1982 ANNUAL REPORT
ARKANSAS POWER & LIGHT COMPANY

American Resources for Arkansas' Energy

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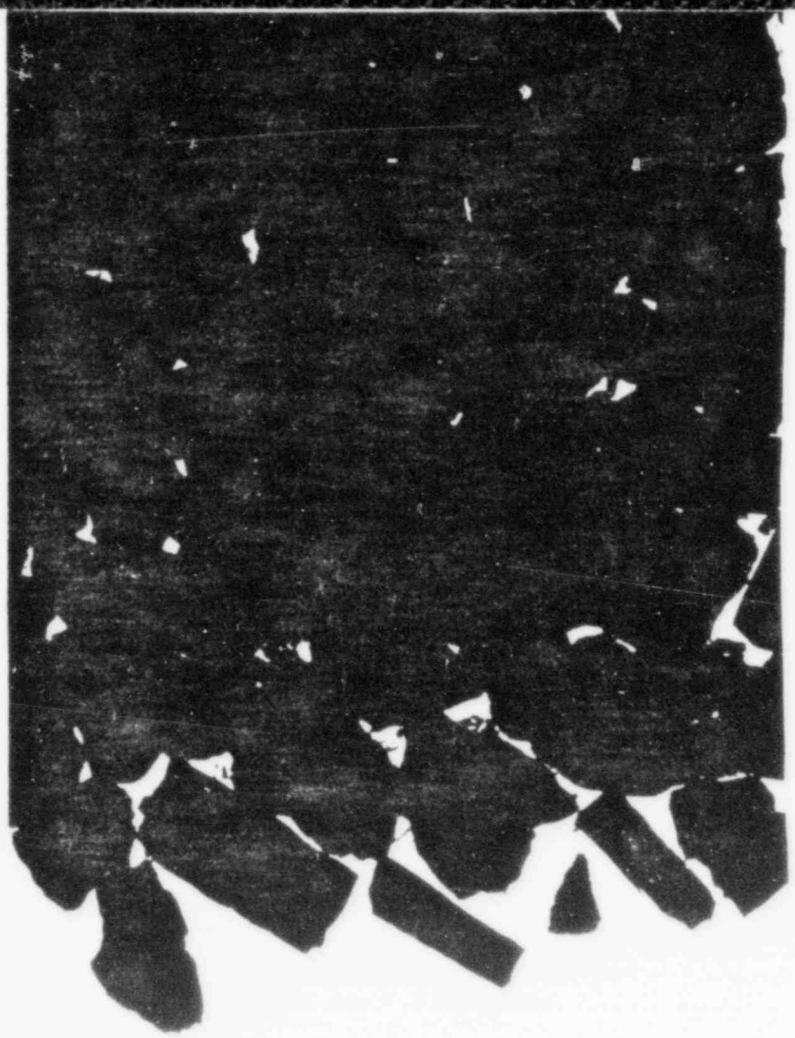
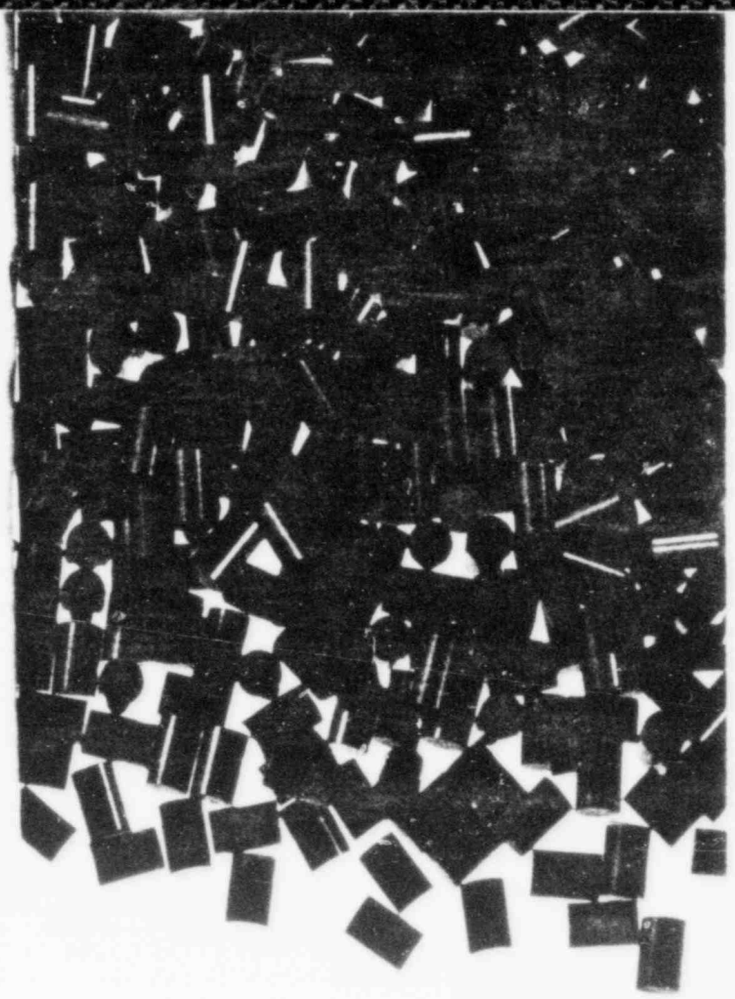




By using coal and nuclear fuels, AP&L is successfully breaking the stranglehold of oil on Arkansas' energy future.

As late as 1978, more than half of the electric power being produced by Arkansas Power & Light Company was generated using oil as the primary fuel. Today on the AP&L system, reliance on oil has dramatically dropped to only about two percent.

The use of coal and nuclear-fuels—both abundant and reliable American resources—means we no longer have to look to foreign sources to supply our state's energy needs. Facilities like the coal-fueled White Bluff Steam Electric Station (pictured on the front cover) and the uranium-fueled Arkansas Nuclear One (shown on the back cover) are evidence of our commitment in making this objective a reality.

This achievement is the product of far-sighted AP&L planning and a genuine concern for keeping electric energy prices at their lowest practical level. It's a record that few other utilities and states can claim, placing Arkansas in an enviable position for present and future job growth and economic development.

In this year's Annual Report, we focus on the advantages of using American resources for Arkansas' energy . . . advantages that will help power our state's progress right into the 21st Century.

PERFORMANCE HIGHLIGHTS

	1982	1981	% Increase
Revenues from operations (000)	$1,046,143	$1,015,561	3
Operation and maintenance expenses (000)	$ 669,497	$ 679,925	(2)
Allowance for funds used during construction (000)	$ 23,208	$ 23,253	—
Net income (000)	$ 107,372	$ 96,140	12
Capitalization—end of year (000) (investment required to provide service)	$2,058,542	$1,854,492	11
Construction expenditures (000)	$ 208,248	$ 372,694	(44)
Total utility plant investment—end of year (000)	$3,004,440	$2,811,728	7
Customers			
Electric (end of year)	535,381	531,959	1
Gas (end of year)	65,824	65,464	1
Energy sales to retail customers			
Electric (millions of kilowatt hours)	14,121	14,924	(5)
Natural Gas (millions of cubic feet)	11,505	11,176	3
Employees (end of year)	5,165	4,981	4
Peak demand (megawatts)	3,541	3,831	(8)
Average use per customer (kilowatt hours)			
Residential	9,814	9,647	2
Commercial	50,442	49,274	2

President's Perspective

As a result of our efforts to restore and maintain the Company's financial stability, Arkansas Power & Light experienced improvement in its fiscal health in 1982.

Company management is continuing to take steps to assure that our financial integrity will allow us to meet our important responsibilities to our customers, investors and employees.

Those initiatives include rate filings keyed to prompt recovery of operational costs while earning a fair return on investment, completion of our current fuel diversification program to aid system reliability and economy, and the continuing application of cost control measures to make AP&L even more efficient.

Four benchmarks of AP&L performance in 1982 illustrate our progress in striving to attain corporate financial objectives:

- Revenues from operations increased 3% from $1,015,561,000 in 1981 to $1,046,143,000 in 1982.
- Operation and maintenance expenses were reduced 2% from $679,925,000 in 1981 to $669,497,000 in 1982.
- Net income improved 12% from $96,140,000 in 1981 to $107,372,000 in 1982.
- Annual return on average common equity for 1982 was 13.1% compared with the 1981 return of 12.4%.

While net income did show a 12% improvement, this was in part due to increased capitalization (investment required to provide service) which was up 11% over the 1981 level.

Electric energy sales and peak demand were at lower levels in 1982 as compared with 1981. For the most part, this reduction can be attributed to an abnormally mild summer period and to recessionary effects on industrial customers.

We have been forced by economic necessity to seek even further adjustments in our rate structure. This action became particularly important since the Arkansas Public Service Commission granted only a $29 million annual increase in retail rates following hearings on an application filed in May, 1981, seeking an increase of approximately $101.4 million. AP&L has appealed many of the issues denied by the APSC in this case.

In mid-November, 1982, an application requesting a $93.2 million annual increase in Arkansas retail rates over the amount on appeal was filed with the APSC. Final decision on this Company request is anticipated by the third quarter of 1983.

Other major rate activity in 1982 included the granting of approximately $5.6 million in annual retail revenue increases for Missouri customers and approximately $9.5 million in wholesale rate increases for Arkansas and Missouri wholesale customers. An application filed in 1982 totaling $9.9 million in annual increases for Missouri retail customers is currently pending.

Our goal remains to keep electric costs at their lowest practical level. A major contributing factor to attainment of that objective will be the completion of our fuel diversification program in shifting our reliance away from higher-cost natural gas and oil to coal and nuclear fuels. While this effort is discussed in-depth in the next section of this Report, it is noteworthy that in January, 1983, Unit 1 of the coal-fueled Independence Steam Electric Station near Newark began commercial operation. Unit 2 at Independence is scheduled for completion in early 1985. Without question, our program of incorporating two nuclear-fueled units and four coal-fueled units into our generating system means long-term reliability and cost-saving advantages for our more than 535,000 electric customers.

This fact was confirmed by a comprehensive Management Review of the Company completed last October by the nationally-recognized independent consulting firm, Theodore Barry & Associates. Commissioned by the AP&L Board of Directors in early 1982, the study was conducted over a six-month period and was a follow-up to the Management Review of AP&L conducted by TB&A in 1977.

Highlights from the Review report include:

(1) "A key characteristic of AP&L has been its continuing commitment to improving its operational effectiveness and efficiency," the report stated.

(2) AP&L has "adopted the best of the industry innovations and approaches and has applied them in a way that will yield solid, long-term benefits . . . In TB&A's experience, few other utilities marry the organizational structure with individual talents as well as AP&L."

(3) In commenting on AP&L's planning processes, TB&A said: "Through a series of strong management initiatives, the Company leads the industry."

(4) After reviewing AP&L's management of the engineering and construction of Independence Station, the consultant concluded: "The results are the industry's state-of-the-art. TB&A has seen no better-managed power plant project anywhere in the industry."

(5) "We can say that based on our past experience in the industry, AP&L today is one of the better-managed electric utility companies in the country," the report stated. "AP&L has made significant strides in improving its operations, and the average cost per kilowatt-hour paid by its customers is well below those paid to most other U.S. electric utilities. AP&L is delivering cost-effective services to its customers. Most of its major operational problems have been solved during the last five years. AP&L's opportunities for improvement are down to a 'short list' and those opportunities are of the kind that can be attacked only by a sophisticated utility, such as AP&L."

In the area of customer and community relations, we implemented a pioneering effort in 1982 through new "Helping Hand Programs" designed to assist the elderly, handicapped and needy in making their electric service more economical and convenient. These innovative projects are being adopted by numerous utilities across the nation as a model assistance program.

Each of these aid projects was designed to meet a particular customer need. For example, Project Deserve is a joint effort by the American Red Cross and AP&L to assist persons with short-term, energy-related emergencies. Funding is being provided by voluntary contributions from Company customers, employees and shareholders. This program touched the lives of over 2,200 families in the AP&L service area during the first six months of implementation.

