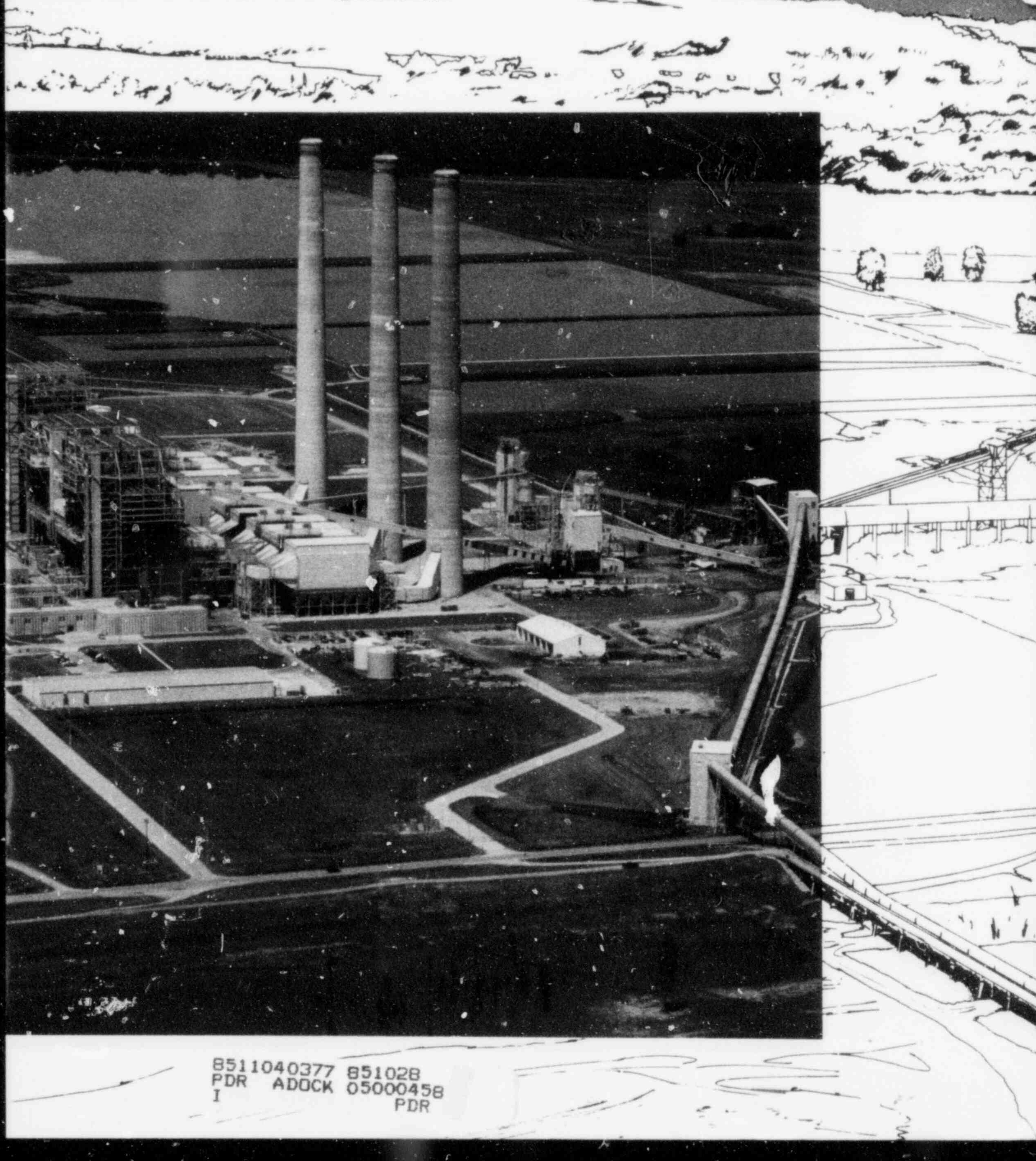
Cajun Electric Power Cooperative, Inc.

1984 ANNUAL REPORT



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1984 Financial Highlights

(Dollars in Thousands)

	1984	1983	Increase (Decrease)	% Increase (Decrease)
Operating Revenues	$ 329,825	$ 310,133	$ 19,692	6.3
Operating Expenses	$ 354,411	$ 317,741	$ 36,670	11.5
Non Operating Margin	$ 30,806	$ 14,884	$ 15,922	107.0
Net Margins	$ 6,220	$ 7,276	$ (1,056)	(14.5)
Plant Additions	$ 295,025	$ 333,238	$ (38,213)	(11.5)
Energy Sales (Megawatt Hours)				
a. To Members	4,978,926	4,889,884	89,042	1.8
b. To Others	603,185	255,824	347,361	135.8
System Peak Demand in Megawatts	1,244	1,310	(66)	(5.0)
Cost of Fuel Used in Generation	$ 134,564	$ 104,410	$ 30,154	28.9
Assets	$2,712,291	$2,436,641	$275,650	11.3
Accumulated Margins and Equity	$ 24,310	$ 18,090	$ 6,220	34.4
Employees Full Time	593	596	(3)	(0.5)
Revenue Per KWH Sold	5.7¢	5.4¢	.3¢	5.5

Company Statement

Cajun Electric Power Cooperative, headquartered in Baton Rouge, Louisiana, is a non-profit electric generation and transmission cooperative corporation supplying wholesale electric energy to thirteen electric distribution cooperatives, with a total consumer membership exceeding 300,000, located throughout 54 of the state's 64 parishes.

The Cooperative owns and/or operates a two-unit, 230-megawatt, gas-fired generating plant, Big Cajun I, and a three-unit, 1,620-megawatt coal-fired generating plant, Big Cajun II (42 percent of Unit 3 is owned by Gulf States Utilities Company), with an annual generating capacity in excess of 11 billion kilowatt-hours. Additionally, Cajun is a 30 percent owner of River Bend Nuclear Station, a 940-megawatt boiling water reactor, scheduled for commercial operation in late 1985.

Jr.

General Manager's Report

Nineteen Eighty-five marks the 50th anniversary of the Rural Electrification Administration. President Franklin D. Roosevelt emphatically observed that, "Electricity is a modern necessity of life and ought to be found in every village, every home and every farm in every part of the United States." From this compelling sentiment emerged the Rural Electrification Administration. This revolutionary program brought, for the first time, the "modern necessity of life" to rural Americans.

At such an anniversary, a brief reflection on the past is helpful in understanding the present and planning for the future.

The Louisiana rural electric cooperative movement has a rich history of successful accomplishment, borne out of pressing necessity and hard work.

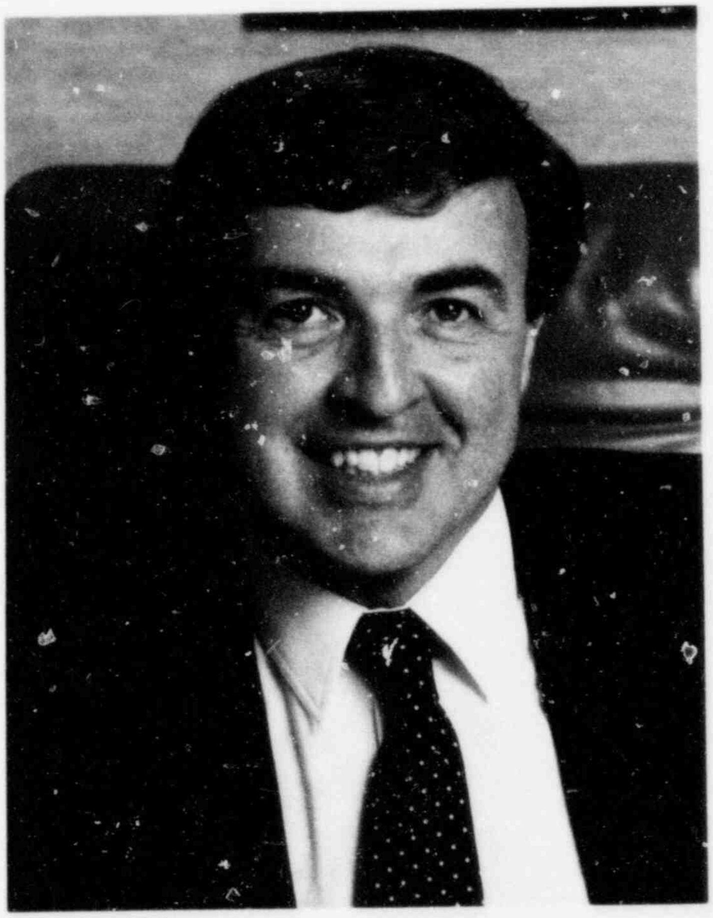
Dreams and hard work propelled Louisiana's rural electric cooperatives to create Cajun Electric Power Cooperative as the bulk power supplier of electricity to its membership.

Cajun, too, has traveled a remarkable distance since its founding more than twenty-five years ago. Dreams and prodigious hard work brought forth Cajun's first generating plant, Big Cajun I, in 1972. This 230-megawatt, gas-fired facility provided a new era of electric independence to Louisiana's rural electric customers, and a savings to members of $110 million during its first ten years of operation.

As rural Louisiana grew, so, too, did its need for electricity. To meet this need, Cajun committed itself to building the state's first coal-fired generating plant, Big Cajun II, which would burn low-sulphur coal from Wyoming. Bringing the three units of Big Cajun II on-line was a monumental achievement. During 1984, the first complete calendar year that the three units were on-line, this facility provided 5,159,229 megawatt-hours of electricity to the farms and hamlets of the state.

To guarantee a dependable supply of electricity for its customers in future decades, and to assure a diversity of fuel to supply that electricity, Cajun, in 1979, acquired a 30 percent share of River Bend Nuclear Station from its owner, Gulf States Utilities.

