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LOUISIANA ENERGY AND POWER AUTHORITY

Financial Statements and Schedules

December 31, 1999 and 1998

With Independent Auditors' Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 3 1 2000

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Independent Auditors' Report

The Board of Directors
Louisiana Energy and Power Authority:

We have audited the accompanying balance sheets of Louisiana Energy and Power Authority (the Authority) as of and for the years ended December 31, 1999 and 1998, and the related statements of revenues, expenses and equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Energy and Power Authority at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2000, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

March 16, 2000

KPMG LLP KPMG LLP a U.S. limited liability partnership, is a member of KPMG International, a Swiss association

LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheets

December 31, 1999 and 1998

Assets		1999	1998
Utility plant, net (note 2)	$	54,760,435	57,647,777
Central dispatch facility, net of accumulated depreciation of $4,708,934 and $4,493,934 in 1999 and 1998, respectively		1,068,707	529,497
Non-utility property, net of accumulated depreciation of depreciation of $373,319 and $305,053 in 1999 and 1998, respectively		1,057,106	1,094,347
Special deposits-partially restricted (note 4)		18,243,806	18,258,544
		75,130,054	77,530,165
Current assets:			
Funds-partially restricted (note 4)		13,364,314	14,374,164
Accounts receivable		2,800,794	3,033,738
Interest receivable		158,864	152,880
Fuel inventory		1,707,643	1,790,831
Prepaid expenses		112,227	88,972
Total current assets		18,143,842	19,440,585
Deferred charges:			
Debt expense (note 3)		2,702,730	2,848,815
Preoperating costs		447,900	472,110
Total deferred charges		3,150,630	3,320,925
	$	96,424,526	100,291,675
Equity and Liabilities			
Long-term debt, net (note 3)		71,500,093	74,924,785
Equity		10,472,176	10,843,113
		81,972,269	85,767,898
Current liabilities:			
Current maturities of long-term debt (note 3)		4,980,000	4,675,000
Accounts payable		3,505,524	3,836,162
Due to participants		488,693	570,957
Accrued interest payable		3,331,620	3,476,570
Other		2,146,420	1,965,088
Total current liabilities		14,452,257	14,523,777
Commitments (notes 2, 5 and 6)			
	$	96,424,526	100,291,675

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Revenues, Expenses and Equity

Years ended December 31, 1999 and 1998

	1999	1998
Power sales (notes 5 and 6)	$ 57,552,618	56,897,117
Operating expenses:		
Cost of power produced	22,679,510	20,755,881
Power purchased	18,224,696	19,869,690
Transmission costs	4,310,510	4,230,068
General and administrative	2,188,336	2,179,900
Depreciation and amortization	4,965,000	4,460,000
Total operating expenses	52,368,052	51,495,539
Operating income	5,184,566	5,401,578
Other expenses (revenues):		
Interest expense	6,713,860	6,979,297
Investment income:		
Interest and dividends	(1,593,664)	(1,645,002)
Net decrease in fair value	495,702	14,408
Investment income	(1,097,962)	(1,630,594)
Other	(60,395)	(284,503)
Total other expenses	5,555,503	5,064,200
Net income (loss)	(370,937)	337,378
Equity, beginning of year	10,843,113	10,505,735
Equity, end of year	$ 10,472,176	10,843,113

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Cash Flows

Years ended December 31, 1999 and 1998

		1999	1998
Cash flows from operating activities:			
Operating income	$	5,184,566	5,401,578
Other revenue		60,395	284,503
		5,244,961	5,686,081
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		4,965,000	4,460,000
(Increase) decrease in assets:			
Accounts receivable		232,944	(168,278)
Coal inventory		83,188	850,478
Prepaid expenses		(23,255)	1,630
Increase (decrease) in liabilities:			
Accounts payable		(330,637)	207,917
Due to participants		(82,264)	(188,467)
Other		181,332	34,515
Net cash provided by operating activities		10,271,269	10,883,876
Cash flows provided by investing activities:			
Payments for purchases of property, plant and equipment		(854,024)	(635,621)
Interest income		1,580,425	1,642,982
Net cash provided by investing activities		726,401	1,007,361
Cash flows used in capital financing activities:			
Principal payments on long-term debt		(4,675,000)	(4,130,000)
Proceeds from issuance of long-term debt		-	1,200,000
Interest expense		(6,858,810)	(7,143,457)
Net cash used in capital financing activities		(11,533,810)	(10,073,457)
Net increase (decrease) in cash and cash equivalents		(536,140)	1,817,780
Cash and cash equivalents at beginning of year		20,626,396	18,808,616
Cash and cash equivalents at end of year (note 4)	$	20,090,256	20,626,396
Cash paid during the year for interest	$	6,858,810	7,143,457

