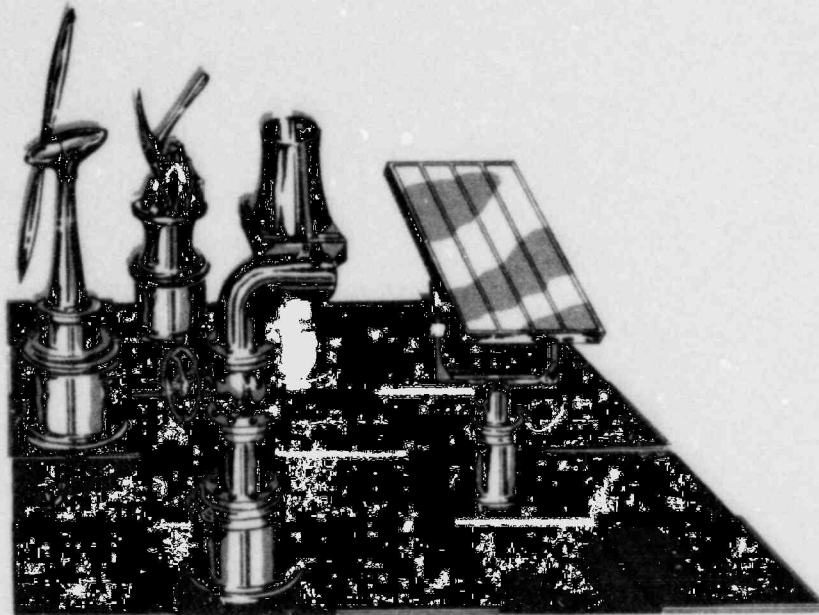




**SOUTH MISSISSIPPI  
ELECTRIC POWER ASSOCIATION**

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Annual Report 1980

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Mr. Hubert M. Little, a member of the board of directors of South Mississippi Electric Power Association representing Southwest Mississippi Electric Power Association, died on January 17, 1981.

The board of directors at its January board meeting adopted a resolution commemorating the life of Mr. Little.

Mr. Little had served in the interest of rural electrification since the inception of the program. He was a long time member of the board of directors of Southwest Mississippi Electric Power Association at Lorman, Mississippi and was for many years active in the Electric Power Association's of Mississippi in addition to his role as director for South Mississippi Electric Power Association.

The dedication, consistency, skill and friendship of Mr. Little will be missed by the board of directors and the employees of the Association.

John Morrow



## A WORD OF APPRECIATION

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During 1980, R. D. Morrow, Sr., resigned from the board of directors of South Mississippi Electric Power Association after more than a quarter of a century of service. His resignation culminates a long and distinguished career in the rural electrification program.

Mr. Morrow was elected to the board of directors of South Mississippi Electric Power Association in July of 1956, and was elected president of the board of directors soon after. His leadership has enabled South Mississippi Electric Power Association to compile an enviable record of growth.

Mr. Morrow received a bachelor's degree in General Agriculture from Mississippi State University in 1922. He received a master's degree from that University in 1925. While at Mississippi State University, Mr. Morrow was president of his senior class, vice-president of the "M" Club and a consistent track star running for more than a dozen championships. He served as captain of the track team in 1921 and was later named to the Mississippi State University Sports Hall of Fame.

Mr. Morrow got his first taste of politics on a large scale by serving as Senator John Stennis' first campaign manager. Eight years later, in 1956, Mr. Morrow was elected State Treasurer. The state treasury had a \$100 million surplus under Mr. Morrow's leadership. When his term ended he continued to serve the state as Bank Comptroller.

Mr. Morrow has served as the president of the State Wildlife Federation and Forest Owners, Inc. He served as chairman of the Mississippi Citizens Council on Education for five years. He was an officer for the Mississippi and Industrial Development Corporation, Pearl River Basin Development District, and the Andrew Jackson Boy Scout Council. He has served as president of the Board of Trustees of the Institutions of Higher Learning, president of Mississippi State Alumni Association, chairman of the Rankin County School Board, state commander of the American Legion and the American Legion's National Executive Committee.

Mr. Morrow was also a founder and director of the Mississippi Chemical Corporation and of the First Mississippi Corporation, among a dozen state companies he has served as director.

Mr. Morrow has been honored in many ways for his distinguished service to his fellow man. He got the First Federal Award, given annually to four Mississippi doers; the Distinguished American Award given by the Central Mississippi Chapter of the National Football Foundation and Hall of Fame; the Distinguished Service Award of the Mississippi Farm Bureau; the Distinguished Service and Life Membership Award of the American Legion; and, the Governor's Mineral Conservation Award.

In recognition of the many accomplishments of Mr. Morrow, the board of directors of South Mississippi Electric Power Association named the coal fired generating plant near Purvis, Mississippi the R. D. Morrow, Sr. Generating Plant.

His leadership will be missed. His accomplishments, which are many, are most appreciated.



## BOARD OF DIRECTORS



(Standing)  
 Horace H. Twiford, Jr. - Coahoma  
 Electric Power Assn., Joe W. Noble -  
 Southwest Mississippi Electric Power  
 Assn., W. T. Shows - Pearl River Valley  
 Electric Power Assn., W. T. Ruffin -  
 Southern Pine Electric Power Assn.,  
 Robert St. John - Southwest  
 Mississippi Electric Power Assn.

(Seated)  
 W. C. McKamy, Jr. - Twin County  
 Electric Power Assn., Giles Bounds -  
 Coahoma Electric Power Assn., Floyd  
 Lynk - Twin County Electric Power  
 Assn., Claude Parker - Magnolia  
 Electric Power Assn.



\* J. T. Dudley, Sr.  
 Singing River Electric Power Assn.



Robert L. Graham - Dixie Electric  
 Power Assn., Louis M. Aden - Yazoo  
 Valley Electric Power Assn., L. R.  
 Parker - Yazoo Valley Electric Power  
 Assn.



† H. M. Little  
 Southwest Mississippi Electric Power Assn.



(Standing)  
 L. C. Spencer - Delta Electric Power  
 Assn., Jack Ware - Singing River  
 Electric Power Assn.

(Seated)  
 Henry C. Waterer, Jr. - Delta Electric  
 Power Assn., Henry L. Thomas -  
 Coast Electric Power Assn., Blaine  
 H. Eaton - Southern Pine Electric  
 Power Assn., James A. Rester - Coast  
 Electric Power Assn.



\* Joe Stevens  
 Coahoma Electric Power Assn.



C. C. Clark, Vice President - Magnolia  
 Electric Power Assn., L. G. Pierce,  
 Assistant Secretary - Dixie Electric  
 Power Assn., D. R. Ware, Secretary -  
 Singing River Electric Power Assn.,  
 W. W. Bond, President - Pearl River  
 Valley Electric Power Assn.



\* R. D. Morrow, Sr.  
 Southern Pine Electric Power Assn.

\* Retired  
 † Deceased

## PRESIDENT'S MESSAGE

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It is with a great deal of emotion that I write this first President's Report since being elected president of the Association. It is a privilege to serve in this capacity, but it is an humbling experience to try to fill the shoes of R. D. Morrow, Sr. who has served as president of this Association for the last quarter of a century. Mr. Morrow's accomplishments have been many, and he has given much direction to the development of the Association. I commend Mr. Morrow for the splendid leadership he has provided and will make every effort to continue the fine tradition that he has established for the presidency of this Association.

As I look back over the year 1980, I recognize immediately that it has been a year of grave change. In fact, it has been a year of transition.

This Association made the transition into the nuclear field with the purchase of a 10% undivided interest in the Grand Gulf Nuclear Plant being constructed near Port Gibson, Mississippi. This represents a new source of power for the Association and a new direction. As a result of that purchase, the Association accepted four new members and the additional load requirements for those members. This expands the power supply responsibility and creates a tremendous challenge for us.

With the addition of the new member cooperatives came the expansion of the board of directors. The total number of directors increased from 14 to 22 during the year. This expansion of our board of directors gives a broader base from which policy decisions can be made.

The board of directors lost several valuable members during the year. Mr. R. D. Morrow, Sr., who has served so willingly for so long, retired during the year. Mr. J. T. Dudley, Manager of Singing River Electric Power Association, retired during the year. Mr. Dudley led the fight for the very existence of this Association for many years and served as its first manager from 1958 to 1967. The year also took from us Mr. H. M. Little, Director from Southwest Mississippi Electric Power Association, who served for many years as a conscientious member of the board of directors. His death will not erase the many contributions that he has made to the board of directors and to South Mississippi Electric Power Association. All three of these men will be sorely missed.

The year 1980 also saw a drastic change in the mood of the American public. The election of Ronald Reagan as President of the United States strongly points out the desire of the American public for a more conservative approach to federal government. Although there are many favorable things that will come of this more conservative approach, one major obstacle has been placed before us. As I write these very words, there is danger of losing some portions of the opportunities afforded us under the Rural Electrification Act.

So that brings me to where we always seem to be. In reviewing the annual reports from 1970 through the present, there is one thing that is apparent. Each year brings its share of major problems and concerns. However, each year also seems to bring with it solutions and challenge. As we approach the new year, we do so with excitement and enthusiasm. We know that our many friends in the national congress will work with us to insure that our consumers receive the best available service at the least cost possible in today's situation. We acknowledge their contribution and the contributions of the many employees of REA, NRECA and CFC and of our friends in the state and local governments with whom we are privileged to work.

The year 1980 brought with it its share of problems. 1981 will do likewise, I am sure. However, with the fine board of directors, management, staff and employees working together, success will be ours. We will continue to provide reliable service to our members at the least possible cost.

*Warren W. Board*



## GENERAL MANAGER'S REPORT

Changes brought about by the acquisition of a ten per cent interest in the Grand Gulf Nuclear Plant during 1980 affect most all facets of the Association's organization and activities. Loan commitments more than doubled; the number of member cooperatives increased from seven to eleven; the number of consumers served by member cooperatives increased from 175,951 to 218,671; the electrical load contracted to be served directly from the Association's generating plants increased from 317 MW to 607 MW (1980 loads); the Association's responsibility for direct power supply went into 31 counties not previously supplied; delivery points to be metered by the Association increased from 69 to 133; and the board of directors increased from 14 members to 22 members.

South Mississippi Electric Power Association, with these additions, has become a major source of electric power for the citizens of Mississippi. All the generating capacity owned by the Association is now being fully utilized and attention is now being given to the development of additional generating resources.

