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LOUISIANA REVENUE AND POWER AUTHORITY

Financial Statements and Schedules

December 31, 1996 and 1995

With Independent Auditor's Report Thereon

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

Prepared Date... AUG 27 1997

KPMG Peat Marwick LLP

Suite 2800 One Shell Square
New Orleans, LA 70112-2800

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, 1994 and 1993, 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. These 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, 1994 and 1993, 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 14, 1997, on our consideration of the Authority's internal control structure, and a report dated March 14, 1997, 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 I through V 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 audit 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 14, 1997

LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheets

December 31, 1996 and 1995

ASSETS	1996	1995
Working plant, net 1996 \$1	\$ 42,782,408	42,133,488
Central dispatch facility, net of accumulated depreciation of \$4,381,179 and \$4,071,482 in 1996 and 1995, respectively	182,750	418,450
Non-utility property, net of accumulated depreciation of \$289,458 and \$122,708 in 1996 and 1995, respectively	2,522,321	1,522,028
Special deposits (note 4)	18,424,794	17,822,762
Current assets:		
Funds notes 4b	13,384,388	13,568,388
Accounts receivable	2,822,881	2,794,288
Interest receivable	183,458	133,028
Cash inventory	2,527,182	2,518,368
Prepaid expenses	182,832	114,522
Total current assets	<u>18,099,662</u>	<u>18,108,082</u>
Deferred charges:		
Debt expense (note 3)	2,137,327	2,548,862
Prepaying costs	518,965	528,822
Preliminary survey and investigation charges	225,275	225,275
Unamortized loss on extinguished debt (note 3)	<u>21,822,182</u>	<u>22,822,022</u>
Total deferred charges	<u>24,703,649</u>	<u>25,124,961</u>
	\$ 70,444,541	73,356,025
Capitalization and Liabilities		
Capitalization:		
Long-term debt (note 3)	277,625,142	311,326,128
Equity	<u>2,822,212</u>	<u>2,422,813</u>
Total capitalization	<u>280,447,354</u>	<u>313,748,941</u>
Current liabilities:		
Current maturities of long-term debt (note 3)	2,880,008	4,220,800
Accounts payable	2,259,958	2,152,481
Due to participants	881,222	2,082,618
Accrued interest payable	2,189,818	2,424,882
Other	<u>1,826,128</u>	<u>1,821,219</u>
Total current liabilities	<u>10,027,134</u>	<u>12,601,990</u>
Commitments (notes 2, 3 and 4)		
	\$ 70,444,541	73,356,025

See accompanying notes to financial statements.

LUXEMBURG ENERGY AND POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND EQUITY

Years ended December 31, 1998 and 1999

	1998	1999
Power sales income \$1	\$ 24,000,000	24,086,229
Operating expenses:		
Cost of power produced	20,861,397	17,502,317
Power purchased	10,801,461	10,793,789
Transmission costs	4,481,787	4,793,404
General and administrative	2,409,559	2,649,899
DEPRECIATION AND AMORTIZATION	<u>-8,167,580</u>	<u>-8,135,880</u>
Total operating expenses	40,233,684	37,922,621
Net operating revenues	<u>5,812,736</u>	<u>6,083,608</u>
Other expenses (revenues):		
Interest expense	3,685,820	3,608,570
Interest income	10,549,893	10,793,799
Other, net	<u>125,370</u>	<u>-128,917</u>
Total other expenses	<u>-3,261,247</u>	<u>-6,088,380</u>
Net revenues (expenses)	(117,540)	15,228
Equity at beginning of year	<u>8,323,817</u>	<u>8,323,817</u>
Equity at end of year	\$ <u>8,323,277</u>	<u>8,323,817</u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Cash Flows

