,944	—	$ 100	$ 3,208
Injuries and damages (Note 2)	1,076	617	—	647	1,046
Total	$ 2,440	$ 2,561	—	$ 747	$ 4,254
Year ended December 31, 1979					
Accumulated Provisions Deducted from Assets—Doubtful Accounts	$ 154	$ 448	—	$ 448	$ 154
Reserves Not Deducted from Assets:					
Property insurance (Note 3)	$ 900	$ 1,848	$ 899	$ 2,283	$ 1,364
Injuries and damages (Note 2)	1,387	636	—	947	1,076
Total	$ 2,287	$ 2,484	$ 899	$ 3,230	$ 2,440
Year ended December 31, 1978					
Accumulated Provisions Deducted from Assets—Doubtful Accounts	$ 154	$ 440	—	$ 440	$ 154
Reserves Not Deducted from Assets:					
Property insurance	$ 570	$ 380	—	$ 50	$ 900
Injuries and damages (Note 2)	1,291	629	—	533	1,387
Total	$ 1,861	$ 1,009	—	$ 583	$ 2,287

Notes:

(1) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the reserve for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages reserve is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

(3) Effective during the first quarter of 1979, MP&L commenced recognizing deferred income taxes on property insurance reserves which resulted in no effect on net income.

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts (Note 1)	Deductions from Reserves (Note 2)	Balance at End of Period
Year ended December 31, 1980					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 500	$ 823	—	$ 848	$ 475
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$ 6,181	$ 360	$ 307	$ 576	$ 6,272
Injuries and damages (Notes 3 and 4)	3,080	2,230	304	1,874	3,740
Total	$ 9,261	$ 2,590	$ 611	$ 2,450	$10,012
Year ended December 31, 1979					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 370	$ 1,309	—	$ 1,179	$ 500
Reserves Not Deducted from Assets:					
Property insurance (Note 4)	$ 3,021	$ 360	$ 3,143	$ 343	$ 6,181
Injuries and damages (Notes 3 and 4)	1,475	1,602	1,479	1,476	3,080
Total	$ 4,496	$ 1,962	$ 4,622	$ 1,819	$ 9,261
Year ended December 31, 1978					
Accumulated Provisions Deducted from Assets— Doubtful Accounts	$ 270	$ 1,086	—	$ 986	$ 370
Reserves Not Deducted from Assets:					
Property insurance	$ 3,329	$ 1,034	—	$ 1,342	$ 3,021
Injuries and damages (Note 3)	1,075	1,925	$ 7[illegible]	1,595	1,475
Total	$ 4,404	$ 2,959	$ 70	$ 2,937	$ 4,496

Notes:

(1) Charged to clearing and other accounts.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the reserve for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(3) Injuries and damages reserve is provided to absorb all current expenses appropriate thereto and for the estimated cost of settling claims for injuries and damages.

(4) Effective during the first quarter of 1979, NOPSI commenced recognizing deferred income taxes on reserves which resulted in no effect on net income.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A Item	Column B Charged to costs and expenses (Note 1)
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	$59,961
State and city franchise	29,741
Other	9,411
Total	$99,113
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	$54,388
State and city franchise	25,639
Other	6,619
Total	$86,646
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	$48,139
State and city franchise	22,853
Other	7,527
Total	$78,519

(1) Taxes other than payroll and income taxes include taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts and are net of severance tax credits, which credits are included in miscellaneous income and deductions—net for financial statement presentation.

MIDDLE SOUTH UTILITIES, INC.

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A Item	Column B Charged to costs and expenses
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	—
State and city franchise	—
Other	$ 3
Total	$ 3
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 1,251
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	—
State and city franchise	—
Other	$ 3
Total	$ 3
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 762
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	—
State and city franchise	—
Other	$ 3
Total	$ 3
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 544

ARKANSAS POWER & LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A Item	Column B Charged to costs and expenses (Note 1)
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	$22,443
State and city franchise	9,762
Other	2,629
Total	$34,834
Technical services, consultation and assistance rendered at cost under contract with MSS	$10,629
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	$20,820
State and city franchise	8,901
Other	1,529
Total	$31,250
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 8,382
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	$19,045
State and city franchise	8,161
Other	1,284
Total	$28,490
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 5,358

(1) Taxes other than payroll and income taxes include taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

LOUISIANA POWER AND LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A	Column B
Item	Charged to costs and expenses (Note 1)
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	$11,138
State and city franchise	5,611
Other	1,890
Total	$18,639
Technical services, consultation and assistance rendered at cost under contract with MSS	$10,347
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 9,732
State and city franchise	4,368
Other	2,151
Total	$16,251
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 8,534
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 9,123
State and city franchise	3,643
Other	3,003
Total	$15,769
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 4,825

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(1) Taxes other than payroll and income taxes include taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

MISSISSIPPI POWER AND LIGHT COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A Item	Column B Charged to costs and expenses (Note 1)
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	$10,855
State and city franchise	4,502
Other	1,748
Total	$17,105
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 5,546
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	$10,345
State and city franchise	3,707
Other	1,112
Total	$15,164
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 4,771
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 9,763
State and city franchise	3,406
Other	814
Total	$13,988
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 2,978

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(1) Taxes other than payroll and income taxes include taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

NEW ORLEANS PUBLIC SERVICE INC.

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31, 1980, 1979 and 1978

(In Thousands)

Column A Item	Column B Charged to costs and expenses (Note 1)
Year Ended December 31, 1980	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 4,868
State and city franchise	8,322
Other	453
Total	$13,643
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 3,628
Year Ended December 31, 1979	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 4,671
State and city franchise	7,560
Other	422
Total	$12,653
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 2,994
Year Ended December 31, 1978	
Taxes, other than payroll and income taxes:	
Ad Valorem	$ 3,127
State and city franchise	6,737
Other	495
Total	$10,359
Technical services, consultation and assistance rendered at cost under contract with MSS	$ 1,907

(1) Taxes other than payroll and income taxes include taxes charged to clearing accounts and distributed from those accounts to appropriate operating and construction accounts or charged directly to construction and other appropriate accounts.

EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have heretofore been filed with the Commission, respectively, as the exhibits and in the file numbers indicated and are incorporated herein by reference.

(3) Articles of Incorporation and By-Laws

MSU

(a) 1—Restated Articles of Incorporation of MSU, as currently in effect (9(a)-1 to Form 10-Q for the Quarter ended June 30, 1979, in 1-3517).

(a) 2—By-Laws of MSU, as amended and currently in effect (9(a)-2 to Form 10-Q for the Quarter ended June 30, 1979, in 1-3517).

AP&L

(b) 1—Agreement of Consolidation or Merger of AP&L, as amended through July 16, 1975 (A-1 in 70-5744).

(b) 2—Statement of Creation of the 11.04% Preferred Stock of AP&L (C-1 to Rule 24 Certificate in 70-5744).

(b) 3—Amendments to Agreement of Consolidation or Merger of AP&L adopted June 17, 1976 (A-1c to Rule 24 Certificate in 70-5818).

(b) 4—Statement of Creation of the 8.84% Preferred Stock of AP&L (C-1 to Rule 24 Certificate in 70-5923).

(b) 5—Statement of Creation of the 10.40% Preferred Stock of AP&L (C-2 to Rule 24 Certificate in 70-6246).

(b) 6—Statement of Creation of the 9.92% Preferred Stock of AP&L (C-1 to Rule 24 Certificate in 70-6308).

(b) 7—Statement of Creation of the 13.28% Preferred Stock of AP&L (C-1 to Rule 24 Certificate in 70-6386).

*(b) 8—By-Laws of AP&L as presently in effect.

LP&L

(c) 1—Restated Articles of Incorporation of LP&L as executed February 21, 1980 (A-1 in 70-6491).

(c) 2—Articles of Amendment to LP&L's Restated Articles of Incorporation as executed October 28, 1980 (C-1 to Rule 24 Certificate in 70-6491).

(c) 3—By-Laws of LP&L as amended and presently in effect (A-3 in 70-6553).

MP&L

(d) 1—Restated Articles of Incorporation of MP&L, as filed in the office of the Secretary of State of the State of Mississippi on May 27, 1976 (Item 14(b)(5) of Form 8-K for the month of May, 1976).

(d) 2—By-Laws of MP&L as presently in effect (A-1 in 70-6550).

NOPSI

(e) 1—Restated Articles of Incorporation of NOPSI executed September 30, 1969 (A-1 in 70-6392), as amended by Articles of Amendment executed February 27, 1980 (A-2(a) to Rule 24 Certificate in 70-6392) and as amended by Articles of Amendment executed March 19, 1980 (C-1 to Rule 24 Certificate in 70-6404).

(e) 2—By-Laws of NOPSI as presently in effect (A-1 in 70-6392).

(4) Instruments Defining Rights of Security Holders, Including Indentures

MSU

(a) 1—Credit Agreement, dated as of June 27, 1980 (B-1 to Rule 24 Certificate, dated June 27, 1980 in 70-6450).

(a) 2—See (4)(b) through (4)(e) below for instruments defining the rights of holders of long-term debt of AP&L, LP&L, MP&L and NOPSI.

(a) 3—Amended and Restated Bank Loan Agreement, dated as of June 30, 1977, among MSE, the Banks named in Schedule 1 thereto and Manufacturers Hanover Trust Company, as agent for the Banks (A to Rule 24 Certificate, dated June 30, 1977 in 70-5399), as amended March 20, 1980 (A to Rule 24 Certificate in 70-5399).

(a) 4—Mortgage and Deed of Trust, dated as of June 15, 1977 from MSE to United States Trust Company of New York and Malcolm J. Hood, Trustees, as supplemented by two Supplemental Indentures (B and C to Rule 24 Certificate dated June 30, 1977 in 70-5890 (first) and B to Rule 24 Certificate in 70-6259 (second)).

(a) 5—Loan Agreement, dated as of December 8, 1980, between SFI, AP&L, LP&L, MP&L, NOPSI and Citibank, N.A. (A to Rule 24 Certificate in File No. 70-6519).

(a) 6—Loan Agreement, dated as of December 20, 1972, between SFI, AP&L, LP&L, MP&L, NOPSI and The First National Bank of Chicago (B-3 to Rule 24 Certificate in File No. 70-5274).

AP&L

(b) —Mortgage and Deed of Trust, as amended by thirty-three Supplemental Indentures (7(d) in 2-5463 (Mortgage); 7(b) in 2-7121 (First); 7(c) in 2-7605 (Second); 7(d) in 2-8100 (Third); 7(a)-4 in 2-8482 (Fourth); 7(a)-5 in 2-9149 (Fifth); 4(a)-6 in 2-9789 (Sixth); 4(a)-7 in 2-10261 (Seventh); 4(a)-8 in 2-11043 (Eighth); 2(b)-9 in 211468 (Ninth); 2(b)-10 in 2-15767 (Tenth); D in 70-3952 (Eleventh); D in 70-4099 (Twelfth); 4(d) in 2-23185 (Thirteenth); 2(c) in 2-24414 (Fourteenth); 2(c) in 2-25913 (Fifteenth); 2(c) in 2-28869 (Sixteenth); 2(d) in 2-28869 (Seventeenth); 2(c) in 2-35107 (Eighteenth); 2(d) in 2-36646 (Nineteenth); 2(c) in 2-39253 (Twentieth); 2(c) in 2-41080 (Twenty-first); C-1 to Rule 24 Certificate in 70-5151 (Twenty-second); C-1 to Rule 24 Certificate in 70-5257 (Twenty-third); C to Rule 24 Certificate in 70-5343 (Twenty-fourth); C-1 to Rule 24 Certificate in 70-5404 (Twenty-fifth); C to Rule 24 Certificate in 70-5502 (Twenty-sixth); C-1 to Rule 24 Certificate in 70-5556 (Twenty-seventh); C-1 to Rule 24 Certificate in 70-5693 (Twenty-eighth); C-1 to Rule 24 Certificate in 70-6078 (Twenty-ninth); C-1 to Rule 24 Certificate in 70-6174 (Thirtieth); C-1 to Rule 24 Certificate in 70-6246 (Thirty-first); C-1 to Rule 24 Certificate in 70-6498 (Thirty-second); and A-4b-2 to Rule 24 Certificate in 70-6326 (Thirty-third)).

LP&L

(c) —Mortgage and Deed of Trust, as amended by twenty-eight Supplemental Indentures (7(d) in 2-5317 (Mortgage); 7(b) in 2-7408 (First); 7(c) in 2-8636 (Second); 4(b)-3 in 2-10412 (Third); 4(b)-4 in 2-12264 (Fourth); 2(b)-5 in 2-12936 (Fifth); D in 70-3862 (Sixth); 2(b)-7 in 2-22340 (Seventh); 2(c) in 2-24429 (Eighth); 4(c)-9 in 2-25801 (Ninth); 4(c)-10 in 2-26911 (Tenth); 2(c) in 2-28123 (Eleventh); 2(c) in 2-34659 (Twelfth); C to Rule 24 Certificate in 70-4793 (Thirteenth); 2(b)-2 in 2-38378 (Fourteenth); 2(b)-2 in 2-39437 (Fifteenth); 2(b)-2 in 2-42523 (Sixteenth); C to Rule 24 Certificate in 70-5242 (Seventeenth); C to Rule 24 Certificate in 70-5330 (Eighteenth); C-1 to Rule 24 Certificate in 70-5449 (Nineteenth); C-1 to Rule 24 Certificate in 70-5550 (Twentieth); A-6(a) to Rule 24 Certificate in 70-5598 (Twenty-first); C-1 to Rule 24 Certificate in 70-5711 (Twenty-second); C-1 to Rule 24 Certificate in 70-5919 (Twenty-third); C-1 to Rule 24 Certificate in 70-6102 (Twenty-fourth); C-1 to Rule 24 Certificate in 70-6169 (Twenty-fifth); C-1 to Rule 24 Certificate in 70-6278 (Twenty-sixth); C-1 to Rule 24 Certificate in 70-6355 (Twenty-seventh) and C-1 to Rule 24 Certificate in 70-6508 (Twenty-eighth)).

MP&L

(d) —Mortgage and Deed of Trust, dated as of September 1, 1944, as amended by seventeen Supplemental Indentures (7(d) in 2-5437 (Mortgage); 7(b) in 2-7051 (First); 7(c) in 2-7763 (Second); 7(d) in 2-8484 (Third); 4(b)-4 in 2-10059 (Fourth); 2(b)-5 in 2-13942 (Fifth); A-11 to Form U-1 in 70-4116 (Sixth); 2(b)-7 in 2-23084 (Seventh); 4(c)-[illegible] in 2-24234 (Eighth); 2(b)-9(a) in 2-25502 (Ninth); A-11(a) to Form U-1 in 70-4803 (Tenth); A-12(a) to Form U-1 in 70-4892 (Eleventh); A-13(a) to Form U-1 in 70-5165 (Twelfth); A-14(a) to Form U-1 in 70-5286 Thirteenth); A-15(a) to Form U-1 in 70-5371 (Fourteenth); A-16(a) to Form U-1 in 70-5417 (Fifteenth); A-17 to Form U-1 in 70-5484 (Sixteenth); 2(a)-19 in 2-54[illegible]34 (Seventeenth)).

NOPSI

(e) —Mortgage and Deed of Trust, as amended by ten Supplemental Indentures (B-3 in 2-5411 (Mortgage); 7(b) in 2-7674 (First); 4(a)-2 in 2-10126 (Second); 4(b) in 2-12136 (Third); 2(b)-4 in 2-17959 (Fourth); 2(b)-5 in 2-19807 (Fifth); D to Rule 24 Certificate in 70-4023 (Sixth); 2(c) in 2-24523 (Seventh); 4(c)-9 in 2-26031 (Eighth); 2(a)-3 in 2-50438 (Ninth); and 2(a)-3 in 2-62575 (Tenth)).

(10) Contracts

MSU

(a) 1—Agreement among certain Middle South System companies, relating to System Planning and Development and Intra-System Transactions, dated April 16, 1973 (5(a)-1 in 2-49306).

(a) 2—Revised Service Schedules MSS-1 and MSS-2, effective July 2, 1973, to Agreement among certain Middle South System companies, dated April 16, 1973 (5(a)-1(a) in 2-50187).

(a) 3—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(a) 4—Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(a) 5—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(a) 6—Form of Service Agreement between MSS and each of the other companies in the Middle South System (D in 37-63).

(a) 7—Form of Amendment, dated as of January 1, 1972, to Service Agreement (A to Notice, dated October 14, 1971 in 37-63).

(a) 8—Availability Agreement among MSE and certain other Middle South System companies, dated June 21, 1974 (B to Rule 24 Certificate, dated June 24, 1974 in 70-5399).

(a) 9—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977 in 70-5399).

(a) 10—First Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with Manufacturers Hanover Trust Company, as Agent (B to exhibit A to Rule 24 Certificate, dated June 24, 1977 in 70-5399).

(a) 11—Second Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with United States Trust Company and Malcolm J. Hood, as Trustees (C to exhibit A to Rule 24 Certificate, dated June 30, 1977 in 70-5890).

(a) 12—Third Assignment of Availability Agreement, Consent and Agreement, dated as of January 1, 1980, with United States Trust Company and Malcolm J. Hood, as Trustees (5(a)-11 in 2-66638).

(a) 13—Fourth Assignment of Availability Agreement, Consent and Agreement, dated as of March 20, 1980, with Manufacturers Hanover Trust Company, as Agent (B to Rule 24 Certificate dated March 28, 1980 in 70-5399).

(a) 14—Capital Funds Agreement, between the Company and Middle South Energy, Inc., dated June 21, 1974 (C to Rule 24 Certificate, dated June 24, 1974 in 70-5399).

(a) 15—First Supplementary Capital Funds Agreement and Assignment, dated as of June 30, 1977 among MSU, MSE, and Manufacturers Hanover Trust Company, as Agent for various banks (D to Rule 24 Certificate, dated June 30, 1977 in 70-5399).

(a) 16—Second Supplementary Capital Funds Agreement and Assignment, dated as of June 30, 1977, among MSU, MSE and United States Trust Company of New York and Malcolm J. Hood, as Trustees (E to Rule 24 Certificate, dated June 30, 1977 in 70-5890).

(a) 17—Third Supplementary Capital Funds Agreement and Assignment, dated as of January 1, 1980, among MSU, MSE and United States Trust Company of New York and Malcolm J. Hood, as Trustees (D to Rule 24 Certificate, dated July 9, 1980 in 70-6259).

