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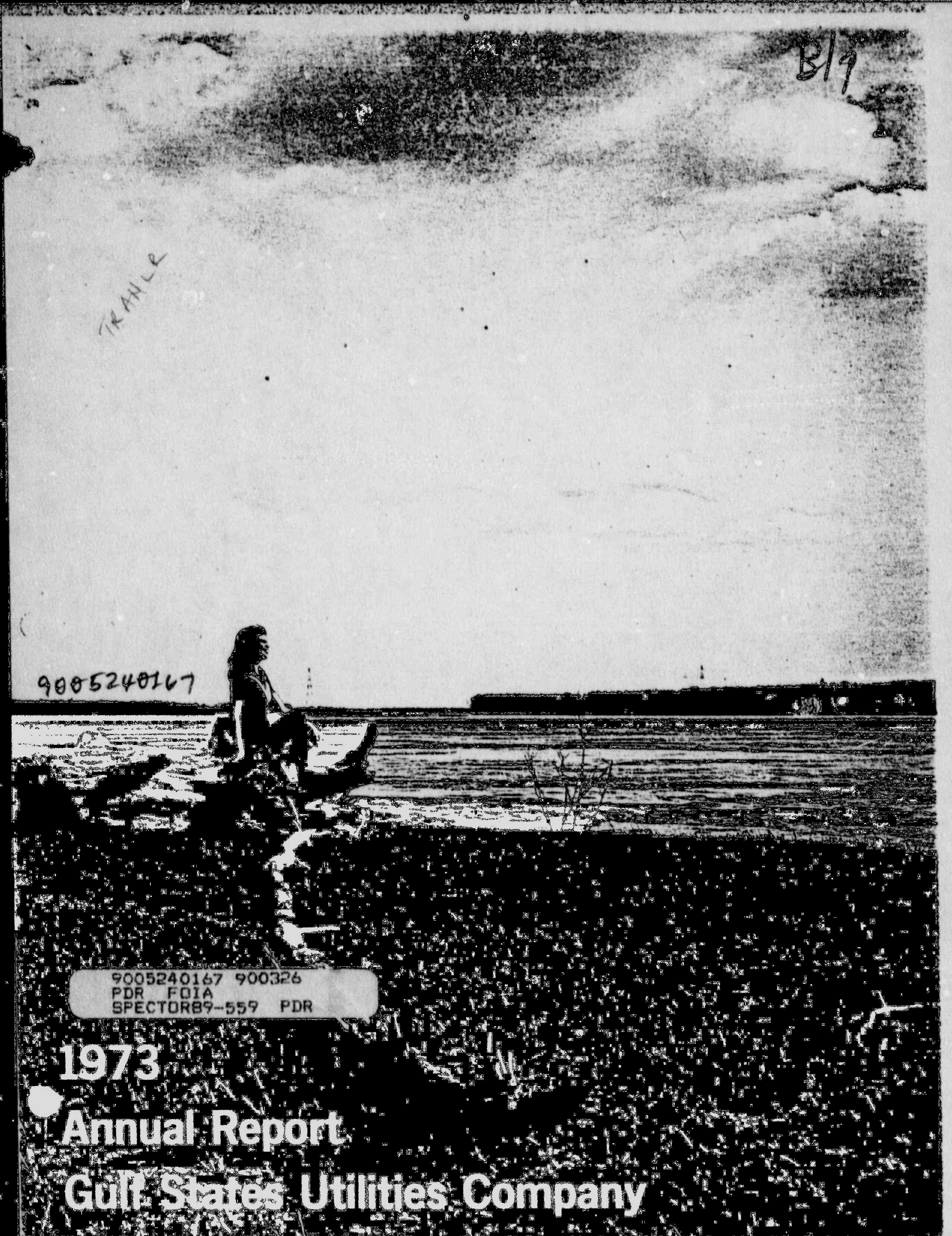

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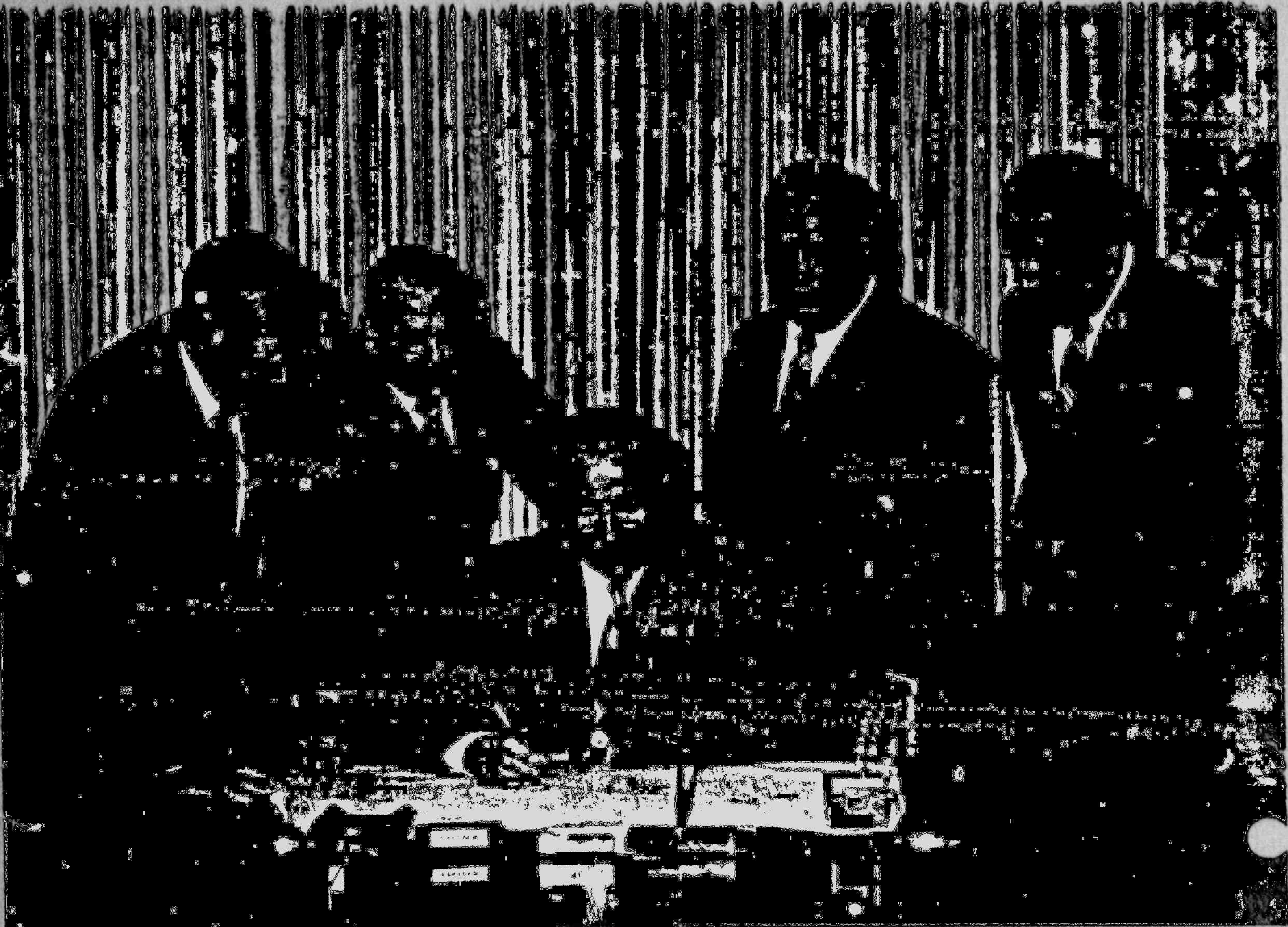
1973
Annual Report
Gulf States Utilities Company



The electric utility industry faced new and greater challenges in 1973, and your Company was no exception.

In our case, these conditions required a number of extraordinary changes in our operations. Petroleum and natural gas shortages resulting in a dramatic jump in the cost of fuels for generating power, conservation measures, rate adjustments, antitrust litigation, a heavy construction schedule, engineering plant design work, progress toward securing a construction permit for our two announced nuclear generating plants, an aggressive fossil fuel acquisition program, and our entry into a coal-fired generating operation, combined with the normal demands of operating a rapidly growing service organization to make 1973 a most interesting and exciting year.

Operating revenues rose 20% to $288.6 million, and net income reached $50.2 million, 11% over 1972. Common stock earnings increased 11¢ a share to $1.70; the quarterly dividend rate of 26¢ a share was raised in June to 28¢ a share, with dividends for the year totaling $1.10, 6¢ above 1972. The Company's peak load demand reached 3,790,300 kilowatts.

Construction expenditures for the year totaled $106.8 million. Major projects were at Willow Glen Station on the Mississippi River in Louisiana and at Sabine Station on the Neches River in Texas. Also, Cities Service commenced work on a 12-mile fuel oil pipeline from its refinery terminal in Lake Charles to our Nelson Station. This pipeline will augment our storage and delivery facilities at this station.

Conversion of the 522,000 kilowatt Willow Glen Unit No. 4, enabling it to burn heavy fuel oil as well as natural gas, has been completed, and modification of the remaining units at Willow Glen and Nelson Stations has been scheduled to provide them with the additional capability of burning oil continuously. The 580,000 kilowatt gas burning Sabine Station Unit No. 4 is nearing completion and should be in commercial operation by late spring. Construction of oil burning Willow Glen No. 5 is progressing and work on Sabine Station No. 5, a 480,000 kilowatt combination gas-oil unit, will begin shortly.

In March, the Louisiana Public Service Commission approved our rate increase request that was applicable to all retail electrical business in Louisiana. Earnings growth over 1972 was enhanced by this action and by a complete year's experience with our revised Texas rates.

In other activity, the Company filed a request with the Federal Power Commission to increase wholesale rates to rural electric cooperatives, municipalities, and one other electric company. By late summer, 72% of our proposed \$3.4 million increase was in effect, most of which is still subject to refund depending upon the outcome of further proceedings.

During the year, our application for a permit to construct our first nuclear generating plant was accepted by the Atomic Energy Commission and was formally docketed. Progress on this application is now moving along on schedule.

The most pressing challenge of the past year was in overcoming oil and gas shortages. During the year, we were successful and none of our customers were curtailed because of a lack of fuel. Continuous negotiations are being conducted to obtain fuel in the "spot" market, to secure short-term contracts, and to obtain long-term commitments where possible. Varibus Corporation, a wholly-owned subsidiary, is actively engaged in programs, including exploration ventures, to obtain the fuels necessary to operate our generating plants. Although there are considerable risks in oil and gas exploration ventures, prospects for success appear promising. Coal is also due to play a major role in our plans for the generation of electricity, and during the year we contracted for future purchases of 50 million tons of low-sulphur Wyoming fuel. Present plans call for the delivery of this coal, beginning in 1977, to our first two generating units scheduled for the Lake Charles area. We are optimistic that our fuel acquisition efforts will enable us to continue to provide our customers with a reliable power supply.

Promotional advertising was drastically altered in view of market changes caused by the fuel crisis. Our consumer communications program to inform customers about efficient energy management was intensified. These messages were supplemented with information describing what we, as a company, are doing to continue to provide electric power. Construction on the residential and commercial scene continued its steady growth, and construction is moving ahead rapidly at the ecologically-planned city north of Houston called "The Woodlands," which your Company will serve. Industrial growth has also shown progress, including a recent announcement that a large steel manufacturing plant would be constructed in Beaumont.

For all intents and purposes, the antitrust suits filed against the Company by Cajun Electric Power Cooperative, Inc., and the Cities of Lafayette and Plaquemine have been settled, but the agreements reached with the cities are subject to review by the Federal Power Commission.

We continue to monitor our organizational structure, seeking flexibility in adapting to the frequent changes in our operations. In this regard Mr. Norman Lee was named President and principal operating officer of the Company effective June 1.

During 1974, new challenges will undoubtedly confront us, presenting your Company with new opportunities to enhance its image as a leader in fulfilling its service, social, and civic obligations to its customers and to the public. I am confident that the 3,200 capable, innovative and dedicated employees of your Company will succeed in meeting these objectives.

The information on the following pages should be interesting reading to you, and I invite your attention to the entire report.

Floyd R. Smith

Chairman of the Board of Directors
February 25, 1974

	Per Cent Increase Over 1972
KILOWATT-HOUR SALES increased 1 billion to total over 21.7 billion	5%
PEAK KILOWATT DEMAND climbed 187,600 kw to reach 3,790,300 kw	5%
OPERATING REVENUES advanced to $288.6 million, a gain of $48.6 million	20%
NET INCOME rose $5 million to total $50.2 million	11%
EARNINGS PER COMMON SHARE were $1.70, up $.11	7%
UTILITY AND OTHER PLANT expanded $101.5 million to bring gross plant to $1.4 billion	8%

COAL-FIRED GENERATING UNITS
announced construction of Company's first coal-fired generating units to be located near Lake Charles, and contracted for future purchases of 50 million tons of western low-sulphur coal to fire the units.

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Important changes in the Company's operations occurred during 1973, foremost among them being the utilization of oil, as well as natural gas, for boiler fuel and continued progress toward the use of coal and uranium as future fuels. Our construction continued at increasing cost levels. Also, there was a continued rise in electrical usage in spite of an abnormally wet and cool summer.

Operating revenues reached $288.6 million, an increase of 20% over 1972. However, a large portion of this increase was because of the substitution of higher priced fuel oils for the curtailed supplies of natural gas, thereby increasing the cost of electricity to our customers. These same factors caused a significant increase in operation and maintenance expenses.

Major efforts were required to obtain necessary alternate supplies of natural gas and oil for our Louisiana generating stations, and fuel was again the largest single cost of doing business during 1973. Cost of fuel for power generation reached $82,750,000, an increase of some 71% over the 1972 figure of $48,358,000.

Taxes chargeable to income during the year were $47.7 million and continue to rank as one of the Company's largest expense items. Federal and State income taxes of $29.7 million represented 62% of all taxes charged to income.

Three Louisiana cities and towns and eight parishes renewed their electric franchises with the Company, each for 60 years, expiring in 2033. One newly-incorporated community in Texas granted a 50-year electric franchise to the Company.

Earnings and Dividend Increase

The year's net income of $50.2 million was an 11% gain over 1972. Earnings per share of common stock increased to $1.70, 11 cents over the prior year. The major impact on growth in earnings in 1973 resulted from the rate relief discussed later. The quarterly dividend rate of 26 cents per share was raised in June to 28 cents a share, with dividends for the year being $1.10, six cents above 1972. The increase resulted in 65% of earnings per share being paid out in dividends. The Company estimates that none of the common dividends paid in 1973 will be declared a return of capital, and 100% of these dividends will be taxable as dividend income.

Effect Of Rate Actions

Effective March 15, 1973, the Louisiana Public Service Commission granted the Company an electric rate increase for all of its retail business in that State, resulting in a net increase to the Company of $4.4 million annually after income taxes, based on a 1971 test year. Earnings growth over 1972 was also enhanced by the rate increase in Texas, which was in effect throughout 1973, but during only seven months of 1972.

Also, the Company filed with the FPC a request to increase rates to rural electric cooperatives, municipalities, and one other electric company by about $3.4 million. Approximately 72% of the requested increase became effective August 13, subject to more complete FPC review. Most of the increase is subject to refund, depending on FPC decision. The amount not now effective is before the courts for determination.

The effect of gas curtailment reaches far beyond a shortage of boiler fuels for power generation. It has also caused the Company to commit many millions of dollars to construct environmentally-approved facilities that can use alternate fuels. These necessary additional expenditures will increase the cost of producing electricity.

The capital outlay for construction during 1973 was $106.8 million, $10.7 million less than originally anticipated because of record rainfall which delayed construction schedules.

Construction work in 1973 continued to be centered at Willow Glen Station near Baton Rouge and at Sabine Station near Bridge City between Port Arthur and Orange, Texas.

	1973 Construction (Actual)	1974 Construction (Estimated)
Generating Plants	$ 73,500,000	$131,700,000
Transmission & Distribution	31,000,000	37,400,000
Other Electric	1,000,000	3,200,000
Total Electric	$105,500,000	$172,300,000
Gas	1,200,000	1,500,000
Steam Products	100,000	200,000
Total	$106,800,000	$174,000,000

Willow Glen Station's Unit No. 4, designed to be a 580,000 kilowatt gas burner, has been modified to burn heavy fuel oil and is now rated as a 522,000 kilowatt oil-burning unit. Modification has been scheduled on the remaining seven units at Willow Glen and Nelson Station. Willow Glen Unit No. 5, a 580,000 kilowatt unit, is being constructed as an oil-burning unit and is expected to be in commercial operation in late 1975.

Sabine Station Unit No. 4, a 580,000 kilowatt natural gas unit, is nearing completion and should go into commercial operation in the spring of 1974. This unit was constructed using methods which will facilitate its conversion to heavy fuel oil, should this become necessary. Plans have been made to begin construction in 1974 on Sabine Station Unit No. 5, a 460,000 kilowatt oil and gas unit.

The Company's present and long-range construction program is planned to provide facilities to supply reliable electric power in the face of the current fuel crisis and the changes that fuel shortages will bring about in the future.

This program includes plans to build the Company's first two coal-burning generating units, capable of producing 540,000 kilowatts each. The units are planned to be in service in 1977 and 1978. The Company has contracted for 50 million tons of low-sulphur content coal from Wyoming, to be delivered over a 20-year period, beginning in 1977. When these coal plants are operating at full capacity, the 6,000 tons needed every day will be delivered in unit-trains of about 110 cars each.

Oil and Gas Supply

Switching from almost total dependence on natural gas for boiler fuel in 1972, to reliance on oil for about one-third of the Company's fuel needs in 1975, is a complex and very expensive undertaking. As an example, the Company has provided the funds for the building of a fuel oil pipeline to connect Nelson Station to the Cities Service Refinery terminal in Lake Charles. This 12 mile pipeline will aid in the delivery of oil to the generating station tank farm, which is also being expanded to store approximately one million barrels of fuel oil. Also, the Willow Glen oil tank farm storage capacity is being enlarged from one to more than two million barrels.

In 1973, the Company completed the first major hurdle in its quest to construct its initial nuclear generating plant. Our application for a construction permit for River Bend Station near St. Francisville, Louisiana, was accepted for formal review and docketed by the Atomic Energy Commission.

The site of the River Bend Station, where two 940,000 kilowatt units will be initially installed, was visited by various teams of the AEC during this past year. Routine conferences have begun as part of the overall process leading to the receipt of a construction permit. Meanwhile, the application for a construction permit for Blue Hills Station, near the southwest tip of Toledo Bend Reservoir in Newton County, Texas, is nearing the presentation stage.

Environmental programs at both sites are continuing. Scientists representing a number of universities, along with several other investigating teams, continue to study ecological and sociological facets of the two sites. These studies cover numerous areas ranging from geological findings to detailed investigations of the flora and fauna.

Yellow cake, a uranium concentrate, is the basic raw material used to produce the fuel pellets that power a nuclear plant. The first contract for the future purchase of *yellow cake* was recently signed by the Company with Gulf Oil Corporation for five million pounds, enough energy to run the four projected units for approximately six reactor-years.

As plans progress toward actual ground clearing for River Bend Station, so does the expansion of the Company's staff of nuclear-trained personnel. By the time both nuclear stations are in commercial operation, many more employees will be involved in the nuclear work. Technical personnel are also being used regularly on a consultant basis.

Research

Your Company is not relying altogether on the conventional techniques available today for power generation in the future. Looking ahead, we are exploring many methods and alternatives that will provide the most economical and reliable way possible. To this end we are involved in research and development on nuclear fusion and nuclear fast breeder reactors (gas and liquid metal), fuel cells, solar energy, geothermal energy, coal gasification and many other projects. About $180,000 directly and $540,000 through Electric Power Research Institute and Breeder Reactor Corporation were spent in these endeavors during 1973. About $1,400,000 will be spent in 1974, with 20% of this total being spent under direct Company direction.

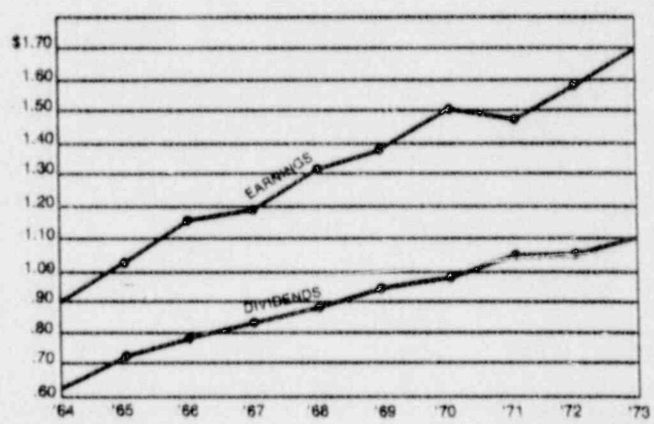
The Company's service area continued to be of prime interest for the development of commercial and industrial concerns.

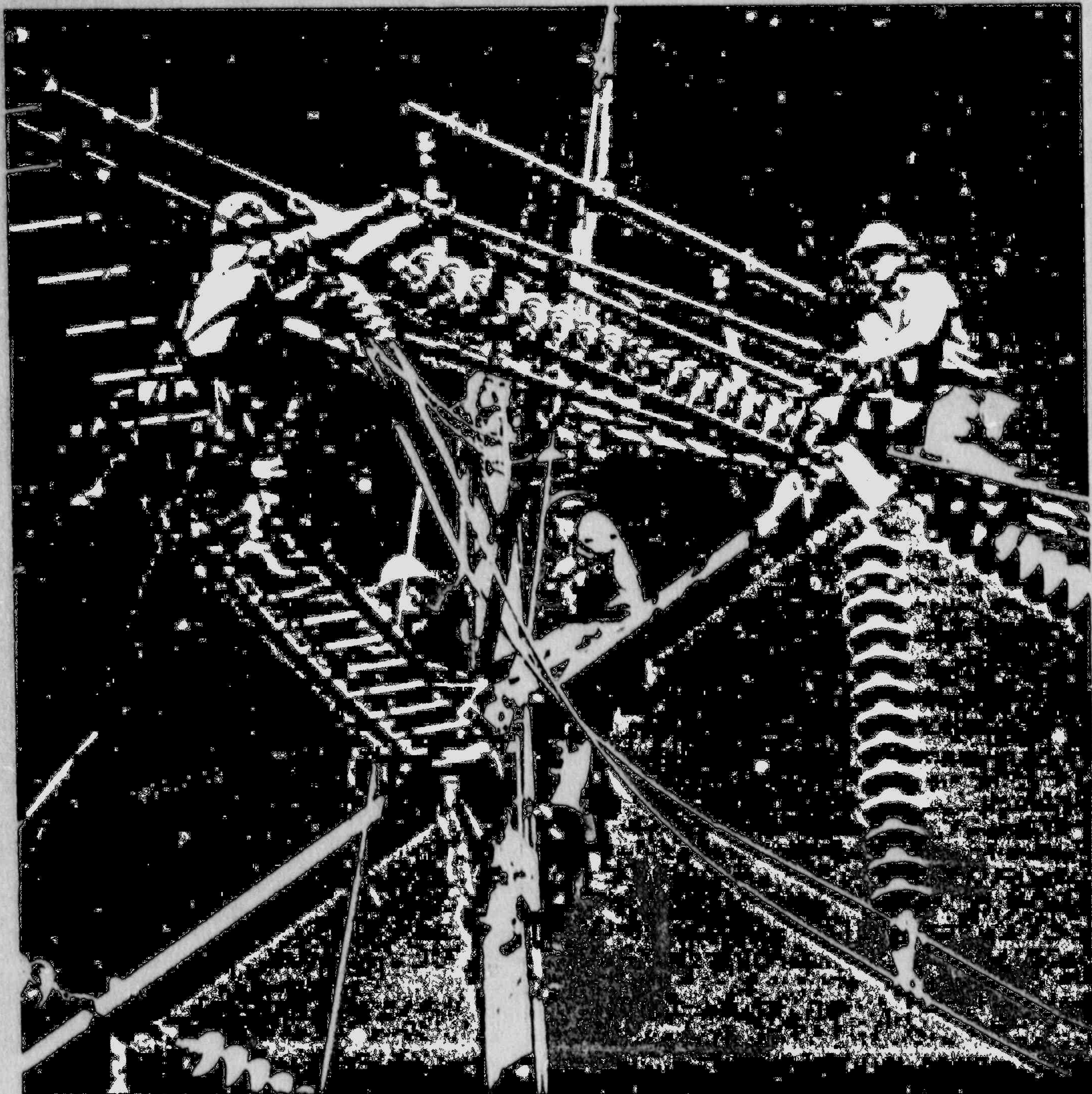
Industrial inquiries for information concerning the area reached an all-time high, and are indicative of continued prosperity for this part of the nation. Most inquiries came from the refining and petrochemical industries, although the apparel industry showed increasing interest. Steel and metal fabrication made headlines when it was announced that Georgetown Steel would construct a multi-million dollar plant at Beaumont. This industry alone will create some 1,000 jobs.

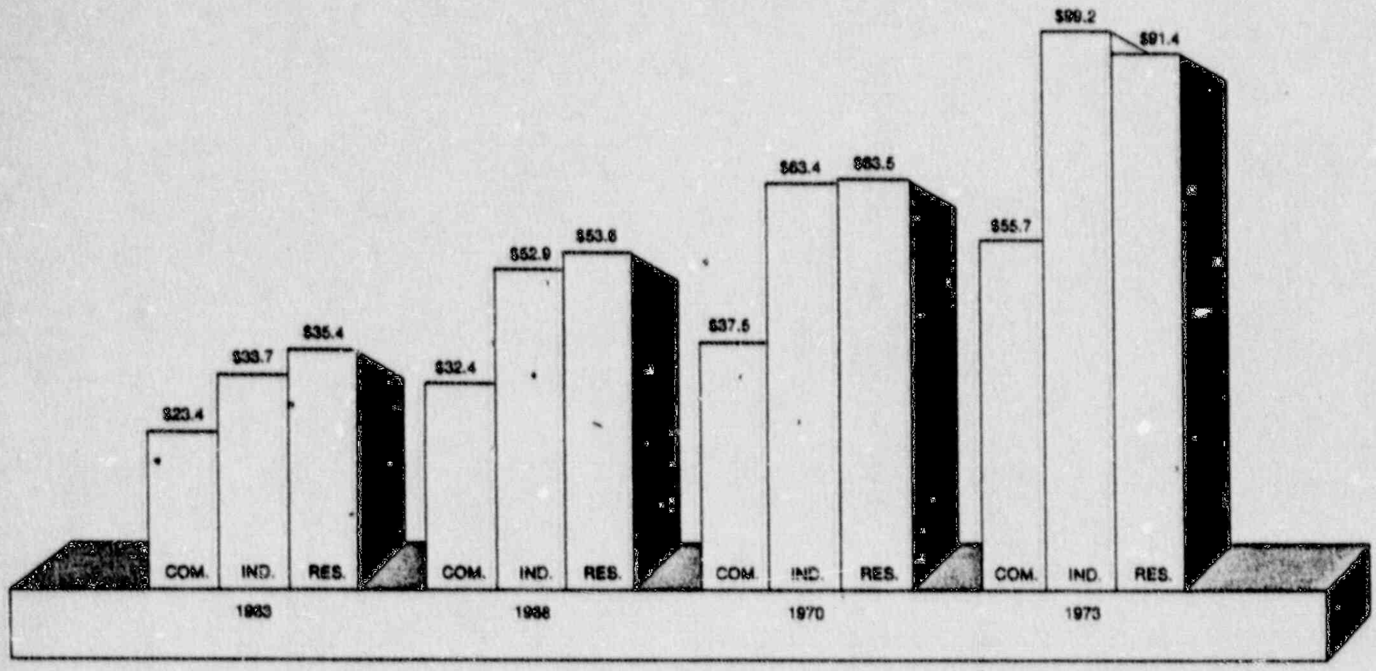
Expansion of existing plants, as well as construction of entirely new facilities in rural areas of GSU's system, highlighted the developments in the apparel industry. Several areas in Louisiana, as well as Texas, will feel the economic impact of this industry's growth. Contributing factors to the continued prosperity of this region, besides oil, gas and timber, are the availability of deep water ports in Baton Rouge, Lake Charles, Beaumont, Port Arthur and Orange, and a semi-tropical climate with an average mean temperature of approximately 70 degrees.

In commercial construction, 479 all-electric buildings were added to the system, with these buildings representing some 61% of new commercial construction. Some 41% of all new homes connected during 1973 were total electric, while 98% of all apartments constructed were total electric.

Several regional shopping malls were opened within the system during 1973, including Parkdale Mall in Beaumont, and Corporate Square in Baton Rouge. From Lake Charles came announcements of two new all-electric buildings to be constructed on the lake shore. Relatively strong activity in the Western Division was headed by the start of







construction of "The Woodlands," a large and comprehensive satellite city some 28 miles north of Houston. This new city, located on a 17,000 acre plot, is projected to have a population of 150,000 at the end of its 20-year construction program. Plans include a university branch.

Mass media advertising and speakers' bureaus are being used to carry out a consumer information program designed to keep customers aware of the Company's efforts to attempt to insure a future dependable supply of electric power and the wise use of this power.

On August 8 a new series of First Mortgage Bonds was offered at competitive bidding. Underwriters, headed by Halsey, Stuart & Co., Inc., offered the low bid of 8.5733%, which is a record high cost to the Company of invested funds. This series of 8½% bonds matures in 2003. The proceeds were used to pay off $50 million of outstanding bank loans and commercial paper.

Common share quarterly dividends were increased 2¢ per share on June 15, 1973. The annual dividend rate is now $1.12 per share.

The FPC authorized the Company to borrow in the form of short-term promissory notes up to a maximum of $125,000,000 during 1974.

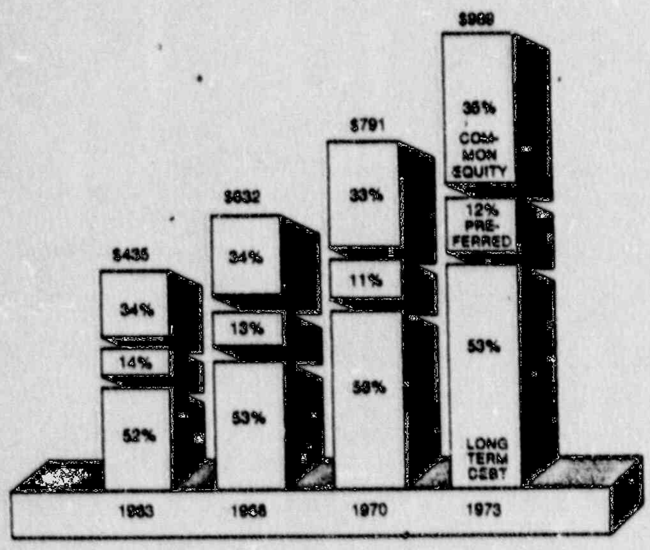
In order to raise the money needed for our four year 1.3 billion construction program, we will have to go to the market often. From 60-70% of this money must be financed externally. Beginning with the sale of bonds in March of this year, permanent financings will be scheduled with as little variance as possible in our traditional capitalization ratios.

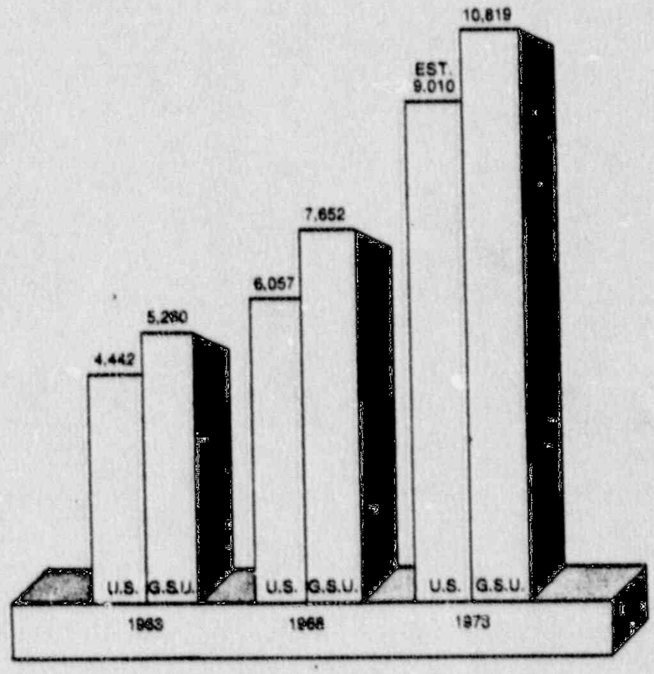
Success of the Company can largely be attributed to the competency of our personnel. Employees numbered 3,177 at the year's end, as compared with 3,090 in 1972.

Our business demands that we maintain a highly skilled work force. Company-sponsored education and training programs help achieve this result. In 1973, many employees took advantage of one or more home study courses, financial aid for correspondence, vocational, technical, high school and college-level programs. In addition, eight employees completed work toward masters degrees, and one completed requirements for a doctoral degree. Four completed advanced management studies under the Management Development Program.

The Company employs and promotes without regard to race, color, sex, religion, or age. Employment is stable, with 50% of the employees having been with the Company 10 years or longer.

Safety training is a way of life with employees. In 1973 the accident frequency was reduced by





48% over the previous year. The Company also achieved a milestone of which we are proud—1,000,000 manhours worked without a disabling injury.

The Company was honored for its safety efforts by the Edison Electric Institute, the National Safety Council, and the Southeastern Electric Exchange.

Floyd R. Smith, President of the Company since 1970, was named Chairman of the Board of Directors; he continues as principal executive officer. Norman R. Lee was elected President and principal operating officer, effective June 1. In November, R. Earl White, Assistant to the Chairman, was named a Vice President and Assistant to the Chairman of the Board.

On December 26, 1973, Roy S. Nelson, Advisory Director and former Chairman of the Board, died in Beaumont, Texas. Mr. Nelson headed the Company from 1942 until December 31, 1962, and led it through World War II and the post-war period of rapid development. He had served as an Advisory Director since May 12, 1965.

The Company was incorporated in 1925. A wholly-owned subsidiary company, Varibus Corporation, was organized in 1970 to enable Gulf States to enter into other types of utility-related businesses, particularly computer services, fuel procurement and exploration.

Today, your Company serves over 398,000 electric customers in a service area covering some 28,000 square miles of southeast Texas and south central Louisiana. In Baton Rouge and vicinity, we distribute gas to over 71,000 customers, and sell steam to four industrial customers. There are 286 towns and cities in our electric service area, which has a population in excess of 1.3 million.

GULF STATES UTILITIES COMPANY:

- Is an investor-owned company incorporated in Texas on August 25, 1925, with the principal business being the generation, transmission and distribution of electric energy.

- Serves over 398,000 electric customers in a 28,000 square mile area of southeast Texas and south central Louisiana, including a 250-mile stretch of Texas-Louisiana coastline.

- Maintains corporate headquarters in Beaumont, Texas, and has five operating division offices at Beaumont, Port Arthur and Conroe in Texas, and Lake Charles and Baton Rouge in Louisiana.

- Distributes natural gas to over 71,000 customers in Baton Rouge, and vicinity, and operates a steam products business in that city.

- Serves 286 Texas and Louisiana communities with an estimated population of 1.3 million.

- Sells electricity for resale to 14 municipally-owned systems, 6 rural co-ops and one other utility.

- Taxes average over $4.1 million a month.

- Pays 3,200 employees in excess of $2.7 million a month in wages and salaries.

- Has a gross plant investment of $1.4 billion.

- Owns and operates six interconnected electric power stations which can generate over 97 million kilowatt-hours daily:

	Kilowatts
Neches Station, Beaumont	427,000
Sabine Station, Bridge City	890,000
Lewis Creek Station, Willis	530,000
Roy S. Nelson Station, Westlake	899,000
Louisiana Station, Baton Rouge	334,000
Willow Glen Station, Baton Rouge	1,484,000
Total generating capability	4,564,000
Emergency interconnected capability	905,000

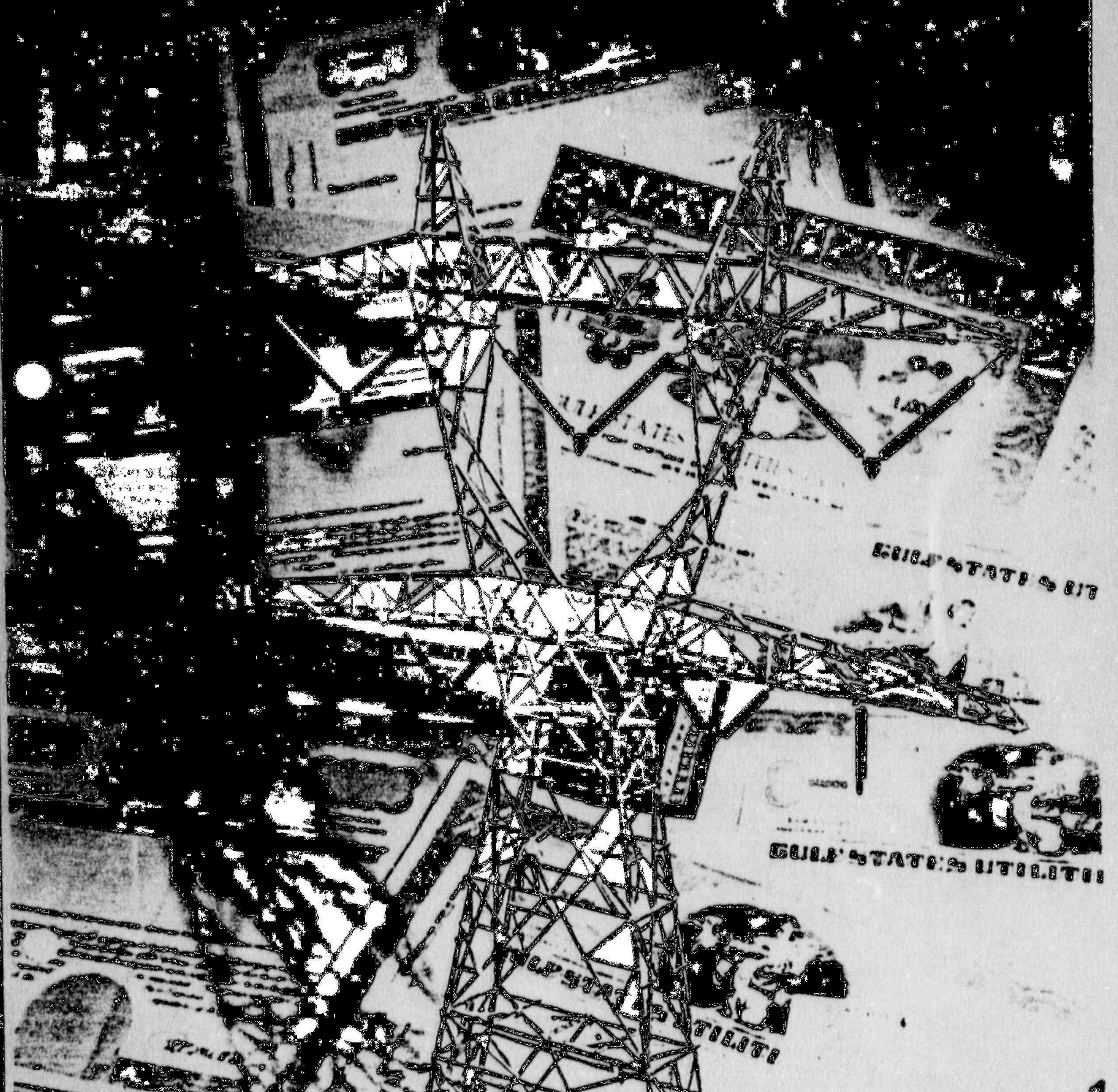
- Has announced plans for two 940,000 kilowatt nuclear-fueled generating units to be located near St. Francisville, Louisiana, and two 930,000 kilowatt nuclear-fueled generating units in north Newton County, Texas, to be placed in service between 1980 and 1983.

- Has announced plans for two 540,000 kilowatt coal-fired units to be placed in service in the Lake Charles vicinity in 1977 and 1978.

Annual Report to the Securities and Exchange Commission on Form 10-K

The financial statements appearing in this report are substantially the same as those which appear in the Company's report to the Securities and Exchange Commission on Form 10-K. In compliance with the regulations of the Securities and Exchange Commission, the Form 10-K report includes certain additional financial information.
The Annual Report on Form 10-K will be made available to interested shareholders upon written request to R. W. Jackson, Secretary, P. O. Box 2951, Beaumont, Texas 77704.

FINANCIAL REVIEW



summary of financial progress 1963-1973

(Thousands of Dollars)

	1973	% of Rev.	1972	% of Rev.	1971	% of Rev.	1970	% of Rev.	1969	% of Rev.	1968	% of Rev.	1963	% of Rev.	Avg. Annual Growth Rate 1971-1973	Avg. Annual Growth Rate 1969-1973	Avg. Annual Growth Rate 1964-1973
OPERATING REVENUES																	
Electric—																	
Residential	$ 91,355	32	$ 79,022	33	$ 68,727	33	$ 63,463	33	$ 59,821	33	$ 53,594	32	$ 35,028	32	12.9%	11.3%	9.9%
Commercial	55,659	19	46,600	19	40,899	19	37,501	19	35,436	19	32,433	20	23,363	21	14.1%	11.4%	9.1%
Industrial	99,231	34	77,941	33	68,322	33	63,394	33	59,367	33	52,858	32	33,713	30	16.1%	13.4%	11.4%
Other	16,450	6	15,203	6	12,637	6	10,961	5	9,863	5	8,736	5	5,064	5	14.5%	13.5%	12.5%
Total Electric	262,695	91	218,756	91	190,585	91	175,319	90	164,487	90	147,621	89	97,568	88	14.4%	12.2%	10.4%
Steam Products	18,689	6	14,972	6	13,746	6	13,463	7	13,305	7	12,363	8	8,905	8	11.6%	8.6%	7.7%
Gas	7,237	3	6,272	3	5,927	3	5,820	3	5,348	3	5,423	3	4,306	4	7.5%	5.9%	5.3%
Total Operating Revenues	288,621	100	240,010	100	210,258	100	194,602	100	183,140	100	165,407	100	110,779	100	14.0%	11.8%	10.1%
OPERATING EXPENSES																	
Fuel for Power Generation	82,750	29	48,358	20	42,347	20	39,498	20	35,232	19	29,940	18	17,820	16	28.0%	22.6%	16.6%
Purchased Power	4,949	2	4,478	2	1,807*	1*	2,064*	1*	904		2,736	2	94		—	12.6%	48.6%
Gas Purchased for Resale	3,362	1	2,553	1	2,052	1	1,877	1	1,909	1	2,059	1	1,577	2	21.4%	10.3%	7.9%
Salaries and Wages	22,525	8	20,873	9	19,450	9	17,835	9	16,592	9	15,593	10	13,211	12	8.1%	7.6%	5.5%
Employees' Pensions and Benefits	2,151	1	2,174	1	1,914	1	1,841	1	1,626	1	1,572	1	1,274	1	5.3%	6.5%	5.4%
Rentals	1,005		1,078		1,069		1,003		932	1	669		406		.1%	8.5%	9.5%
Transportation Costs	2,343	1	2,145	1	1,999	1	1,949	1	1,794	1	1,662	1	1,174	1	6.3%	7.1%	7.2%
Other Operating Expenses	7,840	3	6,839	3	7,863	4	8,885	5	7,100	4	6,835	4	4,355	4	(4.1%)	2.8%	6.1%
Trimming Trees	1,842		1,552	1	1,636	1	1,662	1	1,478	1	1,323	1	862	1	3.5%	6.8%	7.9%
Other Maintenance	5,442	2	3,814	1	5,220	3	5,123	3	3,996	2	3,951	2	2,162	2	2.0%	6.6%	9.7%
Total Operation and Maintenance	134,209	47	93,864	39	81,743	39	77,609	40	71,563	39	66,340	40	42,935	39	20.0%	15.1%	12.1%
Depreciation	35,784	12	33,606	14	29,906	14	25,801	13	23,276	13	20,187	13	14,718	13	11.5%	12.1%	9.3%
Amortization of Property Loss							136		542		542				—	—	—
TAXES																	
Federal Income:																	
Current	21,478	7	22,489	9	16,627	8	14,115	7	18,667	10	18,437	11	12,632	12	15.0%	3.1%	5.5%
Deferred	6,779	2	6,064	2	5,187	2	4,933	3	4,477	2	3,646	2	3,212	3	11.2%	13.2%	7.8%
Amortization of Prior Years' Deferments	285*		286*		265*		273*		294*		295*		300*		(1.4%)	.7%	.5%
State Income:																	
Current	680		1,097	1	1,044	1	1,021		662		613		409		(12.7%)	2.1%	5.2%
Deferred	206		277		74										—	—	—
Other Than Income	18,228	6	17,217	7	14,870	7	13,336	7	12,819	7	11,366	7	8,037	7	11.0%	9.9%	8.5%
Investment Credit:																	
Deferred	1,361	1	1,800	1	1,917	1	3,570	2	2,439	2	2,702	2	1,103	1	(27.5%)	(12.8%)	2.1%
Amortization of Prior Years' Deferments	788*		517*		451*		387*		285*		215*				(26.8%)	(29.7%)	—
Total Taxes	47,659	16	48,141	20	39,003	19	36,315	19	38,485	21	36,254	22*	25,093	23	9.4%	5.6%	6.6%
TOTAL OPERATING EXPENSES AND TAXES	217,652	75	175,611	73	150,652	72	139,861	72	133,866	73	123,323	75	82,746	75	15.9%	12.0%	10.2%
OPERATING INCOME	70,969	25	64,399	27	59,606	28	54,741	28	49,274	27	42,084	25	28,033	25	9.0%	11.0%	9.7%
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	10,068	3	8,725	4	6,896	3	8,846	5	6,049	3	4,723	3	825	1	4.4%	16.3%	28.4%
OTHER INCOME AND DEDUCTIONS	640		1*		30*		50		18*		156		18*		—	32.6%	—
INCOME BEFORE INTEREST CHARGES	81,677	28	73,123	31	66,472	31	63,637	33	55,305	30	46,963	28	28,840	26	9.7%	11.7%	11.0%
INTEREST CHARGES																	
Interest on Long-Term Debt	28,543	10	26,369	11	24,685	12	21,721	11	17,675	10	13,454	8	8,804	8	9.5%	16.2%	12.5%
Amortization of Premium, Discount and Expense on Debt	25*		32*		38*		47*		56*		54*		27*		19.0%	14.3%	.8%
Other Interest Expense	2,982	1	1,018	1	2,816	1	2,965	2	2,974	1	860	1	486	1	.2%	28.2%	19.9%
Total Interest Charges	31,500	11	27,955	12	27,463	13	24,639	13	20,593	11	14,260	9	9,263	9	8.5%	17.2%	13.0%
NET INCOME	50,177	17	45,168	19	39,009	18	38,998	20	34,712	19	32,703	19	19,577	17	8.8%	8.9%	9.9%
PREFERRED DIVIDENDS PAID	6,730	2	4,650	2	4,084	2	4,084	2	4,084	2	4,084	2	2,474	2	18.1%	10.5%	10.5%
INCOME APPLICABLE TO COMMON STOCK	43,447	15	40,518	17	34,925	16	34,914	18	30,628	17	28,619	17	17,103	15	7.6%	8.7%	9.8%
COMMON DIVIDENDS PAID	28,102	10	26,569	11	25,009	12	22,740	12	20,819	12	19,182	12	11,619	10	7.3%	7.9%	9.2%
ADDED TO RETAINED EARNINGS	$ 15,345	5	$ 13,949	6	$ 9,916	4	$ 12,174	6	$ 9,809	5	$ 9,437	5	$ 5,484	5	8.0%	10.2%	10.8%
EARNINGS PER AVERAGE SHARE**	$ 1.70	7‡	$ 1.59	9‡	$ 1.46	2‡*	$ 1.49	8‡	$ 1.38	6‡	$ 1.30	9‡	$ .82	3‡	4.5%	5.5%	7.6%
DIVIDENDS PER COMMON SHARE**	$ 1.10	6‡	$ 1.04	0‡	$ 1.04	6‡	$ .98	4‡	$ .94	7‡	$ .88	7‡	$ .56	8‡	3.9%	4.6%	7.0%
PER CENT PAY OUT	65		65		71		66		68		68		68		(.5%)	(.9%)	(.5%)
AVERAGE SHARES OUTSTANDING**	25,547		25,547		23,881		23,431		22,147		22,031		20,747		2.9%	3.0%	2.1%

* Denotes red figure.

** Prior years restated for 2-for-1 common split in May, 1965.

‡ Denotes percentage increase over previous year.

