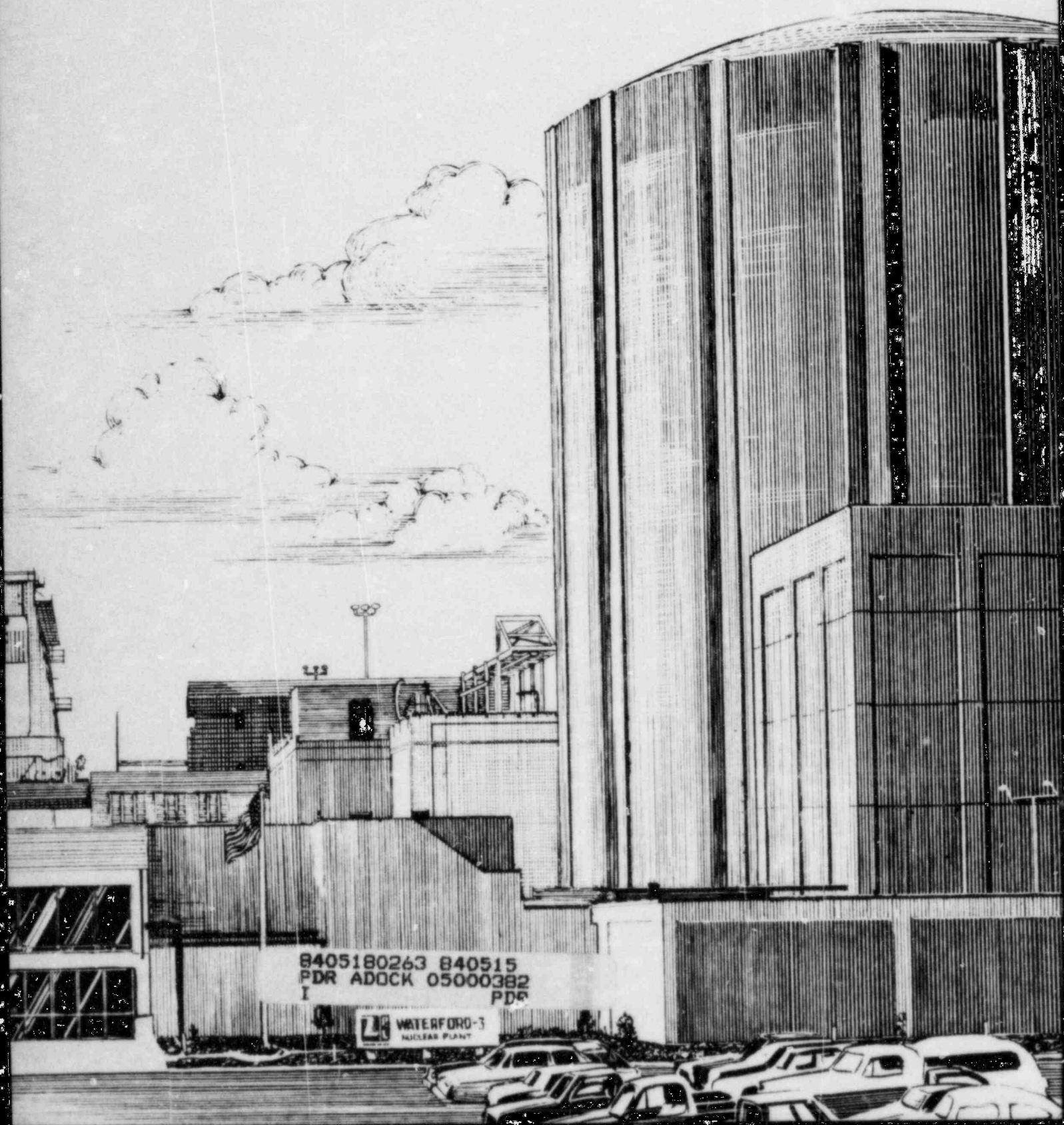


# Louisiana Power & Light Company 1983 Annual Report



## Area served by LP&L

Louisiana Power & Light Company operates in 46 of the 64 parishes of Louisiana — a 19,500-square-mile area which, as of December 31, 1983, had an estimated population of 1,629,000. At year-end 1983, LP&L was serving approximately 42% of Louisiana's population.

The area served by LP&L includes most of North Louisiana, a small portion of East Central Louisiana, and most of Southeastern Louisiana, including the metropolitan area around the City of New Orleans and the 15th Ward in the City of New Orleans.

LP&L's system is part of, and is interconnected with, the other operating companies of the Middle South Utilities System. This arrangement provides more dependable electric service for customers, and also results in the greatest economy in the generation of electric power, with resultant savings to customers.

### **General Office**

142 Delaronde Street  
P.O. Box 6008  
New Orleans, Louisiana 70174  
Telephone: (504) 366-2345

### **Registrar for Preferred Stock**

Chemical Bank  
Corporate Trust Department  
55 Water Street  
New York, New York 10041

### **Transfer Agent for Preferred Stock**

Bradford Trust Company  
67 Broad Street  
New York, New York 10004

### **Trustee for First Mortgage Bonds**

The Chase Manhattan  
Bank, N.A.  
Corporate Trust  
Administrative Division  
1 New York Plaza, 14th Floor  
New York, New York 10081

This 1983 Annual Report is prepared for the information of stockholders, employees, and other interested persons.

The Company's 1983 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 writing to:

J. H. Erwin, Jr.

Senior Vice President —

Accounting & Finance, and Treasurer

Louisiana Power & Light Company  
P.O. Box 6008

New Orleans, Louisiana 70174

Telephone: (504) 366-2345

---

## Highlights

---

	As of Dec. 31, 1983	As of Dec. 31, 1982
Plant Investment .....	\$3,688,148,000	\$3,131,461,000
Revenue .....	\$1,144,743,000	\$1,195,583,000
Net Income .....	\$ 131,546,000	\$ 117,458,000
Peak Load (occurred 8/29/83 and 6/9/82) ....	4,207,000 KW	4,259,000 KW
Generating Capability .....	4,618,000 KW	4,625,000 KW
Customers .....	552,025	540,387
Average annual kilowatt hours per residential customer .....	12,996	13,545
Average annual revenue per residential kilowatt hour .....	5.72¢	5.66¢
Population in area served .....	1,629,000	1,600,000
Employees .....	2,756	2,721

---

## To our stockholders and employees

---



James M. Cain  
President and Chief Executive Officer

In 1983, the national economy was emerging from recession and the rate of inflation, according to the U.S. Department of Labor's Consumer Price Index for all urban consumers, was 3.8%, the lowest since 1972. Unfortunately, Louisiana which was one of the last states to feel the effects of recession, was slow in recovering. Unemployment had improved in Louisi-

ana somewhat in 1983, but was still high. Some industrials, especially primary metals and certain chemicals, have not yet shown signs of fully recovering from the recession.

Louisiana Power & Light Company suffered along with Louisiana's economy in 1983. Although the Company's net income increased to \$131.5 million, up about \$14.0 million over 1982, 75% of total net income was Allowance for Funds Used During Construction (AFUDC), a non-cash item. This AFUDC item amounted to \$99.0 million in 1983, an increase of \$44.9 million over 1982.

A major accomplishment by the Company in 1983 was the issuance of more than 1,100,000 refund checks to customers and former customers through December 31, 1983, of \$621 million out of the proceeds of a compromise settlement effected in 1982 of the Company's claim against Texaco Inc. for failure to perform under a gas supply contract. On February 28, 1984, the Company mailed checks to customers for the third phase of refunds going to customers. This refund phase amounted to about \$25 million. In succeeding years through 1993, the Company will be refunding more than \$50 million to customers each year.

The Louisiana Public Service Commission (LPSC) order for the Company to make such refund provides that the additional \$500 million received by the Company in two equal payments in January 1983 and 1984 under such settlement, is to be refunded to customers in installments to be paid in each year over a period through 1993. The effect of this is to permit the Company to have the use, pending such refund, of a part of that \$500 million during such period and to apply such funds to its construction program, including the construction of Waterford 3, its nuclear generating unit nearing completion at Taft in St. Charles Parish.

The action by the Commission enabled the Company to withdraw a request for \$161 million in emergency rate relief which it had made as part of a January 24, 1983, filing with the Commission, and later to reduce its overall rate increase request by \$103 million to \$309 million.

In the January 1983 rate filing, LP&L had requested a net increase of \$412 million which was needed not only to continue construction on Waterford 3 and other projects, but also to recover costs associated with LP&L's share of power purchases from the Middle South Energy, Inc. (MSE) Grand Gulf nuclear power plant nearing completion near Port Gibson, Mississippi, and to recover the operating expenses of Waterford 3 when the unit is placed in service. Another factor necessitating the request for rate relief included the increasing costs of doing business, especially the high cost of financing construction.

At its January 16, 1984, meeting, the Commission was granted a 30-day extension in deciding the rate increase requests of both LP&L and New Orleans Public Service Inc. The Commission requested the extensions in order to review two independent studies which had been ordered prior to mid-year 1983 by the Commission — one a limited management audit of LP&L and the other a report on Waterford 3 and the purchase of power from Grand Gulf. Both reports were delivered to the Commission at its January 16 meeting, and both were favorable to



LP&L. Both LP&L and NOPSI agreed to the Commission's request for extended time to consider the rate requests.

The Commission ordered one of the studies from Decision Management Company, Inc. (DMC), of Laguna Hills, California. That study investigated the cost increases of Waterford 3 and the purchase of power from Grand Gulf. The other study, a limited management audit of LP&L, also was ordered by the Commission, and was done by Arthur Young & Company of Atlanta, Georgia. The Arthur Young study indicates that LP&L is a productive and efficient company which has done a good job in holding down costs. The audit indicated no evidence of declining levels of service, despite the fact that LP&L has been very conservative in adding personnel, even as workloads were increasing. The DMC audit says that Waterford 3 construction costs should be deemed prudent, and that cost increases were due primarily to circumstances beyond LP&L's control. With regard to LP&L's participation in Grand Gulf, DMC concluded that LP&L management acted competently with regard to the Grand Gulf agreements, and that the decision to participate was reasonable and was made in the best interests of LP&L's customers.