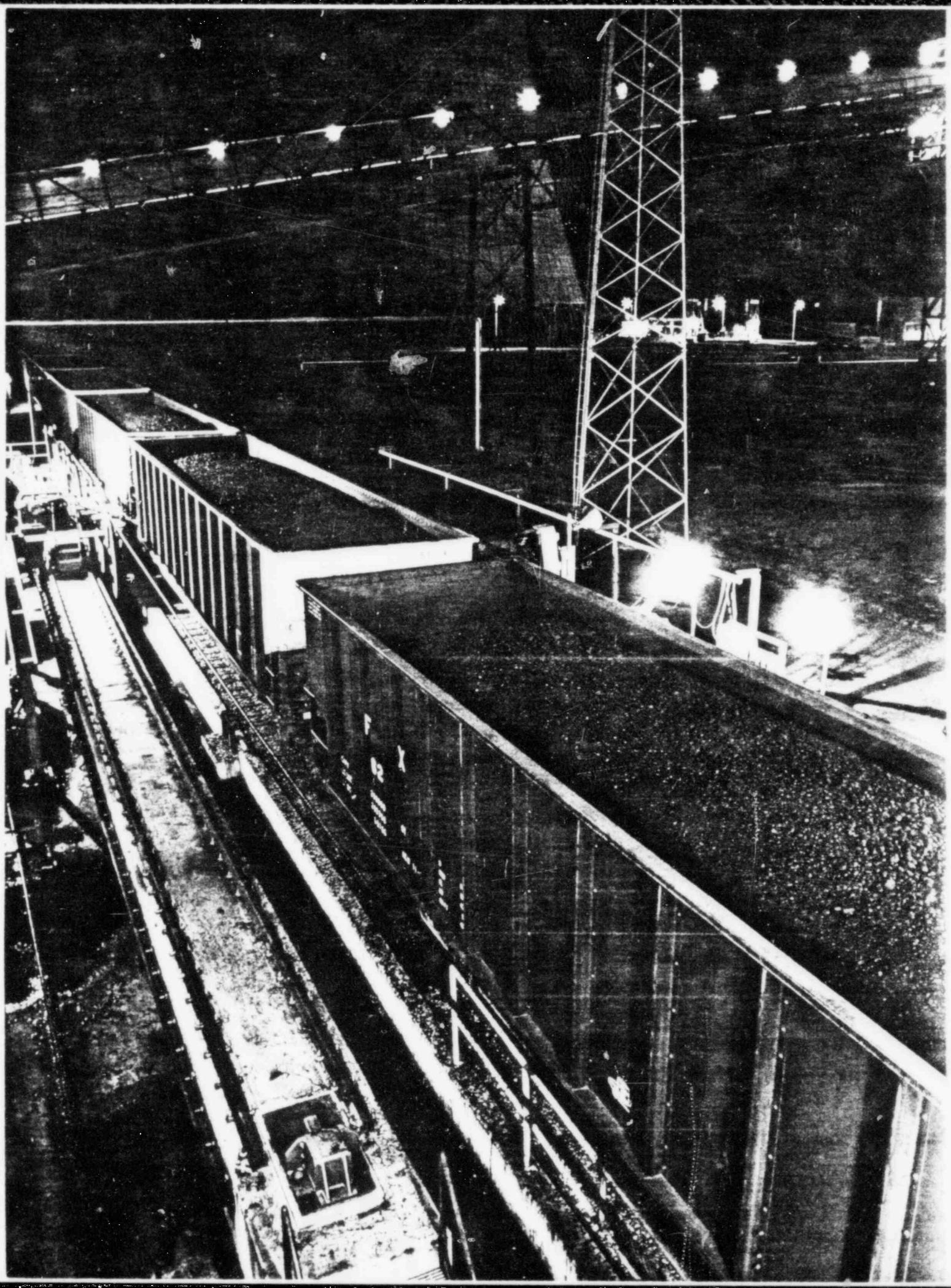
Two other notable "Helping Hand" endeavors include Project Conserve, providing funding for materials to be used by church, youth and civic organizations in weatherizing homes; and the Essential Services Credit, supplying automatic billing credit to low-use, level-use customers who add little to the summer peak demand.

Looking forward, we are professionally-prepared and deeply committed not only to provide high-quality service at the lowest practical cost, but to be a leader in stimulating the future economic development of Arkansas and southeast Missouri. That preparedness and commitment are rooted in the leadership demonstrated by our outstanding Board of Directors, management team and employee force, and in the wisdom inherent in our corporate strategic plan.

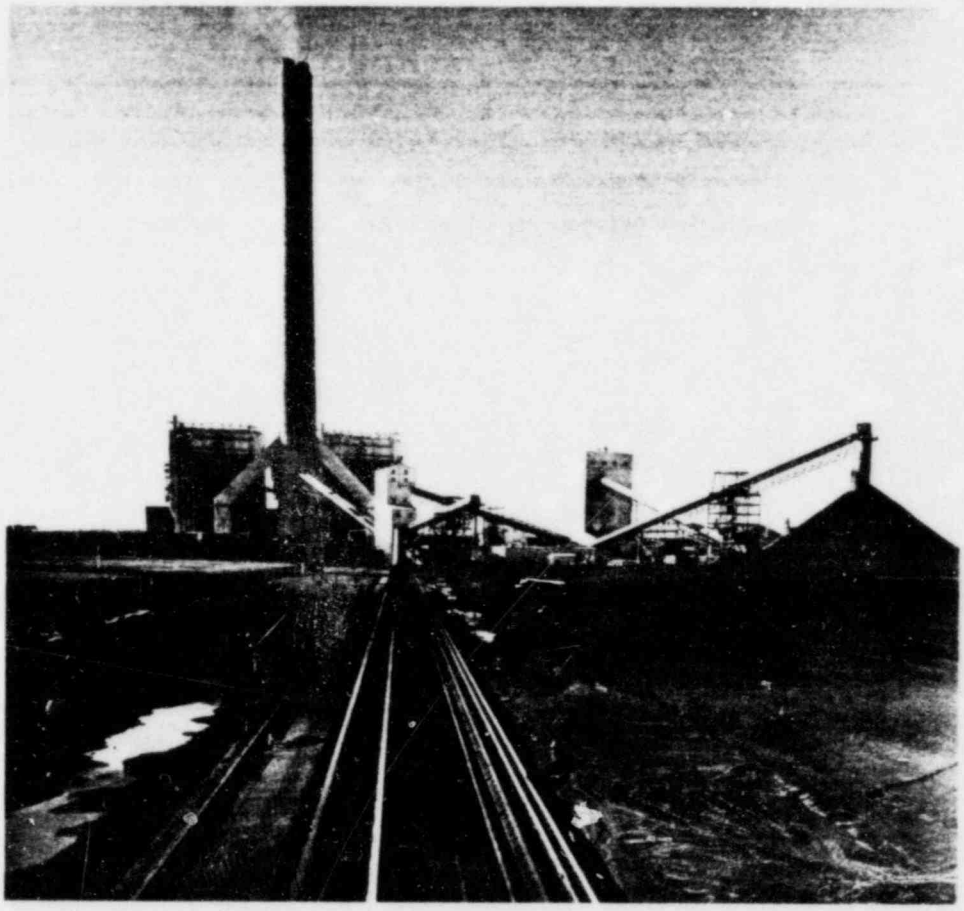
We are grateful for the confidence and support provided to us. Together with our sister companies in the Middle South Utilities System, we are optimistic that the decade of the Eighties will be an era remembered with pride in energy reliability and area progress.

Jerry L. Maulden

Jerry L. Maulden
President & Chief Executive Officer



American Resources for Arkansas' Energy



Approximately 1,100 cars of low-sulfur Wyoming coal arrive by unit train weekly at the White Bluff Steam Electric Station (as shown on facing page). Coal not used immediately for electric generation is stored in the coal yard adjacent to the two-unit facility (shown above).

The stranglehold of oil—particularly foreign oil—on America's economy has been a major contributor to our nation's inflationary environment since the 1973-74 Arab Oil Embargo. Pre-Embargo prices were in the $3-per-barrel range. Today oil prices have risen to the $25-to-$30-per-barrel range and over the long-term into the Nineties, both oil and natural gas represent unaffordable options for AP&L customers.

Faced with those prospects, Arkansans can be justifiably proud of the progress being made by Arkansas Power & Light in developing an electric generating system that no longer must rely on oil and natural gas for its availability and reliability. Now and into the foreseeable future, the American resources of coal and nuclear fuels are and will be used on the AP&L system to meet growing electric energy demands. This shift away from higher-cost oil and natural gas demonstrates the wisdom of decisions made since the mid-Sixties in planning for our state's energy future.

Foreseeing that long-term solutions to a changing fuel picture were needed, AP&L management began laying a solid foundation for fuel diversification when our existing natural gas contracts were cancelled by our primary supplier. This planning process involved sophisticated forecasting of AP&L customer demands; coordination with sister companies on the Middle South Utilities System in Louisiana and Mississippi; comprehensive study of the fuel options available; and formation of a jointly-owned fuels subsidiary, System Fuels, Inc.

Those initiatives assumed major importance in the early Seventies when natural gas supplier and governmental limitations were placed on the use of gas as a boiler fuel for generating electricity. Those contract cancellations and curtailments had their most devastating effect on states like Arkansas because of the limited availability of natural gas being produced within our own borders. The AP&L system with its almost total reliance on natural gas had to be converted within a short time to another fuel—oil.

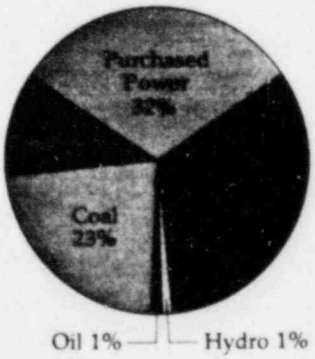
That costly conversion was being completed at AP&L units when the

Operations at the White Bluff Steam Electric Station are managed through the control room. Experienced technicians are supported by highly-sophisticated monitoring systems in assuring efficient operation of the 1,631-megawatt facility.

Sources of Energy for AP&L Electricity

1973

1982



Arab Oil Embargo hit. As a result of the skyrocketing prices created by this event, oil quickly became economically obsolete for power production.

Nuclear power and coal were selected to lead Arkansas away from natural gas and oil and toward energy independence. Why? Because both of these fuels represent commodities that are abundant, domestically available, environmentally compatible and economically sound.

The first major achievement in the AP&L fuel diversification effort came about when Unit 1 of Arkansas Nuclear One—the Southwest's first nuclear-fueled generation station—went into service in late 1974 following a seven-year planning, permitting and construction period. Unit 2 was announced in 1970 and began commercial operation in 1980.

These units have helped to free our customers from the uncertainties of using oil and natural gas.

When in full operation, both units can save the equivalent of more than 63,000 barrels of oil per day, saving millions of dollars in differential fuel costs. For example, an independent study showed that in the 1975-79 period Unit 1 at Arkansas Nuclear One saved AP&L customers over $400 million as compared to the energy costs of an oil-fired unit which could have been built in the same time frame. Over the operating life of this nuclear-fueled facility, billions of dollars will be saved over the oil option.

Coal, too, is an energy answer to the oil and natural gas displacement challenge. America has been called "the Saudi Arabia of coal" and for good reason. Coal is our nation's most abundant fossil fuel. The United States has over 30 percent of the world's estimated coal reserves—enough to last America around 300 years at the current rate of production.

The first unit of the Independence Steam Electric Station near Newark began commercial operation in January, 1983. The second unit of this coal-fueled plant is scheduled to begin service in 1985, completing AP&L's current generation construction program.

In 1973 AP&L announced plans to build its first modern-day coal-fueled station. Today both units at the White Bluff Steam Electric Station near Redfield are in service. Unit 1 came "on line" in 1980 followed by Unit 2 in 1981. The Station is jointly-owned by AP&L, The Arkansas Electric Cooperative Corporation and several municipalities. AP&L's 57% ownership of the total 1,631-megawatt station adds 930 megawatts to the Company's system. In 1982 this facility completed its first full year of total operation during which time it provided almost 25 percent of AP&L's total energy sources.

A second two-unit, jointly-owned generating plant—Independence Steam Electric Station near Newark—was announced in 1977. AP&L holds a 31½% ownership in both Independence units. Its 836-megawatt first unit began commercial operation in January, 1983, with the second unit scheduled for completion in early 1985. This will complete the Company's current generation construction program. AP&L anticipates that future construction will not be needed until the mid-Nineties at which time Arkansas lignite will be used as the primary fuel.

Both White Bluff and Independence use low-sulfur Wyoming coal as boiler fuel with contracts calling for 150 million tons of coal at each facility during their projected 35-year life. For example, at White Bluff, coal is delivered to the site by unit train, with an average of ten 110-car unit trains each week. Coal not diverted to storage is crushed, pulverized and blown into the boilers for combustion.

With the total completion of the Independence Station in the mid-Eighties, coal's contribution to reliability and savings will become even more significant in Arkansas' energy picture.

All of these fuel diversification efforts have provided and will continue to supply Arkansas with one of the brightest energy outlooks in the Sunbelt.

First, the reliability of using these American resources gives us a real competitive advantage in attracting new and expanded business and industry along with more job opportunities. Indicative of this reality was the announcement in 1982 of the location of a new York-Hannover steel tubing plant in Little Rock. To be built at an estimated cost of $500 million, this facility represents one of the state's largest manufacturing investments ever. Availability and the competitive costs of electric energy were two of the principal factors in this siting decision.

Second, freeing the AP&L system from reliance on oil and natural gas means that electric energy costs will not rise as quickly as they would if we still had to depend on these higher cost fuels. This fact was confirmed by an independent study conducted by the University of Arkansas at Little Rock. Dr. Stanley E. Boyle, Donaghey Distinguished Professor of Economics, and Dr. Ralph B. Shull, chairman of the UALR College of Business Administration Department of Economics and Finance, released the report in October, 1982. The UALR study concluded that electric rates in Arkansas are among the lowest in the nation, and neither availability nor cost of power should hinder the state's economic development in the next decade.

Third, the serious problems created by reliance on foreign oil suppliers will be alleviated, to a greater extent, by using American coal and uranium. Because approximately 40 percent of our nation's oil supply is provided by foreign sources, this situation creates an awesome economic drain, has developed a critical trade imbalance and threatens national security.

Our commitment to utilize economic and reliable American fuels should significantly influence fulfillment of Arkansas' potential—today and tomorrow. Goals in job growth, community development, expanded industrialization, agribusiness expansion and cultural enhancement are within Arkansas' grasp.