(a) 18—Fourth Supplementary Capital Funds Agreement and Assignment, dated as of March 20, 1980, among MSU, MSE and Manufacturers Hanover Trust Company, as Agent for various banks (C to Rule 24 Certificate, dated March 28, 1980 in 70-5399).

(a) 19—Agreement dated January 29, 1952, for the sale of electric power and energy between AP&L, the United States of America (SPA) and Reynolds, together with supplements, dated March 14, 1952, April 10, 1952, April 15, 1952, April 17, 1952, April 23, 1952 and April 25, 1952 (13(d) in 2-9789).

(a) 20—Supplemental Agreement, dated August 20, 1952, between AP&L, the United States of America (SPA) and Reynolds (13(d)-1 in 2-10261).

(a) 21—Supplemental Agreement, dated August 27, 1952, between AP&L, the United States of America (SPA) and Reynolds (13(d)-2 in 2-10261).

(a) 22—Contract, dated May 31, 1966, between AP&L and Reynolds (13(c)-1 in 2-25465).

(a) 23—Amendment of June 2, 1969 to Reynolds Contract, dated May 31, 1966 (5(c)-2 in 2-41080).

(a) 24—Amendment of May 26, 1970 to Reynolds Contract, dated May 31, 1966 (5(c)-3 in 2-41080).

(a) 25—Amendment effective as of July 8, 1977 to Reynolds Contract, dated May 31, 1966 (5(c)-4 in 2-60233).

(a) 26—South Central Electric Companies-TVA Diversity Power Exchange Arrangements with exhibits and related documents as compiled December 20, 1962 (4(b) in 2-21005).

(a) 27—Amendments of July 1, 1963, to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(c) in 2-22340).

(a) 28—Amendment of April 11, 1972, to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(b)-3 in 2-45916).

(a) 29—Southwest Power Pool Coordination Agreement, dated as of December 17, 1969, Amendment to Southwest Power Pool Coordination Agreement dated December 17, 1969, and Southwest Power Pool Amendatory Agreement, dated as of November 19, 1970 (5(n)-1 in 2-41080).

(a) 30—Coordination Agreement, dated as of February 10, 1964, and Memorandum of Agreement, dated June 24, 1971, regarding Scheduling of Diversity Capacity and Energy, among various other South Central Electric Companies (5(n)-2 in 2-41080).

(a) 31—Reliability Coordination Agreement between TVA and AP&L, LP&L, MP&L, NOPSI and MSS, dated as of November 21, 1968 (5(n)-3 in 2-41080).

(a) 32—Reliability Coordination Agreement between Middle South System companies and Southern companies, dated as of November 1, 1967 (5(n)-4 in 2-41080).

*(a) 33—Agreement between MSU and Donald J. Winfield regarding consulting services.

AP&L

(b) 1—Agreement among AP&L and certain other Middle South System companies, relating to System Planning and Development and Intra-System Transactions, dated April 16, 1973 (5(a)-1(a) in 2-49306).

(b) 2—Revised Service Schedules MSS-1 and MSS-2, effective July 2, 1973, to Agreement among AP&L and certain other Middle South System companies, dated April 16, 1973 (5(a)-1(a) in 2-50187).

(b) 3—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(b) 4—Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(b) 5—Middle South Utilities System Agency Coordination Agreement, dated December 11 1970 (5(a)-3 in 2-41080).

(b) 6—Service Agreement with MSS, dated as of April 1, 1963 (5(a)-5 in 2-41080).

(b) 7—Amendment, dated January 1, 1972, to Service Agreement with MSS (5(a)-6 in 2-43175).

(b) 8—Availability Agreement among MSE and certain other Middle South System companies, dated June 21, 1974 (B to Rule 24 Certificate, dated June 24, 1974 in 70-5399).

(b) 9—First Amendment to Availability Agreement, dated June 30, 1977 (B to Rule 24 Certificate, dated June 24, 1977 in 70-5399).

(b) 10—First Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with Manufacturers Hanover Trust Company, as Agent (B to exhibit A to Rule 24 Certificate, dated June 24, 1977 in 70-5399).

(b) 11—Second Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with United States Trust Company and Malcolm J. Hood, as Trustees (C to exhibit A to Rule 24 Certificate, dated June 30, 1977 in 70-5890).

(b) 12—Third Assignment of Availability Agreement, Consent and Agreement, dated as of January 1, 1980, with United States Trust Company and Malcolm J. Hood, as Trustees (5(a)-11 in 2-66638).

(b) 13—Fourth Assignment of Availability Agreement, Consent and Agreement, dated as of March 20, 1980, with Manufacturers Hanover Trust Company, as Agent (B to Rule 24 Certificate dated March 28, 1980 in 70-5399).

(b) 14—Agreement dated January 29, 1952, for the sale of electric power and energy between AP&L, the United States of America (SPA) and Reynolds, together with supplements, dated March 14, 1952, April 10, 1952, April 15, 1952, April 17, 1952, April 23, 1952 and April 25, 1952 (13(d) in 2-9789).

(b) 15—Supplemental Agreement, dated August 20, 1952, between AP&L, the United States of America (SPA) and Reynolds (13(d)-1 in 2-10261).

(b) 16—Supplemental Agreement, dated August 27, 1952 between AP&L, the United States of America (SPA) and Reynolds (13(d)-2 in 2-10261).

(b) 17—Contract, dated May 31, 1966, between AP&L and Reynolds (13(c)-1 in 2-25465).

(b) 18—Amendment of June 2, 1969 to Reynolds Contract, dated May 31, 1966 (5(c)-2 in 2-41080).

(b) 19—Amendment of May 26, 1970 to Reynolds Contract, dated May 31, 1966 (5(c)-3 in 2-41080).

(b) 20—Amendment effective as of July 8, 1977 to Reynolds Contract, dated May 31, 1966 (5(c)-4 in 2-60233).

(b) 21—Agreement, dated August 20, 1954, between AP&L and the United States of America (SPA) (13(h) in 2-11467).

(b) 22—Amendment, dated April 19, 1955, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-2 in 2-41080).

(b) 23—Amendment, dated January 3, 1964, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-3 in 2-41080).

(b) 24—Amendment, dated September 5, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-4 in 2-41080).

(b) 25—Amendment, dated November 19, 1970, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-5 in 2-41080).

(b) 26—Amendment, dated July 18, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-6 in 2-41080).

(b) 27—Amendment, dated December 27, 1961, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-7 in 2-41080).

(b) 28—Amendment, dated January 25, 1968, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-8 in 2-41080).

(b) 29—Amendment, dated October 14, 1971, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-9 in 2-43175).

(b) 30—Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated August 20, 1954 (5(d)-10 in 2-60233).

(b) 31—Agreement, dated May 14, 1971, between AP&L and the United States of America (SPA) (5(e) in 2-41080).

(b) 32—Amendment, dated January 10, 1977, to the United States of America (SPA) Contract, dated May 14, 1971 (5(e)-1 in 2-60233).

(b) 33—South Central Electric Companies-TVA Diversity Power Exchange Arrangements with exhibits and related documents as compiled December 20, 1962 (4(b) in 2-21005).

(b) 34—Amendments of July 1, 1963, to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(c) in 2-22340).

(b) 35—Agreement, dated November 26, 1963, between AP&L and AECC (13(g) in 2-22741).

(b) 36—Amendments, dated May 16, 1966, September 29, 1966, November 9, 1966, March 3, 1967, June 8, 1967, September 11, 1967, December 14, 1967, February 11, 1969, June 25, 1969, April 27, 1970, May 8, 1970, and January 19, 1971, to AECC Contract dated November 26, 1963 (5(h)-1 in 2-41080).

(b) 37—Amendment, dated July 30, 1971, to the AECC Contract, dated November 26, 1963 (5(h)-2 in 2-43175).

(b) 38—Amendment, dated April 20, 1972, to the AECC Contract, dated November 26, 1963 (5(h)-3 in 2-46152).

(b) 39—Amendment, dated November 2, 1972, to the AECC Contract, dated November 26, 1963 (5(h)-4 in 2-47975).

(b) 40—Amendment, dated May 9, 1974, to the AECC Contract, dated November 26, 1963 (5(h)-5 in 2-53844).

(b) 41—Amendment, dated January 13, 1975, to the AECC Contract, dated November 26, 1963 (5(h)-6 in 2-53844).

(b) 42—Amendment, dated December 16, 1975, to the AECC Contract, dated November 26, 1963 (5(h)-7 in 2-57628).

(b) 43—Amendment, dated January 4, 1977, to the AECC Contract, dated November 26, 1963 (5(h)-8 in 2-60233).

(b) 44—Power Coordination, Interchange, and Transmission Agreement dated April 20, 1972, between AP&L and AECC (5(i) in 2-46152).

(b) 45—Amendment, dated November 2, 1972, to the Power Coordination, Interchange, and Transmission Agreement dated April 20, 1972 (5(i)-1 in 2-47975).

(b) 46—Amendment, dated April 25, 1973, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-2 in 2-49306).

(b) 47—Amendment, dated May 9, 1974, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-3 in 2-53844).

(b) 48—Amendment, dated January 13, 1975, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-4 in 2-53844).

(b) 49—Amendment, dated May 22, 1975, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-5 in 2-54693).

(b) 50—Amendment, dated December 16, 1975, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-6 in 2-57628).

(b) 51—Amendment, dated January 4, 1977, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-7 in 2-60233).

(b) 52—Amendment, dated June 30, 1977, to the Power Coordination, Interchange, and Transmission Agreement, dated April 20, 1972 (5(i)-8 in 2-60233).

(b) 53—Interconnection Agreement, dated October 8, 1941, between AP&L and Empire District Electric Company, together with schedules in effect as of July 1, 1971 (5(j)-1 in 2-41080).

(b) 54—Interconnection Agreement, dated July 12, 1954 between AP&L and Oklahoma Gas & Electric Company, together with schedules in effect as of July 1, 1971 (5(j)-2 in 2-41080).

(b) 55—Interconnection Agreement, dated October 1, 1954, between AP&L and Southwestern Electric Company, together with schedules in effect as of July 1, 1971 (5(j)-3 in 2-41080).

(b) 56—Agreement, dated October 1, 1971, between AP&L and Ark-Mo (5(j)-4 in 2-43175).

(b) 57—Agreement, dated December 14, 1972, between AP&L and Arkansas Louisiana Gas Company regarding peaking plant at Mablevale, Arkansas (5(k)-1 in 2-47975).

(b) 58—Agreement, dated December 14, 1972, between AP&L and Arkansas Louisiana Gas Company regarding electric generating plant designated as Lynch plant at North Little Rock, Arkansas (5(k)-2 in 2-47975).

(b) 59—Agreement, dated December 14, 1972, between AP&L and Arkansas Louisiana Gas Company regarding electric generating plant designated as Couch plant near Stamps, Arkansas (5(k)-3 in 2-47975).

(b) 60—Agreement, dated December 14, 1972, between AP&L and Arkansas Louisiana Gas Company regarding electric generating plant designated as Ritchie Unit No. 1, No. 2 and Helena peaking plant at Helena, Arkansas (5(k)-4 in 2-47975).

(b) 61—Agreement, dated December 14, 1972, between AP&L and Arkansas Louisiana Gas Company regarding electric generating plant designated as Lake Catherine Unit Nos. 1, 2, 3 & 4 near Lake Catherine, Arkansas (5(k)-5 in 2-47975).

(b) 62—Contract, dated May 2[illegible], 1943, Amendment to Contract, dated July 21, 1949, and Supplement to Amendment to Contract, dated December 30, 1949, between AP&L and McKamie Gas Cleaning Company; Agreements, dated as of September 30, 1965, between AP&L and former stockholders of McKamie Gas Cleaning Company; and letter agreement, dated June 22, 1966, by Humble Oil & Refining Company accepted by AP&L June 24, 1966 (5(k)-7 in 2-41080).

(b) 63—Sales Contract, dated July 14, 1970, between AP&L and Kerr-McGee Corporation (5(1)-1 in 2-41080).

(b) 64—Amendment to Sales Contract, dated October 19, 1978, between AP&L and Kerr-McGee Nuclear Corporation (5-(1)-2 in 2-63192).

(b) 65—Life Storage Agreement, dated October 19, 1978, between AP&L and Kerr-McGee Nuclear Corporation (5(1)-3 in 2-63192).

(b) 66—Agreement, dated April 3, 1972, between MSS and Gulf United Nuclear Fuels Corporation (5(1)-3 in 2-46152).

(b) 67—Agreement, dated April 25, 1947, Supplementary Agreement, dated April 6, 1966, and Amendatory Agreement, dated December 29, 1966, between AP&L and Southwestern Electric Power Company (formerly Southwestern Gas and Electric Company) (5(m)-1 in 2-41080).

(b) 68—Letter Agreement, dated April 21, 1967, accepted April 24, 1967, between AP&L and LP&L (5(m)-2 in 2-41080).

(b) 69—Operating Agreement between AP&L, Oklahoma Gas and Electric Company, and Southwestern Gas and Electric Company (now Southwestern Electric Power Company) dated December 9, 1947 (5(m)-3 in 2-41080).

(b) 70—Extension of Agreement and Indenture, dated September 6, 1977, between AP&L, Oklahoma Gas and Electric Company and Southwestern Electric Power Company (5(m)-4 in 2-63192).

(b) 71—Southwest Power Pool Coordination Agreement, dated as of December 17, 1969, Amendment to Southwest Power Pool Coordination Agreement, dated December 17, 1969, and Southwest Power Pool Amendatory Agreement, dated as of November 19, 1970 (5(n)-1 in 2-41080).

(b) 72—Coordination Agreement, dated as of February 10, 1964, and Memorandum of Agreement, dated June 24, 1971, regarding Scheduling of Diversity Capacity and Energy, among AP&L and other South Central Electric Companies (5(n)-2 in 2-41080).

(b) 73—Reliability Coordination Agreement between TVA and AP&L, LP&L, MP&L, NOPSI, and MSS, dated as of November 21, 1968 (5(n)-3 in 2-41080).

(b) 74—Reliability Coordination Agreement between Middle South System companies and Southern Companies, dated as of November 1, 1967 (5(n)-4 in 2-41080).

(b) 75—Coal Supply Agreement, dated as of June 14, 1973, between AP&L and Kerr-McGee Corporation (5(o)-2 in 2-47975).

(b) 76—Amended Coal Supply Agreement, dated September 21, 1978, between AP&L and Kerr-McGee Coal Corporation (5(o)-2 in 2-63192).

(b) 77—Nuclear Fuel Lease, dated as of June 25, 1974, as amended and restated as of August 31, 1978, between AP&L and Southwest Fuel Company (B-1(a) to Rule 24 Certificate in 70-6185).

*(b) 78—First Amendment, dated as of March 20, 1981, to the Fuel Lease, dated as of August 25, 1974, as amended and restated as of August 31, 1978 between AP&L and Russell Energy, Inc.

(b) 79—Group Annuity Contract with John Hancock Mutual Life Insurance Company, dated November 17, 1966 (11(e) in 2-30777).

(b) 80—White Bluff Operating Agreement among AP&L and AECC and Jonesboro, dated June 27, 1977 (B-2(a) to Rule 24 Certificate in 70-6009).

(b) 81—White Bluff Ownership Agreement among AP&L and AECC and Jonesboro, dated June 27, 1977 (B-1(b) to Rule 24 Certificate in 70-6009).

(b) 82—Agreement between AP&L and Conway, dated June 29, 1979 (5(r)-3 in 2-66235).

(b) 83—Transmission Agreement between AP&L and Jonesboro, dated August 2, 1977 (5(r)-3 in 2-60233).

(b) 84—Power Coordination, Interchange, and Transmission Service Agreement, dated as of June 27, 1977, between AECC and AP&L (5(r)-4 in 2-60233).

(b) 85—Independence Steam Electric Station Operating Agreement among AP&L and AECC and Jonesboro and Conway, dated July 31, 1979 (5(r)-6 in 2-66235).

(b) 86—Independence Steam Electric Station Ownership Agreement among AP&L and AECC and Jonesboro and Conway, dated July 31, 1979 (5(r)-7 in 2-66235).

(b) 87—Amendment, dated December 28, 1979, to the Independence Steam Electric Station Ownership Agreement (5(r)-7(a) in 2-66235).

(b) 88—Power Coordination, Interchange and Transmission Service Agreement, dated as of July 31, 1979 between AP&L and Jonesboro (5(r)-8 in 2-66235).

(b) 89—Power Coordination, Interchange and Transmission Agreement, dated as of June 29, 1979, between Conway and AP&L (5(r)-9 in 2-66235).

*(b) 90—Agreement, dated June 21, 1979, between AP&L and Reeves E. Ritchie.

LP&L

(c) 1—Agreement among LP&L and certain other Middle South System companies, relating to System Planning and Development and Intra-System Transactions, dated April 16, 1973 (5(a)-1 in 2-49306).

(c) 2—Revised Service Schedules MSS-1 and MSS-2, effective July 2, 1973, to Agreement among LP&L and certain other Middle South System companies, dated April 16, 1973 (5(a)-1(a) in 2-50187).

(c) 3—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(c) 4—Amendment, dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(c) 5—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(c) 6—Service Agreement with MSS, dated as of April 1, 1963 (5(a)-5 in 2-42523).

(c) 7—Amendment, dated as of January 1, 1972, to Service Agreement with MSS (4(a)-6 in 2-45916).

(c) 8—Availability Agreement among MSE and certain other Middle South System companies, dated June 21, 1974 (B to Rule 24 Certificate dated June 24, 1974 in 70-5399).

(c) 9—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate dated June 30, 1977 in 70-5399).

(c) 10—First Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with Manufacturers Hanover Trust Company, as Agent (B to exhibit A to Rule 24 Certificate dated June 30, 1977 in 70-5399).

(c) 11—Second Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with United States Trust Company and Malcolm J. Hood, as Trustees (C to exhibit A to Rule 24 Certificate dated June 30, 1977 in 70-5890).

(c) 12—Third Assignment of Availability Agreement, Consent and Agreement, dated as of January 1, 19[illegible], with United States Trust Company and Malcolm J. Hood, as Trustees (5(a)-11 in 2-66638).

(c) 13—Fourth Assignment of Availability Agreement, Consent and Agreement, dated as of March 20, 1980, with Manufacturers Hanover Trust Company, as Agent (B to Rule 24 Certificate dated March 28, 1980 in 70-5399).

