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LOUISIANA ENERGY AND POWER AUTHORITY
Financial Statements and schedules
December 31, 1999 and 1998

With Independent Auditors' Report Thereon

JAN 10 1999

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

Prepared Date: 1/10/99

Independent Auditors' Report

The Board of Directors
Louisiana Energy and Power Authority

We have audited the accompanying balance sheets of Louisiana Energy and Power Authority (the Authority) as of and for the years ended December 31, 1997 and 1996, and the related statements of revenues, expenses and equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 1997 and 1996, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 1998, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 23, 1998

LOUISIANA ENERGY AND POWER AUTHORITY

Balance sheets

December 31, 1997 and 1996

<u>Assets</u>	<u>1997</u>	<u>1996</u>
Utility plant, net note 3)	\$ 80,319,909	42,792,400
Central dispatch facility, net of accumulated depreciation of \$4,491,934 and \$4,391,179 in 1997 and 1996, respectively	-	666,700
Non-utility projects, net of accumulated depreciation of \$248,208 and \$380,490 in 1997 and 1996, respectively	3,193,417	1,318,071
Special deposits (note 4)	18,104,434	26,098,731
Current assets:		
Funds note 4)	14,007,388	11,806,388
Accounts receivable	2,885,483	2,818,851
Interest receivable	158,345	100,486
Fuel inventory	2,641,389	2,519,382
Prepaid expenses	<u>83,833</u>	<u>100,000</u>
Total current assets	<u>18,780,915</u>	<u>18,459,457</u>
Deferred charges:		
Debt expense (note 3)	2,986,371	3,107,027
Preparation costs	484,880	826,950
Preliminary survey and investigation charges	-	326,275
Amortized loss on reacquired debt (note 3)	<u>28,839,676</u>	<u>27,782,145</u>
Total deferred charges	<u>30,310,927</u>	<u>31,850,802</u>
	\$ 127,608,508	113,411,341
<u>Capitalization and Liabilities</u>		
Capitalization:		
Long-term debt (note 3)	100,778,030	187,895,149
Equity	<u>8,788,318</u>	<u>8,822,377</u>
Total capitalization	<u>113,511,537</u>	<u>117,817,486</u>
Current liabilities:		
Current maturities of long-term debt (note 3)	4,130,480	3,448,800
Accounts payable	2,428,285	2,250,950
Due to participants	789,424	441,219
Accrued interest payable	2,680,530	2,189,818
Other	<u>1,290,373</u>	<u>3,896,126</u>
Total current liabilities	<u>11,309,092</u>	<u>12,427,113</u>
commitments notes 2, 5 and 6)	<u>-</u>	<u>-</u>
	\$ 127,608,508	113,411,341

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statement of Revenues, Expenses and Equity

Years ended December 31, 1997 and 1998

	<u>1997</u>	<u>1998</u>
Power sales (note 5)	\$ <u>28,852,888</u>	<u>28,628,548</u>
Operating expenses:		
Cost of power produced	18,583,332	18,861,597
Power purchased	18,788,688	18,867,441
Transmission costs	8,852,888	8,842,767
General and administrative	2,588,724	2,425,538
Depreciation and amortization	8,216,588	8,167,568
Charge-off of deferred costs	<u>238,275</u>	<u> </u>
Total operating expenses	<u>48,318,355</u>	<u>48,777,404</u>
Net operating revenues	<u>8,494,489</u>	<u>3,873,708</u>
Other expenses (revenues):		
Interest expense	7,181,848	7,428,826
Interest income	(7,428,778)	(1,569,801)
Other, net	<u>184,217</u>	<u>(58,778)</u>
Total other expenses	<u>8,451,377</u>	<u>3,980,344</u>
Net revenues (expensed)	(11,218)	117,980
Equity at beginning of year	<u>8,111,277</u>	<u>8,428,847</u>
equity at end of year	\$ <u>8,739,343</u>	<u>8,339,337</u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

