# COMPANY HISTORY

In order to become more fully acquainted with our Company, let's review some of our history, then look at our present situation, and finally, do a little crystal-ball gazing and see what the future possibly holds.

Everything has a beginning and looking back for a few moments, we see that our Company had its beginning over 100 years ago, before the Civil War began and 20 years before Mr. Edison perfected the first electric light. Our earliest ancestor sold "water gas" distilled from coal, and under various corporate names, remained in operation for 65 years.

In addition to the Baton Rouge Gas Light Company, there are about 60 other oldtimers who are part of our corporate family tree. Some were gas, some ice, some railroad. Many failed. Some stayed in business by merging with other companies. Some other ancestors include the Beaumont Ice, Light and Refrigeration Company of 1888; the Baton Rouge Electric Light and Power Company of 1889; and the Navasota Ice, Light and Water Company of ~~1981~~ 1881.

As time went on, other ancestors crowded into the family...some sixty of them in all.

Many of our early ancestors were interested primarily in the ice business. Needing pure water for the manufacture of ice, they also were in the water business. They needed steam to operate their ice compressors, so it was logical that they started up a generator and

made a little electricity, too. So, looking back at our family tree, we find that Reddy Kilowatt was frequently merely the stepchild of the corporate family whose members were ice, water and light.

In those days, before the turn of the century, our rates were high by modern standards...25 cents and 30 cents a kilowatt hour in many instances. Presently our charge is approximately 3.5 cents a kilowatt hour.

Electric service was not too dependable or plentiful at that time. Kerosene lamps and candles were kept on the shelf for emergency.

There were two other big problems for the infant electric utility to overcome. First, there were not enough electrical engineers--or men with electrical knowledge--available in those days who knew how to put together an electric distribution system of any proportions.

And there was another problem--financing.

We cannot discuss our history and the solutions to these problems without mentioning the prominent role played by two young electrical engineers, graduates of M.I.T., Charles A. Stone and Edwin S. Webster. Stone & Webster set up a consulting firm in 1888 in Boston and set about helping infant electric utility companies. They prospered and began managing companies, sending trained personnel "into the field". Later, they began building and financing them. This was the beginning of "holding companies" in our industry--and many other industries developed in the same way.

They began acquiring holdings in our area a little over 50 years ago. In 1907, they organized and began managing the Baton Rouge Electric Company. When they took over, BRECo, as the company was called for over 30 years, there were 672 electric customers who used a combined maximum load of 390 kilowatts. The power plant had a capacity of 1000 kilowatts, and there was a car barn, the old gas plant, and about 4 miles of street car tracks.

Stone & Webster acquired the Port Arthur Water Company in 1912, and the Lake Charles utility system in 1924. A year later they purchased the Jennings Utilities Company and as a result changed its name to Louisiana Electric Company.

In these properties, two new big loads were the streetcar and street lights. Horse drawn cars and the old arc streetlights were both abandoned in 1905.

In 1917, a Stone & Webster Company, the Intermountain Railway, Light and Power Company, of Colorado, expanded operations and purchased the Navasota Ice, Light, Power and Water Company, and the Sour Lake Ice, Light and Power Company. The name was not appropriate to this flat country so it was changed to Western Public Service Company in 1922. Western Public Service immediately flexed its muscles and began acquiring other Texas properties: Somerville Light, Water and Ice, and Calvert Water, Ice & Electric Light; the Bremond system and Franklin Electric and Water Company in 1923; the Kosse Light Company in 1924. In 1925 it purchased the Cleveland Water & Light Company, Conroe Gin, Ice & Light; Dayton Light & Power Company;

Liberty Light & Power Company; Saratoga Light and Water Company; Groveton Power & Ice Company; Trinity Power Company, and the J. M. Norwood property at Madisonville. You can see that these properties encompass what is now mainly our Western Division.

While these consolidations and mergers were going on throughout the areas of Texas and Louisiana, events in Orange were leading up to the actual organization of Gulf States Utilities Company. Orange Ice, Light and Water Company was organized in 1882. Eventually it became part of the Lutcher Stark enterprises. On August 25, 1925, after some haggling, Gulf States was organized to purchase the Orange system as the nucleus of an electric utility system to serve southeast Texas.

Gradually other municipal or independent utilities joined Gulf States. The Louisiana Electric Company merged with us in 1926. Western Public Service merged with us in 1929, bringing in most of what is now Western Division.

The first big milestone in our history as Gulf States was completion of the first unit at Neches Station in 1926. About that time the manufacturing assembly-lines of the electric appliance industry began to really move. We inaugurated promotional rates to encourage residential users to buy these new electric appliances; we persuaded rice farmers to switch from steam water pumping equipment to electric motors.

In the oil and chemical fields we adopted low rates for major industries which would use our service around the clock, a very

desirable situation, as you know. We promoted electricity for pipeline pumping.