On February 20, 1984, the LPSC rendered a decision on the Company's rate case which had been filed in January 1983. The decision allows LP&L an increase in annual revenues of approximately \$68,982,000 — a 6.0% increase over 1983 revenues. This increase represented about 17% of the \$412 million net increase which the Company sought, and the decision excludes any revenues for Grand Gulf and Waterford 3 related operating expenses.

At year-end 1983, construction activity at Waterford 3 was essentially complete. Subject to the timely issuance of the necessary license by the Nuclear Regulatory Commission, fuel is scheduled to be loaded into the reactor during the second quarter of 1984, and commercial operation is anticipated by the end of 1984. Cost of the 1,104 megawatt nuclear facility, the

first in Louisiana, is expected to be about \$2.65 billion. The NRC's most recently published comprehensive report on licensee performance on Waterford 3 was generally favorable to LP&L. When in commercial operation, Waterford 3 will add 24% to LP&L's present generating capability of 4,618 megawatts.

Pending before the Federal Energy Regulatory Commission (FERC) was the filing of a Unit Power Sales Agreement providing for the allocation of MSE's 90% interest in the output of Grand Gulf among LP&L, NOPSI, and Mississippi Power & Light Company (MP&L) in proportions of 38.5% to LP&L, 29.80% to NOPSI, and 31.63% to MP&L.

On February 3, 1984, an initial decision was issued by an administrative law judge of the FERC which, among other things, adopted the proposal of the LPSC and allocated MSE's 90% interest in the capacity of Grand Gulf in proportions of 36% to Arkansas Power & Light Company, 14% to LP&L, 33% to MP&L, and 17% to NOPSI, with allocation of the capacity of Unit 2 at Grand Gulf being deferred to a later date. This decision will now go to the full Commission for review.

LP&L's 1983 construction costs totaled \$548.5 million, including \$480.4 million for continued construction on Waterford 3.

During 1983, LP&L reduced the level of construction of Wilton Units 1 and 2, two 800-megawatt, coal-fired generating units on the east bank of the Mississippi River in St. James Parish. The first Wilton unit is scheduled for commercial operation in the early 1990's, with the second about two years after the first.

LP&L's 1983 operating revenues amounted to \$1.1 billion, down 4% from 1982, due primarily to reduced use of electricity by industrial and residential customers.

The Company's 1983 peak demand was 4,207,000 kilowatts, which occurred at 4 p.m. August 29. This compared to the 1982 peak demand of 4,259,000 kilowatts, which occurred

---

at 5 p.m. June 9. LP&L's average annual residential customer use declined for the third consecutive year. In 1983, this figure was 12,996 kilowatt hours and compared to 13,545 kilowatt hours in 1982, 13,791 kilowatt hours in 1981, and 14,177 kilowatt hours in 1980. Based on current projections, LP&L expects a 2.7% annual increase in overall energy use by its customers through 1992.

At the end of 1983, LP&L was serving 552,025 customers — an increase of 11,638 customers over the 540,387 customers served by the Company at the end of 1982.

On October 22, 1983, a proposal was included on the ballot in New Orleans which would have transferred the regulatory jurisdiction over NOPSI and the LP&L operations in Algiers (Ward 15 of the City of New Orleans) from the Commission back to the City Council. New Orleans voters had approved in a November 28, 1981, election the transfer of regulatory jurisdiction over NOPSI and LP&L operations in the City of New Orleans to the Commission. With the assistance of Citizens Against Government Takeover, an independent citizens group, the proposal to retransfer the regulatory authority back to the City Council was defeated in the 1983 election.

Some functional consolidation of LP&L and NOPSI occurred during 1983, with several departments of the companies moving to either the 142 Delaronde Street office of LP&L in Algiers, or the 317 Baronne Street office of NOPSI in downtown New Orleans. The announcement of intention to consolidate the companies was made in July 1981, and applications for authority to consolidate have been filed with the LPSC and the Securities and Exchange Commission.

Both LP&L and NOPSI initiated in 1983 a program called "Helping Hands," which is designed to assist elderly and handicapped people in paying their utility bills. Each company has contributed \$150,000 to the program, which expense was borne by its stockholder, not by customers, and 5,135 needy families had been assisted in paying their utility bills by the end of 1983.

In February 1983, LP&L sold \$75 million (aggregate par value) of 12.64% Preferred Stock, and in March 1983, the Company sold \$100 million of 10-year first mortgage bonds and \$100 million of 30-year first mortgage bonds at separate competitive biddings. The 10-year bonds carry an interest rate of 12%, and the 30-year bonds an interest rate of 13 $\frac{1}{4}$ %. Proceeds from the sales were used in part for paying certain outstanding short term borrowings, to help finance construction projects, and for other corporate purposes. On September 1, 1983, LP&L sold, also after competitive bidding, \$50 million of 30-year first mortgage bonds, bearing an interest rate of 13%, the proceeds of which were applied to the payment of \$50 million of the Company's first mortgage bonds, 9 $\frac{3}{8}$ % series, maturing September 1, 1983.

During the year, several changes occurred in LP&L's Board of Directors and its management. I was elected President and Chief Executive Officer May 23 by the LP&L Board of Directors, succeeding J. M. Wyatt who remained Chairman of the Board until his retirement August 1. Wyatt continues as a member of the LP&L Board.

Also on May 23, Joseph J. Krebs, Jr., of Metairie, was elected to the LP&L Board. All

---

other current Directors were reelected with the exception of Harry M. England and E. A. Rodrigue, both of whom reached the mandatory retirement age for Directors. The reelected Directors include Tex R. Kilpatrick, Floyd W. Lewis, W. Clifford Smith, H. Duke Shackelford, Wyatt and me. We were saddened to report the death on November 4, 1983, of G. C. Rawls, a director emeritus of the Company and former president and chief executive officer and chairman of the board.

Also LP&L's Board elected these LP&L Officers to new positions: W. H. Talbot, Vice President—Assistant to President, and Secretary; J. H. Erwin, Jr., Senior Vice President—Accounting & Finance, and Treasurer; J. J. Cordaro, Senior Vice President—External Affairs; D. L. Aswell, Senior Vice President—Fossil Operations; L. V. Maurin, Vice President—Fossil Operations; and S. G. Cunningham, Jr. Vice President—Rates and Regulatory Affairs.

In addition, the Board elected to the following positions, subject to approval by the FERC: W. C. Nelson, Senior Vice President—Administration and Services; and J. H. Chavanne, Vice President—Corporate Control, and Assistant Secretary. Nelson and Chavanne hold identical positions with NOPSI. Their election as LP&L officers was approved by the FERC in August.

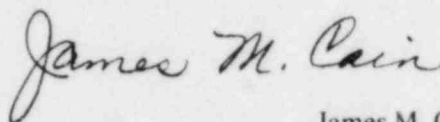
Effective April 1, 1983, Gerald D. McLendon, Senior Vice President—Operations, was elected Executive Vice President and General Manager of LP&L. William Cavanaugh III, Senior Vice President—Energy Supply for AP&L, was loaned to LP&L by AP&L to serve for a limited

period as LP&L's Senior Vice President—Nuclear Operations. He assumed these duties April 11. Cavanaugh was succeeded by R. S. Leddick who was elected by the Company July 25 to Senior Vice President—Nuclear Operations.

On February 1, K. M. Brumfield, Vice President—Administration, retired.

As the national economy improves and the recession abates, LP&L looks into 1984 with fresh optimism and dedication. At the same time, it realizes that many problems lie ahead. But with the experience and loyalty of its employees, LP&L is confident these challenges can be met successfully.

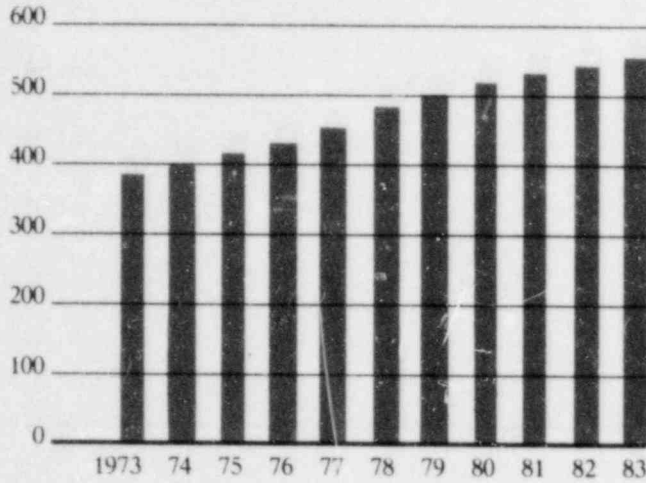
For the Board of Directors  
February 23, 1984.



James M. Cain

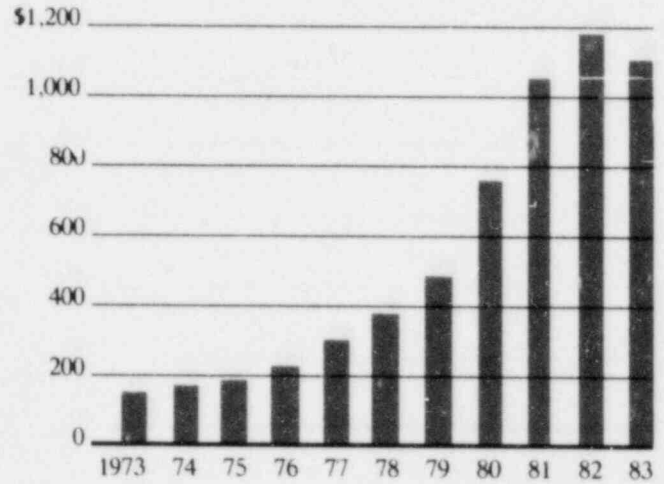
## Customers

(Thousands)



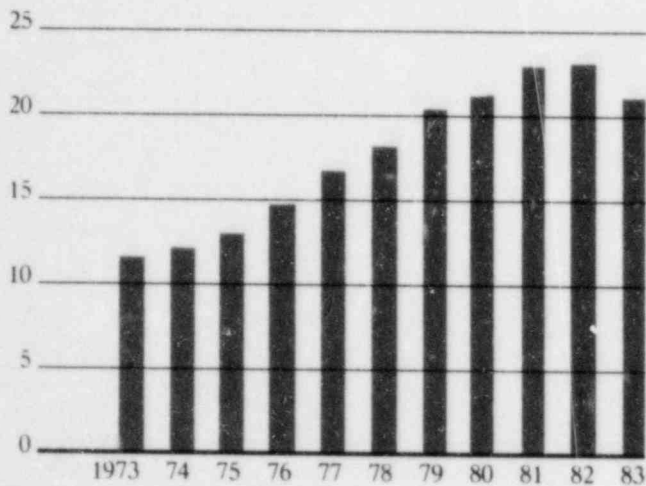
## Operating Revenues

From Retail Customers (Millions of Dollars)