(c) 14—South Central Electric Companies-TVA Diversity Power Exchange Agreements with exhibits and related documents as compiled December 20, 1962 (4(b) in 2-21005).

(c) 15—Amendments of July 1, 1963 to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(c) in 2-22340).

(c) 16—Amendments of April 11, 1972 to South Central Electric Companies-TVA Diversity Exchange Arrangements (4(b)-3 in 2-45916).

(c) 17—Coordination Agreement, dated as of February 10, 1964, and Memorandum of Agreement, dated June 24, 1971, regarding Scheduling of Diversity Capacity and Energy, among LP&L and other South Central Electric Companies (5(n)-2 in 2-41080).

(c) 18—Reliability Coordination Agreement between TVA and AP&L, LP&L, MP&L, NOPSI and MSS, dated as of November 21, 1968 (5(n)-3 in 2-41080).

(c) 19—Reliability Coordination Agreement between Middle South System companies and Southern System companies, dated as of November 1, 1967 (5(n)-4 in 2-41080).

(c) 20—Interconnection Agreement of September 1, 1951 among LP&L, Central Louisiana Electric Company, Inc. and Gulf States Utilities Company, as supplemented and/or amended by letter of agreement dated October 15, 1952 extended the term of said Interconnection Agreement, and by various service schedules and agreements for additional interconnection points, through Service Schedule K dated May 11, 1971 5(e) in 2-42523).

(c) 21—Coordination Agreement of September 1, 1955 between LP&L and Central Louisiana Electric Company, Inc., covering system planning for coordination of construction and operation of generating, transmission and substation facilities (5(f)-1 in 2-42523).

(c) 22—Letter of Agreement, dated January 20, 1959, between LP&L and Central Louisiana Electric Company, Inc., supplementing and modifying their Coordination Agreement of September 1, 1955 as set forth in the "Operating Instructions" attached to said letter of agreement (5(f)-2 in 2-42523).

(c) 23—Letter of Agreement, dated September 18, 1970, between LP&L and Central Louisiana Electric Company, Inc., supplementing and modifying their Coordination Agreement of September 1, 1955 as set forth in the memorandum attached to said letter of agreement (5(f)-3 in 2-42523).

(c) 24—Letter of Agreement, dated May 1, 1973, between LP&L and Central Louisiana Electric Company, Inc., supplementing their Coordination Agreement of September 1, 1955 (5(e)-4 in 2-50187).

(c) 25—Southwest Power Pool Coordination Agreement, dated as of December 17, 1969, Amendment to Southwest Power Pool Coordination Agreement, dated December 17, 1969, and Southwest Power Pool Amendatory Agreement, dated as of November 19, 1970 (5(n)-1 in 2-41080).

*(c) 26—Memorandum of Understanding, effective December 1, 1977, between LP&L and E. A. Rodrigue.

MP&L

(d) 1—Agreement among MP&L and certain other Middle South System companies, relating to System Planning and Development and Intra-System Transactions, dated April 16, 1973 (5(a)-1 in 2-49306).

(d) 2—Revised Service Schedules MSS-1 and MSS-2, effective July 2, 1973, to Agreement among MP&L and certain other Middle South System companies, dated April 16, 1973 (5(a)-1(a) in 2-50187).

(d) 3—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(d) 4—Amendment, dated February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(d) 5—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(d) 6—Service Agreement with MSS, dated as of April 1, 1963 (D in 37-63).

(d) 7—Amendment, dated January 1, 1972, to Service Agreement with MSS (A to Notice, dated October 14, 1971 in 37-63).

(d) 8—Availability Agreement among MSE and certain other Middle South System companies, dated June 21, 1974 ("Availability Agreement") (B to Rule 24 Certificate dated June 24, 1974 in 70-5399).

(d) 9—First Amendment to Availability Agreement, dated as of June 30, 1977 (B to Rule 24 Certificate dated June 30, 1977 in 70-5399).

(d) 10—First Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with Manufacturers Hanover Trust Company, as Agent (B to exhibit A to Rule 24 Certificate, dated June 30, 1977 in 70-5399).

(d) 11—Second Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with United States Trust Company and Malcolm J. Hood, as Trustee (C to exhibit A to Rule 24 Certificate dated June 30, 1977 in 70-5890).

(d) 12—Third Assignment of Availability Agreement, Consent and Agreement, dated as of January 1, 1980, with United States Trust Company and Malcolm J. Hood, as Trustees (5(a)-11 in 2-66638).

(d) 13—Fourth Assignment of Availability Agreement, Consent and Agreement, dated as of March 20, 1980, with Manufacturers Hanover Trust Company, as Agent (B to Rule 24 Certificate dated March 28, 1980 in 70-5399).

(d) 14—South Central Electric Companies-TVA Diversity Power Exchange Arrangements with exhibits and related documents as compiled December 20, 1962 (4(b) in 2-21005).

(d) 15—Amendments of July 1, 1963 to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(c) in 2-22340).

(d) 16—Amendments of April 11, 1972 to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(b)-3 in 2-45916).

(d) 17—Coordination Agreement, dated as of February 10, 1964, and Memorandum of Agreement, dated June 24, 1971, regarding Scheduling of Diversity Capacity and Energy, among NOPSI and other South Central Electric Companies (5(n)-2 in 2-41080).

(d) 18—Reliability Coordination Agreement between TVA and AP&L, LP&L, MP&L, NOPSI, and MSS, dated as of November 21, 1968 (5(n)-3 in 2-41080).

(d) 19—Reliability Coordination Agreement between Middle South System companies and Southern Companies dated as of November 1, 1967 (5(n)-4 in 2-41080).

(d) 20—Southwest Power Pool Coordination Agreement, dated as of December 17, 1969, Amendment to Southwest Power Pool Coordination Agreement, dated December 17, 1969, and Southwest Power Pool Amendatory Agreement, dated as of November 19, 1970 (5(n)-1 in 2-41080).

(d) 21—Substitute Power Agreement, dated as of May 1980, between MP&L, MSE and SMEPA (B-3(a) in 70-6337).

NOPSI

(e) 1—Agreement among NOPSI and certain other Middle South System companies, relating to System Planning and Development and Intra-System Transactions, dated April 16, 1973 (5(a)-1 in 2-49306).

(e) 2—Revised Service Schedules MSS-1 and MSS-2, effective July 2, 1973, to Agreement among NOPSI and certain other Middle South System companies, dated April 16, 1973 (5(a)-1(a) in 2-50187).

(e) 3—Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-2 in 2-41080).

(e) 4—Amendment, dated as of February 10, 1971, to Middle South Utilities System Agency Agreement, dated December 11, 1970 (5(a)-4 in 2-41080).

(e) 5—Middle South Utilities System Agency Coordination Agreement, dated December 11, 1970 (5(a)-3 in 2-41080).

(e) 6—Service Agreement with Middle South Services, Inc., dated as of April 1, 1963 (5(a)-5 in 2-42523).

(e) 7—Amendment, dated as of January 1, 1972, to Service Agreement with Middle South Services, Inc. (4(a)-6 in 2-45916).

(e) 8—Availability Agreement among MSE and certain other Middle South System companies, dated June 21, 1974 (B to Rule 24 Certificate dated June 24, 1974 in 70-5399).

(e) 9—First Amendment to Availability Agreement dated June 30, 1977 (B to Rule 24 Certificate dated June 30, 1977 in 70-5399).

(e) 10—First Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with Manufacturers Hanover Trust Company, as Agent (B to exhibit A to Rule 24 Certificate dated June 30, 1977 in 70-5399).

(e) 11—Second Assignment of Availability Agreement, Consent and Agreement, dated as of June 30, 1977, with United States Trust Company and Malcolm J. Hood, as Trustees (C to exhibit A to Rule 24 Certificate dated June 30, 1977 in 70-5890).

(e) 12—Third Assignment of Availability Agreement, Consent and Agreement, dated as of January 1, 1980, with United States Trust Company and Malcolm J. Hood, as Trustees (5(a)-11 in 2-66638).

(e) 13—Fourth Assignment of Availability Agreement, Consent and Agreement, dated as of March 20, 1980, with Manufacturers Hanover Trust Company, as Agent (B to Rule 24 Certificate dated March 28, 1980 in 70-5399).

(e) 14—South Central Electric Companies-TVA Diversity Power Exchange Arrangements with exhibits and related documents as compiled December 20, 1962 (4(b) in 2-21005).

(e) 15—Amendments of July 1, 1963 to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(c) in 2-22340).

(e) 16—Amendments of April 11, 1972 to South Central Electric Companies-TVA Diversity Power Exchange Arrangements (4(b)-3 in 2-45916).

(e) 17—Coordination Agreement, dated as of February 10, 1964, and Memorandum of Agreement, dated June 24, 1971, regarding Scheduling of Diversity Capacity and Energy, among NOPSI and other South Central Electric Companies (5(n)-2 in 2-41080).

(e) 18—Reliability Coordination Agreement between TVA and AP&L, LP&L, MP&L, NOPSI, and MSS, dated as of November 21, 1968 (5(n)-3 in 2-41080).

(e) 19—Reliability Coordination Agreement between Middle South System companies and Southern Companies dated as of November 1, 1967 (5(n)-4 in 2-41080).

(e) 20—Southwest Power Pool Coordination Agreement, dated as of December 17, 1969, Amendment to Southwest Power Pool Coordination Agreement, dated December 17, 1969, and Southwest Power Pool Amendatory Agreement, dated as of November 19, 1970 (5(n)-1 in 2-41080).

(e) 21—Copy of Agreement between NOPSI and United Gas Pipe Line Company, dated January 31, 1975, relating to supply of power plant gas (5(e)-1 in 2-62575).

(e) 22—Copy of Letter Agreement, dated August 22, 1978, amending Agreement filed as Exhibit 5(e)-1 hereto (5(e)-2 in 2-62575).

(e) 23—Copy of Agreement between NOPSI and United, dated January 31, 1975, relating to supply of gas for resale (5(e)-3 in 2-62575).

(e) 24—1977 Subsidy and Indemnity Agreement, executed as of January 28, 1977, between the City of New Orleans and NOPSI ((a) to Form 10-K for Fiscal Year Ended December 31, 1977 in 1-1319).

(e) 25—1978 Subsidy and Indemnity Agreement, executed as of February 14, 1978, between the City of New Orleans and NOPSI ((b) to Form 10-K for Fiscal Year Ended December 31, 1977 in 1-1319).

(e) 26—1979 Subsidy and Indemnity Agreement, executed as of December 29, 1978, between the City of New Orleans and NOPSI ((b) to Form 10-K for Fiscal Year Ended December 31, 1978 in 1-1319).

(e) 27—Addendum, dated May 3, 1979, to 1979 Subsidy and Indemnity Agreement between the City of New Orleans and NOPSI (5(f)-4 in 2-66638).

(e) 28—1980 Subsidy and Indemnity Agreement, executed as of January 9, 1980, between the City of New Orleans and NOPSI (5(f)-5 in 2-66638).

*(e) 29—1981 Subsidy and Indemnity Agreement, executed as of December 31, 1980, between the City of New Orleans and NOPSI.

(13) Annual Report to Security Holders

*(a) MSU's 1980 Annual Report to Shareholders

*(b) AP&L's 1980 Annual Report to Shareholders

*(c) LP&L's 1980 Annual Report to Shareholders

*(d) MP&L's 1980 Annual Report to Shareholders

*(e) NOPSI's 1980 Annual Report to Shareholders

***(22) Subsidiaries of the Registrants**

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1981

Commission File Number	Company	I.R.S. Employer Identification No.
1-3517	MIDDLE SOUTH UTILITIES, INC. (A Florida Corporation) 225 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 529-5262	13-5550175
0-375	ARKANSAS POWER & LIGHT COMPANY (An Arkansas Corporation) P.O. Box 551 Little Rock, Arkansas 72203 Telephone (501) 371-4000	71-0005900
0-1236	LOUISIANA POWER & LIGHT COMPANY (A Louisiana Corporation) 142 Delaronde Street New Orleans, Louisiana 70174 Telephone (504) 366-2345	72-0245590
0-320	MISSISSIPPI POWER & LIGHT COMPANY (A Mississippi Corporation) P.O. Box 1640 Jackson, Mississippi 39205 Telephone (601) 969-2311	64-0205830
1-1319	NEW ORLEANS PUBLIC SERVICE INC. (A Louisiana Corporation) 317 Baronne Street New Orleans, Louisiana 70112 Telephone (504) 586-2121	72-0273040

Common Stock Outstanding		Outstanding at April 30, 1981
Middle South Utilities, Inc.	($5 par value)	108,748,406

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes ___X___ No ______

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
March 31, 1981

This combined Form 10-Q is separately filed by Middle South Utilities, Inc., Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

DEFINITIONS

The following abbreviations or acronyms used in the text and notes are defined below:

Abbreviation or Acronym	Term
AFDC	Allowance for funds used during construction
AP&L	Arkansas Power & Light Company
APSC	Arkansas Public Service Commission
Ark-Mo	Arkansas-Missouri Power Company
Associated	Associated Natural Gas Company
Council	Council of the City of New Orleans
CWIP	Construction Work In Progress
EPA	Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
Grand Gulf Plant	MSE's Grand Gulf Generating Station (Nuclear)
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
Middle South System	MSU and its various direct and indirect subsidiaries
MP&L	Mississippi Power & Light Company
MPSC	Mississippi Public Service Commission
MSE	Middle South Energy, Inc.
MSS	Middle South Services, Inc.
MSU	Middle South Utilities, Inc.
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
SEC	Securities and Exchange Commission
SFI	System Fuels, Inc.
System operating companies	AP&L, LP&L, MP&L and NOPSI
Waterford No. 3	LP&L's Waterford Steam Electric Generating Station - Unit No. 3 (Nuclear)

Deloitte
Haskins+Sells

39th Floor
One Shell Square
New Orleans, Louisiana 70139
(504) 581-2727
Cable DEHANDS

REVIEW REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Middle South Utilities, Inc.,
Its Directors and Stockholders:

We have made a review of the consolidated financial statements of Middle South Utilities, Inc. and subsidiaries and the financial statements of certain of its subsidiaries, as listed in the accompanying index, as of March 31, 1981 and for the three-month periods ended March 31, 1981 and 1980, in accordance with standards established by the American Institute of Certified Public Accountants. We previously examined and expressed our unqualified opinions dated February 13, 1981 on the consolidated financial statements (not presented herein) of Middle South Utilities, Inc. and subsidiaries and on the separate financial statements (not presented herein) of certain of its subsidiaries, as listed in the accompanying index, as of December 31, 1980 and for the year then ended, from which the accompanying condensed consolidated and separate company balance sheets as of December 31, 1980 are derived.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the aforementioned condensed financial statements as of March 31, 1981 and for the three-month periods ended March 31, 1981 and 1980, for them to be in conformity with generally accepted accounting principles.

DELOITTE HASKINS & SELLS

May 8, 1981

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 1981 and December 31, 1980

	1981 (Unaudited)	1980
	(In Thousands)	
ASSETS		
Utility Plant	$8,072,058	$7,893,636
Less accumulated depreciation	1,300,201	1,264,525
Utility Plant - Net	6,771,857	6,629,111
Other Property and Investments	89,085	90,012
Current Assets:		
Cash and special deposits	74,859	75,203
Temporary investments - at cost, which approximates market	83,301	69,817
Accounts and notes receivable (less allowance for doubtful accounts and notes of (in thousands) $2,325 in 1981 and $2,253 in 1980)	139,835	161,184
Deferred fuel cost	25,418	25,675
Fuel inventory - at average cost	169,511	153,334
Materials and supplies - at average cost	32,635	36,168
Other	27,784	26,223
Total	553,343	547,604
Deferred Debits	75,804	68,152
TOTAL	$7,490,089	$7,334,879
LIABILITIES		
Capitalization:		
Common stock, $5 par value, authorized 150,000,000 shares; issued and outstanding 108,128,300 shares in 1981 and 107,349,943 shares in 1980	$ 540,642	$ 536,750
Paid-in capital	754,184	749,206
Retained earnings	627,640	619,572
Total common equity	1,922,466	1,905,528
Subsidiaries' preferred stock, without sinking fund	330,967	330,967
Subsidiaries' preferred stock, with sinking fund	282,157	283,165
Long-term debt and premium	3,489,067	3,392,309
Total capitalization	6,024,657	5,911,969
Current Liabilities:		
Notes payable	409,056	295,622
Currently maturing long-term debt	120,889	121,473
Accounts payable	208,329	276,991
Taxes accrued	70,947	67,401
Accumulated deferred income taxes on deferred fuel	14,524	14,602
Interest accrued	79,401	81,984
Other	137,786	139,797
Total	1,040,932	997,870
Deferred Credits	398,321	400,388
Reserves	26,179	24,652
Commitments and Contingencies		
TOTAL	$7,490,089	$7,334,879

See Notes to Consolidated Financial Statements.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Operating Revenues:		
Electric	$ 524,642	$ 447,533
Natural gas	51,065	44,103
Transit	11,963	10,384
Total	587,670	502,020
Operating Expenses:		
Operation:		
Fuel for electric generation	220,233	179,399
Purchased power	60,236	72,516
Deferred fuel cost	257	(1,536)
Gas purchased for resale	40,211	33,960
Other	68,829	58,796
Maintenance	29,714	23,617
Depreciation	38,850	31,348
Taxes other than income taxes	23,741	22,022
Income taxes	26,055	20,506
Total	508,126	440,628
Operating Income	79,544	61,392
Other Income:		
Allowance for equity funds used during construction	35,373	33,787
Miscellaneous income and deductions - net	4,040	1,698
Income taxes-cr	29,461	27,620
Total	68,874	63,105
Interest and Other Charges:		
Interest on long-term debt	102,337	78,774
Other interest - net	17,851	16,615
Allowance for borrowed funds used during construction-cr	(38,547)	(31,864)
Preferred dividend requirements of subsidiaries	14,927	12,828
Total	96,568	76,353
Net Income	$ 51,850	$ 48,144
Earnings Per Common Share	$0.48	$0.53
Dividends Declared Per Common Share	$0.405	$0.395
Weighted Average Number of Common Shares Outstanding	108,014,556	90,655,189

See Notes to Consolidated Financial Statements.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Funds Provided By:		
Operations:		
Net income	$ 51,850	$ 48,144
Depreciation	38,850	31,348
Deferred income taxes and investment tax credit adjustments - net	(4,661)	(6,529)
Allowance for funds used during construction	(73,920)	(65,651)
Total funds provided by operations	12,119	7,312
Other:		
Allowance for funds used during construction	73,920	65,651
Miscellaneous - net	3,935	2,980
Total funds provided by operations and other	89,974	75,943
Financing and other transactions:		
Common stock	3,892	3,660
Preferred stock	....	65,058
First mortgage bonds	....	15,000
Other long-term debt	98,969	51,139
Book value of utility plant sold	....	940
Short-term securities - net	99,950	152,191
Total funds provided by financing and other transactions	202,811	287,988
Total funds provided	$292,785	$363,931
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$174,741	$221,526
Nuclear fuel and other	7,361	9,028
Total gross additions (includes allowance for funds used during construction)	182,102	230,554
Other:		
Dividends declared on common stock	43,781	35,828
Deferred costs on coal plant standardization project	1,249	2,036
Deferred costs relating to SFI's fuel acquisition program	650	4,619
Increase in working capital*	61,965	72,429
Total funds applied to other	107,645	114,912
Financing transactions:		
Retirement of other long-term debt	1,420	16,553
Retirement of first mortgage bonds	610	410
Retirement of preferred stock	1,008	1,502
Total funds applied to financing	3,038	18,465
Total funds applied	$292,785	$363,931

*Working capital does not include short-term securities, current maturities of long-term debt or deferred taxes included in current liabilities. The 1981 net increase in working capital is primarily due to an increase in fuel inventory and a decrease in accounts payable partially offset by a decrease in accounts and notes receivable; the 1980 net increase in working capital is primarily due to increases in cash and special deposits and other current assets and a decrease in accounts payable partially offset by a decrease in accounts and notes receivable.