### Load Growth

Load growth, as measured by kilowatt hour (KWH) sales to members, has been very sporadic over the last decade. Extremely hot weather during the summer months of 1980 overcame the effect of high costs and conservation efforts to result in a net load growth of 8.28 per cent for the year. This brings the compound rate of load growth from 1972 through 1980 to 6.95 per cent. Actual percentage load growth as a function of KWH sales for those years is shown below: (These figures represent growth of the member cooperatives over the load of the same cooperatives for the previous year and do not include the effect of adding new cooperative members.)

<u>Year</u>	<u>% Increase Over Previous Year</u>
1973	9.92
1974	4.76
1975	9.55
1976	7.85
1977	9.24
1978	6.59
1979	(0.19)
1980	8.28



### Cost of Power

The actual cost to the Association of producing power increased by 6.32% over 1979, but the revenue derived from the rate in effect decreased by 0.5% (this accounts for the deficit position of the Association for 1980). The tabulation of revenue actually derived, as shown below, reflects the increases in cost of power to the member systems for the last several years.

<u>Year</u>	<u>Revenue in Mills per KWH</u>	<u>% Increase Over Previous Year</u>
1973	11.61	28.3
1974	16.83	45.0
1975	20.47	21.6
1976	23.97	17.1
1977	27.29	13.9
1978	31.49	15.4
1979	37.45	18.9
1980	37.26	( 0.5)

The costs to the Association are broken down on page 22 of this report. A study of the chart on that page will reveal the areas of cost increases during the last several years.

### Construction

Construction activities took a secondary position in the work of the Association during 1980. Only three such activities are listed here as being noteworthy.

1. Modifications to the scrubbers at Plant Morrow included the installation of a chlorobutyl rubber lining in the scrubber modules and the installation of Hastelloy G steel plate in the inlet and outlet ducts of the scrubber.
2. Finishing touches were put on the coal preparation plant in Kentucky, and it was placed in operation during January, 1980.
3. Transmission line construction was very lean during the year. The only line constructed was a 4.9 mile tap to serve the Oak Grove substation of Pearl River Valley Electric Power Association.





### Grand Gulf Nuclear Plant

Mississippi Power & Light Company announced the construction of the Grand Gulf Nuclear Plant by press release on January 22, 1972. Immediately thereafter, this Association expressed an interest in purchasing a portion of that plant. Although conversations were carried on with representatives of MP&L through the years, serious negotiations actually began on September 22, 1975. These negotiations culminated in the writing and signing of six separate contracts as follows:

1. Interconnection Agreement between Mississippi Power & Light Company and South Mississippi Electric Power Association, dated July 18, 1979.
2. Coordination Agreement between Mississippi Power & Light Company and South Mississippi Electric Power Association, dated July 18, 1979.
3. Grand Gulf Nuclear Station Joint Construction, Acquisition and Ownership Agreement between Middle South Energy, Inc. and South Mississippi Electric Power Association, dated May 1, 1980.
4. Income Tax Indemnification Agreement between Middle South Energy, Inc. and South Mississippi Electric Power Association, dated May 1, 1980.
5. Grand Gulf Nuclear Station Operating Agreement between Middle South Energy, Inc. and South Mississippi Electric Power Association, dated May 1, 1980.
6. Grand Gulf Nuclear Station Substitute Power Agreement between Mississippi Power & Light Company, Middle South Energy, Inc. and South Mississippi Electric Power Association, dated May 1, 1980.

The purchase and operating agreements, the tax indemnification agreement and the substitute power agreement were approved by the Association's board of directors on April 16; a loan guarantee commitment was made by Rural Electrification Administration on October 2; and the contracts were closed and the first funds advanced toward the purchase on October 31.

These agreements provide, among other things, for:

- An interconnection to be established between SMEPA and MP&L Co., and provisions for buying and selling power between those organizations.
- A coordination committee to be established for the purpose of coordinating the planning activities of SMEPA and MP&L Co.
- The acquisition by SMEPA of a 10% undivided ownership interest in the Grand Gulf Nuclear Station. This acquisition is made through a tax partnership agreement under which SMEPA actually pays the total cost for the construction of the plant until its share of ownership equals 10% and 10% of all construction costs and expenses of operation thereafter. The Association is entitled to 10% of all power and energy produced by the plant and agrees to bear 10% of the costs and expenses.
- The purchase by SMEPA from MP&L Co. of power in the event the Grand Gulf units are not finished within certain time frames.

An additional consideration of the purchase involved the transfer of all the Electric Power Association load served by MP&L Co. to this Association. The agreement calls for the transfer to take place on the following schedule:

June 1, 1980	-	140	MW
June 1, 1981	-	100	MW
June 1, 1982	-	Balance (approximately 50 MW)	

This load assumption by the Association will have absorbed all the Association's surplus generating capacity with the June 1, 1981 transfer, and the Association will be in slight deficit position until Unit 1 of Grand Gulf comes on line, now estimated to occur in late 1982. (This deficit will be covered by short-term purchases of power from other utilities.)

#### Fuel and Power Purchases



- The Association received the first train load of washed coal from the new coal preparation plant on March 11, 1980.
- The cost of coal at the mine increased from \$24.97 per ton to \$30.49 per ton during the year.
- The unit train freight rate increased from \$11.51 per ton to \$13.28 per ton.
- Raw coal mined on the property owned by the Association in Kentucky came to 1,327,414 tons during the year.
- Banks & Associates, transportation consultants of Washington, D. C., were retained to make an in-depth study of the propriety and fairness of the unit train freight rate.
- A report, dated July 16, 1980, from Banks & Associates indicated that the freight rate being charged the Association was higher than it should be under current regulations of the Interstate Commerce Commission.
- The Staggers Rail Act of 1980, which deregulates the nation's railroads, was passed and went into effect on October 1.
- The Association carried on extended negotiations with Sandy Fork Mining Company to compensate Sandy Fork for the "rejection factor" caused by the placing in operation of the coal preparation plant. These negotiations resulted in approval by the board of directors on November 19 of \$30.00 per ton for clean coal, effective April 1, 1980. A method of escalating the allowance for the rejection factor has not been agreed upon as yet.
- The gas contract with United Gas Pipeline was amended April 15 to provide for a new (and higher) rate based upon the price of No. 6 oil.
- The first purchase of emergency energy from Big Rivers Electric Corporation in Kentucky was consummated on May 17. This resulted from months of negotiations with TVA on the part of Big Rivers and MP&L Company on the part of this Association to deliver power from Big Rivers through the systems of TVA and MP&L Company to serve this Association's load.

### Finances

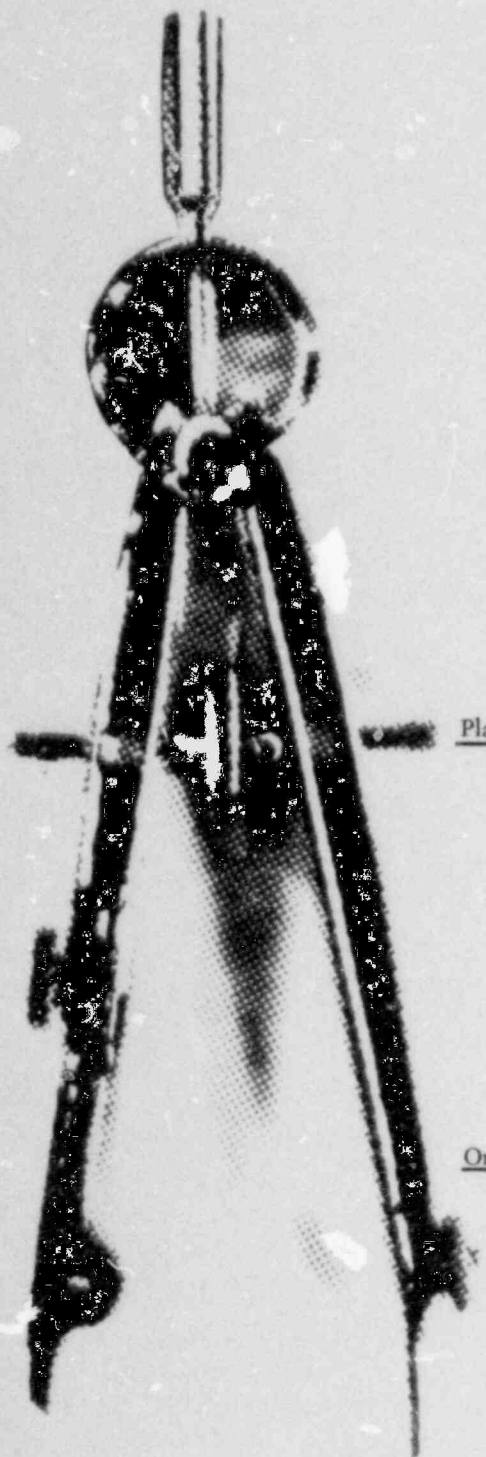
- Advances received from the Federal Financing Bank (FFB) during the year totaled \$92,605,000 at an average rate of 13.645%.
- FFB notes maturing and "rolled over" totaled \$85,104,000. The average interest rate on these notes increased from 8.476% before extensions to 11.241% after the extensions.
- Total FFB advances through 1980 amount to \$225,259,000 at an average interest rate of 11.744%. At the year's end, all these advances were either two or three year notes.
- The Association received a loan guarantee from REA in the amount of \$400,000,000 for use toward the purchase of a 10% undivided interest in the Grand Gulf Nuclear Plant. As of the end of the year, \$89,210,000 had been advanced under this loan guarantee.
- The Association continued to maintain an open line of credit with CFC and increased the amount from \$12,000,000 to \$25,000,000.
- The Association allocated capital credits for 1979 to its members in the total amount of \$3,413,822. Refund of these capital credits was not made because of the Association's failure to meet requirements of REA as prerequisites for such refunds.
- The Association applied for a loan from the New Orleans Bank for Cooperatives in the amount of \$60,000,000, but, at year's end, this loan had not been approved.

### Planning

- Dames & Moore continued work on the site selection study and the fuel study. At year's end, these studies were drawing to a close, but reports had not been received on either of them.
- A report was received from Buford Goff & Associates recommending changes in the radio communications system of the Association.
- Planning and environmental work continued during the year on the proposed interconnection with Alabama Electric Cooperative. Public hearings were held both in Alabama and Mississippi on the proposed routing of the line, and the Association submitted an environmental report to REA.

### Organization

- A staff attorney was employed for the first time during 1980.
- A second double-wide trailer, known as Annex II, was purchased and placed into position at the rear of the headquarters building.
- Wage adjustments of 3.38% and 4.0% were made in May and November respectively. (The 4.0% increase was not received by employees in the bargaining unit represented by the IBEW.)
- A new Harris general purpose computer was purchased and delivered during the year. This computer will be placed in service during 1981 and will be used for accounting, engineering, materials management, other general purpose and technical uses and as a supplement to the control computer in the control center.
- The number of the employees of the Association increased from 203 to 215 during the year.





