



LOUISIANA ENERGY AND POWER AUTHORITY

Financial Statements and Schedules

December 31, 2000 and 1999

With Independent Auditors' Report Thereon

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

Release Date 6-20-01



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

Independent Auditors' Report

The Board of Directors
Louisiana Energy and Power Authority:

We have audited the accompanying balance sheets of Louisiana Energy and Power Authority (the Authority) as of and for the years ended December 31, 2000 and 1999, and the related statements of revenues, expenses and equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Energy and Power Authority at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2001, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

KPMG LLP

March 16, 2001



LOUISIANA ENERGY AND POWER AUTHORITY

Balance Sheets

December 31, 2000 and 1999

Assets	<u>2000</u>	<u>1999</u>
Utility plant, net (note 2)	\$ 52,461,469	54,760,435
Central dispatch facility, net of accumulated depreciation of \$2,218,976 and \$4,708,934 in 2000 and 1999, respectively	867,461	1,068,707
Non-utility property, net of accumulated depreciation of depreciation of \$416,406 and \$373,320 in 2000 and 1999, respectively	1,018,848	1,057,106
Special deposits - partially restricted (note 4)	<u>10,098,322</u>	<u>18,243,806</u>
	<u>64,446,100</u>	<u>75,130,054</u>
Current assets:		
Funds - partially restricted (note 4)	7,890,974	13,364,314
Accounts receivable	5,012,960	2,800,794
Interest receivable	120,267	158,864
Fuel inventory	1,828,079	1,707,643
Prepaid expenses	<u>111,514</u>	<u>112,227</u>
Total current assets	<u>14,963,794</u>	<u>18,143,842</u>
Deferred charges:		
Debt expense (note 3)	4,019,883	2,702,730
Preoperating costs	<u>423,017</u>	<u>447,900</u>
Total deferred charges	<u>4,442,900</u>	<u>3,150,630</u>
	<u>\$ 83,852,794</u>	<u>96,424,526</u>
Equity and Liabilities		
Long-term debt, net (note 3)	\$ 63,203,131	71,500,093
Equity	<u>10,833,959</u>	<u>10,472,176</u>
	<u>74,037,090</u>	<u>81,972,269</u>
Current liabilities:		
Current maturities of long-term debt (note 3)	240,000	4,980,000
Accounts payable	6,086,139	3,505,524
Due to participants	559,282	488,693
Accrued interest payable	791,585	3,331,620
Other	<u>2,138,698</u>	<u>2,146,420</u>
Total current liabilities	<u>9,815,704</u>	<u>14,452,257</u>
Commitments (notes 2, 5 and 6)		
	<u>\$ 83,852,794</u>	<u>96,424,526</u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Revenues, Expenses and Equity

Years ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Power sales (notes 5 and 6)	\$ <u>65,806,648</u>	<u>57,552,618</u>
Operating expenses:		
Cost of power produced	25,423,567	22,679,510
Power purchased	23,621,632	18,224,696
Transmission costs	4,315,116	4,310,510
General and administrative	2,060,594	2,188,336
Depreciation and amortization	<u>5,295,000</u>	<u>4,965,000</u>
Total operating expenses	<u>60,715,909</u>	<u>52,368,052</u>
Net operating income	<u>5,090,739</u>	<u>5,184,566</u>
Other expenses (revenues):		
Interest expense	<u>6,333,367</u>	<u>6,713,860</u>
Investment income:		
Interest and dividends	(1,728,307)	(1,593,664)
Net decrease in fair value	<u>181,445</u>	<u>495,702</u>
Investment income	(1,546,862)	(1,097,962)
Other	<u>(57,549)</u>	<u>(60,395)</u>
Total other expenses	<u>4,728,956</u>	<u>5,555,503</u>
Net income (loss)	361,783	(370,937)
Equity, beginning of year	<u>10,472,176</u>	<u>10,843,113</u>
Equity, end of year	<u>\$ <u>10,833,959</u></u>	<u><u>10,472,176</u></u>