Cajun's financial commitment to this project during 1984 was an amount in excess of $279 million. Based on information supplied by Gulf States Utilities Company, River Bend is expected to receive its commercial license in late 1985. Without question, the biggest benefit that River Bend will provide Cajun is the addition of a new fuel to generate electricity: uranium. This will ensure Cajun's members that possible future foreign oil embargoes, or domestic restrictions of oil and gas, will not interrupt their supply of electricity.



David Lee Mohre
Executive Vice President/General Manager

With the imminent completion of River Bend, Cajun is extremely well positioned to reliably meet the electricity needs of rural Louisiana well into the mid-1990s and beyond with its existing coal, gas and uranium-based generation. No new base-load generation will be required within that time period based on current load growth projections. As a consequence Cajun's capital investment requirements during this period will be *de minimis*. At the same time Cajun will have the ability to market non-oil and gas excess energy to other utilities to help keep rates to members as reasonable as possible.

During 1984, sales to member cooperatives were 2% above 1983 despite the continuing economic slowdown affecting Louisiana and a beleaguered farm economy. The performance of Cajun's five generating units was extremely good, indicating that many of the problems that had plagued the Big Cajun II units have been mitigated. Cajun's margins for 1984 amounted to $6.2 million, or 1.9 percent of Cajun's total revenues.

Continued high interest rates, although substantially

lower than interest rates of recent years, are still troublingly high, particularly when compared to the inflation rate. High interest rates severely penalize capital intensive businesses such as Cajun, as well as its members, who serve relatively few consumers per mile of line invested. An encouraging sign in this area was Cajun's reduced interest costs for debts from approximately 10.8 percent in 1983 to 10.6 percent in 1984.

Cajun's overhead expenses during 1984 were held at the 1 mill level. This translates to an average member paying approximately 70¢ per month to support the general and administrative expenses of Cajun.

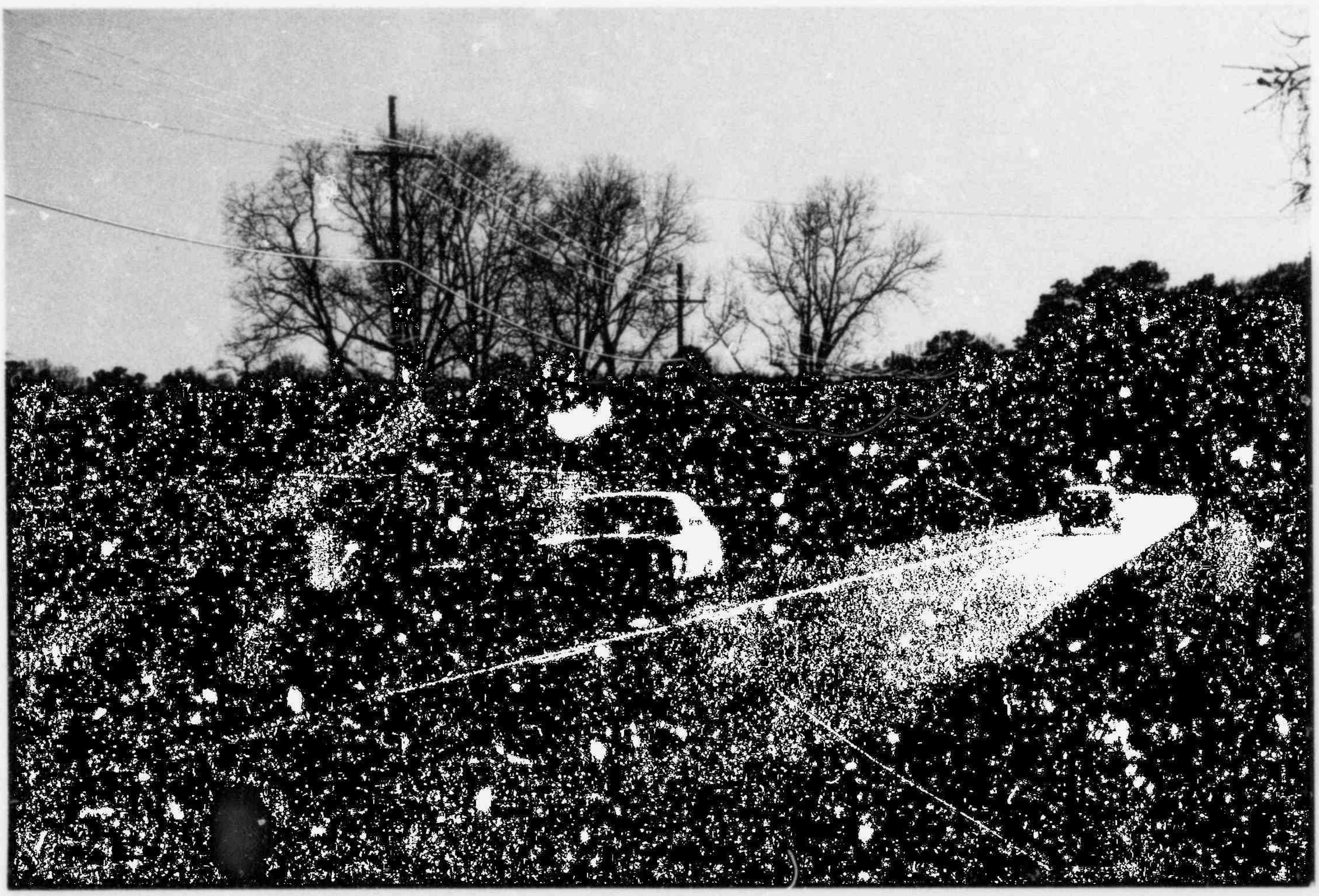
A major corporate thrust that will be made in the months and years ahead at Cajun will be the implementation of a dynamic marketing program. Working in collaboration with Cajun's 13 distribution cooperatives, programs will be created to encourage commercial and industrial development and efficient residential energy usage that will lead to an increased load density base, an expanded load diversity and an improved load factor.

The rural electric cooperative movement in Louisiana is today – and has been since its founding – a strong voice and a strong player in shaping the destiny of its membership and the entire state. As Louisiana's rural electric cooperative movement has grown in scope and mission, so has Cajun.

The challenges and opportunities facing Cajun – in the short- and long-term: financial, technical, personal – are limitless. By continuing to work together, in common purpose, Cajun and the entire Louisiana rural electric cooperative family look forward to an unparalleled future of growth and prosperity in the coming decades. The future is bright at Cajun because its mission is clear: *working and building together for the betterment of all.*

DLMohre

David Lee Mohre
Executive Vice President and
General Manager



Finance

Cajun experienced significant financial activity during 1984 with a cash flow that exceeded $600 million. Results from operations were encouraging. Electric energy revenues amounted to $305,459,713, an increase of $34,026,604 over 1983 energy revenues. Total operating revenues amounted to $329,825,269. Sales to members averaged 5.7¢ per kilowatt-hour, a 5.5 percent increase from 5.4¢ per kilowatt-hour in 1983. Margin totaled $6,220,000.

Electric plant in service at year's end was $1,178,834,774, an increase of $16,363,851 from 1983. Construction-in-progress at year's end was $1,261,244,164, an increase of $278,660,918 from year-end 1983. Construction at River Bend Station accounted for $1,140,432,671 of the total amount. Total investment in new utility plant assets during 1984 was in excess of $294 million.

The cost of borrowed money remained a significant component of operating expenses during 1984. Interest expense during this period amounted to approximately 35 percent of total operating costs. Cajun was able, during 1984, to reduce its average interest rate for all debt from 10.8 percent in 1983 to 10.6 percent, a reduction of 1.9 percent.

More than $208 million of tax-exempt Pollution Control Bonds were placed as floating-rate issues during 1984. These bonds will provide interest rates as low as 6 percent. The issuance of these thirty-year bonds is conservatively estimated to produce an annual savings to Cajun in excess of $4 million.

Louisiana National Bank, headquartered in Baton Rouge, was selected as Trustee for certain of these pollution securities as a means of strengthening Cajun's commitment to Louisiana and its economy.

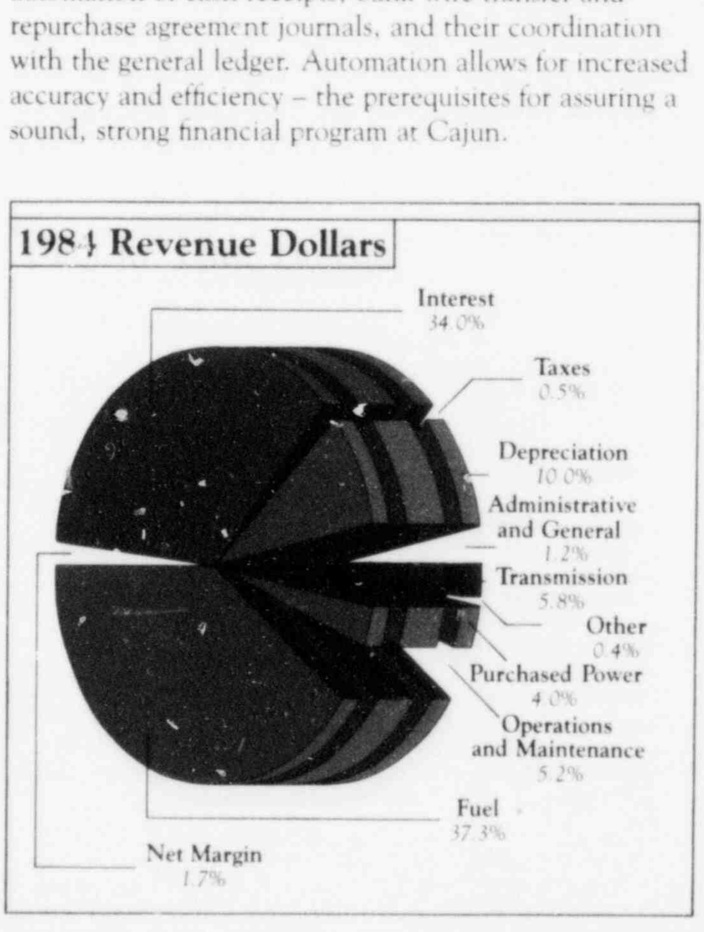
A vitally important Revenue Deferral Program was enacted in May that allowed Cajun to reduce electric rates to its customers in 1984 and 1985, in an amount of more than $56 million. To accommodate this program, the corporation's credit was increased to $60 million with its two principal sources of liquidity loans: the Jackson Bank for Cooperatives and the National Rural Utilities Cooperative Finance Corporation.