Years ended December 31, 1996 and 1995

	1996	1995
Cash flows from operating activities:		
Net revenues (expenses)	\$ (187,540)	79,228
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	4,147,580	4,199,008
(Increase) decrease in assets:		
Accounts receivable	(34,355)	5,213,634
Interest receivable	8,559	4,743
Cash inventory	981,386	21,842,752
Prepaid expenses	22,889	4,322
Increase (decrease) in liabilities:		
Accounts payable	(498,811)	(877,524)
Due to participants	18,481,895	(14,778)
Accrued interest payable	(125,375)	118,122
Other, net	____32,222	____432,752
Net cash provided by operating activities	<u>4,628,356</u>	<u>4,263,325</u>
Cash flows used in investing activities - payments for purchases of property, plant and equipment	<u>(82,894)</u>	<u>(725,481)</u>
Cash flows used in financing activities - principal payments on long-term debt	<u>18,220,800</u>	<u>11,718,080</u>
Net decrease in cash and cash equivalents	(1,475,338)	(137,236)
Cash and cash equivalents at beginning of year	18,894,346	19,232,457
Cash and cash equivalents at end of year 1996 41	\$ <u>17,419,008</u>	<u>19,095,221</u>
Cash paid during the year for interest	\$ <u>1,785,830</u>	<u>1,048,882</u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 1978 and 1979

(1) **Explanation 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 Article 53 of the Louisiana Revised Statutes of 1980. 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 100 co-owner, under the Joint Ownership Agreement, of a 538 MW coal-fired steam electrical generating plant, the Redmanchar Unit No. 3 (the Unit). The Unit was controlled by Central Louisiana Electric Company, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) near Bayou, Louisiana adjacent to CLECO's Redmanchar Unit No. 1. CLECO and LPPA have ownership interests of 38% and 54%, respectively. The Authority's 8% 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 as long as the Project is useful for the generation of electricity or for a period of 25 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) **Taxation Status**

The Authority is exempt from Federal and state income taxes.

(d) **Rate Setting**

The Authority has entered into Redmanchar 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 Redmanchar Unit No. 3 less rates 2 and 50 and for certain items stipulated in the Rate Resolution which governs the bonds issued in 1982 to purchase the

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

Authority's 28% 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 2000 for one of the five Participants and in the year 2005 for two 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 backward in advance and verified 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 2000 consumption basis and (2) Demand Rate - which includes all fixed costs and is billed on monthly peak kW basis.

(4) Depreciation and Amortization

Depreciation and amortization of utility plant, central dispatch facility, debt expense, preoperating costs, amortized loan on reacquired debt and the original loan discount on long-term debt, are based upon the principal repayments of long-term debt, the proceeds of which were used to acquire the motorcoach unit no. 2 and maintain the central dispatch facility. This method accretes with the rate setting policies prescribed by the Board Regulation of the 1980 Louisiana Power Project Revenue Bonds and the 1985 and 1991 Louisiana 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 setting. Depreciation of intangible 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 repairs.

(5) Bonds and Special Deposits

Included in Bonds 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 as the statements of revenues, expenses and equity as the interest method.

(Cash flows)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

(1) Coal Inventory

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

(2) Statement of Cash Flows

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

(3) 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.

(4) Utility Plant

The Authority's proportionate cost of its interest in the Unit includes costs of certain facilities common to the Unit and EBRG's Unit No. 3 (common facilities). The cost of the utility plant is summarized as follows as December 31:

	1988	1987
Acquisition cost of the Unit, including common facilities, related facilities, and site development costs	\$ 83,428,448	\$3,428,448
Less accumulated depreciation and amortization	28,048,883	18,480,483
	\$ 55,379,565	\$5,137,965

Participants in the Redwater Unit No. 3 are liable for decommissioning costs upon termination of the project.