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Statements of Cash Flows

Years ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating income	\$ 5,090,739	5,184,566
Other revenue	57,549	60,395
	<u>5,148,288</u>	<u>5,244,961</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,295,000	4,965,000
(Increase) decrease in assets:		
Accounts receivable	(2,212,166)	232,944
Fuel inventory	(120,436)	83,188
Prepaid expenses	713	(23,255)
Increase (decrease) in liabilities:		
Accounts payable	2,580,615	(330,637)
Due to participants	70,589	(82,264)
Other	(7,723)	181,332
Net cash provided by operating activities	<u>10,754,880</u>	<u>10,271,269</u>
Cash flows provided by investing activities:		
Proceeds from sale of investment securities	11,343,007	-
Interest income	1,760,316	1,580,425
Net cash provided by investing activities	<u>13,103,323</u>	<u>1,580,425</u>
Cash flows used in capital and related financing activities:		
Payments for purchases of property, plant and equipment	(310,289)	(854,024)
Principal payments on long-term debt	(4,980,000)	(4,675,000)
Transfer to escrow for defeasance of 1991 series bonds	(10,270,417)	-
Debt expense incurred in issuance of 2000 series bonds	(1,525,055)	-
Interest paid	(8,873,402)	(6,858,810)
Net cash used in capital and related financing activities	<u>(25,959,163)</u>	<u>(12,387,834)</u>
Net decrease in cash and cash equivalents	(2,100,960)	(536,140)
Cash and cash equivalents at beginning of year	<u>20,090,256</u>	<u>20,626,396</u>
Cash and cash equivalents at end of year (note 4)	\$ <u>17,989,296</u>	<u>20,090,256</u>
Special deposits - partially restricted, net of investments of \$11,517,864 in 1999	\$ 10,098,322	6,725,942
Funds - partially restricted	7,890,974	13,364,314
	\$ <u>17,989,296</u>	<u>20,090,256</u>
Non-cash item - defeasance of 1991 series bond	\$ <u>90,176,984</u>	-

See accompanying notes to financial statements.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

(1) Organization and Significant Accounting Policies

(a) *Organization and Operations*

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

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

(b) *Accounting Standards*

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

(c) *Chart of Accounts*

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

(d) *Funds and Special Deposits*

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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

(e) Fuel Inventory

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

(f) Rate Setting

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

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

(g) Income Taxes

The Authority is exempt from federal and state income taxes.

(h) Depreciation and Amortization

Depreciation and amortization of utility plant, central dispatch facility, debt expense, preoperating costs, unamortized loss on reacquired debt and the original issue discount on long-term debt are based upon the principal repayments of long-term debt, the proceeds of which were used to acquire the Rodemacher Unit No. 2. This method correlates with the rate setting policies prescribed by the Bond Resolution of the 1982 Series Power Project Revenue Bonds and the 1985, 1991 and 2000 Series Power Project Refunding Revenue Bonds in that debt service requirements, as opposed to depreciation or amortization, are considered a cost for the purpose of rate making. Depreciation of nonutility property is computed using the straight-line method over the estimated useful lives of the assets.

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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

(i) *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Authority considers cash in banks and mutual funds investing in U.S. Treasury obligations as cash and cash equivalents. These deposits are recorded at cost which approximates fair value. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

(j) *Use of Estimates*

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

(2) **Utility Plant**

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

	<u>2000</u>	<u>1999</u>
Acquisition cost of the Unit, including common facilities, related facilities, and site development costs	\$ 84,167,692	83,902,808
Less accumulated depreciation and amortization	<u>(31,706,223)</u>	<u>(29,142,373)</u>
	<u>\$ 52,461,469</u>	<u>54,760,435</u>

Participants in the Rodemacher Unit No. 2 are liable for decommissioning costs upon termination of the Project. The Authority has no liability accrued for decommissioning cost at December 31, 2000.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

(3) Long-term Debt

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

	2000	1999
Serial Bonds, 1991 Series, 5.65% - 6.80%, due January 1, 1993 to 2004	\$ -	27,125,000
Term Bonds, 1991 Series, 6.75%, due January 1, 2008	-	29,060,000
Term Bonds, 1991 Series, 6.00%, due January 1, 2013	-	48,085,000
Serial Bonds, 2000 Series, 5.25% - 5.75%, due January 1, 2002 to 2013	87,325,000	-
Certificates of indebtedness, 1998 Series, 4.3% - 6.00%, due July 1998 to 2003	755,000	985,000
	88,080,000	105,255,000
Less:		
Current maturities	240,000	4,980,000
Unamortized discount (premium)	(2,851,984)	4,483,607
Unamortized loss on reacquired debt	27,488,853	24,291,300
	\$ 63,203,131	71,500,093

In 2000, the Authority issued \$87,325,000 of Power Project Refunding Revenue Bonds (Rodemacher Unit No. 2), 2000 Series with an original issue premium of \$2,851,984, to refund \$99,520,000 of the 1991 Series Power Project Refunding Revenue Bonds outstanding. The proceeds of the 2000 Series Bond, (\$90,176,984), and certain amounts available in the Authority's funds and accounts (\$13,139,538, net of financing cost of approximately \$1,500,000) were deposited into an irrevocable escrow account maintained by a trustee. The funds were invested by the trustee in direct obligations of the United States Government in order to pay the 1991 Series Bonds at maturity. All of the 1991 Series Bonds were redeemed on January 31, 2001.