Internal audit procedures continued to be strengthened and expanded, in an effort to become more responsive to the corporation's expanding operations. Audits of the construction programs were expanded as projects neared completion, most specifically, construction activity at River Bend Station and at Big Cajun II.

Another area of continued emphasis was the automation of cash receipts, bank wire transfer and repurchase agreement journals, and their coordination with the general ledger. Automation allows for increased accuracy and efficiency – the prerequisites for assuring a sound, strong financial program at Cajun.

Gerald W. Pellar
Manager of Finance

D. Jack Harpole, Jr.
Vice President of Finance



Operations

The fundamental responsibility of Cajun is to provide the most economical bulk power available, when it is needed and where it is needed, to member systems located in fifty-four of Louisiana's sixty-four parishes. The Power Supply Department met this demanding challenge with the technological assistance of the Supervisory Control and Data Acquisition System (SCADA). This computer communication system, with machine interfacing equipment and Remote Terminal Units (RTUs), is linked to 150 delivery points throughout the Cajun system and to both of Cajun's generating facilities.

This system collects energy requirement data from the member cooperatives which is then instantaneously transmitted to Cajun's generating plants. Generating levels are then adjusted to accommodate system demand and off-system requirements.

The SCADA system allowed Cajun dispatchers to maintain an outstanding record of system reliability and integrity during 1984.

Through careful monitoring of the Southwest Power Pool System, Cajun was able to sell 603,185 MWHs to neighboring utilities during 1984. These sales represent a 136 percent increase over the 255,824 MWHs sold during 1983.

Load growth was the impetus for the Engineering Department to design and approve the installation of three new bulk substations: the 115 kV Provencal Substation, the 138 kV Semere Road Substation and the 69 kV addition at East Leesville. Anticipated load growth necessitated the design and start of construction of six additional bulk substations: Bayou L'Ourse, Cane River, Persimmon Mill, Scanlan, Talisheek Conversion and Log Cabin.

Data circuits were installed in 1984 that connected, for the first time, the Energy Control Center and the power plants with the engineering computer system, located at the company's headquarters. This installation greatly enhanced the availability of instant generation and transmission data for analysis by management.

Cajun's first two-block energy rate structure was designed and implemented by the System Planning & Rates Department, providing reduced energy rates for high load factor delivery points.

A transmission service agreement with Arkansas Power and Light Company was negotiated for wheeling of the company's Southwestern Power Administration peaking power allocation.

Power Requirement Studies were performed for six member cooperatives during 1984 to determine the future demand and energy requirements of each member.

Jeff A. Williams
Planning Analyst

Jack L. Gambrell
Vice President of Operations

Annual Work Plans of seven member cooperatives were reviewed and approved. Long range plans for two member cooperatives were also completed.

Regulations affecting the utility industry, generally, and Louisiana, specifically, were closely monitored by the Environmental Affairs Department. Air emission testing and monitoring at Big Cajun II for stack emission compliance at full load was successfully completed.

The PCB monitoring and tracking system was updated and baseline environmental data for Big Cajun II was compiled.

Borrower's Environmental Reports were prepared for the substations at Scanlan, Ferriday, Bayou L'Ourse and Cane River.

The Land Department negotiated and collected $219,000 in leases from properties owned by Cajun that are not required for operations.

Successful monitoring of the present energy needs of member cooperatives, as well as planning for their future energy requirements, is the essence of the Operations Division.

Production

A spirit of shared purpose, dedication and enthusiasm was evident throughout the Production Division during 1984. Demanding and challenging goals were set at the beginning of the year, and in large measure were met at the end of the year.

Production Division goals included: maintaining an annual generating availability factor above 85 percent; holding unscheduled outages to less than 3 percent; keeping generating unit heat rates below 110 percent of design; reducing coal costs at Big Cajun II to less than $2 per MMBTU; lowering recordable accidents to less than the national average; and, expanding cooperative programs between Power Engineering, Construction Division and the Power Plants, to enhance the efficiency and productivity of all three groups.

Operating statistics graphically illustrate how successfully these goals were met: the overall plant availability at Big Cajun I was 89.9 and the overall plant availability at Big Cajun II was 84.5 percent. The percentage of unscheduled outages at Big Cajun I was 1.8, and at Big Cajun II, the percentage of unscheduled outages was 3.1. All generating unit heat rates were kept below 110 percent of design.

Coal costs for the year amounted to $2.26 per MMBTU. Recordable accidents were dramatically reduced at both generating plants in 1984 from the previous year. In over 820,000 hours worked at both facilities, only 24 accidents were recorded, representing an incident rate of 5.85, compared to the national average during the same year of 5.82. The Production Division participated in a number of cooperative ventures during 1984. Typical of this commitment to cooperation was the implementation of the Phase II coal handling addition at Big Cajun II. Throughout this project, the Construction Division, Power Engineering and plant personnel worked closely to facilitate this critical undertaking.

The Production Division experienced a remarkable increase in productivity and efficiency during 1984. One important factor explaining this turnabout was the sharp decrease in emergency downtime at Big Cajun II during 1984, which totaled 825.3 hours, an almost five hundred percent improvement over 1983, which totaled 4,982.4 emergency downtime hours.

Net generation at Big Cajun I during 1984 totaled 271,996 MWH, an 11 percent increase over 1983.

The Fuel and Transportation Department managed the movement of 4.05 million tons of coal in 1984, employing seven trains of approximately 110 cars traveling 1,300 miles from Wyoming to St. Louis and then traveling 850 miles down the Mississippi River to the site of Big Cajun II: another success. The fuel cost at Big Cajun II dropped from 28.36 mills per MWH in 1983 to 25.86 mills per MWH in 1984, which represents a 9.6 percent decrease. The maintenance cost dropped from $2.87 MWH in 1983 to $2.21 in 1984.

Donald Y. Cain
Mechanical Maintenance Administrator

James T. Ware
Vice President of Production

Cajun's nationally recognized computerized Coal Car Fleet Management System, an innovative preventive maintenance program, and the new railcar maintenance facility in St. Louis, continue to hold Cajun's maintenance charges on its fleet of 770 cars to a cost well below the industry average.

To ensure a dependable and long-term supply of coal to Big Cajun II, Cajun entered into a 15-year coal transportation agreement with the Burlington Northern Railway during 1984, which will provide Cajun with one of the more favorable rates, on a mills per ton basis, of any utility in the country that is moving coal.

The advances that were attained by the Production Division during 1984 provide an incentive to establish and to achieve even greater goals in 1985.

Administration

The size of Cajun has grown at an almost exponential rate in recent years – 1984 was no exception. Two striking indicators that illustrate this growth are *operating expenses* and *net utility plant* which totaled $354,411,143 and $2,342,179,035, up more than $36 million and $258 million from 1983.

The Administrative Division provides central support in the areas of Purchasing, Electronic Data Processing, Policies and Procedures, Risk Management, and Personnel and Industrial Relations, which greatly help facilitate Cajun's comprehensive operations.

During 1984, Policies and Procedures put into operation a Project Tracking System that monitored the costs of 157 capital projects, 76 operating projects and 188 preliminary investigations.

An on-line computerized spare parts accounting, reporting and expediting system (SPARES), became fully operational early in the year. Minute-by-minute, SPARES tracks the availability and quantity of each item in stock at the power plants. This Cajun-designed program contains more than 13,000 line items, representing over $5.4 million in inventory. When parts are needed – from gaskets to gearboxes – information is now only a keystroke away.

Data Processing and Purchasing collaborated on designing an advanced on-line purchasing system, to be fully operational in 1985, that will greatly enhance the efficiency of tracking expenses and monitoring cash flow.

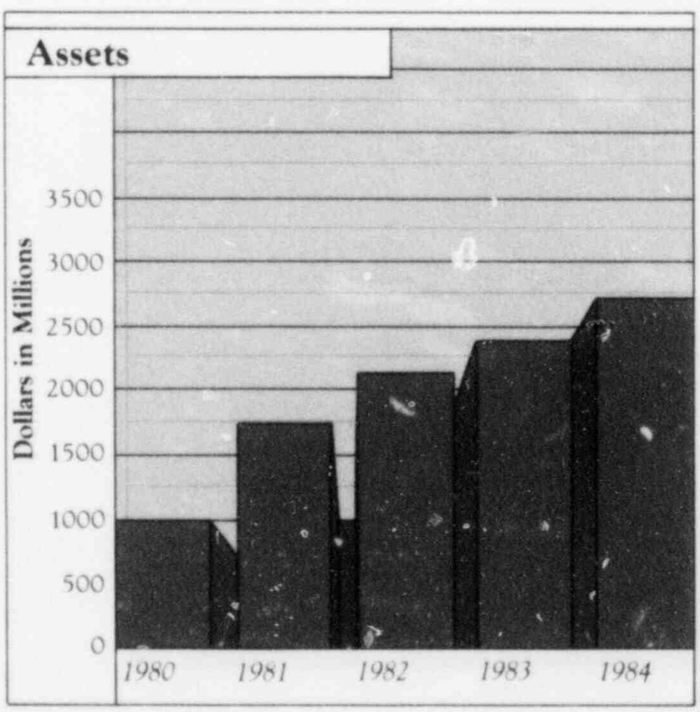
The need for immediate access to, as well as the retention and retrieval of, corporate data increases in direct proportion to the growth of Cajun. To better fulfill the need to husband information, Cajun embarked on a computerized records management system during 1984 with a goal to have it encompassing all areas of the company, and fully operational, within five years.