See accompanying notes to financial statements.

(1) Organization and Significant Accounting Policies

(a) *Organization and Operations*

The Louisiana Energy and Power Authority (the Authority) was created as a political subdivision of the State of Louisiana in 1979 pursuant to Title 33 of the Louisiana Revised Statutes of 1950. Eighteen Louisiana municipalities currently are members of the Authority and are joined together in order to provide a reliable and economic supply of electric power and energy to member municipalities.

The Authority is a 20% undivided interest, under the Joint Ownership Agreement, of a 530 MW coal-fired steam electric generating plant, the Rodemacher Unit No. 2 (the Unit). The Unit was constructed by Central Louisiana Electric Company, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) near Boyce, Louisiana adjacent to CLECO's Rodemacher Unit No. 1. CLECO and LPPA have ownership interests of 30% and 50%, respectively. The Authority's 20% undivided ownership interest in the Unit and its rights and interests under the Joint Ownership Agreement are referred to as the Project. The Joint Ownership Agreement dated November 15, 1982 shall remain in effect so long as the Project is useful for the generation of electricity or for a period of 35 years, whichever is less.

(b) *Accounting Standards*

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(c) *Chart of Accounts*

The accounting records of the Authority are maintained substantially in accordance with the uniform system of accounts as prescribed by the Federal Energy Regulatory Commission. The Authority meets the criteria and, accordingly, follows the reporting and accounting requirements of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*.

(d) *Funds and Special Deposits*

Funds and special deposits consist of cash, overnight repurchase agreements and obligations guaranteed by federal agencies. Pursuant to GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the Authority values its investments in debt securities at fair value. Fair value is the amount in which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. This statement also provides for the valuation of and the Authority carries money market investment such as short-term, highly liquid debt instruments, including U.S. Treasury and agency obligations at amortized cost.

(Continued)

(e) ***Coal Inventory***

Coal inventory is recorded at the lower of cost or market. Cost is determined using the last-in, first-out method.

(f) ***Rate Setting***

The Authority has entered into Rodemacher Power Sales Contracts with five of its member cities. These five members are referred to as Participants. The Authority bills each Participant monthly for its share of the electric power generated by the Rodemacher Unit No. 2 (the Project) (see notes 2 and 5) and for certain items stipulated in the Bond Resolution which governs the bonds issued in 1982 to purchase the Authority's 20% interest in the Unit. To the extent billings related to the Project vary from actual expenses incurred by the Authority related to the Project, the amounts billed to the Participants are adjusted.

All Requirements Power Sales Contracts (the All Requirements Approach) expire in the year 2005 for three of the five participants and six other members (the All Requirements Members). The Authority continues to bill the three Participants in the manner described above; however, the Authority buys the power back at actual cost to be distributed under the All Requirements Approach. Rate setting for the All Requirements Members is budgeted in advance and ratified by the Board of Directors. The rates are comprised of two basic components: (1) Energy Rate - which includes variable fuel costs and is billed on a KWH consumption basis and (2) Demand Rate - which includes all fixed costs and is billed on monthly peak KW basis.

(g) ***Income Taxes***

The Authority is exempt from federal and state income taxes.