### Safety

- . 18 reportable accidents were experienced by the Association during the year, a reduction of 57.1% from 1979.
- . The number of lost time accidents was reduced by 80% and the number of lost time days was reduced by 78.6%, both figures from 1979.
- . As of December 31, 98% of employees had completed both first aid and CPR courses taught by the Association.
- . A safety committee, representing all departments of the Association, meets on a regular basis, and makes many recommendations for improving the safety program. Awareness of safety problems and procedures is high among both management and non-management employees, and the entire organization seems to be working toward improving its safety program.

### Miscellaneous



- . The Association received certification by the Mississippi Bureau of Pollution Control as to the lawful operation of the air pollution control equipment at Plant Morrow, and permits were issued accordingly.
- . All environmental permits to operate the coal preparation plant in Kentucky were obtained, and the responsibility for operating under those permits was transferred to Sandy Fork Mining Company.
- . A lease was signed with Cabot Oil Corporation for the oil and gas rights on the property owned by the Association in Kentucky. As of year's end, this lease had not been approved by REA, but approval was being sought.
- . Approximately 124 miles of transmission line (10% of the system) was groundline inspected and treated during the year.
- . 256 miles of transmission line was inspected by walking patrol during the year.
- . 386 miles of transmission right of way were cleared during the year.
- . An appeal by the Association to the Fifth Circuit Court of Appeals on the certification of the IBEW to represent certain employees of the Association was lost during the year. As a result, a negotiating committee was established and negotiations were undertaken with Local 903 of the IBEW. Those negotiations were continuing at year's end.

In conclusion, I would like to personally thank the board of directors for its outstanding leadership during the year and to thank each employee for his or her faithfulness and dedication to the job which we share together. The dedication and loyalty of the men and women employed by the Association make possible its successful operation and the providing of dependable service to all our members at the lowest possible cost.

*George B. Taylor*



**BALANCE SHEET**

<b>Assets (Note 2)</b>	<b>December 31, 1979 and 1980</b>	<b>1979</b>	<b>1980</b>
<b>Utility Plant (Notes 1 and 3)</b>			
Electric Plant in Service - at cost		\$261,320,835	\$283,748,343
Construction Work in Progress		16,928,498	91,237,467
		<hr/>	<hr/>
Total Utility Plant		\$278,249,333	\$374,985,810
Less: Accumulated Provision for Depreciation		21,305,619	29,447,020
		<hr/>	<hr/>
Net Utility Plant		<u>\$256,943,714</u>	<u>\$345,538,790</u>
<b>Other Property and Investments</b>			
Investments in Associated Organizations (Note 11)		\$ 4,374,040	\$ 4,992,701
Other Investments, including Temporary Investments		1,212,500	862,600
Special Deposits (Note 4)		391,189	417,800
		<hr/>	<hr/>
		<u>\$ 5,977,729</u>	<u>\$ 6,273,101</u>
<b>Current Assets</b>			
Cash - General Funds		\$ 388,269	\$ 103,890
Cash - REA/FFB Loan Funds		141,442	9,942
Deposits - Pollution Control			
Bond Proceeds (Note 5)		2,106,412	2,257,763
Accounts Receivable - Member Consumers		8,136,953	11,792,364
Accounts Receivable - Other (Note 15)		707,423	122,849
Fuel Stock, Materials and Supplies (Note 1)		12,276,079	16,431,247
Other Current and Accrued Assets		470,442	527,523
		<hr/>	<hr/>
		<u>\$ 24,227,020</u>	<u>\$ 31,245,578</u>
<b>Deferred Charges (Notes 8 and 10)</b>		<u>\$ 3,571,470</u>	<u>\$ 5,016,192</u>
		<u>\$290,719,933</u>	<u>\$388,073,661</u>

## Liabilities and Other Credits (Notes 8, 9 and 11)

## Equities and Margins (Notes 6 and 7)

Memberships	\$ 35	\$ 55
Patronage Capital	3,413,822	51,543
Other Equities	535,436	\$ 535,436
	<u>\$ 3,949,293</u>	<u>\$ 587,034</u>

## Long-Term Debt (Notes 1 and 8)

REA Mortgage Notes	\$ 63,824,394	\$ 63,902,382
Other Long Term Debt	<u>209,706,132</u>	<u>303,756,927</u>
	<u>\$273,530,526</u>	<u>\$367,659,309</u>

## Current and Accrued Liabilities (Note 1)

Notes Payable - Lines of Credit (Note 9)	\$ 59,237	\$ 2,900,000
Accounts Payable - General	6,754,492	10,267,783
Accounts Payable - Retainage	5,379,923	4,781,886
Accrued Taxes	63,965	85,406
Accrued Interest	630,125	1,377,963
Other Current and Accrued Liabilities	170,293	237,386

## Deferred Credits (Note 10)

	<u>\$ 13,058,037</u>	<u>\$ 19,650,424</u>
	<u>\$ 182,077</u>	<u>\$ 176,894</u>
	<u>\$290,719,933</u>	<u>\$388,073,661</u>

The accompanying notes are an integral part of this statement.

# REVENUE & PATRONAGE CAPITAL

For the Year Ended December 31	1979	1980
<b>Operating Revenue and Patronage Capital</b>		
Electric Energy Revenues (Note 14)	\$95,938,935	\$108,389,316
Income from Leased Property - Net	1,111,895	1,010,451
	<u>\$97,050,830</u>	<u>\$109,399,767</u>
<b>Operating Deductions</b>		
Operating Expense (Notes 1 and 15)		
Production - Steam	\$28,232,809	\$ 41,660,211
Other Power Generation	327,956	123,062
Cost of Purchased Power	37,582,696	37,511,186
Transmission	451,314	1,438,895
Consumer Accounts	13,160	19,932
Administrative and General	<u>1,611,816</u>	<u>1,846,457</u>
Operation Expense Total	<u>\$68,219,751</u>	<u>\$ 82,599,743</u>
Maintenance Expense		
Production	\$ 1,138,781	\$ 1,571,563
Transmission	616,613	922,129
General Plant	<u>59,705</u>	<u>100,987</u>
Maintenance Expense Total	<u>\$ 1,815,099</u>	<u>\$ 2,594,679</u>
Depreciation Expense (Note 3)	<u>\$ 7,225,336</u>	<u>\$ 7,362,869</u>
Tax Expense	<u>\$ 219,556</u>	<u>\$ 233,915</u>
Total Operating Deductions	<u>\$77,479,742</u>	<u>\$ 92,791,206</u>
Interest Expense	17,617,744	22,335,810
Interest Charged to Construction - Credit (Note 1)	<u>(1,122,650)</u>	<u>(1,677,085)</u>
	<u>\$93,974,836</u>	<u>\$113,449,951</u>
Net Operating Margins (Loss)	\$ 3,075,994	\$ (4,050,164)
Non Operating Margins	<u>337,828</u>	<u>687,885</u>
Net Patronage Capital or Margins (Notes 1 and 6)	<u>\$ 3,413,822</u>	<u>\$ (3,362,279)</u>

The accompanying notes are an integral part of this statement.

### CHANGES IN FINANCIAL POSITION

For the Year Ended December 31	1979	1980
<b>Funds Were Provided By</b>		
Net Margins (Loss)	\$ 3,413,822	\$ ( 3,362,279)
Add: Expenses not Requiring an Outlay Of Working Capital in Current Period:		
Depreciation, Depletion and Amortization	7,545,871	8,103,414
Additions To Insurance Loss Deductible Reserve, \$60,000, less Losses Charged Thereto (Net)	59,489	( 5,183)
NRUCFC and Other Capital Credits (Non Cash)	(6,584)	( 1,449)
Increase in Long Term Debt - REA Advances	431,000	1,762,000
Increase in Long Term Debt - REA - Other (Note 8)	167,866	-0-
Increase in Long Term Debt - Other Advances - FFB	16,716,000	92,605,000
Gross Proceeds from Pollution Control Revenue Bond Issues	-0-	2,455,000
Increase in Long Term Debt - Other - Sandy Fork Train Loading Facility, Kentucky	-0-	267,000
Salvage Credits, Less Retirement Costs	7,621	139,295
Increase in Membership Fees	5	20
Decrease in Deferred Credits	(1,083)	-0-
Decrease in Special Deposits - Kentucky Utilities (Note 4)	38,855	74,449
	<u>\$28,372,862</u>	<u>\$102,037,267</u>
<b>Funds Were Used For</b>		
Extension and Replacement of Plant Transmission Facilities Acquired from Distribution Cooperative (Note 8)	\$10,314,595	\$ 96,837,785
Payments on Long Term Debt - REA	167,866	-0-
Payments on Long Term Debt - REA - Other	1,534,728	1,666,719
Payments on Long Term Debt - Other	14,144	17,293
Payment of Capital Credits	577,567	1,276,205
Payment of Capital Credits	2,439,937	-0-
Increase in Investments - Associated Organizations	474,525	617,212
Increase in Other Investments (Decrease)	912,167	( 349,900)
Increase in Special Deposits - Other	4,513	101,060
Increase in Deferred Charges	60,354	1,444,722
Increase in Working Capital	11,872,466	426,171
	<u>\$28,372,862</u>	<u>\$102,037,267</u>

The accompanying notes are an integral part of this statement



Net Changes in Working Capital	1979	1980
Increase (Decrease) in Current Assets		
Cash - General Funds and Loan Funds	\$ 313,653	\$ ( 415,879)
Unadvanced Funds - Pollution Control		
Revenue Bond Proceeds	( 1,839,936)	151,351
Accounts Receivable - Consumers	2,524,056	3,655,411
Accounts Receivable - Other	375,402	( 584,574)
Material, Supplies and Fuel Oil	7,524,040	4,155,168
Prepayments and Other Currents Assets	( 88,912)	57,081
	<u>\$ 8,808,303</u>	<u>\$ 7,018,558</u>
Increase (Decrease) in Current Liabilities		
Notes Payable - CFC	\$ 2,805,761	\$ 2,840,761
Accounts Payable - General and Retainage	( 266,767)	2,915,254
Accrued Taxes	( 6,130)	21,441
Accrued Interest	(52,370)	747,838
Other Current and Accrued Liabilities	66,865	67,093
	<u>\$ 3,064,163</u>	<u>\$ 6,592,387</u>
Net Increase in Working Capital	<u>\$11,872,466</u>	<u>\$ 426,171</u>

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

## 1) Summary of More Significant Accounting Policies

- (a) The accounting records of South Mississippi Electric Power Association (SMEPA, South Mississippi or Association) conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Electrification Administration.
- (b) Perpetual inventory records are maintained for materials and supplies. The various inventory items, including fuel supplies are priced at average cost. Transfers of materials and supplies to construction and operating costs are recorded monthly.
- (c) The portion of long term debt due in one year is not reflected as a current liability in the balance sheet.