See Notes to Consolidated Financial Statements.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Commitments and Financing

At January 31, 1981, the Middle South System's construction program contemplated construction expenditures (including AFDC) of $897 million in 1981, $836 million in 1982 and $704 million in 1983, of which expenditures in the estimated amounts of $207 million, $234 million and $228 million, respectively, are applicable to MSE's 87.52% interest in the Grand Gulf Plant, a two-unit nuclear generating station. MSE currently projects commercial operation dates of 1982 and 1986 for the first and second units of this plant, respectively. In connection with this plant, MSU has undertaken to furnish or cause to be furnished to MSE, to the extent not obtained by MSE from other sources, sufficient capital for construction and operation of the plant and related purposes. At March 31, 1981, MSE had outstanding intermediate-term revolving credit borrowings and first mortgage bonds in the amount of approximately $1.2 billion and MSU had invested $456.9 million in the common stock of MSE. In addition MSE had short-term borrowings at March 31, 1981 of $81 million. In the event that Unit No. 1 of the Grand Gulf Plant is not in commercial operation by December 31, 1982, or Unit No. 2 in commercial operation by December 31, 1986, the outstanding bonds and revolving credit borrowings would become due and payable unless extensions of time are arranged. In this case, MSU would be required to provide MSE with sufficient funds, to the extent not obtained by MSE from other sources, to meet these obligations.

The System operating companies are obligated under agreements with MSE to make payments or subordinated advances adequate to cover all of the operating expenses and capital costs of MSE and, in return, are entitled to receive the power available to MSE from the Grand Gulf Plant. During 1980 the operating companies agreed in principle to a permanent allocation of the Grand Gulf Plant's capability. Under this arrangement, those companies receiving allocations, LP&L, MP&L and NOPSI, will assume, in proportion to such allocations, all responsibilities and obligations related to the Grand Gulf Plant and AP&L, which did not receive an allocation, will relinquish its rights in the plant. These new agreements are subject to receipt of the approval of regulatory agencies and of all other necessary approvals.

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

SFI is a jointly-owned subsidiary of the four System operating companies. SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for the operating companies; its costs are primarily recovered through charges for fuel delivered. AP&L owns 35%, LP&L owns 33%, MP&L owns 19% and NOPSI owns 13% of the common stock of SFI.

In connection with certain of SFI's borrowing arrangements, SFI's parent companies have covenanted and agreed severally in accordance with their respective shares of ownership of SFI's common stock, that they will take any and all action necessary to keep SFI in a sound financial condition and to place SFI in a position to discharge, and to cause SFI to discharge, its obligations under these arrangements. At March 31, 1981, the total loan commitment under these arrangements amounted to $221,150,000 of which $172,122,000

was outstanding at that date. Also, SFI's parent companies have made similar covenants and agreements in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At March 31, 1981, the aggregate discounted value of these lease arrangements was $58,800,000. In addition, MSU has guaranteed the obligations of SFI in connection with long-term leases of other oil storage and handling facilities and bareboat charters of towboats and barges having, at March 31, 1981, an aggregate discounted value of approximately $38,619,000.

SFI has a long-term oil supply agreement with a major oil company providing for the purchase by SFI of 50,000 barrels of oil per day for a twenty year period ending in 1996 with the option, upon two years written notice, to reduce the contract quantity to no less than 35,000 barrels. SFI also has an agreement with another major oil company providing for the purchase by SFI of up to 200,000 barrels of oil per month through 1984.

AP&L is currently purchasing coal under an agreement that will provide approximately 100 million tons of coal over a twenty year period. In addition, SFI has entered into a contract with a joint venture for a supply of coal from a mine in Wyoming which is expected to provide 150 to 210 million tons over a period of 26 to 42 years. The parent companies of SFI, each acting in accordance with their respective shares of ownership of SFI's common stock, joined in, ratified, confirmed and adopted the contract and the obligations of SFI thereunder.

Under the terms of their nuclear fuel leases, three subsidiaries are responsible for the disposal of spent nuclear fuel. These companies consider all costs incurred or to be incurred in the use and disposal of nuclear fuel to be proper components of nuclear fuel expense and provisions to recover such costs have been or will be made in applications to regulatory commissions. AP&L, the only Middle South System company with an operating nuclear station, collected approximately $2,996,000 in the first quarter of 1981 for the storage or disposal of spent fuel. AP&L is also recovering approximately $61 million for decommissioning costs for its two nuclear units through increased depreciation charges over the life of the station. Based on an AP&L study, decommissioning costs are projected to be in excess of the amounts currently being collected. AP&L is requesting and will request recovery of these estimated increased costs in applications to its regulatory commissions.

Note 2. Rate Increases

See Part II, Item ? - "Legal Proceedings" regarding NOPSI's rate increases.

In the opinion of MSU, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented.

The financial statements required by Rule 10-01 of Regulation S-X have been reviewed by independent public accountants as stated in their report included herein.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition

The Middle South System's financial condition at the end of the first quarter of 1981 was substantially unchanged from year-end 1980. The System's inflation-impacted construction program coupled with less than adequate rate relief from regulatory bodies continued to be the predominant factors preventing any significant improvement. Rate increases pending at year-end remained unsettled at the end of the first quarter. In April 1981, NOPSI was authorized by the Council to increase its annual retail electric and gas rates by approximately $26.9 million.

Net income for the first quarter of 1981 was $52 million, an increase of approximately $4 million over the same period in 1980. Earnings, exclusive of the effect of capitalizing the carrying costs of construction work-in-progress (AFDC), declined $5 million.

Liquidity and Capital Resources

The slow pace of regulatory response to the System's needs continues to hamper the System operating companies in their efforts to generate internal funds to assist in the financing of construction. Construction expenditures, including AFDC, for the first quarter of 1981 were $175 million, a decline of $47 million from the same period in 1980. These expenditures were, as in 1980, largely funded through external sources - primarily short-term borrowings by the operating companies, to be refunded with long-term financing, and intermediate-term bank borrowings by MSE. Projected construction expenditures for 1981 remain substantially unchanged from year-end 1980.

Short-term borrowings for the System operating companies increased by $93 million from $81 million outstanding at year-end 1980 to $174 million outstanding at the end of the first quarter of 1981. There were no sales of first mortgage bonds or preferred stock during the quarter although LP&L sold $75 million of its bonds early in the second quarter.

MSE's first quarter construction program in connection with the Grand Gulf Plant was funded through the sale of $13 million of common stock to MSU and $62 million of intermediate-term borrowings under MSE's $808 million revolving line of credit. At March 31, 1981, $75 million of MSE's revolving credit line remained unused. In order to obtain additional funds required to complete Unit No. 1 of the Grand Gulf Plant, negotiations to have this line increased to $1.3 billion are continuing.

Results of Operations

Electric operating revenues of $525 million were $77 million higher than the comparable period in 1980. This increase, which was primarily due to the recovery of increased fuel costs and increased rates subsequently placed into effect during 1980, was partially offset by a 5.5% decrease, as compared to the first quarter of 1980, in total energy sales principally as a result of lower sales to other utilities. The increase of $7 million in gas operating revenues was due primarily to increased gas costs billed to customers.

Summary

Improvement in the System's results of operations and financial condition in 1981 will be significantly dependent upon regulatory bodies' rulings on certain pending rate increase requests.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
BALANCE SHEETS
March 31, 1981 (Consolidated) and December 31, 1980

ASSETS	1981 (Unaudited)	1980
	(In Thousands)	
Utility Plant	$2,591,472	$2,423,231
Less accumulated depreciation	478,002	417,435
Utility Plant - Net	2,113,470	2,005,796
Other Property and Investments:		
Investment in associated companies-at equity	35,218	31,378
Other	1,335	470
Total	36,553	31,848
Current Assets:		
Cash and special deposits	9,893	10,246
Temporary investments-at cost, which approximates market	3,275	....
Accounts and notes receivable (less allowance for doubtful accounts and notes of (in thousands) $1,576 in 1981 and $1,396 in 1980)	58,102	46,929
Deferred fuel cost	15,100	7,853
Materials and supplies - at average cost	8,655	6,689
Fuel inventory-at average cost	25,295	28,982
Other	8,977	5,119
Total	129,297	105,818
Deferred Debits	9,287	4,521
TOTAL	$2,288,607	$2,147,983

LIABILITIES	1981 (Unaudited)	1980
Capitalization:		
Common stock, $12.50 par value, authorized 50,000,000 shares; issued and outstanding 38,980,196 shares in 1981 and 36,636,773 shares in 1980	$ 487,252	$ 457,960
Paid-in capital	4,590	609
Retained earnings	48,198	59,024
Total common equity	540,040	517,593
Preferred stock, without sinking fund	126,890	126,890
Preferred stock, with sinking fund	146,057	147,065
Long-term debt and premium	894,765	848,667
Total capitalization	1,707,752	1,640,215
Current Liabilities:		
Notes payable	82,900	36,400
Currently maturing long-term debt	68,000	68,000
Accounts payable	84,814	91,189
Taxes accrued	33,178	28,284
Accumulated deferred income taxes on deferred fuel	9,528	3,867
Interest accrued	29,766	23,194
Other	60,419	61,251
Total	368,605	312,185
Deferred Credits	208,159	192,445
Reserves	4,091	3,138
Commitments and Contingencies		
TOTAL	$2,288,607	$2,147,983

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
STATEMENTS OF INCOME
For the Three Months Ended
March 31, 1981 (Consolidated) and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Operating Revenues:		
Electric	$207,408	$154,879
Natural Gas	16,986	....
Total	224,394	154,879
Operating Expenses:		
Operation:		
Fuel for electric generation	75,037	52,197
Purchased power	33,182	43,165
Deferred fuel cost	(6,482)	(2,953)
Gas purchased for resale	13,175	....
Other	33,548	21,344
Maintenance	12,056	4,975
Depreciation	18,526	10,656
Taxes other than income taxes	7,644	7,299
Income taxes	6,773	3,340
Total	193,459	140,023
Operating Income	30,935	14,856
Other Income:		
Allowance for equity funds used during construction	3,133	11,196
Miscellaneous income and deductions - net	2,695	1,675
Income taxes-cr	1,551	6,379
Total	7,379	19,250
Interest and Other Charges:		
Interest on long-term debt	21,068	16,319
Other interest - net	4,577	2,755
Allowance for borrowed funds used during construction-cr	(2,89[illegible]	(7,403)
Total	22,754	11,671
Net Income	15,560	22,435
Preferred Dividend Requirements	6,419	6,007
Balance for Common Stock	$ 9,141	$ 16,428

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the Three Months Ended
March 31, 1981 (Consolidated) and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Funds Provided By:		
Operations:		
Net income	$15,560	$ 22,435
Depreciation	18,526	10,656
Deferred income taxes and investment tax credit adjustments - net	8,223	(3,039)
Allowance for funds used during construction	(6,024)	(18,599)
Total funds provided by operations	36,285	11,453
Other:		
Allowance for funds used during construction	6,024	18,599
Miscellaneous - net	....	1,638
Total funds provided by operations and other	42,309	31,690
Financing and other transactions:		
Common stock	....	10,000
Preferred stock	....	50,338
Promissory notes and other long-term debt	19,063	3,895
Book value of utility plant sold	....	934
Short-term securities - net	30,600	....
Total funds provided by financing and other transactions	49,663	65,167
Total funds provided	$91,972	$ 96,857
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$51,382	$ 49,481
Nuclear fuel	(5,959)	19
Other - net	217	5
Total gross additions (includes allowance for funds used during construction)	45,640	49,505
Other:		
Dividends declared on preferred stock	6,419	6,007
Dividends declared on common stock	19,967	16,605
Investment in associated company	3,840	....
Increase in working capital*	13,340	15,758
Miscellaneous - net	1,148	....
Total funds applied to other	44,714	38,370
Financing transactions:		
Retirement of first mortgage bonds	610	....
Retirement of preferred stock	1,008	1,502
Short-term securities - net	....	7,480
Total funds applied to financing	1,618	8,982
Total funds applied	$91,972	$ 96,857

*Working capital does not include short-term securities, current maturities of long-term debt or deferred taxes included in current liabilities. The 1981 net increase in working capital is primarily due to increases in accounts and notes receivable and deferred fuel costs; the 1980 net increase is primarily due to increases in cash and special deposits and other current assets and a decrease in accounts payable reduced by increases in taxes accrued and other current liabilities.

See Notes to Financial Statements.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

Note 1. Business Consolidation

Effective January 1, 1981, the electric operations of Ark-Mo were consolidated with those of AP&L and Associated became a subsidiary of AP&L. The financial statements for 1981 reflect this consolidation. Financial data for periods prior to January 1, 1981, have not been restated for the consolidation since the effect would not be material.

If the consolidation had occurred January 1, 1980, consolidated data would have been approximately:

	(Millions)
December 31, 1980	
Total Assets	$2,250.5
Quarter Ended March 31, 1980	
Operating Revenues	$ 184.1
Net Income	$ 23.7

Capitalization was affected by the consolidation as follows:

1) AP&L issued six new series of its first mortgage bonds in the aggregate principal amounts of $21,160,310 in exchange for the surrender and cancellation of Ark-Mo bonds in the same principal amount previously outstanding.
2) AP&L issued 2,343,423 shares ($33,112,555 book value) of its $12.50 par value common stock to MSU at a price of $14.13 per share to acquire from MSU all the outstanding common stock of Ark-Mo.
3) Ark-Mo's short-term debt of $14 million was assumed by AP&L and retired in the first quarter of 1981.

Note 2. Commitments and Contingencies

At January 31, 1981, AP&L's construction program contemplated expenditures of approximately $326 million in 1981, $189 million in 1982 and $166 million in 1983.

AP&L has a 35% interest in SFI, a jointly-owned subsidiary of the four System operating companies. SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have made loans to SFI to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended January 1, 1981, which provides for SFI to borrow up to $261,500,000 from its parent companies through December 31, 1981. As of March 31, 1981, AP&L had loaned $21,470,000 to SFI pursuant to this loan agreement and AP&L's share of the unused loan commitment is $62,400,000. Notes under this agreement mature December 31, 2006. In addition, AP&L had loaned SFI $13,565,250 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowing under the provisions of the previous loan agreements.

During 1980, AP&L could not continue to fund its portion of three coal units under construction which AP&L owns jointly with both rural electric cooperatives

and various municipalities. Upon notification of this fact one co-owner exercised its option to advance AP&L's share of these construction funds in order to keep the construction on schedule. As of March 31, 1981, approximately $65.9 million was so advanced and construction of these projects continued on schedule. Estimated 1981 construction expenditures reflect the reimbursement by AP&L of these expenditures.

See Middle South Utilities, Inc. and Subsidiaries Notes to Consolidated Financial Statements for information regarding commitments and financing obligations of the Middle South System, including AP&L.

In the opinion of AP&L, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fai. statement of the results for the interim periods presented.

The financial statements required by Rule 10-01 of Regulation S-X have been reviewed by independent public accountants as stated in their report included herein.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition

AP&L has continued to experience financial problems caused by (a) increasing costs of fuel, wages and materials, (b) greater capital outlays and longer construction periods for complex new generating units needed to both meet customer demands and accomplish fuel diversification, (c) extensive reliance on and high costs of debt and equity capital, (d) compliance with environmental requirements, (e) controversies and increased regulation over the use of nuclear power, and (f) regulatory lag in granting needed rate increases.

A specific symptom of these financial problems is the continued deterioriation of AP&L's mortgage and charter coverage ratios, which declined from December 31, 1980 (1.75 mortgage, 1.25 charter) to March 31, 1981 (1.66 mortgage, 1.13 charter). Revenues collected subject to refund of approximately $11 million in 1980 and $35 million in the twelve months ended March 31, 1981 were excluded in the calculation of these ratios. Since the mortgage coverage ratio must be at least 2.00 in order to issue additional bonds, and the charter coverage ratio must be at least 1.50 in order to issue additional preferred stock, AP&L is presently restricted from access to these capital markets. If revenues collected subject to refund were included, the March 31, 1981 mortgage and charter coverage ratios would be 2.16 and 1.26, respectively. A major factor in the decline of AP&L's mortgage and charter coverage ratios has been the lack of adequate and timely rate increases. AP&L currently has pending applications for both retail and wholesale rate increases on which action is expected to be taken by the appropriate regulatory bodies in the first half of 1981. Granting of the requested rate increases would enable AP&L to re-enter the long-term debt market when new long-term financing is required.

See Footnote 1 for information regarding the consolidation of the electric operations of Ark-Mo with those of AP&L.

Liquidity and Capital Resources

Although the availability of sufficient capital continues to be a problem, cash flow from operations after dividends on common and preferred stock was $9.9 million in the first quarter of 1981 compared to $8.3 million for the whole year of 1980. This improvement is primarily due to reduction of CWIP by the transfer to plant-in-service of two generating units in 1980 and the inclusion of these units in rate base, and to the effects of recent rate increases (see below).

