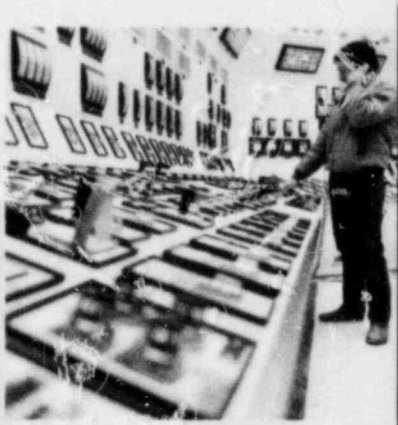
TEXAS UTILITIES COMPANY
1982 ANNUAL REPORT



Contents

Cover Photos:

The cover photos are described in the System Report, beginning on page 6, where they illustrate efficiencies and productivity of employees, operations, construction, fuel and research.

HIGHLIGHTS

	1982	1981	% Change
Utility Plant*	**$9,051,442,000**	$8,194,803,000	10.5%
Construction Expenditures	**$ 891,560,000**	$ 792,268,000	12.5
Electric Energy Sales in Thousands of Kilowatt-hours	**60,380,142**	58,372,177	3.4
Peak Demand in Kilowatts	**13,204,000**	12,970,000	1.8
Operating Revenues	**$3,238,025,000**	$2,738,377,000	18.2
Fuel and Purchased Power	**$1,354,439,000**	$1,053,777,000	28.5
Operating Expenses Excluding Fuel and Purchased Power	**$1,249,532,000**	$1,121,599,000	11.4
Consolidated Net Income	**$ 428,646,000**	$ 359,398,000	19.3
Earnings per Share	**$ 3.85**	$ 3.51	9.7
Dividends Declared per Share	**$ 2.04**	$ 1.88	8.5
Book Value per Share*	**$24.61**	$23.01	7.0

**End of year*

1983 Annual Meeting

The Annual Meeting of Shareholders of the Company will be held at 9:30 a.m. on Friday, May 20, 1983, at the Majestic Theatre*, 1925 Elm Street, Dallas, Texas. Shareholders are cordially invited to be present at the annual meeting. Those unable to attend are urged to exercise their right to vote by proxy. Notice of meeting and proxy statement and form of proxy will be mailed shortly after April 4, the record date for the meeting. Following the meeting, a report of the proceedings will be prepared and distributed to all shareholders.

**The Majestic opened at the Elm Street location in 1921. For many years, it was a major entertainment center in Dallas. After closing in 1973, it was acquired by the City of Dallas, which recently completed a major restoration of the theatre. The grand reopening of the Majestic was held on March 8, 1983.*

MANAGEMENT'S LETTER

To the Shareholders:

The year 1982 was marked by long-awaited improvements — a slowing of inflation and some relief from high interest rates. But, it was also a year of economic unrest that had a pronounced effect on the System's service area and a year of continuing uncertainties for your Company and the electric utility industry.

For almost ten years, the industry has been confronted with extremely difficult problems. These have included rapidly increasing fuel costs, double-digit inflation, record high interest rates, regulations that unnecessarily increase expenses and restrict energy development and growing public concern over rising energy costs.

Unfortunately, this concern was expanded in the November elections in Texas into major political issues involving utility regulation and fuel charges. As a result, changes have been made in the Public Utility Commission of Texas and are underway to modify the procedure for the recovery of the cost of fuel used to generate electricity.

State legislation has been introduced that would result in other regulatory changes, including the election, instead of appointment, of PUC commissioners. Your management believes that the regulatory process would not be enhanced by the election of commissioners in politically charged campaigns. Reasonable regulation has enabled utilities in Texas to provide an adequate supply of reasonably-priced electric energy for the economic health and development of the state and for the benefit of all of its citizens. Management strongly supports the continuation of such reasonable regulation because it is in the best interests of both customers and shareholders.

There is no way that changes in the regulatory system can roll back those higher costs of fuel, inflation, interest and regulations that are already embedded in the cost of electric service.

The System companies have been able to reduce the impact of these higher costs. The use of lignite coal has saved customers hundreds of millions of dollars in fuel costs. Improvements in efficiency have offset some of the effects of inflation and regulations. More favorable interest rates have been obtained because the System companies have maintained good credit ratings. The System's productivity — which is featured in this report — has contributed significantly to reliable service at rates that compare favorably with most other areas.

The System companies continue to help customers hold down their energy costs by providing information and assistance in the efficient use and conservation of energy. Load management programs offer incentives to install energy efficient equipment which reduces future peak demand and helps hold down the cost of service. A new Energy Aid Program was introduced in early 1983 to help customers who have severe financial hardships. The companies provided the seed money for the program and a method for customers to make donations with their bill payments. The funds are administered by local community service agencies.

The System's peak demand increased 1.8% in 1982, and electric energy sales were up 3.4% over 1981. These increases reflect growth in the number of customers served and weather that required slightly more cooling and heating than in the prior year.

Earnings per share of common stock were $3.85, compared to $3.51 per share in 1981. The increase in sales, higher rates and additional operating improvements contributed to the growth in earnings.

Only one of the System's electric utilities, Texas Power, applied for and received approval of higher rates in 1982. This has been the only request for a rate increase filed by any of the three companies since March 1981. The companies cannot continue for much longer to absorb or offset through productivity gains their higher costs of doing business and will need to seek additional rate relief.

Significant progress was made on the Comanche Peak nuclear units during 1982. Several milestones were achieved in both construction and preoperational testing. In early 1983, the successful completion of the structural integrity test and the integrated leak rate test confirmed the strength of the Unit 1 containment building. Hot functional testing, which simulates actual plant operation without the use of nuclear fuel, was begun in February 1983.

The System completed a review of its construction program in October, which indicated that no changes were necessary in the estimates of cost and scheduled operation of the Comanche Peak units in 1984 and 1985. The only construction schedule change was the deferral of one lignite unit for one year. The System remains in a flexible position that allows the service dates of future lignite units to be changed to meet customers' needs.

Construction expenditures, reflecting the progress on Comanche Peak, increased by $100 million in 1982, but remained relatively level as a percent of total capitalization. Funds from operations provided 60% of 1982 construction expenditures.

During 1982, the System companies raised about $491 million through long-term financing. This included approximately $187 million from the sale of the Company's authorized but unissued common stock. An offering of five million shares to the public in March 1982 raised $104 million. Participation in the dividend reinvestment plan and employee stock plans accounted for $83 million. At year-end, nearly 40% of the shareholders were reinvesting their dividends. In the first quarter of 1983, approximately $85 million was raised through long-term financing by two of the companies.

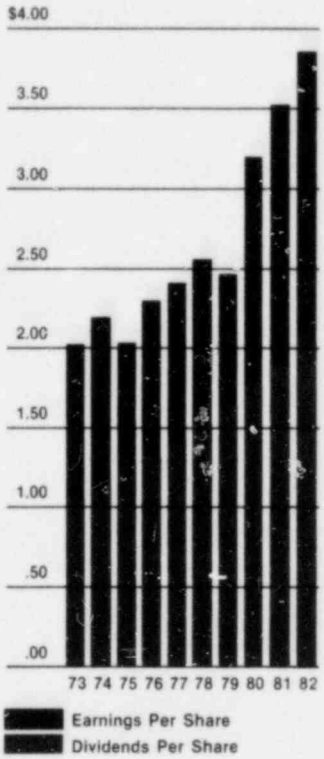
In February 1983, your Board of Directors raised the regular quarterly dividend from 51¢ to 55¢ per share. The new quarterly rate is payable April 4. Dividends declared on the common stock of the Company have now been increased for 36 consecutive years.

In May 1982, the Board of Directors elected Peter B. Tinkham secretary and assistant treasurer. Tinkham had been assistant secretary.

At its August meeting, the Board authorized your management to proceed with a revision of the System's organizational structure that should provide greater flexibility and achieve additional economies and more efficient operations. The reorganization, for which the necessary regulatory and preferred shareholder approvals have been obtained, is described in detail on page 14.

The year 1983 affords opportunities to solve complex problems and make positive changes for the long-term benefit of customers, shareholders and employees. Your management is optimistic that significant progress will be made. This confidence is rooted in the System's basic strengths — particularly the capabilities of dedicated employees and the continuing support of shareholders. Both are sincerely appreciated.

Consolidated Earnings
Dividends Declared



T. L. AUSTIN, JR.
Chairman of the Board

PERRY G. BRITTAIN
President

March 25, 1983

TEXAS UTILITIES COMPANY SYSTEM

The Texas Utilities Company System is investor-owned and provides electric energy in 87 counties in north central, east and west Texas to more than four and a half million people — about one third of the state's population.

Texas Utilities Company is a holding company which owns virtually all of the common stock of Dallas Power & Light Company and all of the common stock of both Texas Electric Service Company and Texas Power & Light Company. The Company provides its subsidiaries with common stock capital and short-term funds required for their construction programs. At year-end, the common stock of the Company was owned by some 92,100 registered shareholders.

Dallas Power & Light Company serves Dallas, the nation's seventh largest city. The Company also serves three adjoining communities in Dallas County—Cockrell Hill, Highland Park and University Park. This area is a banking, insurance, commercial, cultural, regional distribution and convention center. Major industries include electronics and aerospace manufacturing. The national headquarters of more than 1,300 companies are located in Dallas, as are many regional headquarters.

Texas Electric Service Company provides service in 48 counties in north central and west Texas. This highly diversified area includes the cities of Fort Worth, Arlington, Grand Prairie, Midland, Odessa, Wichita Falls, and 72 other incorporated municipalities. Fort Worth is a center of banking, business and industry. The area served between Fort Worth and Dallas is a complex of commercial development, warehousing and light industry. In west Texas, the company serves much of the Permian Basin, other oil and gas fields, a major petrochemical complex and refinery, and extensive farming and ranching areas.

Texas Power & Light Company serves customers in 51 counties in north central and east Texas. Included are the cities of Carrollton, Irving, Killeen, Mesquite, Plano, Richardson, Tyler, Waco and 260 other incorporated municipalities. The rich agricultural blacklands of central Texas, farming and ranching sections north and east of Dallas, part of the oil and gas fields of east Texas and the Dallas/Fort Worth Regional Airport—the nation's largest airport—are all in the territory served. This area is also highly diversified with light and heavy manufacturing and substantial commercial activities.

Texas Utilities Fuel Company owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services for the three electric utilities.

Texas Utilities Generating Company acts for the three electric utilities in the operation of their jointly owned generating stations and furnishes related services, including the ownership and operation of lignite fuel production facilities.

