Louisiana Power & Light Company/1990 Annual Report

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LOUISIANA POWER & LIGHT COMPANY

Louisiana Power & Light Company (LP&L) operates in 46 of the 64 parishes of Louisiana — a 19,500-square-mile area and employs a total of 2,351 people.

LP&L is a wholly-owned subsidiary of Entergy Corporation, the public utility holding company for the Entergy System. For the past 42 years, the Entergy System has been the leading electric energy supplier to a 91,000-square-mile region along the lower reaches of the Mississippi River.

The System's vast network of interconnected transmission and distribution lines and diversified grid of fossil fuel and nuclear generating plants provide electricity to more than 1.7 million retail customers in Arkansas, Louisiana, Mississippi, and Missouri.

Headquartered in New Orleans, Louisiana, Entergy Corporation includes four retail operating companies: LP&L, Arkansas Power & Light, Mississippi Power & Light, and New Orleans Public Service Inc. System Energy Resources, Inc., a nuclear generating subsidiary of Entergy has a 90% interest in the Grand Gulf Nuclear Station. Another subsidiary, Entergy Services, Inc., provides various technical, administrative, and corporate services to Entergy Corporation and the System companies. A new subsidiary, Entergy Operations, was formed on June 6, 1990, and is responsible for operating the System's four nuclear units. Entergy Power, a wholesale generator that purchased Arkansas Power & Light's interest in the Independence 2 and Ritchie 2 generating units and will sell the capacity and energy from these units outside the Entergy System, was formed as a subsidiary of Entergy Corporation on August 28, 1990.

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LOUISIANA POWER & LIGHT COMPANY

DEFINITIONS

Certain abbreviations or acronyms used in LP&L Management's Financial Discussion and Analysis, Financial Statements, and Notes to Financial Statements include the following:

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
Algiers	15th Ward of the City of New Orleans, Louisiana
Algiers Rate Settlement	Council resolution adopted on July 6, 1989
AP&L	Arkansas Power & Light Company
April 1988 Decision	Louisiana Supreme Court's April 11, 1988 decision
April 1988 Order	LPSC rate order issued on April 27, 1988
Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
District Court	United States District Court for the Eastern District of Louisiana
DOE	United States Department of Energy
Entergy or Entergy Corporation	The public utility holding company for the Entergy System
Entergy Operations	Entergy Operations, Inc., a subsidiary of Entergy Corporation that has assumed operating responsibility for Grand Gulf 1, Waterford 3, and Arkansas Nuclear One Steam Electric Generating Station
Entergy System or System	Entergy Corporation and its various direct and indirect subsidiaries
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC Settlement	Settlement offer filed with the FERC on June 9, 1989 by AP&L, MP&L, NOPSI, System Energy and LP&L and approved by the FERC on July 21, 1989, to settle, among other things, certain then-pending Grand Gulf Station-related issues, litigation and rate matters
Fifth Circuit	United States Court of Appeals for the Fifth Circuit
Fourth Circuit	Fourth Circuit Court of Appeal for the State of Louisiana
Grand Gulf Station	Grand Gulf Steam Electric Generating Station (nuclear)
Grand Gulf 1	Unit No. 1 of the Grand Gulf Station
Grand Gulf 2	Unit No. 2 of the Grand Gulf Station
June 13 Decision	The FERC's June 13, 1985 decision allocating Grand Gulf 1 costs among the System operating companies
KWH	Kilowatt-Hour(s)
LP&L	Louisiana Power & Light Company
LPSC	Louisiana Public Service Commission
LPSC Settlement Agreement	An agreement between the LPSC and LP&L effective July 21, 1989 that settled certain retail rate issues involving Grand Gulf 1
March 1989 Order	LPSC rate order issued on March 1, 1989
MP&L	Mississippi Power & Light Company
NEIL	Nuclear Electric Insurance Limited
NOPSI	New Orleans Public Service Inc.
NRC	Nuclear Regulatory Commission

DEFINITIONS — (Concluded)

Abbreviation or Acronym	Term
Owner Participant	A corporation that, in connection with the Waterford 3 sale and leaseback transactions, has acquired a beneficial interest in a trust that is the owner and lessor of an undivided interest in Waterford 3
Owner Trustee	Each institution and/or individual acting as owner trustee under a trust agreement with an Owner Participant in connection with the Waterford 3 sale and leaseback transactions
Project Olive Branch	The System's 1989 effort to settle certain outstanding issues and litigation involving System Energy, the System operating companies, and the Grand Gulf Station, and to stabilize retail rates in the System's service area, which culminated in the FERC Settlement and related state and local settlements
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards promulgated by the FASB
State District Court	Nineteenth Judicial District Court for the Parish of East Baton Rouge, Louisiana
System Agreement	Agreement effective January 1, 1983, as modified by the June 13 Decision, among the System operating companies relating to the sharing of generating capacity and other power resources
System Fuels	System Fuels, Inc.
System Energy	System Energy Resources, Inc.
System operating companies	AP&L, LP&L, MP&L, and NOPSI, collectively
System or Entergy System	Entergy Corporation and its various direct and indirect subsidiaries
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended, among the System operating companies and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf 1
Waterford 3	Unit No. 3 (nuclear) of LP&L's Waterford Steam Electric Generating Station

LOUISIANA POWER & LIGHT COMPANY

REPORT OF MANAGEMENT

The management of Louisiana 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. 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 that is designed to provide 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, an employee Code of Conduct, 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 independent 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 controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that LP&L's operations are carried out with a high standard of business conduct.

Jerry L. Maulden
Chairman of the Board and
Chief Executive Officer

Donald E. Meiners
President and
Chief Operating Officer

M. H. McLetchie
Senior Vice President—
Accounting & Finance

LOUISIANA POWER & LIGHT COMPANY

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Louisiana Power & Light Company Audit Committee of the Board of Directors is comprised of four Directors who are not officers of LP&L: Joseph J. Krebs, Jr. (Chairman), Tex R. Kilpatrick, H. Duke Shackelford, and Wm. Clifford Smith. The committee held four meetings during 1990.

The Audit Committee oversees LP&L's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting and financial controls are in existence and are adequately reviewed by programs of internal and external audits. The Chairman of the committee meets with LP&L management and LP&L's independent public accountants on a quarterly basis for the review and oversight of the quarterly financial reporting process.

The Audit Committee discussed with LP&L's internal auditor and the independent public accountants (Deloitte & Touche) the overall scope and specific plans for their respective audits, as well as LP&L's financial statements and the adequacy of LP&L's internal controls. The committee met separately with LP&L's internal auditor and independent public accountants, without management present, to discuss the results of the audits, the evaluations of LP&L's internal controls and the overall quality of LP&L's financial reporting. The meetings were designed to facilitate and encourage any private communication between the committee and the internal auditor or independent public accountants.

Joseph J. Krebs, Jr.
Chairman, Audit Committee

LOUISIANA POWER & LIGHT COMPANY

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Listed in the table below are certain significant factors affecting results of operations for which changes have occurred between the years 1990 and 1989, and 1989 and 1988. The principal reasons for the significant changes from period to period are discussed following the table.

Description	1990	1989	1988	1990 to 1989 Increase/(Decrease)	1990 to 1989 %	1989 to 1988 Increase/(Decrease)	1989 to 1988 %
	(Dollars in Millions)						
Net income	$ 155.0	$ 106.6	$ 113.8	$ 48.4	45	$ (7.2)	(6)
Operating revenues	1,485.6	1,426.8	1,377.1	58.8	4	49.7	4
Fuel and fuel-related expenses	258.2	250.4	216.6	7.8	3	33.8	16
Maintenance expense	96.8	98.6	73.6	(1.8)	(2)	25.0	34
Income taxes	79.2	57.7	38.3	21.5	37	19.4	51
Waterford 3 expenses recovered — net	28.4	28.4	22.6	—	—	5.8	26
Miscellaneous income — net	11.6	20.6	0.6	(9.0)	(44)	20.0	*
Interest on long-term debt	154.4	181.0	179.5	(26.6)	(15)	1.5	1
Other interest — net	9.9	13.6	20.4	(3.7)	(27)	(6.8)	(33)
Operating revenues:							
Residential	$ 520.8	$ 496.[illegible]	$ 485.0	$ 24.0	5	$ 11.8	2
Commercial	314.7	305.[illegible]	291.5	9.1	3	14.1	5
Industrial	532.8	541.[illegible]	511.3	(8.4)	(2)	29.9	6
Governmental	26.5	25.[illegible]	32.4	0.7	3	(6.6)	(20)
Total retail	1,394.8	1,369.4	1,320.2	25.4	2	49.3	4
Sales for resale	41.8	38.1	34.0	3.7	10	4.1	12
Other	49.0	19.3	22.9	29.7	154	(3.6)	(16)
Total	$1,485.6	$1,426.8	$1,377.1	$ 58.8	4	$ 49.7	4
Retail energy sales: (Millions of KWH)							
Residential	7,169	6,865	6,762	304	4	103	2
Commercial	4,299	4,175	3,972	124	3	203	5
Industrial	14,170	14,025	13,283	145	1	742	6
Governmental	382	369	508	13	4	(139)	(27)
Total retail	26,020	25,434	24,525	586	2	909	4
Sales for resale	1,149	1,014	949	135	13	65	7
Total	27,169	26,448	25,474	721	3	974	[illegible]

* Over 1,000%

Net Income

The increase in 1990 net income was due primarily to an increase in operating revenues, a decrease in interest on long-term debt, and the recording in 1989 of the $11.1 million effect of the LPSC Settlement Agreement. The decrease in 1989 net income was due primarily to recording the $11.1 million effect of the LPSC Settlement Agreement and to increased maintenance expenses, partially offset by the amortization of gas supplier judgment proceeds and the related interest earnings on such proceeds in accordance with the March 1989 Order. These and other factors resulting in the changes in net income are discussed below.

Operating Revenues

Operating revenues increased in 1990 due primarily to increased base revenues of $20.0 million and increased fuel adjustment revenues of $5.4 million as a result of an increased volume of residential and commercial energy sales and sales for resale. Operating revenues also increased in 1990 due to a reduction in revenues in 1989 of $18.4 million in connection with the LPSC Settlement Agreement and an increase of $8.3 million in the amortization of gas supplier judgment proceeds into revenues. Additionally, operating revenues increased in 1990 due to the refund of $6.9 million in 1989 to LPSC jurisdictional customers (reflecting the LPSC jurisdictional portion of a credit received from System Energy in connection with the FERC Settlement) in connection with Project Olive Branch. Operating revenues increased in 1989 due primarily to an increase in the volume of energy sales to retail customers and the amortization of $25.6 million of gas supplier judgment proceeds into revenues. The increase in operating revenues for 1989 was partially offset by the refund of the $6.9 million mentioned above, and the reduction in revenue of $18.4 million in connection with the LPSC Settlement Agreement, also mentioned above.

Fuel and Fuel-related Expenses

The increase in fuel and fuel-related expenses in 1989 was caused principally by a 16% increase in the volume of nuclear generation due to increased energy sales to retail customers and higher average per-unit costs of fossil fuel.

Maintenance Expense

The 1989 increase in maintenance expense was due mainly to the capitalization in 1988 of $18.7 million of materials and supplies inventories that had been previously expensed and increased amortization of $5.9 million in connection with a scheduled refueling and maintenance outage at Waterford 3 in 1989.

Income Taxes

Total income taxes in 1990 and 1989 increased due to increased pre-tax book income. In addition, total income taxes increased in 1989 when compared to 1988 due to the amortization in 1988 of $9.9 million of previously unamortized investment tax credits pursuant to an agreement between LP&L and the LPSC.

Waterford 3 Expenses Recovered — Net

Waterford 3 expenses recovered increased for 1989 when compared to 1988 due mainly to adjustments in 1988 to previously unamortized investment tax credits pursuant to an agreement between LP&L and the LPSC and recognition in 1989 of a full year's amortization of previously deferred costs pursuant to the April 1988 Order.

Miscellaneous Income — Net

Miscellaneous income — net decreased in 1990 primarily due to a decrease in interest income of approximately $8.4 million resulting from lower average temporary cash investment balances during the year. Temporary cash investments in 1989 included certain gas supplier judgment proceeds. The majority of these proceeds was used to retire certain high-cost debt issues in 1989 and 1990. The increase in miscellaneous income — net in 1989 was attributable primarily to increased interest income from temporary cash investments as a result of LP&L's utilization of certain gas supplier judgment proceeds.

Interest on Long-term Debt

Interest on long-term debt decreased in 1990 primarily as a result of the redemptions and retirements in October and December 1989 of high-cost first mortgage bonds. Also contributing to the decrease was the refunding in early 1990 of higher cost debt with lower cost debt.