We had a lighting line to the Spindletop oilfield as long ago as 1901, and a power line was extended there in 1910. As the number of refineries in our area increased, we persuaded many of them that it was better to let us furnish their electric power.

The year 1930 saw another milestone in our history. Louisiana Steam Products Corporation at Baton Rouge was organized to furnish steam and electricity to its next door neighbor, the Exxon Refinery, one of the largest in the world. The Corporation also sold low cost power to the Baton Rouge Electric Company. In 1938 both of these companies merged with Gulf States and our service area was extended to its present 28,000 square miles, stretching about 350 miles from Kosse, Texas, to Sorrento, Louisiana.

Prior to 1947, Stone & Webster had acquired a subsidiary holding company to manage a number of their operating companies, including Gulf States. This holding company was known as Engineers Public Service Company. In 1947, we disassociated from the holding company and became an independent, investor-owned company. Ever since then, we have been on our own--an investor-owned, independent utility.

Gulf States today is neither owned nor controlled by any other company. Our owners are approximately 75,000 shareholders in all 50 states and several foreign countries. We are a Texas Corporation. Our headquarters are in Beaumont.

Here are some facts about our Company...

... We serve about 483,000 electric customers in Texas and Louisiana and over 84,000 gas customers in Baton Rouge.

... We employ over 4,200 men and women.

... We serve a population of over 1.4 million.

... We have a generating capability of over 5.5 million kilowatts. This may not sould like a lot, but in 1945 our capability was only 227,000 kilowatts.

... We presently have three power stations in operation in Texas: Neches Station in Beaumont, Sabine Station, located near Bridge City, and Lewis Creek Power Station near Conroe. There are three power stations located in Louisiana: Louisiana Station near the Exxon Refinery in Baton Rouge, Willow Glen Station, south of Baton Rouge, and Roy S. Nelson Station near West Lake. Gulf States first coal-fired unit is under construction at the Nelson Station site. This unit has a nominal rating of 540 megawatts and is schedule for start-up in March, 1982. Our first Nuclear Generating Plant, River Bend, is presently under construction at St. Francisville, about 30 miles north of Baton Rouge. This one-unit facility will have the capability of generating nearly one million kilowatts of electricity. A completion date of 1984 has been set.

... We maintain over 17,500 miles of distribution lines, and over 1,000 miles of underground.

... We serve some 300 Texas and Louisiana communities.

... Our electric revenues are split about evenly between Texas and Louisiana.

... We sell electricity for resale to 16 municipally-owned systems and 5 rural co-ops.

... We are regulated by the Federal Power Commission, in Louisiana by the Public Service Commission, in Texas by the Public Utility Commission as well as municipal governments.

... Our largest item of expense is taxes--which average over $6 million each month.

... Our employees received over $7.5 million a month in wages and salaries.

... Our present plant investment is approximately $1.6 billion.

Management of a Company like ours is often illustrated by the old three-legged stool:

1. One is the shareholder, who puts up the money we must have to build our facilities.

2. One leg is the customer, who keeps us in business.

3. One leg is the employee, without whom you don't operate.

If you shorten any one leg, the whole Company gets out of kilter. Don't provide customers with good service at reasonable rates, you don't stay in business. Don't pay shareholders a reasonable return on their investments, they take their money somewhere else. Don't pay your employees fair wages and provide good working conditions, you don't attract and/or keep the kind of good employees it takes to make a company go.

Those are some of the challenges we face in the present--in this fast-growing Company, serving this fast-growing area.

What does our future look like? Our future will be influenced considerably by how Gulf States Utilities Company and the area it serves grows and prospers. It stands to reason that we must do everything we can to boost our communities, help them grow and assure the availability of electric power to meet their needs.

In the early days, our sales people had to overcome human nature, the resistance to change. The oil men at Spindletop in 1901 did not want to operate their rigs electrically, even though it meant operating better at less cost.

Other things electrical were quickly accepted: the electric refrigerators in the late twenties, the radio and washing machine in the thirties, the window air conditioner and television set of the forties and fifties. Today, we promote the wise and efficient use of electric energy.

As in the case with all American business, we must keep our eyes toward the future. We must engage in research to assure our customers that we stand ready to meet and serve their total electric requirements.

Our plans for new generating capacity call for coal and nuclear power as basic fuel sources for the next several decades. Neither coal nor nuclear power alone can supply the electrical needs of this country. Power from light water reactors (nuclear) is limited by the availability of uranium. Coal is limited by the availability of new mines and transportation capabilities. Also, a large portion of our coal resources will eventually be required as a raw material to produce many products now derived from oil and gas. At such time, the use of coal as a boiler fuel will most likely be restricted.

What then will be our source of fuel for electric generation for the next century? Solar power, wind power, and geothermal power will contribute only a very small portion of our needs in the forseeable future. The fast breeder reactor is another option for the future; at least until fusion is a reality.

You are now working for a good Company--a highly respected one, both in the Industry and in the communities and cities it serves. One that is providing an essential service to a growing area.