(h) ***Depreciation and Amortization***

Depreciation and amortization of utility plant, central dispatch facility, debt expense, preoperating costs, unamortized loss on reacquired debt and the original issue discount on long-term debt are based upon the principal repayments of long-term debt, the proceeds of which were used to acquire the Rodemacher Unit No. 2. This method correlates with the rate setting policies prescribed by the Bond Resolution of the 1982 Series Power Project Revenue Bonds and the 1985 and 1991 Series Power Project Refunding Revenue Bonds in that debt service requirements, as opposed to depreciation or amortization, are considered a cost for the purpose of rate making. Depreciation of nonutility property is computed using the straight-line method over the estimated useful lives of the assets.

Expenses incurred in making repairs and minor replacements and in maintaining the utility plant and central dispatch facility in efficient operating condition are charged to expense.

(i) ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Authority considers cash in banks, and mutual funds investing in U.S. Treasury obligations as cash and cash equivalents. These deposits are recorded at cost which approximates fair value. Under state law, the Authority may deposit

(Continued)

funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

(j) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Utility Plant

The Authority's acquisition cost of its interest in the Unit includes costs of certain facilities common to the Unit and CLECO's Unit No. 1 (common facilities). The cost of the utility plant is summarized as follows at December 31:

	1999	1998
Acquisition cost of the Unit, including common facilities, related facilities, and site development costs	$ 83,902,808	83,834,020
Less accumulated depreciation and amortization	(29,142,373)	(26,186,243)
	$ 54,760,435	57,647,777

Participants in the Rodemacher Unit No. 2 are liable for decommissioning costs upon termination of the Project.

(3) Long-term Debt

Long-term debt consists of the following at December 31:

		1999	1998
Serial Bonds, 1991 Series, 5.65% - 6.80%, due January 1, 1993 to 2004	$	27,125,000	31,585,000
Term Bonds, 1991 Series, 6.75%, due January 1, 2008		29,060,000	29,060,000
Term Bonds, 1991 Series, 6.00%, due January 1, 2013		48,085,000	48,085,000
Serial Bonds, 1998 Series, 4.3% - 6%, due July 1998 to 2003		985,000	1,200,000
		105,255,000	109,930,000
Less:			
Current maturities		4,980,000	4,675,000
Original issue discount		4,483,607	4,725,950
Unamortized loss on reacquired debt		24,291,300	25,604,265
	$	71,500,093	74,924,785

In 1982, the Authority issued $109,515,000 of Power Project Revenue Bonds (Rodemacher Unit No. 2), 1982 Series, to fund its share of the estimated costs of acquisition and construction of the Project and to pay other related costs, including acquisition of coal inventory, debt issuance costs and to establish various funds required by the bond resolution. The 1985 Series Bonds were issued to advance refund the 1982 Series Power Project Revenue Bonds.

In 1991, the Authority issued $114,570,000 of Power Project Refunding Revenue Bonds (Rodemacher Unit No. 2), 1991 Series with an original issue discount of $6,251,587, to advance refund $100,275,000 of the $118,335,000 1985 Series Power Project Refunding Revenue Bonds outstanding. The proceeds of the 1991 Series Bonds, net of financing costs and bond insurance premiums ($105,505,047), and certain amounts available in the Authority's funds and accounts ($2,979,733) were deposited into an irrevocable escrow account maintained by a trustee. The funds were invested by the trustee in direct obligations of the United States Government in order to pay, at maturity, the 1985 Series Bonds maturing on January 1, 1999, January 1, 2004 and January 1, 2013. The 1985 Series Bonds maturing after January 1, 1995 were redeemed on January 1, 1995. The Authority received approximately $67,000 in funds remaining after the redemption.

The Authority incurred a loss of approximately $16,650,000 in connection with the advance refunding, which, in addition to losses incurred in a 1985 refunding, has been deferred and is being amortized over the life of the 1991 Series Bonds (see note 1(h)).

The Authority also incurred $2,813,366 of expenses related to the issuance of the 1991 Series Bonds which have been deferred and are being amortized over the life of the 1991 Series Bonds.

In 1998, the Authority issued $1,200,000 of Construction Bonds, 1998 Series, to fund the acquisition of the equipment and to pay other related costs, including debt issuance costs and to establish various funds required by the bond resolution.

The 1991 Series Bonds and the 1998 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with the bond resolutions. The payments of principal and interest on the 1991 and 1998 Series Bonds have been insured under noncancelable policies by the Financial Guaranty Insurance Company (FGIC).