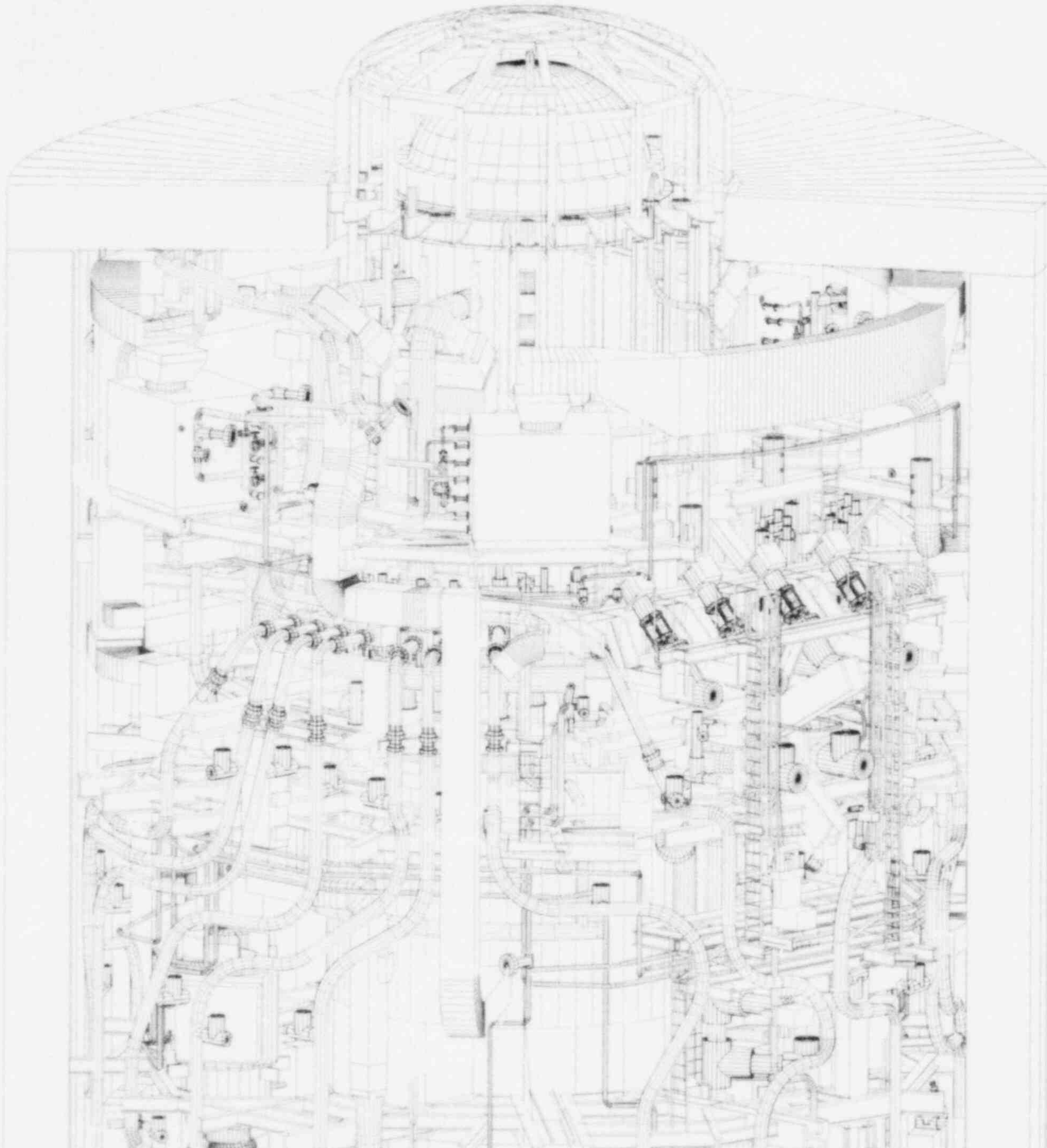
In addition to administering a thorough risk management program that embraces all areas of the corporation, Cajun offers risk management counseling to all thirteen member-cooperatives. Assistance ranges from evaluating members' risk management programs to aiding in the negotiations with insurers. Premium savings in excess of $650,000 was realized as a result of these cooperative efforts.

Just as Cajun is sensitive to the needs of its member-consumers, and to the marketplace, it is equally sensitive to the needs of its employees. Cajun strives to provide clear-cut responsibilities for each of its six hundred employees to perform, as well as to offer an atmosphere where each employee can succeed and help others to succeed.

Russell D. Huffman — *Vice President of Administration*; Ronald L. McCabe — *Manager of Purchasing*

In an attempt to be of further assistance to employees, and to their families, – while not being intrusive – Cajun began an employee assistance program aimed at offering outside counsel to employees and their family members who felt they could benefit by such intervention. Forty-six employees and forty-two family members have availed themselves of this service.





Construction

Oversight of Cajun's capital projects is the responsibility of the Construction Division.

Construction activities during 1984 at Big Cajun II involved monitoring the $2,739,758 painting contract for unit 3, and the $3,795,710 final site preparation contract, which included the installation of permanent roads, street lighting, grading and planting of grass.

An additional $3,481,814 was spent on the Phase II coal handling addition. When completed, the new coal handling system will A) permit coal to be moved directly from the barges on the Mississippi River to the coal silos, bypassing the coal pile, and eliminating a double handling of the coal, B) provide an additional stock-out and reclaim capability for the coal and C) allow the blending of coals that contain various heat values, as a means of increasing the performance and efficiency of the boilers.

Big Cajun Oxbow, Unit 1 Minemouth Lignite Plant, planned for construction in Northern Louisiana was placed on indefinite hold due to reduced load growth projections. As a result of this decision, renegotiations with affected parties resulted in Cajun coming to an agreement with eighteen contractors during 1984.

Construction at River Bend Nuclear Station progressed from 81.8 to 94.4 percent finished during 1984. At year's end, engineering was less than 7 percent away from completion. Completion of structural work reached 99 percent, piping reached 96 percent, and electrical work reached 90 percent. Construction of the Reactor Building progressed from 79 to 95 percent complete. The final concrete placements for the shield building roof dome were made, and the plant exhaust stack was fully erected. Control rods and control rod drives were fully installed in the reactor pressure vessel.

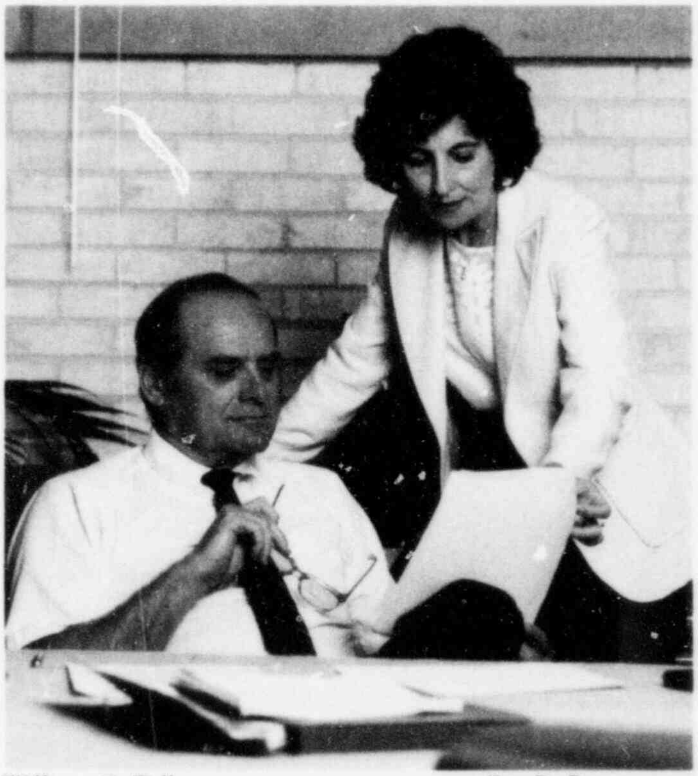
Among the 184 equipment releases that Stone & Webster, the engineer/contractor, gave to its Preliminary Test Organization during the year were the service water, high-/low-pressure core spray and reactor water cleanup.

Another, in a growing list of completed systems, was the auxiliary steam-generating system, which was successfully tested while operating at full power.

Cajun's cost of River Bend Nuclear Station, Unit 1, from its inception to December 31, 1984 includes $752,689,419 for construction, $68,717,712 for nuclear fuel, $8,464,273 for taxes, $306,007,560 for interest during construction, $14,570,408 for transmission lines, and $950,241 for overhead. These expenses total $1,151,399,613. Total dollars expended on this project by Cajun during 1984 amounted to $279,847,419.

Computerized three-dimensional design modeling is being used extensively to assist in the plotting and coordinating of engineering and construction activities at River Bend Nuclear Station. To date, over one-half million plant components have been modeled at River Bend – from as small a component as a quarter-inch pipe to the entire reactor building.

At left is a computer model illustrating the major drywell area in the reactor building, which includes the main steam lines, the feedwater lines, and the safety systems.



William C. Tolbert
Vice President of Construction

Eva B. Bissonnette
Construction Analyst

Concrete being placed on the roof of the Containment Building at River Bend Nuclear Station.