By using American resources, we're prepared to aid in ushering in that new era of prosperity because we believe that those are goals worth striving for.

BOARD OF DIRECTORS

John A. Cooper, Jr.
President
Cooper Communities, Inc.
Bentonville, Arkansas

Richard P. Herget, Jr.
Executive Vice President
& Secretary-Treasurer
Atkins Insurance Corporation
Little Rock, Arkansas

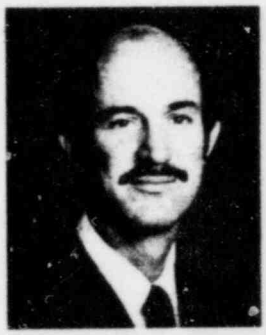
Kaneaster Hodges, Jr.
Attorney
& Former U.S. Senator
Newport, Arkansas

Hal E. Hunter, Jr.
Attorney
New Madrid, Missouri

Floyd W. Lewis
Chairman of the Board
& President
Middle South Utilities, Inc.
New Orleans, Louisiana

Jerry L. Maulden
President & Chief Executive
Officer of the Company
Little Rock, Arkansas

Roy L. Murphy
President
Mid-South Engineering
Company
Hot Springs, Arkansas



William C. Nolan, Jr.
Attorney
El Dorado, Arkansas

J. D. Phillips
Senior Vice President
of the Company
Little Rock, Arkansas

Robert D. Pugh
Chairman of the Board
of Directors
Portland Gin Company
Portland, Arkansas

Raymond P. Miller, Sr., M.D.
Little Rock Internal
Medicine Clinic
Little Rock, Arkansas

George K. Reeves
Attorney
Caruthersville, Missouri

Reeves E. Ritchie
Retired Chairman of the Board
of the Company
Little Rock, Arkansas

Gus B. Walton, Jr.
Attorney
Little Rock, Arkansas

Michael E. Wilson
President
Lee Wilson and Company
Wilson, Arkansas

ADVISORY DIRECTORS

All Past Directors of the Company

Lawrence Blackwell
Attorney
Pine Bluff, Arkansas

Richard C. Butler
Chairman of the Board
Peoples Savings & Loan Association
Little Rock, Arkansas

L. C. Carter
Past President
Riceland Foods, Retired
Stuttgart, Arkansas

Dr. Marshall T. Steel
Past President of
Hendrix College, Retired
Little Rock, Arkansas

R. E. L. Wilson
Chairman of the Board &
Chief Executive Officer
Lee Wilson and Company
Wilson, Arkansas

1982 MANAGEMENT DISCUSSION AND FINANCIAL REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Arkansas Power & Light Company's financial condition improved during 1982. Indicators of this improvement are increased net income and rate of return on common equity. Also improved are the Company's liquidity and quality of earnings. The principal factors responsible for this improvement are retail and wholesale rate increases.

During 1982, the payment of second quarter common dividends was limited due to restrictions placed on retained earnings by the Company's mortgage. However, earnings following the second quarter were sufficient to pay the balance of the second quarter dividends and dividends as declared during the remainder of the year. Due principally to the summer/winter differential in energy prices and seasonal sales, the timing of future quarterly common dividends may be affected by this mortgage restriction. As of December 31, 1982, $12,024,000 of retained earnings are free from such restrictions.

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Liquidity and Capital Resources

The increase in cash earnings which has been experienced during the last two years, coupled with a reduction in construction expenditures in 1982, has improved the Company's liquidity and access to outside capital resources. Net income, excluding Allowance for Funds Used During Construction (AFDC), a non-cash addition to income, grew to $84 million in 1982 from $73 million in 1981 and $28 million in 1980. Internally generated funds from operations, after dividends, amounted to $108 million in 1982 as compared to the 1981 and 1980 levels of $100 million and $8 million, respectively.

The increase in earnings over the past two years has had a positive effect on the Company's Mortgage and Charter coverage ratios. Earnings coverage (excluding revenues subject to refund) for first mortgage bonds, which must be a minimum of 2.0 times the annual mortgage interest requirements for the issuance of additional bonds, was 2.65 at December 31, 1982, compared to 2.90 at December 31, 1981 and 1.75 at December 31, 1980. The level of the Mortgage coverage ratio at December 31, 1982 and its increase over the December 31, 1980 level are significant since interest requirements increased with the issuance of $172 million of additional first mortgage bonds (net of retirements) during 1982 and 1981. Earnings coverage (excluding revenues subject to refund) for preferred stock, which must be a minimum of 1.5 times the Company's annual interest charges and preferred stock dividend requirements to allow the issuance of additional preferred stock, has increased to 1.54 at December 31, 1982 from 1.51 and 1.25 at December 31, 1981 and December 31, 1980, respectively.

The Company's 1982 construction expenditures, excluding AFDC, totaled $185 million as compared to the 1981 and 1980 levels of $349 million and $193 million, respectively. Financing of the 1982 construction expenditures was accomplished through first mortgage bond sales of $138 million (net of retirements), common stock sales of $80 million, pollution control bond proceeds of $8 million and funds from operations. The Company redeemed $3 million of preferred stock associated with cash sinking funds, repaid $79 million in bank loans, and had short-term investments at year end of $23 million.

Construction expenditures for future years are projected to be $304 million in 1983, $283 million in 1984, and $273 million in 1985. These amounts include AFDC of $23 million, $25 million and $14 million, respectively. In addition, the Company has debt maturing and cash sinking fund requirements of $90 million during the next three years. To fund these requirements, the Company expects to rely on internally generated funds and conventional financing.

Based on the Company's Mortgage and Charter coverage ratios at December 31, 1982, the Company could sell an additional $285 million of first mortgage bonds or $33 million of preferred stock assuming an annual interest or dividend rate of 12%. In addition, at December 31, 1982, the Company had available $200 million in short-term borrowing authority, $2.5 million in pollution control bond proceeds and $23 million in short-term investments.

Results of Operations

As stated above, net income, as well as the quality of net income, has improved in 1982 compared to 1981 and 1980. The current year's net income of $107 million represents an annual return on average common equity of 13.12%. In comparison, the respective net income and rate of return for 1981 and 1980 were $96 million representing a 12.41% return, and $65 million representing a 7.75% return.

Revenue for 1982, 1981 and 1980 totaled $1,046 million, $1,016 million and $750 million, respectively. Operating revenue during 1982 increased $31 million or 3% over 1981 due to rate increases while KWH sales to retail and wholesale customers respectively decreased 5% and 12%. Operation and maintenance expenses for 1982 totaled $669 million, a decrease of $10 million or 2% from 1981 primarily due to a decrease in fuel-related costs. The decrease in operation and maintenance expenses was offset by an increase of $17 million in depreciation expense and taxes associated with operating income. The Company's interest expense, excluding AFDC, increased $8 million in 1982 over its 1981 level of $112 million. This was primarily due to the Company's issuance of new debt in 1982 and to its 1981 debt issues being outstanding a full year. This new debt was issued to partially fund the Company's construction program.

The general improvement of the Company's financial position as noted above resulted primarily from retail rate increases authorized by its principal regulator in May 1981 and March 1982. The May 1981 increase amounted to $102 million, of which $87 million had been placed in effect in October 1980 with the balance becoming effective in June 1981. The March 1982 increase ultimately totaled $29 million, of which $26 million was placed into effect that month and the balance in November 1982. The Company also filed comparable rate applications and received increases in rates for wholesale and other retail customers. These rate cases included the addition to rate base of two coal-fueled electric generating units which were placed in commercial operation in August 1980 and July 1981. (See Note 2 to Financial Statements—"Rate Matters.")

Effects of Inflation

Despite the reduced level of inflation in 1982, its impact on the Company's operations in recent years has been significant. (See Note 14 to Financial Statements—"Effects of Inflation on Operations.")

Summary

The Company's overall financial condition and its results of operations improved during 1982 and 1981. This improvement is substantial when comparing the results of 1982 and 1981 to the year 1980. The recent increases in approved rates and the cost controls which have been continued by management have been the primary factors in reaching this financial stability. Continued financial stability, however, is still largely contingent on the Company's ability to obtain rates which allow the Company to recover costs and earn a fair rate of return on its investment.

REPORT OF MANAGEMENT

The management of Arkansas Power & Light Company has prepared and is responsible for the financial statements and related financial information included in this annual report. The financial statements are based on generally accepted accounting principles, consistently applied. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls which provides reasonable assurance, on a cost effective basis, as to the integrity, objectivity and reliability of the financial records and as to the protection of assets. This system includes communication through written policies and procedures and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The board of directors pursues its responsibility for reported financial information through its audit committee, composed of outside directors. The audit committee meets periodically with management, the internal auditors and the independent certified public accountants to discuss auditing, internal control and financial reporting matters and reports thereon to the board of directors. The independent certified public accountants have full and free access to meet with the audit committee at any time without members of Company management being present.

The independent certified public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting control and perform such tests and other procedures they deem necessary to reach and express an opinion of the fairness of the financial statements.

We believe that these policies and procedures provide reasonable assurance that our operations are carried out with a high standard of business conduct.

Jerry L. Maulden
President & Chief Executive Officer

Deloitte Haskins + Sells

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(504) 581-2727
Cable DEHANDS

AUDITORS' OPINION

Arkansas Power & Light Company:

We have examined the consolidated balance sheets of Arkansas Power & Light Company and its subsidiary as of December 31, 1982 and 1981 and the related consolidated statements of income and retained earnings and of changes in financial position for each of the three years in the period ended December 31, 1982. 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 report dated February 12, 1982 (March 1, 1982 as to the second and third paragraphs of Note 2 to the 1981 financial statements) our opinion on the 1980 and 1981 financial statements was qualified as being subject to the combined effects on those statements of such adjustments, if any, as might have been required had the outcomes of two uncertainties been known. The nature and current status of these two matters are described in the first and fourth paragraphs of Note 2 to the accompanying 1982 financial statements. As a result of the resolution of one of the uncertainties and the determination that the resolution of the remaining uncertainty would not materially affect the Company's financial position or results of operations, our present opinion on the 1980 and 1981 financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the above-mentioned consolidated financial statements present fairly the financial position of the Company and its subsidiary at December 31, 1982 and 1981 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

February 11, 1983

Arkansas Power & Light Company and Subsidiary

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 1982	December 31, 1981
	(in thousands)	
Utility Plant (Notes 5 and 6):		
Electric plant	$2,585,957	$2,509,683
Gas plant	37,362	36,363
Construction work in progress	364,252	255,468
Nuclear fuel	16,869	10,214
Total	3,004,440	2,811,728
Less—accumulated depreciation and amortization	605,404	532,261
Utility plant—net	2,399,036	2,279,467
Other Property and Investments:		
Investments in associated companies, at equity (Note 5)	40,064	35,859
Other, at cost (less accumulated depreciation)	512	913
Total	40,576	36,772
Current Assets:		
Cash and special deposits (Note 8)	8,302	13,723
Temporary investments, at cost which approximates market:		
Associated companies	21,600	—
Other	945	2,124
Notes receivable—net	1,195	1,216
Accounts receivable:		
Customer and other (less allowance for doubtful accounts —$1,538,000 in 1982 and $1,396,000 in 1981)	47,303	41,105
Associated companies	14,737	19,106
Deferred fuel cost	21,951	179
Fuel inventory, at average cost	57,821	34,338
Materials and supplies, at average cost	32,950	20,753
Prepayments and other	9,030	9,194
Total	215,834	141,738
Deferred Debits	13,971	16,272
Total	$2,669,417	$2,474,249

See Notes to Consolidated Financial Statements.

LIABILITIES	December 31, 1982	December 31, 1981
	(in thousands)	
Capitalization:		
Common stock, $12.50 par value: authorized 325,000,000 shares; issued and outstanding, 49,780,196 shares in 1982 and 43,380,196 shares in 1981 (Note 10)	$ 622,252	$ 542,252
Paid-in capital	5,457	4,933
Retained earnings (Notes 2 and 9)	33,365	43,134
Total common shareholder's equity	661,074	590,319
Preferred stock and premium, without sinking fund (Note 10)	126,890	126,890
Preferred stock and premium, with sinking fund (Note 10)	141,138	144,120
Long-term debt (Note 11)	1,129,440	993,163
Total	2,058,542	1,854,492
Current Liabilities:		
Currently maturing long-term debt (Note 11)	2,297	16,719
Notes payable (Note 8)	750	56,200
Accounts payable:		
Associated companies	4,286	10,672
Other	87,236	118,696
Customer deposits	5,977	5,771
Taxes accrued	33,696	32,373
Accumulated deferred income taxes (Note 4)	10,792	44
Interest accrued	37,919	32,840
Dividends declared	24,630	23,448
Nuclear refueling reserve	12,304	8,004
Other	43,548	31,506
Total	263,435	336,273
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 4)	208,960	188,641
Accumulated deferred investment tax credits (Note 4)	80,348	54,494
Reserve for spent nuclear fuel disposal (Note 5)	36,019	23,678
Other	14,962	10,833
Total	340,289	277,646
Reserves	7,151	5,838
Commitments and Contingencies (Notes 2, 5 and 6)	—	—
Total	$2,669,417	$2,474,249

See Notes to Consolidated Financial Statements.

