LOUISIANA POWER & LIGHT / 142 DELARONDE STREET
P.O. BOX 6008 • NEW ORLEANS, LOUISIANA 70174 • (504) 366-2345
MIDDLE SOUTH UTILITIES SYSTEM

July 3, 1984

W3P84-1815
3-A1.01.04

Director of Nuclear Reactor Regulation
Attention: Mr. G.W. Knighton
Licensing Branch No. 3
Division of Licensing
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

SUBJECT: Waterford SES Unit No. 3
Financial Information Update

Reference: W3P84-1480, dated May 29, 1984

Dear Sir:

The above reference provided financial information regarding Louisiana Power & Light Company. The following items, which are attached, update the reference:

1) Final prospectus for Pollution Control Bonds.

2) Preliminary prospectus for 2,000,000 shares of LP&L preferred stock.

Very truly yours,

K W Cook

K.W. Cook
Nuclear Support & Licensing Manager

KWC/RWP/pco

Attachment
cc: w/o attachment
E.L. Blake, W.M. Stevenson, J.T. Collins, D.M. Crutchfield, J. Wilson, G.L. Constable

B005
1/1

In the opinion of Cox, Huppenbauer & Osborne, Bond Counsel, interest on the Bonds is exempt from Federal income taxes under the Internal Revenue Code of 1954, as amended, Regulations of the Department of the Treasury of the United States (including Temporary and Proposed Regulations) thereunder applicable to the Bonds, rulings and court decisions, except as explained under "Tax Exemption" herein, and under the laws of the State of Louisiana, the Bonds and income therefrom are exempt from all taxation by the State of Louisiana, all as explained under "Tax Exemption" and "Pending Legislation" herein.

$115,000,000

PARISH OF ST. CHARLES, LOUISIANA

Adjustable/Fixed Rate Pollution Control Revenue Bonds (Louisiana Power & Light Company Project) Series 1984

Dated: June 1, 1984 | **Price 99.75%** (Plus accrued interest from June 1, 1984) | **Due: June 1, 2014**

The Bonds will be payable solely from moneys pledged therefor under the Indenture, including moneys derived from the sale of the Project by the Issuer to LOUISIANA POWER & LIGHT COMPANY pursuant to a Sale Agreement and funds drawn under an irrevocable Letter of Credit issued by

CITIBANK, N.A.

The Citibank Letter of Credit will permit the Trustee, First National Bank of Commerce, New Orleans, Louisiana, to draw up to $115,000,000, an amount sufficient to pay the principal or the purchase price of the Bonds, plus an amount equal to 210 days' accrued interest on the Bonds (computed at the rate of 15% per annum, the maximum rate at which the Bonds may bear interest prior to the Fixed Rate Date (as described herein)) to pay interest on the Bonds plus specified amounts to pay the portion of the purchase price of Bonds equal to the discount at which such Bonds are remarketed and to pay redemption premium, if any, on the Bonds, all as explained herein. The Citibank Letter of Credit will terminate on the earliest of June 12, 1989 or the occurrence of certain events (including termination on June 12, 1986 at the option of Citibank, N.A. if the Company's Waterford Unit 3 is not in commercial operation on January 15, 1986), and the Bonds are subject to redemption unless purchased, as described herein, if the Company fails to provide for the extension, reissuance or renewal of or substitution for the Citibank Letter of Credit as provided in the Indenture, subject to the right of owners of the Bonds, under certain circumstances, to elect not to have such Bonds redeemed or purchased, as described herein.

The Bonds will be issuable as fully registered Bonds without coupons in the denominations of $5,000 and integral multiples thereof. Principal of and premium, if any, on all Bonds will be payable at the principal office of the First National Bank of Commerce, the Paying Agent, or any Co-Paying Agent. Interest on the Bonds (payable June 1 and December 1, commencing December 1, 1984) will be payable by check mailed to the registered Bondholders thereof.

The Bonds will bear interest at the rate of 8.75% per annum from their date to and including May 31, 1987. For each 12-month period (commencing June 1, 1987) thereafter, prior to the date on which the Bonds bear interest at the Fixed Interest Rate (as described herein), the Bonds will bear interest at the Adjusted Interest Rate (as described herein) determined on the June 1 commencing such 12-month period. So long as the Bonds bear interest at the Adjusted Interest Rate, owners of Bonds will have the right to have their Bonds purchased in the manner described herein at a price equal to 100% of the principal amount thereof on June 1, 1987 and on June 1 of every year thereafter to and including the Fixed Rate Date. Any Bondholder wishing to have Bonds purchased must deliver such Bonds to Chemical Bank, as Tender Agent, 55 Water Street, in New York, New York 10041, between the opening of business on the May 1 next preceding such June 1 and 4:00 p.m. New York time on the following May 15 (or, if such May 15 is not a business day, the next succeeding business day).

Under certain circumstances described herein, the Bonds will bear interest at the Fixed Interest Rate for the remainder of the term thereof. After the Fixed Rate Date, owners of Bonds will no longer have the right to tender their Bonds for purchase and the Citibank Letter of Credit will be terminated, as described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Bonds are offered, subject to prior sale, when, as and if issued by the Parish of St. Charles, Louisiana and received by the Underwriters, subject to approval of legality by Cox, Huppenbauer & Osborne, Bond Counsel, the approval of certain legal matters, other than the validity of the Bonds and the exemption from Federal income tax of interest thereon, by Dewey, Ballantine, Bushby, Palmer & Wood, counsel for the Underwriters, and certain other conditions. It is expected that the Bonds in definitive form will be made available for delivery in New York, New York on or about June 28, 1984.

RECEIVED
NUCLEAR RECORDS
JUN 28 1984
ILN: ________

KIDDER, PEABODY & CO.
INCORPORATED

MERRILL LYNCH CAPITAL MARKETS

MORGAN STANLEY & CO.
Incorporated

HOWARD, WEIL, LABOUISSE, FRIEDRICHS
INCORPORATED

Dated: June 7, 1984

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CONTENTS OF OFFICIAL STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Parish of St. Charles, Louisiana, Citibank, N.A., the Company or the Underwriters. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Parish of St. Charles, Louisiana, the Company or Citibank, N.A. since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Except as set forth under "The Issuer," the Parish of St. Charles, Louisiana neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, all of which has been furnished by others.

$115,000,000

Parish of St. Charles, Louisiana

Adjustable/Fixed Rate Pollution Control Revenue Bonds

(Louisiana Power & Light Company Project) Series 1984

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the sale by the Parish of St. Charles, Louisiana (the "Issuer") of its Adjustable/Fixed Rate Pollution Control Revenue Bonds (Louisiana Power & Light Company Project) Series 1984 in the aggregate principal amount of $115,000,000 (the "Bonds"). The Bonds will be issued pursuant to a Trust Indenture dated as of June 1, 1984 (the "Indenture") between the Issuer and First National Bank of Commerce, as trustee (the "Trustee").

The Bonds are being issued to defray a portion of the cost to Louisiana Power & Light Company, a Louisiana corporation (the "Company"), of certain facilities (the "Project") for the abatement, reduction or control of pollution and disposal of solid waste at Unit 3 (Nuclear) of the Waterford Steam Electric Generating Station, a nuclear electric power generating unit (the "Plant") located in the Parish of St. Charles, Louisiana, owned by the Company.

Pursuant to a Sale Agreement, dated as of May 1, 1984 (the "Agreement"), between the Issuer and the Company, the Company's interest in the Project is to be sold by the Company to the Issuer and simultaneously resold by the Issuer to the Company. The Agreement requires payments to be made to the Issuer, in payment of the purchase price of the Project, at such times and in such amounts as principal of and premium, if any, and interest on the Bonds become due whether at maturity, upon prior redemption or demand for purchase by Bondholders.

Concurrently with, and as a condition to, the delivery of the Bonds, the Company will cause to be delivered to the Trustee an irrevocable letter of credit (the "Citibank Letter of Credit") of Citibank, N.A. (the "Bank") under which the Trustee is permitted to draw (a) up to $115,000,000, an amount sufficient to pay (i) principal of the Bonds or (ii) the purchase price of Bonds, plus (b) up to $10,062,500, an amount equal to 210 days' accrued interest on the Bonds (computed at a rate of 15% per annum, the maximum rate at which the Bonds may bear interest prior to the Fixed Rate Date (as hereinafter defined)) to pay interest on the Bonds, plus (c) up to $5,750,000, an amount equal to five percent (5%) of the aggregate principal amount of the Bonds to pay the portion of the purchase price of Bonds equal to the discount, if any, at which such Bonds are sold by the Remarketing Agent plus (d) during the period that the Bonds are subject to redemption as described under "THE BONDS—Redemption Provisions—Extraordinary Mandatory Premium Redemption" up to $10,062,500, an amount equal to the interest to accrue on the Bonds during such period, and thereafter, up to $143,750, an amount equal to one eighth percent ($\frac{1}{8}$%) of the aggregate principal amount of the Bonds, in each case, to pay the redemption premium, if any, on the Bonds. For a description of the terms and provisions of the Citibank Letter of Credit and of the Reimbursement Agreement dated as of June 1, 1984, between the Company and the Bank with respect to moneys drawn under the Citibank Letter of Credit (the "Reimbursement Agreement") see "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT." The Agreement provides that the Company may provide for the delivery of an alternate letter of credit if certain conditions are met. The Citibank Letter of Credit and any such alternate letter of credit are herein collectively referred to as the "Letter of Credit."

Owners of the Bonds have the right to deliver any of their Bonds (or portions thereof in integral multiples of $5,000) for purchase at the principal amount thereof on June 1, 1987 and on June 1 of each year

thereafter prior to and including the Fixed Rate Date. The Fixed Rate Date is the June 1 next preceding the date of the termination of the Company's obligation under the Agreement to purchase Bonds so delivered, from which day, the Bonds will bear interest at the Fixed Interest Rate until maturity. Deliveries of Bonds for such purchase on any June 1 must be made to Chemical Bank, New York, New York (the "Tender Agent") between the opening of business on the May 1 next preceding such June 1 and 4:00 p.m. New York time on the May 15 next preceding such June 1 (or, if such May 15 is not a business day, the next succeeding business day). Pursuant to the Agreement the Company has agreed to provide moneys for such purchase to the extent moneys from other sources are not available therefor.

Under certain circumstances, the Bonds will bear interest at the Fixed Interest Rate. (See "THE BONDS—Fixed Interest Rate.")

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the Issuer is pledged and will never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. The Issuer will be obligated to pay the principal of and premium, if any, and interest on the Bonds solely out of moneys held in funds under the Indenture and the income, receipts and revenues of the Issuer under the Agreement, including moneys drawn under the Letter of Credit. Under the Indenture, such income, receipts and revenues have been pledged to the Trustee as security, equally and ratably, for the payment of the Bonds. The payments required to be made by the Company pursuant to the Agreement are sufficient, together with other funds available for such purpose, to pay the principal of and premium, if any, and interest on the Bonds.

Brief descriptions of the Issuer, the Bonds, the Citibank Letter of Credit, the Project, the Agreement, the Indenture and the Reimbursement Agreement are included in this Official Statement. For information concerning the Company, including information incorporated therein by reference, see Appendix A hereto. For information concerning the Bank see Appendix B hereto. The references herein to the Agreement, the Citibank Letter of Credit, the Indenture and the Reimbursement Agreement make use of terms defined therein and are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforesaid documents, copies of which may be obtained from the Company and, during the initial offering period, at the principal office of each of the underwriters named on the cover of this Official Statement. All such descriptions are further qualified in their entirety by reference to bankruptcy laws and laws relating to or affecting generally the enforcement of creditors' rights.

THE ISSUER

The Issuer is a political subdivision organized and existing under and by virtue of the laws of the State of Louisiana. Pursuant to Sections 991 to 1001, inclusive, and Section 1424.1 of Title 39 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and resolutions and ordinances duly adopted on behalf of the Issuer by its Parish Council, the Issuer is authorized and empowered to issue the Bonds, to acquire the Project, to sell the Project to the Company and to secure the Bonds by a pledge and assignment of the income and revenues derived from the sale of the Project. To accomplish the above actions, the Issuer is authorized to enter into the Agreement and the Indenture.

THE PROJECT

The Project as described in the Agreement includes various systems, completed or under construction at the Plant, to abate, reduce or control pollution and dispose of pollutants, sewage and solid waste.

The Agreement permits the Company to revise the plans and specifications for the Project referred to in the Agreement; provided no change which would render inaccurate in any material respect the description of

the Project contained in the Agreement shall be made unless certain conditions, including receipt of an opinion of nationally recognized bond counsel in connection therewith, are met.

USE OF PROCEEDS

The proceeds from the sale of the Bonds (other than an amount representing accrued interest and premium, if any, paid by the Underwriters, which will be deposited in the Bond Fund) will be deposited in the Project Acquisition Fund and applied to defray a portion of the costs of the Project.

The proceeds from the sale of the Bonds are expected to be applied as follows:

Costs of the Project	$111,931,500
Underwriting discount	2,231,000
Legal, printing and miscellaneous expenses	550,000
Original issue discount	287,500
Principal amount of Bonds	$115,000,000

THE BONDS

General

The Bonds will be issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated June 1, 1984, except as otherwise provided in the Indenture with respect to Bonds issued on or subsequent to the first interest payment date, and will bear interest as described herein under "THE BONDS—Adjusted Interest Rate" and "THE BONDS—Fixed Interest Rate." In no event shall the interest rate borne by the Bonds exceed 15% per annum prior to the Fixed Rate Date or 18% per annum on and after the Fixed Rate Date. Bonds may be transferred, upon the books of the Trustee, as Registrar, or exchanged for other Bonds, all without cost, except for any tax or other governmental charge, except that the Registrar shall not be obliged to make any such exchange or transfer during certain periods immediately prior to any redemption date or interest payment date. Principal and interest shall be payable at the place or places and in the manner specified on the cover page of this Official Statement.

The principal office of First National Bank of Commerce, Trustee, Registrar and Paying Agent under the Indenture, is located at 210 Baronne Street, New Orleans, Louisiana 70112. One or more co-paying agents may be appointed, and the Registrar, the Paying Agent or any co-paying agent may be removed by the Issuer at the direction of the Company.

Kidder, Peabody & Co. Incorporated, with the approval of the Company, will be appointed Remarketing Agent (the "Remarketing Agent") under the Indenture. The principal office of Kidder, Peabody & Co. Incorporated is located at 10 Hanover Square, New York, New York 10005. Pursuant to the Indenture, the Remarketing Agent may be removed at any time by the Issuer at the direction of the Company. Upon the resignation or removal of the Remarketing Agent, the Issuer shall appoint, with the approval of the Company, a successor Remarketing Agent.

Chemical Bank has agreed to act as Tender Agent. The principal corporate trust office of Chemical Bank is located at 55 Water Street, New York, New York 10041. Pursuant to the Indenture the Tender Agent may be removed at any time at the direction of the Company by an instrument signed by the Issuer. The Issuer will appoint a successor Tender Agent with the approval of the Company. If the Issuer fails to appoint a successor Tender Agent, the Trustee shall be deemed the Tender Agent until a successor is appointed.

Kenny Information Systems, a New York limited partnership in which Kenny Group, Inc. is General Partner, has agreed to act as Indexing Agent (the "Indexing Agent") under the Indenture. Pursuant to the Indenture, the Indexing Agent may be removed and replaced at any time by the Issuer with the approval of the Company.

Source of Payment and Security for the Bonds

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the Issuer is pledged and will never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. The Issuer will be obligated to pay the principal of and premium, if any, and interest on the Bonds solely out of moneys held in funds under the Indenture and the income, receipts and revenues of the Issuer payable by the Company under the Agreement, including moneys drawn under the Letter of Credit and certain payments made by the Company pursuant to the Agreement. The Agreement requires payments to be made at such times and in such amounts as may be necessary to cause payment to be made when principal of and premium, if any, and interest on the Bonds becomes due.

Adjusted Interest Rate

Determination of Adjusted Interest Rate. The Bonds shall bear interest from their date to and including May 31, 1987 at the rate set forth on the cover page hereof. Prior to the Fixed Rate Date, the annual rate of interest to be borne by the Bonds for each subsequent 12-month period (the "Rate Period") (commencing June 1, 1987 and on each June 1 thereafter) shall equal the Adjusted Interest Rate. The Remarketing Agent shall determine the Adjusted Interest Rate which shall be the lesser of 15% per annum and either (1) the lowest interest rate, either within 80% to 120% of the Adjustable Rate Index (hereinafter described) or between the Minimum Interest Rate and the Maximum Interest Rate (hereinafter described), necessary for the Remarketing Agent to remarket, at a price equal to the principal amount thereof, all Bonds delivered to the Tender Agent for purchase, and not purchased with certain moneys, or, (2) if all Bonds cannot be so remarketed, the lesser of 120% of the Adjustable Rate Index and the Maximum Interest Rate. If no Bonds are delivered to the Tender Agent for purchase, or if all Bonds so delivered are purchased with certain moneys, the Adjusted Interest Rate shall equal the Adjustable Rate Index or, if the Remarketing Agent shall have specified a Minimum Interest Rate and a Maximum Interest Rate, the arithmetical mean of such Rates. See "THE INDENTURE—Determination of Adjusted Interest Rate."

Determination of Adjustable Rate Index. The Indexing Agent shall determine the Adjustable Rate Index for each Rate Period. If the Bonds are rated as provided in the Indenture, the "Adjustable Rate Index" shall be based upon the one-year yield evaluations at par of the securities of not less than 10 issuers of tax-exempt securities each of which is required to have outstanding securities bearing ratings in the same or the immediately proximate rating category to the rating on the Bonds. If the Bonds are not so rated and in certain other events, the Adjustable Rate Index shall be determined as described under the caption "THE INDENTURE—Determination of Adjustable Rate Index."

Determination of Minimum Interest Rate and Maximum Interest Rate. The Remarketing Agent may, in its discretion, specify a Minimum Interest Rate and a Maximum Interest Rate for each Rate Period prior to the Fixed Rate Date and for the period during which the Bonds bear interest at the Fixed Interest Rate. For any such period, the Minimum Interest Rate shall be a percentage of the Adjustable Rate Index or the Fixed Rate Index, as the case may be, greater than or equal to 80% but less than 120% of such Index for such period and the Maximum Interest Rate shall be a percentage of the Adjustable Rate Index or the Fixed Rate Index, as the case may be, less than or equal to 120% but greater than 80% of such Index for such period; provided, however, that if the Remarketing Agent designates a Maximum Interest Rate and a Minimum Interest Rate, the arithmetic mean of the Maximum Interest Rate and the Minimum Interest Rate shall be equal to the interest rate which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be the interest rate necessary, but not in excess of the interest

rate necessary, to enable the Remarketing Agent to sell all Bonds which may be delivered for purchase on the next succeeding June 1 at a price equal to the principal amount thereof.

Fixed Interest Rate

Termination of Company's Obligation to Purchase Bonds. If the Company gives notice that it will terminate its obligation to purchase Bonds as described under "THE BONDS—Purchase of Bonds" in accordance with the Agreement the Fixed Interest Rate shall become effective on the next succeeding June 1. The Company may terminate such obligation only upon delivery of an opinion of a firm of nationally recognized bond counsel selected by the Company and acceptable to the Trustee to the effect that the exemption from Federal income taxation of the interest on the Bonds would not be impaired by reason of the termination of the Company's obligation to so purchase Bonds on and after the Fixed Rate Date. There can be no assurance that such opinion will be issued. The Fixed Interest Rate shall be established at the rate determined as hereinafter set forth.

On the Fixed Rate Date, if the Letter of Credit is in effect, all Bonds are subject to mandatory redemption unless purchased by the Remarketing Agent; provided, however, that owners of Bonds may direct the Trustee not so to redeem their Bonds. On and after the Fixed Rate Date, the Company will have no obligation to purchase Bonds as described under "THE BONDS—Purchase of Bonds."

Determination of Fixed Interest Rate. The Remarketing Agent shall determine the Fixed Interest Rate which shall be the lesser of 18% per annum and either (1) the lowest interest rate, either within 80% to 120% of the Fixed Rate Index (hereinafter described) or between the Minimum Interest Rate and the Maximum Interest Rate (see "THE BONDS—Adjusted Interest Rate—Determination of Minimum Interest Rate and Maximum Interest Rate"), necessary for the Remarketing Agent to remarket, at a price equal to the principal amount thereof, all Bonds delivered for purchase on the Fixed Rate Date other than Bonds purchased with certain moneys, or, (2) if all such Bonds cannot be so remarketed at the principal amount thereof, the lesser of 120% of the Fixed Rate Index and the Maximum Interest Rate. If no Bonds are so purchased, or if all Bonds are purchased with certain moneys, the Fixed Interest Rate shall equal the Fixed Rate Index or, if the Remarketing Agent shall have specified a Minimum Interest Rate and a Maximum Interest Rate, the arithmetical mean of such Rates. See "THE INDENTURE—Fixed Interest Rate."

Determination of Fixed Rate Index. The Indexing Agent shall determine the Fixed Rate Index beginning on April 27, 1987, and on each April 27 thereafter prior to the Fixed Rate Date. The "Fixed Rate Index" shall be based upon the yield evaluations at par (on the basis of a term equal, as nearly as practicable, to the then remaining term of the Bonds) of not less than 10 issuers of tax-exempt securities as follows:

(1) if, at the time of determination of a Fixed Rate Index, the Company's first mortgage bonds (the "First Mortgage Bonds") issued under the Mortgage and Deed of Trust, dated as of April 1, 1944, from the Company to the Chase National Bank of the City of New York and Carl E. Buckley, as trustees, as amended and supplemented (the "Company Indenture") and certain other obligations secured by First Mortgage Bonds (the "Company Debt") are rated by either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") in any of its four highest rating categories, each of the component issuers must have outstanding long term securities bearing ratings in the same or the immediately proximate rating category to the rating on the Company Debt;

(2) if, at the time of determination of a Fixed Rate Index, the Company Debt is not rated by either Moody's or S&P in any of its four highest long-term debt rating categories, each of the component issuers must have outstanding securities rated by either Moody's or S&P in its fourth highest long-term debt rating category; provided, that in such case the Fixed Rate Index shall be 110% of the rate determined by the Indexing Agent on the basis of the required yield evaluations; or

(3) if, at the time of determination of a Fixed Rate Index, there is no Company Debt, each of the component issuers must have outstanding securities bearing ratings in the same or the immediate

proximate rating category in which the Company Debt would, in the judgment of the Remarketing Agent, be rated; provided, that if, in the judgment of the Remarketing Agent, Company Debt would not be rated by either Moody's or S&P in any of its four highest long-term debt categories, each of the component issuers must have outstanding securities rated by either Moody's or S&P in its fourth highest rating category, and in such case, the Fixed Rate Index shall be 110% of the rate determined by the Indexing Agent on the basis of the required yield evaluations.

If the Indexing Agent no longer determines, or fails to determine, the Fixed Rate Index and no other qualified municipal securities evaluation service can be appointed by the Issuer, the Fixed Rate Index shall be determined as described under the caption "THE INDENTURE—Determination of Fixed Rate Index."

Notices of Interest Rate, Determination of Fixed Interest Rate and Termination of Letter of Credit

The Trustee shall give notice of the Adjustable Rate Index, together with the highest and lowest interest rates possible for the succeeding Rate Period, by mail to all owners of Bonds at the addresses listed on the books of the Registrar promptly after the determination of the Adjustable Rate Index, unless the Fixed Rate Date will occur in such year. If the conditions precedent to the occurrence of the Fixed Rate Date have occurred, the Trustee shall give notice in like manner, which notice shall state, among other things, the Fixed Rate Index, together with the highest and lowest Fixed Interest Rates possible. If the Letter of Credit is in effect on the Fixed Rate Date the Bonds will be subject to mandatory redemption by the Issuer unless purchased on the Fixed Rate Date, but owners of Bonds may elect not to have their Bonds so redeemed. Promptly after the final determination of the Adjusted Interest Rate or Fixed Interest Rate, as the case may be, the Trustee shall give notice of the same by mail to all owners of Bonds listed on the books of the Registrar. The Trustee shall also give notice by mail to all owners of Bonds at the addresses listed on the books of the Registrar at least 25 but not more than 65 days prior to the date of termination of the Letter of Credit, which notice shall state, among other things, that the Bonds will be subject to mandatory redemption by the Issuer unless purchased on the June 1 next preceding the date of termination of the Letter of Credit, but that owners of Bonds may elect not to have their Bonds so redeemed. FAILURE BY THE TRUSTEE TO GIVE ANY SUCH NOTICE BY MAILING, OR ANY DEFECT THEREIN, WILL NOT AFFECT THE INTEREST RATE TO BE BORNE BY THE BONDS, WILL NOT EXTEND THE PERIOD FOR MAKING DELIVERIES OF BONDS, AND WILL NOT IN ANY WAY CHANGE THE RIGHT OF THE OWNERS OF SUCH BONDS TO DELIVER BONDS FOR PURCHASE.

ANY OWNER OF BONDS WHO MAY BE UNABLE TO TAKE TIMELY ACTION UPON ANY SUCH NOTICE SHOULD CONSIDER MAKING ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD.

The notices described above regarding the determination of interest indices, interest rates, determination of the Fixed Interest Rate and termination of the Letter of Credit shall be mailed in the same manner as notices of redemption. See "THE BONDS—Procedure for and Notice of Redemption."

Other Information Regarding Interest

The determination of each Adjustable Rate Index and the Fixed Rate Index by the Indexing Agent or the Remarketing Agent and any variation from an Adjustable Rate Index or the Fixed Rate Index by the Remarketing Agent in the determination of an Adjusted Interest Rate or the Fixed Interest Rate, respectively, shall be conclusive and binding upon the owners of the Bonds.

Purchase of Bonds

On June 1, 1987 and on each June 1 thereafter prior to and including the Fixed Rate Date, any Bond (or portions thereof in integral multiples of $5,000) shall be purchased upon the demand of the owner thereof, at a purchase price equal to 100% of the principal amount thereof, if such Bond is delivered for purchase to the

Tender Agent at its principal office no earlier than the May 1 and no later than 4:00 p.m. New York time on the May 15 (or the next succeeding business day if such May 15 is not a business day) next preceding such June 1.

Redemption Provisions

Optional Redemption Before Fixed Rate Date. The Bonds are subject to redemption by the Issuer, upon the optional prepayment by the Company of all or a part of the unpaid balance of the purchase price of the Project, on June 1, 1987 and on any June 1 or December 1 thereafter prior to the Fixed Rate Date, in whole or in part from time to time, at (i) 100% of the principal amount thereof if the redemption date is June 1, or at 100⅛% of the principal amount thereof if the redemption date is December 1 plus (ii) in each case, accrued interest to the redemption date.

Optional Redemption After Fixed Rate Date. After the Fixed Rate Date, the Bonds are subject to redemption by the Issuer, upon the optional prepayment by the Company of all or a part of the unpaid balance of the purchase price of the Project, as a whole or in part from time to time, on the dates set forth below at a redemption price equal to (i) the following percentages of the principal amount of the Bonds to be redeemed plus (ii) accrued interest to the redemption date:

If the Fixed Rate Date is prior to June 1, 1992:

June 1 through May 31 of the following years after the Fixed Rate Date	Redemption Price
Tenth Year	103 %
Eleventh Year	102½
Twelfth Year	102
Thirteenth Year	101½
Fourteenth Year	101
Fifteenth Year	100½
Sixteenth Year and thereafter	100

If the Fixed Rate Date is on or after June 1, 1992 but on or prior to May 31, 1996:

June 1 through May 31 of the following years after the Fixed Rate Date	Redemption Price
Eighth Year	102 %
Ninth Year	101½
Tenth Year	101
Eleventh Year	100½
Twelfth Year and thereafter	100

If the Fixed Rate Date is on or after June 1, 1996 but on or prior to May 31, 2002:

June 1 through May 31 of the following years after the Fixed Rate Date	Redemption Price
Fifth Year	101 %
Sixth Year	100½
Seventh Year and thereafter	100

If the Fixed Rate Date is on or after June 1, 2002 but on or prior to May 31, 2004:

June 1 through May 31 of the following years after the Fixed Rate Date	Redemption Price
Third Year	$100\frac{1}{2}\%$
Fourth Year and thereafter	100

If the Fixed Rate Date is on or after May 31, 2004:

June 1 through May 31 of the following years after the Fixed Rate Date	Redemption Price
Second Year and thereafter	100%

In the event that the Company shall consolidate with, merge with or sell or otherwise transfer substantially all of its assets to an unaffiliated corporation in accordance with the Agreement, the Bonds shall be subject to redemption by the Issuer, at the direction of the Company, in whole, at any time prior to the first date on which the Bonds are redeemable as described above, at the redemption price thereof on the first date on which the Bonds are otherwise redeemable as described above plus accrued interest to the redemption date.

Redemption Upon Termination of the Letter of Credit. The Bonds are subject to mandatory redemption by the Issuer, at (i) 100% of the principal amount thereof plus (ii) accrued interest to the redemption date, on the June 1 next preceding the date of surrender of the Letter of Credit to the issuing bank for cancellation; provided, however, that there shall not be so redeemed (a) Bonds (or portions thereof in integral multiples of $5,000) which are, prior to such redemption date, delivered in accordance with the terms of the Indenture for purchase on such redemption date, (b) Bonds (or portions thereof in integral multiples of $5,000) as to which the Trustee shall have received directions not so to redeem from the owner thereof as described in the next succeeding paragraph, (c) Bonds issued in exchange for or upon the registration of transfer of Bonds (or portions thereof in integral multiples of $5,000) referred to in clauses (a) and (b) above and (d) Bonds purchased as described in the second succeeding paragraph.

Owners of Bonds as of the fifteenth day next preceding the date set for the redemption of Bonds as described in the immediately preceding paragraph may direct the Issuer not so to redeem such Bonds (or portions thereof in integral multiples of $5,000) by delivering to the Trustee at its principal office on or prior to the tenth day next preceding the date fixed for such redemption an instrument or instruments which (i) states that such person was the owner of such Bonds as of the fifteenth day next preceding such redemption date and specifies the numbers and denominations of Bonds not to be so redeemed, (ii) states that such owner has knowledge that the term of the Letter of Credit will expire or that the Letter of Credit will be surrendered for cancellation in the next succeeding Rate Period and that such expiration or termination of the Letter of Credit may result in a reduction of the ratings of the Bonds from those that then prevail, (iii) acknowledges receipt from the Trustee of a redemption notice with respect thereto and (iv) directs the Issuer not to redeem such Bonds (or portions thereof in integral multiples of $5,000) specified therein. Any such instrument delivered to the Trustee shall be irrevocable with respect to the redemption of Bonds with respect to which such instrument was delivered and shall be binding upon subsequent owners of the Bonds (or portions thereof) with respect to which such instrument was delivered, including Bonds issued in exchange therefor or upon the registration of transfer thereof; but such instrument shall have no effect upon any subsequent redemption of Bonds.

