



TEXAS UTILITIES ELECTRIC COMPANY  
1983 ANNUAL REPORT

ELECTRIC COMPANY DIVISIONS

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DALLAS POWER & LIGHT COMPANY  
TEXAS ELECTRIC SERVICE COMPANY  
TEXAS POWER & LIGHT COMPANY  
TEXAS UTILITIES GENERATING COMPANY

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## TEXAS UTILITIES ELECTRIC COMPANY

Texas Utilities Electric Company, a wholly-owned subsidiary of Texas Utilities Company, was incorporated in September 1982. On January 1, 1984, Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company — formerly the electric utility subsidiaries of Texas Utilities Company — merged into and became operating divisions of the Electric Company along with a fourth division, Texas Utilities Generating Company. The Electric Company is engaged in the generation, purchase, transmission, distribution and sale of electricity.

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

**Texas Electric Service Company** provides service in 48 counties in north central and west Texas. This area includes Fort Worth, Arlington, Big Spring, Eastland, Grand Prairie, Midland, Odessa, Sweetwater, Wichita Falls and 69 other incorporated cities. Fort Worth is a banking, business and industrial center. The area served between Fort Worth and Dallas is a highly diversified complex of light industry, warehousing, commercial development and recreational

attractions. The territory includes a major part of the Permian Basin in west Texas, other oil and gas fields, major defense-related manufacturing industries 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, Farmers Branch, Irving, Killeen, Mesquite, Plano, Richardson, Temple, 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 Airport — the nation's largest airport — are all in the territory served. This area is also highly diversified with light and heavy manufacturing, electronics and substantial commercial activity.

**Texas Utilities Generating Company** is responsible for the planning, engineering, construction and operation of all generating stations and for planning and directing the dispatch and control of the transmission facilities of the Electric Company.

Texas Utilities Company has three other subsidiaries which provide specialized services at cost to the Texas Utilities Company System, including the Electric Company. Texas Utilities Fuel Company owns a natural gas pipeline system and acquires, stores and delivers natural gas and provides other fuel services for the generation of electric energy by the Company. Texas Utilities Mining Company owns and operates fuel production facilities for the surface mining and recovery of lignite for use at the Electric Company's generating stations. Texas Utilities Services Inc. provides financial, accounting and other administrative services to System companies.

**A** transformer burned out on one of our coldest nights... Your people came immediately after being called, and a crew came out in the freezing rain, replaced the transformer and gave us life again. Many thanks for such good service."

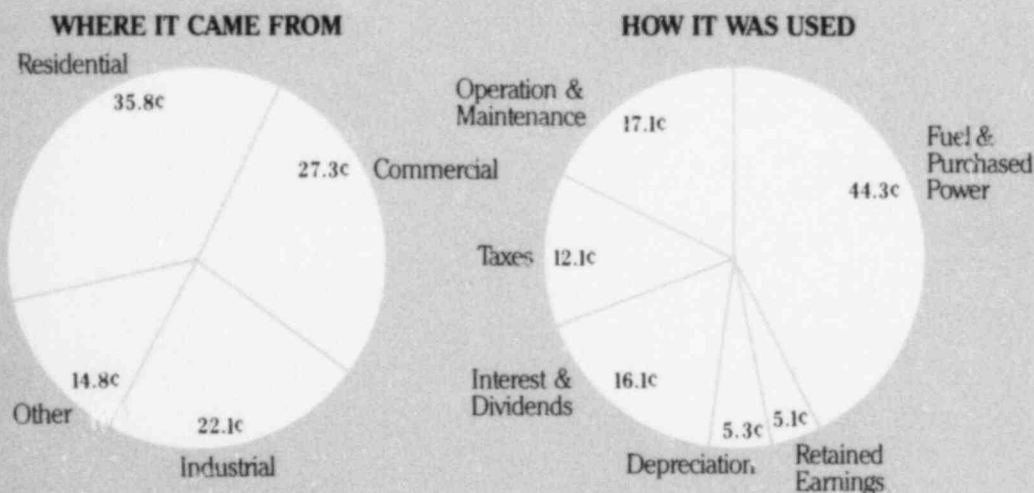
The above quote from a letter written by a customer is illustrated on the cover. Other written comments from customers are illustrated on following pages.

# OPERATING HIGHLIGHTS

	1983	1982	% Change
Operating Revenues .....	\$3,487,626,000	\$3,237,664,000	7.7
Operating Expenses Excluding Fuel and Purchased Power .....	\$1,255,265,000	\$1,206,275,000	4.1
Fuel and Purchased Power .....	\$1,617,809,000	\$1,452,334,000	11.4
Fuel Cost per Million Btu .....	\$2.24	\$2.10	6.7
Construction Expenditures .....	\$854,307,000	\$858,683,000	(0.5)
Electric Plant .....	\$9,108,056,000	\$8,268,898,000	10.1
Net Capability in Kilowatts* .....	17,957,000	17,957,000	—
Peak Demand in Kilowatts .....	14,029,000	13,204,000	6.2
Electric Energy Sales in Thousands of Kilowatt-Hours ..	62,709,927	60,380,142	3.9
Customers* .....	1,788,347	1,695,863	5.5

\*End of Year

## 1983 Texas Utilities Electric Company Revenue Dollar



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## MANAGEMENT'S LETTER



### TO THE SHAREHOLDERS:

This is the first Annual Report of Texas Utilities Electric Company — a new corporate entity formed with the Texas Utilities Company System's reorganization, which was effective January 1, 1984.

It is a single electric utility made up of four divisions. Three operating divisions — Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company — along with predecessor companies have been providing electric service in Texas since before the turn of the century.

The fourth, Texas Utilities Generating Company, was formed in the early 1970s, when the Texas Utilities Company System embarked on its program to use lignite coal to generate electricity. The generating division is primarily responsible for planning, engineering, construction and operation of all power plants.

The new structure offers more opportunities for efficiency and cost-effectiveness in operations. It also reduces duplication of effort and offers increased financial flexibility. The organization remains committed to the high standard of service to customers that always has characterized its operations.

Employees take pride in providing good service to customers, knowing that almost one-third the population of Texas depends on them for reliable and reasonably-priced electric service. They take that responsibility seriously. Because of their dedication, we are able to provide customers a high quality of service.

Meeting that goal is especially challenging in a service area which continues to experience steady economic growth. Mainly because of the healthy economy of the service area, more than 92,000 new customers were added during 1983.

One factor that historically has supported the effort to serve a growing demand for electricity has been responsible regulation in Texas. Developments during the year raised uncertainties regarding the regulatory climate in the state.

A revised Public Utility Regulatory Act was adopted as part of the regular sunset review by the state Legislature. Changes included revision of procedures for recovering fuel costs and establishment of an office of public counsel. Some proposed changes that would have been detrimental to electric utility customers — such as election, instead of appointment, of Public Utility Commission members — were not enacted.

These uncertainties, combined with inadequate rate increases approved for two operating divisions, contributed to decisions by two major bond rating agencies to lower the credit ratings of the Company's first mortgage bonds from Triple A to Double A. We are disappointed by these actions and are committed to maintaining and improving the Company's financial strength.

The lowering of the ratings also reflected industry developments that were especially disturbing to utilities with nuclear power plants under construction. These developments included cancellation of plants under growing cost and regulatory burdens.

Licensing difficulties at specific nuclear plants cast a shadow over the nuclear industry, and as Comanche Peak's operation date grows closer, the process for obtaining its operating license has become more difficult.

Significant construction progress was made during the year at Comanche Peak. A number of major

preoperational tests were completed on Unit 1, including hot functional testing of all major plant systems. Among other milestone events were delivery of nuclear fuel to the plant, licensing of 26 reactor operators and a full-scale exercise of the emergency preparedness plan in cooperation with state and county governments.

Nuclear power is essential to the nation, and Comanche Peak is essential to the service area. Plant licensing must be made less time-consuming and more predictable, while still allowing public input and providing for public safety.

In the interim, we recognize the critical nature of this process and have placed high priority on doing everything possible to obtain an operating license for Comanche Peak in a timely manner.

Progress in use of lignite continued during 1983, the fifth consecutive year more than 50% of the electricity used by customers was generated by lignite. Savings to customers had surpassed \$2.8 billion by year-end.

In 1983, customers used a record number of kilowatt-hours of electricity and set a new summer peak demand 6.2% higher than the 1982 peak. The average residential customer used 12,073 kilowatt-hours. The average usage was slightly lower than in 1982, reflecting weather conditions and effective conservation by customers.

The emphasis on helping customers conserve energy through the Residential Conservation Service and load management programs continued in 1983. In addition, a new Energy Aid Program was introduced to help customers who have severe financial hardships.

The Electric Company's construction expenditures in 1983 totaled

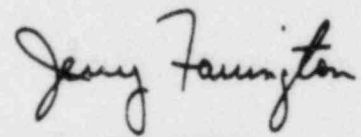
\$854.3 million, a slight decrease from \$858.7 million the previous year.

Long-term debt financing in 1983 totaled \$142 million which included \$125 million of first mortgage bonds, sold at 12¼%. The Company also sold 650,000 shares of preferred stock for \$64 million in 1983 and sold 5,795,300 shares of common stock to Texas Utilities for a total of \$190 million. Financial plans in 1984 include an expected sale in March of an additional 1,853,000 shares of common stock to Texas Utilities for \$66.6 million and the sale of \$100 million in first mortgage and collateral trust bonds in April. More long-term financing is planned in 1984.

Programs to improve productivity and control operating costs are continuing. Even with effective cost-reduction programs in place, rate increases were needed during the year and were approved for Texas Electric in December 1983 and for Dallas Power in early 1984. The increases were inadequate, however, and in March 1984, the Electric Company filed a request for an 8% increase.

The internal changes which have taken place in the reorganization will benefit customers through more efficient operations. The transition was made successfully because of the dedication of employees, many of whom accepted reassignment to new offices and locations. The spirit of cooperation and patience our employees showed made the changes much easier, and their efforts are deeply appreciated.

One aspect of our operations has not changed — the dedication of employees to providing the reliable electric energy necessary to sustain the good quality of life in the area we serve.



JERRY FARRINGTON  
*Chairman of the Board  
and Chief Executive*



*As a single parent ... I found it difficult to manage financially. Your office staff was extremely helpful and understanding during a very difficult time in my life. I personally thank you all again for your patience and understanding with my account."*

## OPERATIONS

### PROVIDING QUALITY SERVICE

Providing quality service to customers is a commitment that begins with planning that is aimed at providing a reliable supply of electricity at a reasonable price.

It is continued with the efficient design, construction and operation of generating plants to produce electricity for customers, as well as transmission and distribution systems to deliver it to homes and businesses. And it is carried out through day-to-day personal contact between customers and employees.