Arkansas Power & Light Company and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Years ended December 31,		
	1982	**1981**	**1980**
		(in thousands)	
Statements of Income			
Operating Revenues (Notes 2, 3 and 12):			
Electric	$ 994,124	$ 974,734	$750,497
Natural gas	52,019	40,827	—
Total	1,046,143	1,015,561	750,497
Operating Expenses:			
Operation:			
Fuel	262,604	307,213	237,346
Purchased power	178,841	141,316	154,126
Gas purchased for resale (Note 3)	40,986	30,637	—
Other	141,824	157,084	121,332
Maintenance	45,242	43,675	29,142
Depreciation	84,194	77,923	59,574
Taxes other than income taxes	31,861	28,129	25,401
Income taxes (Note 4)	69,285	62,401	28,632
Total	854,837	848,378	655,553
Operating Income	191,306	167,183	94,944
Other Income and Deductions:			
Allowance for equity funds used during construction	12,722	11,541	22,482
Miscellaneous—net	7,062	20,292	5,277
Income taxes (Note 4)	5,625	(2,795)	12,191
Total	25,409	29,038	39,950
Interest Charges:			
Interest on long-term debt	108,557	90,755	67,036
Other interest—net of debt premium	11,272	21,038	17,649
Allowance for borrowed funds used during construction	(10,486)	(11,712)	(15,021)
Total	109,343	100,081	69,664
Net Income (Notes 2 and 3)	$ 107,372	$ 96,140	$ 65,230
Statements of Retained Earnings			
Retained Earnings—January 1	$ 43,134	$ 54,699	$ 86,332
Add—Net income	107,372	96,140	65,230
Total	150,506	150,839	151,562
Deduct—Cash dividends:			
Preferred stock	25,274	25,586	25,400
Common stock	91,867	82,119	71,463
Total	117,141	107,705	96,863
Retained Earnings—December 31 (Notes 2 and 9)	$ 33,365	$ 43,134	$ 54,699

See Notes to Consolidated Financial Statements.

Arkansas Power & Light Company and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years ended December 31,		
	1982	**1981**	**1980**
		(in thousands)	
Funds Provided By:			
Operations:			
Net income	$107,372	$ 96,140	$ 65,230
Depreciation	84,194	77,923	59,574
Deferred income taxes and investment tax credit adjustments—net	56,696	56,473	17,885
Allowance for funds used during construction	(23,208)	(23,253)	(37,503)
Total funds provided by operations	225,054	207,283	105,186
Other:			
Allowance for funds used during construction	23,208	23,253	37,503
Decrease in working capital[1]	—	17,080	38,362
Miscellaneous—net	15,328	17,851	9,943
Total funds provided by operations and other	263,590	265,467	190,994
Financing transactions:			
Common stock[2]	80,000	84,292	30,000
Preferred stock	—	—	50,000
First mortgage bonds[3]	155,000	103,382	70,000
Installment purchase transactions	8,325	37,735	27,466
Long-term bank loans	6,000	23,052	—
Sale and leaseback transactions—net	—	22,136	18,709
Book value of utility plant sold	10,302	85,632	934
Short-term securities—net	—	17,676	—
Total funds provided by financing	259,627	373,905	197,109
Total funds provided	$523,217	$639,372	$388,103
Funds Applied To:			
Utility plant additions:			
Construction expenditures for utility plant	$208,248	$372,694	$230,474
Plant additions[4]	—	80,559	—
Expenditures for nuclear fuel	6,655	3,063	7,151
Other—net	(837)	3,045	98
Total gross additions (includes allowance for funds used during construction)	214,066	459,361	237,723
Other:			
Dividends declared on preferred stock	25,274	25,586	25,400
Dividends declared on common stock	91,867	82,119	71,463
Increase in working capital[1]	67,389	—	—
Total funds applied to other	184,530	107,705	96,863
Financing transactions:			
Redemption of preferred stock	2,979	2,943	3,787
Retirement of first mortgage bonds	16,719	69,363	6,000
Repayment of long-term bank loans	29,052	—	—
Repayment of short-term securities—net	75,871	—	43,730
Total funds applied to financing	124,621	72,306	53,517
Total funds applied	$523,217	$639,372	$388,103

1. *Working capital excludes short-term securities, current maturities and deferred taxes included in current liabilities. The 1982 increase in working capital is due primarily to increases in deferred fuel costs, fuel inventory, materials and supplies and a decrease in accounts payable while offset by a decrease in special deposits and increases in interest accrued and miscellaneous other liabilities. The 1981 decrease in working capital is due primarily to increases in accounts payable, interest accrued, and contract advances, partially offset by increases in accounts receivable from associated companies and materials and supplies. The 1980 decrease in working capital is due primarily to increases in accounts payable, accounts payable to associated companies, dividends declared, nuclear reserve and White Bluff coal advances. These were partially offset by increases in special deposits, accounts receivable and fuel stock.*
2. *The year 1981 includes $29,292,000 of common stock issued in connection with the Ark-Mo consolidation. This amount does not include a premium of $3,820,000 associated with the issue.*
3. *The year 1981 includes $21,160,000 of first mortgage bonds exchanged for Ark-Mo first mortgage bonds. Also includes $7,222,000 of first mortgage bonds of Associated Natural Gas Company.*
4. *Plant acquired with the consolidation of Ark-Mo.*

See Notes to Consolidated Financial Statements.

N)TES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Arkansas Power & Light Company and its wholly-owned subsidiary, Associated Natural Gas Company.

B. System of Accounts

The accounts of the Company are maintained in accordance with the system of accounts prescribed by the Federal Energy Regulatory Commission (FERC).

C. Revenues and Fuel Costs

The Company records revenues as billed to its customers on a cycle billing basis. Revenue is not accrued for energy delivered but not billed at the end of the fiscal period.

Substantially all of the rate schedules of the Company include adjustment clauses under which fuel costs above or below the levels allowed in the various rate schedules are permitted to be billed or required to be credited to customers. The Company has adopted a deferral method of accounting for those fuel costs recoverable under fuel adjustment clauses. Under this method, such costs are deferred to the month in which the related revenues are billed.

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The fuel adjustment factor contains an amount for a nuclear reserve fund, estimated to cover the cost of replacement energy when the nuclear plant is down for scheduled maintenance and refueling. The fund bears interest and is used to reduce fuel expense for fuel adjustment purposes during the shutdown period.

D. Utility Plant and Depreciation

Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads and an allowance for the composite cost of funds used during construction. The costs of units of property retired are removed from utility plant and such costs, plus removal costs, less salvage, are charged to accumulated depreciation. Maintenance and repair of property and replacement of items determined to be less than units of property are charged to operating expenses.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation on average depreciable property in 1982, 1981 and 1980 amounted to approximately 3.3% each year. Principally all the Company's utility plant is subject to the lien of its first mortgage bond indenture.

E. Jointly Owned Generating Stations

The Company jointly owns two generating stations, one of which is currently under construction. The Company records the investment and expenses associated with these stations to the extent to which the Company owns and participates in the generating units.

F. Pension Plan

The Company has a pension plan covering substantially all of its employees. The policy of the Company is to fund pension costs accrued.

G. Income Taxes

The Company joins its parent in filing a consolidated Federal income tax return. Income taxes are allocated to the Company in proportion to its contribution to the consolidated tax liability. Deferred income taxes are provided for differences between book and taxable income to the extent permitted by the regulatory bodies for ratemaking purposes. Investment tax credits allocated to the Company are deferred and amortized over the average useful life of the related property beginning with the year allowed in the consolidated tax return.

H. Allowance for Funds Used During Construction

To the extent that the Company is not permitted by its regulatory bodies to recover in current rates the carrying cost of funds used for construction, the Company capitalizes, as an appropriate cost of utility plant, an allowance for funds used during construction (AFDC) which is calculated and recorded as provided by the regulatory system of accounts. Under this utility industry practice, construction work in progress on the balance sheet is charged and the income statement is credited for the approximate net composite interest cost of borrowed funds and for a reasonable return on the equity funds used for construction. This procedure is intended to remove from the income statement the effect of the cost of financing the construction program and results in treating the AFDC charges in the same manner as construction labor and material costs. As non-cash items, these credits to the income statement have no effect on current cash earnings. After the property is placed in service the AFDC charged to construction costs is recoverable from customers through depreciation provisions included in rates charged for utility service. The effective composite AFDC rate for the Company was 9.1%, 9.4% and 8.1% for 1982, 1981 and 1980, respectively.

The Company's policy is to capitalize allowance for funds used during construction on projects during periods of interrupted construction when such interruption is temporary and the continuation can be justified as being reasonable under the circumstances.

I. Reserves

It is the policy of the Company to provide reserves for uninsured property risks, for certain employee benefits, and for claims for injuries and damages through charges to operating expense on an accrual basis. Accruals for these reserves have been allowed for ratemaking purposes.

2. RATE MATTERS

On May 1, 1981, the Company filed an application with the Arkansas Public Service Commission (APSC) to increase its Arkansas retail rates by approximately $101.4 million. On March 1, 1982, the APSC entered an order authorizing an annual increase in retail rates of $26.2 million. This increase was placed in effect on March 8, 1982. The order also directed the Company to refund approximately $19.3 million (over a two-year period) related to collections that the APSC states resulted from the Company's past practice of tax normalization. The Company requested and was granted a rehearing by the APSC to reconsider certain parts of the rate request and refund order. On September 8, 1982, the APSC granted an additional annual increase of $2.8 million, raising the approved amount to $29 million. This increase was placed into effect on October 6, 1982. The Company filed an appeal with the Circuit Court of Pulaski County, Arkansas, placing before it the issues related to the difference between the $101.4 million sought and the $29.0 million granted, subject to certain adjustments, and that part of the order that directed the Company to refund approximately $19.3 million. In lieu of collection of the full disputed portion of rates subject to refund during appeal by the Company, and pursuant to a procedure approved by the APSC, the APSC has approved rate schedules which would allow collection of a portion of the denied rate relief, $33 million, during appeal. Collection of this amount has been deferred by the Company pending final court review. Any portion of the deferred amount which is finally granted by the Court may be collected by a surcharge over a period equal to the length of deferral. Further, all relief granted by the Court will be collected prospectively from the date of the Court's decision. This appeal is pending.

On November 19, 1982, the Company filed an application with the APSC requesting an annual increase in Arkansas retail rates of approximately $93.2 million over that level of rates that would be reflected had the Company been collecting the $33 million of additional annual revenue that it has determined to defer. Hearings associated with this filing are scheduled to begin May 31, 1983. In the filing, the Company also requested immediate action by the Commission to approve an increase in rates recognizing the commercial operation of Unit One of Independence Steam Electric Generating Station, which began commercial operation on January 18, 1983. On January 14, 1983, the APSC issued an order allowing the Company to capitalize depreciation and carrying cost of the unit from the date of commercial operation until such time that the unit is recognized in the Company's rates. The order also directed that related fuel savings during this interim period, less current operation and maintenance expense, be flowed through to customers under the fuel adjustment clause.

During 1982, the Company received orders allowing approximately $5.6 million in annual revenue increases for its Missouri retail customers and approximately $9.5 million for its wholesale customers. Also during 1982, the Company filed new applications requesting additional annual increases of approximately $9.9 million for these retail customers.

As a result of a complaint filed by the Attorney General of Arkansas during 1979, the APSC issued an order on October 27, 1980 stating that the Company had over-collected from its customers approximately $6.2 million through an erroneous application of the fuel adjustment clause during 1977, 1978 and 1979. After appeals, the Company made refunds in 1982 to its customers of approximately $8.6 million, which includes interest, and restated its financial statements for 1977, 1978 and 1979 to reflect decreases in income (after income taxes) of $1.4 million, $1.6 million and $1.3 million, respectively.

3. BUSINESS CONSOLIDATION

The Company acquired, effective January 1, 1981, all the outstanding shares of common stock of Arkansas-Missouri Power Company (Ark-Mo) from Middle South Utilities, Inc. (MSU), the Company's parent, and effected the liquidation of Ark-Mo and the distribution of its assets to the Company, including the outstanding shares of common stock of Associated Natural Gas Company. Ark-Mo became a division of the Company and Associated Natural Gas Company a subsidiary of the Company.

If Ark-Mo had been combined with the Company for the year ended December 31, 1980, operating revenues and net income would have been approximately $855,078,000 and $68,491,000, respectively. Financial data shown for 1982 and 1981 are on a consolidated basis. Financial data prior to 1981 have not been restated for the consolidation since the effect is immaterial.