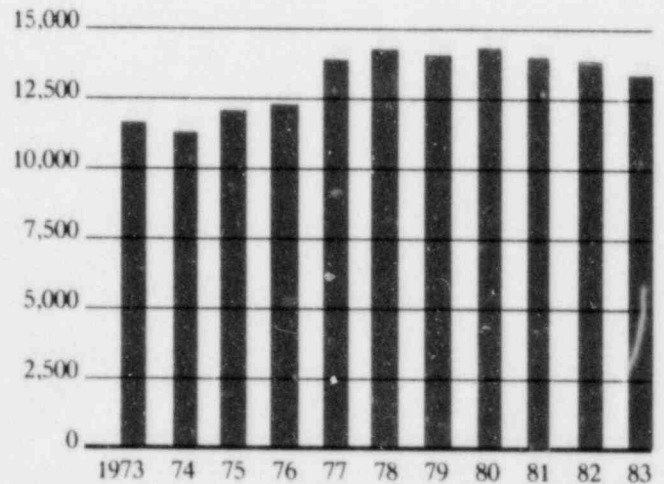
## Energy Sales

To Retail Customers (Billions of Kilowatt Hours)



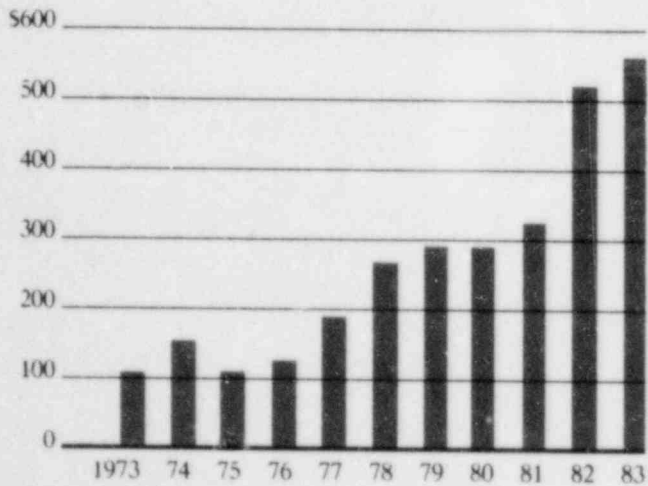
## Average KWH Use

Per Residential Customer



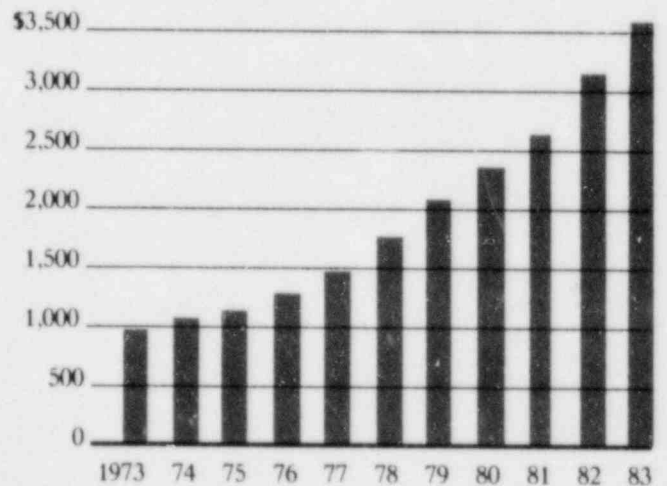
## Construction Expenditures

(Millions of Dollars)



## Gross Utility Plant

(Millions of Dollars)





---

## Management's Discussion and Analysis of Financial Condition and Results of Operations

---

### Financial Condition

In 1983, as it was in 1982 and 1981, the Company's major problem was the financing of its large construction program. The largest and foremost single project continued to be the construction of Waterford No. 3, a nuclear generating unit scheduled for operation in the fourth quarter of 1984. The investment in Waterford No. 3 at the end of 1983 amounted to \$2.2 billion, or approximately 99% of Construction Work in Progress (CWIP). As a result of inadequate rate relief and the need to issue and sell large amounts of bonds and preferred stock to finance the annual construction program, the Company's bond and preferred stock earnings coverages were at depressed levels during this three-year period. At year-end 1983, after the sale of \$200 million of first mortgage bonds and \$75 million of preferred stock in early 1983 and a \$50 million first mortgage bond refunding issue in September 1983, the earnings coverage for the Company's first mortgage bonds was 1.70 times the annual first mortgage bond interest requirements, and its earnings coverage for preferred stock was 1.43 times the annual interest charges and preferred dividend requirements. Based on these coverages, at that date the Company was unable to sell any additional preferred stock or to sell any additional first mortgage bonds, except such bonds issued solely for refunding outstanding first mortgage bonds.

In connection with the June 1982 settlement of a dispute with a gas supplier (see Note 11 to Financial Statements), on March 21, 1983 the Louisiana Public Service Commission (LPSC) amended its January 17, 1983 order pertaining to the manner in which the Company is to refund to its customers the funds received from the gas supplier. The March 21, 1983 order, in effect, will permit the Company to use, pending such refund, a portion of the settlement proceeds in financing its continuing construction program. Based on this order, the Company reduced the \$412 million of additional annual net revenues sought in a January 1983 general rate increase application to the LPSC to \$309 million and withdrew its emergency application of \$160.8 million. Factors stated in the application as necessitating such rate increase include the recovery of purchased power expenses associated with Grand Gulf No. 1 and the operating expenses of Waterford No. 3 on the assumption that each of these

units are in commercial operation throughout the test year. Other factors included inflation (since the filing of the last such rate increase application in May 1980), the cost of money and the Company's ongoing construction program. On February 20, 1984 the LPSC rendered its order granting the Company \$68,982,000 in additional annual revenues. The order, after advertizing to certain delays in the commercial operation dates of Grand Gulf No. 1 and Waterford No. 3, rejected any allowances in rates which would reflect an in-service status for such units, and stated that a new rate filing should be made at an appropriate time for any rate increase to be requested on the basis of the commercial operation of these units. The Company is studying the order and has not yet determined whether or not it will appeal therefrom.

### Liquidity and Capital Resources

Construction expenditures, including Allowance for Funds Used During Construction (AFUDC), totalled \$1.4 billion and net funds provided by financing transactions amounted to \$826.6 million during the three-year period 1981-1983. In addition, the Company used \$329 million of the proceeds from the above-mentioned settlement in 1982.

Assuming adequate rate relief, the Company estimates that its requirements for capital funds from external sources during the period 1984-1986 will be approximately \$407 million, principally for construction programs totalling \$910 million and for the payment of \$119 million of maturing long-term debt and preferred stock sinking fund requirements. The ability of the Company to meet such requirements is subject to improved earnings through adequate rate relief so that the Company's earnings coverages will enable the Company to sell additional first mortgage bonds and preferred stock over the period to provide funds as needed to continue the construction programs. Additional sales of common stock to Middle South Utilities, Inc. and pollution control revenue bonds, and short-term borrowings are estimated to provide a major portion of the balance of funds from external sources. If the Company is unable to obtain the necessary rate relief, the Company may be required to reduce, defer, or eliminate certain construction expenditures.

---

### Results of Operations

Net income increased \$14.1 million and \$23.8 million in 1983 and 1981, respectively, and decreased \$7.0 million in 1982. However, AFDC continued to augment net income as a result of increased amounts of CWIP. Net income exclusive of AFDC decreased \$30.8 million and \$12.6 million in 1983 and 1982, respectively, and increased \$24.8 million in 1981 as a result of a May 1981 LPSC rate order allowing current earnings on a large portion of CWIP.

Operating revenues decreased \$50.8 million in 1983 primarily as a result of lower fuel costs and decreased energy sales. Mild weather conditions and reduced industrial activity were the main factors in causing energy sales to decrease 7% in 1983. For the years 1982 and 1981, revenue increases of \$77.8 million and \$264.2 million, respectively, were attributable to rate increases received in this time period. In addition, the 1981 increase is partially attributable to increased fuel costs recovered through fuel adjustment clauses. Changes in sales of energy were relatively small in the years 1982 and 1981.

The net decrease in fuel and purchased power expenses in 1983 was primarily due to a net reduction in energy requirements. Fuel and purchased power expenses increased in the years 1981 and 1982 due to higher average unit prices of energy costs and to large volumes of purchased power to displace even higher cost gas and/or oil-fueled generation. The variances in other expenses in 1983-1981 were attributable to deferred fuel costs, which at times reflected wide fluctuations in the cost of energy, and to the effects of increased costs of labor, materials and supplies and services.

For each of the years 1983, 1982 and 1981, increased interest charges were primarily attributable to the Company's issuance of additional debt and, in 1983 and 1982, to the accrual by the Company of interest on the portion of the proceeds used by the Company of the above-mentioned settlement entered into by the Company with a gas supplier.

### Effects of Inflation

Despite the reduced level of inflation in 1983, its impact on the Company's operations in recent years has been significant (see Note 13 to Financial Statements, "Effect of Inflation on Operations (Unaudited)").

### Summary

The ability of the Company to secure adequate and timely rate relief to cover the expenses associated with Grand Gulf No. 1 and Waterford No. 3 and other increased costs will have a material effect on the ability of the Company to remain financially sound in the future, and thus be able to provide the generating capacity and other resources necessary to serve the present and future energy requirements of its customers.

---

## 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 consistently applied. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls which 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, and an organization structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The board of directors pursues its responsibility

for reported financial information through its audit committee, composed of outside directors. The audit committee meets periodically with management, the internal auditors, and the independent public accountants to discuss auditing, internal control and financial reporting matters. The independent public accountants and the internal auditors have free access to the audit committee at any time.

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.

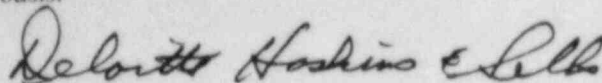
Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

### Auditors' Opinion

Louisiana Power & Light Company:

We have examined the balance sheets of Louisiana Power & Light Company as of December 31, 1983 and 1982 and the related statements of income, retained earnings, and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the financial position of the Company at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.