() Dec

summary of operations growth 1963-1973

	1973	1972	1971	1970	1969	1968	1963	Avg. Annual Growth Rate 1971-1973	Avg. Annual Growth Rate 1969-1973	Avg. Annual Growth Rate 1964-1973
ELECTRIC AND STEAM PRODUCTS DEPARTMENT										
Customers										
Residential	349,292	340,360	330,416	319,325	313,661	307,057	268,845	3.0%	2.6%	2.7%
Commercial	41,986	41,144	40,171	39,251	38,907	37,934	33,607	2.3%	2.1%	2.3%
Industrial	5,606	6,115	5,320	4,466	4,396	4,524	3,709	7.9%	4.4%	4.2%
Other	1,433	1,391	1,320	1,324	1,271	1,220	927	2.7%	3.3%	4.5%
Total	398,317	389,010	377,227	364,356	358,235	350,735	307,088	3.0%	2.6%	2.6%
Kilowatt-Hour Sales (Thousands)										
Residential	3,730,837	3,546,355	3,132,933	2,860,259	2,665,542	2,319,248	1,406,326	9.3%	10.0%	10.3%
Commercial	2,579,961	2,380,471	2,114,689	1,923,879	1,782,460	1,598,833	1,020,404	10.3%	10.0%	9.7%
Industrial	11,001,560	10,415,986	9,371,114	8,698,045	8,098,285	7,066,849	4,151,722	8.2%	9.3%	10.2%
Other	1,519,578	1,719,249	1,482,560	1,338,427	1,222,307	1,059,655	551,450	4.3%	7.5%	10.7%
Total Utility	18,831,936	18,062,061	16,101,296	14,820,610	13,768,594	12,044,585	7,129,912	8.3%	9.4%	10.2%
Steam Products	2,880,362	2,602,921	2,420,923	2,384,767	2,364,660	2,215,951	1,518,792	6.5%	5.4%	6.6%
Total System	21,712,298	20,664,982	18,522,219	17,205,377	16,133,254	14,260,536	8,648,704	8.1%	8.8%	9.6%
Electric Customer Data										
Average Kilowatt-Hour Use Per Residential Customer	10,819	10,571	9,645	9,044	8,602	7,652	5,260	6.2%	7.2%	7.5%
Average Revenue Per Residential Customer—Dollars	264.91	235.55	211.57	200.67	193.04	176.83	132.52	9.7%	8.4%	7.2%
Average Revenue Per Kilowatt-Hour—Cents										
Residential	2.45	2.23	2.19	2.22	2.24	2.31	2.52	3.3%	1.2%	(.3%)
Commercial	2.16	1.96	1.93	1.95	1.99	2.02	2.29	3.5%	1.4%	(.6%)
Industrial	.90	.75	.73	.73	.73	.75	.81	7.2%	3.7%	1.1%
GAS DEPARTMENT										
Customers	71,854	70,597	69,124	67,322	66,694	66,121	57,107	2.2%	1.7%	2.3%
Natural Gas Purchased—M-Cubic Feet	9,502,531	9,060,473	8,788,881	9,607,794	9,291,090	9,612,566	8,190,199	(.4%)	(.2%)	1.5%
Sales—M-Cubic Feet	9,114,942	8,441,612	8,585,412	9,209,457	8,982,181	9,094,833	7,493,565	(.3%)	—	2.0%
Main—Miles	1,019	979	949	937	917	882	766	2.8%	2.9%	2.9%
CAPABILITY, LOAD AND RESERVES (kilowatts)										
Generating capability at time of peak load (1)	4,564,000	4,155,000	4,155,000	3,625,000	3,045,000	2,475,000	1,961,000	8.0%	13.0%	8.8%
Capability purchased from Sam Rayburn and Toledo Bend Dams and Cajun Electric Power Cooperative, Inc. without reserves	168,000	204,000	98,000	98,000	98,000	52,000	0	19.7%	26.4%	—
Total Capability at time of peak load	4,732,000	4,359,000	4,253,000	3,723,000	3,143,000	2,527,000	1,961,000	8.3%	13.4%	9.2%
Peak load including interruptible load (1)	3,790,300	3,602,700	3,285,000	3,039,400	2,850,600	2,554,000	1,531,400	7.6%	8.2%	9.5%
Plus: Power sales with reserves to other utility systems	0	0	100,000	100,000	50,000	0	0	—	—	—
Less:										
Interruptible load at time of peak load	28,800	39,800	30,600	37,600	0	0	0	(8.5%)	—	—
Purchased power with reserves including TVA Diversity Interchange	215,000	215,000	215,000	215,000	215,000	295,000	0	—	(6.1%)	—
Load for which reserves are provided	3,546,500	3,347,900	3,139,400	2,886,800	2,685,600	2,259,000	1,531,400	7.1%	9.4%	8.8%
Capability in excess of load	1,185,500	1,011,100	1,113,600	836,200	457,400	268,000	429,600	12.3%	34.6%	10.7%
Less: Scheduled maintenance at time of peak load	0	0	176,000	246,000	0	0	0	—	—	—
Reserve capability	1,185,500	1,011,100	937,600	590,200	457,400	268,000	429,600	26.2%	34.6%	10.7%
Percent reserves	33	30	30	20	17	12	28	18.2%	22.4%	1.7%
Annual Load Factor	68.8%	68.9%	68.2%	68.4%	68.4%	67.4%	68.3%	.2%	.4%	.1%
Output:										
Net M-kwh Generated	21,890,507	21,281,658	20,643,077	19,290,514	17,337,296	14,943,316	9,104,325	4.3%	7.9%	9.2%
Net Purchased and Interchanged	917,992	519,575	990,059†	1,060,239†	249,426†	187,987	57,653	—	37.3%	31.9%
Total	22,808,499	21,801,233	19,653,018	18,230,275	17,087,870	15,131,303	9,161,978	7.8%	8.6%	9.6%
MISCELLANEOUS										
Steam Sales—Millions of Pounds	25,723	24,543	23,943	24,162	24,394	25,472	22,701	2.1%	.2%	1.3%
Maximum Steam Demand—M-Pounds Per Hour	3,389	3,309	3,193	3,371	3,143	3,387	3,420	.2%	—	(.1%)
Electric Line—Pole Miles:										
Transmission (69,000 Volts and Over)	3,667	3,641	3,589	3,287	3,085	2,933	2,215	3.7%	4.6%	5.2%
Distribution (34,500 Volts and Under)	15,337	15,019	14,655	14,303	14,015	13,569	11,724	2.4%	-2.5%	2.7%
Underground Construction—Miles of Route	671	575	489	399	349	274	88	18.9%	19.6%	22.5%

(1) Excludes load served by and capability of the 76,000 kilowatt steam-electric installation maintained and operated by the Industrial Chemicals Division of Allied Chemical Corporation.
† Denotes red figure.
( ) Decrease.

statement of income

for the years ended December 31,

	1973	1972
OPERATING REVENUES		
Electric	$262,694,739	$218,766,007
Steam products	18,689,486	14,971,642
Gas	7,236,781	6,271,980
Total operating revenues	288,621,006	240,009,629
OPERATING EXPENSES AND TAXES		
Operation	120,694,222	83,288,329
Maintenance	13,515,232	10,575,336
Depreciation	35,783,667	33,606,217
Taxes		
Income		
Current	22,157,825	23,585,828
Deferred — net	6,700,428	6,055,076
Investment credit — net	572,783	1,282,734
Other	18,227,880	17,216,957
Total operating expenses and taxes	217,652,037	175,610,477
OPERATING INCOME	70,968,969	64,399,152
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	10,068,523	8,724,829
OTHER INCOME AND (DEDUCTIONS)—NET	639,657	(1,245)
INCOME BEFORE INTEREST CHARGES	81,677,149	73,122,736
INTEREST CHARGES	31,499,953	27,955,100
NET INCOME	50,177,196	45,167,636
PREFERRED DIVIDENDS	6,730,000	4,649,950
INCOME APPLICABLE TO COMMON STOCK	$ 43,447,196	$ 40,517,686
SHARES OF COMMON STOCK (average number outstanding)	25,547,328	25,547,328
EARNINGS PER SHARE	$1.70	$1.59

retained earnings

for the years ended December 31,

	1973	1972
BALANCE AT BEGINNING OF YEAR, as previously reported	$139,354,411	$125,405,946
Less cumulative effect of change to equity method of accounting for investments	143,706	
BALANCE AT BEGINNING OF YEAR, as restated	139,210,705	125,405,946
ADDITIONS		
Net income	50,177,196	45,167,636
Total	189,387,901	170,573,582
DEDUCTIONS		
Preferred dividends	6,730,000	4,649,950
Common dividends ($1.10 per share in 1973 and $1.04 per share in 1972)	28,102,061	26,569,221
Total	34,832,061	31,219,171
BALANCE AT END OF YEAR	$154,555,840	$139,354,411

The accompanying notes are an integral part of the financial statements.

statement of changes in financial position

for the years ended December 31,

	1973	1972
Funds From:		
Net income	$ 50,177,196	$ 45,167,636
Items not affecting working capital:		
Depreciation	35,783,667	33,606,217
Deferred income tax—net	6,700,428	6,055,076
Investment tax credit—net	572,783	1,282,734
Common stock equity component of allowance for funds used during construction	(5,590,044)	(5,536,995)
Funds from operations	87,644,030	80,574,668
Financing:		
First mortgage bonds	50,000,000	
Preferred stock		35,054,935
Notes payable	(30,796,362)	69,255,710
Other—net	9,102,785	8,365,942
Total source of funds	$115,950,453	$193,251,305
Funds For:		
Gross plant additions	$107,233,919	$111,314,414
Dividends	34,832,061	31,219,171
Retirement of long-term debt	375,000	375,000
Temporary cash investments	(47,900,000)	47,900,000
Investment in and advances to subsidiary company	18,354,827	2,482,549
	112,895,807	193,291,134
Increase (decrease) in working capital, as detailed below	3,054,646	(39,829)
Total funds used	$115,950,453	$193,251,305
Increase (decrease) in working capital (excluding notes payable and temporary cash investments):		
Accounts receivable	$ 6,144,319	$ 5,305,391
Inventories	1,096,784	(610,558)
Fuel stock	7,797,117	(678,347)
Fuel prepayments	(32,652)	391,824
Other prepayments	(88,433)	(775,339)
Accounts payable	(7,715,558)	(2,032,621)
Accrued taxes	(799,994)	(472,639)
Accrued interest	(1,769,518)	(20,835)
Other—net	(1,577,419)	(1,146,705)
	$ 3,054,646	$ (39,829)

The accompanying notes are an integral part of the financial statements.

ASSETS

balance sheet

as of December 31,	1973	1972
UTILITY AND OTHER PLANT, at original cost		
Electric utility plant	$1,154,380,238	$1,033,489,343
Steam products plant	52,770,531	52,495,562
Gas utility plant	19,488,263	18,749,444
Total plant	1,226,639,032	1,104,734,349
Less: Accumulated provision for depreciation	292,977,235	261,871,773
Total plant less accumulated provision for depreciation	933,661,797	842,862,576
Construction work in progress, at cost	154,046,224	174,489,774
Total utility and other plant	1,087,708,021	1,017,352,350
OTHER PROPERTY AND INVESTMENTS		
Investment in and advances to subsidiary company, at equity	20,937,376	2,582,549
Other property and investments, at cost	1,020,125	1,012,119
Total other property and investments	21,957,501	3,594,668
CURRENT ASSETS		
Cash	3,801,388	5,741,214
Special deposits	355,134	280,083
Temporary cash investments		47,900,000
Accounts receivable, less accumulated provision for uncollectibles of $411,531 and $407,280, respectively	30,588,051	24,443,732
Materials and supplies (including construction materials), at average cost	5,886,551	4,789,767
Fuel stock	9,035,107	1,237,990
Fuel prepayments	359,172	391,824
Other prepayments	1,388,209	1,476,642
Total current assets	51,413,612	86,261,252
DEFERRED DEBITS		
Unamortized debt discount and expense	1,275,030	822,017
Other	1,341,072	929,839
Total deferred debits	2,616,102	1,751,856
TOTAL	$1,163,695,236	$1,108,960,126

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	1973	1972
CAPITALIZATION (see following page)		
CAPITAL STOCK AND RETAINED EARNINGS		
Common stock, without par value	$ 187,579,725	$ 187,579,725
Retained earnings	154,555,840	139,354,411
Total	342,135,565	326,934,136
Preferred stock, cumulative, $100 par value	117,500,000	117,500,000
Premium on preferred stock	655,236	655,236
Total capital stock and retained earnings	460,290,801	445,089,372
LONG-TERM DEBT	529,125,000	479,500,000
Total capitalization	989,415,801	924,589,372
CURRENT LIABILITIES		
Portion of long-term debt due within one year	304,000	303,000
Notes payable:		
Bank	21,962,500	51,000,000
Commercial paper	20,482,422	22,241,284
Total notes payable	42,444,922	73,241,284
Accounts payable	18,981,683	11,266,125
Taxes accrued	6,117,274	5,317,280
Interest accrued	8,530,485	6,760,967
Other	7,509,235	7,653,885
Total current liabilities	83,887,599	104,542,541
DEFERRED CREDITS		
Unamortized premium on debt	1,093,773	1,159,510
Investment tax credit	19,689,033	16,785,058
Other	292,095	274,179
Total deferred credits	21,074,901	18,218,747
OPERATING RESERVES	1,770,954	1,714,992
CONTRIBUTIONS IN AID OF CONSTRUCTION	3,829,331	3,320,277
ACCUMULATED DEFERRED INCOME TAXES	63,716,650	56,574,197
TOTAL	$1,163,695,236	$1,108,960,126

The accompanying notes are an integral part of the financial statements.

capitalization

as of December 31,

CAPITAL STOCK AND RETAINED EARNINGS

	Shares Outstanding	1973	1972
COMMON STOCK**—Without par value—Authorized 40,000,000 shares—Outstanding 25,547,328 shares in 1973 (20,241 shareowners); 25,547,328 shares in 1972 (20,499 shareowners)		$187,579,725	$187,579,725
RETAINED EARNINGS ($42,235,249 restricted in 1973 as to cash dividends)		154,555,840	139,354,411
Total common stock and retained earnings		342,135,565	326,934,136
PREFERRED STOCK—Cumulative—$100 par value—Authorized 3,000,000 shares—Outstanding 1,175,000 shares in 1973 (2,872 shareowners); 1,175,000 shares in 1972 (2,795 shareowners). The redemption prices of all preferred stock issues, in the aggregate, were $124,407,510 at December 31, 1973.			
$4.20 Dividend	70,000	7,000,000	7,000,000
$4.40 Dividend*	120,000	12,000,000	12,000,000
$4.40 Dividend, 1949 Series	60,000	6,000,000	6,000,000
$4.44 Dividend	50,000	5,000,000	5,000,000
$4.50 Dividend	50,000	5,000,000	5,000,000
$4.52 Dividend*	100,000	10,000,000	10,000,000
$5.00 Dividend	75,000	7,500,000	7,500,000
$5.08 Dividend*	100,000	10,000,000	10,000,000
$6.08 Dividend	200,000	20,000,000	20,000,000
$7.56 Dividend	350,000	35,000,000	35,000,000
Total preferred stock	1,175,000	117,500,000	117,500,000
PREMIUM ON PREFERRED STOCK		655,236	655,236
Total capital stock and retained earnings		$460,290,801	$445,089,372

LONG-TERM DEBT

Series	1973	1972
FIRST MORTGAGE BONDS—Authorized $1,000,000,000 principal amount. Sinking fund requirements for 1974 aggregate $6,488,000. The Company expects to satisfy such requirements by certifying property additions to the Trustee.		
$2\frac{5}{8}$% due 1976 (Excluding $1,000,000 in Treasury.)*	$ 27,000,000	$ 27,000,000
3 % due 1978*	12,000,000	12,000,000
$2\frac{3}{4}$% due 1979*	10,000,000	10,000,000
$2\frac{3}{4}$% due 1980*	13,000,000	13,000,000
$3\frac{3}{8}$% due 1981*	10,000,000	10,000,000
$3\frac{1}{8}$% due 1982*	10,000,000	10,000,000
$3\frac{3}{8}$% due 1983*	10,000,000	10,000,000
$4\frac{1}{4}$% due 1986	15,000,000	15,000,000
$4\frac{7}{8}$% due 1987	17,000,000	17,000,000
4 % due 1988	20,000,000	20,000,000
$4\frac{3}{4}$% due 1989	10,000,000	10,000,000
$5\frac{1}{4}$% A due 1989	16,000,000	16,000,000
$4\frac{7}{8}$% due 1990	17,000,000	17,000,000
$4\frac{3}{8}$% due 1992	17,000,000	17,000,000
5 % due 1996	20,000,000	20,000,000
$5\frac{3}{8}$% due 1997	35,000,000	35,000,000
$6\frac{5}{8}$% due 1998	25,000,000	25,000,000
$6\frac{3}{4}$% A due 1998	40,000,000	40,000,000
$7\frac{1}{4}$% due 1999	25,000,000	25,000,000
$8\frac{1}{8}$% A due 1999	25,000,000	25,000,000
$8\frac{1}{2}$% due 2000	30,000,000	30,000,000
$7\frac{7}{8}$% A due 2000	30,000,000	30,000,000
$7\frac{1}{2}$% due 2001	35,000,000	35,000,000
$8\frac{1}{2}$% due 2003	50,000,000	
Total first mortgage bonds	519,000,000	469,000,000
DEBENTURES—Authorized, $15,000,000 principal amount:		
$4\frac{5}{8}$% due 1981	10,125,000	10,500,000
Total long-term debt (excluding portion due within one year)	$529,125,000	$479,500,000
TOTAL CAPITALIZATION	$989,415,801	$924,589,372

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* Listed on New York Stock Exchange, Inc.
** Listed on New York, Midwest and Pacific Coast Stock Exchanges.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting records of the Company are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Power Commission and the Louisiana Public Service Commission.

Utility and other plant is stated at original cost when first dedicated to public service and the amounts shown do not purport to represent reproduction costs or current value. Costs of repairs and minor replacements are charged to expense as incurred. The recorded cost of depreciable utility plant retired and cost of removal, less salvage, are charged to accumulated provision for depreciation. The capitalized cost of utility and other plant includes an allowance for the cost of funds used during construction which was computed at a rate of 7½% per annum during 1973 and 8% per annum during 1972. The 1974 rate is 7½%.

The provision for depreciation is computed using the straight-line method at rates which will amortize the unrecovered cost of depreciable plant over the estimated remaining service life.

For income tax purposes, the Company has adopted accelerated methods of computing depreciation for eligible property. Pursuant to regulatory commission order, amounts equal to the reductions in income taxes arising from the use of accelerated depreciation rather than straight-line tax depreciation are charged to income and concurrently credited to accumulated deferred income taxes. Upon expiration of the periods of tax deferment, the amounts accumulated are used to offset the provision for income taxes in amounts equivalent to the related increases in such taxes.

Total Federal income tax expense was less in both 1973 and 1972 than the amount computed by multiplying income before tax by the statutory rate of 48%. This was due primarily to additional allowable tax depreciation, certain capitalized costs expensed for tax purposes and investment tax credits. The effective rates for these years were 27.2% and 29.5%, respectively.

Amounts equal to the reductions in Federal income taxes resulting from investment tax credits are charged to income and concurrently credited to deferred credits. These credits are being amortized over the estimated useful life of the related properties.

The Company's investment in Varibus Corporation, a wholly-owned subsidiary, is accounted for on the equity basis in compliance with a Federal Power Commission order, adopted as of January 1, 1973.

B. PENSION PLAN

The Company has a contributory pension plan covering all employees between the ages of 30 and 65 years who have had one year of continuous service. Cost of the plan in 1973 and 1972 was $1,634,227 and $1,786,505, respectively, of which $1,146,831 and $1,255,441, respectively, was charged to income and the remainder to construction and other accounts. The Company's policy is to fund pension cost accrued. Funding is under the aggregate cost actuarial method which does not separately identify unfunded past service costs.

C. COMMITMENTS

The Company has lease commitments which in the aggregate are not significant to either net income or stockholder's equity.

At December 31, 1973 the Company had agreements with several banks which terminate December 31, 1974, providing for borrowing up to $51,080,000 at the prime commercial lending rate in effect from time to time without payment of a commitment fee. The Company maintains nonsegregated working cash balances which generally average, over the life of the agreements, approximately 10% of the line of credit.

The construction program involves expenditures of approximately $174,000,000 in 1974, and, in that connection, the Company has incurred substantial commitments for equipment.

Reference is made to comments in this report under CONSTRUCTION and NUCLEAR POWER GETTING CLOSER regarding an agreement to purchase coal and *yellow cake*, a uranium concentrate. (See pages 3 and 5.)

The Company plans to file a registration statement with the Securities and Exchange Commission on February 14, 1974 for the proposed sale of $60,000,000 first mortgage bonds during March, 1974.

Coopers & Lybrand

TO THE SHAREHOLDERS,

GULF STATES UTILITIES COMPANY:

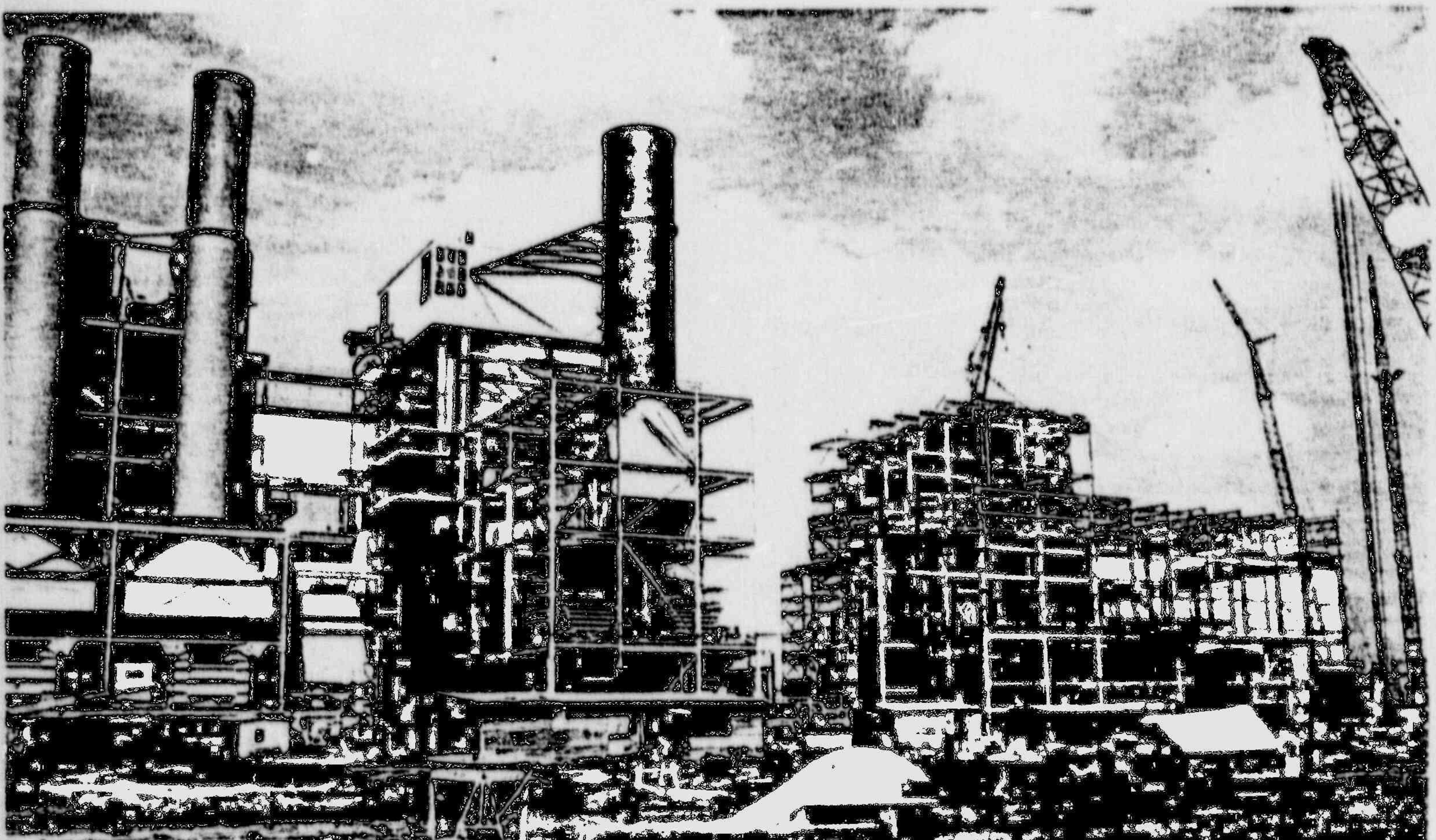
We have examined the balance sheet of Gulf States Utilities Company as of December 31, 1973, and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements for the year 1972.

In our opinion, the aforementioned financial statements (pages 14 through 19) present fairly the financial position of Gulf States Utilities Company at December 31, 1973 and 1972 and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Houston, Texas

February 6, 1974

Coopers & Lybrand



FLOYD R. SMITH (38)
Chairman of the Board of Directors and Principal Executive Officer

NORMAN R. LEE (25)
President and Principal Operating Officer

SAMUEL L. ADAMS (35)
Senior Vice President
Engineering and Production-Construction

JOSEPH R. MURPHY (37)
Senior Vice President
Operations

JEROME M. STOKES (38)
Senior Vice President
Finance

WILLIAM E. HEANER, JR. (13)
Vice President
Personnel Manager

JOSEPH O. ROBICHAU (16)
Vice President
Marketing

R. EARL WHITE (32)
Vice President and Assistant to the Chairman of the Board

JASPER F. WORTHY (18)
Vice President
Baton Rouge Division

ROBERT W. JACKSON (18)
Secretary

THOMAS A. PAGE (1)
Treasurer

JAMES L. BRASWELL (35)
Controller and Assistant Treasurer

ROY E. EYLER (15)
Assistant Secretary

RAY S. PACE (37)*
Assistant Treasurer

HANSFORD R. ROUSE (17)
Assistant Treasurer

ROBERT L. WYNNE, JR. (35)
Assistant Treasurer

( ) Years Service
* Elected February 16, 1974

SAMUEL L. ADAMS (1970)
Senior Vice President of the Company
Beaumont, Texas

JOHN W. BARTON (1970)
President of Jack's Cookie Company
Baton Rouge, Louisiana

SETH W. DORBANDT (1970)
Chairman of the Board and President, First National Bank in Conroe
Conroe, Texas

EDWIN W. HIAM (1959)
Investment Adviser
Boston, Massachusetts

NORMAN R. LEE (1967)
President of the Company
Beaumont, Texas

CHARLES P. MANSHIP, JR. (1957)
President and Director, Capital City Press
Baton Rouge, Louisiana

JOHN J. MORRISON* (1957)
Retired Chairman of the Board of the Company
Beaumont, Texas

JOSEPH R. MURPHY (1970)
Senior Vice President of the Company
Beaumont, Texas

BENJAMIN D. ORGAIN (1963)
Member of the law firm of Orgain, Bell & Tucker, general counsel for the Company
Beaumont, Texas

GLENN E. RICHARD (1963)
Retired Chairman of the Board of the Company
Beaumont, Texas

FLOYD R. SMITH (1965)
Chairman of the Board of Directors and Principal Executive Officer of the Company
Beaumont, Texas

HARRELL R. SMITH (1964)
Retired General Manager, Lake Charles Operations, Cities Service Oil Company
Lake Charles, Louisiana

OLIVER P. STOCKWELL (1969)
Member of the law firm of Stockwell, St. Dizier, Sievert & Viccellio, counsel for the Company's Lake Charles Division
Lake Charles, Louisiana

EDWARD H. TAUSSIG* (1944)
President, Taussig Corporation
Lake Charles, Louisiana

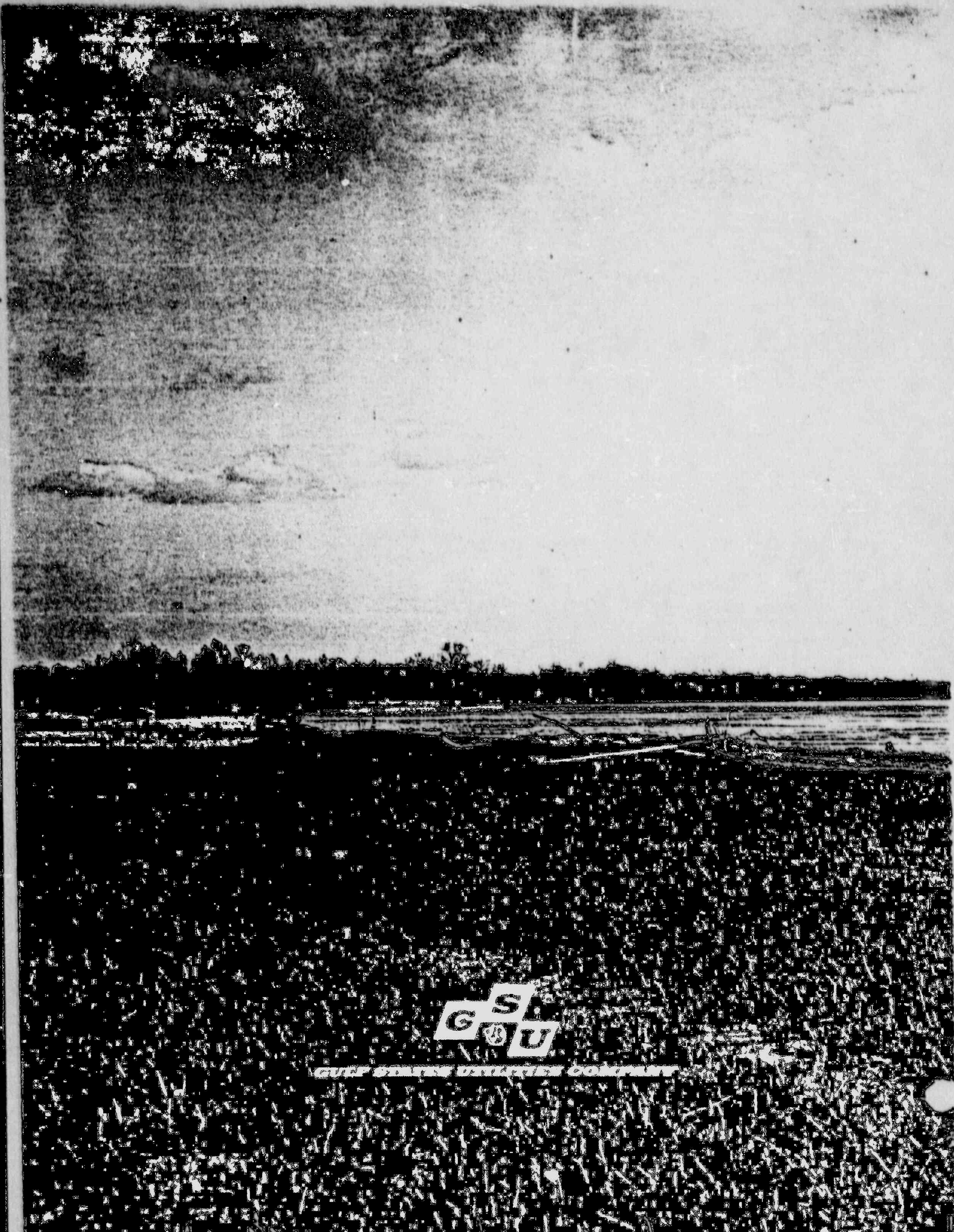
ELDON A. WERNER# (1970)
Vice President of Baton Rouge Aircraft, Inc.
Baton Rouge, Louisiana

FRED V. WILSON (1964)
Investments
Port Arthur, Texas

( ) Date elected to Board
* Advisory Director
# Also served as a director of the Company from 1962 until March 1, 1970, when he retired as President and Director of the Company

Transfer Agents:
The American National Bank of Beaumont, Beaumont, Texas
The Chase Manhattan Bank, N. A., New York, N.Y.
The First National Bank of Chicago, Chicago, Illinois

Registrars:
First Security National Bank of Beaumont, Beaumont, Texas
Manufacturers Hanover Trust Company, New York, N.Y.
Northern Trust Company, Chicago, Illinois


GSU
GULF STATES UTILITIES COMPANY

Prospectus

$60,000,000

Gulf States Utilities Company

First Mortgage Bonds, 8⅝% Series due 2004

Due March 1, 2004

Interest is payable March 1 and September 1

The New Bonds will be redeemable at the option of the Company as a whole at any time or in part from time to time upon 30 days' notice at the applicable redemption prices shown herein, with accrued interest to the date fixed for redemption, except that prior to March 1, 1979 no such redemption may be made through a refunding operation at an interest cost to the Company of less than 8.625% per annum. The initial Regular and Special Redemption Prices are 108.63% and 100.06%, respectively.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	Underwriting Discounts and Commissions (2)	Proceeds to Company (1) (3)
Per Unit	100%	.478%	99.522%
Total	$60,000,000	$286,800	$59,713,200

(1) Plus accrued interest from March 1, 1974 to date of payment and delivery.

(2) The Company has agreed to indemnify the Purchasers against certain civil liabilities, including certain liabilities under the Securities Act of 1933.

(3) Before deduction of expenses payable by the Company, estimated at $107,000.

The New Bonds will be issued only as fully registered bonds in denominations of $1,000 and multiples thereof.

The New Bonds are offered when, as and if issued and accepted by the Purchasers named within, and subject to approval of legal matters by counsel, prior sale, or withdrawal, cancellation or modification of the offer without notice. It is expected that delivery of the New Bonds will be made in New York City on March 28, 1974.

The First Boston Corporation

Salomon Brothers

Blyth Eastman Dillon & Co.
Incorporated

Dillon, Read & Co. Inc.

The date of this Prospectus is March 20, 1974.

B/10

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

INTRODUCTORY STATEMENT

Gulf States Utilities Company (the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission. Information, as of particular dates, concerning directors and officers, their remuneration, the principal holders of securities of the Company, and any material interest of such persons in transactions with the Company is disclosed in proxy statements filed with the Commission. The Company has not granted any stock options.

Such reports, proxy statements and other information can be inspected at the principal office of the Commission at 500 North Capitol Street, N.W., Washington, D. C., and copies of such material can be obtained from the Commission at its prescribed rates. In addition, such reports, proxy statements and other information can be inspected at the offices of the New York Stock Exchange, Inc., 11 Wall Street, New York, New York. The mailing address of the Company is P.O. Box 2951, Beaumont, Texas 77704 and its telephone number is (713) 838-6631.

USE OF PROCEEDS

The net proceeds from the sale of the Bonds offered hereby (the "New Bonds"), after deduction of expenses and exclusive of accrued interest, will be used by the Company to pay off a portion of its then outstanding short-term notes, expected to be approximately $110,000,000. The funds obtained from the issuance of such notes were used in connection with the Company's construction program and for other corporate purposes.

All of the short-term notes expected to be outstanding will either be in the form of commercial paper or short-term notes issued under the Company's revolving credit agreements with banks. Short-term borrowings by the Company must comply with the provisions of the Federal Power Act. See "Regulation".

CONSTRUCTION PROGRAM

It is presently estimated that the Company's system peak load during 1974 will reach 4,131,000 kilowatts, at which time the Company estimates it will have a reserve of approximately 36%. During the periods 1964-1973 and 1969-1973, the Company's peak load grew at average annual growth rates of approximately 9.5% and 8.2%, respectively; the 1974 estimated peak, if realized, will represent a 9% increase over 1973. To meet anticipated growth in system load, the Company has tentatively scheduled in the ten year period 1974 through 1983, the installation of six fossil fueled electric generating units with aggregate capability of approximately 3,260,000 kilowatts and four nuclear fueled units with aggregate capability of approximately 3,740,000 kilowatts. See "Business—Future Generating Plants". The Company's estimate of peak loads and its presently scheduled construction program may change because of load growth changes, fuel availability, construction and regulatory contingencies, and the effects of various programs which may be adopted or imposed to conserve electricity. The Company is keeping its construction plans as flexible as practicable with the intention of accommodating any such changes that may develop.

The cost of new construction in 1974 and 1975 is expected to be approximately $174,000,000 and $260,000,000, respectively. In 1974 the program is expected to consist of the following principal items:

Additional electric production plant	$132,000,000
Additional electric transmission and distribution facilities	38,000,000
Other additional electric improvements	2,400,000
Additional gas plant	1,400,000
Additional steam plant	200,000
Total	$174,000,000

The construction program presently contemplates the expenditure of approximately $900,000,000 during 1976-1977.

The 1974-1975 construction program includes approximately $91,000,000 for expenditures in connection with the planned nuclear fueled units. Expenditure of such funds and those spent in connection with such units prior to 1974 (in the approximate amount of $26,000,000), as well as execution of contracts for the construction of such nuclear units and the purchase of equipment and fuel therefor, prior to assurance that construction permits and operating and other related licenses will be obtained, was deemed necessary by the Company to put it in a position to make application for the regulatory approvals required and to enable it to complete construction, once approval is obtained, within the time necessary to meet presently estimated increased load.

Actual expenditures and estimates for subsequent years may be affected by greater than anticipated escalation in costs, additional expenditures for environmental and other factors, and acceleration or delay of portions of such program.

It is anticipated that the Company will, in addition to the funds obtained from this offering and funds internally generated, require prior to the end of 1974, approximately $43,000,000 from outside sources and that during 1975 the Company will require funds from outside sources of approximately $172,000,000. The Company expects that such funds will be obtained from short-term bank loans and the issuance of commercial paper combined with permanent financing, the form, nature, time, and extent of which have not yet been determined.

Total gross additions to the plant account of the Company during the period January 1, 1969, through December 31, 1973, amounted to $544,467,000, and during the same period retirements from the plant account amounted to $27,541,000. Gross additions during the period amounted to approximately 50% of total net plant at December 31, 1973.

BUSINESS

The Company was incorporated August 25, 1925, under the laws of the State of Texas and is engaged principally in the business of generating electric energy and transmitting, distributing and retailing such energy in a 28,000 square mile area in southeastern Texas and in south central Louisiana, extending a distance of over 350 miles along the Texas-Louisiana Coast. The Company also sells electric energy at wholesale in this area to various municipalities, rural electric cooperatives and one other utility. The Company's electric system is interconnected, and interconnections with other utilities are maintained for the exchange of power. The Company also conducts a steam products business and sells natural gas in the Baton Rouge, Louisiana area.

Operations

For the 12-month period ended December 31, 1973, 91% of the Company's operating revenues were derived from the electric utility business, 6.5% from the steam products business and 2.5% from the gas business. Of the electric operating revenues, 55% were derived from within Louisiana and 45% from within Texas. The gas and steam products businesses are conducted entirely in Louisiana. Additional information about the principal classes of service is provided under "Operating Statistics and Certain Details of Revenues."

The Company has undertaken certain measures to reduce its internal consumption of electric power and energy and consumption by other utilities and ultimate customers. Its efforts with respect to the general public have consisted of news media advertising urging the conservation of electric energy and, with respect to industrial and large commercial customers, have consisted of consultation with such customers regarding more efficient use of electric energy by them. Although the Company believes that such steps have been successful in conserving electric energy, because of other variants, such as weather, it is presently unable to identify how much reduction in kilowatt hour consumption has been experienced because of conservation efforts.

The Company and ten other investor-owned electric utility companies comprising the South Central Electric Companies have an agreement with the Tennessee Valley Authority (TVA) to interchange 1,500,000 kilowatts of electric power. The Company's share of the exchange is 215,000 kilowatts. The companies have constructed a 500,000 volt electric transmission network linking their electric systems in Louisiana, Texas, Arkansas, Oklahoma, Mississippi, Missouri and Kansas. The Company has extended the 500,000 volt transmission line in its own service area to improve reliability of service.

There are 19 rural electric cooperatives, sponsored by the Rural Electrification Administration (REA), 21 municipal electric systems, and five investor owned utilities operating within or adjacent to the service area of the Company. The operation and extension of these cooperatives, municipalities, and other utilities in certain areas tend to restrict expansion of the Company's system in such areas. However, the Company is continuing to extend its service into areas around such municipalities, areas adjacent to such other utilities, and into rural areas.

The Cajun Electric Power Cooperative, Inc. (Cajun), formerly known as Louisiana Electric Cooperative, Inc., a super-cooperative formed by 12 of the 13 REA cooperatives in Louisiana, has constructed a 200,000 kilowatt generating plant in Louisiana which began commercial operation in June, 1972. The Company has entered into a ten year contract with Cajun which principally provides that the Company will furnish transmission service for energy generated by Cajun to four of its member cooperatives and sell to Cajun the additional power it may need and request. The Company has also agreed to purchase from Cajun certain excess capacity and energy available from such plant. In December, 1973, the Company signed a letter of intent to pursue negotiations with Cajun for further coordination of generation planning and additional transmission service. See "Regulation" with respect to proceedings, before the FPC and otherwise, involving Cajun.

The four cooperatives now receiving power from Cajun previously purchased all or a substantial portion of their bulk power supply from the Company. From and after the effective date of the Cajun contract on April 1, 1973, the Company has only received a charge for transmission of the Cajun power to such cooperatives and will continue to receive only such transmission charge, unless and until such time as Cajun may purchase additional power from the Company under such contract to meet the needs of the cooperatives. The gross transmission charges received during 1973 from Cajun amounted to $580,453, compared to the gross revenues from power sales to such cooperatives during the same period of 1972 of $2,151,235.

In January, 1974, the Company executed separate power interconnection agreements with the Cities of Lafayette and Plaquemine, Louisiana (the "Cities"), providing for the exchange of emergency, maintenance, and surplus power, and for the Company to provide transmission service for each for purposes of coordinating generation. Such agreements have been filed for acceptance with the FPC, and contingent upon such regulatory action, facilities are expected to be in place to accommodate transactions under such agreements with Plaquemine beginning in 1974 and Lafayette beginning in 1975. Pursuant to such agreements, the Company has agreed to purchase various amounts of capacity from such Cities during the period 1975-77. See "Regulation" with respect to proceedings, before the FPC and otherwise, involving the Cities.

Of the Company's steam products customers, Exxon Company, U.S.A., Ethyl Corporation, and Uniroyal are being supplied pursuant to contracts which will terminate pursuant to notice from the Company in 1978, 1976 and 1976, respectively. The specially designed steam-electric extraction plant which has been supplying process steam and by-product electric energy as part of the requirements of these customers presently uses natural gas as primary boiler fuel. The Company proposes to negotiate new contracts with these customers covering higher rates, and in connection therewith expects to consider whether or not to convert such plant to a continuous oil burning as well as gas burning capability. The Company constructed and owns a specially designed steam-electric extraction plant in Baton Rouge which furnishes the requirements of the Industrial Chemicals Division of Allied Chemical Corporation for process steam and electricity. It is being operated and maintained by Allied under a twenty-year contract, which runs to February 1, 1989, and under which Allied makes annual payments to the Company, including amounts sufficient to amortize the cost of such plant over the term of the contract.

The Company distributes natural gas in Baton Rouge and its environs which have an estimated population of 230,000. Such gas is purchased under an agreement, expiring December 31, 1975, with Mid Louisiana Gas Company.

Fuel Supply

All of the generating plants of the Company (with the exception of Willow Glen Unit No. 4 discussed below) presently use natural gas as primary boiler fuel and have the capability of using No. 2 oil as boiler fuel on a short-term basis. Boiler gas is provided in Texas under contracts running until 1985 with Exxon Company, U. S. A., and Texas Intrastate Gas Company. The Company has been receiving gas needed in its Texas plants from these suppliers pursuant to such contracts and does not expect any immediate material curtailment of such supply. Gas deliveries from Texas Intrastate Gas Company, which supplies one-half of the requirements of one 265,000 kilowatt generating unit, may be subject to curtailment pursuant to priorities established by the Texas Railroad Commission. Boiler gas is provided in Louisiana under a contract running until 1981 with Monterey Pipeline Company and under a contract running until 1987 (with provisions for price redetermination in 1977 and 1982) with United Gas Pipe Line Company ("United"). United provides gas to the Company's Willow Glen (other than to Unit No. 4) and Roy S. Nelson stations in Louisiana which account for 1,861,000 kilowatts of the Company's electric generating capability.

Since November, 1970, United has been delivering less gas than the Company would have otherwise used under such contract. Such curtailments are expected to continue at increasingly severe levels and may be further affected by the FPC actions discussed hereafter. There are numerous FPC proceedings and related court appeals now in various stages involving the Company, United, and other customers of United. Such proceedings have already resulted in approval by the FPC of curtailments to the Company based upon certain priorities of use. Current orders provide that if it is necessary for the Company to avoid shedding firm electric load, United is authorized to deliver additional gas to the Company to the extent required to avoid such load shedding, but any such additional deliveries are to be offset against subsequent gas allotments from United. One key issue yet to be finally determined is whether or not natural gas supplied by United for boiler fuel, particularly for the purpose of generation of electricity, will be ordered terminated by the FPC, or, if authorized to be continued, will be given sufficient priority to entitle the Company to obtain gas in adequate quantities. The Company cannot at this time anticipate the final outcome of such proceedings or the overall impact thereof upon the operation of its units served by United.

In an attempt to obtain gas to offset the effect of existing gas curtailment, the Company has been able to purchase gas on a temporary, and for the most part, interruptible basis from Monterey Pipeline Company, Texaco, Inc. and Sugar Bowl Industrial Gas Corporation; however, the Company expects that such supply from Texaco and Sugar Bowl will probably not continue to be available after mid-1974. The Company has to date been unable to contract for a long-term supply of gas to replace that curtailed and expects to continue to attempt to purchase gas on a short-term basis when available.

Because of the gas supply problem, the Company has adapted its new Willow Glen Unit No. 4, to a continuous oil burning as well as gas burning capability. After delay caused by the adaptation of this Unit, it went into commercial operation in mid-1973. The cost of both the adaptation and the construction of oil supply facilities for this Unit was approximately $16.7 million. Such oil supply facilities are also being used for other units at such station. The Company does not presently expect that additional emission control facilities for this Unit will be required. However, environmental regulations as to ambient air standards may necessitate additional expenditures of approximately $8.5 million for such facilities as early as 1975. This amount is not included in the Company's construction program. The Company has contracted for the supply of low sulfur No. 6 fuel oil for this Unit through June, 1974, and thereafter expects to purchase additional supplies when available on the market.

Because the Company expects that it may not be able to obtain from United or other sources a reliable supply of gas sufficient to satisfy the long-term requirements of the stations presently supplied by United, the Company has initiated a program to adapt all seven of its gas-fired units (with appropriate emission control equipment) now served by United to enable them to have a continuous oil burning and gas burning capability. The cost of such program is estimated to be in excess of $75 million, including costs for environmental control and other related facilities. Fuel supply facilities incidental to such conversion are expected to cost an additional $16.9 million. It is estimated that the earliest this program can be completed is January 1, 1977. If such adaptation requires time beyond the date for termination of United's gas service, should the FPC ultimately so order, the Company would seek from the FPC an extension of the time for such termination. The Company presently expects, through such an extension or by obtaining alternate sources of fuel or power, to be able to meet its electric service requirements, but cannot at this time be assured of the success of its efforts to do so. The Company has not yet been able to obtain long-term contracts for supply of No. 6 or other residual fuel oil to supply the existing plants which are being converted to continuous oil burning capability or future plants planned to have such capability.

The Company has been using and expects in the future to make use of alternate sources of power and fuel. The Company has used power from other parts of its system and has several inter-connections with outside utilities. The Company is continuing to explore the purchase of gas from other sources, and has maintained the capability of storing and using No. 2 fuel oil for short periods. The Company has contracted for a limited supply of No. 2 fuel oil from Exxon Company, U. S. A., through February 15, 1979 and, within the limits of available storage, is purchasing additional supplies of No. 2 fuel oil as available on the market. It has already been necessary at times to burn substantial quantities of No. 2 fuel oil in conjunction with gas to meet load demand, and the Company presently expects increasing need to burn such oil to meet load demand.

For the period February through April, 1974, the Company estimates that it might produce as much as 30% of its total kilowatt hour demand by burning No. 6 and No. 2 fuel oil, depending primarily on the level of curtailment from United and the availability of gas on an interruptible basis. The Company's ability to obtain such fuel oil in the future depends in part on allocation and rationing rules recently promulgated by the Federal Energy Office.

Pursuant to the Emergency Petroleum Allocation Act of 1973, the Federal Energy Office (FEO) has issued Petroleum Allocation Regulations providing for allocation of fuel oil. Under such regulations monthly allocations of No. 6 fuel oil will be made to each electric utility including the Company. Each supplier of a utility will be notified of the volume which that supplier must supply each utility for the following month. There is no assurance that the FEO will set a monthly allocation which meets the current requirements of the Company, or that any such supplier will have sufficient quantities of residual oil to satisfy such allocation. With respect to No. 2 fuel oil (middle distillate), regulations provide that until such time as the FEO undertakes to set allocations of distillate for each utility on an individual basis in the same manner as initially established for residual oil, each utility is entitled to an allocation level equal to 100 percent of its base period volume, which base period volume is the amount used in the equivalent month of 1972. The quantities of No. 2 fuel oil used by the Company during 1972 were extremely small. A special provision of the regulations allows utilities which have lost a substantial supply of natural gas as a result of a curtailment plan approved by a federal agency such as the FPC to request a special monthly allotment equivalent on a Btu basis to the quantity of natural gas so denied. However, this right is based upon the utility being classified as a "new customer" within the meaning of the regulations with respect to such amounts. The Company appears to be entitled to this special allocation because of the United curtailment, but will realize the advantage only if it can find a supplier who is willing to accept the Company as a new wholesale purchaser or have the FEO assign a supplier with respect to this additional allotment and such new supplier has the fuel oil available to meet such allotment.

The Company's wholly-owned subsidiary, Varibus Corporation ("Varibus"), is procuring and supplying a portion of the fuel oil required by the Company and is involved in several programs to prospect for and develop fossil fuel resources. Such programs are speculative in nature and may not produce any new fuel sources. Activity is in preliminary stages, and to date, only minor reserves have been proved and no production commenced. Through December, 1973, Varibus has invested approximately $4 million in such programs, including acquisition of an undivided interest in leases on approximately 400,000 acres. Also, Varibus and two other investor-owned electric utilities are negotiating long-term arrangements intended to assure a sufficient supply of fuel oil from Saudi Arabia. Such arrangements would include construction of refining and transportation facilities. Since negotiations are at a preliminary stage, no assurance can be given that arrangements will be successfully concluded. At the present time Varibus is committed only to share in certain relatively minor costs of developing such plans.

To date, there has been no reduction or interruption in service to the Company's customers because of fuel supply shortages. However, the ability of the Company to avoid interruptions and curtailments in the future will depend upon the success of its efforts to continue to obtain necessary gas and fuel oil to supplement its curtailed gas supply under tight market conditions and new governmental allocation programs.

From December, 1970 to December, 1973, the average cost of fuel on a system-wide basis has risen from 20.43¢ to 57.97¢ per million Btu. The alternative sources of power and fuel discussed above are expected to result in higher costs to the Company, which costs cannot now be determined. In addition, the price of gas sold to the Company by United may be increased as a result of the court proceedings referred to above. The Company's rate schedules and contracts, covering all kilowatt-hour sales, contain fuel adjustment provisions to recover the increased fuel costs.

When the Company converts its equipment to be able to permanently use oil as fuel, such equipment is expected to need more maintenance, repair, and restorative work than as presently operated. In addition, the Company may experience more problems with air pollution in using oil and coal as fuel than it presently has using gas. See "Regulation—Environmental Matters."

On September 28, 1971, the Louisiana Public Service Commission issued an order to United, followed on September 30, 1971, by an order to all pipeline companies operating in Louisiana and subject to its jurisdiction, instituting an investigation and requiring production of extensive information concerning gas supply and transmission and ordering no further commingling of intrastate and interstate gas without Commission authorization. The Company is presently unable to anticipate the effect, if any, such proceedings may have on the price or quantity of gas available to it.

Future Generating Plants

The Company currently plans to construct four nuclear fueled units with an aggregate capability of approximately 3,740,000 kilowatts. Two of such units will be located on the Mississippi River north of Baton Rouge, Louisiana and two will be located in Newton County, Texas, near Toledo Bend Reservoir. The Company has entered into contracts relating to the constructing and equipping of such units, and actual construction of the first nuclear fueled unit is expected to commence by mid-1975. The total cost of the four nuclear fueled units (including fuel, allowances for funds used during construction, and environmental control facilities) is presently estimated to be approximately $1.84 billion (of which $26,000,000 had been expended through December 31, 1973), with major expenditures beginning in 1974. In December, 1973, the Company entered into a contract for the purchase of five million pounds of uranium concentrates which is expected to provide the initial core for the four nuclear units through 1983.

Construction and operation of nuclear fueled units are subject to regulation by appropriate governmental agencies, including the issuing of permits and licenses by the Atomic Energy Commission (AEC). In June, 1973, the Company applied to the AEC for construction permits for the two nuclear fueled units to be built in Louisiana, and the Company now expects to file in the second quarter of 1974 its application for permits to construct the two nuclear fueled units to be built in Texas. Although the Company expects to pursue such permits and licenses diligently, there can be no assurances at this time as to when such permits and licenses will be issued. If significant delay is experienced for any reason in the licensing of any such nuclear units, the Company may incur substantial additional costs, including carrying charges, additional escalation of acquisition and construction costs, and costs of accelerating construction of other fossil or nuclear fueled units to meet projected load prior to the completion date of the then delayed nuclear unit. In December, 1973, the AEC issued a policy statement to the effect that the AEC staff will take the position that no applicant for a nuclear license should refuse to grant reasonable access to any proposed nuclear facility to smaller electric utilities, either through joint ownership or through rights to purchase unit blocks of power from the nuclear facility at prices based upon the cost of owning and operating such facility. Since the Company's four nuclear units have been planned solely on the basis of the Company's own anticipated load requirements, should a requirement of access be imposed upon the Company, a portion of the generation from the nuclear units involved would be diverted from the Company's use. If such diversion affected the Company's ability to meet its anticipated load, the Company would have to replace such diverted capacity through additional purchases of power, acceleration of construction of other planned units, or construction of additional units.

Of the six fossil fueled units planned for construction in the next ten years, it is presently anticipated that one 580,000 kilowatt unit will be fueled with gas and have the capability to burn light oil for short periods; one 480,000 kilowatt unit will be fueled with gas and have a continuous oil burning as well as gas burning capability; one 580,000 kilowatt unit will be fueled with oil and have a continuous oil burning as well as gas burning capability; and three units (with a combined capability of 1,620,000 kilowatts) will be fueled with coal. The total cost of the six fossil fueled units (including allowance for funds used during construction and environmental control facilities) is presently estimated to be approximately $735 million (of which $101 million had been expended through December 31, 1973).

The Company has contracted for a supply of fifty million tons of coal, which the Company presently expects to be sufficient to fuel the first two coal units for twenty years.

The Company's tentative construction program in the form outlined above is subject to numerous contingencies, including the future availability and cost of fossil fuel, and therefore there can be no assurances as to the timing or actual specifications of generating units which will be built. See "Regulation—Environmental Matters."

Employees

The Company has approximately 3,100 employees. Of these, about 2,300 operating personnel are represented by the International Brotherhood of Electrical Workers under a collective bargaining agreement which continues until July 5, 1975. Among the provisions of the agreement is a 5% wage increase effective on July 14, 1974.

The Company has been advised of twenty-nine complaints filed with the Equal Employment Opportunity Commission (EEOC) alleging discrimination in certain employment, pay, and discharge practices. These matters are in various preliminary stages and the Company's liabilities, if any, cannot reasonably be estimated.

Electric Rates

Effective March 15, 1973, the Louisiana Public Service Commission granted the Company an electric rate increase for all of its retail business in Louisiana amounting to approximately $4,400,000 on an annual basis, after income taxes, based on 1971 business. Increases in retail rates were placed in effect on June 1, 1972 in Texas amounting to approximately $3,500,000 on an annual basis, after income taxes, based on 1971 business.