Of total long term debt of \$367,659,309 shown as outstanding at December 31, 1980, following are principal amounts budgeted to be paid as principal reductions during the calendar year ending December 31, 1981:

Pay at Expense	Principal Due Within Year
Rural Electrification Administration	\$1,740,265
Pollution Control Bonds, 1977-1978 A and 1978 A-1	730,000
Associated Organizations Members	44,000
Kentucky Coal Lands	214,200
Kentucky Coal Loading Facilities	118,000
Total	\$3,046,465

- (d) A portion of interest on borrowed funds for construction, less income from invested construction funds, is capitalized as a component of the cost of construction of utility plant until such construction is placed in service and is reflected as a reduction of interest expense. Rates used for capitalization are equivalent to actual rates paid. If SMEPA had not capitalized such interest, net patronage capital or margins would have been reduced by \$1,122,650 and \$1,677,085 for the years 1979 and 1980, respectively.
- (e) Revenue from energy sold to Mississippi Power Company and Mississippi Power and Light Company is offset in the accounts against cost of energy purchased from outside suppliers.

## (2) Assets Pledged

Substantially all assets are pledged as security for long term debt.

## (3) Electric Plant, Depreciation and Depletion Procedures

Following are the major classes of utility plant as of December 31, 1979 and 1980:

	1979	1980
Franchise and Consents (a)	\$ 459,285	\$ 459,285
Electric Plant Purchased - Transmission	575,514	577,735
Electric Plant Leased to Others	7,121,397	7,200,968
Land and Land Rights	6,997,353	6,997,353
Generation Plants	32,003,216	32,374,970
Transmission System	37,228,899	38,368,743
General Plant	3,501,735	3,889,623
	\$ 87,889,499	\$ 90,108,677
Completed Construction - Not Classified	173,431,336	193,576,666
Electric Plant in Service	\$261,320,835	\$283,748,343
Construction Work in Progress (b)	5,528,498	51,237,467
	\$266,849,333	\$334,985,810

- (a) Consists, primarily, of pre-operating expense allocated to this account in 1972.
- (b) Includes \$631,238 at December 31, 1979 associated with construction of R. D. Morrow, Sr. Generating Plant at Purvis.
- (c) SMEPA and Middle South Energy, Inc. (MSE), a subsidiary of Mid-South Utilities entered into a joint construction, acquisition and ownership agreement on or about May 1, 1980, whereby SMEPA and MSE agreed to construct the Grand Gulf Nuclear Station (GGNS) in Claiborne County, Mississippi. When complete, SMEPA will own an undivided 10% interest in GGNS. MSE's undivided interest upon completion will be 90%.

GGNS includes all land and rights, units numbers 1 and 2 and all reactors, generators including buildings housing said equipment, inventories of materials, supplies, fuel, nuclear fuel and any and all other property for use in connection therewith including additional land, facilities and other properties as may be acquired, constructed, replaced and installed provided such facilities are for the common use of MSE and SMEPA. At December 31, 1980 SMEPA's accumulated costs in such property shown here as "Construction Work in Progress" totalled \$89,193,667. Anticipated total construction costs by SMEPA are estimated to be approximately \$400,000,000 upon completion.

Depreciation is computed monthly on straight line composite rates for GT Plant accounts as follows:

	Annual Rate
Transmission Lines	2.75%
Transmission Stations	2.75%
Steam Plants	3.10%
Gas Turbines and Other Production Equipment	3.00%

No depreciation has been taken in the current or prior years on Land and Land Rights.

General Plant assets are also depreciated monthly, on yearly straight line composite rates as follows:

Structures and Improvements	4.00%
Office Furniture, Fixtures and Equipment	6.25% - 8.00%
Transportation Equipment	10.00% - 25.00%
Lab. Equipment, Tools, Shop and Work Equipment	8.00%
Communications Equipment, Stores Equipment	6.00%
General Plant Equipment	10.00%
Power Operated Equipment	12.00%

Depletion of cost of Kentucky coal reserves is computed on a "tonnage sold" basis calculated to fully amortize such costs when estimated coal reserves have been recovered. This property is presently leased to an independent coal producing company for a royalty based on selling price per ton.

## (4) Special Deposit

SMEPA advanced to Kentucky Utilities Company \$372,243 in 1979 to cover the estimated cost to Kentucky Utilities of constructing facilities necessary to supply electric service to SMEPA's coal preparation facility in Kentucky. Kentucky Utilities is applying this deposit toward electrical services furnished SMEPA at the rate of 20% of its electrical bill per year effective January 1, 1980. Electric energy furnished SMEPA is being billed at Kentucky Utilities' regular rate for like consumers except that total charges per calendar year may not be less than \$163,500. The maximum period for which SMEPA receives credits against this deposit for energy used is five (5) years, after which time any remaining unused deposit will be forfeited. Kentucky Utilities applied \$35,620 toward electrical service billed while SMEPA expensed \$74,449 (20% of deposit) in 1980.

### (5) Deposits - Pollution Control Bond Proceeds

This account includes the unadvanced portion of proceeds and accrued interest from Pollution Control Revenue Bond issues guaranteed by National Rural Utilities Cooperative Finance Corporation (CFC) in 1977, 1978 and 1980. These funds are on deposit in various trust accounts of Morgan Guaranty Trust Company of New York and Deposit Guaranty National Bank (Mississippi), invested in short term CD's bearing interest at rates ranging up to 18.25% at December 31, 1980. Advances are requisitioned from these funds as required.

### (6) Detail of Net Patronage Capital Or Margins

	1979	1980
Net Patronage Capital Beginning of Year	\$2,439,937	\$3,413,822
Less: Margins Retained This Year by Cash Payments to Members	<u>2,439,937</u>	<u>0</u>
	\$0	\$1,413,822
Net Margins (Loss) - Current Year	<u>1,413,822</u>	<u>1,361,770</u>
Net Patronage Capital End of Year	<u>\$3,413,822</u>	<u>\$4,775,592</u>

Margins assigned to members for all years through December 31, 1978 were retired by cash payment in 1979. Margins for year 1979 were assigned to members during 1980.

### (7) Other Equities

The balance in this account at the dates indicated represents contributions made by present and former patrons during pre-operating years and is carried in the general ledger as Donated Capital.

### (8) Long Term Debt

#### Rural Electrification Administration (REA)

Unadvanced funds on notes executed to REA not reflected in long term debt totalled \$5,410,000 at December 31, 1980. Long term debt to REA is represented by 2% and 5% mortgage notes payable to the United States of America. The notes are for periods of 35 years each.

Under the provisions of the loan agreements, principal payments are deferred for three (3) or five (5) years from the date of execution of the notes.

Principal repaid during the year totalled \$1,584,912 and interest on these obligations amounted to \$1,836,167. It is estimated that payments of principal of \$1,740,265 will be made to REA in 1981 together with interest totalling approximately \$1,953,976.

#### Rural Electrification Administration - Other - Electric Plant Purchased

During years prior to 1980, SMEPA agreed to purchase, subject to REA approval, certain transmission facilities of Singing River (SREPA) and Southern Pine (SPEPA) electric power associations. Entries were made in the accounts of SMEPA setting up these assets at SREPA's and SPEPA's net book values at the acquisition dates. Balances owed on these notes at December 31, 1980 totalled \$508,271 and is included in the balance sheet as Long Term Debt-REA Mortgage Notes. Neither transaction had been finalized with approval by REA at the audit report date.

#### Federal Financing Bank (FFB)

Not reflected in other long term debt is unadvanced portion (\$354,554,000) of notes executed since 1974 to FFB. The proceeds from FFB were or are being used for completion of R. D. Morrow, Sr. Generating Plant at Purvis, Mississippi and payment of retainages associated therewith, purchase of railroad cars used to transport coal from its Kentucky properties to its Purvis Plant, to finance the cost of coal preparation facilities constructed on its land in Kentucky and to finance the construction of an undivided 10% interest in Grand Gulf Nuclear Station in Claiborne County, Mississippi (See Note 3(c)). These notes are for periods of approximately 35 years each and principal payments are deferred for seven (7) years from the date funds are advanced under the notes executed.

#### CFC Pollution Control Bond Issue

This account represents principal balance due on bond issues of CFC Guaranteed Pollution Control Revenue Bonds, Series 1977, 1978 A, 1978 A-1 and 1980 C issued by Lamar County, Mississippi totalling \$46,280,000. Series 1980 C is referred to as "Interim Series 1980 C", a short term issue of \$2,455,000 maturing in two (2) years, payable to CFC. Funds are being used for lining pollution control equipment (scrubber) with hastelloy metal and rubber. Interest is equal to 65% of prime, is adjusted monthly and billed quarterly. Accrued interest at December 31, 1980 was computed at December 31, 1980 was computed at 11.54% (65% of prime of 17.75%). SMEPA is required to pay all principal and interest installments on these obligations as they become due and CFC has unconditionally guaranteed these payments both as to principal and interest. SMEPA's obligation to make such payments is evidenced by Pollution Control Notes issued to CFC and secured by Supplemental Mortgage and Security agreements among SMEPA, CFC and the

United States of America acting through the Administrator of REA. These mortgages will also secure other debt of SMEPA to REA, and, in certain cases, to CFC. Interest is due semi-annually (except as noted above regarding Series 1980 C funds) on each of the bond issues. Interest and principal will be tendered to CFC for transmittal to the trustees for the bondholders, Morgan Guaranty Trust Company and Deposit Guaranty National Bank.

The serial bonds associated with these issues began maturing semi-annually in 1980. Principal payments in 1980 were \$650,000 (1977 Series), \$40,000 (1978 A Series) and \$10,000 (1978 A-1 Series). Term bonds of all issues mature in the years 2007 (\$21,720,000) and 2008 (\$1,000,000). Mandatory semi-annual sinking fund payments required in connection with term bond maturities begin in 1998. None of the bonds of any series represent a general obligation of the issuer, Lamar County, Mississippi, nor of the State of Mississippi, nor are they a charge against the credit or taxing power of such County or State. (See also 1977 and 1978 audit reports for additional specific information).

Counsel for the cooperative advises that all financing documents, in addition to those named above, relative to all bond issues including certain guaranty, assignment and agency agreements between CFC and the trustees have been properly executed.

#### Kentucky Coal Property (1974 Purchase)

Other long term debt also includes 7% notes totalling \$643,426 at December 31, 1980 payable in connection with Kentucky coal properties purchased in 1974. These notes are payable over a ten (10) year period from 1974 and are secured by mortgages on real property purchased.

