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LOUISIANA ENERGY AND POWER AUTHORITY

Financial Statements and Schedules

December 31, 1995 and 1994

With Independent Auditors' Report Thereon

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
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Baton Rouge, LA 70801-1705

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 December 31, 1995 and 1994, 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 *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, 1995 and 1994, 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 a report dated March 8, 1996, on our consideration of the Authority's internal control structure, and a report dated March 8, 1996, on its compliance with laws and regulations.

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 Peat Marwick LLP

March 8, 1996

LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheets

December 31, 1995 and 1994

Assets	1995	1994
Utility plant, net (note 2)	$ 65,133,984	66,766,251
Central dispatch facility, net of accumulated depreciation of $2,906,722 and $2,386,224 in 1995 and 1994, respectively	418,453	1,025,749
Non-utility property, net of accumulated depreciation of $68,688 and $61,207 in 1995 and 1994, respectively	1,232,014	1,097,646
Special deposits (note 4)	17,822,702	17,857,297
Current assets:		
Funds (note 4)	12,560,384	12,656,114
Accounts receivable	2,796,296	5,007,932
Interest receivable	113,015	117,758
Coal inventory	3,318,368	2,255,617
Prepaid expenses	114,939	119,291
Total current assets	18,903,002	20,156,712
Deferred charges:		
Debt expense (note 3)	3,248,962	3,382,736
Preoperating costs	535,831	554,237
Preliminary survey and investigation charges	235,275	270,275
Unamortized loss on reacquired debt (note 3)	29,060,063	30,058,329
Total deferred charges	33,080,131	34,265,577
	$ 136,590,286	141,169,232

Capitalization and Liabilities	1995	1994
Capitalization:		
Long-term debt (note 3)	111,336,190	115,371,934
Equity	9,429,817	9,350,589
Total capitalization	120,766,007	124,722,523
Current liabilities:		
Current maturities of long-term debt (note 3)	4,220,000	3,770,000
Accounts payable	3,755,461	4,632,687
Due to participants	2,092,614	2,109,384
Accrued interest payable	3,924,985	4,043,107
Other	1,831,219	1,891,531
Total current liabilities	15,824,279	16,446,709
Commitments (notes 2, 5 and 6)		
	$ 136,590,286	141,169,232

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Revenues, Expenses and Equity

Years ended December 31, 1995 and 1994

	1995	1994
Power sales (note 5)	$ 54,006,229	63,641,060
Operating expenses:		
Cost of power produced	17,522,317	19,221,535
Power purchased	18,780,799	26,060,883
Transmission costs	4,755,406	5,092,108
General and administrative	2,669,099	2,527,744
Depreciation and amortization	4,195,000	3,747,500
Total operating expenses	47,922,621	56,649,770
Net operating revenues	6,083,608	6,991,290
Other expenses (revenues):		
Interest expense	7,926,570	8,209,415
Interest income	(1,793,278)	(1,584,630)
Other, net	(128,912)	(38,737)
Total other expenses	6,004,380	6,586,048
Net revenues	79,228	405,242
Equity at beginning of year	9,350,589	8,945,347
Equity at end of year	$ 9,429,817	9,350,589

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Cash Flows

Years ended December 31, 1995 and 1994

	1995	1994
Cash flows from operating activities:		
Net revenues	$ 79,228	405,242
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	4,195,000	3,747,500
Decrease in accounts receivable	2,211,636	120,230
Decrease (increase) in interest receivable	4,743	(36,556)
Increase (decrease) in coal inventory	(1,062,751)	867,045
Decrease (increase) in prepaid expenses	4,352	(91,918)
Decrease in accounts payable	(877,226)	(582,446)
(Decrease) increase in due to participants	(16,770)	659,452
Decrease in accrued interest payable	(118,122)	(107,869)
Other, net	(32,700)	52,926
Net cash provided by operating activities	4,387,390	5,033,606
Cash flows used in investing activities - payments for purchases of property, plant and equipment	(755,101)	(1,223,454)
Cash flows used in financing activities - principal payments on long-term debt	(3,770,000)	(3,530,000)
Net increase in cash and cash equivalents	(137,711)	280,152
Cash and cash equivalents at beginning of year	19,232,457	18,952,305
Cash and cash equivalents at end of year (note 4)	$ 19,094,746	19,232,457
Cash paid during the year for interest	$ 8,044,692	8,317,284

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 1995 and 1994

(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. Nineteen 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% co-owner, 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 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) 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."