Other Interest — Net

Other interest — net decreased for 1990 due principally to higher interest expense in 1989 of approximately $4.2 million in connection with a state income and franchise tax audit. Other interest — net decreased for 1989 due principally to an agreement reached in August 1988 with the Internal Revenue Service and the State of Louisiana that required LP&L to record $10.7 million of interest expense in 1988 relating to the income tax treatment of the proceeds from a 1982 settlement agreement with a gas supplier. Partially offsetting this decrease was 1989 interest expense in connection with the state income and franchise tax audit and interest expense relating to sales tax on nuclear fuel.

Retail Energy Sales

Retail energy sales increased in 1990 due primarily to increased energy sales to residential, commercial, and industrial customers. The increases in residential and commercial sales were due to warmer than normal weather and a general upward trend in average usage. Industrial sales increased as a result of higher sales to customers in the chemical and refining industries. The increase in retail energy sales in 1989 was attributable to an increase in the volume of energy sales to industrial customers as a result of various sales incentive programs implemented during 1989.

FINANCIAL CONDITION

General

LP&L's net income for 1990 of $155 million represented an increase of $48.4 million, or 45 percent, over 1989. Earnings coverages for the year ended December 31, 1990 for the issuance of first mortgage bonds and preferred stock have also improved when compared to the corresponding period in 1989. LP&L's improved financial condition at December 31, 1990 reflects net reductions in interest requirements on long-term debt and the resulting positive effects of rate and other settlements in 1989 with the LPSC, the Council, and the FERC. (See "Results of Operations" for further information regarding various factors affecting LP&L's net income.)

Pursuant to the terms of the March 1989 Order, LP&L is currently operating under a five year base rate freeze. The remaining three years of the rate freeze will not affect LP&L's financial condition to the extent that LP&L can maintain costs at current levels or reduce costs. To the extent that LP&L's operating expenses significantly increase, net income could be unfavorably impacted unless a rate increase could be requested based on one of the exceptions to the rate freeze. (See Note 2 of LP&L's Notes to Financial Statements, "Rate and Regulatory Matters.")

Liquidity

LP&L's primary cash requirements for 1990 included, among other things, dividends paid on preferred and common stock, construction expenditures, payments to System Energy for Grand Gulf 1 capacity and energy, and refunds to customers in connection with a settlement agreement with a gas supplier. LP&L's cash requirements during 1990 were satisfied primarily with internally generated funds and cash on hand.

At December 31, 1990, LP&L's cash and cash equivalents totaled $168.6 million, an increase of $57 million from December 31, 1989. Net cash flow provided by operating activities totaled $352.0 million for 1990. As detailed in the Statements of Cash Flows, cash flow from operating activities was affected by a number of factors representative of normal operations. Deferred interest related to the Waterford 3 sale and leaseback obligations is included as a noncash reconciling item on the Statement of Cash Flows and on the balance sheet as a deferred credit as no lease payments were required in 1990. Other factors of an unusual and nonrecurring nature were not significant. Investing activities for 1990 resulted in a net cash outflow of approximately $127.5 million due primarily to construction expenditures. Financing activities for 1990 resulted in a net cash outflow of approximately $167.5 million due primarily to dividends paid on common stock, the redemption and retirement of, and dividends paid on, preferred stock, and various other factors as detailed in the Statements of Cash Flows.

Capital and Refinancing Requirements

Construction expenditures (including AFUDC but excluding nuclear fuel) for LP&L are estimated to be $143.6 million, $151.9 million, and $164.7 million for the years 1991, 1992, and 1993, respectively. Pursuant to its phase-in plan, during 1991-1993 LP&L will be collecting in rates a portion of the Waterford 3 costs incurred but not collected in previous years. These collections constitute cash available to satisfy, among other things, construction expenditure requirements. In addition to the above capital requirements, LP&L will require $250.4 million during 1991-1993 to meet long-term debt maturities and to satisfy sinking fund requirements.

LP&L plans to meet a significant portion of its capital and refinancing requirements during the period 1991-1993 with internally generated funds and cash on hand, supplemented primarily by the issuance of long-term debt and preferred stock. On November 14, 1990, LP&L issued and sold 12,893,480 shares of its common stock, no par value, to Entergy Corporation for $85 million.

On March 1, 1990, LP&L redeemed and retired $100 million aggregate principal amount of its 12% Series First Mortgage Bonds due March 1, 1993, at a redemption price of 101.43% of the principal amount thereof, plus accrued interest to the date of redemption aggregating $6 million. In addition, in December 1990 LP&L acquired, by means of open market purchases, and retired $11.25 million aggregate principal amount of portions of certain series of its First Mortgage Bonds for $11.1 million plus accrued interest through the date of acquisition.

On April 11, 1990, LP&L issued and sold $100 million aggregate principal amount of First Mortgage Bonds, 10 1/8% Series, due April 1, 2020.

LP&L has requested, but has not yet received, regulatory approval from the SEC allowing the issuance through December 31, 1992 of up to $200 million of first mortgage bonds and up to $200 million in aggregate par values of preferred stock for refunding and other corporate purposes. LP&L has also requested regulatory authorization to enter into agreements with the Parish of St. Charles, Louisiana (Parish) whereby the Parish would issue and sell up to $200 million of tax-exempt revenue bonds in order to reimburse LP&L for, or to permanently finance, the costs of certain solid waste disposal, sewage disposal, or pollution control facilities.

Capital Resources

LP&L's minimum earnings coverage requirements for issuing first mortgage bonds (other than for refunding purposes) and preferred stock are 2.0 times annual bond interest requirements and 1.5 times annual interest and preferred dividend requirements, respectively, on a pro forma basis. For LP&L's first mortgage bonds and preferred stock, the earnings coverages for the twelve months ended December 31, 1990 were 3.92 times annual bond interest requirements and 1.67 times annual interest

and preferred dividend requirements, respectively. Based upon these earnings coverages and an assumed annual interest or dividend rate of 10%, LP&L had adequate earnings coverage and sufficient unfunded bondable property to support the issuance of approximately $508.7 million of first mortgage bonds or adequate earnings coverages to issue $223.0 million of preferred stock. In addition, LP&L had the ability at December 31, 1990, subject to meeting certain conditions, to issue bonds against the retirement of bonds without satisfying an earnings coverage test. Pursuant to an order issued by the SEC in December 1990, LP&L had short-term borrowing authorization for up to $125.0 million at December 31, 1990 (see Note 4 of LP&L's Notes to Financial Statements, "Lines of Credit and Related Borrowings").

ACCOUNTING ISSUES

SFAS No. 96

In December 1987, the FASB issued SFAS No. 96, "Accounting for Income Taxes," which was scheduled to be effective for years beginning after December 15, 1988. The FASB subsequently issued statement numbers 100 and 103, which delay the effective date of SFAS No. 96 to fiscal years beginning after December 15, 1991. The FASB is expected to issue a new exposure draft in the second quarter of 1991. This exposure draft may further delay the effective date and simplify the implementation of SFAS No. 96.

Based on a preliminary study, LP&L expects that the adoption of SFAS No. 96, in its present form, would result in a net increase in accumulated deferred income taxes with a corresponding increase in assets. It is not expected that results of operations for LP&L would be significantly impacted by the adoption of SFAS No. 96 in its present form (see Note 3 of LP&L's Notes to Financial Statements, "Income Taxes").

SFAS No. 106

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change in accounting requirements for postretirement benefits other than pensions from a cash method to an accrual method. The impact of this new standard has not been fully determined, but the change likely will result in significantly greater expense being recognized for provision of these benefits. The effect of the increased benefit expense on net income could be reduced to the extent such increased costs are recovered through rates or through the recording of a regulatory asset to be recovered in the future. LP&L plans to adopt this statement in 1993.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
Louisiana Power & Light Company:

We have audited the accompanying balance sheets of Louisiana Power & Light Company (LP&L) as of December 31, 1990 and 1989, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of LP&L's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of LP&L at December 31, 1990 and 1989, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

Deloitte + Touche

Deloitte & Touche
New Orleans, Louisiana
February 15, 1991

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

ASSETS

	December 31, 1990	December 31, 1989
	(In Thousands)	
Utility Plant (Note 1):		
Electric	$4,307,965	$4,176,178
Electric plant under lease (Note 8)	221,792	219,971
Property under capital leases (Note 8)	8,051	9,206
Construction work in progress	101,752	112,954
Nuclear fuel under capital lease (Note 8)	81,989	101,497
Nuclear fuel	4,880	3,117
Total	4,726,429	4,622,923
Less — Accumulated depreciation and amortization	1,144,859	1,015,680
Utility plant — net	3,581,570	3,607,243
Other Property and Investments:		
Nonutility property	20,060	20,060
Investment in subsidiary company—at equity (Note 7)	14,230	14,230
Other	800	748
Total	35,090	35,038
Current Assets:		
Cash and cash equivalents (Note 10):		
Cash	33	65
Temporary investments — at cost, which approximates market:		
Associated companies (Note 4)	3,829	4,230
Other (Note 4)	164,715	107,323
Total cash and cash equivalents	168,577	111,618
Special deposits	8,398	9,116
Notes receivable	2,672	1,028
Accounts receivable:		
Customer and other (less allowance for doubtful accounts of (in thousands) $1,956 in 1990 and 1989)	67,297	84,351
Associated companies (Note 11)	6,849	9,549
Accrued unbilled revenues	50,215	54,009
Deferred fuel costs	—	5,566
Accumulated deferred income taxes (Note 3)	8,086	—
Materials and supplies — at average cost	87,269	77,774
Deferred Waterford 3 expenses — net (Note 1)	28,422	28,422
Prepayments	4,848	5,391
Other	10,053	27,035
Total	442,686	413,859
Deferred Debits:		
Deferred Waterford 3 expenses — net (Note 1)	139,298	167,720
Pension obligation — associated company (Note 9)	16,012	13,031
Other	47,468	43,583
Total	202,778	224,334
TOTAL	$4,262,124	$4,280,474

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	December 31, 1990	December 31, 1989
	(In Thousands)	
Capitalization:		
Common stock, no par value, authorized 250,000,000 shares; issued and outstanding 150,004,380 shares in 1990 and 137,110,900 shares in 1989 (Note 5)	$ 988,900	$ 903,900
Retained earnings (Note 5)	46,583	37,762
Total common shareholder's equity	1,035,483	941,662
Preferred stock, net of premium without sinking fund (Note 5)	145,882	145,882
Preferred stock, net of expense with sinking fund (Note 5)	107,721	131,727
Long-term debt (Note 6)	1,701,759	1,717,217
Total	2,990,845	2,936,488
Other Noncurrent Liabilities:		
Obligations under capital leases (Note 8)	50,928	57,887
Accumulated provision for property insurance (Note 1)	7,463	6,010
Accumulated provision for injuries and damages (Note 1)	6,153	6,153
Total	64,544	70,050
Current Liabilities:		
Currently maturing long-term debt (Note 6)	4,427	26,012
Accounts payable:		
Associated companies (Note 11)	32,460	33,803
Other	93,067	90,958
Customer deposits	42,900	40,084
Taxes accrued	24,889	23,628
Accumulated deferred income taxes (Note 3)	—	6,963
Interest accrued	44,901	37,902
Dividends declared	6,654	7,481
Gas contract settlement — liability to customers (Note 7)	56,403	56,403
Deferred revenue — gas supplier judgment proceeds (Note 2)	35,663	33,802
LPSC Settlement Agreement — liability to customers (Note 2)	3,960	3,966
Deferred fuel costs (Note 1)	3,859	—
Obligations under capital leases (Note 8)	39,384	52,816
Other	4,612	11,034
Total	393,179	424,852
Deferred Credits:		
Accumulated deferred income taxes (Note 3)	324,552	319,159
Accumulated deferred investment tax credits (Note 3)	194,520	175,059
Gas contract settlement — liability to customers (Note 7)	112,430	168,781
Deferred revenue — gas supplier judgment proceeds (Note 2)	103,749	139,597
Deferred interest — Waterford 3 lease obligation (Note 8)	23,791	—
LPSC Settlement Agreement — liability to customers (Note 2)	8,930	12,919
Accrued pension cost (Note 9)	21,877	18,603
Other	23,707	14,966
Total	813,556	849,084
Commitments and Contingencies (Notes 2 and 7)		
TOTAL	$4,262,124	$4,280,474