At the end of 1983, service was being provided to almost 1.8 million customers, an increase of 92,000, or 5.5%, over the number served a year before.

Customers set a new peak demand of 14,029,000 kilowatts on August 15, 1983. During the year, kilowatt-hour sales reached a record 62.7 billion. About 55% of this generation was fueled by lignite, which has been used to produce more than half the electricity provided to customers in each of the last five years.

In 1983, the average cost of lignite was \$0.92 per million Btu. By contrast, the cost of natural gas averaged \$3.74 per million Btu. The average cost of all fuel used in 1983 was \$2.24.

### CUSTOMER ASSISTANCE

An important part of the commitment to customers is making it as convenient as possible for them to communicate with employees about any aspect of their electric service. In that regard, telephone service personnel in the Dallas and Fort Worth offices alone responded to more than 1.6 million calls in 1983.

Average billing programs are offered to customers to help even out highs and lows in monthly bills.

Some customers need additional time to pay bills, either because of

temporary financial hardship or because weather conditions have caused bills to be unusually high. Customer representatives stand ready to help customers arrange workable payment schedules.

Under a "special friend" third-party notification plan, a notice can be sent upon request to a third party if an amount is past due. This service is particularly useful to the elderly and their families.

### Energy Aid Program

An Energy Aid Program was begun in January 1983 as a means of helping people with severe financial hardships pay their energy bills.

The program is designed to help needy senior citizens, people who are ill or disabled or those whose financial setbacks make them temporarily unable to pay for essential energy services.

By year-end, the Company, its customers and employees had contributed more than \$475,000 to the program. More than 5,300 customers had received assistance.

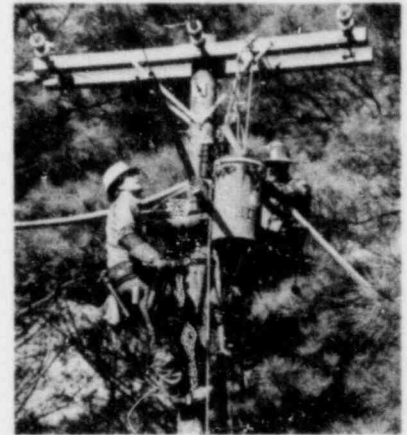
### EMERGENCY PREPAREDNESS

Emergency preparedness planning is designed to maintain electric service to customers during emergencies and to restore it as soon as possible when it is interrupted.

Emergency and disaster preparedness plans outline responsibilities and provide methods to mobilize employees during emergency conditions.

Specialized equipment that includes weather radar and communications facilities also is available to assist in emergencies.

The Texas Utilities System Operations Center, a part of the generating division, acts as the North Texas Security Center for the Electric Reliability



### 1983 Fuel Costs Per Million Btu

Lignite	\$0.92
Gas	\$3.74
System Average	\$2.24



### 1983 Fuel Mix

Lignite	55%	Gas/Oil	45%
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**S**killed, dedicated employees, such as the linemen and servicemen shown above, help provide a high quality of service to customers.



*An employee came to my home to do an energy efficiency inspection ... I was amazed at how well educated and versed she was on all topics of home energy ... All my questions were answered thoroughly and in layman's terms."*



Council of Texas. In that role, it monitors the generating reserves of utilities in the North Texas area to make sure an adequate supply of electricity remains available.

### Record-setting Winter

The dedication of employees to maintaining electric service to customers during the most severe weather was demonstrated in late December 1983, when Texas was subjected to a 13-day stretch of record-breaking cold.

A key factor in continuing reliable service during the cold spell was the commitment of employees. Additionally, lignite generation, the System-owned gas pipeline network and strategically-located oil and gas storage facilities provided the necessary fuel flexibility when commercial gas supplies were curtailed. Another important factor during the extreme cold was a long-standing equipment maintenance program that provided substantial freeze protection at power plants.

Customers also helped avert statewide shortages of electric power by responding to requests for voluntary curtailment of all except essential use of electricity.

Texas Public Utility Commission Chairman Alan R. Erwin praised the efforts of employees in meeting the emergency. "It was the individual utility workers who spent their holidays working under extreme conditions who really saved the system," he said. "I assure you that I have a great new respect for the people who work for the electric utilities of Texas."

### CONSERVATION SERVICES

Conservation pays dividends to customers — in savings on their bills and in the preservation of valuable energy resources.

Load management, which includes providing incentives to encourage use of high-efficiency electrical equipment — especially air conditioning — and

construction of energy-efficient buildings, also pays off in direct savings to customers. Further, conservation and use of efficient equipment lower the growth in demand for electricity and reduce the need for new generating equipment in the future.

### Residential Conservation

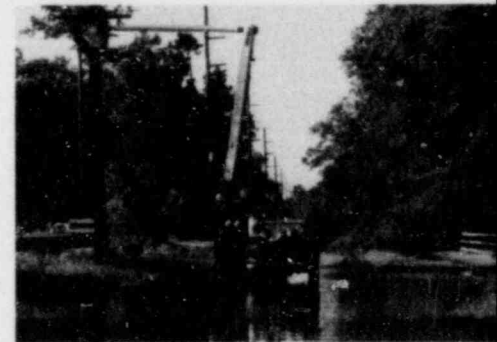
Through the Residential Conservation Service Program, free on-site analyses of household energy use are offered. Energy specialists advise customers on what they can do to improve home energy efficiency, how much the improvements are estimated to cost and how much customers can expect to save on utility bills if they act on the recommendations.

Numerous other conservation programs and educational materials are available from customer representatives, home service advisors and educational services specialists.

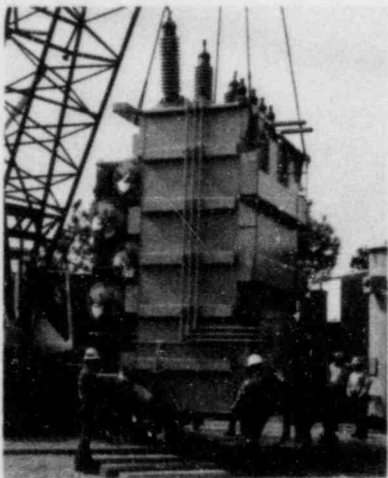
Information available through these programs — and from numerous booklets and pamphlets — covers economical energy use patterns for family members, free or inexpensive do-it-yourself methods for improving home energy efficiency, effective home construction standards and cost-effective equipment and lighting selections.

### Load Management

Load management activities include the E-OK Bonus program, under which customers and homebuilders are given incentives to install high-efficiency air conditioning units or heat pumps in new or existing buildings. The E-OK program also has a goal of reducing the size of air conditioners installed in new homes by encouraging construction of more energy-efficient structures.



**W** eather conditions activate emergency plans. Top to bottom: weather radar monitors storms; operating center recorders track generation and dispatching; freeze protection is added to power plant, and crews assist other utilities in repairing Hurricane Alicia damage.



**C**onservation services and productivity are high-priority items. Top to bottom: learning conservation techniques through hands-on training and in school; checking inventory in a plant maintenance storeroom, and replacing a substation transformer.

Incentives also are provided to encourage installation of thermal energy storage systems by commercial, industrial and municipal customers to allow cooling equipment to be operated during off-peak periods.

### **PRODUCTIVITY**

Maintaining quality of service to customers while holding operating costs as low as practical remains the primary goal of programs to improve productivity.

Data processing innovations and expanded use of computers continue to save money and enhance productivity through such programs as a Distribution Information System in Fort Worth and Information Centers in Dallas and Fort Worth.

The Distribution Information System makes it easier for distribution engineers to gather and use information; improves accuracy of cost estimates, load forecasts, planning and construction estimates, and reduces the time necessary to make complicated calculations.

The Information Centers are designed to make the advantages of computers available to employees who do not deal with data processing on a daily basis. They offer training in the use of software products and terminals.

### **Production and Safety Records**

A number of productivity records were set during 1983 by employees.

Lignite was used to generate almost 35 billion kilowatt-hours during the year, the highest annual total since the Company began its major lignite generation program in 1971.

Production of lignite also surpassed that of previous years. Mining operations at three of the lignite plants — Big Brown, Martin Lake and Monticello — produced 28,776,000 tons. On December 7, 1983, the Company's 200 millionth ton of lignite was mined.

Throughout all areas of employment, safety is a basic commitment supported by ongoing programs and recognition for outstanding achievements.

Dedication by employees to safety led to a national record being set in 1983 at the Monticello lignite plant at a time when generation productivity was at record levels. On December 27, the power department achieved four million man-hours without a lost-time injury — the most ever attained by a coal-fueled power plant.

### **Reorganization**

The reorganization of the Texas Utilities Company System is a major step reflecting a commitment to efficient operations and overall cost control.

The reorganization brought about cost-savings in 1983 by allowing reduction in the work force through normal attrition and an early retirement program. During 1983, while the number of customers increased, total employment was reduced by more than 350.

## PLANNING FOR SERVICE RELIABILITY

Long-range planning is a prerequisite to providing a reliable supply of electricity at reasonable prices. An example of such planning, which is helping hold down costs to customers today, is a program begun in the late 1960s to diversify fuel sources and reduce dependence on natural gas, the fuel once used to generate essentially all the electricity in Texas.

### Fuel Supplies

Reserves of relatively inexpensive lignite coal were under lease because acquisition of the east Texas lignite had begun in the late 1940s. In addition, plans for the use of uranium, also a low-cost fuel by comparison to gas, began in the early 1970s.

Because of this long-range planning, an estimated 845 million proven recoverable tons of lignite fuel are available for use.

The savings to customers from the use of lignite continue to grow, reaching more than \$2.8 billion by the end of 1983 compared to the cost of the same amount of electricity produced by natural gas.

Enough uranium is under contract for the first 17 years of operation of each Comanche Peak unit. Long-term contracts for related fuel processing services other than disposal of spent fuel also have been signed.

The Nuclear Waste Policy Act of 1982 authorized a plan under which the federal government will develop interim storage and permanent disposal facilities for spent fuel. Adequate storage for spent fuel is available on site for at least 17 years of operation, and this storage capacity can be increased.

Texas Utilities Fuel Company, the Electric Company's supplier of natural gas, has acquired such fuel under contracts expiring at intervals through 2003. Effective December 31, 1983, the Old Ocean Fuel Company, formerly a subsidiary of Texas Electric, was merged into the Fuel Company.

Oil storage capacity available totals about 6.9 million barrels. The oil is used primarily when natural gas supplies are interrupted or curtailed.