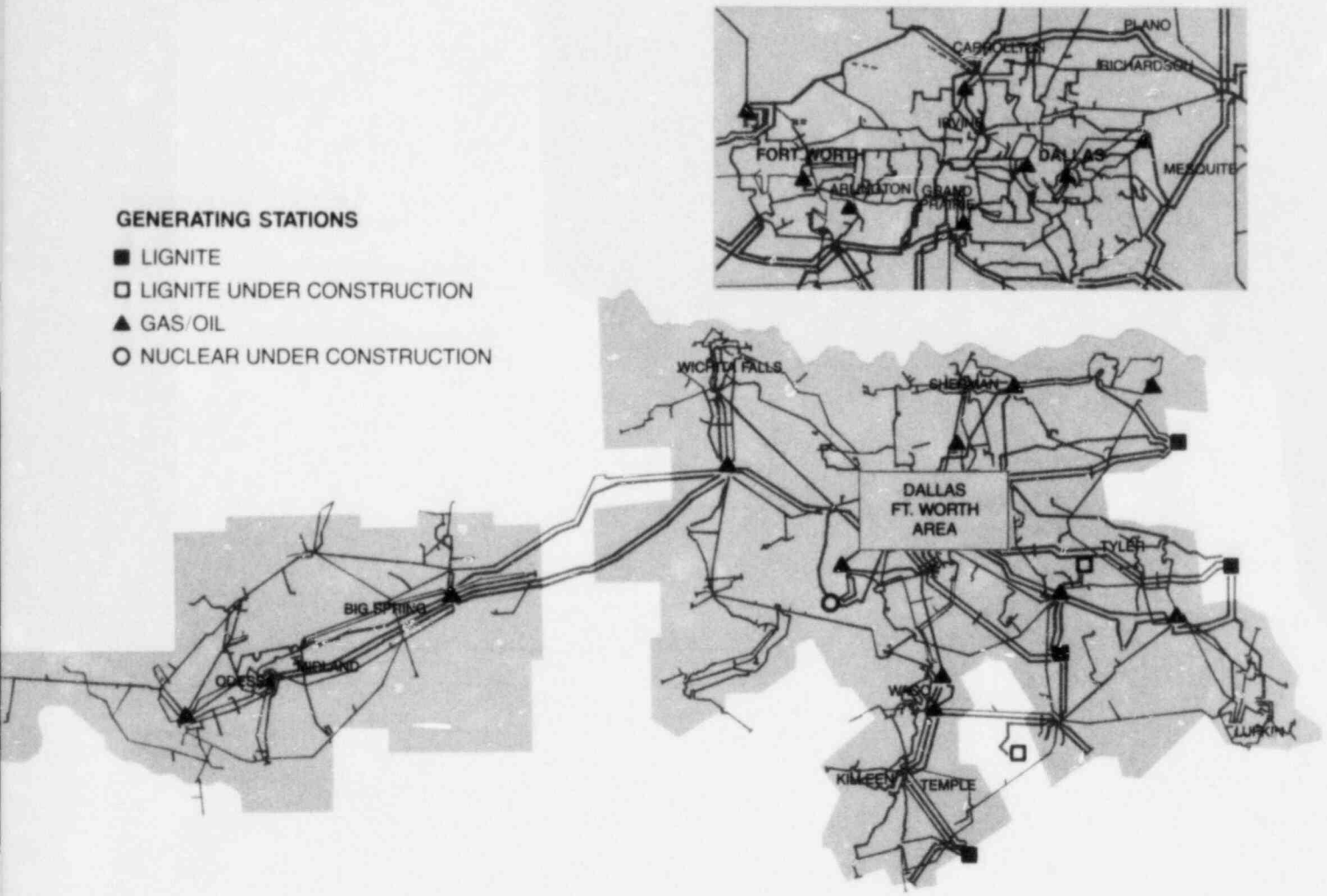
Texas Utilities Services Inc. furnishes engineering, financial and other services at cost to the System companies.

Old Ocean Fuel Company, a subsidiary of Texas Electric Service Company, owns and operates facilities for transporting and storing natural gas primarily for that company.

Chaco Energy Company, chartered in New Mexico, was organized to own and operate facilities for the acquisition, production, sale and delivery of coal and other fuels.

Basic Resources Inc. is primarily engaged in the development of energy resources, related technology and services.

Texas Utilities Electric Company, a wholly-owned subsidiary of the Company, was incorporated in 1982. Effective January 1, 1984, Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company will merge into and become divisions of the new Electric Company. In addition, certain functions now performed by the Generating and Service Companies will be carried out by a fourth division of the Electric Company responsible for engineering, construction and operation of all System generating facilities.



SERVICE AREA

The System's service area spans some 600 miles, from near the New Mexico border in west Texas, through the most heavily populated area of the state — the Dallas/Fort Worth Metroplex — to far east Texas. It extends from the Red River on the north almost 250 miles south into the center of the state. It is a large and diverse area — in its geography, climate, people and economy.

During 1982, the area's economy experienced some of the problems that have affected the entire nation, but on a smaller scale than many other sections of the country. A well-diversified economic base, that absorbed much of the impact of the recession, provides a strong foundation for future development and expansion.

Texas leads the nation in both petroleum and lignite production. Much of this activity is in the service area. Market conditions caused a decline in drilling and related petroleum activities during 1982. Agricultural income was off slightly for the year 1982, reflecting the overall state of the economy.

In spite of some economic difficulties, there were positive indicators in 1982, particularly in the Metroplex:

- More than 80,000 new residents were added to the Metroplex.
- The combined value of new construction for Dallas and Fort Worth exceeded four billion dollars, a record high for the fifth consecutive year.
- Year-end unemployment in the Metroplex was 5.2%, well below the state level of 7.4% and the national average of 10.8%.
- The Dallas/Fort Worth Regional Airport reported an increase of nearly 10% in the number of passengers served.

These gains and the ability to withstand a period of economic stress demonstrate the basic strength and stability of the service area.

SYSTEM REPORT

Success in the 1980s depends on the ability to maintain and improve productivity.

The Texas Utilities Company System has a long record of success and progress. While this record is the result of many factors, long range planning, innovative programs and continuing efforts to improve productivity have been instrumental in maintaining this progress.

Such efforts have involved every phase of operations and have ranged from the development of a complex technology to a simple cost-saving idea. Examples of the System's productivity include its long record of providing reliable service to customers, the major savings resulting from the fuel conversion program to use lignite, the outstanding safety achievements of employees and innovative new programs such as load management and computerized meter reading.

It has been said that productivities have become endangered because they have been neglected. In contrast, productivity has not been neglected, but has been a continuing objective of the System companies that is highlighted in the report that follows.

OPERATIONS

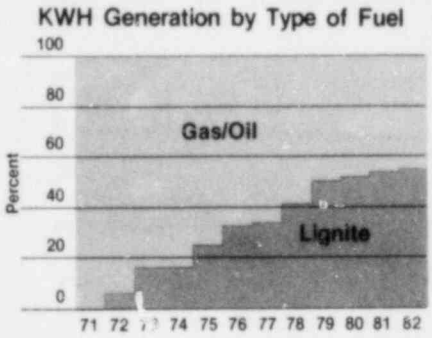
The System's three electric utilities supplied more than 60 billion kilowatt-hours to meet customers' needs for electricity in 1982 — an increase of 3.4% in energy sales compared to 1981. The number of customers, which has been growing at an annual rate of over 4%, increased by more than 66,000 to 1,695,863 at year-end.

A new System peak demand of 13,204,000 kilowatts was set on August 27, 1982, surpassing the previous high of 12,970,000 kilowatts recorded in both 1981 and 1980. System net capability was 17,957,160 kilowatts at the time of the 1982 peak.

Lignite Generation Increases

Lignite was used to generate a record 33 billion kilowatt-hours, approximately 55% of the System's electric energy sales during 1982. The use of lignite has been increasing since 1971 and has accounted for more than half of the System's generation in each of the last four years.

Natural gas, along with a small amount of oil burned during periods of gas curtailment, provided 45% of the System's generation. The fuel used at the System's 19 gas-fired generating stations in 1982 came from three principal suppliers, including Texas Utilities Fuel Company which provided 78% of the System's gas requirements.



Fuel departments at the Big Brown, Martin Lake and Monticello stations mined a total of 27,101,000 tons of lignite in 1982. Productivity of the System's mining operations continues to exceed that of the industry and, for 1982, was about 42 tons per man-day, compared to a national average for surface mining of some 30 tons per man-day.

As the System has pioneered the development of lignite technology in Texas, it has been able to achieve significant efficiencies in the mining, transportation and burning of this fuel. One of the most productive of these is the electrified railroad operated at two of the lignite stations. Each train requires only one operator, who uses remote controls to load the 100-ton rail cars in a little over one minute each, delivers the lignite from the mining areas to the plant and then unloads the fuel.

Cost Savings Continue

The System's fuel diversification continues to provide customers with substantial savings. The use of less expensive lignite for more than 10 years has saved hundreds of millions of dollars in direct fuel costs that would have been paid by customers if natural gas or oil had been used.

The average cost of lignite used in 1982 was $0.87 per million Btu compared to $3.50 for natural gas. The average of $2.10 per million Btu for all fuel used in 1982 illustrates the effect of lignite in reducing overall fuel costs.

Savings and efficiencies are also being realized in many other areas of operation and these also contribute to a reliable supply of electric energy at reasonable cost. Computers and information systems have streamlined many customer operations in recent years. Micro-computers, which the System helped develop, are now revolutionizing meter reading. The hand-held terminals were introduced in 1981 and their use was expanded in 1982 to about one-half of the System's customers.

Operations Centers Improve Productivity

A new Texas Utilities System Operations Center, which is planned for operation by 1985, will combine many of the functions now performed by each electric utility and the Service Company. The installation of equipment to facilitate economic scheduling of the most efficient generating units on a System-wide basis and use of the lowest cost fuel to meet customers' energy requirements will further increase System productivity.

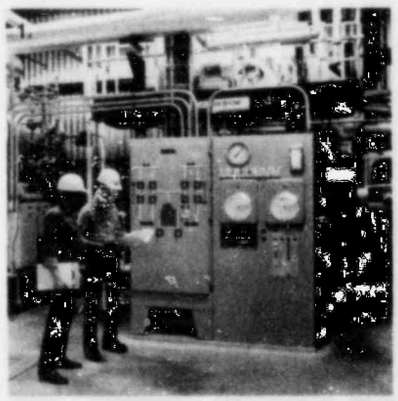
The System must be ready to respond to adverse weather at all times. Ice, flooding and a tornado were examples of such problems in 1982. Emergency operations centers have been established by all three utilities to coordinate efforts to restore power and minimize the length of outages and the number of customers affected. A mobile command post and color weather radar are additional resources available to assist in fast and effective responses to problems.

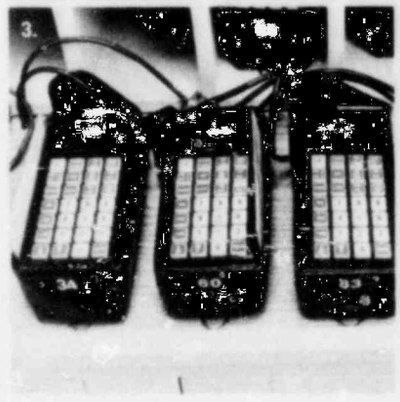
Load Management Programs Effective

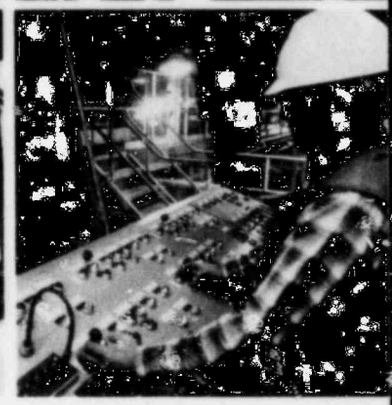
Additional experience with the load management programs started by each of the System's utilities in 1981 has confirmed that savings can be realized by both customers and the companies.

The programs' incentives for the installation of energy-efficient air conditioners and heat pumps are already saving a significant amount of electricity during periods of peak usage. The programs

1. *"Package boilers" enable savings through fast start-up of certain gas-fueled units.*
2. *Specialist encourages use of proper insulation to conserve energy.*
3. *Hand-held computers increase meter reading and billing efficiency.*
4. *Operator loads rail cars with 100 tons of lignite in about one minute.*







Emergency operations centers help speed restoration of service.

reduced the System's load by more than 60,000 kilowatts in 1982. This meant lower operating costs for those customers participating in the program. And, because the System could operate more efficiently during peak periods, it also meant lower costs for all customers.

For the long term, load management could postpone or limit the need for capital expenditures by delaying the need for new generating units.

The companies also continued their well-established energy conservation programs. Energy-saving information is provided to all customers on a regular basis. More than 100,000 customers received direct assistance in 1982. This included home energy audits and instructions on insulating, caulking, weatherstripping and the wise use of appliances and equipment.

CONSTRUCTION

For many years the System has maintained a high level of productivity in the construction of new facilities. The early conversion to lignite is a good example. The System added 5,845,000 kilowatts of new lignite generating capacity from 1971 to 1981 at an average cost of $265 per kilowatt. If these units were started today, their cost would be more than $1000 per kilowatt. While inflation and new regulations have dramatically increased construction costs, the System's expenditures remain well below the utility industry average for comparable new generating capacity.