AP&L is currently authorized to make short-term borrowings through June 1982 in an aggregate amount outstanding at any one time of up to the lesser of $170 million or 10% of capitalization. At March 31, 1981, $82.9 million of short-term borrowings were outstanding so that AP&L had available unused short-term borrowings authority on that date of $87.1 million.

ARKANSAS POWER & LIGHT COMPANY AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(concluded)

In the first quarter of 1981, AP&L secured $19 million in connection with the prior sale of pollution control revenue bonds to finance construction of pollution control facilities at its coal units currently under construction. At March 31, 1981, approximately $28.5 million of additional pollution control revenue bond proceeds were held in trust to finance additional pollution control costs to be incurred at these plants.

Results of Operations

Revenues in the first quarter of 1981 were $224.4 million compared to $154.9 million in the first quarter of 1980. Revenue increases were primarily due to recovery of increased fuel costs and to the effect of recent rate increases. These rate increases include an annual retail rate increase of $14.7 million implemented in June 1980; an annual wholesale rate increase of $4.7 million implemented in May 1980; the implementation, subject to refund, in October 1980 of an annual increase of approximately $86.7 million in connection with a pending $130.1 million retail rate increase application; the implementation, subject to refund, in November 1980 of an annual increase of approximately $7.0 million in connection with a pending $10.0 million wholesale rate increase application, and the implementation, subject to refund, by Ark-Mo in December 1980 (prior to consolidation with AP&L) of an annual retail rate increase of approximately $/.5 million with respect to its Arkansas customers.

Net income in the first quarter of 1981 was $15.6 million compared to $22.4 million in the first quarter of 1980. The primary reasons for this decline were increased operation and maintenance expenses incurred during refueling outages of AP&L's nuclear units, increased interest and depreciation charges and reductions in AFDC credited to income. The increase in depreciation charges and decrease in AFDC were primarily due to commencement of commercial operation of two AP&L generating units in March and August of 1980. However, it should be noted that AFDC as a percent of net income was only 39% in the first quarter of 1981 compared to 83% in the first quarter of 1980.

Summary

Improvement of AP&L's financial position will be contingent on the completion and inclusion in rate base of one coal unit scheduled for commercial operation in 1981, the planned sale by AP&L of a portion of its interest in two other coal units under construction to MP&L and the approval by regulatory authorities of requested retail and wholesale rate increases.

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

March 31, 1981 and December 31, 1980

	1981 (Unaudited)	1980
	(In Thousands)	
ASSETS		
Utility Plant	$2,379,251	$2,334,421
Less accumulated depreciation	403,023	393,342
Utility Plant - Net	1,976,228	1,941,079
Other Property and Investments:		
Investment in associated company	41,297	36,137
Other	413	407
Total	41,710	36,544
Current Assets:		
Cash and special deposits	18,611	23,332
Temporary investments - at cost which approximates market	21,900	11,000
Accounts and notes receivable (less allowance for doubtful accounts of $135 thousand)	31,231	31,820
Deferred fuel cost	10,318	17,056
Materials and supplies - at average cost	6,982	10,299
Other	7,170	4,474
Total	96,212	97,9[illegible]
Deferred Debits	3,236	2,8[illegible]
TOTAL	$2,117,386	$2,078,[illegible]45
LIABILITIES		
Capitalization:		
Common stock, no par value, authorized 150,000,000 shares; issued and outstanding 75,746,400 shares	$ 498,900	$ 498,900
Retained earnings	64,986	65,209
Total common equity	563,886	564,109
Preferred stock, without sinking fund	145,882	145,882
Preferred stock, with sinking fund	121,381	121,381
Long-term debt and premium	827,554	828,989
Total capitalization	1,658,703	1,660,361
Current Liabilities:		
Notes payable	91,293	44,293
Currently maturing long-term debt	52,224	52,162
Accounts payable	45,616	66,387
Taxes accrued	25,066	12,099
Accumulated deferred income taxes on deferred fuel	4,996	8,259
Interest accrued	23,099	20,833
Other	41,324	41,061
Total	283,618	245,094
Deferred Credits	167,783	165,992
Reserves	7,282	6,998
Commitments and Contingencies		
TOTAL	$2,117,386	$2,078,445

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF INCOME
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Operating Revenues	$224,964	$164,921
Operating Expenses:		
Operation:		
Fuel for electric generation	72,506	47,183
Purchased power	66,978	44,335
Deferred fuel cost	6,739	1,269
Other	16,793	15,000
Maintenance	6,919	6,443
Depreciation	10,875	10,605
Taxes other than income taxes	5,011	4,677
Income taxes	11,517	9,931
Total	197,338	139,443
Operating Income	27,626	25,478
Other Income:		
Allowance for equity funds used during construction	10,031	7,464
Miscellaneous income and deductions - net	2,108	1,789
Income taxes-cr	3,817	3,050
Total	15,956	12,303
Interest and Other Charges:		
Interest on long-term debt	19,208	17,280
Other interest - net	3,734	3,003
Allowance for borrowed funds used during construction-cr	(5,167)	(4,198)
Total	17,775	16,085
Net Income	25,807	21,696
Preferred Dividend Requirements	7,092	5,951
Balance for Common Stock	$ 18,715	$ 15,745

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Funds Provided By:		
Operations:		
Net income	$ 25,807	$ 21,696
Depreciation	10,875	10,605
Deferred income taxes and investment tax credit adjustments - net	(1,927)	802
Allowance for funds used during construction	(15,198)	(11,662)
Total funds provided by operations	19,557	21,441
Other:		
Allowance for funds used during construction	15,198	11,662
Decrease in working capital*	7,393	....
Miscellaneous - net	....	39
Total funds provided by operations and other	42,148	33,142
Financing and other transactions:		
Other long-term debt	....	334
Short-term securities - net	36,100	68,250
Total funds provided by financing and other transactions	36,100	68,584
Total funds provided	$ 78,248	$101,726
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$ 57,711	$ 68,823
Nuclear fuel	(11,444)	....
Other - net	....	(6)
Total gross additions (includes allowance for funds used during construction)	46,267	68,817
Other:		
Dividends declared on preferred stock	7,092	5,951
Dividends declared on common stock	18,937	15,634
Increase in working capital*	....	9,994
Miscellaneous - net	4,584	....
Total funds applied to other	30,613	31,579
Financing transactions - retirement of other long-term debt	1,368	1,330
Total funds applied	$ 78,248	$101,726

*Working capital does not include short-term securities, current maturities or deferred taxes included in current liabilities. The 1981 net decrease in working capital is primarily due to a decrease in accounts payable partially offset by an increase in taxes accrued; the 1980 net increase in working capital is primarily due to a decrease in accounts payable partially offset by an increase in taxes accrued.

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1. Commitments and Contingencies

At January 31, 1981, LP&L's construction program contemplated expenditures of approximately $280 million in 1981, $294 million in 1982 and $191 million in 1983.

LP&L has a 33% interest in SFI, a jointly-owned subsidiary of the four System operating companies. SFI operates on a non-profit basis for purposes of planning and implementing programs for the procurement of fuel supplies for the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have made loans to SFI to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended January 1, 1981, which provides for SFI to borrow up to $261,500,000 from its parent companies through December 31, 1981. As of March 31, 1981, LP&L had loaned $27,295,000 to SFI pursuant to this loan agreement and LP&L's share of the unused loan commitment is $83,850,000. Notes under this agreement mature December 31, 2006. In addition LP&L had loaned SFI $13,995,250 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowings under the provisions of the previous loan agreements.

See Middle South Utilities, Inc. and Subsidiaries Notes to Consolidated Financial Statements for information regarding certain commitments and financing obligations of the Middle South System, including LP&L.

Note 2. Long-Term Debt

On April 22, 1981, LP&L sold $75 million of first mortgage bonds, 16% Series due April 1, 1991. Net cash proceeds to LP&L of $73,956,750 (before deducting expenses of approximately $225 thousand) were used to reduce short-term borrowings and for other corporate purposes.

Note 3. Leases

In the first quarter of 1981, LP&L's nuclear fuel lease was amended to increase the amount of nuclear fuel which LP&L is permitted to lease thereunder from $60 million to $105 million.

In the opinion of LP&L, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented.

The financial statements required by Rule 10-01 of Regulation S-X have been reviewed by independent public accountants as stated in their report included herein.

LOUISIANA POWER & LIGHT COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition

The cash requirements necessary to finance LP&L's large construction program and its need for adequate rate relief continued to be the major problems of LP&L during the first quarter of 1981. During this quarter, construction expenditures were financed primarily with short-term borrowings pending the sale in April 1981 of $75 million principal amount of first mortgage bonds. Giving effect to the sale of these bonds, LP&L's bond and preferred stock earnings coverages at March 31, 1981, excluding revenues being collected subject to refund (see below), dropped below the minimum levels necessary to permit LP&L to sell additional first mortgage bonds or preferred stock. LP&L expects shortly to obtain rate relief which should produce a significant improvement in its financial condition and its ability to finance its continuing construction program.

In connection with the general rate increase application filed in May 1980 with respect to customers under the LPSC jurisdiction in the amount of $203.6 million, LP&L was granted an interim rate increase of approximately $32.4 million which was implemented, subject to refund, in October 1980. A decision by the LPSC on the full rate increase application is expected in May 1981.

Liquidity and Capital Resources

Construction expenditures (including AFDC) declined from $68.8 million in the first quarter of 1980 to $57.7 million in the corresponding period in 1981. Funds provided from outside financing (principally short-term borrowings) declined from $68.6 million to $36.1 million during the same periods.

This decline in construction expenditures is expected to be temporary, however, as LP&L continues to project its construction expenditures for the year 1981 at $280 million. Requirements for capital funds for the year 1981 will approximate $240 million, including $52 million for the funding of maturing long-term debt. To meet such capital fund requirements, LP&L sold $75 million of first mortgage bonds in April, and plans to sell $40 million of common stock to MSU and such other securities including short-term debt as may be determined to be appropriate. The ability of LP&L to sell additional first mortgage bonds and preferred stock is dependent upon the receipt of adequate rate relief and increases in earnings.

Results of Operations

Net income for the first quarter of 1981 increased $4.1 million or 19% over the corresponding period of 1980. The following are the more significant changes in the financial results as reflected on the Statements of Income for the first quarters of 1981 and 1980.

The $60.0 million or 36% increase in electric operating revenues is due primarily to the recovery of increased fuel costs through fuel adjustment clauses and an interim rate increase to ultimate customers.

Fuel costs increased $25.3 million or 54% primarily as a result of higher average unit prices for natural gas and oil. Purchased power expenses rose $22.6 million or 51% reflecting not only higher average unit prices but also larger volumes of energy purchased to displace even higher cost gas and/or oil-fired generation.

The increase in AFDC, $3.5 million or 30%, is primarily attributable to the increased amounts of CWIP.

Interest on long-term debt and other interest-net increased $2.7 million or 13% primarily as a result of issuances of additional debt in conjunction with financing the construction programs and increased reliance on short-term financing at high interest rates.

Summary

LP&L continues to believe that the receipt of adequate rate relief is the crucial factor in determining whether LP&L's financial condition and results of operations will show substantial improvement during 1981.

MISSISSIPPI POWER & LIGHT COMPANY
BALANCE SHEETS
March 31, 1981 and December 31, 1980

	1981 (Unaudited)	1980
	(In Thousands)	
ASSETS		
Utility Plant	$787,199	$780,812
Less accumulated depreciation	245,067	239,534
Utility Plant - Net	542,132	541,278
Other Property and Investments:		
Investment in associated company	18,564	16,644
Other	956	962
Total	19,520	17,606
Current Assets:		
Cash and special deposits	3,393	2,562
Temporary investments - at cost, which approximates market	37,500	33,000
Accounts receivable (less allowance for doubtful accounts of $154 thousand)	22,018	34,340
Fuel oil - at average cost	4,456	5,321
Materials and supplies - at average cost	9,641	9,104
Other	3,017	4,203
Total	80,025	88,530
Deferred Debits	1,775	1,687
TOTAL	$643,452	$649,101
LIABILITIES		
Capitalization:		
Common stock, no par value (stated value $23 per share) authorized 5,000,000 shares; issued and outstanding 4,540,000 shares	$104,420	$104,420
Retained earnings	76,570	74,985
Total common equity	180,990	179,405
Preferred stock, without sinking fund	38,077	38,077
Long-term debt and premium	262,845	262,860
Total capitalization	481,912	480,342
Current Liabilities:		
Currently maturing long term debt	456	456
Accounts payable	37,619	43,312
Taxes accrued	22,329	24,740
Interest accrued	6,184	6,994
Other	17,868	18,027
Total	84,456	93,529
Deferred Credits	72,317	70,976
Reserves	4,767	4,254
Commitments and Contingencies		
TOTAL	$643,452	$649,101

See Note to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
STATEMENTS OF INCOME
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Operating Revenues	$120,265	$113,063
Operating Expenses:		
Operation:		
Fuel for electric generation	51,757	53,215
Purchased power	24,502	19,753
Other	10,709	10,380
Maintenance	4,634	5,857
Depreciation	5,850	5,685
Taxes other than income taxes	4,773	4,416
Income taxes	5,692	4,054
Total	107,917	103,360
Operating Income	12,348	9,703
Other Income:		
Allowance for equity funds used during construction	258	126
Miscellaneous income and deductions - net	2,166	881
Income taxes-cr	(959)	(259)
Total	1,465	748
Interest and Other Charges:		
Interest on long-term debt	4,841	4,895
Other interest - net	454	281
Allowance for borrowed funds used during construction-cr	(93)	(202)
Total	5,202	4,974
Net Income	8,611	5,477
Preferred Dividend Requirements	596	596
Balance for Common Stock	$ 8,015	$ 4,881

See Note to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Funds Provided By:		
Operations:		
Net income	$ 8,611	$ 5,477
Depreciation	5,850	5,685
Deferred income taxes and investment tax credit adjustments - net	1,373	1,199
Allowance for funds used during construction	(351)	(328)
Total funds provided by operations	15,483	12,033
Other:		
Allowance for funds used during construction	351	328
Decrease in working capital*	3,932	5,271
Miscellaneous - net	....	387
Total funds provided	$19,766	$18,019
Funds Applied To:		
Utility plant additions - construction expenditures (includes allowance for funds used during construction)	$ 6,943	$ 4,930
Other:		
Dividends declared on preferred stock	596	596
Dividends declared on common stock	6,424	5,493
Miscellaneous - net	1,303	....
	8,323	6,089
Financing transactions - short-term securities - net	4,500	7,000
Total funds applied	$19,766	$18,019

*Working capital does not include short-term securities or current maturities of long-term debt. The 1981 net decrease in working capital is due primarily to a decrease in accounts receivable reduced by a decrease in accounts payable; the 1980 net decrease is due primarily to a decrease in accounts receivable reduced by a decrease in taxes accrued.

See Note to Financial Statements.

MISSISSIPPI POWER & LIGHT COMPANY
NOTE TO FINANCIAL STATEMENTS

Note. Commitments and Contingencies

At January 31, 1981, MP&L's 1981 construction program contemplated expenditures of approximately $64 million, excluding $103 million expected to be reimbursed by MP&L to AP&L in 1981 as an initial payment in conjunction with MP&L's proposed purchase of a 25% interest in a coal-fired generating station currently being constructed by AP&L. The consummation of this purchase is dependent upon the receipt of various regulatory approvals. Construction expenditures for 1982 and 1983 are estimated to be $90 million and $69 million, respectively.

MP&L has a 19% interest in SFI, a jointly-owned subsidiary of the four System operating companies. SFI operates on a non-profit basis in planning and implementing programs for the procurement of fuel supplies for the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have made loans to SFI to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended January 1, 1981, which provides for SFI to borrow up to $261,500,000 from its parent companies through December 31, 1981. As of March 31, 1981, MP&L had loaned $11,185,000 to SFI pursuant to this loan agreement and MP&L's share of the unused loan commitment is $31,200,000. Notes under this agreement mature December 31, 2006. In addition MP&L had loaned SFI $7,375,250 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowing under the provisions of the previous loan agreements.

See Middle South Utilities, Inc. and Subsidiaries Notes to Consolidated Financial Statements for information regarding certain commitments and financing obligations of the Middle South System, including MP&L.

In the opinion of MP&L, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented.

The financial statements required by Rule 10-01 of Regulation S-X have been reviewed by independent public accountants as stated in their report included herein.

MISSISSIPPI POWER & LIGHT COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition

The financial condition of MP&L improved during the quarter ended March 31, 1981. Bond interest times earned coverage increased from 4.19 times for the period ending December 31, 1980, to 4.50 times for the period ending March 31, 1981. The coverage of interest charges and fixed preferred stock dividend requirements increased from 2.34 times for the period ending December 31, 1980, to 2.50 times for the period ending March 31, 1981.

MP&L is continuing to bill customers using rates filed in May 1980 subject to refund and subject to final determination in the courts. Only the rate relief authorized by the MPSC in 1980 ($48.3 million of the $68.8 million filed for) is being recorded as revenue.

Liquidity and Capital Resources

As a result of modest construction expenditures and adequate internal cash generation, MP&L ended the quarter with a total of $40.1 million of cash and temporary cash investments or an increase of $4.6 million over the period ended December 31, 1980. Based on earnings coverage tests as of March 31, 1981, assuming the availability of bondable property, and assuming an interest and preferred dividend rate of 16%, MP&L could have issued first mortgage bonds in the amount of $139 million or preferred stock in the amount of $97 million.

MP&L's construction program for 1981 is expected to be $64 million, excluding $103 million anticipated to be paid as reimbursement by MP&L to AP&L in conjunction with MP&L's proposed acquisition of a 25% interest in the Independence Steam Electric Station. Such acquisition is subject to the approval of regulatory authorities.

MP&L presently expects to fund approximately $80 million of its expected $101 million of external cash requirements in 1981 through the issuance and sale of first mortgage bonds, preferred stock and common stock. It is expected that the remaining $21 million of MP&L's requirements will be secured through short-term borrowings.

Results of Operations

Operating results for the quarter improved from the corresponding quarter in 1980 and net income registered an increase of $3.1 million or 57%. Additional revenue of $9.2 million for the quarter as a result of the new rate level approved in 1980 is the primary factor in the increased net income. Also, maintenance expenses were $1.2 million less than in the corresponding quarter of 1980 primarily as a result of a reduction in power plant maintenance expense.