Stracener

Fontenot

Beard

Rodgers

Harbour

Roux

de Cordova

Davis

Talbot

Aucoin

Kesel

Scanlan

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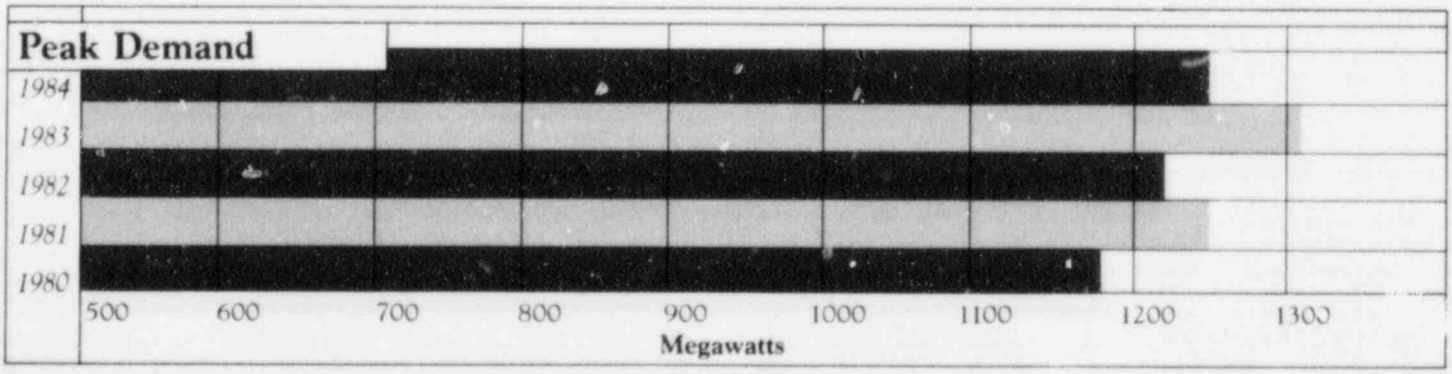
Lyle Killingsworth, Franklinton

Wood

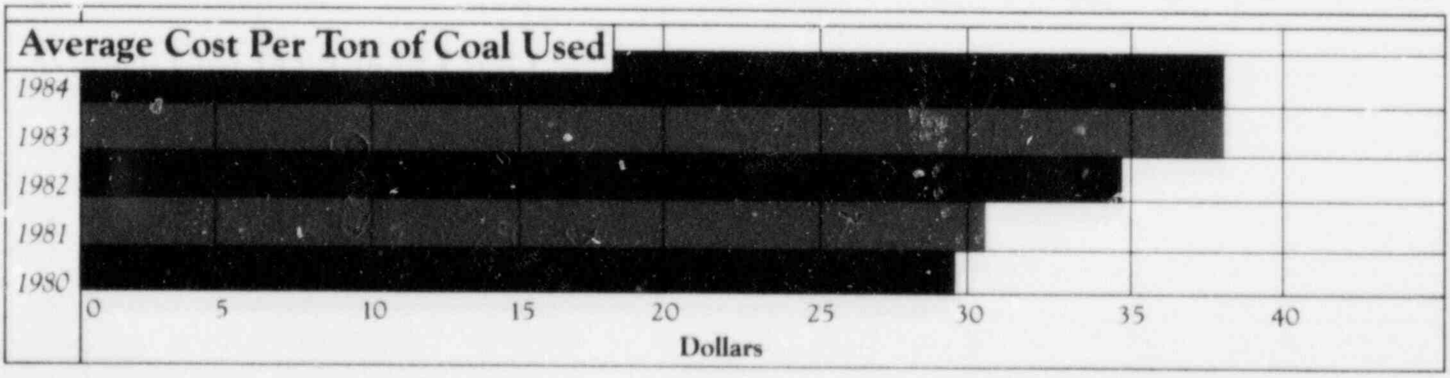
Killingsworth

CAJUN ELECTRIC POWER COOPERATIVE, INC.
MEMBER COOPERATIVES' STATISTICAL INFORMATION
PERIOD ENDING: DECEMBER 31, 1984
($ THOUSANDS)

SUMMARY OF OPERATIONS	Beauregard	Bossier	Claiborne	Concordia	Dixie	Jeff Davis	Northeast
Operating Revenues	$ 28,939	$ 15,179	$ 19,760	$ 15,025	$ 67,606	$ 13,718	$ 13,129
Expenses:							
Purchased Power	$ 20,094	$ 10,580	$ 14,878	$ 9,601	$ 46,340	$ 10,123	$ 9,786
Operation & Maintenance	3,918	2,010	2,173	2,716	8,714	1,928	1,875
Depreciation	1,258	675	821	779	3,359	583	481
Taxes	750	290	320	335	1,668	253	212
Interest	2,177	1,104	932	1,077	5,667	739	618
Other	33	6	0	0	368	2	8
Operating Margins	$ 709	$ 514	$ 636	$ 517	$ 1,490	$ 90	$ 149
Non-Operating Margins	682	405	639	281	1,594	773	371
Net Margins	$ 1,391	$ 919	$ 1,275	$ 798	$ 3,084	$ 863	$ 520
BALANCE SHEET DATA							
Assets:							
Total Utility Plant	$ 49,209	$ 23,561	$ 29,12[illegible]	$ 29,983	$116,088	$ 20,617	$ 18,704
Less: Accumulated Depreciation	8,870	4,829	7,414	6,607	13,645	3,806	4,731
Other Property & Investments	4,272	2,190	2,531	3,259	9,005	1,727	1,876
Current & Accrued Assets	3,412	2,606	4,285	2,271	12,519	2,501	2,545
Deferred Debits	30	68	36	9	1,682	506	0
Total Assets	$ 48,053	$ 23,596	$ 28,566	$ 28,915	$125,649	$ 21,545	$ 18,394
Liabilities:							
Margins & Equities	$ 9,110	$ 3,702	$ 9,085	$ 4,535	$ 13,849	$ 5,348	$ 5,098
Long Term Debt	35,922	18,252	17,489	22,927	100,546	14,679	11,972
Current & Accrued Liabilities	2,997	1,637	1,919	1,440	11,254	520	1,305
Deferred Credits	0	4	73	3	0	998	19
Operating Reserves	24	1	0	10	0	0	0
Total Equity & Liabilities	$ 48,053	$ 23,596	$ 28,566	$ 28,915	$125,649	$ 21,545	$ 18,394
OTHER STATISTICS							
Miles of Line	4,217	1,863	3,381	2,382	7,067	1,490	2,298
Consumers Served	26,656	11,717	17,666	11,037	49,378	8,671	13,276
Consumers Per Mile	6	6	5	5	7	6	6
Total MWH Sold	334,062	170,910	235,600	152,820	736,413	162,249	151,958
KWH Sold Per Consumer	12,532	14,586	13,337	13,846	14,914	18,711	11,446
Revenue Per KWH Sold (cents)	8.663	8.882	8.387	9.832	9.180	8.455	8.640
Annual Revenue Per Consumer	$ 1,086	$ 1,295	$ 1,119	$ 1,361	$ 1,369	$ 1,582	$ 989
Investment Per Consumer	$ 1,818	$ 1,991	$ 1,622	$ 2,544	$ 2,301	$ 2,208	$ 1,339



SUMMARY OF OPERATIONS	Pointe Coupée	South Louisiana	Southwest Louisiana	Teche	Valley	Washington St. Tammany	Total
Operating Revenues	$ 10,225	$ 30,006	$105,514	$ 9,598	$ 34,472	$ 31,701	$394,872
Expenses:							
Purchased Power	$ 6,922	$ 20,552	$ 82,114	$ 7,629	$ 23,334	$ 24,666	$286,619
Operation & Maintenance	1,459	3,547	8,255	1,267	4,926	3,180	45,968
Depreciation	424	1,139	3,398	224	1,669	1,253	16,063
Taxes	167	621	1,352	126	721	674	7,509
Interest	761	2,258	2,992	87	2,675	1,850	22,937
Other	29	22	0	0	0	29	497
Operating Margins	$ 443	$ 1,867	$ 7,403	$ 265	$ 1,147	$ 49	$ 15,279
Non-Operating Margins	293	694	8,972	190	1,135	1,570	17,599
Net Margins	$ 736	$ 2,561	$ 16,375	$ 455	$ 2,282	$ 1,619	$ 32,878
BALANCE SHEET DATA							
Assets:							
Total Utility Plant	$ 16,242	$ 49,129	$116,161	$ 7,935	$ 58,206	$ 46,625	$581,588
Less: Accumulated Depreciation	1,823	5,475	17,763	1,553	8,962	7,495	92,973
Other Property & Investments	1,887	3,726	7,584	695	5,170	3,974	47,896
Current & Accrued Assets	2,387	3,137	22,648	1,226	6,081	5,503	71,121
Deferred Debits	157	36	(316)	39	544	139	2,930
Total Assets	$ 18,850	$ 50,553	$128,314	$ 8,342	$ 61,039	$ 48,746	$610,562
Liabilities:							
Margins & Equities	$ 3,016	$ 10,312	$ 70,701	$ 6,078	$ 11,898	$ 10,996	$163,728
Long Term Debt	13,838	37,447	45,013	1,273	42,532	34,901	396,791
Current & Accrued Liabilities	1,809	2,770	11,774	709	6,591	2,783	47,508
Deferred Credits	85	[illegible]	826	282	18	66	2,398
Operating Reserves	102	0	0	0	0	0	137
Total Equity & Liabilities	$ 18,850	$ 50,553	$128,314	$ 8,342	$ 61,039	$ 48,746	$610,562
OTHER STATISTICS							
Miles of Line	945	1,117	7,506	755	6,213	4,075	43,309
Consumers Served	8,345	15,416	76,152	8,057	33,430	25,486	305,287
Consumers Per Mile	9	14	10	11	5	6	7
Total MWH Sold	105,023	339,549	1,344,390	116,129	362,011	384,540	4,595,654
KWH Sold Per Consumer	12,586	22,026	17,654	14,414	10,829	15,088	15,054
Revenue Per KWH Sold (cents)	9.736	8.837	7.848	8.265	9.522	8.244	8.592
Annual Revenue Per Consumer	$ 1,225	$ 1,946	$ 1,386	$ 1,191	$ 1,031	$ 1,244	$ 1,293
Investment Per Consumer	$ 1,716	$ 3,076	$ 1,505	$ 975	$ 1,642	$ 1,778	$ 1,846