Outstanding Bonds called for and subject to redemption as described in the second preceding paragraph may, in lieu of such redemption, be purchased by the Remarketing Agent, in its individual capacity for its own account, on the date upon which such Bonds were to have been redeemed at a purchase price equal to the principal amount thereof. The Remarketing Agent shall deliver to the Trustee, the Company, and the Tender Agent no later than the fifteenth day immediately preceding the date of purchase a written notice specifying the aggregate principal amount of outstanding Bonds to be purchased.

If the Remarketing Agent delivers the notice described in the preceding paragraph, the Trustee shall deliver to the Tender Agent any Bonds, to the extent of the aggregate principal amount stated in such notice, presented to the Trustee for redemption, and the Tender Agent, on behalf of the Remarketing Agent, shall pay the purchase price of such Bonds, but solely from moneys furnished to the Tender Agent by the Remarketing Agent. If for any reason the moneys available for the payment of such purchase price shall not be sufficient to pay such purchase price, the Remarketing Agent shall be deemed, to the extent of the deficiency, not to have delivered the aforesaid notice.

If moneys sufficient to pay the purchase price of Bonds as to which the Remarketing Agent shall have delivered the aforesaid notice shall be held by the Tender Agent on the date upon which such Bonds were to have been purchased, such Bonds will be deemed to have been purchased by the Remarketing Agent, and the Remarketing Agent shall be the owner of such Bonds for all purposes under the Indenture, whereupon the former owners of such Bonds shall have no claim thereon, under the Indenture or otherwise, for any amount other than the purchase price thereof equal to the principal amount thereof. The Trustee will maintain a record of the Bonds purchased or deemed purchased by the Remarketing Agent.

Extraordinary Optional Redemption. The Bonds may be redeemed in whole at any time at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date if (i) the Company shall have determined that the continued construction or operation of the Plant is impracticable, uneconomical or undesirable for any reason; (ii) the Company shall have determined that the continued construction or operation of the Project is impracticable, uneconomical or undesirable due to (A) the imposition of taxes, other than ad valorem taxes currently levied upon privately owned property used for the same general purpose as the Project, or other liabilities or burdens with respect to the Project or the construction or operation thereof, (B) changes in technology, in environmental standards or legal requirements or in the economic availability of materials, supplies, equipment or labor or (C) destruction of or damage to all or part of the Project; (iii) all or substantially all of the Project or the Plant shall have been condemned or taken by eminent domain; or (iv) the construction or operation of the Project or the Plant shall have been enjoined or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Mandatory Redemption. The Bonds are subject to mandatory redemption by the Issuer at 100% of the principal amount thereof plus accrued interest to the redemption date, on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of a failure by the Company to perform or observe any covenant, agreement or warranty contained in the Agreement, the interest payable on the Bonds is includable for Federal income tax purposes in the gross income of the owners thereof, other than any owner of a Bond who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b) of the Internal Revenue Code of 1954, as amended. No determination by any court or administrative agency will be considered final unless the Company has been given timely notice of the proceeding that resulted in such determination and an opportunity to participate in such proceeding, either directly or through an owner, to a degree it deems sufficient and until the conclusion of any appellate review or the expiration of the time for seeking such review. The Bonds will be redeemed either in whole or in part in such principal amount that the interest payable on the Bonds remaining outstanding after such redemption would not be includable in the gross income of any owner thereof, other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b) of said Code.

Extraordinary Mandatory Premium Redemption. The Bonds are subject to mandatory redemption by the Issuer, at 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to the amount of interest which shall have accrued on the Bonds from the date of the Bonds to the redemption date, on the earlier of (A) June 1, 1985 and (B) the 35th day following the delivery by the Company to the Issuer and the Trustee of an opinion of nationally recognized bond counsel to the effect that the interest on the Bonds is not exempt from Federal income taxation; provided, however, that, if the Company shall, on or prior to 1985, deliver to the Issuer and the Trustee an opinion of bond counsel to the effect that (i) interest payable on the Bonds would not be included in the gross income of any Bondholder,

other than a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the Code and (ii) no federal or Louisiana State legislation is then pending which would, if enacted, adversely affect the exemption from federal income taxation of the interest on the Bonds, then no such redemption of the Bonds shall be made. For a description of certain pending legislation which if enacted in its present form, could cause interest on the Bonds to be subject to Federal income tax, see "PENDING LEGISLATION."

Procedure for and Notice of Redemption

If less than all of the Bonds shall have been called for redemption, the particular Bonds (or portions thereof in integral multiples of $5,000) to be redeemed will be selected by the Trustee in such manner as it may deem proper pursuant to the Indenture; provided, however, that if the Company shall have offered to purchase all Bonds then Outstanding and less than all of such Bonds shall have been tendered to the Company for such purchase, the Trustee, at the direction of the Company, shall select for redemption all such Bonds which have not been so tendered. Any Bonds selected for redemption which are deemed to be paid in accordance with the terms of the Indenture will cease to bear interest on the specified redemption date and will no longer be protected by the Indenture, provided funds sufficient for the redemption of such Bonds are on deposit with the Trustee. On presentation and surrender of Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed. Notice of redemption shall be given by first-class mail, to the extent provided in the Indenture, at least 25 and not more than 65 days prior to the redemption date for any redemption. THE FAILURE DULY TO GIVE NOTICE BY MAILING TO THE OWNER OF ANY BOND, OR DEFECTS THEREIN, WILL NOT AFFECT THE VALIDITY OF THE PROCEEDINGS FOR REDEMPTION OF ANY OTHER BOND.

With respect to any notice of redemption of Bonds as described in "THE BONDS—Redemption Provisions—Optional Redemption Before Fixed Rate Date," "—Optional Redemption After Fixed Rate Date" and "—Extraordinary Optional Redemption" to be made when the Letter of Credit is not in effect and unless upon the giving of such notice, such Bonds are deemed to have been paid as described under "THE INDENTURE—Defeasance," such notice may state that it is conditioned upon the receipt of moneys by the Trustee sufficient to pay the principal of and premium, if any, and interest on such Bonds to be redeemed on or prior to the date fixed for such redemption. If such moneys have not been so received, said notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Trustee shall give notice in the manner in which the notice of redemption was given that such moneys were not received.

No Partial Redemption after Default. If there shall have occurred and be continuing an Event of Default as described in paragraph (1), (2) or (3) under "THE INDENTURE—Events of Default and Remedies", there shall be no redemption of less than all of the Bonds at the time outstanding.

Additional Bonds

The Indenture does not provide for the issuance of additional bonds.

THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Letter of Credit

The Citibank Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee, upon request, (i) in order to pay interest on the Bonds as such interest becomes due, an amount not exceeding the interest on the Bonds for 210 days computed at the rate of 15% per annum, the maximum rate payable thereon prior to the Fixed Rate Date, (ii) in connection with the purchase of the Bonds upon Bondholder demand, redemption of the Bonds or the maturity of the Bonds prior to the termination of the Citibank

Letter of Credit, to pay principal of the Bonds, an amount not exceeding \$115,000,000, (iii) up to \$5,750,000, an amount equal to five percent (5%) of the aggregate principal amount of the Bonds to pay the portion of the purchase price of Bonds equal to the discount, if any, at which such Bonds are sold by the Remarketing Agent and (iv) during the period that the Bonds are subject to redemption as described under "THE BONDS—Redemption—Extraordinary Mandatory Premium Redemption" up to \$10,062,500, an amount equal to the interest to accrue on the Bonds during such period, and thereafter, up to \$143,750, an amount equal to one eighth percent ($\frac{1}{8}$%) of the aggregate principal amount of the Bonds, in each case, to pay the redemption premium, if any, on the Bonds.

The Citibank Letter of Credit will terminate on the earliest of (i) June 12, 1989 (its Stated Termination Date), (ii) the substitution therefor in accordance with the Indenture, (iii) the date notified to the Bank by the Trustee as the date on which there is no longer any Bond outstanding, (iv) a draw having been made under the Letter of Credit upon any of (a) the Fixed Rate Date, (b) the maturity of the Bonds or (c) redemption of all Bonds or (v) the surrender of the Letter of Credit by the Trustee. Notwithstanding the foregoing, if the Plant is not placed in commercial operation by January 15, 1986, the Bank may cause the Letter of Credit to terminate on June 12, 1986 by delivering written notice to the Trustee and the Company, which notice shall be received by the Trustee and the Company on or prior to April 15, 1986, that the Bank is exercising its option to cause the Letter of Credit to terminate on such June 12. Upon the delivery of such notice the Stated Termination Date shall be deemed to be June 12, 1986. The Bonds will be redeemed, unless purchased, prior to the Stated Termination Date of the Citibank Letter of Credit, as described herein, if the Company fails to provide for the extension, reissuance or renewal of or substitution for the Citibank Letter of Credit as provided in the Indenture subject to the right of owners of the Bonds, under certain circumstances, to elect not to have their Bonds (or portions thereof) so redeemed. (See "THE BONDS—Redemption—Mandatory Redemption.")

The Bank's obligation under the Citibank Letter of Credit will be reduced to the extent of any drawings thereunder. With respect to a drawing by the Trustee to pay interest on the Bonds, if the Trustee shall not have received from the Bank within fifteen calendar days from the date of such drawing a notice that the Bank has not been reimbursed therefor, the Trustee's right to draw under the Citibank Letter of Credit with respect to payment of interest will be reinstated to an amount not exceeding interest on the Bonds for 210 days, calculated at 15% per annum. With respect to a drawing by the Trustee to purchase Bonds upon Bondholder demand, the amount available under the Citibank Letter of Credit for payment of principal of and interest on Bonds when due or for purchase upon Bondholder demand shall be reinstated to the extent that the Bank is reimbursed in accordance with the terms of the Reimbursement Agreement for amounts so drawn. The Indenture provides that any Bond purchased pursuant to a draw under the Citibank Letter of Credit shall be held by the Tender Agent on behalf of the Company and shall not be resold or registered in the name of any party other than the Company unless, prior to or simultaneously with such resale or registration, the Bank is reimbursed in accordance with the terms of the Reimbursement Agreement and the amount available to be drawn under the Citibank Letter of Credit is correspondingly reinstated. Notice from the Bank to the Trustee within 15 days after a draw under the Citibank Letter of Credit to pay interest on the Bonds (other than with respect to a drawing by the Trustee upon redemption, maturity or purchase upon Bondholder demand) of failure by the Company to reimburse the Bank pursuant to the terms of the Reimbursement Agreement for such draw will result in a default and an immediate acceleration of the maturity of the Bonds. Upon such an acceleration, the Trustee will be entitled to draw under the Citibank Letter of Credit up to \$115,000,000 to pay principal of the Bonds not held by the Tender Agent plus an amount not to exceed the interest on such Bonds for 210 days, computed at the rate of 15% per annum, to pay interest accrued on such Bonds prior to such acceleration. Only the Trustee is entitled to make a drawing under the Letter of Credit.

The Company may at any time prior to May 1, 1989, deliver, in replacement of the Citibank Letter of Credit, a substitute therefor, with coverage as to principal or purchase price in an amount equal to the aggregate principal amount of Bonds then outstanding and with coverage for 210 days interest on the then outstanding Bonds and for specified amounts to pay redemption premiums and discount if Bonds are remarketed at a price less than the principal amount thereof, bearing the same terms with respect to payment and with a stated termination date of one year or longer, such substitute to be thereafter the Letter of Credit; provided, however, that the Trustee has received an opinion of nationally recognized bond counsel stating that the delivery of such substitute to the Trustee is authorized under, and complies with the terms of, the Agreement and, if such substitute is to be issued by a commercial bank other than the Bank, written evidence from Moody's, if the Bonds are rated by Moody's, and S&P, if the Bonds are rated by S&P, in each case to the effect that such rating agency has reviewed such substitute and that such substitution will not, by itself, result in a reduction of its ratings of the Bonds from those which then prevail.

The Company may, upon termination of the Letter of Credit, deliver in replacement of the Letter of Credit any credit facility, in favor of the Trustee, issued by or at the request and for the account of the Company, including the Company's first mortgage bonds issued under the Company Indenture, as evidence of or security for the payment of principal of and interest on the Bonds or as security for the Company's guarantee of the payment of principal of and interest on the Bonds.

The Reimbursement Agreement

The following is a summary of certain provisions of the Reimbursement Agreement.

Reimbursement, Fees and Expenses. The Company will pay to the Bank all amounts drawn under the Citibank Letter of Credit and interest thereon. Such amounts are payable on demand unless certain conditions have been met, in which case such amounts will be treated as advances to the Company by the Bank.

The Company will also pay to the Bank a commitment fee for the establishment of the Citibank Letter of Credit and an annual commission for maintaining the Citibank Letter of Credit, as well as certain costs and expenses of the Bank in connection with the Citibank Letter of Credit and the Reimbursement Agreement.

Events of Default. The occurrence of any of the following events shall be an Event of Default under the Reimbursement Agreement:

(1) The Company shall fail to pay any amount payable under the Reimbursement Agreement (other than commissions, costs and expenses incurred in connection with the Citibank Letter of Credit and the Reimbursement Agreement) when due;

(2) The Company shall fail to pay any commissions, costs and expenses incurred in connection with the Citibank Letter of Credit and the Reimbursement Agreement when due, and any such failure shall remain unremedied for 10 days;

(3) Any representation or warranty made or deemed made by the Company or any of its officers in or in connection with the Reimbursement Agreement shall prove to have been incorrect in any material respect when made;

(4) The Company shall fail to perform or observe any other term, covenant or agreement contained in the Reimbursement Agreement on its part to be performed or observed and any such failure shall remain unremedied for 20 days after written notice thereof shall have been given to the Company by the Bank;

(5) The Company or any of its Subsidiaries (as defined in the Reimbursement Agreement), shall fail to make any payment exceeding $5,000,000 in respect of any Debt, as defined in the Reimbursement Agreement (excluding Debt under the Reimbursement Agreement) of the Company or such Subsidiary having an outstanding principal amount of $10,000,000 or more (as the case may be), or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration,

demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(6) The Company shall cease to be a subsidiary company of Middle South Utilities, Inc. ("Middle South") without the prior written consent of the Bank;

(7) The Company or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against the Company or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of a proceeding instituted against the Company, shall not be dismissed within 30 days after the commencement of such proceeding; or the Company or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (7);

(8) A judgment or order for the payment of money in excess of $5,000,000 shall be rendered against the Company or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(9) Any material provision of the Reimbursement Agreement shall at any time for any reason cease to be valid and binding on the Company, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Company, or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the Company seeking to establish the invalidity or unenforceability thereof, or the Company shall deny that it has any or further liability or obligation under the Reimbursement Agreement;

(10) All or, with certain exceptions, any substantial part of the property of the Company shall be condemned, seized or otherwise appropriated, or custody or control of such property shall be assumed by any governmental agency or any court of competent jurisdiction at the instance of any governmental agency, and shall be retained for a period of 30 days;

(11) Any "Event of Default" under the Agreement or the Indenture shall have occurred and be continuing;

(12) Any Termination Event (as defined in the Reimbursement Agreement) with respect to an employee benefit plan of the Company shall have occurred, and, 30 days after notice thereof shall have been given to the Company by the Bank, (i) such Termination Event (if correctible) shall not have been corrected and (ii) the then present value of such plan's vested benefits exceeds the then current value of assets accumulated in such plan by more than the amount of $10,000,000 (or in the case of a Termination Event involving the withdrawal of a "substantial employer" (as defined in Section 4001(a)(2) of Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA")), the withdrawing employer's proportionate share of such excess shall exceed such amount); or

(13) The Company or any of its affiliates as employer under a multiemployer plan shall have made a complete or partial withdrawal from such multiemployer plan and the plan sponsor of such

multiemployer plan shall have notified such withdrawing employer that such employer has incurred a withdrawal liability in an annual amount exceeding $10,000,000.

Upon the occurrence of an event of default under the Reimbursement Agreement the Bank may, among other actions, direct the Trustee to declare the principal of all Bonds then Outstanding and all interest accrued and unpaid thereon to be due and payable.

Certain Affirmative and Negative Covenants. The Company affirmatively covenants in the Reimbursement Agreement, among other things, to preserve and maintain its corporate existence; to maintain insurance on its properties to the extent that like properties are insured by similiar companies; to maintain and preserve, and cause its Subsidiaries to maintain and preserve, certain of its properties in good working order and condition; to keep proper books and records; to provide the Bank with a quarterly certification of the status of the Plant until the Plant is placed in commercial operation; to furnish to the Bank certain information with respect to any event of default or potential event of default under the Reimbursement Agreement; to furnish to the Bank quarterly and annual financial reports and certain other financial and business information, certain notices and reports relating to employee benefit plans and notice of all material litigation and administrative proceedings affecting the Company or any of its Subsidiaries; to use its best efforts to cause the Trustee to notify the Bank when all of the Bonds are redeemed or defeased; and to cause all Bonds that it acquires to be registered in the name of the Company.

The Company also covenants to cause its equity capital to at all times equal or exceed 30% of the Capitalization (exclusive of Short Term Debt, as defined in the Reimbursement Agreement) of the Company. For such purpose, "equity capital" shall mean, at any time in question, the aggregate of the par value of, or stated capital represented by, the outstanding shares of all classes of capital stock of the Company, and the surplus of the Company, paid in, earned and other, if any, and Capitalization shall mean, as of any particular time, an amount equal to the sum of (i) the total principal amount of all indebtedness for borrowed money (including the principal amount of all bonds issued by a government or industrial development agency or authority in connection with an industrial development revenue bond financing of pollution control facilities constituting part of the Plant), secured or unsecured, of the Company then outstanding, (ii) the aggregate par value of, or stated capital represented by, the outstanding shares of all classes of capital stock of the Company, and (iii) the surplus of the Company, paid in, earned and other, if any.

For as long as the Reimbursement Agreement remains in effect, the Company agrees to certain restrictions on its ability to dispose of or to permit any of its Subsidiaries to dispose of its assets. The Company agrees not to merge, consolidate or dispose of all or substantially all of its assets or to acquire all or substantially all of the assets of any entity, or permit any of its Subsidiaries to do so except mergers, consolidations, transfers or acquisitions with, to or of affiliated companies unless immediately thereafter there would not be an Event of Default, and unless, in the case of a merger or consolidation to which the Company is a party, the resulting or surviving corporation assumes the Company's obligations under the Reimbursement Agreement in a manner satisfactory to the Bank. The Company is not permitted to amend or obtain the consent of the Issuer or the Trustee to any amendment of the Indenture, the Agreement, the Bonds or the Letter of Credit without the consent of the Bank. The Company agrees not to take actions which would subject the Company to material liability under ERISA. The Company also agrees to certain restrictions with respect to the imposition of liens on its properties.

Liability of the Bank and Indemnification. The Company assumes all risks of the acts or omissions of the Trustee and any beneficiary or transferee of the Letter of Credit with respect to the use of the Letter of Credit. The Company agrees to indemnify the Bank against any and all claims, damages, losses, liabilities, costs and expenses claimed against or incurred by the Bank in connection with the Letter of Credit, except certain claims, damages, losses, liabilities, costs and expenses caused by the willful misconduct or gross negligence of the Bank, and in connection with other documents relating to the Bonds.

THE AGREEMENT

The following is a summary of certain provisions of the Agreement.

Construction of the Project

The Issuer is issuing the Bonds to defray a portion of the Company's cost of constructing or acquiring the Project. The proceeds of the Bonds (other than accrued interest and premium, if any) are to be deposited in the project acquisition fund established under the Indenture (the "Project Acquisition Fund") and are to be used to defray such cost to the Company.

The Company agrees to acquire, construct, equip, install and complete the Project.

Purchase Price of the Project

The purchase price of the Project to be paid by the Company is an amount equal to the aggregate of the principal of and premium, if any, and interest on the Bonds, payable by delivery or causing delivery of such payments as necessary to enable the Issuer to cause payment to be made to the Trustee of amounts due to be paid on the Bonds on the days and in the amounts and manner provided in the Indenture, provided that any credit under the Indenture against any of the Issuer's payments thereunder will be credited against the Company's payments under the Agreement and provided, further, that the obligations of the Company to make any such payments under the Agreement will be deemed to be satisfied and discharged to the extent of the corresponding payment made to the Trustee by the Bank under the Letter of Credit. The payments by the Company to the Issuer have been pledged by the Issuer to the Trustee under the Indenture, and the Company is to make such payments directly to the Trustee. In addition, the Company will pay certain expenses of the Issuer, the Trustee, the Tender Agent, the Indexing Agent, the Remarketing Agent, the Registrar and any Paying Agent or Co-Paying Agent.

The Company's obligation to make payments to the Trustee will be absolute and unconditional and such payments shall continue to be made at the times and in the amounts specified in the Agreement, whether or not the Project shall fail to be completed or have been condemned or destroyed and shall not be subject to any defense other than payment or to any right of set-off, counterclaim or recoupment arising out of any breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, or any other party of any obligation to the Company.

Assignment; Leasing and Selling; Merger

Under certain conditions the Company may assign its interest in the Agreement. No such assignment will operate to relieve the Company of its liability under the Agreement for payment of the purchase price of the Project. The Company may consolidate or merge with, or sell or otherwise transfer all or substantially all of its assets to, another corporation organized under the laws of one of the states, the United States, or the District of Columbia, provided the surviving, resulting or transferee corporation assumes in writing all obligations of the Company under the Agreement and is duly qualified to do business in Louisiana.

Events of Default

The Agreement provides that the happening of one or more of the following events will constitute an "event of default":

(1) Failure by the Company to pay when due that portion of the purchase price of the Project (see "THE AGREEMENT—Purchase Price of the Project") representing payment of the principal of and premium, if any, on the Bonds, whether at maturity thereof, by call for redemption or otherwise and continuation of such failure for a period of five days after receipt by the Company from the Trustee of notice of the amount so due;

(2) Failure by the Company to pay when due that portion of the purchase price of the Project representing payment of interest on the Bonds and continuation of such failure for a period of five days after receipt by the Company from the Trustee of notice of the amount so due;

(3) Failure by the Company to make any payment required to purchase Bonds as described under "THE BONDS—Purchase of Bonds", which failure shall have resulted in an "Event of Default" described in (1), (2) or (3) under "THE INDENTURE—Events of Default and Remedies";

(4) Failure by the Company to observe and perform in any material respect any material covenant, condition or agreement on its part to be observed or performed, other than as referred to in (1), (2) and (3) above, for a period of sixty days after written notice, specifying such failure, requesting that it be remedied and stating that it is a notice of default, has been given to the Company by the Issuer or the Trustee; provided, however, that, if said failure is such that it cannot be corrected within the applicable period, it shall not constitute a default or an event of default if corrective action is instituted by the Company within the applicable period and diligently pursued until the failure is corrected; or

(5) Certain adjudications, petitions, consents or admissions in bankruptcy, insolvency or reorganization proceedings.

The Agreement provides that the events of default referred to in (4) above are subject to the following: if by reason of acts of God, strikes, acts of public enemies, orders of political bodies, certain natural disasters, civil disturbances and certain other events, the Company is unable in whole or in part to carry out one or more of its agreements or obligations contained in the Agreement, other than certain agreements including its obligations to pay when due any purchase price payment with respect to the Project, the Company shall not be deemed in default by reason of not carrying out such agreement or performing such obligation during the continuance of such force majeure; including a reasonable time for the removal of the effect thereof.

Remedies

Whenever an event of default under (1), (2), (3), or (5) above shall occur and be subsisting, and upon the condition that, in accordance with the terms of the Indenture, the Bonds shall have become immediately due and payable pursuant to any provisions of the Indenture (see "THE INDENTURE—Events of Default and Remedies"), then all unpaid installments of the purchase price of the Project to be paid by the Company under the Agreement shall become immediately due and payable. Any waiver of any default under the Indenture and a rescission and annulment of its consequences will constitute a waiver of the corresponding event of default under the Agreement and a rescission and annulment of the consequences thereof. Whenever an event of default shall have occurred and be subsisting, the Trustee may take any action at law or in equity to collect any payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

Any amounts collected pursuant to action taken shall be applied in accordance with the Indenture.

Amendment to the Agreement

Without the consent of or notice to the owners of the Bonds, the Issuer and the Company may amend the Agreement and the Trustee may consent thereto, as may be required (a) by the Agreement and the Indenture, (b) for the purpose of curing any formal defect, omission, inconsistency or ambiguity in the Agreement, (c) to provide that the Company's obligations under the Agreement to pay the purchase price of the Project shall be evidenced or secured by First Mortgage Bonds issued and delivered to the Trustee or (d) in connection with any other change therein which is not materially adverse to the owners of the Bonds and which, in the judgment of the Trustee, is not to the prejudice of the Trustee.

The Issuer shall not enter into and the Trustee shall not consent to any other amendment, change or modification of the Agreement without the written approval or consent of the Owners of not less than 60% in aggregate principal amount of the Bonds then outstanding which would be adversely affected thereby;

provided, however, that, unless approved in writing by the Owners of all Bonds then outstanding which would be adversely affected thereby, nothing herein contained shall permit, or be construed as permitting, a change in the obligations of the Company to pay the purchase price of the Project or the purchase price of the Bonds.

THE INDENTURE

The following is a summary of certain provisions of the Indenture.

Pledge and Security

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the Agreement (other than the right of the Issuer to reimbursement for its administration and other expenses, to certain indemnification, to take certain actions to enforce obligations of the Company under the Agreement and to certain notices and other communications under the Agreement) are pledged to the Trustee to secure the payment of the principal of and premium, if any, and interest on the Bonds.

Nothing to Prejudice Company Indenture

Nothing in the Indenture or the Agreement or any deed executed and delivered to the Issuer pursuant to the Agreement shall in any way prejudice the Company Indenture or the liens of the Company Indenture, or any of the rights of the trustees thereunder, or of any holders of bonds heretofore or hereafter issued under the Company Indenture or of any takers or purchasers upon default thereunder, or shall result in or cause the Issuer to have, and the Issuer shall not retain or have, and the Issuer further waives, releases, relinquishes, renounces and disclaims (a) any and all liens and privileges on the property comprising the Project and any and all portions thereof (with respect to both movable and immovable components and parts thereof), including without limitation any vendor's lien and/or privilege thereon, (b) any and all right to a rescission, dissolution, revocation or cancellation of any sale or sales by the Issuer to the Company of the property comprising the Project and any and all portions thereof, whether for nonpayment of the purchase price (or any part thereof) or any other reason, and (c) any and all right to assert any and all resolutory conditions whatsoever, whether express, implied, resulting from operation of law, or otherwise, with respect to said sale or sales, or any of them.

Application of the Project Acquisition Fund

A Project Acquisition Fund will be established with the Trustee. The proceeds of the Bonds, except accrued interest and premium, if any, will be deposited in the Project Acquisition Fund.

Moneys deposited in the Project Acquisition Fund shall be applied to the payment of the cost to the Company of acquiring and constructing the Project. Any amounts remaining in the Project Acquisition Fund after such payments are required to be paid into the Bond Fund. If at any time the Company shall exercise its right, or be required, to prepay its obligations under the Agreement for the purpose of discharging all outstanding Bonds, the Company may direct the Trustee to, and the Trustee shall, transfer into the Bond Fund any balance then remaining in the Project Acquisition Fund, and apply all amounts in the Bond Fund to such prepayment in accordance with the Indenture. The Company presently expects that at or prior to the completion of the Project no such proceeds will be available for such application.

Application of the Bond Fund

The Bond Fund, into which the payments by the Company of the purchase price of the Project and certain other amounts specified in the Indenture are to be deposited, has been established with the Trustee. While any Bonds are outstanding, moneys in the Bond Fund are to be used for payment of the principal of and premium, if any, and interest on the Bonds as and when due, except for any amounts necessary to

reimburse the Trustee for certain expenses or advances (plus interest thereon), and except for moneys deposited in the Bond Fund from amounts in the Project Acquisition Fund which are to be used as directed by an opinion of bond counsel.

The Indenture provides that the Trustee will pay the principal of and premium, if any, and interest on the Bonds from (i) amounts in the Bond Fund derived from the accrued interest on the Bonds (and proceeds from the investment thereof) which shall be applied to pay interest then from (ii) the proceeds of refunding bonds or from any other source, in each case, which constitute "Available Moneys" then from (iii) available proceeds of the Bonds (and proceeds from the investment thereof) transferred from the Project Acquisition Fund to the Bond Fund, then from (iv) other moneys drawn under the Letter of Credit, if then in effect, in respect of principal of and premium, if any, and interest on the Bonds and finally from (v) other moneys paid to the Trustee by the Company. In the event that no funds are available from source (i), (ii), (iii) or (iv) in the preceding sentence, the Company shall nevertheless have an unconditional obligation to pay amounts due. The term "Available Moneys" means (a) with respect to any payment date occurring during the term of the Letter of Credit, moneys which have been on deposit with the Trustee or the Tender Agent, as the case may be, for at least 123 consecutive days during which no petition by or against the Company or the Issuer under any bankruptcy act or under any similar act which may be hereafter enacted shall have been filed unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal, and the proceeds from the investment thereof, and (b) with respect to any payment date not occurring during the term of the Letter of Credit, any moneys furnished to the Trustee or the Tender Agent, as the case may be, and proceeds from the investment thereof.