Scheduled principal maturities for each of the 1991 and 1998 Series Bonds are as follows for the years presented:

	1991 Series	1998 Series	Interest	Total
2000	$ 4,750,000	230,000	6,707,410	11,687,410
2001	5,065,000	240,000	6,382,985	11,687,985
2002	5,400,000	250,000	6,038,375	11,688,375
2003	5,760,000	265,000	5,665,575	11,690,575
2004	6,150,000	-	5,264,850	11,414,850
Thereafter	77,145,000	-	25,595,212	102,740,212
	$ 104,270,000	985,000	55,654,407	160,909,407

The 1991 Series Bonds scheduled to mature after January 1, 2001 will be redeemable at the option of the Authority, on or after January 1, 2001, as a whole at any time or in part on any interest payment date, at redemption prices expressed as percentages of the principal amount ranging from 100% to 102%, depending on the redemption date, plus accrued interest at the redemption date.

(4) Funds and Special Deposits

The bond resolutions under which the 1985 Series, 1991 Series and 1998 Series Bonds were issued provide for the creation and maintenance of certain funds and accounts relative to the operations of the Project. The Authority also maintains other accounts for its All Requirements Approach operations (see note 5).

(Continued)

Funds and accounts at December 31, are as follows:

	1999	1998
Project:		
Special deposits:		
Debt service fund, debt service reserve account	$ 11,613,477	12,101,925
Reserve and contingency fund:		
Renewal and replacement account	2,175,734	2,010,792
Contingency account	1,142,000	1,317,533
General revenue fund, project account	2,812,379	2,037,212
Total project special deposits	17,743,590	17,467,462
Current assets:		
Operations and maintenance trust	849,378	1,030,750
Restricted - debt service fund, debt service account	8,086,456	7,941,386
Total project current assets	8,935,834	8,972,136
Total project funds and accounts	26,679,424	26,439,598
Other:		
Special deposits:		
Construction account	379,866	694,124
1998 debt service sinking fund	120,350	96,958
Total other special deposits	500,216	791,082
Current assets:		
Other revenue fund	4,424,564	5,400,114
Contract operations account	3,916	1,914
Total other current assets	4,428,480	5,402,028
Total other funds and accounts	4,928,696	6,193,110
Total project and other funds and accounts	$ 31,608,120	32,632,708

(Continued)

Governmental accounting principles require that the carrying amounts of investments as of the balance sheet date be categorized according to the level of credit risk associated with the Authority's investments at the time.

The level of credit risk is defined as follows:

Category 1 includes investments that are insured or registered or for which the securities are held by the Authority's agent in the Authority's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name.

Investments classified as funds and accounts at December 31, 1999 and 1998 are as follows:

		1999	1998
Cash	$	3,916	1,914
Temporary cash investments, at amortized cost which approximates fair value - Mutual funds investing in U.S. Treasury obligations		20,086,340	20,624,482
Cash and cash equivalents		20,090,256	20,626,396
Federal National Mortgage Association obligation, 8.25%, maturing December 18, 2000, at fair value		11,517,864	12,006,312
	$	31,608,120	32,632,708

On December 31, 1999 and 1998, all investments are a Category 1 type, except for mutual funds which do not require categorization since they are not evidenced by securities that exist in book or physical form.

The 1985, 1991 and 1998 Series bond resolutions authorize the Authority to invest in direct obligations of the United States Government.

Under state law, the bank balances of bank deposits and cash balances included in funds and accounts must be served by Federal deposit insurance or the pledge of securities owned by the fiscal agent. Cash on deposit is insured up to $100,000 by the Federal Deposit Insurance Corporation. At December 31, 1999 and 1998, the Authority did not have bank deposits and cash balances which exceed $100,000.

(Continued)

(5) Project Contracts and Commitments

(a) *Rodemacher Power Sales Contracts*

Under the Rodemacher Power Sales Contracts, the Authority sells and the Participants purchase their respective shares (entitlement shares) of the capacity and energy of the Project. These contracts require payments to be made on a take-or-pay basis, whether or not the Project is operable or operating.