Under effective orders of the FPC, the Company has been charging increased rates for wholesale service to most rural electric cooperatives, municipal resale systems, and other electric corporations since mid-1973. The Company estimates that such increase in the base rates will produce approximately $1,800,000 at the 1973 level of use plus revenues from a fuel adjustment clause which recovers fuel costs above a level of 2.1 mills per Kwh. Most collections of such rate increases are subject to refund pending final action by the FPC. Two wholesale customers have appealed the order of the FPC to the United States Court of Appeals for the District of Columbia, and if such appeals should result in reversal of the FPC orders as to such customers, approximately 74% of the increase in the base rates could be lost pending further FPC action or termination of the existing contracts with such customers. Requests by the Company for increases which would produce an estimated $1,300,000 on the base rate at the 1973 level of use are pending further action in the FPC, with a hearing now set for June 10, 1974, and in the same Court of Appeals.

FPC Proposals

On August 6, 1971, the FPC in Docket No. R-424 issued a Notice of Proposed Rulemaking containing an amendment to the procedure for accounting for interperiod differences in the tax and accounting treatment of items such as interest and taxes charged to construction, effective with the year 1971. If such proposals are adopted in their present form, the Company and numerous other electric and gas companies similarly situated will be required to establish a deferred tax reserve at the then current effective Federal income tax rate on the amounts of interest and taxes capitalized in the construction accounts but deducted for Federal income tax purposes. On July 6, 1972, the FPC in Docket No. R-446 issued a Notice of Proposed Rulemaking containing an amendment to procedures for accounting for interperiod differences in the tax and accounting treatment of depreciation, effective with the year 1972, by expanding deferred tax accounting to include the difference between book depreciation and tax depreciation. The amounts involved in these proposals are substantial and the deduction of the amounts involved in either proposal from net income would cause a material reduction in reported earnings per share for 1972 and subsequent years. On February 11, 1974, the FPC issued orders in these dockets which in general deferred for further studies the major issues of accounting for such interperiod differences.

REGULATION

The retail rates of the Company in Texas are subject to the jurisdiction of municipal authorities, and as to all retail rates, including those in unincorporated towns and rural areas, the District Court has authority to declare unlawful an extortionate or unreasonable rate. Texas does not have a state utility regulatory body with jurisdiction over the rates or issuance of securities of the Company.

In Louisiana (in which state the Company is duly qualified to carry on business as a foreign corporation), a statute provides that the Louisiana Public Service Commission shall have jurisdiction over the retail rates and services of public utility companies. There is some question, in view of certain provisions in the Louisiana Constitution giving such jurisdiction to some municipalities, as to whether the aforesaid statute is constitutional as applied to such municipalities. In the opinion of the Company's counsel neither the Louisiana Public Service Commission nor any other governmental authority in the State of Louisiana has any jurisdiction over the issuance of securities by the Company.

The Company is not subject to the Public Utility Holding Company Act of 1935.

In certain of its activities, including its wholesale sales of electric energy in interstate commerce and the rates therefor, transmission of electric energy in interstate commerce, and the issuance and sale of the securities covered by this Prospectus, the Company is subject to the jurisdiction of the Federal Power Commission (FPC). At present, the rates of the Company, as a public utility, are exempt from price control under Phase IV of the Federal Economic Stabilization Program.

The Cities of Lafayette and Plaquemine, Louisiana (the Cities), joined by Dow Chemical Company in several of the proceedings, have intervened in numerous FPC proceedings since 1970 in which the Company has applied for authorization or approval to conduct its short-term financing, to issue various securities, and to enter into interconnection agreements with Cajun (see "Business—Operations"). In each proceeding the FPC has granted the authority or approval sought by the Company, but in response to the various allegations by the intervenors of anticompetitive conduct by the Company in Louisiana, the FPC ordered an investigation of such charges. Such investigation was stayed pending certain appeals taken by the Company, and although such appeals have now been exhausted, the investigation remains under stay order at this time. On December 27, 1973, Dow moved to withdraw from such investigative proceeding, but the FPC has not acted thereon. As to the Cities, see below.

On July 24, 1973, Cajun and the Cities filed separate actions in United States District Courts in the Eastern District of Louisiana, against the Company and other adjoining investor-owned electric utilities, seeking treble damages and injunctive relief, alleging various anticompetitive activities in Louisiana.

In connection with the letter of intent entered into with Cajun in December, 1973, regarding mutual consideration of additional coordination (see "Business—Operations"), on January 9, 1974, Cajun executed a release and covenant not to sue wherein it released the Company from any claims based upon acts or omissions alleged to be anticompetitive in nature occurring prior to such date and covenanted not to sue or seek any relief before the FPC or AEC based upon any such prior acts or omissions. Pursuant to such release, the civil action by Cajun described above was dismissed as to the Company on February 22, 1974. Further, in connection with the power interconnection agreements reached with Lafayette and Plaquemine (see "Business—Operations"), on January 8, 1974, both Cities entered into agreements to release the Company from claims for any such prior acts or omissions, to dismiss as to the Company their civil actions described above, to withdraw their interventions now pending in the various FPC proceedings described above, and to refrain from intervening in AEC proceedings of the Company based on any such prior acts or omissions. Such agreements by the Cities are, however, contingent upon acceptance by the FPC of the respective power interconnection agreements entered into by the Company with them without imposition by the FPC of conditions unacceptable either to the respective City or to the Company. Such agreements have been filed and are pending before the FPC at this time.

In March, 1971, the United States Department of Justice issued Civil Investigative Demands demanding that the Company and certain other electric utility companies in Louisiana produce certain documents in the course of an inquiry as to whether such companies may have been violating antitrust laws. While preserving certain objections through motions filed in a U. S. District Court in Louisiana, the Company has attempted to reach agreement with the Department of Justice regarding the scope of such inquiry, and has been voluntarily supplying certain documents demanded by such department. A hearing in such proceeding has resulted in an order requiring the Company to deliver certain documents and upholding the Company's right not to deliver others. No suit has been filed by the government alleging violations of the antitrust laws. Matters principally under investigation appear to include activities involving Cajun and some of such companies. In consultation with the Justice Department and the staff of the AEC relative to the Company's application for permits to construct nuclear generating units, the Company has been unofficially advised that if satisfactory agreements can be reached with the Company regarding competitive issues raised in the antitrust review required with respect to all permit applications, further need for the Justice Department to pursue its investigation or to file suit based upon alleged prior conduct will be unlikely.

Pursuant to Section 204 of the Federal Power Act, the Company must have FPC approval to make short-term borrowings in excess of 5% of the sum of (i) the par value of outstanding preferred stock and (ii) the market value on the date of issue of other securities outstanding. Under an existing FPC order, the Company has authority to issue short-term notes with maturities no later than December 31, 1975 in the form of commercial paper or notes to banks up to an aggregate amount of $125 million at any one time outstanding. The Company has requested that such authority not be reduced upon authorization by the FPC of the New Bonds. The Company's bank credit arrangements were increased in February, 1974 to a level sufficient to permit short-term borrowings of approximately $117 million.

Environmental Matters

The application of Federal and State restrictions to protect the environment involves or may involve review, certification or issuance of perimts by various State or Federal authorities (including the Administrator of the Environmental Protection Agency ("EPA") and the Corps of Engineers) with respect to construction of new facilities or modification of existing facilities and with respect to initial or continued operation of facilities. The Company believes that it is in substantial compliance with all presently applicable requirements, and is not involved in pending proceedings and does not know of any threatened proceeding in which the Company is or will be charged with material violation of such requirements. However, environmental restrictions, particularly in regard to emissions into the air and water, thermal mixing zones and water temperature variations, as well as prospective application of the so-called "nondegradation" theory recently involved in the case of *Fri* v. *Sierra Club* (formerly captioned *Sierra Club* v. *Ruckelshaus*), may limit, prevent or substantially increase the cost of operations of the Company's generating installations and may in the future require substantial investments in new equipment at existing installations and cause delay in operation and substantial increases in the cost of proposed new facilities. (See "Fuel Supply" and "Future Generating Plants" under "Business".) The Company has no reason to believe that the capital expenditures and operating costs incurred in response to environmental considerations will not be fully allowable for rate-making purposes. However, there can be no assurance that this will be the case. Other than the emission control facilities necessary to meet emission regulations applicable to generating units in Louisiana which are being adapted to a continuous oil burning capability (see "Business-Fuel Supply"), the Company is not immediately faced with significant expenditures for environmental control facilities at its present units. However, substantial portions of the Company's construction program are expected to be for environmental control facilities.

GULF STATES UTILITIES COMPANY

STATEMENTS OF INCOME

The following statements of income for the years 1969 through 1973 have been examined by Coopers & Lybrand, independent certified public accountants, whose report appears hereinafter. The statements should be read in conjunction with the other financial statements and related notes included in this Prospectus.

	Years Ended December 31,				
	1973	1972	1971	1970	1969
Operating revenues:					
Electric	$262,694,739	$218,766,007	$190,584,697	$175,319,093	$164,486,585
Steam products	18,689,486	14,971,642	13,745,515	13,463,081	13,305,245
Gas	7,236,781	6,271,980	5,927,590	5,820,244	5,347,925
Total operating revenues	288,621,006	240,009,629	210,257,802	194,602,418	183,139,755
Operating expenses and taxes (Notes G and H):					
Fuel and purchased power (Note 2)	87,699,702	52,835,384	40,539,430	37,433,878	36,136,113
Other operations	32,994,520	30,452,945	29,813,119	29,335,854	26,349,424
Maintenance	13,515,232	10,575,336	11,390,241	10,839,586	9,076,923
Depreciation (Note A)	35,783,667	33,606,217	29,905,528	25,801,337	23,275,653
Amortization of property loss				135,613	542,449
Taxes (Note A) (Note 1):					
Federal income:					
Current	21,477,821	22,488,789	16,627,586	14,115,388	18,666,680
Deferred—net	6,494,404	5,777,741	4,921,769	4,660,452	4,183,722
Investment credit:					
Deferred	1,361,369	1,800,068	1,916,906	3,569,432	2,438,868
Amortization of prior years' deferments	(788,586)	(517,334)	(450,669)	(386,962)	(285,434)
State income:					
Current	680,004	1,097,039	1,043,701	1,021,069	662,449
Deferred—net	206,024	277,335	74,503		
Other than income	18,227,880	17,216,957	14,869,655	13,335,865	12,819,163
Total operating expenses and taxes	217,652,037	175,610,477	150,651,769	139,861,512	133,866,010
Operating income	70,968,969	64,399,152	59,606,033	54,740,906	49,273,745
Allowance for funds used during construction (Note 4)	10,068,523	8,724,829	6,896,475	8,846,362	6,049,508
Other income and deductions—net (Note 3)	639,657	(1,245)	(30,228)	49,821	(17,973)
Income before interest charges	81,677,149	73,122,736	66,472,280	63,637,089	55,305,280
Interest charges:					
Interest on long-term debt	28,543,186	26,968,770	24,685,457	21,720,614	17,675,477
Amortization of premium, discount, and expense on debt (Note A)	(25,270)	(31,773)	(38,070)	(46,981)	(55,511)
Other interest expense	2,982,037	1,018,103	2,815,655	2,965,046	2,973,791
Total interest charges	31,499,953	27,955,100	27,463,042	24,638,679	20,593,757
Net income (Note 6)	50,177,196	45,167,636	39,009,238	38,998,410	34,711,523
Preferred dividend requirements	6,730,000	4,649,950	4,084,000	4,084,000	4,084,000
Income applicable to common stock	$ 43,447,196	$ 40,517,686	$ 34,925,238	$ 34,914,410	$ 30,627,523
Common dividends	$ 28,102,061	$ 26,569,221	$ 25,069,221	$ 22,740,381	$ 20,818,488
Average common shares outstanding	25,547,328	25,547,328	23,880,661	23,430,661	22,147,328
Earnings per average common share	$1.70	$1.59	$1.46	$1.49	$1.38
Dividends per common share	$1.10	$1.04	$1.04	$ .98	$ .94
Ratio of Earnings to Fixed Charges (Note 5)	3.48	3.66	3.25	3.46	3.86
Pro forma Ratio of Earnings to Fixed Charges (Note 5)	2.66				

( ) Denotes red figure.

The notes to the financial statements and the notes on the following pages are integral parts of this statement.

GULF STATES UTILITIES COMPANY

NOTES TO STATEMENTS OF INCOME

(1) Federal income tax provisions for 1973 are less than the amount obtained by using the 48% statutory rate primarily due to the following:

	1973
Statutory rate	48.0%
Decrease:	
Excess of allowable tax depreciation and amortization over book amounts	(9.4)
Capitalized costs on books, expensed for income taxes:	
Taxes, pensions and thrift plan	(1.6)
Allowance for funds used during construction	(6.1)
Investment tax credits	(1.7)
Miscellaneous	(2.0)
Actual rate	27.2%

(2) See "Fuel Supply" for increases in cost of "Fuel and purchased power" during 1973.

(3) As of January 1, 1973, in compliance with Federal Power Commission Order No. 469, the Company adopted the equity method of accounting for its investments in Varibus Corporation, a wholly-owned subsidiary. The cumulative effect of the change to January 1, 1973 of $143,706 has been charged to retained earnings. Since the effect of the change on years prior to 1973 is not material, the statements of income for such prior years have not been restated. The undistributed earnings for 1973 of $140,937 is included in Other Income and Deductions.

(4) During the period January 1, 1969 to December 31, 1973, the Company changed interest rates employed for the accrual for the Allowance for Funds Used During Construction ("ADC") as follows:

Effective in 1973—8% to 7½% per annum

Effective in 1971—7½% to 8% per annum

Effective in 1970—6½% to 7½% per annum

These changes decreased net income $671,000 in 1973 and increased net income for 1971 and 1970 by $431,000 and $1,180,000, respectively.

Construction funds used are assumed to have been derived from capital sources in the same proportions as the average capitalization ratios for the respective years. On this basis the ADC attributable to funds provided by common equity amounted to 12.9%, 13.7%, 12.1%, 15.1%, and 12.2% of Income Available for Common Stock for the years 1973, 1972, 1971, 1970, and 1969, respectively. The amount of ADC varied from year to year depending principally upon the level of construction in progress and the cost of capital, thereby affecting the relationship between such allowance and net income.

(5) The ratio of earnings to fixed charges, i.e., the number of times fixed charges are covered by earnings, is determined by using as earnings the net income before income taxes, deferred income taxes, investment tax credits and fixed charges. Fixed charges consist of all interest charges, amortization of premium, discount, and expense on debt and one-third of all rentals charged to income.

The pro forma ratio of earnings to fixed charges for the twelve months ending December 31, 1973, is 2.66 giving effect to the annual interest on the New Bonds (at an assumed interest rate of 8½%); on $50,000,000 of 8½% Bonds issued in August, 1973, the annual interest on $50,000,000 short-term notes expected to be outstanding after application of the proceeds from the sale of the New Bonds, and to the elimination of interest charges during such period on all short-term notes replaced by securities issued during the period. A difference of ⅛% in the actual interest rate from the assumed rate on the New Bonds would change the ratio of earnings to fixed charges by approximately .0048.

(6) See "Business—Electric Rates" for rate increases placed in effect on June 1, 1972, March 15, 1973 and August 13, 1973.

The Statements of Income reflects the results of past operations and is not intended as any representation as to results of operations for any future period. Future operations will necessarily be affected by various and diverse factors and developments including possible changes in electric rates, business activity, taxes, labor contracts, fuel costs, environmental expenditures, the effects of various electricity conservation programs, and other matters, the nature and effect of which cannot now be determined.

Operating revenues, income applicable to common stock, and earnings per average common share for the twelve months ended February 28, 1974, amounted to $300,095,000, $43,455,000 and $1.70 respectively. These amounts are unaudited, but, in the opinion of the Company, reflect all adjustments, consisting only of normal accruals, necessary for a fair statement thereof.

GULF STATES UTILITIES COMPANY

OPERATING STATISTICS AND CERTAIN DETAILS OF REVENUES

	Years Ended December 31,				
	1973	1972	1971	1970	1969
ELECTRIC AND STEAM PRODUCTS:					
Number of customers:					
Residential	349,292	340,360	330,416	319,325	313,661
Commercial	41,986	41,144	40,171	39,251	38,907
Industrial	5,606	6,115	5,320	4,466	4,396
Other	1,433	1,391	1,320	1,324	1,271
Total	398,317	389,010	377,227	364,366	358,235
CAPABILITY, LOAD AND RESERVES (kilowatts):					
Generating capability at time of peak load(1)	4,564,000	4,155,000	4,155,000	3,625,000	3,045,000
Capability purchased from Sam Rayburn and Toledo Bend Dams and Cajun Electric Cooperative, Inc. without reserves	168,000	204,000	98,000	98,000	98,000
Total capability at time of peak load	4,732,000	4,359,000	4,253,000	3,723,000	3,143,000
Peak load including interruptible load(1)	3,790,300	3,602,700	3,285,000	3,039,400	2,850,600
Plus: Power sales with reserves to other utility systems			100,000	100,000	50,000
Less:					
Interruptible load at time of peak load	28,800	39,800	30,600	37,600	
Purchased power with reserves including TVA diversity interchange	215,000	215,000	215,000	215,000	215,000
Load for which reserves are provided	3,546,500	3,347,900	3,139,400	2,886,800	2,685,600
Capability in excess of load	1,185,500	1,011,100	1,113,600	836,200	457,400
Less: Scheduled maintenance at time of peak load			176,000	246,000	
Reserve capability	1,185,500	1,011,100	937,600	590,200	457,400
Percent reserves	33	30	30	20	17
Maximum demand steam sold—M pounds per hour	3,389	3,309	3,193	3,371	3,143
Output—net—kwhrs (thousands):					
Generated	21,890,507	21,281,658	20,643,077	19,290,514	17,337,296
Purchased and interchanged	917,992	519,575	(990,059)	(1,060,239)	(249,426)
Total	22,808,499	21,801,233	19,653,018	18,230,275	17,087,870
Sales of electric energy—kilowatt-hours (thousands):					
Residential	3,730,837	3,546,355	3,132,933	2,860,259	2,665,542
Commercial	2,579,961	2,380,471	2,114,689	1,923,879	1,782,460
Industrial	11,001,560	10,415,986	9,371,114	8,698,045	8,098,285
Steam products	2,880,362	2,602,921	2,420,923	2,384,767	2,364,660
Other sales	1,519,578	1,719,249	1,482,560	1,338,427	1,222,307
Total Sales	21,712,298	20,664,982	18,522,219	17,205,377	16,133,254
Steam sales—millions of pounds	25,723	24,543	23,943	24,162	24,394
Electric line—pole miles:					
Transmission (69,000 volts and over)	3,667	3,641	3,589	3,287	3,085
Distribution (34,500 volts and under)	15,337	15,019	14,655	14,303	14,015
Underground construction—miles of route	671	575	489	399	349
Average annual use per customer:					
Residential:					
Kilowatt-hours	10,819	10,571	9,645	9,044	8,602
Revenue per kilowatt-hour—cents	2.45	2.23	2.19	2.22	2.24
Commercial:					
Kilowatt-hours	62,120	58,562	53,275	49,291	46,395
Revenue per kilowatt-hour—cents	2.16	1.96	1.93	1.95	1.90
Industrial:					
Kilowatt-hours	1,830,542	1,740,058	1,849,440	1,980,880	1,801,220
Revenue per kilowatt-hour—cents	.90	.75	.73	.73	.73

(1) Excludes load served by and capability of the 76,000 kilowatt steam-electric installation maintained and operated by the Industrial Chemicals Division of Allied Chemical Corporation.

GULF STATES UTILITIES COMPANY

OPERATING STATISTICS AND CERTAIN DETAILS OF REVENUES—(Continued)

	Years Ended December 31,				
	1973	1972	1971	1970	1969
GAS:					
Number of customers	71,854	70,597	69,124	67,322	66,694
Output—M cu. ft. of natural gas purchased	9,502,531	9,060,473	8,788,881	9,607,794	9,291,090
Sales—M cu. ft.	9,114,942	8,441,612	8,585,412	9,209,457	8,982,181
Maximum daily output—M cu. ft.	97,984	83,284	85,237	97,483	82,135
Mains—miles	1,019	979	949	937	917
OPERATING REVENUES:					
Electric and steam products—					
Sales of electric energy:					
Residential	$ 91,355,021	$ 79,021,925	$ 68,727,248	$ 63,463,435	$ 59,820,744
Commercial	55,658,876	46,599,660	40,898,786	37,501,242	35,435,809
Industrial	99,231,146	77,941,110	68,322,257	63,393,594	59,367,304
Steam products	15,777,138	12,073,611	10,829,047	10,547,052	10,510,620
Other	14,229,267	13,132,964	11,223,230	10,321,501	9,460,839
Total sales of electric energy	276,251,448	228,769,270	200,000,568	185,226,824	174,595,316
Other electric and steam products revenue	3,175,407	3,011,430	2,374,949	1,609,196	1,227,423
Steam sales	1,957,370	1,956,949	1,954,695	1,946,154	1,969,091
Total electric and steam products	281,384,225	233,737,649	204,330,212	188,782,174	177,791,830
Gas—					
Sales of gas:					
Residential	4,979,121	4,382,289	4,253,967	4,332,508	3,930,360
Commercial and industrial	2,198,738	1,801,735	1,634,856	1,487,226	1,416,666
Total sales of gas	7,177,859	6,184,024	5,888,823	5,819,734	5,347,026
Other gas revenue	58,922	87,956	38,767	510	899
Total gas	7,236,781	6,271,980	5,927,590	5,820,244	5,347,925
TOTAL OPERATING REVENUES	$288,621,006	$240,009,629	$210,257,802	$194,602,418	$183,139,755
ELECTRIC AND STEAM PRODUCTS OPERATING REVENUES—% OF TOTAL	97.5	97.4	97.2	97.0	97.1
GAS OPERATING REVENUES—% OF TOTAL	2.5	2.6	2.8	3.0	2.9

DESCRIPTION OF NEW BONDS

General

The New Bonds are to be issued under and secured by the Company's Indenture of Mortgage dated September 1, 1926, as supplemented and modified by supplemental indentures thereto, including a Thirty-second Supplemental Indenture to be dated as of the date of the New Bonds (said Indenture of Mortgage as so supplemented and modified being hereinafter called the "Indenture"), under which Manufacturers Hanover Trust Company is Trustee (hereinafter under this caption called the "Trustee"). A copy of the Indenture is filed with the Registration Statement as an Exhibit. The bonds of all series which may be issued under the Indenture are hereinafter under this caption referred to as the "Bonds".

The statements herein concerning the New Bonds and certain provisions of the Indenture are merely an outline and do not purport to be complete. They are qualified in their entirety by reference to the Indenture for complete statements and for the definitions of various terms and phrases, including those in italics. Whenever particular Articles, Sections and other subdivisions are referred to, such Articles, Sections and other subdivisions refer to the Seventh Supplemental Indenture, dated as of May 1, 1946, unless otherwise indicated.

The New Bonds are to be dated as of the first day of the month in which they are issued ("the date of the New Bonds"), are to mature thirty years from such date, and will bear interest at the rate set forth in the title thereof, payable semiannually beginning six months from the date of the New Bonds to bondholders of record on the tenth day prior to the interest payment date. Principal and interest are to be payable at the corporate trust office of Manufacturers Hanover Trust Company, Trustee, in New York, New York.

The New Bonds will be fully registered bonds without coupons. New Bonds will be exchangeable for other New Bonds in equal aggregate principal amounts. While the Indenture provides that the Company may make a charge of up to $2 per bond in connection with exchanges and transfers, it is not its present intention to do so with regard to the New Bonds.

Sinking and Improvement Fund

The sinking and improvement fund payments, beginning April 30, 1975, and continuing to and including April 30, 2003, are 1.2% per year of the greatest amount of New Bonds outstanding prior to March 15th of such year less certain New Bonds retired (if $1,000,000 or more thereof have been retired). Payments may be made in cash, principal amount of New Bonds, or by credit of New Bonds previously redeemed under certain circumstances, or *available net additions* or certain *gross property additions* taken in each case at 60% of the amount thereof. Cash in the sinking fund shall be applied to the redemption of New Bonds at the applicable special redemption prices. Similar, but not identical, provisions are made with regard to Bonds of other series outstanding. As long as any New Bonds are outstanding, Bonds retired for the various sinking and improvement funds cannot be used as the basis for the issue of additional Bonds, the release of properties, or the withdrawal of cash from the trust estate. (Section 4.03. Also Section 1.03 of the Thirty-second Supplemental Indenture.)

Maintenance and Replacement Fund

The Company will pay or deliver to the Trustee on or before April 1 in each year, an amount in cash, Bonds, or *refundable indebtedness* equal to the amount of the *minimum provision for depreciation* (15% of operating revenues less the cost of gas and electricity purchased for resale and certain other deductions, after deducting from such 15% the amount expended for maintenance and repairs) for the preceding calendar year, less certain credits for property additions, debt retirements and waivers of the right to authentication of Bonds. The Company may at any time substitute such cash or credits, one for another, on similar bases. The Company may also have any of such cash applied to the redemption or purchase of Bonds or *refundable indebtedness*. As long as any New Bonds are outstanding, no Bonds or *refundable indebtedness* so redeemed or purchased may be used as the basis for the issue of additional Bonds, the release of properties or the withdrawal of cash from the trust estate unless and until requisite cash or property additions shall have been substituted therefor. (Section 4.04. Also Section 1.04 of the Thirty-second Supplemental Indenture.)

Security

In the opinion of counsel for the Company, the New Bonds will be secured, equally and ratably with all other Bonds issued and outstanding under the Indenture, by a valid and direct first mortgage on all the principal properties of the Company (except as stated below), subject only to the prior lien of the Trustee for its compensation, expenses and liability, to such easements, leases, contracts, covenants, liens and other encumbrances and defects as are customarily encountered in comparable utility systems and are not of a character to interfere materially with the use and operation of such properties, current taxes and other liens or encumbrances which are of a minor nature and which do not secure the payment of money, and to *permitted encumbrances* on the Company's *bondable property*, franchises and permits.

There are excepted from the lien of the Indenture bills, notes, accounts receivable, etc., and cash, contracts, shares of stock, bonds, and notes, other evidences of indebtedness and other securities, and other choses in action; merchandise held for sale; materials and supplies; fuel; aircraft, automobiles and trucks, etc.; oil, gas, and other minerals underlying mortgaged lands; office furniture, equipment and supplies; and certain other properties. (Granting Clauses of the Indenture.)

The Indenture permits the Company to acquire *bondable property* subject to *prior liens*. The Indenture provides for subjection to the lien thereof of all property which the Company may acquire after the date of the Indenture except property of the character expressly excepted and subject to certain limitations in cases of merger and consolidations. (Sections 9.06 and 9.12 and Article Fourteen.)

Property Subject to Prior Liens

Property subject to any *prior lien* cannot constitute *property additions* for use as a basis for action or credit under the Indenture unless such lien is established as a *refundable lien* and (1) the principal amount of the outstanding indebtedness secured by such *prior lien* will not exceed 60% of the amount of the property subject thereto, (2) the total principal amount of *prior lien indebtedness* to be outstanding will not exceed 15% of the total principal amount of Bonds then outstanding and Bonds which the Company would then be entitled to have authenticated and delivered, and (3) the principal amount of *prior lien indebtedness* being established as refundable will not exceed 60% of *available net additions* (Section 2.01).

Issuance of Additional Bonds

Additional Bonds ranking equally and ratably with the New Bonds may be issued under the Indenture, subject to the limitation that the aggregate principal amount of Bonds at any one time outstanding shall not exceed $1,000,000,000. Such additional Bonds may be authenticated and delivered (1) to an aggregate principal amount not exceeding 60% of *available net additions* (Section 5.04), (2) against the deposit of cash with the Trustee (Section 5.05), and (3) against the retirement of Bonds and/or *refundable indebtedness* (Section 5.06). Cash deposited with the Trustee pursuant to (2) above may be withdrawn to the extent of 60% of *available net additions* or 100% of available retirements of Bonds, or *refundable indebtedness* (Sections 8.02 and 8.03). The New Bonds will be issued against *available net additions*.

At December 31, 1973 the Company had approximately $224,250,000 of *available net additions*, entitling it to issue $134,550,000 principal amount of Bonds on the basis of *available net additions* and none on the basis of retirement of Bonds or *refundable indebtedness*.

As a condition to the authentication and delivery of additional Bonds, except against retirements of Bonds or *refundable indebtedness* in certain cases, *net earnings available for interest* for twelve consecutive months out of the preceding fifteen months must have been at least twice the aggregate amount of the annual interest charges upon the outstanding Bonds, the Bonds then applied for, and any indebtedness to be outstanding secured by *prior liens* (Section 1.09).

Release and Substitution of Property

Properties subject to the lien of the Indenture may be released against (1) the deposit of cash or (within certain limits) purchase money obligations and, in certain cases, governmental or municipal obligations (Section 7.04); (2) the deposit of the proceeds under a prior lien; (3) *available net additions;* and (4) available retirements of Bonds or *refundable indebtedness* (Section 7.06). No prior notice to bondholders is required in connection with releases but subsequent reports are required in certain cases (Section 11.04). In the event of the sale, taking or release of substantially all of the *bondable property* of the Company not subject to any non-refundable prior lien, the proceeds must be applied to the purchase or redemption of Bonds or *refundable indebtedness* (Section 8.01).

Covenant as to Dividends, Etc.

So long as any of the New Bonds remain outstanding, the Company will not declare any dividend (other than dividends payable in Common Stock of the Company) on any shares of its Common Stock, unless such dividend is declared to be payable within 60 days after the date of declaration thereof, and further, it will not (a) declare any such dividend or make any other distribution on any shares of its Common Stock, or (b) purchase or otherwise retire for a consideration (other than in exchange for or from the proceeds of other shares of capital stock of the Company) any shares of its Common Stock, if the aggregate amount so declared, distributed or expended after December 31, 1945, would exceed the aggregate of the *net income of the Company available for dividends on its Common Stock* accumulated after December 31, 1945, to and including a date not earlier than the end of the second calendar month preceding the date of declaration in the case of a dividend and the date of payment in any other case, plus the sum of $378,000. (Section 9.10. Also Section 1.07 of the Thirty-second Supplemental Indenture.)

Trustee

The Indenture provides that if the Trustee acquires a conflicting interest, as defined, it must eliminate such conflict or resign, and in certain cases it is requested to share the benefit of payments received as a creditor after the beginning of the fourth month prior to a default. (Sections 15.13 and 15.14.) The Company maintains deposit accounts with and from time to time borrows funds from the Trustee. The holders of a majority of the aggregate principal amount of the Bonds may require the Trustee to take certain action under the Indenture, including the enforcement of the lien thereof. Before acting, among other conditions, the Trustee may require indemnification satisfactory to it and its counsel (Section 12.20).

Defaults

An event of default is defined as: default in payment of principal; default for 30 days in payment of interest; default for 60 days in satisfaction of sinking, improvement, maintenance, or replacement fund obligations; default under the covenants, conditions and agreements on the part of the Company in the Indenture for 90 days after notice by the Trustee or the holders of 15% of the aggregate principal amount of the outstanding Bonds; and certain events in bankruptcy, insolvency, receivership or reorganization proceedings (Section 12.01). The Company is required to deliver to the Trustee each year an officers' certificate stating whether or not, to the best of the knowledge of the signers, any default exists (Section 9.17).

Modification or Amendment of Indenture

The Indenture and the rights and obligations of the Company and the holders of the Bonds and coupons may be modified with the consent of the holders of not less than 75% in principal amount of the outstanding Bonds, including not less than 60% of each series affected, but no such modification shall (1) extend the maturity of any of the Bonds or reduce the rate or extend the time of payment of interest thereon or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond affected; or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, without the consent of the holders of all of the Bonds then outstanding; or (3) reduce the percentage of holders of Bonds required to approve any such supplemental indenture, without the consent of the holders of all of the Bonds then outstanding (Sections 18.02-18.06).

Redemption Provisions

The New Bonds will be redeemable at the option of the Company as a whole at any time or in part from time to time upon thirty days' notice, at the applicable redemption price set forth below, with interest accrued to the redemption date; provided that no New Bonds shall be redeemed at the Regular Redemption Prices prior to March 1, 1979 with borrowed funds, or in anticipation of funds to be borrowed, having an effective interest cost (calculated in accordance with generally accepted financing practices) of less than 8.625% per annum. The Regular Redemption Prices apply to all redemptions except in the following cases to which the Special Redemption Prices are applicable: (a) redemptions for the Sinking and Improvement Fund for the New Bonds, (b) redemptions by application of cash in the Maintenance and Replacement Fund or from certain other moneys held under the Indenture (consisting chiefly of release, condemnation award, and insurance moneys), and (c) redemptions within 12 months after the acquisition of a majority of the Company's Common Stock by a governmental or cooperative entity. If at the time notice of redemption is given (except sinking fund redemptions) the redemption moneys are not on deposit with the Trustee, the redemption may be made subject to receipt by the Trustee of such redemption moneys prior to the date designated for redemption and the notice thereof shall be of no effect unless such moneys are so received. (Article Ten. Also Section 1.02 of the Thirty-second Supplemental Indenture.)

See also "Release and Substitution of Property".

Redemption Prices of New Bonds

If Redeemed During the 12 Months Beginning March 1	The redemption prices are as follows: Regular Redemption Price (%)	Special Redemption Price (%)	If Redeemed During the 12 Months Beginning March 1	The redemption prices are as follows: Regular Redemption Price (%)	Special Redemption Price (%)
1974	108.63	100.06	1989	104.17	100.05
1975	108.33	100.06	1990	103.87	100.05
1976	108.04	100.06	1991	103.57	100.04
1977	107.74	100.06	1992	103.28	100.04
1978	107.44	100.06	1993	102.98	100.04
1979	107.14	100.06	1994	102.68	100.04
1980	106.85	100.06	1995	102.38	100.04
1981	106.55	100.05	1996	102.09	100.03
1982	106.25	100.05	1997	101.79	100.03
1983	105.95	100.05	1998	101.49	100.03
1984	105.66	100.05	1999	101.19	100.02
1985	105.36	100.05	2000	100.90	100.02
1986	105.06	100.05	2001	100.60	100.02
1987	104.76	100.05	2002	100.30	100.01
1988	104.47	100.05	2003	100.00	100.00

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of
GULF STATES UTILITIES COMPANY:

We have examined the balance sheet of GULF STATES UTILITIES COMPANY as of December 31, 1973, and the related statements of income (page 12), retained earnings and changes in financial position for the years 1969 through 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Gulf States Utilities Company at December 31, 1973, and the results of its operations and changes in financial position for the years 1969 through 1973, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

Houston, Texas
February 6, 1974

GULF STATES UTILITIES COMPANY

BALANCE SHEET

ASSETS

		December 31, 1973
Utility and other plant (including intangibles) at original cost:		
Electric utility plant	$1,154,380,238	
Steam products plant	52,770,531	
Gas utility plant	19,488,263	$1,226,639,032
Less: Accumulated provision for depreciation (Note A)		292,977,235
Total plant less accumulated provision for depreciation		933,661,797
Construction work in progress, at cost		154,046,224
Total utility and other plant		1,087,708,021
Other property and investments:		
Investment in and advances to subsidiary company at equity (Note A)		20,937,376
Other property and investments, at cost		1,020,125
Total other property and investments		21,957,501
Current assets:		
Cash (Note B)		3,801,388
Special deposits		355,134
Accounts receivable:		
Customers	28,922,504	
Others	2,077,078	
	30,999,582	
Less: Accumulated provision for uncollectibles	411,531	30,588,051
Materials and supplies (including construction materials) at average cost		5,886,551
Fuel stock		9,035,107
Fuel prepayments		359,172
Other prepayments		1,388,209
Total current assets		51,413,612
Deferred debits:		
Unamortized debt discount and expense (Note A)		1,275,030
Other		1,341,072
Total deferred debits		2,616,102
		$1,163,695,236

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

BALANCE SHEET

LIABILITIES

		December 31, 1973
Capitalization:		
Capital stock and retained earnings:		
Common stock, without par value (Note C)	$ 187,579,725	
Retained earnings (Note D)	154,555,840	$ 342,135,565
Preferred stock (Note C)		117,500,000
Premium on preferred stock (Note C)		655,236
Total capital stock and retained earnings		460,290,801
Long-term debt (Note E):		
First mortgage bonds	519,000,000	
Debentures	10,125,000	529,125,000
Total capitalization		989,415,801
Current liabilities:		
Debentures, due within one year, less amount acquired for sinking fund purposes (Note E)		304,000
Notes payable (unsecured):		
Bank (Note B)	21,962,500	
Commercial paper	20,482,422	42,444,922
Accounts payable, trade		18,981,683
Customers' deposits		2,746,178
Taxes accrued		6,117,274
Interest accrued		8,530,485
Payroll accrued		785,526
Other		3,977,531
Total current liabilities		83,887,599
Deferred credits:		
Unamortized premium on debt (Note A)		1,093,773
Investment tax credit (Note A)		19,689,033
Other		292,095
Total deferred credits		21,074,901
Operating reserves		1,770,954
Contributions in aid of construction		3,829,331
Accumulated deferred income taxes (Note A)		63,716, 650
Commitments (Note F)		
		$1,163,695,236

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

STATEMENTS OF RETAINED EARNINGS

	Years Ended December 31,				
	1973	1972	1971	1970	1969
Balance, beginning of period, as previously reported	$139,354,411	$125,405,946	$115,489,929	$103,366,168	$ 93,557,133
Less: Cumulative effect of change to equity method of accounting for investments (See Note (3) to Statements of Income)	143,706				
Balance, beginning of period, as restated	139,210,705	125,405,946	115,489,929	103,366,168	93,557,133
Additions:					
Net income	50,177,196	45,167,636	39,009,238	38,998,410	34,711,523
	189,387,901	170,573,582	154,499,167	142,364,578	128,268,656
Deductions:					
Capital stock expense				50,268	
Cash dividends:					
Preferred stock (at annual rates indicated below):					
$4.40 dividend	528,000	528,000	528,000	528,000	528,000
$4.50 dividend	225,000	225,000	225,000	225,000	225,000
$4.40 dividend—1949 series	264,000	264,000	264,000	264,000	264,000
$4.20 dividend	294,000	294,000	294,000	294,000	294,000
$4.44 dividend	222,000	222,000	222,000	222,000	222,000
$5.00 dividend	375,000	375,000	375,000	375,000	375,000
$5.08 dividend	508,000	508,000	508,000	508,000	508,000
$4.52 dividend	452,000	452,000	452,000	452,000	452,000
$6.08 dividend	1,216,000	1,216,000	1,216,000	1,216,000	1,216,000
$7.56 dividend	2,646,000	565,950			
Common stock	28,102,061	26,569,221	25,009,221	22,740,381	20,818,488
	34,832,061	31,219,171	29,093,221	26,874,649	24,902,488
Balance, end of period (Note D)	$154,555,840	$139,354,411	$125,405,946	$115,489,929	$103,366,168

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years Ended December 31, 1973	1972	1971	1970	1969
Funds from Operations:					
Net Income (a)	$ 50,177,196	$ 45,167,636	$ 39,009,238	$ 38,998,410	$ 34,711,523
Items not affecting working capital:					
Depreciation	35,783,667	33,606,217	29,905,528	25,801,337	23,275,653
Amortization of loss on sale of property				135,613	542,449
Deferred Federal income tax—net	6,494,404	5,777,741	4,921,769	4,660,452	4,183,722
Deferred State income tax—net	206,024	277,335	74,503		
Investment tax credit—net	572,783	1,282,734	1,466,237	3,182,470	2,153,434
Common stock equity component of allowance for funds used during construction	(5,590,044)	(5,536,995)	(4,208,574)	(5,283,048)	(3,740,457)
Funds from operations	87,644,030	80,574,668	71,168,701	67,495,234	61,126,324
Financing:					
First mortgage bonds	50,000,000		35,000,000	60,000,000	50,000,000
Preferred stock		35,054,985			
Common stock			40,280,000	28,217,000	
Notes payable	(30,796,362)	69,255,710	(29,000,688)	(17,220,445)	26,311,188
Increase in other—net (b)	9,102,785	8,365,942	5,328,919	6,607,187	4,245,751
Total funds provided	$115,950,453	$193,251,305	$122,776,932	$145,098,976	$141,683,263
Funds for:					
Gross plant additions (a)	$107,233,919	$111,314,414	$ 91,994,125	$110,596,364	$123,327,953
Dividends	34,832,061	31,219,171	29,093,221	26,824,381	24,902,488
Retirement of long-term debt	375,000	375,000	375,000	375,000	375,000
Investment in and advances to subsidiary company	18,354,827	2,482,549			
Temporary cash investments	(47,900,000)	47,900,000			
	112,895,807	193,291,134	121,462,346	137,795,745	148,605,441
Increase (decrease) in working capital as detailed below	3,054,646	(39,829)	1,314,586	7,303,231	(6,922,178)
Total funds used	$115,950,453	$193,251,305	$122,776,932	$145,098,976	$141,683,263
Increase (decrease) in working capital (excluding notes payable):					
Accounts receivable	$ 6,144,319	$ 5,305,391	$ (630,462)	$ 2,565,096	$ 2,129,606
Inventories	1,096,784	(610,558)	116,436	599,810	(142,194)
Fuel stock	7,797,117	(678,347)	1,529,693	518	(3,786)
Fuel prepayments	(32,652)	391,824			
Other prepayments	(88,433)	(775,339)	85,709	169,488	404,593
Accounts payable	(7,715,558)	(2,032,621)	1,286,864	(1,795,644)	(1,400,864)
Accrued taxes	(799,994)	(472,639)	1,074,371	5,730,833	(4,747,320)
Accrued interest	(1,769,518)	(20,835)	(468,670)	(1,312,419)	(1,298,579)
Other—net	(1,577,419)	(1,146,705)	(1,679,355)	1,345,549	(1,863,634)
	$ 3,054,646	$ (39,829)	$ 1,314,586	$ 7,303,231	$ (6,922,178)

(a) Includes allowance for funds used during construction. See Note 4 to Statements of Income.

(b) Includes common stock equity component of allowance for funds used during construction.

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

NOTES TO FINANCIAL STATEMENTS

(A) The major accounting policies of Gulf States Utilities Company are outlined below. These policies are presented to assist the reader in evaluating the financial statements and other data presented in this prospectus.

The Accounting records of the Company are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Power Commission and the Louisiana Public Service Commission.

Utility and other plant is stated at original cost when first dedicated to public service and the amounts shown do not purport to represent reproduction costs or current value. Costs of repairs and minor replacements are charged to expense as incurred. The recorded cost of depreciable utility plant retired and cost of removal, less salvage, are charged to accumulated provision for depreciation.

The capitalized cost of utility and other plant includes an allowance for the cost of funds used during construction.

The provision for depreciation is computed using the straight-line method at rates which will amortize the unrecovered cost of depreciable plant over the estimated remaining service life. The provisions for depreciation for the years 1969 through 1973 were equivalent to average percentages of depreciable plant as follows: Electric 3.2%, Steam Products 3.8% and Gas 2.9%.

The Company's investment in Varibus Corporation, a wholly-owned subsidiary, is accounted for on the equity basis. See Note (3) to Statements of Income.

No specific provision has been made for amortization of intangibles.

For income tax purposes, the Company has adopted accelerated methods of computing depreciation for eligible property. Pursuant to regulatory commission order, amounts equal to the reductions in income taxes arising from the use of accelerated depreciation rather than straight-line tax depreciation are charged to income and concurrently credited to accumulated deferred income taxes. Upon expiration of the periods of tax deferment, the amounts accumulated are used to offset the provision for income taxes in amounts equivalent to the related increases in such taxes.

Amounts equal to the reductions in Federal income taxes resulting from investment tax credits are charged to income and concurrently credited to deferred credits. These credits are being amortized over the estimated useful life of the related properties.

Unamortized premium, discount and expense on bonds and debentures are being amortized ratably over the lives of the respective issues.

(B) At December 31, 1973 the Company had agreements with several banks which terminate December 31, 1974, providing for borrowing up to $51,080,000 at the prime commercial lending rate in effect from time to time without payment of a commitment fee. The Company maintains nonsegregated working cash balances which generally average, over the life of the agreements, approximately 10% of the line of credit.

The weighted average interest rate of the aggregate short-term borrowings at December 31, 1973, was 9.8%. For the 12 months ended December 31, 1973, the maximum aggregate short-term borrowings outstanding at any one time (notes payable to banks and to holders of commercial paper) were $73,300,000. The average monthly short-term borrowings during the period approximated $36,700,000 and the average interest cost was approximately 7.1%. Average monthly short-term borrowings represent the sum of the ending monthly borrowings outstanding divided by 12 and the average interest rate is determined by dividing accrued interest during the year by this average.

(C) Common Stock, without par value; authorized 40,000,000 shares; outstanding, 25,547,328 shares. The Company in November, 1971, sold 2,000,000 additional shares for an aggregate of $40,280,000; and in February, 1970, sold 1,400,000 additional shares for an aggregate of $28,217,000.

Preferred Stock, $100 par, cumulative; authorized 3,000,000 shares; outstanding 1,175,000 shares as follows:

120,000 shares $4.40 dividend, entitled upon redemption to $108 per share	$ 12,000,000
50,000 shares $4.50 dividend, entitled upon redemption to $105 per share	5,000,000
60,000 shares $4.40 dividend, 1949 series, entitled upon redemption to $103 per share	6,000,000
70,000 shares $4.20 dividend, entitled upon redemption to $102.818 per share ..	7,000,000
50,000 shares $4.44 dividend, entitled upon redemption to $103.75 per share ..	5,000,000
75,000 shares $5.00 dividend, entitled upon redemption to $104.25 per share ..	7,500,000
100,000 shares $5.08 dividend, entitled upon redemption to $104.63 per share ..	10,000,000
100,000 shares $4.52 dividend, entitled upon redemption to $103.57 per share ..	10,000,000
200,000 shares $6.08 dividend, entitled upon redemption to $105.34 per share prior to July 1, 1977, and thereafter to $103.34 per share	20,000,000
350,000 shares $7.56 dividend, entitled upon redemption to $108.36 per share prior to September 1, 1977, then until September 1, 1982 to $106.80 per share, then until September 1, 1987 to $103.80 per share, and thereafter to $101.80 per share	35,000,000
	$117,500,000

In September, 1972, the Company sold 350,000 additional shares of $7.56 Dividend Preferred Stock for an aggregate of $35,054,985.

The redemption and liquidation prices of all preferred stock issues, in the aggregate, were $124,407,510 at December 31, 1973.

Premium on Preferred Stock increased $54,985 in September, 1972, as a result of the sale of 350,000 shares of $7.56 Dividend Preferred Stock, $100 par value.

No shares are reserved for officers and employees or for options, warrants, conversions and other rights.

(D) Certain limitations on the payment of cash dividends on common stock are contained in the Company's Articles of Incorporation and indentures, the most restrictive presently being that contained in the Articles of Incorporation which provides generally that no cash dividends shall be paid except out of earnings accumulated after May 31, 1958, plus $28,262,988, provided, however, that such dividends are limited to 75% of "available net income" if the "common stock equity" (excluding premium on preferred stock) falls below 25% of "total capitalization" (excluding premium on preferred stock). Under this provision, retained earnings unrestricted as to cash dividends on common stock amounted to $112,320,591 at December 31, 1973.

(E) First mortgage bonds comprise:

2⅝% Series, due May 1, 1976 (excluding $1,000,000 in treasury) ...	$ 27,000,000
3 % Series, due April 1, 1978	12,000,000
2¾% Series, due December 1, 1979	10,000,000
2¾% Series, due June 1, 1980	13,000,000
3⅜% Series, due November 1, 1981	10,000,000
3⅛% Series, due December 1, 1982	10,000,000
3⅜% Series, due December 1, 1983	10,000,000
4¼% Series, due September 1, 1986	15,000,000
4⅞% Series, due October 1, 1987	17,000,000

4 % Series, due May 1, 1988	$ 20,000,000
4¾% Series, due January 1, 1989	10,000,000
5¼% Series A, due December 1, 1989	16,000,000
4⅞% Series, due July 1, 1990	17,000,000
4⅜% Series, due May 1, 1992	17,000,000
5 % Series, due January 1, 1996	20,000,000
5⅜% Series, due February 1, 1997	35,000,000
6⅝% Series, due February 1, 1998	25,000,000
6¾% Series A, due October 1, 1998	40,000,000
7¼% Series, due March 1, 1999	25,000,000
8⅛% Series A, due September 1, 1999	25,000,000
8½% Series, due February 1, 2000	30,000,000
7⅞% Series A, due December 1, 2000	30,000,000
7½% Series, due November 1, 2001	35,000,000
8½% Series, due August 1, 2003	50,000,000
	$519,000,000

The Company's mortgage contains sinking fund provisions which require generally that the Company make semi-annual cash deposits with the Trustee equivalent to ½ of 1% of the greatest aggregate principal amount of the 1976 Series Bonds authenticated and delivered and annual cash deposits equal to 1.2% of the greatest aggregate principal amount of bonds subsequently authenticated and delivered; or in lieu thereof in each instance, to apply property additions or reacquired bonds to that purpose. The Company has satisfied the mortgage requirements in past years by certifying to the Trustee "available net additions" and plans to continue such practice.

The debentures bear interest at 4⅝% and are due October 1, 1981. The trust indenture requires annual redemption for sinking fund purposes of $375,000 principal amount through 1980.

Aggregate sinking fund requirements of bonds and debentures outstanding, for each of the five years subsequent to December 31, 1973, are as follows:

1974	$6,488,000
1975	6,559,000
1976	6,279,000
1977	6,279,000
1978	6,135,000

The Company's 2⅝% Series of First Mortgage Bonds amounting to $28,000,000 are due May 1, 1976 and the Company's 3% Series of First Mortgage Bonds amounting to $12,000,000 are due April 1, 1978.

(F) The construction program involves expenditures of approximately $174,000,000 in 1974. See "Construction Program". In that connection, the Company has incurred substantial commitments for equipment.

See "Business—Future Generating Plants" for a description of recent commitments to purchase coal and uranium concentrates.

NOTES TO FINANCIAL STATEMENTS—(Continued)

(G) The Company has a contributory pension plan covering all employees between the ages of 30 and 65 years who have had one year of continuous service. The Company's policy is to fund pension cost accrued. Since 1969 the aggregate cost actuarial method of funding the plan has been used. Under this method, unfunded past service cost is not separately identified.

Cost of the plan charged to income and to construction and other accounts for the years 1969-1973 are as follows:

	Years Ended December 31,				
	1973	1972	1971	1970	1969
Charged to income	$1,146,831	$1,255,441	$1,277,185	$1,205,059	$1,019,906
Charged to construction and other accounts	487,396	531,064	539,733	469,060	448,897
Total	$1,634,227	$1,786,505	$1,816,918	$1,674,119	$1,468,803

(H) Supplementary Profit and Loss Information:

The amounts of maintenance, repairs and depreciation, other than those shown in the statements of income, and the amounts of royalties, advertising costs, and research and development costs have been omitted as each is less than one percent of total revenue and sales. Taxes, other than federal and state income taxes, are set forth by classes as follows:

	Years Ended December 31,				
	1973	1972	1971	1970	1969
Real estate and property	$ 8,696,041	$ 9,030,733	$ 8,548,265	$ 7,877,807	$ 7,678,805
Gross receipts	5,537,941	4,311,855	3,908,805	3,524,568	3,299,145
Payroll	1,281,769	972,098	872,905	708,979	717,462
Street rental	836,775	743,150	695,043	644,464	591,111
Other	1,875,354	2,159,121	844,637	580,047	532,640
Total	$18,227,880	$17,216,957	$14,869,655	$13,335,865	$12,819,163
Taxes, other than income, were also charged to various other accounts (stores and transportation expense clearing, construction, etc.) in the amounts of	$ 1,620,442	$ 808,622	$ 658,843	$ 614,838	$ 487,740
Rents charged to income*	$ 1,764,255	$ 1,803,787	$ 1,774,609	$ 1,764,774	$ 1,598,044

* The Company's lease agreements at December 31, 1973 generally do not contain options to extend the lease terms or to purchase the leased properties. The present value, as of December 31, 1973, of minimum lease commitments is less than five percent of long-term debt and shareholders' equity. The effect on net income if all financing leases were to be capitalized is less than three percent of the average net income for the most recent three years and therefore is not significant.

PURCHASERS OF THE NEW BONDS

The Purchasers named below have severally agreed to purchase from the Company, in accordance with the Bond Purchase Contract, the principal amounts of New Bonds set forth below opposite their respective names.