Adjusted Interest Rate

The Adjusted Interest Rate for a Rate Period shall be determined as follows:

(a) if any outstanding Bonds are delivered to the Tender Agent for purchase on the first day (June 1) of such Rate Period (see "THE BONDS—Purchase of Bonds") and if all such Bonds (other than Bonds which are the subject of failed remarketing transactions and Bonds purchased with moneys derived from the sources described in clauses (a), (b) or (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds") are sold by the Remarketing Agent at a price equal to 100% of the principal amount thereof, the Adjustable Interest Rate shall be that interest rate which the Remarketing Agent shall determine, in its judgment, having due regard for prevailing financial market conditions, is the interest rate which was necessary, but was not in excess of the interest rate necessary, to enable the Remarketing Agent to sell all such Bonds at such price; provided that the interest rate so determined shall not be in excess of 15% per annum and shall be either within 80% to 120%, inclusive, of the Adjustable Rate Index for such Rate Period or between the Minimum Interest Rate and the Maximum Interest Rate for such Rate Period, if any;

(b) if any outstanding Bonds are delivered to the Tender Agent for purchase on the first day of such Rate Period and if all such Bonds (other than Bonds which are the subject of failed remarketing transactions and Bonds purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds") are not sold by the Remarketing Agent in accordance with paragraph (a) above, the interest rate borne by all Bonds shall be a percentage per annum equal to the lesser of 15% per annum, 120% of the Adjustable Rate Index for such Rate Period and the Maximum Interest Rate for such Rate Period, if any; and

(c) if no outstanding Bonds are delivered to the Tender Agent for purchase on the first day of such Rate Period or if all of such Bonds are purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds" or are the subject of failed remarketing transactions, the interest rate borne by all Bonds shall be a percentage per annum equal to the lesser of 15% per annum and the Adjustable Rate Index for such Rate Period or, if the Remarketing Agent shall have specified a Maximum Interest Rate and a Minimum Interest Rate for such Rate Period, equal to the arithmetical mean of such Maximum Interest Rate and such

Minimum Interest Rate (rounded to the nearest 1/100th of 1% or, if there shall be no nearest 1/100th of 1%, the next higher 1/100th of 1%).

Determination of Adjustable Rate Index

Each Adjustable Rate Index shall be determined by the Indexing Agent as of the April 27 next preceding the first day of each Rate Period. If the Bonds are rated by Moody's or by S&P, the Adjustable Rate Index shall be based upon the one-year yield evaluations at par of not less than 10 component issuers selected by the Indexing Agent, each of which must have outstanding securities rated by either Moody's or S&P in a long-term debt rating category which is the same as, or which is immediately proximate to, the long-term debt rating category in which the Bonds are rated by such rating agency or in a short-term debt rating category which, in the judgment of the Indexing Agent, is correlative to such rating category, all for the purpose of including within the component issuers issuers of securities having an investment quality which, in the judgment of the Indexing Agent, is the same as or comparable to that of the Bonds. The specific issuers included in the component issuers may be changed from time to time by the Indexing Agent in its discretion. If the Bonds are rated by neither Moody's nor S&P, or if the Indexing Agent no longer determines, or fails to determine, the Adjustable Rate Index and no other qualified municipal securities evaluation service can be appointed by the Issuer, the Adjustable Rate Index for each Rate Period shall be determined by the Remarketing Agent and shall be .25% in excess of the one-year yield evaluation at par of United States Housing and Urban Development Project Notes or, if there are no such Project Notes at the time outstanding, shall be 67% of the one-year yield evaluation at par of U.S. Treasury bonds.

Fixed Interest Rate

The Fixed Interest Rate shall be determined as follows:

(a) if any outstanding Bonds are delivered to the Tender Agent for purchase on the Fixed Rate Date (see "THE BONDS—Purchase of Bonds") and if all such Bonds (other than Bonds which are the subject of failed remarketing transactions and Bonds purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds") are sold by the Remarketing Agent at a price equal to 100% of the principal amount thereof, the Fixed Interest Rate shall be that interest rate which the Remarketing Agent shall determine, in its judgment, having due regard for prevailing financial market conditions is the interest rate which was necessary, but was not in excess of the interest rate necessary, to enable the Remarketing Agent to sell all such Bonds at such price; provided that the interest rate so determined shall not be in excess of 18% per annum and shall be either within 80% to 120% inclusive of the Fixed Rate Index for the period following the Fixed Rate Date or between the Minimum Interest Rate and the Maximum Interest Rate for such period, if any;

(b) if any outstanding Bonds are delivered to the Tender Agent for purchase on the Fixed Rate Date and if all such Bonds (other than Bonds which are the subject of failed remarketing transactions and Bonds purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds") are not sold by the Remarketing Agent in accordance with paragraph (a) above, the interest rate borne by all Bonds shall be a percentage per annum equal to the lesser of 18% per annum, 120% of the Fixed Rate Index for the period following the Fixed Rate Date and the Maximum Interest Rate for such period, if any; and

(c) if no outstanding Bonds are delivered to the Tender Agent for purchase on the Fixed Rate Date or if all of such Bonds are purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE BONDS—Purchase of Bonds" on the Fixed Rate Date or are the subject of failed remarketing transactions, the interest rate borne by all Bonds shall be a percentage per annum equal to the lesser of 18% per annum, the Fixed Rate Index for the period following the Fixed Rate Date or, if the Remarketing Agent shall have specified a Maximum Interest Rate and a Minimum Interest Rate, equal to the arithmetical mean of such Maximum Interest Rate and such Minimum

Interest Rate (rounded to the nearest 1/100th of 1%, or, if there shall be no nearest 1/100th of 1%, the next higher 1/100th of 1%).

Determination of Fixed Rate Index

The Fixed Rate Index shall be determined by the Indexing Agent as of April 27, 1987 and each April 27 thereafter prior to the Fixed Rate Date and shall be based upon the yield evaluation at par (on the basis of a term equal, as nearly as practicable, to the time remaining until the maturity of the Bonds) of not less than 10 component issuers selected by the Indexing Agent as follows:

(1) if, at the time of determination of a Fixed Rate Index, the Company Debt is rated by either Moody's or S&P in any of its four highest rating categories, each of the component issuers must have outstanding securities rated by such rating agency in a long-term debt rating category which is the same as, or which is immediately proximate to, the long-term debt rating category in which the Company Debt is rated by such rating agency;

(2) if, at the time of determination of a Fixed Rate Index, the Company Debt is not rated by either Moody's or S&P in any of its four highest long-term debt rating categories, each of the component issuers must have outstanding securities rated by either Moody's or S&P in its fourth highest long-term debt rating category; provided, that the Fixed Rate Index determined as described in this clause (2) shall be 110% of the percentage determined by the Indexing Agent on the basis of the required yield evaluations; or

(3) if, at the time of determination of a Fixed Rate Index, there is no Company Debt, each of the component issuers must have outstanding securities rated by either Moody's or S&P in the long-term debt rating category which is the same as, or which is immediately proximate to, the rating category in which Company Debt would, in the judgment of the Remarketing Agent, be rated by such rating agency; provided, that if, in the judgment of the Remarketing Agent, Company Debt would not be rated by either Moody's or S&P in any of its four highest long-term debt rating categories, each of the component issuers must have outstanding securities rated by either Moody's or S&P in its fourth highest rating category, but the Fixed Rate Index determined in accordance with this proviso shall be 110% of the percentage determined by the Indexing Agent on the basis of the required yield evaluations.

The specific issuers included in the component issuers may be changed from time to time by the Indexing Agent in its discretion. In the event that the Indexing Agent no longer determines, or fails to determine, the Fixed Rate Index, and no other qualified municipal securities evaluation service can be appointed by the Issuer, the Fixed Rate Index shall be (a) the following percentages of the Revenue Bond Index (as most recently published in the *Credit Markets*) if, as of the May 1 next succeeding the date of determination, the remaining term of the Bonds shall be as follows:

Percentage	Remaining Term
104	27-24 years
102	23-21 years
100	20-18 years
95	17-15 years
93	14-12 years
85	11-9 years
80	8 or fewer years

or (b) if the Revenue Bond Index shall no longer be published in the *Credit Markets*, 90% of a yield evaluation at par determined by the Remarketing Agent (on the basis of a term equal, as nearly as practicable, to the time remaining until the maturity of the Bonds) of U.S. Treasury bonds.

Remarketing of Bonds

Upon the delivery to the Tender Agent of Bonds as specified in "THE BONDS—Purchase of Bonds", the Remarketing Agent shall offer such Bonds for sale and shall use its best efforts to sell such Bonds (other than those Bonds purchased with moneys derived from the sources described in clauses (a), (b) and (c) under "THE INDENTURE—The Tender Agent—Purchase of Bonds"), any such sale to be on the June 1 on which such Bonds are to be purchased, at a price equal to 100% of the principal amount thereof. If the Remarketing Agent shall be unable so to sell all such Bonds at a price equal to 100% of the principal amount thereof, the Remarketing Agent shall not sell any of such Bonds at such price but shall offer and sell such Bonds at the best price available in the marketplace at which all of such Bonds can be sold; provided, however, that such Bonds shall not be sold at a price of less than 95% of the principal amount thereof or at a discount from the principal amount thereof in excess of the amount available to be drawn therefor under the Letter of Credit, if then in effect.

The Tender Agent—Purchase of Bonds

On June 1, 1987 and on each June 1 thereafter prior to and including the Fixed Rate Date, the Tender Agent shall purchase Bonds delivered to it for purchase as specified in "THE BONDS—Purchase of Bonds" at a purchase price of 100% of the principal amount thereof. Funds for the payment of such purchase price shall be derived solely from the following sources in the order of priority indicated:

(a) unexpended moneys transferred from the Project Acquisition Fund;

(b) certain moneys furnished by the Trustee to the Tender Agent which are to be applied only to the purchase of Bonds which are deemed to be paid in accordance with the Indenture;

(c) certain moneys furnished by the Company to the Tender Agent pursuant to the Agreement, and proceeds from the investment thereof, which constitute Available Moneys;

(d) (i) proceeds of the sale of such Bonds as described in "THE INDENTURE—Remarketing of Bonds" and (ii) moneys furnished to the Tender Agent by the Trustee representing proceeds of a drawing under the Letter of Credit to pay the excess, if any, of the aggregate principal amount of such Bonds over the aggregate price at which such Bonds are sold;

(e) moneys furnished to the Tender Agent by the Trustee representing proceeds of a drawing under the Letter of Credit; and

(f) moneys furnished by the Company to the Tender Agent to purchase Bonds.

If an Event of Default described in (1), (2) or (3) under "THE INDENTURE—Events of Default and Remedies" shall have occurred and be continuing or if an event shall have occurred which, with the lapse of time would constitute such an event of default, no purchases or sales of Bonds as described above shall be made and the Trustee shall not make any drawings under the Letter of Credit at the direction of the Tender Agent.

Investment of Funds

Except for moneys drawn by the Trustee under the Letter of Credit, which, if not then used for the purpose for which they were drawn, shall be held uninvested, any moneys held as a part of the Project Acquisition Fund or the Bond Fund will be invested or reinvested by the Trustee at the option of the Company, to the extent permitted by law, in Investment Securities. Investment Securities are defined as the following securities: (i) direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America; (ii) certificates of deposit or time deposits of banks organized under the laws of the State of Louisiana and national banks having their principal office in the State of Louisiana; and (iii) any other security to the extent permitted by Louisiana law or the Act.

All income or other gains realized from such investments will be credited, and any loss shall be charged, to the Bond Fund.

Events of Default and Remedies

The following events are defined in the Indenture as "Events of Default:"

(1) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity, upon redemption or otherwise and continuation of such failure for a period of five days after receipt by the Company from the Trustee of notice of the amount so due;

(2) a failure to pay an installment of interest on any of the Bonds after such interest has become due and payable and continuation of such failure for a period of five days after receipt by the Company from the Trustee of notice of the amount so due;

(3) a failure by the Company to pay an amount required to purchase Bonds as described under "THE BONDS—Purchase of Bonds" for a period of two days after such payment has become due and payable;

(4) an event of default under the Agreement;

(5) receipt by the Trustee, within 15 days following a drawing under the Letter of Credit to pay interest on the Bonds, of notice from the Bank that the Letter of Credit will not be reinstated (in respect of interest) to an amount which equals at least 210 days' interest on the outstanding Bonds;

(6) receipt by the Trustee of notice from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing; or

(7) a failure by the Issuer to observe and perform any covenant, condition, agreement or provision (other than as specified in (1), (2) and (3) above) contained in the Bonds or in the Indenture on the part of the Issuer to be observed or performed, which failure shall continue for a period of 60 days after written notice by the Trustee, which notice may be given in its discretion and shall be given at the written request of owners of not less than 25 percent in principal amount of the Bonds then outstanding, unless the Trustee, or the Trustee and such owners, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and such owners, as the case may be, shall be deemed to have agreed to such an extension if corrective action is initiated by the Issuer, or the Company on behalf of the Issuer, within such period and is being diligently pursued.

Upon (A) the occurrence and continuance of any Event of Default described in (1), (2), or (3) above or an event of default described in (4) above resulting from an event of default described in (1), (2), (3), or (5) of "THE AGREEMENT—Events of Default" the Trustee may, and at the written request of owners of not less than 25% in principal amount of the Bonds then outstanding shall or (B) the occurrence of an Event of Default described in (5) or (6) above the Trustee shall, by written notice to the Issuer and the Company, declare the Bonds to be immediately due and payable.

Subsequent to the earlier of the termination of the Letter of Credit or the Fixed Rate Date if, after the Bonds shall have been declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such acceleration (with interest upon such principal), and such amount as will be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee and all defaults under the Indenture, other than nonpayment of the principal of Bonds which shall have become due by reason of said acceleration, shall have been remedied, then such default shall be deemed waived and its consequences rescinded and annulled by the Trustee.

Any waiver of any event of default under the Reimbursement Agreement and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default, if any, under the Indenture and a rescission and annulment of the consequences thereof.

Except during the occurrence and continuance of an Event of Default described in (5) above (in which case the Bonds shall become immediately due and payable and the Trustee shall draw upon the Letter of Credit) upon the occurrence and continuance of any Event of Default, the Trustee may, and shall upon the written request of the Bank or the owners of not less than 25% in principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction, by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners of the Bonds, and require the Issuer, the Bank or the Company to carry out any agreements with or for the benefit of the owners of the Bonds and to perform its or their duties under the Act, the Agreement, the Letter of Credit and the Indenture; bring suit upon the Bonds; or by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

No owner of any Bond shall have any right to institute suit to enforce any trust or power of the Trustee unless such owner shall previously have given to the Trustee written notice of an Event of Default and unless also the owners of not less than 25% in principal amount of the Bonds then outstanding will have made written request of the Trustee so to do, and unless satisfactory indemnity will have been offered to the Trustee and the Trustee shall have not complied with such request within a reasonable time.

Defeasance

All or any principal amount of outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid and will cease to be entitled to any lien or security under the Indenture if the following conditions are met: (i) in the case of Bonds selected for redemption, the Trustee shall have given, or the Company shall have given to the Trustee irrevocable instructions to give, the notice of redemption therefor, (ii) there shall have been deposited with the Trustee in trust either Available Moneys in an amount which will be sufficient or obligations of or guaranteed as to principal and interest by the United States of America, which constitute Available Moneys, the principal of and the interest on which, when due, will provide moneys which, together with any other Available Moneys or Bond proceeds also deposited, will be sufficient to pay when due the principal of and premium, if any, and interest due or to become due on such Bonds (calculated at 18% per annum if (x) such deposit shall be made prior to the Fixed Rate Date and (y) the Bonds shall be subject to purchase as described under "THE INDENTURE—The Tender Agent—Purchase of Bonds" prior to the date fixed for the redemption of such Bonds or portions thereof or the maturity date thereof, as the case may be), and (iii) in the event such Bonds do not mature and are not to be redeemed within the next succeeding 60 days, the Company shall have given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the owners of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal of and premium, if any, and interest on such Bonds. If the payment of less than all of the Bonds is to be provided for, the Trustee shall select such Bonds and $5,000 units of fully registered Bonds in the principal amounts, designated to the Trustee by the Company, in such manner as it may deem proper.

The Trustee

The Trustee may be removed, and a successor Trustee appointed, by the owners of not less than a majority in principal amount of Bonds at the time outstanding. The Trustee is not required to enforce the trusts created by the Indenture unless requested to do so by the owners of at least 25% in principal amount of the Bonds at the time outstanding and may require indemnity satisfactory to it. The Company maintains normal banking relationships with the Trustee and the Trustee acts as the trustee with respect to four issues of pollution control revenue bonds issued with respect to projects of the Company.

Modifications and Amendments

The Indenture may not be modified or amended nor may indentures supplemental thereto be adopted without the approval of the owners of not less than 60% of the principal amount of the Bonds outstanding which would be adversely affected thereby, except:

(1) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture;

(2) to grant to or confer or impose upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent;

(3) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture, of the receipts and revenues of the Issuer from the Agreement or of any other moneys, securities or funds;

(5) to authorize a different denomination or denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different denominations, redemptions of portions of Bonds of particular denominations and similar amendments and modifications of a technical nature;

(6) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(7) to modify, alter, amend or supplement the Indenture in any and all respects which may be correlative to any and all modifications, alterations, amendments and supplements to the Agreement referred to under "THE AGREEMENT—Amendment of the Agreement;" provided, however, that no such modification, alteration, amendment or supplement to the Indenture or the Agreement shall render the receipts and revenues of the Issuer from the Agreement insufficient to pay the principal of and premium, if any, and interest on the Bonds; and

(8) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the owners of the Bonds and which does not involve a change described in (1), (2), (3) or (4) of the succeeding paragraph and which, in the judgment of the Trustee, is not to the prejudice of the Trustee.

In any event, unless approved in writing by the owners of all Bonds then outstanding which would be adversely affected, no modification or amendment of the Indenture and no supplemental indenture, may be made which would permit or be construed as permitting:

(1) a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any outstanding Bond, a change in the terms of the purchase of the Bonds as described under "THE BONDS—Purchase of Bonds," or a reduction in the principal amount or the redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon, or

(2) the creation of a claim or lien upon, or a pledge of, the receipts and revenues of the Issuer from the Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Indenture (except as to certain fees and expenses of the Trustee), or

(3) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or

(4) a reduction in the aggregate principal amount of Bonds, the consent of the owners of which is required for any such amendment or supplement to the Indenture or which is required for any modification, alteration, amendment, or supplement to the Agreement.

PENDING LEGISLATION

There is legislation pending in Congress that would affect the exemption of interest on certain debt obligations issued by states and their political subdivisions from Federal income tax. On October 21, 1983 the Committee on Ways and Means of the U.S. House of Representatives reported H.R. 4170 to the House. H.R. 4170 did not come to a vote prior to the adjournment of Congress on November 18, 1983. On March 5, 1984 the Committee on Ways and Means of the U.S. House of Representatives reported an Amendment to H.R. 4170 in the Nature of a Substitute (the "Substitute Bill"). The Substitute Bill was adopted without material changes by the full House of Representatives on April 11, 1984.

If enacted into law in its present form, the Substitute Bill would subject to Federal income tax interest on an issuer's private activity bonds (which, as defined, would include the Bonds) issued after December 31, 1983 in excess of the annual volume limitations applicable to such issuer. The Substitute Bill establishes an annual volume limitation applicable to each state and allocates one half of each state's annual volume limitation to state agencies in such state. The other one half of each state's annual volume limitation is allocated to issuers (other than state agencies) in an amount that bears the same ratio to one half of such state's annual volume limitation as the population of the jurisdiction of such issuer bears to the population of the entire state; provided that a state legislature (and under certain circumstances, the governor of such state) may provide a different allocation of such state's annual volume limitation. If the Substitute Bill is enacted in its present form and if the volume limitation applicable to the State of Louisiana is not reallocated by the governor or the legislature of the State of Louisiana in a manner such that the allocation to the Issuer pursuant to the Substitute Bill is substantially increased, interest on the Bonds will be subject to Federal income tax. No assurance can be given that (i) any volume limitation will be allocated to the Issuer or, (ii) if allocated, that the Bonds together with any other obligations of the Issuer to which any such allocation is applicable will not be in excess of such allocation, or (iii) that the governor or the legislature of the State of Louisiana will not later change any such allocation.

Additional restrictions included in the Substitute Bill would apply to private activity bonds issued after December 31, 1983 to finance facilities that were not under construction or were not the subject of binding construction contracts as of October 19, 1983. All facilities included in the Project were either under construction or the subject of binding construction contracts as of October 19, 1983. Consequently, such additional restrictions would not apply to the Bonds if the Substitute Bill were to be enacted in its present form.

On April 12, 1984 the U.S. Senate approved certain provisions as an amendment to H.R. 2163, a bill pending in the Senate. On May 17, 1984, these provisions (the "Senate Bill") were passed by the Senate as an amendment to, and replacing in its entirety, the Substitute Bill. The Senate Bill also would affect the exemption of interest on certain debt obligations issued by states and their political subdivisions from Federal income tax. Although it includes many provisions similar to provisions in the Substitute Bill, the Senate Bill would impose no volume limitations on private activity bonds. As part of the Senate Bill, the Senate approved a non-binding sense-of-the-Senate statement to the effect that the Senate opposes the imposition of such volume limitations. Other Senate Bill limitations on the exemption of interest on certain debt obligations issued by states and their political subdivisions from Federal income tax would not apply to the Bonds.

Both the House of Representatives and the Senate have selected their respective members of the Conference Committee. On May 23, 1984, the House of Representatives failed to adopt a non-binding instruction to the House members of the Conference Committee to oppose any volume limitations such as those in the Substitute Bill. The Conference Committee began its deliberations on June 6, 1984.

There can be no assurance that either the Substitute Bill or the Senate Bill, if enacted, will be enacted in its present form, or that the Conference Committee will not recommend alternatives to such bills. (See "THE BONDS—Redemption Provisions—Extraordinary Mandatory Premium Redemption.")

UNDERWRITING

The Underwriters, represented by Kidder, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Howard, Weil, Labouisse, Friedrichs Incorporated have jointly and severally agreed to purchase the Bonds from the Issuer. The Contract of Purchase relating to the Bonds provides that the obligations of the Underwriters are subject to certain conditions precedent. The initial public offering price and concessions in transactions with securities dealers may be changed by the Underwriters. The Company has agreed to indemnify the Underwriters with respect to certain liabilities in connection with the offering of the Bonds.

Kidder, Peabody & Co. Incorporated will be appointed by the Company as Remarketing Agent pursuant to the provisions of the Indenture and will serve in such capacity for a fee.

TAX EXEMPTION

Delivery of the Bonds is subject to the issuance of an opinion of Cox, Huppenbauer & Osborne, as Bond Counsel, that interest on the Bonds is exempt from Federal income taxes under the Internal Revenue Code of 1954, as amended (the "Code"), Regulations of the Department of the Treasury of the United States (including Temporary and Proposed Regulations) under the Code applicable to the Bonds (the "Regulations"), rulings and court decisions, except that no opinion will be expressed as to whether, under Section 103(b) of the Code, such exemption shall apply with respect to any Bond for any period during which it is held by a "substantial user" of the facilities or a "related person," as those terms are used in Section 103(b). For a description of certain pending legislation which if enacted in its present form could cause interest on the Bonds to be subject to Federal income tax, see "PENDING LEGISLATION."

Delivery of the Bonds is also subject to the issuance of an opinion of Bond Counsel that under existing Louisiana statutes, the Bonds and the income therefrom are exempt from all taxation in the State of Louisiana.

The proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

The Bonds have been sold at an original issue discount. In the event of the sale or exchange of a Bond prior to maturity or redemption, a portion of the amount received on the sale or exchange may in some circumstances be treated as a capital gain subject to Federal and Louisiana income taxation. Purchasers with questions concerning the detailed tax consequences of transactions in the Bonds should consult their own tax advisors.

LEGAL MATTERS

The validity of the Bonds will be passed upon by Cox, Huppenbauer & Osborne, as Bond Counsel, and the Underwriters' obligations to purchase the Bonds are subject to the issuance of Bond Counsel's opinion with respect thereto. Copies of such opinion (the proposed form of which is attached hereto as Appendix C) will be available at the time of the delivery of the Bonds. Bond Counsel has not been required to examine, and has not investigated or verified, any statement, records, materials or matters relating to the financial condition or capabilities of the Company or the Bank, and has not undertaken independently to verify any of the information contained in Appendix A and Appendix B to this Official Statement. The validity of the Letter of Credit will be passed upon by Shearman & Sterling, counsel to the Bank.

Certain legal matters, other than the validity of the Bonds and the exemption from Federal income tax of interest thereon, will be passed upon for the Underwriters by their counsel, Dewey, Ballantine, Bushby, Palmer & Wood. Certain legal matters will be passed upon for the Company by Monroe & Lemann (A Professional Corporation), New Orleans, Louisiana and Reid & Priest, New York, New York.

APPENDIX A

LOUISIANA POWER & LIGHT COMPANY

The information contained in this Appendix A has been obtained from Louisiana Power & Light Company and no representation is made by the Parish of St. Charles, Louisiana, or the Underwriters as to its accuracy or completeness.

AVAILABLE INFORMATION

Louisiana Power & Light Company ("Company") is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission ("SEC"). Such reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C.; Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; Federal Building, 26 Federal Plaza, New York, New York; and 5757 Wilshire Boulevard, Los Angeles, California. Copies of this material can also be obtained at prescribed rates from the Public Reference Section of the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Company's Series of 12.64% Preferred Stock is listed on the New York Stock Exchange. Reports and other information concerning the Company can be inspected and copied at the office of such Exchange at 20 Broad Street, New York, N.Y.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents or portions thereof are incorporated in this Official Statement by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1983, as filed with the SEC pursuant to the Exchange Act.

2. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, as filed with the SEC pursuant to the Exchange Act.

3. The Company's Current Report on Form 8-K dated May 23, 1984, as filed with the SEC pursuant to the Exchange Act.

4. The portions of the Company's 1983 Annual Report to Shareholders included under the following captions: "Area served by LP&L", "Highlights", "To our stockholders and employees", "Customers", "Operating Revenues", "Energy Sales", "Average KWH Use", "Construction Expenditures", "Gross Utility Plant", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Auditors' Opinion", "BALANCE SHEETS—December 31, 1983 and 1982", "STATEMENTS OF INCOME—For the years ended December 31, 1983, 1982 and 1981", "STATEMENTS OF RETAINED EARNINGS—For the years ended December 31, 1983, 1982 and 1981", "STATEMENTS OF CHANGES IN FINANCIAL POSITION—For the years ended December 31, 1983, 1982 and 1981", "Notes to Financial Statements—For the years ended December 31, 1983, 1982 and 1981", and the information with respect to the years 1979-1983 under the caption "Record of Progress 1973-1983". The portions of the Company's 1983 Annual Report to Shareholders included under the following captions are not incorporated in this Official Statement by reference: "Report of Management", the information with respect to the years 1973-1978 under the caption "Record of Progress 1973-1983", "Directors", "Officers", "Department Heads", "Division Managers" and "Emergency Preparedness for Waterford 3".

A copy of the Company's 1983 Annual Report to Shareholders accompanies this Official Statement. The Company hereby undertakes to provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the other documents incorporated by reference, other than exhibits to such documents. Requests should be directed to Mr. W. H. Talbot, Secretary, Louisiana Power & Light Company, 317 Baronne Street, New Orleans, Louisiana 70112, telephone number: 504-595-3100. The information relating to the Company contained in this Official Statement does not purport to be comprehensive and should be read together with the information contained in the documents incorporated by reference.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements included or incorporated by reference in this Appendix to the Official Statement, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

THE COMPANY

Business	Electric Utility
Area of Operations	46 of the 64 parishes (counties) in Louisiana
Customers (at December 31, 1983)	552,025

	Natural Gas	Fuel Oil	Nuclear
1984 Estimated Percentages of Generation by Type of Fuel	85%	1%	14%

SELECTED FINANCIAL INFORMATION

(Dollars in Thousands)

	Twelve Months Ended			
	December 31,			March 31, 1984
	1981	1982	1983	(unaudited) (1)
Income Data:				
Operating Revenues	$1,117,761	$1,195,583	$1,144,743	$1,145,439
Net Income	124,469	117,458	131,546	165,124

	Year Ended December 31,					Twelve Months Ended March 31, 1984
	1979	1980	1981	1982	1983	
Ratio of Earnings to Fixed Charges(2)	2.06	2.55	2.78	2.31	2.05	2.46

	March 31, 1984 (unaudited)			
	Actual		Adjusted (3)	
Balance Sheet Data:				
Common Shareholder's Equity	$ 791,961	34%	$ 811,961	32%
Preferred Stock (without sinking fund)	145,882	6	145,882	6
Preferred Stock (with sinking fund)	240,951	10	290,951	11
Long-Term Debt (excludes current maturities)	1,172,019	50	1,287,019	51
Total	$2,350,813	100%	$2,535,813	100%

(1) Includes the cumulative effect ($17.6 million net of taxes) of an accounting change effective January 1, 1984 and recorded in March 1984 to provide for accrual of the non-fuel portion of estimated unbilled revenues. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".

(2) The ratios of Earnings to Fixed Charges are calculated pursuant to Item 503 of Regulation S-K of the SEC. "Earnings" represent the aggregate of (1) net income, (2) taxes based on income, (3) investment tax credit adjustments—net and (4) fixed charges. "Fixed Charges" represent interest, related amortization and interest applicable to rentals charged to operating expenses.

(3) Adjusted to reflect (i) the net increase in long-term debt resulting from the sale of the pollution control revenue bonds ("Bonds") as contemplated in this Official Statement, (ii) the anticipated sale in June 1984 of 2,000,000 shares of the Company's Preferred Stock, Cumulative, $25 par value, and (iii) the sale of $20 million of the Company's common stock to Middle South in May 1984.

THE COMPANY

The Company was incorporated under the laws of the State of Louisiana on October 15, 1974 and is successor by merger to a predecessor Louisiana Power & Light Company which was incorporated under the laws of the State of Florida in 1927. The merger of such predecessor corporation into the Company became effective on February 28, 1975, and information and data herein with respect to a time or period on or prior to that date refer to the predecessor corporation. The Company's principal executive office is located at 142 Delaronde Street, New Orleans, Louisiana 70174. Its telephone number, including area code, is 504-366-2345.

The Company is an electric public utility company with all of its operations in the State of Louisiana. Middle South Utilities, Inc. ("Middle South"), which is a registered public utility holding company under the Public Utility Holding Company Act of 1935 ("Holding Company Act"), owns all of the outstanding common stock of the Company. The Company, Arkansas Power & Light Company ("AP&L"), Mississippi Power & Light Company ("MP&L") and New Orleans Public Service Inc. ("NOPSI") are the principal operating subsidiaries of Middle South ("System operating companies"). Middle South owns all of the capital stock of Middle South Energy, Inc. ("MSE"), a generating subsidiary organized in 1974 to provide financing and ownership of certain future base load generating units, Middle South Services, Inc. ("MSS"), a service company, and Electec, Inc., a non-utility company established in December 1983. Middle South and its various direct and indirect subsidiaries are referred to herein as the "Middle South System".