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1990	1989	1988
		(In Thousands)	
Operating Revenues (Notes 1, 2 and 11)	$1,485,572	$1,426,806	$1,377,108
Operating Expenses:			
Operation (Note 11):			
Fuel and fuel-related expenses (Note 1)	258,238	250,374	216,598
Purchased power (Notes 1, 2 and 7)	292,259	296,888	317,946
Other operation expenses	243,017	238,799	224,049
Maintenance (Note 11)	96,779	98,609	73,559
Depreciation	131,887	126,681	122,339
Taxes other than income taxes	50,011	51,348	48,323
Income tax expense (Note 3)	86,032	63,808	53,225
Rate deferrals (Note 1):			
Waterford 3 expenses deferred	—	—	(18,800)
Waterford 3 expenses recovered	28,422	28,422	41,435
Income tax benefit (Note 3)	(14,043)	(14,043)	(12,267)
Total	1,172,602	1,140,886	1,066,407
Operating Income	312,970	285,920	310,701
Other Income:			
Allowance for equity funds used during construction (Note 1)	1,158	1,595	(574)
Miscellaneous — net	11,642	20,580	581
Income tax (expense) benefit (Note 3)	(7,239)	(7,966)	2,665
Total	5,561	14,209	2,672
Interest Charges:			
Interest on long-term debt	154,357	181,040	179,532
Other interest — net	9,862	13,584	20,421
Allowance for borrowed funds used during construction (Note 1)	(737)	(1,108)	(406)
Total	163,482	193,516	199,547
Net Income	155,049	106,613	113,826
Preferred Stock Dividend Requirements	27,762	36,910	47,516
Earnings Applicable to Common Stock	$ 127,287	$ 69,703	$ 66,310

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1990	1989	1988
		(In Thousands)	
Retained Earnings, January 1	$ 37,762	$ 49,265	$ 16,076
Add: Net income	155,049	106,613	113,826
Total	192,811	155,878	129,902
Deduct:			
Cash dividends:			
Preferred stock	27,762	36,910	47,516
Common stock	116,865	69,218	33,169
Capital stock expenses (Note 5)	1,601	11,988	(48)
Total	146,228	118,116	80,637
Retained Earnings, December 31, (Note 5)	$ 46,583	$ 37,762	$ 49,265

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1990	1989	1988
		(In Thousands)	
Operating Activities:			
Net income	$ 155,049	$ 106,613	$ 113,826
Noncash items included in net income:			
Depreciation	131,887	126,681	122,339
Amortization of capital leases	51,669	46,766	40,433
Amortization of nuclear fuel assemblies	—	1,278	6,458
Amortization of deferred revenues	(33,865)	(25,641)	—
Deferred income taxes	(9,656)	7,841	62,919
Investment tax credits — net	19,461	20,819	(14,334)
Amortization of deferred Waterford 3 expenses — net	28,422	28,422	22,635
Allowance for equity funds used during construction	(1,158)	(1,595)	574
Provisions for estimated losses	3,780	1,749	4,293
Deferred interest — Waterford 3 lease obligation	23,791	—	—
Changes in working capital:			
Receivables	19,848	(30,405)	(18,994)
Accounts payable	2,861	28,631	(28,738)
Deferred fuel costs	9,425	(3,513)	(23,367)
Taxes and interest accrued	8,260	(1,409)	1,837
Other current assets and liabilities	5,142	(2,457)	(24,501)
Gas supplier judgment proceeds — liability to customers	—	—	196,835
Refunds to customers — gas contract settlement	(55,979)	(56,122)	(56,004)
LPSC Settlement Agreement	(3,995)	16,885	—
Decommissioning trust contributions	(2,095)	(2,133)	—
Other	(856)	(15,502)	17,177
Net cash provided by operating activities	351,991	246,908	423,388
Investing Activities:			
Reduction of investment in subsidiary	—	—	35,294
Construction expenditures	(128,700)	(131,244)	(117,497)
Nuclear fuel expenditures	—	—	(8,861)
Allowance for equity funds used during construction	1,158	1,595	(574)
Net cash used in investing activities	(127,542)	(129,649)	(91,638)
Financing Activities:			
Proceeds from sale of first mortgage bonds	100,000	—	75,000
Proceeds from sale of a portion of Waterford 3	—	353,600	—
Proceeds from sale of other long-term debt	—	—	5,741
Proceeds from sale of common stock	85,000	—	—
Proceeds from sale of nuclear fuel	—	29,666	—
Retirement of first mortgage bonds	(131,250)	(415,000)	(45,000)
Retirement of other long-term debt	(4,224)	(4,860)	(5,886)
Redemption of preferred stock	(25,500)	(97,200)	(16,773)
Principal payments under capital leases	(46,062)	(40,085)	(47,867)
Dividends paid on common stock	(116,865)	(69,218)	(33,169)
Dividends paid on preferred stock	(28,589)	(41,120)	(47,920)
Net cash used in financing activities	(167,490)	(284,217)	(115,874)
Net increase (decrease) in cash and cash equivalents	56,959	(166,958)	215,876
Cash and cash equivalents at beginning of year	111,618	278,576	62,700
Cash and cash equivalents at end of year	$ 168,577	$ 111,618	$ 278,576

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regulation

LP&L is subject to regulation by the LPSC, the Council (in connection with LP&L's Algiers operations) and the FERC and maintains its accounts in accordance with the Uniform System of Accounts prescribed by those agencies.

Revenues and Deferred Fuel Costs

LP&L recognizes revenues as billed to customers on a cycle-billing basis in addition to an accrual for estimated unbilled revenues. Unbilled revenues result from energy delivered since the period covered by the latest billings to customers.

The rate schedules of LP&L include fuel adjustment clauses under which fuel costs are billed to customers. LP&L defers under/over recoveries of fuel costs that occur through operation of the fuel adjustment clauses until these costs/credits are reflected in billings to customers.

Utility Plant and Depreciation

Utility plant is recorded at original cost. Partial disallowances of plant cost ordered by the regulators have been recorded as an adjustment to utility plant. The cost of additions to utility plant includes contracted work, direct labor, materials, allocable overheads, and AFUDC. The costs of units of property retired are removed from utility plant, and such costs plus removal costs less salvage are charged to accumulated depreciation. Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to operating expenses. Principally all of the utility plant is subject to the lien of LP&L's first mortgage indenture. In addition, certain assets of LP&L are subject to the liens of second mortgages related to pollution control revenue bonds.

Utility plant includes approximately $222 million (recorded at book value) of electric plant representing the portions of Waterford 3 that were sold by LP&L in 1989 and are currently under lease by LP&L. LP&L retired such property from its continuing property records as formerly owned property released from and no longer subject to LP&L's first mortgage indenture. LP&L is reflecting such property on its books and records for financial reporting purposes as property under lease from others. The property is being depreciated over the life of the basic lease term. The transactions are treated as sale and leaseback transactions for income tax purposes, as opposed to financing transactions for financial reporting purposes, and constitute sales and leases under applicable Louisiana law.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation rates for Waterford 3 include a provision for nuclear plant decommissioning costs. Depreciation provisions on average depreciable property amounted to approximately 3.1% in 1990, 2.9% in 1989 and 2.8% in 1988.

Postretirement Benefits

LP&L has postretirement benefit plans covering substantially all employees. LP&L amended its defined benefit pension plan on October 1, 1988 to designate an associated company as a participating employer. LP&L has adopted a pension expense allocation policy such that pension expense recorded on its books is substantially the same as the expense that would have been recorded if LP&L had not designated an associated company as a participating employer. Pension costs are funded in accordance with guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The costs of postretirement health care and life

insurance benefit plans are recorded on a cash basis. (See LP&L's Note 9, "Postretirement Benefits" for additional information with respect to postretirement benefits.)

Income Taxes

LP&L joins its parent and affiliates in the filing of a consolidated federal income tax return. Pursuant to an intra-System income tax allocation agreement, income taxes are allocated to LP&L in proportion to its contribution to the consolidated taxable income. In accordance with SEC regulations, no System company is required to pay more income taxes than it would have paid had a separate income tax return been filed by it.

Deferred income taxes are recorded based on differences between book and taxable income to the extent permitted by LP&L's regulatory bodies for ratemaking purposes. Investment tax credits allocated to LP&L are deferred and amortized based upon the average useful life of the related property in a manner consistent with ratemaking treatment. In addition, LP&L files a separate state income tax return.

Allowance for Funds Used During Construction

To the extent that LP&L is not permitted by its regulatory bodies to recover in current rates the carrying costs of funds used for construction, LP&L capitalizes, as an appropriate cost of utility plant, AFUDC, 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 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 effectively results in treating the AFUDC charges in the same manner as construction labor and material costs in that each is capitalized rather than expensed. As noncash items, these credits to the income statement have no effect on current cash flows. After the property is placed in service, the AFUDC charged to construction costs is recoverable from customers through depreciation provisions included in rates charged for utility service. The composite AFUDC rates for LP&L were 8.37%, 8.79%, and 6.6% for 1990, 1989, and 1988, respectively.

Rate Deferrals

In order to mitigate the immediate effect on ratepayers of the inclusion of Waterford 3 costs in retail rates, LP&L has deferred for future recovery a portion of Waterford 3 costs incurred through January 1988. The costs that were deferred in the early years of commercial operation are being collected in later years through increased rates to customers. Because the actual collection of revenues to recover the deferred amounts was not to occur until the future, LP&L recorded a deferred asset representing the amount of the deferral and, at the same time, incurred additional capital requirements to finance this deferral. During periods when deferred costs are recovered, revenue collections will exceed, to the extent of such current recovery, current cash requirements for these costs. Recovery of previously deferred amounts does not increase net income because the related deferred costs are concurrently amortized as a component of expense. Recovery of the deferred amounts began in April 1988 and will extend over a period of approximately 8.6 years at the annual rate of $28.4 million.

Materials and Supplies Inventory

In 1988, LP&L made an adjustment to the materials and supplies inventory at its fossil fuel plants. This adjustment resulted in the recording in 1988 of approximately $13.3 million of materials and

supplies inventory for its fossil fuel plants and a corresponding reduction to operation and maintenance expense. This resulted in an increase to net income of approximately $8.1 million.

Other Noncurrent Liabilities

LP&L provides for uninsured property risks and claims for injuries and damages through charges to operating expenses on an accrual basis. Such expenses have been allowed for ratemaking purposes.

NOTE 2. RATE AND REGULATORY MATTERS

FERC's June 13 Decision

The June 13 Decision allocating the capacity and energy from System Energy's share of Grand Gulf 1 and the costs associated therewith among the System operating companies was reaffirmed by FERC in its November 30, 1987 order. The challenges to this decision terminated on April 16, 1990, when the U.S. Supreme Court denied a petition for writ of certiorari seeking review of the D.C. Circuit's affirmance of the November 30, 1987 order, thereby ending the appeals process with respect to the June 13 Decision.

Waterford 3 and Grand Gulf 1 — LPSC Jurisdiction

On May 17, 1985 and September 23, 1985, LP&L filed with the LPSC general retail rate increase applications to reflect, among other things, costs associated with Grand Gulf 1 and the expected commercial operation of Waterford 3. In a series of LPSC orders, court decisions and agreements between November 1985 and June 1988, LP&L was granted certain Grand Gulf 1 and Waterford 3 rate relief on specified terms and conditions.

With respect to Waterford 3, in November 1985, LP&L agreed to permanently absorb and not recover from its retail customers the LPSC jurisdictional portion of $284 million of LP&L's investment in Waterford 3. In December 1987, LP&L implemented SFAS No. 90, a new accounting standard that resulted in restatement of its financial statements for 1985 and 1986 to reflect, as a loss in 1985, the write-off of these costs. LP&L was granted, pursuant to certain judicial decisions and LPSC rate orders, net annual base rate increases of $106.7 million in November 1985, $48 million in July 1987, and $40 million (of which the LPSC, in April 1988, directed LP&L to apply $23.8 million to the recovery of previously deferred Waterford 3 costs) in February 1988. In addition, LP&L, in accordance with certain judicial decisions and LPSC rate orders, deferred a net amount of $266 million of its Waterford 3 costs that were related to the period November 14, 1985 through January 31, 1988. Of this amount, $18.1 million was amortized in 1988 as a result of the amortization of certain investment tax credits, and the remainder of $247.9 million is being recovered over approximately 8.6 years at the annual rate of $23.8 million, net of deferred taxes, beginning in April 1988.

With respect to Grand Gulf 1, in November 1985, LP&L agreed to permanently absorb, and not recover from its retail customers, 18% of its FERC-allocated share of the costs of capacity and energy of Grand Gulf 1. However, LP&L was allowed to recover, through the fuel adjustment clause, 4.6 cents per KWH for the energy related to the permanently absorbed percentage, with LP&L's permanently retained percentage to be available for sale to non-affiliated parties, subject to LPSC approval (see "Project Olive Branch" below with respect to a temporary reduction in these recoveries).