During recent years the System's construction activities have been concentrated on the two 1,150,000 kilowatt Comanche Peak nuclear units scheduled for service in 1984 and 1985. Construction is also underway on four 750,000 kilowatt lignite units with the first of these planned for service in 1988.

The schedule for the six generating units under construction is:

Construction Schedule

Station - Unit	Fuel	Capability (kilowatts)	Service Date
Comanche Peak 1	Nuclear	1,010,000*	1984
Comanche Peak 2	Nuclear	1,010,000*	1985
Twin Oak 1	Lignite	562,500*†	1988
Forest Grove 1	Lignite	750,000	1989
Twin Oak 2	Lignite	562,500*†	1990
Martin Lake 4	Lignite	750,000	1991

*Net capability to the System

†Subject to revision based on negotiations being conducted for the sale of a portion of Twin Oak Unit 1 and a purchase of an additional interest in Twin Oak Unit 2.

Only one schedule change resulted from the 1982 annual review of the System's construction program. Based on current estimates, Martin Lake Unit 4 will not be needed in 1990 and the service date has been deferred for one year. There was no change in either the $3.44 billion estimated cost of Comanche Peak or the service dates for those units.

The System's 87 5/6% share of the plant is estimated at $2.938 billion, or $1,454 per kilowatt — a figure that compares very favorably with the average cost of more than $2,000 per kilowatt for other nuclear units scheduled for service in the mid-80s.

The other owners of Comanche Peak are the Texas Municipal Power Agency (6.2%), Brazos Electric Power Cooperative, Inc. (3.8%), and Tex-La Electric Cooperative of Texas, Inc., (2 1/6%). Tex-La's purchase of its share was finalized in May 1982 after financial commitments and necessary approvals were obtained. Tex-La had made a request in January 1982 to reduce its share from 4 1/3% to 2 1/6%.

Comanche Peak Progresses

At the end of 1982 Unit 1 was 93% complete, Unit 2 was 57% complete and the overall Comanche Peak Project was 81% complete. Approximately 75% of the more than 300 systems for Unit 1, and facilities common to both units, have been turned over to the operations group for testing and start-up.

Significant milestones achieved for Unit 1 during the year included the initial operation of the auxiliary diesel generators, completion of concrete work on the containment building and the cold hydrostatic test of the unit's reactor coolant system. This test involved filling the system with water and pressurizing it to 125% of design pressure. Inspectors were then able to check welds, valves and related components in the system.

The process of obtaining the necessary Nuclear Regulatory Commission operating license continued with three rounds of public hearings. These were conducted by an NRC Atomic Safety and Licensing Board on specific issues and questions raised by an intervenor group and the NRC staff.

Following the completion of hearings and a review of all testimony and related materials, the ASLB will make a recommendation to the NRC on granting the plant's operating licenses. A decision is expected in time to permit fuel loading before the end of 1983.

Support Facility Completed

Construction of the Nuclear Operations Support Facility, located about a mile from the plant, was completed in mid-1982. The NOSF contains offices for the operations support group, facilities for training plant personnel, a visitors information center and will also serve as an emergency operations facility if needed. The center features exhibits and presentations designed to increase public understanding of Comanche Peak and nuclear power. In the first month following its opening in November 1982, more than 2,000 visitors toured the information center.

The NOSF will also include a control room simulator which was ordered in 1982 and is scheduled for installation in 1984. The simulator will respond exactly like the plant, providing training in routine operating conditions and in the handling of hypothetical situations.

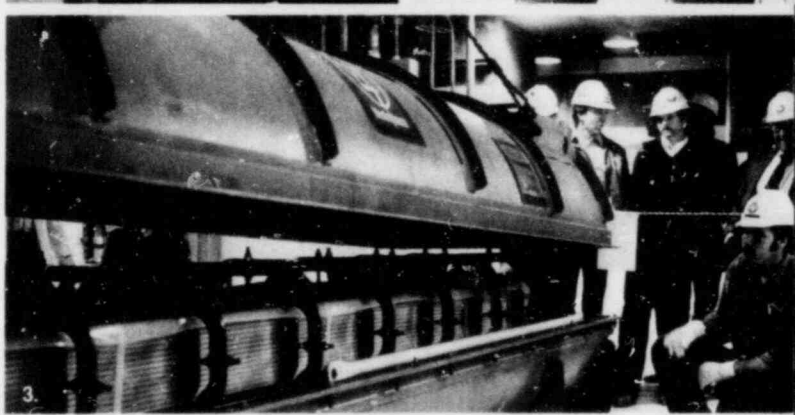
Plant operators have been involved in intensive training and in the preparation of operating procedures for several years. As Unit 1 nears completion, additional training is underway.

A simulated fuel assembly, identical in size, shape and weight to an actual fuel assembly, was received in 1982. It is used in testing the plant's fuel handling equipment and in training employees for the loading of nuclear fuel.

1. *Comanche Peak Visitors Information Center.*
2. *Geodimeter saves time and improves accuracy in construction surveying.*
3. *Simulated nuclear fuel assembly arrives at Comanche Peak.*

1.


2.


3.

Control room at Comanche Peak is designed for safe and efficient plant operations.

Construction Expenditures

System construction expenditures for 1982 and estimates for 1983 through 1985 are shown below.

		Estimated		
	1982	1983	1984	1985
	Millions of Dollars			
Electric property:				
Production	$450	$369	$311	$478
Transmission	71	61	70	67
Distribution	160	207	220	236
General	29	39	39	34
Fuel facilities:				
Gas	17	5	35	28
Lignite	29	100	197	152
Total	756	781	872	995
*AFUDC	136	144	128	130
Total construction expenditures	$892	$925	$1,000	$1,125
Such expenditures do not include:				
Nuclear fuel	$ 29	$ 53	$ 80	$ 69
Non-utility property	17	55	31	29

*Allowance for funds used during construction.

FUEL SUPPLIES

Long range fuel planning, acquisition and management programs have kept the System in a strong fuel position for many years and have consistently held fuel costs well below the national average for electric utilities.

The System's use of lignite has decreased dependence on natural gas. The operation of Comanche Peak will further reduce gas as a percent of total fuel requirements.

Major supplies of natural gas will be needed for the foreseeable future, especially during periods of high electrical usage. The Fuel Company is supplying an increasing percentage of total System gas requirements — up from 33% to 78% in the last three years.

The Fuel Company owns and operates a network of gas pipelines through which this fuel is gathered and transported for use in the generation of electricity by the utilities. The Fuel Company and Old Ocean Fuel Company own underground gas storage facilities with a combined usable capacity of approximately 28 billion cubic feet. The electric utility companies have oil storage capacity, located at their gas-fueled generating stations, totaling about 6.9 million barrels. This oil is used primarily when natural gas supplies are interrupted or curtailed.

The System was able to carry out its fuel conversion program because of the acquisition of lignite deposits over a period of more than 30 years. Substantial supplies of this Texas energy source were obtained at very favorable costs. More than 170 million tons have been mined since 1971. The System has access to an estimated 900 million proven recoverable tons to fuel the lignite units in operation and under construction.

Comanche Peak Fuel Ready

The System's nuclear fuel position for Comanche Peak remains very favorable. Fuel for the first 17 years of operation of each of the two units is under contract. The first fuel core for Unit 1 has been fabricated and is in storage awaiting delivery later this year.

The System also has long-term contracts for related fuel processing services, except for the disposal of spent fuel which must await final action by the federal government. The Nuclear Waste Policy Act of 1982 provides for the federal government to assume responsibility for the ultimate disposal of spent nuclear fuel. A contract for this service may be available to the System later this year.

Adequate storage for spent fuel is available on site for at least 17 years of operation, and this storage capacity can be increased. This on-site capacity should provide ample storage until the federal plan for off-site spent fuel disposal can be implemented.

Chaco Energy Company

One of the Company's non-utility subsidiaries, Chaco Energy Company, headquartered in Albuquerque, New Mexico, signed agreements in 1977 for more than 320 million tons of coal in the northwestern part of the state. In December 1981, the Company and Chaco filed suit against Santa Fe Industries, Inc., and two of its subsidiaries and against Thercol Energy Co., and Peabody Coal Company, alleging violations of federal and state antitrust laws involving these agreements. The suit seeks to have the agreements declared void and unenforceable, and also seeks damages and other relief.

The suit alleges, among other things, that certain of the defendants fixed the price of New Mexico coal sold to Chaco; that the defendants' actions prevented Chaco from freely competing in the purchase and sale of coal; that Santa Fe refused to make rail transportation available on reasonable economic terms and to disclose that it owned additional coal near its mainline trackage.

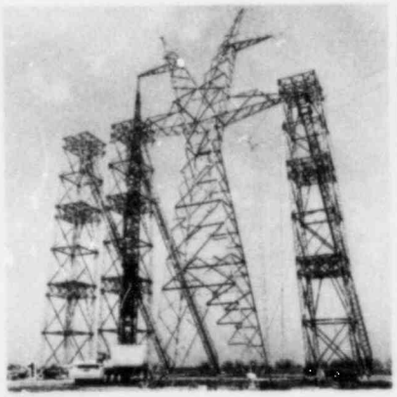
The combined effect of these actions has made the commercial mining of this coal uneconomical.

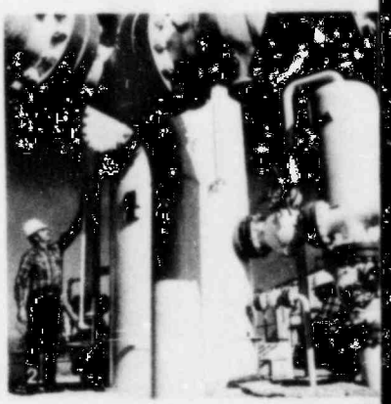
In January 1983, the Company and Chaco settled all claims against Thercol and Peabody. In connection with the settlement, Thercol and Peabody agreed to dismiss a demand for arbitration filed in the District Court of Bernalillo County, New Mexico, of certain matters arising out of the 1977 Thercol and Chaco agreement covering development of coal reserves owned one-third by Chaco and two-thirds by Thercol. Under the terms of the settlement, that agreement was terminated and the rights to all of the coal owned by Thercol, estimated to exceed 80 million tons, were transferred to Chaco for $30 million. The settlement does not affect the claims asserted against Santa Fe Industries and its subsidiaries in the suit.

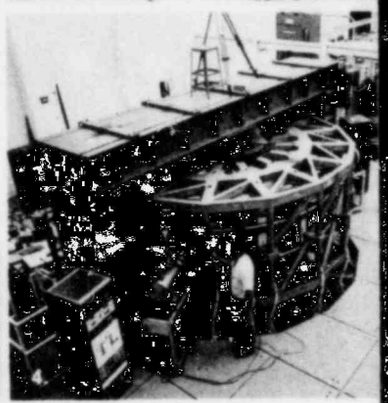
RESEARCH AND DEVELOPMENT

Research to find better ways to provide reliable electric service, to solve problems and to develop new technology is a long term investment in productivity. Today's customers benefit from past research efforts such as the development of technology to use low cost lignite, efficient high voltage transmission lines and energy saving equipment.

1. *Transmission tower test facility.*
2. *Underground natural gas storage reservoirs provide fuel flexibility.*
3. *Lignite cleaning plant at Big Brown.*
4. *Fusion research is conducted at The University of Texas at Austin.*







Texas lignite coal—a long term low cost fuel supply for the System.

System Research Improves Efficiency

An experimental lignite washing facility at the Big Brown station near Fairfield, Texas, began operation in June 1982. The pilot plant, built by Dow Chemical, is being used to determine the efficiency and economics of reducing impurities such as sand, clay, sulfur and other materials to increase the heat value of low-quality lignite. Some 150,000 tons of "salvage" lignite had been provided for testing by year-end. This process enables the burning of quantities of lignite which could not otherwise be used.