### Construction

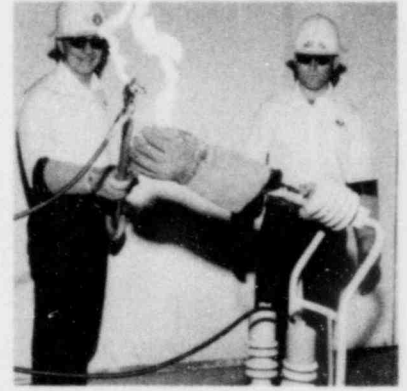
Construction of new generating plants to use lignite began in the late 1960s, and in the early 1970s, the Company began building its Comanche Peak nuclear plant.

The major part of this construction program has ended. Nine lignite-fueled generating units are in operation, and Comanche Peak is nearing completion.

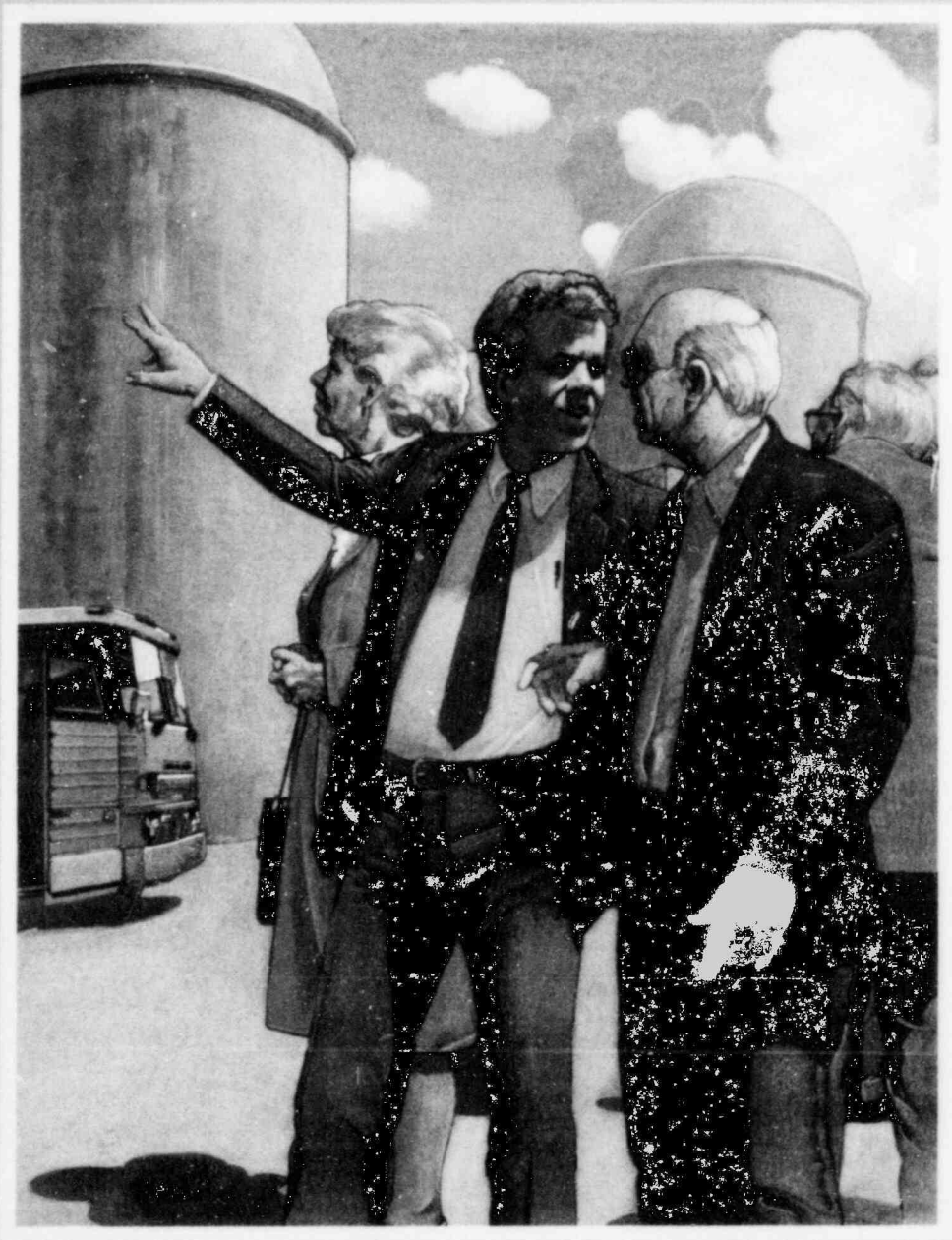
Four other lignite units remain under construction, scheduled for service between 1989 and 1991, to help meet the growth in need for electricity by customers.

Construction also began on a new facility to house the System Operations Center, which will allow more efficient dispatching of the generation of electricity from power plants.

At least 25% of 1983 construction expenditures involved work on the transmission and distribution system, much of it because of customer growth.



**T**Training, safety and productivity are partners. Top to bottom: testing effectiveness of safety gloves; new safety goal for Monticello plant; training in plant operations, and operation of the Distribution Information System.



**T**hanks for the very interesting and educational trip to the Comanche Peak Steam Electric Station ... It seems a shame that more people do not learn about the positive side of this source of energy.

Construction expenditures in 1983, including an allowance for funds used during construction, were \$854,307,000 (excluding nuclear fuel). It is estimated that such expenditures for 1984, 1985 and 1986 will be \$881,000,000, \$894,000,000 and \$1,248,000,000, respectively.

The schedule for the generating units under construction is:

Station — Unit	Fuel	Capacity (kilowatts)	Service Date
Comanche Peak 1	Nuclear	1,010,000*	1985
Comanche Peak 2	Nuclear	1,010,000*	1986
Forest Grove 1	Lignite	750,000	1989
Twin Oak 1	Lignite	562,500*	1989
Twin Oak 2	Lignite	562,500*	1990
Martin Lake 4	Lignite	750,000	1991

\*Net capability to the Electric Company

### Estimates Revised

During the 1983 annual review of the construction program, schedule changes were made affecting Comanche Peak and Unit 1 of the Twin Oak lignite plant. Based on current estimates, the first Twin Oak unit will not be needed until 1989, and its service date was deferred one year.

The estimated fuel load date for Comanche Peak Unit 1 was re-scheduled from December 1983 to mid-1984, with the unit expected to be in full service in early 1985. Operation of Unit 2 is expected approximately 18 months after Unit 1.

Comanche Peak Unit 1 was 97% complete at the end of 1983, but remaining work — such as painting, electrical cables, documentation, final inspections and testing activities — is taking more time than previously allowed for in scheduling. At the end of the year, Unit 2 was 65% finished, with the overall project being 84% complete.

The total estimated cost of Comanche Peak also was revised from \$3.44 billion to \$3.89 billion. Of the total, the Company's share is \$3.31 billion, or \$1,640 per kilowatt. The cost of Comanche Peak is among the lowest of the nation's nuclear plants planned for service in the mid-1980s,

with its cost per kilowatt almost 30% below an average of \$2,300 per kilowatt for comparable plants.

The Company owns 87.5% of Comanche Peak. Other owners are the Texas Municipal Power Agency, 6.2%; Brazos Electric Power Cooperative, Inc., 3.8%, and Tex-La Electric Cooperative of Texas, Inc., 2.5%.

### Comanche Peak Milestones

The Comanche Peak nuclear plant, with its 2,300,000 kilowatts of generating capacity, will be essential to providing a continued supply of reliable electricity to the Company's customers.

During 1983, significant progress was made at the plant. At year-end, Unit 1 was almost complete.

Milestones achieved during the year included:

- The structural integrity test to verify the strength of the containment building.
- The integrated leak rate test to ensure the containment building meets design criteria for being airtight.
- Hot functional testing, a check of all major plant systems.
- Awarding of operating license certificates by the Nuclear Regulatory Commission to 26 reactor operators.
- Delivery of fuel for Unit 1.
- Full-scale exercise of the Comanche Peak emergency preparedness plan in cooperation with state and county governments.

### Licensing Hearings Continue

Further public hearings on the application for an operating license for Comanche Peak were conducted in 1983 by an NRC Atomic Safety and Licensing Board. The ASLB has scheduled additional sessions in 1984.

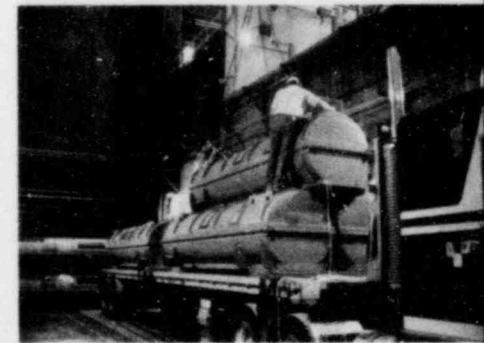
All but one of the 25 contentions originally raised by intervenors and the NRC staff either have been dropped or fully pursued.



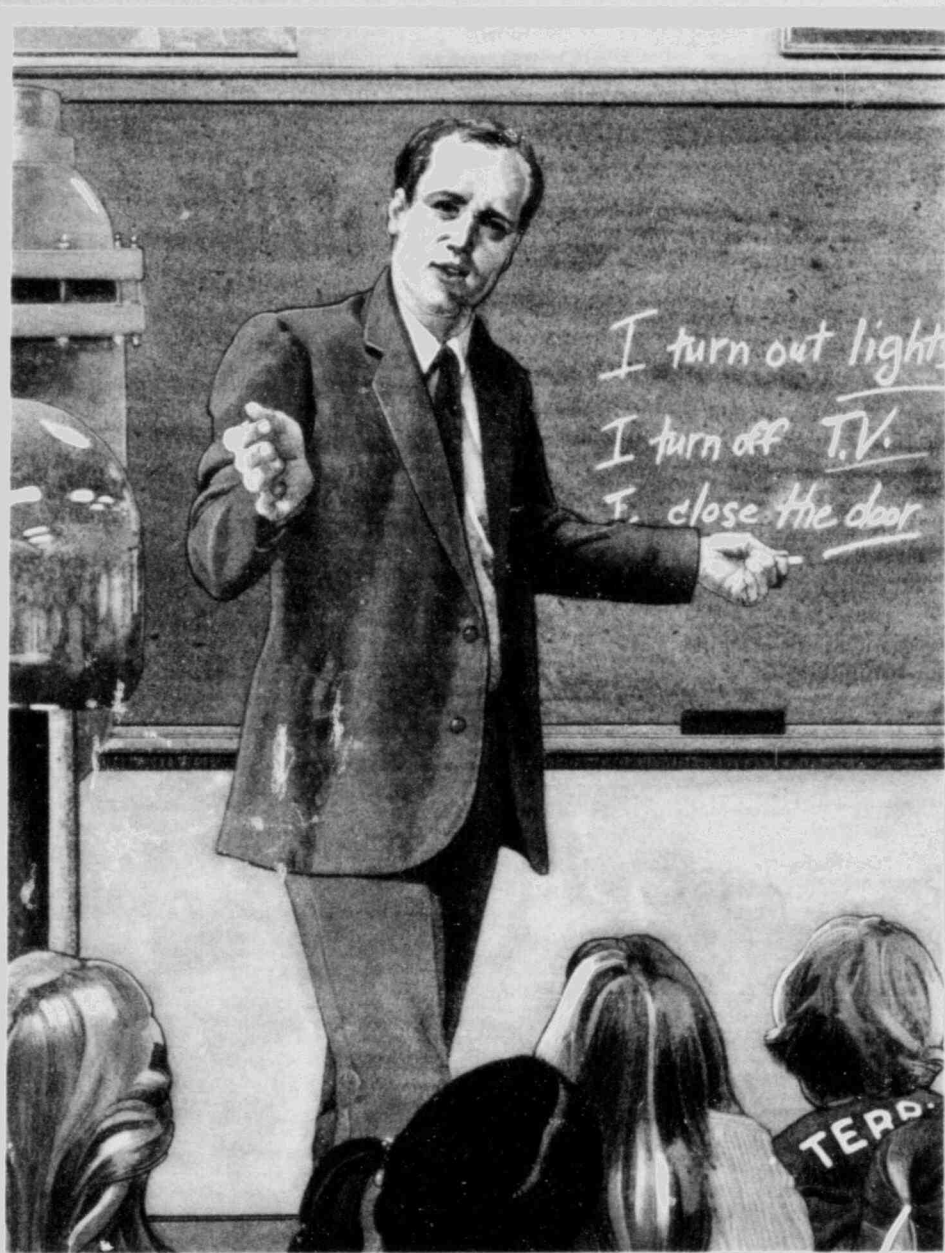
Cost of Comanche Peak vs. National Average