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any federal or state authority. Each Participant is obligated to establish rates and charges sufficient to pay all of its obligations to the Authority. Payments to be made by the participants are payable monthly solely from the revenues of the Participants' utilities systems. At December 31, 1999, the Participants' respective shares of the capacity and energy of the Project are as follows:

	Entitlement Share (MW)	Percent Share (%)
Alexandria	55.26	52.83%
Houma	22.70	21.70%
Morgan City	2.72	19.81%
New Roads	2.96	2.83%
Jonesville	2.96	2.83%
	86.60	100.00%

(b) *Transmission Contracts*

The Authority has entered into separate transmission agreements with Entergy and CLECO, pursuant to which electric power and energy received by the Authority from the Project are transmitted to the points of delivery of the Participants. The costs of delivery are shared by all Participants on a pro-rata basis. The costs of delivery of electric power and energy received by the Authority from sources other than the Project are included in the demand rate charged to the All Requirements Members.

(c) *Coal Supply Contract*

The coal supply for the Project is purchased under a contract between Jacobs Ranch Coal Company (Jacobs), the Authority, CLECO and LPPA. The contract provides for the purchase of 34 million tons of coal to be delivered over a 20-year period at a price subject to escalation based upon certain actual costs compared with those used to negotiate the contract. Under terms of the contract, a minimum of 1.7 million tons of coal must be purchased each year. The Authority, CLECO and LPPA are liable and obligated individually for amounts due under the contract.

(d) *Operating Costs*

Under the Joint Ownership Agreement, CLECO has the sole responsibility to operate, maintain and dispatch the Unit and related facilities in accordance with prudent utility practices. The Authority, CLECO and LPPA pay all operation and maintenance costs other than fuel, based upon their respective ownership percentages of the Unit.

(e) ***All Requirements Approach Operations Agreements***

The Authority supplies power to the All Requirements Members under the following contracts:

- The Authority has agreements which expire in the year 2005 with three of the Participants, whereby the Authority purchases their entitlements in the Project. This agreement does not relieve the Participants of their obligations under the Rodemacher Power Sales Contracts discussed in note 5(a).

- The Authority has Capacity Purchase and Operating Agreements with three of the All Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced. As of December 31, 1999, these agreements expire in 2005.

- The Authority has a Capacity Purchase Agreement with one All Requirements Member whereby the Authority controls 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement expires in the year 2005.

- The Authority entered into a Load Matching Servicing Agreement with one Participant whereby the Authority administers load matching services.

- The Authority entered into an Operating Agreement with one of its member cities whereby the Authority operates the member's generation facilities.

- The Authority entered into an agreement with the Southwestern Power Administration (SWPA), whereby the Authority purchases hydroelectric power which results from fixed power allocations of SWPA's available peaking capacity to certain member cities. The Authority then resells hydroelectric power to one member city and one nonmember city and retains the balance of the hydroelectric power for use under the All Requirements Approach. Purchases under this contract for the year ended December 31, 1999 were $1,221,901. Sales to the one member city and one nonmember city for the year ended December 31, 1999 were $1,155,357 and $1,263,678, respectively. Purchases and sales for the year ended December 31, 1998 were $1,262,305 and $1,263,578, respectively.

(6) Business Concentrations

During 1999 and 1998 three customers each accounted for more than ten percent and in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers:

		1999	1998
City of Alexandria	$	15,865,000	15,779,000
Terrebonne Parish		8,152,000	8,270,000
City of Morgan City		7,710,000	8,088,000

(7) Other Matters

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 1999 and 1998.

The Authority's employees are covered under the Municipal Employees' Retirement Plan of Louisiana (the plan). The plan is contributory and covers substantially all employees who work an average of 35 hours per week. Participant vesting begins after ten years of creditable service.

Information regarding the Authority's proportionate interest in the net assets available for benefits and the actuarial present value of accumulated plan benefits is not available. Pension expense under the plan is not significant. Participant information may be obtained from the plan administrator at 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809.