The Authority paid a call premium of \$927,400 in connection with the refunding, which has been deferred and is being amortized over the life of the 2000 Series Bonds, which is the same as the remaining life of the 2000 Series Bonds. In addition, the remaining unamortized discount and debt issue cost of the 1991 series are being amortized over the life of the 2000 series.

The present value savings of the 2000 Series bonds compared to the debt service requirements of the 1991 Series Bonds is approximately \$4,086,000.

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

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

The 2000 Series Bonds and the 1998 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with the bond resolutions.

Scheduled principal maturities for each of the 2000 and 1998 Series Bonds are as follows for the years presented:

	<u>2000 Series</u>	<u>1998 Series</u>	<u>Interest</u>	<u>Total</u>
2001	\$ -	240,000	3,182,965	3,422,965
2002	6,660,000	250,000	4,597,612	11,057,612
2003	7,010,000	265,000	4,227,775	11,502,775
2004	7,380,000	-	3,828,888	11,208,888
2005	5,930,000	-	3,470,275	9,400,275
Thereafter	<u>60,345,000</u>	<u>-</u>	<u>14,449,944</u>	<u>74,794,944</u>
	\$ <u>87,325,000</u>	<u>755,000</u>	<u>33,757,459</u>	<u>121,387,459</u>

(4) Funds and Special Deposits

The bond resolutions under which the 1985 Series, 1991 Series, 2000 Series and 1998 Series Bonds were issued provide for the creation and maintenance of certain funds and accounts relative to the operations of the Project. The Authority also maintains other accounts for its All Requirements Approach operations (see note 5).

Funds and accounts at December 31, are as follows:

	<u>2000</u>	<u>1999</u>
Project:		
Special deposits:		
Debt service fund, debt service reserve account	\$ 4,605,000	11,613,477
Reserve and contingency fund:		
Renewal and replacement account	2,172,005	2,175,734
Contingency account	1,142,000	1,142,000
General revenue fund, project account	1,931,197	2,812,379
Cost of issuance	<u>53,104</u>	<u>-</u>
Total project special deposits	<u>9,903,306</u>	<u>17,743,590</u>

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Current assets:		
Operations and maintenance trust	\$ 1,435,956	849,378
Restricted - debt service fund, debt service account	<u>865,239</u>	<u>8,086,456</u>
Total project current assets	<u>2,301,195</u>	<u>8,935,834</u>
Total project funds and accounts	<u>12,204,501</u>	<u>26,679,424</u>
Other:		
Special deposits:		
Construction account	62,982	379,866
1998 debt service sinking fund	<u>132,034</u>	<u>120,350</u>
Total other special deposits	<u>195,016</u>	<u>500,216</u>
Current assets:		
Other revenue fund	5,577,416	4,424,564
Contract operations account	<u>12,363</u>	<u>3,916</u>
Total other current assets	<u>5,589,779</u>	<u>4,428,480</u>
Total other funds and accounts	<u>5,784,795</u>	<u>4,928,696</u>
Total project and other funds and accounts	\$ <u>17,989,296</u>	\$ <u>31,608,120</u>

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

The level of credit risk is defined as follows:

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

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

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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

Investments classified as funds and accounts at December 31, 2000 and 1999 are as follows:

	2000	1999
Cash	\$ 16,819	3,916
Temporary cash investments, at amortized cost which approximates fair value -		
Mutual funds investing in U.S. Treasury obligations	17,972,477	20,086,340
Cash and cash equivalents	17,989,296	20,090,256
Federal National Mortgage Association (FNMA) obligation, 8.25%, maturing December 18, 2000, at fair value	-	11,517,864
	\$ 17,989,296	31,608,120

On December 31, 1999, the FNMA investment is a Category 1 type. The mutual funds do not require categorization since they are not evidenced by securities that exist in book or physical form.

The 2000 and 1998 Series bond resolutions authorize the Authority to invest in direct obligations of the United States Government.