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John G. Burford Jr., Gloster

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Lyle Killingsworth, General Manager, Franklinton
J. T. Wood, President, Talisheek
Joe Laird, Vice President, Folsom
Alcous Stewart, Treasurer, Bogalusa
Clifton Fauntleroy, Secretary, Bush
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Ernest Branch, Angie
W. A. Potts, Kentwood

Ernst & Whinney

726 Louisiana National Bank Building
Baton Rouge, Louisiana 70801

504/383-0166

Board of Directors
Cajun Electric Power Cooperative, Inc.
Baton Rouge, Louisiana

We have examined the balance sheets of Cajun Electric Power Cooperative, Inc. as of December 31, 1984 and 1983, and the related statements of revenue and expenses, changes in equity and margin and changes in financial position for the years then ended. 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 financial statements referred to above present fairly the financial position of Cajun Electric Power Cooperative, Inc. at December 31, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Baton Rouge, Louisiana
March 8, 1985

BALANCE SHEETS
CAJUN ELECTRIC POWER COOPERATIVE, INC.

	December 31 1984	December 31 1983
UTILITY PLANT – Notes B, C and F		
Electric plant in service	$1,178,834,774	$1,162,470,923
Construction-in-progress	1,261,244,164	982,583,246
	2,440,078,938	2,145,054,169
Less accumulated depreciation	98,280,029	61,794,283
	2,341,798,909	2,083,259,886
Electric plant held for future use	380,126	380,126
	2,342,179,035	2,083,640,012
OTHER PROPERTY AND INVESTMENTS		
Nonutility property	685,079	713,142
Restricted funds held by trustees – Note F	43,549,417	2,144,879
Other restricted funds – Note E	17,189,135	27,357,861
Investments in associated organizations – Notes D and F	63,185,776	55,474,180
Notes receivable from associated organization	240,000	255,000
	124,849,407	85,945,062
CURRENT ASSETS		
Cash	618,169	194,342
Certificates of deposit	343,177	318,863
U.S. Government investments		59,137,851
Accounts receivable – electric customers (including amounts due from nonmembers of $1,254,716 in 1984 and $191,072 in 1983)	26,392,023	26,799,788
Accounts receivable – other	10,825,335	6,673,266
Fuel and supplies inventories – Note K	56,394,424	55,930,504
Prepayments	741,041	402,910
Other	1,144,043	1,387,089
	96,458,212	150,844,613
DEFERRED CHARGES – Notes E and F	148,804,760	116,211,642
	$2,712,291,414	$2,436,641,329
EQUITY AND MARGIN		
Memberships	$ 1,300	$ 1,300
Patronage capital credits	23,903,139	17,683,139
Donated capital	405,942	405,942
	24,310,381	18,090,381
LONG-TERM DEBT, less current portion – Note F	2,577,710,542	2,131,522,889
SHORT-TERM DEBT EXPECTED TO BE REFINANCED – Note G	5,284,346	31,084,370
CURRENT LIABILITIES		
Notes payable – Jackson Bank for Cooperatives – unsecured	18,611,198	
Notes payable – National Rural Utilities Cooperative Finance Corporation – unsecured	3,461,324	16,745,670
Accounts payable – general	99,060	657,710
Accounts payable – construction, including contract retainage of $3,072,484 in 1984 and $10,831,401 in 1983	3,101,373	50,619,107
Accrued interest and other expenses	32,036,313	68,139,365
Current portion of long-term debt – Note F	12,684,548	62,211,791
	69,993,816	198,373,643
DEFERRED CREDITS – Note L	34,992,329	57,570,046
COMMITMENTS AND CONTINGENCIES – Note K		
	$2,712,291,414	$2,436,641,329

See notes to financial statements

STATEMENTS OF REVENUE AND EXPENSES
CAJUN ELECTRIC POWER COOPERATIVE, INC.

	Year Ended December 31 1984	1983
OPERATING REVENUE		
Sales of electric energy – Note B	$ 305,459,713	$ 271,433,109
Proceeds from amendment of gas purchase contract – Note J	15,891,000	38,700,000
Other	8,474,556	
	329,825,269	310,133,109
OPERATING EXPENSES		
Power production:		
Fuel – Note K	134,564,305	104,388,737
Operations and maintenance	18,906,621	16,623,395
Purchased power	14,448,622	21,869,829
Other power supply expenses – Note B	301,288	25,603,225
Transmission	20,865,698	19,983,168
Administrative and general – Note I	4,197,460	4,036,293
Depreciation and amortization – Note B	35,989,602	24,973,934
Taxes, other than income	1,627,671	1,273,622
Interest – Note F	122,536,816	93,707,394
Other deductions – Note E	973,060	3,284,557
Current provision for income taxes – Note H		1,996,774
	354,411,143	317,740,928
OPERATING DEFICIT	(24,585,874)	(7,607,819)
NONOPERATING MARGIN		
Interest, rents and leases	9,589,865	6,508,959
Other income	727,350	52,145
Extraordinary item:		
Sale of tax benefits – Note L	20,488,659	8,322,789
	30,805,874	14,883,893
NET MARGIN	$ 6,220,000	$ 7,276,074

STATEMENTS OF CHANGES IN EQUITY AND MARGIN

Years Ended December 31, 1984 and 1983

	Memberships	Patronage Capital Credits	Prior Period Net Margin (Deficit)	Donated Capital	Total
BALANCE JANUARY 1, 1983	$1,300	$15,783,139	$(5,376,074)	$405,942	$10,814,307
Net margin for the year		1,900,000	5,376,074		7,276,074
BALANCE DECEMBER 31, 1983	1,300	17,683,139		405,942	18,090,381
Net margin for the year		6,220,000			6,220,000
BALANCE DECEMBER 31, 1984	$1,300	$23,903,139	$	$405,942	$24,310,381

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
CAJUN ELECTRIC POWER COOPERATIVE, INC.

	Year Ended December 31 1984	1983
FUNDS WERE PROVIDED BY		
Net margin	$ 6,220,000	$ 7,276,074
Add items not requiring a current outlay of funds:		
Depreciation expense	35,468,673	24,973,934
Amortization of deferred charges	1,519,463	5,483,277
TOTAL FROM OPERATIONS	43,208,136	37,733,285
Issuance of long-term debt	535,985,000	305,827,000
Decrease in nonutility property	28,063	
Decrease in other restricted funds	10,168,726	
Increase in deferred credits		55,936,805
Increase in short-term debt expected to be refinanced		31,084,370
Decrease in notes receivable	15,000	
	546,196,789	430,581,460
FUNDS WERE APPLIED TO		
Increase in utility plant – net	294,007,696	331,293,686
Increase in investments	7,711,596	6,577,833
Increase in restricted funds	41,404,538	2,034,355
Increase in other restricted funds		27,357,861
Increase in deferred charges	34,112,581	41,698,045
Decrease in short-term debt expected to be refinanced	25,800,024	
Decrease in deferred credits	22,577,717	
Reductions in long-term debt	89,797,347	117,330,122
	515,411,499	526,291,902
INCREASE (DECREASE) IN WORKING CAPITAL	$ 73,993,426	$ (95,710,442)
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash, certificates of deposit and U.S. Government investments	$ (58,689,710)	$ 54,567,819
Accounts receivable	3,744,304	(9,096,948)
Fuel and supplies inventories	463,920	(78,070,379)
Prepayments	338,131	28,699
Other	(243,046)	1,120,691
	(54,386,401)	(31,450,118)
(Increase) decrease in current liabilities:		
Notes payable	(5,326,852)	44,292,858
Accounts payable	48,076,384	(11,048,159)
Accrued interest and other expenses	36,103,052	(38,626,627)
Current portion of long-term debt	49,527,243	(58,878,396)
	128,379,827	(64,260,324)
INCREASE (DECREASE) IN WORKING CAPITAL	$ 73,993,426	$ (95,710,442)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
CAJUN ELECTRIC POWER COOPERATIVE, INC.
December 31, 1984

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Method of Presentation: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, including those prescribed by the United States Department of Agriculture Rural Electrification Administration (REA).

Electric Plant in Service: Electric plant in service is stated on the basis of cost. Depreciation is computed on the straight-line method over the expected useful lives of the related component assets.

Construction-in-progress: Construction-in-progress is stated on the basis of cost, which includes interest on borrowed funds and allowance for funds used during construction, adjusted for costs allocable to joint participation agreements and, during the testing phase of construction, certain operating expenses offset by a portion of the sales of test energy generated.

Investments: The terms of financing arrangements with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and Jackson Bank for Cooperatives (JBC - formerly the New Orleans Bank for Cooperatives) require investment in capital term certificates and Class "C" stock, respectively. These investments are carried at cost in the accompanying financial statements together with undistributed patronage capital from these organizations.

The Company allocates patronage received from associated organizations to assets and expense in the same ratio as the interest paid is capitalized and expensed respectively.

Fuel and Supplies Inventories: Fuel and supplies inventories are stated at cost. A combination of the first-in, first-out and average cost methods are used for fuel inventories. The average cost method is used for supplies inventory.