(c) Income Taxes

The Authority is exempt from federal and state income taxes.

(d) 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 (see notes 2 and 5) and for certain items stipulated in the Bond Resolution which governs the bonds issued in 1982 to purchase the

(Continued)

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) have been extended through the year 2000 by 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 now 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.

(e) 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 and construct the central dispatch facility. 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.

(f) Funds and Special Deposits

Included in funds and special deposits are investment securities, which are classified as held to maturity and stated at cost, adjusted for amortization of premium and accretion of discount. Amortization of premium and accretion of discount on the securities are computed using the straight-line method, which produces approximately the same results in the statements of revenues, expenses and equity as the interest method.

(g) Coal Inventory

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

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(h) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers cash in banks, overnight repurchase agreements and mutual funds investing in U.S. Treasury obligations to be cash equivalents.

(i) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Accounting Standards Issued But Not Yet Adopted

In March 1995 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (FAS 121). FAS 121 provides guidance for the recognition of impairment losses related to long-lived assets, such as utility plant, and certain intangibles and deferred charges. The Statement, which if effective for fiscal years beginning after December 15, 1995, requires that assets be reviewed for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company has determined that adoption of the provisions of FAS 121 will have no material effect on its financial condition and results of operations.

(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 utility plant is summarized as follows at December 31:

	1995	1994
Acquisition cost of the Unit, including common facilities, related facilities, and site development costs	$ 83,614,453	83,038,023
Less accumulated depreciation and amortization	18,480,469	16,271,772
	$ 65,133,984	66,766,251

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

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(3) Long-term Debt

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

		1995	1994
Serial Bonds, 1985 Series, 5.50% - 8.50%, due January 1, 1993 to 1998	$	8,900,000	11,440,000
Certificates of Indebtedness, 1986 Series, 8.00% due July 1, 1993 - 1996		655,000	1,260,000
Serial Bonds, 1991 Series, 5.65% - 6.80%, due January 1, 1993 to 2004		34,220,000	34,845,000
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
		120,920,000	124,690,000
Less:			
Current maturities		4,220,000	3,770,000
Original issue discount		5,363,810	5,548,066
	$	111,336,190	115,371,934

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.

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.

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(e)).

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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.

The 1985 Series Bonds and the 1991 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 1985 and 1991 Series Bonds have been guaranteed by the Financial Guaranty Insurance Company (FGIC). The insurance policies between the Authority and FGIC are noncancelable. The costs of the policies were prepaid with proceeds from the refinancings and are nonrefundable and are included in deferred debt expense.

Scheduled principal maturities for each of the 1985, 1986 and 1991 Series Bonds are as follows for the years presented (in thousands):

Year	1985 Series	1986 Series	1991 Series	Total
1996	$ 2,740	655	825	4,220
1997	2,960	-	880	3,840
1998	3,200	-	930	4,130
1999	-	-	4,460	4,460
2000	-	-	4,750	4,750

The 1986 Certificates of Indebtedness were issued to finance construction of a dispatch and load control center and are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the Authority above statutory, necessary and usual charges in each of the fiscal years ending December 31, 1986 to December 31, 1996, inclusive. All Requirements Members and Participants pay amounts to generate sufficient revenues to pay the maximum annual principal and interest requirements in any year the certificates are outstanding. The 1986 Certificates of Indebtedness maturing on or after July 1, 1990 are redeemable at the option of the Authority, on any interest payment date on or after July 1, 1989, at redemption prices expressed as percentages of the principal amount ranging from 100% to 104% depending on the redemption date, plus accrued interest at the redemption date. As of December 31, 1995, the Authority has not exercised this option.

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.

The bond resolution under which the 1982 Series Bonds were issued include various covenants which provide for, among other terms, the filing of an annual budget, certain limitations on operation and maintenance expenses and other costs, certain transfers between trust funds, certain minimum levels of rates, fees and other charges, the maintenance of insurance, the filing of an annual engineering report, certain restrictions on the sale of assets, and the filing of annual audited financial statements within 120 days of fiscal year end. The Authority complied with all significant bond covenants during 1995.