(Cont. Next)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

(3) Long-Term Debt

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

	1999	1998
Serial Bonds, 1995 Series, 5.10% - 5.50%, due January 1, 1999 to 1999	\$ 5,150,000	\$ 5,700,000
Certificates of Indebtedness, 1996 Series, 5.50%, due July 1, 1999 - 1999	-	850,000
Serial Bonds, 1993 Series, 5.45% - 5.80%, due January 1, 1993 to 2004	25,190,000	24,220,000
Term Bonds, 1991 Series, 6.75%, due January 1, 2000	28,940,000	28,940,000
Term Bonds, 1991 Series, 6.50%, due January 1, 2013	49,392,000	49,392,000
	114,700,000	120,870,000
Less:		
Current maturities	5,840,000	4,220,000
Original issue discount	3,154,853	3,282,819
	\$ 105,705,147	113,367,181

In 1991, the Authority issued \$114,578,000 of Power Project Bonding Revenue Bonds (Rebonded) UIC NO. 21, 1991 Series with an original issue discount of \$4,200,000, to advance refund \$100,378,000 of the \$18,138,000 1985 Series Power Project Bonding Revenue Bonds outstanding. The proceeds of the 1991 Series Bonds, net of financing costs and bond insurance premiums (\$185,599,947), and certain amounts available in the Authority's funds and accounts \$49,979,134 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, 1999 were redeemed on January 1, 1999. The Authority received approximately \$67,500 in funds remaining after the redemptions.

In 1992, the Authority issued \$209,512,000 of Power Project Bonding Revenue Bonds (Rebonded) UIC NO. 21, 1992 Series, to fund the share of the estimated costs of acquisition and construction of the Project and to pay other related costs, including acquisition of coal inventory, debt

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LOUISIANA REVENUE AND POWER AUTHORITY

Notes to Financial Statements

insurance costs and to establish various funds required by the bond indentures. The 1985 Series Bonds were issued to advance refund the 1982 Series Power Project Revenue Bonds.

The Authority incurred a loss of approximately \$14,828,000 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 1985 Series Bonds (See Note 14C).

The Authority also incurred \$2,813,788 of expenses related to the issuance of the 1981 Series Bonds which have been deferred and are being amortized over the life of the 1981 Series Bonds.

The 1985 Series Bonds and the 1982 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with the bond indentures. The payments of principal and interest on the 1985 and 1982 Series Bonds have been guaranteed by the Financial Guaranty Insurance Company (FICO). The insurance policies between the Authority and FICO are noncancelable. The costs of the policies were prepaid with payments from the refundings and are noncancelable and are included in deferred debt expense.

Scheduled principal maturities for each of the 1985 and 1981 Series Bonds are as follows for the years presented (in thousands):

Year	1985	1981	Total
	Series	Series	
1987	\$ 2,348	800	3,148
1988	2,328	820	3,148
1989	-	4,440	4,440
1990	-	4,700	4,700
1991	-	3,548	3,548
Thereafter	-	24,812	24,812
	\$ 4,676	24,812	29,488

The 1981 Series Bonds scheduled to mature after January 1, 1990 will be redeemable at the option of the Authority, on or after January 1, 1991, in a whole or in part on any interest payment date, at redemption prices expressed as percentages of the principal amount ranging from 108% to 127% depending on the redemption date, plus accrued interest at the redemption date.

The bond resolution under which the 1982 Series Bonds were issued includes various covenants which provide for, among other things, 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

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

maintenance of equipment, 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 1988.

14) Funds

The bond resolutions under which the 1982 Series, 1985 Series and 1987 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 8).

Funds and accounts at December 31, 1988 are as follows:

	Special Accounts	Current Accounts	Total
Project:			
Special deposits:			
Debt service fund, debt service reserve account	\$ 11,881,380	-	11,881,380
Reserve and Contingency Fund:			
General and replacement account	1,385,501	-	1,385,501
Contingency account	1,817,533	-	1,817,533
General reserve fund:			
1981 sinking fund	1,068,680	-	1,068,680
Project account	<u>533,262</u>	<u>-</u>	<u>533,262</u>
Total Project special accounts	16,826,751	-	16,826,751
Current accounts:			
Operations and maintenance fund	-	4,483	4,483
Operations and maintenance trust	-	1,133,088	1,133,088
Restricted - debt service fund, debt service account	<u>-</u>	<u>8,168,738</u>	<u>8,168,738</u>
Total Project current accounts	-	9,322,329	9,322,329
Total Project funds and accounts	16,826,751	9,322,329	26,149,080
Other current accounts:			
Other revenue fund	-	3,878,558	3,878,558
Contract operations account	<u>-</u>	<u>1,828</u>	<u>1,828</u>
Total Other current accounts	-	3,880,386	3,880,386
TOTAL FUNDS AND ACCOUNTS	\$ 16,826,751	13,202,715	30,029,466

(Cont. Sheet)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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

	Special Accounts	Current accounts	Total
Project:			
Special Deposits:			
Weld service fund, debt service reserve account	\$ 11,383,893	-	11,383,893
Reserve and contingency funds:			
Personnel and replacement account	1,953,408	-	1,953,408
Contingency account	1,253,149	-	1,253,149
General reserve fund - Project account	2,488,898	-	2,488,898
Total Project special accounts	17,084,348	-	17,084,348
Current assets:			
Operations and maintenance fund	-	8,312	8,312
Operations and maintenance trust	-	1,748,813	1,748,813
Mobilized - debt service fund, weld service account	-	3,358,832	3,358,832
Total Project current assets	-	5,115,957	5,115,957
Total Project funds and accounts	17,084,348	5,115,957	22,200,305
Central Dispatch Facility:			
Special Deposits:			
Certificates of Indebtedness, Series 1984, Sinking Fund	333,182	-	333,182
Certificates of Indebtedness, Series 1984, Reserve Fund	485,828	-	485,828
Total Central Dispatch Facility special deposits	819,010	-	819,010
Other current assets:			
Other revenue fund	-	4,954,500	4,954,500
Contract operations account	-	188,450	188,450
Total funds and accounts	\$ 17,903,358	10,268,907	28,172,265

(Continued)

LEGISLATIVE REPORT AND FUNDING AGREEMENT

NOTES TO FINANCIAL STATEMENTS

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

	1996	1995
Funds and accounts are comprised of:		
Cash	\$ 18,192	100,180
Temporary cash investments, at cost, which approximate market - Mutual Funds investing in U.S. Treasury obligations	11,527,360	12,385,320
Cash and cash equivalents	17,837,420	18,094,760
FEDERAL NATIONAL MORTGAGE ASSOCIATION obligation, at amortized cost, \$.254, maturing December 18, 2000, market value of \$12,082,418 and \$12,388,780 at December 31, 1996 and 1995, respectively	12,082,427	12,388,780
	\$ 29,919,847	30,483,840

The 1980, 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 \$250,000 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, 1996 and 1995.

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.

(4) Partners, Contracts and Commitments(a) Indemnities, Future Sales Contracts

Under the McDonough Free Sale Contract, the Authority sells and the Participants purchase their respective shares (including a share of the equity 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 sales conveyed 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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

charged participants, 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. As December 31, 1985, the Participants' respective shares of the capacity and energy of the Project are as follows:

	Entitlement Share	Percent Share
	000	100
Alexandria	50.70	50.70%
Bossier	22.70	22.70%
Shreve City	20.70	20.70%
New Roads	7.90	7.90%
Terrebonne	<u>2.80</u>	<u>2.80%</u>
Total	<u>104.80</u>	<u>100.0%</u>

(4) 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 Requirement Members.

(5) Coal Supply Contract

The coal supply for the Project is purchased under a contract between BARR-MORAN COAL CORPORATION (BARR-MORAN), the Authority, CLECO and LPEA. The contract provides for the purchase of 24 million tons of coal to be delivered over a 20-year period at a price subject to escalation (average of \$3.82 and \$7.78 per ton in 1984 and 1985, respectively, exclusive of transportation costs) based upon certain actual costs compared with those used to establish 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 LPEA are liable and obligated individually for amounts due under the contract.