Summary

The ability of MP&L to maintain a sound financial condition in the future will depend upon the granting of timely, fair and sufficient rate relief.

NEW ORLEANS PUBLIC SERVICE INC.
BALANCE SHEETS
March 31, 1981 and December 31, 1980

	1981 (Unaudited)	1980
	(In Thousands)	
ASSETS		
Utility Plant	$426,989	$423,978
Less accumulated depreciation	174,303	171,347
Utility Plant - Net	252,686	252,631
Other Property and Investments:		
Investment in associated company - at equity	11,117	10,037
Other	49	49
Total	11,166	10,086
Current Assets:		
Cash and special deposits	3,743	1,341
Temporary investments - at cost, which approximates market	18,800	21,700
Accounts and notes receivable (less allowance for doubtful accounts of $475 thousand):		
Customer	20,476	21,171
Other	8,609	7,657
Materials and supplies - at average cost	7,358	7,725
Other	4,218	3,747
Total	63,204	63,341
Deferred Debits	5,591	5,746
TOTAL	$332,647	$331,804
LIABILITIES		
Capitalization:		
Common stock, $10 par value, authorized 7,000,000 shares; issued and outstanding 5,935,900 shares	$ 59,359	$ 59,359
Retained earnings	10,490	13,162
Total common equity	69,849	72,521
Preferred stock, without sinking fund	20,117	20,117
Preferred stock, with sinking fund	14,582	14,582
Long-term debt and premium	126,513	126,519
Total capitalization	231,061	233,739
Current Liabilities:		
Accounts payable	30,057	31,624
Taxes accrued	6,161	4,359
Interest accrued	5,039	2,808
Other	11,695	11,127
Total	52,952	49,918
Deferred Credits	38,595	38,135
Reserves	10,039	10,012
Commitments and Contingencies		
TOTAL	$332,647	$331,804

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
STATEMENTS OF INCOME
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Operating Revenues:		
Electric	$53,799	$54,607
Natural gas	34,079	29,035
Transit	11,963	10,383
Total	99,841	94,025
Operating Expenses:		
Operation:		
Fuel for electric generation	20,934	26,541
Purchased power	17,366	10,840
Gas purchased for resale	27,037	22,422
Other	17,569	16,120
Maintenance	6,105	5,722
Depreciation	3,600	3,513
Taxes other than income taxes	4,697	4,270
Income taxes	(127)	685
Total	97,181	90,113
Operating Income	2,660	3,912
Other Income:		
Allowance for equity funds used during construction	37	45
Miscellaneous income and deductions - net	1,322	781
Income taxes-cr	(596)	(334)
Total	763	492
Interest and Other Charges:		
Interest on long-term debt	2,190	2,190
Other interest - net	411	412
Allowance for borrowed funds used during construction-cr	(14)	(47)
Total	2,587	2,555
Net Income	836	1,849
Preferred Dividend Requirements	820	273
Balance for Common Stock	$ 16	$ 1,576

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the Three Months Ended March 31, 1981 and 1980
(Unaudited)

	1981	1980
	(In Thousands)	
Funds Provided By:		
Operations:		
Net income	$ 836	$ 1,849
Depreciation	3,600	3,513
Deferred income taxes and investment tax credit adjustments - net	487	408
Allowance for funds used during construction	(51)	(92)
Total funds provided by operations	4,872	5,678
Other:		
Allowance for funds used during construction	51	92
Decrease in working capital*	271	7,394
Miscellaneous - net	....	457
Total funds provided by operations and other	5,194	13,621
Financing and other transactions:		
Preferred stock	....	14,720
Short-term investments	2,900	....
Total funds provided by financing and other transactions	2,900	14,720
Total funds provided	$ 8,094	$28,341
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$ 3,677	$ 5,671
Other - net	....	(5)
Total gross additions (includes allowance for funds used during construction)	3,677	5,666
Other:		
Dividends declared on preferred stock	820	241
Dividends declared on common stock	2,689	2,434
Miscellaneous - net	908	....
Total funds applied to other	4,417	2,675
Financing transactions - short-term securities - net	....	20,000
Total funds applied	$ 8,094	$28,341

*Working capital does not include short-term securities or current maturities of long-term debt. The 1981 net decrease in working capital is primarily due to an increase in interest accrued reduced by an increase in cash and special deposits; the 1980 net decrease is primarily due to a decrease in accounts and notes receivable and an increase in accounts payable reduced by an increase in other current assets.

See Notes to Financial Statements.

NEW ORLEANS PUBLIC SERVICE INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Commitments and Contingencies

At January 31, 1981, NOPSI's construction program contemplated expenditures of approximately $20 million in 1981, $29 million in 1982 and $50 million in 1983.

NOPSI has a 13% interest in SFI, a jointly-owned subsidiary of the four System operating companies. SFI operates on a non-profit basis for purposes of planning and implementing programs for the procurement of fuel supplies for the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have made loans to SFI to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended January 1, 1981, which provides for SFI to borrow up to $261,500,000 from its parent companies through December 31, 1981. As of March 31, 1981, NOPSI had loaned $6,550,000 to SFI pursuant to this loan agreement and NOPSI's share of the unused loan commitment is $17,550,000. Notes under this agreement mature December 31, 2006. In addition, NOPSI had loaned SFI $4,564,250 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowing under the provisions of the previous loan agreements.

In a suit pending against NOPSI concerning matters related to NOPSI's fuel adjustment clause in its electric rate schedules, the District Court has, after trial in December 1979, entered a judgment in favor of NOPSI. The plaintiffs have appealed. A suit has also been filed against NOPSI regarding the subsidization of its transit operation with revenues which NOPSI has received from its electric and gas operations. It is the opinion of NOPSI that final disposition of these suits will not have a material adverse effect on its financial position or results of operations.

In November 1975, the Council authorized a transit fare increase. In a suit contesting the imposition of the fare increase, judgment was rendered that the Council did not give the required public notice. An appeal was granted and NOPSI was permitted to continue to collect the increased fare until November 1977 when the Louisiana Supreme Court refused to review an Appeals Court judgment in favor of the plaintiffs. In a collateral suit petitioners are seeking a return of the fare increase, or as an alternative, a reduction in the basic transit fare for a similar period of time. In May 1979 the trial court granted plaintiffs' request for a Summary Judgment against NOPSI and the Council. The court awarded the plaintiffs $5,518,990 (plus judicial interest), to be paid through a transit fare reduction, and attorneys' fees of $100,000. NOPSI and the Council appealed this judgment. On November 14, 1980, the Court of Appeal annulled the Summary Judgment and returned this matter to the District Court. The plaintiffs and defendants both sought review of this matter. On January 26, 1981, the Louisiana Supreme Court refused to hear the case and returned the parties to the District Court. Under the transit subsidy agreement with the City of New Orleans, NOPSI's maximum exposure to loss in this matter would be 70% of the amount of any ultimate liability resulting from this litigation. This matter is still pending; however, should any material adjustment be necessary, it will be retroactively applied to the operations of 1976 and 1977 when such fares were collected.

See Middle South Utilities, Inc. and Subsidiaries Notes to Consolidated Financial Statements for information regarding certain commitments and financing obligations of the Middle South System, including NOPSI.

Note 2. Rate Increases

See Part II, Item 1. - "Legal Proceedings" regarding NOPSI's rate increases.

NEW ORLEANS PUBLIC SERVICE INC.

In the opinion of NOPSI, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented.

The financial statements required by Rule 10-01 of Regulation S-X have been reviewed by independent public accountants as stated in their report included herein.

NEW ORLEANS PUBLIC SERVICE INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition

NOPSI's financial condition at March 31, 1981, continued to reflect the urgent need for adequate electric and gas rate relief as, for the twelve months ended March 31, 1981, NOPSI's return on common equity was 3.21%, down from 5.19% for the year 1980. NOPSI paid over $2.6 million of its 1981 first quarter common dividend out of retained earnings. The indenture provisions relating to NOPSI's first mortgage bonds provide restrictions on the payment of cash dividends on common stock. As a result of NOPSI's depressed earnings and recent payments of common dividends out of retained earnings, at March 31, 1981, only $1.2 million of retained earnings were free from such restrictions.

In response to NOPSI's April 1980 application to the Council for electric and gas rate relief, on April 9, 1981, the Council authorized NOPSI to increase its annual retail electric and gas rates approximately $18.9 million and $8.0 million, respectively, effective for bills rendered on and after April 13, 1981. NOPSI had requested annual increases in its electric and gas rates of approximately $23.3 million and $9.2 million, respectively. It is expected that implementation of these increased rates should produce some improvement in NOPSI's financial condition and results of operations.

Liquidity and Capital Resources

At March 31, 1981, NOPSI's earnings coverage for its first mortgage bonds was 1.99 times the annual mortgage bond interest requirements, and its earnings coverage for preferred stock was 1.18 times the annual interest charges and preferred dividend requirements. Since under NOPSI's governing instruments the minimum earnings coverage tests are 2.0 times for selling additional first mortgage bonds and 1.5 times for selling additional preferred stock, NOPSI is currently prohibited from selling first mortgage bonds or preferred stock.

Funds for construction expenditures of $3.7 million for the quarter ended March 31, 1981, were obtained through internally generated funds and the application of funds previously held in short-term investments. There were no short-term borrowings during the period. NOPSI contemplates that its construction and other corporate commitments for the remainder of 1981 will be financed through the use of internally generated funds, temporary investments on hand at March 31 and short-term borrowings. No permanent financing is anticipated in 1981.

At March 31, 1981, CWIP was $4.0 million, less than 1% of plant in service.

Results of Operations

Net income decreased $1.0 million or 55% compared to the corresponding quarter in 1980. This decrease is due primarily to continuing inflationary increases in the costs of wages, employee benefits, materials and supplies and services and the lack of adequate rate relief to provide for the recovery of these increased costs.

Summary

As stated under Financial Condition, NOPSI received authorization from the Council in April 1981 to increase electric and gas rates $26.9 million, or approximately 83% of its original application of $32.5 million. It is anticipated that NOPSI's financial condition should improve during the remaining months of 1981. However, because the amount of increase authorized was less than that requested and a 1980 test year was used in the rate proceedings, the increased revenues will probably not be adequate to enable NOPSI to earn the 15% return on common equity authorized by the Council.

MIDDLE SOUTH UTILITIES, INC. AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Middle South Utilities, Inc. and Subsidiaries

MSU

(a) As previously discussed on page 34 of Form 10-K for the year ended December 31, 1980, the NSPS revised by the EPA under the Clean Air Act Amendments of 1977 were challenged in litigation in the United States Court of Appeals for the District of Columbia Circuit by the System operating companies and MSS as members of a group of utilities. On April 29, 1981, the Appeals Court upheld the EPA's revised NSPS. The System operating companies and MSS are currently studying the impact this decision will have on the Middle South System.

AP&L

(a) On May 1, 1981, AP&L filed with the APSC an application to increase its retail rates in Arkansas a total of approximately $65.2 million on an annual basis. This proposed increase is in addition to the $130.1 million retail rate increase request now pending before the APSC. Consequently, any reduction by the APSC in the $130.1 million request will increase the amount being sought in this new filing.

(b) Also, on May 1, 1981, AP&L filed with the APSC an interim surcharge tariff, pursuant to the provisions of an Arkansas law enacted in 1981 which permits recovery of certain costs and expenses reasonably incurred by AP&L as a direct result of legal requirements relating to the protection of public health, safety, or the environment. The total annual effect of the interim surcharge is approximately $3.3 million. This surcharge became effective upon filing, subject to refund, pending approval of the APSC. This amount is included in and does not represent an additional increase over and above the $65.2 million rate increase request referred to above, and the interim surcharge will remain in effect only until such time as rate schedules in the $65.2 million case become effective.

LP&L

(a) As previously discussed on page 37 of Form 10-K for the year ended December 31, 1980, petitions for leave to intervene in LP&L's Waterford No. 3 operating license proceeding presently before the NRC were filed by Oystershell Alliance, Inc., Save Our Wetlands, Inc. and by Louisiana Consumers' League, Inc. LP&L answered and opposed such petitions but, over LP&L's opposition, these petitions to intervene have been granted. The application for the operating license is pending.

MP&L

(a) As previously discussed on page 40 of Form 10-K for the year ended December 31, 1980, the United States filed suit against MP&L on August 9, 1974 in the United States District Court for the Southern District of Mississippi seeking (1) a determination that MP&L is a government contractor as defined by Executive Order 11246 and subject to the Equal Employment Opportunity Clause and other obligations imposed upon contractors with the Federal Government pursuant to the Executive Order and (2) an order

Item 1. Legal Proceedings (continued)

enjoining MP&L from refusing to comply with the terms and conditions imposed by the Executive Order. On appeal, on March 6, 1981, the Court of Appeals for the Fifth Circuit ruled against MP&L and held that Executive Order 11246 and implementing regulations issued thereunder were statutorily authorized and a proper exercise of congressional delegated authority and could be applied to MP&L, and that searches thereunder were properly limited in scope, but remanded the case to the District Court for a factual determination as to how the United States would initiate warrantless searches of utilities' records. MP&L plans to petition the United States Supreme Court for writ of certiorari.

NOPSI

(a) As previously discussed on page 15 of Form 10-K for the year ended December 31, 1980, NOPSI filed an Application with the Council for an increase in its retail electric rates and its retail gas rates designed to produce annually approximately $2[illegible].3 million and $9.2 million, respectively, of increased revenues based on a projected December 31, 1980 test year. On April 9, 1981, the Council authorized NOPSI to increase electric and gas rates $18.9 million and $8.0 million, respectively, effective for bills rendered on and after April 13, 1981.

The request by NOPSI for a generation capability adjustment clause was separated from the rate application by the Council and it will be considered at a later date in 1981.

Item 4. Submission of Matters to a Vote of Security Holders

MP&L

(a) On April 29, 1981, a Special Meeting of the holders of MP&L's Common Stock and Preferred Stock was held at the office of MP&L in Jackson, Mississippi for the purpose of acting upon a proposal to amend MP&L's Restated Articles of Incorporation so as to increase the number of authorized shares of MP&L's Common Stock from 5,000,000 shares to 15,000,000 shares, and to increase the number of authorized shares of MP&L's serial Preferred Stock, $100 par value, from 704,476 shares to 2,004,476 shares. The resolution to increase the number of authorized shares of Common Stock and Preferred Stock of MP&L and to amend the Restated Articles of Incorporation of MP&L was adopted by the requisite vote of the Stockholders of MP&L. There were present in person or by proxy at the meeting the holders of record of two shares of Preferred Stock and 4,540,000 shares of Common Stock. All of the shares of Common Stock and the two shares of Preferred Stock of MP&L were voted for the resolution, and there were no votes against the resolution. No other business came before the meeting.

(b) On April 1, 1981, the Board of Directors of MP&L amended Section 8 of the By-Laws of MP&L so as to increase the number of directors from twelve to thirteen, and, on April 1, 1981, by an Action of Stockholders Without a Meeting, MSU, the sole owner of all the outstanding Common Stock of MP&L, elected Frank S. York, Jr., Vice President and Secretary of MP&L, to fill the resulting vacancy on MP&L's Board of Directors.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

AP&L

20 - Indenture of Mortgage and Deed of Trust, dated as of March 1, 1978, from Associated Natural Gas Company to Commerce Bank of Kansas City, N.A. (filed as Exhibit A-5 to Rule 24 Certificate in 70-5902).

MP&L

3 - Copy of By-Laws of MP&L as amended April 1, 1981, and presently in effect (filed under Item 13 (b), MP&L, 1980 Form U5S).

(b) Reports on Form 8-K

On February 4, 1981, NOPSI filed for the month of January 1981, under Item 5 - "Other Materially Important Events," information concerning the execution with the City of New Orleans of a subsidy agreement for 1981 which provides, among other things and with certain limitations, for the subsidy of NOPSI's transit operations by the City of New Orleans.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signatures for each undersigned company shall be deemed to relate only to matters having reference to such a company or its subsidiary.

MIDDLE SOUTH UTILITIES, INC.

/s/ Edwin Lupberger
Edwin Lupberger, Senior Vice President - Chief Financial Officer

/s/ Rodney J. Estrada
Rodney J. Estrada, Treasurer

ARKANSAS POWER & LIGHT COMPANY

/s/ John J. Harton
John J. Harton, Vice President, Treasurer and Assistant Secretary, Chief Financial Officer

/s/ Jerry D. Jackson
Jerry D. Jackson, Senior Vice President and Secretary

LOUISIANA POWER & LIGHT COMPANY

/s/ J. H. Erwin, Jr.
J. H. Erwin, Jr., Vice President and Treasurer

/s/ W. H. Talbot
W. H. Talbot, Secretary and Controller

MISSISSIPPI POWER & LIGHT COMPANY

/s/ F. S. York, Jr.
F. S. York, Jr., Vice President, Finance and Secretary

/s/ J. R. Martin
J. R. Martin, Treasurer

NEW ORLEANS PUBLIC SERVICE INC.

/s/ John H. Chavanne
John H. Chavanne, Vice President - Finance and Treasurer

/s/ William C. Nelson
William C. Nelson, Vice President, Administration and Legal and Secretary

Date: May 14, 1981

8,000,000 Shares

Middle South Utilities, Inc.

Common Stock

($5 Par Value)

Supplement to Prospectus dated April 28, 1981.

Earnings per share on weighted average number of shares outstanding for the twelve months ended February 28, 1981, and for the twelve months ended March 31, 1981, are changed from $2.05 and $2.01, respectively, as reported under "Recent Developments" (page 4), to $2.02 and $1.96, respectively.

It is now expected that certificates representing the 8,000,000 shares of Common Stock will be ready for delivery on or about May 14, 1981.

May 5, 1981.

PROSPECTUS

8,000,000 Shares

Middle South Utilities, Inc.

Common Stock

($5 Par Value)

The outstanding shares of the Company's Common Stock are, and the shares offered hereby will be, listed on the New York, Midwest and Pacific Stock Exchanges. On April 28, 1981, the last reported sale price on the New York Stock Exchange of the Common Stock was $11⅝ per share.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share	$11.75	$.329	$11.421
Total	$94,000,000	$2,632,000	$91,368,000

(1) The Company has agreed to indemnify the several Purchasers against certain liabilities, including liabilities under the Securities Act of 1933.

(2) Before deduction of expenses, payable by the Company, estimated at $180,000.

The shares of Common Stock are offered by the Purchasers when, as and if issued by the Company and accepted by the Purchasers and subject to their right to reject orders in whole or in part. It is expected that certificates representing the shares of Common Stock will be ready for delivery on or about May 6, 1981.