STATEMENTS OF CASH FLOW

Years ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net revenues (expenses):	\$ 473,338	(167,549)
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Charge-off of deferred costs	325,276	-
Depreciation and amortization	6,255,524	4,187,800
(Increase) decrease in assets:		
Accounts receivable	(24,808)	(34,255)
Interest receivable	(54,794)	8,889
Coal inventory	(324,127)	881,186
Prepaid expenses	11,488	(3,865)
Increase (decrease) in liabilities:		
Accounts payable	388,225	1485,511
Due to participants	118,188	(1,461,988)
Accrued interest payable	(148,080)	(328,178)
Other, net	37,041	57,522
Net cash provided by operating activities	<u>3,107,322</u>	<u>2,824,772</u>
Cash flows used in investing activities - payments for purchases of property, plant and equipment	<u>(184,829)</u>	<u>(82,854)</u>
Cash flows used in financing activities - principal payments on long-term debt	<u>(3,883,800)</u>	<u>(4,323,800)</u>
Net increase (decrease) in cash and cash equivalents	1,038,693	(1,481,882)
Cash and cash equivalents at beginning of year	17,837,423	19,319,305
Cash and cash equivalents at end of year 1997-98	<u>\$ 18,876,116</u>	<u>17,837,423</u>
Cash paid during the year for interest	<u>\$ 7,818,540</u>	<u>9,346,325</u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 1997 and 1998

(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 1998. 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 208 MW coal-fired steam electric generating plant, the Redwater Unit No. 2 (the Unit). The Unit was constructed by Central Louisiana Electric Company, Inc. (CLECO) and Louisiana Public Power Authority (LPPA) near Bayou, Louisiana adjacent to CLECO's Redwater Unit No. 1. CLECO and LPPA have ownership interests of 38% and 30%, respectively. The Authority's 32% 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 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) Power Sales

The Authority has entered into Redwater 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 Redwater Unit No. 2 (the Project) (see notes 2 and 3) and for certain items stipulated in the said Resolution which governs the bonds issued in 1982 to purchase the Authority's 20% interest in the Unit. To the extent billings related to the Project vary from actual expenses incurred by the Authority related to the Project, the amounts billed to the Participants are adjusted.

All Requirements Power Sales Contracts (the All Requirements Approach) expire in the year 2008 for one of the five Participants and in the year 2006 for two of the five participants and six other

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

members (the All Requirements Members). The Authority continues to bill the three Participants in the manner described above; however, the Authority now bills 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 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 BSE consumption basis and (2) General 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, unamortized loss on reacquired debt and the original issue discount on long-term debt are based upon the principal payments of long-term debt. The proceeds of which were used to acquire the Redwater Unit No. 2. This method conformed with the rate setting policies prescribed by the Board Regulation of the 1981 Series Power Project Revenue Bonds and the 1988 and 1991 Series Power Project Refunding Revenue Bonds and the BSE 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.

(5) Trust 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 is computed using the straight-line method, which produces approximately the same results in the statements of revenues, expenses and equity as the interest method.

(6) Coal Inventory

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

(7) Statements of Cash Flow

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.

(8) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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 these estimates.

(4) Utility Plant

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

	<u>1997</u>	<u>1996</u>
Acquisition cost of the Unit, including common facilities, related facilities, and site development costs	\$ 43,739,470	40,809,448
Less accumulated depreciation and amortization	(22,808,781)	(20,889,042)
	<u>\$ 20,930,689</u>	<u>\$ 19,920,406</u>

Participants in the Redbanker Unit No. 2 are liable for decommissioning costs upon termination of the project.

(5) Long-term Debt

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

	<u>1997</u>	<u>1996</u>
Serial Bonds, 1991 Series, 5.50% - 6.50%, due January 1, 1993 to 1999	\$ 3,289,000	5,259,000
Serial Bonds, 1991 Series, 5.50% - 6.50%, due January 1, 1993 to 2004	12,293,000	11,293,000
Term Bonds, 1991 Series, 6.75%, due January 1, 2004	29,000,000	29,000,000
Term Bonds, 1991 Series, 6.50%, due January 1, 2013	<u>48,083,000</u>	<u>48,083,000</u>
	112,665,000	114,700,000
LESS:		
Current maturities	4,120,000	3,949,000
Original issue discount	<u>4,953,878</u>	<u>7,144,851</u>
	<u>\$ 103,591,122</u>	<u>\$ 103,606,149</u>

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

In 1981, the Authority issued \$114,870,000 of Power Project Refunding Revenue Bonds (Redemptor Unit No. 2), 1981 Series with an original issue discount of \$6,251,587, to advance refund \$108,618,413 of the \$118,333,000 1980 Series Power Project Refunding Revenue Bonds outstanding. The proceeds of the 1981 Series Bonds, net of financing costs and bond insurance premiums (\$118,620,947), and certain amounts available in the Authority's funds and accounts (\$2,978,703) were deposited into an irrevocable trust account administered by a trustee. The Bonds were issued by the trustee in direct obligations of the United States Government in order to pay, at maturity, the 1981 Series Bonds maturing on January 1, 1989, January 1, 2004 and January 1, 2013. The 1980 Series Bonds maturing after January 1, 1989 were redeemed on January 1, 1985. The Authority received approximately \$87,800 in funds remaining after the redemption.