March 1989 Order — LPSC Jurisdiction

In a separate proceeding, LP&L filed a retail rate application with the LPSC on February 19, 1988, and updated the filing in July 1988, requesting an increase in annual base rates with respect to LPSC jurisdictional customers of $107.4 million. Subsequently, consultants for the LPSC recommended

adjustments that, if adopted, would produce a $45.9 million annual rate increase based upon a 12.76% rate of return on common equity.

On March 1, 1989, the LPSC issued an order that, in effect, provided, among other things, that LP&L was entitled to an annual increase in retail rates of approximately $45.9 million. However, in lieu of a rate increase, the March 1989 Order provided that LP&L retain the LPSC jurisdictional portion of $193.7 million of proceeds (stated to approximate $188.6 million) received by LP&L in October 1988 as a result of litigation with a gas supplier, and for the benefit of ratepayers, to begin in March 1989 to amortize such jurisdictional proceeds plus interest thereon accrued through February 28, 1989 pursuant to a rate amortization schedule that currently is scheduled to extend for 5.3 years. At December 31, 1990, the unamortized balance of such jurisdictional proceeds was approximately $139.4 million, excluding $1.0 million that represents the balance of the Council's jurisdictional portion of the gas supplier judgment proceeds.

LP&L believes that the March 1989 Order should have the effect of providing approximately the same amount of additional net income available for common stock as would an annual rate increase of $45.9 million (the amount of LP&L's revenue deficiency as determined by the LPSC) over the 5.3 year period. LP&L agreed to a five-year base rate freeze, at the then current level, subject to certain conditions. These conditions include, among others, a provision that would allow LP&L to apply for rate relief during the five-year period to reflect a change in the federal tax law or any net increase in its costs associated with Grand Gulf 1 resulting from proceedings commenced at the FERC by the LPSC. In addition, LP&L could request a waiver of the five-year freeze if a catastrophic event causes a drastic change in costs. Further, the five-year freeze would not serve as a bar to flowing through to retail ratepayers any net decrease in LP&L's costs resulting from proceedings at the FERC relating to the Grand Gulf Station or any decrease related to changes in the federal tax law. The impact of the March 1989 Order was to increase net income in 1990 and 1989 by approximately $27.7 million and $23.1 million, respectively.

While the March 1989 Order purported to address virtually all the issues presented in LP&L's rate application, the LPSC determined that several issues warranted further investigation. Specifically, the LPSC established subdockets in the proceeding to consider, among other issues, the propriety of the use by LP&L of an automatic adjustment clause for recovery of its Grand Gulf 1-related costs and the level and appropriateness of the Grand Gulf 1-related costs being charged by System Energy to LP&L.

On April 17, 1989, the Louisiana Energy Users Group (LEUG), a group of LP&L's large industrial customers, and the members of such group individually, filed a petition for appeal and judicial review of the March 1989 Order in the State District Court. The LEUG contends that the LPSC was without jurisdiction or authority to permit LP&L to retain the judgment proceeds. Further, the LEUG requests that LP&L be directed to keep and maintain in a separate account, pending a decision of the State District Court, the judgment proceeds, or alternatively, the remainder of the proceeds after payment of the initial amount required to meet the first year's revenue requirement of approximately $45.9 million. Trial of the appeal had been scheduled for March 22, 1990. However, on March 1, 1990, the LEUG filed a motion with the State District Court requesting continuance, without date, of these proceedings. LP&L did not oppose this continuance and the State District Court granted such continuance on March 1, 1990. LP&L will defend the appeal vigorously if it is prosecuted. The LEUG has stated its intention to offer a witness at the trial of the appeal. If this occurs, LP&L intends, and the LPSC has stated its intention, to offer countervailing witnesses. The trial judge has stated his intention to send a transcript of the proceeding to the LPSC for its consideration. Should this occur, the LPSC may take further action in accordance with the additional evidence. As permitted by the March 1989 Order, LP&L is expending the judgment proceeds in the normal course of its business. LP&L believes the intent of the March 1989 Order is that the LPSC recognizes that LP&L is entitled to an annual

revenue increase of approximately $45.9 million and that such intent and the March 1989 Order will be upheld by the courts if the matter is prosecuted. The matter is pending.

Algiers Rate Settlement — Council's Jurisdiction

On July 11, 1986, LP&L filed with the Council, with respect to Algiers, a general retail rate increase application to reflect the costs associated with Grand Gulf 1, to reflect the in-service status of Waterford 3 and to produce a just and reasonable rate of return. On May 1, 1989, LP&L filed with the Council a comprehensive rate settlement proposal including all matters related to (1) the Council's prudence investigation of Waterford 3 initiated in February 1987, (2) the disposition of the gas supplier judgment proceeds (discussed above) allocable to Algiers, and (3) the retail rate increase application filed on July 11, 1986.

By resolution dated July 6, 1989, the Council accepted LP&L's May 1, 1989 rate settlement proposal, thereby allowing a $9.5 million base rate increase to be implemented over a two-year period beginning July 6, 1989. The Algiers Rate Settlement provides, among other things, that LP&L may increase its base rates on an annual basis by an additional $3.8 million for service rendered on and after each July 6 in 1989 and 1990, and an additional $1.9 million for service rendered on and after July 6, 1991. Rates for LP&L's Algiers customers will remain frozen at the July 6, 1991 level until July 6, 1994, subject to certain conditions. These include, among others, a provision that would allow LP&L to apply for rate relief during the period to reflect a change in the federal tax law or any net increase in its costs associated with Grand Gulf 1 resulting from a proceeding at the FERC. In addition, LP&L could request a waiver of the freeze if a catastrophic event were to cause a drastic change in costs. Further, the freeze would not serve as a bar to flowing through to retail ratepayers any net decrease in LP&L's costs associated with Grand Gulf 1 resulting from a proceeding at the FERC or any decrease related to changes in the federal tax laws, as may be ordered by the Council. In addition to the aforementioned rate increase, LP&L was allowed to retain the Council's jurisdictional portion of the gas supplier judgment proceeds (stated to approximate $4.2 million) and to amortize such proceeds, plus interest accrued thereon from February 28, 1989, into revenues over a two-year period ending July 6, 1991. At December 31, 1990, the deferred revenue balance with respect to the Algiers portion of the gas supplier judgment proceeds was $1.0 million.

The Algiers Rate Settlement also provides that LP&L permanently absorb and not recover from its Algiers ratepayers (1) previously expensed and unrecovered fixed costs of approximately $17 million associated with Waterford 3 and Grand Gulf 1 incurred through July 6, 1989, (2) $5.9 million of LP&L's investment in Waterford 3, representing the Council's jurisdictional portion of the $284 million Waterford 3 disallowance, for which LP&L recorded a write-off of approximately $3.7 million, net of tax, as of June 30, 1989, and (3) the Council's jurisdictional portion of the 18% of LP&L's FERC-mandated share of the costs of capacity and energy from Grand Gulf 1 incurred after July 6, 1989. However, LP&L is allowed to recover 4.6 cents per KWH or the avoided cost, whichever is higher, for the energy related to the permanently absorbed percentage through the fuel adjustment clause or to sell the permanently absorbed percentage to non-affiliated parties, subject to the Council's right of first refusal.

Project Olive Branch

In connection with an effort, referred to by the Entergy System as "Project Olive Branch," to settle outstanding issues and litigation involving System Energy and the Grand Gulf Station and to stabilize retail rates in the area served by the Entergy System, System Energy and the System operating companies filed with the FERC on June 9, 1989, an offer of settlement to resolve certain FERC-related issues in a way that would be beneficial to the System, its investors and its customers. The offer of

settlement was subsequently supported by the FERC staff, state and local regulators and officials, and other interested parties, and was approved by the FERC on July 21, 1989.

The implementation of the FERC Settlement in the third quarter of 1989 resulted in, among other things, a $900 million pre-tax write-off by System Energy of its investment in Grand Gulf 2 (construction on which had been suspended since September 1985) without seeking rate recovery from its customers, the System operating companies, including LP&L. Additionally, System Energy made a one-time credit to the System operating companies' bills in an aggregate amount of $50 million, which was allocated among the System operating companies in accordance with their respective percentage allocations of Grand Gulf 1 capacity and energy. LP&L's share of this credit totaled $7 million.

While all parties to the FERC Settlement agreed not to pursue any prudence disallowance of Grand Gulf 1 construction costs and operating and maintenance expenses recorded through June 9, 1989, the FERC Settlement, among other things, does not prejudice any party's right to seek disallowance of such costs recorded after that date or the right of the parties to seek future changes to the Unit Power Sales Agreement that are not inconsistent with the FERC Settlement.

In addition to settlement of FERC-related issues embodied in the FERC Settlement, the LPSC Settlement Agreement, effective July 21, 1989, provides that LP&L temporarily reduce its recovery from retail ratepayers of certain Grand Gulf 1-related costs. In 1985, (as discussed above) LP&L had agreed to permanently absorb, and not recover from its LPSC jurisdictional retail ratepayers, 18% of LP&L's FERC-allocated share of Grand Gulf 1 costs of capacity and energy, except that LP&L was allowed to recover 4.6 cents per KWH for the energy related to such retained portion through the fuel adjustment clause. Under the terms of the LPSC Settlement Agreement, the amount of such recovery is being reduced to 2.55 cents per KWH until such time (projected to be approximately February 28, 1994) as this reduction provides net present value savings of $14.5 million to LP&L's retail ratepayers. LP&L retains the right to sell such energy to non-affiliated parties at more tha.. 2.55 cents per KWH, subject to LPSC approval. The LPSC Settlement Agreement resulted in a reduction in net income of $11.1 million for 1989, of which $10.5 million was recorded in December 1989, representing the remaining future years' impact of the temporary revenue reduction under the LPSC Settlement Agreement. LP&L does not believe that the LPSC Settlement Agreement has had or will have a material adverse effect on projected cash flow.

In addition, the LPSC Settlement Agreement provided for a refund of LP&L's $7 million credit from System Energy, described above, by means of a credit to bills rendered to LP&L's jurisdictional customers. Such credit to customers was made in September 1989.

LP&L is a party to certain agreements concerning System Energy and the Grand Gulf Station (see LP&L's Note 7, "Commitments and Contingencies").

Nuclear Management Consolidation

In June 1989, plans were announced whereby a nuclear management service company, Entergy Operations, would assume operating responsibility for Waterford 3, AP&L's Arkansas Nuclear One Steam Electric Generating Station (ANO), and Grand Gulf 1, subject, respectively, to LP&L's, AP&L's, and System Energy's oversight. Under the proposal, LP&L, AP&L, and System Energy and the other Grand Gulf 1 and Waterford 3 co-owners would retain their ownership interests in the respective nuclear generating units. Further, LP&L, AP&L, and System Energy would retain their associated capacity and energy entitlements and would pay directly or reimburse Entergy Operations for the costs associated with operating these units in accordance with applicable rules and regulations of the SEC that require that such services be rendered at cost. Approvals for the proposed arrangements

were obtained from the LPSC, the Arkansas Public Service Commission (APSC), the Council, the SEC and the NRC. The LPSC approved the proposal, subject to LP&L's acceptance of certain conditions. The conditions, accepted by LP&L in writing, include, among other things, a requirement that LP&L flow back to LPSC jurisdictional ratepayers, through LP&L's fuel adjustment clause, a portion of the projected savings for the duration of the current rate freeze. The order of the APSC approving the proposal has been appealed. On June 6, 1990, an organizational meeting of the board of directors of Entergy Operations was held to form Entergy Operations as a new subsidiary of Entergy Corporation, and Entergy Operations has now commenced the operation of ANO, Waterford 3 and Grand Gulf 1.

Proposed Negotiated Buy-out and Other Considerations

On March 29, 1988, the Council proposed to Entergy Corporation to discuss a negotiated buy-out of NOPSI (and of LP&L's distribution facilities in Algiers) by the City. Entergy Corporation responded by indicating a willingness to consider any alternatives that the Council might propose if they are in the best interests of Entergy's stockholders, customers, and employees. In early March 1990, discussions by the City and Entergy culminated in a conceptual proposal setting forth the terms and conditions of the negotiated buy-out proposal. This proposal was the subject of public hearings by the Council in April 1990, and at a Council public meeting held on May 17, 1990, the Council voted against the adoption of a resolution to proceed with the buy-out proposal.

In July 1990, the Council adopted a resolution that provided a framework for further discussions and research concerning several issues of interest to the Council, NOPSI, and LP&L. Each of the three members of the Utility Committee of the Council was assigned specific areas of study: rate matters, including rate disparity, deferral collection and consolidation of LP&L and NOPSI; capacity matters, including least cost planning, and NOPSI's gas distribution properties; and socio-economic development, including industrial development. Each working group is meeting with NOPSI and LP&L, and discussions are continuing with regard to all three areas of study.