Morgan Stanley & Co.
Incorporated

E. F. Hutton & Company Inc.

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Warburg Paribas Becker
A. G. Becker

Wertheim & Co., Inc.

A. G. Edwards & Sons, Inc.

Thomson McKinnon Securities Inc.

April 28, 1981

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK, MIDWEST AND PACIFIC STOCK EXCHANGES, IN THE OVER-THE-COUNTER MARKET, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Purchasers. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or its subsidiaries since the date hereof.

AVAILABLE INFORMATION

Middle South Utilities, Inc. ("Company") is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission ("SEC"). Information concerning directors and officers, their remuneration and any material interests of such persons in transactions with the Company, as of particular dates, is disclosed in proxy statements distributed to shareholders of the Company and filed with the SEC. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 6101, 1100 L Street, N.W., Washington, D.C.; Room 1228, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Ill.; Room 1100, Federal Building, 26 Federal Plaza, New York, N.Y.; and Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, Calif. Copies of this material can also be obtained at prescribed rates from the Public Reference Section of the SEC at its principal office at 500 North Capitol Street, N.W., Washington, D.C. 20549. The Common Stock of the Company is listed on the New York, Midwest and Pacific Stock Exchanges. Reports, proxy statements and other information concerning the Company can be inspected and copied at the respective offices of these exchanges at 20 Broad Street, New York, N.Y., at 120 South LaSalle Street, Chicago, Ill. and at 301 Pine Street, San Francisco, Calif.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the SEC pursuant to the Exchange Act are incorporated in this Prospectus by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1980 (including portions of the Company's 1980 Annual Report to Shareholders stated therein to be incorporated therein by reference).

2. The Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 1981.

All documents filed by the Company pursuant to Section 13 or 14 of the Exchange Act after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Prospectus by reference, other than exhibits to such documents. Written requests should be directed to Mr. Dan E. Stapp, Secretary and Assistant Treasurer, Middle South Utilities, Inc., P.O. Box 61005, New Orleans, Louisiana 70161.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company and the offering, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Issuer .... Middle South Utilities, Inc.
Securities Offered .... 8,000,000 shares of Common Stock, $5 Par Value
Listing (Symbol: MSU) .... New York, Midwest and Pacific Stock Exchanges
Price Range (composite): January 1, 1981 through April 27, 1981 .... 12⅝-11
Closing Price on the New York Stock Exchange on April 28, 1981 .... 11⅝

THE COMPANY AND ITS SUBSIDIARIES

Business of utility subsidiaries	Electric, gas and transit service
Service Area	Portions of the States of Arkansas, Louisiana, Mississippi and Missouri
Sources of 1980 Operating Revenues	Electric 93.1%; Natural Gas 5.0%; Transit 1.9%
Sources of 1980 Operating Income (Loss)	Electric 100.1%; Natural Gas .8%; Transit and other (.9)%
Electric Customers at December 31, 1980	Approximately 1,547,000
Fuel for Electric Generation during 1980	Natural Gas 63%; Oil 18%; Nuclear 17%; Coal 2%

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(Dollars in thousands except per share figures)

	Year Ended December 31,		
	1978	1979	1980
INCOME STATEMENT DATA:			
Operating Revenues	$ 1,622,177	$ 1,823,059	$ 2,342,228
Operating Income	$ 228,262	$ 218,198	$ 297,822
Net Income	$ 185,438	$ 182,058	$ 195,907
Weighted Average Common Shares Outstanding	75,522,179	85,444,691	97,469,169
Earnings Per Share of Common Stock on Weighted Average Number of Shares Outstanding	$2.46	$2.13	$2.01
Dividends Declared per Common Share	$1.46	$1.535	$1.59

	Capitalization at December 31, 1980			
	Actual		Adjusted*	
	(000)	Percent	(000)	Percent
BALANCE SHEET DATA:				
Common Shareholders' Equity	$1,905,528	32%	$1,996,896	33%
Preferred Stock (without sinking fund)	330,967	6	330,967	6
Preferred Stock (with sinking fund)	283,165	5	283,165	5
Long-Term Debt	3,392,309	57	3,300,941	56
Total Capitalization	$5,911,969	100%	$5,911,969	100%

* Gives effect to the proposed issuance of the 8,000,000 shares of Common Stock offered hereby and the related reduction of long-term debt.

THE COMPANY

The Company, incorporated under the laws of the State of Florida on May 27, 1949, is a holding company registered under the Public Utility Holding Company Act of 1935 and neither owns nor operates any physical properties. The Company and its various direct and indirect subsidiaries are hereinafter referred to as the Middle South System. The Company is the owner of all the outstanding common stock of its principal operating subsidiaries, Arkansas Power & Light Company ("AP&L"), Louisiana Power & Light Company ("LP&L"), Mississippi Power & Light Company ("MP&L") and New Orleans Public Service Inc. ("NOPSI").

The two other wholly-owned principal subsidiaries of the Company are Middle South Services, Inc., a service company, and Middle South Energy, Inc. ("MSE"), a generating company formed in 1974 to undertake the construction, financing and ownership of certain base load generating units. In 1972, AP&L, LP&L, MP&L and NOPSI formed a special purpose company, System Fuels, Inc., to plan and implement programs for the procurement, delivery and storage of fuel supplies for the Middle South System. In addition, AP&L has a wholly-owned subsidiary, Associated Natural Gas Company ("Associated").

The principal executive offices of the Company are located at 225 Baronne Street, New Orleans, Louisiana 70112 (telephone 504-529-5262).

USE OF PROCEEDS

The Company proposes to apply the net proceeds (see Cover Page) from the sale of the 8,000,000 shares of Common Stock offered hereby ("Additional Common Stock") to a reduction in the amount of outstanding bank loans under the revolving credit agreement hereinafter referred to and for other corporate purposes. (The Company may sell less than all of the shares of the Additional Common Stock in the event of a default by less than all of the Purchasers, see "Purchasers"). The Company estimates that outstanding bank loans will be approximately $112 million at the time the proceeds from the sale of the Additional Common Stock are received. The Company has a revolving credit agreement with various banks providing for the issuance of not to exceed $230 million of unsecured promissory notes. The agreement will terminate December 31, 1984, and the maximum principal amount of allowable borrowings will be reduced to seventy-five percent (75%) of the original commitment on December 31, 1982 and to fifty percent (50%) of the original commitment on December 31, 1983. Proceeds derived from bank borrowings are used principally to make investments in certain of the Middle South System companies, which use funds so invested for the construction and/or acquisition of property or for the retirement of short-term indebtedness.

The 1981-1983 construction expenditures (exclusive of nuclear fuel costs) for the Middle South System were estimated at January 31, 1981 by the Company to total $2,437 million. The estimates by years are as follows: 1981, $897 million; 1982, $836 million; and 1983, $704 million (including allowance for funds used during construction of $260 million for 1981, $182 million for 1982 and $114 million for 1983).

Actual expenditures and dates of completion for various construction projects may vary from the estimates because of the availability of financing, changes in the plans of the respective companies, cost fluctuations, sales of interests in projects, the availability of labor, materials and equipment, licensing and testing delays and other factors. The Middle South System is continuing to experience increases in costs for construction of new facilities as a result of continuing rises in the costs of material, labor and capital, increasing requirements of expenditures for environmental and ecological purposes, and deferred completion dates of projects.

RECENT DEVELOPMENTS

Recent Earnings

Consolidated operating revenues, net income and earnings per share on weighted average number of shares outstanding for the twelve months ended February 28, 1981 and for the twelve months ended March 31, 1981, amounted to $2,408.1 million, $203.1 million and $2.05 and $2,427.9 million, $199.6 million and $2.01, respectively. These amounts are unaudited but, in the opinion of the Company, include all adjustments (consisting of only normal recurring accruals) necessary for a fair statement

of such amounts for those periods. The decreases in net income and earnings per share for the twelve months ended March 31, 1981 as compared to the twelve months ended February 28, 1981 are primarily due to milder weather, combined with increased interest charges resulting from recent issuances of debt and increased operating and power plant inspection and maintenance expenses incurred during scheduled refueling outages at two Middle South System nuclear units.

Rate Matter

In April 1980, NOPSI filed an application with the Council of the City of New Orleans ("Council") for an increase in its retail electric rates and its retail gas rates designed to produce annually approximately $23.3 million and $9.2 million, respectively, of increased revenues based on a projected December 31, 1980 test year. On April 9, 1981, the Council granted an increase, effective for bills rendered on and after April 13, 1981, in NOPSI's retail electric rates and gas rates designed to produce annually approximately $18.9 and $8.0 million, respectively.

PRICE RANGE AND DIVIDENDS

The shares of the Common Stock of the Company are listed on the New York, Midwest and Pacific Stock Exchanges. Prices shown below are the high and low sale prices, as reported by The Wall Street Journal as New York Stock Exchange transactions through January 23, 1976 and as composite transactions thereafter.

Year	High	Low	Year	High	Low
1976	17⅜	13⅝	1980—		
1977	17⅞	15⅜	First Quarter	13⅛	10¼
1978	17⅜	14¼	Second Quarter	14¼	11
1979—			Third Quarter	13⅝	11½
First Quarter	16¼	14½	Fourth Quarter	12⅞	10⅝
Second Quarter	15⅜	13⅝	1981—		
Third Quarter	16⅜	13⅞	First Quarter	12⅝	11
Fourth Quarter	14⅛	12¼	Second Quarter (through April 27)	12⅛	11½

The closing sale price on April 28, 1981 on the New York Stock Exchange was $11⅝. The consolidated book value per share of the Common Stock as of December 31, 1980 was $17.75, and, after giving effect to the sale of 8,000,000 shares of the Additional Common Stock offered hereby, the consolidated book value of the Common Stock of the Company at that date would have been $17.31.

During the years 1976 through 1980 and during the twelve months ended March 31, 1981, the Company paid annual dividends on its Common Stock as follows:

Year	Annual Dividend Per Common Share
1976	$1.32
1977	1.38
1978	1.44
1979	1.52
1980	1.58
Twelve months ended March 31, 1981	1.59

On April 1, 1981, the Company paid a quarterly dividend of 40½¢ per share on its Common Stock.

The Company has a Dividend Reinvestment and Stock Purchase Plan ("Plan") under which participating shareholders may have cash dividends on all or a portion of their shares of Common Stock automatically reinvested and/or invest optional cash payments of not less than $25 nor more than $5,000 per quarter. Under the Plan the price of shares of Common Stock purchased through reinvestment of cash dividends is 95% of the average of the daily high and low sale prices of the Common Stock, based on consolidated trading of the Common Stock for the period of the last three days on which Common Stock was traded immediately preceding the date of investment, and optional cash payments are invested at a price of 100% of such average. No commission or service charge is paid by participants in connection with

purchases under the Plan. Shares of Common Stock are offered for sale under the Plan only by means of a separate prospectus available upon request from the Company.

The Company's tax position in 1980 was such that 98.24% of each of the 1980 dividend payments is estimated to be nontaxable as dividend income to the stockholder. This percentage is subject to verification and approval by the Internal Revenue Service at a future date. The portion of a dividend payment which does not represent income is treated under the Federal income tax law as a return of the shareholder's capital and necessitates a reduction in the tax basis of the shares on which these dividends were paid.

The Company has paid dividends without interruption since October 1, 1949. No representation is made as to future dividends, because dividend action will be taken by the Board of Directors of the Company in light of earnings, the financial condition of the Company and other factors.

DESCRIPTION OF COMMON STOCK

A copy of the Company's Restated Articles of Incorporation is filed as an Exhibit to the Registration Statement. The following summary does not purport to be complete and is subject in all respects to the provisions of such Restated Articles of Incorporation and does not relate to or give effect to the provisions of the statutory or common law of the State of Florida. The summary given below is qualified in its entirety by reference to such Restated Articles of Incorporation and the laws of the State of Florida.

All shares of the Company's Common Stock participate equally with respect to dividends and rank equally upon liquidation. The record holder of each share of Common Stock is entitled to one vote. Cumulative voting is permitted at elections of directors. The holders of Common Stock have no preemptive rights except that if the Company offers shares for money (other than by a public offering or an offering to or through underwriters or investment bankers for prompt public offering or pursuant to plans open to all stockholders, including without limitation dividend reinvestment and stock purchase plans or limited investment plans or pursuant to plans for share ownership by, or for the benefit of, employees of the Company or any company of which the Company holds directly or indirectly at least 50% of the outstanding voting stock, including without limitation employee stock purchase, bonus or option plans), such shares must be offered first pro rata to the holders of the then outstanding Common Stock upon terms not less favorable than the terms upon which the stock is issued or proposed to be issued to persons other than stockholders. The shares of Common Stock which are outstanding are fully paid and non-assessable. Upon the issuance and sale as herein described of the shares of the Additional Common Stock, such shares will be fully paid and non-assessable.

The Common Stock of the Company is listed on the New York, Midwest and Pacific Stock Exchanges. The Additional Common Stock will be listed, subject to notice of issuance, on these Exchanges.

The Company owns all of the outstanding common stock of AP&L, LP&L, MP&L and NOPSI, which companies are hereinafter referred to as the System operating companies. Upon default in payment of four successive quarterly dividends on the preferred stock of any of the System operating companies, the holders of such stock have the right to elect a majority of the board of directors of such company so long as any default continues. No preferred dividends presently are in default.

The indentures and agreements under which the long-term debt of the System operating companies has been issued and the portions of their amended certificates of incorporation relating to preferences of preferred stocks contain certain provisions setting forth restrictions with respect to the payment of dividends on the common stocks of the respective companies. In the aggregate these provisions cannot be briefly summarized, and the effect from time to time of each provision can be determined only by applying the restrictions to the relevant accounting data for the particular period involved. The application of none of these restrictions at present precludes the payment of dividends on the common stock

of any System operating company. The provisions of the bank loan agreement and first mortgage bond indenture of MSE prohibit the payment of cash dividends on MSE's common stock until the first unit of its Grand Gulf Generating Station is placed in commercial operation (presently scheduled for 1982) and thereafter generally limit dividends to current earnings.

Transfer Agents and Registrars: The transfer agents for the Company's Common Stock are Morgan Guaranty Trust Company of New York, The First National Bank of Boston, Continental Illinois National Bank and Trust Company of Chicago, Hibernia National Bank in New Orleans and Bank of America National Trust and Savings Association. The registrars are Morgan Guaranty Trust Company of New York, State Street Bank and Trust Company, The First National Bank of Chicago, Whitney National Bank of New Orleans and Wells Fargo Bank, N.A.

EXPERTS AND LEGALITY

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries included or incorporated by reference in the Annual Report of the Company on Form 10-K for the year ended December 31, 198[illegible] and incorporated herein by reference have been so incorporated herein by reference in reliance upon the opinions of Deloitte Haskins & Sells, independent certified public accountants, included or incorporated by reference in such Annual Report, given upon the authority of that firm as experts in auditing and accounting.

All statements in the above referred to Annual Report on Form 10-K and all statements herein as to matters of law and legal conclusions pertaining to the titles to properties, franchises and other operating rights of certain of the Company's subsidiaries, and their subsidiaries, the regulations to which they are subject and any legal proceedings to which they are parties are made on the authority of House, Holmes & Jewell, P.A., Tower Building, Little Rock, Arkansas, as to AP&L and Associated; Monroe & Lemann (A Professional Corporation), Whitney Building, New Orleans, Louisiana, as to LP&L; Wise Carter Child & Caraway, Professional Association, Electric Building, Jackson, Mississippi, as to MP&L; and Burke & Mayer A Professional Law Corporation, One Shell Square, New Orleans, Louisiana, as to NOPSI.

The statements in the above referred to Annual Report on Form 10-K as to matters of law and legal conclusions with respect to the proceedings with respect to NOPSI referred to under Item 1—"Business—Regulation and Litigation—Other Regulation and Litigation" have been prepared under the supervision of, and reviewed by, William C. Nelson, Esq., Vice President—Administration and Legal, and Secretary of NOPSI, and such statements are included herein upon his authority as an expert. Mr. Nelson is a full-time employee of NOPSI.

The legality of the Additional Common Stock will be passed upon for the Company by Messrs. Reid & Priest, 40 Wall Street, New York, N.Y. The legality of the Additional Common Stock will be passed upon for the Purchasers by Messrs. Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York, N.Y. Said firms will rely as to matters governed by Florida law upon the opinion of Messrs. Steel Hector & Davis, Southeast First National Bank Building, Miami, Florida. Matters pertaining to the titles to properties, franchises and other operating rights of the System operating companies and of Associated, the regulations to which they are subject and any legal proceedings to which they are parties will be passed upon only by the respective law firms or individual named in the two preceding paragraphs.

Attorneys with Monroe & Lemann (A Professional Corporation), acting for them in connection with this matter, own of record or beneficially 1,259 shares of Common Stock of the Company.

PURCHASERS

The Purchasers named below have severally agreed, subject to the terms and conditions of the Purchase Agreement, to purchase from the Company the respective numbers of shares of the Additional Common Stock set forth below opposite their names. The Purchase Agreement provides that the obligations of the Purchasers are subject to certain conditions precedent, and that the Purchasers will be obligated to purchase all of the shares of the Additional Common Stock if any are purchased; provided that, under certain circumstances involving a default of Purchasers, less than all of the shares of the Additional Common Stock may be purchased. Default by one or more Purchasers would not relieve the non-defaulting Purchasers from their several obligations, and in the event of such default, the non-defaulting Purchasers may be required by the Company to purchase the respective numbers of shares of the Additional Common Stock which they have severally agreed to purchase and, in addition, to purchase the shares of the Additional Common Stock which the defaulting Purchaser or Purchasers shall have so failed to purchase up to a number thereof equal to one-ninth (1/9th) of the respective numbers of shares of the Additional Common Stock which such non-defaulting Purchasers shall have otherwise agreed to purchase.