The Company, AP&L, MP&L and NOPSI own all the capital stock of System Fuels, Inc. ("SFI"), a special purpose company formed to plan and implement programs for the procurement, delivery and storage of fuel supplies for the Middle South System.

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

CONSTRUCTION PROGRAM AND FUTURE FINANCING

The Company's 1984 construction program contemplates expenditures of approximately $539.2 million, of which $102.8 million had been expended through March 31, 1984. This estimate contemplates the expenditure of approximately $452.1 million for production facilities, $33.0 million for transmission facilities, $50.0 million for distribution facilities and $4.1 million for other plant. These amounts include allowance for funds used during construction ("AFDC") of $157.9 million and exclude expenditures for nuclear fuel.

The Company estimates that, subsequent to the receipt of the proceeds from the anticipated sale in June 1984 of $50 million aggregate par value of its preferred stock and the proceeds from the sale of the Bonds, it will require approximately $135 million of additional funds from external sources to finance its 1984 construction program and for other corporate purposes, and expects to obtain these funds through the sale of up to $105 million of its common stock to Middle South and through the issuance and sale of such other securities, including short-term debt, as may be determined to be appropriate. In this latter connection, the Company has authority from the SEC under the Holding Company Act to make short-term borrowings from time to time through December 31, 1985 in amounts at any one time outstanding of up to the lesser of $200 million or 10% of the Company's total capitalization through participation in the Middle South System money pool, by the issuance and sale of commercial paper and by loans from banks. At April 30, 1984, the Company had borrowed $17.2 million from the Middle South System money pool and $123 million from banks. The proceeds of these borrowings are used to finance construction and other corporate expenditures pending permanent financing. Reference is made to information below concerning the ability of the Company

to raise additional funds from external sources through the sale of additional First Mortgage Bonds or Preferred Stock.

The Company estimates that its construction expenditures during the period 1984-1986 will be approximately $909.7 million. Of this amount, approximately $150.5 million will be spent in 1985 and $220.0 million in 1986 (including AFDC of $3.9 million in 1985 and $10.4 million in 1986). In addition, during the period 1984-1986 the Company will require capital for the funding of $101 million of maturing long-term debt, for the redemption of $18 million of Preferred Stock pursuant to sinking fund requirements and for the funding of $243 million of deferred costs in connection with the Company's rate moderation proposal described below under "Recent Developments—Rate Matters". During the period 1984-1986, the Company estimates that its requirements for capital funds from external sources will be approximately $394 million.

The Company is the owner of Unit 3 at the Waterford Steam Electric Generating Station ("Waterford 3"), a 1,104 megawatt nuclear generating unit currently under construction at Killona, Louisiana. The following tabulation shows estimated construction expenditures for Waterford 3 for the periods indicated.

Unit	Prior to 1984	1984	1985	1986	Total Cost	Scheduled Year of Completion
	(Dollars in Millions)					
Waterford 3 (nuclear)*	$2,206.1	$437.6	$5.3	—	$2,649.0	1984

* The costs shown above include AFDC but exclude costs of acquiring nuclear fuel. Actual expenditures and date of completion may vary from the estimates because of availability of financing, changes in the Company's plans, additions and changes required by regulatory authorities, cost fluctuations, the availability of labor, materials and equipment, licensing and testing delays and other factors.

The Company believes that Waterford 3 is ready for fuel loading. Although the Company has requested a full power operating license, it is expected, based upon recent Nuclear Regulatory Commission ("NRC") practice, that the initial license will be a "5% power license" which will permit the Company to load fuel at Waterford 3 and to operate at up to 5% of full power to conduct low power testing. Should a 5% power operating license be granted in the second quarter of 1984, the Company will proceed with arrangements for NRC reviews toward obtaining the full power license consistent with the start-up and power ascension schedule. Nuclear generating units under construction have been experiencing delays during this period not only as a result of the testing process but also as a result of regulatory delays and opposition before regulators, or otherwise, of anti-nuclear groups. Assuming that the NRC issues an operating license in the second quarter of 1984, as expected, the Company estimates that the unit will be placed in commercial operation in the fourth quarter of 1984 at a total cost for such unit (excluding nuclear fuel) of $2.65 billion. Any delay in commercial operation would result in the cost of Waterford 3 increasing by approximately $12.25 million per month as a result of ongoing financing charges.

Earnings coverage requirements are contained in the Company's Mortgage and Deed of Trust, dated as of April 1, 1944, as supplemented, to The Chase National Bank of the City of New York (The Chase Manhattan Bank (National Association), successor) and Carl E. Buckley (J. A. Payne, successor), as trustees ("Mortgage"), and its Restated Articles of Incorporation, as amended ("Articles of Incorporation"), for the issuance of additional First Mortgage Bonds and additional shares of Preferred Stock, respectively. Under the Mortgage, additional First Mortgage Bonds may not (except for the purpose of refunding maturing First Mortgage Bonds and certain other purposes) be issued unless the adjusted net earnings of the Company (as defined in the Mortgage) for 12 consecutive months out of the 15 months immediately preceding the issuance of the additional First Mortgage Bonds shall have been at least twice the amount of the annual interest requirements on all First Mortgage Bonds at the time outstanding, including the additional First Mortgage Bonds being issued, and any indebtedness of prior rank. Under the Articles of Incorporation, the Company may not, without the consent of the holders of at least a majority of the Preferred Stock then outstanding, issue additional shares of Preferred Stock unless the gross income of the

Company (as defined in the Articles of Incorporation) for 12 consecutive months out of the 15 months immediately preceding the issuance of the additional shares shall have been at least one and one-half times the sum of the annual interest charges on all interest-bearing indebtedness of the Company and the annual dividend requirements on all outstanding shares of Preferred Stock, including the additional shares being issued.

On the basis of these requirements, the First Mortgage Bond and Preferred Stock earnings coverages would be those stated in the following tabulation:

	Twelve Months Ended			
	December 31,			April 30,
	1981	1982	1983	1984(a)
First Mortgage Bond Coverage	2.61	2.75	1.70	2.12
Preferred Stock Coverage	1.62	1.49	1.43	1.55(b)

(a) Reflects the cumulative effect of a change in accounting method which was effective as of January 1, 1984. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".

(b) Adjusted to give effect to (1) the anticipated sale in June 1984 of 2,000,000 shares of the Company's Preferred Stock, Cumulative, $25 par value, at an assumed annual dividend rate of 16% and (2) the long-term debt resulting from the sale of the Bonds, at an assumed annual interest rate of 9%.

Although the Company's First Mortgage Bond coverage ratio at year-end 1983 and Preferred Stock coverage ratios at year-end 1982 and 1983 set forth in the table above were below 2.00 and 1.50, respectively, these coverages during the years 1982 and 1983 were from time to time above the required minimum earnings coverages so that the Company was able to sell additional First Mortgage Bonds and Preferred Stock as needed to continue its construction program. During the period 1981 through March 31, 1984, the Company sold $425 million of additional First Mortgage Bonds (including $50 million for refunding purposes) and $125 million of additional Preferred Stock. The amounts of additional First Mortgage Bonds and Preferred Stock which may be issued in the future are contingent upon increases in earnings and the ability of the Company to obtain adequate rate relief. Unless earnings are increased, the amounts of additional First Mortgage Bonds and Preferred Stock which the Company can issue may be limited.

As of April 30, 1984, based on the coverages stated above (which give effect to the anticipated sale of Preferred Stock at an assumed annual dividend rate of 16% and the long-term debt resulting from the sale of the Bonds at an assumed annual interest rate of 9%, as indicated), the Company could have issued approximately $45 million principal amount of additional First Mortgage Bonds at an assumed annual interest rate of 16% (plus any First Mortgage Bonds issued for refunding purposes) or approximately $46 million aggregate par value of additional Preferred Stock at an assumed annual dividend rate of 16%.

RECENT DEVELOPMENTS

Recent Operating Results

The following results of operations of the Company for the twelve months ended March 31, 1984 and April 30, 1984 should be considered in conjunction with the information appearing elsewhere in this Appendix to the Official Statement, including the documents incorporated by reference in this Appendix to the Official Statement. In the opinion of the Company, all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of the results of operations for those periods have been made.

	Twelve Months Ended March 31, 1984 (Unaudited)	Twelve Months Ended April 30, 1984 (Unaudited)
	(Dollars in Thousands)	
Operating Revenues(a)	$1,145,439	$1,161,136
Net Income(a)	165,124	171,000

(a) Includes the cumulative effect ($17.6 million net of taxes) of an accounting change effective January 1, 1984 and recorded in March 1984 to provide for accrual of the non-fuel portion of estimated unbilled revenues. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information."

MSE

MSE was incorporated under the laws of the State of Arkansas on February 11, 1974 to construct, finance and own certain base load generating units for the operating subsidiaries of Middle South. MSE will operate solely as an electric generating company, supplying power to the System operating companies, including the Company. For information with respect to the Company's obligation to purchase power from MSE, see "Recent Developments—Rate Matters" and Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information." MSE's only activity to date has been the acquisition, financing and construction of the Grand Gulf Nuclear Generating Station ("Grand Gulf Station"). The Grand Gulf Station consists of two 1,250 megawatt boiling water reactor nuclear units under construction on the east bank of the Mississippi River near Natchez, Mississippi. South Mississippi Electric Power Association has acquired a 10% interest in the Grand Gulf Station from MSE. Through March 31, 1984, approximately $3.44 billion had been expended by MSE for its 90% ownership interest in the Grand Gulf Station.

On June 16, 1982, the NRC issued an operating license to load fuel at Unit 1 of the Grand Gulf Station ("Grand Gulf 1") and to operate at up to 5% of full power to conduct low power testing. Grand Gulf 1 is in the process of completing its low power testing phase and is awaiting its full power operating license from the NRC in order to begin power ascension testing above 5% power and ultimately to be placed in commercial operation. MSE previously had estimated that Grand Gulf 1 would begin commercial operation in the fourth quarter of 1984 at a total cost for MSE's 90% share of the unit of $2.9 billion. This estimate was based on the assumption that MSE would receive a full power operating license for Grand Gulf 1 from the NRC in the second quarter of 1984. The issuance of the full power operating license is dependent upon the resolution of certain issues raised by the NRC. These issues include the experience level and adequacy of training of reactor plant operators assigned to operate the facility, the reliability of the Grand Gulf 1 Delaval emergency diesel generators and the accuracy of the Grand Gulf 1 Technical Specifications (which are the unit's specifications derived from the analyses and evaluation included in the unit's safety analyses report and include, among other things, safety limits and settings, limiting conditions for operations, surveillance requirements and design features).

To resolve these issues, various actions have been or will be taken. MSE, with the concurrence of the NRC, initiated a program under which all reactor operators at the facility received additional training and the adequacy of their training to safely operate Grand Gulf 1 was confirmed. Furthermore, MSE has undertaken a comprehensive review of the Grand Gulf 1 Technical Specifications and associated documentation to verify their accuracy and their adequacy for safe operation of the unit. In this connection, on April 18, 1984, the NRC issued an order requiring certain specified revisions to the Grand Gulf 1 Technical Specifications. MP&L revised the Technical Specifications in accordance with the NRC order and restarted the unit on April 22, 1984 to conduct further low power testing. Further changes are expected to be made to the Technical Specifications before the unit will be authorized to operate above 5% power. Finally, due to industry-wide problems with Delaval diesel generators, MSE submitted to the NRC a program to verify and enhance the reliability of the Delaval diesel generators at Grand Gulf 1 without disassembly of a generator. However, the NRC rejected MSE's program and on May 22, 1984 issued an order to MP&L requiring a complete disassembly and inspection of one of the Grand Gulf 1 Delaval diesel generators, while

Grand Gulf 1 is operating at below 5% power, in order to verify the reliability of the Grand Gulf 1 Delaval diesel generators. MSE anticipates that the complete dissassembly and inspection of the diesel generator will take six to eight weeks.

Because of delays in resolving the Technical Specifications issue and the Delaval diesel generator issue and the need to disassemble and inspect one such generator, MSE now estimates that full power operation of Grand Gulf 1 will not be authorized by the NRC until the third quarter of 1984. As a result, it is now estimated that the unit will not be placed in commercial operation until the first quarter of 1985 at a total cost for MSE's 90% share of Grand Gulf 1 estimated to be $3.065 billion (excluding nuclear fuel). MSE now estimates expenditures of approximately $546.5 million in 1984, $366.3 million in 1985 and $387.9 million in 1986 (including AFDC) in connection with construction of the Grand Gulf Station. MSE plans to meet its construction and other financing requirements prior to commercial operation of Grand Gulf 1 through the sale of pollution control revenue bonds, bank borrowings, payments from certain of the System operating companies, including the Company, under a power purchase advance payment agreement (see Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information"), short-term borrowings, sales of common stock to Middle South, and such other financing as can be obtained.

Nuclear generating units under construction are experiencing delays during their test periods not only as a result of the testing process but also as a result of regulatory delays and opposition before regulators, or otherwise, of anti-nuclear groups. In the absence of any such major delays, it is estimated that testing of Grand Gulf 1 required to achieve commercial operation after the unit is authorized to operate at full power will take from six to seven months. Any delay in commercial operation of the unit results in the cost of MSE's share in Grand Gulf 1 increasing by approximately $25 million per month, primarily as a result of ongoing financing charges.

MSE has covenanted with its first mortgage bondholders that it will complete Grand Gulf 1 no later than December 31, 1984. In addition, the Company, MP&L and NOPSI are obligated to begin making payments to MSE equal to the operating costs of Grand Gulf 1 and Grand Gulf 2 if Grand Gulf 1 is not in commercial operation by December 31, 1984. Finally, certain of the System operating companies, including the Company, are obligated, under the power purchase advance payment agreement, to make certain payments to MSE until the earlier of commercial operation of Grand Gulf 1 or December 31, 1984. (See Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".) MSE has commenced discussions with its lenders, and has filed an application with the SEC, to change these specified dates to December 31, 1985.

Based upon informal discussions with the leading members of each principal creditor group, MSE believes that all necessary approvals and consents to achieve such changes will be obtainable.

Rate Matters

On April 30, 1982, MSS, on behalf of the System operating companies, tendered for filing with the Federal Energy Regulatory Commission ("FERC") an agreement under which the System operating companies proposed to engage in coordinated planning, construction and operation of generation and transmission facilities ("New System Agreement"). On July 29, 1982, the FERC accepted the New System Agreement for filing and ordered it suspended for five months from August 1, 1982. These rates under the New System Agreement became effective, as requested by MSS, on January 1, 1983, subject to refund. Various parties, including the Louisiana Public Service Commission ("LPSC"), the Mississippi Public Service Commission ("MPSC") and the Arkansas Public Service Commission ("APSC"), have intervened in the proceedings. The hearing was concluded in December 1983, and the parties are in the process of briefing the issues preparatory to the decision of the administrative law judge. Some parties to this proceeding are contesting the method by which the New System Agreement equalizes megawatts of reserve capacity among the System operating companies and certain proposals could cause AP&L, and to a lesser degree, the Company, to incur material additional costs. On February 2, 1984, MSS notified the administrative law judge

that the Company, MP&L and NOPSI, as a result of reviewing certain of these proposals, would support a method or methods of allocation designed to bring about a form of equalization among the System operating companies of production costs of generating units owned by Middle South System companies and that AP&L would continue to support the cost allocation method originally proposed in the New System Agreement. Accordingly, MSS will no longer represent the System operating companies on the issue of production cost allocation but will continue to represent them on all other issues.

On June 18, 1982, MSE tendered for filing with the FERC, as an initial rate schedule, a unit power sales agreement ("Unit Power Sales Agreement") under which MSE would sell from its 90% share of Grand Gulf 1 and Grand Gulf 2 the following percentage allocations of power: the Company, 38.57% and 26.23%; MP&L, 31.63% and 43.97%; and NOPSI, 29.80% and 29.80%, respectively. The rates and charges after commercial operation commences are based on the cost of service of each unit. Various parties, including the APSC, the LPSC, the MPSC and the Public Service Commission of Missouri, intervened in the proceedings, and some of these intervenors are proposing, among other things, revised allocations of power to the System operating companies, including an allocation of power to AP&L. On August 25, 1982, the FERC accepted the Unit Power Sales Agreement for filing and ordered that it become effective subject to refund upon the initiation of service at the Grand Gulf Station. MSE has petitioned the United States Court of Appeals for the District of Columbia Circuit for review of orders of the FERC requiring that the rates to be charged under the Unit Power Sales Agreement be subject to refund. On February 3, 1984, the administrative law judge ("ALJ") issued his initial decision in this matter. Principally, the decision recommended that MSE's request for the use of an automatic cost of service adjustment clause for Grand Gulf 1 be upheld, that a decision with respect to Grand Gulf 2 be deferred, that MSE be granted a 16.04% return on common equity rather than the 18% return originally requested by MSE, that MSE's proposed depreciation method be approved, that MSE's proposed method of decommissioning Grand Gulf 1 be approved but that amounts for decommissioning be accumulated in an external fund rather than internally, that MSE's proposed method of tax normalization be approved, that intervenors' requests for adoption of a plant availability incentive rate of return, and requirements that MSE refile the Unit Power Sales Agreement for FERC approval every five years and levelize rates for Grand Gulf 1, be denied and, finally, recommended a different allocation of the capacity and energy from Grand Gulf 1 from that proposed by MSE. The ALJ followed and recommended a proposal made by the LPSC, an intervenor in the proceeding, to allocate Grand Gulf 1 as follows: the Company, 14%; AP&L, 36%; MP&L, 33%; and NOPSI, 17%. He stated that this allocation would cause each System operating company to have a share of Grand Gulf 1 which, when added to its other nuclear capacity, i.e., Waterford 3 and AP&L's Arkansas Nuclear One Generating Station, would result in the cost of its aggregate nuclear capacity being proportionate to its share of Middle South System demand. He further stated that this allocation method would result in the costs of such capacity being more evenly distributed among the companies than if MSE's proposed allocation method were used. MSE, AP&L and other parties to this proceeding have excepted from the decision. The matter is pending before the FERC for its decision. At this time, the Company is unable to predict when such decision will be rendered. Reference is made to certain developments in the New System Agreement case described above.

The effect of the ALJ's decision in the MSE proceeding and the positions of certain of the parties in the New System Agreement proceeding would be to allocate substantially larger or smaller amounts of production costs of generating units owned by Middle South System companies to each of the System operating companies with consequent significant increases or decreases, as the case may be, in revenue requirements for each of the System operating companies. The Company and the other System operating companies are seeking or will seek retail rate relief sufficient to cover their respective revenue requirements for purchased power from other Middle South System companies under any allocation alternative. The outcomes of these proceedings cannot be predicted. If the Company is unable to obtain adequate and timely retail rate relief to meet its purchased power obligations to other Middle South System companies, the financial condition of the Company would be adversely affected.

On January 24, 1983, the Company filed with the LPSC a general rate increase application with respect to customers under its jurisdiction, asking authorization to put into effect new retail rate schedules designed

to provide additional annual net revenues in 1984 of approximately $412 million over projected 1983 revenues based on the assumptions that Grand Gulf 1 being constructed by MSE and Waterford 3 being constructed by the Company are in commercial operation throughout the test year and that the Company would defer for subsequent recovery certain of the costs associated with Grand Gulf 1. In light of the LPSC order of March 21, 1983 permitting the Company to use over a ten-year period a portion of the cash proceeds received by the Company in connection with the settlement of a dispute with a gas supplier, the Company reduced its $412 million general rate increase request to $309 million. Under date of February 20, 1984, the LPSC issued its order in the matter. The order used actual financial results for the twelve months ended June 30, 1983 as the test period and included adjustments consistent with the traditional practice of the LPSC. In principal effect, the order (1) after adverting to certain delays in the commercial operation dates for Grand Gulf 1 and Waterford 3, rejected any allowance in rates which would reflect an in-service status for either Grand Gulf 1 or Waterford 3, 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; and (2) permitted the Company an increase of approximately $69 million per year in its rates and charges for electric service. 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 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.

On April 12, 1984, the Company filed with the LPSC an additional general rate increase application with respect to customers under its jurisdiction. The Company requested authorization to put into effect, upon commencement of commercial operation of Waterford 3, new retail rate schedules designed to provide an annual net increase in revenues, based on the test year ended June 30, 1983, of $234,517,582. The amount so requested was based on the additional revenue requirements of the Company after giving effect to the projected reduction in fuel costs associated with nuclear generation in the amount of approximately $119,845,000 and a rate moderation proposal. This rate moderation proposal contemplates that the Company would defer the collection from customers of an aggregate of $270,000,000 of the amount otherwise recoverable by it on its investment in Waterford 3 during the first three years of commercial operation of that unit, would neither defer further amounts nor recover any deferred amounts in the fourth year, and would collect such aggregate deferred amount from customers over the following five years. The proposal further contemplates that the Company would fund a substantial portion of its cash requirements in respect of the deferred amount through external financing arrangements and would bill the related carrying costs to customers on a current basis until the deferred amount has been fully recovered. The application requested alternatively, in the event that Waterford 3 is not in commercial operation when this matter is decided, that the LPSC grant such additional rate relief as will result from a continuation of the rate-making treatment given Waterford 3 in the LPSC's February 20, 1984 retail rate order. The application further requested that, in addition to the rate relief related to Waterford 3, the LPSC issue an order prior to the in-service date of Grand Gulf 1, to be put into effect when that unit commences commercial operation, accepting and approving "formula rates" proposed in the application in order to provide the Company with the additional electric revenues it will need to meet its purchased power expenses associated with power and energy from Grand Gulf 1. These formula rates, if applied on the basis of the allocation to the Company of a 14% share of MSE's share of the power from Grand Gulf 1, as determined in the ALJ's initial decision in proceedings pending before the FERC, described above, would require a net increase in test year revenues of $81,042,000, or, if applied on the basis of a 38.57% share of MSE's share of power from Grand Gulf 1 being allocated to the Company in such FERC proceedings, as originally proposed in such proceedings, would require a $261,135,000 net increase in test year revenues. These amounts give effect to the projected reduction in fuel costs associated with the nuclear fuel component of such purchased power expenses in the amounts of approximately $12,439,000 and $28,960,000, respectively. The Company cannot predict what action the LPSC will take in respect of this rate increase application. By law, if the LPSC does not render its decision within one year from the date of filing, the Company may put the full amount of requested rates into effect, subject to refund.

INTERIM FINANCIAL INFORMATION

The following unaudited condensed financial statements (which are taken from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984) should be considered in conjunction with the Company's audited financial statements and related notes included in the Company's 1983 Annual Report to Shareholders which accompanies this Appendix to the Official Statement. In the opinion of the Company, these unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented. However, the business of the Company is subject to seasonal fluctuations with the peak period occurring during the summer months. Accordingly, the results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

LOUISIANA POWER & LIGHT COMPANY
BALANCE SHEETS

March 31, 1984 and December 31, 1983

ASSETS

	1984 (Unaudited)	1983
	(In Thousands)	
Utility Plant:		
Electric	$1,468,776	$1,463,856
Construction work in progress	2,319,702	2,224,292
Nuclear fuel	4,911	4,764
Total	3,793,389	3,692,912
Less—Accumulated depreciation	531,175	522,508
Utility plant—net	3,262,214	3,170,404
Other Property and Investments:		
Investment in subsidiary company—at equity	46,073	46,073
Other	524	515
Total	46,597	46,588
Current Assets:		
Cash and special deposits	8,920	4,357
Temporary investments—at cost, which approximates market	8,809	7,069
Notes receivable	818	841
Accounts receivable:		
Customer and other (less allowance for doubtful accounts of $135 thousand)	52,463	55,738
Associated companies	3,584	197
Accrued unbilled revenues (Note 2)	34,530	—
Receivable from gas supplier (Note 3)	—	250,000
Deferred fuel cost	1,977	4,577
Materials and supplies—at average cost	9,127	11,355
Other	5,419	4,105
Total	125,647	338,239
Deferred Debits:		
Power purchase advance payments (Note 1)	14,792	—
Other	3,518	3,586
Total	18,310	3,586
TOTAL	$3,452,768	$3,558,817

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
BALANCE SHEETS

March 31, 1984 and December 31, 1983

CAPITALIZATION AND LIABILITIES

	1984 (Unaudited)	1983
	(In Thousands)	
Capitalization:		
Common stock, no par value, authorized 150,000,000 shares; issued and outstanding 112,111,100 shares	$ 738,900	$ 738,900
Retained earnings (Note 4)	53,061	39,898
Total common shareholder's equity	791,961	778,798
Preferred stock without sinking fund	145,882	145,882
Preferred stock with sinking fund	240,951	240,951
Long-term debt	1,172,019	1,173,453
Total	2,350,813	2,339,084
Current Liabilities:		
Notes payable:		
Associated companies	68,000	100,100
Banks	21,101	77,900
Currently maturing long-term debt	20,509	20,462
Accounts payable:		
Associated companies	32,489	48,782
Other	33,275	56,620
Gas contract settlement—liability to customers (Note 3)	56,403	58,884
Customer deposits	24,670	24,220
Taxes accrued	13,787	4,088
Accumulated deferred income taxes	17,677	2,216
Interest accrued	34,530	33,916
Dividends declared	40,764	32,418
Other	1,303	2,010
Total	364,508	461,616
Deferred Credits:		
Accumulated deferred income taxes	117,787	115,845
Accumulated deferred investment tax credits	136,231	136,506
Gas contract settlement—liability to customers (Note 3)	452,348	475,000
Other	24,849	25,269
Total	731,215	752,620
Reserves	6,232	5,497
Commitments and Contingencies (Note 1)		
TOTAL	$3,452,768	$3,558,817

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF INCOME

For the Three Months Ended March 31, 1984 and 1983
(Unaudited)

	1984	1983
	(In Thousands)	
Operating Revenues	$267,901	$267,205
Operating Expenses:		
Operation:		
Fuel	73,578	75,406
Purchased power	92,230	85,606
Deferred fuel and other	26,464	37,258
Maintenance	12,302	12,932
Depreciation	11,907	11,433
Taxes other than income taxes	6,678	5,935
Income taxes	13,077	5,619
Total	236,236	234,189
Operating Income	31,665	33,016
Other Income:		
Allowance for equity funds used during construction	22,902	14,812
Miscellaneous income and deductions—net	2,600	2,183
Income taxes—credit	7,087	4,622
Total	32,589	21,617
Interest Charges:		
Interest on long-term debt	31,776	26,999
Other interest—net	1,810	9,771
Allowance for borrowed funds used during construction	(8,906)	(5,760)
Total	24,680	31,010
Income Before Cumulative Effect of a Change in Accounting Method	39,574	23,623
Cumulative Effect to January 1, 1984, of Accruing Unbilled Revenues (net of income taxes of $16,548 thousand) (Note 2)	17,626	—
Net Income	$ 57,200	$ 23,623

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY
STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Three Months Ended March 31, 1984 and 1983

(Unaudited)

	1984	1983
	(In Thousands)	
Funds Provided by:		
Operations:		
Income before cumulative effect of a change in accounting method	$ 39,574	$ 23,623
Cumulative effect (Note 2)	17,626	—
Net income	57,200	23,623
Depreciation	11,907	11,433
Deferred income taxes and investment tax credit adjustments—net	17,128	(4,986)
Allowance for funds used during construction	(31,808)	(20,572)
Total funds provided by operations	54,427	9,498
Other:		
Funds on hand or due from gas supplier (Note 3)	248,260	419,317
Gas contract settlement (Note 3)	(25,133)	(415,012)
Allowance for funds used during construction	31,808	20,572
Total funds provided excluding financing transactions	309,362	34,375
Financing transactions:		
Preferred stock	—	75,000
First mortgage bonds	—	200,000
Total funds provided by financing transactions	—	275,000
Total funds provided	$309,362	$ 309,375
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$102,803	$ 115,973
Nuclear fuel	147	49
Total gross additions (includes allowance for funds used during construction)	102,950	116,022
Other:		
Dividends declared on preferred stock	11,301	10,696
Dividends declared on common stock	32,736	26,636
Investment in subsidiary company (Note 1)	—	337
Accrued unbilled revenues	34,530	—
Increase in working capital*	22,374	5,226
Power purchase advance payments	14,792	—
Miscellaneous—net	234	2,985
Total other funds applied	115,967	45,880
Financing transactions:		
Retirement of other long-term debt	1,546	1,473
Short-term securities—net	88,899	146,000
Total funds applied to financing transactions	90,445	147,473
Total funds applied	$309,362	$ 309,375

* Working capital does not include short-term securities, gas contract settlement, current maturities of long-term debt, accrued unbilled revenues, or deferred taxes included in current liabilities. The 1984 net increase in working capital is primarily due to a decrease in accounts payable. The 1983 net increase in working capital is primarily due to a decrease in accounts payable partially offset by a decrease in deferred fuel cost.

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1. Commitments and Contingencies

At March 31, 1984, the Company's construction program contemplated expenditures (including AFDC) of approximately $539.2 million in 1984, $150.5 million in 1985, and $220.0 million in 1986. Substantial additional capital requirements would result in the period 1984-1986 if the Company defers certain Waterford 3 costs in accordance with the rate moderation proposal contained in the application filed with the LPSC on April 12, 1984. (See "Recent Developments—Rate Matters".)

SFI is a jointly-owned subsidiary of the System operating companies. SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for the System operating companies; its costs are primarily recovered through charges for fuel delivered. The common stock of SFI is owned 33% by the Company, 35% by AP&L, 19% by MP&L, and 13% by NOPSI.

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 March 31, 1984, the total loan commitment under these arrangements amounted to $295.0 million, of which $178.1 million was outstanding. Also, SFI's parent companies have made similar covenants and agreements in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At March 31, 1984 the aggregate discounted value of these lease arrangements was $75.4 million.

SFI has contracted 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 Steam Electric Generating Station. SFI's parent companies, each acting in accordance with its share of the ownership of SFI, joined in, ratified, confirmed, and adopted the contract and the obligations of SFI thereunder. 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. AP&L, MP&L, and Arkansas Electric Cooperative Corporation, as co-owners in part of the Independence Steam Electric Generating 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 and first contract deliveries were made in January 1984.