Some of the most productive research supported by the System are the graduate-level studies carried out at the Environmental Research Center at the Big Brown station. These studies, under the direction of an independent committee of university professors, have contributed to significant cost savings and improvements in the efficiency of mining, land reclamation and other lignite operations.

Major Projects Involve EPRI

The major industry research efforts supported by the System are those of the Electric Power Research Institute, which at year-end had more than 1,400 projects underway.

Included is a $7 million electrical transmission line research facility completed in 1982 in Haslet, north of Fort Worth. The project is described as the most advanced transmission tower testing facility in the world. It enables research on methods of reducing costs and improving the reliability of transmission lines and towers.

The System is also cooperating with EPRI and the University of Texas at Arlington in a project to investigate the effects of voltage regulation on the efficiency, operation and economy of electric distribution systems and customer loads.

Additional research sponsored by the System includes projects involving, nuclear fusion, solar and wind power, load management, the development of lighter, more durable wooden poles and the improvement of air quality control equipment.

Basic Resources Inc.

Basic Resources Inc., a non-utility subsidiary of the Company, is involved in the development of energy technology and related services. One of Basic Resources' projects is the development of in situ gasification of deep lignite deposits. Testing to date indicates that a low Btu gas can be produced at a commercially attractive price. The company is developing plans for a commercial project to further demonstrate the economics of this process. Basic Resources is also involved in the exploration and development of oil and gas.

SYSTEM EMPLOYEES

Employees are the key to the System's efforts to maintain and improve productivity. The companies are committed to assuring equal opportunity for all employees, providing for the improvement of individual performance through training and information activities and encouraging safety and ideas that contribute to greater efficiency.

Employees are afforded equal opportunity in all phases of employment and personnel activities. The companies have developed affirmative action programs and are effectively carrying out this continuing objective.

Training Improves Performance

During 1982 many System employees received on-the-job training to improve safety, communications, supervisory or other job skills. The companies make extensive use of video and of simulators to develop skills and improve efficiency. A new dragline simulator, acquired by the training center located in Athens, Texas, will enable further productivity gains in the mining of lignite. In 1982 this center was accredited by the American Council on Education. This will allow its courses to be credited toward college degrees.

Many employees also took advantage of opportunities for personal growth through programs that help pay for work-related college, technical or special courses.

The companies provide employees with information on plans and activities affecting the System and the electric industry. Publications, conferences and video presentations are utilized to increase employees' understanding of today's complex issues.

Productivity is also encouraged through employee involvement in suggestion and idea producing programs. Included was the establishment of a number of quality circle groups in 1982. The efforts of these groups have already resulted in improved procedures and savings in time and costs.

Safety Milestones Achieved

Safety received continuing emphasis in all System companies. Employees' recognition of the importance of safety is reflected in their outstanding performance.

In 1982, the Fuel Company's gas field operations completed 30 years without a lost-time injury, or almost 1.5 million man-hours — a record virtually unequaled in this activity.

The power department at the Monticello station, which completed two million man-hours without a lost-time injury in 1982, passed the three million man-hour mark in February 1983. Only two other power plants in the nation have ever achieved this record. In addition, many other work groups completed safety milestones or continued outstanding safety records during the year.

RATES AND REGULATION

Texas Power applied for higher rates in February 1982, and received an order from the Public Utility Commission of Texas in June 1982, authorizing an increase in operating revenues of 5.8%. The new rates were placed in effect the following month.

Dallas Power's most recent request for a rate increase was filed in September 1980. An order was received from the PUC in February 1981, authorizing an increase in operating revenues of 11.4%. Billing on the new rates began in March 1981.

1. *Simulator training increases efficiency of dragline operators.*
2. *Video is effective in training and communications.*
3. *Ideas generated by quality circle groups save time and money.*

Safety records reflect outstanding employee performance and productivity.

Texas Electric's last rate order, which was placed in effect in October 1980, was for a 10.1% increase in operating revenues.

The slowing of inflation and drop in interest rates, combined with additional cost-saving measures implemented by the companies, helped to limit the need for rate increases in 1982. However, all three companies have been reviewing their revenue requirements and requests for additional rate relief may be necessary in 1983.

An agreement was reached in July 1982, on a new procedure for prior approval of the System's affiliate fuel costs on a quarterly basis by the PUC. Affiliate fuel costs are those for lignite supplied by the Generating Company and the costs of gas fuel services provided by the Fuel Company.

The procedure is the result of a 1979 PUC review of transactions between the System companies and a subsequent court order which concluded that the Texas Public Utility Regulatory Act requires prior approval of fuel charges from affiliates. The determination of the costs to be included under this procedure is pending.

The PUC also has under review various methods of recovering the costs of all fuel used in the generation of electricity.

Other regulatory related developments in 1982 included settlement of the 1979 suit filed by the State of Texas alleging violation of water quality regulations at the Martin Lake station. Efforts are continuing to resolve a 1979 suit alleging air quality violations at the same station.

CSW Matter Resolved

The long-standing litigation and regulatory proceedings involving the System and the Central and South West Corporation were resolved in 1982. These proceedings were related to interstate interconnections between members of the Electric Reliability Council of Texas, which operates entirely within the State of Texas, and CSW companies operating in Oklahoma, Arkansas and Louisiana.

A 1980 settlement agreement between the System, Houston Lighting & Power Company and CSW was approved by the Federal Energy Regulatory Commission in early 1982. By mid-year the related litigation and various administrative proceedings were all terminated.

Under terms of the agreement, two direct current interconnections will be made at no cost to the System and these will not affect the System's service reliability. The System's electric utilities are not subject to the general jurisdiction of FERC and this status will not be affected by the settlement.

REORGANIZATION

Significant long-term productivity gains are expected from steps taken in 1982 to implement changes in the organization of the System companies.

Since its inception more than 35 years ago, the System has undergone a number of evolutionary changes in meeting its responsibilities to customers, shareholders and employees. Developments in recent years — jointly owned power plants, the rapid growth of the Metroplex and the establishment of a state regulatory authority — have made it evident that the System's organizational structure should be revised.

The Company's Board of Directors authorized a review of a proposed organizational change in May 1982, and this action was reported at the annual meeting of shareholders.

In August, the Board approved the plan under which a single electric utility corporation, Texas Utilities Electric Company, will be established. The three System electric utilities will merge into and become divisions of the new Electric Company. A fourth division will be responsible for engineering, construction and operation of all System generating facilities. Lignite production and transportation functions will be performed by a separate mining company. The new Electric Company, Texas Utilities Mining Company, the Fuel Company, the Service Company, Basic Resources Inc. and Chaco Energy Company will all be separate subsidiaries of Texas Utilities Company.

The revised structure will provide greater flexibility and will enable the System to achieve additional economies and operate more efficiently to better serve customers. The local service identities of the three electric utility companies will be preserved and the changes will not be readily apparent to customers.

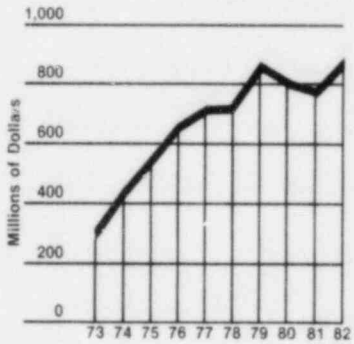
Necessary regulatory reviews have been made and approvals obtained. The Public Utility Commission of Texas found the plan to be in the public interest and issued an order approving the reorganization on December 22, 1982. In meetings held February 23, 1983, the preferred shareholders of the three utilities approved a reorganization agreement and plan of merger. The reorganization will be effective January 1, 1984.

In another move, not directly related to the reorganization and subject to regulatory approval, Old Ocean Fuel Company, a subsidiary of Texas Electric Service Company, will become a part of Texas Utilities Fuel Company during 1983, placing all of the System's fuel gas operations in one organization.

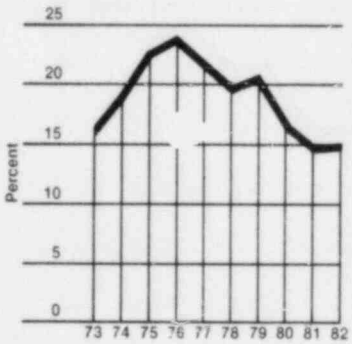
FINANCIAL REPORT

Contents

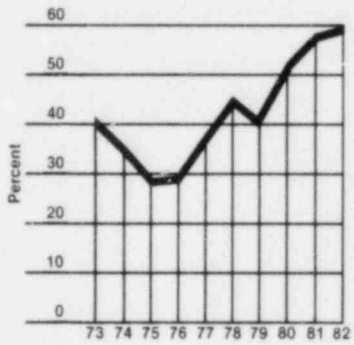
Construction Expenditures



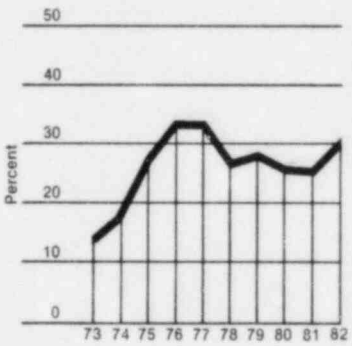
Construction Expenditures as a Percent of Prior Year Total Capitalization



Net Funds From Operations as a Percent of Construction Expenditures



AFUDC as a Percent of Consolidated Net Income



TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The primary capital requirements for 1982 and as estimated for 1983 through 1985 are as follows:

	1982	1983	1984	1985
		Thousands of Dollars		
Construction expenditures (excluding AFUDC)	$756,000	$781,000	$ 872,000	$ 995,000
Nuclear fuel and non-utility property	46,000	108,000	111,000	98,000
Maturities of long-term debt and sinking fund requirements	30,000	40,000	64,000	78,000
Total	$832,000	$929,000	$1,047,000	$1,171,000

For detail concerning major new construction work now in progress or contemplated by the subsidiary companies and commitments with respect thereto, see Construction. Reference is also made to Note 7 to Financial Statements for information regarding the sale of a 2⅛% interest in the Comanche Peak nuclear station.

The System generates funds from operations sufficient to meet operating needs, pay dividends on capital stock and finance a significant portion of capital requirements. These funds are derived from consolidated net income, depreciation, deferred taxes and investment tax credits. Factors affecting the ability of the electric utility subsidiaries to fund a portion of their capital requirements from operations include adequate rate relief and regulatory practices allowing a substantial portion of construction work in progress in rate base, adequate depreciation rates, normalization of federal income taxes, full current recovery of the cost of fuel used in the generation of electricity, and the opportunity to earn competitive rates of return required in the capital markets. For 1982, approximately 60% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the System through the sale of common stock by the Company, and the sales of preferred stocks and long-term debt by the subsidiary companies. The capitalization ratios of the System at December 31, 1982, consisted of approximately 47% long-term debt, 9% preferred stocks, and 44% common stock equity, and similar ratios are expected to be maintained in the future. For information regarding bank lines of credit and short-term borrowings of the Company, see Note 2 to Financial Statements.

Financings to date in 1983 include the sale by Texas Electric in March of 350,000 shares of $10.08 preferred stock for $34,696,000 and the sale by Dallas Power in February of $50,000,000 principal amount of 12¼% first mortgage bonds due 2013. System companies expect to sell securities as needed, including (i) sales of additional shares of common stock of the Company pursuant to various plans described in Note 3 to Financial Statements, and (ii) sales of additional securities from time to time, in amounts and types presently undetermined. Although the System companies cannot predict future regulatory practices and are to some degree exposed to fluctuating economic and securities market conditions, no changes are expected in trends or commitments which might significantly alter their basic financial position or ability to finance capital requirements, including the proposed merger of the electric utility subsidiaries into Electric Company. The new organization resulting from the proposed merger should provide greater financing flexibility and achieve additional economies and efficiencies. See Rates and Regulation, Reorganization and Note 8 to Financial Statements.

See Financial Statistics for additional information.