#### Other

Also reflected as long-term debt at December 31, 1980 are notes with balances due totalling \$303,625 to member cooperatives under provisions of power equalization or supply agreements for construction of transmission facilities leased to Mississippi Power and Light Company, an amount SMEPA agreed to pay Breeder Reactor Corporation (BREEDER) for its pro-rata portion of estimated cost of research to develop a liquid metal fast breeder reactor to produce electric energy (\$140,261) and a contractual agreement (an amendment to Coal Supply Agreement between SMEPA and its coal producer) to pay a fee for loading its (SMEPA's) coal for shipment to SMEPA, of \$26,502 per month for seven (7) years (totalling \$1,803,614).



at December 31, 1980, the contract balance of which is in Deferred Charges). During December 1980 SMEPA determined that approximately \$267,000 additional cost had been incurred over the original estimate and have accordingly added such amount to the debt to be amortized beginning sometime in 1981.

Regarding BREEDER referred to above, in 1977 BREEDER suspended requirements that yearly payments of participants in this program be made when the United States of America curtailed its financial participation in this program. Charges against income of \$23,376 in each of the years 1978 through 1980 (and concurrent credits to Deferred Charges) were recorded although no payments were made to BREEDER. Future payments to BREEDER will be dependent upon the government's essential involvement in the program. If and when the project goes forward (the GAO issued a report in 1980 supporting continuation of the Clinch River Project) the currently deferred installments will be called for as well as other installments as they become due.

#### 9) Notes Payable - Lines of Credit

SMEPA had an established short term line of credit of \$25,000,000 with CFC which matures November 20, 1981. Interest rate is prime which at December 31, 1980 was 17 3/4%. SMEPA had drawn \$2,900,000 against this line of credit at December 31, 1980. SMEPA also has a commitment for credit with Deposit Guaranty National Bank (DGNB) up to \$3,000,000 to cover temporary working capital needs, each advance payable within four (4) days from date of advance, at DGNB's prime rate. This commitment is supported by a conditional stop order of \$3,000,000 against the above referred to credit line with CFC and matures August 12, 1981. No advances against this line were payable at December 31st.

#### (10) Deferred Credits

The balance in this account represents royalties on deposit (\$42,977) in an escrow bank account received from sale of coal on certain land, title to which is in dispute (the bank account balance is included in deferred charges) and an insurance reserve totalling \$131,806 at December 31, 1980. This insurance reserve is being increased at the rate of \$60,000 per year until such reserve reaches approximately \$300,000. It was established primarily to compensate for the large insurance loss deductibles on gen-

eration plant coverages. This reserve was established in accordance with generally accepted industry accounting practices. Charges to income (and credits to the reserve) of \$60,000 were made while \$65,182, representing losses, were charged to the reserve in 1980.

#### (11) Contingent Liabilities

The Association entered into a binding agreement to subscribe to CFC unsecured subordinated CTC's commencing in 1973 through 1983. Purchases are made annually in amounts approximating 0.7% of operating revenues. The balance of the subscription obligation at December 31, 1980 is established at \$3,900,000.

After reviewing correspondence regarding asserted claims and pending litigation in which the cooperative is a defendant and discussing all such claims and litigation with General Counsel and management of the Association, we concur in the opinions of counsel and management that the outcome of such actions currently pending will not have a material adverse effect on the operation of the Association.

#### (12) Restatement of 1979 Financial Statements

In some cases the 1979 financial statements as shown in the 1979 audit report may have been restated in the enclosed report due to reclassification of certain accounts on the general books of account in 1979 and/or for comparative purposes of 1979 with 1980.

#### (14) Sales to Major Customers (Member Consumers)

SMEPA is an electric energy generation and transmission (GT) association and as such, normally sells its energy to relatively few member consumers. Sales comprising more than 10% of total revenue to single consumers were made during 1979 and 1980 to five (5) member consumers ranging in amounts from \$23.6 million down to \$10.4 million in 1979 and from \$25.3 million to \$11.4 million in 1980.

#### (15) Refund Receivable - Mississippi Power Company

In February 1981, the Mississippi Public Service Commission approved a settlement of litigation involving damages awarded Mississippi Power Company (MPCO) from Peabody Coal Company (Peabody) by the U. S. District Court and the American Arbitration Association related to coal purchases by MPCO from Peabody during the years 1975 through 1980. MPCO proposes to pass on such damages, less litigation expenses plus accrued interest, to its customers which include SMEPA and certain of its (SMEPA's) member cooperatives who are parties to SMEPA's "Agreement for Equalization of Power Costs."

SMEPA expects to receive, directly and indirectly through its members, approximately \$4.5 million as a result of this settlement, which amount was recorded in the general books of accounts in March 1981 (after we completed our audit field work) as a receivable from MPCO with an offsetting credit to deferred credits. This credit will be properly disposed of as a credit to prior years margins or amortized and credited against future years operating expense as soon as additional and more precise information can be obtained and discussed with management and REA.

#### Other Notes

Income Tax Status - More than 85% of the Association's income is collected from its members. Exemption from federal income tax has been obtained and Internal Revenue Forms 990 have been timely filed.

HORACE A. BRADLEY  
CERTIFIED PUBLIC ACCOUNTANT

Board of Directors  
South Mississippi Electric Power Association  
Highway 49-North  
Hattiesburg, Mississippi 39401

Gentlemen:

We have examined the balance sheet of South Mississippi Electric Power Association as of December 31, 1980, and the related statements of revenue and patronage capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the financial statements referred to above present fairly the financial position of South Mississippi Electric Power Association as of December 31, 1980, and the results of its operations and changes in financial position for the calendar year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