(6) Generation Costs

Under the Joint Ownership Agreement, CLECO has the sole responsibility to operate, maintain and dispatch the Unit and

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

related facilities in accordance with prudent utility practices. The Authority, CLECO and LFER pay all operation and maintenance costs other than fuel, based upon their respective ownership percentages of the Unit.

(c) 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 1990 with one of the Participants and in the year 2003 with two of the Participants, whereby the Authority purchases their obligations in the FUTURE. This agreement does not relieve the Participants of their obligations under the Louisiana Power Sales Contracts discussed in Note 5(b).
- 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. These agreements expire in 2008 for one of the members and in 2009 for the others.
- The Authority has a Capacity Purchase Agreement with one All Requirements Member whereby the Authority commits 100% of its dependable capacity and direct power generation quantities to meet its power requirements. This agreement expires in the year 1998.
- 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 Louisiana Power Administration (LPPA), whereby the Authority purchases hydroelectric power which results from fixed power allocations of LPPA'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, 1984 were \$1,359,993. Sales to the one member city and one nonmember city for the year ended December 31, 1984 were \$1,812,747. The remaining \$488,689 was used under the All Requirements Approach. Purchases and sales for the year ended December 31, 1985 were \$1,818,378 and \$1,240,289, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 units approximated \$38 million. During 1995, power sales revenues to these three units approximated \$8 million for the contract period ended May 1, 1995. Management believes the decision of the three units 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 1996.

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 30 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. Service expenses under the plan is not significant.

Title IV of the Clean Air Act Amendments of 1990 (the Act) established 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 reduction 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.

(7) Determination 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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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	\$ 15,426,793	15,413,448
Funds	14,306,398	14,306,398
Accounts receivable	2,826,553	2,826,553
Interest receivable	503,404	503,404
Liabilities:		
Long-term debt	121,536,148	123,300,000
Accounts payable	3,259,818	3,266,818
Due to participants	641,229	641,229
Accrued interest payable	3,789,818	3,789,818
Other liabilities	1,894,128	1,894,128

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 NOTES that are currently available to the Authority for issuance of OGEI with similar terms and remaining maturities are used to estimate fair value.

UNITED STATES GOVERNMENT
BUREAU OF BUDGET AND FISCAL CONTROL
OFFICE OF THE COMPTROLLER GENERAL

FUND	1954			1955			1956			1957		
	Actual	Estimated	Available	Actual	Estimated	Available	Actual	Estimated	Available	Actual	Estimated	Available
GENERAL FUND	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF AGRICULTURE	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
DEPARTMENT OF COMMERCE	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
DEPARTMENT OF DEFENSE	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
DEPARTMENT OF EDUCATION	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
DEPARTMENT OF INTERIOR	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF JUSTICE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF LABOR	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF LAND AND NATURAL RESOURCES	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF STATE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF TRANSPORTATION	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF THE ARMY	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF THE NAVY	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF THE AIR FORCE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF ENERGY	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DEPARTMENT OF SPACE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