SFI has a long-term program for the acquisition, conversion, and enrichment of nuclear materials required for the fabrication of nuclear fuel which may be utilized in any of the present or proposed Middle South System nuclear generating stations. SFI has firm purchase commitments for the acquisition in 1984 of approximately 500,000 pounds of uranium in various stages of processing.

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 million from its parent companies through December 31, 1984. As of March 31, 1984, the Company had made no loans to SFI under this agreement, and the Company's share of the unused loan commitment was $55 million. Notes under this agreement mature December 31, 2009. In addition, the Company had loaned SFI $46.1 million under previous loan agreements. Notes mature in 2002 and 2008 under provisions of the previous loan agreements.

In July 1980, 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 Steam Electric Generating Station, the commercial operation of which is now expected sometime in 1993. SFI has notified the coal supplier of this delay from the original in-service date of 1988 and is reviewing with the coal supplier possible alternatives to eliminate or mitigate the effect of this delay on increasing the price of coal.

MSS is developing a standard design for the construction of coal-fueled or lignite-fueled electric generating stations for the Middle South System. As of March 31, 1984, total costs incurred of $36.5 million had been deferred, including capitalized interest costs of $4.5 million. MSS has equipment commitments totaling approximately $282 million relating to this project. MSS will be reimbursed by the System operating companies for the costs of the project.

MSE and the System operating companies (including the Company) have entered into a series of agreements (collectively, "Availability Agreement") whereby (i) MSE has agreed to complete the Grand Gulf Station and to sell to the System operating companies power available to MSE from the Grand Gulf Station under the terms of a power purchase agreement (see "Recent Developments—Rate Matters"), (ii) the System operating companies have severally agreed to pay to MSE (on the apportionment bases provided for in the Availability Agreement: the Company, 26.9%; AP&L, 17.1%; MP&L, 31.3%; and NOPSI, 24.7%) such amounts as (when added to any amounts received by MSE under such power purchase agreement or otherwise) will be at least equal to MSE's operating expenses or an equivalent amount if either unit is not in operation (including such expenses as might be incurred by MSE for maintenance and surveillance in the event of shutdown of either or both units), including MSE's interest charges and an amount equal to an assumed depreciation rate for 27.4 years of 3.65% per annum applied to MSE's gross investment in the Grand Gulf Station (exclusive of land and land rights), (iii) the System operating companies have severally agreed to make subordinated advances under certain circumstances to MSE in amounts equal to payments which would otherwise be owing under the payment formula of the Availability Agreement described in (ii) above, and (iv) the System operating companies have agreed that their obligations to make payments or advances to MSE are absolute and unconditional. The requirement to make payments under (ii) above commences on the date on which either unit of the Grand Gulf Station is placed in commercial operation; provided that if Grand Gulf 1 is not placed in commercial operation prior to December 31, 1984, the commencement date in respect of both units is December 31, 1984 (MSE is seeking consent from its principal creditor groups to extend the stipulated commercial operation date and payment commencement date to December 31, 1985); and provided, further, that if Grand Gulf 1 is placed in commercial operation prior to December 31, 1984, then, with respect to the assumed depreciation charge related to Grand Gulf 2, the commencement date for Grand Gulf 2 is the earlier of the date of commercial operation of Grand Gulf 2 or December 31, 1988. MSE has assigned its rights to payments and advances from the System operating companies under the Availability Agreement to secure its long-term borrowings. In addition, the System operating companies in June 1981 entered into a Power Purchase Advance Payment Agreement with MSE pursuant to which the System operating companies, severally in accordance with stated percentages specified therein (the Company, 26.9%; AP&L, 17.1%; MP&L, 31.3%; and NOPSI, 24.7%), agreed, if Grand Gulf 1 were not placed in commercial operation by December 31, 1983, to make advance payments to MSE for power purchases which in the aggregate total $12.5 million per month. Such payments, adjusted to exclude AP&L as contemplated by the agreement discussed in the next paragraph, commenced January 2, 1984 and will continue until commercial operation of Grand Gulf 1 or December 31, 1984, whichever occurs earlier. MSE is seeking consents to extend the payments under the Power Purchase Advance Payment Agreement until commercial operation of Grand Gulf 1 or December 31, 1985, whichever occurs earlier. The Company's share of these monthly payments is $4.8 million per month.

Effective November 1981, the System operating companies entered into a Reallocation Agreement allocating the capacity and energy available to MSE from Grand Gulf 1 and Grand Gulf 2 to the Company, MP&L and NOPSI, subject to change by mutual agreement of such companies. Under the Reallocation Agreement the percentage allocation for MSE's share of Grand Gulf 1 and Grand Gulf 2 are: the Company, 38.57% and 26.23%; MP&L, 31.63% and 43.97%; and NOPSI, 29.80% and 29.80%, respectively. This allocation was consistent with a prior allocation of capacity and energy for Grand Gulf 1 and Grand Gulf 2 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 AP&L with respect to the Availability Agreement and the Power Purchase Advance Payment Agreement and, in consideration thereof, AP&L has relinquished its rights in the Grand Gulf Station. Each of the System operating companies, including AP&L, will, however, remain primarily liable to MSE and its assignees for payments or advances under the Availability Agreement and the Power Purchase Advance Payment Agreement in accordance with the respective original percentages set forth in the immediately preceding paragraph. AP&L would be obligated to make its share of the payments or advances only if the other System operating companies were unable to meet their contractual obligations. It was recommended that the responsibility for 36% of the capacity and energy of Grand Gulf 1 be allocated to AP&L in the initial decision of an administrative law judge acting in the FERC proceeding relating to the sale by MSE of capacity and energy from the Grand Gulf Station pursuant to the Unit Power Sales Agreement. This decision, which must be reviewed by the FERC, is discussed in "Recent Developments—Rate Matters" above.

The Company is a member-insured under a primary property damage insurance policy provided by Nuclear Mutual Limited, a mutual insurer. As a member-insured, the Company is subject to assessments if losses exceed the accumulated funds available to the insurer. The present maximum assessment for incidents occurring during a policy year is approximately $16 million for the 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. The principal issue is whether customer deposits are includable in taxable income. 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 and approved. The Company believes that adequate provisions have been recorded on the books. Any final liability that may result from resolution of the customer deposits issue would not have a material effect on net income, because income taxes on customer deposits would be normalized.

In the interest of increased economic efficiency, the Company and NOPSI are continuing the development of a plan to consolidate the two companies and their operations into a new company to be called Louisiana Power & Light Company. Middle South, which currently owns all of the outstanding common stock of the Company and NOPSI, would own all of the common stock of the new company.

See "Construction Program and Future Financing" and "Recent Developments—Rate Matters" for information regarding certain commitments and financing obligations of the Company.

Note 2. Change in Accounting Method

Prior to December 31, 1983 the Company recognized revenue when billed. To provide a better matching of revenues and expenses, effective January 1, 1984 the Company adopted, in March 1984, a change in its accounting method to provide for accrual of the non-fuel portion of estimated unbilled revenues. Unbilled revenues result from energy delivered since the period covered by the latest billings to customers. The

cumulative effect of this accounting change as of January 1, 1984 was recorded in March 1984 and increased first quarter 1984 net income approximately $17.6 million.

Had this new accounting method been in effect during 1983, the Company's net income before the cumulative effect would have been approximately $2.0 million lower than that shown in the accompanying financial statements.

Note 3. Settlement Agreement with Gas Supplier

During the first quarter of 1984, the Company continued to make refunds to its customers, in accordance with the March 1983 order of the LPSC, in connection with a settlement agreement with a gas supplier. Through March 31, 1984, the Company had made refunds of $646.7 million, including interest.

Note 4. Retained Earnings

The Company's Mortgage and Articles of Incorporation contain provisions restricting the payment of cash dividends on common stock. At March 31, 1984, all retained earnings were free from such restrictions.

Note 5. Rate Matters

See "Recent Developments — Rate Matters" regarding the Company's rate matters.

LOUISIANA POWER & LIGHT COMPANY

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

Financial Condition

The Company's financial condition improved in the first quarter of 1984. This improvement is primarily the result of its including in net income for the quarter the cumulative effect to January 1, 1984 of the following change in accounting method. Effective January 1, 1984, the Company began accruing as revenues the non-fuel portion of charges for electric service related to energy delivered but not yet billed. (See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".) Previously, revenues were recorded as billed.

At March 31, 1984, the earnings coverage for the Company's First Mortgage Bonds was 2.06 times the annual mortgage bond interest requirements, and its earnings coverage for Preferred Stock was 1.64 times the annual interest charges and preferred dividend requirements. Based upon these coverages, which include the cumulative effect of the above-mentioned accounting change, the Company could have issued approximately $22 million principal amount of additional First Mortgage Bonds at an assumed annual interest rate of 16% (plus any First Mortgage Bonds issued for refunding purposes) or approximately $110 million aggregate par value of additional Preferred Stock at an assumed annual dividend rate of 16%.

With regard to rate matters, on April 12, 1984, the Company filed with the LPSC a request for a $316 million net increase in its revenues from retail customers. The increase will be needed to provide cash earnings that reflect the in-service status of Waterford 3 and Grand Gulf 1, which are presently scheduled for commercial operation in the fourth quarter of 1984 and the first quarter of 1985, respectively. In connection with that portion of the request related to Waterford 3, the Company has proposed a plan to phase into rates the costs associated with that facility. The Grand Gulf 1 portion of this filing is based on the Company receiving a 14% allocation of MSE's share of the unit, as provided in the initial decision by an administrative law judge of the FERC. The administrative law judge's decision now goes before the FERC, which has not yet ruled on the matter. Because the question of how much of Grand Gulf 1's output will be assigned to the Company remains unsettled, the rate application proposes a formula-type rate adjustment clause. The proposed clause would permit the Company to recover non-fuel related expenses associated with buying power from Grand Gulf 1, no matter what portion of the unit's output is allocated to the Company. Accordingly, if the Company were allocated 38.57% of MSE's share of Grand Gulf 1 (as initially proposed to the FERC), its total requested net increase in revenues would be $496 million.

Liquidity and Capital Resources

Construction expenditures (including AFDC) decreased from $116 million in the first quarter of 1983 to $102.8 million in the corresponding period in 1984. The Company satisfied its cash requirements in respect of first quarter construction costs in part through application of a portion of the cash proceeds from a settlement with a gas supplier and in part with funds provided from operations. In January 1984, the Company received a third cash installment of $250 million from the gas supplier. For further information regarding the related settlement, reference is made to Note 3 of Notes to Financial Statements (Unaudited) under "Interim Financial Information" herein and to Note 11 of Notes to Financial Statements in the Company's 1983 Annual Report to Shareholders, which accompanies this Appendix to the Official Statement.

The Company's projection of construction costs for the remaining nine months of 1984 is currently $436 million (including AFDC of $98 million). The Company's obligations in respect of cash sinking funds and debt maturities during this period will amount to $24 million. In addition, the Company is required to make advance power purchase payments of $4.8 million per month until the earlier of the date Grand Gulf 1 is placed in commercial operation or December 31, 1984 (MSE is seeking to extend this date to December 31,

1985). In order to meet these and its other corporate requirements, the Company estimates that it will need to raise from external sources during the remaining nine months of 1984 up to $320 million. To that end, the Company currently plans to sell up to $50 million aggregate par value of its preferred stock, to issue and sell up to $125 million of its common stock to its parent, Middle South (of which $20 million of common stock was so issued and sold in May 1984), to obtain up to $115 million as the proceeds from the sale of the Bonds, and to sell such other securities, including short-term debt, as may be appropriate. In this latter connection, the Company is currently authorized to make short-term borrowings of up to the lesser of $200 million or 10% of capitalization, of which $89.1 million was outstanding at March 31, 1984.

Results of Operations

Net income for the first quarter of 1984 increased $33.6 million, or 142%, over the corresponding period of 1983. The increase was due substantially to the change in accounting method mentioned above. The cumulative effect of this change, after deducting income taxes, was to increase net income by $17.6 million. In addition, the increasing amount of AFDC attributable to the continuing construction of Waterford 3 accounted for $11.2 million of the total increase in net income. Other factors contributing to the increase included cooler than normal weather conditions, the initial effect of a $69 million annual retail rate increase implemented on March 2, 1984, and continuing cost control measures.

The $4.8 million net increase in fuel and purchased power expenses in the first quarter of 1984 was primarily due to a net increase in energy requirements. Deferred fuel costs decreased by $12 million during the first quarter of 1984 reflecting the offset to the difference between energy costs recorded and energy costs recovered under the fuel adjustment clause.

Income tax expense increased in the first quarter of 1984 because the increase in pre-tax book income was greater than the offsetting increase in recorded AFDC.

For the quarter ended March 31, 1984, the combined interest on long-term debt and other interest-net decreased by $3.2 million primarily as a result of decreased interest accrual requirements by the Company on the portion of the proceeds used by the Company of the above-mentioned settlement entered into by the Company with a gas supplier.

Summary

The Company believes that with the retail rate relief received in the first quarter of 1984, together with anticipated sales of securities, the Company should be able to complete its 1984 construction program and meet its other corporate requirements for 1984. However, the ability of the Company to secure adequate and timely rate relief to cover the expenses associated with the in-service status of Waterford 3 and Grand Gulf 1 will have a significant effect on the Company's ability 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.

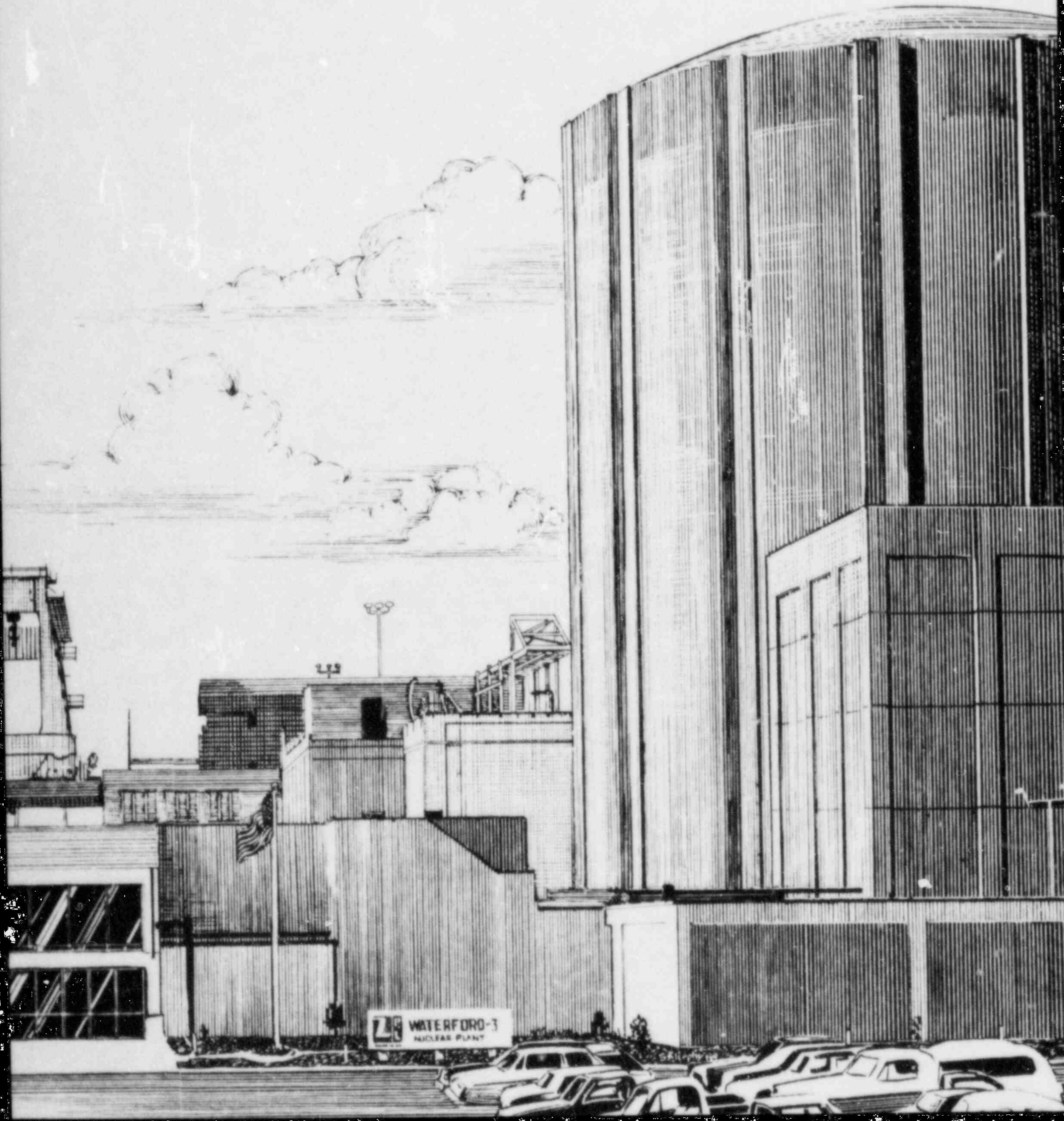
EXPERTS

The Company's financial statements and supplemental schedules incorporated by reference in this Appendix to the Official Statement, except to the extent described below, have been examined by Deloitte Haskins & Sells, independent Certified Public Accountants, as stated in their opinions included or incorporated by reference in the Annual Report of the Company on Form 10-K for the year ended December 31, 1983, incorporated by reference herein, and have been so incorporated by reference in reliance upon such opinions given upon their authority as experts in auditing and accounting.

With respect to unaudited interim financial information included under "Interim Financial Information" herein and in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, incorporated herein by reference, Deloitte Haskins & Sells has applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in such Quarterly Report on Form 10-Q incorporated by reference herein, they did not audit and do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The statements made under "Recent Developments—Rate Matters" herein and in the above referred to Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which are incorporated herein by reference, in each case as to matters of law and legal conclusions pertaining to titles to properties, franchises and other operating rights of the Company, regulations to which the Company is subject and any legal proceedings to which the Company is a party, are made on the authority of Monroe & Lemann (A Professional Corporation), General Counsel for the Company, and such statements are included in such documents and herein in reliance upon their authority as experts.

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

Transfer Agent for Preferred Stock
Bradford Trust Company
67 Broad Street
New York, New York 10004

Registrar for Preferred Stock
Chemical Bank
Corporate Trust Department
55 Water Street
New York, New York 10041

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 Louisiana 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 cost 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 38.57% 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 13¼%. 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, 9⅜% 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.

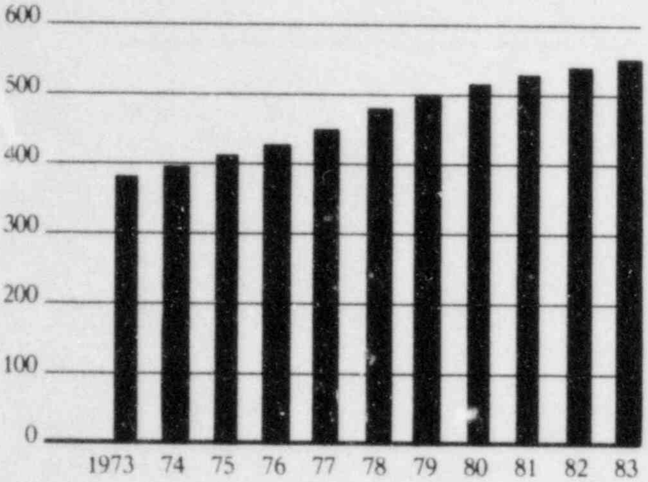
For the Board of Directors
February 23, 1984.

James M. Cain

James M. Cain

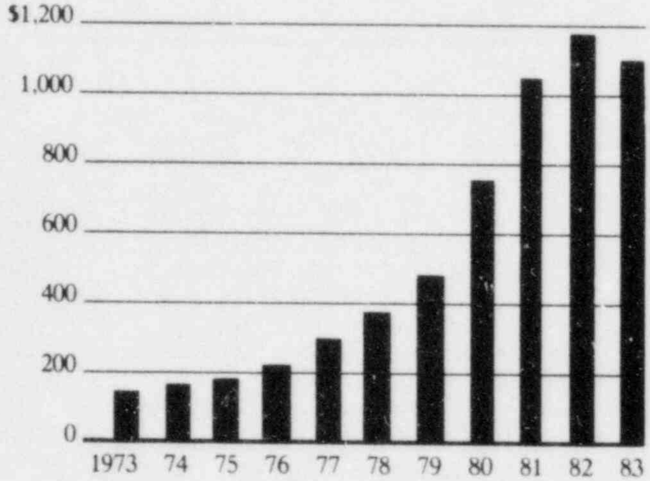
Customers

(Thousands)



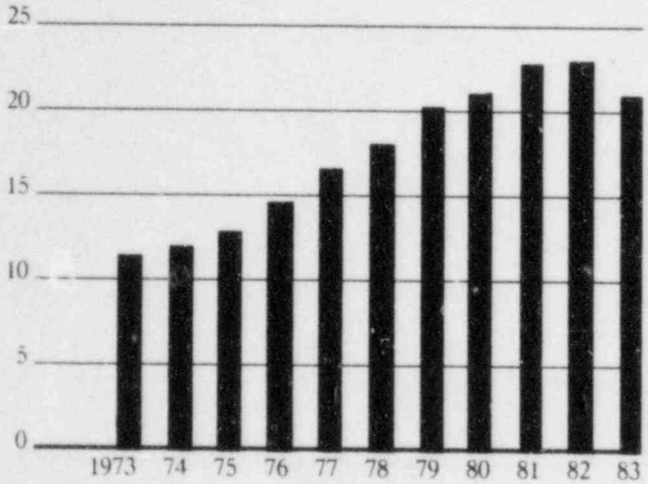
Operating Revenues

From Retail Customers *(Millions of Dollars)*



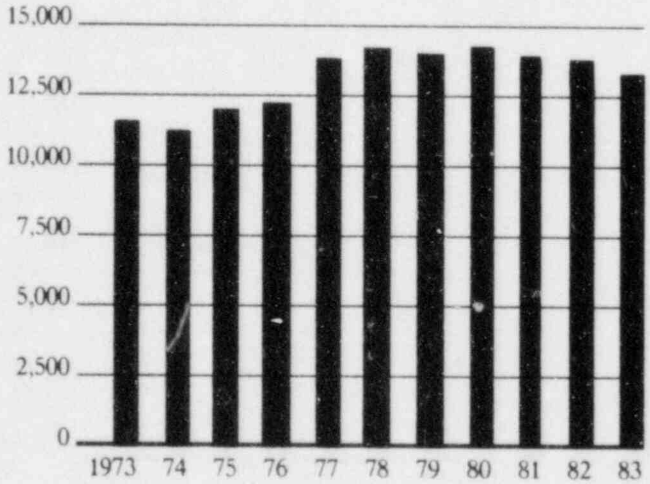
Energy Sales

To Retail Customers *(Billions of Kilowatt Hours)*



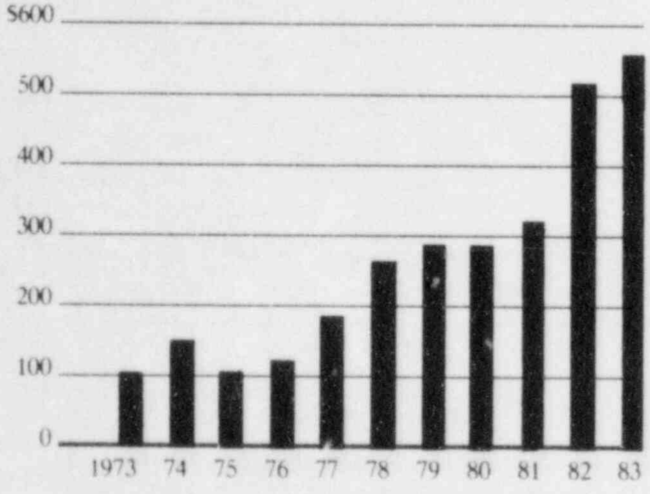
Average KWH Use

Per Residential Customer



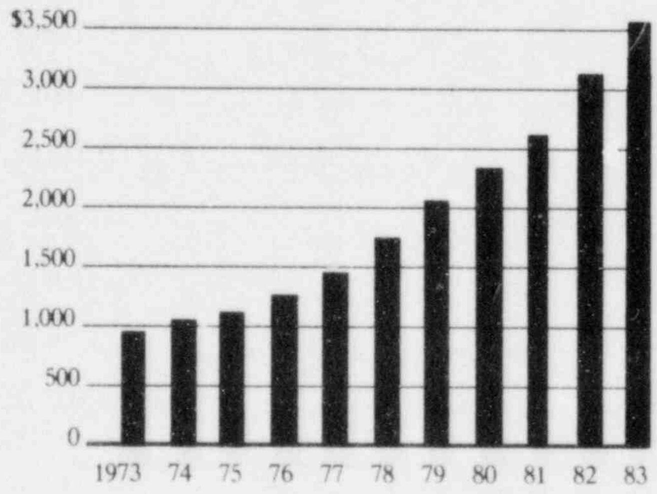
Construction Expenditures

(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 adverting 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 (AFDC), 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 abovementioned 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.

Deloitte Haskins & Sells

New Orleans, Louisiana
February 20, 1984

BALANCE SHEETS
December 31, 1983 and 1982

Assets

	1983	1982
	(In Thousands)	
UTILITY PLANT (Notes 4 and 7):		
Electric	$1,463,856	$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)	
CAPITALIZATION:		
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
CURRENT LIABILITIES:		
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
DEFERRED CREDITS:		
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
RESERVES:		
Property insurance	4,540	4,531
Injuries and damages	957	1,040
Total	5,497	5,571
COMMITMENTS AND CONTINGENCIES (Notes 4, 7 and 11)		
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	1,022,474	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 11)	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	165	181
Total	152,629	133,472	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
FUNDS PROVIDED BY:			
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*	29,020	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
FUNDS APPLIED TO:			
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:

	Shares Authorized at December 31, 1983	Shares Outstanding at December 31, 1983	Shares Outstanding at December 31, 1982	Current Call Price Per Share
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	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	3,045,000	—	—	
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	$145,882	$145,882
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	$240,951	$169,101

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:		
9⅜% Series due 1983	$ —	$ 50,000
3⅛% Series due 1984	18,000	18,000
9 % Series due 1986	75,000	75,000
4¾% Series due 1987	20,000	20,000
15¾% Series due 1988	50,000	50,000
10⅞% Series due 1989	45,000	45,000
5 % Series due 1990	20,000	20,000
16 % Series due 1991	75,000	75,000
16¼% Series due December 1, 1991	100,000	100,000
12 % Series due 1993	100,000	—
4⅝% Series due 1994	25,000	25,000
5¾% Series due 1996	35,000	35,000
5⅝% Series due 1997	16,000	16,000
6½% Series due September 1, 1997	18,000	18,000
7⅛% Series due 1998	35,000	35,000
9⅜% Series due 1999	25,000	25,000
9⅜% Series due 2000	20,000	20,000
7⅞% Series due 2001	25,000	25,000
7½% Series due 2002	25,000	25,000
7½% Series due November 1, 2002	25,000	25,000
8 % Series due 2003	45,000	45,000
8¾% Series due 2004	45,000	45,000
8¼% Series due 2006	40,000	40,000
10 % Series due 2008	60,000	60,000
13½% Series due 2009	55,000	55,000
13¼% Series due 2013	100,000	—
13 % Series due September 1, 2013	50,000	—
Total First Mortgage Bonds	1,147,000	947,000

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	
		% of Pre-Tax		% of Pre-Tax		% of Pre-Tax
	Amount	Income	Amount	Income	Amount	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	$48,655	27.0%	$71,367	37.8%	$77,504	38.4%

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

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

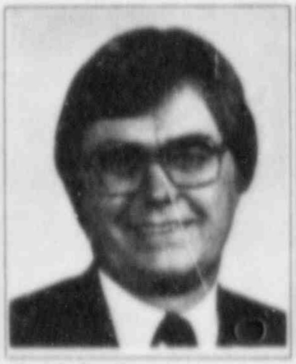
N. J. Briley
Assistant Secretary

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

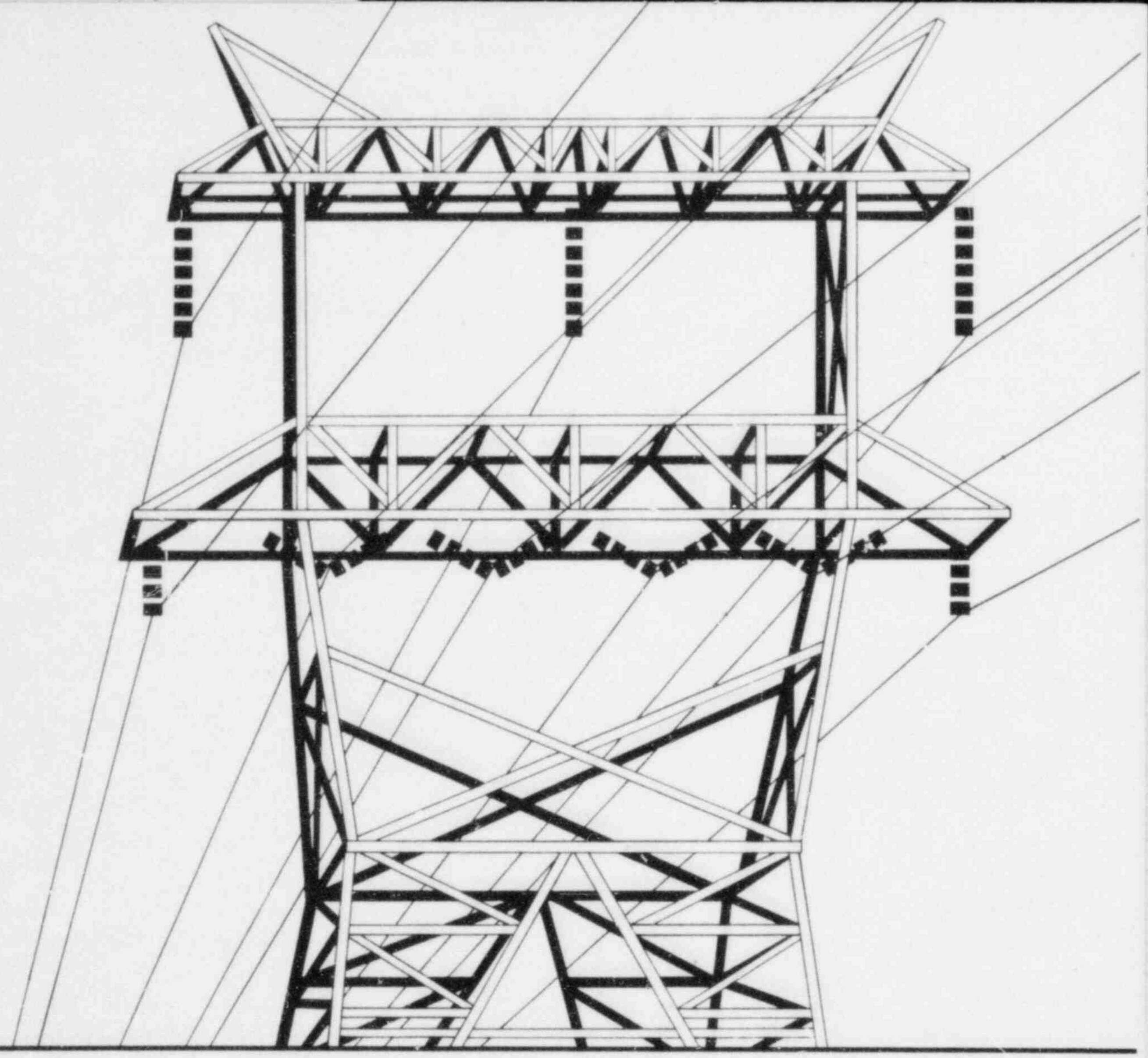
J. J. McCloskey, Jr.
Southeastern Division

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



LOUISIANA POWER & LIGHT
MIDDLE SOUTH UTILITIES SYSTEM

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.