Deferred Charges and Credits: Deferred charges represent costs incurred which, under generally accepted accounting principles, are recoverable from future revenues. Deferred charges consist primarily of the costs of development and operation of electrical generating facilities (including costs associated with common facilities and resulting from stockpiling fuel inventory) prior to commercial operation status and/or thereafter, but before the facilities achieve full capacity, or as otherwise specifically approved by the REA. These costs are being amortized over periods prescribed by REA which generally do not exceed 15 years. Deferred credits consist primarily of proceeds received in a sale of the tax benefits associated with certain assets of Big Cajun No. 2, Unit 3 (see Note L). These proceeds will be recognized in future periods in accordance with the rate making policy as determined by the Board of Directors of the Company.

Income Taxes: Certain revenue and expense items are recognized in different periods for financial reporting and income tax purposes, thus giving rise to timing differences. Deferred income taxes are provided on these timing differences which are principally depreciation on electric plant in service, income and deductions related to the additions to and amortization of deferred charges and credits, and the sale of tax benefits.

The Company uses the flow-through method for recognizing investment tax credits.

Patronage Capital Credits: The Company is organized and operates on a nonprofit basis. Patronage capital credits represent that portion of the Company's retained net margins which have been assigned to member cooperatives. As provided in the Company's bylaws, all amounts received from the furnishing of electric energy in excess of the sum of operating costs and expenses and amounts required to offset any current year losses are assigned to members' patronage capital credit accounts on a patronage basis, or, at the discretion of the Board of Directors, these amounts may be offset against losses of any prior fiscal year. All other amounts received from its operations in excess of costs and expenses are used to offset losses incurred during the current or any prior fiscal year and to the extent not needed therefor are assigned to members on a patronage basis. As of December 31, 1984, no retirements of patronage capital credits have been made.

Reclassification: Certain reclassifications of 1983 amounts have been made to conform with the 1984 presentation.

NOTE B – ELECTRIC PLANT IN SERVICE

Electric plant in service consists of the following:

	1984	1983
Electric plant in service:		
Production	$1,171,030,336	$1,154,918,951
General plant	7,804,438	7,551,972
	$1,178,834,774	$1,162,470,923

Big Cajun No. 2, Unit 3, a coal-fired facility, was declared to have achieved commercial operation status on December 31, 1983 and the Company's share of its cost is included in electric plant in service in the accompanying balance sheet. The Company's cost of Unit 3 was reduced by a portion of sales of test energy generated during the testing phase of Unit 3. Sales of test energy generated are recorded as sales of electric energy and a portion thereof, in the amount of $25,535,000 as measured by the related cost of fuel consumed, was charged to other power supply expense with an offsetting reduction to the facility cost. This facility was constructed under a joint ownership and participation agreement with Gulf States Utilities Company (GSU) whereby the Company was responsible for financing and managing construction of the project and GSU participated in 42% of the cost of construction and ongoing operation of the facility and certain common facilities in return for a similar percentage of future plant output.

The net change in accumulated depreciation is as follows:

	1984	1983
Charged to operating expenses	$ 35,468,673	$ 24,973,934
Deferred depreciation:		
Fuel inventories – coal handling equipment	1,276,438	1,041,299
Common facilities attributable to construction-in-progress		926,090
Other		470,068
	36,745,111	27,411,391
Less asset disposals	(259,365)	(493,091)
	$ 36,485,746	$ 26,918,300

NOTE C – CONSTRUCTION-IN-PROGRESS

Construction-in-progress consists of:

	1984	1983
River Bend, Unit 1	$1,140,432,671	$ 880,133,060
Big Cajun Oxbow, Unit 1	108,052,646	88,925,573
Other	12,758,847	13,524,613
	$1,261,244,164	$ 982,583,246

River Bend, Unit 1, a nuclear facility, is being constructed under a joint ownership and participation agreement with GSU, whereby GSU is responsible for financing and managing construction of the project and the Company will share in 30% of the cost of construction and ongoing operation of the facility in return for a similar percentage of future output. The estimated cost to the Company to complete construction of its portion of River Bend is $305,000,000 at December 31, 1984, including $30,000,000 of post commercial operation deferred payments. The Company intends to finance these completion costs through loans guaranteed by the REA, including the Federal Financing Bank (FFB) and the JBC. At December 31, 1984, the Company had available and unadvanced FFB and JBC loan commitments and restricted funds held by trustees for pollution control bonds totaling $268,000,000. Under the contractual terms of its agreement with GSU, the Company is obligated to use its best efforts to obtain the additional financing.

The Company and GSU have also agreed that GSU will buy back a portion of the Company's proportionate interest in the aggregate capacity and output of River Bend, Unit 1, in stages following the in-service date of the facility. This agreement calls for GSU to purchase the entire first year capacity and output to which the Company is entitled.

The Company and GSU have entered into a Financial Options Contract dated November 3, 1980 which provides in part that if the Company defaults under the River Bend Agreement, GSU can require the Company to purchase GSU's interest in Big Cajun No. 2, Unit 3, to the extent of the amount of the Company's River Bend default. The agreement has a contra provision related to GSU default under the Big Cajun No. 2, Unit 3 agreement whereby the Company can require GSU to purchase the Company's interest in River Bend to the extent of the amount of GSU's Unit 3 default.

Big Cajun Oxbow, Unit 1 is a planned lignite-fired facility. Cost incurred to date, which aggregates $108,000,000, consists primarily of land acquisition, preliminary surveys and investigations, plant design, turbine generator and associated pumps and capitalized interest. Subsequent to December 31, 1984, the Company decided to defer development of this project and has determined that certain facility costs, aggregating approximately $99,000,000, have no future benefit. These costs, less salvage value, will be deferred and amortized beginning in 1985 over a period not to exceed 15 years in accordance with the rate making policy as determined by the Board of Directors of the Company and with the approval of the REA. The land is retained as the site for the deferred generating facility.

Other construction-in-progress consists primarily of new transmission facilities and general additions to existing plants. The estimated cost to complete these projects and certain in-service projects is $20,000,000.

NOTE D – INVESTMENTS IN ASSOCIATED ORGANIZATIONS AND OTHER RELATED PARTY TRANSACTIONS

Investments in associated organizations consist of:

	1984	1983
National Rural Utilities Cooperative Finance Corporation	$ 9,656,087	$ 7,664,984
Jackson Bank for Cooperatives	53,476,004	47,761,690
Western Fuels, Inc.	1,000	1,000
Other	52,685	46,506
	$ 63,185,776	$ 55,474,180

The Company's investments in the NRUCFC and JBC are substantially pledged to secure certain borrowings from those organizations. The investment in Western Fuels, Inc. is carried at cost. Earnings or losses of Western Fuels, Inc. attributable to the Company are, in the opinion of management, immaterial.

NOTE E – DEFERRED CHARGES

Deferred charges at December 31, net of accumulated amortization, consist of the following:

	1984	1983
Interest on excess coal	$ 66,454,254	$ 52,818,395
Charges for nondelivery of coal	41,371,245	26,991,694
Losses resulting from decrease in Btu content of stockpiled coal	13,816,709	13,816,709
Depreciation and interest on common facilities at Big Cajun No. 2 allocable to Unit 3	12,573,577	15,849,146
Preliminary surveys and investigations and other	14,588,975	6,735,698
	$ 148,804,760	$ 116,211,642

Effective January 1, 1984, the Company, with the approval of the REA, suspended until 1986 the amortization of deferred charges relating to interest on excess coal, charges for nondelivery of coal and losses resulting from a decrease in Btu content of stockpiled coal.

During 1983, the Company abandoned two generation facility projects. Accumulated preliminary survey and investigation costs totaling $2,578,000 associated with these projects have been included in other deductions in the accompanying financial statements.

Other restricted funds included in other property and investments consist of U.S. Government investments totaling $17,189,135 at December 31, 1984 which are restricted to the payment of additional charges for nondelivery of coal and the repayment, beginning in 1988, of certain FFB notes payable related to the financing of previously stockpiled excess coal.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the following:

	1984	1983
Mortgage notes payable to REA, interest at 2% to 5% per annum, due in quarterly installments through June 2016	$ 37,471,451	$ 38,759,822
Construction notes payable to FFB, interest at 7.7% to 14.6% per annum, due in quarterly installments through December 2018	1,622,390,677	1,527,612,609

Excess coal notes payable to FFB, interest at 10.2% to 11.2% per annum, due 7 years after first advance, due in 1988 and 1989	125,000,000	125,000,000
Construction notes payable to JBC, interest at varying rates as determined by the JBC (11.75% at December 31, 1984), due in quarterly installments through December 2016	593,382,962	421,047,249
Pollution Control Refunding Revenue Bonds, Series 1982, interest at 9.625%, due May 1986		76,815,000
Industrial Development Revenue Bonds, Series 1982, interest at two-thirds of prime (7.2025% at December 31, 1984), due July 1997	4,500,000	4,500,000
Pollution Control Refunding Revenue Bonds, Series 1984, interest at varying rates based on a nationally recognized index of comparable tax-exempt bond issues (5.8% to 7% at December 31, 1984), due no later than December 2014	88,250,000	
Pollution Control Revenue Bonds, Series 1984, interest at varying rates based on a nationally recognized index of comparable tax-exempt bond issues (6.1% to 6.25% at December 31, 1984), due no later than May 2014	25,800,000	
Pollution Control Revenue Bonds, Series 1984, interest at varying rates based on a nationally recognized index of comparable tax-exempt bond issues (6.125% to 6.375% at December 31, 1984), due no later than December 2014	38,600,000	
Pollution Control Revenue Bonds, Series 1984, interest at varying rates based on a nationally recognized index of comparable tax-exempt bond issues (5.875% to 7% at December 31, 1984), due no later than November 2014	55,000,000	
	2,590,395,090	2,193,734,680
Less current portion	(12,684,548)	(62,211,791)
	$2,577,710,542	$2,131,522,889

Construction notes payable to FFB have, at the option of the Company, maturity dates of 2 to 7 years from the date of the advance, unless the Company elects a long-term maturity, in which case the maturity date would be 34 years after the end of the calendar year in which the advance was made. Principal repayment is generally deferred for 7 years. Under the terms of the notes outstanding at December 31, 1984, aggregate principal repayments of $702,352,000 mature in 1985 and 1986; however, the Company plans to ultimately refinance these notes for 34 years, therefore, the principal amortization on these notes has been included in future maturities beginning in 1987 in the maturity schedule below.