In 1982, the Authority issued \$189,325,000 of Power Project Revenue Bonds (Redemptor 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 insurance costs and to establish various funds required by the bond resolution. The 1982 Series Bonds were issued to advance refund the 1982 Series Power Project Revenue Bonds.

The Authority incurred a loss of approximately \$16,450,000 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 1981 Series Bonds (see note 3(a)).

The Authority also incurred \$0,813,346 of expense 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 1981 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 1981 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 refundings and are nonrefundable 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:

Year	1985 Series	1981 Series	Total
1988	\$ 3,000,000	800,000	\$ 3,800,000
1989	-	4,468,000	4,468,000
2000	-	4,758,000	4,758,000
2001	-	8,063,000	8,063,000
2002	-	8,400,000	8,400,000
thereafter	-	\$8,255,000	\$8,255,000
	\$ 3,000,000	\$28,694,000	\$31,694,000

(continued)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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 or in part on any interest payment date, at redemption prices expressed as percentages of the principal amount ranging from 100% to 108% depending on the redemption date, plus accrued interest at the redemption date.

The bond resolution under which the 1991 Series Bonds were issued include various covenants which provide for, among other items, 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.

(4) Funds

The bond resolutions under which the 1982 Series, 1988 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 Authority also maintains other accounts for its 511 Requirements Approach operations (see Note 5).

Funds and accounts as December 31, 1997 are as follows:

	<u>Special deposits</u>	<u>Current assets</u>	<u>Total</u>
Project:			
Special deposits:			
Debt service fund, debt service reserves account	\$ 11,398,736	-	11,398,736
Reserve and contingency fund:			
Renewal and replacement account	1,791,923	-	1,791,923
Contingency account	1,317,553	-	1,317,553
General Reserve fund, project account	<u>1,598,245</u>	<u>-</u>	<u>1,598,245</u>
Total Project special deposits	<u>15,106,457</u>	<u>-</u>	<u>15,106,457</u>
Current assets:			
Operations and maintenance trust	-	1,068,187	1,068,187
Restricted - debt service fund, debt service account	<u>-</u>	<u>1,773,587</u>	<u>1,773,587</u>
Total Project current assets	<u>-</u>	<u>2,841,774</u>	<u>2,841,774</u>
Total Project funds and deposits	<u>15,106,457</u>	<u>2,841,774</u>	<u>17,948,231</u>

(Continued)

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

	Special ACFUND	Current FUND	Total
Other current assets:			
Other revenue fund	\$ -	\$ 1,170,814	\$ 1,170,814
Contract operations account	-	524,222	524,222
Total other current assets	-	\$ 1,695,036	\$ 1,695,036
Total Funds and Deposits	\$ 18,128,421	14,807,328	32,935,749

Funds and accounts at December 31, 1990 are as follows:

	Special DEPOSIT	Current FUND	Total
Projects:			
Special deposits:			
Debt service fund, debt service reserve account	\$ 11,181,348	-	11,181,348
Reserve and contingency fund, Renewal and replacement account	1,180,830	-	1,180,830
Contingency account	1,117,513	-	1,117,513
Central Electric fund, EPSC sinking fund	1,000,000	-	1,000,000
Project accounts	312,947	-	312,947
Total Project special deposits	15,822,738	-	15,822,738
Current assets:			
Operations and maintenance fund	-	4,463	4,463
Operations and maintenance fund restricted - debt service fund, debt service account	-	1,131,008	1,131,008
Total Project current assets	-	\$ 1,135,471	\$ 1,135,471
Total Project Funds and deposits	15,822,738	\$ 1,135,471	16,958,209
Other current assets:			
Other revenue fund	-	1,878,880	1,878,880
Contract operations account	-	5,428	5,428
Total Other current assets	-	\$ 1,884,308	\$ 1,884,308
Total Funds and Deposits	\$ 16,822,738	31,479,179	48,301,917

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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:

	<u>1997</u>	<u>1996</u>
Funds and accounts are comprised of:		
CASH	\$ 118,193	18,119
Temporary cash investments, at cash, which approximate market - Mutual funds investing in U.S. Treasury obligations	<u>28,822,888</u>	<u>17,827,210</u>
Cash and cash equivalents	28,941,081	17,845,329
Federal National Mortgage Association obligation, at amortized cost, 8.25%, MATURING December 10, 2000, market value of \$12,188,888 and \$12,182,818 on December 31, 1997 and 1996, respectively	<u>12,188,888</u>	<u>12,095,727</u>
	<u>\$ 43,118,949</u>	<u>31,948,266</u>

The 1982, 1990 and 1994 Series bond regulations authorize the Authority to issue its direct obligations of the United States Government.