National Average \$2,300/kw

Comanche Peak \$1,640/kw



The Comanche Peak nuclear plant came a number of steps closer to operation in 1983. At top: the first 26 reactor operators to receive their licenses display certificates. Bottom: a truck carrying part of the first load of fuel for Unit 1 arrives.



**T**hank you for the terrific show. I learned a lot. I learned about conserving energy and I am going to remind my family about conserving energy . . . I learned about power plants and that you should shut the door when I go outside and lots of other things."

The remaining issue concerns the construction quality assurance program. Management has been committed to a strong and effective quality assurance program since construction began. During 1983, this commitment was reemphasized to all plant employees through a series of meetings and print communications.

Several technically-qualified independent groups have evaluated specific aspects of the Comanche Peak project — including Sargent and Lundy, a consulting firm with extensive experience in the nuclear industry as an architect-engineer, and Cygna Energy Services, a California-based consulting firm. These groups have concluded that Comanche Peak is being managed properly and built for safe, reliable operation. They have found no significant problems that would affect the safety of the plant.

In late 1983, however, the ASLB expressed concern about the design quality of the plant and asked for further assurances that the plant has been designed and built properly. The Board requested that the Company file a plan to help resolve its concerns. A plan calling for further testing and analysis, preparation of detailed testimony and documented evidence and expansion of the independent assessment previously conducted by Cygna Energy Services has been presented. Management is committed to providing the assurances the ASLB has requested and believes the plan will fulfill that commitment.

However, the uncertainties created by these proceedings and related legal and regulatory developments are of concern. The Company cannot predict what effect these matters may have on the projected completion cost or service date of the plant.

### Research and Development

The Company is involved in ongoing research aimed at finding new

energy sources and technologies to improve reliability of electric service and lower its cost.

The Environmental Research Center at the Big Brown lignite plant is a center for graduate-level study and research carried out under the direction of an independent committee of university professors. These studies have contributed to significant cost savings and improvements in mining efficiency, land reclamation, environmental protection and other lignite operations.

The Electric Power Research Institute, which is supported by the Company and other electric utilities in the nation, currently has more than 1,500 research projects underway. In addition, the work of the Texas Atomic Energy Research Foundation, which is helping develop nuclear fusion as a future energy source, is supported.

### RATES AND REGULATION

Texas Electric applied for higher rates in June 1983 and in December received an order from the Public Utility Commission of Texas authorizing an increase in operating revenues of 6.1%. The rates were placed into effect in December.

Dallas Power applied for higher rates in July 1983. In January 1984, the PUC issued an order granting an increase in operating revenues of about 6.5%. Billing on the new rates began in February.

The increases were the first for Texas Electric since October 1980 and the first for Dallas Power since March 1981.

Texas Power received an order from the PUC in June 1982 which authorized an increase in operating revenues of 5.8%. The rates were placed into effect in July 1982.

Texas Utilities Electric Company filed a request for an 8.0% increase in



**A**ctivities at Comanche Peak were varied. At top: employees prepare for emergency plan exercise and, center, a tour of the Visitors Center is conducted. Bottom: at the Environmental Research Center, located at the Big Brown lignite plant, effects on wildlife are studied.



**E**mployees, at top, package materials in preparation for filing a rate case. Bottom: data processing helps improve efficiency and hold down costs in many phases of operation.

Systemwide rates in March 1984. The PUC had specified, in its December 1982 order approving the System's reorganization plan, that rate filings after January 1, 1984, be filed on a combined basis for the Electric Company.

### **Regulatory Act Amended**

In 1983, the state Legislature extended the life of the Public Utility Commission and made several amendments to the Texas Public Utility Regulatory Act of 1975. The amended PURA became effective September 1, 1983.

Major changes affecting the electric utility industry included eliminating the use of an automatic fuel adjustment clause. All rate changes resulting from fuel cost changes must receive prior approval from the PUC after a public hearing. The legislation also created an office of public counsel to represent residential and small commercial consumers before the PUC.

Construction work in progress is to be an exceptional form of rate relief. It may be placed in the rate base if it is necessary to the financial integrity of the utility and if the construction project has been planned and managed efficiently.

The Act sets certain time limits for action by regulators on proposed rate changes. It was amended to provide for an increase from 125 to 185 days in the period after filing of an application before new rates may be placed into effect under bond.

### **Fuel Cost Recovery Rule Developed**

Pursuant to amendments made to the PURA, the PUC in July 1983 adopted an emergency amendment to its substantive rules to provide that,

after the effective date of the new Act, no automatic fuel adjustment clause would be allowed. Recovery of all fuel costs would be subject to PUC approval and would be part of base rates.

Each investor-owned electric utility in Texas was required to file with the PUC information necessary to establish an interim fixed fuel factor to become effective with September consumption and to remain in effect until permanent factors were established.

No less than 12 months after implementing a change in fuel cost recovery, a utility is required to request reconciliation of any over-recovery of fuel costs and may request reconciliation of any under-recovery of fuel costs. The rule provides that emergency requests to change the fixed fuel factor must be acted on within 30 days by the PUC if unforeseeable circumstances substantially change the cost of fuel from the approved factor.

Dallas Power, Texas Electric and Texas Power jointly filed the required information and were granted an interim fuel factor. In July, applications were filed for a new fuel factor to become effective in January 1984 based on the Electric Company's estimated fuel cost per kilowatt-hour during 1984. In December 1983, the PUC remanded an examiner's report in the case to be amended with the stipulation that recovery of fuel costs be based on a historical test year adjusted for "known and reasonably predictable" changes.

On January 12, 1984, the PUC adopted its final rule relating to fuel cost recovery. The provisions of this final rule are substantially the same as the emergency rule. The Company cannot predict how this rule will be further interpreted or applied; however, any significant delay in the recovery of actual fuel costs may increase financing requirements.



# FINANCIAL REPORT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### LIQUIDITY AND CAPITAL RESOURCES

The primary capital requirements of the Company for 1983 and as estimated for 1984 through 1986 are as follows:

	1983	1984	1985	1986
	<i>Thousands of Dollars</i>			
Construction expenditures (excluding AFUDC) .....	\$696,000	\$713,000	\$732,000	\$1,115,000
Nuclear fuel .....	45,000	79,000	70,000	48,000
Maturities of long-term debt and sinking fund requirements ..	34,000	45,000	46,000	41,000
Total .....	<u>\$775,000</u>	<u>\$837,000</u>	<u>\$848,000</u>	<u>\$1,204,000</u>

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

The Company 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 net income, depreciation, deferred taxes and investment tax credits. Factors affecting the ability of the Company to fund a portion of its 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, 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 1983, approximately 51% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the Company through the sales of common stock to Texas Utilities, preferred stock and long-term debt. The capitalization ratios of the Company at December 31, 1983 consisted of approximately 41% long-term debt, 11%

preferred stock and 48% common stock equity. Similar ratios are expected to be maintained in the future. To provide for immediate cash requirements during periods between long-term financings, the Company obtains short-term loans from Texas Utilities, which had lines of credit with commercial banks aggregating \$300,000,000 at December 31, 1983. The Company does not maintain separate credit arrangements with banks or other lenders.

The Company expects to sell securities as needed, including (i) the anticipated sale to Texas Utilities in March 1984 of 1,853,000 shares of its authorized but unissued common stock for \$66,550,100, (ii) the anticipated sale in April 1984 of \$100,000,000 of first mortgage and collateral trust bonds, (iii) the possible future sale by the Company of up to 350,000 shares of preferred stock currently registered with the Securities and Exchange Commission for offering pursuant to Rule 415 and (iv) sales of additional securities from time to time in amounts and types presently undetermined. Although the Company cannot predict future regulatory practices and is to some degree exposed to fluctuating economic and securities market conditions, it does not currently expect any changes in trends or commitments which might significantly alter its basic financial position or ability to finance capital requirements. The new organization resulting from the merger should provide greater financing flexibility and achieve additional economies and efficiencies. (See Rates and Regulation and Note 9 to Financial Statements.)

See Financial and Operating Statistics for additional information.

## RESULTS OF OPERATIONS

Operating revenues have increased \$249,962,000 for 1983 and \$499,615,000 for 1982 primarily as a result of the recovery of higher fuel costs, increased rate levels and increased energy sales. Energy consumption is affected by material variations in weather conditions. Temperatures during 1983 were relatively mild compared to the temperatures experienced during 1982 and 1981, which were relatively normal. (See Rates and Regulations and Operating Statistics.)

Fuel and purchased power expense increased primarily as a result of higher unit costs of fuel consumed and 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. In 1983, such inflationary pressures were offset somewhat by cost control measures taken by the Company and by a reimbursement of approximately \$17,000,000 from a municipality representing water payments charged to expense in prior periods. (See Note 9 to Financial Statements.) Increases in taxes other than income resulted primarily from increases in revenue and property based taxes.

Increases in allowance for funds used during construction are primarily attributable to the increase in the AFUDC rate effective January 1982 and increases in the level of construction work in progress of the Company not allowed in rate base by regulatory authorities, and also for 1982 to the interest capitalized (net of tax) upon the assumption of the 2½% 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 1983 are lower than prior years primarily because of the gain on the sale of the 2½% interest in Comanche Peak in 1982 and the expiration of income from Alcoa for the construction of generating facilities placed in service in 1981.