Name	Address	Principal Amount
The First Boston Corporation	20 Exchange Place, New York, N. Y. 10005	$10,000,000
Salomon Brothers	One New York Plaza, New York, N. Y. 10004	10,950,000
Blyth Eastman Dillon & Co. Incorporated	One Chase Manhattan Plaza, New York, N. Y. 10005	4,000,000
Dillon, Read & Co. Inc.	46 William Street, New York, N. Y. 10005	10,000,000
Hayden Stone Inc.	767 Fifth Avenue, New York, N. Y. 10022	3,500,000
W. E. Hutton & Co.	14 Wall Street, New York, N. Y. 10005	3,500,000
SoGen-Swiss International Corporation	100 Wall Street, New York, N. Y. 10005	3,500,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	Two Broadway, New York, N. Y. 10004	3,500,000
Wood, Struthers & Winthrop Inc.	20 Exchange Place, New York, N. Y. 10005	3,500,000
A. E. Ames & Co. Incorporated	2 Wall Street, New York, N. Y. 10005	1,500,000
Nomura Securities International, Inc.	100 Wall Street, New York, N. Y. 10005	1,500,000
Wood Gundy Incorporated	100 Wall Street, New York, N. Y. 10005	1,500,000
Stone & Youngberg	One California Street, San Francisco, California 94111	750,000
Boettcher & Company	828 Seventeenth Street, Denver, Colorado 80202	500,000
Howard, Weil, Labouisse, Friedrichs Incorporated	211 Carondelet Street, New Orleans, Louisiana 70130	500,000
McCormick & Co., Incorporated	Two First National Plaza, Chicago, Illinois 60670	500,000
Suplee-Mosley Inc.	1700 Market Street, Philadelphia, Pennsylvania 19103	500,000
Scharff & Jones, Inc.	330 One Shell Square, New Orleans, Louisiana 70152	300,000
	Total	$60,000,000

The Company has agreed to indemnify the several Purchasers against certain liabilities, including certain liabilities under the Securities Act of 1933.

The Company has been advised by the Purchasers through their Representatives, The First Boston Corporation, Salomon Brothers, Blyth Eastman Dillon & Co. Incorporated and Dillon, Read & Co. Inc., as follows:

> The Purchasers propose to make a public offering of the New Bonds at the public offering price set forth on the cover page of the Prospectus. The Purchasers may allow to certain dealers a concession from the public offering price of ¼ of 1% of the principal amount. The Purchasers may allow and such dealers may reallow a discount of ¼ of 1% to certain other dealers. After the initial public offering, the public offering price and concessions may be changed.

The Purchasers are obligated to purchase all of the New Bonds if any are purchased. However, under certain circumstances involving defaults by Purchasers, less than all of the New Bonds may be purchased.

LEGAL OPINIONS

The legality of the New Bonds will be passed on by Messrs. Orgain, Bell & Tucker, Beaumont, Texas, counsel for the Company and by Messrs. Beekman & Bogue, Five Hanover Square, New York, N. Y., counsel for the Purchasers. All matters pertaining to conformity to Texas laws, franchises, titles to property and the lien of the Indenture in Texas will be passed on only by Messrs. Orgain, Bell & Tucker. All matters pertaining to conformity to Louisiana laws, to franchises, titles to property and the lien of the Indenture in Louisiana east of the Atchafalaya River will be passed on only by Messrs. Taylor, Porter, Brooks & Phillips, Baton Rouge, Louisiana. All matters pertaining to franchises, titles to property and the lien of the Indenture in Louisiana west of the Atchafalaya River will be passed on only by Messrs. Stockwell, St. Dizier, Sievert & Viccellio, Lake Charles, Louisiana. Partners and associates of Messrs. Orgain, Bell & Tucker, Messrs. Taylor, Porter, Brooks & Phillips and Messrs. Stockwell, St. Dizier, Sievert & Viccellio beneficially own, respectively 12,913 shares of Common Stock and 3 shares of Preferred Stock of the Company; 1,200 shares of Common Stock and 100 shares of Preferred Stock of the Company; and 300 shares of Common Stock of the Company.

EXPERTS

The financial statements which appear in the Prospectus and in the Registration Statement have been examined by Coopers & Lybrand, independent certified public accountants, to the extent indicated by their report. Such financial statements have been included in reliance upon such report of said firm and upon the authority of said firm as experts in accounting and auditing.

The statements of legal conclusions made herein under "Regulation" and "Description of New Bonds" have been prepared or reviewed (a) as to all matters, except those governed by the laws of Louisiana, by Messrs. Orgain, Bell & Tucker, (b) as to all matters under "Security" under "Description of New Bonds" insofar as the same relate to properties of the Company in Louisiana west of the Atchafalaya River, by Messrs. Stockwell, St. Dizier, Sievert & Viccellio, and (c) as to all other matters governed by the laws of Louisiana, by Messrs. Taylor, Porter, Brooks & Phillips, all counsel for the Company. All such statements are, as to matters of law, made on the authority of said respective counsel as experts.

GULF STATES UTILITIES COMPANY,

By F. R. Smith,
Chairman of the Board of Directors

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Gulf States Utilities Company

$60,000,000

First Mortgage Bonds
8⅝% Series due 2004

March 20, 1974

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any state to any person to whom it is unlawful to make such an offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that information herein is correct as of any time subsequent to its date.

made available at transmission or subtransmission voltage by one entity to another.

(c) "Entity" means person, a private or public corporation, a municipality, a cooperative, an association, a joint stock association or business trust owning, operating, or proposing to own or operate equipment or facilities for the generation, transmission or distribution of electricity: *Provided*, That, except for municipalities or rural electric cooperative, "entity" is restricted to those which are or will be public utilities under the laws of the state in which the entity transacts or will transact business or under the Federal Power Act, and are or will be providing electric service under a contract or rate schedule on file with and subject to the regulation of a state regulatory commission or the Federal Power Commission.

(d) "Cost" means any operating and maintenance expenses involved together with any ownership costs which are reasonably allocable to the transaction consistent with industry practices. No value shall be included for loss of revenues from sale of power at wholesale or retail by one party to a customer which another party might otherwise serve. Cost shall include a reasonable return on Applicant's investment. The sale of a portion of the capacity of a generating unit shall be upon the basis of a rate that will recover to the seller the pro rata part of the fixed costs and operating and maintenance expenses of the unit: *Provided*, That, in circumstances in which Applicant and one or more entities in the Southeastern Michigan area take an undivided interest in a unit in fee, construction costs and operation and maintenance expenses shall be paid pro rata.

2. (a) Applicant shall interconnect with, and coordinate reserves by means of the sale and purchase of emergency and/or scheduled maintenance bulk power with, any entity (ies) in the Southeastern Michigan area engaging in or proposing to engage in electric bulk power supply on terms that will provide for Applicant's costs in connection therewith and allow the other party(ies) full access to the benefits of reserve coordination.

(b) Emergency service and/or scheduled maintenance service to be provided by each party shall be furnished to the fullest extent available from the supplying party and desired by the party in need. Applicant and each party(ies) shall provide to the other emergency service and or scheduled maintenance service if and when available from its own generation and from generation of others to the extent it can do so without impairing service to its customers including other electric systems to whom it has firm commitments.

(c) Applicant and the other party(ies) to a reserve sharing arrangement shall from time to time jointly establish the minimum reserves to be installed and/or provided under contractual arrangements as necessary to maintain in total a reserve margin sufficient to provide adequate reliability of power supply to the interconnected systems of the parties. If Applicant plans its reserve margin with other Michigan companies, the reserves jointly established hereunder shall be on the same basis. Unless otherwise agreed upon, minimum reserves shall be calculated as a percentage of estimated peak load responsibility. No party to the arrangement shall be required to maintain greater reserves than the percentage of its estimated peak load responsibility which results from the aforesaid calculation, provided that, if the reserve requirements of Applicant are increased over the amount Applicant would be required to maintain without such interconnection, then the other party(ies) shall be required to carry or provide for as its (their) reserves the full amount in kilowatts of such increase.

(d) The parties to such reserve sharing arrangement shall provide such amounts of operating reserve capacity as may be adequate to avoid the imposition of unreasonable demands on the other in meeting the normal contingencies of operating its system. However, in no circumstances shall the operating reserve requirements exceed the installed reserve requirement.

(e) Interconnections will not be limited to low voltages when higher voltages are available from Applicant's installed facilities in the area where interconnection is desired, when the proposed arrangement is found to be technically and economically feasible. Control and telemetering facilities shall be provided as required for safe and prudent operation of the interconnected systems.

(f) Interconnection and coordination agreements shall not embody any restrictive provisions pertaining to inter-system coordination. Good industry practice as developed in the area from time to time (if nonrestrictive) will satisfy this provision.

3. Applicant will sell bulk power from new generating capacity planned or under construction at its costs to or purchase bulk power from any other entity(ies) in the Southeastern Michigan area engaging in or proposing to engage in generation of electric power when such transactions would serve to reduce the overall costs of new bulk power supply for itself or for the other party(ies) to the transaction. This refers specifically to the opportunity to coordinate in the planning of new generation, transmission and related facilities. This provision shall not be construed to require Applicant to purchase or sell bulk power if it finds such purchase or sale infeasible or its costs in connection with such purchase or sale would exceed its benefits therefrom.

4. Applicant and any successor in title shall offer an opportunity to participate in the Greenwood Nuclear Units 2 and 3 to any entity in Southeastern Michigan which shall indicate its interest therein prior to June 30, 1974 and shall offer an opportunity to participate in any nuclear generating unit(s) which they or either of them may construct, own and operate in the State of Michigan, severally or jointly, during the term of the instant license, or any extension or renewal thereof, to any entity(ies) in the Southeastern Michigan area by either a reasonable ownership interest in such unit(s), or by a contractual right to purchase a reasonable portion of the output of such unit(s) at the cost thereof if the entity(ies) so elects. Such notice of intention to participate in future units must be given to Applicant in writing prior to the placement of orders for major equipment. In connection with such access, Applicant will also offer transmission service as may be required for delivery of such power to such entity(ies) on a basis that will fully compensate Applicant for its cost.

5. (a) Applicant shall facilitate the exchange of bulk power by transmission over its transmission facilities between or among two or more entities in the Southeastern Michigan area with which it is interconnected; and between any such entity(ies) and any entity(ies) engaging in bulk power supply outside the Southeastern Michigan area between whose facilities Applicant's transmission lines and other transmission lines would form a continuous electrical path: *Provided*, That (1) permission to utilize such other transmission lines has been obtained: (2) *Provided*, That the reliability of Applicant's bulk power system is not thereby impaired, and (3) the arrangements reasonably can be accommodated from a functional and technical standpoint. Such transmission shall be on terms that fully compensate Applicant at applicable filed rates. Any entity(ies) requesting such transmission arrangements shall give reasonable advance notice of its (their) schedule and requirements. (The foregoing applies to any entity(ies) to which Applicant may be interconnected in the future as well as those to which it is now interconnected.)

(b) Applicant shall include in its planning and construction program sufficient transmission capacity as required for the transactions referred to in subparagraph (a) of this paragraph: *Provided*, That any entity(ies) in the Southeastern Michigan area give Applicant sufficient advance notice as may be necessary to accommodate its (their) requirements from a functional and technical standpoint and that such entity(ies) fully compensate Applicant for its cost. Applicant shall not be required to construct transmission facilities which will be of no demonstrable present or future benefit to Applicant.

6. Applicant will sell power at applicable filed rates for resale to any entity(ies) in the Southeastern Michigan area now engaging in or proposing to engage in retail distribution of electric power.

7. The foregoing conditions shall be implemented in a manner consistent with the provisions of the Federal Power Act and Michigan Public Act 106 of 1909 as thereafter amended and all rates, charges or practices in connection therewith are to be subject to the approval of regulatory agencies having jurisdiction over them.

[FR Doc.74-7838 Filed 4-4-74;8:45 am]

[Docket Nos. 50-458A, 50-459A]

GULF STATES UTILITIES CO.

Notice of Receipt of Attorney General's Advice and Time for Filing of Petitions To Intervene on Antitrust Matters

The Commission has received, pursuant to section 105c. of the Atomic Energy Act of 1954, as amended a letter of advice from the Attorney General of the United States, dated March 25, 1974, a copy of which is attached as Appendix A.

Any person whose interest may be affected by this proceeding may, pursuant to § 2.714 of the Commission's rules of practice, 10 CFR Part 2, file a petition for leave to intervene and request a hearing on the antitrust aspects of the application. Petitions for leave to intervene and requests for hearing shall be filed by May 6, 1974, either (1) by delivery to the AEC Public Document Room at 1717 H Street NW., Washington, D.C., or (2) by mail or telegram addressed to the Secretary, U.S. Atomic Energy Commission, Washington, D.C. 20545. Attn: Chief, Public Proceedings Branch.

For the Atomic Energy Commission.

ABRAHAM BRAITMAN,
Chief, Office of Antitrust & Indemnity, Directorate of Licensing.

APPENDIX A

MARCH 25, 1974.

In regard: River Bend Station Units 1 and 2—Gulf States Utilities Company AEC Docket Nos. 50-458A and 50-459A Department of Justice File 60-415-58.

You have requested our advice pursuant to the provisions of section 105 of the Atomic

B/11

Energy Act of 1954, as amended, in regard to the above-cited application.

Applicant. The applicant is a large electrical utility principally engaged in the business of generating electrical energy and distributing and selling such energy at retail in Southeast Texas and South Central Louisiana, an approximately 28,000 square mile area with an estimated population of 221,000. The applicant sells electric energy at retail to 292 communities in this territory. It sells for resale electric energy to ten municipal systems, six rural electric cooperatives, and one other utility. Applicant is seeking a license to build and operate two generating units in West Feliciana Parish, Louisiana, to be known as River Bend Station, Units 1 and 2. Each of these units will have a generating capacity of approximately 940 megawatts. River Bend Station Unit 1 is scheduled to be in service in February 1980; Unit 2 in September 1981.

Structure of the Electric Power Supply Market in Louisiana. Applicant is one of the five major privately owned companies supplying power in bulk and at retail in Louisiana; the other four are: Louisiana Power and Light Company (LP&L); Central Louisiana Electric Company (CLECO); Southwestern Electric Power Company (SWEPCO), which operates in Arkansas and Texas as well as in a small area in the northeast corner of Louisiana; and New Orleans Public Service, Inc. (NOPSI), an affiliate of LP&L which serves metropolitan New Orleans.

Applicant's 1970 system peak was 3,039 mw., with a little more than one-half of its business in Louisiana. LP&L's 1970 peak load was 1872 mw. CLECO's 1970 system peak was 575 mw. SWEPCO's 1970 system peak was 1383 mw., two-fifths of which represented loads in Louisiana, with the remainder in Texas and Arkansas. NOPSI's 1970 peak was 1164 mw.

There are a number of municipal electric utilities in Louisiana. Some of these generate all or a major part of their power requirements; others purchase electric power in bulk and distribute it at retail. The generating municipals' 1970 loads totaled approximately 500 mw.; their combined 1970 generating capacity was 900 mw.

There are 13 cooperative utilities operating rural distribution systems in Louisiana. Another cooperative is based principally in Texas but conducts some operations in Louisiana. Their combined 1970 peak load was approximately 900 mw.

Twelve of the 13 Louisiana cooperatives have organized a generation and transmission cooperative, Cajun Electric Power Cooperative (formerly Louisiana Electric Cooperative), to handle their bulk power supply functions; Cajun has recently put its generating facilities into operation. However, the cooperatives presently obtain almost all of their bulk power supply by purchase from Applicant and the other private utilities. The remaining cooperative, Southwest Louisiana Electric Membership Cooperative (SLEMCO), is one of the largest rural electric cooperatives in the United States and comprises roughly one-third of the total cooperative load in Louisiana. It has no generating facilities, but obtains part of its power supply from the privately-owned utilities in Louisiana and part from Southwestern Power Administration under an arrangement in which power generated at federal hydroelectric facilities in the Southwest is wheeled over transmission facilities furnished by the private utilities.

Virtually all the high voltage and extra-high voltage transmission lines in the State of Louisiana are owned and operated by Applicant and the other privately-owned utilities discussed above. Applicant and these other privately-owned utilities also dominate the retail electric power market in Louisiana, with over five-sixths of that business. All the cooperative systems together and all of the municipal systems together have less than one-twelfth of such business, respectively.

Competition in Lousiana. There has been vigorous competition among electric utilities in Louisiana. Until 1970, Louisiana law prohibited utilities from taking over customers already being served by another utility, LSA RS 45:123, but the law did not apply to new customers. See "Louisiana Power and Light Co. v. Charpentier," 165 So. 2d 614 (La. Ct. App. 1964). In 1970 LSA RS 45:123 was amended to allow (except in certain cases) a utility preference in serving new customers within 300 feet of its existing lines. Since large new loads (particularly industrial loads) would, in many instances, not be located within 300 feet of an existing distribution line, competition continues to exist. Further competition exists for service to suburban areas which are annexed by expanding municipalities. The existing supplier within the city, whether municipal system or franchised utility, thereupon has the opportunity to compete for new loads with the previous supplier in the area.

Competitive Conduct of the Applicant. This is different from most of the other cases in which the Department of Justice has rendered antitrust advice in that prior to receiving the Commission's request for advice the Department had been conducting an antitrust investigation of the Applicant's conduct. That investigation was concerned with basically the same antitrust allegations against the Company as those set forth in the decision of the United States Court of Appeals for the District of Columbia Circuit in "City of Lafayette v. Securities & Exchange Commission," 454 F. 2d 941 (C.A. D.C. 1972). In essence a number of municipal systems in Louisiana had alleged that over a number of years and through a variety of methods Applicant, together with the other major privately-owned utilities in Louisiana, attempted to frustrate the development of a power pool among the municipals, and others. The allegations of concerted anticompetitive action related exclusively to activities in Louisiana.

It is unnecessary to detail here the allegations or our conclusions with respect thereto. Within the past year or so, Applicant has evidenced a constructive attitude in its relations with the smaller systems in Louisiana. In the course of our antitrust review of the instant license application, Applicant has discussed with the Department its future policies in this regard. While not conceding that any of its prior conduct may have been anticompetitive, Applicant has indicated in the attached letter to the Department the policies which it will follow with respect to such aspects of its operations in Louisiana as access to nuclear units, interconnection and reserve sharing, wheeling, and exchanges of bulk power. Similar policies will be followed by Applicant in connection with its operations in Texas although there, it should be noted, its activities have not raised the same degree of antitrust concern. The Applicant has agreed that the policy commitments set forth in the attachment to its March 20, 1974 letter to the Department may be imposed as conditions to the permit requested for the instant River Bend units. Applicant will shortly file an application for a construction permit for two nuclear units known as Blue Hills Units 1 and 2 which it plans to build in Texas. License conditions generally similar to those involved here will be acceptable to Applicant in connection with the Blue Hills Units permits.

These developments enable the Department to inform the Commission that it would not appear necessary that an antitrust hearing be held on the instant application and should enable the Department, when it receives the Blue Hills application, to advise the Commission that no antitrust hearing will be necessary concerning the application.

Conclusion. If the policy commitments contained in the attachment to Applicant's March 20, 1974 letter were to be imposed by the Commission as conditions to the permit applied for in the instant docket, as we hereby recommend, an antitrust hearing on this application would appear unnecessary.

MARCH 20, 1974.

Re: Gulf States Utilities Company, River Bend Nuclear Power Plant Units 1 and 2: Application for License to Construct Nuclear Utilization Facilities; AEC Dockets Nos. 50-458 and 50-459.

We appreciate the opportunity to discuss various matters involved in the review by your section of the Department of Justice relating to the pending license application of this Company (Applicant) before the Atomic Energy Commission for the construction of nuclear utilization facilities, as referenced above.

We understand that your review of this application has raised certain questions under the antitrust laws relating to the bulk power supply policies of the Applicant. While it is the position of Applicant that its activities, and in particular its bulk power supply policies, should not concern any such questions, the Applicant submits this letter setting forth certain statements regarding such policies.

In order to obviate the possibility of a hearing on possible antitrust issues in the above-referenced proceeding, the Applicant sets forth in the appendix to this letter policies which it will maintain during the period of this license, subject to the understandings stated herein. It is understood that this statement of policy satisfies the Department's antitrust questions and will enable the Department to render a no hearing antitrust advice letter. In the event the Atomic Energy Commission in any event should institute a hearing on antitrust issues or attempt to impose different, inconsistent or additional conditions, Applicant does not intend by this letter or the statement of policies attached to waive, and instead hereby reserves all of its rights under law to appear in such proceeding and contest the imposition of different, inconsistent or additional conditions.

During our discussions with you about participation in the subject nuclear units, we advised you that we have not constructed and have not planned to construct any jointly-owned electric generating plants on our system, and we have not and have not planned to sell unit power from any present or future electric generating units. While Applicant appreciates that financial and business conditions in the future may require it to change such policies and for such reason reserves the right to do so, Applicant understands that the proposed license conditions relating to participation apply only to nuclear units in Louisiana.

Applicant intends to file later this year an application for a construction permit for certain nuclear units to be located in Texas which are to be known as Blue Hills Units Nos. 1 and 2. Applicant will enter into similar policy commitments concerning such specific units; *Provided*, That as to other nuclear generating units which Applicant may construct, own and operate in Texas, the power from which is intended for use in Applicant's general system operation, Applicant will merely confirm to you by letter its intention, under conditions then existing and in accordance with applicable law, to allow participation in such other units on conditions similar to those afforded under Policy Commitment 8.

We have now filed with the Federal Power Commission copies of the power interconnection agreements entered into by Applicant with Cajun Electric Power Cooperative, Inc. and with the Cities of Lafayette and Plaquemine, Louisiana. Such agreements contain terms and provisions for bulk supply coordination and transmission service. Such agreements with Cajun and the Cities were offered and negotiated by Applicant in pursuit of the policy commitments attached, and it is Applicant's understanding that such agreements (as subject to regulatory action and change by actions of the parties) comply with such commitments.

Nothing in this letter shall be construed to be a waiver by the Applicant of its rights to appear and express its position on behalf of or in opposition to any specific proposals relating to bulk power supply before any legislative, administrative, judicial, or other body.

The Applicant would not object to an inclusion of this letter in, and the statements and policies expressed herein being made conditions to the license applied for before the U.S. Atomic Energy Commission as referenced above, specifically related to the River Bend Nuclear Power Station Plant Units for which the subject application is pending.

The commitments made are subject to the following understandings:

(1) Applicant does not intend by these commitments to become a common carrier.

(2) Applicant reserves all rights and protection afforded it by law with respect to retail distribution of electricity in those areas in which it holds franchises to conduct its business.

(3) That any license conditions imposed by the Atomic Energy Commission upon Applicant based in whole or in part upon these commitments shall be subject to continuing jurisdiction; and that Applicant shall have the right to seek relief from or modification of such conditions by appropriate legal recourse through the Atomic Energy Commission, its successor agencies, or through any other administrative, legislative, or judicial authority having jurisdiction.

(4) That none of these commitments shall require Applicant to enter into any binding arrangements with another party until the financial responsibility of such party is evident or reasonably assured nor prior to resolution of any substantial questions as to the lawful authority of such party to engage in the transaction.

(5) All of the understandings and commitments of the Applicant are contained in the commitments herein made and this cover letter.

(6) None of the commitments herein made shall be construed as a waiver by Applicant of its rights to contest whether or not a future factual situation is inconsistent with the commitments herein made or to contest by appropriate legal proceedings the validity of any regulation, order, or requirement imposed upon Applicant by any governmental or regulatory authority, including but not limited to the Atomic Energy Commission and the Federal Power Commission, or their successor agencies.

(7) Enforcement of any of the commitments shall only be through appropriate proceedings before the Atomic Energy Commission.

Very truly yours,

NORMAN R. LEE,
President, Gulf States Utilities Company.

MARCH 20, 1974.

Policy commitments of Gulf States Utilities Company to be appended as conditions to River Bend Nuclear Power Plant, Units 1 and 2 AEC license AEC Dockets Nos. 50-458 and 50-459.

Definitions. 1. "Bulk Power" means the electric power, and any attendant energy, supplied or made available at transmission or subtransmission voltage by an entity from its generating facilities.

2. "Entity" means person, a private or public corporation, governmental agency, an association, a joint stock association, business trust, municipality, or rural electric cooperative owning, operating, or proposing to own or operate equipment or facilities for the generation, transmission, or distribution of electricity primarily for sale or resale to the public. Provided, that, except for municipalities, governmental agencies, or rural electric cooperatives, "entity" is further restricted to those which are or will be public utilities under the laws of the State in which the entity transacts or will transact business or under the Federal Power Act, and are or will be providing electric service under a contract or rate schedule on file with and subject to the regulation of a State regulatory commission or the Federal Power Commission.

3. "Cost" means all operating and maintenance expenses and amortizable capital costs properly allocable to the particular transaction. "Cost" to be shared by participants under condition 8 shall include all costs of acquisition, construction, ownership, capital, operation, and maintenance reasonably allocable to the subject unit. Costs shall include no value for loss of revenues from sale of power at wholesale or retail by one party to a customer which another party might otherwise serve, except as otherwise authorized by any regulatory authority having jurisdiction. Costs shall include a reasonable return on Applicant's investment.

Policy commitments. 1. Applicant shall interconnect with and coordinate reserves by means of the sale and purchase of emergency and/or scheduled maintenance bulk power with any entity(ies) in or within reasonable proximity to Applicant's service area in Louisiana engaging in or proposing to engage in electric bulk power supply on terms that will provide for Applicant's costs in connection therewith and allow the other entity(ies) full access to the benefits and obligations of reserve coordination.

2. Such emergency service and/or scheduled maintenance service to be provided by each entity shall be furnished to the fullest extent available from the supplying entity and desired by the entity in need. Applicant and each entity(ies) shall provide to the other such emergency service and/or scheduled maintenance service if and when available from its own generation and from generation of others to the extent it can do so without impairing service to its customers including other electric systems to whom it has firm commitments.

3. Applicant and the other entity(ies) which is (are) party(ies) to a reserve sharing arrangement shall from time to time jointly establish the minimum reserves to be installed and/or provided as necessary to maintain in total a reserve margin sufficient to provide adequate reliability of power supply to the interconnected systems of the parties, consistent with good utility industry practice in the region. If Applicant plans its reserve margin on a pooled basis with other regional companies, the reserves jointly established hereunder shall be on the same basis. Unless otherwise agreed upon or established by such regional practice, minimum reserves shall be calculated as a percentage of estimated peak load responsibility.

No party to the arrangement shall be required to maintain greater reserves than the percentage of its estimated peak load responsibility which results from the aforesaid calculation; provided, that if the reserve requirements of Applicant are increased over the amount Applicant would be required to maintain without such interconnection, then the other party(ies) shall be required to carry or provide for as its (their) reserves the full amount in kilowatts of such increase.

4. The entities which are parties to such a reserve sharing agreement shall provide such amounts of ready reserve capacity as may be adequate to avoid the imposition of unreasonable demands on the others in meeting the normal contingencies of operating its system. However, in no circumstances shall the ready reserve requirement exceed the installed reserve requirement.

5. Interconnections will not be limited to low voltages when higher voltages are available from Applicant's installed facilities in the area where interconnection is desired, when the proposed arrangement is found to be technically and economically feasible. Control and telemetering facilities shall be provided as required for safe and prudent operation of the interconnected systems.

6. Interconnection and coordination agreements shall not embody any unlawful or unreasonably restrictive provisions pertaining to intersystem coordination. Good industry practice as developed in the area from time to time (if not unlawfully or unreasonably restrictive) will satisfy this provision.

7. Applicant will sell (when available) bulk power at its costs to or purchase (when needed) bulk power from any other entity(ies) in or within reasonable proximity to Applicant's service area in Louisiana engaging in or proposing to engage in generation of electric power at such entity(ies) cost when such transactions would serve to reduce the overall costs of new bulk power supply, each for itself and for the other party(ies) to the transactions and would serve to coordinate the planning of new generation, transmission, and related facilities by both the Applicant and the other entity. This provision shall not be construed to require Applicant to purchase or sell bulk power if it finds such purchase or sale infeasible or its costs in connection with such purchase or sale would exceed its benefits therefrom.

8. Applicant and any successor in title shall offer an opportunity to participate in River Bend Nuclear Units Nos. 1 and 2 for the term of the instant license, or any extension or renewal thereof, or such shorter term as Applicant and the participant(s) may mutually agree upon, to any entity(ies) in or within reasonable proximity to Applicant's service area in the State of Louisiana which has in writing requested participation therein prior to March 1, 1974, and which no later than March 31, 1975 has entered into an executory contract with respect to such participation, having taken all necessary action for it to lawfully do so prior to so doing, to a fair and reasonable extent and on reasonable terms and conditions and on a basis that will fully compensate Applicant for its costs incurred and to be incurred and that will not adversely affect the financing and constructing of such nuclear units. Applicant shall similarly offer an opportunity to participate in any additional nuclear generating unit(s) the power from which is intended for use in Applicant's general system operations, which the Applicant may construct, own, and operate in Louisiana during the term of the instant license, or any extension or renewal thereof. Participation shall be either by ownership of or purchase of unit participation power from the respective nuclear units. Participation in any form shall be on an equitable basis whereby the participants, in proportion to their interests, share fully in all costs and

rights of the respective nuclear unit. In connection with such participation, Applicant will offer transmission service as may be required for delivery of such power to such participant(s) on a basis that will fully compensate Applicant for its costs.

9. Applicant shall facilitate the exchange of bulk power by transmission over its transmission facilities between two or more entities engaging in bulk power supply in its service area in Louisiana with which it is interconnected; and between any such entity(ies) and any entity(ies) engaging in bulk power supply outside Applicant's service area in Louisiana between whose facilities Applicant's transmission lines and other transmission lines would form a continuous electrical path: *Provided*, That (1) Permission to utilize such other transmission lines has been obtained by the entities involved, (2) Applicant has appropriate agreements for transmission service with the entities interconnected with Applicant at both the receiving and delivery points on Applicant's system, and (3) the arrangements reasonably can be accommodated from a functional and technical standpoint. Such transmission shall be on terms that fully compensate Applicant for its cost. Any entity(ies) requesting such transmission arrangements shall give reasonable advance notice of its (their) schedule and requirements. (The foregoing applies to any entity(ies) engaging in bulk power supply to which Applicant may be interconnected in the future as well as those to which it is now interconnected.)

10. Applicant shall include in its planning and construction program sufficient transmission capacity as required for the transactions referred to in paragraph 9: *Provided*, That any entity(ies) in its service area in Louisiana give Applicant sufficient advance notice as may be necessary to accommodate its (their) requirements from a functional and technical standpoint and that such entity(ies) fully compensates Applicant for its cost. Applicant shall not be required to construct transmission facilities which will be of no demonstrable present or future benefit to Applicant.

11. Applicant will sell power (when available) for resale to any entity(ies) in its service area in Louisiana now engaging in or proposing in good faith to engage in retail distribution of electric power, whenever power to meet the needs of such entity(ies) is not available from alternate sources at competitive costs.

12. The foregoing conditions shall be in all respects implemented on reasonable terms and conditions in a manner consistent with the provisions of the Federal Power Act and other applicable federal and state laws and regulatory orders, and shall be subject to force majeure, applicable curtailment programs, and engineering and technical feasibility for Applicant's system. None of the foregoing conditions shall require Applicant to sell power, perform any service, or engage in any course of action on a basis which would be unlawfully preferential or discriminatory under any applicable law or that would impair Applicant's ability to render adequate and reliable service to its own customers. All rates, charges or practices in connection therewith are to be subject to the approval of regulatory agencies having jurisdiction over them.

[FR Doc.74-7839 Filed 4-4-74;8:45 am]

[Docket Nos. 50-275 OL, 50-323 OL]

PACIFIC GAS AND ELECTRIC CO.

Special Prehearing Conference

In the matter of Pacific Gas and Electric Company, (Diablo Canyon Nuclear Power Plant, Units 1 and 2).

The special prehearing conference on the issuance of facility operating licenses which was initiated on March 26, 1974, will reconvene on May 3, 1974, or immediately subsequent to the completion of the evidentiary hearings on environmental matters which will reconvene on April 30, 1974.

The hearings will be held in the Gold Room, The Royal Inn, 214 Madonna Road, San Luis Obispo, California, commencing at 10:00 a.m., local time.

The points which will be considered at this prehearing conference will be only the petition to intervene from the Mothers for Peace; and the petition of the Scenic Shoreline Preservation Conference, Inc., concerning suspension of construction activities.

Issued at Washington, D.C., this 2nd day of April 1974.

It is so ordered.

ATOMIC SAFETY AND LICENSING BOARD,
ELIZABETH S. BOWERS,
Chairman.

[FR Doc.74-7840 Filed 4-4-74;8:45 am]

[Docket No. 50-323 NEPA]

PACIFIC GAS AND ELECTRIC CO.

Hearing on Energy Conservation

In the matter of Pacific Gas and Electric Company (Diablo Canyon Nuclear Power Plant, Unit 2).

Pursuant to the hearings on March 27, 1974, the evidentiary hearing on energy conservation will begin on April 30, 1974, at 10:00 a.m., local time, in the Gold Room, The Royal Inn, 214 Madonna Road, San Luis Obispo, Calif.

The public is invited to attend this proceeding. Limited appearances relating to the question of energy conservation will be accepted at that time. Limited appearances will be limited to five (5) minutes but there is no limitation on the submittal of written statements for inclusion in the record. Twenty (20) copies of written statements should be presented.

Issued at Washington, D.C., this 2nd day of April 1974.

It is so ordered.

ATOMIC SAFETY AND LICENSING BOARD,
ELIZABETH S. BOWERS,
Chairman.

[FR Doc.74-7841 Filed 4-4-74;8:45 am]

COMMITTEE FOR PURCHASE OF PRODUCTS AND SERVICES OF THE BLIND AND OTHER SEVERELY HANDICAPPED

PROCUREMENT LIST 1974

Addition to Procurement List

Notice of proposed addition to Procurement List 1974, November 29, 1973 (38 FR 33038), was published in the FEDERAL REGISTER on September 28, 1973 (38 FR 27107).

Pursuant to the above notice the following commodity is added to Procurement List 1974.

COMMODITY

Class 6515:	Price
Kit, Shaving, Surgical Preparation (IB), 6515-676-7372, Kit	$0.36

By the Committee.

CHARLES W. FLETCHER,
Executive Director.

[FR Doc.74-7573 Filed 4-4-74;8:45 am]

PROCUREMENT LIST 1974

Addition to Procurement List

Notice of proposed addition to Procurement List 1974, November 29, 1973 (38 FR 33038), was published in the FEDERAL REGISTER on January 17, 1974 (39 FR 2136).

Pursuant to the above notice the following service is added to Procurement List 1974.

SERVICE

Industrial class 7641:	Price
Furniture Rehabilitation (GI), Long Beach, California, plus 100-mile radius, excluding San Diego County and San Clemente.	List of prices available from GSA, FSS, Region 9.

By the Committee.

CHARLES W. FLETCHER,
Executive Director.

[FR Doc.74-7833 Filed 4-4-74;8:45 am]

PROCUREMENT LIST 1974

Addition to Procurement List

Notice of proposed addition to Procurement List 1974, November 29, 1973 (38 FR 33038) was published in the FEDERAL REGISTER on September 10, 1973 (38 FR 24650).

Pursuant to the above notice the following commodity is added to Procurement List 1974.

COMMODITY

Class 8105	Price
Bag, Cloth, Lunch (RF) 8105-664-3718, Bundle of 100	$17.20

By the Committee.

C. W. FLETCHER,
Executive Director.

[FR Doc.74-7837 Filed 4-4-74;8:45 am]

PROCUREMENT LIST 1974

Notice of Proposed Additions

Notice is hereby given pursuant to section 2(a)(2) of Pub. L. 92-28; 85 Stat. 79, of the proposed additions of the following services to Procurement List 1974, November 29, 1973 (38 FR 33038).

SERVICES

INDUSTRIAL CLASS 7699

Typewriter Repair, U.S. Customs, New York, New York.
Office Machine Repair, U.S. Customs, New York, New York.
Office Machine Repair, 26 Federal Plaza, New York, New York.

Comments and views regarding this proposed addition may be filed with the Committee on or before May 6, 1974. Communications should be addressed to the Executive Director, Committee for

May 8, 1974

BYLAWS

of

GULF STATES UTILITIES COMPANY

B/12

5-8-74

BYLAWS

of

GULF STATES UTILITIES COMPANY

ARTICLE I.

Name.

The name of this Corporation shall be GULF STATES UTILITIES COMPANY.

ARTICLE II.

Shareholders' Meetings.

All meetings of the Shareholders shall be held at the principal office of the Company, 285 Liberty Avenue, Beaumont, Texas. With or without motion, the Chairman of any meeting of the Shareholders may appoint Inspectors and Tellers for such meeting who shall examine into the qualifications of the Shareholders present in person or represented at the meeting by proxy, report the shares represented at the meeting and tabulate the vote on such matters as may come before the meeting.

ARTICLE III.

Annual Meeting.

The Annual Meeting of the Shareholders of this Corporation shall be held on the second Wednesday in May in each year if not a legal holiday and, if a legal holiday, then on the next succeeding Wednesday not a legal holiday. In the event that such Annual Meeting is omitted by oversight or otherwise on the date herein provided for, the Directors shall cause a meeting in lieu thereof to be held as soon thereafter as conveniently may be, and any business transacted or elections held at such meeting shall be as valid as if transacted or held at the Annual Meeting. Such subsequent meeting shall be called in the same manner and as provided for Special Shareholders' Meetings.

ARTICLE IV.

Special Meetings.

Special Meetings of the Shareholders of this Corporation shall be held whenever called by the Chairman of the Board of Directors, the President, a Vice President or a majority of the Board of Directors, or whenever the holder or holders of one-tenth (1/10) of the shares of the capital stock issued and outstanding and entitled to vote shall make written application therefor to the Secretary or an Assistant Secretary, stating the time and purpose of the meeting applied for. Special Meetings of the Shareholders shall also be held following the accrual or termination of the right of the preferred stock of the Corporation, voting as a class, to elect the smallest number of Directors of this Corporation necessary to constitute a majority of the members of the Board of Directors, whenever requested to be called in the manner provided in Paragraph 6 of Article VI of the Articles of Incorporation of the Corporation as amended.

ARTICLE V.

Notice of Shareholders' Meetings.

Written or printed notice of all Shareholders' Meetings, stating the time and place, and, in the case of Special Meetings, the purpose or purposes for which such meetings are called, shall be delivered by the Secretary or an Assistant Secretary, by mail, to each Shareholder of record, having voting power in respect of the business to be transacted thereat, at his or her registered address, at least ten (10) and not more than fifty (50) days prior to the date of the meeting, and the person giving such notice shall make affidavit in relation thereto; provided that such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid, and further provided that notice of any such meeting shall be deemed to be sufficiently delivered to any Shareholder who, while the provisions of the Trading with the Enemy Act (Public Act No. 91 of the Sixty-fifth Congress of the United States of America, as now or hereafter amended) shall be operative, shall appear from the stock books to be or shall be known to the Corporation to be an "enemy" or "ally of enemy" as defined in the said Act and whose address appearing on such stock books is outside the United States, or the mailing to whom of notice shall at the time be prohibited by any other law of the United States of America or by any executive order or regulation issued or promulgated by any officer or agency of the United States of America (a) if, at least ten (10) days prior to the date of the meeting, a copy of the notice of the meeting shall be mailed to any person or agency who by any such law, order or regulation shall have been duly designated to receive such notice or duly designated or appointed as custodian of the property of such Shareholder; or (b) if a brief notice of such meeting, including, in the case of a Special Meeting, either a brief statement of the objects for which such meeting is called or a statement as to where there may be obtained a copy of a written notice containing a statement of such objects, shall be published by the Corporation at least once, not less than ten (10) days before the meeting in a daily newspaper published in the English language and of general circulation in the City of Beaumont, Texas.

Any meeting at which all Shareholders having voting power in respect of the business to be transacted thereat are present, either in person or represented by proxy, or of which those not present have waived notice in writing, shall be a legal meeting for the transaction of business, notwithstanding that notice has not been given as hereinbefore provided.

ARTICLE VI.

Waiver of Notice.

Notice of any Shareholders' Meeting may be waived by any Shareholder and the presence at any meeting, either in person or by proxy, of a Shareholder having voting power in respect of the business to be transacted thereat shall be deemed as to such Shareholder a waiver of notice of the meeting.

ARTICLE VII.

Quorum.

At any meeting of the Shareholders, a majority of the shares of capital stock issued and outstanding and entitled to vote in respect of the business to be transacted thereat, represented by such Shareholders of record in person or by proxy, shall constitute a quorum, but a less interest may adjourn any meeting from time to time and the same shall be held as adjourned without further notice. When a quorum is present at any meeting, the vote of the holders of a majority of the shares of capital stock entitled to vote represented thereat shall decide all questions brought before such meeting, unless the question is one upon which by express provision of law or of the Articles of Incorporation of the Corporation or of these Bylaws a larger or different vote is required, in which case such express provision shall govern and control the decision of such question. The provisions of this Article are, however, subject to the provisions of Paragraph 6 of Article VI of the Articles of Incorporation of the Corporation as amended.

ARTICLE VIII.

Proxy and Voting.

The voting power of the respective classes of stock of the Corporation shall be as provided in Article VI of the

Articles of Incorporation of the Corporation as amended. Shareholders of record entitled to vote may vote at any meeting either in person or by proxy in writing, which shall be filed with the Secretary of the meeting before being voted. Such proxies shall entitle the holders thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof or after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each holder of record of stock of the Corporation of any class shall, as to all matters in respect of which such class of stock has voting power, be entitled to one vote for each share of stock of such class standing in his name on the books of the Corporation.

ARTICLE IX.

Board of Directors.

A Board of fourteen (14) Directors shall be chosen by ballot at the Annual Meeting of the Shareholders or at any meeting held in place thereof as hereinbefore provided. The number of Directors may be increased or decreased from time to time by amendment of the Bylaws, but no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an Annual Meeting or at a Special Meeting of Shareholders called for that purpose. Each Director shall serve until the next Annual Meeting and until his successor is duly elected and qualified except as in these Bylaws may otherwise be provided. Directors must be Shareholders in the Corporation.

No person shall be eligible for election or re-election as a Director of the Company after attaining age sixty-five (65), provided, however, that each person serving as a Director on September 1, 1973, shall be eligible to be re-elected as a Director at the next Annual Shareholders' Meeting without regard to such age restriction on eligibility, except that no Director shall be eligible for re-election after attaining age seventy (70). Any director who is also a salaried officer or employee and who retires from active employment by the Company shall, concurrently with such retirement, resign as a Director of the Company.

Until age seventy (70) any Director who (i) has served continuously for at least ten (10) years immediately prior to retiring as such and is then not a salaried officer of the Company, or (ii) is then retiring as a Director and as Principal Executive Officer of the Company, shall be eligible for election and thereafter for re-election from year to year as an Advisory Director. Such election shall be by vote of the Board of Directors. However, the restriction on election after attaining age 70 shall not apply to any person serving as a Director or an Advisory Director on September 1, 1973, and any such Director, who otherwise qualified for Advisory Director, and any such Advisory Director shall be eligible to be elected or re-elected an Advisory Director for one (1) year following the next succeeding Annual

Shareholders' Meeting. At the pleasure of the Board of Directors, each Advisory Director shall have the privilege of attending meetings of the Board of Directors in a consultative capacity but failure to give notice of meetings to an Advisory Director shall not be considered a violation of law, the Articles of Incorporation, or these Bylaws. No Advisory Director shall be entitled to vote on any business coming before the Board of Directors, nor shall any Advisory Director be counted as a member of the Board of Directors for the purpose of determining whether a quorum is present or for any other corporate purpose whatsoever. Each Advisory Director shall be entitled to receive fees as may be fixed and determined by the Board of Directors, but fees to Advisory Directors may be changed or eliminated at any time. After attaining the age of seventy (70) years, an advisory Director shall not be eligible for election or re-election as such. Any Director or Advisory Director who serves to age 70 shall become, at the expiration of the last term for which he is elected, a Director Emeritus. A Director Emeritus shall have no responsibilities.

The foregoing provisions placing qualifications on the eligibility of Directors are, however, subject to Paragraph 6 of Article VI of the Articles of Incorporation of the Corporation as amended.

ARTICLE X.

Powers of Directors.

The Board of Directors shall have the entire management of the business of the Corporation. In the management and control of the property, business and affairs of the Corporation, the Board of Directors is hereby vested with all the powers possessed by the Corporation itself, so far as this delegation of authority is not inconsistent with the laws of the State of Texas, with the Articles of Incorporation of the Corporation or with these Bylaws. The Board of Directors shall have power to determine what constitutes net earnings, profits and surplus, respectively, what amount shall be reserved for working capital and for any other purposes, and what amount shall be declared as dividends, and such determination of the Board of Directors shall be final and conclusive.

ARTICLE XI.

Fees of Directors and Others.

The Board of Directors shall have power to fix and determine the fee or fees to be paid members of the Board of Directors, Advisory Directors, or any Committees appointed by the Directors or Shareholders for attendance at meetings of said Directors or Committees. Any fees so fixed and determined by the Board of Directors shall be subject to revision or amendment by the Shareholders.

ARTICLE XII.

Executive and Other Committees.

The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by the Bylaws, may elect from its number an Executive Committee of not less than three nor more than five members, which Committee may exercise the powers of the Board of Directors in the management of the business of the Corporation when the Board is not in session except where action of the Board of Directors is specified or required by law. The Executive Committee shall report its actions to the Board for approval. The Executive Committee may make rules for the notice, holding and conduct of its meetings and the keeping of the records thereof.

The Board of Directors may likewise appoint from its number or from the Shareholders other Committees from time to time, the number composing such Committees and the powers conferred upon the same to be determined by vote of the Board of Directors.

ARTICLE XIII.

Meetings.

Regular Meetings of the Board of Directors shall be held at such places within or without the State of Texas and at such times as the Board by vote may determine from time to time, and if so determined no notice thereof need be given. Special Meetings of the Board of Directors may be held at any time or place, either within or without the State of Texas, whenever called by the Chairman of the Board of Directors, the President, a Vice President, the Secretary, an Assistant Secretary or three or more Directors, notice thereof being given to each Director by the Secretary or an Assistant Secretary or officer calling the meeting, or at any time without formal notice provided all the Directors are present or those not present have waived notice thereof. Notice of Special Meetings, stating the time and place thereof, shall be given by mailing the same to each Director at his residence or business address at least two days before the meeting or by delivering the same to him personally or by telephoning or telegraphing the same to him at his residence or business address at least one day before the meeting.

ARTICLE XIV.

Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business, but a less number may adjourn any meeting from time to time and the same may be held without further notice. When a quorum is present at any meeting, a majority vote of the members in attendance thereat shall decide any question brought before such meeting, except as otherwise provided by law or by these Bylaws.

ARTICLE XV.

Officers.

The officers of this Corporation shall be a Chairman of the Board of Directors, a President, one or more Vice Presidents, a Secretary and a Treasurer and such other officers and assistant officers as are permitted or provided by these Bylaws and appointed by the Board of Directors. The officers shall be elected by the Board of Directors after its election by the Shareholders, and a meeting may be held without notice for this purpose immediately after the Annual Meeting of the Shareholders and at the same place.

ARTICLE XVI.

Eligibility of Officers.

The Chairman of the Board of Directors and the President may be, but need not be, Shareholders and shall be Directors of the Corporation. The Vice Presidents, Secretary, Treasurer and such other officers as may be appointed may be, but need not be, Shareholders or Directors of the Corporation. Any person may hold more than one office provided the duties thereof can be consistently performed by the same person, and except that the President and Secretary shall not be the same person.

ARTICLE XVII.

Additional Officers and Agents.

The Board of Directors in its discretion may appoint one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers or agents as it may deem advisable, and prescribe the duties thereof.

ARTICLE XVIII.

Chairman of the Board of Directors and President.

The Chairman of the Board of Directors shall be elected from among the Directors of this Corporation. He may call meetings of the Board of Directors and of any committee thereof whenever he deems it necessary. When present, he shall call to order and preside at all meetings of the Shareholders of this Corporation and of the Board of Directors. He shall be the principal executive officer of this Corporation, shall have general supervision over the business and policies of this Corporation, subject to the control of the Board of Directors, and may perform all duties and exercise all powers as are conferred by these Bylaws, or by law, on the President except such duties as are required by law to be performed by a President, or a Vice President. In particular, the Chairman of the Board of Directors is hereby prescribed as an officer, in the place but not to the exclusion of the President or a Vice President, authorized to sign certificates representing shares to which shareholders are entitled, as is permitted by Article 2.19A of the Texas Business Corporation Act, subject to all the provisions of said Act as fully as if said signing were by the President or a Vice President. The Chairman of the Board shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

The President shall be elected from among the Directors of this Corporation. In the absence of the Chairman of the Board, the President shall perform the duties of such Chairman. The President shall be the managing executive officer of this Corporation and shall perform all the duties commonly incident to his office and such other duties as the Board of Directors shall designate from time to time. The President or a Vice President, or such other officer or officers as may be authorized by these bylaws or such other person as is thereunto specifically authorized by vote of the Board of Directors, shall sign all bonds, deeds and contracts of this Corporation. The President or a Vice President or such other officer or officers as these bylaws may prescribe shall sign all certificates representing shares of stock in this Corporation to which Shareholders are entitled."

ARTICLE XIX.

Vice Presidents.

Except as especially limited by vote of the Board of Directors, any Vice President shall perform the duties and have the powers of the President during the absence or disability of the President, and shall have the power to sign all certificates of stock, bonds, deeds, and contracts of the Corporation. He shall perform such other duties and have such other powers as the Board of Directors, the Chairman of the Board of Directors, or the President shall designate from time to time. From time to time, as it may determine advisable, the Board of Directors may designate an Executive Vice President who, in the absence or disability of the President, shall be the managing executive officer of this Corporation. The Executive Vice President shall possess all the powers conferred by these Bylaws on other Vice Presidents and shall perform such other duties and have such other powers as the Board of Directors, the Chairman of the Board of Directors, or the President may designate from time to time.

ARTICLE XX.

Secretary.

The Secretary shall keep accurate minutes of all meetings of the Shareholders, the Board of Directors and the Executive or other committees of the Board of Directors, respectively, shall perform all the duties commonly incident to his office, and shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The Secretary shall have the power, together with the President or a Vice President, to sign certificates of Stock of the Corporation. In his absence an Assistant Secretary or a Secretary pro tempore shall perform his duties. The Secretary, any Assistant Secretary and any Secretary pro tempore shall be sworn to the faithful discharge of their duties.

ARTICLE XXI.

Treasurer.

The Treasurer shall have and exercise, under the supervision of the Board of Directors, all the powers and duties commonly incident to his office, and shall give bond (which shall be in the custody of the President) in such form and with such securities as shall be required by the Board of Directors. He shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as he may be ordered by the Board, making proper vouchers for such disbursements, and shall render to the President and directors, at the regular meetings of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

ARTICLE XXII.

Removals.

The Shareholders may, at any meeting called for the purpose, by a vote of a majority of the shares of the capital stock issued and outstanding and entitled to vote, remove from office any Director or other officer elected or appointed by the Shareholders or Board of Directors and elect or appoint his successor, but this provision is subject to Paragraph 6 of Article VI of the Articles of Incorporation of the Corporation as amended. The Directors may, by vote of not less than a majority of the entire Board, remove from office any officer or agent or member or members of any Committees selected or appointed by them or by the Executive Committee.

ARTICLE XXIII.

Vacancies.

Any vacancy occurring in the Board of Directors (other than a vacancy created by an increase in the number of Directors, which is governed by Article IX of these Bylaws) may be filled for the unexpired term by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors, but vacancies in the Board of Directors may be filled for the unexpired term by the Shareholders having voting power at a meeting called for that purpose, unless such vacancy shall have been filled by the Directors.

If the office of any officer or agent, one or more, becomes vacant by reason of death, resignation, removal, disqualification or otherwise, the Directors may, by a majority vote, choose a successor or successors who shall hold office for the unexpired term. The foregoing provisions are, however, subject to Paragraph 6 of Article VI of the Articles of Incorporation of the Corporation as amended.

ARTICLE XXIV.

Capital Stock.

The amount of capital stock, and of each class thereof, shall be as fixed in the Articles of Incorporation or in any lawful amendments thereto and the votes of the Corporation from time to time.

ARTICLE XXV.

Certificates of Stock.