Purchasers	Number of Shares
Morgan Stanley & Co. Incorporated	700,000
E. F. Hutton & Company Inc.	1,688,000
Dillon, Read & Co. Inc.	300,000
Donaldson, Lufkin & Jenrette Securities Corporation	800,000
L. F. Rothschild, Unterberg, Towbin	500,000
Shearson Loeb Rhoades Inc.	700,000
Warburg Paribas Becker Incorporated	800,000
Wertheim & Co., Inc.	800,000
A. G. Edwards & Sons, Inc.	500,000
Thomson McKinnon Securities Inc.	500,000
Robert Fleming Incorporated	100,000
Arnhold and S. Bleichroeder, Inc.	60,000
Cyrus J. Lawrence Incorporated	60,000
Legg Mason Wood Walker, Incorporated	60,000
Folger Nolan Fleming Douglas Incorporated	40,000
H. B. Shaine & Co., Inc.	40,000
Smith, Hague & Co., Incorporated	40,000
Amivest Capital, Inc.	20,000
Buys-MacGregor, MacNaughton-Greenawalt & Co.	12,000
K. J. Brown & Co., Inc.	12,000
William M. Cadden & Co., Inc.	12,000
Hanifen Imhoff Inc.	12,000
Hoenig & Co., Inc.	12,000
McDaniel Lewis & Co.	12,000
McLeod Young Weir Incorporated	12,000
MKI Securities Corp.	12,000
Mesirow & Company	12,000
The Milwaukee Company	12,000
Scherck, Stein & Franc, Inc.	12,000
Scott & Stringfellow, Inc.	12,000
Seidler, Arnett & Spillane Incorporated	12,000
Wagenseller & Durst, Inc.	12,000
Wulff Hansen & Co.	12,000
Allen & Company of Florida Inc.	5,600

Purchasers	Number of Shares
Carolina Securities Corporation	5,600
Cecil, Waller & Sterling, Inc.	5,600
Edelstein, Campbell & Co., Inc.	5,600
Eldon-Emmor & Co., Inc.	5,600
Financial America Securities, Inc.	5,600
First Harlem Securities Corporation	5,600
First New England Securities Corporation	5,600
Furman Selz Mager Dietz & Birney Incorporated	5,600
J. A. Glynn & Co.	5,600
Bernard Herold & Co., Inc.	5,600
Hopper Soliday & Co., Inc.	5,600
Howe, Barnes & Johnson, Inc.	5,600
Kahlmus, Hughes & Co.	5,600
A. E. Masten & Co., Incorporated	5,600
Peninsular Securities Company	5,600
F. L. Putnam & Company, Inc. Barclay Putnam Division	5,600
Quinn & Co., Inc.	5,600
Salkin, Welch & Co., Incorporated	5,600
E. W. Smith Co.	5,600
Total	8,000,000

The Company has been advised by the Purchasers through their Representatives, Morgan Stanley & Co. Incorporated; E. F. Hutton & Company Inc.; Dillon, Read & Co. Inc.; Donaldson, Lufkin & Jenrette Securities Corporation; L. F. Rothschild, Unterberg, Towbin; Shearson Loeb Rhoades Inc.; Warburg Paribas Becker Incorporated; Wertheim & Co., Inc.; A. G. Edwards & Sons, Inc. and Thomson McKinnon Securities Inc., that the Purchasers propose to make a public offering of the shares of Common Stock at the public offering price set forth on the cover page of the Prospectus and that they may offer any balance to dealers at a price which represents a concession of not in excess of 30¢ per share under the public offering price. The Purchasers may allow, and such dealers may reallow to certain other dealers, a concession of not in excess of 12.5¢ per share. After the initial public offering, the public offering price and concessions may be changed.

410.6 Describe aspects of its regulatory environment including, but not necessarily limited to, the following: prescribed treatment of allowance for funds used during construction; rate base (original cost, fair value, other); accounting for deferred income taxes and investment tax credits; fuel adjustment clauses in effect or proposed; historical, partially projected, or fully projected test year.

RESPONSE

The electrical power output of Grand Gulf Nuclear Station that does not go to the co-owners will be under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Prior to commercial operation, an Agreement between Middle South Energy, Inc. (MSE, the principle owner of Grand Gulf Nuclear Station) and the Operating Subsidiaries of Middle South Utilities, Inc. spelling out the terms, conditions and rates which will be executed for filing with the FERC. In accordance with FERC rate practice, the rates will be based on original cost rate, normalization for deferred income taxes and investment tax credit and will have an energy component based on actual fuel cost. It is anticipated that this will be the initial filing of a rate, thereby making MSE a jurisdictional utility. Since, by FERC definitions, MSE is not a utility and has no rate base or rate schedules, construction work in progress is capitalized and cannot be put in a rate base until commercial operation. The rate base will be historical when the plant goes into service.

410.7 Describe the nature and amount of its most recent rate relief action(s). In addition, indicate the nature and amount of any pending rate relief action(s). Use the attached form to provide this information. Provide copies of the submitted, financially related testimony and exhibits of the staff and company in the most recent rate relief action or pending action. Furnish copies of the hearing examiner's report and recommendation, and final opinion last issued with respect to each participant, including all financially related exhibits referred to therein.

RESPONSE

By Federal Energy Regulatory Commission definition, Middle South Energy, Inc. is not yet a utility and has no rate schedules or rate cases at this time.

410.8 Complete the enclosed form entitled, "Financial Statistics," for the most recent twelve-month period and for the previous three calendar years.

RESPONSE

The statistical data for the investor-owned participants is attached.

MIDDLE SOUTH ENERGY, INC.
FINANCIAL STATISTICS
(DOLLARS IN MILLIONS)

	12 Months Ended May 31, 1981	1980	1979	1978
Earnings available to common equity	78.8	67.0	47.5	35.6
Average common equity	623.2	577.4	434.4	309.4
Rate of return on average common equity	12.64%	11.60%	10.94%	11.51%
Times total interest earned before FIT	N/A	N/A	N/A	N/A
Time long-term interest earned before FIT	N/A	N/A	N/A	N/A
Bond Ratings (Private Placements)	N/A	N/A	N/A	N/A
Times interest & preferred dividends earned after FIT	N/A	N/A	N/A	N/A
AFUDC (includes equity & borrowed funds)	177.8	151.2	100.2	65.6
Net income after preferred dividends	78.8	67.0	47.5	35.6
AFUDC as % of Net income	225.6%	225.7%	210.9%	184.3%
Market price of common (dollars)	N/A	N/A	N/A	N/A
Book value of common (dollars)	N/A	N/A	N/A	N/A
Market - Book ratio (%)	N/A	N/A	N/A	N/A
Earnings available for common	N/A	N/A	N/A	N/A
Less: AFUDC	N/A	N/A	N/A	N/A
Plus: Depreciation	N/A	N/A	N/A	N/A
Taxes deferred	N/A	N/A	N/A	N/A
ITC adjustments	N/A	N/A	N/A	N/A
Common dividends	N/A	N/A	N/A	N/A
Ratio (%)	N/A	N/A	N/A	N/A
Short-term debt	82.7 (100%)	78.2 (100%)		7.1 (100%)
Bank Loans				
Commercial paper				
Other				
	82.7 (100%)	78.2 (100%)		7.1 (100%)
Capitalization				
Long-term debt	1231.5 (65%)	1169.5 (65%)	947.0 (65%)	637.0 (65%)
Preferred stock				
Common equity	690.1 (35%)	639.8 (35%)	514.9 (35%)	353.7 (35%)
	1921.6 (100%)	1809.3 (100%)	1461.9 (100%)	990.7 (100%)

MIDDLE SOUTH UTILITIES, INC.
FINANCIAL STATISTICS
(DOLLARS IN MILLIONS)

	12 Months Ended May 31, 1981		1980		1979		1978	
Earnings available to common equity	215.6		195.9		182.1		185.4	
Average common equity	1875.5		1784.8		1539.6		1306.5	
Rate of return on average common equity	11.49%		10.98%		11.82%		14.19%	
Times total interest earned before FIT	N/A		N/A		N/A		N/A	
Time long-term interest earned before FIT	N/A		N/A		N/A		N/A	
Bond Ratings (Private Placements)	N/A		N/A		N/A		N/A	
Times interest & preferred dividends earned after FIT	N/A		N/A		N/A		N/A	
AFUDC (includes equity & borrowed funds)	259.0		239.9		213.3		148.3	
Net income after preferred dividends	215.6		195.9		182.1		185.4	
AFUDC as % of Net income	120.1%		122.5%		117.2%		80.0%	
Market price of common (dollars)	12.375		11.50		12.625		15.00	
Book value of common (dollars)	17.17		17.75		18.40		18.60	
Market - Book ratio (%)	72.1%		64.8%		68.6%		80.6%	
Earnings available for common	215.6		195.9		182.1		185.4	
Less: AFUDC	(259.0)		(239.9)		(213.3)		(148.3)	
Plus: Depreciation	151.5		142.0		119.3		112.8	
Taxes deferred	6.7		(2.4)		(22.3)		40.6	
ITC adjustments	(3.6)		(3.7)		(2.6)		(4.2)	
	111.2		91.9		63.2		186.3	
Common dividends	173.5		157.0		132.6		110.8	
Ratio (%)	64.1%		58.5%		47.6%		168.1%	
Short-term debt								
Bank Loans	193.8	(53%)	187.5	(63%)	264.3	(93%)	222.6	(6[illegible]%)
Commercial paper	74.9	(20%)	16.7	(6%)	20.6	(7%)	100.8	(31%)
Other	98.4	(27%)	91.4	(31%)				
	367.1	(100%)	295.6	(100%)	284.9	(100%)	323.4	(100%)
Capitalization								
Long-term debt	3598.2	(58%)	3392.3	(57%)	3017.8	(58%)	2629.7	(60%)
Preferred stock	611.9	(10%)	614.1	(11%)	524.5	(10%)	340.8	(8%)
Common equity	2006.3	(32%)	1905.5	(32%)	1664.1	(32%)	1415.2	(32%)
	6216.4	(100%)	5911.9	(100%)	5206.4	(100%)	4385.7	(100%)

410.9 The following financial information is required for each cooperative applicant:

a. Is each participant's percentage ownership share in the facility equal to its percentage entitlement in the electrical capacity and output of the plant? If not, explain the difference(s) and any resultant effect on any participant's obligation to provide its share of operating costs.

b. Describe the rate-setting authority and rate covenants of the cooperatives and how that authority will be used to ensure the satisfaction of financial obligations in relation to operation and eventual shutdown of the facility.

c. Describe the nature and amount of the cooperative's most recent rate relief action(s) and its anticipated effect on net margins. In addition, indicate the nature and amount of any pending rate relief action(s).

d. If membership cooperatives are involved, explain the contractual arrangements between the cooperative and its members that will provide funds for operation and eventual shutdown of the facility. Provide representative copies of such contracts.

e. Provide copies of the latest annual and interim financial statements. Also provide copies of similar statements for the corresponding periods ended in the previous year. Continue to submit copies of the annual financial statements each year as required by 10 CFR 50.71(b).

RESPONSE

a. South Mississippi's percentage ownerships share in the facility is equal to its percentage entitlement (10%) in the electrical capacity and output of the plant.

b. The board of directors of South Mississippi Electric Power Association is required to review its revenue and expenses at least once each year and to set a rate to cover those expenses. The Association is required by its mortgage agreement with the Rural Electrification Administration to set rates to cover all its expenses. The obligations under the Grand Gulf contracts are considered to be binding obligations, and the rate making authority of the board of directors will be used to set rates so as to cover all the obligations and expenses of the Association, including those obligations to the Grand Gulf Nuclear Plant.

c. The most recent rate relief action of South Mississippi Electric Power Association was an action by its board of directors to increase its rate effective with the June 1981 billing to increase its rate by 1.03 mills per KWH. This will have the effect of increasing the revenue to the Association by $2,278,000 for the balance of 1981 and will help insure the projected net margins of $2,600,000 for the year 1981. There are no pending rate relief actions.

d. South Mississippi Electric Power Association has "all requirements" power contracts with its 11 member electric power associations. These contracts set forth the rate making responsibility of the board of directors of South Mississippi Electric Power Association and provide for the member electric power associations to receive and pay for power delivered. The rates set under these contracts will include the financial obligations of South Mississippi Electric Power Association arising from its ownership interest in the Grand Gulf Nuclear Plant. A representative contract is attached.

e. Attached is a copy of the annual financial report for South Mississippi Electric Power Association for 1980. Also attached is the latest interim financial statement dated May 31, 1981. Copies of financial statements as required by 10 CFR 50.71(b) will be submitted annually.

WHOLESALE POWER CONTRACT

AGREEMENT made as of the 19th day of December, 1979, between South Mississippi Electric Power Association (hereinafter called the "Seller"), a corporation organized and existing under the laws of the State of Mississippi, and Magnolia Electric Power Association, (hereinafter called the "Consumer"), a corporation organized and existing under the laws of the State of Mississippi.

WHEREAS, the Seller proposes to construct an electric generating plant and transmission system and may purchase or otherwise obtain electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration which are or may become members of the Seller; and

WHEREAS, the Seller has heretofore entered into or presently will enter into agreements for the sale of electric power and energy identical in form with this agreement with all said borrowers which are members of the Seller, and may enter into similar contracts with other such borrowers who may become members; and

WHEREAS, the Consumer desires to purchase electric power and energy from the Seller on the terms and conditions herein set forth;

NOW, THEREFC E, in consideration of the mutual undertakings herein contained the parties hereto agree as follows:

1. General. The Seller shall sell and deliver to the Consumer and the Consumer shall purchase and receive from the Seller all electric power and energy which the Consumer shall require to the extent that the Seller shall have such power and energy available, provided, however, that the Consumer shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof. The Consumer shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator"), so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy available for the Consumer.

2. Electric Characteristics and Delivery Point(s). Electric power and energy to be furnished hereunder shall be alternating current, three phase, sixty cycle. The Seller shall make and pay for all final connections between the systems of the Seller and the Consumer at the point(s) of delivery. The point(s) of delivery and delivery voltage shall be:

Liberty 13.8 KV
Brookhaven 13.8 KV
Tylertown 13.8 KV
Jayess 115 KV
Norfield 115 KV
Progress 115 KV
Smithdale 115 KV
Gillsburg 115 KV
East McComb 115 KV

and such points as may be agreed upon by the Seller and the Consumer.

3. Substation. The Consumer shall install, own, and maintain the necessary substation equipment at the point(s) of connection. The Seller shall own and maintain switching and protective equipment which may be reasonably necessary to enable the Consumer to take and use the electric power and energy hereunder and to protect the system of the Seller. Meters and metering equipment shall be furnished, maintained and read by the Seller and shall be located at the point of delivery on the Consumer's side of such transforming equipment.

4. Rate. (a) The Consumer shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Rate Schedule A, attached hereto and made a part hereof.

(b) The Board of Directors of the Seller at such intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review the rate for electric power and energy furnished hereunder and under similar agreements with other member associations and, if necessary, shall revise such rate so that it shall produce revenues which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance of the generating plant, transmission system and related facilities of the Seller, the cost of any power and energy purchased for resale hereunder by the Seller, pay taxes, make payments on account of principal of and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. The Seller shall cause a notice in writing to be given to the Consumer and other members of the Seller and the Administrator which shall set out all the proposed revisions of the rate with the effective date thereof, which shall be not less than thirty (30) nor more than forty-five (45) days after the date of the notice, and shall set

forth the basis upon which the rate is proposed to be adjusted and established. The Consumer agrees that the rate from time to time established by the Board of Directors of the Seller shall be deemed to be substituted for the rate herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revisions at such revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. Meter Readings and Payment of Bills. The Seller shall read meters monthly. Electric power and energy furnished hereunder shall be paid for at the office of the Seller in Hattiesburg, Mississippi, monthly within fifteen (15) days after the bill therefor is mailed to the Consumer. If the Consumer shall fail to pay any such bill within such fifteen-day period, the Seller may discontinue delivery of electric power and energy hereunder upon fifteen (15) days' written notice to the Consumer of its intention so to do.

6. Meter Testing and Billing Adjustment. The Seller shall test and calibrate meters by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make special meter tests at any time at the Consumer's request. The costs of all tests shall be borne by the Seller, provided, however, that if any special meter test made at the Consumer's request shall disclose that the meters are recording

accurately, the Consumer shall reimburse the Seller for the cost of such test. Meters registering not more than two per cent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the ninety (90) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the Consumer and the Seller shall agree as to the amount of energy furnished during such period and the Seller shall render a bill therefor.

7. <u>Notice of Meter Reading or Test</u>. The Seller shall notify the Consumer in advance of the time of any meter reading or test so that the Consumer's representative may be present at such meter reading or test.

8. <u>Right of Access</u>. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

9. <u>Continuity of Service</u>. The Seller shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective through act of God or of the public enemy, or because of accident,

labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

10. Term. This Agreement shall become effective on the date of the closing of that certain "Joint Construction, Acquisition and Ownership Agreement" between Middle South Energy, Inc. and South Mississippi Electric Power Association relating to the Grand Gulf Nuclear Station, as closing is defined in said Agreement, reference to which is hereby made for all purposes; and, subject further to the approval in writing by the Administrator and shall remain in effect until December 31, 2020, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Consumer to pay therefor shall commence upon completion of the facilities necessary to provide service.

11. The Seller, the Consumer and the Administrator agree that if the Consumer, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller, as provided by Section 1 of this Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to enforce the obligations of the Consumer under the

provisions of said Section 1 of this Contract by instituting all necessary actions at law or suits in equity, including, without limitation, suits for specific performance.

EXECUTED the day and year first above mentioned.

SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION

BY: ______________________
President

ATTEST:

____
Secretary

MAGNOLIA ELECTRIC POWER ASSOCIATION

BY: C C Clark
President

ATTEST:

____
Secretary

SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION
SCHEDULE "A"

Availability:

Available to all cooperative associations which are or shall be members of the Seller. The electric power and energy furnished hereunder shall be separately metered and billed for each delivery point.

Monthly Rate:

Demand Charge:

$1.00 per kw of maximum demand, plus

Energy Charge:

.59¢ per kwh for the first 300 kwh used per month per kw of billing demand.
.29¢ per kwh for all remaining kwh used per month.

Minimum Monthly Charge:

The minimum monthly charge under the above rate shall be $1.50 per kw of billing demand.

Determination of Billing Demand:

The billing demand shall be the highest average demand measured over a thirty minute period during the month.

Power Factor:

The power factor shall be maintained at as near 100 per cent as is reasonably possible. However, should the power factor at any time during maximum loading be below 85 per cent, the kw for billing purposes should be adjusted by multiplying the kw registered by 85 per cent and dividing the product by the actual power factor.

Fuel Adjustment:

The net bill for energy furnished to the cooperative shall be increased or decreased by .00125¢ per kwh for each one-tenth of a cent increase or decrease per million BTU in fuel cost from the base of 13.5¢ per million BTU.