Title IV of the Clean Air Act Amendments of 1990 (the Act) establishes a regulatory program to address the effects of acid rain. The Act will result in more stringent restrictions on sulfur-dioxide emissions from solid-fuel generating stations. The Act essentially requires each ton of sulfur-dioxide emissions to be authorized by the possession of an "allowance."

The Authority's existing solid-fuel generating station burns low-sulfur coal and utilizes pollution control equipment to reduce sulfur emissions. The Unit is not affected by Phase I of Title IV of the Act which became effective in 1995. The Authority believes that the limits on sulfur-dioxide emissions required by Phase II of Title IV of the Act, effective in the year 2000, will not significantly impact the Authority's operations or the operation of its Unit.

(Continued)

(8) Disclosures About Fair Value of Financial Instruments

The following estimated fair value amounts have been determined, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Authority could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	Carrying amount	Fair value
Assets:		
Special deposits	$ 18,243,806	18,243,806
Funds	13,364,314	13,364,314
Accounts receivable	2,800,794	2,800,794
Interest receivable	158,864	158,864
Liabilities:		
Long-term debt	71,500,093	82,794,692
Accounts payable	3,505,525	3,505,525
Due to participants	488,693	488,693
Accrued interest payable	3,331,620	3,331,620
Other liabilities	2,146,421	2,146,421

Funds, accounts receivable, interest receivable, accounts payable, due to participants, accrued interest payable and other liabilities - The carrying amounts of these items are a reasonable estimate of their fair value.

Special deposits - Fair value is estimated from quoted market prices of investments held on deposit.

Long-term debt - Interest rates that are currently available to the Authority for issuance of debt with similar terms and remaining maturities are used to estimate fair value.

LOUISIANA ENERGY AND POWER AUTHORITY

Schedule of Receipts and Disbursements

For the year ended December 31, 1999

	Funds held by the Trustee					Funds held by the Authority						
	Project					Project		Other				
	Reserve and Contingency Fund		Debt Service Fund									
	Renewal and Replacement account	Contingency account	Debt Service account	Debt Service Reserve account	Revenue fund	Operations and Maintenance trust	Project accounts	Construction account	1998 Debt Service Sinking fund	Other Revenue fund	Contract Operations account	Total
Fund balances at December 31, 1998	$ 2,010,792	1,317,533	7,941,385	12,101,925	-	1,030,750	2,037,212	694,124	96,958	5,400,114	1,914	32,632,707
Disbursements to other funds	(91,804)	(231,815)	(166,405)	(940,919)	(32,564,418)	(15,694,685)	(3,739,077)	(337,051)	-	(37,632,773)	-	(91,398,947)
Receipts from other funds	252,000	-	11,413,260	-	32,424,051	15,481,599	4,410,859	-	284,193	3,928,659	44,535,595	112,730,216
Receipts from participants	-	-	-	-	-	-	-	-	-	37,626,770	-	37,626,770
Payments to CLECO - construction costs	(87,059)	-	-	-	-	-	-	-	-	-	-	(87,059)
Receipts of investment income	91,805	56,282	166,406	940,919	50,365	31,714	103,385	22,381	4,766	164,977	18,204	1,651,204
Payment of bond interest	-	-	(6,808,190)	-	-	-	-	-	(50,620)	-	-	(6,858,810)
Payment of bond principal	-	-	(4,460,000)	-	-	-	-	-	(215,000)	-	-	(4,675,000)
Net decrease in fair value	-	-	-	(495,702)	-	-	-	-	-	-	-	(495,702)
Other receipts (disbursements)	-	-	-	7,254	90,002	-	-	412	53	(5,063,183)	(44,551,797)	(49,517,259)
Fund balances at December 31, 1999	$ 2,175,734	1,142,000	8,086,456	11,613,477	-	849,378	2,812,379	379,866	120,350	4,424,564	3,916	31,608,120
Fund balances at December 31, 1999 are comprised of:												
Cash	-	-	-	-	-	-	-	-	-	-	3,916	3,916
Temporary cash investments	2,175,734	1,142,000	8,086,456	95,613	-	849,378	2,812,379	379,866	120,350	4,424,564	-	20,086,340
Federal National Mortgage Association obligation	-	-	-	11,517,864	-	-	-	-	-	-	-	11,517,864
	$ 2,175,734	1,142,000	8,086,456	11,613,477	-	849,378	2,812,379	379,866	120,350	4,424,564	3,916	31,608,120