4. INCOME TAXES

Income tax expense (credit) consists of the following:

	1982	1981	1980
		(in thousands)	
Current:			
Federal	$ 3,713	$ 7,036	$ (1,084)
State	3,251	1,687	(360)
Total	6,964	8,723	(1,444)
Deferred—net:			
Liberalized depreciation	30,744	19,118	18,570
Taxes capitalized on books	1,804	1,715	2,181
Interest capitalized on nuclear fuel	(2,784)	466	1,520
Revenues collected in advance—nuclear refueling reserve	(2,117)	3,360	(5,648)
Deferred fuel cost	10,748	(6,065)	(2,629)
Restoration due to tax loss carryforward	—	15,188	10,636
Nuclear fuel disposal costs	(6,074)	(7,491)	(4,164)
Expenses associated with co-owner advances to construct coal plants	(44)	4,924	—
Differences between book and tax gains and losses on sales of property	(997)	7,000	(750)
Other	(213)	(3,148)	(427)
Total	31,067	35,067	19,289
Investment tax credit adjustments—net	25,629	21,406	(1,404)
Recorded income tax expense	$63,660	$65,196	$ 16,441
Charged to operations	$69,285	$62,401	$ 28,632
Charged (credited) to other income	(5,625)	2,795	(12,191)
Recorded income tax expense	63,660	65,196	16,441
Income taxes applied against the debt component of AFDC	7,669	9,848	14,571
Total income taxes	$71,329	$75,044	$ 31,012

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Total income taxes differ from the amounts computed by applying the statutory Federal income tax rate to income before taxes. The reasons for the differences are as follows:

	1982		1981		1980	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate	$78,675	46.0%	$74,214	46.0%	$37,568	46.0%
Increases (reductions) in tax resulting from:						
Allowance for funds used during construction	(9,492)	(5.6%)	(9,985)	(6.2%)	(17,251)	(21.1%)
Difference between book depreciation and tax straight-line depreciation	(799)	(.5%)	2,050	1.3%	(710)	(.9%)
Difference between interest capitalized on nuclear fuel combined with tax depreciation of nuclear fuel and nuclear fuel expense	(2,821)	(1.6%)	(1,224)	(.8%)	(2,141)	(2.6%)
State income taxes net of Federal income tax effect	4,406	2.6%	4,546	2.8%	1,168	1.4%
Other—net	(6,309)	(3.7%)	(4,405)	(2.7%)	(2,193)	(2.7%)
Recorded income tax expense	63,660	37.2%	65,196	40.4%	16,441	20.1%
Income taxes applied against debt component of AFDC	7,669	2.7%	9,848	3.4%	14,571	12.1%
Total income taxes	$71,329	39.9%	$75,044	43.8%	$31,012	32.2%

In 1979, the Company incurred a Federal tax loss. The tax effect of the portion of the loss which was not realized during 1979 was recorded as a reduction of deferred income taxes. The tax effect of the loss carryforward used in 1980 and 1981 has been recorded as a restoration of deferred income taxes. The 1979 Federal tax loss carryforward was fully utilized at December 31, 1981.

Unused investment tax credits at December 31, 1982 amounted to $86.9 million, of which $6.6 million may be carried forward through 1992, $33.7 million through 1993, $22.8 million through 1996, and $23.8 million through 1997.

Pursuant to an order of the APSC dated March 1, 1982, the Company ceased providing deferred taxes on certain timing differences which were previously normalized. However, the order requires the Company to continue providing deferred taxes on decommissioning costs of nuclear plant and disposal costs of nuclear fuel, and provides for continued normalization of timing differences for which normalization is required by the Internal Revenue Code or State law.

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5. COMMITMENTS AND CONTINGENCIES

The construction program contemplates Company construction expenditures of approximately $304 million in 1983, $283 million in 1984 and $273 million in 1985.

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 includable 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. Most of the other issues have been settled and adequate provisions have been recorded.

The Company has a 35% interest in System Fuels, Inc. (SFI), a jointly owned subsidiary of the four principal operating subsidiaries of Middle South Utilities, Inc., (MSU). SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for all of the operating companies; its costs are primarily recovered through charges for fuel delivered and services rendered.

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, 1983, which provides for SFI to borrow up to $220,300,000 from its parent companies through December 31, 1983. As of December 31, 1982, the Company had loaned $29,271,000 to SFI pursuant to this loan agreement and the Company's share of the unused loan commitment was $40,331,000. Notes under this agreement mature December 31, 2008. In addition, the Company had loaned SFI $10,607,500 under previous loan agreements. Notes mature in 10 and 25 years from date of borrowing under the provisions of the previous loan agreements. Maturities in 1983 of $6,317,500 are expected to be refinanced as part of the amended January 4, 1978 agreement.

In connection with certain of SFI's borrowing arrangements, SFI's parent companies, including the Company, 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 December 31, 1982, the total loan commitment under these arrangements amounted to $295,000,000 of which $198,210,000 was outstanding at that date. Also, SFI's parent companies, including the Company, 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 December 31, 1982, the aggregate discounted value of these lease arrangements was $77,700,000.

The Company has agreed to purchase over a 20-year period, 100 million tons of coal, with an option to purchase over a further 10-year period an additional 50 million tons, for use at the White Bluff Steam Electric Station, presently in commercial operation. 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 coal supplied is expected to be used at the Independence Steam Electric Station. SFI's parent companies, including the Company, each acting in accordance with their respective shares of ownership of SFI's common stock, joined in, ratified, confirmed and adopted the contract and obligations of SFI thereunder. The contract provides for SFI to make direct investments in the mine for plant and equipment in order to limit the amount to be paid by SFI to the joint venture as a component of the price of coal. Through 1982, SFI has invested approximately $4.8 million and at December 31, 1982, SFI anticipated that its total additional investment over the life of the contract would be approximately $100 million, including $44.8 million estimated for 1983. Any funds invested under the contract would be obtained by SFI either

through borrowings or other arrangements with its parent companies, including the Company, or through other methods of financing.

The Company has agreements for the purchase and fabrication of fuel assemblies for its nuclear plant, Arkansas Nuclear One. The Company has agreed to purchase from Kerr-McGee Nuclear Corporation 1,696,000 kg of uranium over the next seven years. The Company also has agreements with the Babcock & Wilcox Company and the General Atomic Company for the fabrication of fuel assemblies used at the plant.

The Company, under the terms of its nuclear fuel leases, is responsible for the storage and disposal of spent nuclear fuel. The Company considers 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 made in applications to regulatory commissions. As of December 31, 1982, the Company has collected approximately $31.3 million for the storage and disposal of spent fuel. The Company is also recovering approximately $160 million for decommissioning costs for its two nuclear units through increased depreciation charges over the life of the station. Based upon a study performed by the Company, nuclear plant decommissioning costs are projected to be in excess of this amount. The Company is requesting and will request recovery of estimated increased costs in applications to its regulatory commissions.

The Company, together with the other Middle South System operating companies, is obligated under agreements (MSE Agreements) with Middle South Energy, Inc. (MSE) in accordance with stated percentages specified therein to make payments or subordinated advances adequate to cover all of the operating expenses and certain of the capital costs of MSE. The Company's stated percentage responsibility under the MSE Agreements is 17.1%. Through 1982, $2.7 billion had been expended by MSE on the Grand Gulf Plant's two units, the first unit of which is scheduled for commercial operation in the fourth quarter of 1983. Under certain circumstances, the Company may be required under the MSE Agreements to make its share of the $12.5 million per month advance power purchase payments commencing January 2, 1984 if the first unit of the Grand Gulf Plant has not been placed in commercial operation by December 31, 1983.

Effective November 1981, the Company, together with the other Middle South System operating companies, entered into a reallocation agreement related to the Grand Gulf Plant which provides that the other System operating companies have agreed to assume and hold the Company harmless from all of the responsibilities and obligations of the Company with respect to the MSE Agreements, and in consideration thereof, the Company has relinquished its rights in the Grand Gulf Plant. The Company remains primarily liable to MSE and its assignees for payments under the MSE Agreements in accordance with its original stated percentage, but would be required to make its share of the payments or advances thereunder only if the other System operating companies were unable to meet their contractual obligations.

The Company is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurer which provides its members with insurance coverage for the cost of replacement power incurred due to prolonged outages of nuclear units and for property damage in excess of $500 million caused by radioactive contamination or other specified damage. Members pay annual premiums and are subject to assessments if losses exceed the accumulated funds available to the insurer. The Company's present maximum assessment for incidents occurring during a policy year would be approximately $25 million.

The Price-Anderson Act limits the public liability of a licensee of a nuclear power plant to $560 million for a single nuclear incident. Insurance for this exposure is provided by private insurance and an indemnity agreement with the Nuclear Regulatory Commission. Every licensee of a nuclear power plant is 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 million per incident for each licensed reactor operated by it or up to a maximum per reactor owned of $10 million in any calendar year. At the end of 1982, the Company had two licensed reactors.

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6. LEASES

The Company accounts for leases on the same basis as that used by its regulatory authority in the ratemaking process which determines the revenues utilized to recover the lease costs. Application of criteria used to define a capital lease would permit recording the following assets and liabilities on the balance sheet:

	1982	1981	1980
		(in thousands)	
Assets:			
Utility plant	$113,632	$110,473	$83,983
Accumulated amortization	14,505	14,287	12,348
Net leased property	$ 99,127	$ 96,186	$71,635
Liabilities:			
Noncurrent obligations under capital leases	$ 95,605	$ 93,342	$68,996
Current obligations under capital leases:			
Principal	$ 3,522	$ 2,844	$ 2,639
Interest accrued	3,566	2,177	958
Total	$ 7,088	$ 5,021	$ 3,597

Recording of such leases would not materially affect the amounts reported as either expense or net income.

At December 31, 1982, there were noncancellable leases with minimum rental commitments as follows:

	(in thousands)
1983	$ 17,437
1984	18,007
1985	17,757
1986	17,545
1987	17,452
For years thereafter	196,250
Total	$284,448

The Company has two lease agreements, not reflected in the schedule above, which together allow it to lease nuclear fuel up to a maximum of $150 million. Lease payments, which are not included in the tabulations above, are based on nuclear fuel use. Both leases, unless sooner terminated by one of the parties, will continue until 2018. The unrecovered cost base of the leases at December 31, 1982, 1981 and 1980 was $145,531,000, $122,976,000 and $123,740,000, respectively. Nuclear fuel expense of $40,091,000 in 1982, $51,455,000 in 1981 and $37,300,000 in 1980 was charged to operations.

Rental expense (excluding nuclear fuel) amounted to approximately $19,039,000, $17,643,000 and $10,833,000 in 1982, 1981 and 1980, respectively.

7. PENSION PLANS

The companies of the Middle South System have various pension plans covering substantially all of their employees. These plans are administered by a trustee who is responsible for pension payments to retirees. Various investment managers have responsibility for management of the plans' assets. In addition, an independent actuary performs the necessary actuarial valuations for the individual company plans.

Effective January 1, 1982, the Company modified the method of amortizing prior service costs by changing from a fixed amortization period of twenty years to varying amortization periods not to exceed thirty years. The effect of this change on 1982 pension expense was not significant. Total pension expense of the Company for 1982, 1981 and 1980 was $8,266,000, $9,011,000 and $6,305,000, respectively.

The comparison of the actuarial present values of accumulated plan benefits and plan net assets for the Company's defined benefit plans is presented below. This comparison was determined in accordance with the provisions of Statement of Financial Accounting Standards No. 36 which requires the use of certain assumptions which are different from those used by our actuary in determining an appropriate level of funding for the Company.

	January 1, 1982	January 1, 1981
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 68,691	$56,999
Nonvested	4,921	3,340
Total	$ 73,612	$60,339
Net assets available for benefits	$108,593	$96,160

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9%.

8. LINES OF CREDIT AND SHORT-TERM BORROWINGS

At December 31, 1982, the Company had $64.0 million in lines of credit with Arkansas banks and participated with the three other Middle South System operating companies in $100 million of consolidated lines of credit with banks outside the Middle South System service area. In February 1983, the consolidated lines of credit were increased to $200 million. Compensating balances (approximately 5% of the commitment amount) or equivalent fees are required by certain of the banks located outside the Middle South service area. Additionally, the Company now participates with certain other companies of the Middle South System in a System money pool arrangement whereby those companies with available funds make short-term loans to other companies in the System having short-term borrowing requirements. The Company may borrow any portion of these lines subject only to its maximum authorized level of short-term borrowings. The Company has received authorization from the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 to have outstanding at any one time short-term borrowings aggregating not more than the lesser of $200 million or 10% of the Company's capitalization. The aggregate amounts of the unused lines of credit with Arkansas banks at the end of 1982 and 1981 were $53.3 million and $18.7 million, respectively. The operating companies had available at the end of 1982 and 1981, $56 million and $190.8 million, respectively, under the consolidated lines of credit. The short-term borrowings and the applicable interest rates (determined by dividing applicable interest expense by the average amount borrowed) for the Company were as follows:

	1982	1981	1980
		(in thousands)	
Maximum borrowing	$90,700	$122,400	$135,250
Year-end borrowing	$ 750	$ 56,200	$ 36,400
Average borrowing:			
Bank loans	$23,030	$ 73,065	$ 93,683
Commercial paper	—	—	$ 990
Associated companies	$13,122	—	—
Average interest rate during the period:			
Bank loans	13.66%	18.13%	14.6%
Commercial paper	—	—	15.3%
Associated companies	10.50%	—	—
Average interest rate at end of period:			
Bank loans	11.50%	14.84%	21.0%
Compensating and working balances at end of period	—	$ 6,600	$ 5,800

9. RESTRICTED RETAINED EARNINGS

The indenture relating to the Company's long-term debt and provisions of the articles of incorporation relating to the Company's preferred stock provide for restrictions on the payment of cash dividends on common stock. As of December 31, 1982, $12,024,000 of retained earnings are free from such restrictions.