Every Shareholder shall be entitled to a certificate or certificates representing shares of the capital stock of the Corporation in such form, complying with law as may be prescribed by the Board of Directors, duly numbered and sealed with the corporate seal of the Corporation and setting forth the number and kind of shares to which such Shareholder is entitled. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary. The Board of Directors may also appoint one or more Transfer Agents and/or Registrars for its stock of any class or classes and may require stock certificates to be countersigned by one or more of them. If certificates representing shares of capital stock of this Corporation are signed by a Transfer Agent and by a Registrar, the signatures thereon of the President or a Vice President and the Secretary or an Assistant Secretary of this Corporation, may be facsimiles, engraved or printed. Any provisions of these Bylaws with reference to the signing of stock certificates shall include, in cases above permitted, such facsimile signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates, shall cease to be such officer or officers of this Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by this Corporation, such certificate or certificates may nevertheless be adopted by the Board of Directors of this Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of this Corporation. Any stock certificates bearing facsimile signatures of officers of this Corporation, as above provided, may also bear a facsimile of the seal of this Corporation.

ARTICLE XXVI.

Transfer of Stock.

Shares of stock may be transferred by delivery of the certificate accompanied either by an assignment in writing on the back of the certificate or by a written power of attorney to sell, assign and transfer the same signed by the person appearing by the certificate to be the owner of the shares represented thereby. No transfer shall affect the right of the Corporation to pay any dividend due upon the stock, or to treat the holder of record as the holder in fact, until such transfer is recorded upon the books of the Corporation or a new certificate is issued to the person to whom it has been so transferred. It shall be the duty of every Shareholder to notify the Corporation of his post office address.

ARTICLE XXVII.

Transfer Books.

The Board of Directors shall have power to close the stock transfer books of this Corporation for a period not exceeding 50 days preceding the date of any meeting of shareholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding 50 days preceding the date of any meeting of shareholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, and in such case only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of this Corporation after any such record date fixed as aforesaid.

ARTICLE XXVIII.

Loss of Certificates.

In case of the loss, mutilation or destruction of a certificate representing shares of stock, a duplicate certificate may be issued upon such terms as the Board of Directors may prescribe.

ARTICLE XXIX.

Seal.

The seal of this Corporation shall consist of a flat-faced circular die with the words and figures "GULF STATES UTILITIES COMPANY CORPORATE SEAL 1925 TEXAS" cut or engraved thereon.

ARTICLE XXX.

Books and Records.

Unless otherwise expressly required by the laws of the State of Texas, the books and the records of the Corporation may be kept outside of the State of Texas at such place or places as may be designated from time to time by the Board of Directors.

ARTICLE XXXI.

Amendments.

These Bylaws may be amended, added to, altered or repealed by the Board of Directors of the Company. In the event of any such amendment, alteration or repeal of these Bylaws by the Board of Directors, the notice of the Annual Meeting of the Shareholders which shall thereafter first be sent to the Shareholders shall state that the Bylaws have been so amended, added to, altered or repealed and shall describe or set forth or be accompanied by statement describing or setting forth such amendment, addition, alteration or the text of any article which has been repealed. Notwithstanding anything hereinabove contained, these Bylaws may be amended, added to, altered or repealed at any Annual or Special Meeting of the Shareholders by vote in either case of a majority of the voting power of the shares of the capital stock issued and outstanding and entitled to vote in respect thereof, unless the question is one upon which by express provisions of law or of the Articles of Incorporation or of these Bylaws a larger or different vote is required, in which case such express provision shall govern and control the decision of such question, provided, however, that notice is given in the call of said meeting that an amendment, addition, alteration or repeal is to be acted upon.

Financial Review

AUGUST 1974

B/B

GULF STATES UTILITIES COMPANY

Gulf States Utilities Company
Highlights
Eight Months Ended August, 1974
(Thousands of Dollars)

	1974	1973	% Increase Over 1973
Earnings per share $	.93	1.11	(16)
Operating revenues	245,769	184,786	33
Electric	224,491	167,681	34
Residential	71,337	58,858	21
Commercial	44,312	35,471	25
Industrial	93,187	63,408	47
Other	15,655	9,944	57
Gas	4,893	5,138	(5)
Steam	16,385	11,967	37
Operating expenses	137,085	81,370	68
Payroll	23,456	21,838	7
Construction	6,088	5,614	8
Other	1,365	1,313	4
Expense	16,003	14,911	7
Fuel	101,417	48,437	109
Average fuel cost (¢/MMBTU)	67.14	33.10	103
Purchased power	2,822	3,172	(11)
Purchased gas	2,164	2,071	4
All other operating expenses	14,679	12,779	15
Depreciation	29,826	23,721	26
Taxes	31,652	33,605	(6)
Net Income	28,342	32,934	(14)
Construction expenditures	96,705	64,240	51
Credit for construction funds used	7,838	7,190	9
Interest expense	26,980	20,488	32
Short-term borrowings outstanding	40,243	9,113	342
Total electric sales (Thou. of MWH)	12,796	12,385	3
Residential	2,520	2,419	4
Commercial	1,758	1,665	6
Industrial	7,522	7,251	4
Other	990	1,050	(5)
Steam prod. electric sales	1,905	1,903	--
Gas Sales - MMCF	5,570	6,719	(17)

Share of market	1974	1973
All-electric homes	40.0%	40.0%
All-electric apartments	87.0%	99.9%

Unemployment (July)	1974	1973
Beaumont	4.9%	7.2%
Baton Rouge	6.2%	6.5%
Lake Charles	9.0%	9.3%

Heating Degree Days	1974	1973	Normal	1974 Departure from Normal
January	247	509	428	(181)
February	284	384	313	(29)
March	80	76	203	(123)
April	33	106	32	(1)
Cooling Degree Days				
May	365	259	310	55
June	412	457	469	(57)
July	522	555	545	(23)

( ) Decrease

G U L F   S T A T E S   U T I L I T I E S   C O M P A N Y

Financial and Operations Review
1963 - 1973

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GULF STATES UTILITIES COMPANY

Directors

SAMUEL L. ADAMS (1970)
Senior Vice President of the Company
Beaumont, Texas

NORMAN R. LEE (1967)
President and Principal Operating Officer of the Company
Beaumont, Texas

HARRELL R. SMITH (1964)
Retired General Manager of the Lake Charles Operations of Cities Service Oil Company
Lake Charles, Louisiana

JOHN W. BARTON (1970)
President of Jack's Cookie Company
Baton Rouge, Louisiana

CHARLES P. MANSHIP, JR. (1957)
President and Director of Capital City Press
Baton Rouge, Louisiana

BISMARK A. STEINHAGEN (1974)
Partner, Steinhagen Oil Company
Beaumont, Texas

SETH W. DORBANDT (1970)
Chairman of the Board and President of First National Bank in Conroe
Conroe, Texas

JOSEPH R. MURPHY (1970)
Senior Vice President of the Company
Beaumont, Texas

OLIVER P. STOCKWELL (1969)
Member of the law firm of Stockwell, St. Dizier, Sievert & Viccellio, counsel for the Company's Lake Charles Division
Lake Charles, Louisiana

EDWIN W. HIAM (1959)
Registered Investment Adviser
Boston, Massachusetts

BENJAMIN D. ORGAIN (1963)
Member of the law firm of Orgain, Bell & Tucker, general counsel for the Company
Beaumont, Texas

FRED V. WILSON (1964)
Investments
Port Arthur, Texas

WILLIAM H. LEBLANC, JR. (1974)
President of Baton Rouge Supply Company, Inc.
Baton Rouge, Louisiana

FLOYD R. SMITH (1965)
Chairman of the Board of Directors and Principal Executive Officer of the Company
Beaumont, Texas

Advisory Directors

JOHN J. MORRISON (1957)
Retired Chairman of the Board of the Company
Beaumont, Texas

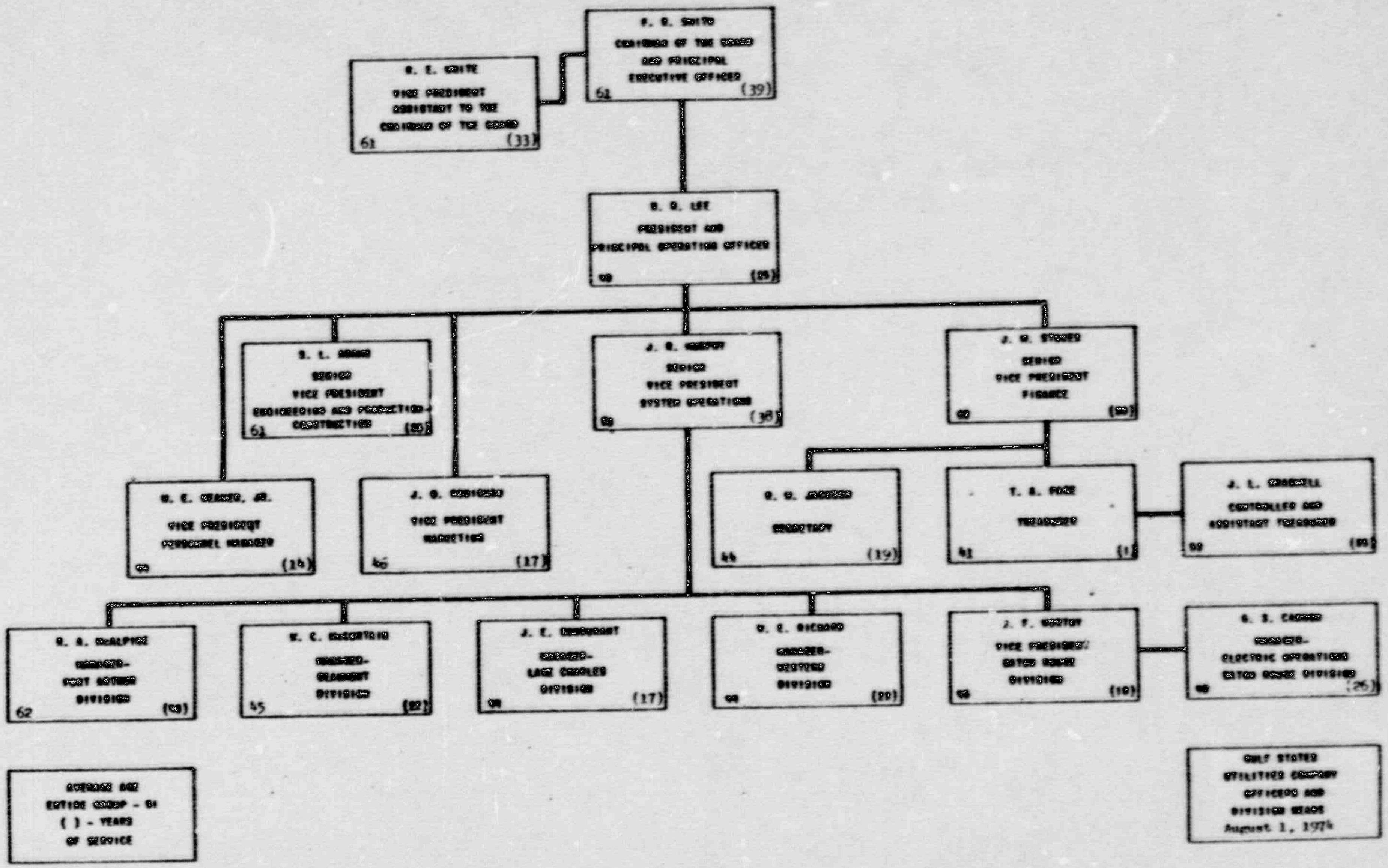
GLENN E. RICHARD (196[illegible])
Retired Chairman of the Board of the Company
Beaumont, Texas

EDWARD H. TAUSSIG (1944)
President of Taussig Corporation
Lake Charles, Louisiana

( ) Date elected to Board

GULF STATES U...LITIES COMPANY

ORGANIZATION CHART
OFFICERS AND DIVISION HEADS



GULF STATES UTILITIES COMPANY

SUMMARY OF FINANCIAL PROGRESS
(Thousands of Dollars)

Line		1973	% of Rev.	1972	% of Rev.	1971	% of Rev.	1970	% of Rev.
	OPERATING REVENUES:								
	Electric --								
1	Residential	$ 91,355	32	$ 79,022	33	$ 68,727	33	$ 65,463	33
2	Commercial	55,659	19	46,600	19	40,899	19	37,801	19
3	Industrial	99,231	34	77,941	33	68,322	33	63,394	33
4	Other	16,450	6	15,203	6	12,637	6	10,961	5
5	Total Electric	262,695	91	218,766	91	190,585	91	175,319	90
6	Steam Products	18,689	6	14,972	6	13,746	6	13,463	7
7	Gas	7,237	3	6,272	3	5,927	3	5,820	3
8	Total Operating Revenues	288,621	100	240,010	100	210,258	100	194,602	100
	OPERATING EXPENSES:								
9	Fuel for Power Generation	82,750	29	48,358	20	42,347	20	39,008	20
10	Purchased Power	4,949	2	4,470	2	1,807ø	1ø	2,354ø	1ø
11	Gas Purchased for Resale	3,362	1	2,553	1	2,052	1	1,877	1
12	Salaries and Wages	22,525	8	20,873	9	19,480	9	17,835	9
13	Employees' Pensions and Benefits	2,161	1	2,174	1	1,914	1	1,841	1
14	Rentals	1,005		1,078		1,069		1,003	
15	Transportation Costs	2,343	1	2,145	1	1,999	1	1,949	1
16	Other Operating Expenses	7,840	3	6,839	3	7,853	4	8,805	5
17	Trimming Trees	1,842		1,562	1	1,636	1	1,662	1
18	Other Maintenance	5,442	2	3,814	1	5,220	3	5,123	3
19	Total Operation and Maintenance	134,209	47	93,864	39	81,743	39	77,609	40
20	Depreciation	35,784	12	33,606	14	29,908	14	25,801	13
21	Amortization of Property Loss							136	
	TAXES:								
	Federal Income:								
22	Current	21,478	7	22,569	9	16,696	8	14,199	7
23	Deferred	6,779	2	6,064	2	5,187	2	4,933	3
24	Amortization of Prior Years' Deferments	205ø		206ø		265ø		273ø	
25	State Income:								
26	Current	680		1,100	1	1,047	1	1,026	
27	Deferred	206		277		74			
28	Other Than Income	18,228	6	17,211	7	14,864	7	13,331	7
	Investment Credits:								
29	Deferred	1,361	1	1,800	1	1,917	1	3,570	2
30	Amortization of Prior Years' Deferments	786ø		517ø		451ø		387ø	
31	Total Taxes	47,659	16	48,218	20	39,059	19	36,397	19
32	Disposition of Utility Plant	106		24ø		40			
33	TOTAL OPERATING EXPENSES AND TAXES	217,758	75	175,664	73	150,758	72	139,943	72
34	OPERATING INCOME	70,863	25	64,346	27	59,500	28	54,659	28
35	OTHER INCOME AND DEDUCTIONS	746		52		76		132	
36	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	10,068	3	8,725	4	6,896	3	8,846	5
37	INCOME BEFORE INTEREST CHARGES	81,677	28	73,123	31	66,472	31	63,637	33
	INTEREST CHARGES:								
38	Interest on Long-Term Debt	28,543	10	26,369	11	24,686	12	21,721	11
39	Amortization of Premium, Discount and Expense on Debt	25ø		32ø		39ø		47ø	
40	Other Interest Expense	2,982	1	1,018	1	2,816	1	2,965	2
41	Total Interest Charges	31,500	11	27,055	12	27,463	13	24,639	13
42	NET INCOME	50,177	17	46,168	19	39,009	18	38,998	20
43	PREFERRED DIVIDENDS PAID	6,730	2	4,650	2	4,084	2	4,084	2
44	INCOME APPLICABLE TO COMMON STOCK	43,447	15	40,518	17	34,925	16	34,914	18
45	COMMON DIVIDENDS PAID	28,102	10	26,569	11	25,009	12	22,740	12
46	ADDED TO RETAINED EARNINGS	$ 15,345	5	$ 13,969	6	$ 9,916	4	$ 12,174	6
47	EARNINGS PER AVERAGE SHARE**	$ 1.70	7θ	$ 1.59	9θ	$ 1.46	2ø θ	$ 1.49	8θ
48	DIVIDENDS PER COMMON SHARE**	$ 1.10	6θ	$ 1.04	θ	$ 1.04	6θ	$ .98	4θ
49	PER CENT PAY OUT	65		65		71		66	
50	AVERAGE SHARES OUTSTANDING**	25,547		25,547		23,881		23,431	

ø Denotes red figure
** Prior years restated for 2-for-1 common split in May 1965
θ Denotes percentage increase over previous year
( ) Decrease

GULF STATES UTILITIES COMPANY

SUMMARY OF FINANCIAL PROGRESS
(Thousands of Dollars)

1969	% of Rev.	1968	% of Rev.	1963	% of Rev.	Avg. Annual Growth Rate 1971 - 1973	Avg. Annual Growth Rate 1969 - 1973	Avg. Annual Growth Rate 1964 - 1973	Line
$ 59,821	33	$ 53,594	32	$ 35,428	32	12.9%	11.2%	9.9%	1
35,436	19	32,433	20	23,363	21	14.1%	11.4%	9.1%	2
59,367	33	52,058	32	33,713	30	16.1%	13.4%	11.4%	3
9,863	5	6,736	5	5,064	5	14.5%	13.5%	12.9%	4
164,487	90	147,621	89	97,568	88	14.4%	12.2%	10.0%	5
13,305	7	12,363	8	8,906	8	11.6%	8.6%	7.7%	6
5,348	3	5,423	3	4,305	4	7.9%	5.9%	5.3%	7
183,140	100	165,407	100	110,779	100	14.0%	11.0%	10.1%	8
35,232	19	29,960	18	17,820	16	20.0%	22.6%	16.6%	9
884		2,736	2	54		*	12.6%	49.6%	10
1,909	1	2,059	1	1,677	2	21.4%	10.3%	7.9%	11
16,562	9	16,593	10	13,211	12	6.1%	7.6%	5.5%	12
1,676	1	1,579	1	1,274	1	5.3%	6.6%	5.4%	13
832	1	669		406		.1%	8.3%	9.5%	14
1,764	1	1,662	1	1,174	1	6.3%	7.1%	7.2%	15
7,100	4	6,835	4	4,356	4	(4.1%)	2.0%	6.1%	16
1,478	1	1,323	1	862	1	3.5%	6.0%	7.9%	17
3,996	2	3,951	2	2,162	2	2.0%	6.6%	9.7%	18
71,563	39	66,360	40	42,936	39	20.0%	15.1%	12.1%	19
23,276	13	20,187	13	14,710	13	11.6%	12.1%	9.3%	20
542		542				*	*	*	21
18,667	10	18,437	11	12,638	12	14.0%	3.1%	6.6%	22
4,477	2	3,646	2	3,212	3	11.2%	13.2%	7.6%	23
2064		2064		3004		(1.4%)	.7%	.9%	24
									25
662		613		469		(12.6%)	2.1%	5.2%	26
						*	*	*	27
12,819	7	11,306	7	8,037	7	11.0%	9.9%	8.5%	28
2,439	2	2,702	2	1,103	1	(27.5%)	(12.6%)	2.1%	29
2056		2156				(26.0%)	(29.7%)	*	30
38,486	21	36,284	22	25,093	23	9.4%	5.6%	6.6%	31
						*	*	*	32
133,826	73	123,323	75	82,746	75	15.9%	12.0%	10.2%	33
49,274	27	42,084	25	28,033	25	9.0%	11.0%	9.7%	34
16		156		18		78.1%	36.6%	*	35
6,049	3	4,723	3	825	1	4.4%	16.3%	20.4%	36
55,305	30	46,963	28	28,840	26	8.7%	11.7%	11.6%	37
17,675	10	13,464	8	8,604	8	9.5%	16.2%	12.0%	38
566		566		278		19.0%	14.3%	.6%	39
2,974	1	1,580	1	485	1	.2%	20.2%	19.6%	40
20,593	11	14,280	9	9,263	9	6.5%	17.2%	13.6%	41
34,712	19	32,703	19	19,577	17	6.0%	8.9%	9.6%	42
4,094	2	4,084	2	2,474	2	10.1%	10.6%	10.5%	43
30,620	17	28,619	17	17,103	15	7.0%	8.7%	9.0%	44
20,819	12	19,182	12	11,619	10	7.3%	7.9%	9.2%	45
$ 9,809	5	$ 9,437	5	$ 5,604	5	6.0%	10.2%	10.6%	46
$ 1.30	69	$ 1.30	69	$ .82	39	4.6%	5.8%	7.6%	47
$ .94	70	$ .89	79	$ .56	69	3.2%	4.6%	7.0%	48
68		68		60		(.5%)	(.9%)	(.5%)	49
22,147		22,031		20,747		2.9%	3.0%	2.1%	50

GULF STATES UTILITIES COMPANY

COMPARATIVE BALANCE SHEETS
(Thousands of Dollars)

	1973	1972	1971	1970
ASSETS				
PLANT AND OTHER INVESTMENTS:				
Utility and other plant:				
Electric utility plant, at original cost	$1,307,877	$1,207,649	$1,102,136	$1,017,012
Steam products plant, at cost	52,833	52,754	52,185	52,072
Gas utility plant, at cost	19,975	18,821	18,044	17,506
Total	1,380,685	1,279,224	1,172,365	1,086,590
Less: Accumulated provision for depreciation	292,977	261,872	231,607	207,064
Total plant less accumulated provision for depreciation	1,087,708	1,017,352	940,758	879,526
Investment in and advances to subsidiary company, at equity	20,937	2,583		
Nonutility property and investments	1,020	1,012	1,240	1,232
Total plant and other investments	1,109,665	1,020,947	941,998	880,758
CURRENT ASSETS	51,414	86,261	35,230	35,183
DEFERRED DEBITS AND OTHER ASSETS	2,616	1,752	1,661	1,830
TOTAL ASSETS	$1,163,695	$1,108,960	$ 978,889	$ 917,771
LIABILITIES				
CAPITAL STOCK AND RETAINED EARNINGS:				
Preferred stock, cumulative, $100 par	$ 117,500	$ 117,500	$ 82,500	$ 82,500
Common stock, without par value	187,580	187,500	187,580	147,300
Premium on preferred stocks	655	655	600	600
Retained earnings	154,556	139,354	125,406	115,490
Common equity	342,791	327,589	313,586	263,390
Total capital stock and retained earnings	460,291	445,089	396,086	345,890
LONG-TERM DEBT:				
First Mortgage bonds	519,000	469,000	469,000	434,000
Debentures	10,125	10,500	10,875	11,250
Total long-term debt	529,125	479,500	479,875	445,250
Total Capitalization	989,416	924,589	875,961	791,140
CURRENT LIABILITIES	83,887	104,543	32,116	62,384
DEFERRED CREDITS	21,075	18,219	15,811	14,580
OPERATING RESERVES	1,771	1,715	1,710	1,718
CONTRIBUTIONS IN AID OF CONSTRUCTION	3,829	3,320	2,772	2,426
ACCUMULATED DEFERRED INCOME TAXES	63,717	56,574	50,519	45,523
TOTAL LIABILITIES	$1,163,695	$1,108,960	$ 978,889	$ 917,771

( ) Decrease

GULF STATES UTILITIES COMPANY

COMPARATIVE BALANCE SHEETS
(Thousands of Dollars)

1969	1968	1963	Avg. Annual Growth Rate 1971 - 1973	Avg. Annual Growth Rate 1969 - 1973	Avg. Annual Growth Rate 1964 - 1973
$913,320	$797,571	$507,039	8.8%	10.4%	9.9%
51,426	49,639	40,205	.5%	1.3%	2.8%
17,083	16,550	13,877	4.5%	3.8%	3.7%
981,829	863,760	561,121	8.3%	9.8%	9.4%
185,561	167,524	99,899	12.3%	11.8%	11.4%
796,268	696,236	461,222	7.3%	9.3%	9.0%
1,078	1,163	789	(6.1%)	(2.6%)	2.6%
797,346	697,399	462,011	8.0%	9.7%	9.2%
29,792	28,432	18,175	13.5%	12.6%	11.0%
1,502	2,196	742	12.7%	3.6%	13.4%
$828,640	$728,027	$480,928	8.2%	9.8%	9.2%
$ 82,500	$ 82,500	$ 62,500	12.5%	7.3%	6.5%
119,083	119,083	88,829	8.4%	9.5%	7.8%
600	600	557	3.0%	1.8%	1.6%
103,366	93,557	56,177	10.2%	10.6%	10.7%
223,049	215,240	145,563	9.2%	10.0%	8.9%
305,549	295,740	208,063	10.0%	9.3%	8.3%
374,000	324,000	204,000	6.1%	9.9%	9.8%
11,625	12,000	23,025	(3.5%)	(3.3%)	(7.9%)
385,625	336,000	227,025	5.9%	9.5%	8.8%
691,174	631,740	435,088	7.7%	9.4%	8.6%
81,517	46,923	19,196	10.4%	12.3%	15.9%
11,745	9,668	3,137	13.1%	16.9%	21.0%
1,201	1,229	702	1.0%	7.6%	9.7%
2,141	1,788	454	16.4%	16.5%	23.8%
40,862	36,679	22,351	11.9%	11.7%	11.0%
$828,640	$728,027	$480,928	8.2%	9.8%	9.2%

GULF STATES UTILITIES COMPANY

CAPITALIZATION

CAPITAL STOCK AND RETAINED EARNINGS

	Shares Outstanding	Dec. 31, 1973	Dec. 31, 1972
COMMON STOCK** -- Without par value -- Authorized, 60,000,000 shares -- Outstanding, 25,547,328 shares (20,241 Shareowners)		$187,579,725	$187,579,725
RETAINED EARNINGS		154,558,609	139,354,411
Total common stock and retained earnings		$342,138,334	$326,934,136
PREFERRED STOCK --Cumulative--$100 par value--Authorized, 3,000,000 shares -- Outstanding, 1,175,000 shares (2,872 Shareowners). The redemption prices of all preferred stock issues, in the aggregate, were $124,607,510 at December 31, 1973.			
$4.20 Dividend	70,000	$ 7,000,000	$ 7,000,000
$4.40 Dividend*	120,000	12,000,000	12,000,000
$4.40 Dividend, 1949 Series	60,000	6,000,000	6,000,000
$4.44 Dividend	50,000	5,000,000	5,000,000
$4.50 Dividend	50,000	5,000,000	5,000,000
$4.52 Dividend*	100,000	10,000,000	10,000,000
$5.00 Dividend	75,000	7,500,000	7,500,000
$5.08 Dividend*	100,000	10,000,000	10,000,000
$6.08 Dividend	200,000	20,000,000	20,000,000
$7.56 Dividend	350,000	35,000,000	35,000,000
Total preferred stock	1,175,000	$ 117,500,000	$ 117,500,000
PREMIUM ON PREFERRED STOCKS		$ 665,236	$ 665,236
Total capital stock and retained earnings		$ 460,303,570	$ 445,099,372

LONG-TERM DEBT

FIRST MORTGAGE BONDS -- Authorized, $1,000,000,000 principal amount:
Sinking fund requirements for 1974 aggregate $6,400,000. The Company expects to satisfy such requirements by certifying property additions to the Trustee.

Series	Dec. 31, 1973	Dec. 31, 1972
2 5/8% due May 1, 1976*	$ 27,000,000***	$ 27,000,000***
3 % due April 1, 1978*	12,000,000	12,000,000
2 3/4% due December 1, 1979*	10,000,000	10,000,000
2 3/4% due June 1, 1980*	13,000,000	13,000,000
3 3/8% due November 1, 1981*	10,000,000	10,000,000
3 1/8% due December 1, 1982*	10,000,000	10,000,000
3 3/8% due December 1, 1983*	10,000,000	10,000,000
4 1/4% due September 1, 1986	16,000,000	16,000,000
4 7/8% due October 1, 1987	17,000,000	17,000,000
4 % due May 1, 1988	20,000,000	20,000,000
4 3/8% due January 1, 1990	10,000,000	10,000,000
5 1/4% A due December 1, 1989	16,000,000	16,000,000
4 7/8% due July 1, 1990	17,000,000	17,000,000
4 3/8% due May 1, 1992	17,000,000	17,000,000
5 % due January 1, 1996	20,000,000	20,000,000
5 3/8% due February 1, 1997	35,000,000	35,000,000
6 5/8% due February 1, 1998	25,000,000	25,000,000
6 3/4% A due October 1, 1998	40,000,000	40,000,000
7 1/4% due March 1, 1999	25,000,000	25,000,000
8 1/8% A due October 1, 1999	25,000,000	25,000,000
8 1/2% due February 1, 2000	30,000,000	30,000,000
7 7/8% A due December 1, 2000	30,000,000	30,000,000
7 1/2% due November 1, 2001	35,000,000	35,000,000
8 1/2% due August 1, 2003	50,000,000	
Total first mortgage bonds	$ 519,000,000 ∅*	$ 469,000,000
DEBENTURES-- Authorized, $15,000,000 principal amount:		
4 5/8% due October 1, 1981	$ 10,125,000	$ 10,500,000
Total long-term debt (excluding portion due within one year)	$ 529,125,000 ∅*	$ 479,500,000
Total capitalization	$ 989,428,570	$ 924,599,372

STOCK TRANSFER AGENTS AND REGISTRARS

Transfer Agents:

The American National Bank of Beaumont, Beaumont, Texas
∅ The Chase Manhattan Bank, New York, N. Y.
/ The First National Bank of Chicago, Chicago, Illinois

Registrars:

First Security National Bank of Beaumont, Beaumont, Texas
∅ Manufacturers Hanover Trust Company, New York, N. Y.
/ Northern Trust Company, Chicago, Illinois

* Listed on New York Stock Exchange, Inc.
** Listed on New York, Midwest and Pacific Coast Stock Exchanges
*** Excluding $1,000,000 in Treasury

∅ Except for $4.50 Preferred and $4.40 Preferred, 1949 Series
/ For Common Stock only
∅* 8 5/8% due March 1, 2004, $60,000,000 not included in above figures

GULF STATES UTILITIES COMPANY

FINANCINGS SINCE OCTOBER, 1944

Common Stock

Date	Number of Shares	Price Per Share	Aggregate Proceeds To Company
Dec., 1947-			
Jan., 1948	272,852	$12.50	$ 3,410,650
Jan., 1949	278,479	16.1502	4,500,000
Mar., 1950	258,600	23.2019	6,000,000
May, 1951	164,691	21.252	3,500,000
Apr., 1952	239,576	20.87	5,000,000
May, 1953	781,042	5-for-4 Split	- 0 -
June, 1954	316,622	18.95	6,000,000
Sept., 1956	100,000	35.01	3,501,000
June, 1957	200,000	37.88	7,576,000
May, 1958	240,000	42.015	10,083,600
May, 1959	250,000	61.68	15,420,000
June, 1959	5,011,832	2-for-1 Split	- 0 -
Jan., 1961	350,000	36.161	12,656,350
May, 1965	10,373,664	2-for-1 Split	- 0 -
Feb., 1968	1,000,000	21.61	30,254,000
Feb., 1972	1,000,000	20.155	28,217,000
Nov., 1973	2,000,000	20.14	40,280,000
Total	[illegible]		$176,478,600

Preferred Stock

Date	Dividend Rate	Number Of Shares	Price Per Share	Aggregate Proceeds To Company
Oct., 1944	$4.40	120,000*	$100.001	$ 3,000,636
Oct., 1947	4.50	50,000	100.00	5,000,000
Oct., 1949	4.40	60,000	101.00	6,060,000
Nov., 1950	4.20	70,000	100.0699	7,004,893
July, 1952	4.44	50,000	100.0599	5,032,995
Feb., 1958	5.00	75,000	100.5199	7,538,997
Jan., 1959	5.08	100,000	100.706	10,070,000
Oct., 1963	4.52	100,000	100.43	10,043,000
July, 1967	6.08	200,000	100.213	20,042,600
Sept., 1972	7.56	310,000	100.1571	31,054,005
Total		1,175,000		$ 109,350,007

First Mortgage Bonds

Date	Series	Principal Amount	Price Per Unit	Aggregate Proceeds To Company
May, 1946	2 5/8% due 1976	$27,000,000	100.767%	$ 27,207,050
Apr., 1948	3% due 1978	12,000,000	101.22%	12,146,400
Dec., 1949	2 3/4% due 1979	10,000,000	102.1499%	10,214,990
June, 1950	2 3/4% due 1980	13,000,000	100.741%	13,096,330
Nov., 1951	3 3/8% due 1981	10,000,000	102.10%	10,210,000
Dec., 1952	3 1/4% due 1982	10,000,000	100.17%	10,017,000
Dec., 1953	3 3/8% due 1983	10,000,000	101.2099%	10,120,990
Sept., 1956	4 1/8% due 1986	15,000,000	100.08%	15,012,000
Oct., 1957	4 7/8% due 1987	17,000,000	100.619%	17,105,230
May, 1958	4% due 1988	20,000,000	101.965%	20,393,000
Jan., 1959	4 3/4% due 1989	10,000,000	101.659%	10,165,900
Dec., 1959	5 1/4% due 1989 (A)	16,000,000	101.83%	16,292,800
July, 1960	4 7/8% due 1990	17,000,000	100.1099%	17,018,683
May, 1962	4 3/8% due 1992	17,000,000	100.76%	17,129,200
Jan., 1966	5% due 1996	20,000,000	100.70999%	20,141,998
Feb., 1967	5 3/4% due 1997	35,000,000	101.4%	35,490,000
Feb., 1968	6 5/8% due 1998	25,000,000	101.391%	25,347,750
Oct., 1968	6 3/4% due 1998 (A)	60,000,000	101.1%	60,660,000
Mar., 1969	7 1/4% due 1999	25,000,000	100.444%	25,111,000
Sept., 1969	8 1/8% due 1999 (A)	25,000,000	99.482%	24,870,500
Feb., 1970	8 1/2% due 2000	30,000,000	99.709%	29,928,700
Dec., 1970	7 7/8% due 2000 (A)	30,000,000	99.42%	29,826,000
Nov., 1971	7 1/2% due 2001	35,000,000	99.565%	34,848,000
Aug., 1973	8 1/2% due 2003	50,000,000	99.2146%	49,607,000
Mar., 1974	8 5/8% due 2004	60,000,000	99.522%	59,713,200
Total		$579,000,000		$581,004,161

Debentures

Date	Issue	Principal Amount	Price Per Unit	Aggregate Proceeds To Company
Jun., 1949	3% due 1969	$15,000,000	100.402%	$15,060,300
Oct., 1961	4 5/8% due 1981	15,000,000	100.181%	15,027,150
Total		$30,000,000		$30,087,450

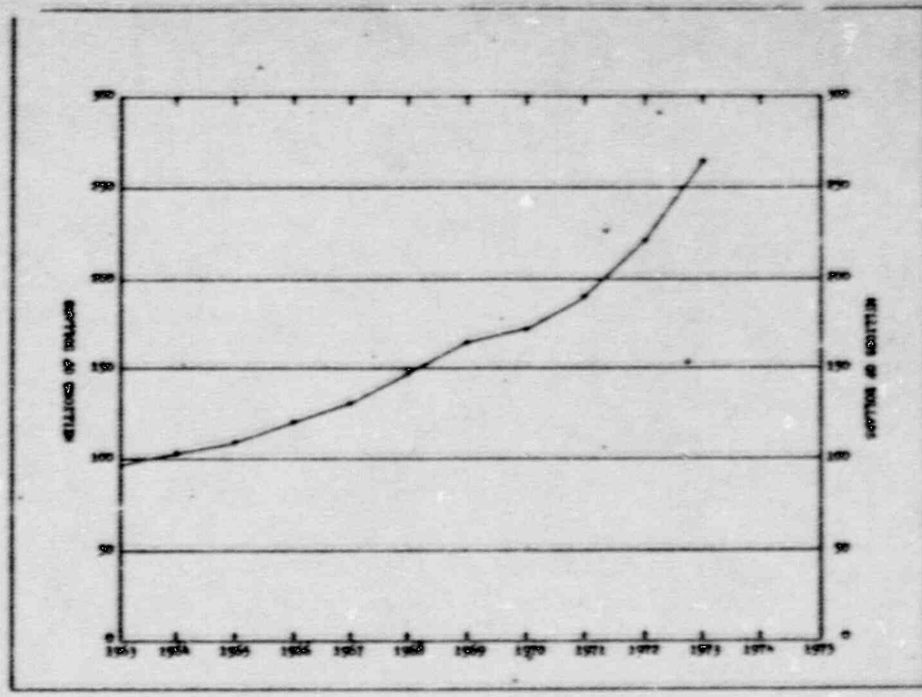
Aggregate

Common Stock	$176,478,600	
Preferred Stock	109,349,002	
Total Equity		$285,827,602
First Mortgage Bonds	$581,004,161	
Debentures	30,087,450	
Total Debt		611,101,611
Total		$897,009,213

* 35,006 shares sold to public; 84,994 shares exchanged for $6.00 and $5.50 dividend preferred

GULF STATES UTILITIES COMPANY

ELECTRIC OPERATING REVENUES
(Thousands of Dollars)



Year	Residential	% of Total	Commercial	% of Total	Industrial	% of Total	Other	% of Total	Total Electric Operating Revenues	% Increase
1973	$91,355	34.8	$55,659	21.2	$99,231	37.8	$16,450	6.2	$262,695	20.1
1972	79,022	36.1	46,600	21.3	77,941	35.6	15,203	7.0	218,766	14.8
1971	68,727	36.1	40,099	21.5	68,322	35.8	12,637	6.6	190,585	8.7
1970	63,463	36.2	37,501	21.4	63,394	36.2	10,961	6.2	175,319	6.6
1969	59,821	36.4	35,436	21.5	59,367	36.1	9,863	6.0	164,487	11.4
1968	53,994	36.3	32,433	22.0	52,858	35.8	8,736	5.9	147,621	11.9
1967	47,813	36.2	29,552	22.4	46,688	35.4	7,900	6.0	131,953	8.9
1966	44,345	36.6	27,220	22.5	42,665	35.2	6,966	5.7	121,196	9.0
1965	40,265	36.2	25,033	22.5	39,706	35.7	6,225	5.6	111,229	8.4
1964	37,502	36.5	23,339	22.7	36,096	35.2	5,715	5.6	102,652	5.2
1963	35,428	36.3	23,363	23.9	33,713	34.6	5,064	5.2	97,568	6.3
Avg. Annual Growth Rate 1971 - 1973		12.9%		14.1%		16.1%		14.5%		14.4%
Avg. Annual Growth Rate 1969 - 1973		11.3%		11.4%		13.4%		13.5%		12.2%
Avg. Annual Growth Rate 1964 - 1973		9.9%		9.1%		11.4%		12.5%		10.4%

GULF STATES UTILITIES COMPANY

GROWTH IN ELECTRIC INDUSTRIAL REVENUES AND KWH SALES

Year	Revenues (Thousands)	Per Cent Increase	KWH Sales (Thousands)	Per Cent Increase
1973	$99,231	27.3	11,001,560	5.6
1972	77,941	14.1	10,415,986	11.1
1971	68,322	7.8	9,371,114	7.7
1970	63,394	6.8	8,698,045	7.4
1969	59,367	12.3	8,098,285	14.6
1968	52,858	13.2	7,066,849	15.3
1967	46,688	9.4	6,129,205	6.6
1966	42,665	7.5	5,749,839	9.5
1965	39,706	10.0	5,249,407	13.2
1964	36,096	7.1	4,637,833	11.7
1963	33,713	9.3	4,151,722	12.8

	Revenues	KWH Sales
Avg. Annual Growth Rate 1971 - 1973	16.1%	8.2%
Avg. Annual Growth Rate 1969 - 1973	13.4%	9.3%
Avg. Annual Growth Rate 1964 - 1973	11.4%	10.2%

GULF STATES UTILITIES COMPANY

ELECTRIC REVENUES FROM INDUSTRIAL CUSTOMERS
(Thousands of Dollars)

	1973		1968		1963		Average Annual Growth Rate	
Type of Industry	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	five-year 1969-1973	ten-year 1964-1973
Cement	$ 1,012	1.0%	$ 915	1.7%	$ 943	2.8%	2.0%	.7%
Chemicals and Allied Products	58,493	58.9	27,133	51.3	15,886	47.1	16.6%	13.9%
Oil Fields	2,054	2.1	1,506	2.9	1,462	4.3	6.4%	3.5%
Paper and Allied Products	5,677	5.7	3,182	6.0	1,459	4.3	12.3%	14.6%
Petroleum Refining and Related Industry	3,680	3.7	3,074	5.8	2,757	8.2	3.7%	2.9%
Pipeline Pumping	10,639	10.7	7,236	13.7	3,603	10.7	8.0%	11.4%
Salt Mining	713	.7	444	.8	326	1.0	9.9%	[illegible].1%
Sand and Gravel	112	.1	83	.2	122	.4	6.2%	(.9%)
Shipbuilding	760	.8	466	.9	304	.9	10.3%	9.6%
Steel	1,284	1.3	791	1.5	669	2.0	10.2%	6.7%
Synthetic Rubber	6,409	6.5	3,818	7.2	2,843	8.4	10.9%	8.5%
Other	8,398	8.5	4,210	8.0	3,339	9.9	14.8%	9.7%
Total Industrial Revenues	$99,231	100.0%	$52,858	100.0%	$33,713	100.0%	13.4%	11.4%

GULF STATES UTILITIES COMPANY

INDUSTRIAL CUSTOMERS (ELECTRIC)

Cement

Alpha Portland Cement Co.
Ideal Cement Co., Baton Rouge

Chemicals and Allied Products

Allied Chemical Corp.
Cities Service Oil Co.
Columbian Carbon Co.
Continental Oil Co.
Cosmar, Inc.
Dow Chemical Co.
Exxon Chem. Co. U.S.A.
E. I. DuPont Co.
Foster Grant Co., Inc.
Big Three Incorporated
Geigy Chemical Company
W. R. Grace & Co. - Davison Div.
Gulf Oil Corp.
Liquid Air, Inc.
Hercules Powder Co.
Houston Chemical Co.
Jefferson Chemical Co.
Kaiser Aluminum and Chemical Co.
Koch Chemical Co.
Koppers Co., Inc. (ARCO)
Mobil Chemical Co.
Monochem Inc.
Olin Chemical Corp.
Phillips Chemical Co.
Pittsburg Plate Glass Industries
Sid Richardson Carbon
A. Schulman, Inc. - Cabot Corp.
Shell Chem. Co.
Stauffer Chemical
Uniroyal Chem. Co.
Vulcan Chem. Co.
BASF Wyandotte Chemical Corp.

Grain Handling

Cargill, Inc.

Paper and Wood Products

Champion Papers, Inc.
Crown Zellerback Corp.
EasTex, Incorporated
Georgia Pacific Corporation
Owens-Illinois Mill
Equitable Bag Co.
Kirby Lumber Co.
Louisiana Pacific Corp.

Petroleum Refining and Related Industry

American Petrofina
Gulf Oil Corp.
Shell Oil Co.
Union Texas Pet. Div., Allied Chemical Corp.
Union 76

Pipeline Pumping

Allied Chem. Corp.
Colonial Pipe Line Co.
Dixie Pipe Line
Explorer Pipeline Co.
Gulf Refining Co.
Exxon Pipeline Co.
Mobil Pipe Line Co.
Plantation Pipe Line Co.
Texas Eastern Transmission Corp.
Texas Pipeline Co.
West Texas Gulf Pipe Line Co.
BASF Wyandotte Inc.

Salt Mining

International Salt Co.
Jefferson Island Salt Co.
Morton Salt Co.

Shipbuilding

Beaumont Shipyard of Bethlehem Steel
Levingston Shipbuilding Co.

Steel

American Bridge Div., U. S. Steel Corp.
Stupp Corp.

Synthetic Rubber

B. F. Goodrich, Inc.
Copolymer
Firestone Tire & Rubber Co.
Goodyear Tire & Rubber Co.
Neches Butane Products Co.

South Central Bell Tel. Co.

GULF STATES UTILITIES COMPANY

INCOME APPLICABLE TO COMMON STOCK
(Thousands of Dollars)

Year	Amount	% Increase Over Previous Year	Dividends
1973	$43,447	7.2	$28,102
1972	40,518	16.0	26,569
1971	34,925	-	25,009
1970	34,914	14.0	22,740
1969	30,628	7.0	20,819
1968	28,619	16.0	19,182
1967	24,668	3.6	17,013
1966	23,803	13.6	16,183
1965	20,958	13.5	14,731
1964	18,466	8.0	12,863
1963	17,103	3.4	11,619

GULF STATES UTILITIES COMPANY

COMMON STOCK EARNINGS AND DIVIDEND DATA

Year	Earnings Per Share	% Increase Over Previous Year	Dividends Paid Per Share	% Paid Out
1973	$1.70	6.9	$1.10	65%
1972	1.59	8.9	1.04	65%
1971	1.46	(2.0)	1.04	71%
1970	1.49	8.0	.98	66%
1969	1.38	6.2	.94	68%
1968	1.30	9.2	.88	68%
1967	1.19	3.5	.82	69%
1966	1.15	13.9	.78	68%
1965	1.01	13.5	.71	70%
1964	.89	8.5	.62	70%
1963	.82	2.5	.56	68%

( ) Decrease

GULF STATES UTILITIES COMPANY

TOTAL PLANT INVESTMENT

Year	Electric Plant	% Inc.	Gas Plant	% Inc.	Steam Products Plant	% Inc.	Total Plant	% Inc.	Depreciation	% of Plant
1973	$1,307,877	8.3	$19,975	6.1	$52,833	.1	$1,380,685	7.9	$292,977	21.2
1972	1,207,649	9.6	18,821	4.3	52,754	1.1	1,279,224	9.1	261,872	20.5
1971	1,102,136	8.4	18,044	3.1	52,185	.2	1,172,365	7.9	231,607	19.8
1970	1,017,012	11.4	17,506	2.5	52,072	1.3	1,086,590	10.7	207,064	19.1
1969	913,320	14.5	17,083	3.2	51,426	3.6	981,829	13.7	185,561	18.9
1968	797,571	15.6	16,550	4.3	49,639	22.0	863,760	15.7	167,524	19.4
1967	689,934	13.4	15,870	3.8	40,696	.5	746,500	12.4	150,323	20.1
1966	608,307	9.3	15,289	3.5	40,493	.3	664,089	8.6	134,149	20.2
1965	556,504	6.5	14,766	3.3	40,394	.4	611,664	6.0	123,750	20.2
1964	522,491	3.0	14,296	3.0	40,229	.1	577,016	2.8	113,098	19.6
1963	507,039	5.6	13,877	3.8	40,205	1.7	561,121	5.2	99,899	17.8
Avg. Annual Growth Rate 1971 - 1973		8.8%		4.5%		.5%		8.3%		12.3%
Avg. Annual Growth Rate 1969 - 1973		10.4%		3.8%		1.3%		9.8%		11.8%
Avg. Annual Growth Rate 1964 - 1973		9.9%		3.7%		2.8%		9.4%		11.4%

Table in thousands of dollars

GULF STATES UTILITIES COMPANY

SUMMARY OF OPERATIONS GROWTH

Line		1973	1972	1971	1970
	ELECTRIC AND STEAM PRODUCTS DEPARTMENT:				
	Customers				
1	Residential	349,292	340,360	330,416	319,325
2	Commerical	41,986	41,144	40,171	39,251
3	Industrial	5,606	*6,115	5,320	4,466
4	Other	1,433	1,391	1,320	1,324
5	Total	398,317	389,010	377,227	364,366
	Kilowatt-Hour Sales (Thousands)				
*6	Residential	3,730,837	3,646,356	3,132,933	2,860,259
7	Commerical	2,579,961	2,380,471	2,114,689	1,923,879
8	Industrial	11,001,560	10,415,986	9,371,114	8,698,045
9	Other	1,519,578	1,719,249	1,482,560	1,338,427
10	Total Utility	18,831,936	18,062,061	16,101,296	14,820,610
11	Steam Products	2,880,262	2,602,921	2,420,923	2,384,767
12	Total System	21,712,298	20,664,982	18,522,219	17,205,377
	Electric Customer Data:				
13	Average Kilowatt-Hour Use Per Residential Customer	10,819	10,571	9,645	9,044
14	Average Revenue Per Residential Customer - Dollars	264.91	235.55	211.57	200.67
	Average Revenue Per Kilowatt-Hour - Cents:				
15	*Residential	2.45	2.23	2.19	2.22
16	Commercial	2.16	1.96	1.93	1.95
17	Industrial	.90	.75	.73	.73
	GAS DEPARTMENT:				
18	Customers	71,854	70,597	69,124	67,322
19	Natural Gas Purchased-- M - Cubic Feet	9,502,531	9,060,473	8,788,881	9,607,794
20	Sales - M - Cubic Feet	9,114,942	8,441,612	8,585,412	9,209,457
21	Main - Miles	1,019	979	949	937
	CAPABILITY, LOAD AND RESERVES (kilowatts):				
22	Generating capability at time of peak load (1)	4,564,000	4,155,000	4,155,000	3,625,000
23	Capability purchased from Sam Rayburn and Toledo Bend Dams and Cajun Electric Power Cooperative, Inc. without reserves	168,000	204,000	98,000	98,000
24	Total Capability at time of peak load	4,732,000	4,359,000	4,253,000	3,723,000
25	Peak load including interruptible load (1)	3,790,300	3,602,700	3,285,000	3,039,400
26	Plus: Power sales with reserves to other utility systems	0	0	100,000	100,000
	Less:				
27	Interruptible load at time of peak load	28,800	39,800	30,600	37,600
28	Purchased power with reserves including TVA Diversity Interchange	215,000	215,000	215,000	215,000
29	Load for which reserves are provided	3,546,500	3,347,900	3,139,400	2,886,800
30	Capability In Excess of Load	1,185,500	1,011,100	1,113,600	836,200
31	Less: Scheduled Maintenance At Time of Peak Load	0	0	176,000	246,000
32	Reserve Capability	1,185,500	1,011,100	937,600	590,200
33	Percent reserves	33	30	30	20
34	Annual Load Factor	68.85	68.95	68.25	68.45
	Output:				
35	Net M-kwh Generated	21,890,507	21,281,658	20,643,077	19,290,514
36	Net Purchased and Interchanged	917,992	519,575	990,059#	1,060,239#
37	Total	22,808,499	21,801,233	19,653,018	18,230,275
	MISCELLANEOUS:				
38	Steam Sales - Millions of Pounds	25,723	24,543	23,943	24,162
39	Maximum Steam Demand - M - Pounds Per Hour	3,389	3,309	3,193	3,371
	Electric Line - Pole Miles:				
40	Transmission (69,000 Volts and Over)	3,667	3,641	3,589	3,287
41	Distribution (34,500 Volts and Under)	15,337	15,019	14,655	14,303
42	Underground Construction -- Miles of Route	671	575	489	399

(1) Excludes load served by and capability of the 70,588 kilowatt steam-electric installation maintained and operated by the Industrial Chemicals Division of Allied Chemical Corporation