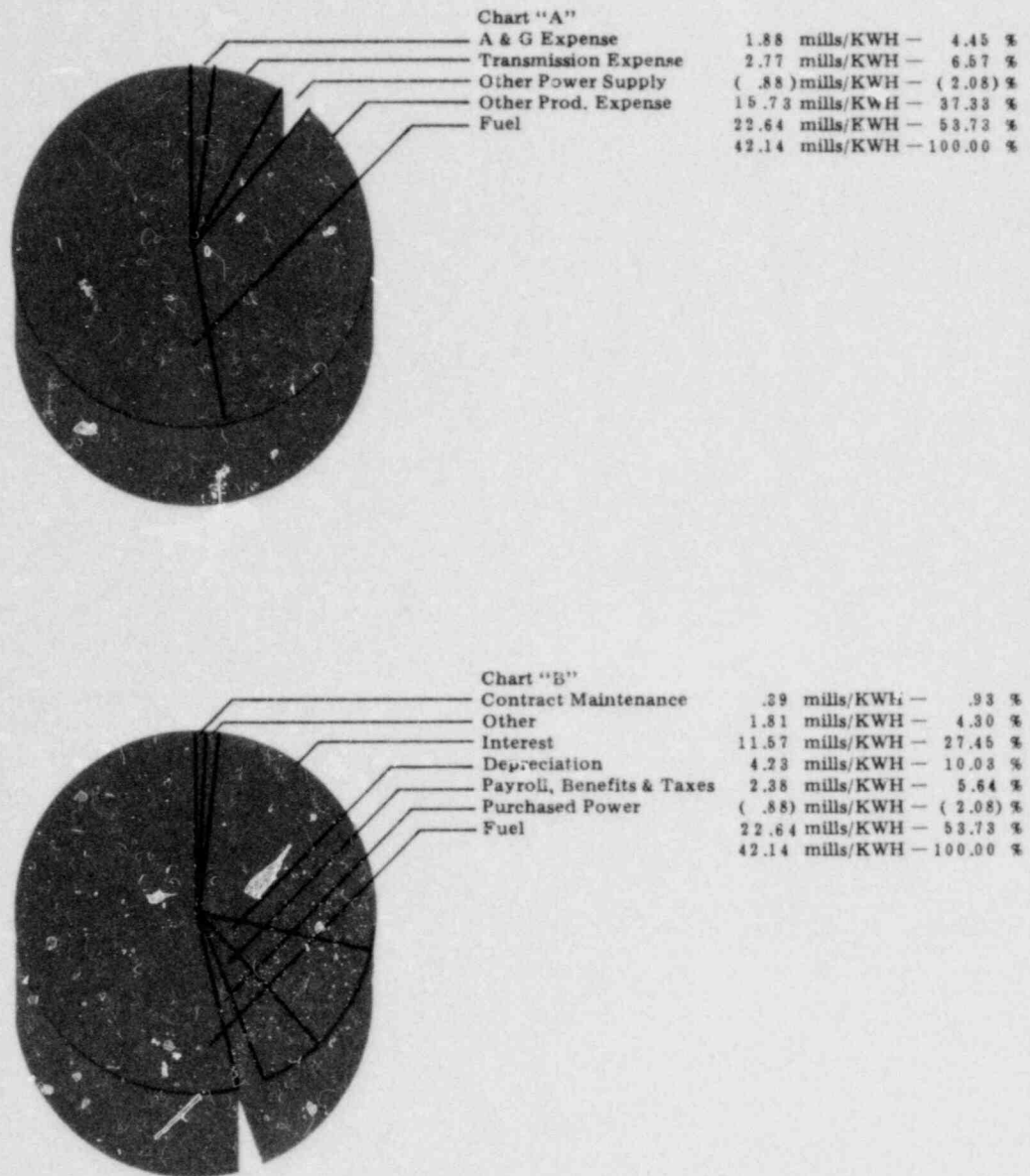
Yours very truly,

*Horace A. Bradley*  
Horace A. Bradley  
Certified Public Accountant

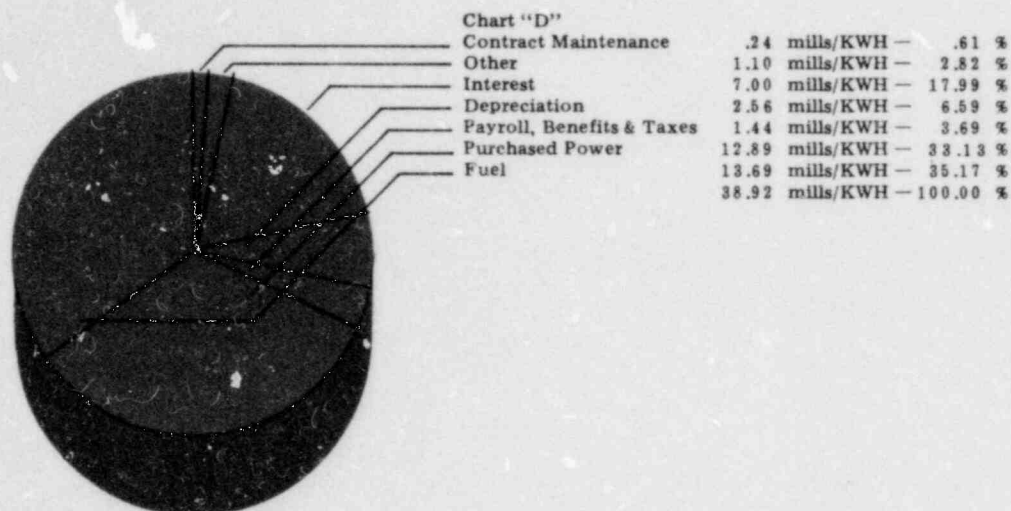
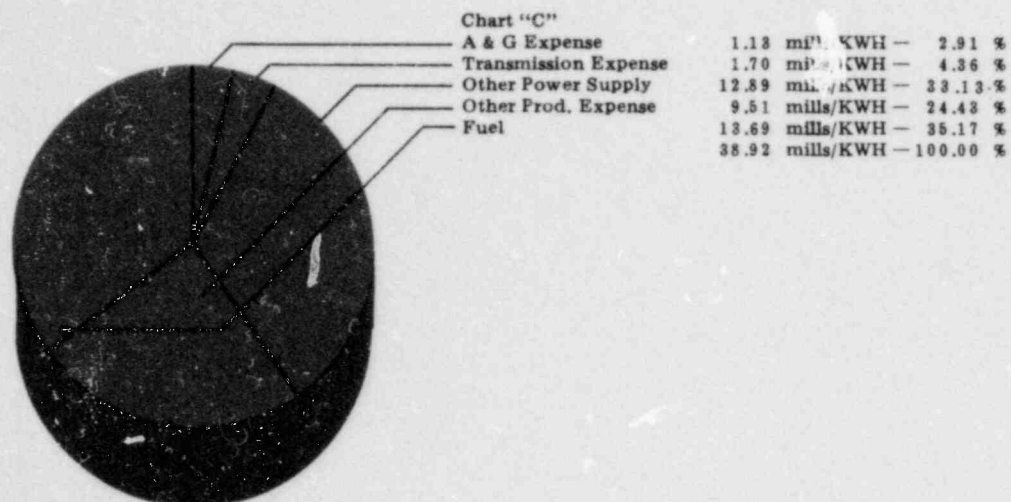
Prepared: March 31, 1981  
Lucedale, Mississippi  
HAB:rmh



# 1980 OPERATING EXPENSES



These two pie charts show the actual 1980 expenses of the generation and transmission system operated by SMEPA (without the "Borderline" Transactions). Chart A shows these expenses broken down by major accounting categories. Chart B shows the same expenses broken down differently in order to clearly show the types of expenses.



These two pie charts show the actual 1980 expenses of the generation and transmission system operated by SMEPA (including the "Borderline" Transactions). Chart C shows these expenses broken down by major accounting categories. Chart D shows the same expenses broken down differently in order to clearly show the types of expenses.

# ELEMENTS OF COST

I. SMEPA's Own Generation & Transmission System	1975	1976	1977	1978	1979	1980
Cost of Fuel Burned in SMEPA's Plants - /MMBTU	131.15	160.32	177.02	175.30	181.87	196.71
Production Costs and Purchased Power/Interchanged Power-mills/KWH	16.60	20.29	22.47	22.15	21.54	23.78
Transmission O&M-mills/KWH	.48	.49	.74	.89	.87	1.34
A & G Expenses-mills/KWH	.59	.61	.75	1.00	1.37	1.11
Depreciation & Amort.-mills/KWH	1.37	1.40	1.41	3.40	5.86	4.18
Interest - mills/KWH	1.12	1.25	1.08	5.57	13.10	11.57
Taxes and Others - mills/KWH	.11	.09	.35	.27	.25	.16
	<u>20.27</u>	<u>24.13</u>	<u>26.75</u>	<u>33.28</u>	<u>42.99</u>	<u>42.14</u>
II. Borderline System	1975	1976	1977	1978	1979	1980
Purchased Power/Interchanged Power - mills/KWH	20.55	23.39	27.39	28.09	30.61	33.94
Transmission O & M - mills/KWH	.01	.01	.02	.03	-	-
Depreciation & Amort. - mills/KWH	.04	.04	.05	.05	.04	.02
Interest - mills/KWH	.03	.03	.06	.06	.05	.03
TOTAL - mills/KWH	<u>20.63</u>	<u>23.47</u>	<u>27.52</u>	<u>28.23</u>	<u>30.70</u>	<u>33.99</u>
III. Total System	1975	1976	1977	1978	1979	1980
Production Costs and Purchased Power/Interchanged Power-mills/KWH	18.35	21.67	24.68	24.82	26.26	27.80
Transmission O & M - mills/KWH	.27	.27	.41	.50	.42	.81
A & G Expenses - mills/KWH	.33	.34	.41	.55	.66	.68
Depreciation and Amortization - mills/KWH	.78	.80	.79	1.89	2.83	2.53
Interest - mills/KWH	.64	.71	.62	3.10	6.30	7.00
Taxes and Other - mills/KWH	.06	.05	.19	.15	.12	.10
TOTAL-mills/KWH	<u>20.43</u>	<u>23.84</u>	<u>27.10</u>	<u>31.01</u>	<u>36.59</u>	<u>38.92</u>

## COMPARATIVE SUMMARY

## ENERGY SOURCES - MWH

	1975	1976	1977	1978	1979	1980
Generated:						
Steam	514,545	479,771	779,572	1,228,110	1,282,352	1,837,173
Other Generation	6,501	5,846	20,117	23,930	7,975	1,794
	<u>521,046</u>	<u>485,617</u>	<u>799,689</u>	<u>1,252,040</u>	<u>1,290,327</u>	<u>1,838,967</u>
Purchased:						
Firm, Protective & Unintentional	508,090	619,932	395,125	74,270A	78,150	83,801
Borderline	793,124	860,756	960,978	43,927A	75,416	86,642
	<u>1,301,214</u>	<u>1,480,688</u>	<u>1,356,103</u>	<u>118,197</u>	<u>153,566</u>	<u>170,443</u>
Interchanged Power	—	—	—	924,939A	1,156,683	964,703
Total	<u>1,822,260</u>	<u>1,966,305</u>	<u>2,155,792</u>	<u>2,295,176</u>	<u>2,600,576</u>	<u>2,974,113</u>

## SALES - MWH

Southwest Mississippi EPA	165,478	185,646	241,433	254,388	254,046	266,854
Dixie EPA	236,925	254,539	283,556	325,892	316,449	335,904
Pearl River Valley EPA	216,602	229,617	244,581	266,292	280,759	308,089
Singing River EPA	466,085	501,061	545,442	562,480	543,743	594,207
Southern Pine EPA	536,285	587,605	611,838	642,224	634,255	678,457
Magnolia EPA	165,431	177,535	178,268	192,592	197,845	219,749
Coast EPA	—	—	—	—	334,848	406,035
Yazoo Valley EPA	—	—	—	—	—	68,553
Coahoma EPA	—	—	—	—	—	5,258
Delta EPA	—	—	—	—	—	18,255
Twin County EPA	—	—	—	—	—	7,781
Mississippi Power Company	235	175	8,372	—	—	—
Total	<u>1,787,041</u>	<u>1,927,178</u>	<u>2,113,490</u>	<u>2,243,868</u>	<u>2,561,945</u>	<u>2,909,142</u>

## TOTAL SYSTEM DEMAND-KW

	417,139	445,817	473,251	520,432	619,162	742,680
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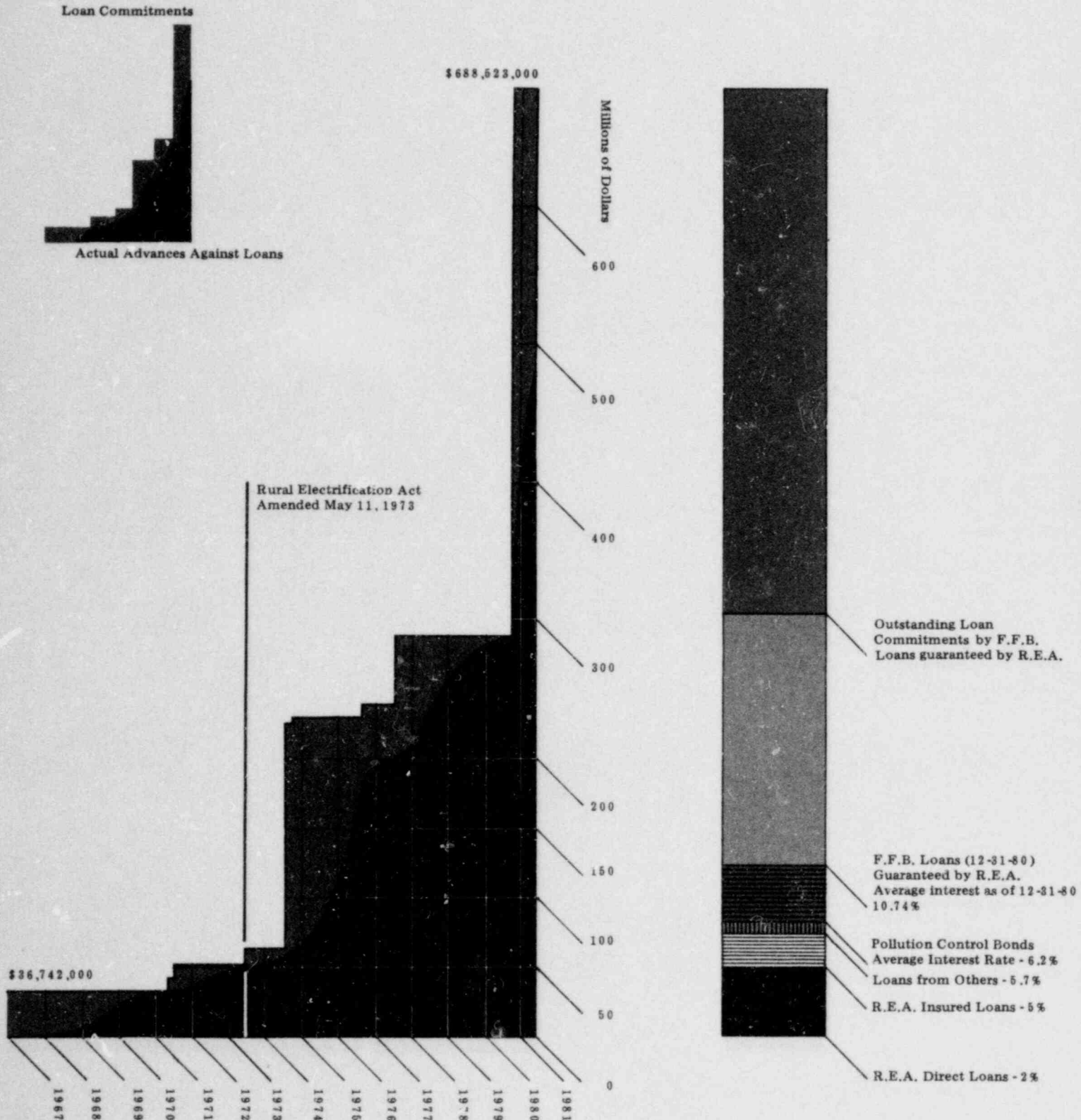
(A) Accounting Method changed in 1978.