Results of Operations

Operating revenues have increased $499,648,000 for 1982 and $563,824,000 for 1981 primarily as a result of recovery of higher fuel costs on a current basis, increased rate levels and also for 1982 as a result of increased energy sales. Energy consumption is affected by material variations in weather conditions and was particularly impacted by the unusually hot and dry summer of 1980 compared to the relatively normal temperatures during the summers of 1981 and 1982. (See Rates and Regulation and Operating Statistics.)

Fuel and purchased power expense increased primarily as a result of higher unit costs of fuel consumed (cost per million Btu): $2.10 for 1982, $1.69 for 1981 and $1.18 for 1980; such expense also increased for 1982 as a result of increased generation (see Operating Statistics). Operation and maintenance expenses have increased as a result of inflationary pressures on the cost of labor, materials and services and an additional lignite-fueled generating unit placed in service during 1981; such expenses were also affected by the higher costs of operating and maintaining lignite-fueled generating units, including the additional costs of operating and maintaining the pollution control equipment required in connection therewith. Increases in taxes other than income resulted primarily from increases in revenue based taxes.

Increases in allowance for funds used during construction are primarily attributable to increases in the AFUDC rate effective January 1982 and January 1981 and increases in the level of construction work in progress of the electric utility subsidiaries not allowed in rate base by regulatory authorities, and also for 1982 to the interest capitalized (net of tax) upon the assumption of the 2⅙% interest in Comanche Peak released by Tex-La Electric Cooperative of Texas, Inc. (Tex-La). Other income and deductions—net and related federal income taxes for 1982 reflect the net gain on the sale of the 2⅙% interest in Comanche Peak, and for 1982 and 1981 decreased income from Alcoa of one electric utility subsidiary for construction of generating facilities placed in service in 1981.

Consolidated net income for 1982 included an increase of approximately $3,400,000 as a result of the sale of the 2⅙% interest in Comanche Peak (see Note 7 to Financial Statements).

The electric subsidiaries expect to pursue adequate and timely rate relief in the future to offset the effects of increases in the costs of providing electric service.

The Company has prepared supplementary information concerning the effects of changing prices in compliance with the reporting requirements of Financial Accounting Standards Board Statement No. 33; such information is included on pages 34 and 35.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Statement of Consolidated Income

	1982	1981	1980
		Thousands of Dollars	
OPERATING REVENUES	**$3,238,025**	$2,738,377	$2,174,553
OPERATING EXPENSES			
Fuel and purchased power	**1,354,439**	1,053,777	737,589
Operation	**419,501**	337,075	289,513
Maintenance	**224,711**	194,064	156,818
Depreciation	**188,281**	180,445	161,926
Federal income taxes (Note 9)	**222,581**	236,247	194,589
Taxes other than income	**194,458**	173,768	144,266
Total operating expenses	**2,603,971**	2,175,376	1,684,701
OPERATING INCOME	**634,054**	563,001	489,852
OTHER INCOME			
Allowance for equity funds used during construction	**97,279**	70,381	56,666
Other income and deductions—net	**11,163**	5,568	21,342
Federal income taxes	**(2,645)**	402	(8,345)
Total other income	**105,797**	76,351	69,663
TOTAL INCOME	**739,851**	639,352	559,515
INTEREST CHARGES			
Interest on mortgage bonds	**202,707**	157,238	143,877
Interest on other long-term debt	**60,880**	61,539	62,682
Other interest	**40,054**	38,424	33,019
Allowance for borrowed funds used during construction	**(38,765)**	(23,576)	(21,505)
Total interest charges	**264,876**	233,625	218,073
PREFERRED STOCK DIVIDENDS OF SUBSIDIARIES	**46,329**	46,329	43,598
CONSOLIDATED NET INCOME	**$ 428,646**	$ 359,398	$ 297,844
Average shares of common stock outstanding (thousands)	**111,357**	102,292	93,719
Earnings and dividends per share of common stock:			
Earnings (on average shares outstanding)	**$3.85**	$3.51	$3.18
Dividends declared	**2.04**	1.88	1.76

Statement of Consolidated Retained Earnings

	1982	1981	1980
		Thousands of Dollars	
BALANCE AT BEGINNING OF YEAR	**$1,059,371**	$ 892,279	$ 758,962
ADD—Consolidated net income	**428,646**	359,398	297,844
Total	**1,488,017**	1,251,677	1,056,806
DEDUCT—Dividends declared on common stock (for amounts per share, see Statement of Consolidated Income)	**227,076**	192,306	164,527
BALANCE AT END OF YEAR (Note 4)	**$1,260,941**	$1,059,371	$ 892,279

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Statement of Consolidated Source of Funds for Construction

	1982	1981	1980
		Thousands of Dollars	
FUNDS FROM OPERATIONS			
Consolidated net income	**$428,646**	$359,398	$297,844
Depreciation (including amounts charged to fuel)	**218,105**	206,323	181,835
Deferred federal income taxes—net	**95,512**	68,445	73,660
Federal investment tax credits—net	**74,187**	62,361	73,552
Allowance for funds used during construction	**(136,044)**	(93,957)	(78,171)
Total funds from operations	**680,406**	602,570	548,720
Less—Dividends declared on common stock	**227,076**	192,306	164,527
Net funds from operations	**453,330**	410,264	384,193
FUNDS FROM FINANCING			
Sales of securities:			
First mortgage bonds	**300,414**	218,507	125,000
Other long-term debt	**4,215**	3,677	58,879
Preferred stocks	**—**	—	64,285
Common stock	**186,761**	164,252	126,731
Retirement of long-term debt	**(29,533)**	(21,207)	(40,390)
Increase (decrease) in notes payable:			
Bank loans	**—**	(50,000)	50,000
Commercial paper	**(47,785)**	(20,910)	(9,790)
Net funds from financing	**414,072**	294,319	374,715
OTHER SOURCES (USES) OF FUNDS			
Changes in working capital, excluding notes payable and long-term debt due currently:			
Cash in banks and temporary cash investments	**59,380**	(56,644)	2,684
Accounts receivable—net	**(22,792)**	(38,503)	(13,636)
Inventories	**(55,224)**	(56,402)	(55,988)
Accounts payable	**13,037**	4,704	4,409
Taxes accrued	**3,716**	46,652	67,323
Advance payment on sale of utility plant (Note 7)	**(90,420)**	90,420	—
Other—net	**12,532**	31,661	6,271
Net change	**(79,771)**	21,888	11,063
Non-utility property—net	**(16,684)**	(22,985)	(7,122)
Nuclear fuel	**(29,551)**	4,271	(23,198)
Sale of utility plant (Note 7)	**36,220**	—	—
Other—net	**(22,100)**	(9,446)	(10,814)
Net other sources (uses) of funds	**(111,886)**	(6,272)	(30,071)
Total	**$755,516**	$698,311	$728,837
CONSTRUCTION EXPENDITURES			
Utility plant	**$891,560**	$792,268	$807,008
Allowance for funds used during construction	**(136,044)**	(93,957)	(78,171)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	**$755,516**	$698,311	$728,837

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

December 31

	1982	1981
	Thousands of Dollars	
Assets		
UTILITY PLANT		
Electric plant in service:		
Production	**$3,430,197**	$3,261,250
Transmission	**946,138**	888,083
Distribution	**1,733,862**	1,576,135
General	**196,209**	168,830
Total	**6,306,406**	5,894,298
Construction work in progress	**2,625,307**	2,208,147
Nuclear fuel	**110,707**	83,264
Held for future use	**9,022**	9,094
Total utility plant	**9,051,442**	8,194,803
Less accumulated depreciation	**1,758,156**	1,560,754
Utility plant, less accumulated depreciation	**7,293,286**	6,634,049
INVESTMENTS—at cost		
Non-utility property (Note 8)	**98,713**	82,029
Other investments (Note 1)	**15,687**	15,899
Total investments	**114,400**	97,928
CURRENT ASSETS		
Cash in banks (Note 2)	**17,723**	22,367
Special deposits	**17,516**	15,772
Temporary cash investments—at cost	**—**	54,736
Accounts receivable:		
Customers	**170,814**	148,755
Other	**35,117**	33,156
Allowance for uncollectible accounts	**(8,957)**	(7,729)
Inventories—at average cost:		
Materials and supplies	**105,155**	86,252
Fuel stock	**200,424**	164,103
Other current assets	**35,333**	27,249
Total current assets	**573,125**	544,661
DEFERRED DEBITS		
Unamortized debt expense	**12,020**	10,795
Other	**28,576**	19,225
Total deferred debits	**40,596**	30,020
Total	**$8,021,407**	$7,306,658

See accompanying Notes to Financial Statements.

	1982	1981
	Thousands of Dollars	
Liabilities		
CAPITALIZATION		
Common stock, Texas Utilities Company—without par value (Note 3):		
Authorized shares—150,000,000		
Outstanding shares—1982, 114,182,319; 1981, 105,236,301	**$1,549,254**	$1,362,493
Retained earnings (Note 4)	**1,260,941**	1,059,371
Total	**2,810,195**	2,421,864
Preferred stocks (Note 5)	**600,109**	600,109
Long-term debt, less amounts due currently (Note 6)	**2,973,253**	2,713,863
Total capitalization	**6,383,557**	5,735,836
CURRENT LIABILITIES		
Notes payable—commercial paper (Note 2)	**97,215**	145,000
Long-term debt due currently	**39,880**	27,880
Total (to be refinanced)	**137,095**	172,880
Accounts payable	**179,903**	166,866
Dividends declared	**69,804**	61,035
Customers' deposits	**25,425**	19,565
Taxes accrued	**160,315**	156,599
Interest accrued	**75,679**	66,736
Other current liabilities (Note 7)	**42,291**	133,923
Total current liabilities	**690,512**	777,604
RESERVE FOR INSURANCE AND CASUALTIES	**9,003**	7,158
ACCUMULATED DEFERRED FEDERAL INCOME TAXES	**469,745**	374,231
UNAMORTIZED FEDERAL INVESTMENT TAX CREDITS	**468,590**	411,829
COMMITMENTS AND CONTINGENCIES (Note 8)		
Total	**$8,021,407**	$7,306,658

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Notes to Financial Statements

1. Significant Accounting Policies

Consolidation—The consolidated financial statements include the Company and all of its subsidiaries; all significant intercompany items and transactions have been eliminated in consolidation.

Utility Plant—Utility plant is stated at original cost. The cost of property additions charged to utility plant includes labor and materials, applicable overhead and payroll-related costs and an allowance for funds used during construction.

Allowance For Funds Used During Construction—Allowance for funds used during construction (AFUDC) is a cost accounting procedure whereby amounts based upon interest charges on borrowed funds and a return on other capital used to finance construction are charged to utility plant. The accrual of AFUDC is in accord with established accounting practices of the industry, but does not represent current cash income. Effective January 1, 1982, the subsidiaries have capitalized AFUDC at a net of tax rate of 9% compounded semi-annually of expenditures incurred, except for that portion of construction work in progress allowed in rate base by regulatory authorities. Prior AFUDC rates effective in January 1981 and November 1979 were 8½% and 8%, respectively. These rates were determined on the basis of, but are less than, the cost of capital used to finance the construction programs.

Depreciation—Depreciation is based upon an amortization of the original cost of depreciable properties on a straight-line basis over the estimated service lives of the properties. Depreciation as a percent of average depreciable property approximated 3.8% for 1982 and 1981, and 3.7% for 1980.

Other Investments—The difference between the amount at which the investment in a subsidiary is carried by the Company and the underlying book equity of such subsidiary at the respective dates of acquisition is included in other investments: $14,411,000 at December 31, 1982 and December 31, 1981.

Federal Income Taxes—The Company and its subsidiary companies file a consolidated federal income tax return, and federal income taxes are allocated to all subsidiary companies based upon taxable income or loss. Deferred federal income taxes are generally provided for differences between book and taxable income; such differences result primarily from the use of liberalized depreciation and accelerated cost recovery allowable under the Internal Revenue Code. Investment tax credits are being amortized to income over the estimated service lives of the properties. (See Note 9.)