New Orleans, Louisiana  
February 20, 1984

# BALANCE SHEETS

December 31, 1983 and 1982

## Assets

	1983 (in thousands)	1982
UTILITY PLANT (Notes 4 and 7):		
Electric .....	\$1,463,656	\$1,385,607
Construction work in progress .....	2,224,292	1,745,854
Nuclear fuel .....	4,764	4,378
Total .....	3,692,912	3,135,839
Less accumulated depreciation .....	522,508	468,092
Utility plant—net .....	3,170,404	2,667,747
OTHER PROPERTY AND INVESTMENTS:		
Investment in associated company— at equity (Note 4) .....	46,073	48,700
Other .....	515	478
Total .....	46,588	49,178
CURRENT ASSETS:		
Cash and special deposits .....	4,357	15,068
Temporary investments— at cost, which approximates market (Note 11) .....	7,069	282,197
Notes receivable .....	841	1,219
Accounts receivable:		
Customer and other (less allowance for doubtful customer		
accounts of \$135 thousand) .....	55,738	51,349
Associated companies .....	197	189
Receivable from gas supplier (Note 11) .....	250,000	250,000
Deferred fuel costs .....	4,577	10,077
Materials and supplies— at average cost .....	11,355	12,503
Other .....	4,105	9,456
Total .....	338,239	632,058
DEFERRED DEBITS:		
Receivable from gas supplier (Note 11) .....	—	250,000
Other .....	3,586	3,129
Total .....	3,586	253,129
 TOTAL .....	 \$3,558,817	 \$3,602,112

See Notes to Financial Statements.



## Capitalization and Liabilities

	1983	1982
	(In Thousands)	
<b>CAPITALIZATION:</b>		
Common stock, no par value, authorized 150,000,000 shares; issued and outstanding, 112,111,100 shares in 1983 and 89,383,100 shares in 1982 (Note 2) . . . . .	\$ 738,900	\$ 588,900
Retained earnings (Note 3) . . . . .	39,898	60,981
Total common shareholder's equity . . . . .	778,798	649,881
Preferred stock, without sinking fund (Note 2) . . . . .	145,882	145,882
Preferred stock, with sinking fund (Note 2) . . . . .	240,951	169,101
Long-term debt (Note 3) . . . . .	1,173,453	947,596
Total . . . . .	2,339,084	1,912,460
<b>CURRENT LIABILITIES:</b>		
Notes payable (Note 5):		
Associated companies . . . . .	100,100	—
Banks . . . . .	77,900	44,000
Currently maturing long-term debt . . . . .	20,462	52,350
Accounts payable:		
Associated companies . . . . .	48,782	32,821
Other . . . . .	56,620	79,884
Customer deposits . . . . .	24,220	21,743
Taxes accrued . . . . .	4,088	2,015
Accumulated deferred income taxes (Note 6) . . . . .	2,216	4,879
Interest accrued . . . . .	33,916	24,774
Dividends declared . . . . .	32,418	28,708
Gas contract settlement—liability to customers (Note 11) . . . . .	58,884	882,535
Other . . . . .	2,010	1,781
Total . . . . .	461,616	1,175,490
<b>DEFERRED CREDITS:</b>		
Accumulated deferred income taxes (Note 6) . . . . .	115,845	109,574
Accumulated deferred investment tax credits (Note 6) . . . . .	136,506	123,213
Gas contract settlement—liability to customers (Note 11) . . . . .	475,000	250,000
Other . . . . .	25,269	25,804
Total . . . . .	752,620	508,591
<b>RESERVES:</b>		
Property insurance . . . . .	4,540	4,531
Injuries and damages . . . . .	957	1,040
Total . . . . .	5,497	5,571
<b>COMMITMENTS AND CONTINGENCIES (Notes 4, 7 and 11)</b>		
TOTAL . . . . .	\$3,558,817	\$3,602,112

See Notes to Financial Statements.

## STATEMENTS OF INCOME

For the years ended December 31, 1983, 1982 and 1981

	1983	1982 (In Thousands)	1981
OPERATING REVENUES .....	\$1,144,743	\$1,195,583	\$1,117,761
OPERATING EXPENSES:			
Operation:			
Fuel .....	349,596	387,710	356,786
Purchased power .....	385,144	375,924	335,353
Other .....	100,737	75,244	91,582
Maintenance .....	46,625	45,556	38,873
Depreciation .....	45,815	45,286	43,619
Taxes other than income taxes .....	24,756	22,685	21,216
Income taxes (Note 6) .....	45,635	70,069	77,197
Total .....	998,308	1,027,474	964,626
OPERATING INCOME .....	146,435	173,109	153,135
OTHER INCOME:			
Allowance for equity funds used during construction (Note 1F) .....	71,266	38,967	33,398
Miscellaneous income and deductions—net .....	6,505	7,353	8,991
Income taxes (Note 6) .....	22,999	12,929	13,782
Total .....	100,770	59,249	56,171
INTEREST CHARGES:			
Interest on long-term debt .....	121,609	100,174	85,632
Other interest—net (Note 1F) .....	21,765	29,880	14,336
Allowance for borrowed funds used during construction (Note 1F) .....	(27,715)	(15,154)	(15,131)
Total .....	115,659	114,900	84,837
NET INCOME .....	\$ 131,546	\$ 117,458	\$ 124,469

## STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 1983, 1982 and 1981

RETAINED EARNINGS, January 1 .....	\$ 60,981	\$ 76,995	\$ 65,209
ADD—Net income .....	131,546	117,458	124,469
Total .....	192,527	194,453	189,678
DEDUCT:			
Dividends—cash:			
Preferred stock at prescribed rates (Note 2) .....	44,600	33,518	28,366
Common stock (per share: 1983, \$1.121; 1982, \$1.141 and 1981, \$1.075) .....	107,786	99,789	84,136
Capital stock expenses, etc. ....	243	105	181
Total .....	152,629	133,412	112,683
RETAINED EARNINGS, December 31 (Note 3) .....	\$ 39,898	\$ 60,981	\$ 76,995

See Notes to Financial Statements.

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1983, 1982 and 1981

	1983	1982 (In Thousands)	1981
<b>FUNDS PROVIDED BY:</b>			
Operations:			
Net income	\$131,546	\$ 117,458	\$124,469
Depreciation	45,815	45,286	43,619
Deferred income taxes and investment tax credit adjustments—net	16,901	48,703	41,600
Allowance for funds used during construction (Note 1F)	(98,981)	(54,121)	(48,529)
Total funds provided by operations	95,281	157,326	161,159
Other:			
Allowance for funds used during construction (Note 1F)	98,981	54,121	48,529
Gas contract settlement (Note 11)	—	1,132,535	—
Less funds on hand or due from gas supplier (Note 11)	—	(782,197)	—
Investment in associated company	2,627	—	—
Decrease in working capital*	20,020	6,942	31,524
Total funds provided, excluding financing transactions	225,909	568,727	241,212
Financing transactions:			
Common stock	150,000	50,000	40,000
Preferred stock	75,000	47,720	—
First mortgage bonds	250,000	—	175,000
Other long-term debt	—	25	975
Short-term securities	134,000	—	23,766
Total funds provided by financing transactions	609,000	97,745	239,741
Total funds provided	\$834,909	\$ 666,472	\$480,953
<b>FUNDS APPLIED TO:</b>			
Utility plant additions:			
Construction expenditures for utility plant	\$548,495	\$ 506,722	\$320,925
Nuclear fuel	385	546	(11,343)
Total gross additions (includes allowance for funds used during construction)	548,880	507,268	309,582
Other:			
Dividends declared on preferred stock	44,600	33,518	28,366
Dividends declared on common stock	107,786	99,789	84,136
Investment in associated company	—	6,543	6,020
Gas contract settlement (Note 11)	598,651	—	—
Less funds on hand or due from gas supplier (Note 11)	(525,128)	—	—
Miscellaneous—net	7,770	4,028	687
Total funds applied to other	233,679	143,878	119,209
Financing transactions:			
Retirement of first mortgage bonds	50,000	—	50,000
Retirement of other long-term debt	2,350	2,267	2,162
Short-term securities—net	—	13,059	—
Total funds applied to financing transactions	52,350	15,326	52,162
Total funds applied	\$834,909	\$ 666,472	\$480,953

\* Working capital excludes short-term securities, gas contract settlement-liability to customers, current maturities of long-term debt and deferred taxes included in current liabilities. The 1983 net decrease in working capital is primarily due to a decrease in cash and special deposits and an increase in interest accrued. The 1982 net decrease in working capital is primarily due to an increase in accounts payable reduced by increases in accounts receivable and deferred fuel costs. The 1981 net decrease in working capital is primarily due to a decrease in deferred fuel costs and to an increase in accounts payable.

See Notes to Financial Statements.

---

## Notes to Financial Statements

For the years ended December 31, 1983, 1982 and 1981

---

### 1. Summary of significant accounting policies

#### A. System of Accounts

The accounts of the Company are maintained in accordance with the system of accounts prescribed by the Louisiana Public Service Commission (LPSC) which substantially conforms to that of the Federal Energy Regulatory Commission (FERC).

#### B. Revenues

The Company records revenues as billed to its customers on a cycle billing basis. Revenue is not accrued for energy delivered but not billed at the end of the fiscal period. The rate schedules of the Company include fuel adjustment clauses under which fuel costs above or below the levels allowed in the various rate schedules are permitted to be billed or required to be credited to customers.

The Company defers on its books fuel costs in excess of the base rates until these costs are reflected in billings to customers pursuant to the fuel adjustment clause.

#### C. Utility Plant and Depreciation

Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and an allowance for the composite cost of funds used during construction (AFDC). 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 the replacement of items determined to be less than units of property are charged to operating expenses. Substantially all of the utility plant is subject to the lien of the Company's Mortgage.

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation provided on average depreciable property amounted to approximately 3.3% in 1983 and 3.4% in 1982 and 1981.

#### D. Pension Plan

The Company's pension plan is non-contributory and covers substantially all employees. The Company's policy is to fund pension costs accrued.

#### E. Income Taxes

The Company joins its parent in filing a consolidated Federal income tax return. Income taxes are allocated to the Company in proportion to its contribution to the consolidated taxable income.