NOTE 3. INCOME TAXES

Income tax expense (benefit) consists of the following:

	For the Years Ended December 31,		
	1990	1989	1988
		(In Thousands)	
Current:			
Federal	$ 51,961	$ 9,219	$(13,156)
State	10,276	19,850	2,864
Total	62,237	29,069	(10,292)
Deferred — net:			
Liberalized depreciation	58,358	24,368	67,106
Deferred fuel costs	(3,702)	407	11,318
Unbilled revenue	(4,352)	(8,612)	(12,252)
Decommissioning expenses	(96)	(1,050)	(1,188)
Deferred Waterford 3 expenses	(14,043)	(14,043)	(12,267)
Adjustment of prior years' tax provisions	(1,284)	6,061	16,469
Waterford 3 sale and leaseback	(10,920)	(76,497)	—
LPSC Settlement Agreement	1,656	(6,632)	—
Loss carryforward utilization	—	54,114	61,912
Nuclear fuel	(2,680)	9,945	6,646
Gas contract settlement — liability to customers	13,325	10,458	(76,734)
Accrued interest expense	—	2,890	(2,890)
Maintenance and refueling expenses	(6,401)	3,911	3,368
Materials and supplies inventory adjustments	4,021	(939)	7,654
Pension expense	(925)	(460)	(1,604)
Alternative minimum tax	(43,177)	6,186	(2,938)
Contract deferred revenue	(3,309)	—	—
Other	3,874	(2,267)	(1,681)
Total	(9,655)	7,840	62,919
Investment tax credit adjustments — net	26,646	20,822	(14,354)
Recorded income tax expense	$ 79,228	$ 57,731	$ 38,293
Charged to operations	$ 71,989	$ 49,765	$ 40,958
Charged (credited) to other income	7,239	7,966	(2,665)
Recorded income tax expense	79,228	57,731	38,293
Income taxes applied against the debt component of AFUDC	477	717	263
Total income tax expense	$ 79,705	$ 58,448	$ 38,556

Total income taxes differ from the amount computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences are as follows (dollars in thousands):

	For the Years Ended December 31,					
	1990		1989		1988	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate	$79,654	34.0	$55,877	34.0	$51,721	34.0
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	4,684	2.0	(1,846)	(1.1)	(1,142)	(0.7)
Depreciation	3,739	1.6	5,700	3.4	5,697	3.7
Impact of change in tax rate	(3,060)	(1.3)	(1,635)	(1.0)	(1,601)	(1.1)
Investment tax credit amortization(1)	(5,772)	(2.5)	(5,245)	(3.2)	(14,334)	(9.4)
Adjustment of prior years' tax provisions	(1,753)	(0.7)	3,218	2.0	(1,695)	(1.1)
Other — net	1,736	0.7	1,662	1.0	(353)	(0.3)
Recorded income tax expense	79,228	33.8	57,731	35.1	38,293	25.1
Income taxes applied against the debt component of AFUDC	477	0.2	717	0.5	263	0.2
Total income taxes	$79,705	34.0	$58,448	35.6	$38,556	25.3

(1) 1988 includes the amortization of $9.9 million of previously unamortized investment tax credits pursuant to an agreement between LP&L and the LPSC.

Unused investment tax credits at December 31, 1990 amounted to $13.9 million after the 35% reduction required by the Tax Reform Act of 1986. These credits may be applied against federal income tax liabilities in future years. If not used, they will expire in the years 1992 through 2003.

Cumulative income tax timing differences for which deferred income taxes have not been provided are $155.0 million, $142.9 million and $160.3 million as of the end of 1990, 1989 and 1988, respectively. The alternative minimum tax credit at December 31, 1990 is $43.1 million. This credit can be carried forward indefinitely and will reduce LP&L's income tax liability in the future.

In December 1987, the FASB issued SFAS No. 96, "Accounting for Income Taxes," which was scheduled to be effective for fiscal years beginning after December 15, 1988. The FASB subsequently issued Statement Nos. 100 and 103, which delay the effective date of SFAS No. 96 to fiscal years beginning after December 15, 1991. The FASB is expected to issue a new exposure draft in the second quarter of 1991. This draft may further delay the effective date and simplify the implementation of SFAS No. 96. SFAS No. 96 expands the requirement to record deferred income taxes for all temporary differences that are reported in one year for financial reporting purposes and a different year for tax purposes. This will require the recognition of deferred tax balances for certain items not previously reflected in the financial statements, such as a deferred tax liability relating to AFUDC. Under the liability method adopted by SFAS No. 96, deferred tax balances will be based on enacted tax laws at tax rates that are expected to be in effect when the temporary differences reverse.

It is expected that reductions in deferred taxes resulting from the lower corporate federal tax rates will be reflected as liabilities to customers since LP&L's regulators may require any such savings to be passed on to the ratepayers. However, based on a preliminary study, LP&L expects that the adoption of SFAS No. 96 in its present form would result in a net increase in accumulated deferred income taxes with a corresponding increase in assets. It is not expected that results of operations for LP&L would be significantly impacted by the adoption of SFAS No. 96 in its present form.

NOTE 4. LINES OF CREDIT AND RELATED BORROWINGS

Pursuant to an SEC order issued in December 1990, LP&L is currently authorized, through November 1992, to effect short-term borrowings in an aggregate principal amount outstanding at any one time of up to $125 million, subject to increase to a maximum of $260 million with further SEC approval. At December 31, 1990, LP&L had with Louisiana banks approximately $74 million in available lines of credit that are scheduled to expire on September 30, 1991. LP&L had no outstanding borrowings under these lines of credit as of December 31, 1990.

LP&L also participates with certain other companies of the Entergy System in a money pool arrangement (Money Pool) whereby those companies with available funds make short-term loans to other participating companies in the System (other than Entergy) having short-term borrowing requirements, thereby reducing the System's dependence upon external short-term borrowings. LP&L may borrow from the Money Pool and other available sources subject only to its maximum authorized level of short-term borrowings and the availability of funds. At December 31, 1990, LP&L had no outstanding short-term Money Pool borrowings.

LP&L had no short-term borrowings at year end 1990, 1989, and 1988. However, during 1988 its short-term borrowings and the interest rates thereon (determined by dividing applicable interest expense by the average amount borrowed) were (in thousands): maximum borrowing of $50,300; average borrowing from banks of $20,909 with an average interest rate during the period of 9.2%; and average borrowing from associated companies of $9,195 with an average interest rate during the period of 6.6%.

LOUISIANA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 5. PREFERRED STOCK AND COMMON SHAREHOLDER'S EQUITY

Preferred stock at December 31, 1990 and 1989 consisted of the following:

	Shares Authorized at December 31, 1990	Shares Outstanding at December 31, 1990	1989	Call Price Per Share at December 31, 1990
Cumulative, $100 Par Value				
Without sinking fund:				
4.96% Series	60,000	60,000	60,000	$104.25
4.16% Series	70,000	70,000	70,000	104.21
4.44% Series	70,000	70,000	70,000	104.06
5.16% Series	75,000	75,000	75,000	104.18
5.40% Series	80,000	80,000	80,000	103.00
6.44% Series	80,000	80,000	80,000	102.92
9.52% Series	70,000	70,000	70,000	104.20
7.84% Series	100,000	100,000	100,000	103.78
7.36% Series	100,000	100,000	100,000	103.36
8.56% Series	100,000	100,000	100,000	103.14
9.44% Series	300,000	300,000	300,000	106.72
11.48% Series	350,000	350,000	350,000	108.24
Total	1,455,000	1,455,000	1,455,000	
Unissued	3,045,000	—	—	
Total	4,500,000	1,455,000	1,455,000	
Cumulative, $25 Par Value				
With sinking fund:				
10.72% Series	1,110,211	1,110,211	1,350,211	26.34
13.12% Series	541,121	541,121	701,121	26.64
15.20% Series	235,160	235,160	355,160	26.90
14.72% Series	600,416	600,416	800,416	27.76
12.64% Series	2,100,370	2,100,370	2,400,370	27.37
Total	4,587,278	4,587,278	5,607,278	
Unissued	9,800,000	—	—	
Total	14,387,278	4,587,278	5,607,278	

	1990 (In Thousands)	1989
Without sinking fund:		
Stated at $100 a share	$145,500	$145,500
Premium	382	382
Total preferred stock and premium, without sinking fund	$145,882	$145,882
With sinking fund:		
Stated at $25 a share	$114,682	$140,182
Issuance expense	(6,961)	(8,455)
Total preferred stock and issuance expense, with sinking fund	$107,721	$131,727

Cash sinking fund requirements for preferred stock outstanding at December 31, 1990 are as follows (in thousands): $12,750 in each of the years 1991 through 1993, $12,629 in 1994, and $11,250 in

1995. In addition, with respect to series of preferred stock having sinking fund requirements in effect, LP&L has the non-cumulative option to redeem at par in accordance with its Restated Articles of Incorporation, as amended, certain additional amounts of such series of preferred stock outstanding.

The numbers of shares of $25 par value preferred stock retired during the years 1990, 1989, and 1988 were 1,020,000, 3,888,004, and 670,935, respectively.

During 1990, pursuant to the sinking fund provisions mentioned above, LP&L redeemed at par $25.5 million of its $25 par value Preferred Stock. Issuance expenses on preferred stock aggregating approximately $1.6 million were charged to retained earnings in connection with the redemptions.

In April and June 1989, LP&L redeemed and retired $15.8 million of the 14.72% Series and $9 million of the 15.20% Series of its $25 par value Preferred Stock. In addition, in August 1989, LP&L redeemed and retired all outstanding shares of the 19.20% Series of its $25 par value Preferred Stock aggregating $50 million. In connection with these redemptions, LP&L recorded charges to retained earnings of approximately $12.0 million (of which $6.4 million relates to the 19.20% Series), consisting of $7.2 million of premiums paid in excess of par and $4.8 million representing the issuance expenses included in preferred stock.

LP&L has requested, but has not yet received, regulatory approval from the SEC allowing the issuance and sale through December 31, 1992 of up to $200 million of preferred stock for the possible acquisition, in whole or in part, of certain of LP&L's outstanding securities and for other corporate purposes. In connection with the foregoing, LP&L has sought authority from the SEC to acquire, in whole or in part through December 31, 1992, up to $75 million in aggregate par values of certain outstanding series of its preferred stock, including, but not limited to, the 15.20% Series, the 14.72% Series, the 13.12% Series, and the 12.64% Series of its $25 par value Preferred Stock.

On November 14, 1990, LP&L issued and sold 12,893,480 authorized but unissued shares of its common stock, no par value, to Entergy for $85 million.

LP&L's Restated Articles of Incorporation, as amended, and certain of its indentures contain provisions restricting the payment of dividends or other distributions to common stockholders. At December 31, 1990, all retained earnings were free from such restrictions.

NOTE 6. LONG-TERM DEBT

Long-term debt at December 31, 1990 and 1989 consisted of the following:

	1990	1989
	(In Thousands)	
First Mortgage Bonds:		
5.000% Series due 1990	$ —	$ 20,000
10.500% Series due 1993	200,000	200,000
12.000% Series due 1993	—	100,000
4.625% Series due 1994	25,000	25,000
10.360% Series due 1995	75,000	75,000
5.750% Series due 1996	35,000	35,000
5.625% Series due 1997	16,000	16,000
6.500% Series due 1997	18,000	18,000
7.125% Series due 1998	35,000	35,000
9.375% Series due 1999	25,000	25,000
9.375% Series due 2000	20,000	20,000
7.875% Series due 2001	25,000	25,000
7.500% Series due 2002	25,000	25,000
7.500% Series due 2002	25,000	25,000
8.000% Series due 2003	43,750	45,000
8.750% Series due 2004	45,000	45,000
8.750% Series due 2006	40,000	40,000
10.000% Series due 2008	60,000	60,000
10.375% Series due 2016	275,000	280,000
10.125% Series due 2020	95,000	—
Total First Mortgage Bonds	1,082,750	1,114,000
Other:		
St. Charles Parish Pollution Control Revenue Bonds, Series 1984, 8.25% due 2014	115,000	115,000
St. Charles Parish Pollution Control Revenue Bonds, Second Series 1984, 8% due 2014	105,000	105,000
Other pollution control and industrial revenue bond obligations, 6.4%-8% due 1991-2009	15,930	16,120
Principal amount of municipal revenue bond obligations, 2.75%-8% due serially 1991-2004 and other future obligations under operating agreements	17,464	20,466
Purchase obligations under an inventory supply agreement, variable rate (8.07% and 8.98% average rate)	25,132	26,163
Waterford 3 lease obligation, 8.76% (Note 8)	353,600	353,600
Total Other	632,126	636,349
Unamortized premiums and discounts on long-term debt — net	(8,690)	(7,120)
Total Long-Term Debt	1,706,186	1,743,229
Less - Amount due within one year	4,427	26,012
Long-Term Debt Excluding Amount Due Within One Year	$1,701,759	$1,717,217

On March 1, 1990, LP&L redeemed and retired $100 million aggregate principal amount of its 12% Series First Mortgage Bonds, due March 1, 1993, at a redemption price of 101.43% of the principal amount thereof, plus accrued interest to the date of redemption, aggregating $6 million. In addition, in December 1990 LP&L acquired, by means of open market purchases, and retired $11.25 million aggregate principal amount of portions of certain series of its First Mortgage Bonds for $11.1 million plus accrued interest through the date of acquisition.