10. PREFERRED AND COMMON STOCK

Preferred stock outstanding at December 31, 1982 and 1981 consisted of the following:

Cumulative, $100 Par Value	Shares Authorized	Shares Outstanding 1982	Shares Outstanding 1981	Current Call Price Per Share
Without sinking fund:				
4.32% series	70,000	70,000	70,000	$103.647
4.72% series	93,500	93,500	93,500	107.00
4.56% series	75,000	75,000	75,000	102.83
4.56% 1965 series	75,000	75,000	75,000	102.50
6.08% series	100,000	100,000	100,000	102.83
7.32% series	100,000	100,000	100,000	103.17
7.80% series	150,000	150,000	150,000	105.20
7.40% series	200,000	200,000	200,000	104.65
7.88% series	150,000	150,000	150,000	106.94
Total	1,013,500	1,013,500	1,013,500	
With sinking fund*:				
10.60% series	165,412	163,412	174,962	109.39
11.04% series	337,597	337,597	357,747	109.78
Total	503,009	503,009	532,709	
Unissued	2,386,500			
Total, $100 Par Value	3,903,009			
Cumulative, $25 Par Value				
Without sinking fund:				
8.84% series	400,000	400,000	400,000	27.66
10.40% series	600,000	600,000	600,000	28.60
Total	1,000,000	1,000,000	1,000,000	
With sinking fund*:				
9.92% series	1,599,640	1,599,640	1,600,000	28.18
13.28% series	2,000,000	2,000,000	2,000,000	29.88
Total	3,599,640	3,599,640	3,600,000	
Unissued	5,400,000			
Total, $25 Par Value	9,999,640			

	(in thousands)	
Without sinking fund:		
Stated at $100 a share	$101,350	$101,350
Stated at $25 a share	25,000	25,000
Premium	540	540
Total preferred stock and premium, without sinking fund	$126,890	$126,890
With sinking fund:		
Stated at $100 a share	$ 50,301	$ 53,271
Stated at $25 a share	89,991	90,000
Premium	846	849
Total preferred stock and premium, with sinking fund	$141,138	$144,120

The changes in the number of shares of common and preferred stock outstanding in 1980, 1981 and 1982 were:

	Common Stock** Shares Sold	Preferred Stock Shares Sold (Redeemed) $100 Par	Preferred Stock Shares Sold (Redeemed) $25 Par
1980	2,400,000	(37,866)	2,000,000
1981	6,743,423	(29,425)	—
1982	6,400,000	(29,700)	(360)

These series are to be retired in full through the operation of sinking funds. The 10.60% series is being redeemed at the rate of 10,000 shares each year. The 11.04% series is being redeemed at the rate of 20,000 shares each year. Beginning June 1, 1984, the 9.92% series is to be redeemed at the rate of 80,000 shares each year. Beginning January 1, 1985, the 13.28% series is to be redeemed at the rate of 100,000 shares each year. In addition, the Company has the non-cumulative option to redeem an additional like amount of said shares each year commencing in the first year of redemption in each respective series.

***In 1981 a premium of $3,820,000 was received on 2,343,423 shares of common stock exchanged for the assets and liabilities of Ark-Mo. All other common stock sales were at par value.*

11. LONG-TERM DEBT

Long-term debt outstanding consisted of the following:

	1982	1981
	(in thousands)	
FIRST MORTGAGE BONDS:		
3-1/2% series due 1982	$ —	$ 15,000
5-3/8% series due 1982	—	464
4-1/2% series due 1983	1,002	1,102
3-1/4% series due 1984	7,500	7,500
3-3/8% series due 1985	18,000	18,000
16-1/8% series due 1986	70,000	70,000
5-1/2% series due 1988	508	553
17-3/8% series due 1988	75,000	75,000
5-5/8% series due 1990	1,200	1,300
4-7/8% series due 1991	12,000	12,000
16-1/2% series due 1991	80,000	—
4-3/8% series due 1993	15,000	15,000
9-3/8% series due 1993	6,230	6,440
4-5/8% series due 1995	25,000	25,000
5-3/4% series due 1996	25,000	25,000
6-1/4% series due 1996	3,160	3,360
5-7/8% series due 1997	30,000	30,000
8-3/4% series due 1998	9,000	9,400
7-3/8% series due 1998	15,000	15,000
9-1/4% series due 1999	25,000	25,000
9-5/8% series due 2000	25,000	25,000
9-3/4% series due 2000	4,200	4,400
7-5/8% series due 2001	30,000	30,000
8 % series due 2001	30,000	30,000
7-3/4% series due 2002	35,000	35,000
7-1/2% series due 2002	15,000	15,000
8 % series due 2003	40,000	40,000
8-1/8% series due 2003	40,000	40,000
10-1/2% series due 2004	40,000	40,000
10-1/8% series due 2005	40,000	40,000
9-1/8% series due 2007	75,000	75,000
9-7/8% series due 2008	75,000	75,000
10-1/4% series due 2009	60,000	60,000
13-3/8% series due 2012	75,000	—
TOTAL FIRST MORTGAGE BONDS*	1,002,800	864,519
INSTALLMENT PURCHASE CONTRACTS:		
Pope County, Arkansas; due 1986 to 2008 at rates ranging from 7-1/4% to 10%	20,800	20,800
Jefferson County, Arkansas; due 1986 to 2008 at rates ranging from 6-1/8% to 10%	71,700	71,700
Independence County, Arkansas; due 1984 at rate of 9-1/4%	41,000	41,000
Less: Amount held in construction funds	2,519	10,845
TOTAL INSTALLMENT PURCHASE CONTRACTS	130,981	122,655
LONG-TERM LOANS (at prime rate)	—	23,052
UNAMORTIZED PREMIUM AND DISCOUNT ON DEBT—NET	(2,044)	(344)
TOTAL	1,131,737	1,009,882
LESS: CURRENT OBLIGATIONS INCLUDED IN CURRENT LIABILITIES	2,297	16,719
LONG-TERM DEBT EXCLUDING AMOUNT DUE WITHIN ONE YEAR	$1,129,440	$ 993,163

At December 31, 1982, the sinking fund requirements and maturities for long-term debt for the years 1983 through 1987 are as follows:

	Cash Sinking Fund	Sinking Fund**	Maturities
		(in thousands)	
1983	$1,295	$6,143	$ 1,002
1984	1,365	6,818	48,500
1985	1,365	6,638	18,000
1986	1,365	7,088	70,725
1987	1,365	7,438	810

**The Company sold an additional $25 million principal amount of first mortgage bonds dated February 1, 1983 due February 1, 2013 with an interest rate of 13¼%.*

***These annual sinking fund requirements may be met by certification of property additions at a rate of 167% of such requirements.*

12. TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Operating revenues include revenues from sales to associated companies amounting to $223,748,000 in 1982, $223,235,000 in 1981 and $84,415,000 in 1980. Operating expenses include charges from affiliates for fuel cost, purchased power, and technical and advisory services totaling $67,960,000 in 1982, $65,305,000 in 1981 and $148,756,000 in 1980.

13. CONSOLIDATED QUARTERLY RESULTS (Unaudited)

Operating results for the four quarters of 1982 and 1981 were as follows:

	1982			
	March	June	September	December
		(in thousands)		
Operating Revenue	$253,110	$234,343	$315,953	$242,737
Operating Income	45,762	39,587	75,129	30,829
Net Income	24,721	18,749	53,777	10,125

	1981			
	March	June	September	December
		(in thousands)		
Operating Revenue	$224,394	$223,327	$319,480	$248,360
Operating Income	30,935	25,480	76,941	33,827
Net Income	15,560	9,476	54,241	16,863

The business of the Company is subject to seasonal fluctuations with the peak period occurring during the summer months. Accordingly, earnings information for any three-month period should not be considered as a basis for estimating the results for a full year.

14. EFFECTS OF INFLATION ON OPERATIONS (UNAUDITED)

The following supplementary information about the effects of changing prices on the Company is provided in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 33, "Financial Reporting and Changing Prices." It should be viewed as an estimate of the effect of changing prices, rather than a precise measure.

STATEMENT OF INCOME FROM OPERATIONS AND
OTHER FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES
FOR THE YEAR ENDED DECEMBER 31, 1982
(in thousands)

	As Reported In The Financial Statements	Adjusted For General Inflation (Constant Dollars)	Adjusted For Changes In Specific Prices (Current Costs)
Operating revenues*	$1,046,143	$1,046,143	$1,046,143
Operating expenses (excluding depreciation)*	770,643	770,643	770,643
Depreciation	84,194	170,953	178,827
Total operating expense	854,837	941,596	949,470
Operating income	191,306	104,547	96,673
Other income*	25,409	25,409	25,409
Interest and other charges*	109,343	109,343	109,343
Income from operations (excluding adjustment to net recoverable cost)**	$ 107,372	$ 20,613	$ 12,739
Increase in specific prices (current costs) of property, plant and equipment held during the year***			$ 164,468
Adjustment to net recoverable cost		$ 9,193	29,660
Effect of increase in general price level			(177,061)
Excess of increase in general price level over increase in specific prices after adjustment to net recoverable cost			17,067
Gains from decline in purchasing power of net amounts owed		54,760	54,760
Net		$ 63,953	$ 71,827

*Assumed to be in "average for the year" dollars and thus are not restated.

**Including the adjustment to net recoverable cost, the income from operations on a constant dollar basis would have been $29,806 in 1982.

***At December 31, 1982, current cost of property, plant and equipment net of accumulated depreciation was $4,750,695 while historical cost or net cost recoverable through depreciation was $2,399,036.

FIVE-YEAR COMPARISONS OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

(in thousands of average 1982 dollars)

	Years Ended December 31,				
	1982	1981	1980	1979	1978
Operating revenues	$1,046,143	$1,077,822	$879,128	$774,759	$819,075
Historical cost information adjusted for general inflation:					
Income from operations (excluding adjustment to net recoverable cost)	20,613	26,810	17,685	63,618	
Net assets at year-end at net recoverable cost	653,613	606,257	574,249	646,725	
Current cost information:					
Income from operations (excluding adjustment to net recoverable cost)	12,739	13,353	(1,327)	46,092	
Excess of increase in general price level over increase in specific prices after adjustment to net recoverable cost	(17,067)	102,556	178,754	218,465	
Net assets at year-end at net recoverable cost	653,613	606,257	574,249	646,725	
General information:					
Gain from decline in purchasing power of net amounts	54,760	136,384	192,329	202,097	
Average consumer price index	289.1	272.4	246.8	217.4	195.4

NOTE: SFAS No. 33 requires that historical cost information adjusted for general inflation and current cost information be provided for 1979 and subsequent years. Comparable information is not readily available for 1978 and thus is not provided.

Constant dollar amounts represent historical costs adjusted for the effects of general inflation. The effects are determined by converting these costs into dollars of equal purchasing power using the Consumer Price Index for all Urban Consumers (CPI-U).

Current cost amounts reflect the changes in specific prices of property, plant and equipment from the year of acquisition to the present. The current costs of property, plant and equipment, which represent the estimated costs of replacing existing plant assets, are

determined by applying the Handy-Whitman Index of Public Utility Construction Costs (HWI) to the cost of the surviving plant by year of acquisition. Land and certain other plant assets which are not included in the HWI were converted using the CPI-U.

The difference between current cost amounts and constant dollar amounts results from specific prices of property, plant and equipment (as measured by the HWI) changing at a rate different than the rate of general inflation (as measured by the CPI-U).

The current year's depreciation expense on the constant dollar and current cost amounts of property, plant and equipment was determined by applying the Company's depreciation rates to the indexed amounts.

The cost of fuel used in generation has not been restated from historical cost. Regulation limits the recovery of fuel costs to actual costs through the operation of adjustment clauses or adjustments in basic rate schedules.

As prescribed in Statement of Financial Accounting Standards No. 33, income taxes were not adjusted.

The regulatory commissions to which the Company is subject allow only the historical cost of plant to be recovered in revenues as depreciation. Therefore the excess cost of plant stated in terms of constant dollars or current cost over the historical cost of plant is not presently recoverable in rates. This excess is reflected as a reduction to net recoverable cost. While the rate-making process gives no recognition to the current cost of replacing property, plant and equipment, the Company believes, based on past experiences, that it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Operations presented above, the reduction of net property, plant and equipment to net recoverable cost is offset by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant and equipment. Since the depreciation on this plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize a holding gain on debt.