Other interest charges were higher in 1982 as a result of the interest paid Tex-La on the portion of Comanche Peak released by Tex-La and in 1981 due to higher interest rates paid to Texas Utilities on higher loan balances.

Net income for 1982 included an increase of approximately \$3,400,000 as a result of the sale of the 2½% interest in Comanche Peak. (See Note 8 to Financial Statements.)

The Company expects 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 32 and 33.

Texas Utilities Electric Company  
**STATEMENT OF INCOME**

	Year Ended December 31,		
	1983	1982	1981
	<i>Thousands of Dollars</i>		
OPERATING REVENUES .....	<u>\$3,487,626</u>	<u>\$3,237,664</u>	<u>\$2,738,049</u>
OPERATING EXPENSES			
Fuel and purchased power .....	1,617,809	1,452,334	1,143,770
Operation .....	397,006	393,527	323,024
Maintenance .....	228,277	223,247	192,885
Depreciation .....	191,944	179,509	167,856
Federal income taxes (Note 6) .....	232,216	224,085	237,067
Taxes other than income .....	205,822	185,907	167,472
Total operating expenses .....	<u>2,873,074</u>	<u>2,658,609</u>	<u>2,232,074</u>
OPERATING INCOME .....	<u>614,552</u>	<u>579,055</u>	<u>505,975</u>
OTHER INCOME			
Allowance for equity funds used during construction .....	118,032	97,279	70,381
Other income and deductions — net .....	7,491	16,820	14,325
Federal income taxes (Note 6) .....	(3,821)	(8,281)	(6,643)
Total other income .....	<u>121,702</u>	<u>105,818</u>	<u>78,063</u>
TOTAL INCOME .....	<u>736,254</u>	<u>684,873</u>	<u>584,038</u>
INTEREST CHARGES			
Interest on mortgage bonds .....	233,884	202,707	157,238
Interest on other long-term debt .....	12,315	14,291	14,451
Other interest .....	9,643	23,501	20,465
Allowance for borrowed funds used during construction .....	(40,489)	(38,765)	(23,576)
Total interest charges .....	<u>215,353</u>	<u>202,134</u>	<u>168,578</u>
NET INCOME .....	520,901	482,739	415,460
PREFERRED STOCK DIVIDENDS .....	<u>51,582</u>	<u>46,329</u>	<u>46,329</u>
NET INCOME AFTER PREFERRED STOCK DIVIDENDS .....	<u>\$ 469,319</u>	<u>\$ 436,410</u>	<u>\$ 369,131</u>

See accompanying Notes to Financial Statements.

Texas Utilities Electric Company

STATEMENT OF SOURCE OF FUNDS FOR CONSTRUCTION

	Year Ended December 31,		
	1983	1982	1981
	<i>Thousands of Dollars</i>		
<b>FUNDS FROM OPERATIONS</b>			
Net income .....	\$520,901	\$482,739	\$415,460
Depreciation .....	191,944	179,509	167,856
Deferred federal income taxes — net .....	82,328	76,389	53,177
Federal investment tax credits — net .....	53,879	72,548	50,475
Allowance for funds used during construction .....	(158,521)	(136,044)	(93,957)
Total funds from operations .....	<u>690,531</u>	<u>675,141</u>	<u>593,011</u>
Less — Dividends declared:			
Preferred stock .....	51,582	46,329	46,329
Common stock .....	283,392	241,381	205,656
Total dividends declared .....	<u>334,974</u>	<u>287,710</u>	<u>251,985</u>
Net funds from operations .....	<u>355,557</u>	<u>387,431</u>	<u>341,026</u>
<b>FUNDS FROM FINANCING</b>			
Sales of securities:			
First mortgage bonds .....	142,079	300,414	218,507
Other long-term debt .....	—	4,215	3,677
Preferred stock .....	64,366	—	—
Common stock .....	189,895	105,056	150,000
Retirement of long-term debt .....	(34,456)	(23,653)	(15,327)
Increase (decrease) in notes payable to Texas Utilities (parent) .....	(34,660)	39,230	(99,600)
Net funds from financing .....	<u>327,224</u>	<u>425,262</u>	<u>257,257</u>
<b>OTHER SOURCES (USES) OF FUNDS</b>			
Changes in working capital, excluding notes payable and long-term debt due currently:			
Cash in banks and temporary cash investments .....	(3,020)	56,963	(55,403)
Accounts receivable — net .....	(32,298)	(21,722)	(34,388)
Inventories .....	54,656	(28,012)	(24,836)
Accounts payable .....	9,366	3,707	6,948
Taxes accrued .....	21,259	(1,132)	35,406
Advance payment on sale of electric plant (Note 8) .....	—	(90,420)	90,420
Other — net .....	27,356	(6,345)	20,606
Net change .....	<u>77,319</u>	<u>(86,961)</u>	<u>38,753</u>
Nuclear fuel .....	(45,381)	(29,551)	4,271
Sale of electric plant (Note 8) .....	—	36,220	—
Other — net .....	(18,933)	(9,762)	(5,554)
Net other sources (uses) of funds .....	<u>13,065</u>	<u>(90,054)</u>	<u>37,470</u>
Total .....	<u>\$695,786</u>	<u>\$722,639</u>	<u>\$635,753</u>
<b>CONSTRUCTION EXPENDITURES</b>			
Electric plant .....	\$854,307	\$858,683	\$729,710
Allowance for funds used during construction .....	(158,521)	(136,044)	(93,957)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction) .....	<u>\$695,786</u>	<u>\$722,639</u>	<u>\$635,753</u>

See accompanying Notes to Financial Statements.

Texas Utilities Electric Company  
**BALANCE SHEET**

ASSETS	December 31,	
	1983	1982
	<i>Thousands of Dollars</i>	
<b>ELECTRIC PLANT</b>		
In service:		
Production .....	\$2,759,413	\$2,750,855
Transmission .....	1,014,929	946,138
Distribution .....	1,917,418	1,733,862
General .....	215,216	191,757
Total .....	5,906,976	5,622,612
Construction work in progress .....	3,037,817	2,529,366
Nuclear fuel .....	156,088	110,707
Held for future use .....	7,175	6,213
Total electric plant .....	9,108,056	8,268,898
Less accumulated depreciation .....	1,687,098	1,539,486
Electric plant, less accumulated depreciation .....	7,420,958	6,729,412
INVESTMENTS — at cost .....	3,552	3,366
<b>CURRENT ASSETS</b>		
Cash in banks .....	12,587	12,567
Temporary cash investments — at cost .....	3,000	—
Special deposits .....	27,076	17,464
Accounts receivable:		
Customers .....	207,771	170,814
Other .....	17,275	21,892
Allowance for uncollectible accounts .....	(8,999)	(8,957)
Inventories — generally at average cost:		
Materials and supplies .....	50,194	50,841
Fuel stock .....	59,807	113,816
Working funds .....	38,724	38,821
Other current assets .....	14,783	28,745
Total current assets .....	422,218	446,003
DEFERRED DEBITS .....	50,693	17,726
Total .....	<u>\$7,897,421</u>	<u>\$7,196,507</u>

See accompanying Notes to Financial Statements.

LIABILITIES	December 31,	
	1983	1982
	<i>Thousands of Dollars</i>	
CAPITALIZATION		
Common stock — without par value (Note 3):		
Authorized shares — 180,000,000		
Outstanding shares — 1983, 90,947,000; 1982, 85,151,700	\$2,108,450	\$1,918,555
Retained earnings (Note 4)	932,260	746,333
Total common stock equity	3,040,710	2,664,888
Preferred stock (Note 3):		
Not subject to mandatory redemption	629,779	600,109
Subject to mandatory redemption	34,696	—
Long-term debt, less amounts due currently (Note 5)	2,592,152	2,496,773
Total capitalization	6,297,337	5,761,770
CURRENT LIABILITIES		
Notes payable — Texas Utilities (parent)	37,570	72,230
Long-term debt due currently	45,000	34,000
Total (to be refinanced)	82,570	106,230
Accounts payable:		
Affiliates	129,521	107,139
Other	59,411	72,427
Dividends declared	13,314	11,582
Customers' deposits	29,541	25,425
Taxes accrued	182,416	161,157
Interest accrued	71,747	67,168
Other current liabilities	41,621	29,139
Total current liabilities	610,141	580,267
RESERVE FOR INSURANCE AND CASUALTIES	11,747	9,003
ACCUMULATED DEFERRED FEDERAL INCOME TAXES	485,150	404,547
UNAMORTIZED FEDERAL INVESTMENT TAX CREDITS	493,046	440,920
COMMITMENTS AND CONTINGENCIES (Notes 2 and 9)		
Total	<u>\$7,897,421</u>	<u>\$7,196,507</u>

See accompanying Notes to Financial Statements.