See accompanying independent auditors' report

LOUISIANA ENERGY AND POWER AUTHORITY

Combining Schedule - Balance Sheet Information

December 31, 1999

Assets		Project related	Other	Eliminations	Combined
Utility plant, net	$	54,760,435	-	-	54,760,435
Central dispatch facility		-	1,068,707	-	1,068,707
Non-utility property, net		-	1,057,106	-	1,057,106
Special deposits		17,743,590	500,216	-	18,243,806
Current assets:					
Funds		8,935,834	4,428,480	-	13,364,314
Accounts receivable		-	3,096,832	(296,038)	2,800,794
Interest receivable		137,942	20,922	-	158,864
Coal inventory		1,693,264	14,379	-	1,707,643
Prepaid expenses		-	112,227	-	112,227
Total current assets		10,767,040	7,672,840	(296,038)	18,143,842
Deferred charges:					
Debt expense		2,702,730	-	-	2,702,730
Preoperating costs		447,900	-	-	447,900
Total deferred charges		3,150,630	-	-	3,150,630
	$	86,421,695	10,298,869	(296,038)	96,424,526
Equity and Liabilities					
Long-term debt		70,745,093	755,000	-	71,500,093
Equity		3,643,782	6,828,394	-	10,472,176
Total equity		74,388,875	7,583,394	-	81,972,269
Current liabilities:					
Current maturities of long-term debt		4,750,000	230,000	-	4,980,000
Accounts payable		1,314,207	2,487,355	(296,038)	3,505,524
Due to participants		488,693	-	-	488,693
Accrued interest payable		3,331,620	-	-	3,331,620
Other		2,148,300	(1,880)	-	2,146,420
Total current liabilities		12,032,820	2,715,475	(296,038)	14,452,257
	$	86,421,695	10,298,869	(296,038)	96,424,526

See accompanying independent auditors' report.

Schedule 3

LOUISIANA ENERGY AND POWER AUTHORITY

Combining Schedule - Revenues, Expenses and Equity Information

Year ended December 31, 1999

	Project related	Other	Eliminations	Combined
Power sales	$ 28,309,494	36,743,853	(7,500,729)	57,552,618
Operating expenses:				
Cost of power produced	15,087,333	7,592,177	-	22,679,510
Power purchased	-	25,725,425	(7,500,729)	18,224,696
Transmission costs	1,823,760	2,486,750	-	4,310,510
General and administrative	-	2,188,336	-	2,188,336
Depreciation and amortization	4,750,000	215,000	-	4,965,000
Total operating expenses	21,661,093	38,207,688	(7,500,729)	52,368,052
Operating income (loss)	6,648,401	(1,463,835)	-	5,184,566
Other expenses (revenues):				
Interest expense	6,663,240	50,620	-	6,713,860
Investment income:				
Interest and dividends	(1,393,307)	(200,357)	-	(1,593,664)
Net decrease in fair value	495,702	-	-	495,702
Investment income	(897,605)	(200,357)	-	(1,097,962)
Other	1,309,680	(1,370,075)	-	(60,395)
Total other expenses (revenues)	7,075,315	(1,519,812)	-	5,555,503
Net income (loss)	(426,914)	55,977	-	(370,937)
Equity, beginning of year	4,070,696	6,772,417	-	10,843,113
Equity, end of year	$ 3,643,782	6,828,394	-	10,472,176

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

All Requirements Approach Revenues, Expenses
and Capital Expenditures
Budget to Actual Comparison
(Non-GAAP Basis)