APPENDIX B

CITIBANK, N.A.

The information contained in this Appendix B has been provided by Citibank, N.A., and no assurance can be given by the Parish of St. Charles, Louisiana, the Company or the Underwriters as to its accuracy or completeness. Any prospective purchaser of the Bonds with questions concerning Citibank, N.A. or Citicorp should address such questions to Citibank, N.A., 399 Park Avenue, New York, New York 10043, Attention: Investor Relations Department.

APPENDIX B

CITIBANK, N.A.

Citibank, N.A. (the "Bank") is a wholly owned subsidiary of Citicorp, a Delaware corporation whose principal office is located in New York, New York, and is Citicorp's principal subsidiary. The Bank is a commercial bank offering a wide range of banking and trust services to its customers in the New York City metropolitan area, throughout the United States and around the world. As of December 31, 1983, together with its subsidiaries, it had total assets of approximately $111 billion, total deposits of approximately $77 billion, total net loans of approximately $69 billion and stockholder's equity of approximately $6 billion.

The consolidated balance sheet of the Bank as of December 31, 1983 and as of December 31, 1982 is set forth on page 37 of the 1983 Citicorp Annual Report and Form 10-K, on file with the Securities and Exchange Commission. The Bank will provide without charge to each person to whom this Official Statement is delivered, on the request of any such person, a copy of the 1983 Citicorp Annual Report and Form 10-K referred to above and of the Citicorp Report on Form 10-Q for the quarter ended March 31, 1984. Written requests should be directed to: Citibank, N.A., 399 Park Avenue, New York, New York 10043, Attention: Investor Relations Department.

APPENDIX C

Form of Bond Counsel's Opinion

[Letterhead of Cox, Huppenbauer & Osborne]

HONORABLE PARISH COUNCIL
Parish of St. Charles
Hahnville, Louisiana 70057

FIRST NATIONAL BANK OF COMMERCE
210 Baronne Street
New Orleans, Louisiana 70112
Attention: Trust Department

KIDDER, PEABODY & CO. INCORPORATED
MERRILL LYNCH CAPITAL MARKETS
Merrill Lynch, Pierce, Fenner & Smith Incorporated
MORGAN STANLEY & CO. INCORPORATED
HOWARD, WEIL, LABOUISSE, FRIEDRICHS INCORPORATED,
as representatives
c/o KIDDER, PEABODY & CO. INCORPORATED
10 Hanover Square
New York, New York 10005

Re: $115,000,000 Parish of St. Charles, Louisiana—Adjustable/Fixed Rate Pollution Control Revenue Bonds (Louisiana Power & Light Company Project) Series 1984

Gentlemen:

This is to certify that we have examined a certified transcript of the proceedings taken by the Parish Council of the Parish of St. Charles, State of Louisiana, and other proofs in connection with the issuance, sale and delivery of One Hundred Fifteen Million Dollars ($115,000,000) Adjustable/Fixed Rate Pollution Control Revenue Bonds (Louisiana Power & Light Company Project) Series 1984 (the "Bonds") of the Parish of St. Charles, State of Louisiana (the "Issuer"). The Bonds are issuable in fully registered form, mature on June 1, 2014 and bear interest at the rate of 8.75% per annum from their date to and including May 31, 1987. For each 12-month period (commencing June 1, 1987) thereafter, prior to the date on which the Bonds bear interest at a fixed interest rate (as provided in the hereinafter described Indenture), the Bonds will bear interest at an adjusted interest rate (as provided in the Indenture) determined on the June 1 commencing such 12-month period. So long as the Bonds bear interest at an adjusted interest rate, owners of Bonds will have the right to have their Bonds purchased at a price equal to 100% of the principal amount thereof, plus accrued interest, on June 1 of every year prior to and including the Fixed Rate Date (as defined in the Indenture). In no event shall the interest rate on the Bonds exceed fifteen percent (15%) per annum prior to the Fixed Rate Date or eighteen percent (18%) per annum on or after the Fixed Rate Date.

Under certain circumstances, the Bonds will bear interest at a fixed interest rate for the remainder of the term thereof. After the Fixed Rate Date, owners of Bonds will no longer have the right to tender their Bonds for purchase and the Letter of Credit (hereinafter described) will be terminated.

The Bonds are issued initially to Kidder, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Howard, Weil, Labouisse, Friedrichs Incorporated in denominations of $28,750,000 each. The Bonds are subject to redemption prior to maturity at the times, in the manner, at the prices and upon the terms set forth in the Indenture and in the Bonds.

Principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America at the principal office of First National Bank of Commerce, in the City of New Orleans, Louisiana (the "Trustee"), or its successor or successors, as Paying Agent, or at the principal office of any Co-Paying Agent appointed in accordance with the Indenture, at the option of the owner of each Bond. Interest on the Bonds is payable by check mailed to the registered address of the registered owners of the Bonds as set forth in the Indenture.

We have also examined executed and authenticated Bond No. R-1 of said issue, an executed copy of a Trust Indenture dated as of June 1, 1984 between the Issuer and the Trustee (the "Indenture"), and filed in the office of the Clerk of Court and Ex-Officio Recorder of Mortgages in and for the Parish of St. Charles, State of Louisiana, for the purpose of securing the Bonds, and an executed copy of the Sale Agreement dated as of May 1, 1984 (the "Agreement") between the Issuer and Louisiana Power & Light Company, a Louisiana corporation (the "Company"), whereby the Issuer has agreed to acquire the Project (as defined in the Agreement) and sell the same to the Company.

We are of the opinion that the proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Louisiana, particularly Sections 991 to 1001, inclusive, and Section 1421.1 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and pursuant to ordinances adopted by the Parish Council of the Issuer on May 7, 1984 and June 7, 1984, that the Issuer is a validly existing political subdivision of the State of Louisiana and that the Bonds, to the amount named, have been duly authorized, executed, issued and delivered and constitute valid and binding limited obligations of the Issuer, payable as to both principal and interest solely from and secured by a first, prior and paramount lien on and pledge of the income and revenues to be derived by the Issuer from the sale of the Project as provided by the Agreement and the Indenture. The Bonds are issued under and are to be equally and ratably secured and entitled to the protection of the Indenture. Certain payments with respect to the Bonds are to be made from funds available to be drawn by the Trustee under a Letter of Credit issued by Citibank, N.A., in the City of New York, New York, as provided in the Indenture.

We are further of the opinion that the Indenture has been duly authorized pursuant to law, has been properly executed, delivered and recorded, constitutes a valid and binding pledge of the income and revenues to be derived by the Issuer from the Project in the manner provided therein, contains terms, covenants and conditions for the protection of the security and rights of the holders of the Bonds in accordance with law, adequate for such purpose, and constitutes a valid and legally binding agreement of the parties thereto enforceable in accordance with its terms.

We are further of the opinion that the Agreement has been duly authorized pursuant to law, has been properly executed and delivered by the parties thereto and recorded, constitutes a valid and legally binding agreement enforceable in accordance with its terms (except as enforcement may be limited by judicial discretion, the exercise of the sovereign police powers of the State of Louisiana and bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to the enforcement of creditor's rights), and that the rights of the Issuer thereunder have been duly and legally pledged and assigned by the Issuer to the Trustee as further security of the Bonds.

In concluding that the Project is a pollution control and solid waste disposal facility within the meaning of Sections 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended (the "Code"), we requested and reviewed a written statement and certificate of representatives of the Company, who represented that they were familiar with the Project and the facilities of the Company in the Parish of St. Charles. We have also relied upon the certificate of a representative of the Company with respect to the reasonable expected economic life of the Project and the average maturity of the Bonds.

We are further of the opinion, based on existing law, including the Code, Regulations thereunder of the Department of the Treasury of the United States (including Temporary and Proposed Regulations), rulings and court decisions applicable to the Bonds, that interest on each such Bond earned by the holder thereof will be exempt from all federal income taxation, except that such exemption is not applicable with respect to interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 103(b) of the Code, is either a "substantial user" of the Project or a "related person", as those terms are used in said Section 103(b). We are further of the opinion, based upon existing Louisiana statutes, that the Bonds and income therefrom are exempt from all taxation in the State of Louisiana.

This opinion does not take into account the effect of the pending legislation described in the Official Statement dated June 7, 1984 under the heading "Pending Legislation" or any similar legislation which may be enacted by the U.S. Congress.

Respectfully submitted,

Preliminary

PROSPECTUS

Louisiana Power & Light Company

2,000,000 Shares

% Preferred Stock, Cumulative, $25 Par Value

Reference is made to "Description of New Preferred Stock—Redemption Provisions" herein for the terms of a limitation on the right of the Company to redeem shares of New Preferred Stock prior to June 1, 1989. The New Preferred Stock will be entitled to a sinking fund sufficient to retire annually, commencing in June 1989, a minimum of 100,000 shares and a maximum of 200,000 shares at $25 per share plus accumulated and unpaid dividends.

The Company intends to make an application to list the New Preferred Stock on the New York Stock Exchange. Listing will be subject to meeting the requirements of such Exchange, including those relating to distribution.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus is to be used in connection with the Company's Letter to Prospective Purchasers for the New Preferred Stock ("Letter"). The Company will give notice ("Notice") pursuant to the Letter, at least two hours prior to the time proposals for the purchase of the New Preferred Stock are to be submitted, to the firms specified in the Letter of the date, time and place for submission of proposals and the manner in which proposals are to be submitted. In accordance with the Letter, the Company has reserved the right (a) to delete the sinking fund provisions with respect to the New Preferred Stock and (b) to reduce from 2,000,000 the number of shares of the New Preferred Stock to be purchased from it, by means of the Notice. The information contained in this Prospectus is qualified by, and subject to, the effect thereon of any reduction in the number of shares of the New Preferred Stock and/or deletion of the sinking fund provisions with respect thereto.

The date of this Prospectus is June 5, 1984.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NEW PREFERRED STOCK OFFERED HEREBY OR ANY OTHER PREFERRED STOCK OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

Louisiana Power & Light Company ("Company") is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission ("SEC"). Such reports include information, as of particular dates, concerning the Company's directors and officers, their remuneration, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company. Such reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C.; Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; Federal Building, 26 Federal Plaza, New York, New York; and 5757 Wilshire Boulevard, Los Angeles, California. Copies of this material can also be obtained at prescribed rates from the Public Reference Section of the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Company's series of 12.64% Preferred Stock is listed on the New York Stock Exchange. Reports and other information concerning the Company can be inspected and copied at the office of such Exchange at 20 Broad Street, New York, N.Y.

Shareholders of the Company are furnished copies of an Annual Report to Shareholders containing financial statements as of the end of the most recent fiscal year examined and reported upon (with an opinion expressed) by independent certified public accountants.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents or portions thereof are incorporated in this Prospectus by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1983, as filed with the SEC pursuant to the Exchange Act.

2. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, as filed with the SEC pursuant to the Exchange Act.

3. The Company's Current Report on Form 8-K, dated May 23, 1984, as filed with the SEC pursuant to the Exchange Act.

4. The portions of the Company's 1983 Annual Report to Shareholders included under the following captions: "Area served by LP&L", "Highlights", "To our stockholders and employees", "Customers", "Operating Revenues", "Energy Sales", "Average KWH Use", "Construction Expenditures", "Gross Utility Plant", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Auditors' Opinion", "BALANCE SHEETS—December 31, 1983 and 1982", "STATEMENTS OF INCOME—For the years ended December 31, 1983, 1982 and 1981", "STATEMENTS OF RETAINED EARNINGS—For the years ended December 31, 1983, 1982 and 1981", "STATEMENTS OF CHANGES IN FINANCIAL POSITION—For the years ended December 31, 1983, 1982 and 1981", "Notes to Financial Statements—For the years ended December 31, 1983, 1982 and 1981", and the information with respect to the years 1979-1983 under the caption "Record of Progress 1973-1983". The portions of the Company's 1983 Annual Report to Shareholders included under the following captions are not incorporated in this Prospectus by reference: "Report of Management", the information with respect to the years 1973-1978 under the caption "Record of Progress 1973-1983", "Directors", "Officers", "Department Heads", "Division Managers" and "Emergency Preparedness for Waterford 3".

A copy of the Company's 1983 Annual Report to Shareholders accompanies this Prospectus. The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the other documents incorporated by reference, other than exhibits to such documents. Requests should be directed to Mr. W. H. Talbot, Secretary, Louisiana Power & Light Company, 317 Baronne Street, New Orleans, Louisiana 70112, telephone number: 504-595-3100. The information relating to the Company contained in this Prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated by reference.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company and the offering, has been selected from, or is based upon, the detailed information and financial statements included or incorporated by reference in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

THE OFFERING

Issuer	Louisiana Power & Light Company
Securities Offered	2,000,000 shares of % Preferred Stock, Cumulative, $25 Par Value ("New Preferred Stock")
Dividend Payment Dates	Quarterly, commencing August 1, 1984

THE COMPANY

Business	Electric Utility
Area of Operations	46 of the 64 parishes (counties) in Louisiana
Customers (at December 31, 1983)	552,025

SELECTED FINANCIAL INFORMATION
(Dollars in Thousands)

	Twelve Months Ended			
	December 31,			March 31, 1984 (unaudited)(1)
	1981	1982	1983	
INCOME DATA:				
Operating Revenues	$1,117,761	$1,195,583	$1,144,743	$1,145,439
Net Income	124,469	117,458	131,546	165,124

	March 31, 1984 (unaudited)			
	Actual		Adjusted(2)	
BALANCE SHEET DATA:				
Common Shareholder's Equity	$ 791,961	34%	$ 811,961	32%
Preferred Stock (without sinking fund)	145,882	6	145,882	6
Preferred Stock (with sinking fund)	240,951	10	290,951	11
Long-Term Debt (excludes current maturities)	1,172,019	50	1,287,019	51
Total	$2,350,813	100%	$2,535,813	100%

(1) Includes the cumulative effect ($17.6 million net of taxes) of an accounting change effective January 1, 1984 and recorded in March 1984 to provide for accrual of the non-fuel portion of estimated unbilled revenues. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".

(2) Adjusted to reflect (i) the sale of the New Preferred Stock, (ii) the net increase in long-term debt resulting from the proposed issuance in June 1984 of $115 million principal amount of pollution control revenue bonds and (iii) the sale of $20 million of the Company's common stock to Middle South in May 1984.

THE COMPANY

The Company was incorporated under the laws of the State of Louisiana on October 15, 1974 and is successor by merger to a predecessor Louisiana Power & Light Company which was incorporated under the laws of the State of Florida in 1927. The merger of such predecessor corporation into the Company became effective on February 28, 1975, and information and data herein with respect to a time or period on or prior to that date refer to the predecessor corporation. The Company's principal executive office is located at 142 Delaronde Street, New Orleans, Louisiana 70174. Its telephone number, including area code, is (504) 366-2345.

The Company is an electric public utility company with all of its operations in the State of Louisiana. Middle South Utilities, Inc. ("Middle South"), which is a registered public utility holding company under the Public Utility Holding Company Act of 1935 ("Holding Company Act"), owns all of the outstanding common stock of the Company. The Company, Arkansas Power & Light Company ("AP&L"), Mississippi Power & Light Company ("MP&L") and New Orleans Public Service Inc. ("NOPSI") are the principal operating subsidiaries of Middle South ("System operating companies"). Middle South owns all of the capital stock of Middle South Energy, Inc. ("MSE"), a generating subsidiary organized in 1974 to provide financing and ownership of certain future base load generating units, Middle South Services, Inc. ("MSS"), a service company, and Electec, Inc., a non-utility company established in December 1983. Middle South and its various direct and indirect subsidiaries are referred to herein as the "Middle South System".

The Company, AP&L, MP&L and NOPSI own all the capital stock of System Fuels, Inc. ("SFI"), a special purpose company formed to plan and implement programs for the procurement, delivery and storage of fuel supplies for the Middle South System.

In the interest of increased 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. Middle South would own all the common stock of the new company.

USE OF PROCEEDS

The net proceeds to be received by the Company from the issuance and sale of the New Preferred Stock will be used for the payment in part of outstanding short-term borrowings estimated not to exceed $175 million at the time the sale proceeds are received, for the financing in part of the Company's construction program and for other corporate purposes.

CONSTRUCTION PROGRAM AND FUTURE FINANCING

The Company's 1984 construction program contemplates expenditures of approximately $539.2 million, of which $102.8 million had been expended through March 31, 1984. This estimate contemplates the expenditure of approximately $452.1 million for production facilities, $33.0 million for transmission facilities, $50.0 million for distribution facilities and $4.1 million for other plant. These amounts include allowance for funds used during construction ("AFDC") of $157.9 million and exclude expenditures for nuclear fuel.

The Company estimates that, subsequent to the receipt of the proceeds from the sale of the New Preferred Stock, it will require approximately $250 million of additional funds from external sources to finance its 1984 construction program and for other corporate purposes, and expects to obtain these funds through the sale of up to $115 million principal amount of pollution control revenue bonds, the sale of up to $105 million of its common stock to Middle South and through the issuance and sale of such other securities, including short-term debt, as may be determined to be appropriate. In this latter connection, the Company has authority from the SEC under the Holding Company Act to make short-term borrowings from time to time through December 31, 1985 in amounts at any one time outstanding of up to the lesser of $200 million or 10% of the Company's total capitalization through participation in the Middle South System money pool, by the issuance and sale of commercial paper and by loans from banks. At April 30, 1984, the Company had borrowed $17.2 million from the Middle South System money pool and $123 million from banks. The proceeds of these borrowings are used to finance construction and other corporate expenditures pending permanent financing.

Reference is made to information below concerning the ability of the Company to raise additional funds from external sources through the sale of additional First Mortgage Bonds or Preferred Stock.

The Company estimates that its construction expenditures during the period 1984-1986 will be approximately $909.7 million. Of this amount, approximately $150.5 million will be spent in 1985 and $220.0 million in 1986 (including AFDC of $3.9 million in 1985 and $10.4 million in 1986). In addition, during the period 1984-1986 the Company will require capital for the funding of $101 million of maturing long-term debt, for the redemption of $18 million of Preferred Stock pursuant to sinking fund requirements and for the funding of $243 million of deferred costs in connection with the Company's rate moderation proposal described below under "Recent Developments—Rate Matters". During the period 1984-1986, the Company estimates that its requirements for capital funds from external sources will be approximately $394 million.

The Company is the owner of Unit 3 at the Waterford Steam Electric Generating Station ("Waterford 3"), a 1,104 megawatt nuclear generating unit currently under construction at Killona, Louisiana. The following tabulation shows estimated construction expenditures for Waterford 3 for the periods indicated.

Unit	Prior to 1984	1984	1985	1986	Total Cost	Scheduled Year of Completion
			(Dollars in Millions)			
Waterford 3 (nuclear)*	$2,206.1	$437.6	$5.3	—	$2,649.0	1984

* The costs shown above include AFDC but exclude costs of acquiring nuclear fuel. Actual expenditures and date of completion may vary from the estimates because of availability of financing, changes in the Company's plans, additions and changes required by regulatory authorities, cost fluctuations, the availability of labor, materials and equipment, licensing and testing delays and other factors.

The Company believes that Waterford 3 is ready for fuel loading. Although the Company has requested a full power operating license, it is expected, based upon recent Nuclear Regulatory Commission ("NRC") practice, that the initial license will be a "5% power license" which will permit the Company to load fuel at Waterford 3 and to operate at up to 5% of full power to conduct low power testing. Should a 5% power operating license be granted in the second quarter of 1984, the Company will proceed with arrangements for NRC reviews toward obtaining the full power license consistent with the start-up and power ascension schedule. Nuclear generating units under construction have been experiencing delays during this period not only as a result of the testing process but also as a result of regulatory delays and opposition before regulators, or otherwise, of anti-nuclear groups. Assuming that the NRC issues an operating license in the second quarter of 1984, as expected, the Company estimates that the unit will be placed in commercial operation in the fourth quarter of 1984 at a total cost for such unit (excluding nuclear fuel) of $2.65 billion. Any delay in commercial operation would result in the cost of Waterford 3 increasing by approximately $12.25 million per month as a result of ongoing financing charges.

Earnings coverage requirements are contained in the Company's Mortgage and Deed of Trust, dated as of April 1, 1944, as supplemented, to The Chase National Bank of the City of New York (The Chase Manhattan Bank (National Association), successor) and Carl E. Buckley (J. A. Payne, successor), as trustees ("Mortgage"), and its Restated Articles of Incorporation, as amended ("Articles of Incorporation"), for the issuance of additional First Mortgage Bonds and additional shares of Preferred Stock, respectively. Under the Mortgage, additional First Mortgage Bonds may not (except for the purpose of refunding maturing First Mortgage Bonds and certain other purposes) be issued unless the adjusted net earnings of the Company (as defined in the Mortgage) for 12 consecutive months out of the 15 months immediately preceding the issuance of the additional First Mortgage Bonds shall have been at least twice the amount of the annual interest requirements on all First Mortgage Bonds at the time outstanding, including the additional First Mortgage Bonds being issued, and any indebtedness of prior rank. Under the Articles of Incorporation, the Company may not, without the consent of the holders of at least a majority of the Preferred Stock then outstanding, issue additional shares of Preferred Stock unless the gross income of the Company (as defined in the Articles of Incorporation) for 12 consecutive months out of the 15 months immediately preceding the issuance of the additional shares shall have been at least one and one-half times the sum of the annual interest charges on all interest-bearing indebtedness of the Company and the annual dividend requirements on all outstanding shares of Preferred Stock, including the additional shares being issued.

On the basis of these requirements, the First Mortgage Bond and Preferred Stock earnings coverages would be those stated in the following tabulation:

	Twelve Months Ended December 31, 1981	Twelve Months Ended December 31, 1982	Twelve Months Ended December 31, 1983	Twelve Months Ended April 30, 1984(a)
First Mortgage Bond Coverage	2.61	2.75	1.70	2.12
Preferred Stock Coverage	1.62	1.49	1.43	1.55(b)

(a) Reflects the cumulative effect of a change in accounting method which was effective as of January 1, 1984. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".

(b) Adjusted to give effect to (1) the proposed issuance in June 1984 of $115 million principal amount of pollution control revenue bonds at an assumed annual interest rate of 9% and (2) the sale of the New Preferred Stock at an assumed annual dividend rate of 16%.

Although the Company's First Mortgage Bond coverage ratio at year-end 1983 and Preferred Stock coverage ratios at year-end 1982 and 1983 set forth in the table above were below 2.00 and 1.50, respectively, these coverages during the years 1982 and 1983 were from time to time above the required minimum earnings coverages so that the Company was able to sell additional First Mortgage Bonds and Preferred Stock as needed to continue its construction program. During the period 1981 through March 31, 1984, the Company sold $425 million of additional First Mortgage Bonds (including $50 million for refunding purposes) and $125 million of additional Preferred Stock. The amounts of additional First Mortgage Bonds and Preferred Stock which may be issued in the future are contingent upon increases in earnings and the ability of the Company to obtain adequate rate relief. Unless earnings are increased, the amounts of additional First Mortgage Bonds and Preferred Stock which the Company can issue may be limited.

As of April 30, 1984, based on the coverages stated above (which give effect to the sale of the New Preferred Stock at an assumed annual dividend rate of 16% and the issuance of $115 million of pollution control revenue bonds at an assumed annual interest rate of 9%, as indicated), the Company could have issued approximately $45 million principal amount of additional First Mortgage Bonds at an assumed annual interest rate of 16% (plus any First Mortgage Bonds issued for refunding purposes) or approximately $46 million aggregate par value of Preferred Stock in addition to the New Preferred Stock at an assumed annual dividend rate of 16%.

RECENT DEVELOPMENTS

Recent Operating Results

The following results of operations of the Company for the twelve months ended March 31, 1984 and April 30, 1984 should be considered in conjunction with the information appearing elsewhere in this Prospectus, including the documents incorporated by reference in this Prospectus. In the opinion of the Company, all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of the results of operations for those periods have been made.

	Twelve Months Ended March 31, 1984 (Unaudited)	Twelve Months Ended April 30, 1984 (Unaudited)
	(Dollars In Thousands)	
Income Data(a):		
Operating Revenues	$1,145,439	$1,161,136
Net Income	165,124	171,000
Ratios of Earnings to Fixed Charges and Preferred Dividends(b)	1.76	1.81

(a) Includes the cumulative effect ($17.6 million net of taxes) of an accounting change effective January 1, 1984 and recorded in March 1984 to provide for accrual of the non-fuel portion of estimated unbilled revenues. See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".

(b) The ratios of Earnings to Fixed Charges and Preferred Dividends are calculated pursuant to Item 503 of Regulation S-K of the SEC. "Earnings" represent the aggregate of (1) net income, (2) taxes based on income, (3) investment tax credit adjustments—net and (4) fixed charges. "Fixed Charges" represent

interest, related amortization and interest applicable to rentals charged to operating expenses. "Preferred Dividends", as defined, are computed by dividing the preferred dividend requirement by 100% minus the income tax rate. The corresponding ratios of Earnings to Fixed Charges and Preferred Dividends, as computed in accordance with the foregoing, for the years 1979, 1980, 1981, 1982 and 1983 were 1.64, 1.85, 1.98, 1.69 and 1.52, respectively.

MSE

MSE was incorporated under the laws of the State of Arkansas on February 11, 1974 to construct, finance and own certain base load generating units for the operating subsidiaries of Middle South. MSE will operate solely as an electric generating company, supplying power to the System operating companies, including the Company. For information with respect to the Company's obligation to purchase power from MSE, see "Recent Developments—Rate Matters" and Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information." MSE's only activity to date has been the acquisition, financing and construction of the Grand Gulf Nuclear Generating Station ("Grand Gulf Station"). The Grand Gulf Station consists of two 1,250 MW boiling water reactor nuclear units under construction on the east bank of the Mississippi River near Natchez, Mississippi. South Mississippi Electric Power Association has acquired a 10% interest in the Grand Gulf Station from MSE. Through March 31, 1984, approximately $3.44 billion had been expended by MSE for its 90% ownership interest in the Grand Gulf Station.

On June 16, 1982, the NRC issued an operating license to load fuel at Unit 1 of the Grand Gulf Station ("Grand Gulf 1") and to operate at up to 5% of full power to conduct low power testing. Grand Gulf 1 is in the process of completing its low power testing phase and is awaiting its full power operating license from the NRC in order to begin power ascension testing above 5% power and ultimately to be placed in commercial operation. MSE previously had estimated that Grand Gulf 1 would begin commercial operation in the fourth quarter of 1984 at a total cost for MSE's 90% share of the unit of $2.9 billion. This estimate was based on the assumption that MSE would receive a full power operating license for Grand Gulf 1 from the NRC in the second quarter of 1984. The issuance of the full power operating license is dependent upon the resolution of certain issues raised by the NRC. These issues include the experience level and adequacy of training of reactor plant operators assigned to operate the facility, the reliability of the Grand Gulf 1 Delaval emergency diesel generators and the accuracy of the Grand Gulf 1 Technical Specifications (which are the unit's specifications derived from the analyses and evaluation included in the unit's safety analyses report and include, among other things, safety limits and settings, limiting conditions for operations, surveillance requirements and design features).

To resolve these issues, various actions have been or will be taken. MSE, with the concurrence of the NRC, initiated a program under which all reactor operators at the facility received additional training and the adequacy of their training to safely operate Grand Gulf 1 was confirmed. Furthermore, MSE has undertaken a comprehensive review of the Grand Gulf 1 Technical Specifications and associated documentation to verify their accuracy and their adequacy for safe operation of the unit. In this connection, on April 18, 1984, the NRC issued an order requiring certain specified revisions to the Grand Gulf 1 Technical Specifications. MP&L revised the Technical Specifications in accordance with the NRC order and restarted the unit on April 22, 1984 to conduct further low power testing. Further changes are expected to be made to the Technical Specifications before the unit will be authorized to operate above 5% power. Finally, due to industry-wide problems with Delaval diesel generators, MSE submitted to the NRC a program to verify and enhance the reliability of the Delaval diesel generators at Grand Gulf 1 without disassembly of a generator. However, the NRC rejected MSE's program and on May 22, 1984 issued an order to MP&L requiring a complete disassembly and inspection of one of the Grand Gulf 1 Delaval diesel generators, while Grand Gulf 1 is operating at below 5% power, in order to verify the reliability of the Grand Gulf 1 Delaval diesel generators. MSE anticipates that the complete disassembly and inspection of the diesel generator will take six to eight weeks.

Because of delays in resolving the Technical Specifications issue and the Delaval diesel generator issue and the need to disassemble and inspect one such generator, MSE now estimates that full power operation of Grand Gulf 1 will not be authorized by the NRC until the third quarter of 1984. As a result, it is now estimated that the unit will not be placed in commercial operation until the first quarter of 1985 at a total cost for MSE's 90% share of Grand Gulf 1 estimated to be $3.065 billion (excluding nuclear fuel). MSE now estimates expenditures of approximately $546.5 million in 1984, $366.3 million in 1985 and $387.9 million

in 1986 (including AFDC) in connection with construction of the Grand Gulf Station. MSE plans to meet its construction and other financing requirements prior to commercial operation of Grand Gulf 1 through the sale of pollution control revenue bonds, bank borrowings, payments from certain of the System operating companies, including the Company, under a power purchase advance payment agreement (see Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information"), short-term borrowings, sales of common stock to Middle South, and such other financing as can be obtained.