Reserve for Insurance and Casualties—The electric utility subsidiaries, as allowed by regulatory authorities, maintain a reserve for major uninsured losses and claims.

2. Bank Balances and Short-Term Borrowings

At December 31, 1982 and December 31, 1981, the Company had lines of credit with commercial banks aggregating $300,000,000. The lines of credit may be used for either backup lines for commercial paper or for bank loans. At December 31, 1982, the total amount of borrowings authorized by the Board of Directors of the Company from banks or other lenders was $500,000,000.

No commitments with respect to the maintenance of compensating balances have been made by the Company to any banks from which it has lines of credit; such arrangements are dependent upon the regular operating balances maintained in accounts with said banks by the Company and its subsidiaries.

3. Common Stock

The Company issued and sold shares of its authorized but unissued common stock during the years 1982, 1981 and 1980 as follows:

	Public Offering		Automatic Dividend Reinvestment and Common Stock Purchase Plan		Employees' Thrift Plan and Employee Stock Ownership Plan		Total	
Year	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
1982	5,000,000	$103,925,000	2,549,456	$52,288,000	1,396,583	$30,548,000	8,946,018	$186,761,000
1981	5,000,000	86,100,000	2,358,142	42,699,000	1,789,514	35,453,000	9,147,656	164,252,000
1980	5,000,000	74,250,000	1,928,478	31,715,000	1,175,069	20,766,000	8,103,547	126,731,000

At December 31, 1982, 5,042,550 shares of the authorized but unissued common stock of the Company were reserved for issuance and sale pursuant to the above plans.

The Company has 50,000,000 authorized shares of serial preference stock having a par value of $25 a share, none of which has been issued.

4. Retained Earnings

The articles of incorporation, the mortgages, as supplemented, and the debenture agreements of the subsidiaries contain provisions which, under certain conditions, restrict distributions on or acquisitions of their common stocks. At December 31, 1982, $57,670,000 of retained earnings of two subsidiaries was thus restricted as a result of the provisions of such articles of incorporation. Retained earnings at such date also included $431,243,000, representing the Company's equity in undistributed earnings since acquisition included in transfers by subsidiaries from their retained earnings to stated value of common stock, making a total of retained earnings which was restricted of $488,913,000 at December 31, 1982.

Notes to Financial Statements (continued)

5. Preferred Stocks of Subsidiaries (cumulative, without par value, entitled upon liquidation to $100 a share)

	Shares Outstanding	Amount December 31, 1982	Amount December 31, 1981	Redemption Price Per Share (before adding accumulated dividends) Current	Redemption Price Per Share (before adding accumulated dividends) Eventual Minimum
		Thousands of Dollars			
Dallas Power & Light Company					
$ 4.00 series	70,000	$ 7,049	$ 7,049	$103.56	$103.56
4.24 series	100,000	10,081	10,081	103.50	103.50
4.50 series	74,430	7,443	7,443	110.00	110.00
4.80 series	100,000	10,009	10,009	102.79	102.79
6.84 series	200,000	20,022	20,022	104.76	103.05
7.20 series	200,000	20,044	20,044	105.01	103.21
7.48 series	300,000	30,073	30,073	106.69	102.95
Texas Electric Service Company					
$ 4.00 series	110,000	11,000	11,000	102.00	102.00
4.56 series	65,000	6,563	6,563	112.00	112.00
4.64 series	100,000	10,016	10,016	103.25	103.25
5.08 series	80,000	8,004	8,004	103.60	103.60
7.44 series	300,000	30,006	30,006	104.26	102.40
8.32 series	300,000	29,655	29,655	108.32*	101.00
8.44 series	300,000	30,046	30,046	107.40	103.18
8.92 series	200,000	20,076	20,076	105.83	103.60
9.36 series	300,000	29,625	29,625	107.02	102.34
10.12 series	350,000	34,615	34,615	110.12*	100.00
Texas Power & Light Company					
$ 4.00 series	70,000	7,000	7,000	102.00	102.00
4.44 series	150,000	15,061	15,061	102.61	102.61
4.56 series	133,786	13,379	13,379	112.00	112.00
4.76 series	100,000	10,000	10,000	102.00	102.00
4.84 series	70,000	7,000	7,000	101.79	101.79
7.24 series	250,000	25,113	25,113	105.23	103.42
7.80 series	300,000	30,030	30,030	105.20	103.25
8.16 series	300,000	29,655	29,655	106.12	102.04
8.20 series	300,000	30,108	30,108	107.39	103.29
8.68 series	300,000	29,550	29,550	106.26	101.92
8.84 series	300,000	29,591	29,591	108.17*	102.05
9.32 series	300,000	29,625	29,625	106.99	102.33
10.92 series	300,000	29,670	29,670	110.92*	102.73
Total	6,023,216	$600,109	$600,109		

*Redemption may not be effected currently through certain refunding operations.

In March 1983, Texas Electric sold 350,000 shares of $10.08 preferred stock for $34,696,000.

6. Long-Term Debt of Subsidiaries (less amounts due currently)

Maturity Groups		Interest Rate Groups		December 31,	
From	To	From	To	1982	1981
				Thousands of Dollars	
First mortgage bonds:					
1983	1987	3⅛%	7¼ %	$ 143,000	$ 177,000
1988	1992	4½	4½	34,500	34,500
1993	1997	4¼	6⅛	206,000	206,000
1998	2002	6⅞	9⅜	340,000	340,000
2003	2007	7½	10⅛	750,000	750,000
2008	2012	9⅜	17½	725,000	475,000
Pollution control series:					
2011	2012	10	13½	110,000	70,000
Funds on deposit with trustee				(16,079)	(26,493)
Total				2,292,421	2,026,007
Pollution control revenue bonds:					
2004	2009	5.70	7⅝	160,000	160,000
Funds on deposit with trustee				(4,856)	(9,071)
Total				155,144	150,929
Sinking fund debentures:					
1985	1989	4½	5¼	27,851	29,084
1993	1994	6⅞	7¾	34,739	35,159
Total				62,590	64,243
Senior notes:					
1996	1999	8.50	10.45	476,480	482,360
Unamortized premium and discount				(13,382)	(9,676)
Total long-term debt (less amounts due currently)				$2,973,253	$2,713,863

In February 1983, Dallas Power sold $50,000,000 principal amount of 12¼ % first mortgage bonds due 2013.

Sinking fund and maturity requirements for the years 1983 through 1987 under long-term debt instruments in effect at December 31, 1982 were as follows:

Year	Sinking Fund (a)	Maturity	Minimum Cash Requirement (a) (b)
		Thousands of Dollars	
1983	$18,810	$34,000	$39,880
1984	33,146	45,000	64,266
1985	46,893	44,270	77,746
1986	46,572	40,000	73,480
1987	46,307	22,000	55,565

(a) Excluding requirements satisfied prior to December 31, 1982: $2,060,000 for 1983, $1,974,000 for 1984, $824,000 for 1985, $820,000 for 1986, and $535,000 for 1987.

(b) Other requirements may be satisfied by certification of property additions at the rate of 167% of such requirements, except for fifteen issues at 100%.

Utility plant of the System companies is generally subject to the lien of the mortgages.

Notes to Financial Statements (continued)

7. Sale of Utility Plant

In January 1981, Texas Power completed an agreement to sell a 4⅓% undivided interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La Electric Cooperative of Texas, Inc. (Tex-La), with such sale subject to regulatory approvals and Tex-La's ability to obtain long-term financing arrangements. Texas Power received approximately $90,000,000 from Tex-La in connection with this agreement for that portion of the cost of the plant and related facilities recorded through December 31, 1980, which amount was included in Other Current Liabilities. Commencing in January 1981, Tex-La paid its pro-rata share of the construction costs of the facilities. In January 1982, Tex-La notified Texas Power that it was unable to obtain long-term financing in an amount sufficient to support a 4⅓% participation and requested that consideration be given to reducing such participation to 2⅛%. In February 1982, Texas Power concurred in the Tex-La request by agreeing, subject to regulatory approvals and completion of Tex-La's long-term financing arrangements, to assume the 2⅛% ownership interest released by Tex-La. In May 1982, following regulatory approvals and completion of the long-term financing arrangements, Texas Power completed the sale of a 2⅛% interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La, assumed ownership interest of the 2⅛% released by Tex-La and refunded approximately $66,000,000 for that portion of costs and interest expended by Tex-La allocable to the 2⅛% interest so released. (See Management's Discussion and Analysis of Financial Condition and Results of Operations.)

8. Commitments and Contingencies

For major new construction work now in progress or contemplated by the subsidiaries, and commitments with respect thereto, see Construction.

The electric utility subsidiaries have entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and have agreed, in effect, to guarantee the principal, $163,810,000 at December 31, 1982, and interest on bonds issued to finance the reservoirs from which the water is supplied. The bonds mature at various dates through 2011 and have interest rates ranging from 5½% to 10⅞%. The electric utility subsidiaries are required to make periodic payments equal to such principal and interest for the years 1983 through 1987 as follows: $14,492,000 for 1983, $14,449,000 for 1984, $14,458,000 for 1985, $14,407,000 for 1986 and $14,420,000 for 1987. In addition, the electric utility subsidiaries are obligated to pay certain variable costs of operating and maintaining the reservoirs. Total payments, including amounts capitalized, for 1982 and 1981 were $16,056,000 and $8,981,000, respectively. Amounts payable under the contracts may be reduced under certain circumstances, due to the sale of water to nonaffiliate parties. In June 1982, the electric utility subsidiaries entered into an agreement, which is subject to regulatory approval, with a municipality for it to assume all contract rights and obligations of the subsidiaries in connection with $110,575,000 of such principal amount of bonds described above, related interest and costs of operating and maintaining the reservoir; however, the electric utility subsidiaries would be contingently liable in the event of default by the municipality.

Texas Power has entered into an agreement with Tex-La whereby Texas Power agreed to purchase an assignment of portions of Tex-La's entitlement to capacity and energy from the Comanche Peak station in declining amounts over the first eight years of commercial operation of each generating unit. In connection with the agreement, Texas Power is required to make annual payments to Tex-La comprising a pro-rata share of operating costs plus a capital charge on Tex-La's net investment applicable to the portion of Tex-La's entitlement assigned. (See Note 7.)

Chaco entered into an agreement in 1977 for the rights to over 200 million tons of surface mineable coal located in New Mexico. The agreement provides, subject to certain limitations, for

advance royalty payments, payable over a remaining period of approximately 30 years, which are based upon annual quantities ranging from approximately 2.8 million tons in 1983 to a maximum of approximately 8.3 million tons in 1991. Such payments approximated $5.00 per ton in 1982 and are subject to escalation in the future due to inflation. In connection with the foregoing, the Company entered into a surety agreement pursuant to which it has undertaken to assure the performance by Chaco with respect to this agreement. Non-utility property at December 31, 1982 includes $37,000,000 of minimum advance royalties paid by Chaco under the terms of this agreement. Reference is made to Fuel Supplies for information concerning pending litigation relating to the validity and enforceability of such agreement.

The Company and its subsidiaries are involved in various legal and administrative proceedings which, in the opinion of the Company, are not expected to have a material effect upon the consolidated financial position or results of operations.