\# Denotes red figure

( ) Decrease

GULF STATES UTILITIES COMPANY

SUMMARY OF OPERATIONS GROWTH

1969	1968	1964	% Increase 1973 - 1972	Avg. Annual Growth Rate 1971 - 1973	Avg. Annual Growth Rate 1969 - 1973	Avg. Annual Growth Rate 1964 - 1973	Line
313,661	307,057	260,045	2.6	3.0%	2.6%	2.7%	1
38,907	37,934	33,607	2.0	2.3%	2.1%	2.3%	2
4,396	4,524	3,709	(0.3)	7.9%	4.4%	4.2%	3
1,271	1,220	927	3.0	2.7%	3.3%	4.5%	4
358,235	350,735	307,008	2.4	3.0%	2.6%	2.6%	5
2,666,942	2,319,248	1,406,326	5.2	9.3%	10.0%	10.3%	6
1,782,460	1,598,833	1,020,404	8.4	10.3%	10.0%	9.7%	7
8,098,285	7,066,849	4,151,722	5.6	8.2%	9.3%	10.2%	8
1,222,307	1,059,655	551,460	(11.6)	4.3%	7.5%	10.7%	9
13,769,594	12,044,585	7,129,912	4.3	8.3%	9.4%	10.2%	10
2,364,660	2,215,961	1,518,792	10.7	6.5%	5.4%	6.6%	11
16,133,254	14,260,536	8,648,704	5.1	8.1%	8.8%	9.6%	12
8,602	7,652	5,260	2.3	6.2%	7.2%	7.5%	13
193.04	176.83	132.52	12.5	9.7%	8.4%	7.2%	14
2.24	2.31	2.52	9.9	3.3%	1.2%	(.3%)	15
1.99	2.02	2.29	10.2	3.5%	1.4%	(.6%)	16
.73	.75	.81	20.0	7.2%	3.7%	1.1%	17
66,604	66,121	57,107	1.0	2.2%	1.7%	2.3%	18
9,291,090	9,612,566	8,190,199	4.9	(.4%)	(.2%)	1.5%	19
8,982,181	9,094,833	7,493,565	8.0	(.3%)	-	2.0%	20
917	882	766	4.1	2.8%	2.9%	2.9%	21
3,046,000	2,475,000	1,961,000	9.8	8.0%	13.0%	8.8%	22
98,000	52,000	0	(17.6)	19.7%	26.0%	-	23
3,143,000	2,527,000	1,961,000	8.6	8.3%	13.4%	9.7%	24
2,880,000	2,564,000	1,531,400	5.2	7.6%	8.2%	9.5%	25
80,000	0	0	-	-	-	-	26
0	0	0	(27.6)	(8.5%)	-	-	27
215,000	295,000	0	-	-	(6.1%)	-	28
2,680,000	2,259,000	1,531,400	8.9	7.0%	9.6%	8.7%	29
467,000	268,000	429,600	17.2	12.6%	34.8%	10.0%	30
0	0	0	-	(20.0%)	-	-	31
467,000	268,000	429,600	17.2	21.9%	31.9%	9.5%	32
17	12	26	10.0	14.5%	20.1%	.7%	33
68.4%	67.4%	60.3%	(.1)	.2%	.4%	.1%	34
17,337,296	14,943,316	9,104,325	2.9	4.3%	7.9%	9.2%	35
249,4264	187,897	57,653	76.7	-	37.3%	31.9%	36
17,087,870	15,131,303	9,161,978	4.6	7.8%	8.6%	9.0%	37
24,304	25,472	22,701	4.8	2.1%	.2%	1.3%	38
3,143	3,387	3,420	2.4	.2%	-	(.1%)	39
3,085	2,933	2,215	.7	3.7%	4.6%	5.2%	40
14,015	13,569	11,724	2.1	2.4%	2.8%	2.7%	41
349	274	88	16.7	18.9%	19.6%	22.5%	42

GULF STATES UTILITIES COMPANY

ELECTRIC OPERATING REVENUES, KILOWATT-HOURS SOLD AND ELECTRIC PLANT
(Thousands)

Year	Electric Operating Revenues	% Increase Over Previous Year	Kilowatt-Hours Sold	% Increase Over Previous Year	Electric Plant	% Increase Over Previous Year
1973	$262,695	20.1	18,831,936	4.3	$1,307,877	8.3
1972	218,766	14.8	18,062,061	12.2	1,207,649	9.6
1971	190,585	8.7	16,101,296	8.6	1,102,136	8.4
1970	175,319	6.6	14,820,610	7.6	1,017,012	11.4
1969	164,487	11.4	13,768,594	14.3	913,320	14.5
1968	147,621	11.9	12,044,585	15.0	797,571	15.6
1967	131,953	8.9	10,475,406	8.0	689,934	13.4
1966	121,196	9.0	9,696,543	10.4	608,307	9.3
1965	111,229	8.4	8,786,912	11.7	556,504	6.5
1964	102,652	5.2	7,866,788	10.3	522,491	3.0
1963	97,568	6.3	7,129,912	10.3	507,039	5.6
Avg. Annual Growth Rate 1971 - 1973		14.4%		8.3%		8.8%
Avg. Annual Growth Rate 1969 - 1973		12.2%		9.4%		10.4%
Avg. Annual Growth Rate 1964 - 1973		10.4%		10.2%		9.9%

GULF STATES UTILITIES COMPANY

KILOWATT-HOUR SALES -- ELECTRIC DEPARTMENT

Year	Residential	Per Cent of Total	Commercial	Per Cent of Total	Industrial	Per Cent of Total	Other	Per Cent of Total	Total	Per Cent Increase
1973	3,730,837	19.8	2,579,961	13.7	11,001,560	58.4	1,519,578	8.1	18,831,936	4.3
1972	3,546,355	19.6	2,360,471	13.2	10,415,986	57.7	1,719,249	9.5	18,062,061	12.2
1971	3,132,933	19.5	2,114,689	13.1	9,371,114	58.2	1,482,560	9.2	16,101,296	8.6
1970	2,860,259	19.3	1,923,879	13.0	8,698,045	58.7	1,338,427	9.0	14,820,610	7.6
1969	2,665,542	19.4	1,782,460	12.9	8,098,285	58.8	1,222,307	8.9	13,768,594	14.3
1968	2,319,248	19.3	1,598,833	13.3	7,066,849	58.6	1,059,655	8.8	12,044,585	15.0
1967	2,009,015	19.2	1,422,436	13.6	6,129,205	58.5	914,750	8.7	10,475,406	8.0
1966	1,845,790	19.0	1,295,614	13.4	5,749,839	59.3	805,300	8.3	9,696,543	10.4
1965	1,653,715	18.8	1,179,930	13.4	5,249,407	59.8	703,860	8.0	8,786,912	11.7
1964	1,511,139	19.2	1,082,212	13.8	4,637,833	58.9	635,604	8.1	7,866,788	10.3
1963	1,406,326	19.7	1,020,404	14.3	4,151,722	58.2	551,460	7.8	7,129,912	10.3
Avg. Annual Growth Rate 1971 - 1973		9.3%		10.3%		8.2%		4.3%		8.3%
Avg. Annual Growth Rate 1969 - 1973		10.0%		10.0%		9.3%		7.5%		9.4%
Avg. Annual Growth Rate 1964 - 1973		10.3%		9.7%		10.2%		10.7%		10.2%

Table in thousands of kilowatt-hours

GULF STATES U[illegible]ITIES COMPANY

FINANCIAL STATISTICS

	12 Mos. Ended or at Dec. 31, 1973		12 Mos. Ended or at Dec. 31, 1953		Increase
Net Income	$ 50,177,196		$ 19,576,591		$ 30,600,605
Income Taxes	$ 29,431,036		$ 17,056,477		$ 12,374,559
Fixed Charges:					
Interest on First Mortgage Bonds	$ 28,055,000		$ 7,842,500		$ 20,212,500
Interest on Debentures	488,186		961,646		(473,460)
Other Interest	2,982,037		486,103		2,495,934
Amortization of Premium, Discount and Expense on Debt	25,270#		27,608#		2,338
Rentals (one-third of all rentals charged to income)	568,085		247,392		340,693
Total Fixed Charges	$ 32,0[illegible],038		$ 9,510,033		$ 22,578,005
Earnings Before Income Taxes and Fixed Charges	$111,696,270		$ 46,143,101		$ 65,553,169
Income Applicable to Common Stock	$ 43,447,196		$ 17,102,835		$ 26,344,361
Preferred Dividend Requirements	$ 6,730,000		$ 2,473,756		$ 4,256,244
Earnings per average share (a)	$ 1.70		$ .82		$ .88
Shares outstanding (a)	25,547,328		20,747,328		
Average shares outstanding (a)	25,547,328		20,747,328		
Times Earned:					
Bond Interest-Before Income Taxes and Fixed Charges	4.0		5.9		
Total Interest-Before Income Taxes and Fixed Charges	3.5		5.0		
Total Interest Plus Pfd. Divs. - Before Income Taxes and Fixed Charges	2.9		3.9		
Capitalization:		%		%	
Bonds	$519,000,000	52.5	$204,000,000	46.9	
Other Debt	10,125,000	1.0	23,025,000	5.3	
Total Debt	$529,125,000	53.5	$227,025,000	52.2	
Preferred Stock	117,500,000	11.9	62,500,000	14.4	
Common Equity	342,790,801	34.6	145,563,344	33.4	
	$989,415,801	100.0	$435,088,344	100.0	

(a) Prior period restated to give effect to 2-for-1 stock split in May, 1955

Red Figure

GULF STATES UTILITIES COMPANY

ADDITIONS OF GENERATING CAPABILITY
(Thousands of Kilowatts)

Location	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	Total by Stations
Neches Station (Beaumont, Texas).....	-	-	(60.5)ø	.5ø	-	-	-	-	-	-	487
Louisiana Stations No. 1 and No. 2 (Baton Rouge, La.)....	-	-	-	-	-	-	-	-	-	(46)@	[illegible]
Riverside Station (Lake Charles, La.)...	-	(86)*	-	-	-	-	-	-	-	-	-0-
Roy S. Nelson Station (Lake Charles, La.)...	-	-	-	-	-	-	580	-	-	(65)ø	[illegible]
Willow Glen Station (Baton Rouge, La.)....	220	-	-	-	580	-	-	-	-	522	[illegible]
Sabine Station (Orange, Texas).......	-	-	440	-	(10)x	-	-	-	-	-	890
Lewis Creek Station (Conroe, Texas).......	-	-	-	-	-	-	265	265	-	-	530
GSU - Allied Chemical (Baton Rouge, La.)....	-	-	-	-	-	76**	-	-	-	-	76**
Total by Years.......	220	(86)	379.5	.5	570	-	845	265	-	439	4,564
Total Capability at End of Year......	2,181	2,095	2,474.5	2,475	3,045	3,045	3,890	4,155	4,155	4,564	

--------------------Scheduled Capability--------------------

Location	1974	1975	1976	1977	Total by Stations
Neches Station (Beaumont, Texas).....	-	-	-	-	487
Louisiana Stations No. 1 and No. 2 (Baton Rouge, La.)....	-	(12)@	-	(37)@	289
Riverside Station (Lake Charles, La.)...	-	-	-	-	-0-
Roy S. Nelson Station (Lake Charles, La.)...	-	(11)ø	(87)ø	-	861
Willow Glen Station (Baton Rouge, La.)....	-	522[2]	(38)ø	-	1,958
Sabine Station (Orange, Texas).......	580[1]	-	540[3]	-	1,990
Lewis Creek Station (Conroe, Texas).......	-	-	-	-	530
GSU - Allied Chemical (Baton Rouge, La.)....	-	-	-	-	76**
Total by Years.......	580	499	415	(37)	6,021
Total Scheduled Capability at End of Year.........	5,144	5,643	6,058	6,021	

* Riverside Station sold to Pittsburgh Plate Glass Company; however, the Company retained use of such generating capability until January 1, 1967.

** Generation operated, maintained and fueled by Allied for use exclusively on Allied's system. Since the output of these generators do not serve Gulf States Utilities Company customers, it is not counted as GSU capability.

() Decrease.

ø Station units were re-rated.

@ Station units were re-rated; capacity based on estimated steam requirements.

ø Units ø1 and ø2 were retired.

x Station Unit ø3 was re-rated.

Scheduled in-service dates:

1 Early 1974;

2 Net addition due to de-rating of an existing unit by 58,000 kw in April, 1975, and the addition of a 580,000 kw unit in September, 1975;

3 September, 1976.

GULF STATES U[illegible]ITIES COMPANY

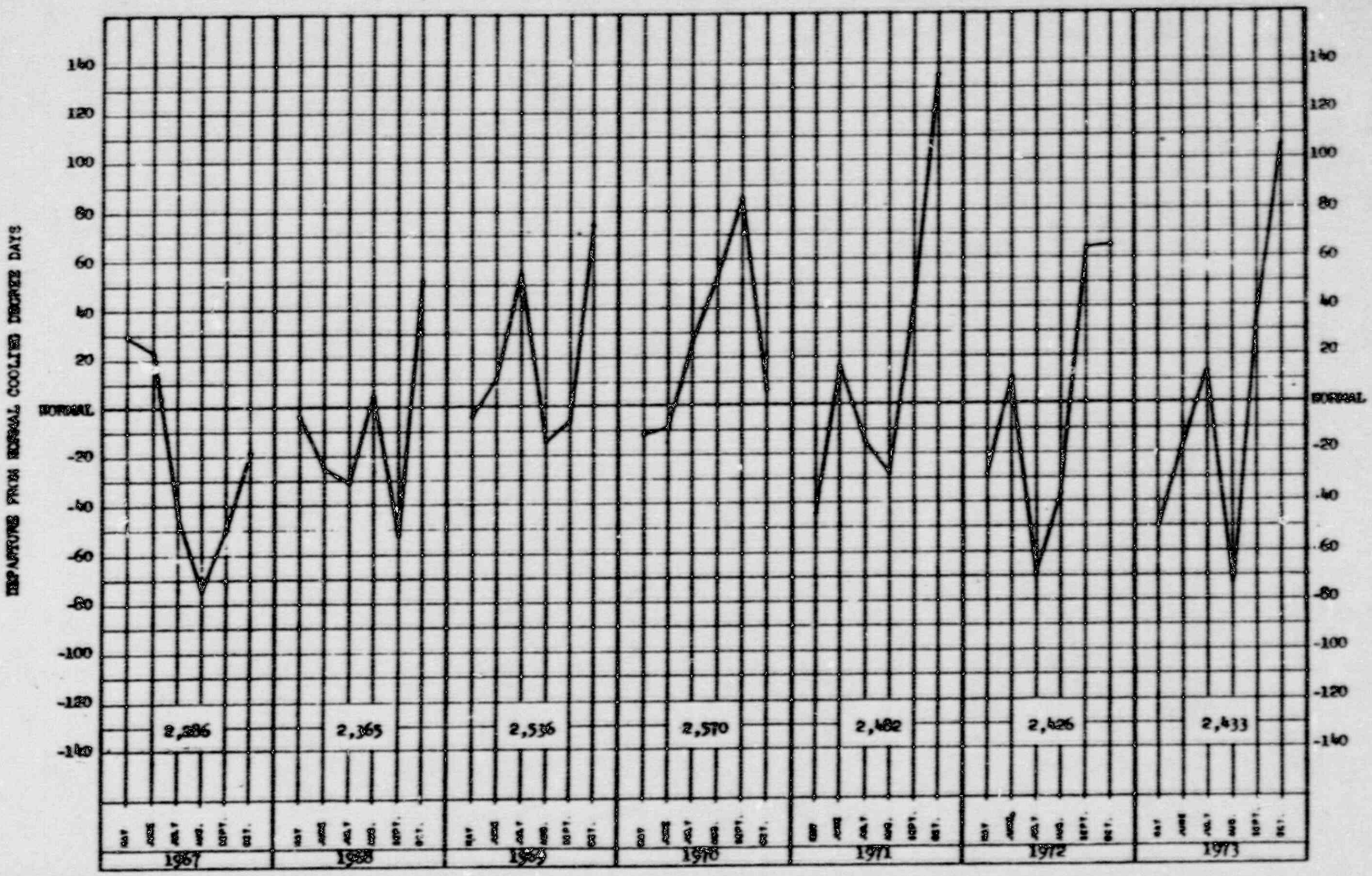
WINTER AND SUMMER PEAK LOADS

Year	Winter Peak Load (KW)	Per Cent Increase	Summer Peak Load (KW)	Per Cent Increase	Winter Load As A Per Cent Of Summer Load
1973	2,861,000	10.5	3,781,700	5.0	75.7
1972	2,589,800	13.1	3,602,700	9.7	71.9
1971	2,290,000	4.0	3,285,000	8.1	69.7
1970	2,201,100	10.1	3,039,400	6.6	72.4
1969	1,999,400	10.0	2,850,600	11.6	70.1
1968	1,817,700	12.7	2,554,000	11.1	71.2
1967	1,612,400	9.5	2,299,600	12.2	70.1
1966	1,472,300	10.7	2,049,000	11.8	71.9
1965	1,329,800	13.7	1,832,000	7.0	72.6
1964	1,169,700	3.2	1,712,100	11.8	68.3
1963	1,133,200	8.5	1,531,400	7.9	74.0
Avg. Annual Growth Rate 1971 - 1973		11.0%		7.3%	
Avg. Annual Growth Rate 1968 - 1973		9.5%		8.2%	
Avg. Annual Growth Rate 1963 - 1973		9.7%		9.5%	

@ Summer Peak Load on August 21, 1973. Winter Peak Load on December 20, 1973.

GULF STATES .LITIES COMPANY

SUMMER AIR CONDITIONING REQUIREMENTS

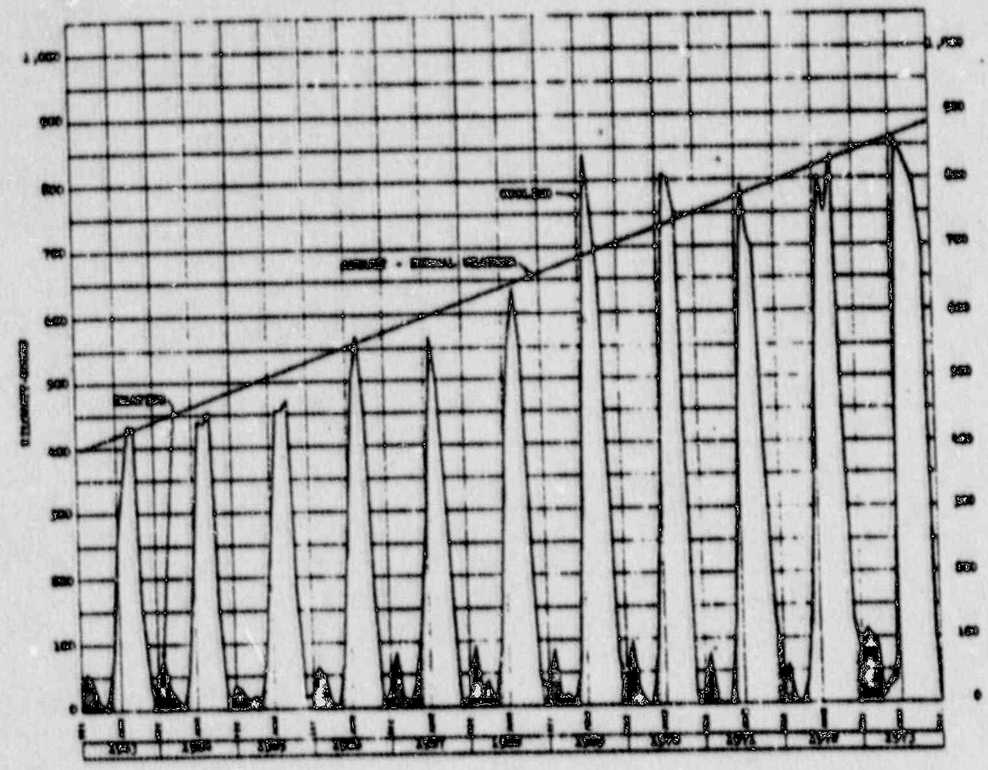


Average daily temperature minus 65 degrees equals cooling degree days.

- Actual cooling degree days. Normal was 2,420 cooling degree days.

GULF STATES UTILITIES COMPANY

RESIDENTIAL COOLING AND HEATING KWH USE PER CUSTOMER

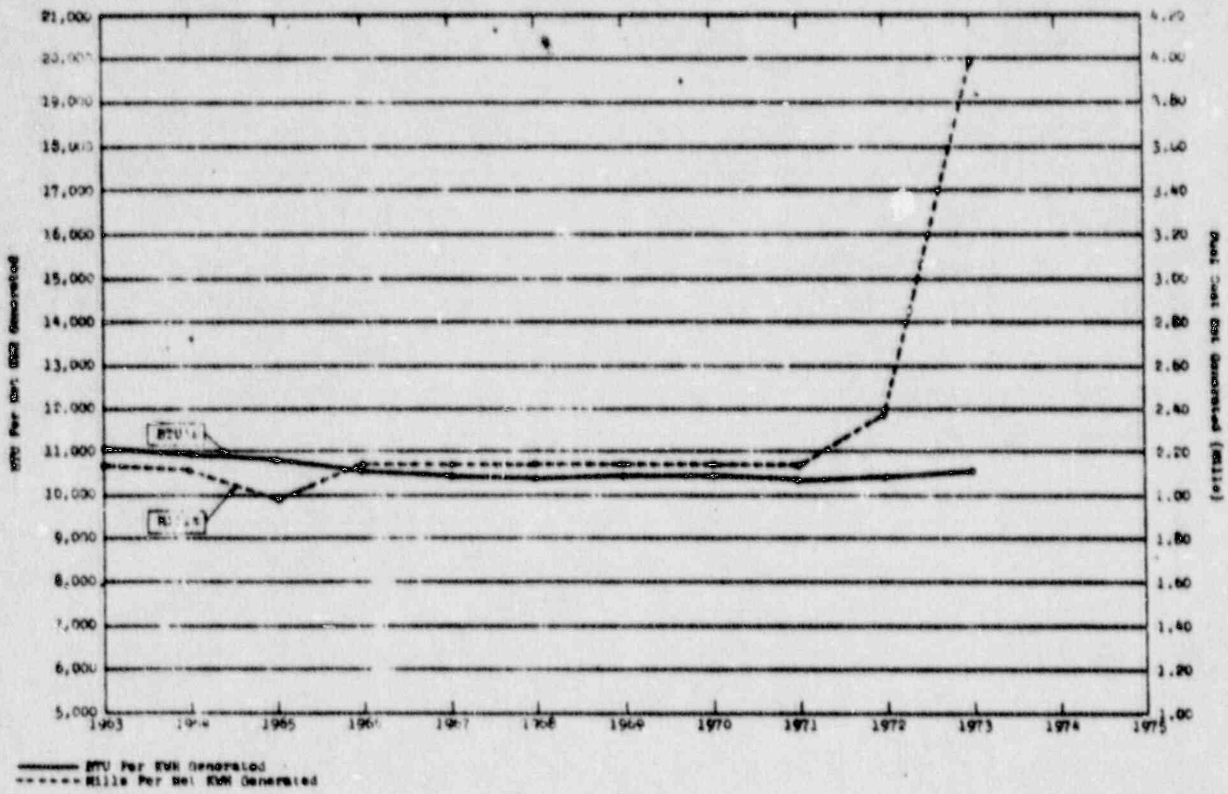


Year	Maximum Month's KWH Use of Cooling Period (May-October)	% Increase	Maximum Month's KWH Use of Heating Period (November-April)	% Increase
1973	859	2.9	119	98.3
1972	835	5.3	60	(22.1)
1971	793	(2.1)	77	(18.9)
1970	810	(3.7)	95	13.1
1969	841	31.2	84	(10.6)
1968	641	12.7	94	14.0
1967	569	0.4	83	30.8
1966	567	20.1	63	76.3
1965	472	3.7	36	(102.8)
1964	455	5.1	73	33.7
1963	433	(5.6)	55	(10.4)

Table in kilowatt-hours
( ) Decrease
Table prepared eliminating kilowatt-hour base use per residential customer

GULF STATES UTILITIES COMPANY

ELECTRIC DEPARTMENT FUEL ECONOMY DATA



Year	Fuel Cost (thousands of dollars)	Net Generation KWH (thousands)	BTU Per Net KWH Generated	Cost of Fuel Per Million BTU (cents)	Fuel Cost Net KWH Generated (mills)
1973	$ 81,324	20,430,105	10,536	37.78	3.98
1972	47,028	19,815,918	10,450	22.76	2.37
1971	41,126	19,268,356	10,346	20.63	2.13
1970	38,135	17,874,996	10,434	20.45	2.13
1969	33,997	16,966,375	10,427	20.43	2.13
1968	28,752	13,525,243	10,393	20.46	2.13
1967	25,359	11,889,470	10,640	20.41	2.13
1966	22,577	10,612,491	10,878	20.11	2.13
1965	19,400	9,781,432	10,800	18.38	1.98
1964	18,526	8,780,188	10,945	19.38	2.11
1963	16,689	7,848,548	11,054	19.24	2.13
Avg. Annual Growth Rate 1971 - 1973	28.7%	4.6%	.3%	22.7%	23.2%
Avg. Annual Growth Rate 1969 - 1973	23.1%	8.6%	.3%	13.1%	13.3%
Avg. Annual Growth Rate 1964 - 1973	17.0%	10.0%	(.5%)	7.0%	6.5%

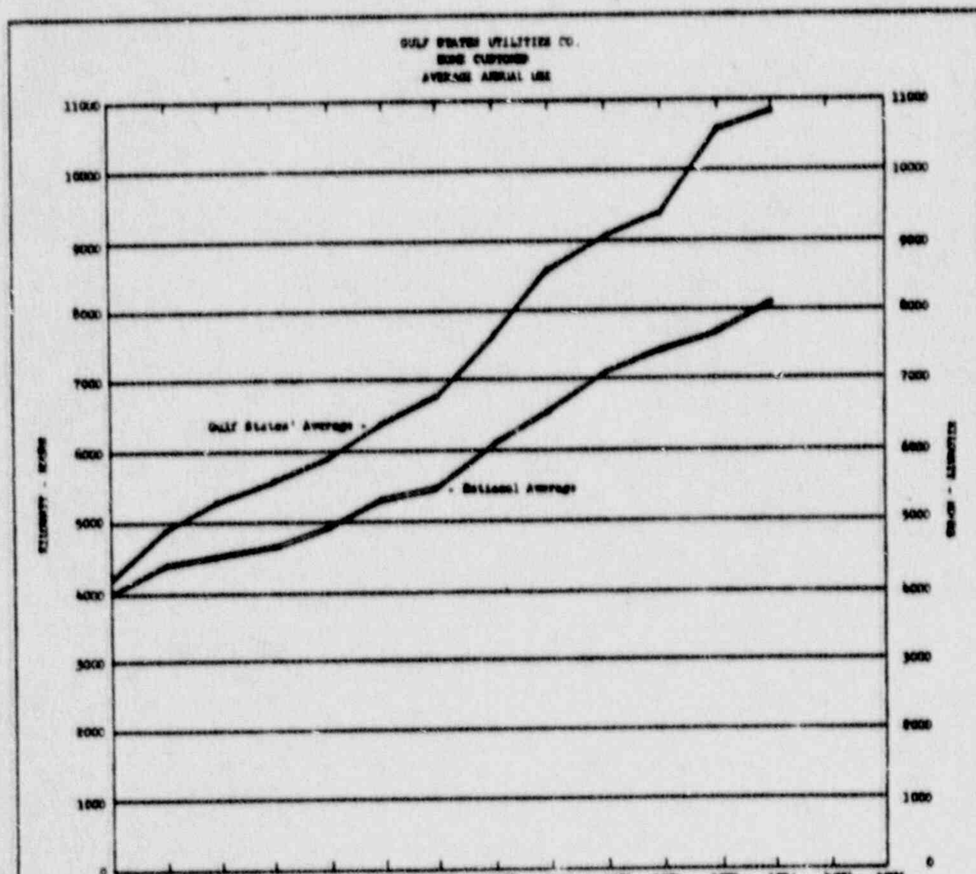
( ) Decrease.

GULF STATES UTILITIES COMPANY

ELECTRIC RESIDENTIAL APPLIANCE DATA

	No. of Homes With Appliance* 12-31-73	Per Cent Saturation* 12-31-73	No. of Homes With Appliance 12-31-65	Per Cent Saturation 12-31-65	Average Annual KWH Consumption Per Appliance
Ranges	134,827	38.6	115,868	41.02	1,200
Dryers	128,889	36.9	65,045	23.03	1,140
Air Conditioning	264,414	75.7	N.A.	N.A.	6,000
Heating	32,833	9.4	9,437	3.34	7,000
Water Heaters	60,078	17.2	27,370	9.69	4,000
Frostfree Refrigerators	242,407	69.4	N.A.	N.A.	2,400
Food Freezers	173,598	49.7	111,626	39.52	1,000
Color Televisions	193,857(a)	55.5	N.A.	N.A.	540
Black and White Televisions	223,896(a)	64.1	N.A.	N.A.	360
Total Televisions	332,177	95.1	345,158	94.00	

Total Residential Customers Served - 349,292.
Average Annual Use - KWH - 10,819.
* Based on 1972 appliance saturation survey.
(a) Allows for homes having both color and black and white sets.
N.A. - This data not available for prior years.



GULF STATES UTILITIES COMPANY

MONTHLY RESIDENTIAL SERVICE RATES

	Texas Net Rate Per Kwhr*		Louisiana Net Rate Per Kwhr*	
	May-Oct.	Nov.-April	May-Oct.	Nov.-April
First 40 Kwhr Used Per Month	5.50¢	5.50¢	5.55¢	5.55¢
Next 60 Kwhr Used Per Month	4.55¢	4.55¢	4.57¢	4.57¢
Next 300 Kwhr Used Per Month	2.60¢	2.60¢	2.60¢	2.60¢
Next 200 Kwhr Used Per Month	2.35¢	2.35¢	2.38¢	2.38¢
Additional Kwhr Used Per Month	1.70¢	1.35¢	1.73¢	1.36¢
Minimum Monthly Charge	$1.25		$1.25	

Where customers have a standard electric water heater in regular use, the following monthly final blocks become effective after the first 150 Kwhr, which are billed at the above rates.

Tank Capacity	Final Block	Texas Net Rate Per Kwhr* In Final Block	Louisiana Net Rate Per Kwhr* In Final Block
30 to 70 gallons	400 Kwhr	1.35¢	1.36¢
71 gallons or over	600 Kwhr	1.35¢	1.36¢
Two or more water heaters	600 Kwhr	1.35¢	1.36¢

One hundred percent of kilowatt-hour sales are covered by fuel adjustment clauses.

* Plus applicable fuel and tax adjustments

GULF STATES UTILITIES COMPANY

CONDENSED FINANCIAL STATEMENTS
AUGUST
1974

Figures appearing in this report have been taken from the books of the Company. All figures reported are subject to such adjustments as the annual audit by independent accountants may disclose to be necessary. The Company, in publishing the information contained herein, does not make or intend to make any representation whatsoever as to the value of the assets or any of them shown in the balance sheet.

Additional copies of this report may be obtained from the
office of the Company
POST OFFICE BOX 2951, BEAUMONT, TEXAS 77704

Gulf States Utilities Company

Comparative Balance Sheet

(Thousands of Dollars)

ASSETS

	August 31, 1974	August 31, 1973	Increase
Utility and other plant, at original cost:			
Electric utility plant	$1,081,279	$1,043,076	$ 38,203
Steam products plant	52,808	52,744	64
Gas utility plant	19,907	19,164	743
Total	1,153,994	1,114,984	39,010
Less: Accumulated provision for depreciation	323,822	285,593	38,229
Total plant less accumulated provision for depreciation	830,172	829,391	781
Construction work in progress, at cost	320,262	224,454	95,808
Total utility and other plant	1,150,434	1,053,845	96,589
Other property and investments:			
Other property and investments, at cost	1,035	940	95
Investment in and advances to subsidiary company, at equity	17,757	17,236	521
Total other property and investments	18,792	18,176	616
Current assets:			
Cash	6,317	4,517	1,800
Special deposits	284	370	86*
Temporary cash investments	1,500	-0-	1,500
Accounts receivable, less accumulated provision for uncollectibles	44,904	31,392	13,512
Materials and supplies	6,454	5,356	1,098
Fuel stock	22,459	5,632	16,827
Prepayments	3,403	3,030	373
Total current assets	86,321	50,297	36,024
Deferred debits:			
Unamortized debt expense	1,077	948	129
Other	1,858	2,160	302*
Total deferred debits	2,935	3,108	173*
	$1,257,482	$1,126,426	$132,056

LIABILITIES

	August 31, 1974	August 31, 1973	Increase
Capitalization:			
Capital stock and retained earnings:			
Common stock	$ 187,580	$ 187,580	$ -0-
Retained earnings	156,390	146,557	9,833
Total	343,970	334,137	9,833
Preferred stock	117,500	117,500	-0-
Premium on preferred stocks	655	655	-0-
Total capital stock and retained earnings	462,125	452,292	9,833
Long-term debt:			
First mortgage bonds	579,000	519,000	60,000
Debentures	10,125	10,500	375*
Unamortized premium, discount on debt	500	862	362*
Total long term debt	589,625	530,362	59,263
Total capitalization	1,051,750	982,654	69,096
Current liabilities:			
Notes payable:			
Bank	17,642	9,113	8,529
Other	22,485	-0-	22,485
Accounts payable	24,295	9,079	15,216
Customers' deposits	2,983	2,683	300
Taxes accrued	17,596	20,513	2,917*
Interest accrued	6,656	6,418	238
Dividends declared	8,836	8,836	-0-
Other current liabilities	11,610	3,434	8,176
Total current liabilities	112,103	60,076	52,027
Deferred credits:			
Investment tax credit	21,633	19,134	2,499
Accumulated deferred income taxes	68,769	60,691	8,078
Other	1,442	1,161	281
Total deferred credits	91,844	80,986	10,858
Operating reserves	1,785	1,710	75
	$1,257,482	$1,126,426	$132,056

* Decrease

Louisiana and Texas

Organized under the Laws of Texas

Comparative Income Statement

(Thousands of Dollars)

	Eight Months Ended			Twelve Months Ended		
	August 31			August 31		
	1974	1973	Increase	1974	1973	Increase
Operating revenues:						
Electric	$224,491	$167,681	$56,810	$319,504	$247,021	$72,483
Steam products	16,385	11,967	4,418	23,107	17,211	5,896
Gas	4,893	5,138	245*	6,993	7,221	228*
Total operating revenues	245,769	184,786	60,983	349,604	271,453	78,151
Operating expenses:						
Fuel	101,417	48,437	52,980	135,730	65,816	69,914
Purchased power	2,822	3,172	350*	4,600	5,230	630*
Gas purchased for resale	2,164	2,071	93	3,455	2,996	459
Other operations	21,469	19,307	2,162	31,794	28,711	3,083
Maintenance	9,213	8,383	830	14,346	12,015	2,331
Depreciation	29,826	23,721	6,105	41,889	34,924	6,965
Taxes:						
Income:						
Current	12,904	14,385	1,481*	20,677	24,052	3,375*
Deferred - net	5,237	4,673	564	7,264	6,691	573
Investment credit deferred - net	1,966	2,379	413*	160	2,797	2,637*
Other	11,555	12,178	623*	17,605	17,913	308*
Total operating expenses	198,563	138,696	59,867	277,520	201,145	76,375
Operating income	47,206	46,090	1,116	72,084	70,308	1,776
Other income (deductions) - net	278	142	136	776	215	561
Allowance for funds used during construction	7,838	7,190	648	10,717	10,589	128
Income before interest charges	55,322	53,422	1,900	83,577	81,112	2,465
Interest charges:						
Interest on long-term debt	22,988	18,145	4,843	33,387	27,132	6,255
Other	3,992	2,343	1,649	4,605	2,625	1,980
Total interest charges	26,980	20,488	6,492	37,992	29,757	8,235
Net income	28,342	32,934	4,592*	45,585	51,355	5,770*
Preferred dividends	4,487	4,487	-0-	6,730	6,524	206
Income applicable to common stock	$ 23,855	$ 28,447	$ 4,592*	$ 38,855	$ 44,831	$ 5,976*
Average common shares outstanding	25,547	25,547	-0-	25,547	25,547	-0-
Earnings per average common share	$ .93	$ 1.11	$ .18*	$ 1.52	$ 1.75	$ .23*

* Decrease

Note: Other income (deductions) - net for 1974 and the current 12 months includes results of the Company's subsidiary, Varibus Corporation, at equity.

Gulf States Utilities Company

(Thousands of Dollars)

CAPITAL STOCK

Common stock, without par value; authorized 40,000,000 shares; outstanding 25,547,328 shares.

Preferred stock, cumulative $100 par; authorized 3,000,000 shares; outstanding 1,175,000 shares as follows:

120,000 shares $4.40 dividend, entitled upon redemption to $108 per share	$ 12,000
50,000 shares $4.50 dividend, entitled upon redemption to $105 per share	5,000
60,000 shares $4.40 dividend, 1949 Series, entitled upon redemption to $103 per share	6,000
70,000 shares $4.20 dividend, entitled upon redemption to $102.818 per share	7,000
50,000 shares $4.44 dividend, entitled upon redemption to $103.75 per share	5,000
75,000 shares $5.00 dividend, entitled upon redemption to $104.25 per share	7,500
100,000 shares $5.08 dividend, entitled upon redemption to $104.63 per share	10,000
100,000 shares $4.52 dividend, entitled upon redemption to $103.57 per share	10,000
200,000 shares $6.08 dividend, entitled upon redemption to $106.34 per share prior to July 1, 1977, and thereafter to $103.34 per share	20,000
350,000 shares $7.56 dividend, entitled upon redemption to $108.36 per share prior to September 1, 1977, then until September 1, 1982 to $106.80 per share, then until September 1, 1987 to $103.80 per share, and thereafter to $101.80 per share	35,000
	$ 117,500

LONG-TERM DEBT

First Mortgage Bonds:

2 5/8% Series due 1976 (excluding $1,000 in treasury)	$ 27,000
3% Series due 1978	12,000
2 3/4% Series due 1979	10,000
2 3/4% Series due 1980	13,000
3 3/8% Series due 1981	10,000
3 1/8% Series due 1982	10,000
3 3/8% Series due 1983	10,000
4 1/4% Series due 1986	16,000
4 7/8% Series due 1987	17,000
4% Series due 1988	20,000
4 3/4% Series due 1989	10,000
5 1/4% Series A due 1989	16,000
4 7/8% Series due 1990	17,000
4 3/8% Series due 1992	17,000
5% Series due 1996	20,000
5 3/8% Series due 1997	30,000
6 5/8% Series due 1998	25,000
6 3/4% Series A due 1998	40,000
7 1/4% Series due 1999	25,000
8 1/8% Series A due 1999	25,000
8 1/2% Series due 2000	30,000
7 7/8% Series A due 2000	30,000
7 1/2% Series due 2001	35,000
8 1/2% Series due 2003	50,000
8 5/8% Series due 2004 (issued March, 1974)	60,000
	$ 579,000

Debentures:

4 5/8% due 1981	$ 10,125

Thomas A. Page,
Treasurer

GULF STATES UTILITIES COMPANY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years 1973	1972	1971	1970	1969
Funds from Operations:					
Net income	$ 50,177,196	$ 45,167,636	$ 39,009,238	$ 38,998,410	$ 34,711,523
Items not affecting working capital:					
Depreciation	35,783,667	33,606,217	29,805,828	25,801,337	23,275,653
Amortization of loss on sale of property				135,613	542,449
Deferred Federal income tax -- net	6,494,404	5,777,741	4,921,769	4,860,452	4,183,722
Deferred State income tax	206,024	277,335	74,503		
Investment tax credit -- net	572,783	1,282,734	1,466,237	3,102,470	2,153,434
Funds from Operations	93,234,074	86,111,663	75,377,275	72,770,282	64,[illegible],781
Sale of:					
First mortgage bonds	50,000,000	35,054,986	35,000,000	60,000,000	50,000,000
Preferred stock					
Common stock			40,280,000	28,217,000	
Increase (decrease) in notes payable	(30,796,362)	69,255,710	(29,000,608)	(17,220,645)	26,311,188
Other -- net	3,512,741	2,828,947	1,170,345	1,320,139	[illegible]
	$115,[illegible],453	$193,251,305	$122,776,532	$145,[illegible],976	$141,[illegible],263
Funds for:					
Gross plant additions	$107,233,919	$111,314,414	$ 91,994,125	$110,896,364	$123,327,953
Dividends	34,832,061	31,219,171	29,093,221	26,624,391	24,902,408
Retirement of long-term debt	375,000	375,000	375,000	375,000	375,000
Temporary cash investments	(47,900,000)	47,900,000			
Investment in and advances to subsidiary company	18,354,827	2,482,549			
	112,885,807	193,291,134	121,462,346	137,795,745	148,[illegible],441
Increase (decrease) in working capital (a)	3,064,646	(39,829)	1,314,586	7,303,231	(6,[illegible],178)
	$115,[illegible],453	$193,251,305	$122,776,932	$145,[illegible],976	$[illegible],263
(a) Increase (decrease) in components of working capital (excluding notes payable and temporary cash investments), are as follows:					
Accounts receivable	$ 6,144,319	$ 5,306,391	$ (630,462)	$ 2,865,006	$ 2,189,606
Inventories	1,096,704	(610,558)	118,436	599,810	(102,194)
Fuel stock	7,797,117	(678,347)	1,889,693	918	(3,706)
Fuel prepayments	(32,652)	391,824			
Other prepayments	(86,433)	(775,339)	65,709	169,488	404,893
Accounts payable, trade	(7,716,550)	(2,032,621)	1,285,864	(1,795,644)	(1,400,824)
Accrued taxes	(759,996)	(472,639)	1,074,371	5,730,833	(4,747,320)
Accrued interest	(1,769,518)	(20,836)	(468,670)	(1,312,419)	(1,258,579)
Equipment obligation					
Other -- net	(1,677,419)	(1,146,705)	(1,679,355)	(1,345,549)	(1,053,434)
	$ 3,054,[illegible]	$ (39,829)	$ 1,314,586	$ 7,303,231	$ ([illegible],178)

To request copies of Annual
Reports, Quarterly or Interim Reports,
Monthly Condensed Financial Statements,
or other miscellaneous information
about Gulf States Utilities Company,
please phone or write to

R. W. Jackson
Secretary

Area Code: 713-838-6631

P. O. Box 2951
Beaumont, Texas 77704

Prepared by

Corporate and Finance Department

September 27, 1974

NOTE TO FILE: Gulf States Utilities Company,
River Bend Station, Units 1 & 2, Dkt. Nos. 50-458A & 50-459A
Blue Hills Station, Units 1 & 2, Dkt. Nos. 50-510A & 50-511A

On today's date I had a telephone conversation with Frederick H. Ritts, Attorney, 600 New Hampshire Avenue, N.W., Washington, D.C. Mr. Ritts represents the Sam Rayburn Dam Electric Co-op (Sam's Dam). He advised that in late August 1974 at the conclusion of a hearing before the Federal Power Commission attorneys for Gulf States advised that the proposed Blue Hills Nuclear Units had been postponed for at least two years for financial reasons. They also advised that "for the present" Gulf States would oppose access by Sam's Dam to River Bend because the units are not located in Texas.

Mr. Ritts advised that his clients are in a rapidly growing area and were depending upon access to the Blue Hills Nuclear Units for assistance in the future. Sam's Dam has retained the engineering firm of Sanderson and Porter of New York City for a feasibility study. Mr. Ritts requested a meeting with OGC to discuss this matter and to explore possible access to Gulf States' River Bend Units. We agreed to meet in my office on Monday, October 21, 1974 at 11:00 a.m. Mr. Ritts advised that he would have a representative from Sanderson and Porter present at the meeting and that he anticipated the meeting to last no longer than an hour.

Benjamin H. Vogler
Assistant Antitrust Counsel
for AEC Regulatory Staff

9/27/74

cc: Joseph Rutberg
Argil Toalston

— Arg: Pls call me re the meeting,
Ben

B/14

NEW ISSUE

In the opinion of bond counsel, interest on the Bonds is exempt under existing statutes, regulations, court decisions and rulings, from all present Federal income taxes except under certain conditions as explained under the caption "Tax Exemption" herein, and under the provisions of Louisiana statutes, interest on the Bonds is exempt from all taxation in the State of Louisiana.

OFFICIAL STATEMENT

$20,000,000

INDUSTRIAL DEVELOPMENT BOARD OF THE PARISH OF CALCASIEU, INC. (LOUISIANA)

POLLUTION CONTROL REVENUE BONDS

(Gulf States Utilities Company Project)

Series 1974

Payable, except to the extent payable from Bond proceeds, solely from and secured by a pledge of subrentals derived from the sublease of the Project by the Board to, and an unconditional guaranty of the payment of principal of, premium, if any, and interest on the Bonds by,

GULF STATES UTILITIES COMPANY

Dated: December 1, 1974 **Due: December 1, as shown below**

The Bonds will be issuable as coupon bonds in the denomination of $5,000 each, registrable as to principal only, and as fully registered bonds without coupons in the denominations of $5,000 and any integral multiple thereof. Principal and semi-annual interest (June 1 and December 1, commencing June 1, 1975) will be payable on the coupon Bonds at the principal office of Hibernia National Bank in New Orleans, located in New Orleans, Louisiana, as Trustee, or at the option of the holder at the principal office of Irving Trust Company, located in New York, New York, as Paying Agent and on the fully registered Bonds at the principal office of the Trustee.

The Bonds will be subject to redemption prior to maturity as more fully described herein.

MATURITY SCHEDULE

$ 3,000,000	6¾%	TERM BONDS DUE DECEMBER 1, 1984
$ 3,000,000	7¼%	TERM BONDS DUE DECEMBER 1, 1989
$14,000,000	7⅞%	TERM BONDS DUE DECEMBER 1, 2004

PRICE 100%

(Plus Accrued Interest from December 1, 1974)

The Bonds are offered, subject to prior sale, when, as and if issued by the Industrial Development Board of the Parish of Calcasieu, Inc. and accepted by the Underwriter named below, subject to the approval of legality by Foley Judell Beck Bewley & Landwehr, as bond counsel, and approval of certain legal matters by Kutak Rock Cohen Campbell Garfinkle & Woodward, as counsel for the Underwriter, and certain other conditions. It is expected that delivery of the Bonds will be made at the offices of Blyth Eastman Dillon & Co. Incorporated on or about December 20, 1974, in New York, New York.

BLYTH EASTMAN DILLON & CO.

Incorporated

B/15—

November 18, 1974

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Industrial Development Board of the Parish of Calcasieu, Inc., Gulf States Utilities Company or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Industrial Development Board of the Parish of Calcasieu, Inc. or Gulf States Utilities Company since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Industrial Development Board of the Parish of Calcasieu, Inc., Gulf States Utilities Company and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

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OFFICIAL STATEMENT

$20,000,000

INDUSTRIAL DEVELOPMENT BOARD OF THE PARISH OF CALCASIEU, INC. (LOUISIANA)

POLLUTION CONTROL REVENUE BONDS

(Gulf States Utilities Company Project)

Series 1974

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the sale by the Industrial Development Board of the Parish of Calcasieu, Inc (the "Board"), of its Pollution Control Revenue Bonds (Gulf States Utilities Company Project) Series 1974 in the aggregate principal amount of $20,000,000 (the "Bonds"), to be issued pursuant to an Indenture of Trust and Pledge dated as of December 1, 1974 (the "Indenture") between the Board and Hibernia National Bank in New Orleans (the "Trustee"). The Bonds are being issued to provide funds for the cost of acquiring, improving and equipping a project (the "Project"), which consists of air and water pollution control facilities (the "Leased Equipment") at the Roy S. Nelson electric generating plant (the "Plant") of Gulf States Utilities Company (the "Company") and easement interests in certain lands upon which the pollution control facilities will be located (the "Project Site").

Pursuant to an Equipment Lease dated as of December 1, 1974 (the "Equipment Lease") between the Board and the Company, the Company will lease the Leased Equipment to the Board. Pursuant to a Sublease Agreement dated as of December 1, 1974 (the "Sublease") between the Board and the Company, the Board will sublease the Project to the Company. Pursuant to an Easement Agreement dated as of December 1, 1974 (the "Easement") the Company has granted to the Board the right to maintain the Leased Equipment on the Project Site during the term of the Equipment Lease.

The Bonds will be secured solely by a pledge of the subrentals derived by the Board from the Company pursuant to the Sublease. The subrentals payable by the Company pursuant to the Sublease will be sufficient to pay the principal of, premium, if any, and interest on the Bonds together with related expenses of the Trustee, any paying agent and the Board. In addition, pursuant to a Guaranty Agreement dated as of December 1, 1974 (the "Guaranty"), the Company has unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the Bonds. The Bonds will not be secured by a mortgage of, or security interest in, the Project. The Project, the Equipment Lease, the Sublease (except the obligation of the Company to pay subrentals and other amounts required under the Sublease), the Indenture and the Easement are subject to the rights, including the right to take possession of the Project, of the trustee and first mortgage bondholders under the Indenture of Mortgage dated September 1, 1926 from the Company to Chase National Bank of the City of New York, as trustee, as such indenture has been supplemented, modified or amended and as it may be supplemented, modified or amended in the future (the "Company's Mortgage").

Brief descriptions of the Board, the Project, the Bonds, the Guaranty, the Equipment Lease, the Sublease, the Easement and the Indenture are included in this Official Statement and a brief description of the Company, including its financial statements, is attached hereto as an Appendix. All references herein to the Guaranty, the Equipment Lease, the Sublease, the Easement and the Indenture are qualified in their entirety by references to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto included in the aforesaid documents, copies of all of which are available for inspection in the office of the Trustee.

THE BOARD

The Board was incorporated on August 2, 1972, following application to and approval of the Police Jury of the Parish of Calcasieu, Louisiana. The Board is a public corporation and instrumentality of the Parish of Calcasieu, Louisiana, organized and existing under the laws of the State of Louisiana. Pursuant to the provisions of Chapter 7, Title 51 of the Louisiana Revised Statutes, as amended by Act 103 of the Regular Session of the Legislature of Louisiana for the year 1972 (the "Act"), the Board is authorized to issue the Bonds, to acquire a leasehold interest in the Leased Equipment from the Company, to acquire certain interests in the Project Site from the Company, to sublease the Project to the Company and to secure the Bonds by a pledge of the subrentals to be received by the Board from the Company pursuant to the Sublease. To accomplish such actions, the Board is authorized to enter into the Indenture, the Equipment Lease, the Easement and Sublease.

THE PROJECT

The Plant is located in Calcasieu Parish, Louisiana, and is comprised of four units with a total generating capability of 899,000 kilowatts. The units were originally designed to burn natural gas as the primary fuel and No. 2 fuel oil on an emergency basis. Units Nos. 1, 2, and 3 are being converted to burn No. 2 fuel oil on a continuous basis. Unit No. 4 is being converted to burn No. 6 fuel oil on a continuous basis. This conversion will require the installation of oil storage facilities, pumping and transferring facilities, burning facilities, control equipment, and certain pollution control equipment, including the Project. The Project will consist of the air and water pollution control equipment described below.

The air pollution control equipment includes an electrostatic precipitator for Unit No. 4 which is designed to remove 95.0% of the particulate matter from the boiler flue gas and an ash disposal system which includes all equipment to remove, transfer, store and dispose of the ash collected by the precipitator. After collection by the precipitator, the ash is transported by a pneumatic conveying system to storage silos. The silo is an ash storage facility with a capacity of four days of ash production. The silo will be so constructed to allow removal of the ash by truck. The ash will be disposed of in an ash disposal area located on the site of the Plant. Disposal will include compacting the ash and covering it with dirt. The disposal area will be designed such that rain water runoff will be trapped and retained before release.

The air pollution control equipment also includes a system of ducts to be used to transfer the flue gas from the boiler to the precipitator. The system will include steel plate work, insulation, and support steel. Monitoring equipment will be installed to continuously monitor the flue gas for content of oxides of sulphur and nitrogen and opacity. The equipment will include stack sensors, transmitters, and recording equipment. The air pollution control equipment also includes certain electrical equipment and mechanical equipment related to the above listed items.

The Air Control Commission of the State of Louisiana has certified that the above portion of the Project, as designed, is in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants.

The water pollution control equipment includes a waste water treating facility equipped to neutralize acid or basic solutions. The facility will consist of storage basins, associated pumps, piping, a chemical additive system, sludge removal system, and electrical and control systems. Waste water treated in this facility will include air heater wash water, furnace fireside wash water, boiler acid cleaning waste water, demineralizer waste water and other waste water as required. Water treated by this facility will be discharged into an existing holding basin and then into the Houston River.

The water pollution control equipment also includes an oily waste collecting system, which is designed to treat rain water runoff from areas where fuel oil is handled or stored. All runoff in diked areas will be retained and inspected before release through an oil-water separator. The system will consist of retainment basins, separator pump pits, sump pumps, oil detectors and annunciators, electrical facilities to serve the sump pumps, and controls, piping and valves.

The Stream Control Commission of Louisiana has certified that the above portion of the Project, as designed, is in furtherance of the purpose of abating or controlling water pollution.

THE BONDS

The Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, and as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof. The coupon Bonds will be dated as of December 1, 1974, and will bear interest from that date at the rates and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. The fully registered Bonds will be dated as of June 1 or December 1, next preceding their date of issue, or if issued on a June 1 or December 1, as of such date, and shall bear interest from their date at the same rates and with the same maturities as the coupon Bonds. Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 1975. Principal of, premium, if any, and interest on the coupon Bonds are payable at the principal office of the Trustee, or at the option of the holder at the principal office of Irving Trust Company located in New York, New York, as Paying Agent. Principal of and premium, if any, on the fully registered Bonds are payable at the principal office of the Trustee, and interest on the fully registered Bonds shall be paid by check or draft drawn upon the Trustee and mailed to the registered owner thereof. Coupon Bonds and fully registered Bonds may be transferred or exchanged without cost, except for any tax, or other governmental charge and a charge not to exceed $2.00 for each Bond exchanged from any Bondholder requesting any such exchange for a second time with respect to Bonds previously issued in exchange to such Bondholder.