Nuclear generating units under construction are experiencing delays during their test periods not only as a result of the testing process but also as a result of regulatory delays and opposition before regulators, or otherwise, of anti-nuclear groups. In the absence of any such major delays, it is estimated that testing of Grand Gulf 1 required to achieve commercial operation after the unit is authorized to operate at full power will take from six to seven months. Any delay in commercial operation of the unit results in the cost of MSE's share in Grand Gulf 1 increasing by approximately $25 million per month, primarily as a result of on-going financing charges.

MSE has covenanted with its first mortgage bondholders that it will complete Grand Gulf 1 no later than December 31, 1984. In addition, the Company, MP&L and NOPSI are obligated to begin making payments to MSE equal to the operating costs of Grand Gulf 1 and Grand Gulf 2 if Grand Gulf 1 is not in commercial operation by December 31, 1984. Finally, certain of the System operating companies, including the Company, are obligated, under the power purchase advance payment agreement, to make certain payments to MSE until the earlier of commercial operation of Grand Gulf 1 or December 31, 1984. (See Note 1 of Notes to Financial Statements (Unaudited) under "Interim Financial Information"). MSE has commenced discussions with its lenders, and has filed an application with the SEC, to change these specified dates to December 31, 1985.

Based upon informal discussions with the leading members of each principal creditor group, MSE believes that all necessary approvals and consents to achieve such changes will be obtainable.

Rate Matters

On April 30, 1982, MSS, on behalf of the System operating companies, tendered for filing with the Federal Energy Regulatory Commission ("FERC") an agreement under which the System operating companies proposed to engage in coordinated planning, construction and operation of generation and transmission facilities ("New System Agreement"). On July 29, 1982, the FERC accepted the New System Agreement for filing and ordered it suspended for five months from August 1, 1982. These rates under the New System Agreement became effective, as requested by MSS, on January 1, 1983, subject to refund. Various parties, including the Louisiana Public Service Commission ("LPSC"), the Mississippi Public Service Commission ("MPSC") and the Arkansas Public Service Commission ("APSC"), have intervened in the proceedings. The hearing was concluded in December 1983, and the parties are in the process of briefing the issues preparatory to the decision of the administrative law judge. Some parties to this proceeding are contesting the method by which the New System Agreement equalizes megawatts of reserve capacity among the System operating companies and certain proposals could cause AP&L, and to a lesser degree, the Company, to incur material additional costs. On February 2, 1984, MSS notified the administrative law judge that the Company, MP&L and NOPSI, as a result of reviewing certain of these proposals, would support a method or methods of allocation designed to bring about a form of equalization among the System operating companies of production costs of generating units owned by Middle South System companies and that AP&L would continue to support the cost allocation method originally proposed in the New System Agreement. Accordingly, MSS will no longer represent the System operating companies on the issue of production cost allocation but will continue to represent them on all other issues.

On June 18, 1982, MSE tendered for filing with the FERC, as an initial rate schedule, a unit power sales agreement ("Unit Power Sales Agreement") under which MSE would sell from its 90% share of Grand Gulf 1 and Grand Gulf 2 the following percentage allocations of power: the Company, 38.57% and 26.23%; MP&L, 31.63% and 43.97%; and NOPSI, 29.80% and 29.80%, respectively. The rates and charges after commercial operation commences are based on the cost of service of each unit. Various parties, including the APSC, the LPSC, the MPSC and the Public Service Commission of Missouri, intervened in the proceedings, and some of these intervenors are proposing, among other things, revised allocations of power to the System operating companies, including an allocation of power to AP&L. On August 25, 1982, the FERC accepted the Unit Power Sales Agreement for filing and ordered that it become effective subject to refund upon the initiation of service at the Grand Gulf Station. MSE has petitioned the United States Court of Appeals for the District of Columbia Circuit for review of orders of the FERC requiring that the rates to be charged under the Unit

Power Sales Agreement be subject to refund. On February 3, 1984, the administrative law judge ("ALJ") issued his initial decision in this matter. Principally, the decision recommended that MSE's request for the use of an automatic cost of service adjustment clause for Grand Gulf 1 be upheld, that a decision with respect to Grand Gulf 2 be deferred, that MSE be granted a 16.04% return on common equity rather than the 18% return originally requested by MSE, that MSE's proposed depreciation method be approved, that MSE's proposed method of decommissioning Grand Gulf 1 be approved but that amounts for decommissioning be accumulated in an external fund rather than internally, that MSE's proposed method of tax normalization be approved, that intervenors' requests for adoption of a plant availability incentive rate of return, and requirements that MSE refile the Unit Power Sales Agreement for FERC approval every five years and levelize rates for Grand Gulf 1, be denied and, finally, recommended a different allocation of the capacity and energy from Grand Gulf 1 from that proposed by MSE. The ALJ followed and recommended a proposal made by the LPSC, an intervenor in the proceeding, to allocate Grand Gulf 1 as follows: the Company, 14%; AP&L, 36%; MP&L, 33%; and NOPSI, 17%. He stated that this allocation would cause each System operating company to have a share of Grand Gulf 1 which, when added to its other nuclear capacity, i.e., Waterford 3 and AP&L's Arkansas Nuclear One Generating Station, would result in the cost of its aggregate nuclear capacity being proportionate to its share of Middle South System demand. He further stated that this allocation method would result in the costs of such capacity being more evenly distributed among the companies than if MSE's proposed allocation method were used. MSE, AP&L and other parties to this proceeding have excepted from the decision. The matter is pending before the FERC for its decision. At this time, the Company is unable to predict when such decision will be rendered. Reference is made to certain developments in the New System Agreement case described above.

The effect of the ALJ's decision in the MSE proceeding and the positions of certain of the parties in the New System Agreement proceeding would be to allocate substantially larger or smaller amounts of production costs of generating units owned by Middle South System companies to each of the System operating companies with consequent significant increases or decreases, as the case may be, in revenue requirements for each of the System operating companies. The Company and the other System operating companies are seeking or will seek retail rate relief sufficient to cover their respective revenue requirements for purchased power from other Middle South System companies under any allocation alternative. The outcomes of these proceedings cannot be predicted. If the Company is unable to obtain adequate and timely retail rate relief to meet its purchased power obligations to other Middle South System companies, the financial condition of the Company would be adversely affected.

On January 24, 1983, the Company filed with the LPSC a general rate increase application with respect to customers under its jurisdiction, asking authorization to put into effect new retail rate schedules designed to provide additional annual net revenues in 1984 of approximately $412 million over projected 1983 revenues based on the assumptions that Grand Gulf 1 being constructed by MSE and Waterford 3 being constructed by the Company are in commercial operation throughout the test year and that the Company would defer for subsequent recovery certain of the costs associated with Grand Gulf 1. In light of the LPSC order of March 21, 1983 permitting the Company to use over a ten-year period a portion of the cash proceeds received by the Company in connection with the settlement of a dispute with a gas supplier, the Company reduced its $412 million general rate increase request to $309 million. Under date of February 20, 1984, the LPSC issued its order in the matter. The order used actual financial results for the twelve months ended June 30, 1983 as the test period and included adjustments consistent with the traditional practice of the LPSC. In principal effect, the order (1) after adverting to certain delays in the commercial operation dates for Grand Gulf 1 and Waterford 3, rejected any allowance in rates which would reflect an in-service status for either Grand Gulf 1 or Waterford 3, 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; and (2) permitted the Company an increase of approximately $69 million per year in its rates and charges for electric service. 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 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.

On April 12, 1984, the Company filed with the LPSC an additional general rate increase application with respect to customers under its jurisdiction. The Company requested authorization to put into effect, upon commencement of commercial operation of Waterford 3, new retail rate schedules designed to provide an

annual net increase in revenues, based on the test year ended June 30, 1983, of $234,517,582. The amount so requested was based on the additional revenue requirements of the Company after giving effect to the projected reduction in fuel costs associated with nuclear generation in the amount of approximately $119,845,000 and a rate moderation proposal. This rate moderation proposal contemplates that the Company would defer the collection from customers of an aggregate of $270,000,000 of the amount otherwise recoverable by it on its investment in Waterford 3 during the first three years of commercial operation of that unit, would neither defer further amounts nor recover any deferred amounts in the fourth year, and would collect such aggregate deferred amount from customers over the following five years. The proposal further contemplates that the Company would fund a substantial portion of its cash requirements in respect of the deferred amount through external financing arrangements and would bill the related carrying costs to customers on a current basis until the deferred amount has been fully recovered. The application requested alternatively, in the event that Waterford 3 is not in commercial operation when this matter is decided, that the LPSC grant such additional rate relief as will result from a continuation of the rate-making treatment given Waterford 3 in the LPSC's February 20, 1984 retail rate order. The application further requested that, in addition to the rate relief related to Waterford 3, the LPSC issue an order prior to the in-service date of Grand Gulf 1, to be put into effect when that unit commences commercial operation, accepting and approving "formula rates" proposed in the application in order to provide the Company with the additional electric revenues it will need to meet its purchased power expenses associated with power and energy from Grand Gulf 1. These formula rates, if applied on the basis of the allocation to the Company of a 14% share of MSE's share of the power from Grand Gulf 1, as determined in the ALJ's initial decision in proceedings pending before the FERC, described above, would require a net increase in test year revenues of $81,042,000, or, if applied on the basis of a 38.57% share of MSE's share of power from Grand Gulf 1 being allocated to the Company in such FERC proceedings, as originally proposed in such proceedings, would require a $261,135,000 net increase in test year revenues. These amounts give effect to the projected reduction in fuel costs associated with the nuclear fuel component of such purchased power expenses in the amounts of approximately $12,439,000 and $28,960,000, respectively. The Company cannot predict what action the LPSC will take in respect of this rate increase application. By law if the LPSC does not render its decision within one year from the date of filing, the Company may put the full amount of requested rates into effect, subject to refund.

INTERIM FINANCIAL INFORMATION

The following unaudited condensed financial statements (which are taken from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984) should be considered in conjunction with the Company's audited financial statements and related notes included in the Company's 1983 Annual Report to Shareholders which accompanies this Prospectus. In the opinion of the Company, these unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results for the interim periods presented. However, the business of the Company is subject to seasonal fluctuations with the peak period occurring during the summer months. Accordingly, the results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

March 31, 1984 and December 31, 1983

ASSETS

	1984 (Unaudited)	1983
	(In Thousands)	
Utility Plant:		
Electric	$1,468,776	$1,463,856
Construction work in progress	2,319,702	2,224,292
Nuclear fuel	4,911	4,764
Total	3,793,389	3,692,912
Less—Accumulated depreciation	531,175	522,508
Utility plant—net	3,262,214	3,170,404
Other Property and Investments:		
Investment in subsidiary company—at equity	46,073	46,073
Other	524	515
Total	46,597	46,588
Current Assets:		
Cash and special deposits	8,920	4,357
Temporary investments—at cost, which approximates market	8,809	7,069
Notes receivable	818	841
Accounts receivable:		
Customer and other (less allowance for doubtful accounts of $135 thousand)	52,463	55,738
Associated companies	3,584	197
Accrued unbilled revenues (Note 2)	34,530	—
Receivable from gas supplier (Note 3)	—	250,000
Deferred fuel cost	1,977	4,577
Materials and supplies—at average cost	9,127	11,355
Other	5,419	4,105
Total	125,647	338,239
Deferred Debits:		
Power purchase advance payments (Note 1)	14,792	—
Other	3,518	3,586
Total	18,310	3,586
Total	$3,452,768	$3,558,817

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

BALANCE SHEETS

March 31, 1984 and December 31, 1983

CAPITALIZATION AND LIABILITIES

	1984 (Unaudited)	1983
	(In Thousands)	
Capitalization:		
Common stock, no par value, authorized 150,000,000 shares; issued and outstanding 112,111,100 shares	$ 738,900	$ 738,900
Retained earnings (Note 4)	53,061	39,898
Total common shareholder's equity	791,961	778,798
Preferred stock without sinking fund	145,882	145,882
Preferred stock with sinking fund	240,951	240,951
Long-term debt	1,172,019	1,173,453
Total	2,350,813	2,339,084
Current Liabilities:		
Notes payable:		
Associated companies	68,000	100,100
Banks	21,101	77,900
Currently maturing long-term debt	20,509	20,462
Accounts payable:		
Associated companies	32,489	48,782
Other	33,275	56,620
Gas contract settlement—liability to customers (Note 3)	56,403	58,884
Customer deposits	24,670	24,220
Taxes accrued	13,787	4,088
Accumulated deferred income taxes	17,677	2,216
Interest accrued	34,530	33,916
Dividends declared	40,764	32,418
Other	1,303	2,010
Total	364,508	461,616
Deferred Credits:		
Accumulated deferred income taxes	117,787	115,845
Accumulated deferred investment tax credits	136,231	136,506
Gas contract settlement—liability to customers (Note 3)	452,348	475,000
Other	24,849	25,269
Total	731,215	752,620
Reserves	6,232	5,497
Commitments and Contingencies (Note 1)		
Total	$3,452,768	$3,558,817

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

STATEMENTS OF INCOME

For the Three Months Ended March 31, 1984 and 1983
(Unaudited)

	1984	1983
	(In Thousands)	
Operating Revenues	$267,901	$267,205
Operating Expenses:		
Operation:		
Fuel	73,578	75,406
Purchased power	92,230	85,606
Deferred fuel and other	26,464	37,258
Maintenance	12,302	12,932
Depreciation	11,907	11,433
Taxes other than income taxes	6,678	5,935
Income taxes	13,077	5,619
Total	236,236	234,189
Operating Income	31,665	33,016
Other Income:		
Allowance for equity funds used during construction	22,902	14,812
Miscellaneous income and deductions—net	2,600	2,183
Income taxes—credit	7,087	4,622
Total	32,589	21,617
Interest Charges:		
Interest on long-term debt	31,776	26,999
Other interest—net	1,810	9,771
Allowance for borrowed funds used during construction	(8,906)	(5,760)
Total	24,680	31,010
Income Before Cumulative Effect of a Change in Accounting Method	39,574	23,623
Cumulative Effect to January 1, 1984, of Accruing Unbilled Revenues (net of income taxes of $16,548 thousand) (Note 2)	17,626	—
Net Income	$ 57,200	$ 23,623

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Three Months Ended March 31, 1984 and 1983
(Unaudited)

	1984	1983
	(In Thousands)	
Funds Provided by:		
Operations:		
Income before cumulative effect of a change in accounting method	$ 39,574	$ 23,623
Cumulative effect (Note 2)	17,626	—
Net income	57,200	23,623
Depreciation	11,907	11,433
Deferred income taxes and investment tax credit adjustments—net	17,128	(4,986)
Allowance for funds used during construction	(31,808)	(20,572)
Total funds provided by operations	54,427	9,498
Other:		
Funds on hand or due from gas supplier (Note 3)	248,260	419,317
Gas contract settlement (Note 3)	(25,133)	(415,012)
Allowance for funds used during construction	31,808	20,572
Total funds provided excluding financing transactions	309,362	34,375
Financing transactions:		
Preferred stock	—	75,000
First mortgage bonds	—	200,000
Total funds provided by financing transactions	—	275,000
Total funds provided	$309,362	$309,375
Funds Applied To:		
Utility plant additions:		
Construction expenditures for utility plant	$102,803	$115,973
Nuclear fuel	147	49
Total gross additions (includes allowance for funds used during construction)	102,950	116,022
Other:		
Dividends declared on preferred stock	11,301	10,696
Dividends declared on common stock	32,736	26,636
Investment in subsidiary company (Note 1)	—	337
Accrued unbilled revenues	34,530	—
Increase in working capital*	22,374	5,226
Power purchase advance payments	14,792	—
Miscellaneous—net	234	2,985
Total other funds applied	115,967	45,880
Financing transactions:		
Retirement of other long-term debt	1,546	1,473
Short-term securities—net	88,899	146,000
Total funds applied to financing transactions	90,445	147,473
Total funds applied	$309,362	$309,375

* Working capital does not include short-term securities, gas contract settlement, current maturities of long-term debt, accrued unbilled revenues, or deferred taxes included in current liabilities. The 1984 net increase in working capital is primarily due to a decrease in accounts payable. The 1983 net increase in working capital is primarily due to a decrease in accounts payable partially offset by a decrease in deferred fuel cost.

See Notes to Financial Statements.

LOUISIANA POWER & LIGHT COMPANY

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1. Commitments and Contingencies

At March 31, 1984, the Company's construction program contemplated expenditures (including AFDC) of approximately $539.2 million in 1984, $150.5 million in 1985, and $220.0 million in 1986. Substantial additional capital requirements would result in the period 1984-1986 if the Company defers certain Waterford 3 costs in accordance with the rate moderation proposal contained in the application filed with the LPSC on April 12, 1984. (See "Recent Developments—Rate Matters".)

SFI is a jointly-owned subsidiary of the System operating companies. SFI operates on a non-profit basis for the purpose of planning and implementing programs for the procurement of fuel supplies for the System operating companies; its costs are primarily recovered through charges for fuel delivered. The common stock of SFI is owned 33% by the Company, 35% by AP&L, 19% by MP&L, and 13% by NOPSI.

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 March 31, 1984, the total loan commitment under these arrangements amounted to $295.0 million, of which $178.1 million was outstanding. Also, SFI's parent companies have made similar covenants and agreements in connection with long-term leases by SFI of oil storage and handling facilities and coal hopper cars. At March 31, 1984 the aggregate discounted value of these lease arrangements was $75.4 million.

SFI has contracted 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 Steam Electric Generating Station. SFI's parent companies, each acting in accordance with its share of the ownership of SFI, joined in, ratified, confirmed, and adopted the contract and the obligations of SFI thereunder. 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. AP&L, MP&L, and Arkansas Electric Cooperative Corporation, as co-owners in part of the Independence Steam Electric Generating 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 and first contract deliveries were made in January 1984.

SFI has a long-term program for the acquisition, conversion, and enrichment of nuclear materials required for the fabrication of nuclear fuel which may be utilized in any of the present or proposed Middle South System nuclear generating stations. SFI has firm purchase commitments for the acquisition in 1984 of approximately 500,000 pounds of uranium in various stages of processing.

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 million from its parent companies through December 31, 1984. As of March 31, 1984, the Company had made no loans to SFI under this agreement, and the Company's share of the unused loan commitment was $55 million. Notes under this agreement mature December 31, 2009. In addition, the Company had loaned SFI $46.1 million under previous loan agreements. Notes mature in 2002 and 2008 under provisions of the previous loan agreements.

In July 1980, 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 Steam Electric Generating Station, the commercial operation of which is now expected sometime in 1993. SFI has notified the coal supplier of this delay from the original in-service date of 1988 and is reviewing with the coal supplier possible alternatives to eliminate or mitigate the effect of this delay on increasing the price of coal.

MSS is developing a standard design for the construction of coal-fueled or lignite-fueled electric generating stations for the Middle South System. As of March 31, 1984, total costs incurred of $36.5 million had been deferred, including capitalized interest costs of $4.5 million. MSS has equipment commitments totaling

approximately $282 million relating to this project. MSS will be reimbursed by the System operating companies for the costs of the project.

MSE and the System operating companies (including the Company) have entered into a series of agreements (collectively, "Availability Agreement") whereby (i) MSE has agreed to complete the Grand Gulf Station and to sell to the System operating companies power available to MSE from the Grand Gulf Station under the terms of a power purchase agreement (see "Recent Developments—Rate Matters"), (ii) the System operating companies have severally agreed to pay to MSE (on the apportionment bases provided for in the Availability Agreement: the Company, 26.9%; AP&L, 17.1%; MP&L, 31.3%; and NOPSI, 24.7%) such amounts as (when added to any amounts received by MSE under such power purchase agreement or otherwise) will be at least equal to MSE's operating expenses or an equivalent amount if either unit is not in operation (including such expenses as might be incurred by MSE for maintenance and surveillance in the event of shutdown of either or both units), including MSE's interest charges and an amount equal to an assumed depreciation rate for 27.4 years of 3.65% per annum applied to MSE's gross investment in the Grand Gulf Station (exclusive of land and land rights), (iii) the System operating companies have severally agreed to make subordinated advances under certain circumstances to MSE in amounts equal to payments which would otherwise be owing under the payment formula of the Availability Agreement described in (ii) above, and (iv) the System operating companies have agreed that their obligations to make payments or advances to MSE are absolute and unconditional. The requirement to make payments under (ii) above commences on the date on which either unit of the Grand Gulf Station is placed in commercial operation; provided that if Grand Gulf 1 is not placed in commercial operation prior to December 31, 1984, the commencement date in respect of both units is December 31, 1984 (MSE is seeking from its principal creditor groups consent to extend the stipulated commercial operation date and payment commencement date to December 31, 1985); and provided, further, that if Grand Gulf 1 is placed in commercial operation prior to December 31, 1984, then, with respect to the assumed depreciation charge related to Grand Gulf 2, the commencement date for Grand Gulf 2 is the earlier of the date of commercial operation of Grand Gulf 2 or December 31, 1988. MSE has assigned its rights to payments and advances from the System operating companies under the Availability Agreement to secure its long-term borrowings. In addition, the System operating companies in June 1981 entered into a Power Purchase Advance Payment Agreement with MSE pursuant to which the System operating companies, severally in accordance with stated percentages specified therein (the Company, 26.9%; AP&L, 17.1%; MP&L, 31.3%; and NOPSI, 24.7%), agreed, if Grand Gulf 1 were not placed in commercial operation by December 31, 1983, to make advance payments to MSE for power purchases which in the aggregate total $12.5 million per month. Such payments, adjusted to exclude AP&L as contemplated by the agreement discussed in the next paragraph, commenced January 2, 1984 and will continue until commercial operation of Grand Gulf 1 or December 31, 1984, whichever occurs earlier. MSE is seeking consents to extend the payments under the Power Purchase Advance Payment Agreement until commercial operation of Grand Gulf 1 or December 31, 1985, whichever occurs earlier. The Company's share of these monthly payments is $4.8 million per month.

Effective November 1981, the System operating companies entered into a Reallocation Agreement allocating the capacity and energy available to MSE from Grand Gulf 1 and Grand Gulf 2 to the Company, MP&L and NOPSI, subject to change by mutual agreement of such companies. Under the Reallocation Agreement the percentage allocation for MSE's share of Grand Gulf 1 and Grand Gulf 2 are: the Company, 38.57% and 26.23%; MP&L, 31.63% and 43.97%; and NOPSI, 29.80% and 29.80%, respectively. This allocation was consistent with a prior allocation of capacity and energy for Grand Gulf 1 and Grand Gulf 2 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 AP&L with respect to the Availability Agreement and the Power Purchase Advance Payment Agreement and, in consideration thereof, AP&L has relinquished its rights in the Grand Gulf Station. Each of the System operating companies, including AP&L, will, however, remain primarily liable to MSE and its assignees for payments or advances under the Availability Agreement and the Power Purchase Advance Payment Agreement in accordance with the respective original percentages set

forth in the immediately preceding paragraph. AP&L would be obligated to make its share of the payments or advances only if the other System operating companies were unable to meet their contractual obligations. It was recommended that the responsibility for 36% of the capacity and energy of Grand Gulf 1 be allocated to AP&L in the initial decision of an administrative law judge acting in the FERC proceeding relating to the sale by MSE of capacity and energy from the Grand Gulf Station pursuant to the Unit Power Sales Agreement. This decision, which must be reviewed by the FERC, is discussed in "Recent Developments—Rate Matters" above.

The Company is a member-insured under a primary property damage insurance policy provided by Nuclear Mutual Limited, a mutual insurer. As a member-insured, the Company is subject to assessments if losses exceed the accumulated funds available to the insurer. The present maximum assessment for incidents occurring during a policy year is approximately $16 million for the 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. The principal issue is whether customer deposits are includable in taxable income. 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 and approved. The Company believes that adequate provisions have been recorded on the books. Any final liability that may result from resolution of the customer deposits issue would not have a material effect on net income, because income taxes on customer deposits would be normalized.

In the interest of increased economic efficiency, the Company and NOPSI are continuing the development of a plan to consolidate the two companies and their operations into a new company to be called Louisiana Power & Light Company. Middle South, which currently owns all of the outstanding common stock of the Company and NOPSI, would own all of the common stock of the new company.

See "Construction Program and Future Financing" and "Recent Developments—Rate Matters" for information regarding certain commitments and financing obligations of the Company.

Note 2. Change in Accounting Method

Prior to December 31, 1983 the Company recognized revenue when billed. To provide a better matching of revenues and expenses, effective January 1, 1984 the Company adopted, in March 1984, a change in its accounting method to provide for accrual of the non-fuel portion of estimated unbilled revenues. Unbilled revenues result from energy delivered since the period covered by the latest billings to customers. The cumulative effect of this accounting change as of January 1, 1984 was recorded in March 1984 and increased first quarter 1984 net income approximately $17.6 million.

Had this new accounting method been in effect during 1983, the Company's net income before the cumulative effect would have been approximately $2.0 million lower than that shown in the accompanying financial statements.

Note 3. Settlement Agreement with Gas Supplier

During the first quarter of 1984, the Company continued to make refunds to its customers, in accordance with the March 1983 order of the LPSC, in connection with a settlement agreement with a gas supplier. Through March 31, 1984, the Company had made refunds of $646.7 million, including interest.

Note 4. Retained Earnings

The Company's Mortgage and Articles of Incorporation contain provisions restricting the payment of cash dividends on common stock. At March 31, 1984, all retained earnings were free from such restrictions.

Note 5. Rate Matters

See "Recent Developments—Rate Matters" regarding the Company's rate matters.

LOUISIANA POWER & LIGHT COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

The Company's financial condition improved in the first quarter of 1984. This improvement is primarily the result of its including in net income for the quarter the cumulative effect to January 1, 1984 of the following change in accounting method. Effective January 1, 1984, the Company began accruing as revenues the non-fuel portion of charges for electric service related to energy delivered but not yet billed. (See Note 2 of Notes to Financial Statements (Unaudited) under "Interim Financial Information".) Previously, revenues were recorded as billed.

At March 31, 1984, the earnings coverage for the Company's First Mortgage Bonds was 2.06 times the annual mortgage bond interest requirements, and its earnings coverage for Preferred Stock was 1.64 times the annual interest charges and preferred dividend requirements. Based upon these coverages, which include the cumulative effect of the above-mentioned accounting change, the Company could have issued approximately $22 million principal amount of additional First Mortgage Bonds at an assumed annual interest rate of 16% (plus any First Mortgage Bonds issued for refunding purposes) or approximately $110 million aggregate par value of additional Preferred Stock at an assumed annual dividend rate of 16%.

With regard to rate matters, on April 12, 1984, the Company filed with the LPSC a request for a $316 million net increase in its revenues from retail customers. The increase will be needed to provide cash earnings that reflect the in-service status of Waterford 3 and Grand Gulf 1, which are presently scheduled for commercial operation in the fourth quarter of 1984 and the first quarter of 1985, respectively. In connection with that portion of the request related to Waterford 3, the Company has proposed a plan to phase into rates the costs associated with that facility. The Grand Gulf 1 portion of this filing is based on the Company receiving a 14% allocation of MSE's share of the unit, as provided in the initial decision by an administrative law judge of the FERC. The administrative law judge's decision now goes before the FERC, which has not yet ruled on the matter. Because the question of how much of Grand Gulf 1's output will be assigned to the Company remains unsettled, the rate application proposes a formula-type rate adjustment clause. The proposed clause would permit the Company to recover non-fuel related expenses associated with buying power from Grand Gulf 1, no matter what portion of the unit's output is allocated to the Company. Accordingly, if the Company were allocated 38.57% of MSE's share of Grand Gulf 1 (as initially proposed to the FERC), its total requested net increase in revenues would be $496 million.

Liquidity and Capital Resources

Construction expenditures (including AFDC) decreased from $116 million in the first quarter of 1983 to $102.8 million in the corresponding period in 1984. The Company satisfied its cash requirements in respect of first quarter construction costs in part through application of a portion of the cash proceeds from a settlement with a gas supplier and in part with funds provided from operations. In January 1984, the Company received a third cash installment of $250 million from the gas supplier. For further information regarding the related settlement, reference is made to Note 3 of Notes to Financial Statements (Unaudited) under "Interim Financial Information" herein and to Note 11 of Notes to Financial Statements in the Company's 1983 Annual Report to Shareholders, which accompanies this Prospectus.

The Company's projection of construction costs for the remaining nine months of 1984 is currently $436 million (including AFDC of $98 million). The Company's obligations in respect of cash sinking funds and debt maturities during this period will amount to $24 million. In addition, the Company is required to make advance power purchase payments of $4.8 million per month until the earlier of the date Grand Gulf 1 is placed in commercial operation or December 31, 1984 (MSE is seeking to extend this date to December 31, 1985). In order to meet these and its other corporate requirements, the Company estimates that it will need to raise from external sources during the remaining nine months of 1984 up to $320 million. To that end, the Company currently plans to sell the New Preferred Stock, to issue and sell up to $125 million of its common stock to its parent, Middle South (of which $20 million of common stock was so issued and sold in May 1984), to obtain up to $115 million as the proceeds from the sale of pollution control revenue bonds, and to sell such other securities, including short-term debt, as may be appropriate. In this latter connection, the Company

is currently authorized to make short-term borrowings of up to the lesser of $200 million or 10% of capitalization, of which $89.1 million was outstanding at March 31, 1984.

Results of Operations

Net income for the first quarter of 1984 increased $33.6 million, or 142%, over the corresponding period of 1983. The increase was due substantially to the change in accounting method mentioned above. The cumulative effect of this change, after deducting income taxes, was to increase net income by $17.6 million. In addition, the increasing amount of AFDC attributable to the continuing construction of Waterford 3 accounted for $11.2 million of the total increase in net income. Other factors contributing to the increase included cooler than normal weather conditions, the initial effect of a $69 million annual retail rate increase implemented on March 2, 1984, and continuing cost control measures.