Deferred income taxes are provided for differences between book and taxable income to the extent permitted by the regulatory bodies for ratemaking purposes. Investment tax credits allocated to the Company are deferred and amortized based on the average useful life of the related property beginning with the year allowed in the consolidated tax return.

#### F. Allowance for Funds Used During Construction

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



May 27, 1981 through December 31, 1983, the Company used an accrual rate of 3% on its investment in Waterford No. 3, a nuclear generating unit scheduled for operation in 1984, up to an investment of \$1,260,000,000, and an accrual rate of 9.40% on the remaining CWIP and on investments in Waterford No. 3 in excess of \$1,260,000,000 in accordance with a rate order from the LPSC. For the period January 1, 1981 through May 26, 1981, the Company used an accrual rate of 5% on a portion of CWIP in the amount of \$736,180,000 in accordance with a December 1979 LPSC rate order, and an accrual rate of 8.31% on the balance of CWIP.

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

#### G. Reserves

The Company provides reserves for uninsured property risks and for claims for injuries and damages through charges to operating expenses on an accrual basis. Accruals for these reserves have been allowed for ratemaking purposes.

## 2. Preferred and common stock

Preferred stock at December 31, 1983 and 1982 consisted of the following:

Cumulative, \$100 Par Value	Shares Authorized at December 31, 1983	Shares Outstanding at December 31,		Current Call Price Per Share
		1983	1982	
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	106.58
7.84% Series	100,000	100,000	100,000	105.74
7.36% Series	100,000	100,000	100,000	105.20
8.56% Series	100,000	100,000	100,000	107.42
9.44% Series	300,000	300,000	300,000	109.08
11.48% Series	350,000	350,000	350,000	113.98
Total	1,455,000	1,455,000	1,455,000	
Unissued	3,645,000	—	—	
Total	4,500,000	1,455,000	1,455,000	
Cumulative, \$25 Par Value				
With sinking fund:				
10.72% Series	2,400,000	2,400,000	2,400,000	\$ 27.68
13.12% Series	1,600,000	1,600,000	1,600,000	28.28
15.20% Series	1,200,000	1,200,000	1,200,000	28.80
14.72% Series	2,000,000	2,000,000	2,000,000	28.68
12.64% Series	3,000,000	3,000,000	—	28.16
Total	10,200,000	10,200,000	7,200,000	
Unissued	1,800,000	—	—	
Total	12,000,000	10,200,000	7,200,000	

	1983	1982
	(In Thousands)	
Without sinking fund:		
Stated at \$100 a share	\$145,500	\$145,500
Premium	382	382
Total preferred stock and premium, without sinking fund	<u>\$145,882</u>	<u>\$145,882</u>
With sinking fund:		
Stated at \$25 a share	\$255,000	\$180,000
Issuance expense	(14,049)	(10,899)
Total preferred stock and issuance expense, with sinking fund	<u>\$240,951</u>	<u>\$169,101</u>

The 10.72%, 13.12%, 15.20%, 14.72% and 12.64% preferred stock issues are each subject to a sinking fund pursuant to which the Company is obligated to redeem, out of funds legally available therefor, commencing on July 1, 1984, October 1, 1984, November 1, 1985, May 1, 1987 and February 1,

1988, respectively, and ending in the year in which all of the shares of said issues have been redeemed, 120,000, 80,000, 60,000, 100,000 and 150,000 shares, respectively, at a price of \$25 per share plus accumulated and unpaid dividends.

The increases in the number of shares of Common and Preferred Stock outstanding during the three years ended December 31, 1983 were as follows:

	Number of Shares		
	1983	1982	1981
Common Stock shares sold	22,728,000	7,576,000	6,060,700
\$25 Preferred Stock shares sold	3,000,000	2,000,000	—

In September 1983 the Company sold 3,994,000 shares of its common stock, no par value, to its parent company concurrently with, and for an amount

equal to, the payment of a \$26,359,000 cash dividend on its common stock.

### 3. Long-term debt

Long-term debt at December 31, 1983 and 1982 consisted of the following:

	1983	1982
	(In Thousands)	
First Mortgage Bonds:		
9 $\frac{3}{8}$ % Series due 1983	\$ —	\$ 50,000
3 $\frac{1}{8}$ % Series due 1984	18,000	18,000
9 % Series due 1986	75,000	75,000
4 $\frac{3}{4}$ % Series due 1987	20,000	20,000
15 $\frac{3}{4}$ % Series due 1988	50,000	50,000
10 $\frac{7}{8}$ % Series due 1989	45,000	45,000
5 % Series due 1990	20,000	20,000
16 % Series due 1991	75,000	75,000
16 $\frac{1}{4}$ % Series due December 1, 1991	100,000	100,000
12 % Series due 1993	100,000	—
4 $\frac{5}{8}$ % Series due 1994	25,000	25,000
5 $\frac{3}{4}$ % Series due 1996	35,000	35,000
5 $\frac{5}{8}$ % Series due 1997	16,000	16,000
6 $\frac{1}{2}$ % Series due September 1, 1997	18,000	18,000
7 $\frac{1}{8}$ % Series due 1998	35,000	35,000
9 $\frac{3}{8}$ % Series due 1999	25,000	25,000
9 $\frac{3}{8}$ % Series due 2000	20,000	20,000
7 $\frac{7}{8}$ % Series due 2001	25,000	25,000
7 $\frac{1}{2}$ % Series due 2002	25,000	25,000
7 $\frac{1}{2}$ % Series due November 1, 2002	25,000	25,000
8 % Series due 2003	45,000	45,000
8 $\frac{3}{4}$ % Series due 2004	45,000	45,000
8 $\frac{3}{4}$ % Series due 2006	40,000	40,000
10 % Series due 2008	60,000	60,000
13 $\frac{1}{2}$ % Series due 2009	55,000	55,000
13 $\frac{1}{4}$ % Series due 2013	100,000	—
13 % Series due September 1, 2013	50,000	—
Total First Mortgage Bonds	<u>1,147,000</u>	<u>947,000</u>

Other:

Principal amount of municipal revenue bond obligations, 1¼%-8% due serially 1984-2004, and other future obligations under operating agreements .....	36,804	39,154
Pollution control and industrial development revenue bond obligations, 6.40%-8% due 1988-2009 .....	16,300	16,300
Total Other .....	53,104	55,454
Unamortized premium and discount on long-term debt—net .....	(6,189)	(2,508)
Total Long-Term Debt .....	1,193,915	999,946
Less—Amount due within one year .....	20,462	52,350
Long-Term Debt excluding Amount Due Within One Year .....	\$1,173,453	\$947,596

Sinking fund requirements on First Mortgage Bonds and maturities under long-term debt instruments in effect at December 31, 1983 for the years 1984 through 1988 are as follows:

Year	Sinking Fund*	Maturities**
	(In Thousands)	
1984 .....	\$ 8,790	\$20,462
1985 .....	11,290	2,549
1986 .....	10,540	77,675
1987 .....	10,340	22,774
1988 .....	10,340	52,832

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

\*\* It is anticipated that First Mortgage Bond maturities will be refinanced at maturity.

The Mortgage, which is presently more restrictive than the Articles of Incorporation, contains provisions restricting the payment of dividends or other

distributions to common stockholders. At December 31, 1983, all retained earnings were free from such restrictions.

#### 4. Commitments and contingencies

The Company's construction program contemplates expenditures of approximately \$539,200,000 in 1984, \$150,500,000 in 1985 and \$220,000,000 in 1986.

The Company has a 33% interest in System Fuels, Inc. (SFI), a jointly-owned subsidiary of the four principal operating subsidiaries of Middle South Utilities, Inc. SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for all of the operating companies; its costs are primarily recovered through charges for fuel delivered.

The parent companies of SFI have agreed to make loans to SFI to finance its fuel supply business under a loan agreement dated January 3, 1984, which provides for SFI to borrow up to \$125,000,000 from its parent companies through December 31, 1984. The Company's share of the loan commitment is \$55,000,000. Notes under this agreement mature December 31,

2009. In addition, the Company had loaned SFI \$46,066,000 under previous loan agreements. Notes mature in 2002 and 2008 under provisions of the previous loan agreements.

In connection with certain of SFI's borrowing arrangements, SFI's parent companies, including the Company, have covenanted and agreed severally in accordance with their respective shares of ownership of SFI's common stock, that they will take any and all action necessary to keep SFI in a sound financial condition and to place SFI in a position to discharge, and to cause SFI to discharge its obligations under these arrangements. At December 31, 1983, the total loan commitment under these arrangements amounted to \$295,000,000 of which \$176,471,000 was outstanding at that date. Also, SFI's parent companies, including the Company, have made similar covenants and agreements in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At December 31, 1983, the aggregate discounted value of these lease arrangements was \$76,100,000.

SFI has entered into a contract with a joint venture for a supply of coal from a mine being developed in Wyoming, which is expected to provide up to 185 million tons over a period of twenty-six to forty-two years primarily for the Independence Station. SFI's parent companies, including the Company, each acting in accordance with their share of the ownership of SFI's common stock, joined in, ratified, confirmed and adopted the contract and obligations of SFI thereunder. Under the contract, investment in the mine for leases, plant and equipment is the responsibility of the joint venture. In order to limit the joint venture's investment rights and, hence, the amount to be paid to it as a component of the price of coal, the contract provided that SFI invest any funds for plant and equipment in excess of a specified amount. Arkansas Power & Light Company (AP&L), Mississippi Power & Light Company (MP&L) and Arkansas Electric Cooperative Corporation, as co-owners in part of the Independence Station, have agreed to make the investments rather than SFI and, accordingly, have reimbursed SFI for investments previously made by it. Mine construction is nearing completion with first contract deliveries made in January, 1984.

SFI executed a contract for the purchase of an estimated 100 million tons of coal with an option to purchase an additional 50 million tons of coal. By separate agreement, the Company guaranteed SFI's performance of the contract and agreed to purchase the coal from SFI. The coal is to be used at the Wilton Station, the commercial operation of which is now expected sometime in 1993. SFI has notified the coal supplier of this delay and is reviewing with the coal supplier possible alternatives to eliminate or mitigate the effect of this delay on increasing the price of coal.