Under state law, the bank balances of bank deposits and cash balances included in funds and accounts must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent. Cash on deposit is insured up to \$100,000 by the Federal Deposit Insurance Corporation. At December 31, 2000 and 1999, the Authority did not have bank deposits and cash balances which exceeded \$100,000.

(5) Project Contracts and Commitments

(a) Rodemacher Power Sales Contracts

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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any federal or state authority. Each Participant is obligated to establish rates and charges sufficient to pay all of its obligations to the Authority. Payments to be made by the participants are payable monthly solely from the revenues of the Participants' utilities systems. At December 31, 2000, the Participants' respective shares of the capacity and energy of the Project are as follows:

	<u>Entitlement Share (MW)</u>	<u>Percent Share (%)</u>
Alexandria	55.26	52.83%
Houma	22.70	21.70
Morgan City	20.72	19.81
New Roads	2.96	2.83
Jonesville	2.96	2.83
	<u>104.60</u>	<u>100.00</u>

(b) *Transmission Contracts*

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

(c) *Coal Supply Contract*

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

(d) *Operating Costs*

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

LOUISIANA ENERGY AND POWER AUTHORITY

Notes to Financial Statements

December 31, 2000 and 1999

(e) All Requirements Approach Operations Agreements

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

- The Authority has agreements which expire in the year 2005 with three of the Participants, whereby the Authority purchases their entitlements in the Project. This agreement does not relieve the Participants of their obligations under the Rodemacher Power Sales Contracts discussed in note 5(a).
- The Authority has Capacity Purchase and Operating Agreements with three of the All Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced. As of December 31, 2000, these agreements expire in 2005.
- The Authority has a Capacity Purchase Agreement with one All Requirements Member whereby the Authority controls 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement expires in the year 2005.
- The Authority entered into a Load Matching Servicing Agreement with one Participant whereby the Authority administers load matching services.
- The Authority entered into an Operating Agreement with one of its member cities whereby the Authority operates the member's generation facilities. This agreement expired on December 31, 2000 and was not renewed.
- The Authority entered into an agreement with the Southwestern Power Administration (SWPA), whereby the Authority purchases hydroelectric power which results from fixed power allocations of SWPA's available peaking capacity to certain member cities. The Authority then resells hydroelectric power to one member city and one nonmember city and retains the balance of the hydroelectric power for use under the All Requirements Approach. Purchases under this contract for the year ended December 31, 2000 were \$1,152,678. Sales to the one member city and one nonmember city for the year ended December 31, 2000 were \$740,709 and \$294,948, respectively. Purchases and sales for the year ended December 31, 1999 were \$1,221,902 and \$1,155,357 respectively.

(6) Business Concentrations

During 2000 three customers each accounted for more than ten percent and in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers for the year ended December 31, 2000:

City of Alexandria	\$	16,310,164
Terrebonne Parish		8,586,199
City of Morgan City		9,773,829

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Notes to Financial Statements

December 31, 2000 and 1999

(7) Other Matters

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 2000 and 1999.

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

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

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

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

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Schedule of Receipts and Disbursements

For the year ended December 31, 2000

	Funds held by the Trustee						Funds held by the Authority						Total
	Project			Other			Project			Other			
	Reserve and Contingency Fund	Debt Service Fund	2000 Cost of Issuance	Revenue Fund	Operations and Maintenance Trust	Project accounts	Construction account	1998 Debt Service Sinking fund	Other Revenue fund	Contract Operations account			
Fund balances at December 31, 1999	2,175,734	8,086,456	-	-	849,378	2,812,379	379,866	120,350	4,424,564	3,916	31,608,120		
Disbursements to other funds	(351,877)	(216,554)	(339,710)	(30,536,783)	(14,349,138)	(3,580,286)	(328,698)	-	(38,340,220)	-	(90,596,235)		
Receipts from other funds	252,000	11,414,742	1,519,080	11,444,142	14,902,217	2,532,117	-	273,708	4,198,828	44,059,401	90,596,235		
Receipts from participants	-	-	-	18,967,879	-	-	-	-	44,213,191	-	63,181,070		
Payments to CLECO - construction costs	(27,434)	-	-	-	-	-	-	-	-	(155,391)	(182,825)		
Receipts of investment income	123,582	211,724	-	61,286	33,699	166,907	11,814	6,683	237,121	22,120	1,818,148		
Payment of bond interest	-	(9,357,046)	-	-	-	-	-	(38,707)	-	-	(9,395,753)		
Payment of bond principal	-	(9,815,000)	-	-	-	-	-	(230,000)	-	-	(10,045,000)		
Net decrease in fair value	-	-	(1,126,266)	63,476	-	-	-	-	(9,156,068)	-	(181,444)		
Other receipts (disbursements)	-	540,917	(1,126,266)	-	-	-	-	-	-	(43,917,683)	(58,813,020)		
Cash and cash equivalents at December 31, 2000	\$ 2,172,005	865,239	53,104	-	1,435,956	1,931,197	62,982	132,034	5,577,416	12,363	17,989,296		
Cash and cash equivalents at December 31, 2000 are comprised of:													
Cash	2,172,005	865,239	53,104	-	1,435,956	1,931,197	62,982	132,034	4,456	12,363	16,819		
Temporary cash investments	-	-	-	-	-	-	-	-	5,572,960	-	17,972,477		
	\$ 2,172,005	865,239	53,104	-	1,435,956	1,931,197	62,982	132,034	5,577,416	12,363	17,989,296		