The $4.8 million net increase in fuel and purchased power expenses in the first quarter of 1984 was primarily due to a net increase in energy requirements. Deferred fuel costs decreased by $12 million during the first quarter of 1984 reflecting the offset to the difference between energy costs recorded and energy costs recovered under the fuel adjustment clause.

Income tax expense increased in the first quarter of 1984 because the increase in pre-tax book income was greater than the offsetting increase in recorded AFDC.

For the quarter ended March 31, 1984, the combined interest on long-term debt and other interest-net decreased by $3.2 million primarily as a result of decreased interest accrual requirements by the Company on the portion of the proceeds used by the Company of the above-mentioned settlement entered into by the Company with a gas supplier.

Summary

The Company believes that with the retail rate relief received in the first quarter of 1984, together with anticipated sales of securities, the Company should be able to complete its 1984 construction program and meet its other corporate requirements for 1984. However, the ability of the Company to secure adequate and timely rate relief to cover the expenses associated with the in-service status of Waterford 3 and Grand Gulf 1 will have a significant effect on the Company's ability 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.

DESCRIPTION OF NEW PREFERRED STOCK

General. The Articles of Incorporation provide for two classes of serial preferred stock of the Company, the Preferred Stock, $100 Par Value ("$100 Preferred Stock"), and the Preferred Stock, $25 Par Value ("$25 Preferred Stock") (the $100 Preferred Stock and the $25 Preferred Stock being herein collectively referred to as the "Preferred Stock"). The $100 Preferred Stock and the $25 Preferred Stock have the same rank and, except as to those characteristics relating to par value, voting rights (including matters relating to quorums and adjournments) and in certain other respects as to which there may be variations among series, the shares of each series of Preferred Stock confer equal rights upon the holders. The respects in which there may be variations as between series consist of (a) the number of shares constituting each series and the distinguishing serial designation thereof, (b) the annual dividend rate, initial dividend payment date and the date from which dividends shall be cumulative, (c) the amounts payable on redemption, and (d) the terms and amount of sinking fund requirements (if any) for the purchase or redemption of shares of each series of Preferred Stock other than the first through tenth series of the $100 Preferred Stock heretofore issued by the Company. When a new series of the Preferred Stock is created, the number of shares constituting such series, its distinguishing serial designation and its distinctive characteristics (in those limited respects as to which there may be variations) are fixed by an amendment to the Articles of Incorporation. The New Preferred Stock will constitute a new series of the $25 Preferred Stock.

For a detailed description of the New Preferred Stock, reference is made to Articles 3 and 6 of the Articles of Incorporation, and to the form of proposed Articles of Amendment thereto establishing the New Preferred Stock and fixing the relative rights and preferences thereof in those limited respects as to which there may be variations among series, which documents are filed as exhibits to the Registration Statement. Following is a brief description of the New Preferred Stock, which does not purport to be complete and is qualified in its entirety by the foregoing references. Reference is also made to applicable Louisiana law.

Dividend Rights. The New Preferred Stock, *pari passu* with each other series of the Preferred Stock, shall be entitled when and as declared by the Board of Directors, in preference to the common stock, to dividends at the rate stated in the title thereof, payable quarterly on February 1, May 1, August 1, and November 1 of each year. The first dividend payment date for the New Preferred Stock will be August 1, 1984, and such dividends will be cumulative from June , 1984.

Redemption Provisions. Subject to certain restrictions the Company may, upon the vote of the holders of a majority of the common stock, redeem the New Preferred Stock in whole or in part upon not less than 30 days' notice at $ per share through June 1, 1989, $ per share thereafter through June 1, 1994, $ per share thereafter through June 1, 1999, and $ per share thereafter, in each case together with accumulated and unpaid dividends to the date fixed for redemption; provided, however, that no share of the New Preferred Stock shall be redeemed prior to June 1, 1989 if such redemption is for the purpose or in anticipation of refunding such share through the use, directly or indirectly, of funds borrowed by the Company, or through the use, directly or indirectly, of funds derived through the issuance by the Company of stock ranking prior to or on a parity with the New Preferred Stock as to dividends or assets, if such borrowed funds have an effective interest cost to the Company (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to the Company (so computed) of less than % per annum.

In general, at any time when dividends payable on the Preferred Stock are in default, the Company may not (1) make any payment, or set aside funds for payment, into any sinking fund for the purchase or redemption of any shares of the Preferred Stock, or (2) redeem, purchase or otherwise acquire less than all of the shares of the Preferred Stock, in either case unless approval is obtained under the Holding Company Act. Any shares of the Preferred Stock which are redeemed, purchased or acquired shall be retired and cancelled.

Sinking Fund for the New Preferred Stock. The New Preferred Stock will be subject to a sinking fund pursuant to which the Company will redeem, out of funds legally available therefor, on June 1 in each year, commencing with the year 1989 and ending in the year in which all shares of the New Preferred Stock have been redeemed, 100,000 shares of New Preferred Stock at a price equal to $25 per share, plus an amount equal to the accumulated and unpaid dividends on such share. The Company's sinking fund obligation with respect

to the New Preferred Stock during the specified period will be cumulative. The Company may, however, credit against its sinking fund obligation for any year shares of New Preferred Stock (including shares of New Preferred Stock optionally redeemed as hereinafter set forth) redeemed in any manner, other than shares of New Preferred Stock redeemed pursuant to its required sinking fund obligation, purchased or otherwise acquired, and not previously credited against such sinking fund obligation. The Company will have the option also on June 1 in each year, commencing with the year 1989, to redeem up to an additional 100,000 shares of New Preferred Stock, at a price equal to $25 per share, plus an amount equal to the accumulated and unpaid dividends on such share. The Company's option to redeem up to an additional 100,000 shares of New Preferred Stock during the specified period will be non-cumulative.

Voting Rights. Except for those purposes only for which the right to vote is expressly conferred upon the holders of the Preferred Stock, the holders of the Preferred Stock shall have no power to vote and shall be entitled to no notice of any meeting of stockholders of the Company.

If and when dividends payable on Preferred Stock of the Company shall be in default in an amount equal to four full quarterly payments or more per share, and thereafter until all dividends on any such Preferred Stock in default shall have been paid, the holders of all Preferred Stock, voting separately as a class, in such manner that the holders of the $100 Preferred Stock shall have one vote per share and the holders of the $25 Preferred Stock shall have one-quarter vote per share, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the common stock, voting separately as a class, shall be entitled to elect the remaining directors of the Company.

Restrictions on Issuance of Stock; Restrictions on Altering Terms of Preferred Stock. So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the consent (given by vote at a meeting called for that purpose) of at least two-thirds of the total number of shares of the Preferred Stock then outstanding (for purposes of this computation each share of the $100 Preferred Stock shall count as one share, and each share of the $25 Preferred Stock shall count as one-quarter share):

(1) Issue any new stock which would rank prior to the Preferred Stock or issue any security convertible into shares of any such stock except for the purpose of providing funds for the redemption of all of the Preferred Stock then outstanding; or

(2) Amend or alter any of the express terms of the Preferred Stock then outstanding in a manner prejudicial to the holders thereof; the increase or decrease in the authorized amount of the Preferred Stock or the creation, or increase or decrease in the authorized amount, of any new class of stock ranking on a parity with the Preferred Stock shall not, for the purposes of this paragraph, be deemed to be prejudicial to the holders of the Preferred Stock.

Restrictions on Merger, Sale of Assets, Issue of Unsecured Debt, Sale of Additional Preferred Stock. So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the consent (given by vote at a meeting called for that purpose) of the holders of a majority of the total number of shares of the Preferred Stock then outstanding (for purposes of this computation each share of the $100 Preferred Stock shall count as one share, and each share of the $25 Preferred Stock shall count as one-quarter share):

(1) Merge or consolidate with or into any other corporation, or sell or otherwise dispose of all or substantially all of the assets of the Company, without obtaining the prior approval of regulatory authority of the United States under the provisions of the Holding Company Act; or

(2) Issue or assume any unsecured indebtedness for purposes other than (i) the refunding of outstanding unsecured indebtedness theretofore issued or assumed by the Company, (ii) the reacquisition, redemption or other retirement of any indebtedness which has been authorized by regulatory authority of the United States under the provisions of the Holding Company Act, or (iii) the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock, or preferred stock ranking prior to, or *pari passu* with, the Preferred Stock if immediately after such issue or assumption, the total principal amount of all unsecured indebtedness issued or assumed by the Company, including unsecured indebtedness then to be issued or assumed (but excluding the principal amount then outstanding of any unsecured indebtedness having a maturity in excess of ten years and in amount not exceeding 10% of

the aggregate of (a) and (b) below) would exceed 10% of the aggregate of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (b) the capital and surplus of the Company as then to be stated on the books of account of the Company. When unsecured debt of a maturity in excess of ten years shall become of a maturity of ten years or less, it shall then be regarded as unsecured debt of a maturity of less than ten years and shall be computed with such debt for the purpose of determining the percentage ratio to the sum of (a) and (b) above of unsecured debt of a maturity of less than ten years, and when provision shall have been made, whether through a sinking fund or otherwise, for the retirement, prior to its maturity, of unsecured debt of a maturity in excess of ten years, the amount of any such security so required to be retired in less than ten years shall be regarded as unsecured debt of a maturity of less than ten years (and not as unsecured debt of a maturity in excess of ten years) and shall be computed with such debt for the purpose of determining the percentage ratio to the sum of (a) and (b) above of unsecured debt of a maturity of less than ten years, provided, however, that the payment due upon the maturity of unsecured debt having an original single maturity in excess of ten years or the payment due upon the latest maturity of any serial debt which had original maturities in excess of ten years shall not, for purposes of this provision, be regarded as unsecured debt of a maturity of less than ten years until such payment or payments shall be required to be made within five years (provided that the words "five years" shall read "three years" when none of the 4.96% Preferred Stock remains outstanding); furthermore, when unsecured debt of a maturity of less than ten years shall exceed 10% of the sum of (a) and (b) above, no additional unsecured debt shall be issued or assumed (except for the purposes set forth in (i), (ii) and (iii) above) until such ratio is reduced to 10% of the sum of (a) and (b) above; or

(3) Issue, sell or otherwise dispose of any shares of the Preferred Stock, or of any other class of stock ranking on a parity with the Preferred Stock as to dividends or in liquidation, dissolution, winding up or distribution (a), so long as any of the 4.96% Preferred Stock remains outstanding, unless the net income of the Company available for dividends for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance, sale or disposition of such stock, is at least equal to twice the annual dividend requirements on all outstanding shares of the Preferred Stock and of all other classes of stock ranking prior to or on a parity with the Preferred Stock, including the shares proposed to be issued, and (b), so long as any Preferred Stock remains outstanding, unless the gross income of the Company for such period available for the payment of interest shall have been at least 1½ times the sum of the annual interest charges on all interest bearing indebtedness of the Company and the annual dividend requirements on all outstanding Preferred Stock and of all other classes of stock ranking prior to, or on a parity with, the Preferred Stock including the shares proposed to be issued, and (c) unless the aggregate of the capital of the Company applicable to the common stock and the surplus of the Company shall be not less than the aggregate amount payable on the involuntary dissolution, liquidation or winding up of the Company in respect of all shares of the Preferred Stock and all shares of stock, if any, ranking prior thereto, or on a parity therewith, as to dividends or distributions, which will be outstanding after the issue of the shares proposed to be issued.

Liquidation Rights. In the event of any voluntary liquidation, dissolution or winding up of the Company, the Preferred Stock shall have a preference over the common stock until an amount equal to the then current redemption price shall have been paid. In the event of any involuntary liquidation, dissolution or winding up of the Company, the Preferred Stock shall also have a preference over the common stock until the par value thereof ($25 in the case of the New Preferred Stock) plus accumulated and unpaid dividends shall have been paid.

Pre-emptive or Other Subscription Rights. No holder of any stock of the Company shall be entitled as of right to purchase or subscribe for any part of any stock of the Company or of any additional stock of any class to be issued by reason of any increase of the authorized capital stock of the Company.

Liability to Further Calls and to Assessment. All of the New Preferred Stock will be validly issued and fully paid and non-assessable upon receipt by the Company of the purchase price thereof.

Limitations on Payment of Common Stock Dividends. The Articles of Incorporation in effect restrict the payment of dividends on common stock to 75% of net income available for common stock dividends if

the percentage of common stock equity to total capitalization, as defined, is between 20% and 25%, and to 50% of such net income if such percentage is less than 20%. At any time when common stock equity is 25% or more of total capitalization, the Company may not declare dividends on the common stock which would reduce common stock equity below 25% of total capitalization, except as hereinbefore provided. Certain other limitations on payment of common stock dividends also exist in the Articles of Incorporation. Certain limitations on payment of common stock dividends exist in the Company's Mortgage.

Listing; Transfer Agent and Registrar. The Company intends to make an application for the listing of the New Preferred Stock on the New York Stock Exchange. Listing will be subject to meeting the requirements of such Exchange, including those relating to distribution. The transfer agent for the New Preferred Stock is Bradford Trust Company, New York, New York, and the registrar is Chemical Bank, New York, New York.

Middle South Dividend Reinvestment and Stock Purchase Plan. Holders of record of the Company's Preferred Stock are eligible to participate in the Middle South Dividend Reinvestment and Stock Purchase Plan ("DRP"). Such shareholders may (a) have cash dividends on all or a portion of their shares of Preferred Stock automatically reinvested in shares of Middle South's Common Stock and invest by making optional cash payments or (b) continue to receive their cash dividends on shares of Preferred Stock registered in their names and invest in Middle South's Common Stock by making optional cash payments only. Under the DRP, the price of shares of Middle South's Common Stock purchased through reinvestment of cash dividends is 95% of the average of the daily high and low sale prices of the Common Stock, based on consolidated trading of the Common Stock for the period of the last three days on which Common Stock was traded immediately preceding the date of investment, and optional cash payments are invested at a price of 100% of such average. Beneficial owners of the Company's Preferred Stock also may participate in the DRP under certain circumstances. No commission or service charge is paid by participants in connection with purchases under the DRP. Participation in the DRP is offered only by means of a separate prospectus.

EXPERTS AND LEGALITY

The Company's financial statements and supplemental schedules incorporated by reference in this Prospectus, except to the extent described below, have been examined by Deloitte Haskins & Sells, independent Certified Public Accountants, as stated in their opinions included or incorporated by reference in the Annual Report of the Company on Form 10-K for the year ended December 31, 1983, incorporated by reference herein, and have been so incorporated by reference in reliance upon such opinions given upon their authority as experts in auditing and accounting.

With respect to unaudited interim financial information included under "Interim Financial Information" herein and in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, incorporated herein by reference, Deloitte Haskins & Sells has applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in such Quarterly Report on Form 10-Q incorporated by reference herein, they did not audit and do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte Haskins & Sells is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because that report is not a "report" or "part" of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

The statements as to matters of law and legal conclusions made under "Description of New Preferred Stock" herein have been reviewed by Monroe & Lemann (A Professional Corporation), General Counsel for the Company, and by Reid & Priest, and are set forth herein in reliance upon the opinions of said firms, respectively, and upon their authority as experts. The statements made under "Recent Developments—Rate Matters" herein and in the above referred to Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which are incorporated herein by reference, in each case as to matters of law and legal conclusions pertaining to titles to properties, franchises and other operating rights of the Company, regulations to which the Company is subject and any legal proceedings to which the Company is a party, are made on the authority of Monroe & Lemann (A Professional Corporation), and such statements are included in such documents and herein in reliance upon their authority as experts.

The legality of the New Preferred Stock will be passed upon for the Company by Monroe & Lemann (A Professional Corporation), Whitney Building, New Orleans, Louisiana, and Reid & Priest, 40 West 57th Street, New York, New York, and for the Underwriters by Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York, New York. However, all legal matters pertaining to the organization of the Company and all matters of Louisiana law will be passed upon only by Monroe & Lemann (A Professional Corporation).

UNDERWRITERS

The Underwriters named below have severally agreed, subject to certain conditions, to purchase from the Company the following respective numbers of shares of the New Preferred Stock set opposite their names:

Underwriter	Number of Shares
Total	2,000,000

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the shares of the New Preferred Stock if any are purchased; provided that, under certain circumstances involving a default of Underwriters, less than all of the shares of the New Preferred Stock may be purchased. Default by one or more Underwriters would not relieve the non-defaulting Underwriters from their several obligations, and in the event of such default, the non-defaulting Underwriters may be required by the Company to purchase the respective numbers of shares of the New Preferred Stock which they have severally agreed to purchase and, in addition, to purchase the number of shares of the New Preferred Stock which the defaulting Underwriter or Underwriters shall have so failed to purchase up to a number thereof equal to one-ninth of the respective numbers of shares of the New Preferred Stock which such non-defaulting Underwriters have otherwise agreed to purchase.

The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including certain liabilities under the Securities Act of 1933, as amended.

No person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

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2,000,000 Shares

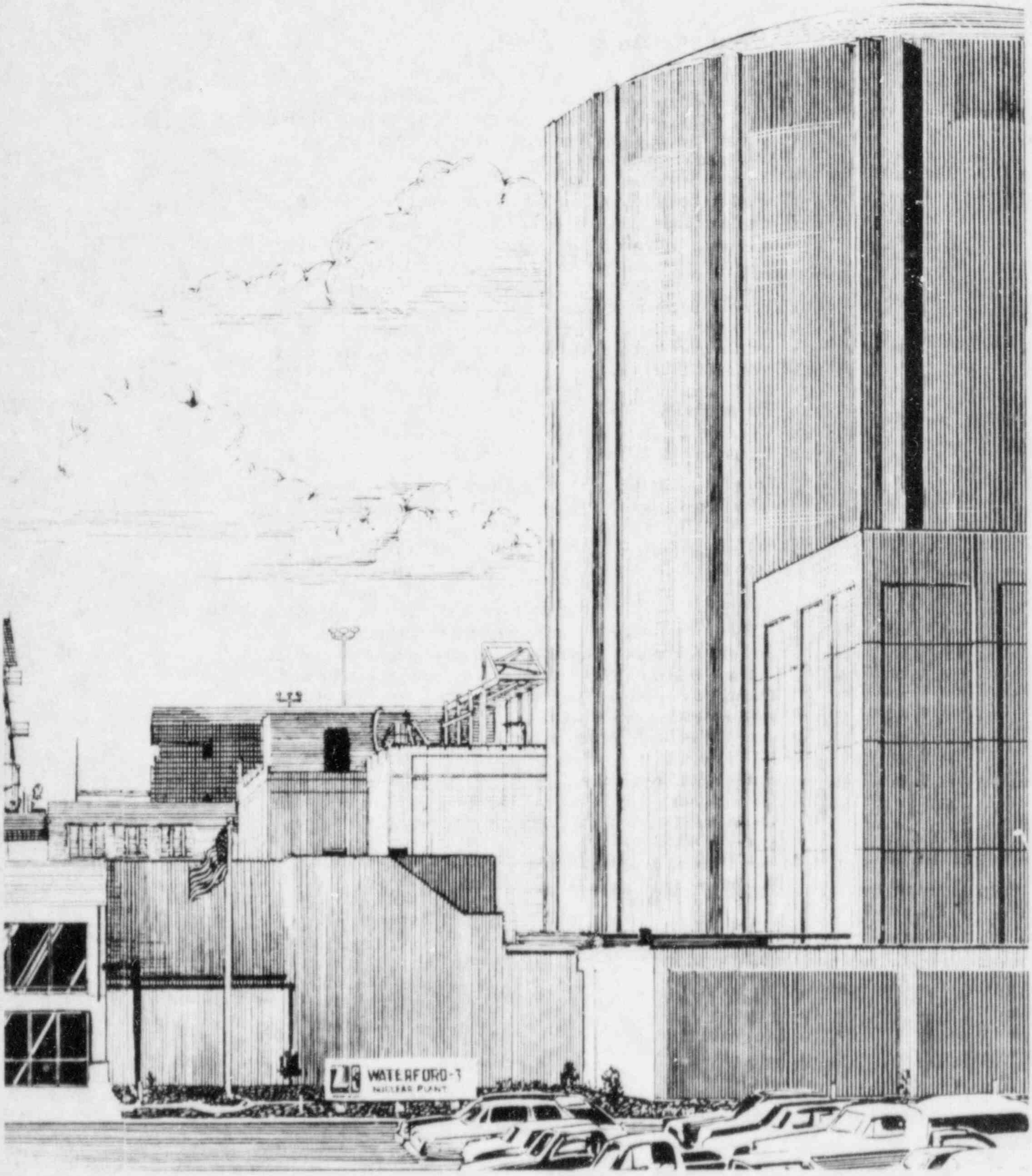
Louisiana Power & Light Company

% Preferred Stock, Cumulative,

$25 Par Value

PROSPECTUS

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

Transfer Agent for Preferred Stock
Bradford Trust Company
67 Broad Street
New York, New York 10004

Registrar for Preferred Stock
Chemical Bank
Corporate Trust Department
55 Water Street
New York, New York 10041

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 Louisiana 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 cost 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 38.57% 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 13¼%. 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, 9⅜% 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.

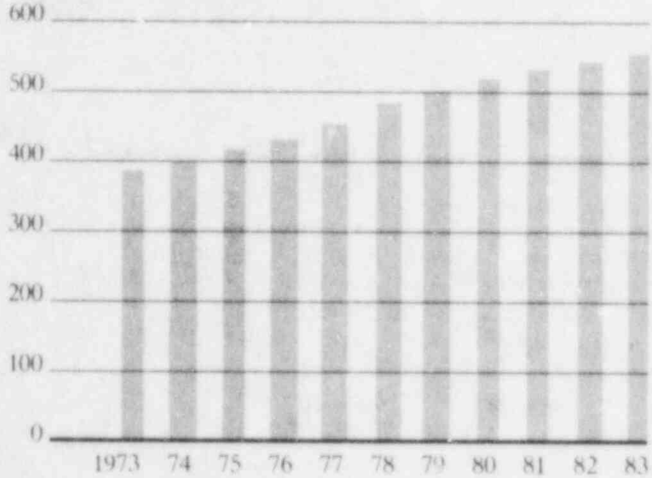
For the Board of Directors
February 23, 1984.

James M. Cain

James M. Cain

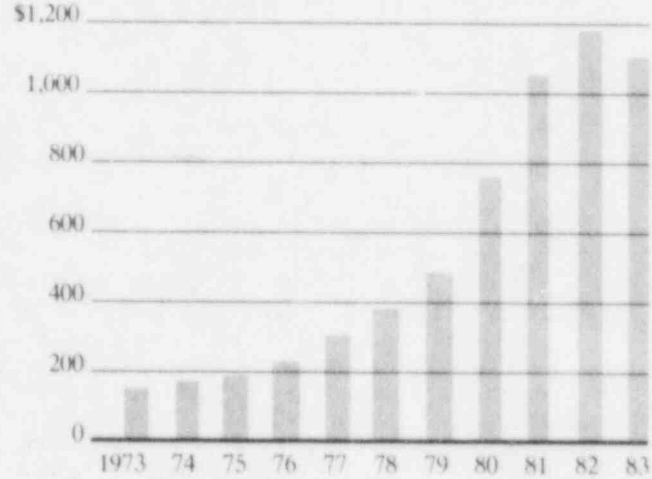
Customers

(Thousands)



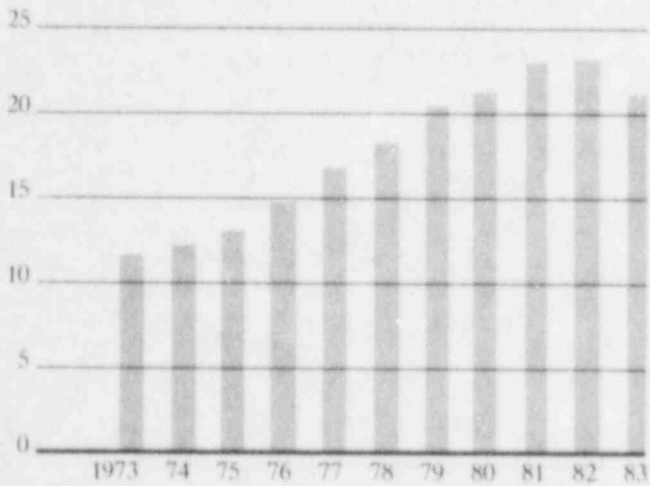
Operating Revenues

From Retail Customers *(Millions of Dollars)*



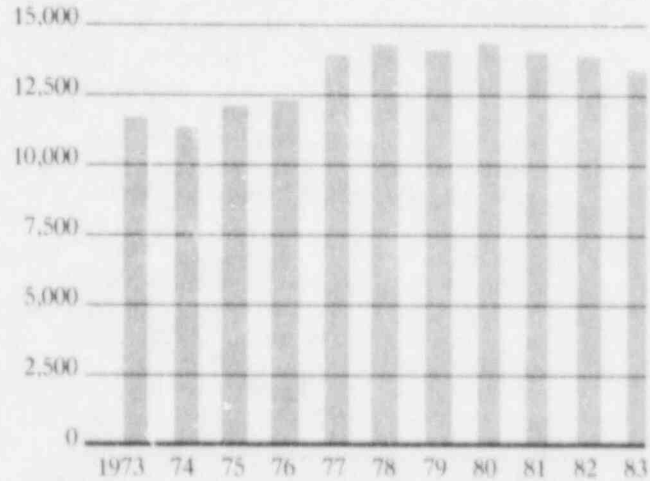
Energy Sales

To Retail Customers *(Billions of Kilowatt Hours)*



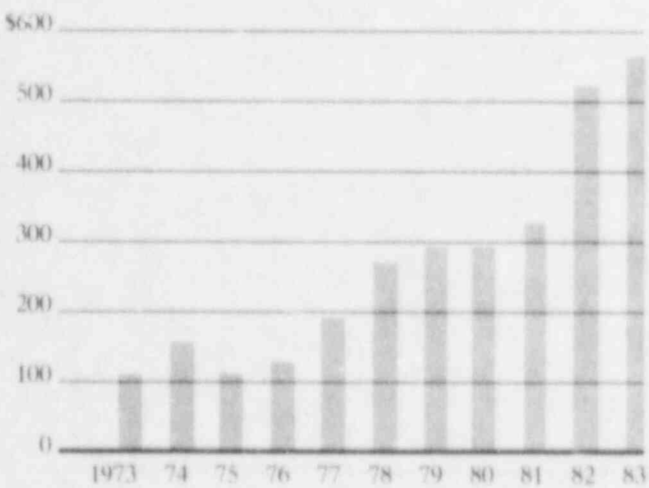
Average KWH Use

Per Residential Customer



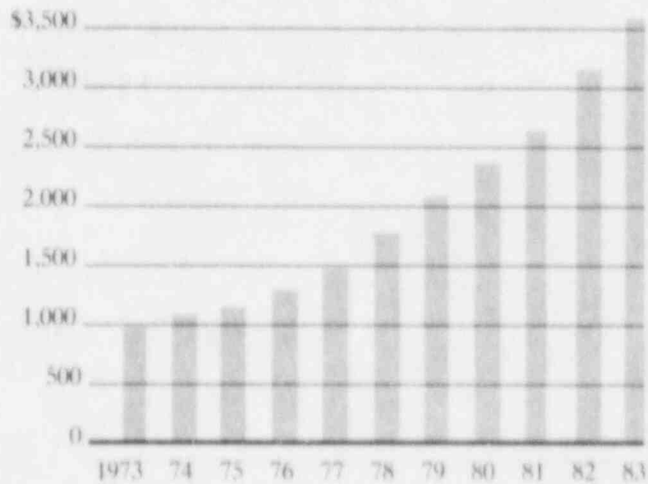
Construction Expenditures

(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 adverting 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 (AFDC), 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.

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.

Deloitte Haskins & Sells

New Orleans, Louisiana
February 20, 1984

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 abovementioned 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. Financiai 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, objectivi., and reliability of the financial records and a: 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.

Deloitte Haskins & Sells

New Orleans, Louisiana
February 20, 1984

BALANCE SHEETS
December 31, 1983 and 1982

Assets

	1983	1982
	(In Thousands)	
UTILITY PLANT (Notes 4 and 7):		
Electric	$1,463,856	$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)	
CAPITALIZATION:		
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
CURRENT LIABILITIES:		
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
DEFERRED CREDITS:		
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
RESERVES:		
Property insurance	4,540	4,531
Injuries and damages	957	1,040
Total	5,497	5,571
COMMITMENTS AND CONTINGENCIES (Notes 4, 7 and 11)		
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	1,022,474	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 11)	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

	1983	1982	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	165	181
Total	152,629	133,472	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
FUNDS PROVIDED BY:			
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*	29,020	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
FUNDS APPLIED TO:			
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, 1983	Shares Outstanding at December 31, 1982	Current Call Price Per Share
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	3,045,000	—	—	
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	$145,882	$145,882
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	$240,951	$169,101

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:		
9⅜% Series due 1983	$ —	$ 50,000
3⅛% Series due 1984	18,000	18,000
9 % Series due 1986	75,000	75,000
4¾% Series due 1987	20,000	20,000
15¾% Series due 1988	50,000	50,000
10⅞% Series due 1989	45,000	45,000
5 % Series due 1990	20,000	20,000
16 % Series due 1991	75,000	75,000
16¼% Series due December 1, 1991	100,000	100,000
12 % Series due 1993	100,000	—
4⅝% Series due 1994	25,000	25,000
5¾% Series due 1996	35,000	35,000
5⅝% Series due 1997	16,000	16,000
6½% Series due September 1, 1997	18,000	18,000
7⅛% Series due 1998	35,000	35,000
9⅜% Series due 1999	25,000	25,000
9⅜% Series due 2000	20,000	20,000
7⅞% Series due 2001	25,000	25,000
7½% Series due 2002	25,000	25,000
7½% Series due November 1, 2002	25,000	25,000
8 % Series due 2003	45,000	45,000
8¾% Series due 2004	45,000	45,000
8¼% Series due 2006	40,000	40,000
10 % Series due 2008	60,000	60,000
13½% Series due 2009	55,000	55,000
13¼% Series due 2013	100,000	—
13 % Series due September 1, 2013	50,000	—
Total First Mortgage Bonds	1,147,000	947,000

	1983	1982
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 $75,100,000.

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 \$2[illegible].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	
		% of Pre-Tax		% of Pre-Tax		% of Pre-Tax
	Amount	Income	Amount	Income	Amount	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	$48,655	27.0%	$71,367	37.8%	$77,504	38.4%

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

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