On April 11, 1990, LP&L issued $100 million aggregate principal amount of First Mortgage Bonds, 10⅛% Series due April 1, 2020.

LP&L has requested, but has not yet received, regulatory approval from the SEC allowing, among other things, the issuance and sale of up to $200 million of first mortgage bonds through December 31, 1992 for the possible acquisition, in whole or in part, of certain of LP&L's outstanding securities and for other corporate purposes. Additionally, LP&L has requested regulatory authorization from the SEC to enter into agreements with the Parish of St. Charles, Louisiana (Parish) whereby the Parish would issue and sell up to $200 million of tax-exempt revenue bonds in order to reimburse LP&L for, or to permanently finance, the costs of certain solid waste disposal, sewage disposal, or pollution control facilities. In connection with the foregoing, LP&L has sought authority from the SEC to acquire, in whole or in part, prior to their respective maturities, up to $250 million of its outstanding first mortgage bonds, including, but not limited to, the 10.50% Series due April 1, 1993, the 10.375% Series due November 1, 2016, the 10.36% Series due December 1, 1995, and the 9.375% Series due November 1, 2000. LP&L has also sought SEC approval to acquire up to $75 million of outstanding pollution control revenue bonds, including, but not limited to, the 8.25% St. Charles Parish Pollution Control Revenue Bonds, Series 1984, due 2014 and the 8% Second Series 1984 Bonds due 2014.

Sinking fund requirements on first mortgage bonds and maturities under long-term debt instruments in effect at December 31, 1990 for the years 1991 through 1995 are as follows:

Year	Sinking Fund* (In Thousands)	Maturities (In Thousands)
1991	$7,190	$ 4,427
1992	7,290	4,073
1993	7,290	203,675
1994	7,290	29,172
1995	7,040	95,753

* Sinking fund requirements may be satisfied by certification of property additions at the rate of 167% of such requirements.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Capital Requirements and Financing

LP&L's construction program contemplates expenditures (including AFUDC but excluding nuclear fuel) of approximately $460.2 million during the period 1991-1993. Pursuant to LP&L's phase-in plan, during 1991-1993 LP&L will be collecting in rates a portion of the Waterford 3 costs incurred but not collected in previous years. These collections constitute cash available to satisfy, among other things, construction expenditure requirements. In addition to the above capital requirements, LP&L will require $250.4 million during the period 1991-1993 to meet long-term debt maturities and to satisfy sinking fund requirements. LP&L plans to meet a significant portion of its capital and refinancing requirements during the period 1991-1993 with internally generated funds and cash on hand, supplemented primarily by the issuance of long-term debt and preferred stock.

See LP&L's Note 5, "Preferred Stock and Common Shareholder's Equity" and Note 6, "Long-term Debt" for a discussion of pending applications before the SEC regarding the issuance of preferred stock and certain long-term debt securities and the possible redemption, purchase or other acquisition of outstanding securities.

Unit Power Sales Agreement

Pursuant to the allocation specified in the Unit Power Sales Agreement among System Energy and the System operating companies as ordered by the FERC in its June 13 Decision, System Energy sells to the System operating companies all of its 90% share of the capacity and energy from Grand Gulf 1 in accordance with specified percentages (LP&L, 14%; AP&L, 36%; MP&L, 33%; and NOPSI, 17%). Charges under the Unit Power Sales Agreement, which are billed monthly, are based on System Energy's total cost of service, including System Energy's operating expenses, depreciation, and capital costs (including a return on common equity). LP&L's monthly obligation for payments to System Energy for Grand Gulf 1 capacity and energy is approximately $9.5 million. The Unit Power Sales Agreement will remain in effect until terminated by the parties and approved by the FERC, which most likely would occur after Grand Gulf 1 is retired from service.

Availability and Reallocation Agreements

The System operating companies are severally obligated, under the Availability Agreement in accordance with stated percentages (LP&L, 26.9%; AP&L, 17.1%; MP&L, 31.3%; and NOPSI, 24.7%), to make payments or subordinated advances in amounts that, when added to any amounts received by System Energy under the Unit Power Sales Agreement or otherwise, are adequate to cover all of the operating expenses, including depreciation and interest charges, of System Energy. System Energy has, with the consent of the System operating companies, assigned its rights to payments and advances from the System operating companies to certain creditors as security for certain indebtedness for borrowed money. Payments or advances under the Availability Agreement are only required to be made to the extent System Energy's receipts from all sources, including the Unit Power Sales Agreement approved by the FERC (of which LP&L's share is 14%), are less than the amount required under the Availability Agreement.

In June 1989, System Energy and the System operating companies, with the prior consent of such creditors, amended the Availability Agreement so that the Grand Gulf 2 write-off (discussed in LP&L's Note 2, "Rate and Regulatory Matters") would be amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books. This amendment was made so that the write-off of Grand Gulf 2 in September 1989 would not cause a payment by the System operating companies to be required under the Availability Agreement. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement (which include a return on equity) have exceeded the amounts payable under the Availability Agreement (which does not provide for a return on equity). Accordingly, no payments have ever been required under the Availability Agreement.

If a System operating company other than LP&L becomes unable in whole or in part to continue making payments to System Energy under the Unit Power Sales Agreement, and if System Energy were unable to procure funds from other sources sufficient to cover any potential shortfall between the amount owing under the Availability Agreement and the amount of continuing payments under the Unit Power Sales Agreement plus other funds then available to System Energy, LP&L could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement or the assignments thereof. The amount, if any, that LP&L would become liable to pay or advance over and above amounts it currently pays under the Unit Power Sales

Agreement for capacity and energy from Grand Gulf 1 would depend on a variety of factors (especially the degree of any such shortfall and System Energy's access to other funds). LP&L cannot predict whether any such claims or demands, if made and upheld, could be satisfied.

In November 1981, the System operating companies entered into a Reallocation Agreement, which would have allocated the capacity and energy available to System Energy from the Grand Gulf Station and the related costs to LP&L, MP&L, and NOPSI. These companies thus agreed to assume all the responsibilities and obligations of AP&L with respect to the Grand Gulf Station under the Availability Agreement, with AP&L relinquishing its rights to the capacity and energy of the Grand Gulf Station. Each of the System operating companies, including AP&L, would have remained primarily liable to System Energy and its assignees for payments or advances under the Availability Agreement and assignments thereof. AP&L was obligated to make its share of the payments or advances only if the other System operating companies were unable to meet their contractual obligations. However, the FERC's June 13 Decision allocating a portion of Grand Gulf 1 capacity and energy to AP&L supercedes the Reallocation Agreement insofar as it relates to Grand Gulf 1.

Responsibility for the Grand Gulf 2 amortization amounts described above has been allocated to LP&L, MP&L and NOPSI under the terms of the Reallocation Agreement. LP&L's share of such amounts is 26.23%. AP&L is liable for its share of such amounts only if the other System operating companies are unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, together with other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Entergy Shareholder Litigation

Entergy and certain other System companies (including LP&L) and individuals were defendants in a consolidated purported class action suit filed in District Court in 1985 by Entergy shareholders (purporting to represent classes that purchased Entergy common stock). On October 5, 1990, the parties to the suit entered into a settlement agreement, subject to the approval of the District Court, providing for, among other things, payment to the members of the asserted plaintiff classes from an interest-bearing $15.3 million Settlement Fund, established by Entergy. On January 30, 1991, the District Court entered an order and final judgment approving the settlement agreement and on January 31, 1991 the suit was dismissed with prejudice. The time for filing appeals of this order expired with no such appeals being filed.

System Fuels

LP&L has a 33% interest in System Fuels, a jointly owned subsidiary of the System operating companies. System Fuels operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for all of the System operating companies and System Energy. Its costs are recovered primarily through charges for fuel delivered.

Fuel exploration and development activities of System Fuels have declined over recent years and some fuel programs are being phased out or transferred to others. In this connection, certain charges and credits relating to System Fuels' investment in the fuel programs may be allocated to the System operating companies, including LP&L. Any such charges or credits allocated to LP&L are not expected to significantly affect future results of operations.

The parent companies of System Fuels agreed to make loans to System Fuels to finance its fuel supply business under a loan agreement dated January 4, 1978, as amended through December 31, 1983. The rate of interest that is charged pursuant to this loan agreement is adjustable and is tied to

the highest annual rate of interest on outstanding short-term bank borrowings of LP&L or to the prime commercial rate if LP&L has no such short-term bank borrowings outstanding. At this time, no further loans may be made to System Fuels by the parent companies. At December 31, 1990 and 1989, LP&L had remaining loans outstanding to System Fuels of $14.2 million. The loans mature in 2008.

System Fuels' parent companies (including LP&L) have covenanted and agreed, severally in accordance with their respective shares of ownership of System Fuels' common stock, that they will take any and all action necessary to keep System Fuels in a sound financial condition and to place System Fuels in a position to discharge, and to cause System Fuels to discharge, its obligations under various long-term leases by System Fuels of oil storage and handling facilities and coal hopper cars. At December 31, 1990, the aggregate discounted value of these lease arrangements was $63.0 million.

On October 3, 1989, System Fuels entered into a revolving credit agreement with banks that provides for up to $45 million of borrowings to finance System Fuels' nuclear materials and services inventory. In connection with these arrangements, LP&L, AP&L, and System Energy, as purchasers from System Fuels of the nuclear materials and services, agreed to purchase from System Fuels the nuclear materials and services financed under the agreement if System Fuels should default in its obligations thereunder. The purchases under these circumstances would be of percentages agreed upon among the parties but, in the absence of such agreement, LP&L, AP&L, and System Energy would each be obligated to purchase one-third of the nuclear materials and services.

Nuclear Insurance

The Price-Anderson Act provides for a limit of public liability for a single nuclear incident. As of December 31, 1990, the limit of public liability for such type of incident is approximately $7.807 billion. LP&L has protection with respect to this liability through a combination of private insurance (currently $200 million) and an industry assessment program. Under the assessment program, LP&L will be required to pay, with respect to each nuclear incident at a licensed nuclear facility, up to a maximum of approximately $66.15 million per reactor (such amount to be indexed every five years for inflation, and includes a 5% surcharge in the event the total public liability, claims, and legal costs approach or exceed the limit of protection otherwise established), payable at a rate of $10 million per licensed reactor per incident per year. LP&L has one licensed reactor.

LP&L, on behalf of itself and other insured interests (including the co-owners of Waterford 3), is a member of certain insurance programs that provide coverage for property damage, including decontamination expense, to members' nuclear generating plants. At December 31, 1990, LP&L is insured against such losses up to $2.185 billion, increased to $2.325 billion as of January 1, 1991, with a $200 million sublimit for premature decommissioning coverage that was effective January 11, 1991. In addition, LP&L is a member of an insurance program that provides insurance coverage for certain costs of replacement power incurred due to certain prolonged outages of nuclear units. These coverages are subject to assessment provisions if losses exceed the accumulated funds available to the insurers. At December 31, 1990, the maximum amount of such possible assessment for LP&L was $17.61 million.

The amount of property insurance presently carried by LP&L exceeds the NRC's minimum requirement for nuclear power plant licensees of $1.06 billion per site. Effective April 2, 1990, NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition, and, second, to complete required decontamination operations. Only after proceeds are used or dedicated for such uses and appropriate regulatory approval is obtained would the balance of these proceeds, if any, be available for plant owners' or their creditors' benefit.