COMPANY DIRECTORY

Transfer Agents for Preferred Stock—Union National Bank of Little Rock, 1 Union National Plaza, Little Rock, Arkansas 72203, and The Commercial National Bank of Little Rock, Second and Main Streets, Little Rock, Arkansas 72203

Registrar of Preferred Stock—The First National Bank in Little Rock, Capitol and Broadway Streets, Little Rock, Arkansas 72203

Certified Public Accountants—Deloitte Haskins & Sells, One Shell Square, New Orleans, Louisiana 70139

Executive Office—The First National Building, Capitol and Broadway Streets, Little Rock, Arkansas 72203, Phone (501) 371-4000

Annual Meeting—Fourth Wednesday of May

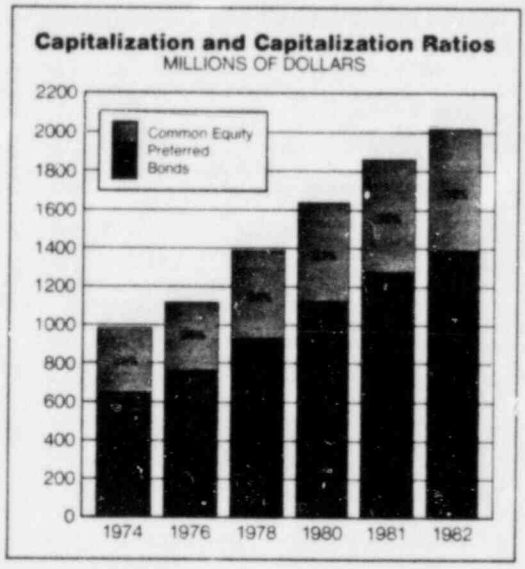
☆☆☆☆☆☆☆☆☆☆

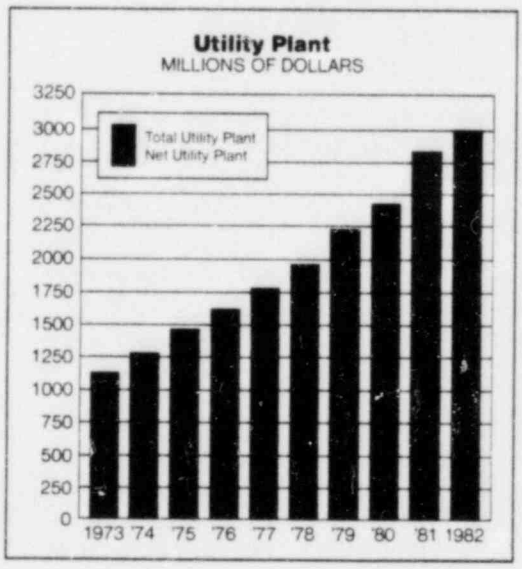
The Company's 1982 Annual Report to the Securities and Exchange Commission on Form 10-K (including Financial Statements and Financial Statement schedules) is available to any stockholder upon request, without charge. Persons interested in obtaining a copy should contact Mr. Steve L. Riggs, Vice President, General Counsel and Secretary, at the address below:

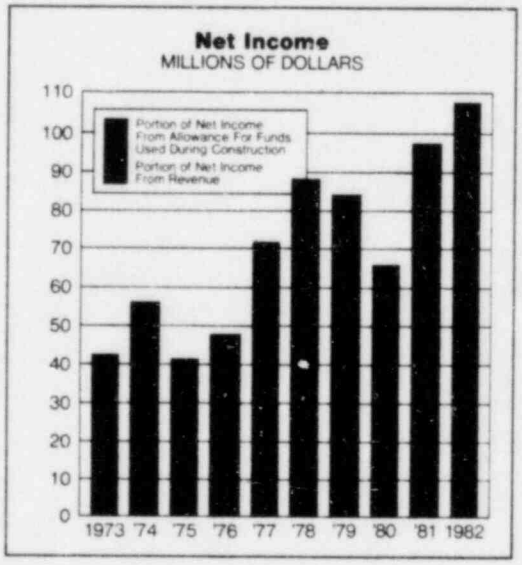
ARKANSAS POWER & LIGHT COMPANY
P.O. Box 551
Little Rock, Arkansas 72203
(501) 371-4000

Arkansas Power & Light Company

TEN YEARS OF PROGRESS/FINANCIAL (Consolidated) [1]







(In Thousands of Dollars)	1982
Selected Financial Data:	
Net operating revenues	$1,046,143
Net income	107,372
Total assets	2,669,417
Long-term debt	1,129,440
Preferred stock, with sinking fund	141,138
Capitalization—End of period:	
Preferred stock and premium	$ 268,028
Common stock and paid-in capital	627,709
Retained earnings	33,365
Total	929,102
Long-term debt:	
First mortgage bonds [2]	998,459
Installment purchase contracts [2]	130,981
Sinking fund debentures	
Total	1,129,440
Total capitalization	$2,058,542
Annual Payment Requirements:	
Interest on:	
First mortgage bonds	$ 105,568
Installment purchase contracts	10,386
Dividends on preferred stock	25,131
Utility Plant—End of period:	
Plant completed	$2,623,319
Construction work in progress	364,252
Nuclear fuel	16,869
Total utility plant	3,004,440
Less—accumulated depreciation	(605,404
Net utility plant	$2,399,036
Income Statement:	
Operating revenues	$1,046,143
Operating expenses:	
Fuel	262,604
Purchased power	178,841
Gas purchased for resale	40,986
Payroll—Operation and maintenance	77,566
Other operation and maintenance	109,500
Depreciation	84,194
Taxes	101,146
Total	854,837
Operating income	191,306
Other income and deductions—net (excluding AFDC*)	12,687
Interest and other charges:	
Interest on long-term debt	108,557
Other interest—net of debt premium	11,272
Total (excluding AFDC*)	119,829
Income from revenues	84,164
Non-cash income from AFDC*	23,208
Income from accounting change [3]	
Net income	$ 107,372

1 On January 1, 1981, Arkansas Power & Light Company acquired Arkansas-Missouri Power Company. (See Note 3 to Financial Statements—"Business Consolidation.") The financial data in this report for the years prior to 1981 have not been restated for the consolidation since the effect is immaterial.

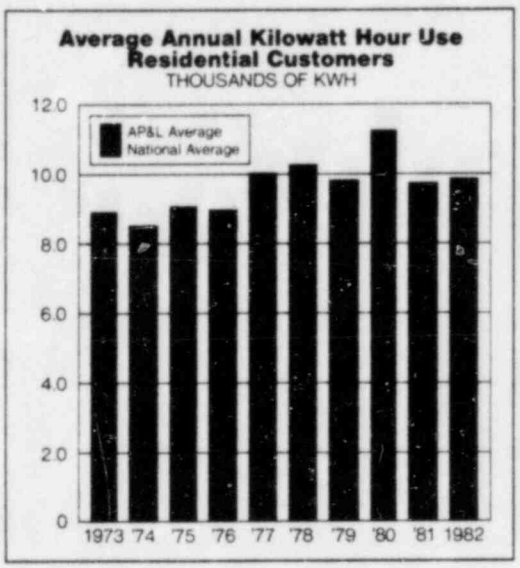
2 Excludes currently maturing portion.

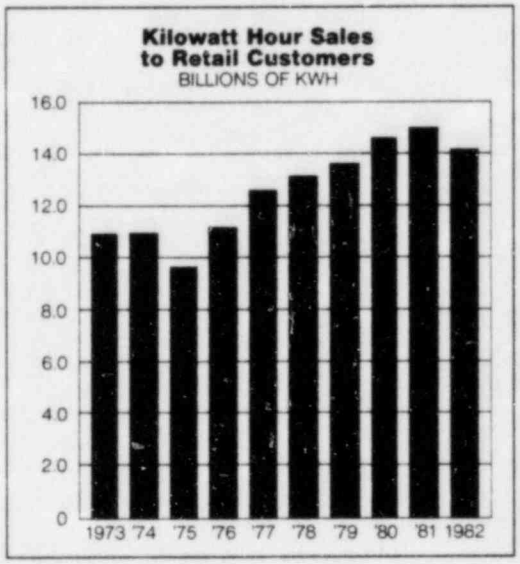
3 Cumulative effect to January 1, 1976, of change in accounting for fuel costs.

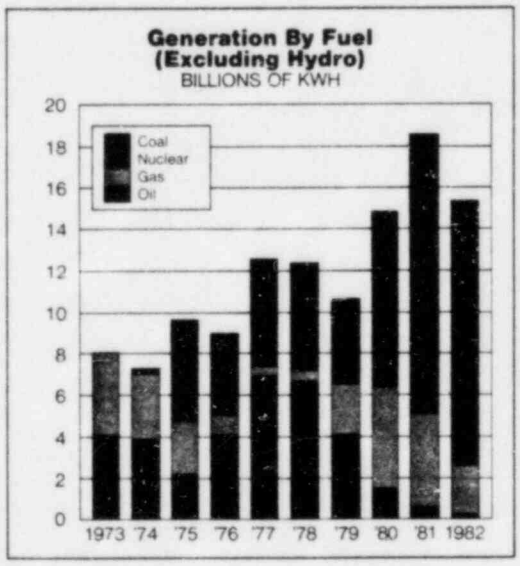
**AFDC—Allowance for funds used during construction.*

1981	1980	1979	1978	1977	1976	1975	1974	1973
$1,015,561	$ 750,497	$ 582,610	$ 553,605	$ 535,298	$ 396,597	$ 316,831	$ 296,811	$ 209,327
96,140	65,230	82,404	86,014	69,305	46,963	40,713	55,562	41,946
2,474,249	2,147,983	1,940,643	1,693,906	1,562,999	1,421,940	1,311,433	1,124,177	1,002,893
992,163	848,667	819,716	749,262	667,484	591,382	586,318	546,284	480,829
144,120	147,065	100,518	60,063	60,063	60,063	60,063		
$ 271,010	$ 273,955	$ 227,408	$ 171,772	$ 171,772	$ 171,772	$ 161,720	$ 101,657	$ 101,657
547,185	458,569	427,960	397,960	382,960	367,960	337,375	292,375	257,375
43,134	54,700	86,333	78,462	54,261	39,040	41,297	41,869	36,827
861,329	787,224	741,701	648,194	608,993	578,772	540,392	435,901	395,859
849,585	765,430	763,549	709,549	642,979	575,184	586,318	546,284	476,354
143,578	83,237	56,167	39,713	24,505	16,198			
								4,475
993,163	848,667	819,716	749,262	667,484	591,382	586,318	546,284	480,829
$1,854,492	$1,635,891	$1,561,417	$1,397,456	$1,276,477	$1,170,154	$1,126,710	$ 982,185	$ 876,688
$ 82,986	$ 73,551	$ 62,436	$ 56,536	$ 49,364	$ 42,837	$ 42,837	$ 38,787	$ 29,974
14,016	6,593	4,980	4,980	4,103	1,224			
25,456	25,778	19,548	14,020	14,020	14,020	13,136	6,600	6,600
$2,546,046	$2,133,704	$1,231,832	$1,178,601	$1,139,511	$1,111,119	$1,097,913	$1,051,248	$ 762,319
255,468	282,376	980,054	785,684	610,557	505,669	350,941	215,794	330,585
10,214	7,151			12,747	4,562	8,179	5,229	29,953
2,811,728	2,423,231	2,211,886	1,964,285	1,762,815	1,621,350	1,457,033	1,272,271	1,122,857
532,261	417,435	364,447	331,231	297,464	265,099	240,014	211,456	193,400
$2,279,467	$2,005,796	$1,847,439	$1,633,054	$1,465,351	$1,356,251	$1,217,019	$1,060,815	$ 929,457
$1,015,561	$ 750,497	$ 582,610	$ 553,605	$ 535,298	$ 396,597	$ 316,831	$ 296,811	$ 209,327
307,213	237,346	174,667	167,681	169,890	107,213	76,322	83,840	46,605
141,316	154,126	171,425	120,804	114,225	107,983	56,022	55,936	28,737
30,637								
67,897	49,774	40,607	35,400	29,448	26,626	24,286	19,486	17,647
132,862	100,700	50,994	55,478	53,014	31,224	30,637	24,114	19,416
77,923	59,574	39,708	38,365	36,768	35,025	33,790	23,885	21,373
90,530	54,033	34,948	55,693	62,753	36,022	38,352	24,949	25,766
848,378	655,553	512,349	473,421	466,098	344,093	259,409	232,210	159,544
167,183	94,944	70,261	80,184	69,200	52,504	57,422	64,601	49,783
17,497	17,468	23,627	16,986	12,466	10,328	8,131	1,352	572
90,755	67,036	67,091	56,949	45,047	43,152	40,553	32,554	25,528
21,038	17,649	10,296	4,469	3,980	2,703	3,265	3,323	1,557
111,793	84,685	77,387	61,418	49,027	45,855	43,818	35,877	27,085
72,887	27,727	16,501	35,752	32,639	16,977	21,735	30,076	23,270
23,253	37,503	65,903	50,262	36,666	26,445	18,978	25,486	18,676
					3,541			
$ 96,140	$ 65,230	$ 82,404	$ 86,014	$ 69,305	$ 46,963	$ 40,713	$ 55,562	$ 41,946

TEN YEARS OF PROGRESS/OPERATING (Electric) [1]







	1982
Electric Operating Revenues:	
(In Thousands of Dollars)	
Residential	$282,204
Commercial	153,393
Industrial—Aluminum processing	50,175
Industrial—Other	183,975
Government and municipal	19[illegible]31
Total from retail customers	688,828
Public utilities	299,724
Miscellaneous revenues	5,572
Total electric operating revenues	$994,124
Electric Sales (Millions of Kilowatt Hours):	
Residential	4,514
Commercial	2,870
Industrial—Aluminum processing	2,081
Industrial—Other	4,246
Governmental and municipal	410
Total sales to retail customers	14,121
Public utilities	7,388
Total electric energy sold	21,509
Number of customers—end of year:	
Residential	462,753
Commercial	56,709
Industrial—Aluminum processing	1
Industrial—Other	13,528
Government and municipal	2,372
Total retail customers	535,363
Public utilities	18
Total customers	535,381
Electric Energy:	
Source and disposition	
(Millions of Kilowatt Hours)	
Generated—net station output:	
Coal	5,224
Gas	2,660
Oil	72
Nuclear	7,463
Hydro	176
Total generated	15,595
Purchased	7,241
Net interchange	82
Total	22,918
Less: Company use, losses and unaccounted for	1,409
Total energy sold	21,509
Peak demand (Megawatts)	3,541

1 See note 1 on bottom of page thirty-two.

2 Includes 538 megawatts to supply Arkansas Electric Cooperative Corporation's (AECC) load which is now being supplied by their own capability. Years prior to 1981 also include varying amounts of load supplied to AECC.