## COMPARATIVE OPERATING REPORT

REVENUE	1975	1976	1977	1978	1979	1980
Sales of Energy	\$36,581,399	\$46,195,188	\$57,399,015	\$70,655,998	\$95,938,935	\$108,389,311
Other	140,631	172,778	272,888	289,147	1,111,895	1,010,451
Total Revenue	<u>36,722,030</u>	<u>46,367,966</u>	<u>57,671,903</u>	<u>70,945,145</u>	<u>97,050,830</u>	<u>109,399,762</u>
EXPENSE						
Operation Expense:						
Production-Fuel Cost	8,370,788	9,571,057	16,770,261	26,160,937	26,973,759	39,810,419
Other Production Expenses	411,795	452,645	458,811	1,201,621	1,587,006	1,972,854
Purchased Power	23,806,259	31,492,395	34,429,746	27,721,339	37,582,696	37,511,186
Transmission	172,436	207,643	382,677	487,997	451,314	1,438,895
Consumer Accounts	10,243	9,504	12,342	10,679	13,160	19,932
Administrative & General	557,429	611,472	818,011	1,175,735	1,611,816	1,846,457
Total Operation Expense	<u>33,328,950</u>	<u>42,344,716</u>	<u>52,871,848</u>	<u>56,758,308</u>	<u>68,219,751</u>	<u>82,599,743</u>
Maintenance Expense:						
Production	208,428	192,450	494,113	604,850	1,138,781	1,571,563
Transmission	335,783	342,217	488,335	637,655	616,613	922,129
General Plant	<u>13,901</u>	<u>26,619</u>	<u>37,110</u>	<u>43,792</u>	<u>59,705</u>	<u>100,987</u>
Total Maintenance Expense	<u>558,112</u>	<u>561,286</u>	<u>1,019,558</u>	<u>1,286,297</u>	<u>1,815,099</u>	<u>2,594,679</u>
Depreciation	1,371,296	1,504,568	1,648,309	4,224,653	7,225,336	7,362,869
Taxes	64,433	71,493	96,883	161,134	219,556	233,915
Interest Expense (Net)	<u>1,495,090</u>	<u>1,676,134</u>	<u>1,895,200</u>	<u>7,362,657</u>	<u>16,495,094</u>	<u>20,658,725</u>
Total Expense	36,817,881	46,158,197	57,531,798	69,793,049	93,974,836	113,449,931
NET OPERATING MARGINS	(95,851)	209,769	140,105	1,152,096	3,075,994	(4,050,164)
NON-OPERATING MARGINS	<u>53,961</u>	<u>52,795</u>	<u>82,130</u>	<u>138,308</u>	<u>337,828</u>	<u>687,885</u>
NET MARGINS (Loss)	\$ <u>(41,890)</u>	\$ <u>262,564</u>	\$ <u>222,235</u>	\$ <u>1,290,404</u>	\$ <u>3,413,822</u>	\$ <u>(3,362,279)</u>

# LOAN COMMITMENT SOURCES



MANAGER  
PRODUCTION

PRODUCTION  
DEPARTMENT  
122 employees

1 Manager  
1 Dir. of Fuel's  
35 Plant Moselle  
85 Plant Morrow

MANAGER OF  
TRANSMISSION

TRANSMISSION  
DEPARTMENT  
48 employees

1 Manager  
6 Control Center  
1 R/W Maintenance  
3 Vehicle Main.  
2 Buildings & Grounds  
15 Line Section  
20 Electronics &  
Substations

MANAGER OF  
FINANCE & ACCTNG.

FINANCE & ACCTNG.  
DEPARTMENT  
9 employees

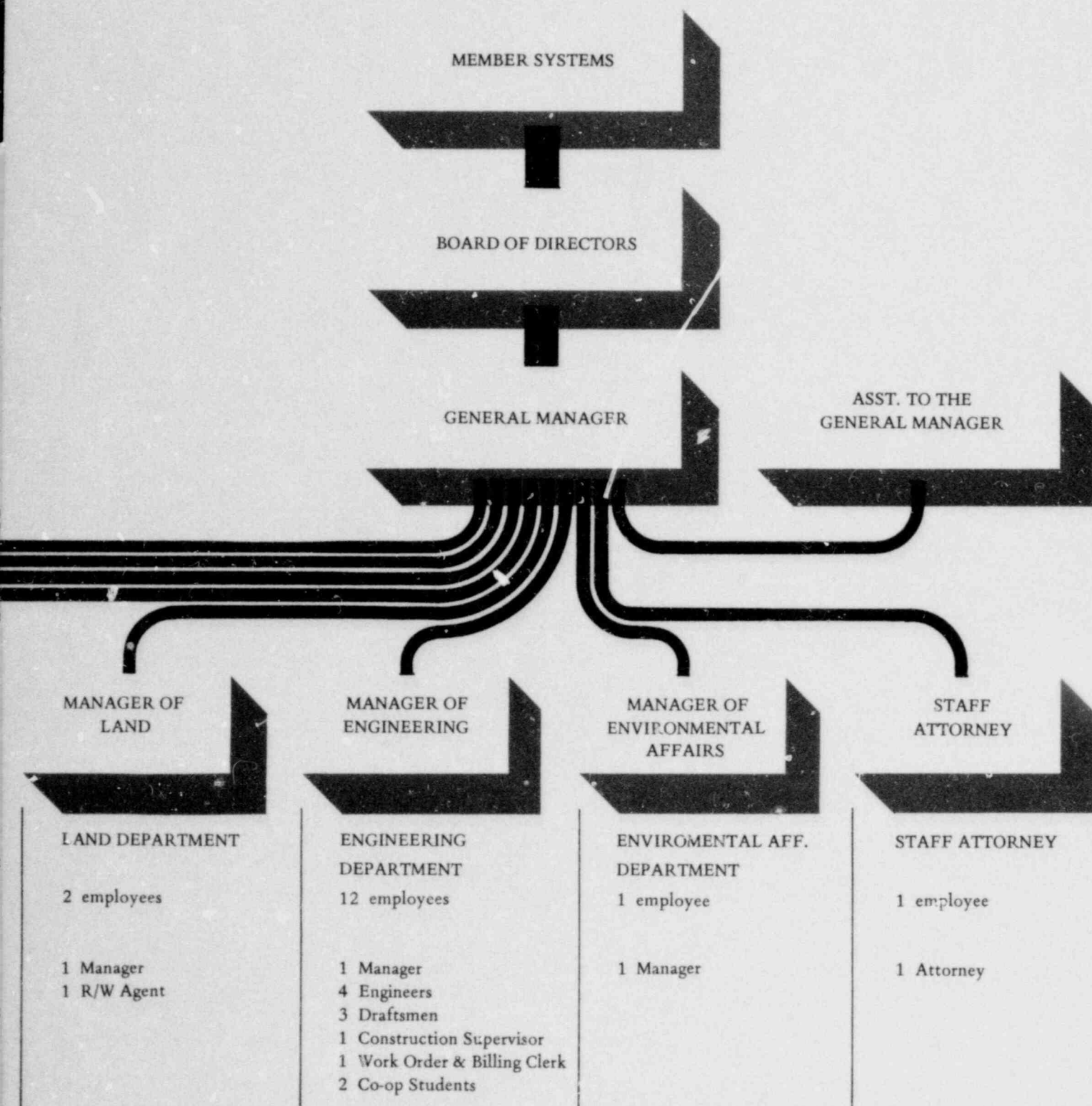
1 Manager  
1 Chief Accountant  
7 Accounting Clerks

MANAGER OF  
SUPPORT SERVICES

SUPPORT SERVICES  
DEPARTMENT  
18 employees

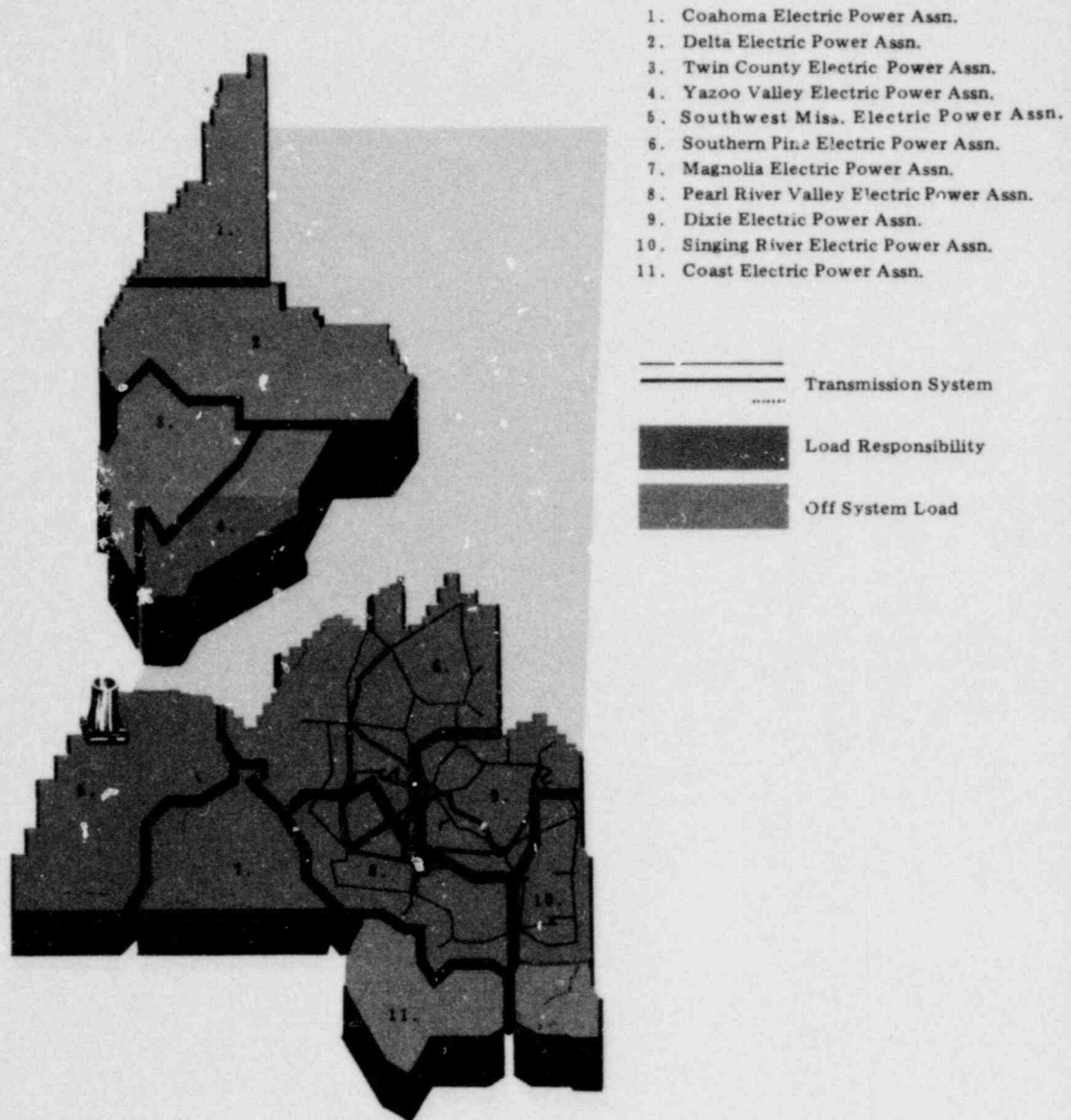
1 Manager  
2 Personnel  
3 Purchasing  
2 Computer Analysts  
2 Material Clerks  
1 Job Training & Safety  
1 Office Helper  
6 Secretaries