Spent Nuclear Fuel and Decommissioning Costs

Under the Nuclear Waste Policy Act of 1982 (NWPA), the DOE is required to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors for a specified fee. The NRC, pursuant to the NWPA, also requires operators of nuclear power reactors to enter into spent fuel disposal contracts with the DOE. LP&L has entered into such a contract with the DOE whereby the DOE will furnish disposal service at a cost of one mill per KWH of net generation. The fees payable to the DOE may be adjusted in the future to assure full cost recovery. A 1989 federal court ruling effectively changed the basis for the fee to 1 mill per net KWH sold rather than generated, which could reduce LP&L's payments. LP&L considers all costs incurred or to be incurred in connection with disposal of spent nuclear fuel to be proper components of nuclear fuel expense, and provisions to recover such costs have been accepted by the LPSC.

Under the NWPA, the DOE was to begin accepting spent fuel in 1998 and to continue until the disposal of all spent fuel from reactor sites is accomplished. However, the DOE's repository program has been delayed. Based on the DOE's current schedule for acceptance of spent nuclear fuel, LP&L's initial shipment of spent fuel to the DOE's storage facilities will occur in 2016. In the meantime, LP&L will be responsible for storage of spent fuel. Entergy Operations estimates that on-site spent fuel storage capacity at Waterford 3 will be sufficient to store fuel from normal operations until 2000. It is expected that any additional storage capacity required due to, among other things, delay of the DOE's repository program will have to be provided by LP&L. Entergy Operations estimates that the cost of providing the additional on-site spent fuel storage capability required at Waterford 3 by 2000 will be approximately $10 to $15 million (in 1990 dollars). In addition, approximately $5 to $10 million (in 1990 dollars) will be required every two to three years subsequent to 2000 until DOE's repository begins accepting Waterford 3 spent fuel.

In order to provide reasonable assurance that funds will be available when needed to pay the costs of decommissioning, the NRC requires each company to establish an external fund that can only be used for future decommissioning costs. The qualified nuclear decommissioning trust established by LP&L in March 1989 to meet IRS regulations satisfies the new NRC regulations. The decommissioning costs for Waterford 3 are currently estimated to be approximately $203 million based on 1988 dollars. The estimated cost of decommissioning for Waterford 3 will be periodically reviewed during the licensed operating life of the unit.

In order to meet this NRC requirement, on April 4, 1990, LP&L filed a request with the LPSC for approval of a decommissioning plan for Waterford 3. In orders issued May 29, 1990, the LPSC required that LP&L maintain a qualified nuclear decommissioning trust including approximately $4.2 million of previously invested decommissioning funds. In its May 29, 1990 orders the LPSC further authorized LP&L to increase its funding for Waterford 3 decommissioning costs from $2.1 million to $4.0 million annually, effective May 29, 1990 through 1993, as part of LP&L's existing cost of service. The recording of the increase to the new annual level of $4.0 million became effective as of June 1, 1990. In 1993, the LPSC will review the $4.0 million funding level and future funding levels to determine their appropriateness.

Settlement Agreement with a Gas Supplier

A dispute between a gas supplier and LP&L arising from the gas supplier's claimed inability to deliver the full quantities of fuel gas due LP&L under several natural gas contracts was settled upon the execution of a settlement agreement in 1982. The settlement agreement provides for the payment of $1.087 billion in cash (which was paid) plus a guaranty of savings of at least $585 million in certain gas acquisition costs between 1982 and 1996. In 1983, the LPSC ordered LP&L to refund the settlement

proceeds to customers over the period 1983-1993. At December 31, 1990, the remaining liability to customers was approximately $168.8 million (of which $56.4 million was classified as a current liability).

Long-term Contracts

Purchased Power

LP&L has entered into a long-term purchase agreement with the owner of a hydroelectric generating facility, consisting of eight separate generating units, to purchase, at specified prices, certain percentages of the energy generated by and made available from the plant from the date of commercial operation through 2031. The plant began commercial operation with certain of the eight generating units in May 1990 and the remaining units went into commercial operation in the third quarter of 1990. During 1990, LP&L made payments under the contract of approximately $13.4 million. If the maximum percentage (94%) of the energy is made available to LP&L, and based on current production projections, required payments under the contract are estimated to be $47.2 million, $47.2 million, $47.2 million, $46.7 million, and $46.7 million, for 1991-1995, respectively, and a total of $3.6 billion for the years 1996 through 2031. LP&L recovers the costs of purchased energy through its fuel adjustment clause pursuant to LPSC authorization.

Fuel Supply

In May 1988, LP&L and a fuel supplier agreed to a 25-year natural gas supply contract. Under the terms of this contract, LP&L has agreed to purchase natural gas quantities in annual amounts equal to approximately one-third of its projected annual fuel requirements for certain of its generating units. Annual demand charges associated with this contract are estimated to be $7.2 million in 1991 and 1992, $8.3 million in 1993 and $9.0 million for the years 1994 through 2013. Pursuant to LPSC authorization, LP&L recovers the cost of fuel consumed during the generation of electricity through its fuel adjustment clause. LP&L, System Fuels, and the fuel supplier also agreed to cancel a contract previously entered into by System Fuels and the fuel supplier, with System Fuels' performance guaranteed by LP&L, to provide coal for LP&L's then-proposed Wilton Station. As a result, LP&L moved for dismissal of its application for a certificate, filed with the LPSC, authorizing construction of the Wilton Station. In 1988, the LPSC granted LP&L's motion for dismissal. Accordingly, LP&L recorded, in 1988, adjustments decreasing Construction Work in Progress and increasing expense by $8.4 million (before tax) to write off Wilton Station costs, including related AFUDC.

Other Commitments and Contingencies

Reference is made to LP&L's Note 2, "Rate and Regulatory Matters," for information with respect to the March 1989 Order, the Proposed Negotiated Buy-out, the June 13 Decision, and other commitments and/or contingencies.

NOTE 8. LEASES

Capital and Operating Lease Commitments

In accordance with SFAS No. 13, "Accounting for Leases," LP&L records the assets and related obligations applicable to capital leases as required by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The assets and liabilities associated with these leases at December 31, 1990 and 1989, are presented below:

	1990	1989
	(In Thousands)	
Assets:		
Utility plant	$24,751	$28,811
Accumulated amortization	16,700	19,605
Net properties under capital leases	$ 8,051	$ 9,206
Liabilities:		
Noncurrent ol· gations under capital leases	$ 5,413	$ 6,613
Current obligations under capital leases	2,638	2,593
Total obligations under capital leases	$ 8,051	$ 9,206

Excluded from the above amounts at December 31, 1990 and 1989 are approximately $82.0 million and $101.5 million, respectively, which amounts have been recorded in connection with LP&L's nuclear fuel lease.

Future minimum lease payments, by period and in the aggregate, of LP&L's capital leases (excluding the nuclear fuel lease and nuclear plant lease obligations) and noncancellable operating leases consisted of the following at December 31, 1990:

Year	Capital Leases	Operating Leases
	(In Thousands)	
1991	$ 3,767	$ 5,969
1992	3,759	5,761
1993	3,144	4,211
1994	779	4,125
1995	—	3,715
For years thereafter	—	15,985
Minimum rental commitments	11,449	$39,766
Less: Amount representing interest	3,398	
Present value of future minimum lease payments	$ 8,051	

At December 31, 1988, LP&L had in effect a nuclear fuel lease under which $51.7 million of nuclear fuel was financed. In February 1989, LP&L entered into a new nuclear fuel lease agreement pursuant to which up to $160 mi on of nuclear fuel may now be leased. Approximately $47.6 million of nuclear fuel remaining under t. former lease and approximately $29.7 million of nuclear fuel owned by LP&L were placed under the new lease agreement, at which time LP&L's former lease was terminated. The lessor finances its acquisition and ownership of nuclear fuel under a credit agreement and through the issuance of intermediate term notes. The credit agreement has a term of five years and the intermediate term notes have varying maturities of up to 10 years. It is contemplated that the credit arrangement will be extended or alternative financing will be secured by the lessor upon the maturity

of the current arrangements based on LP&L's nuclear fuel requirements. If the lessor cannot arrange for alternative financing upon the regularly scheduled maturity of its borrowings, LP&L must purchase nuclear fuel in an amount equal to the amount required by the lessor to retire such borrowings. Nuclear fuel lease expense consists of amortization of the nuclear fuel lease, administration costs, and interest on the obligation. Amortization recorded in connection with the nuclear fuel leases for 1990, 1989, and 1988 was $49.0 million, $43.9 million, and $37.1 million, respectively. Interest expense related to the nuclear fuel leases for 1990, 1989, and 1988 was $8.8 million, $9.5 million, and $8.3 million, respectively. The unrecovered cost base of the leases was $82.0 million, $101.5 million, and $51.7 million at December 31, 1990, 1989 and 1988, respectively.

Rental expense for capital and operating leases (excluding the nuclear fuel lease) amounted to approximately $8.9 million, $9.8 million, and $11.3 million in 1990, 1989, and 1988, respectively.

Waterford 3 Lease Obligations

On September 28, 1989, LP&L entered into three substantially identical, but entirely separate, transactions for the sale (for an aggregate cash consideration of $353.6 million) and leaseback of three undivided portions of its 100% ownership interest in Waterford 3. The three undivided interests in Waterford 3 sold and leased back exclude certain transmission, pollution control, and other facilities that are part of Waterford 3. The interests sold and leased back, as described above, are equivalent on an aggregate cost basis to approximately 9.3% of Waterford 3. The sales were made to an Owner Trustee under three separate, but identical, trust agreements with three Owner Participants. LP&L is leasing back the sold interests from the Owner Trustee on a net lease basis over an approximate 28-year basic lease term. LP&L has options to terminate the lease and to repurchase the sold interests in Waterford 3 at certain intervals during the basic lease term. Further, at the end of the basic lease term, LP&L has an option to renew the lease or to repurchase the undivided interests in Waterford 3.

The Owner Trustee acquired the interests with funds provided by the Owner Participants and with funds obtained from the issuance and sale by the Owner Trustee of intermediate-term and long-term bonds. The lease payments to be made by LP&L will be sufficient to service the debt incurred by the Owner Trustee.

Pursuant to the terms of the sale and leaseback transactions, if LP&L does not exercise its option to repurchase the undivided interests in Waterford 3 on the fifth anniversary of the closing date of the sale and leaseback transactions, LP&L will be required to provide collateral to the Owner Participants for the equity portion of certain amounts payable by LP&L under the lease. Such collateral requirements are to be in the form of either a bank letter or letters of credit or the pledging of new series of first mortgage bonds issued by LP&L under its first mortgage bond indenture.

Upon the occurrence of certain adverse events (including lease events of default, events of loss, deemed loss events or certain adverse "Financial Events" with respect to LP&L), LP&L may be obligated to pay amounts sufficient to permit the Owner Participants to withdraw from the lease transactions and LP&L may be required to assume the outstanding bonds issued by the Owner Trustee to finance its acquisition of the undivided interests in Waterford 3. "Financial Events" include, among other things, failure by LP&L, following the expiration of any applicable grace or cure periods, to maintain (1) as of the end of any fiscal quarter, total equity capital (including preferred stock) at least equal to 30% of adjusted capitalization or (2) in respect of the 12-month period ending on the last day of any fiscal quarter, a fixed charge coverage ratio of at least 1.50. At December 31, 1990, LP&L's total equity capital (including preferred stock) was 41.78% of adjusted capitalization and its fixed charge coverage ratio was 2.42.

In accordance with SFAS No. 98, "Accounting for Leases," due to "continuing involvement" by LP&L, the sale and leaseback by LP&L of the undivided portions of Waterford 3, as described above, is

required to be reflected for financial reporting purposes as financing transactions in LP&L's financial statements even though such portions are no longer owned by LP&L. See LP&L's Note 1, "Summary of Significant Accounting Policies," for further information regarding financial reporting treatment.