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

(4) Funds

The bond resolutions under which the 1982 Series, 1985 Series and 1991 Series Bonds were issued provide for the creation and maintenance of certain funds and accounts relative to the operations of the Project. The bond resolution under which the 1986 Certificates of Indebtedness were issued also provides for the creation and maintenance of certain funds and accounts relative to the construction and operations of the central dispatch facility. The Authority also maintains other accounts for its All Requirements Approach operations (see note 5).

Funds and accounts at December 31, 1995 are as follows:

	Special deposits	Current assets	Total
Project:			
Special deposits:			
Debt service fund, debt service reserve account	$ 11,383,955	-	11,383,955
Reserve and contingency fund:			
Renewal and replacement account	1,953,408	-	1,953,408
Contingency account	1,253,149	-	1,253,149
General reserve fund - Project account	2,498,998	-	2,498,998
Total Project special accounts	17,089,510	-	17,089,510
Current assets:			
Operations and maintenance fund	-	8,112	8,112
Operations and maintenance trust	-	1,748,213	1,748,213
Restricted - debt service fund, debt service account	-	5,956,032	5,956,032
Total Project current assets	-	7,712,357	7,712,357
Total Project funds and accounts	17,089,510	7,712,357	24,801,867
Central Dispatch Facility:			
Special deposits:			
Certificates of Indebtedness, Series 1986, Sinking Fund	333,192	-	333,192
Certificates of Indebtedness, Series 1986, Reserve Fund	400,000	-	400,000
Total Central Dispatch Facility special deposits	733,192	-	733,192
Other current assets:			
Other revenue fund	-	4,916,502	4,916,502
Contract operations account	-	(68,475)	(68,475)
Total funds and accounts	$ 17,822,702	12,560,384	30,383,086

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

Funds and accounts at December 31, 1994 are as follows:

	Special deposits	Current assets	Total
Project:			
Special deposits:			
Debt service fund, debt service reserve account	$ 11,376,565	-	11,376,565
Reserve and contingency fund:			
Renewal and replacement account	1,972,331	-	1,972,331
Contingency account	1,185,608	-	1,185,608
General reserve fund - project account	2,595,952	-	2,595,952
Total Project special accounts	17,130,456	-	17,130,456
Current assets:			
Operations and maintenance fund	-	2,424	2,424
Operations and maintenance trust	-	1,746,813	1,746,813
Restricted - debt service fund, debt service account	-	7,390,349	7,390,349
Total Project current assets	-	9,139,586	9,139,586
Total Project funds and accounts	17,130,456	9,139,586	26,270,042
Central Dispatch Facility:			
Special deposits:			
Certificates of Indebtedness, Series 1986, Sinking Fund	326,841	-	326,841
Certificates of Indebtedness, Series 1986, Reserve Fund	400,000	-	400,000
Total Central Dispatch Facility special deposits	726,841	-	726,841
Other current assets:			
Other revenue fund	-	3,485,557	3,485,557
Contract operations account	-	30,971	30,971
Total funds and accounts	$ 17,857,297	12,656,114	30,513,411

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

The funds and accounts consist of cash, repurchase agreements and obligations guaranteed by federal agencies as follows:

		1995	1994
Funds and accounts are comprised of:			
Cash	$	(60,363)	33,978
Temporary cash investments, at cost, which approximates market - Mutual funds investing in U.S. Treasury obligations		19,155,109	19,198,479
Cash and cash equivalents		19,094,746	19,232,457
Federal National Mortgage Association obligation, at amortized cost, 8.25%, maturing December 18, 2000, market value of $11,388,760 and $12,945,947 at December 31, 1995 and 1994, respectively		11,288,340	11,280,954
	$	30,383,086	30,513,411

The 1982, 1985 and 1991 Series bond resolutions authorize the Authority to invest in direct obligations of the United States Government.

Cash on deposit is insured up to $100,000 by the Federal Deposit Insurance Corporation. Cash on deposit is secured by securities pledged by the depository institution with a market value of approximately $4.0 million at both December 31, 1995 and 1994.

The Federal National Mortgage Association obligations are fully collateralized obligations of a United States Government agency. They are registered and are held by the depository institution's trust department in the Authority's name.

(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.

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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, 1995, 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	20.72	19.81
New Roads	2.96	2.83
Jonesville	2.96	2.83
Total	104.60	100.00%

(b) Transmission Contracts

The Authority has entered into separate transmission agreements with Gulf States Utilities, Louisiana Power and Light 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 Kerr-McGee Coal Corporation (Kerr-McGee), 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 (average of $7.44 and $7.31 per ton in 1995 and 1994, respectively, exclusive of transportation costs) based upon certain actual costs compared with those used to negotiate the contract. Under terms of the contract, a minimum of 1.4 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

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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 extended through the year 2000 agreements 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 extended through the year 2000, Capacity Purchase and Operating Agreements with three All Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced.