See accompanying independent auditors' report

LOUISIANA ENERGY AND POWER AUTHORITY

Combining Schedule - Balance Sheet Information

December 31, 2000

Assets	<u>Project related</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined</u>
Utility plant, net	\$ 52,461,469	-	-	52,461,469
Central dispatch facility, net	-	867,461	-	867,461
Non-utility property, net	-	1,018,848	-	1,018,848
Special deposits - partially restricted	9,903,306	195,016	-	10,098,322
Current assets:				
Funds	2,301,195	5,589,779	-	7,890,974
Accounts receivable	932,602	4,103,399	(23,041)	5,012,960
Interest receivable	87,945	32,322	-	120,267
Fuel inventory	1,802,505	25,574	-	1,828,079
Prepaid expenses	-	111,514	-	111,514
Total current assets	<u>5,124,247</u>	<u>9,862,588</u>	<u>(23,041)</u>	<u>14,963,794</u>
Deferred charges:				
Debt expense	4,019,883	-	-	4,019,883
Preoperating costs	423,017	-	-	423,017
Total deferred charges	<u>4,442,900</u>	<u>-</u>	<u>-</u>	<u>4,442,900</u>
	<u>\$ 71,931,922</u>	<u>11,943,913</u>	<u>(23,041)</u>	<u>83,852,794</u>
Equity and Liabilities				
Long-term debt, net	\$ 62,688,131	515,000	-	63,203,131
Equity	3,708,555	7,125,404	-	10,833,959
	<u>66,396,686</u>	<u>7,640,404</u>	<u>-</u>	<u>74,037,090</u>
Current liabilities:				
Current maturities of long-term debt	-	240,000	-	240,000
Accounts payable	2,045,671	4,063,509	(23,041)	6,086,139
Due to participants	559,282	-	-	559,282
Accrued interest payable	791,585	-	-	791,585
Other	2,138,698	-	-	2,138,698
Total current liabilities	<u>5,535,236</u>	<u>4,303,509</u>	<u>(23,041)</u>	<u>9,815,704</u>
	<u>\$ 71,931,922</u>	<u>11,943,913</u>	<u>(23,041)</u>	<u>83,852,794</u>

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Combining Schedule - Revenues, Expenses and Equity Information

Year ended December 31, 2000

	<u>Project related</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined</u>
Power sales	\$ 29,417,295	44,007,470	(7,618,117)	65,806,648
Operating expenses:				
Cost of power produced	16,098,922	9,324,645	-	25,423,567
Power purchased	-	31,239,749	(7,618,117)	23,621,632
Transmission costs	1,823,760	2,491,356	-	4,315,116
General and administrative	-	2,060,594	-	2,060,594
Depreciation and amortization	5,065,000	230,000	-	5,295,000
Total operating expenses	<u>22,987,682</u>	<u>45,346,344</u>	<u>(7,618,117)</u>	<u>60,715,909</u>
Operating income (loss)	<u>6,429,613</u>	<u>(1,338,874)</u>	<u>-</u>	<u>5,090,739</u>
Other expenses (revenues):				
Interest expense	6,294,660	38,707	-	6,333,367
Investment income:				
Interest and dividends	(1,447,136)	(281,171)	-	(1,728,307)
Net decrease in fair value	181,445	-	-	181,445
Other, net	1,335,870	(1,393,419)	-	(57,549)
Total other expenses (revenues)	<u>6,364,839</u>	<u>(1,635,883)</u>	<u>-</u>	<u>4,728,956</u>
Net income	64,774	297,009	-	361,783
Equity, beginning of year	<u>3,643,781</u>	<u>6,828,395</u>	<u>-</u>	<u>10,472,176</u>
Equity, end of year	<u>\$ 3,708,555</u>	<u>7,125,404</u>	<u>-</u>	<u>10,833,959</u>