The Company, together with the other Middle South System operating companies, is obligated under agreements (MSE Agreements) with Middle South Energy, Inc. (MSE) in accordance with stated percentages specified therein to make payments or subordinated advances adequate to cover all of the operating expenses and certain of the capital costs of MSE. The

Company's stated percentage responsibility under the MSE Agreements is 26.9%. Through 1983 \$3.3 billion had been expended by MSE on the Grand Gulf Plant's two units, the first unit of which is scheduled for commercial operation in the third quarter of 1984. The Company is required under the MSE Agreements to make its share of the \$12.5 million per month advance power purchase payments commencing January 2, 1984 and continuing until the earlier of the date the first unit of the Grand Gulf Plant is placed in commercial operation or December 31, 1984.

Effective November 1981 the System operating companies entered into a reallocation agreement allocating the capacity and energy available to MSE from Units Nos. 1 and 2 of Grand Gulf as follows: The Company, 38.57% and 26.23%; MP&L, 31.63% and 43.97%; and New Orleans Public Service Inc. (NOPSI), 29.80% and 29.80%, respectively. This allocation was consistent with a prior allocation of capacity and energy for the Units made among the Company, MP&L and NOPSI pursuant to a memorandum of understanding executed by the System operating companies on July 21, 1980. Under the reallocation agreement the Company, MP&L and NOPSI, in proportion to such allocations, have agreed to assume and hold AP&L harmless from all of the responsibilities and obligations of that company with respect to the MSE Agreements and, in consideration thereof, AP&L has relinquished its rights in the Grand Gulf Plant.

On February 3, 1984, an Administrative Law Judge for the Federal Energy Regulatory Commission ruled on a unit power sales agreement pursuant to which MSE had proposed to sell its power from its Grand Gulf Plant to the Company, MP&L and NOPSI. The ruling recommended that the Company should be responsible for 14% of the capacity and power from MSE's ownership of the first unit at the station, but deferred any recommendation on the second unit. The estimated cost of the first unit is \$2.7 billion. The ruling now goes to the five member commission for a decision.

On April 30, 1982, Middle South Services, Inc. (MSS) on behalf of the Company and the



other Middle South System operating companies, filed for approval with the FERC a new agreement providing for the coordinated planning, construction and operation of its generation and transmission facilities. Rates under the new agreement became effective on January 1, 1983, subject to refund. Various parties have intervened in these proceedings. Some parties are contesting the method by which the agreement equalizes capacity and energy among the System operating companies and certain proposals, if adopted, could cause material changes in the allocation of costs among the companies. Testimony was concluded in December 1983. On February 2, 1984, MSS notified the presiding ALJ, designated by the FERC to hear this proceeding, that the Company and two other MSU operating companies will support an alternate cost allocation method designed to bring about a form of equalization of production costs among the operating companies and that the remaining operating company will continue to support the original proposal. Subsequently, the Company and two other MSU companies filed Statements of Separate Positions pursuant to the notice filed by MSS. In addition the Company and the two other MSU operating companies supporting the equalization concept have filed a proposed Offer of Settlement. The matter is still pending before the ALJ.

In the interest of economic efficiency, the Company and NOPSI are developing a plan to consolidate the two companies and their operations into a new company to be called Louisiana Power & Light Company. This consolidation is planned to occur as soon as the necessary regulatory and other approvals are received. MSU, which currently owns all of the outstanding common stock of the Company and NOPSI, would own all the common stock of the new company.

The Federal income tax returns for the years 1971 through 1976 have been examined by the Internal Revenue Service (IRS) and adjustments have been proposed. Formal written protests have been filed and conferences have been held with Appeals Officers of the IRS. All

issues, other than an issue involving the taxability of customer deposits, have been settled with the Appeals Officers. Such settlement is subject to review and final approval which is expected to be received in 1984. Adequate provisions have been recorded on the books. Any final liability which may result from the resolution of the customer deposits issue would not have a material effect on net income because income taxes on customer deposits would be normalized.

## **5. Lines of credit and related borrowings**

At December 31, 1983 the Company had \$29.2 million in lines of credit with Louisiana banks and participated with the other Middle South System operating companies in \$200 million of consolidated lines of credit with banks outside the Middle South System area of service. Compensating balances (approximately 5% of the commitment amounts) or equivalent fees are required by certain of the lending banks. Additionally, the Company participates with certain other companies of the Middle South System in a money pool arrangement whereby those companies with available funds make short-term loans to other companies in the System having short-term borrowing requirements. The Company also has arrangements with a commercial paper dealer for the sale of commercial paper. The Company may borrow from these sources subject only to its maximum authorized level of short-term borrowings. The Company has received authorization from the Securities and Exchange Commission under the Public Utility Holding Act of 1935 to have outstanding at any one time short-term borrowings aggregating not more than the lesser of \$200 million or 10% of the Company's capitalization. At the end of 1983 and 1982 the aggregate amounts of unused lines of credit with Louisiana banks were \$29.2 million and \$28.9 million, respectively. The operating companies had available at the end of 1983 and 1982, \$122.1 million and \$56 million, respectively, under the consolidated lines of credit.



The short-term borrowings and the applicable interest rates (determined by dividing applicable expense by the average amount borrowed) for the Company were as follows:

	1983*	1982*	1981
	(In Thousands)		
Maximum borrowing .....	\$185,118	\$145,793	\$106,443
Year-end borrowing .....	\$178,000	\$ 44,000	\$ 57,059
Average borrowing:			
Bank loans .....	\$ 59,699	\$ 31,728	\$ 44,463
Commercial paper .....	\$ 592	\$ 25,180	\$ 27,544
Associated companies .....	\$ 25,892	—	—
Average interest rate during the period:			
Bank loans .....	9.9%	15.4%	17.6%
Commercial paper .....	9.5%	15.7%	17.6%
Associated companies .....	9.4%	—	—
Average interest rate at end of period:			
Bank loan .....	11.0%	9.8%	14.1%
Commercial paper .....	—	—	14.1%
Associated companies .....	9.9%	—	—

\* Computations exclude interest expense accrued on settlement agreement funds used by the Company (see Note 11).

## 6. Income taxes

Income tax expense is composed of the following:

	1983	1982	1981
	(In Thousands)		
Current:			
Federal .....	\$ 2,725	\$ 1,463	\$11,495
State .....	3,010	6,974	10,320
Total .....	5,735	8,437	21,815
Deferred—net:			
Liberalized depreciation .....	4,550	5,967	6,020
Deferred fuel cost .....	(2,663)	5,336	(8,715)
Other .....	1,721	4,656	1,186
Total .....	3,608	15,959	(1,509)
Investment tax credit adjustments—net .....	13,293	32,744	43,109
Recorded income tax expense .....	\$22,636	\$57,140	\$63,415
Charged to operations .....	\$45,635	\$70,069	\$77,197
Credited to other income .....	(22,999)	(12,929)	(13,782)
Recorded income tax expense .....	22,636	57,140	63,415
Income taxes applied against the debt component of AFDC .....	26,019	14,227	14,089
Total income taxes .....	\$48,655	\$71,367	\$77,504

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:

	1983		1982		1981	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate .....	\$70,924	46.0%	\$80,315	46.0%	\$86,427	46.0%
Increases (reductions) in tax resulting from:						
Allowance for funds used during						
construction .....	(45,500)	(29.5)	(24,896)	(14.3)	(22,323)	(11.9)
Tax savings due to filing a consolidated return ...	(200)	(.1)	(2,431)	(1.4)	(4,300)	(2.3)
State income taxes net of Federal income tax						
effect .....	1,895	1.2	4,652	2.7	5,484	2.9
Other—net .....	(4,483)	(2.9)	(500)	(.3)	(1,873)	(1.0)
Recorded income tax expense .....	22,636	14.7	57,140	32.7	63,415	33.7
Income taxes applied against debt component						
of AFDC .....	26,019	12.3	14,227	5.1	14,089	4.7
Total income taxes .....	<u>\$48,655</u>	<u>27.0%</u>	<u>\$71,367</u>	<u>37.8%</u>	<u>\$77,504</u>	<u>38.4%</u>

Unused investment tax credits at December 31, 1983 amounted to \$77,903,000. These credits may be applied against Federal income tax liabilities in future years. If not used, they will expire in 1992 through 1998.

## 7. Leases

The Company accounts for leases on the same basis as that used by its regulatory authority in the ratemaking process which determines the revenues utilized to recover the lease costs.

In 1980, the Company entered into a sale and leaseback of certain office buildings and related real properties. A gain of \$13,438,000 has been deferred and is now being amortized over the life of the lease. The lease is for a primary term of 20 years and requires minimum annual rentals of approximately \$2,996,000 through 1985 and \$3,307,000 thereafter.

Rental expense amounted to approximately \$5,586,000, \$5,748,000 and \$4,839,000 in 1983, 1982, and 1981, respectively.

The Company has SEC authorization to lease nuclear fuel up to \$130,000,000. Lease payments, based on nuclear fuel use, will be treated as cost of fuel. The lease, unless sooner terminated by one of the parties, will continue through June 1, 2028. The unrecovered cost base of the lease at December 31, 1983, 1982 and 1981 was \$120,332,000, \$108,479,000 and \$94,078,000, respectively.

Other lease commitments are not significant.

## 8. Transactions with affiliates

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

Operating revenues include revenues from sales to affiliates amounting to \$25,310,000 in 1983, \$30,832,000 in 1982 and \$31,915,000 in 1981. Operating expenses include charges from affiliates for fuel cost, purchased power and technical and advisory services totalling \$339,314,000 in 1983, \$407,903,000 in 1982 and \$516,380,000 in 1981.

## 9. Pension plan

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

Effective January 1, 1982, the Company modified the method of amortizing prior service costs by changing from a fixed amortization period of thirty years to varying amortization periods not to exceed thirty years. The effect of this change on 1982 pension expense was not significant. Total pension expense of the Company for 1983, 1982 and 1981 was \$6,841,000, \$5,007,000 and \$7,008,000, respectively.

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

	January 1, 1983      1982 (In Thousands)	
Actuarial present value of accumulated plan benefits:		
Vested .....	\$49,759	\$43,236
Nonvested .....	3,876	3,234
Total .....	<u>\$53,635</u>	<u>\$46,470</u>
Net assets available for benefits .....	<u>\$92,935</u>	<u>\$75,659</u>

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

## 10. Rate increase applications

As a result of the March 21, 1983 LPSC order concerning the disposition of funds received in connection with the settlement of a dispute with a gas supplier (see Note 11 to Financial Statements), the Company reduced its \$412 million of additional net annual revenues sought in its January 1983 general rate increase application to \$309 million and withdrew its emergency application of \$160.8 million, which amount was part of and included in the \$412 million general rate increase application. On February 20, 1984, the LPSC rendered its decision granting the Company an increase of \$68,982,000 in additional annual revenues.