The Pollution Control Refunding Revenue Bonds, Series 1982, outstanding at December 31, 1983 were defeased in 1984 by the Company depositing into an irrevocable trust, an amount from the proceeds of the Pollution Control Refunding Revenue Bonds, Series 1984, sufficient to retire the Series 1982 bonds in the amount of $76,815,000 in May 1985. No significant gain or loss was recognized on this transaction.

The indenture agreements of the Series 1984 pollution control revenue and refunding revenue bonds contain certain provisions whereby the bondholders may, at their option, redeem the bonds at the end of each interest adjustment period, which typically is from 1 to 90 days. Should the Company, through its remarketing agent, not be able to remarket such redeemed bonds, the Company has the ability to refinance such bonds through long-term financing commitments from the FFB and/or through the use of the restricted funds held by the trustees (see below). Accordingly, these bonds have been classified as long-term debt in the accompanying financial statements. The long-term financing commitments expire in varying amounts from 1988 through 1991. The Company anticipates that the Series 1984 bonds will be converted to serial and/or term bonds with sinking fund arrangements at some time prior to the expiration of these commitments.

At December 31, 1984 and 1983, restricted funds held by trustees were restricted to the payment of the costs of acquiring, constructing and installing pollution control equipment at Big Cajun No. 2 and River Bend, Unit 1, and to the payment of principal and interest on the pollution control bonds.

Maturities on long-term debt are as follows at December 31, 1984:

Due	Amount
1985	$ 12,684,548
1986	14,227,444
1987	27,949,200
1988	115,661,905
1989	78,882,378
Thereafter	2,340,989,615
	$2,590,395,090

Under the terms of its loan agreements, the Company is subject to certain covenants, including the maintenance of certain levels of interest coverage and annual debt service coverage. As of December 31, 1984, the Company was in compliance with all such covenants.

Interest on notes payable and long-term debt incurred consists of the following:

	1984	1983
Charged to operating expense	$ 122,536,816	$ 93,707,394
Additions to deferred charges:		
Interest on excess coal	13,635,859	18,987,450
Interest on common facilities		4,929,669
Preliminary surveys and investigations	5,774	219,144
Additions to construction-in-progress	118,893,679	122,705,082
	$ 255,072,128	$ 240,548,739

Substantially all of the Company's utility plant and its investments in associated organizations are pledged to secure long-term debt payable to the REA, the FFB and the JBC. In addition, long-term debt payable to the FFB and substantially all of the long-term debt payable to the JBC is guaranteed by the REA.

At December 31, 1984, the Company had unadvanced and available loan commitments from the FFB and the JBC of approximately $329,000,000 in excess of the pollution control bond commitments discussed above.

NOTE G – SHORT-TERM DEBT EXPECTED TO BE REFINANCED

At December 31, 1984, the Company had notes payable to NRUCFC totaling $5,284,346 which mature in 1985. The Company will refinance these notes in 1985 with long-term debt. Accordingly, these notes payable to NRUCFC at December 31, 1984 have not been classified as current liabilities in the accompanying financial statements.

NOTE H – INCOME TAXES

During 1983, less than 85% of the income of the Company was collected from members for the sole purpose of meeting losses and expenses. As a result, pursuant to Section 501(c)(12)(A) of the Internal Revenue Code of 1954 as amended, the Company became a taxable entity in 1983. The Company has received a private letter ruling from the Internal Revenue Service stating that once taxable, the Company shall remain taxable until an application is submitted and approved for redetermination of its taxable status. The Company has made an election under the Internal Revenue Code to remain a taxable entity through the year 2003 in order to participate in certain equipment leases.

The Company had no current income tax provision for the year ended December 31, 1984. The current income tax provision for the year ended December 31, 1983 was net of approximately $18,000,000 of investment and energy tax credits.

Certain timing differences existed at December 31, 1984 which resulted in a deferred income tax provision which was substantially offset by $8,600,000 of investment and energy tax credits. For the year ended December 31, 1983, deferred income taxes were not recognized due to the existence of investment and energy tax credit carryforwards.

At December 31, 1984, the Company had investment and energy tax credit carryforwards which can be used to offset future income taxes of approximately $38,000,000 with approximately $12,000,000 expiring in 1998 and $26,000,000 expiring in 1999. In addition, the Company has loss carryforwards of approximately $409,000,000 which may be used to offset future taxable income.

As a result of the Company's investment in River Bend, Unit 1 (See Note C), substantial additional tax benefits will become available as construction continues and at the date the facility is placed in service.

NOTE I – EMPLOYEE BENEFIT PLAN

Substantially all of the Company's employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program. The Company makes annual contributions to the plan equal to the amounts accrued for pension expense. In this master multiple-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The Company's pension expense under the plan for 1984 and 1983 was $1,399,090 and $1,539,875, respectively.

NOTE J – AMENDMENT OF NATURAL GAS CONTRACT

In April 1983, the Company negotiated an amendment to its primary natural gas purchase contract, whereby the supplier of the gas was released of its obligation to deliver a portion of the gas stipulated in the contract for the period January 1, 1983 to January 1, 1987 in exchange for cash considerations of $38,700,000 in 1983 and $7,571,000 in 1984. The Company estimates that its gas consumption requirements for 1985 and 1986 will not exceed the quantities of gas it has a contractual right to purchase under the terms of that portion of the contract not affected by the amendment. Also included in the amendment is a provision whereby the Company may sell to the supplier its right to receive certain quantities of gas under the amended delivery schedule. Sales under this provision totaled $8,320,000 in 1984.

NOTE K – COMMITMENTS AND CONTINGENCIES

The Company is a party to two contracts related to the acquisition of coal. Purchases related to these contracts (including charges for nondelivery of contractual quantities) during 1984 and 1983 were approximately $165,000,000 and $83,000,000, respectively. Under the terms of these contracts, the Company is obligated to purchase, over the next five years, coal in approximately the following amounts (not including any charges for nondelivery of contractual quantities):

1985 – $140,000,000	1988 – $171,000,000
1986 – $159,000,000	1989 – $180,000,000
1987 – $178,000,000	

Management is of the opinion that these coal contracts will meet the anticipated coal fuel needs of the Company through the final contract year, 1997.

The Company is the defendant in certain litigation concerning claims of contractors, principally related to the construction of its utility plant. The results of some of these lawsuits cannot be predicted with certainty; however, it is management's opinion that the final outcome of these matters will not have a materially adverse effect on the Company's financial position. The Company is also the plaintiff in other litigation concerning related construction issues.

NOTE L – EXTRAORDINARY ITEM

During 1983, the Company entered into safe harbor leases for income tax purposes and sold the rights to tax benefits associated with its undivided ownership interest in the boiler and turbine assets of Big Cajun No. 2, Unit 3. Total cash proceeds received on the sale were $57,816,913. The Company was required during 1984 by the REA to use the proceeds and any interest earned thereon exclusively to pay all transaction costs and retire outstanding FFB debt. The Company has agreed to indemnify the purchasers through the issuance of letters of credit by the Jackson Bank for Cooperatives against certain events which would result in the loss of the tax benefits.

In 1984, $21,279,600 of the proceeds, net of $790,941 of transaction costs, was recognized in nonoperating margin as an extraordinary item. In 1983, $10,457,951 of the proceeds, net of $2,135,162 of transaction costs, was likewise recognized as income. Due to the existence of operating loss and tax credit carryforwards at December 31, 1984 and the utilization of investment and energy tax credits in 1983, no deferred income taxes have been provided on this transaction. As a result of the anticipated realization of substantial income tax benefits, principally related to the Company's investment in River Bend, Unit 1 (See Notes C and H), future income taxes payable related to the sale of the tax benefits are expected to be minimal.

The balance of the proceeds is being deferred and will be recognized in future periods in accordance with the rate making policy as determined by the Board of Directors of the Company.

Officers

PRESIDENT

M. W. Scanlan

VICE PRESIDENT

G. A. Fletcher

SECRETARY-TREASURER

E. J. Poss

EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER

D. L. Mohre

VICE PRESIDENTS

J. L. Gambrell
Operations

J. T. Ware
Production

W. C. Tolbert
Construction

D. J. Harpole, Jr.
Finance

R. D. Huffman
Administrative Services

MANAGERS

G. C. Ellender
Environmental Affairs

W. W. Holloway
System Planning & Rates

D. H. Calvert
Power Supply

V. J. Elmer
Operations Engineering & Design

A. W. Johnson
Power Engineering

M. F. Barker
Fuels & Transportation

J. G. Chustz
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G. W. Pellar
Finance

J. M. Purtle
Auditing

R. L. McCabe
Purchasing

D. J. Courtney
Data Processing

D. N. Keith
General Services

J. A. Daily
Personnel & Industrial Relations

PLANT MANAGERS

M. L. Hart
Big Cajun II

G. H. Barnes
Big Cajun I

CORPORATE ATTORNEY

John Schwab
Baton Rouge, La.

CORPORATE AUDITORS

Ernst & Whinney
Baton Rouge, La.

Information

Requests for general information about Cajun Electric should be directed to Public Affairs.

Equal Employment Opportunity Employer M/F

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