Cash on deposit is insured up to \$200,000 by the Federal Deposit Insurance Corporation. The Authority had no cash deposits exceeding \$200,000 at December 31, 1997 and 1996.

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.

13) PROJECT CONTRACTS AND COMMITMENTS

(a) Bayouchee Power Sales Contract

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

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any Federal or state authority. Each Participant is obligated to establish rates and

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

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. As December 31, 1997, the Participants' respective shares of the capacity and energy of the Project are as follows:

	Milliwatts MWH/yr (MW)	Percent MWH/yr (%)
Alexandria	56.24	12.82%
Broussard	22.70	11.78%
Bogalusa City	22.73	12.82%
New Roads	3.26	2.82%
Jonesville	<u>3.26</u>	<u>2.82%</u>
	<u>108.19</u>	<u>100.00%</u>

104 Transmission Contracts

The Authority has entered into separate transmission agreements with Gulf States Utilities, Louisiana Power and Light and CLS&O, 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.

105 Coal Supply Contract

The coal supply for the Project is purchased under a contract between Kerr-McGee Coal Corporation (Kerr-McGee), the Authority, CLS&O and LPPA. 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 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, CLS&O and LPPA are liable and obligated individually for amounts due under the contract.

106 Operation Costs

Under the Joint Ownership Agreement, CLS&O has the sole responsibility to operate, maintain and dispatch the Unit and

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

related facilities in accordance with prudent utility practices. The Authority, CLS&O and LPPA pay all operation and maintenance costs other than fuel. Based upon their respective ownership percentages of the Unit.

191 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 1991 with two of the Participants, whereby the Authority purchases their entitlement in the Project. This agreement does not relieve the Participants of their obligations under the Wholesale Power Sales Contracts discussed in Note 51a.
- 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 1993 for one of the members and in 2000 for the others.
- The Authority has a Capacity Purchase Agreement with one All Requirements Member whereby the Authority contracts 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement expires in the year 2000.
- 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, 1987 were \$1,211,368. Sales to the one member city and one nonmember city for the year ended December 31, 1987 were \$2,049,194. The remaining 1940,826 was used under the All Requirements Approach. Purchases and sales for the year ended December 31, 1987 were \$1,249,194 and \$1,818,379, respectively.

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LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

14) Business Concentrations

During 1997 three customers each accounted for more than ten percent and in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers:

Customer 1	\$ 28,810,000
Customer 2	7,445,000
Customer 3	5,830,000

15) Other Matters

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 1997 and 1998.

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

Information regarding the Authority's proportionate interest in the net assets available for benefits and the actuarial present value of accumulated plan benefits is not available. Pension expense under the plan is not significant.

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."²

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.

16) Disclosures About Fair Value of Financial Instruments

The following estimated fair value amounts have been determined using available market information and appropriate valuation methods/techniques. 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

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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	\$ 18,188,431	18,828,893
Funds	14,887,299	14,887,299
Accounts receivable	2,428,265	2,428,265
Interest receivable	188,288	188,288
Liabilities:		
Long-term debt	187,888,823	139,188,779
Accounts payable	2,428,265	2,428,265
Due to participants	155,424	155,424
Accrued interest payable	2,880,738	2,880,738
Other liabilities	1,800,873	1,800,873

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 measure fair value.

Schedule 2

	Year ended		
	1991	1990	Total
total balances as DECEMBER 31, 1989	10,100	1,449	26,831,189
Distributions to other funds	(111)	-	(85,890,799)
Receipts from other funds	111	-	129,747,850
Receipts from Participants	44	24,589,100	129,747,850
REVENUES OF TRUST - Investment income	1	-	89,188,541
Receipts of Investment Income	-	-	186,000
Payments of bond interest	78	1,141	1,457,338
Payments of bond principal	-	-	(1,410,540)
OTHER RECEIPTS - Miscellaneous	-	-	(1,440,000)
	10,100	(28,110,001)	(18,000,000)
Fund balances as December 31, 1991	10,100	(28,110,001)	26,831,189
Fund balances as December 31, 1989	10,100	(28,110,001)	26,831,189
NOT COMPLETED			
Temporary cash investments	1,79	124,344	124,344
Federal National Mortgage	1,79	-	18,832,999
RECEIVABLES obligation	-	-	(18,832,999)
Fund balances	1,79	124,344	124,344
	1,79	124,344	124,344

See accompanying Independent Auditor's Report.