Texas Utilities Electric Company  
**STATEMENT OF RETAINED EARNINGS**

	Year Ended December 31,		
	1983	1982	1981
	<i>Thousands of Dollars</i>		
BALANCE AT BEGINNING OF YEAR .....	\$ 746,333	\$ 551,304	\$487,829
ADD — NET INCOME .....	520,901	482,739	415,460
Total .....	<u>1,267,234</u>	<u>1,034,043</u>	<u>903,289</u>
DEDUCT			
Cash Dividends			
Preferred stock:			
\$ 4.50 series (\$ 4.50 per share per annum) .....	335	335	335
4.00 series (\$ 4.00 per share per annum) .....	280	280	280
4.56 series (\$ 4.56 per share per annum) .....	610	610	610
4.00 series (\$ 4.00 per share per annum) .....	440	440	440
4.56 series (\$ 4.56 per share per annum) .....	296	296	296
4.24 series (\$ 4.24 per share per annum) .....	424	424	424
4.64 series (\$ 4.64 per share per annum) .....	464	464	464
4.84 series (\$ 4.84 per share per annum) .....	339	339	339
4.00 series (\$ 4.00 per share per annum) .....	280	280	280
4.76 series (\$ 4.76 per share per annum) .....	476	476	476
5.08 series (\$ 5.08 per share per annum) .....	407	407	407
4.80 series (\$ 4.80 per share per annum) .....	480	480	480
4.44 series (\$ 4.44 per share per annum) .....	666	666	666
7.20 series (\$ 7.20 per share per annum) .....	1,440	1,440	1,440
7.80 series (\$ 7.80 per share per annum) .....	2,340	2,340	2,340
8.92 series (\$ 8.92 per share per annum) .....	1,784	1,784	1,784
6.84 series (\$ 6.84 per share per annum) .....	1,368	1,368	1,368
7.24 series (\$ 7.24 per share per annum) .....	1,810	1,810	1,810
7.44 series (\$ 7.44 per share per annum) .....	2,232	2,232	2,232
7.48 series (\$ 7.48 per share per annum) .....	2,244	2,244	2,244
8.20 series (\$ 8.20 per share per annum) .....	2,460	2,460	2,460
8.44 series (\$ 8.44 per share per annum) .....	2,532	2,532	2,532
9.32 series (\$ 9.32 per share per annum) .....	2,796	2,796	2,796
9.36 series (\$ 9.36 per share per annum) .....	2,808	2,808	2,808
8.68 series (\$ 8.68 per share per annum) .....	2,604	2,604	2,604
8.16 series (\$ 8.16 per share per annum) .....	2,448	2,448	2,448
8.32 series (\$ 8.32 per share per annum) .....	2,496	2,496	2,496
8.84 series (\$ 8.84 per share per annum) .....	2,652	2,652	2,652
10.92 series (\$10.92 per share per annum) .....	3,276	3,276	3,276
10.12 series (\$10.12 per share per annum) .....	3,542	3,542	3,542
10.08 series (\$10.08 per share per annum) .....	2,725	—	—
11.32 series (\$11.32 per share per annum) .....	2,528	—	—
Common stock (per share: 1983, \$3.19; 1982, \$2.86; 1981, \$2.59) .....	282,376	241,381	205,656
Total cash dividends .....	333,958	287,710	251,985
Dividends other than cash (Note 1) .....	1,016	—	—
Total dividends .....	334,974	287,710	251,985
Transfer to common stock account (Note 3) .....	—	—	100,000
Total deductions .....	334,974	287,710	351,985
BALANCE AT END OF YEAR (Note 4) .....	<u>\$ 932,260</u>	<u>\$ 746,333</u>	<u>\$551,304</u>

See accompanying Notes to Financial Statements.



## NOTES TO FINANCIAL STATEMENTS

### I. SIGNIFICANT ACCOUNTING POLICIES

*Merger* — Texas Utilities Electric Company (Company), a wholly-owned subsidiary of Texas Utilities Company (Texas Utilities), was incorporated under the laws of the State of Texas in September 1982, in anticipation of a revision of the organizational structure of the Texas Utilities Company System (System). Such revision involved the merging of the electric utility subsidiaries of Texas Utilities — Dallas Power & Light Company (Dallas Power), Texas Electric Service Company (Texas Electric) and Texas Power & Light Company (Texas Power) — into the Company with the merging companies thereafter becoming divisions of the Company. No other Texas Utilities subsidiary was party to the merger; however, certain functions which were performed by such other subsidiaries will be carried out by a fourth division of the Company responsible for engineering, construction and operation of all generating facilities. The merger, which constitutes a tax-free reorganization, became effective with the commencement of business on January 1, 1984.

The Financial Statements presented herewith include the combined statements of Dallas Power, Texas Electric and Texas Power, adjusted to eliminate intercompany items, as if the merger had been effective during all periods presented. The merger has been accounted for in a manner similar to a pooling of interests.

*Disposition of Subsidiary* — Effective with the close of business in December 1983, Texas Electric paid Texas Utilities, as a portion of its quarterly dividend on its common stock, all of the outstanding common stock of its subsidiary, Old Ocean Fuel Company (Old Ocean). Old Ocean was then merged with Texas Utilities Fuel Company (Fuel Company). The Financial Statements presented herewith include Old Ocean prior to the disposition; all intercompany items and transactions have been eliminated in consolidation. In all periods presented, Old Ocean had no effect on net income and the balance sheet amounts for Old Ocean were not material. (See Note 2.)

*Electric Plant* — Electric plant is stated at original cost. The cost of property additions charged to electric 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 electric plant. The accrual of AFUDC is in accord with established accounting practices of the industry, but does not represent current cash income. Effective January 1982 and 1981, the Company has capitalized AFUDC at a net of tax rate of 9% and 8½%, respectively, compounded semi-annually, of expenditures incurred, except for that portion of construction work in progress allowed in rate base by regulatory authorities. These rates were determined on the basis of, but are less than, the cost of capital used to finance the construction program. Effective January 1984, the Company began capitalizing AFUDC at a net of tax rate of 9½%.

*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 3.5% for 1983, 1982 and 1981.

*Federal Income Taxes* — The Company is included in the consolidated federal income tax return of Texas Utilities and subsidiary companies, and federal income taxes are allocated to all subsidiary companies based upon taxable income or loss. Deferred federal income taxes are generally provided for timing 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 6.)

*Reserve for Insurance and Casualties* — The Company, as allowed by regulatory authorities, has a reserve for major uninsured losses and claims. Effective January 1984, as prescribed by regulatory authorities, the Company discontinued additions to the reserve.

### 2. AFFILIATES

Texas Utilities provides common stock capital and short-term financing to the Company. Texas Utilities has three other subsidiaries which perform specialized services for the System Companies, including the Company: Texas Utilities Services Inc. (Service Company) furnishes financial, accounting and other administrative services; Fuel Com-

pany owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services for the generation of electric energy; and Texas Utilities Mining Company (Mining Company) owns and operates fuel production facilities for the surface mining and recovery of lignite.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. AFFILIATES — (concluded)

The Company has entered into agreements with Fuel Company to procure certain fuels and related services and with Mining Company for the procurement and production of lignite; payments are at cost for the services received and are required by the agreements to be "at least equivalent in the aggregate to the annual charge to income on the books" of Fuel Company and of Mining Company. The Company is, in effect, obligated for the principal, \$530,480,000 at December 31, 1983, and interest on long-

term notes of Fuel Company and of Mining Company through payments described above. Such notes mature at various dates through 1999 and have interest rates ranging from 8.50% to 12.20%.

In January 1984, Fuel Company sold an additional \$46,000,000 of 12.20% senior notes due 1990. The Company is, in effect, obligated for the principal and interest on these notes.

### 3. COMMON AND PREFERRED STOCKS

	Shares Outstanding December 31,		Amount December 31,		Redemption Price Per Share (before adding accumulated dividends)	
	1983	1982	1983	1982	Current	Eventual Minimum
			Thousands of Dollars			
Common stock — without par value; authorized 180,000,000 shares	90,947,000	85,151,700	\$2,108,450	\$1,918,555		
Preferred stock — cumulative, without par value; entitled upon liquidation to \$100 a share; authorized 17,000,000 shares:						
<i>Not Subject to Mandatory Redemption</i>						
\$ 4.50 series	74,430	74,430	\$ 7,443	\$ 7,443	\$110.00	\$110.00
4.00 series (Texas Power)	70,000	70,000	7,000	7,000	102.00	102.00
4.56 series (Texas Power)	133,786	133,786	13,379	13,379	112.00	112.00
4.00 series (Texas Electric)	110,000	110,000	11,000	11,000	102.00	102.00
4.56 series (Texas Electric)	65,000	65,000	6,563	6,563	112.00	112.00
4.24 series	100,000	100,000	10,081	10,081	103.50	103.50
4.64 series	100,000	100,000	10,016	10,016	103.25	103.25
4.84 series	70,000	70,000	7,000	7,000	101.79	101.79
4.00 series (Dallas Power)	70,000	70,000	7,049	7,049	103.56	103.56
4.76 series	100,000	100,000	10,000	10,000	102.00	102.00
5.08 series	80,000	80,000	8,004	8,004	103.60	103.60
4.80 series	100,000	100,000	10,009	10,009	102.79	102.79
4.44 series	150,000	150,000	15,061	15,061	102.61	102.61
7.20 series	200,000	200,000	20,044	20,044	105.01	103.21
7.80 series	300,000	300,000	30,030	30,030	105.20	103.25
8.92 series	200,000	200,000	20,076	20,076	105.83	103.60
6.84 series	200,000	200,000	20,022	20,022	104.76	103.05
7.24 series	250,000	250,000	25,113	25,113	105.23	103.42
7.44 series	300,000	300,000	30,006	30,006	104.26	102.40
7.48 series	300,000	300,000	30,073	30,073	104.82	102.95
8.20 series	300,000	300,000	30,108	30,108	107.39	103.29
8.44 series	300,000	300,000	30,046	30,046	107.40	103.18
9.32 series	300,000	300,000	29,625	29,625	106.99	102.33
9.36 series	300,000	300,000	29,625	29,625	107.02	102.34
8.68 series	300,000	300,000	29,550	29,550	106.26	101.92
8.16 series	300,000	300,000	29,655	29,655	106.12	102.04
8.32 series	300,000	300,000	29,655	29,655	105.88	101.00
8.84 series	300,000	300,000	29,591	29,591	108.17*	102.05
10.92 series	300,000	300,000	29,670	29,670	110.92*	102.73
10.12 series	350,000	350,000	34,615	34,615	110.12*	100.00
11.32 series	300,000	—	29,670	—	111.32*	100.00
Total	6,323,216	6,023,216	\$ 629,779	\$ 600,109		
<i>Subject to Mandatory Redemption</i>						
\$10.08 series**	350,000	—	\$ 34,696	\$ —	\$110.08*	\$100.00

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

\*\*Annual 14,000 shares mandatory redemption at \$100 per share commencing April 1, 1989, with non-cumulative option of the Company to redeem an additional 14,000 shares annually at \$100 per share.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 3. COMMON AND PREFERRED STOCKS — (concluded)

The Company issued and sold shares of its authorized common stock to Texas Utilities as follows: September 1983, 1,775,000 shares for \$61,225,000; August 1983, 20,300 shares for \$669,900; March 1983, 4,000,000 shares for \$128,000,000; September 1982, 1,700 shares for \$55,000; March 1982, 3,500,000 shares for \$105,000,000; November 1981, 800,000 shares for \$24,000,000; July 1981, 1,500,000 shares for \$40,500,000; and March 1981, 3,000,000 shares for \$85,500,000.

In November 1981, the Company transferred \$100,000,000 from retained earnings to the common

stock account.

The Company issued and sold shares of its authorized preferred stock as follows: May 1983, 300,000 shares of \$11.32 preferred stock for \$29,670,000; and March 1983, 350,000 shares of \$10.08 preferred stock for \$34,695,500.

No shares of the Company's common or preferred stock are held by or for account of the Company, nor are any shares of such capital stocks reserved for officers and employees or for options, warrants, conversions and other rights in connection therewith.

### 4. RETAINED EARNINGS RESTRICTIONS

The Company's articles of incorporation, the mortgages, as supplemented, and the debenture agreements contain provisions which, under certain conditions, restrict distributions on or acquisitions of its common stock. At December 31, 1983, \$77,081,000 of retained earnings were thus restricted as a result of the provisions of such articles of incorporation.