In rendering its decision, the LPSC, after adverting to certain delays in commercial operation dates for two nuclear units, the first unit at MSE's Grand Gulf Plant and the Company's Waterford No. 3, rejected any allowance in rates which would reflect the in-service status of these units, and stated that a new rate filing should be made at an appropriate time for any rate increase to be requested on the basis of the

commercial operation of these units. A major portion of the Company's proposed increase in retail rates had been designed to cover the revenue requirements associated with commercial operation of these units. The Company is studying the LPSC decision and has not yet determined whether or not it will appeal therefrom.

The LPSC's order stated that if the Company continues to believe that the commercial operation of these units will require a rate increase, a new rate filing should be made at an appropriate time and that such a filing will be considered in due course by the LPSC. Assuming that the Company does not appeal from the order, it intends to make all necessary filings with the LPSC and to take all necessary legal and other action in order to obtain the rate relief necessary to enable it to meet its obligations resulting from the in-service status of Grand Gulf No. 1 and Waterford No. 3, promptly as these units go into commercial operation.

## 11. Settlement agreement with gas supplier

A dispute between a gas supplier and the Company arising from the gas supplier's claimed inability to deliver full quantities of fuel gas due the Company under several natural gas contracts was settled by the execution of a settlement agreement on June 4, 1982. The settlement agreement provides for the payment of \$1.087 billion in cash (of which \$587 million, \$250 million and \$250 million were received by the Company in June 1982, January 1983 and January 1984, respectively) plus a guaranty of savings of at least \$585 million in certain gas acquisition costs between 1982 and 1996. On March 21, 1983, the LPSC amended its order of January 17, 1983 (which required, among other things, that the Company refund in two installments the funds received in 1982 and 1983, plus interest earned on these funds) to

provide in general that the refunds be made as follows: the \$587 million received by the Company on June 4, 1982, plus interest, or a total of \$637 million, shall be refunded in 1983 (\$621 million had been refunded through December 31, 1983), the \$250 million received in January 1983 shall be refunded in ten equal installments beginning in 1984 and the \$250 million received in January 1984 shall be refunded in nine equal annual installments beginning in 1985.

Pending the decision by the LPSC, in 1982 the Company had used approximately \$329 million of the settlement funds to repay its short-term borrowings incurred to finance its construction program and for other corporate purposes. As a result of the LPSC order, the Company accrued in 1983 and 1982 interest expense in the amounts of \$11,101,000 and \$19,218,000, respectively, relating to the funds used by the Company.

## 12. Quarterly results (Unaudited)

Unaudited operating results for the four quarters of 1983 and 1982 follow:

Quarter Ended	Operating Revenues	Operating Income	Net Income
	(In Thousands)		
1983:			
March .....	\$267,205	\$33,016	\$23,623
June .....	252,322	30,929	28,254
September .....	349,138	49,177	47,373
December .....	276,078	33,313	32,296
1982:			
March .....	243,698	42,157	26,817
June .....	271,469	40,023	26,860
September .....	369,831	51,135	45,611
December* .....	310,585	39,794	18,170

\* For the month of December 1982 net income was decreased \$9,913,000 for interest expense accrued on the settlement agreement funds received from a gas supplier on June 4, 1982 and used by the Company (see Note 11).

The business of the Company 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.

---

### **13. Effect of inflation on operations (Unaudited)**

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

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

Current cost amounts reflect the changes in specific prices of property, plant and equipment from the year of acquisition to the present. The current costs of property, plant and equipment, which represent the estimated costs of replacing existing plant assets, are determined by applying the Handy-Whitman Index of Public Utility Construction Costs (HWI) to the cost of the surviving plant by year of acquisition. Land and certain other plant assets which are not included in HWI were converted using the CPI-U.

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

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

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

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

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

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



**Statement of Income from Operations and Other Financial Data**  
Adjusted for Effects of Changing Prices for the Year Ended December 31, 1983  
(In Thousands)

	As Reported in the Financial Statements	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Costs)
Revenues*	\$1,144,743	\$1,144,743	\$1,144,743
Operating expenses (excluding depreciation)*	(952,493)	(952,493)	(952,493)
Depreciation	(45,815)	(106,163)	(118,458)
Total operating expenses	(998,308)	(1,058,656)	(1,070,951)
Operating income	146,435	86,087	73,792
Other income*	100,770	100,770	100,770
Interest & other charges*	(115,659)	(115,659)	(115,659)
Income from operations (excluding adjustment to net recoverable cost)**	\$ 131,546	\$ 71,198	\$ 58,903
Increase in specific prices (current costs) of property, plant and equipment held during the year***			\$ 206,985
Adjustment to net recoverable cost		\$ (36,206)	\$ (49,063)
Effect of increase in general price level			(181,833)
Excess (deficiency) in specific prices, after adjustment to net recoverable cost, over increase in general price level			(23,911)
Gain from decline in purchasing power of net amounts owed		81,594	81,594
Net		\$ 45,388	\$ 57,683

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

\*\* Including the adjustment to net recoverable cost, income from operations on a constant dollar basis would have been \$34,992,000 for 1983.

\*\*\* At December 31, 1983, current cost of property, plant and equipment net of accumulated depreciation was \$5,215,691,000 while historical cost or net cost recoverable through depreciation was \$3,170,404,000.

**Five-Year Comparison of Selected Supplementary Financial Data**

Adjusted for Effects of Changing Prices  
(In Thousands of Average 1983 Dollars)

	1983	1982	1981	1980	1979
OPERATING REVENUES	\$1,144,743	\$1,234,043	\$1,224,049	\$1,031,974	\$ 765,183
HISTORICAL COST INFORMATION					
ADJUSTED FOR GENERAL INFLATION					
Income from operations (excluding adjustment to net recoverable cost)	\$ 71,198	\$ 61,266	\$ 81,105	\$ 67,506	\$ 29,988
Net assets at year-end at net recoverable cost	\$ 765,711	\$ 663,216	\$ 652,871	\$ 651,432	\$ 632,677
CURRENT COST INFORMATION					
Income from operations (excluding adjustment to net recoverable cost)	\$ 58,903	\$ 47,598	\$ 65,376	\$ 55,874	\$ 28,683
Excess (deficiency) in specific prices, after adjustment to net recoverable cost, over increase in general price level	\$ (23,911)	\$ (5,031)	\$ (115,637)	\$ (187,711)	\$ (207,152)
Net assets at year-end at net recoverable cost	\$ 765,711	\$ 663,216	\$ 652,871	\$ 651,432	\$ 632,677
GENERAL INFORMATION					
Gain from decline in purchasing power of net amounts owed	\$ 81,594	\$ 67,710	\$ 136,999	\$ 183,029	\$ 191,944
Average consumer price index	298.4	289.1	272.4	246.8	217.4

## Record of progress 1973-1983

	1983	1982	1981	1980
Estimated population served .....	1,629,000	1,600,000	1,585,000	1,553,000
Electric customers—year end				
Residential .....	487,148	478,360	469,998	457,191
Commercial .....	53,812	52,001	50,574	48,617
Industrial .....	7,503	6,618	6,655	6,846
Other .....	3,562	3,408	3,352	3,250
Total electric customers .....	552,025	540,387	530,579	515,904
Electric operating revenues (\$000)				
Residential .....	\$ 358,840	\$ 364,005	\$ 341,555	\$ 265,080
Commercial .....	186,822	182,981	164,653	123,656
Industrial .....	529,649	574,060	525,349	358,177
Other .....	69,432	74,537	86,204	106,610
Total electric operating revenues .....	\$1,144,743	\$1,195,583	\$1,117,761	\$ 853,523
KWH sales (millions)				
Residential .....	6,274	6,429	6,405	6,398
Commercial .....	3,168	3,130	3,016	2,876
Industrial .....	11,491	12,997	13,067	11,963
Other .....	1,305	1,385	1,664	2,708
Total sales .....	22,238	23,941	24,152	23,945
Residential customer data				
Average annual use—KWH .....	12,996	13,545	13,791	14,177
Average annual revenue per KWH .....	5.72¢	5.66¢	5.33¢	4.14¢
Commercial customer data				
Average annual use—KWH .....	59,886	60,900	60,669	60,129
Average annual revenue per KWH .....	5.90¢	5.85¢	5.46¢	4.30¢
Peak System demand (MW) .....	4,207	4,259	4,256	4,078
System input (KWH in millions)				
Generation .....	12,922	14,540	15,471	16,440
Purchased power .....	10,662	10,567	9,745	8,670
Total system input .....	23,584	25,107	25,216	25,110
Fuel cost for generation (\$000) .....	\$ 349,596	\$ 387,710	\$ 356,786	\$ 296,820
Generating capability (MW) .....	4,618	4,625	4,625	4,625
Heat rate— BTU Per KWH generated .....	10,793	10,800	10,681	10,753
Operating income (\$000) .....	\$ 146,435	\$ 173,109	\$ 153,135	\$ 116,301
Net income (\$000) .....	\$ 131,546	\$ 117,458	\$ 124,469	\$ 100,676
Gross electric plant (\$000) .....	\$3,688,148	\$3,131,461	\$2,634,000	\$2,319,246
Total assets (\$000) .....	\$3,558,817	\$3,602,112	\$2,330,201	\$2,078,445
Capitalization (\$000)				
Long-term debt .....	\$1,173,453	\$ 947,596	\$1,001,209	\$ 828,989
Preferred stock, with sinking fund .....	240,951	169,101	121,381	121,381
Preferred stock, without sinking fund .....	145,882	145,882	145,882	145,882
Common equity .....	778,798	649,881	615,895	564,109
Total capitalization .....	\$2,339,084	\$1,912,460	\$1,884,367	\$1,660,361
Employees—year end .....	2,756	2,721	2,499	2,342