LOUISIANA ENERGY AND POWER AUTHORITY

Schedule B

Balance Sheet Components

December 31, 1977

57-21a	Project added	Other	Eliminations	Combined
Utility plant, net	\$ 97,149,000	-	-	97,149,000
Non-utility property, net	-	1,192,427	-	1,192,427
Special deposits	16,106,431	-	-	16,106,431
Current assets:				
Funds	8,881,379	3,168,909	-	12,050,288
Accounts receivable	-	3,371,934	(466,474)	3,865,460
Insurance receivable	343,837	34,400	-	378,237
Coal inventory	2,626,806	25,383	-	2,652,189
Prepaid expenses	-	28,482	-	28,482
Total current assets	<u>11,871,022</u>	<u>6,628,107</u>	<u>(466,474)</u>	<u>18,032,655</u>
Deferred charges:				
Debt expense	2,966,271	-	-	2,966,271
Preoperating costs	484,898	-	-	484,898
Unamortized loss on recouped debt	<u>26,832,678</u>	<u>-</u>	<u>-</u>	<u>26,832,678</u>
Total deferred charges	<u>30,283,847</u>	<u>-</u>	<u>-</u>	<u>30,283,847</u>
	\$ <u>118,818,382</u>	<u>6,628,107</u>	<u>(466,474)</u>	<u>127,980,015</u>
capitalization and liabilities				
Capitalization:				
Long-term debt	103,778,032	-	-	103,778,032
Equity	<u>1,198,578</u>	<u>6,628,107</u>	<u>-</u>	<u>8,195,613</u>
Total capitalization	<u>104,976,610</u>	<u>6,628,107</u>	<u>-</u>	<u>111,604,717</u>
Current liabilities:				
Current maturities of long-term debt	4,138,080	-	-	4,138,080
Accounts payable	639,532	3,305,147	(466,474)	3,478,245
Due to participants	788,428	-	-	788,428
Accrued interest payable	1,440,790	-	-	1,440,790
Other	<u>1,938,571</u>	<u>-</u>	<u>-</u>	<u>1,938,571</u>
Total current liabilities	<u>11,941,399</u>	<u>3,305,147</u>	<u>(466,474)</u>	<u>14,780,072</u>
	\$ <u>118,818,382</u>	<u>6,628,107</u>	<u>(466,474)</u>	<u>127,980,015</u>

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AGENCY

Schedule 3

Components of Revenues, Expenses and Equity

Year ended December 31, 1997

	Project Related	Other	Eliminations	Combined
Power sales	\$ 27,185,808	12,728,481	(5,121,389)	35,802,900
Operating expenses:				
Cost of power produced	18,884,187	8,178,588	-	28,062,855
Power purchased	-	28,821,997	(8,121,888)	20,700,109
Transmission costs	1,728,188	2,324,718	-	4,052,906
General and administrative	-	2,890,728	-	2,890,728
Depreciation and amortization	4,118,008	398,598	-	4,516,606
Charge-off of deferred costs	218,875	-	-	218,875
Total operating expenses	18,971,658	35,865,688	18,121,389	68,918,835
Net operating revenues	7,214,150	(1,137,207)	-	6,076,943
Other expenses (revenues):				
Interest expense	7,281,480	-	-	7,281,480
Interest income	12,482,289	(123,529)	-	12,358,760
Other, net	828,322	(768,833)	-	59,489
Total other expenses (revenues)	6,431,521	(1,892,362)	-	4,539,159
Net revenues (expenses)	314,729	(141,893)	-	172,836
Equity at beginning of year	8,226,257	6,488,818	-	14,715,075
Equity at end of year	\$ 8,540,986	6,346,925	-	14,887,911

See accompanying independent auditor's report.