Year ended December 31, 1999

		Budget	Actual	Percent of actual to budget
Power sales:				
Energy	$	16,692,335	17,455,625	104.6%
Demand		13,469,791	13,585,032	100.9%
Hydropower		1,142,930	1,155,357	101.1%
Other		582,795	4,547,839	780.3%
		31,887,851	36,743,853	115.2%
Operating expenses:				
Power produced:				
Fuels		3,587,165	4,129,809	115.1%
Electric plant expenses		1,274,988	1,475,681	115.7%
Maintenance of electric plant		496,444	1,146,711	231.0%
Supervision and engineering		267,434	283,936	106.2%
Steam power		638,753	556,040	87.1%
		6,264,784	7,592,177	121.2%
Power purchased:				
Energy costs		13,105,170	16,758,513	127.9%
Hydropower		1,142,930	1,155,357	101.1%
Other		8,087,746	7,811,555	96.6%
		22,335,846	25,725,425	115.2%
Transmission - System		2,479,062	2,486,750	100.3%
General and administrative:				
Load dispatching		719,795	711,360	98.8%
Outside services		231,500	346,475	149.7%
Salaries		567,960	557,268	98.1%
Employee pensions and benefits		139,240	143,208	102.8%
Miscellaneous		102,793	125,184	121.8%
Injuries and damages		30,476	29,664	97.3%
Office supplies and expenses		127,842	136,424	106.7%
General public relations		134,500	125,040	93.0%
Property insurance		12,087	13,713	113.5%
		2,066,193	2,188,336	105.9%
Total operating expenses		33,145,885	37,992,688	114.6%
Other expenses (revenues):				
Interest income		(225,000)	(200,357)	89.0%
Other net:				
Non-utility operations revenue		(51,576)	(60,395)	117.1%
Other additions		(1,309,680)	(1,309,680)	100.0%
Contingency		31,102	-	0.0%
Total other revenue		(1,555,154)	(1,570,432)	101.0%
Operating expenses, net of other revenues		31,590,731	36,422,256	115.3%
Capital expenditures		31,500	(124,074)	393.9%
Debt service		265,620	265,620	100.0%
Excess revenues	$	-	180,051	

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Analysis of Equity

December 31, 1999

		Project related	Other	Combined
Funds used in the defeasance of the 1982 and 1985 Series Bonds	$	2,099,138	-	2,099,138
Ten percent debt service coverage, as required by the Bond Resolution		537,716	-	537,716
Funds generated by the one mill assessment, dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness		-	1,111,073	1,111,073
Interest earned on funds dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness		-	334,205	334,205
Capital expenditures		656,434	330,046	986,480
Interest earned on other funds and accounts not related to the Project		-	561,996	561,996
Miscellaneous power sales		19,528	-	19,528
Excess funding from Escrow account		130,856	-	130,856
Unrealized gain on securities		200,110	-	200,110
Excess of revenues over expenses under the All Requirements Approach Operations		-	4,491,074	4,491,074
Equity, end of year	$	3,643,782	6,828,394	10,472,176

See accompanying independent auditors' report.

KPMG

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Louisiana Energy and Power Authority:

We have audited the financial statements of Louisiana Energy and Power Authority (the Authority) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended solely for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be, and should not be used by anyone other than these specified parties.

KPMG LLP

March 16, 2000

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LOUISIANA ENERGY AND POWER AUTHORITY

Independent Auditors' Report on Compliance with the Rodemacher Unit No. 2 Power Project Revenue Bond Resolution

December 31, 1999

KPMG

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Independent Auditors' Report

The Board of Directors
Louisiana Energy and Power Authority:

We have audited, in accordance with generally accepted auditing standards, the balance sheet of Louisiana Energy and Power Authority (the Authority) as of December 31, 1999, and the related statements of revenues, expenses and equity and cash flows for the year then ended, and have issued our report thereon dated March 16, 2000.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with all of the terms, covenants, provisions or conditions which would constitute an Event of Default as described in Article VIII of the Rodemacher Unit No. 2 Power Project Revenue Bond Resolution, adopted September 16, 1982, as amended by the First, Second and Third Supplemental Rodemacher Unit No. 2 Power Project Revenue Bond Resolutions, adopted December 3, 1982, September 19, 1985 and November 30, 1985, respectively, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of Louisiana Energy and Power Authority and is not intended to be, and should not be, used for any other purpose.

KPMG LLP

March 16, 2000

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