- The Authority extended through the year 2000, 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.

- 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, 1995 were $1,810,379. Sales to the one member city and one nonmember city for the year ended December 31, 1995 were $1,160,280. The remaining $660,099 was used under the All Requirements Approach. Purchases and sales for the year ended December 31, 1994 were $1,884,080 and $1,207,755, respectively.

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During 1995, three former All Requirements Members elected not to extend their All Requirements Power Sales Contracts with the Authority beyond May 1, 1995. Prior to 1995, annual power sales revenues under the All Requirements Approach to these three cities approximated $18 million. During 1995, power sales revenues to these three cities approximated $8 million for the contract period ended May 1, 1995. Management believes the decision of the three cities not to extend their participation will have no significant impact on the Authority's rates or its obligations to the remaining members.

(6) Other Matters

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 1995 and 1994.

The Authority's employees are covered under the Municipal Employees' Retirement Plan of Louisiana. 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.

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 becomes 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.

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

(7) 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	$ 17,822,702	17,923,122
Funds	12,560,384	12,560,384
Accounts receivable	2,796,296	2,796,296
Interest receivable	113,015	113,015
Liabilities:		
Long-term debt	115,556,190	131,000,000
Accounts payable	3,755,461	3,755,461
Due to participants	2,092,614	2,092,614
Accrued interest payable	3,924,985	3,924,985
Other liabilities	1,831,219	1,831,219

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.

Schedule 1

LOUISIANA ENERGY AND POWER AUTHORITY

Schedule of Receipts and Disbursements

For the year ended December 31, 1995

	Funds held by the Trustee							Funds held by the Authority					
	Project					1986 Certificates of Indebtedness		Project			Other		
	Reserve and Contingency Fund		Debt Service Fund							General Reserve Fund			
	Renewal and Replacement account	Contingency account	Debt Service account	Debt Service Reserve account	Revenue fund	Debt Service Reserve fund	Sinking fund	Operations and Maintenance fund	Project account	Operations and Maintenance fund	Other Revenue fund	Contract Operations account	Total
Fund balances at December 31, 1994	$ 1,972,331	1,185,608	7,390,349	11,376,565	-	400,000	326,841	2,424	2,595,952	1,746,813	3,485,557	30,971	30,513,411
Disbursements to other funds	(128,126)	-	-	(953,394)	(26,164,447)	(22,223)	-	(1,770)	(1,677,973)	(15,275,195)	(37,062,168)	-	(81,285,296)
Receipts from other funds	-	-	9,512,500	-	9,053,561	-	669,243	15,206,000	1,444,547	15,207,400	37,377,139	28,640,000	117,110,390
-Receipts from Participants	-	-	-	-	16,369,108	-	-	-	-	-	-	-	16,369,108
Payments to CLECO - construction costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts of investment income	109,203	67,541	186,275	960,782	57,002	22,223	18,708	1,984	136,472	69,194	164,727	3,900	1,798,011
Payment of bond interest	-	-	(8,593,092)	-	-	-	(76,600)	-	-	-	-	-	(8,669,692)
Payment of bond principal	-	-	(2,540,000)	-	-	-	(605,000)	-	-	-	-	-	(3,145,000)
Other receipts (disbursements)	-	-	-	-	1,636,026	-	-	(15,200,526)	-	-	-	(28,743,346)	(42,307,846)
Fund balances at December 31, 1995	$ 1,953,408	1,253,149	5,956,032	11,383,953	951,250	400,000	333,192	8,112	2,498,998	1,748,212	3,965,255	(68,475)	30,383,086
Fund balances at December 31, 1995 are comprised of:													
Cash	-	-	-	-	-	-	-	8,112	-	-	-	(68,475)	(60,363)
Temporary cash investments	1,953,408	1,253,149	5,956,032	95,613	951,250	400,000	333,192	-	2,498 998	1,748,212	3,965,255	-	19,155,109
Federal National Mortgage Association obligation	-	-	-	11,288,340	-	-	-	-	-	-	-	-	11,288,340
	$ 1,953,408	1,253,149	5,956,032	11,383,953	951,250	400,000	333,192	8,112	2,498,998	1,748,212	3,965,255	(68,475)	30,383,086

See accompanying independent auditors' report.