Security. The Bonds, together with interest thereon, are not general obligations of the Board but are limited obligations payable solely from and secured by a pledge of subrentals and other amounts derived from the subleasing of the Project and other moneys held by the Trustee for that purpose. The Board shall not be obligated to pay the Bonds nor the interest thereon except from such subrentals and other amounts payable under the Sublease. Neither the Parish of Calcasieu nor the State of Louisiana nor any political subdivision thereof shall be obligated to pay the principal of the Bonds, the interest thereon or other costs incident thereto except from the subrentals and other amounts pledged therefor. Neither the faith and credit of the Board nor the taxing power of the Parish of Calcasieu or the State of Louisiana or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Bonds and the coupons attached to the coupon Bonds shall not constitute an indebtedness of the Parish of Calcasieu, Louisiana, within the meaning of any constitutional or statutory provision whatsoever. The Project does not constitute any part of the security for the Bonds.

Redemption. The Bonds are non-callable for redemption prior to December 1, 1984, except as described below:

Extraordinary Optional Redemptions: The Bonds may be redeemed by the Board in whole, but not in part, on any date at the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all subrentals due or to become due from it pursuant to the Sublease if:

(a) in the reasonable judgment of the Company, unreasonable burdens or regulations or excessive liabilities shall have been imposed upon the Board or the Company with respect to the Project or the operation thereof, including without limitation, Federal, state or other ad valorem property, income or other taxes not being imposed on the date of the Sublease;

(b) the Project or a portion thereof or other property used in connection with the Project shall have been damaged or destroyed to such an extent that the Company deems it not practicable and desirable to rebuild, repair and restore the Project;

(c) there is a condemnation of all or substantially all of the Project or a taking by eminent domain of such use or control of the Project or other property used in connection with the Project so as to render the Project unsatisfactory to the Company for its intended use;

(d) in the reasonable judgment of the Company any changes in economic conditions, or the existence, application, or change of any existing or future laws, or any governmental or regulatory regulations, orders, ordinances, guidelines, licenses, or permits applicable to the Company or any of its operations or properties make it advisable to reorganize the Company and incident thereto, the Company undertakes either to (i) redeem any one or more series, or portions thereof, of any bond issued under the Company's Mortgage, under provisions thereof permitting such redemption, or (ii) assign the Sublease or sublet the Project and the Company deems it necessary or appropriate to be released from primary liability when not otherwise permitted under the Sublease, or (iii) dispose of property including the Project or any portion thereof or merge or consolidate with another corporation in a manner not permitted under the Sublease; or

(e) changes in the economic availability of raw materials, operating supplies, fuel or other energy sources or supplies, or facilities necessary for the operation of the Project or any other property of the Company with which it conducts its operations at the site of the Project or such technological or other changes shall have occurred which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project or any other property of the Company with which it conducts its operations at the site of the Project uneconomic for such purposes.

Extraordinary Mandatory Redemption: The Bonds shall be redeemed by the Board in whole, but not in part, on any date at the principal amount thereof plus accrued interest to the redemption date if as a result of any changes in the Constitution of the State of Louisiana or the Constitution of the United States of America or of legislative or administrative action (whether state or Federal) or of final decree, judgment or order of any court or administrative body (whether state or Federal), the Sublease shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Sublease.

Optional Redemption: The Bonds which mature after December 1, 1984 are also subject to redemption prior to maturity on or after December 1, 1984, in whole on any date or in part in inverse order of maturity (less than all such Bonds of a single maturity to be selected by lot) on any interest payment date at the redemption prices (expressed as percentages of principal amount) as set forth in the table below plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Price
December 1, 1984 thru November 30, 1985	103 %
December 1, 1985 thru November 30, 1986	102½
December 1, 1986 thru November 30, 1987	102
December 1, 1987 thru November 30, 1988	101½
December 1, 1988 thru November 30, 1989	101
December 1, 1989 thru November 30, 1990	100½
December 1, 1990 and thereafter	100

Sinking Fund Redemption: The Bonds which mature on December 1, 2004 are also subject to redemption by lot, pursuant to the terms of a mandatory sinking fund provided in the Indenture, on each December 1 on and after December 1, 1995, at the principal amount thereof plus accrued interest to the redemption date as follows:

December 1 of the Year	Principal Amount	December 1 of the Year	Principal Amount
1995	$450,000	2000	660,000
1996	480,000	2001	710,000
1997	525,000	2002	770,000
1998	570,000	2003	830,000
1999	605,000	2004	8,400,000*

* Final Maturity

The principal amount of the Bonds which mature on December 1, 2004 to be redeemed pursuant to the sinking fund, shall be reduced by the principal amount of any such Bonds theretofore redeemed (otherwise than through operation of the sinking fund) or otherwise acquired, delivered to the Trustee and cancelled which have not theretofore been applied as a credit against any sinking fund requirement.

No further interest shall accrue on the principal of any Bonds called for redemption after the redemption date if payment therefor has been duly provided. All coupons for interest thereon maturing subsequent to such date shall be void. Upon certain terms and conditions specified in the Indenture, the Bonds or any portion thereof shall be deemed to be paid and the pledge of subrentals made in the Indenture for the security of such Bonds may be discharged prior to the maturity or redemption thereof upon the making of provision for the payment through the deposit with the Trustee in the manner set forth in the Indenture of cash or securities sufficient to provide amounts (including interest on such securities) to pay when due (at maturity, upon redemption or otherwise) the principal of, premium, if any, and interest on such Bonds. See "The Indenture — Discharge of Lien" herein.

Additional Bonds. So long as the Sublease is in effect, and there is no default under the Sublease, Equipment Lease or the Indenture, one or more series of Additional Bonds may be authenticated and delivered for the purpose of completing the Project, or providing substitutions, additions, modifications or improvements to the Project, or providing additional air or water pollution control facilities at the Plant, all as authorized by the Act, or to refund Bonds then outstanding. Such Additional Bonds shall be payable solely from the subrentals and other amounts derived from the subleasing of the Project. Except as to any difference in the date, the maturity or maturities, the rate or rates of interest or the provisions for redemption and sinking fund, if any, such Additional Bonds shall rank *pari passu* and be equally and ratably secured under the Indenture with the Bonds and all other series of Additional Bonds, if any, without preference, priority or distinction of any Bonds or Additional Bonds or coupons over any other thereof. Prior to the issuance of such Additional Bonds the Company must have unconditionally guaranteed payment of the principal of, premium, if any, and interest on such Additional Bonds.

Rights of First Mortgage Trustee and Bondholders. The rights of the Board with respect to the Project are at all times subject and subordinate to the rights, including the right to take possession of the Project, of the trustee or bondholders of the first mortgage bonds of the Company issued and outstanding or to be issued under the Company's Mortgage. The exercise of such right shall not terminate the obligations of the Company to pay subrentals under the Sublease.

THE GUARANTY

Pursuant to the terms of the Guaranty, the Company will unconditionally guarantee to the Trustee for the benefit of the holders of the Bonds and of the interest coupons appertaining to the coupon Bonds (i) the full and prompt payment of the principal of and premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (ii) the full and prompt payment of any interest on any Bond when and as the same shall become due. The Guaranty will remain in effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid in full or provided for in accordance with the Indenture.

Orgain, Bell & Tucker, counsel for the Company, will pass on the due authorization, execution and validity of the Guaranty. Relying on such opinion with regard to the validity of the Guaranty, it will be the opinion of Foley Judell Beck Bewley & Landwehr, acting as bond counsel, that in a bankruptcy or reorganization proceeding with respect to the Company under the Federal Bankruptcy Act, a claim against the Company arising under the Guaranty, if timely filed, would rank as that of a general unsecured creditor and, although there are no cases directly in point, based on relevant legal principles such a claim would not be subject to the provisions of such Act limiting claims for damages resulting from the rejection of a lease of realty.

THE EQUIPMENT LEASE

Pursuant to the terms of the Equipment Lease, the Company agrees to purchase, acquire, construct and install the Leased Equipment and to lease it to the Board. The following is a summary of certain provisions of the Equipment Lease.

Issuance of the Bonds. The Company agrees to purchase, acquire, construct and install as part of the Project on the Project Site the Leased Equipment in accordance with plans and specifications, and as from time to time prior to completion shall be specified by the Company in writing to the Board and the Trustee. The Leased Equipment will be owned by the Company and will be subject to the Equipment Lease. The Company has agreed to use its best efforts to cause the purchase, acquisition, construction and installation to be completed by December 1, 1977, but if for any reason the Project is not completed by that date, there will be no resulting liability on the part of the Company and no diminution in or postponement of the rental payments required under the Equipment Lease.

The Board is issuing the Bonds to provide funds for the purchase, acquisition, construction and installation of the Project (the "Cost of Construction"), including capitalized interest on the Bonds and expenses in connection with the issuance and sale of the Bonds, through its rental payments made pursuant to the terms of the Equipment Lease, and will deposit the proceeds with the Trustee. An amount equal to the accrued interest, if any, to be paid by the purchasers of the Bonds will be deposited in the Bond Fund. The balance of the funds received from the sale of the Bonds will be deposited in the Construction Fund. Pursuant to the terms of the Indenture, the Board has authorized and directed the Trustee to make payments from the Construction Fund to pay the rentals required under the Equipment Lease. Upon receipt of a certificate evidencing the completion of the Project, the Trustee will transfer all moneys remaining in the Construction Fund to the Bond Fund, except any amount retained by the Trustee for any rental to be paid by the Board not then due and payable, and any amount that the Company shall have directed the Trustee to use to purchase Bonds in the open market for the purpose of cancellation. In any event, the amount transferred into the Bond Fund shall not exceed in the aggregate 8% of the amount of the proceeds (excluding accrued interest) received by the Board from the sale of the Bonds.

If the moneys in the Construction Fund available for payment of the Board's rental payments are not sufficient to pay the Cost of Construction in full, the Company agrees to complete the Project and to pay the balance of such Cost of Construction in excess of the moneys available in the Construction Fund, without any reimbursement from the Board, the Trustee or the holders of any of the Bonds.

Term of Equipment Lease and Rental. The Equipment Lease shall be for a term of thirty years and one day, commencing as of December 1, 1974, and ending on December 2, 2004, unless sooner terminated. The Board agrees to pay to the Company as rental for the use of the Leased Equipment an amount equal to the lesser of (a) the total amount of the proceeds (less accrued interest on the Bonds received at the time of the issuance and delivery of the Bonds) from the sale of the Bonds or (b) the total Cost of Construction. Upon payment in full of all the Bonds (or provision for payment having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, and all other liabilities of the Company accrued under the Equipment Lease and the Sublease, the Company shall be entitled to terminate the Equipment Lease prior to the end of the term thereof upon written notice to the Board and the Trustee accompanied by a payment from the Company to the Board of $100.

Assignment, Subleasing, Mortgaging and Selling. Except for subleasing the Project to the Company under the Sublease and the assignment to the Trustee of the subrentals and any other amounts payable to the Board under the Sublease, the Board agrees that it will not assign the Equipment Lease, nor sublease, mortgage, sell, assign, transfer, convey, or encumber the Project or its interest therein, in whole or in part. Any assignment, pledge or grant by the Board to the Trustee pursuant to the Indenture of the subrentals or other moneys under the Sublease shall be subject and subordinate to the Equipment Lease and the Sublease.

Default. The Equipment Lease provides that an "event of default" shall have occurred if the Board fails to observe and perform any covenant, condition or agreement under the Equipment Lease to be observed or performed for a period of thirty days after written notice shall have been given to the Board and the Trustee by the Company, unless extended by the agreement of the Company. If the failure stated in the notice cannot be corrected within the applicable period, the Company and the Trustee will consent to an extension of time if corrective action is instituted by the Board or the Trustee within the applicable period and diligently pursued until the default is corrected.

Remedies. Whenever an event of default shall have happened and be continuing, and if the Company shall pay to the Trustee all amounts which the Trustee is entitled to receive under the Sublease as assigned to the Trustee by the Board (which amounts shall be at least sufficient to redeem all Bonds then outstanding under the Indenture and to pay all expenses of the Trustee and any Paying Agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Company accrued and to accrue under the Sublease), the Company may take possession of the Project and upon thirty days notice to the Board and the Trustee terminate the Equipment Lease if such default is not remedied during such thirty day period.

Amendments, Changes and Modifications. The Equipment Lease may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee. Pursuant to the Indenture, the Trustee and the Board may, without the consent of or notice to the Bondholders, consent to certain amendments, changes or modifications of the Equipment Lease. Any other amendments, changes or modifications of the Equipment Lease require the written approval or consent of the holders of not less than 60% in aggregate principal amount of the Bonds at the time outstanding. See "The Indenture — Amendments to Equipment Lease or Sublease" herein.

THE SUBLEASE

Pursuant to the provisions of the Sublease, the Board will sublease the Project to the Company at subrentals sufficient to pay the principal of, premium, if any, and interest on the Bonds together with related expenses. The following is a summary of certain provisions of the Sublease.

Term of the Sublease and Subrental. The term of the Sublease shall commence as of December 1, 1974, and shall end on December 1, 2004, or such earlier date as the Company may prepay its subrental payments.

The Company agrees to pay the Board as and for subrental and for the use of the Project on May 31 and November 30 of each year commencing May 31, 1975, amounts which, together with other moneys available therefor in the Bond Fund, will equal the amount of interest and principal, if any, required to be paid on the Bonds (whether at maturity, by sinking fund redemption or otherwise) on the next succeeding June 1 or December 1. The Company also agrees to pay as additional subrental the reasonable fees and expenses of the Trustee and any Paying Agent not theretofore provided for and authorized expenses of the Board related to the Project.

In the event the Company should fail to make any required payment, the obligation to make such payment shall continue until the amount in default shall have been paid, together with interest at a rate which shall be 1% above the lowest rate then charged by the Trustee on loans made to prime corporate borrowers or the maximum rate permitted by Louisiana law, whichever is lesser.

Net Sublease. The Sublease will be a "net sublease" and the Company unconditionally agrees to pay the subrentals to be paid by it during the term of the Sublease, free of any deductions, and without abatement, deduction or set-off.

Taxes and Other Governmental Charges. The Company agrees to pay all taxes, assessments and other governmental charges lawfully imposed upon the Project or any part thereof or upon income and profits from the Project, provided that the Company may contest the validity of such taxes, assessments and other charges in good faith, and permit such taxes, assessments and other charges to remain unpaid during the period of such contest unless by such nonpayment the lien of the Indenture on the revenues of the Project would be materially endangered, or the Project or any material part thereof would be subject to loss or forfeiture.

Maintenance, Substitutions, Additions, Modifications and Improvements. The Company agrees that at all times during the term of the Sublease it will, at its own expense, keep the Project in good repair. The Company may make such substitutions, additions, modifications and improvements to the Project as the Company may deem to be desirable for its pollution control purposes, the cost of which substitutions, additions, modifications and improvements shall be paid by the Company, and any such changes shall be included under the terms of the Sublease as part of the Project. The Company agrees not to permit any lien to be established for labor or materials in connection therewith which might endanger the lien of the Indenture on the revenues of the Project or subject the Project or any material part thereof to loss or forfeiture.

Insurance. The Company agrees to insure the Project in such amounts and against such loss or damage of the kinds and in the amounts required by the Company's Mortgage.

Damage, Destruction and Condemnation. Unless the Company shall elect to prepay subrentals pursuant to the provisions of the Sublease (see paragraphs (b) and (c) under the caption "The Bonds — Redemption — Extraordinary Optional Redemptions"), if the Project or any portion thereof is destroyed in whole or in part or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain, the Company shall continue to be obligated to make the subrental payments required under the Sublease; the Company may elect, but is not required, to repair, replace, restore, relocate or rebuild the Project. Neither the Board, the Trustee or the holders of the Bonds shall have any interest in or claim to or otherwise be entitled to the net proceeds of any insurance proceeds or any condemnation award.

Assignment, Merger and Release of Obligations of the Company. Subject to certain conditions the Company may assign the Sublease or resublease the Project without the necessity of obtaining the consent of either the Board or the Trustee, but such assignment or resubletting, except in the event of a consolidation, merger or disposition of assets permitted by the Sublease, will not operate to relieve the Company of its primary liability under the Sublease. The Sublease provides that the Company may not consolidate with or merge into or dispose of all or substantially all of its assets to another corporation unless such other corporation shall be organized under the laws of one of the states of the United States of America, shall be qualified to do business in the State of Louisiana, and shall assume in writing all of the obligations of the Company under the Sublease.

Defaults. The Sublease provides that any one or more of the following events will constitute an "event of default":

(1) failure by the Company to pay the subrentals required under the Sublease for payment of interest, premium, if any, and principal on the Bonds at the time and in the manner specified in the Sublease and the continuation of such failure for a period of twenty-four hours;

(2) failure by the Company to observe and perform any other covenant, condition or agreement under the Sublease and continuation of such failure for a period of thirty days after written notice shall have been given to the Company by the Board or the Trustee, unless extended by the Board and the Trustee (which extension shall be granted if the failure cannot reasonably be corrected within such time and the Company is diligently pursuing corrective action) or unless such failure occurs by reason of force majeure as defined in the Sublease; and

(3) certain events of bankruptcy, dissolution, liquidation or reorganization by the Company.

Remedies. Upon the happening of an event of default, the Board may:

(1) by written notice to the Company, declare an amount equal to all amounts then due and payable on the Bonds then outstanding, whether by acceleration of maturity or otherwise, to be immediately due and payable;

(2) have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Company; and

(3) take whatever action may appear necessary to enforce any of the Company's obligations under the Sublease.

Pursuant to the Sublease, the Board has waived any lien or privilege it may have to the property of the Company as a lessor under Louisiana law.

The Board has assigned its rights under the Sublease to the Trustee pursuant to the Indenture.

Option to Prepay Subrental. The Company shall have the option (i) to prepay all subrentals and upon such prepayment to terminate the Sublease, upon the occurrence of any of the events described in paragraphs (a), (b), (c), (d), or (e) under the caption "The Bonds — Redemption — Extraordinary Optional Redemptions" and (ii) on or after December 1, 1984, to prepay all or a part of such subrentals, for the purpose of redeeming Bonds.

Obligation to Prepay Subrental. The Company shall be obligated to prepay all subrentals and upon such prepayment to terminate the Sublease upon the occurrence of the event described under the caption "The Bonds — Redemption — Extraordinary Mandatory Redemption".

Amendments, Changes and Modifications. The Sublease may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee. Pursuant to the Indenture, the Trustee and the Board may, without the consent of the Bondholders, consent to certain amendments, changes or modifications of the Sublease. Any other amendments, changes or modifications of the Sublease require the written approval or consent of the holders of not less than 60% in aggregate principal amount of the Bonds at the time outstanding. See "The Indenture — Amendments to Equipment Lease or Sublease."

THE EASEMENT

The following is a summary of certain provisions of the Easement.

Pursuant to the Easement, the Company grants the Board for a period co-extensive with the term of the Equipment Lease non-exclusive easements and rights-of-way over the Project Site, for the purpose of granting the Board the right to have the Leased Equipment located on the Project Site. The Company reserves the right to use, occupy and possess the Project Site and to grant to third parties other easements, licenses or rights-of-way in the nature of easements with respect to the Project Site.

The Easement is subject and subordinate to Permitted Encumbrances as defined in the Equipment Lease, including without limitation, the rights of the trustee and holders of the first mortgage bonds under the Company's Mortgage.

THE INDENTURE

The Indenture authorizes the issuance of $20,000,000 principal amount of Bonds to provide funds for the purchase, acquisition, construction and installation of the Project. The following is a summary of certain provisions of the Indenture.

Pledge and Security. Pursuant to the Indenture and the Sublease, the subrental payments and other amounts payable by the Company to the Board under the Sublease are to be remitted directly to the Trustee and deposited in the Bond Fund. Such subrental payments, sufficient in amount to insure the prompt payment of the principal of, premium, if any, and interest on the Bonds, are pledged to such payment. The Sublease has also been assigned to the Trustee.

Covenants of the Board. The Board covenants to pay (solely from subrentals derived from the sublease of the Project to the Company) the principal of, premium, if any, and interest on each Bond as it becomes due, and to perform other covenants as specified in the Indenture.

Application of the Bond Fund. While any Bonds are outstanding, moneys in the Bond Fund shall be used for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity.

Investments. Pursuant to provisions in the Equipment Lease, the Sublease and the Indenture, any moneys held as a part of a Construction Fund or the Bond Fund shall be invested or reinvested by the Trustee at the request of the Company in such of the following as are permitted by Louisiana law: (i) any bonds or other obligations of the United States which, as to principal and interest constitute direct obligations of the United States of America or are issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States, (ii) interest bearing accounts, time deposits or certificates of deposit of banks or trust companies, including the Trustee, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least $10,000,000, (iii) obligations issued or guaranteed by any state of the United States or the District of Columbia, or any political subdivision of any such state or District rated A or better by Standard & Poor's Corporation or Moody's Investors Service, Inc., (iv) commercial paper or finance company paper rated prime, (v) bankers acceptances drawn on and accepted by commercial banks, or (vi) repurchase agreements fully secured by any one or more of the foregoing.

The Trustee may make such investments through its own bond department. In making such investments, the Trustee may commingle money from the Construction Fund with money from the Bond Fund provided any such investments shall be deemed at all times a part of the fund for which they were made, and all profits and interest on such investments shall accrue to such fund, and any losses will be charged to such fund.

The Company has made certain certifications and representations in the Sublease which are intended to have the effect of causing the Bonds not to be classified as arbitrage bonds within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended. In addition, the Board and the Trustee have entered into certain covenants with each other which are intended to have the effect of causing the Bonds not to be classified as arbitrage bonds under, and have obligated themselves to comply throughout the term of the issue of the Bonds with the requirements of Section 103(d) of the Internal Revenue Code of 1954, as amended, and any regulations promulgated thereunder.

Discharge of Lien. The lien of the Indenture shall be discharged if:

(1) the Board shall pay or cause to be paid to or for the holders and owners of the Bonds and coupons the principal, premium, if any, and interest due or to become due at the times and in the manner stipulated therein; and

(2) the Board shall pay or cause to be paid to the Trustee, any Paying Agent and the Company all sums of money due or to become due according to the provisions of the Indenture.

Any Bond shall be deemed to be paid for such purpose when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (i) moneys sufficient to make such payment or (ii) Governmental Obligations (as hereinafter defined) maturing as to principal and interest in such amount and at such times as will provide sufficient moneys to make such payment and payment of all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit shall have been made, and, except for the purposes of such payment, such Bond shall no longer be secured by or entitled to the benefits of the Indenture; provided, that no deposit under (b) above shall constitute such discharge and satisfaction until (1) proper notice of redemption of such Bonds shall have been given in accordance with the Indenture or, in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, until the Company shall have given the Trustee on behalf of the Board irrevocable instructions to notify, as soon as practicable, the holders of the Bonds, in accordance with the Indenture, that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on such Bonds, or (2) the maturity of such Bonds. "Governmental Obligations" shall mean any of the following which are non-callable and which at the time of investment are legal investments under the laws of Louisiana for the moneys proposed to be invested therein: (i) direct general obligations of, or obligations, the payment of the principal and interest of which are unconditionally guaranteed by the United States of America; (ii) bonds, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Land Banks, Federal Financing Bank, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, or Federal National Mortgage Association (including Participation Certificates); or (iii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

Default and Remedies. Any of the following events shall be an "event of default" under the Indenture:

(1) default in the due and punctual payment of interest on any Bond;

(2) default in the due and punctual payment of the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(3) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Board in the Indenture or in the Bonds contained and failure to remedy the same after notice thereof pursuant to the Indenture; or

(4) the occurrence of an event of default under the Sublease (see the caption "The Sublease—Defaults").

Upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds and any Additional Bonds then outstanding shall, by notice in writing delivered to the Board and to the Company, declare the principal of all Bonds then outstanding and the accrued interest thereon immediately due and payable. Upon any declaration of acceleration, the Board and the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable as liquidated damages in accordance with the provisions of the Sublease.

Supplemental Indentures. The Board and the Trustee may, without consent of, or notice to, any of the Bondholders, enter into supplemental indentures for any one or more of the following purposes:

(1) to cure any ambiguity or formal defect or omission in the Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(3) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new trustee or Paying Agent;

(4) to comply with the requirements of the Indenture in the event of the issuance of Additional Bonds;

(5) to amend the Indenture to permit qualification under the Trust Indenture Act of 1939 or other similar Federal statute hereafter in effect or to permit qualification of the Bonds for sale under the securities laws of any of the states of the United States, and to add to the Indenture other provisions as permitted by the Trust Indenture Act of 1939 or similar Federal statute; or

(6) in connection with any other change in the Indenture which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders.

Exclusive of supplemental indentures for the purposes set forth in the previous paragraph, the holders of not less than 60% in aggregate principal amount of the Bonds and any Additional Bonds then outstanding shall have the right to consent to and approve any supplemental indenture, except no supplemental indenture shall permit:

(1) an extension of the maturity of the principal of, or the interest on, any Bond, or any sinking fund redemption requirement in connection therewith; or

(2) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest, or sinking fund redemption requirements thereon; or

(3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds; or

(4) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures.

Any such supplemental indenture shall not become effective without the consent of the Company if the Company is not in default at the time.

Amendments to Equipment Lease or Sublease. Subject to the rights of the first mortgage trustee and bondholders (see caption "The Bonds — Rights of First Mortgage Trustee and Bondholders"), neither the Equipment Lease nor the Sublease may be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee. The Trustee and the Board shall, without the consent of the Bondholders, consent to any amendment, change or modification of the Equipment Lease or the Sublease as may be required (i) by the provisions of the Equipment Lease, the Sublease or the Indenture, including those required in connection with the issuance of Additional Bonds, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) so as to more precisely identify the Leased Equipment or substitute or add additional Leased Equipment or additional rights or interests in property acquired in accordance with the provisions of the Equipment Lease or the Sublease, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders. Except for the amendments, changes or modifications as provided in the preceding sentence, neither the Board nor the Trustee shall consent to any other amendment, change or modification of the Equipment Lease or the Sublease without publication of notice and the written approval or consent of the holders of not less than 60% in aggregate principal amount of the Bonds and any Additional Bonds at the time outstanding.

TAX EXEMPTION

Generally, interest on obligations of a state or a political subdivision of a state is exempt from Federal income taxation. Section 103(c) of the Internal Revenue Code of 1954, as amended, however, provides that interest on any such obligation which is an "industrial development bond" shall not be exempt. An exception to this provision is created by Section 103(c)(4)(F) for issues of industrial development bonds where substantially all of the proceeds are used to provide air or water pollution control facilities, unless the holder of the bond is a substantial user of the facility or a "related person", as such term is defined in the regulations of the Internal Revenue Service with respect to such Section.

In the opinion of Foley Judell Beck Bewley & Landwehr, bond counsel, based on existing statutes, regulations, court decisions and rulings, the interest on the Bonds is exempt from all present Federal income tax (except that no opinion is expressed with respect to interest on Bonds for any period during which such Bond is held by a person who is a "substantial user" of the Project or any person considered to be related to such person within the meaning of Section 103(c)(6)(C) of the Internal Revenue Code of 1954, as amended). In the opinion of bond counsel, under the provisions of Louisiana statutes, interest on the Bonds is also exempt from all Louisiana taxes.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Board of the Bonds, and with regard to the tax-exempt status thereof, as described under the heading "Tax Exemption", are subject to the unqualified approving opinion of Foley Judell Beck Bewley & Landwehr, bond counsel. Copies of such opinion will be available at the time of the delivery of the Bonds. Legal matters for the Company with respect to the application of Louisiana law will be passed upon by Taylor, Porter, Brooks & Phillips and all other legal matters for the Company will be passed upon by its counsel, Orgain, Bell & Tucker. Legal matters pertaining to the Board will be passed upon by its counsel, Stockwell, St. Dizier, Sievert & Viccellio. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock Cohen Campbell Garfinkle & Woodward.

This Official Statement was duly approved, executed and delivered by the Board on November 18, 1974.

INDUSTRIAL DEVELOPMENT BOARD
OF THE PARISH OF CALCASIEU, INC.

By /s/ FRANK M. SIMPSON
President

APPENDIX

GULF STATES UTILITIES COMPANY

The information contained herein as an Appendix to the Official Statement has been obtained from Gulf States Utilities Company.

CAPITALIZATION

The capitalization of the Company as of August 31, 1974, and as adjusted to reflect the guaranty related to the issuance of the Pollution Control Revenue Bonds (Gulf States Utilities Company Project) Series 1974 (the Series 1974 Bonds) of the Industrial Development Board of the Parish of Calcasieu, Inc., are as follows:

		August 31, 1974		Adjusted	
	Authorized	Outstanding	Ratio	Outstanding	Ratio
		(Thousands of Dollars)			
Long-Term Debt (see Balance Sheet):					
First Mortgage Bonds	$1,000,000	$ 579,000		$ 579,000	
Debentures		10,125		10,125	
Unamortized Premium, Discount on Debt		500		500	
Guaranty of the Series 1974 Bonds*				20,000	
Less: Funds on deposit with Trustee				(19,000)	
Total Long-Term Debt .		589,625	56.0%	590,625	56.1%
Preferred Stock ($100 par value):	3,000,000 sh.	117,500	11.2%	117,500	11.2%
Common Stock (without par value):					
25,547,328 shares outstanding ..	40,000,000 sh.	187,580		187,580	
Premium on Preferred Stock		655		655	
Retained Earnings		156,390		156,390	
Total Common Equity ..		344,625	32.8%	344,625	32.7%
Total Capitalization ..		$1,051,750	100.0%	$1,052,750	100.0%

* Under the terms of the Indenture of Trust and Pledge, the proceeds from the issuance and sale of the Series 1974 Bonds will be deposited with the Trustee under such Indenture. Disbursements will be made by the Trustee to the Company as the pollution control facilities being financed from such proceeds are constructed. As such disbursements are made, the amount of funds on deposit with Trustee will be decreased. In the Company's accounts, the total amount of the Series 1974 Bonds outstanding less the funds on deposit with the Trustee will be reflected as a liability.

GULF STATES UTILITIES COMPANY
STATEMENTS OF INCOME

The following statements of income for the years 1969 through 1973 have been examined by Coopers & Lybrand, independent certified public accountants, whose report appears hereinafter. The statements should be read in conjunction with the other financial statements and related notes included in this Appendix to the Official Statement. The data for the twelve months ended August 31, 1974, (not examined by independent certified public accountants), in the opinion of the Company, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operation.

	12 Months Ended August 31, 1974 (Unaudited)	Years Ended December 31, 1973	1972	1971	1970	1969
			(Thousands of Dollars)			
OPERATING REVENUES:						
Electric	$ 319,504	$ 252,695	$ 218,766	$ 190,585	$ 175,319	$ 164,487
Steam	23,107	18,689	14,972	13,745	13,463	13,305
Gas	6,993	7,237	6,272	5,928	5,820	5,348
Total Operating Revenues	349,604	288,621	240,010	210,258	194,602	183,140
OPERATING EXPENSES AND TAXES (Notes G & H):						
Fuel and Purchased Power (Note 2)	140,330	87,700	52,836	40,539	37,434	36,136
Other Operations	35,249	32,995	30,453	29,813	29,336	26,349
Maintenance	14,346	13,515	10,575	11,390	10,840	9,077
Depreciation (Note A) & (Note 6)	41,889	35,784	33,606	29,906	25,801	23,276
Amortization of Property Loss					136	542
Taxes (Note A) & (Note 1):						
Federal Income:						
Current	20,219	21,478	22,489	16,628	14,115	18,667
Deferred — Net	7,107	6,494	5,778	4,922	4,660	4,184
Investment Credit:						
Deferred	1,161	1,361	1,800	1,917	3,569	2,439
Amortization of Prior Years' Deferments	(1,001)	(789)	(517)	(451)	(387)	(285)
State Income:						
Current	458	680	1,097	1,044	1,021	662
Deferred — Net	157	206	277	74		
Other Than Income	17,605	18,228	17,217	14,870	13,336	12,819
Total Operating Expenses and Taxes	277,520	217,652	175,611	150,652	139,861	133,866
OPERATING INCOME	72,084	70,969	64,399	59,606	54,741	49,274
OTHER INCOME — (DEDUCTIONS) — NET (Note 3)	776	640	(1)	(30)	50	(18)
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (Note 4)	10,717	10,068	8,725	6,896	8,846	6,050
INCOME BEFORE INTEREST CHARGES	83,577	81,677	73,123	66,472	63,637	55,306
INTEREST CHARGES:						
Interest on Long-term Debt	33,387	28,543	26,969	24,685	21,721	17,675
Amortization of Premium, Discount, and Expense on Debt	(10)	(25)	(32)	(38)	(47)	(56)
Other Interest Expense	4,615	2,982	1,018	2,816	2,965	2,975
Total Interest Charges	37,992	31,500	27,955	27,463	24,639	20,594
NET INCOME (Notes 6 & 7)	45,585	50,177	45,168	39,009	38,998	34,712
PREFERRED DIVIDEND REQUIREMENTS	6,730	6,730	4,650	4,084	4,084	4,084
INCOME APPLICABLE TO COMMON STOCK	$ 38,855	$ 43,447	$ 40,518	$ 34,925	$ 34,914	$ 30,628
COMMON DIVIDENDS	$ 28,613	$ 28,102	$ 26,570	$ 25,009	$ 22,740	$ 20,818
AVERAGE COMMON SHARES OUTSTANDING	25,547,328	25,547,328	25,547,328	23,880,661	23,430,661	22,147,328
EARNINGS PER AVERAGE COMMON SHARE	$1.52	$1.70	$1.59	$1.46	$1.49	$1.38
DIVIDENDS PER COMMON SHARE	$1.12	$1.10	$1.04	$1.04	$ .98	$ .94
RATIO OF EARNINGS TO FIXED CHARGES (Note 5)	2.91	3.48	3.66	3.25	3.46	3.86
PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES (Note 5)	2.50					

The notes to the financial statements and the notes on the following pages are integral parts of this statement.

GULF STATES UTILITIES COMPANY
NOTES TO STATEMENTS OF INCOME

(1) The provisions for Federal income tax for the twelve months ended August 31, 1974, and the year 1973 are less than the amount obtained by using the 48% statutory rate primarily due to the following:

	1974 (Unaudited)	1973
Tax expense at 48% of pre-tax income	$35,014	$37,910
Decreases resulting from:		
Exclusions from taxable income of allowance for funds used during construction	(5,144)	(4,833)
Exclusions from taxable income of overhead costs capitalized	(1,583)	(1,269)
Exclusions from taxable income of excess of tax depreciation over book depreciation not normalized	2,201	(725)
Other items	(3,129)	(2,281)
Total	$27,359	$28,802
Federal income taxes included in:		
Operating expenses:		
Current	$20,219	$21,478
Deferred — net	7,107	6,494
Investment credit — net	160	572
Other income and deductions — net	(127)	258
	$27,359	$28,802

(2) See "Business — Fuel Supply" for increases in cost of "Fuel and Purchased Power" during the twelve months ended August 31, 1974, and the year 1973.

(3) As of January 1, 1973, in compliance with Federal Power Commission Order No. 469, the Company adopted the equity method of accounting for its investments in Varibus Corporation, a wholly-owned subsidiary. The cumulative effect of the change to January 1, 1973, of $143,000 has been charged to retained earnings. Since the effect of the change on years prior to 1973 is not material, the statements of income for such prior years have not been restated. The undistributed earnings for 1973 of $141,000 and for the twelve months ended August 31, 1974, of $73,000 are included in Other Income and Deductions.

(4) During the period January 1, 1969, to December 31, 1973, the Company changed interest rates employed for the accrual for the "Allowance for Funds Used During Construction" (ADC) as follows:

Effective in 1973 — 8% to 7½% per annum
Effective in 1971 — 7½% to 8% per annum
Effective in 1970 — 6½% to 7½% per annum

These changes decreased net income $671,000 in 1973 and increased net income for 1971 and 1970 by $431,000 and $1,180,000, respectively.

Construction funds used are assumed to have been derived from capital sources in the same proportions as the average capitalization ratios for the respective years. On this basis, the ADC attributable to funds provided by common equity amounted to 9.7%, 12.9%, 13.7%, 12.1%, 15.1%, and 12.2% of "Income Applicable to Common Stock" for the twelve months ended August 31, 1974, and the years 1973, 1972, 1971, 1970, and 1969, respectively. The amount of ADC varied from year to year depending principally upon the level of construction in progress and the cost of capital, thereby affecting the relationship between such allowance and net income.

(5) The ratio of earnings to fixed charges, i.e., the number of times fixed charges are covered by earnings, is determined by using as earnings the net income before income taxes, deferred income taxes, investment tax credits and fixed charges. Fixed charges consist of all interest charges, amortization of premium, discount, and expense on debt and one-third of all rentals charged to income.

The pro forma ratio of earnings to fixed charges for the twelve months ending August 31, 1974, is 2.50 giving effect to the annual interest on the Series 1974 Bonds (at an assumed interest rate of 8%);

to the annual interest on $60,000,000 of 8⅝% first mortgage bonds issued in March, 1974; to the annual interest on $55,000,000 short-term notes expected to be outstanding at the date of the sale of the Series 1974 Bonds; and to the elimination of interest charges during such period on all short-term notes and the 8⅝% first mortgage bonds issued in March, 1974. A difference of ⅛% in the actual interest rate from the assumed rate on the Series 1974 Bonds would change the ratio of earnings to fixed charges approximately .0014.

See page A-27 of this Appendix to the Official Statement.

(6) Effective January 1, 1974, the Company increased book depreciation rates on selected properties to reflect revised estimates of the remaining service life of these properties and also adopted the practice of recognizing depreciation on new additions in the year in which they were placed in service rather than at the beginning of the following year. The effect of the two aforementioned changes reduced net income for the twelve months ended August 31, 1974, by $1,160,000 and $1,405,000, respectively, and the related earnings per share by $.04 and $.06 respectively.

(7) See "Management's Discussion and Analysis of the Statements of Income" for rate increases.

For the twelve months ended September 30, 1974, operating revenues were $359,204,000, and net income after deducting preferred stock dividend requirements was $40,880,000, or $1.60 per share of common stock (after the decrease of $.11 per share as a result of the changes in depreciation more fully described in Note 6 above). For the twelve months ended September 30, 1973, operating revenues were $275,278,000 and net income after deducting preferred stock dividend requirements was $44,523,000, or $1.74 per share of common stock. These amounts are unaudited but, in the opinion of the Company, include all adjustments, consisting only of normal recurring accruals, necessary to a fair presentation thereof.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENTS OF INCOME

The Statements of Income reflect the result of past operations and are not intended as any representation as to results of operations for any future period. Future operations will necessarily be affected by various and diverse factors and developments, including possible changes in electric rates, business activity, taxes, labor contracts, fuel costs, environmental expenditures, the effects of various electricity conservation programs, and other matters, the nature and effect of which cannot now be determined.

Material fluctuations in revenue and expense items for the four most recent periods presented on the accompanying Statements of Income are as follows:

Revenues

Material increases in electric operating revenues have occurred in the three most recent twelve-month periods presented on the Statements of Income. The principal components of the net increase in such revenues were increased consumption of energy, rate increases, and an increase in receipts under fuel adjustment clauses in the Company's rates recovering escalated fossil fuel costs.

Effective March 15, 1973, the Louisiana Public Service Commission granted the Company an electric rate increase for all of its retail business in Louisiana amounting to approximately $4,400,000 on an annual basis, after income taxes, based on 1971 business. Increases in retail rates were placed in effect on June 1, 1972, in Texas amounting to approximately $3,500,000 on an annual basis, after income taxes, based on 1971 business. Under effective orders of the FPC, the Company has been charging increased rates for wholesale service to most rural electric cooperatives, municipal resale systems, and other electric corporations since mid-1973. See "Business — Electric Rates" for wholesale rate increases placed in effect on August 13, 1973, and rate increase applications filed in 1974.

The increase of $28,181,000 in electric operating revenues from 1971 to 1972 was principally attributable to increased kilowatt-hour sales, coupled with the retail rate increase in Texas effective June 1, 1972. Increases in fuel cost recovery accounted for 44% of the $43,929,000 increase in such revenues from 1972 to 1973, while the balance resulted from the retail rate increase in Texas being in effect for the full year of 1973, the Louisiana retail rate increase effective March 15, 1973, an increase in wholesale rates effective August 13, 1973, and an increase in kilowatt-hour sales. Electric operating revenues for the twelve months ended August 31, 1974, reflected an increase of $56,809,000 over such revenues for the calendar year 1973, including $47,110,000 increase in fuel cost recovery coupled with an increase in kilowatt-hour sales.

Increases in fuel cost recovery are also reflected in steam operating revenues for the two most recent periods presented. Higher consumption made up 39% of the increase in such steam revenues from 1972 to 1973 and increases in fuel cost recovery accounted for the remainder. Steam revenues for the twelve months ended August 31, 1974, increased $4,418,000 over such revenues for 1973. This increase was principally a result of increases in fuel cost recovery of $4,312,000.

The increase of gas operating revenues of $965,000 for 1973 over 1972 was principally attributable to increases in purchased gas cost recovery of $535,000 and the balance from increased sales.

The operating revenues for any twelve-month period reflected on the Statements of Income are affected by an accounting lag experienced by the Company in charging out its actual fuel costs under its fuel adjustment clauses. For the twelve-month period ended August 31, 1974, the Statements of Income include as operating expenses $20,877,000 representing fuel costs actually incurred during the last two months of such period and not billed out under the fuel adjustment clauses during such twelve-month period. The comparable unbilled cost for the twelve-month period ended December 31, 1973, was $11,383,000.

Expenses

The increase of $12,296,000 for Fuel and Purchased Power from 1971 to 1972 was comprised of 11% from increased generation, 38% from increased fuel cost and 51% from increased power purchases. Increases in 1973 and 1974 were primarily attributable to increased cost of fuel.

Maintenance expense for 1973 increased over 1972 by $2,940,000, principally attributable to major maintenance at power plants and painting of substations and transmission towers.

Depreciation expense for 1972 reflects an increase over 1971 of $3,700,000, of which $122,000 was due to adjustment in rates of depreciation for certain utility plant to reflect revised estimates of the remaining economic service lives with the balance resulting from additional plant placed in service during the previous year. The increase in depreciation expense for the twelve months ended August 31, 1974, was principally attributable to charges resulting from additional plant placed in service during the previous year, and $1,160,000 represented additional charges recognizing shortened service lives of selected properties, and $1,405,000 represented charges arising from a change in accounting to recognize depreciation on plant in the year placed in service.

Taxes

The Federal Income Tax increase for 1972 over 1971 was principally the result of increased revenues producing a corresponding increase in the net taxable income base.

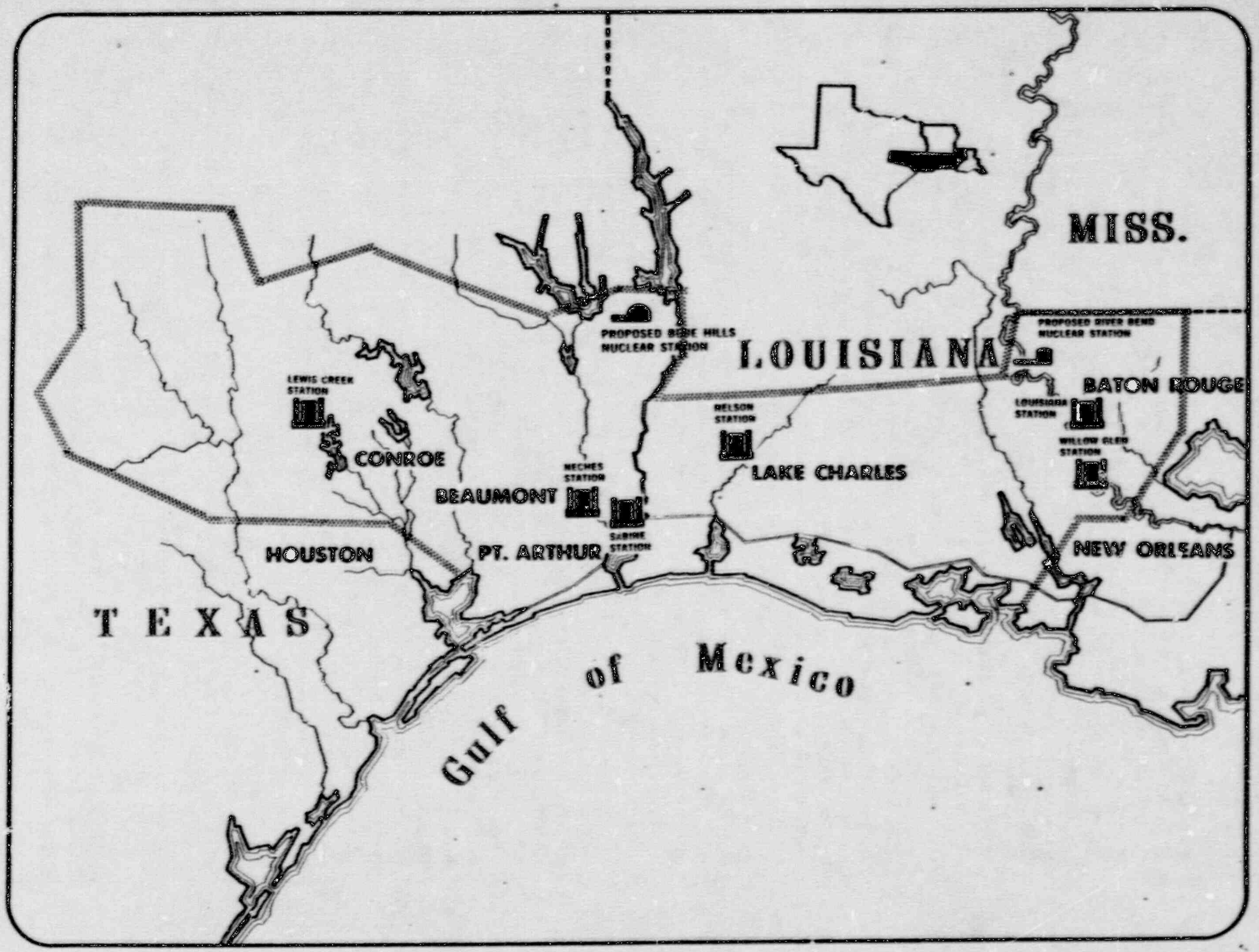
Allowance for Funds Used During Construction

The increase in Allowance for Funds Used During Construction for the years 1972 and 1973 over the respective previous years was primarily attributable to the construction of generating units at Sabine and Willow Glen power stations.

Interest Charges

Interest on Long-term Debt increased for the twelve months ended August 31, 1974, as a result of the issuance of $50,000,000 first mortgage bonds in August, 1973, and $60,000,000 first mortgage bonds in March, 1974.

Other Interest Expense decreased from 1971 to 1972 by $1,778,000, most of which was brought about by the issuance of $35,000,000 first mortgage bonds in November, 1971, along with the issuance of 2,000,000 shares of no-par common stock; thereby reducing the need for short-term borrowings in 1972. The increase in such expense from 1972 to 1973 resulted from increased construction activities and increased interest rates. Such expense for the twelve months ended August 31, 1974, increased $1,633,000 over 1973 because of increased short-term borrowings and higher interest rates.


MISS.
LOUISIANA
PROPOSED RIVER BEND
NUCLEAR STATION
BATON ROUGE
LOUISIANA
STATION
WILLOW GLEN
STATION
NEW ORLEANS
NELSON
STATION
LAKE CHARLES
LEWIS CREEK
STATION
CONROE
NECHES
STATION
BEAUMONT
SABINE
STATION
PT. ARTHUR
HOUSTON
TEXAS
Gulf of Mexico

THE COMPANY

Gulf States Utilities Company (the Company) was incorporated August 25, 1925, under the laws of the State of Texas and is engaged principally in the business of generating electric energy and transmitting, distributing and retailing such energy in a 28,000 square mile area in southeastern Texas and in south central Louisiana, extending a distance of over 350 miles along the Texas-Louisiana Coast including the principal cities of Baton Rouge and Lake Charles, Louisiana, and Beaumont, Port Arthur, Orange and Conroe, Texas. The Company also sells electric energy at wholesale in this area to various municipalities and rural electric cooperatives. The Company's electric system is interconnected, and interconnections with other utilities are maintained for the exchange of power. The Company also conducts a steam products business and sells natural gas in the Baton Rouge, Louisiana, area.

The Company's service area is a major producer of oil, gas, sulphur, refined products, chemicals, petrochemicals, steel, oil tools and related manufacturing, processing and servicing activities. It is characterized by a favorable year-round climate and ready access to air, land and water transportation. Paper, cement, building materials, cotton, rice and cattle are also important products of the service area.

The principal executive offices of the Company are located at 285 Liberty Avenue, Beaumont, Texas 77701; the telephone number is (713) 838-6631.

BUSINESS

Operations

For the 12-month period ended August 31, 1974, 91.4% of the Company's operating revenues were derived from the electric utility business, 6.6% from the steam products business and 2.0% from the gas business. Of the electric operating revenues, 57% were derived from within Louisiana and 43% from within Texas. The gas and steam products businesses are conducted entirely in Louisiana. Additional information about the principal classes of service is provided under "Operating Statistics and Certain Details of Revenues."

There are 21 rural electric cooperatives, sponsored by the Rural Electrification Administration, 21 municipal electric systems, and five investor-owned utilities operating within or adjacent to the service area of the Company. The operation and extension of these cooperatives, municipalities, and other utilities in certain areas tend to restrict expansion of the Company's system in such areas. However, the Company is continuing to extend its service into areas around such municipalities, areas adjacent to such other utilities, and into rural areas.

The Company self-generates substantially all of the electric energy it sells. The Company has interconnection agreements with Central Louisiana Electric Company, Inc. and Louisiana Power & Light Company, which contain terms upon which the parties may provide each other energy, maintenance, and other types of electric service; however, the Company understands that the interconnected companies are having their gas supplies curtailed and that the only power that can reasonably be expected from them is power to provide assistance during a period of equipment forced outages. Through such interconnections, the Company also participates to the extent of 215,000 kilowatts in a diversity interchange with the Tennessee Valley Authority. The Company also has an interconnection arrangement with Houston Lighting & Power Company providing for emergency service only. The cities of Lafayette and Plaquemine, Louisiana, have entered into interconnection agreements with the Company which are subject to and still awaiting approval by the Federal Power Commission. The Company also has a power interconnection agreement with Cajun Electric Power Cooperative, Inc. See "Business — Litigation."

Of the Company's steam products customers, Exxon Company, U.S.A., Ethyl Corporation, and Uniroyal are being supplied pursuant to contracts which, pursuant to notice which has been given by the Company, will terminate in 1978, 1976 and 1976, respectively. The specially-designed steam-electric extraction plant which has been supplying process steam and by-product electric energy as part of the requirements of these customers presently uses natural gas, of which 85% is being supplied by the customer, as primary boiler fuel. The Company proposes to negotiate new contracts with these customers to provide higher rates, and in connection therewith expects to consider whether or not to convert such plant to continuous oil burning as well as gas burning capability. The Company constructed and owns a specially-designed steam-electric extraction plant in Baton Rouge which furnishes the requirements of the Industrial Chemicals Division of Allied Chemical Corporation for process steam and electricity. Allied Chemical furnishes all the fuel for such plant. It is being operated and maintained by Allied under a twenty-year contract, which runs to February 1, 1989, and under which Allied makes annual payments to the Company, including amounts sufficient to amortize the cost of such plant over the term of the contract.

The Company distributes natural gas in Baton Rouge and its environs which have an estimated population of 230,000. Such gas is purchased under an agreement, expiring December 31, 1975, with Mid Louisiana Gas Company.

It is presently estimated that the Company's system peak load during 1975 will reach 4,091,000 kilowatts, at which time the Company estimates it will have a generating reserve capacity of approximately 35%. During the periods 1965-1974 and 1970-1974, the Company's peak load grew at average annual growth rates of approximately 9.1% and 7.3%, respectively; however, the peak load in 1974 represented an increase of only 2.8% over 1973. The 1975 peak presently estimated, if realized, will represent a 5% increase over 1974. The Company believes that the lower rate of load growth experienced in 1974 has been attributable principally to mild weather conditions, conservation programs, and the impact upon consumption levels of higher prices charged for electricity.