9. Federal Income Taxes

The details of federal income taxes are as follows:

	1982	1981	1980
	Thousands of Dollars		
Charged to operating expenses:			
Current federal income taxes	$ 68,392	$101,851	$ 51,310
Deferred federal income taxes—net:			
Differences between depreciation methods and lives	69,435	63,831	56,185
Certain capitalized construction costs	9,925	9,040	10,516
Other	642	(836)	3,026
Total	80,002	72,035	69,727
Investment tax credits—net	74,187	62,361	73,552
Total federal income taxes charged to operating expenses	222,581	236,247	194,589
Charged to other income	2,645	(402)	8,345
Total federal income taxes	$225,226	$235,845	$202,934

Federal income taxes were less than the amount computed by applying the federal statutory rate to pre-tax book income as follows:

	1982	1981	1980
	Thousands of Dollars		
Federal income taxes at statutory rate of 46%	$322,092	$295,123	$250,413
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction	62,580	43,220	35,959
Depletion allowance	27,565	14,662	8,033
Amortization of investment tax credits	14,677	10,348	8,905
Other	(7,956)	(8,952)	(5,438)
Total reductions	96,866	59,278	47,479
Total federal income taxes	$225,226	$235,845	$202,934
Effective tax rate	32.2%	36.8%	37.3%

10. Retirement Plans

The System companies have uniform retirement plans covering substantially all employees. The costs of the plans are determined by independent actuaries and are funded by the companies as accrued. The costs of the plans, including amounts capitalized, approximated $39,000,000 for

Notes to Financial Statements (concluded)

10. Retirement Plans (concluded)

1982, $31,791,000 for 1981 and $26,520,000 for 1980. As of the annual valuations in 1982 and 1981, accumulated benefits and net fund assets were as follows:

	1982	1981
	Thousands of Dollars	
Actuarial present value of accumulated benefits:		
Vested	$234,978	$221,229
Nonvested	23,005	26,215
Total	$257,983	$247,444
Net fund assets	$230,827	$215,629

Assumed rates of return of 7% for 1982 and 5½% for 1981 were used in determining the value of accumulated benefits; if the 5½% rate had been used for 1982, the present value of accumulated benefits would have been approximately $37,000,000 higher.

11. Supplementary Financial Information (Unaudited)

In the opinion of the Company, the following information includes all adjustments (constituting only normal recurring accruals) necessary to a fair statement of such amounts; quarterly results are not necessarily indicative of expectations for a full year's operations because of seasonal and other factors, including rate increases and variations in maintenance and other operating expense patterns:

	Operating Revenues		Consolidated Net Income		Earnings Per Share of Common Stock	
Quarter Ended	1982	1981	1982	1981	1982	1981
	Thousands of Dollars		*Thousands of Dollars*			
March 31	$ 692,415	$ 555,374	$ 80,978	$ 61,556	$0.77	$0.64
June 30	748,016	650,971	86,179	71,276	0.77	0.70
September 30	1,076,211	895,369	174,864	150,839	1.55	1.45
December 31	721,383	636,663	86,625	75,727	0.76	0.72
Total	$3,238,025	$2,738,377	$428,646	$359,398	$3.85	$3.51

Accountants' Opinion

DELOITTE HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Texas Utilities Company:

We have examined the consolidated balance sheet of Texas Utilities Company and subsidiaries as of December 31, 1982 and 1981 and the related consolidated statements of income, retained earnings and source of funds for construction for each of the three years in the period ended December 31, 1982. Our examinations were 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 the companies at December 31, 1982 and 1981 and the results of their operations and the source of their funds for construction for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Dallas, Texas
March 25, 1983

Quarterly Market Price Ranges

Quarter Ended	Price Range 1982 High	1982 Low	1981 High	1981 Low
March 31	**$21¾**	**$19⅛**	$19	16¼
June 30	**23⅞**	**21**	21	17⅛
September 30	**25**	**20⅞**	21¾	17¾
December 31	**25¾**	**22**	22⅛	19⅛

Dividends Paid per Share of Common Stock

Quarter Ended	Dividends Paid 1982	1981
March 31	**$0.47**	$0.44
June 30	**0.51**	0.47
September 30	**0.51**	0.47
December 31	**0.51**	0.47
	$2.00	$1.85

The Company has declared common stock dividends payable in cash in each year since its incorporation in 1945 and has continued its record of annual dividend increases, which commenced in 1948. At its February 1983 meeting, the Board of Directors again raised the quarterly dividend by four cents per share, from 51 cents to 55 cents. This regular quarterly dividend is payable April 4, 1983, to shareholders of record on March 4. Dividends are paid in cash to shareholders who are not participating in the Automatic Dividend Reinvestment and Common Stock Purchase Plan; all dividends are reportable for federal income tax purposes as ordinary dividend income. Reference is made to Note 4 to Financial Statements regarding limitations upon payment of dividends on common stock of certain subsidiaries.

The "Tax Equity and Fiscal Responsibility Act of 1982" requires withholding of income tax at the rate of 10% on certain dividends paid after June 30, 1983. Shareholders may be eligible to claim exemption from such withholding. Forms and instructions for claiming an exemption are being mailed to all shareholders with the April dividend payment. Withholding will not be required on dividends of individuals reinvested under the Automatic Dividend Reinvestment and Common Stock Purchase Plan so long as the Plan remains eligible for the special tax treatment provided under the "Economic Recovery Tax Act of 1981" (ERTA). However, shareholders participating in the Plan who otherwise qualify for exemption from withholding may wish to file an exemption certificate to avoid the withholding should they discontinue their participation in the Plan.

Under provisions of ERTA, qualified individual shareholders of the Company may elect to defer federal income taxes on dividends reinvested under the Automatic Dividend Reinvestment and Common Stock Purchase Plan in amounts up to $1,500 a year on joint returns or $750 a year on individual returns. This provision of the Act applies to dividends paid and reinvested from January 1, 1982 through December 31, 1985.

TEXAS UTILITIES COMPANY SYSTEM

Financial Statistics

	1982	1981	1980
TOTAL ASSETS end of year *(thousands)*	**$8,021,407**	$7,306,658	$6,552,972
UTILITY PLANT end of year *(thousands)*	**$9,051,442**	$8,194,803	$7,438,877
Accumulated depreciation end of year	**1,758,156**	1,560,754	1,378,654
Construction expenditures (including allowance for funds used during construction)	**891,560**	792,268	807,008
CAPITALIZATION end of year *(thousands)*			
Long-term debt	**$2,973,253**	$2,713,863	$2,527,716
Preferred stocks	**600,109**	600,109	600,109
Common stock equity	**2,810,195**	2,421,864	2,090,520
Total	**$6,383,557**	$5,735,836	$5,218,345
CAPITALIZATION RATIOS end of year			
Long-term debt	**46.6%**	47.3%	48.4%
Preferred stocks	**9.4**	10.5	11.5
Common stock equity	**44.0**	42.2	40.1
Total	**100.0%**	100.0%	100.0%
AVERAGE INTEREST COST ON LONG-TERM DEBT end of year	**9.5%**	9.0%	8.3%
AVERAGE DIVIDEND COST ON PREFERRED STOCKS end of year	**7.7%**	7.7%	7.7%
CONSOLIDATED NET INCOME *(thousands)*	**$428,646**	$359,398	$297,844
DIVIDENDS DECLARED ON COMMON STOCK *(thousands)*	**$227,076**	$192,306	$164,527
COMMON STOCK DATA			
Shares outstanding—average	**111,356,815**	102,292,239	93,719,257
Shares outstanding—end of year	**114,182,319**	105,236,301	96,088,645
Earnings per average share	**$3.85**	$3.51	$3.18
Dividends declared per share	**$2.04**	$1.88	$1.76
Book value per share—end of year	**$24.61**	$23.01	$21.76
Return on average common stock equity	**16.4%**	15.9%	15.2%
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF CONSOLIDATED NET INCOME	**31.7%**	26.1%	26.2%
NET FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	**60.0%**	58.8%	52.7%

1979	1978	1977	1976	1975	1974	1973	1972
$5,821,933	$5,161,808	$4,563,806	$3,878,180	$3,245,663	$2,768,435	$2,352,427	$2,121,565
$6,631,618	$5,862,096	$5,111,037	$4,398,695	$3,736,126	$3,177,008	$2,771,698	$2,462,669
1,213,927	1,057,068	917,637	813,837	716,726	629,236	552,477	495,571
872,916	737,353	734,282	671,708	570,016	418,776	321,907	265,800
$2,368,612	$2,038,654	$1,859,057	$1,627,403	$1,334,881	$1,140,023	$ 995,352	$ 951,542
535,824	506,233	476,578	446,923	417,373	358,123	297,969	267,896
1,830,472	1,624,298	1,432,830	1,266,086	1,024,491	982,349	856,164	731,704
$4,734,908	$4,169,185	$3,768,465	$3,340,412	$2,776,745	$2,480,495	$2,149,485	$1,951,142
50.0%	48.9%	49.3%	48.7%	48.1%	46.0%	46.3%	48.8%
11.3	12.1	12.7	13.4	15.0	14.4	13.9	13.7
38.7	39.0	38.0	37.9	36.9	39.6	39.8	37.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
7.9%	7.5%	7.3%	7.2%	6.9%	6.4%	5.7%	5.6%
7.4%	7.3%	7.2%	7.1%	7.0%	6.6%	6.3%	6.2%
$211,151	$200,738	$175,919	$147,920	$120,976	$123,107	$111,243	$104,137
$142,262	$119,945	$103,250	$ 85,800	$ 74,400	$ 63,880	$ 57,590	$ 53,500
86,319,396	79,026,787	73,194,444	64,625,000	60,000,000	56,588,889	55,354,167	53,500,000
87,985,098	80,665,889	75,000,000	70,000,000	60,000,000	60,000,000	56,000,000	53,500,000
$2.45	$2.54	$2.40	$2.29	$2.02	$2.18	$2.01	$1.95
$1.64	$1.52	$1.40	$1.32	$1.24	$1.12	$1.04	$1.00
$20.80	$20.14	$19.10	$18.09	$17.07	$16.30	$15.09	$13.40
12.2%	13.1%	13.0%	12.9%	12.1%	13.5%	14.2%	15.1%
28.2%	26.9%	33.3%	33.7%	26.1%	17.8%	14.2%	11.9%
40.3%	44.1%	36.4%	29.7%	28.5%	35.8%	41.3%	45.6%

TEXAS UTILITIES COMPANY SYSTEM

Operating Statistics

	1982	1981	1980
ELECTRIC ENERGY GENERATED AND PURCHASED *(megawatt-hours)*			
Generated—net station output	**64,224,726**	62,447,413	62,865,641
Purchased and net interchange	**371,190**	91,091	56,388
Total generated and purchased	**64,595,916**	62,538,504	62,922,029
Company use, losses, and unaccounted for	**4,215,774**	4,166,327	4,422,762
Total electric energy sales	**60,380,142**	58,372,177	58,499,267
FUEL MIX FOR ELECTRIC GENERATION *(percent)*			
Gas	**44.4%**	46.4%	49.0%
Oil	**0.6**	0.2	0.1
Lignite	**55.0**	53.4	50.9
Total	**100.0%**	100.0%	100.0%
ELECTRIC ENERGY SALES *(megawatt-hours)*			
Residential	**19,945,087**	18,676,240	19,844,409
Commercial	**16,475,253**	15,383,162	14,683,104
Industrial	**17,526,412**	17,992,261	17,581,265
Government and municipal	**1,730,273**	1,692,106	1,796,988
Total general business	**55,677,025**	53,743,769	53,905,766
Other electric utilities	**4,703,117**	4,628,408	4,593,501
Total electric energy sales	**60,380,142**	58,372,177	58,499,267
OPERATING REVENUES *(thousands)*			
Residential	**$1,237,632**	$1,044,761	$ 877,555
Commercial	**911,487**	778,008	590,921
Industrial	**745,243**	659,678	482,919
Government and municipal	**95,673**	83,077	68,396
Total general business	**2,990,035**	2,565,524	2,019,791
Other electric utilities	**190,727**	161,998	123,188
Total from electric energy sales	**3,180,762**	2,727,522	2,142,979
Other operating revenues	**57,263**	10,855	31,574
Total operating revenues	**$3,238,025**	$2,738,377	$2,174,553
ELECTRIC CUSTOMERS (end of year)			
Residential	**1,477,097**	1,421,273	1,356,651
Commercial	**187,065**	177,269	171,495
Industrial	**21,478**	20,692	19,590
Government and municipal	**10,148**	10,263	10,488
Total general business	**1,695,788**	1,629,497	1,558,224
Other electric utilities	**75**	78	80
Total electric customers	**1,695,863**	1,629,575	1,558,304
Residential classification includes indirect sales (apartments, etc.); dwelling units not included in number of customers	**205,304**	213,905	223,960
Industrial classification includes service to Alcoa-Sandow (interruptible prior to May 1981):			
Electric energy sales *(megawatt-hours)*	**2,316,308**	2,848,997	2,918,794
Operating revenues *(thousands)*	**$68,035**	$64,016	$48,813