Schedule 2

LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheet Components

December 31, 1995

Assets	Project related	Other	Eliminations	Combined
Utility plant, net	$ 65,133,984	-	-	65,133,984
Central dispatch facility, net	-	418,453	-	418,453
Non-utility property, net	-	1,232,014	-	1,232,014
Special deposits	17,089,509	733,193	-	17,822,702
Current assets:				
Funds	8,663,607	3,896,777	-	12,560,384
Accounts receivable	-	3,554,121	(757,825)	2,796,296
Interest receivable	95,362	17,653	-	113,015
Coal inventory	3,313,720	4,648		3,318,368
Prepaid expenses	-	114,939	-	114,939
Total current assets	12,072,689	7,588,138	(757,825)	18,903,002
Deferred charges:				
Debt expense	3,233,318	15,644	-	3,248,962
Preoperating costs	535,831	-	-	535,831
Preliminary survey and investigation charges	235,275	-	-	235,275
Unamortized loss on reacquired debt	29,060,063	-	-	29,060,063
Total deferred charges	33,064,487	15,644	-	33,080,131
	$ 127,360,669	9,987,442	(757,825)	136,590,286

Capitalization and Liabilities	Project related	Other	Eliminations	Combined
Capitalization:				
Long-term debt	111,336,190	-	-	111,336,190
Equity	2,835,357	6,594,460	-	9,429,817
Total capitalization	114,171,547	6,594,460	-	120,766,007
Current liabilities:				
Current maturities of long-term debt	3,565,000	655,000	-	4,220,000
Accounts payable	1,775,304	2,737,982	(757,825)	3,755,461
Due to participants	2,092,614	-	-	2,092,614
Accrued interest payable	3,924,985	-	-	3,924,985
Other	1,831,219	-	-	1,831,219
Total current liabilities	13,189,122	3,392,982	(757,825)	15,824,279
	$ 127,360,669	9,987,442	(757,825)	136,590,286

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Components of Revenues, Expenses and Equity

Year ended December 31, 1995

	Project related	Other	Eliminations	Combined
Power sales	$ 26,117,589	35,432,439	(7,543,799)	54,006,229
Operating expenses:				
Power produced	13,060,273	4,462,044	-	17,522,317
Power purchased	-	26,324,598	(7,543,799)	18,780,799
Transmission	1,808,820	2,946,586	-	4,755,406
General and administrative	-	2,669,099	-	2,669,099
Depreciation and amortization	3,565,000	630,000	-	4,195,000
Total operating expenses	18,434,093	37,032,327	(7,543,799)	47,922,621
Net operating revenues	7,683,496	(1,599,888)	-	6,083,608
Other expenses (revenues):				
Interest expense	7,849,970	76,600	-	7,926,570
Interest income	(1,583,392)	(209,886)	-	(1,793,278)
Other, net	1,286,062	(1,414,974)	-	(128,912)
Total other expenses (revenues)	7,552,640	(1,548,260)	-	6,004,380
Net revenues	130,856	(51,628)	-	79,228
Equity at beginning of year	2,704,501	6,646,088	-	9,350,589
Equity at end of year	$ 2,835,357	6,594,460	-	9,429,817

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

All Requirements Approach Revenues, Expenses
and Capital Expenditures
Budget to Actual Comparison

Year ended December 31, 1995

	Budget	Actual	Percent of actual to budget
Power sales:			
Energy	$ 17,185,997	17,749,542	103.3%
Demand	14,473,322	15,142,604	104.6
Hydropower	1,213,092	1,160,280	95.6
Other	287,791	1,380,013	479.5
	33,160,202	35,432,439	106.9
Operating expenses:			
Power produced:			
Fuels	1,825,102	2,651,469	145.3
Electric plant expenses	981,766	1,119,470	114.0
Maintenance of electric plant	380,612	395,229	103.8
Supervision and engineering	162,949	163,998	100.6
Steam power	136,413	131,878	96.7
	3,486,842	4,462,044	128.0
Power purchased:			
Fuels	1,788,368	917,815	51.3
Energy costs	13,672,527	15,381,376	112.5
Hydropower	906,912	864,694	95.3
Other	9,200,095	9,160,713	99.6
	25,567,902	26,324,598	103.0
Transmission:			
System	2,580,664	2,651,026	102.7
Hydropower	306,180	295,560	96.5
	2,886,844	2,946,586	102.1
General and administrative:			
Load dispatching	741,848	725,954	97.9
Outside services	450,236	617,862	137.2
Salaries	381,988	374,636	98.1
Employee pensions and benefits	408,175	402,625	98.6
Miscellaneous	118,200	81,068	68.6
Injuries and damages	121,505	114,980	94.6
Office supplies and expenses	97,800	102,768	105.1
General public relations	66,600	69,951	105.0
Property insurance	181,938	179,255	98.5
Rent	-	-	-
	2,568,290	2,669,099	103.9
Depreciation and amortization	630,000	630,000	100.0
Total operating expenses	35,139,878	37,032,327	105.4