## ORGANIZATION





# SERVICE AREA





**SOUTH MISSISSIPPI  
ELECTRIC POWER ASSOCIATION**

"The Light in the Forest"

USDA - REA

Form Approved  
OMB No. 10-R0566

CORPORATE NAME

## OPERATING REPORT - FINANCIAL

South Mississippi Electric Power Assoc.

BORROWER DESIGNATION Mississippi

U.S. DEPARTMENT OF AGRICULTURE REA WASHINGTON D.C. 20250

MONTH ENDING May 31

19 81

INSTRUCTIONS - Submit original and four copies of this report. For detailed instructions, see REA Bulletin 108-2.  
Monthly report consists of REA Forms 12a, 12b, 12c, 12d, 12e, 12f, and 12g. December report also includes REA Form 12h.

REA USE ONLY

## SECTION A. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. TOTAL UTILITY PLANT IN SERVICE .....	285,258,525	26. MEMBERSHIPS .....	55
2. CONSTRUCTION WORK IN PROGRESS .....	214,928,481	27. PATRONAGE CAPITAL .....	
3. TOTAL UTILITY PLANT (1 + 2) .....	500,187,006	a. ASSIGNED AND ASSIGNABLE .....	5,053,758
4. ACCUM. PROVISION FOR DEPRECIATION & AMORT. ....	32,914,471	b. RETIRED THIS YEAR .....	---
5. NET UTILITY PLANT (3 - 4) .....	467,272,535	c. RETIRED PRIOR YEARS .....	2,439,916
6. NON-UTILITY PROPERTY - NET .....	---	d. NET PATRONAGE CAPITAL .....	3,413,842
7. INVEST. IN ASSOC. ORG. - PATRONAGE CAPITAL .....	48,777	28. OPERATING MARGINS - PRIOR YEAR .....	3,362,278
8. INVEST. IN ASSOC. ORG. - OTHER - GEN. FUNDS .....	1,065	29. OPERATING MARGINS - CURRENT YEAR .....	1,663,984
8.1 INVEST. - ASSOC. ORG. - OTHER - NON G.F. ....	4,909,809	30. NONOPERATING MARGINS .....	165,579
9. OTHER INVESTMENTS .....	12,600	31. OTHER MARGINS & EQUITIES .....	535,436
10. SPECIAL FUNDS .....	---	32. TOTAL MARGINS & EQUITIES (26 + 27d thru 31) .....	911,371
11. TOTAL OTHER PROPERTY & INVEST. (6 thru 10) .....	4,972,251	33. LONG-TERM DEBT - REA .....	63,555,343
12. CASH - GENERAL FUNDS .....	3,207	34. LONG-TERM DEBT - OTHER .....	427,114,756
13. CASH - CONSTRUCTION FUNDS - TRUSTEE .....	9,493	35. TOTAL LONG-TERM DEBT (33 + 34) .....	490,670,109
14. SPECIAL DEPOSITS .....	656,784	36. NOTES PAYABLE .....	1,725,000
15. TEMPORARY INVESTMENTS .....	400,000	37. ACCOUNTS PAYABLE .....	17,716,257
16. NOTES RECEIVABLE - NET .....	11,250	38. TAXES ACCRUED .....	77,661
17. ACCOUNTS RECEIVABLE - NET .....	18,140,227	39. INTEREST ACCRUED .....	9,303,756
18. FUEL STOCK .....	16,778,715	40. OTHER CURRENT & ACCRUED LIABILITIES .....	377,370
19. MATERIALS & SUPPLIES - OTHER .....	3,282,199	41. TOTAL CURRENT & ACCRUED LIAB. (36 thru 40) .....	29,200,044
20. PREPAYMENTS .....	573,700	42. DEFERRED CREDITS .....	---
21. OTHER CURRENT & ACCRUED ASSETS .....	25,933	43. OPERATING RESERVES .....	158,917
22. TOTAL CURRENT & ACCRUED ASSETS (12 thru 21) .....	39,881,508	44. ACCUMULATED DEFERRED INCOME TAXES .....	---
23. UNMORT. DEBT DISC. & EXTRAORD. PROP. LOSS .....	923,927	45. TOTAL LIABILITIES & OTHER CREDITS .....	519,117,695
24. OTHER DEFERRED DEBITS .....	6,067,474		
25. TOTAL ASSETS & OTHER DEBITS (1 + 2 + 23 + 24) .....	519,117,695		

Sec. B - Statement of Operations MWH Sales 1,000,416 1,250,850 1,268,645 238,643

ITEM	YEAR - TO - DATE			THIS MONTH
	LAST YEAR	THIS YEAR	BUDGET	
1. ELECTRIC ENERGY REVENUES .....	37,492,585	50,926,331	50,894,900	9,939,055
2. INCOME FROM LEASED PROPERTY - NET .....	473,197	886,953	359,910	171,834
3. OTHER OPERATING REVENUE & INCOME .....	31,087	14,234	35,000	9,533
4. TOTAL OPER. REVENUES & PATRONAGE CAP. (1 thru 3) .....	38,003,869	51,827,518	51,289,810	10,120,423
5. OPERATION EXPENSE - PRODUCTION - EXCL. FUEL .....	725,595	800,744	916,180	179,068
5.1 OPERATION EXPENSE - PRODUCTION - FUEL .....	11,422,475	16,434,693	18,363,408	3,139,738
6. OPERATION EXPENSE - OTHER POWER SUPPLY .....	15,341,956	20,514,099	17,132,650	3,979,546
7. OPERATION EXPENSE - TRANSMISSION .....	241,403	943,302	912,310	193,798
8. OPERATION EXPENSE - DISTRIBUTION .....	---	---	---	---
9. OPERATION EXPENSE - CONSUMER ACCOUNTS .....	8,101	9,963	8,460	2,489
9.1 OPERATION EXPENSE - CONS. SERV. & INFORM .....	---	---	---	---
10. OPERATION EXPENSE - SALES .....	---	---	---	---
11. OPERATION EXPENSE - ADMINISTRATIVE & GENERAL .....	762,005	837,577	856,160	164,321
12. TOTAL OPERATION EXPENSE (5 thru 11) .....	28,501,535	39,540,377	38,189,168	7,658,365
13. MAINTENANCE EXPENSE - PRODUCTION .....	616,836	609,526	767,075	92,465
14. MAINTENANCE EXPENSE - TRANSMISSION .....	279,507	408,615	431,080	81,542
15. MAINTENANCE EXPENSE - DISTRIBUTION .....	---	---	---	---
16. MAINTENANCE EXPENSE - GENERAL PLANT .....	52,409	48,940	36,755	13,062
17. TOTAL MAINTENANCE EXPENSE (13 thru 16) .....	948,752	1,067,281	1,234,910	187,069
18. DEPRECIATION & AMORTIZATION EXPENSE .....	3,040,941	3,078,255	3,140,920	643,711
19. TAXES .....	97,072	122,446	136,595	22,928
20. INTEREST ON LONG-TERM DEBT .....	8,345,552	18,501,765	9,601,365	4,450,043
20.1 INTEREST CHARGED TO CONSTRUCTION - CREDIT .....	397,736	8,925,637		2,433,957
20.2 OTHER INTEREST EXPENSE .....	7,981	83,293	15,000	36,323
21. OTHER DEDUCTIONS .....	24,091	23,722	25,315	4,737
22. TOTAL COST OF ELECTRIC SERVICE (12 + 17 thru 21) .....	40,568,188	53,491,502	52,423,273	10,569,821
23. OPERATING MARGINS (4 - 22) .....	( 2,564,319 )	( 1,663,984 )	( 1,133,463 )	( 449,398 )
24. INTEREST INCOME .....	266,965	165,575	250,000	24,728

26. OTHER NON-OPERATING INCOME - NET .....	---			
27. GENERATION & TRANSMISSION CAPITAL CREDITS .....	---			
27.1 OTHER CAPITAL CREDITS AND PAT. DIVIDENDS .....	---			
28. EXTRAORDINARY ITEMS .....	69	4		
29. NET PATRONAGE CAPITAL OR MARGINS/23 (Avg 28) .....	( 2,297,285 )	( 1,498,405 )	( 883,463 )	( 424,675 )
ITEM	MILLS/KWH (Optional use by borrower)			
30. ELECTRIC ENERGY REVENUE PER KWH SOLD .....	40.71	40.12	41.65	
31. TOTAL OPERATION AND MAINTENANCE PER KWH SOLD .....	32.46	31.08	32.88	
32. TOTAL COST OF ELECTRIC SERVICE PER KWH SOLD .....	42.76	41.32	44.29	
33. PURCHASED POWER COST PER KWH .....	15.91	8.83	17.39	

We hereby certify that the entries in this report, including R.R. Form 124 (if any), are in accordance with the accounts and other records of the system and that the report reflects the status of the system to the best of our knowledge and belief.

DATE

SIGNATURE & TITLE OF PERSON PREPARING REPORT

DATE

SIGNATURE OF SYSTEM MANAGER

Max. Fin. & Acct.