LP&L has future minimum lease payments (reflecting an overall implicit rate of 8.76%) in connection with the Waterford 3 sale and leaseback transactions as follows:

Year	Minimum Lease Payments (In Thousands)
1991	$ 32,571
1992	32,569
1993	32,568
1994	32,569
1995	32,569
Years thereafter	843,159
Minimum Lease Payments	$1,006,005

NOTE 9. POSTRETIREMENT BENEFITS

LP&L sponsors a defined benefit pension plan covering substantially all of its employees. The pension plan is noncontributory and provides pension benefits that are based on the employees' credited service and average compensation, generally during the last five years before retirement. Pension costs are funded in accordance with guidelines established by the Employee Retirement Income Security Act of 1974 as amended, and the Internal Revenue Code of 1986, as amended. Effective October 1, 1988, LP&L amended the defined benefit pension plan it sponsors to designate an associated company as a participating employer. Effective June 6, 1990, Waterford 3 nuclear employees became employees of Entergy Operations. However, the employees still remain under LP&L's plan, and no transfers of related pension liabilities and assets have been made. Pension costs are allocated to the associated companies based on an actuarially-determined evaluation by an independent actuary. LP&L's total 1990, 1989, and 1988 pension expense (benefit) was comprised of the following components:

	1990	1989	1988
		(In Thousands)	
Service cost — benefits earned during the period	$ 6,736	$ 5,610	$ 4,831
Interest cost on projected benefit obligation	13,422	12,525	10,272
Actual return on plan assets	565	(33,851)	(19,329)
Net amortization and deferral	(17,449)	17,327	2,310
Early retirement program	—	—	6,638
Pension expense allocation to associated companies	(3,047)	(2,372)	(639)
Net pension expense (benefit)	$ 227	$ (761)	$ 4,083

The assets of the plan include an interest in the investment accounts of a master trust maintained by Entergy and a participation interest in an unallocated insurance contract. The funded status of LP&L's sponsored defined benefit pension plan at December 31, 1990 and 1989 was as follows:

	1990	1989
	(In Thousands)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$113,759	$111,388
Nonvested	9,650	7,570
Accumulated benefit obligation	123,409	118,958
Projected benefit obligation*	167,297	162,604
Plan assets at fair value	178,054	190,180
Plan assets in excess of projected benefit obligation	10,757	27,576
Unrecognized prior service cost	6,531	3,212
Unrecognized transition asset	(32,824)	(35,828)
Unrecognized net gain	(6,341)	(13,563)
Accrued pension cost	$(21,877)	$(18,603)

* Includes approximately $16.9 million for 1990 and approximately $14.1 million for 1989 related to pension obligations of an associated company in connection with the plan amendment of October 1, 1988.

The significant actuarial assumptions used included a weighted average discount rate of 8.75% for 1990 and 8.5% for 1989 and 1988 and a rate of increase in future compensation of 5.6% for valuing the projected benefit obligation for 1990 and 1989. An assumed expected long-term rate of return on plan assets of 8.5% was used for 1990, 1989, and 1988. Transition assets are being amortized over a 15-year period.

LP&L also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for LP&L. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The cost of providing postretirement health care and life insurance benefits is recorded on a cash basis. The total cost of providing these benefits and the number of active employees and retirees for the last three fiscal years were as follows:

	1990	1989	1988
Total cost of health care and life insurance (in thousands)	$12,026	$11,815	$10,360
Number of active employees	2,601*	3,262	3,277
Number of retirees	914	839	808

* The decrease in the number of active employees for 1990 was due primarily to the transfer of all Waterford 3 nuclear employees from LP&L to Entergy Operations on June 6, 1990.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which is generally effective for fiscal years beginning after December 15, 1992. The new standard requires a change in accounting requirements for postretirement benefits other than pensions from a cash method to an accrual method. The impact of this new standard has not been fully determined, but the change likely will result in significantly greater expense being recognized for provision of these benefits. The effect of the increased benefit expense on net income could be reduced to the extent such increased costs are recovered through rates or

through the recording of a regulatory asset to be recovered in the future. LP&L plans to adopt this statement in 1993.

NOTE 10. CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, LP&L considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The supplemental disclosures required by SFAS No. 95, "Statement of Cash Flows," are shown in the table below.

	For the Years Ended December 31		
	1990	1989	1988
		(In Thousands)	
Cash Paid (Received) During the Period:			
Interest (net of amounts capitalized of $737, $1,108, and $406 in 1990, 1989 and 1988, respectively)	$129,260	$203,076	$203,500
Income taxes	$ 61,538	$ 13,729	$ (6,880)
Noncash Investing and Financing:			
Capital lease obligations incurred	$ 30,387	$139,262	$ 7,278

NOTE 11. TRANSACTIONS WITH AFFILIATES

LP&L buys electricity from and/or sells electricity to the other operating subsidiaries of Entergy, including System Energy, under rate schedules filed with the FERC. In addition, LP&L purchases fuel from System Fuels and receives technical and advisory services from Entergy Services, Inc.

Operating revenues include revenues from sales to affiliates amounting to $1.5 million in 1990, $5 million in 1989, and $6.8 million in 1988. Operating expenses include charges from affiliates for fuel costs, purchased power and related charges, and technical and advisory services totaling $298.2 million in 1990, $308.5 million in 1989, and $350.1 million in 1988. Also, pursuant to an operating agreement, effective June 6, 1990, Entergy Operations has been authorized to act as general agent for LP&L and has assumed operating responsibility for, but not ownership of, Waterford 3. In return, LP&L pays directly or reimburses Entergy Operations for the costs associated with operating Waterford 3. In 1990 such charges amounted to approximately $79.5 million and $7.6 million for direct and indirect charges, respectively.

LOUISIANA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS — (Concluded)

NOTE 12. QUARTERLY RESULTS (UNAUDITED)

Unaudited operating results for the four quarters of 1990 and 1989 follow:

Quarter Ended	Operating Revenues	Operating Income	Net Income (Loss)
		(In Thousands)	
1990:			
March	$329,926	$ 58,840	$20,288
June	364,596	87,812	48,203
September	457,560	120,513	81,878
December	333,490	45,805	4,680
1989:			
March	$318,347	$ 59,430	$15,387
June	360,338	78,838	30,893
September	421,869	110,255	63,549
December(1)	326,252	37,397	(3,216)

(1) The fourth quarter of 1989 reflects a nonrecurring decrease in operating income and net income of $10.9 million, net of tax, in connection with the final recognition of the effect of the LPSC Settlement Agreement.

The business of LP&L is subject to seasonal fluctuations with the peak period occurring during the summer months. Accordingly, earnings information for any interim period should not be considered as a basis for estimating the results of operations for a full year.

LOUISIANA POWER & LIGHT POWER COMPANY

RECORD OF PROGRESS 1980–1990

(Dollars In Thousands)

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Selected Financial Data:											
Operating revenues	$1,485,600	$1,426,800	$1,377,100	$1,346,600	$1,344,800	$1,259,800	$1,245,700	$1,144,700	$1,195,600	$1,117,800	$ 853,500
Net income (loss)(1)	$ 155,000	$ 106,600	$ 113,800	$ 115,600	$ 143,800	$ (53,800)	$ 201,000	$ 131,500	$ 117,500	$ 124,500	$ 100,700
Total assets	$4,261,900	$4,280,500	$4,458,400	$4,234,400	$4,150,400	$3,819,300	$3,849,100	$3,565,300	$3,602,100	$2,330,200	$2,078,400
Long-term obligations(2)	$1,860,400	$1,906,800	$1,825,100	$2,070,000	$2,055,100	$1,748,500	$1,756,300	$1,414,400	$1,116,700	$1,122,600	$ 950,400
Capitalization:											
Preferred stock (including premium and issuance expense):											
Without sinking fund	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900	$ 145,900
With sinking fund	107,700	131,700	224,200	241,300	272,100	278,400	284,500	240,900	169,100	121,400	121,400
Long-term debt (excluding currently maturing debt)	1,701,800	1,717,200	1,582,500	1,772,300	1,783,000	1,470,100	1,471,800	1,173,500	947,600	1,001,200	829,000
Common stock and paid-in capital	988,900	903,900	903,900	903,900	904,600	905,000	804,700	738,900	588,900	538,900	498,900
Retained earnings	46,600	37,800	49,300	16,100	(40,200)	54,500	51,200	39,900	61,000	77,000	65,200
Total capitalization	**$2,990,900**	**$2,936,500**	**$2,905,800**	**$3,079,500**	**$3,065,400**	**$2,853,900**	**$2,758,100**	**$2,339,100**	**$1,912,500**	**$1,884,400**	**$1,660,400**
Utility plant	$4,726,400	$4,622,900	$4,544,100	$4,510,900	$4,290,000	$4,459,800	$4,127,800	$3,692,900	$3,135,800	$2,637,800	$2,334,400
Less — accumulated depreciation and amortization	1,144,900	1,015,700	934,800	824,500	721,500	623,100	556,400	522,500	468,100	431,800	393,300
Net utility plant	**$3,581,500**	**$3,607,200**	**$3,609,300**	**$3,686,400**	**$3,568,500**	**$3,836,700**	**$3,571,400**	**$3,170,400**	**$2,667,700**	**$2,206,000**	**$1,941,100**
Electric Revenues:											
Residential	$ 520,800	$ 496,800	$ 485,000	$ 476,000	$ 473,300	$ 411,700	$ 404,800	$ 358,800	$ 364,000	$ 341,600	$ 265,100
Commercial	314,700	305,600	291,500	274,100	265,500	226,900	215,400	186,800	183,000	164,700	123,600
Industrial	532,800	541,200	511,300	525,800	512,900	528,400	562,100	529,600	574,100	525,300	358,200
Governmental	26,500	25,800	32,400	37,500	34,600	30,700	30,200	27,200	26,200	22,800	17,200
Total retail	1,394,800	1,369,400	1,320,200	1,313,400	1,286,300	1,197,700	1,212,500	1,102,400	1,147,300	1,054,400	764,100
Sales for resale	41,800	38,100	34,000	19,700	38,600	31,700	18,900	32,100	37,200	55,200	81,900
Other	49,000	19,300	22,900	13,500	19,900	30,400	14,300	10,200	11,190	8,200	7,500
Total	**$1,485,600**	**$1,426,800**	**$1,377,100**	**$1,346,600**	**$1,344,800**	**$1,259,800**	**$1,245,700**	**$1,144,700**	**$1,195,600**	**$1,117,800**	**$ 853,500**
Energy Sales (Millions of KWH):											
Residential	7,169	6,865	6,762	6,757	6,975	6,981	6,630	6,274	6,429	6,405	6,298
Commercial	4,299	4,175	3,972	3,770	3,773	3,708	3,410	3,168	3,130	3,016	2,876
Industrial	14,170	14,025	13,283	13,102	12,341	12,468	12,168	11,491	12,997	13,067	11,963
Governmental	382	369	508	620	593	583	553	525	518	479	463
Total retail	26,020	25,434	24,525	24,249	23,682	23,740	22,761	21,458	23,074	22,967	21,700
Sales for resale	1,149	1,014	949	582	1,459	746	529	780	867	1,185	2,245
Total	**27,169**	**26,448**	**25,474**	**24,831**	**25,141**	**24,486**	**23,290**	**22,238**	**23,941**	**24,152**	**23,945**
Number of Customers (At December 31):											
Residential	512,738	505,588	503,344	502,261	501,611	499,835	495,416	487,148	478,360	469,998	457,191
Commercial	59,096	57,959	57,680	57,338	57,305	57,149	55,838	53,812	52,001	50,574	48,617
Industrial	5,920	5,799	5,881	6,110	6,435	7,073	7,342	7,503	6,618	6,655	6,846
Governmental	4,155	4,107	4,037	3,950	3,873	3,761	3,668	3,551	3,400	3,343	3,242
Total retail	581,909	573,453	570,942	569,659	569,224	567,818	562,264	552,014	540,379	530,570	515,896
Sales for resale	2	2	3	4	5	6	9	11	8	9	8
Total	**581,911**	**573,455**	**570,945**	**569,663**	**569,229**	**567,824**	**562,273**	**552,025**	**540,387**	**530,579**	**515,904**

(1) Net income for 1984 includes the cumulative effect to January 1, 1984 of accruing unbilled revenues in the amount of $17.6 million after income taxes. The net loss for 1985 reflects the write-off of the LPSC jurisdictional portion of disallowed Waterford 3 costs.

(2) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund and noncurrent capital lease obligations. Prior to 1986, capital lease obligations were not required to be recorded as assets and liabilities on the balance sheet.

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(B) Elected Effective 2/1/91

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TRANSFER AGENT AND
REGISTRAR FOR
PREFERRED STOCK
Bank of Montreal Trust Company
77 Water Street
New York, New York 10005
(212) 701-7667

TRUSTEE
FOR FIRST MORTGAGE BONDS
Bank of Montreal Trust Company
77 Water Street
New York, New York 10005
(212) 701-7673

CORPORATE ADDRESS
LOUISIANA POWER & LIGHT
COMPANY
317 Baronne Street
New Orleans, Louisiana 70112

LP&L's 1990 Annual Report to the Securities and Exchange Commission on Form 10-K (including financial statement schedules) is available to any stockholder without charge. Stockholders can obtain a copy by calling collect or writing to:

Investor Relations Department
Louisiana Power & Light Company
P.O. Box 60340
Mail Unit C-0760
New Orleans, LA 70160
Telephone: 0-504-587-5439

To request a copy of the 1990 Entergy Corporation Annual Report, call or write to:

Entergy Corporation
System Investor Relations
P.O. Box 61005
New Orleans, LA 70161
1-800-292-9960