1979	1978	1977	1976	1975	1974	1973
1,509,000	1,455,000	1,345,000	1,304,000	1,250,000	1,225,000	1,187,000
443,527	427,938	395,479	384,213	366,242	356,479	346,088
46,848	44,884	40,096	38,632	36,166	35,014	33,839
7,162	7,518	7,651	6,586	5,824	5,424	5,733
3,173	3,044	2,770	2,634	2,496	2,425	2,313
500,710	483,384	445,996	432,065	410,728	399,342	387,973
\$ 180,364	\$ 146,326	\$ 124,500	\$ 93,712	\$ 87,819	\$ 85,791	\$ 78,809
85,983	68,328	55,398	42,505	39,789	38,092	34,049
212,853	141,803	114,874	77,278	64,386	65,264	53,453
78,276	99,918	84,179	117,782	72,850	53,605	43,085
\$ 557,476	\$ 456,375	\$ 378,951	\$ 331,277	\$ 264,844	\$ 242,752	\$ 209,396
5,996	5,862	5,334	4,597	4,346	4,956	3,951
2,721	2,624	2,268	1,965	1,852	1,671	1,596
11,388	9,685	9,028	8,068	6,600	6,133	5,823
3,147	4,541	4,322	6,921	6,359	6,788	6,627
23,252	22,712	20,952	21,551	19,157	18,548	17,997
13,758	14,063	13,680	12,328	12,028	11,249	11,594
3,01¢	2,50¢	2,33¢	2,04¢	2,02¢	2,17¢	1,99¢
59,363	60,498	57,502	53,115	51,940	48,447	47,986
3,16¢	2,60¢	2,44¢	2,16¢	2,15¢	2,28¢	2,13¢
4,091	3,852	3,515	3,180	2,883	2,692	2,563
18,429	21,251	20,204	21,541	18,931	17,904	17,832
5,860	2,799	1,901	1,077	1,154	1,594	1,034
24,289	24,050	22,105	22,618	20,085	19,498	18,866
\$ 190,226	\$ 168,117	\$ 141,236	\$ 135,211	\$ 85,134	\$ 76,846	\$ 56,597
4,612	4,603	4,447	4,392	4,346	3,569	3,481
10,625	10,185	10,202	10,036	10,198	10,345	10,198
\$ 73,861	\$ 69,310	\$ 62,556	\$ 59,053	\$ 59,629	\$ 59,146	\$ 52,636
\$ 65,129	\$ 53,744	\$ 44,406	\$ 39,227	\$ 43,695	\$ 40,886	\$ 36,946
\$2,069,106	\$1,792,952	\$1,509,785	\$1,309,439	\$1,172,911	\$1,077,798	\$ 933,393
\$1,842,365	\$1,557,157	\$1,298,751	\$1,158,262	\$1,051,242	\$ 946,933	\$ 814,275
\$ 827,430	\$ 728,748	\$ 566,315	\$ 575,809	\$ 519,088	\$ 468,987	\$ 389,186
92,990	—	—	—	—	—	—
145,882	110,809	110,809	80,776	80,776	80,776	70,760
487,441	417,192	363,763	332,725	307,361	247,174	235,276
\$1,553,743	\$1,256,749	\$1,040,887	\$ 989,310	\$ 907,225	\$ 796,937	\$ 695,222
2,329	2,216	2,129	2,118	2,104	2,089	2,090

---

## Directors

---



James M. Cain  
President and Chief Executive  
Officer of the Company  
President  
New Orleans Public Service Inc.  
New Orleans, Louisiana



Tex R. Kilpatrick  
President  
Central American  
Life Insurance Company  
West Monroe, Louisiana



Joseph J. Krebs, Jr.  
Chairman of the Board  
J. J. Krebs & Sons, Inc.  
Metairie, Louisiana



Floyd W. Lewis  
Chairman and President  
Middle South Utilities, Inc.  
New Orleans, Louisiana



H. Duke Shackelford  
Agricultural Interests  
Bonita, Louisiana



W. Clifford Smith  
President  
T. Baker Smith & Son  
Houma, Louisiana



Jack M. Wyatt  
Former Chairman of the Board  
and Chief Executive Officer  
of the Company  
(Retired August 1, 1983)  
New Orleans, Louisiana

## Officers



James M. Cain  
President and Chief Executive  
Officer of the Company



G. D. McLendon  
Executive Vice President  
& General Manager



D. L. Aswell  
Senior Vice President—  
Fossil Operations



\*William Cavanaugh III  
Senior Vice President—  
Nuclear Operations



J. J. Cordaro  
Senior Vice President—  
External Affairs



J. H. Erwin, Jr.  
Senior Vice President—  
Accounting & Finance,  
& Treasurer



\*\*R. S. Leddick  
Senior Vice President—  
Nuclear Operations



W. C. Nelson  
Senior Vice President—  
Administration and Services



\*\*\*K. M. Brumfield  
Vice President—  
Administration

\*Assumed this office April 11, 1983; temporarily on loan from  
Arkansas Power & Light Company.

\*\*Elected to this office July 25, 1983.

\*\*\*Retired February 1, 1983.



---

## Officers

---



J. H. Chavanne  
Vice President—  
Corporate Control  
and Assistant Secretary



S. G. Cunningham, Jr.  
Vice President—  
Rates and Regulatory Affairs



G. F. Delery  
Vice President—  
Consumer Services



D. E. Knowles  
Vice President—  
Division Operations



L. V. Maurin  
Vice President—  
Fossil Operations



W. H. Talbot  
Vice President—  
Assistant to President  
and Secretary



T. W. Boatright  
Assistant Treasurer



N. J. Briley  
Assistant Secretary



R. N. Garrett  
Assistant Treasurer

---

## Department Heads

---



E. A. Frisch  
Director of Corporate  
Performance



L. F. McCrocklin  
Director of Personnel



R. M. Redhead  
Director of Public  
Relations



J. J. Saacks  
Chief Engineer

---

## Division Managers

---



J. Q. Cipriano  
West Bank Division



J. J. McCloskey, Jr.  
Southeastern Division



C. C. Smith  
Northern Division

## Emergency Preparedness for Waterford 3



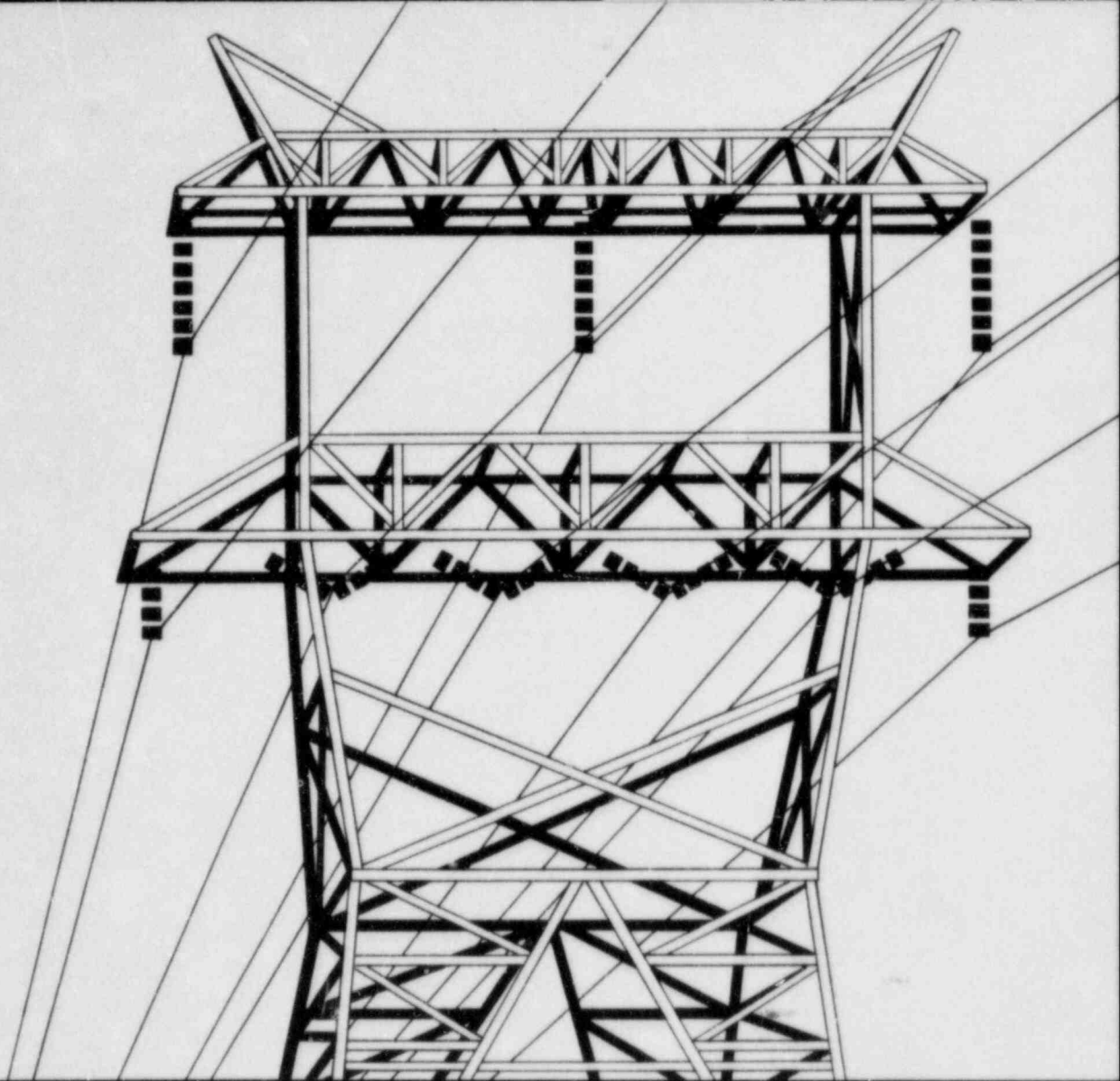
St. Charles Parish Director of Emergency Preparedness John M. "Ikey" Lucas, standing, reviews emergency planning procedures for LP&L's Waterford 3 with his staff and Jack

Hanemann, LP&L Public Relations, seated second from right. Others, from left: Glenda Clement, Tim Vial, Barbara Barreca, and Theo Switzer.



St. John the Baptist Civil Defense Director B. P. "Bert" Madere, left, observes operations in Civil Defense Headquarters in LaPlace prac-

tice for Waterford 3 emergency planning. Seated is Van Gilmore as Captain Burton Ory looks on.



142 Delaronde Street  
P.O. Box 6008  
New Orleans, Louisiana 70174

Address correction requested

BULK RATE  
U.S. POSTAGE

PAID

Permit No. 540  
New Orleans, LA.