The articles of incorporation restriction provides in effect

that the Company shall not pay any common dividend which would reduce retained earnings to less than one and one half times annual preferred dividend requirements. The mortgage restrictions are based primarily on the replacement fund requirements of the mortgages. The restriction contained in the debenture agreements is designed to maintain the aggregate preferred and common stock equity at or above 33 1/3% of total capitalization.

### 5. LONG-TERM DEBT, less amounts due currently

Maturity Groups		Interest Rate Groups		December 31,	
From	To	From	To	1983	1982
<i>Thousands of Dollars</i>					
First mortgage bonds:					
1984	1988	3 3/4%	12 %	\$ 121,500	\$ 165,500
1989	1993	4 1/4	4 1/2	69,000	69,000
1994	1998	4 1/2	6 1/2	174,000	174,000
1999	2003	7%	9%	365,000	365,000
2004	2008	8 1/4	10%	700,000	700,000
2009	2013	9%	17 1/2	850,000	725,000
Pollution control series:					
2011	2012	10	13 1/2	110,000	110,000
Funds on deposit with trustee				—	(16,079)
Sinking fund debentures*:					
1985	1989	4 1/2	5 1/4	27,761	—
1993	1994	6 1/2	7 1/4	34,373	—
Total				2,451,634	2,292,421
Pollution control revenue bonds:					
2004	2009	5.70	7%	160,000	160,000
Funds on deposit with trustee				(4,856)	(4,856)
Total				155,144	155,144
Sinking fund debentures*:					
1985	1989	4 1/2	5 1/4	—	27,851
1993	1994	6 1/2	7 1/4	—	34,739
Total				—	62,590
Unamortized premium and discount				(14,626)	(13,382)
Total long-term debt, less amounts due currently				\$2,592,152	\$2,496,773

\*In June 1983, the Company collateralized its outstanding sinking fund debentures by depositing first mortgage bonds with the trustees of such debentures, effectively making such debentures of equal rank with the outstanding first mortgage bonds.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 5. LONG-TERM DEBT, less amounts due currently — (concluded)

In December 1983, the Company issued its first series of bonds under a new mortgage. On January 1, 1984, the Company assumed the mortgages and all of the first mortgage bonds (Bonds) of Dallas Power, Texas Electric and Texas Power and such Bonds will continue to be secured by a first mortgage lien on their respective properties. The Company has also assumed all of Dallas Power's, Texas Electric's and Texas Power's other long-term obligations.

Sinking fund and maturity requirements for the years 1984 through 1988 under long-term debt instruments in effect at December 31, 1983 were as follows:

Year	Sinking	Maturity	Minimum Cash
	Fund(a)		Requirement(a)(b)
	<i>Thousands of Dollars</i>		
1984	\$14,837	\$45,000	\$45,000
1985	15,001	45,270	45,896
1986	15,000	40,000	41,000
1987	14,535	22,000	23,085
1988	14,750	22,500	23,800

(a) Excluding requirements satisfied prior to December 31, 1983: \$2,060,000 for 1984, \$1,194,000 for 1985, \$820,000 for 1986, \$535,000 for 1987 and \$320,000 for 1988.

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

The total amounts of sinking fund debentures authorized in the debenture agreements have been issued. The Company's first mortgage bonds may be issued in additional amounts, without limitation as to the maximum thereof, but limited by property, earnings and other provisions of the mortgages. None of the long-term debt is pledged, held by or for account of the issuer, or held in its sinking or other special funds. Substantially all of the electric plant is subject to the lien of the mortgages.

### 6. FEDERAL INCOME TAXES

The details of federal income taxes are as follows:

	Year Ended December 31,		
	1983	1982	1981
	<i>Thousands of Dollars</i>		
Charged to operating expenses:			
Current	\$ 96,009	\$ 84,357	\$124,858
Deferred — net:			
Differences between depreciation methods and lives	61,159	56,774	52,611
Certain capitalized construction costs	11,215	10,178	8,956
Other	9,954	228	167
Total	82,328	67,180	61,734
Investment tax credits — net	53,879	72,548	50,475
Total charged to operating expenses	232,216	224,085	237,067
Charged to other income:			
Current	3,821	(928)	15,200
Deferred — net	—	9,209	(8,557)
Total charged to other income	3,821	8,281	6,643
Total federal income taxes	<u>\$236,037</u>	<u>\$232,366</u>	<u>\$243,710</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 6. FEDERAL INCOME TAXES — (concluded)

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

	Year Ended December 31,		
	1983	1982	1981
	<i>Thousands of Dollars</i>		
Federal income taxes at statutory rate of 46% .....	\$348,191	\$328,949	\$303,219
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction .....	72,919	62,580	43,220
Depletion allowance .....	27,406	23,618	14,066
Amortization of investment tax credits .....	10,930	9,791	8,392
Other .....	899	594	(6,169)
Total reductions .....	112,154	96,583	59,509
Total federal income taxes .....	<u>\$236,037</u>	<u>\$232,366</u>	<u>\$243,710</u>
Effective tax rate .....	31.2%	32.5%	37.0%

### 7. RETIREMENT PLANS

The company has retirement plans covering substantially all employees. The costs of the plans are determined by independent actuaries and are funded by the Company as accrued. The costs of the plans, including amounts capitalized, approximated \$34,688,000 for 1983 (including \$2,428,000 associated with a one time early retirement program), \$28,907,000 for 1982, and \$24,799,000 for 1981. As of the latest annual valuations in 1983 and 1982, accumulated benefits and net fund assets were as follows:

	1983	1982
	<i>Thousands of Dollars</i>	
Actuarial present value of accumulated benefits:		
Vested .....	\$241,754	\$214,280
Nonvested .....	19,740	17,344
Total .....	<u>\$261,494</u>	<u>\$231,624</u>
Net fund assets .....	<u>\$262,486</u>	<u>\$196,691</u>

An assumed rate of return of 7% was used in determining the value of accumulated benefits.

### 8. SALE OF ELECTRIC 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. 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 considera-

tion be given to reducing such participation to 2⅓%. 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 2⅓% 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 2⅓% interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La, assumed ownership of the 2⅓% released by Tex-La and refunded approximately \$66,000,000 for that portion of costs and interest expended by Tex-La allocable to the 2⅓% interest so released. (See Management's Discussion and Analysis of Financial Condition and Results of Operations.)

## NOTES TO FINANCIAL STATEMENTS (concluded)

### 9. COMMITMENTS AND CONTINGENCIES

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

The Company has entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and has agreed, in effect, to guarantee the principal and interest on bonds issued to finance the reservoirs from which the water is supplied. At December 31, 1983, the Company was obligated for \$52,310,000 principal amount of such bonds, which mature at various dates through 2011 and have interest rates ranging from 5½% to 9%. The Company is required to make periodic payments equal to such principal and interest for the years 1984 through 1988 as follows: \$4,406,000 for 1984, \$4,397,000 for 1985, \$4,383,000 for 1986, \$4,387,000 for 1987 and \$4,387,000 for 1988. In addition, the Company is obligated to pay certain variable costs of operating and maintaining the reservoirs. Total payments, including amounts capitalized under such contracts, for 1983, 1982 and 1981 were \$4,784,000, \$4,806,000 and \$3,184,000, respectively. In July 1983, the Company received regulatory approval of an agreement with a municipality for that municipality to assume all contract rights and obligations in connection with \$108,845,000 remaining principal amount of bonds issued for similar purposes which had previously been guaranteed by the Company; the Company is, however, contingently liable in the event of default by the municipality.

The Company entered into an agreement with Tex-La whereby the Company 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. Under the agreement, the Company 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 8.)

The Company is involved in a proceeding before the Atomic Safety and Licensing Board (ASLB) with respect to the Company's application for licenses to operate the Comanche Peak nuclear generating station. In December 1983, the ASLB issued a memorandum in which it indicated that charges made in the proceeding had raised concerns about the design of the Comanche Peak station and requested further evidence be submitted. The Company has filed a plan with the ASLB to provide the information necessary to satisfy the ASLB's concerns on design adequacy. The Company is not able to predict the impact, if any, of this matter, or of related legal and regulatory developments, on the licensing schedule of the Comanche Peak station; any delay, however, may increase the cost of the station and the related financing requirements of the Company.

The Company is involved in various legal and administrative proceedings which, in the opinion of the Company, should not have a material effect upon the financial position or results of operations.

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### ACCOUNTANTS' OPINION

Texas Utilities Electric Company:

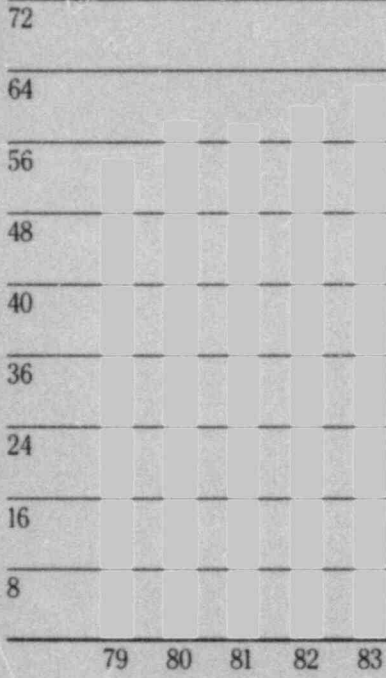
We have examined the balance sheet of Texas Utilities Electric Company as of December 31, 1983 and 1982 and the related statements of income, retained earnings and source of funds for construction for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance 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 Company at December 31, 1983 and 1982 and the results of its operations and the source of its funds for construction for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the merger as described in Note 1 to the financial statements.