UNITED STATES GOVERNMENT PRINTING OFFICE: 1957

LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheet Components

December 31, 1995

Assets	Project related	Other	Eliminations	Combined
Utility plant, net	\$ 62,792,485	-	-	62,792,485
General depreciable facilities, net	-	202,752	-	202,752
Non-utility property, net	-	1,212,272	-	1,212,272
Special deposits	15,224,751	-	-	15,224,751
Current assets:				
Funds	2,222,222	2,222,222	-	4,444,444
Accounts receivable	127,122	2,222,222	(222,222)	2,227,122
Debtors' receivable	22,222	22,222	-	44,444
Coal inventory	2,222,222	12,222	-	2,234,444
Prepaid expenses	-	(222,222)	-	(222,222)
Total current assets	22,222,222	2,222,222	(222,222)	24,222,222
Deferred charges:				
Debt expenses	2,222,222	2,222	-	2,224,444
Prepaidating costs	222,222	-	-	222,222
Preliminary survey and investigation charges	222,222	-	-	222,222
Unrealized loss on reacquired debt	(22,222,222)	-	-	(22,222,222)
	22,222,222	2,222	-	22,224,444
Total deferred charges	\$ 22,222,222	2,222,222	(222,222)	24,222,222
Capitalization and liabilities				
Capitalization:				
Long-term debt	222,222,222	-	-	222,222,222
Equity	2,222,222	2,222,222	-	4,444,444
Total capitalization	224,444,444	2,222,222	-	226,666,666
Current liabilities:				
Current maturities of long-term debt	2,222,222	-	-	2,222,222
Accounts payable	1,222,222	2,222,222	(222,222)	2,222,222
Due to participants	222,222	-	-	222,222
Accrued interest payable	2,222,222	-	-	2,222,222
Other	1,222,222	-	-	1,222,222
Total current liabilities	224,444,444	2,222,222	(222,222)	226,444,444
	\$ 224,444,444	2,222,222	(222,222)	226,444,444

See accompanying independent auditor's report.

LOUISIANA ENERGY AND POWER AUTHORITY

Components of Revenues, Expenses and Equity

Year ended December 31, 1995

	Project related	Other	Eliminations	Combined
Power sales	\$ 28,172,888	28,023,488	(2,221,428)	54,484,897
Operating expenses:				
Power produced	18,928,480	4,933,182	-	23,861,662
Power purchased	-	21,012,009	(4,183,438)	16,828,571
Transmission	3,745,822	3,718,182	-	7,464,004
General and administrative	-	2,428,538	-	2,428,538
Depreciation and amortization	3,848,008	327,206	-	4,175,214
Total operating expenses	21,314,297	25,424,225	(4,183,438)	42,714,894
Net operating revenues	6,858,591	2,599,263	-	9,457,854
Other revenues (expenses):				
Interest expense	7,578,428	28,000	-	7,606,428
Interest income	(1,988,883)	188,918	-	(1,800,000)
Other, net	3,818,748	11,214,519	-	15,033,267
Total other revenues (expenses)	5,648,293	11,431,437	-	17,079,730
Net revenues	-	(107,940)	-	(107,940)
Equity at beginning of year	8,823,387	8,374,468	-	17,197,855
Equity at end of year	\$ 8,823,387	\$ 8,266,528	-	17,089,915

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

All Requirements Approach Investment, Operating
and Capital Expenditures
Budget to actual Comparison

Data ended December 31, 1986

	Budget	Actual	Percent of actual to budget
Power sales:			
Energy	4 14,843,000	17,481,500	118.9
Power	10,970,700	10,783,113	98.3
Hydroplants	-----	1,842,178	200.0
	27,800,000	21,282,810	113.9
Operating expenses:			
Power produced:			
Fuels	6,778,400	6,800,100	140.5
Electric plant expense	3,106,200	3,197,000	103.2
Maintenance of electric plant	603,700	616,000	98.7
Supervision and engineering	170,400	174,000	103.0
Steam power	400,700	388,100	97.0
	4,899,400	4,808,100	108.7
Power purchased:			
Energy costs	13,812,000	14,318,000	103.6
Hydroplants	340,700	340,700	100.0
Other	3,318,000	3,280,100	98.9
	18,470,700	21,898,700	113.6
Transmission - System	2,428,300	2,620,000	94.8
General and administrative:			
Load dispatching	717,700	678,000	94.5
Outside services	388,000	324,700	83.4
Reprints	487,000	482,700	99.0
Employee provisions and benefits	340,400	308,000	90.5
Miscellaneous	100,000	90,000	78.0
Injuries and damages	100,000	104,000	87.0
Office supplies and expenses	110,000	104,000	94.5
General public relations	100,000	100,000	100.0
Property insurance	400,000	370,000	92.5
	2,486,100	2,428,700	97.4
Depreciation and amortization	327,000	327,000	100.0
Total operating expenses	29,696,000	32,682,300	110.4