1981	1980	1979	1978	1977	1976	1975	1974	1973
$257,801	$212,833	$160,992	$164,224	$154,403	$121,267	$104,440	$ 86,337	$ 68,098
148,938	128,477	100,741	98,293	92,999	75,641	62,325	53,438	43,448
69,527	69,171	65,861	43,972	40,482	33,100	12,652	28,061	17,358
179,331	140,422	112,515	104,930	102,264	83,844	61,619	58,566	42,865
14,787	12,824	11,447	11,234	10,468	8,536	7,144	6,003	4,737
670,384	563,727	451,556	422,653	400,616	322,388	248,180	232,405	177,506
298,781	181,650	125,980	124,653	128,174	70,362	65,346	61,168	28,942
5,569	5,120	5,074	6,299	6,508	3,847	3,305	3,238	2,879
$974,734	$750,497	$582,610	$553,605	$535,298	$396,597	$316,831	$296,811	$209,327
4,418	4,480	3,884	4,062	3,838	3,369	3,386	3,077	3,103
2,819	2,682	2,444	2,472	2,353	2,162	2,072	1,893	1,903
3,064	3,411	3,349	2,686	2,597	2,145	1,011	2,569	2,594
4,311	3,675	3,681	3,545	3,443	3,160	2,840	3,042	2,920
312	292	326	334	325	307	297	284	290
14,924	14,540	13,684	13,099	12,556	11,143	9,606	10,865	10,810
8,358	5,445	4,204	4,475	5,170	3,247	3,548	3,640	2,899
23,282	19,985	17,888	17,574	17,726	14,390	13,154	14,505	13,709
458,941	405,717	400,290	394,766	387,495	379,556	371,491	364,954	355,673
57,133	49,444	49,009	48,424	47,580	46,844	45,657	44,957	44,073
1	1	1	1	1	1	1	1	1
13,529	12,284	12,151	11,724	11,182	10,913	10,431	9,926	9,508
2,332	1,548	1,617	1,573	1,519	1,500	1,446	1,396	1,317
531,936	468,994	463,068	456,488	447,777	438,814	429,026	421,234	410,572
23	19	19	19	25	25	25	25	25
531,959	469,013	463,087	456,507	447,802	438,839	429,051	421,259	410,597
4,293	601							
4,727	4,741	2,468	470	487	1,168	2,645	3,209	3,919
389	1,653	4,050	6,741	6,973	4,010	2,242	3,920	4,089
9,173	7,831	4,101	5,220	5,085	3,858	4,874	171	
140	103	251	131	98	94	172	230	321
18,722	14,929	10,870	12,562	12,643	9,130	9,933	7,530	8,329
5,980	6,459	7,740	6,162	6,133	6,172	4,070	7,670	5,890
12	(209)	296	8	(65)	43	101	181	361
24,714	21,179	18,906	18,732	18,711	15,345	14,104	15,381	14,580
1,432	1,194	1,018	1,158	985	955	950	876	871
23,282	19,985	17,888	17,574	17,726	14,390	13,154	14,505	13,709
4,369[2]	4,179	3,521	3,654	3,336	3,242	2,868	3,049	2,744

OFFICERS

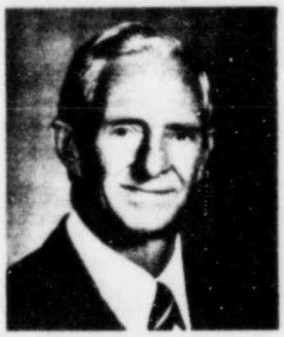
Jerry L. Maulden
President &
Chief Executive Officer

Michael B. Bemis
Senior Vice President, Finance, Regulation & Legal Services; Assistant Treasurer & Assistant Secretary

William Cavanaugh, III
Senior Vice President, Energy Supply

Jack L. King
Senior Vice President, Energy Delivery & Services

J. D. Phillips
Senior Vice President & Senior Consultant



Charles L. Steel
Senior Vice President & Assistant to the President

Cecil L. Alexander
Vice President, Public Affairs

R. A. Allen
Vice President, Customer Services

John M. Griffin
Vice President, Nuclear Operations

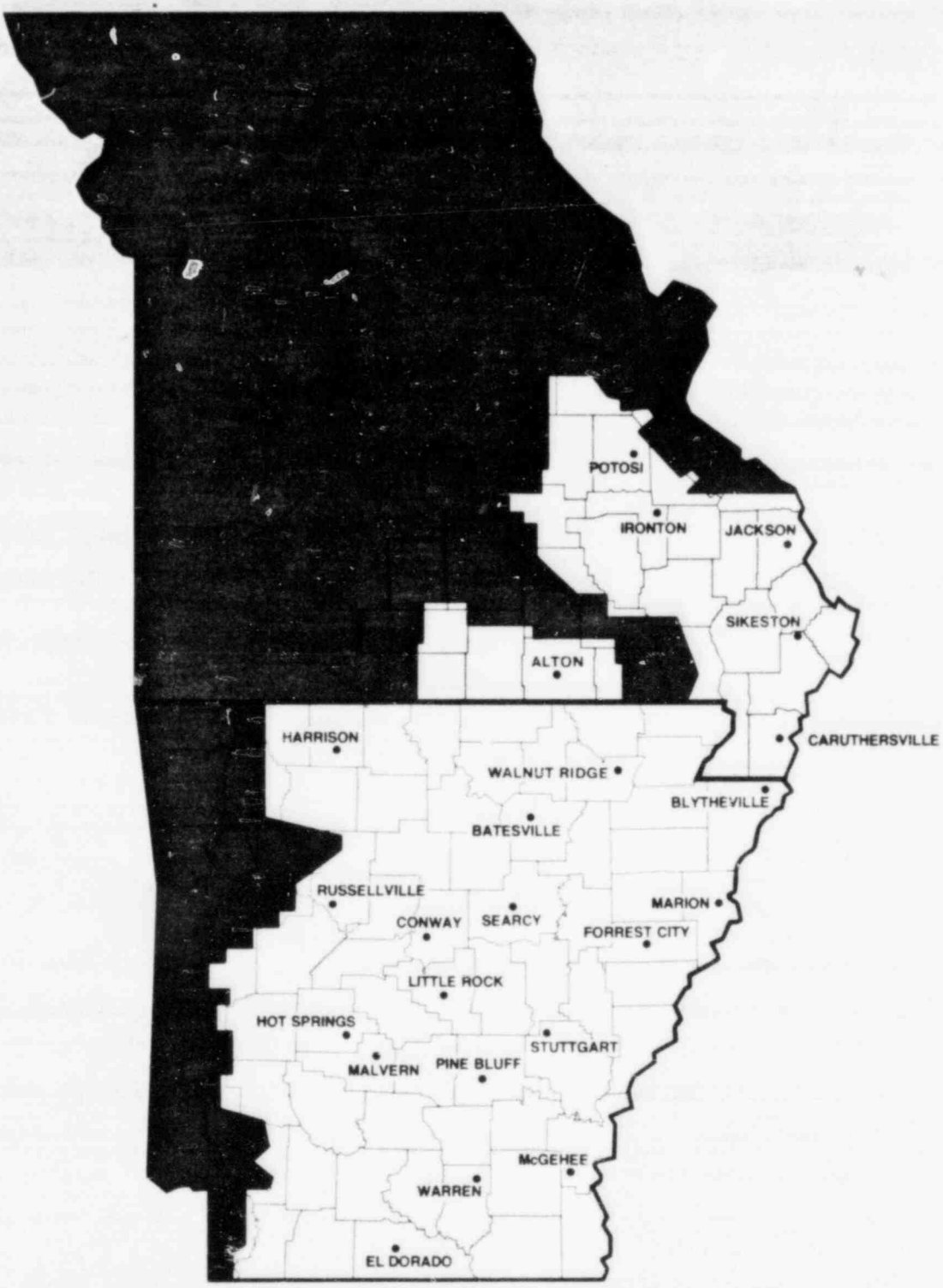
John J. Harton
Vice President, Chief Financial Officer, Treasurer & Assistant Secretary

Charles Kelly
Vice President, Corporate Communications

Ralph C. Mitchell, III
Vice President, Conservation & Renewable Resources

Steve L. Riggs
Vice President, General Counsel & Secretary

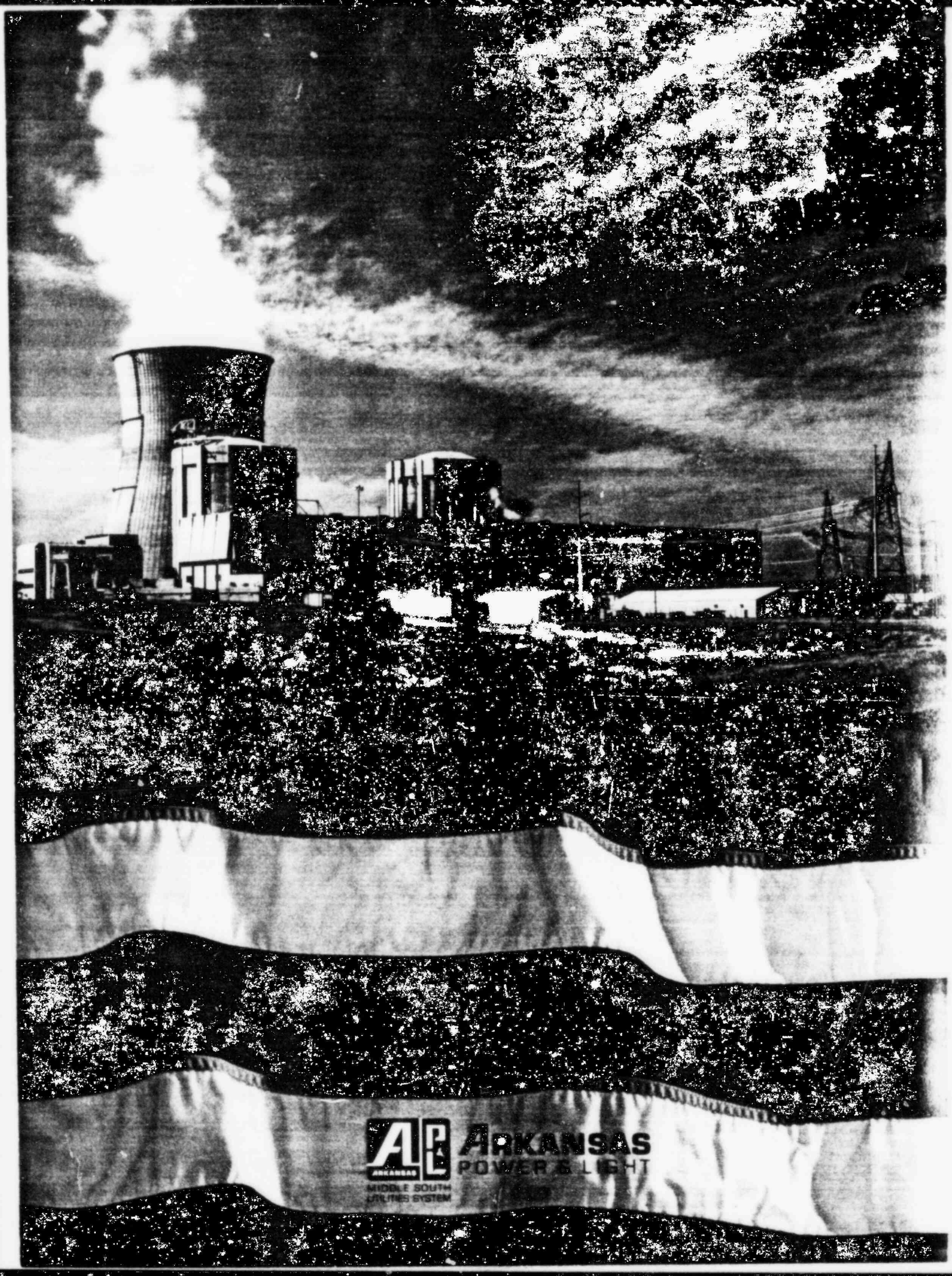
W. R. Southern
Vice President, Administrative Services



Arkansas Power & Light Company Electric System and Service Area

Arkansas Power & Light owns electric facilities in 66 of Arkansas' 75 counties and in 13 of Missouri's 114 counties. At December 31, 1982, the Company furnished retail electric service in 319 Arkansas and Missouri incorporated municipalities. AP&L also provided power at wholesale to nine Arkansas and two Missouri municipalities and in Arkansas to two rural electric cooperatives and one association of rural electric cooperatives.

AP&L's system is interconnected with and operated as a part of the Middle South Utilities System, which supplies the power requirements of more than 1.5 million customers in a 92,000-square-mile area of Arkansas, Louisiana, Mississippi and southeast Missouri.


ARKANSAS
POWER & LIGHT
MIDDLE SOUTH
UTILITIES SYSTEM