1979	1978	1977	1976	1975	1974	1973	1972
58,051,429	57,196,077	53,156,235	47,573,856	46,862,942	43,969,560	42,169,231	40,151,227
75,695	79,688	72,845	46,656	225,718	176,059	449,061	239,660
58,127,124	57,275,765	53,229,080	47,620,512	46,088,660	44,145,619	42,618,292	40,390,887
4,001,684	4,041,486	3,549,768	3,290,124	3,238,645	3,052,126	2,872,902	3,029,500
54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493	39,745,390	37,361,387
48.6%	58.0%	65.9%	68.3%	74.8%	82.0%	81.7%	92.6%
1.4	0.6	1.5	0.2	0.3	2.1	3.2	1.2
50.0	41.4	32.6	31.5	24.9	15.9	15.1	6.2
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
17,394,402	17,943,224	16,642,382	14,548,407	14,575,846	13,532,494	13,122,546	12,748,036
13,264,436	13,117,202	12,347,755	11,338,371	11,026,495	10,285,297	10,130,629	9,471,615
17,275,859	16,469,636	15,678,254	13,917,588	12,962,019	13,231,004	12,715,469	11,535,114
1,669,726	1,728,056	1,565,518	1,425,665	1,333,765	1,293,641	1,226,292	1,227,335
49,604,423	49,258,118	46,233,909	41,230,031	39,898,125	38,342,436	37,194,936	34,982,100
4,521,017	3,976,161	3,445,403	3,100,357	2,951,890	2,751,057	2,550,454	2,379,287
54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493	39,745,390	37,361,387
$ 672,340	$ 640,611	$ 552,331	$ 442,204	$ 374,480	$ 308,735	$ 268,131	$ 253,473
488,170	439,146	375,822	303,785	251,882	204,441	178,718	162,274
419,224	373,456	310,811	238,426	182,491	149,526	125,144	109,026
54,565	49,623	40,331	32,390	25,337	20,209	16,974	15,899
1,634,299	1,502,836	1,279,295	1,016,805	834,190	682,911	588,967	540,672
105,306	87,592	69,975	53,052	39,764	27,890	20,967	17,882
1,739,605	1,590,428	1,349,270	1,069,857	873,954	710,801	609,934	558,554
16,684	13,928	18,508	12,473	14,782	15,796	5,162	4,720
$1,756,289	$1,604,356	$1,367,778	$1,082,330	$ 888,736	$ 726,597	$ 615,096	$ 563,274
1,287,701	1,221,468	1,159,885	1,122,358	1,090,798	1,069,017	1,048,317	1,024,567
164,291	160,170	153,658	146,287	140,085	136,241	134,895	132,392
18,65	17,953	17,216	16,688	16,405	16,077	15,773	15,463
11,257	11,260	11,274	11,121	10,736	10,330	9,886	9,523
1,481,903	1,410,851	1,342,033	1,296,454	1,253,024	1,231,665	1,208,871	1,181,945
80	62	60	59	63	58	58	61
1,481,983	1,410,913	1,342,093	1,296,513	1,258,087	1,231,723	1,208,929	1,182,006
240,164	243,886	248,755	240,672	236,055	232,358	224,577	211,645
3,076,399	2,891,259	2,786,027	1,822,488	2,038,618	2,431,269	2,001,058	1,500,644
$48,400	$41,572	$36,878	$20,052	$18,704	$15,309	$10,037	$6,637

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Supplementary Information Concerning Effects of Changing Prices

Unaudited information furnished in compliance with the reporting requirements of Financial Accounting Standards Board Statement No. 33, Financial Reporting and Changing Prices (FASB 33), follows. The Statement indicates the need for experimentation in providing information about the effects of changing prices. Such information is intended to help readers better understand the impact of inflation on the Company. Because the information is presented on an experimental basis, it should be viewed with caution. Calculation of the information inherently involves the use of assumptions, approximations, and estimates and, therefore, the resulting measurements should be considered in that context and not as precise indications of the effects of inflation. The effects of changing prices are not recognized for income tax or rate-making purposes, therefore the supplementary information should not be interpreted as adjustments to earnings reported in the Financial Statements.

Information concerning the effects of general inflation (constant dollar) was determined by converting historical cost amounts into dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers.

Information concerning changes in specific prices (current cost) represent such changes in utility plant from the date costs were initially incurred to present, and differs from constant dollar information to the extent that the specific prices have increased at a rate different than the general rate of inflation. The current cost of utility plant was computed by indexing the existing historical cost of plant by the Handy-Whitman Index of Public Utility Construction Costs for the South Central Region and other appropriate indices. Such current costs are not necessarily representative of the replacement cost of the Company's productive capacity that might be incurred in a future period.

Depreciation on the constant dollar and current cost basis was determined by applying the System companies' straight-line depreciation rates used for financial accounting purposes to the appropriate indexed utility plant amounts, and is the only income statement item (including depreciation charged to fuel) that has been restated from the Financial Statements. In compliance with FASB 33, no adjustment has been made to federal income taxes.

Under rate-making rules prescribed by the Public Utility Commission of Texas, only the original cost of utility plant is recoverable through revenues as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars and current cost over the original cost is not recoverable through rates as depreciation and is reflected as Reduction to Net Recoverable Cost of Utility Plant. The Company believes, based on past experiences, that System companies will be allowed to recover the investment in utility plant when replacement of facilities actually occurs.

During periods of inflation, the holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The amount shown as Gain From Decline in Purchasing Power of Net Amounts Owed reflects the net of these two items and is primarily attributable to the substantial amount of long-term debt which has been used to finance utility plant. Since depreciation on this utility plant is limited by regulation to the recovery of historical costs, a holding gain on debt is not allowed and recovery is limited to only the embedded cost of debt capital. To reflect the results of rate regulation, Gain From Decline in Purchasing Power of Net Amounts Owed is offset by the Reduction to Net Recoverable Cost of Utility Plant.

Summary of Consolidated Net Income Adjusted for Effects of Changing Prices

Year Ended December 31, 1982

(Thousands of Dollars)	Historical Cost Reported In Financial Statements	Adjusted for Changing Prices: General Inflation (Constant Dollar)	Adjusted for Changing Prices: Specific Prices (Current Cost)
		Average 1982 Dollars	
Operating revenues	$3,238,025	$3,238,025	$3,238,025
Operating expenses (a)	2,603,971	2,830,449	2,857,900
Operating income	634,054	407,576	380,125
Other income	105,797	105,797	105,797
Total income	739,851	513,373	485,922
Interest charges	264,876	264,876	264,876
Preferred stock dividends of subsidiaries	46,329	46,329	46,329
Consolidated net income	$ 428,646	$ 202,168	$ 174,717
Increase in specific prices of utility plant held during the year (b)			$ 687,794
Reduction to net recoverable cost of utility plant		$ (34,941)	(224,437)
Effect of general inflation on utility plant			(470,847)
Effect of general inflation in excess of increase in specific prices of utility plant after reduction to net recoverable cost			(7,490)
Gain from decline in purchasing power of net amounts owed		144,344	144,344
Net change in purchasing power		$ 109,403	$ 136,854

(a) Depreciation, including amounts charged to fuel, was $218,105,000 for historical cost, $444,583,000 for constant dollar and $472,034,000 for current cost.

(b) At December 31, 1982, utility plant, net of accumulated depreciation, was $13,069,613,000 for current cost and $7,293,286,000 for historical cost.

Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

	1982	1981	1980	1979	1978
		Thousands of Average 1982 Dollars			
Operating revenues	**$3,238,025**	$2,906,258	$2,547,258	$2,335,525	$2,373,692
Constant Dollar Information					
Consolidated net income	**$202,168**	$168,410	$161,696	$117,117	
Earnings per share of common stock	**$1.82**	$1.65	$1.72	$1.36	
Net assets at year end at net recoverable cost	**$3,401,550**	$3,130,294	$3,031,941	$2,990,651	
Current Cost Information					
Consolidated net income	**$174,717**	$135,529	$120,683	$59,633	
Earnings per share of common stock	**$1.57**	$1.33	$1.28	$0.69	
Effect of general inflation in excess of increase in specific prices of utility plant after reduction to net recoverable cost	**$(7,490)**	$(330,172)	$(556,987)	$(627,191)	
Net assets at year end at net recoverable cost	**$3,401,550**	$3,130,294	$3,031,941	$2,990,651	
General Information					
Gain from decline in purchasing power of net amounts owed	**$144,344**	$322,711	$449,777	$485,597	
Dividends declared per share of common stock	**$2.04**	$2.00	$2.06	$2.18	$2.25
Market price per share of common stock at year end	**$23.23**	$20.15	$20.84	$22.32	$26.88
Consumer price index—average	**289.1**	272.4	246.8	217.4	195.4

DIRECTORS AND OFFICERS

Directors

T. L. AUSTIN, JR.
Dallas, Texas
Chairman of the Board and Chief Executive of the Company

PERRY G. BRITTAIN
Dallas, Texas
President of the Company

JAMES K. DOBEY
Aptos, California
Retired Chairman of the Board, Wells Fargo & Company

WILLIAM M. GRIFFIN
Hartford, Connecticut
Executive Vice President, Director and Chairman of the Finance Committees of Hartford Fire Insurance Company and Subsidiaries

BURL B. HULSEY, JR.
Fort Worth, Texas
Vice Chairman of the Board of the Company

ABNER V. McCALL
Waco, Texas
Chancellor of Baylor University

J. C. PACE, JR.
Fort Worth, Texas
Chairman of the Board and Director of Kimbell, Inc.

CHARLES N. PROTHRO
Wichita Falls, Texas
Owner, Perkins-Prothro Company

WILLIAM H. SEAY
Dallas, Texas
Chairman and Chief Executive Officer of Southwestern Life Insurance Company

Officers

T. L. AUSTIN, JR.
Chairman of the Board and Chief Executive

BURL B. HULSEY, JR
Vice Chairman of the Board

PERRY G. BRITTAIN
President

ERLE NYE
Executive Vice President

MICHAEL D. SPENCE
Executive Vice President

L. S. TURNER, JR.
Executive Vice President

H. A. HORN
Treasurer and Assistant Secretary

S. S. SWIGER
Controller

PETER B. TINKHAM
Secretary and Assistant Treasurer

Directory

TRANSFER AGENTS AND REGISTRARS
Mercantile National Bank at Dallas
Dallas, Texas

Morgan Guaranty Trust Company of New York
New York, New York

DIVIDEND DISBURSING AGENT
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

AGENT FOR PARTICIPANTS
AUTOMATIC DIVIDEND REINVESTMENT
AND COMMON STOCK PURCHASE PLAN
Morgan Guaranty Trust Company of New York
Dividend Reinvestment Plans
P.O. Box 3506, Church Street Station
New York, New York 10008

STOCK EXCHANGE LISTINGS
New York Stock Exchange, Inc.
New York, New York

Midwest Stock Exchange, Incorporated
Chicago, Illinois

The Pacific Stock Exchange Incorporated
Los Angeles and San Francisco, California

Ticker Symbol - TXU

The Annual Report has been prepared for the purpose of providing shareholders with information concerning the Company and not in connection with any sale or purchase of, or any offer or solicitation of an offer to buy or sell, any securities.

Texas Utilities Company distributes a booklet containing detailed System financial and operating data which have been compiled for the convenience of financial analysts; a copy will be furnished upon request.

A copy of the Annual Report to the Securities and Exchange Commission, Form 10-K, will be furnished by the Company upon request.

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