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

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

	Budget	Actual	Percent of Budget to Actual
Other revenues (revenues):			
Interest expense	\$ 26,200	26,200	100.0
Interest income	1205,600	1198,918	99.5
Other net:			
Non-utility operations revenue	518,280	555,718	107.2
Other additions	(1,875,280)	(1,893,880)	101.4
Contributory	<u>33,888</u>	<u>-</u>	0.0
Total other revenue	(1,882,892)	(1,712,370)	100.8
Operating expenses, net of			
Other expenses	28,048,654	31,378,382	111.8
Capital expenditures	18,680	4,573	43.8
Minus 1984 revenues applied	<u>1688,880</u>	<u>1442,928</u>	85.5
Total operating expenses, net of other revenues and capital expenditures	\$ <u>27,888,454</u>	<u>31,381,045</u>	112.5

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Analysis of Equity

December 31, 1996

	Project related	Other	Combined
Funds used in the defeasance of the 1991 and 1995 Series Bonds	\$ 2,099,138	-	2,099,138
Two percent debt service coverage, as required by the Bond Resolutions	537,718	-	537,718
Funds generated by the one mill assessment, dedicated to the completion of the Central Highland Facility and payment of the related Certificates of Indebtedness	-	2,121,873	2,121,873
Interest earned on funds dedicated to the construction of the Central Highland Facility and payment of the related Certificates of Indebtedness	-	104,225	104,225
Capital expenditures	48,119	170,148	170,148
Interest earned on other funds and accounts not related to the Project	-	541,936	541,936
Miscellaneous power sales	18,528	"	18,528
Expense realized from Reserve account	130,464	"	130,464
SAVES OF SAVINGS OVER expenses under the All Requirements Approach Operation	-	4,249,422	4,249,422
Equity at end of year	\$ 2,875,352	\$ 4,962,329	\$ 7,837,681

See accompanying independent auditor's report.

LOUISIANA ENERGY AND POWER AUTHORITY

Independent Auditors' Report on Compliance
at the Financial Statement Level

December 31, 1990

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KPMG Peat Marwick LLP

Suite 1600 One Shell Square
New Orleans, LA 70119-2600

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, 1996, and have issued our report thereon dated March 14, 1997.

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 14, 1997

LOUISIANA ENERGY AND POWER INTEGRITY

**Independent Auditors' Report on Compliance
with the Redwater Unit MOU &
Power Project Revenue Bond Issuance**

December 31, 1998

KPMG Peat Marwick LLP

Suite 1800 One Shell Square
New Orleans, LA 70112-2099

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 September 30, 1987, 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 14, 1987.

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 Redeemable Unit No. 2 Power Project Revenue Bond Resolution, adopted September 18, 1982, as amended by the First, Second and Third Supplemental Redeemable Unit No. 2 Power Project Revenue Bond Resolutions, adopted December 2, 1982, September 15, 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 14, 1987

LOUISIANA ENERGY AND POWER AUTHORITY

Report on Internal Control Structure at
the Financial Statement Level

December 31, 1998

KPMG Peat Marwick LLP

2601 1003 One Shell Square
New Orleans, LA 70002-2899

Independent Auditor's 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, 1994, and have issued our report thereon dated March 14, 1995.

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 recorded 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, protection 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, 1994, 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 to determine 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 sufficiently low level the risk that errors or irregularities in accounts 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.

ICPAC, Part Appendix 20

March 14, 1997

KPMG Peat Marwick LLP

Suite 2000 One Shell Square
New Orleans, LA 70002-2000

March 14, 1997

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, 1996, and have issued our report thereon dated March 14, 1997. 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 ERNEST PETER HANCOCK 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 accepting our this responsibility, we assumed 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 in developing 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 1988 financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with us 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. 84, "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.