LOUISIANA ENERGY AND POWER AUTHORITY

Schedule 4

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

Year ended December 31, 1997

	Budget	Actual	Percent of Budget to Actual
Power sales:			
Energy	\$ 15,892,828	17,908,873	113.3
Demand	13,462,149	12,981,100	96.4
Hydropower	2,188,833	3,888,195	177.7
Other	<u>348,822</u>	<u>2,434,878</u>	<u>698.1</u>
	<u>18,692,632</u>	<u>20,233,046</u>	<u>108.5</u>
Operating expenses:			
Power produced:			
Fuels	2,888,733	3,816,192	132.1
Electric plant expenses	1,133,358	1,173,238	103.5
Maintenance of electric plant	449,481	642,952	142.8
Supervision and engineering	328,834	348,187	106.2
Steam power	<u>122,381</u>	<u>118,839</u>	<u>97.2</u>
	<u>5,922,787</u>	<u>6,099,408</u>	<u>103.0</u>
Power purchased:			
Energy costs	13,384,318	18,938,828	141.9
Hydropower	1,258,531	1,689,189	134.2
Other	<u>7,837,886</u>	<u>7,882,875</u>	<u>100.7</u>
	<u>22,480,735</u>	<u>28,510,892</u>	<u>126.8</u>
Transmission - System	<u>2,802,588</u>	<u>3,324,718</u>	<u>118.6</u>
General and administrative:			
Load dispatching	728,417	788,133	108.2
Outside services	248,888	288,958	116.1
Salaries	515,718	686,211	133.2
Employee pensions and benefits	182,888	358,189	195.8
Miscellaneous	128,483	118,120	91.9
Induries and damages	188,328	88,839	47.2
Office supplies and expenses	128,383	117,382	91.5
General public relations	188,800	132,327	69.9
Property insurance	<u>128,378</u>	<u>138,881</u>	<u>107.8</u>
	<u>3,481,838</u>	<u>4,531,452</u>	<u>129.8</u>
Depreciation and amortization	-	<u>185,398</u>	100.0
TOTAL operating expenses	<u>31,548,196</u>	<u>34,851,983</u>	<u>110.5</u>

Continued

LOUISIANA ENERGY AND POWER AUTHORITY

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

	BUDGET	ACTUAL	Percent of actual to budget
Other expenses (revenues):			
Interest income	\$ 6175,280	6113,328	79.3
Other net:			
Non-utility operations revenue	181,879	174,315	100.3
Other additions	698,250	698,788	84.7
Contingency	32,851	-	100.0
Total other revenue	12,682,259	12,625,468	89.0
Operating expenses, net of other revenue	18,453,815	18,823,388	113.3
Capital expenditures	10,808	187,458	187.3
Excess 1998 revenues applied	182,828	181,483	89.3
Total operating expenses, net of other revenues and capital expenditures	22,803,425	22,829,487	110.9
Excess revenues expended	\$ 41,000	-	100.0

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Analysis of Equity

December 31, 1997

	Project related	Other	Combined
Funds used in the defeasance of the 1993 and 1995 Series Bonds	\$ 2,009,128	-	2,009,128
Ten percent debt service coverage, as required by the bond Resolution	\$87,718	-	87,718
Funds generated by the new mill assessment, dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness	-	2,111,073	2,111,073
Interest earned on funds dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness	-	334,385	334,385
Capital expenditures	982,840	130,846	1,113,686
Interest earned on other funds and accounts not related to the Project	-	581,596	581,596
Miscellaneous power sales	19,528	-	19,528
Excess funding from Excess account	150,894	-	150,894
Excess of revenues over expenses under the All Requirements Approach Operations	-	4,107,137	4,107,137
Equity at end of year	\$ 3,289,678	\$ 4,823,032	\$ 8,112,710

See accompanying Independent auditors' report.



LOUISIANA ENERGY AND POWER AUTHORITY
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

December 31, 2013

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

The Board of Directors
Louisiana Energy and Power Authority

We have audited the financial statements of Louisiana Energy and Power Authority (the Authority) as of and for the year ended December 31, 1997, and have issued our report thereon dated March 31, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

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

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

KPMG Grant Thornton LLP

March 23, 2022

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LOSINGAS ENERGY AND POWER INTEGRITY
Independent Auditor's Report on Compliance
with the Redemmerer Bill No. 3
Power Projects Revenue Bond Resolution

December 31, 1997

KPMG Peat Marwick LLP

One 900 One Shell Square
New Orleans, LA 70116-0000

Independent Auditor's 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, 1997, 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 23, 1998.

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 Supplemental Unit No. 2 Power Project Revenue Bond Resolution, adopted September 18, 1985, as amended by the First, Second and Third Supplemental Supplemental Unit No. 2 Power Project Revenue Bond Resolutions, adopted December 3, 1985, September 18, 1988 and November 11, 1989, 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 23, 1998



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