Construction Program and Financing Plans

Because of the lower level of load growth experienced in 1974 and revision of estimates by the Company of its future load growth, previous plans for construction of generating units were revised in August, 1974, resulting in lower estimated construction expenditures through 1977. To meet the revised estimates of anticipated growth in system load, the Company has tentatively scheduled in the period 1975 through 198[illegible], the installation of four fossil-fueled electric generating units with aggregate capability of approximately 2,140,000 kilowatts and four nuclear-fueled units with aggregate capability of approximately 3,740,000 kilowatts. The Company's estimate of peak loads and its presently scheduled construction program, discussed below, may change because of load growth changes, construction and regulatory contingencies, and the effects of various programs which may be adopted or imposed to conserve electricity. The Company is keeping its construction plans as flexible as practicable with the intention of accommodating any changes that may develop.

The cost of new construction in 1975 is expected to be approximately $199,000,000. In 1975 the program is expected to consist of the following principal items:

Additional electric production plant	$164,000,000
Additional electric transmission and distribution facilities	32,000,000
Other additional electric improvements	1,000,000
Additional gas plant	1,200,000
Additional steam plant	800,000
Total	$199,000,000

The construction program presently contemplates the expenditure of approximately $600,000,000 during 1976-1977.

It is anticipated that in 1975 the Company will, in addition to funds internally generated, require prior to the end of 1975, approximately $130,000,000. The Company expects that such funds will be obtained from short-term bank loans and the issuance of commercial paper combined with permanent financing, the form, nature, time, and extent of which have not yet been determined.

Total gross additions to the plant account of the Company during the period January 1, 1969, to September 1, 1974, amounted to $656,043,000 and during the same period retirements from the plant account amounted to $30,439,000. Gross additions during the period amounted to approximately 50% of total net plant at August 31, 1974.

The Company currently plans to construct four nuclear-fueled units with an aggregate capability of approximately 3,740,000 kilowatts. Two of such units will be installed in the River Bend Power Station, which will be located on the Mississippi River north of Baton Rouge, Louisiana, and two will be located in Newton County, Texas, near Toledo Bend Reservoir. The Company has entered into contracts or letters of intent relating to the constructing and equipping of such units, and actual construction of the first nuclear-fueled unit is expected to commence by mid-1975. The total cost of these four units (including fuel, allowances for funds used during construction, and environmental control facilities) is presently estimated to be approximately $2.82 billion (of which $63,500,000 is expected to have been expended through December 31, 1974). In December, 1973, the Company entered into a contract for the purchase of five million pounds of uranium concentrates which is a sufficient quantity to provide the initial core for the four units which are planned to go into service through 1985. The Company has also contracted for fabrication of the first core for the two units at River Bend and has contracted for enrichment for the fuel of the above four units.

Construction and operation of nuclear-fueled units are subject to regulation by appropriate governmental agencies, including the issuing of permits and licenses by the Nuclear Regulatory Commission which, as of February 9, 1975, will become the successor to the Atomic Energy Commission (AEC) for regulatory purposes. In September, 1973, the Company applied to the AEC for construction permits for the two River Bend nuclear-fueled units to be built in Louisiana, and the Company has filed in the third quarter of 1974 its application for permits to construct the two nuclear-fueled units to be built in Texas. Although the Company expects to pursue such permits and licenses diligently, there can be no assurances at this time as to when the permits and licenses will be issued. If significant delay is experienced for any reason in the licensing of any such nuclear units, the Company may incur substantial additional costs, including carrying charges, additional escalation of acquisition and construction costs, and cost of accelerating construction of other fossil or nuclear-fueled units to meet projected load prior to the completion date of any such delayed nuclear unit. The 1975 construction program includes approximately $64,000,000 for expenditures in connection with the planned nuclear-fueled units. Expenditure of funds prior to 1975 in the approximate amount of $63,500,000 and expenditures of such portions or all of the 1975 projected expenditures as may be necessary, as well as execution of contracts for the construction of such nuclear units and the purchase of equipment and fuel therefor, prior to assurance that construction permits and operating and other related licenses will be obtained, has been deemed necessary by the Company to put it in a position to make application for the regulatory approvals required and to enable it to complete construction, once approval is obtained, within the time necessary to meet presently estimated increased load.

In response to requirements imposed by the AEC and the United States Department of Justice, the Company has agreed to accept certain conditions to the license which is issued granting access to the Louisiana units and expects to accept similar conditions with respect to its proposed Texas nuclear units. The Company's proposed four nuclear units have been planned solely on the basis of the Company's own anticipated load requirement, and, based upon the amount of access presently expected to be requested by other parties pursuant to such conditions, it is not anticipated that such diversion will materially affect the Company's ability to meet its anticipated load. See "Business — Litigation."

Of the four fossil-fueled units planned for construction through 1985, it is presently anticipated that one 480,000 kilowatt unit will be fueled with gas, but it will have a continuous oil burning as well as gas burning capability; one 580,000 kilowatt unit will be fueled with oil, but will have the capability of burning gas on a limited basis; and two units (with a combined capability of 1,080,000 kilowatts) will be fueled with coal. The total cost of the four fossil-fueled units (including allowance for funds used during construction and environmental control facilities) is presently estimated to be approximately $657 million (of which $95 million is expected to have been expended through December 31, 1974).

The Company has contracted for a supply of fifty million tons of low-sulphur Wyoming coal, which the Company presently expects to be sufficient to fuel the two coal-fired units for twenty years.

Fuel Supply

All of the generating plants of the Company (with the exception of Willow Glen Unit No. 4 which unit has been converted to burn No. 6 fuel oil) are presently designed to use natural gas as primary boiler fuel and have the capability of using No. 2 oil as boiler fuel on a short-term basis. Boiler gas is provided in Texas under contracts running until 1985 with Exxon Company, U.S.A., and Texas Intrastate Gas Company. The Company has been receiving gas needed in its Texas plants from these suppliers pursuant to such contracts and does not expect any immediate material curtailment of such supply. Gas deliveries from Texas Intrastate Gas Company, which only supplies one-half of the requirements of one 265,000 kilowatt generating unit (which one-half represents 2.6% of the total generating capability of the Company) may be subject to curtailment pursuant to priorities established by the Texas Railroad Commission. Boiler gas is provided in Louisiana under a contract running until 1981 with Monterey Pipeline Company and under a contract running until 1987 with United Gas Pipe Line Company (United) which contract has provisions for price redetermination in 1977 and 1982. Additional gas is supplied to the Company in Louisiana by its wholly-owned subsidiary Varibus Corporation (Varibus) (see below). United provides gas to the Company's Willow Glen (other than to Unit No. 4) and Roy S. Nelson power stations in Louisiana, which stations account for a total of 1,861,000 kilowatts of the Company's electric generating capability.

Since November, 1970, United has been delivering less gas than the Company would have otherwise used under its contract with United. Such curtailments are expected to continue at increasingly severe levels and may be further affected by the Federal Power Commission (FPC) actions discussed hereafter. There are numerous FPC proceedings and related court appeals now in various stages involving the Company, United, and other customers of United. Such proceedings have already resulted in approval by the FPC of curtailments to the Company based upon certain priorities of use. Current FPC orders provide that if it is necessary for the Company to avoid shedding firm electric load, United is authorized to deliver additional gas to the Company to the extent required to avoid such load shedding, but any such additional deliveries are to be offset against subsequent gas allotments from United. Key issues yet to be finally determined in such proceedings are whether or not natural gas supplied by United for boiler fuel to large volume users, particularly for the purpose of generation of electricity, will be ordered terminated by the FPC, or, if authorized to be continued, will be given sufficient priority to entitle the Company to obtain gas in adequate quantities. The Company cannot at this time anticipate the final outcome of such proceedings or the overall impact thereof upon the operation of its generating units served by United. With respect to one court appeal related to the supply of gas from United, on November 8, 1974, the U.S. Court of Appeals for the Fifth Circuit issued its opinion in the case styled *State of Louisiana, Louisiana Municipal Association, and Parish of Cameron, et al. vs. Federal Power Commission,* which directs the reimposition of a gas curtailment plan formerly in effect that gives the Company a higher priority for that portion of its gas requirements required to generate electricity to serve the Company's "domestic" electric customers. The actual impact of the opinion on the Company's gas supply from United cannot be determined at this time because it is dependent on future action taken by the FPC after it gives consideration to this opinion and further possible court appeals.

In an attempt to obtain gas to offset the effect of existing gas curtailment, the Company has been purchasing gas on a temporary, interruptible basis and on a firm short-term basis from several suppliers in Louisiana, principally through Varibus, and expects to continue to purchase gas on such basis to the extent available.

Because of the gas supply problem, the Company has adapted its new Willow Glen Unit No. 4 to a continuous oil burning as well as gas burning capability. The Company initiated a program to adapt all seven of its gas-fired units (with appropriate emission control equipment) now served by United to enable them to have a continuous oil burning and gas burning capability but has recently temporarily deferred such conversion work with respect to five of such units. The cost of such program for all seven units is estimated to be approximately $75 million, including costs for environmental control and other related facilities, a portion of which is to be funded by proceeds from the issuance and sale of the Series 1974 Bonds. Fuel supply facilities incidental to such conversion are expected to cost an additional $16.9 million. It is estimated that the earliest this program can be completed is in 1977. If such adaptation requires time beyond the date of termination of United's gas service, should the FPC ultimately so order, the Company would seek from the FPC a deferral of such termination. Through such a deferral or by obtaining alternate sources of fuel or power, the Company presently expects to be able to meet its electric service requirements, but cannot presently be assured of the success of its efforts to do so. The Company has been purchasing fuel oil on the spot market as required, but has not yet been able to obtain long-term contracts on an acceptable basis for supply of No. 6 or other residual fuel oil to supply the existing plants which are being converted to continuous oil burning capability or future units planned to have such capability. See "Business — Litigation."

The Company continues efforts to explore the purchase of gas from other sources, and maintains storage plus the capability for using No. 2 fuel oil for short periods. It has been necessary at times to burn substantial quantities of No. 2 fuel oil in conjunction with gas to meet load demand, and the Company expects increasing need to burn larger quantities of such oil to meet future load demand.

To date, there has been no reduction or interruption in service to the Company's customers because of fuel supply shortages or fuel allocation rules heretofore promulgated by the Federal Energy Office. However, the ability of the Company to avoid future interruptions and curtailments will depend upon the success of its efforts to continue to obtain necessary fuel to supplement its curtailed gas supply under then existing market conditions and applicable governmental allocation and rationing programs.

For the twelve months ended August 31, 1974, the system-wide average fuel cost rose to 60.65¢ per million Btu from 20.44¢ per million Btu for the twelve month period ended August 31, 1970. The alternative sources of purchased power and fuel discussed above are expected to result in higher costs, which cannot now be determined. In addition, an increase in the price of gas sold to the Company by United is an issue in the court proceedings referred to above. The Company's rate schedules and contracts, covering all kilowatt-hour sales, contain fuel adjustment provisions making automatic adjustments for increases and decreases in fuel costs. See "Management's Discussion and Analysis of the Statements of Income."

After conversion to the capability of continuously using oil as fuel, the Company's equipment is expected to need more maintenance, repair, and restorative work than as presently operated. In addition, more problems may be experienced with air pollution in using oil and coal as fuel than the Company presently experiences in using gas. See "Business — Environmental Matters."

The Company's subsidiary, Varibus, supplies and will continue to supply a portion of the Company's fuel requirements and will be involved in programs to prospect for and develop fossil fuel resources. In addition, Varibus has entered into both firm and interruptible gas purchase contracts and gas transportation and exchange agreements which are expected to replace for the Company for short periods a portion of the gas being curtailed by United, but which in one case imposes upon Varibus an obligation to repay such gas in kind at a later date.

A joint venture exploration program, in which Varibus and Public Service Company of Oklahoma (PSO) have been involved since September 1, 1971, has resulted in the acquisition of leaseholds in over 400,000 acres at a cost to Varibus of approximately $4.75 million. The mineral leases acquired are located in the southern portions of eastern Mississippi and western Alabama. Development and activity are still in preliminary stages, except that a discovery has been made in Alabama in which Varibus owns a small percentage and production therefrom is expected during the first quarter of 1975.

Varibus is involved in negotiations with two foreign investors for the exploration and development of other portions of such acreage in Mississippi and Alabama. One of the major provisions of the exploration agreement will be that Varibus and PSO will have a call on all or a major portion of the production which may be obtained, Varibus' share of which may be either sold or exchanged to supplement the fuel needs of the Company.

Electric Rates

The retail rates of the Company in Texas are subject to the jurisdiction of municipal authorities, and as to all retail rates, including those in unincorporated towns and rural areas, a District Court of the State of Texas has authority to declare unlawful an extortionate or unreasonable rate. Texas does not have a state utility regulatory body with jurisdiction over the rates of the Company.

In Louisiana (in which state the Company is duly qualified to do business as a foreign corporation), a statute provides that the Louisiana Public Service Commission shall have jurisdiction over the retail rates and services of the Company. As of January 1, 1975, provisions of a new Louisiana Constitution will come into effect which provide that such Commission may permit a proposed increase to be put into effect, in whole or part, under bond pending the Commission's decision and if such Commission does not render a full decision on a proposed rate increase within twelve months after the effective filing date, the proposed rate increase may be put into effect if and as provided by law and subject to bond until final action by a court of last resort.

The FPC has jurisdiction of certain activities, including wholesale sales of electric energy in interstate commerce, and the issuance of securities by the Company including the guaranty by the Company of the Series 1974 Bonds. Approval of such guaranty was granted by order of the FPC issued October 8, 1974.

Under effective orders of the FPC, the Company has been charging increased rates for wholesale service to most rural electric cooperatives, municipal resale systems, and other electric corporations since mid-1973. The Company estimates that such increase in the base rates will produce approximately $1,800,000 at the 1973 level of use plus revenues from a fuel adjustment clause which recovers fuel costs above a level of 2.1 mills per kwh. Most collections of such rate increases are subject to refund pending final action by the FPC. Two wholesale customers have appealed the order of the FPC to the United States Court of Appeals for the District of Columbia, and if such appeals should result in reversal of the FPC orders as to such customers, approximately 74% of the increase in the rates could be lost pending further FPC action or termination of the existing contracts with such customers. A formal hearing was held before the FPC in September, 1974, regarding such increase in rates but no final action has yet been taken by the FPC thereon. Through August 31, 1974, approximately $4,700,000, including collections under fuel adjustment clauses and interest, was subject to being refunded depending on the outcome of the FPC and court proceedings.

The Company filed with the Louisiana Public Service Commission on October 3, 1974, for an increase in electric rates to retail customers in Louisiana with demands in excess of 5,000 kilowatts. The increase requested would produce additional revenues of approximately $6,033,000 based upon the test year 1974 level of business. Customers will receive a progressive increase beginning with loads in excess of 5,000 kilowatts and the percentage increase will vary from no increase at 5,000 kilowatts to approximately 10% or less for loads above 20,000 kilowatts. A similar increase amounting to approximately $4,000,000 of additional revenues based on the test year is expected to be made effective in Texas concurrently with the Louisiana increase. On October 22, 1974, a hearing was held by the Louisiana Public Service Commission, on a motion by the Company to place the increase in effect immediately under bond, subject to refund if the proposed increase is not ultimately granted, but no action has been taken as yet.

Employees

The Company has approximately 3,100 employees. Of these, about 2,300 operating personnel are represented by the International Brotherhood of Electrical Workers under a collective bargaining agreement which continues through July 5, 1975. Among the provisions of the agreement is a 5% wage increase which became effective on July 14, 1974.

The Company and the Equal Employment Opportunity Commission (EEOC) met to conciliate 22 charges of alleged discrimination that had been filed by employees. Conciliation agreements between the Company and the EEOC were reached on July 25, 1974, providing for settlement of 18 of the charges. The conciliation agreements provide for affirmative action promotion programs for a class of approximately 445 female employees and 215 black and Spanish-surnamed employees, a change in maternity leave procedures, a change in rates of pay for two job classifications, and a possible overtime differential award for an as yet undetermined class of black employees. The conciliation agreements are presently in process of implementation and monetary liability for special payments provided thereunder cannot yet be determined.

The Company has received notice that there are at least eight additional charges of discrimination presently pending before the EEOC. These charges involve the Company's maternity leave procedures and practices that allegedly discriminate against the charging parties on the basis of race or sex. The limits of the potential classes, the remedies to be sought, and the amount and materiality of monetary claims, if any, which may arise therefrom are not presently known.

A private class action was instituted against the Company in a Federal district court in Texas on May 1, 1974, in which five employees are denominated as representatives of a class of similarly situated employees at one of the Company's facilities. Because of alleged discrimination they seek: (1) injunctive relief, which includes abolition of various employment practices in the area of testing, seniority, etc. and changes in the union collective bargaining agreement; (2) a court-ordered comprehensive affirmative action program; (3) a declaratory judgment; (4) back wages; and (5) costs and attorneys fees. The amount and materiality of monetary claims are not known at this time.

Litigation

On July 24, 1973, the cities of Lafayette and Plaquemine, Louisiana (the Cities) filed an action in United States District Court in the Eastern District of Louisiana, against the Company and other adjoining investor-owned electric utilities, seeking treble damages and injunctive relief, alleging various anticompetitive activities in Louisiana. In connection with the power interconnection agreements reached with the Cities on January 8, 1974, they entered into agreements to release the Company from claims for any such prior acts or omissions, to dismiss as to the Company their civil actions described above, to withdraw various interventions pending in the various FPC proceedings of the Company, and to refrain from intervening in AEC proceedings of the Company based on any such prior acts or omissions. Such agreements by the Cities are, however, contingent upon acceptance by the FPC of the respective power interconnection agreements entered into by the Company with them without imposition by the FPC of conditions unacceptable either to the respective City or to the Company. Such agreements are pending before the FPC at this time.

In March, 1971, the United States Department of Justice issued Civil Investigative Demands demanding that the Company and certain other investor-owned electric utility companies in Louisiana produce certain documents in the course of an inquiry as to whether such companies may have been violating antitrust laws. No suit has been filed by the government alleging violations of the antitrust laws. Based upon consultation with the Justice Department and the staff of the AEC relative to the Company's application for permits to construct nuclear generating units, the Company presently believes that such investigation has been resolved through agreements reached with the Justice Department as to conditions which may be imposed in the licenses for such nuclear units relating principally to coordination efforts in the future with certain neighboring utilities and access to the nuclear units.

On August 5, 1974, the Company filed a $225 million damage suit in the Civil District Court for the Parish of Orleans, New Orleans, Louisiana, against United Gas Pipe Line Company alleging United's failure to fulfill its contractual obligations to supply natural gas to the Company and seeking to recover costs incurred by the Company in purchasing natural gas at higher prices from other sources and purchasing more expensive fuel oil, constructing new facilities and converting generating facilities to handle and burn fuel oil, and covering future costs estimated to be incurred in the conversion to fuel oil operation.

Environmental Matters

The application of Federal and state restrictions to protect the environment involves or may involve review, certification or issuance of permits by various state or Federal authorities (including the Administrator of the Environmental Protection Agency (EPA) and the Corps of Engineers) with respect to construction of new facilities or modification of existing facilities and with respect to initial or continued operation of facilities. The Company believes that it is in substantial compliance with all presently applicable requirements, and is not involved in pending proceedings and does not know of any threatened proceeding in which the Company is or will be charged with material violation of such requirements. However, environmental restrictions, particularly in regard to emissions into the air and water, may increase the cost of operations of the Company's generating installations and may in the future require substantial investments in new equipment at existing installations and substantial increases in the costs of proposed new facilities. The Company believes that the capital expenditures and operating cost incurred in response to environmental considerations will be fully allowable for rate-making purposes. However, there can be no assurance that this will be the case. Other than (i) the emission control facilities necessary to meet emission regulations applicable to generating units in Louisiana which are being adapted to a continuous oil burning capability (see "Business — Fuel Supply"), (ii) a liquid waste treatment facility for the existing units at Louisiana Station (approximately $4 million) and (iii) backfitting of two large stations from once through operation to cooling towers which may be necessary under recently published guidelines of the EPA if applications for Section 316(a) exemptions under the Federal Water Pollution Control Act which the Company intends to file, are denied (approximately $10 million), the Company is not immediately faced with significant expenditures for environmental control facilities at its present units. However, substantial portions of the Company's construction program are expected to be for environmental control facilities.

Management

The officers and directors of the Company are as follows:

OFFICERS

Floyd R. Smith	Chairman of the Board of Directors
Norman R. Lee	President
Samuel L. Adams	Senior Vice President
Joseph R. Murphy	Senior Vice President
Jerome M. Stokes	Senior Vice President
William E. Heaner, Jr.	Vice President
Joseph O. Robichau	Vice President
Robert E. White	Vice President
Jasper F. Worthy	Vice President
Robert W. Jackson	Secretary
Roy E. Eyler	Assistant Secretary
Thomas A. Page	Treasurer
James L. Braswell	Controller & Assistant Treasurer
Ray S. Pace	Assistant Treasurer
Hansford R. Rouse	Assistant Treasurer
Robert L. Wynne, Jr.	Assistant Treasurer

DIRECTORS

Name	Principal Occupation
Samuel L. Adams	Senior Vice President and director of the Company, Beaumont, Texas.
John W. Barton	President, Jack's Cookie Company, biscuit and cracker manufacturer, and vice president of Louisiana Aircraft, Inc., aircraft distributors, Baton Rouge, Louisiana.
Seth W. Dorbandt	Chairman of the board and president, First National Bank in Conroe, Conroe, Texas.
Edwin W. Hiam	Registered investment adviser, Boston, Massachusetts.
William H. LeBlanc, Jr.	President, Baton Rouge Supply Company, Inc., lumber and other building materials distributors, Baton Rouge, Louisiana.
Norman R. Lee	President and director of the Company, Beaumont, Texas.
Charles P. Manship, Jr.	President and director, Capital City Press, newspaper publishers, Baton Rouge, Louisiana.
Joseph R. Murphy	Senior Vice President and director of the Company, Beaumont, Texas.
Benjamin D. Orgain	Member of Orgain, Bell & Tucker, general legal counsel for the Company, Beaumont, Texas.
Floyd R. Smith	Chairman of the Board of Directors and director of the Company, Beaumont, Texas.
Harrell R. Smith	Retired general manager, Lake Charles Operations, Cities Service Oil Company, petroleum refiners and petrochemical producers, Lake Charles, Louisiana.
Bismark A. Steinhagen	Partner, Steinhagen Oil Company, petroleum products distributors, Beaumont, Texas.
Oliver P. Stockwell	Member of Stockwell, St. Dizier, Sievert & Viccellio, legal counsel for the Company in the Lake Charles Division, Lake Charles, Louisiana.
Fred V. Wilson	Investments, Port Arthur, Texas.

GULF STATES UTILITIES COMPANY

OPERATING STATISTICS AND CERTAIN DETAILS OF REVENUES

	12 Months Ended August 31, 1974	Years Ended December 31, 1973	1972	1971	1970	1969
ELECTRIC AND STEAM PRODUCTS:						
Number of customers:						
Residential	353,298	349,292	340,360	330,416	319,325	313,661
Commercial	42,628	41,986	41,144	40,171	39,251	38,907
Industrial	5,652	5,606	6,115	5,320	4,466	4,396
Other	1,486	1,433	1,391	1,320	1,324	1,271
Total	403,064	398,317	389,010	377,227	364,366	358,235
CAPABILITY, LOAD AND RESERVES (kilowatts):						
Generating capability at time of peak load*	4,564,000	4,564,000	4,155,000	4,155,000	3,625,000	3,045,000
Capability purchased from Sam Rayburn and Toledo Bend Dams and Cajun Electric Power Cooperative, Inc. without reserves	143,000	168,000	204,000	98,000	98,000	98,000
Total capability at time of peak load	4,707,000	4,732,000	4,359,000	4,253,000	3,723,000	3,143,000
Peak load including interruptible load*	3,895,800	3,781,700	3,602,700	3,285,000	3,039,400	2,850,600
Plus: Power sales with reserves to other utility systems				100,000	100,000	50,000
Less:						
Interruptible load at time of peak load	2,600	28,800	39,800	30,600	37,600	
Purchased power with reserves including TVA diversity interchange	215,000	215,000	215,000	215,000	215,000	215,000
Load for which reserves are provided	3,678,200	3,537,900	3,347,900	3,139,400	2,886,800	2,685,600
Capability in excess of load	1,028,800	1,194,100	1,011,100	1,113,600	836,200	457,400
Less: Scheduled maintenance at time of peak load	111,000	126,000		176,000	246,000	
Reserve capability	917,800	1,068,100	1,011,100	937,600	590,200	457,400
Percent reserves	25	30	30	30	20	17
Maximum demand steam sold — M pounds per hour	3,342	3,389	3,309	3,193	3,371	3,143
Output — net — kwhrs (thousands):						
Generated	22,323,578	21,890,507	21,281,658	20,643,077	19,290,514	17,337,296
Purchased and interchanged	863,968	917,992	519,575	(990,059)	(1,060,239)	(249,426)
Total	23,187,546	22,808,499	21,801,233	19,653,018	18,230,275	17,087,870
Sales of electric energy — kilowatt-hours (thousands):						
Residential	3,832,030	3,730,837	3,546,355	3,132,933	2,860,259	2,665,542
Commercial	2,673,046	2,579,961	2,380,471	2,114,689	1,923,879	1,782,460
Industrial	11,272,518	11,001,560	10,415,986	9,371,114	8,698,045	8,098,285
Steam products	2,881,636	2,880,362	2,602,921	2,420,923	2,384,767	2,364,660
Other sales	1,465,307	1,519,578	1,719,249	1,482,560	1,338,427	1,222,307
Total Sales	22,124,537	21,712,298	20,664,982	18,522,219	17,205,377	16,133,254
Steam sales — millions of pounds	24,793	25,723	24,543	23,943	24,162	24,394

* Excludes load served by and capability of the 76,000 kilowatt steam-electric installation maintained and operated by the Industrial Chemicals Division of Allied Chemical Corporation.

GULF STATES UTILITIES COMPANY

OPERATING STATISTICS AND CERTAIN DETAILS OF REVENUES — (Continued)

	12 Months Ended August 31, 1974	Years Ended December 31, 1973	1972	1971	1970	1969
Electric line — pole miles:						
Transmission (69,000 volts and over)	3,668	3,667	3,641	3,589	3,287	3,085
Distribution (34,500 volts and under)	15,549	15,337	15,019	14,655	14,303	14,015
Underground construction — miles of route	801	671	575	489	399	349
Average annual use per customer:						
Residential:						
Kilowatt-hours	10,930	10,819	10,571	9,645	9,044	8,602
Revenue per kilowatt-hour — cents	2.71	2.45	2.23	2.19	2.22	2.24
Commercial:						
Kilowatt-hours	63,393	62,120	58,562	53,275	49,291	46,395
Revenue per kilowatt-hour — cents	2.41	2.16	1.96	1.93	1.95	1.99
Industrial:						
Kilowatt-hours	1,995,842	1,830,542	1,740,058	1,849,440	1,980,880	1,801,220
Revenue per kilowatt-hour — cents	1.14	.90	.75	.73	.73	.73
GAS:						
Number of customers	71,659	71,854	70,597	69,124	67,322	66,694
Output — M cu. ft. of natural gas purchased	8,233,907	9,502,531	9,060,473	8,788,881	9,607,794	9,291,090
Sales — M cu. ft.	7,967,078	9,114,942	8,441,612	8,585,412	9,209,457	8,982,181
Maximum daily output — M cu. ft.	83,946	97,984	83,284	85,237	97,483	82,135
Mains — miles	1,042	1,019	979	949	937	917
OPERATING REVENUES:						
Electric and steam products —						
Sales of electric energy:						
Residential	$103,833,776	$ 91,355,021	$ 79,021,925	$ 68,727,248	$ 63,463,435	$ 59,820,744
Commercial	64,500,209	55,658,876	46,599,660	40,898,786	37,501,242	35,435,809
Industrial	129,009,272	99,231,146	77,941,110	68,322,257	63,393,594	59,367,304
Steam products	20,087,246	15,777,138	12,073,611	10,829,047	10,547,052	10,510,620
Other	19,496,594	14,229,267	13,132,964	11,223,230	10,321,501	9,460,839
Total sales of electric energy	336,927,097	276,251,448	228,769,270	200,000,568	185,226,824	174,595,316
Other electric and steam products revenue	3,729,167	3,175,407	3,011,430	2,374,949	1,609,196	1,227,423
Steam sales	1,954,985	1,957,370	1,956,949	1,954,695	1,946,154	1,969,091
Total electric and steam products	342,611,249	281,384,225	233,737,649	204,330,212	188,782,174	177,791,830
Gas —						
Sales of gas:						
Residential	4,635,797	4,979,121	4,382,289	4,253,967	4,332,508	3,930,360
Commercial and industrial	2,303,813	2,198,738	1,801,735	1,634,856	1,487,226	1,416,666
Total sales of gas	6,939,610	7,177,859	6,184,024	5,888,823	5,819,734	5,347,026
Other gas revenue	52,850	58,922	87,956	38,767	510	899
Total gas	6,992,460	7,236,781	6,271,980	5,927,590	5,820,244	5,347,925
TOTAL OPERATING REVENUES	$349,603,709	$288,621,006	$240,009,629	$210,257,802	$194,602,418	$183,139,755
ELECTRIC AND STEAM PRODUCTS OPERATING REVENUES — % OF TOTAL	98.0	97.5	97.4	97.2	97.0	97.1
GAS OPERATING REVENUES — % OF TOTAL	2.0	2.5	2.6	2.8	3.0	2.9

GULF STATES UTILITIES COMPANY

BALANCE SHEET

ASSETS

	August 31, 1974 (Unaudited)		December 31, 1973	
	(Thousands of Dollars)			
UTILITY AND OTHER PLANT (including intangibles) at original cost (Note A):				
Electric utility plant	$1,081,279		$1,154,380	
Steam products plant	52,808		52,771	
Gas utility plant	19,907	$1,153,994	19,488	$1,226,639
Less: Accumulated provision for depreciation		323,822		296,806
Total plant less accumulated provision for depreciation		830,172		929,833
CONSTRUCTION WORK IN PROGRESS, at cost (Note A)		320,262		154,046
Total utility and other plant		1,150,434		1,083,879
OTHER PROPERTY AND INVESTMENTS:				
Investment in and advances to subsidiary company at equity (Note A)		17,757		20,937
Other property and investments, at cost		1,035		1,020
Total other property and investments		18,792		21,957
CURRENT ASSETS:				
Cash (Note B)		6,317		3,801
Special deposits		284		355
Temporary cash investments		1,500		
Accounts receivable:				
Customers	42,946		28,924	
Others	2,340		2,077	
	45,286		31,001	
Less: Accumulated provision for uncollectibles	382	44,904	412	30,589
Materials and supplies (including construction materials) at average cost		6,454		5,887
Fuel stock		22,459		9,035
Fuel prepayments		337		359
Other prepayments		3,066		1,388
Total current assets		85,321		51,414
DEFERRED DEBITS:				
Unamortized debt expense (Note A)		1,077		1,016
Other		1,858		1,341
Total deferred debits		2,935		2,357
		$1,257,482		$1,159,607

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

BALANCE SHEET

LIABILITIES

	August 31, 1974 (Unaudited)		December 31, 1973	
	(Thousands of Dollars)			
CAPITALIZATION:				
Capital stock and retained earnings:				
Common stock, without par value (Note C)	$ 187,580		$ 187,580	
Retained earnings (Note D)	156,390	$ 343,970	154,556	$ 342,136
Preferred stock (Note C)		117,500		117,500
Premium on preferred stock (Note C)		655		655
Total capital stock and retained earnings		462,125		460,291
Long-term debt (Note E):				
First mortgage bonds	579,000		519,000	
Debentures	10,125		10,125	
Unamortized premium, discount on debt (Note A)	500	589,625	835	529,960
Total capitalization		1,051,750		990,251
CURRENT LIABILITIES:				
Debentures, due within one year, less amount acquired for sinking fund purposes (Note E)				304
Notes payable (unsecured) (Note B):				
Banks	17,642		21,963	
Commercial paper	22,485	40,127	20,482	42,445
Accounts payable, trade		31,684		18,981
Customers' deposits		2,983		2,746
Taxes accrued		17,596		6,117
Interest accrued		6,656		8,530
Dividends declared		8,836		
Payroll accrued		695		786
Other		3,526		3,978
Total current liabilities		112,103		83,887
DEFERRED CREDITS:				
Investment tax credit		21,633		19,689
Accumulated deferred income tax		68,769		63,717
Other		1,442		292
Total deferred credits		91,844		83,698
OPERATING RESERVES		1,785		1,771
		$1,257,482		$1,159,607

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

STATEMENTS OF RETAINED EARNINGS

	12 Months Ended August 31, 1974 (Unaudited)	Year Ended December 31, 1973	1972	1971	1970	1969
		(Thousands of Dollars)				
BALANCE, beginning of period, as previously reported	$146,148	$139,354	$125,406	$115,490	$103,366	$ 93,556
Less: Cumulative effect of change to equity method of accounting for investments (See Note (3) to Statements of Income)		143				
BALANCE, beginning of period, as restated	146,148	139,211	125,406	115,490	103,366	93,556
ADDITIONS:						
Net income	45,585	50,177	45,168	39,009	38,998	34,712
	191,733	189,388	170,574	154,499	142,364	128,268
DEDUCTIONS:						
Capital stock expense					50	
Cash dividends:						
Preferred stock (at annual rates indicated below):						
$4.40 dividend	528	528	528	528	528	528
$4.50 dividend	225	225	225	225	225	225
$4.40 dividend — 1949 Series	264	264	264	264	264	264
$4.20 dividend	294	294	294	294	294	294
$4.44 dividend	222	222	222	222	222	222
$5.00 dividend	375	375	375	375	375	375
$5.08 dividend	508	508	508	508	508	508
$4.52 dividend	452	452	452	452	452	452
$6.08 dividend	1,216	1,216	1,216	1,216	1,216	1,216
$7.56 dividend	2,646	2,646	566			
Common stock	28,613	28,102	26,570	25,009	22,740	20,818
	35,343	34,832	31,220	29,093	26,874	24,902
BALANCE, end of period (Note D)	$156,390	$154,556	$139,354	$125,406	$115,490	$103,366

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	12 Months Ended August 31, 1974 (Unaudited)	Years Ended December 31, 1973	1972	1971	1970	1969
	(Thousands of Dollars)					
FUNDS FROM OPERATIONS:						
Net income(a)	$ 45,585	$ 50,177	$ 45,168	$ 39,009	$ 38,998	$ 34,712
Items not affecting working capital:						
Depreciation	41,889	35,784	33,606	29,906	25,801	23,276
Amortization of loss on sale of property					136	542
Deferred Federal income tax — net	7,107	6,494	5,778	4,922	4,660	4,184
Deferred state income tax — net	157	206	277	74		
Investment tax credit — net	160	572	1,283	1,466	3,182	2,154
Common stock equity component of allowance for funds used during construction	(5,880)	(5,590)	(5,538)	(4,208)	(5,282)	(3,741)
Funds from operations	89,018	87,643	80,574	71,169	67,495	61,127
FINANCING:						
First mortgage bonds	60,000	50,000		35,000	60,000	50,000
Preferred stock			35,055			
Common stock				40,280	28,217	
Notes payable	31,014	(30,796)	69,256	(29,001)	(17,220)	26,311
INCREASE IN OTHER — NET(b)	9,820	9,103	8,366	5,329	6,607	4,245
Total source of funds	$189,852	$115,950	$193,251	$122,777	$145,099	$141,683
FUNDS FOR:						
Gross plant additions(a)	$139,193	$107,234	$111,314	$ 91,994	$110,596	$123,328
Dividends	35,343	34,832	31,220	29,093	26,824	24,902
Retirement of long-term debt	375	375	375	375	375	375
Investment in and advances to subsidiary company	930	18,355	2,482			
Temporary cash investments	1,500	(47,900)	47,900			
	177,341	112,896	193,291	121,462	137,795	148,605
INCREASE (DECREASE) IN WORKING CAPITAL AS DETAILED BELOW	12,511	3,054	(40)	1,315	7,304	(6,922)
Total funds used	$189,852	$115,950	$193,251	$122,777	$145,099	$141,683
INCREASE (DECREASE) IN WORKING CAPITAL (Excluding notes payable):						
Accounts receivable	$ 13,512(c)	$ 6,144	$ 5,305	$ (630)	$ 2,565	$ 2,130
Inventories	1,098	1,097	(610)	116	600	(142)
Fuel stock	16,827	7,797	(678)	1,530	1	(4)
Fuel prepayments	(33)	(33)	392			
Other prepayments	406	(88)	(775)	86	169	405
Accounts payable	(15,114)	(7,716)	(2,033)	1,287	(1,796)	(1,401)
Accrued taxes	2,917	(800)	(473)	1,074	5,731	(4,747)
Accrued interest	(238)	(1,770)	(21)	(469)	(1,312)	(1,299)
Other — net	(6,864)	(1,577)	(1,147)	(1,679)	1,346	(1,864)
	$ 12,511	$ 3,054	$ (40)	$ 1,315	$ 7,304	$ (6,922)

(a) Includes allowance for funds used during construction. See Note 4 to Statements of Income.
(b) Includes common stock equity component of allowance for funds used during construction.
(c) Increase due principally to seasonal kilowatt-hour usage and fuel clause adjustment.

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

NOTES TO FINANCIAL STATEMENTS

(Information relating to dates after December 31, 1973, is unaudited.)

(A) The major accounting policies of Gulf States Utilities Company are outlined below. These policies are presented to assist the reader in evaluating the financial statements and other data presented in this statement.

The accounting records of the Company are maintained in accordance with the Uniform System of Accounts prescribed by the FPC and the Louisiana Public Service Commission. In accordance with changes required by the FPC in 1974, certain 1973 amounts have been restated to maintain comparability between the two years.

Utility and other plant is stated at original cost when first dedicated to public service and the amounts shown do not purport to represent reproduction costs or current value. Costs of repairs and minor replacements are charged to expense as incurred. The recorded cost of depreciable utility plant retired and cost of removal, less salvage, are charged to accumulated provision for depreciation. At August 31, 1974, certain electric utility plant approximating $85,500,000 has been included in construction work in progress which had been included in utility and other plant at December 31, 1973.

The capitalized cost of utility and other plant includes an allowance for the cost of funds used during construction.

The provision for depreciation is computed using the straight-line method at rates which will amortize the unrecovered cost of depreciable plant over the estimated remaining service life. The provisions for depreciation for the twelve months ended August 31, 1974, and the years 1969 through 1973 were equivalent to average percentages of depreciable plant as follows: Electric — 3.2%, Steam Products — 3.8% and Gas — 2.9%.

The Company's investment in Varibus Corporation, a wholly-owned subsidiary, is accounted for on the equity basis. See Note (3) to Statements of Income.

No specific provision has been made for amortization of intangibles.

For income tax purposes, the Company has adopted accelerated methods of computing depreciation for eligible property. Pursuant to regulatory commission order, amounts equal to the reductions in income taxes arising from the use of accelerated depreciation rather than straight-line tax depreciation are charged to income and concurrently credited to accumulated deferred income taxes. Upon expiration of the periods of tax deferment, the amounts accumulated are used to offset the provision for income taxes in amounts equivalent to the related increases in such taxes.

Amounts equal to the reductions in Federal income taxes resulting from investment tax credits are charged to income and concurrently credited to deferred credits. These credits are being amortized over the estimated useful lives of the related properties.

Unamortized premium, discount and expense on bonds and debentures are being amortized ratably over the lives of the respective issues.

(B) The Company had agreements with several banks providing for borrowing up to $51,080,000 at December 31, 1973, and $67,080,000 at October 1, 1974, at the prime commercial lending rate in effect from time to time without payment of a commitment fee. These agreements will terminate December 31, 1974, or within the following quarter. The Company maintains non-segregated working cash balances which generally average, over the life of the agreements, approximately 10% of the line of credit.

In addition, at October 1, 1974, the Company had agreements with several banks providing for borrowing of up to $31,000,000 at 115% of the prime commercial lending rate in effect from time to time with payment of a commitment fee of 5% of the prime lending rate on the line of credit.

GULF STATES UTILITIES COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

The weighted average interest rate of the aggregate short-term borrowings was 9.8% and 12.0% at December 31, 1973, and August 31, 1974, respectively. The maximum aggregate short-term borrowings outstanding at any one time (notes payable to banks and to holders of commercial paper) were $73,300,000 for the twelve months ended December 31, 1973, and $83,624,000 for the twelve months ended August 31, 1974. The average monthly short-term borrowings during 1973 approximated $36,700,000 and the average interest cost was approximately 7.1%. For the twelve months ended August 31, 1974, the average monthly short-term borrowings approximated $43,400,000 and the average interest cost was 10.1%. Average monthly short-term borrowings represent the sum of the ending monthly borrowings outstanding divided by 12 and the average interest rate is determined by dividing accrued interest during the year by this average.

(C) Common Stock, without par value; authorized 40,000,000 shares; outstanding, 25,547,328 shares. The Company in November 1971, sold 2,000,000 additional shares for an aggregate of $40,280,000; and in February 1970, sold 1,400,000 additional shares for an aggregate of $28,217,000.

Preferred Stock, $100 par, cumulative; authorized 3,000,000 shares; outstanding 1,175,000 shares, as follows:

120,000	shares $4.40 dividend, entitled upon redemption to $108 per share . .	$ 12,000,000
50,000	shares $4.50 dividend, entitled upon redemption to $105 per share . .	5,000,000
60,000	shares $4.40 dividend, 1949 series, entitled upon redemption to $103 per share	6,000,000
70,000	shares $4.20 dividend, entitled upon redemption to $102.818 per share	7,000,000
50,000	shares $4.44 dividend, entitled upon redemption to $103.75 per share	5,000,000
75,000	shares $5.00 dividend, entitled upon redemption to $104.25 per share	7,500,000
100,000	shares $5.08 dividend, entitled upon redemption to $104.63 per share	10,000,000
100,000	shares $4.52 dividend, entitled upon redemption to $103.57 per share	10,000,000
200,000	shares $6.08 dividend, entitled upon redemption to $105.34 per share prior to July 1, 1977, and thereafter to $103.34 per share	20,000,000
350,000	shares $7.56 dividend, entitled upon redemption to $108.36 per share prior to September 1, 1977, then until September 1, 1982 to $106.80 per share, then until September 1, 1987 to $103.80 per share, and thereafter to $101.80 per share	35,000,000
		$117,500,000

In September, 1972, the Company sold 350,000 additional shares of $7.56 Dividend Preferred Stock $100 par value, for an aggregate of $35,055,000.

The redemption and liquidation prices of all preferred stock issues, in the aggregate, were $124,408,000 at December 31, 1973, and August 31, 1974.

Premium on Preferred Stock increased $55,000 in September, 1972, as a result of the sale of 350,000 shares of $7.56 Dividend Preferred Stock, $100 par value.

No shares are reserved for officers and employees or for options, warrants, conversions and other rights.

(D) Certain limitations on the payment of cash dividends on common stock are contained in the Company's Articles of Incorporation and indentures, the most restrictive presently being that contained in the Articles of Incorporation, which provides generally that no cash dividends shall be paid except out of earnings accumulated after May 31, 1958, plus $28,262,988; provided, however, that such dividends are limited to 75% of "available net income" if the "common stock equity" (excluding premium on preferred stock) falls below 25% of "total capitalization" (excluding premium on preferred stock). Under this provision, retained earnings unrestricted as to cash dividends on common stock amounted to $112,320,591 at December 31, 1973, and $94,927,846 at August 31, 1974.

(E) First mortgage bonds comprise:

2⅝% Series, due May 1, 1976 (excluding $1,000,000 in treasury)	$ 27,000,000
3 % Series, due April 1, 1978	12,000,000
2¾% Series, due December 1, 1979	10,000,000
2¾% Series, due June 1, 1980	13,000,000
3⅜% Series, due November 1, 1981	10,000,000
3⅛% Series, due December 1, 1982	10,000,000
3⅜% Series, due December 1, 1983	10,000,000
4¼% Series, due September 1, 1986	15,000,000
4⅞% Series, due October 1, 1987	17,000,000
4 % Series, due May 1, 1988	20,000,000
4¾% Series, due January 1, 1989	10,000,000
5¼% Series A, due December 1, 1989	16,000,000
4⅞% Series, due July 1, 1990	17,000,000
4⅜% Series, due May 1, 1992	17,000,000
5 % Series, due January 1, 1996	20,000,000
5⅜% Series, due February 1, 1997	35,000,000
6⅝% Series, due February 1, 1998	25,000,000
6¾% Series A, due October 1, 1998	40,000,000
7¼% Series, due March 1, 1999	25,000,000
8⅛% Series A, due September 1, 1999	25,000,000
8½% Series, due February 1, 2000	30,000,000
7⅞% Series A, due December 1, 2000	30,000,000
7½% Series, due November 1, 2001	35,000,000
8½% Series, due August 1, 2003	50,000,000
TOTAL December 31, 1973	519,000,000
8⅝% Series, due March 1, 2004	60,000,000
TOTAL August 31, 1974	$579,000,000

The Company's mortgage contains sinking fund provisions which require generally that the Company make semi-annual cash deposits with the trustee equivalent to ½ of 1% of the greatest aggregate principal amount of the 2⅝% Series first mortgage bonds due May 1, 1976, authenticated and delivered and annual cash deposits equal to 1.2% of the greatest aggregate principal amount of first mortgage bonds subsequently authenticated and delivered; or, in lieu thereof in each instance, to apply property additions or reacquired first mortgage bonds to that purpose. The Company has satisfied the mortgage requirements in past years by certifying to the trustee "available net additions."

The debentures bear interest at 4⅝% and are due October 1, 1981. The trust indenture requires annual redemption for sinking fund purposes of $375,000 principal amount through 1980.

Aggregate sinking fund requirements of first mortgage bonds and debentures outstanding, for each of the five years subsequent to December 31, 1973, are as follows:

1974	$6,488,000
1975	6,559,000
1976	6,279,000
1977	6,279,000
1978	6,135,000

GULF STATES UTILITIES COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

The Company's 2⅝% Series of first mortgage bonds amounting to $28,000,000 are due May 1, 1976, and the Company's 3% Series of first mortgage bonds amounting to $12,000,000 are due April 1, 1978.

(F) The construction program involves expenditures of approximately $174,000,000 in 1974 and $199,000,000 in 1975. See "Business — Construction Program and Financing Plans." In that connection, the Company has incurred substantial commitments for equipment.

See "Business — Construction Program and Financing Plans" for a description of recent commitments to purchase coal and uranium concentrates.

See "Business — 'Employees' and 'Litigation' " for pending litigation.

(G) The Company has a contributory pension plan covering all employees between the ages of 30 and 65 years who have had one year of continuous service. The Company's policy is to fund pension cost accrued. Since 1969 the aggregate cost actuarial method of funding the plan has been used. Under this method, unfunded past service cost is not separately identified.

The cost of the plan charged to income and to construction and other accounts for the years 1969-1973 and the twelve months ended August 31, 1974, are as follows:

	12 Months Ended August 31, 1974 (Unaudited)	Years Ended December 31,				
		1973	1972	1971	1970	1969
Charged to income	$ 1,248,021	$ 1,146,831	$ 1,255,441	$ 1,277,185	$ 1,205,059	$ 1,019,906
Charged to construction and other accounts	488,094	487,396	531,064	539,733	469,060	448,897
Total	$ 1,736,115	$ 1,634,227	$ 1,786,505	$ 1,816,918	$ 1,674,119	$ 1,468,803

In connection with recent *Employee Retirement Income Security Act of 1974* pension reform legislation enacted by Congress, the Company does not believe at this time that it will materially affect future net income.

(H) Supplementary Profit and Loss Information:

The amounts of maintenance, repairs and depreciation, other than those shown in the statements of income, and the amounts of royalties, advertising costs, and research and development costs have been omitted as each is less than one percent of total revenue and sales. Taxes, other than Federal and state income taxes, are set forth by classes as follows:

	12 Months Ended August 31, 1974 (Unaudited)	Years Ended December 31,				
		1973	1972	1971	1970	1969
Real estate and property	$ 8,663,506	$ 8,696,041	$ 9,030,733	$ 8,548,265	$ 7,877,807	$ 7,678,805
Gross receipts	4,123,715	5,537,941	4,311,855	3,908,805	3,524,568	3,299,145
Payroll	1,337,768	1,281,769	972,098	872,905	708,979	717,462
Street rental	921,919	836,775	743,150	695,043	644,464	591,111
Other	2,557,485	1,875,354	2,159,121	844,637	580,047	532,640
Total	$17,604,393	$18,227,880	$17,216,957	$14,869,655	$13,335,865	$12,819,163
Taxes, other than income, were also charged to various other accounts (stores and transportation expense clearing, construction, etc.) in the amounts of	$ 1,579,377	$ 1,620,442	$ 808,622	$ 658,843	$ 614,838	$ 487,740
Rents charged to income*	$ 1,910,969	$ 1,764,255	$ 1,803,787	$ 1,774,609	$ 1,764,774	$ 1,598,044

* The Company's lease agreements at December 31, 1973, and August 31, 1974, generally do not contain options to extend the lease terms or to purchase the leased properties. The present value, as of December 31, 1973, and August 31, 1974, of minimum lease commitments is less than five percent of long-term debt and shareholders' equity. The effect on net income if all financing leases were to be capitalized is less than three percent of the average net income for the most recent three years and therefore is not significant.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To GULF STATES UTILITIES COMPANY:

We have examined the balance sheet of GULF STATES UTILITIES COMPANY as of December 31, 1973, and the related statements of income (page A-2), retained earnings and changes in financial position for the years 1969 through 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the financial statements referred to above present fairly the financial position of Gulf States Utilities Company at December 31, 1973, and the results of its operations and changes in financial position for the years 1969 through 1973, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

Houston, Texas
November 1, 1974

GULF STATES UTILITIES COMPANY

STATEMENTS OF COMPUTATION OF NUMBER OF TIMES FIXED CHARGES EARNED

	12 Months Ended August 31, 1974	Years Ended December 31, 1973	1972	1971	1970	1969
Net income	$45,585,485	$ 50,177,196	$ 45,167,636	$ 39,009,238	$ 38,998,410	$ 34,711,523
Income taxes	28,101,389	29,431,036	30,923,638	24,133,796	22,979,379	25,666,285
Earnings before income taxes	73,686,874	79,608,232	76,091,274	63,143,034	61,977,789	60,377,808
Fixed charges:						
Interest on bonds	32,910,625	28,055,000	26,461,250	24,164,375	21,182,604	17,116,981
Interest on debentures	476,123	488,186	507,520	521,082	538,010	558,496
Other interest	4,615,008	2,982,037	1,018,103	2,815,655	2,965,046	2,973,791
Amortization of premium, discount and expense on debt	(10,304)	(25,270)	(31,773)	(38,070)	(46,981)	(55,511)
Rentals (one-third of all rentals charged to income)	636,990	588,085	601,262	591,536	588,258	532,681
Total fixed charges	38,628,442	32,088,038	28,556,362	28,054,578	25,226,937	21,126,438
Earnings before income taxes and fixed charges	$112,315,316	$111,696,270	$104,647,636	$ 91,197,612	$ 87,204,726	$ 81,504,246
Number of times fixed charges are covered by earnings before income taxes and fixed charges	2.91	3.48	3.66	3.25	3.46	3.86

Number of times fixed charges are covered by earnings (before income taxes and fixed charges) for the twelve months ended August 31, 1974, adjusted to reflect annual interest requirements of the Series 1974 Bonds, the issuance of $60,000,000 of 8⅝% first mortgage bonds in March, 1974, annual interest on short-term notes of $55,000,000 expected to be outstanding at the sale date of the Series 1974 Bonds and to eliminate interest charges for the 8⅝% first mortgage bonds and short-term notes.

Fixed charges for the twelve months ended August 31, 1974, above		$ 38,628,442
Add — Annual interest charges on $20,000,000 of Series 1974 Bonds to be issued, assumed interest rate of 8%	$ 1,600,000	
Annual interest charges on $60,000,000 of 8⅝% first mortgage bonds issued in March, 1974	5,175,000	
Annual interest on short-term notes totalling $55,000,000 at an assumed rate of 11% expected to be outstanding at the date of sale of the Series 1974 Bonds	6,050,000	
Total additions		$ 12,825,000
Less — Interest cumulative to August 31, 1974, on $60,000,000 of 8⅝% first mortgage bonds on the books	$ 2,199,375	
Interest on short-term notes for the twelve months ended August 31, 1974	4,374,484	
Total eliminations		6,573,859
Fixed charges adjusted		$ 44,879,583
Earnings (before income taxes and fixed charges) for the twelve months ended August 31, 1974, as above		$112,315,316
Number of times adjusted fixed charges are covered by earnings before income taxes and fixed charges		2.50