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

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

Year ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Percent of actual to budget</u>
Power sales:			
Energy	\$ 17,114,908	25,283,000	147.7%
Demand	13,733,401	14,085,192	102.6%
Hydropower	1,153,332	1,035,658	89.8%
Other	657,835	3,603,620	547.8%
	<u>32,659,476</u>	<u>44,007,470</u>	134.7%
Operating expenses:			
Power produced:			
Fuels	3,541,242	6,449,828	182.1%
Electric plant expenses	1,290,505	1,450,320	112.4%
Maintenance of electric plant	677,012	597,823	88.3%
Supervision and engineering	289,292	280,649	97.0%
Steam power	577,419	546,025	94.6%
	<u>6,375,470</u>	<u>9,324,645</u>	146.3%
Power purchased:			
Energy costs	13,573,666	22,037,477	162.4%
Hydropower	1,153,332	1,035,658	89.8%
Other	8,246,619	8,166,614	99.0%
	<u>22,973,617</u>	<u>31,239,749</u>	136.0%
Transmission - System	<u>2,500,590</u>	<u>2,491,356</u>	99.6%
General and administrative:			
Load dispatching	705,126	692,748	98.2%
Outside services	237,000	269,877	113.9%
Salaries	575,558	536,898	93.3%
Employee pensions and benefits	141,648	141,802	100.1%
Miscellaneous	129,950	117,182	90.2%
Injuries and damages	28,714	27,981	97.4%
Office supplies and expenses	133,958	139,893	104.4%
General public relations	123,000	121,092	98.4%
Property insurance	13,304	13,121	98.6%
	<u>2,088,258</u>	<u>2,060,594</u>	98.7%
Total operating expenses	<u>33,937,935</u>	<u>45,116,344</u>	132.9%
Operating loss	<u>(1,278,459)</u>	<u>(1,108,874)</u>	86.7%
Other expenses (revenues):			
Interest income	(190,000)	(281,171)	148.0%
Other net:			
Non-utility operations revenue	(54,000)	(57,549)	106.6%
Other additions	(1,335,874)	(1,335,870)	100.0%
Contingency	10,707	-	0.0%
Total other revenue	<u>(1,569,167)</u>	<u>(1,674,590)</u>	106.7%
Operating expenses, net of other revenues	290,708	565,716	194.6%
Capital expenditures	17,000	45,406	267.1%
Debt service	273,708	268,707	98.2%
Excess revenues	<u>\$ -</u>	<u>251,603</u>	

See accompanying independent auditors' report.

LOUISIANA ENERGY AND POWER AUTHORITY

Analysis of Equity

December 31, 2000

	<u>Project related</u>	<u>Other</u>	<u>Combined</u>
Funds used in the defeasance of the 1982 and 1985 Series Bonds	\$ 2,099,138	-	2,099,138
Ten percent debt service coverage, as required by the Bond Resolution	537,716	-	537,716
Funds generated by the one mill assessment, dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness	-	1,111,073	1,111,073
Interest earned on funds dedicated to the construction of the Central Dispatch Facility and payment of the related Certificates of Indebtedness	-	334,205	334,205
Capital expenditures	921,317	330,046	1,251,363
Interest earned on other funds and accounts not related to the Project	-	561,996	561,996
Miscellaneous power sales	19,528	-	19,528
Excess funding from Escrow account	130,856	-	130,856
Excess of revenues over expenses under the All Requirements Approach operations	-	4,788,084	4,788,084
Equity, end of year	<u>\$ 3,708,555</u>	<u>7,125,404</u>	<u>10,833,959</u>

See accompanying independent auditors' report.



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

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

The Board of Directors
Louisiana Energy and Power Authority:

We have audited the financial statements of Louisiana Energy and Power Authority (the Authority) as of and for the year ended December 31, 2000, and have issued our report thereon dated March 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



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

KPMG LLP

March 16, 2001

LOUISIANA ENERGY AND POWER AUTHORITY

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

December 31, 2000



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

Independent Auditors' Report

The Board of Directors
Louisiana Energy and Power Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Louisiana Energy and Power Authority (the Authority) as of December 31, 2000, and the related statements of revenues, expenses and equity and cash flows for the year then ended, and have issued our report thereon dated March 16, 2001.

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

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

KPMG LLP

March 16, 2001