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

All Requirements Approach Revenues, Expenses
and Capital Expenditures
Budget to Actual Comparison, Continued

	Budget	Actual	Percent of actual to budget
Other expenses (revenues):			
Interest expense	$ 76,600	76,600	100.0%
Interest income	(184,000)	(209,886)	114.1
Other net:			
Non-utility operations revenue	(38,298)	(33,055)	86.3
Other additions	(1,416,638)	(1,381,919)	97.5
Contingency	43,983	-	-
Total other revenue	(1,518,353)	(1,548,260)	102.0
Operating expenses, net of other expenses	33,621,525	35,484,067	105.5
Capital expenditures	39,500	33,723	85.4
Excess 1994 revenues applied	(400,825)	(85,351)	21.3
Total operating expenses, net of other expenses and capital expenditures	$ 33,260,200	35,432,439	106.5

See accompanying independent auditors' report.

Schedule 5

LOUISIANA ENERGY AND POWER AUTHORITY

Analysis of Equity

December 31, 1995

	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 relate Certificates of Indebtedness	-	334,205	334,205
Capital expenditures	48,119	330,046	378,165
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
Excess of revenues over expenses under the All Requirements Approach Operations	-	4,257,140	4,257,140
Equity at end of year	$ 2,835,357	6,594,460	9,429,817

See accompanying independent auditors' report.

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

March 8, 1996

The Board of Directors
Louisiana Energy and Power Authority

Dear Members:

We have audited the financial statements of Louisiana Energy and Power Authority for the year ended December 31, 1995, and have issued our report thereon dated March 8, 1996. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

This information is intended solely for the use of the Board of Directors and management and should not be used for any other purpose.

Very truly yours,

KPMG Peat Marwick LLP

REPORT BY KPMG PEAT MARWICK LLP
TO THE BOARD OF DIRECTORS OF
LOUISIANA ENERGY AND POWER AUTHORITY

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards is to express an opinion on the financial statements of Louisiana Energy and Power Authority (the Authority) based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control structure of the Authority to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, not for the purpose of providing specific assurance on the internal control structure.

Significant Accounting Policies

The significant accounting policies used by the Authority are described in the "Organization and Significant Accounting Policies" note to the financial statements.

We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates and Significant Audit Adjustments

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We evaluated the key factors and assumptions used by management to develop their estimates in determining that the estimates were reasonable in relation to the financial statements of Louisiana Energy and Power Authority taken as a whole.

Significant Audit Adjustments

We proposed no corrections of the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

Disagreements With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Authority's 1995 financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained an opinion, written or oral, from other independent accountants during the past year which were subject to the requirements of Statement on Auditing Standards No. 50, "Reporting on the Application of Accounting Principles."

Major Issues Discussed With Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

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The Global Leader

LOUISIANA ENERGY AND POWER AUTHORITY

Report on Internal Control Structure at the Financial Statement Level

December 31, 1995

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

Independent Auditors' Report on Internal Control Structure at the Financial Statement Level

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, 1995, and have issued our report thereon dated March 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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.

The management of the Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Authority for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order the dtermine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Board of Directors, management, and the Louisiana Legislative Auditor's Office. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

March 8, 1996

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

Independent Auditors' Report on Compliance at the Financial Statement Level

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, 1995, and have issued our report thereon dated March 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with laws, regulations, contracts and grants applicable to the Authority is the responsibility of the management of the Authority. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor's office. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

March 8, 1996

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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, 1995

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

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, 1995, 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 8, 1996.

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 should not be used for any other purpose.

KPMG Peat Marwick LLP

March 8, 1996