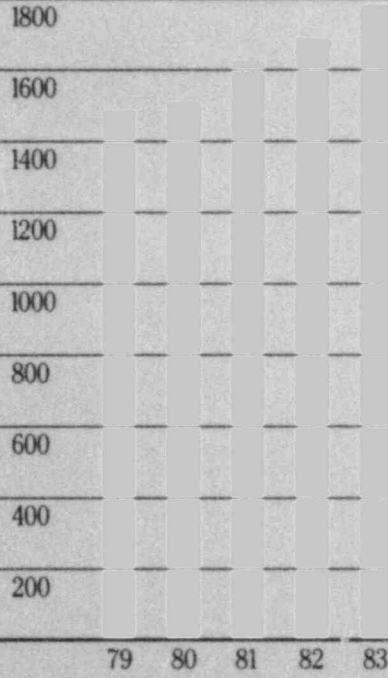
DELOITTE HASKINS & SELLS  
CERTIFIED PUBLIC ACCOUNTANTS

Dallas, Texas  
March 21, 1984

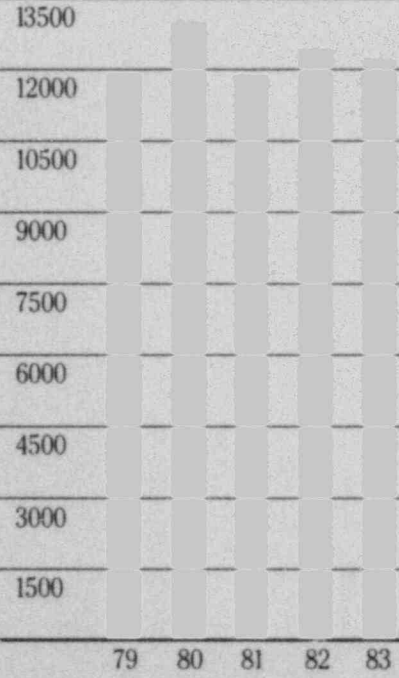
**Total Kilowatt-Hour Sales**  
(Billions of KWH)



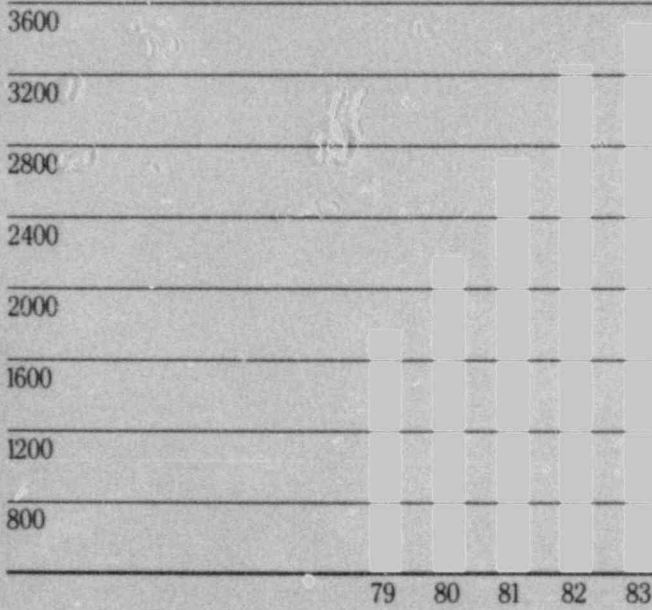
**Number of Customers**  
(Year End in Thousands)



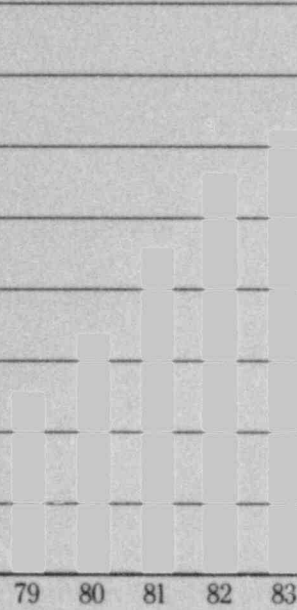
**Average Kilowatt-Hour Use Per Residential Customer**



**Operating Revenues**  
(Millions of Dollars)



**Operating Expenses**  
(Millions of Dollars)



Texas Utilities Electric Company  
**FINANCIAL STATISTICS**

	Year Ended December 31,				
	1983	1982	1981	1980	1979
TOTAL ASSETS end of year (thousands) . . . . .	\$7,897,421	\$7,196,507	\$6,517,159	\$5,839,502	\$5,207,392
<hr/>					
ELECTRIC PLANT end of year (thousands) . . . . .	\$9,108,056	\$8,268,898	\$7,439,982	\$6,736,196	\$6,026,546
Accumulated depreciation end of year . . . . .	1,687,098	1,539,486	1,377,923	1,226,564	1,086,957
Construction expenditures (including allowance for funds used during construction) . . . . .	854,307	858,683	729,710	705,902	730,549
<hr/>					
CAPITALIZATION end of year (thousands)					
Long-term debt . . . . .	\$2,592,152	\$2,496,773	\$2,231,502	\$2,039,476	\$1,914,492
Preferred stock:					
Not subject to mandatory redemption . . . . .	629,779	600,109	600,109	600,109	535,824
Subject to mandatory redemption . . . . .	34,696	—	—	—	—
Common stock equity . . . . .	3,040,710	2,664,888	2,364,804	2,051,329	1,782,426
Total . . . . .	\$6,297,337	\$5,761,770	\$5,196,415	\$4,690,914	\$4,232,742
<hr/>					
EMBEDDED INTEREST COST ON LONG-TERM DEBT end of year . . . . .	9.7%	9.5%	8.8%	7.9%	7.5%
EMBEDDED DIVIDEND COST ON PREFERRED STOCK end of year . . . . .	8.0%	7.7%	7.7%	7.7%	7.4%
<hr/>					
NET INCOME (thousands) . . . . .	\$520,901	\$482,739	\$415,460	\$350,223	\$260,085
CASH DIVIDENDS DECLARED ON COMMON STOCK (thousands) . . . . .	\$282,376	\$241,381	\$205,656	\$167,224	\$148,144
<hr/>					
RATIO OF EARNINGS TO FIXED CHARGES . . . . .	3.9	3.9	4.4	4.0	3.6
SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES* . . . . .	3.5	3.4	3.7	3.4	3.2
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF					
EARNINGS TO COMMON STOCK . . . . .	33.8%	31.2%	25.5%	25.1%	26.8%
RETURN ON AVERAGE COMMON STOCK EQUITY . . . . .	16.5%	17.4%	16.7%	16.0%	13.0%
NET FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION					
EXPENDITURES (excluding allowance for funds used during construction) . . . . .	51.1%	53.6%	53.6%	53.1%	43.7%

\*The supplemental ratio of earnings to fixed charges includes interest billed the Company on senior notes of affiliated companies which provide services to the Company. (See Note 2 to Financial Statements.)



Texas Utilities Electric Company  
**OPERATING STATISTICS**

	Year Ended December 31,				
	1983	1982	1981	1980	1979
<b>ELECTRIC ENERGY GENERATED AND PURCHASED (mwh)</b>					
Generated — net station output .....	67,706,594	64,224,726	62,447,413	62,865,641	58,051,429
Purchased and net interchange .....	343,581	371,190	91,091	56,388	75,695
Total generated and purchased .....	68,050,175	64,595,916	62,538,504	62,922,029	58,127,124
Company use, losses, and unaccounted for .....	5,340,248	4,215,774	4,166,327	4,422,762	4,001,684
Total electric energy sales .....	<u>62,709,927</u>	<u>60,380,142</u>	<u>58,372,177</u>	<u>58,499,267</u>	<u>54,125,440</u>
<b>FUEL MIX FOR ELECTRIC GENERATION</b>					
Gas .....	42.9%	44.4%	46.4%	49.0%	48.6%
Oil .....	1.7	0.6	0.2	0.1	1.4
Lignite .....	55.4	55.0	53.4	50.9	50.0
Total .....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>ELECTRIC ENERGY SALES (mwh)</b>					
Residential .....	20,162,506	19,945,087	18,676,240	19,844,409	17,394,402
Commercial .....	17,366,563	16,475,253	15,383,162	14,683,104	13,264,436
Industrial .....	18,690,077	17,526,412	17,992,261	17,581,265	17,275,859
Government and municipal .....	1,790,476	1,730,273	1,692,106	1,796,988	1,669,726
Total general business .....	58,009,622	55,677,025	53,743,769	53,905,766	49,604,423
Other electric utilities .....	4,700,305	4,703,117	4,628,408	4,593,501	4,521,017
Total electric energy sales .....	<u>62,709,927</u>	<u>60,380,142</u>	<u>58,372,177</u>	<u>58,499,267</u>	<u>54,125,440</u>
<b>OPERATING REVENUES (thousands)</b>					
Residential .....	\$1,306,912	\$1,237,632	\$1,044,761	\$ 877,555	\$ 672,340
Commercial .....	998,362	911,487	778,008	590,921	488,170
Industrial .....	808,016	745,243	659,678	482,919	419,224
Government and municipal .....	104,730	95,673	83,077	68,396	54,565
Total general business .....	3,218,020	2,990,035	2,565,524	2,019,791	1,634,299
Other electric utilities .....	202,387	190,727	161,998	123,188	105,306
Total from electric energy sales .....	3,420,407	3,180,762	2,727,522	2,142,979	1,739,605
Other operating revenues .....	67,219	56,902	10,527	30,878	15,657
Total operating revenues .....	<u>\$3,487,626</u>	<u>\$3,237,664</u>	<u>\$2,738,049</u>	<u>\$2,173,857</u>	<u>\$1,755,262</u>
<b>ELECTRIC CUSTOMERS (end of year)</b>					
Residential .....	1,556,760	1,477,097	1,421,273	1,356,651	1,287,701
Commercial .....	198,548	187,065	177,269	171,495	164,291
Industrial .....	22,761	21,478	20,692	19,590	18,654
Government and municipal .....	10,210	10,148	10,263	10,488	11,257
Total general business .....	1,788,279	1,695,788	1,629,497	1,558,224	1,481,903
Other electric utilities .....	68	75	78	80	80
Total electric customers .....	<u>1,788,347</u>	<u>1,695,863</u>	<u>1,629,575</u>	<u>1,558,304</u>	<u>1,481,983</u>
Residential classification includes indirect sales (apartments, etc.); dwelling units not included in number of customers .....					
	197,945	205,304	213,905	223,960	240,164
Industrial classification includes service to Alcoa-Sandow (interruptible prior to May 1981):					
Electric energy sales (mwh) .....	2,660,564	2,316,308	2,848,997	2,918,794	3,076,399
Operating revenues (thousands) .....	\$68,121	\$68,035	\$64,016	\$48,813	\$48,400

**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 electric 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 electric 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 Company straight-line depreciation rates used for financial accounting purposes to the appropriate indexed electric plant amounts, and is the only income statement item 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 electric 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 Adjustment to Net Recoverable Cost of Electric Plant. The Company believes, based on past experiences, that it will be allowed to recover the investment in electric 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 electric plant. Since depreciation on this electric 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 Adjustment to Net Recoverable Cost of Electric Plant.

**SUMMARY OF NET INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES**  
**YEAR ENDED DECEMBER 31, 1983**

<i>Thousands of Dollars</i>	Historical Cost Reported In Financial Statements	Adjusted for Changing Prices	
		General Inflation (Constant Dollar)	Specific Prices (Current Cost)
		<i>Average 1983 Dollars</i>	
Operating revenues .....	\$3,487,626	\$3,487,626	\$3,487,626
Operating expenses(a) .....	2,873,074	3,080,344	3,097,711
Operating income .....	614,552	407,282	389,915
Other income .....	121,702	121,702	121,702
Total income .....	736,254	528,984	511,617
Interest charges .....	,353	215,353	215,353
Net income .....	<u>\$ 520,901</u>	<u>\$ 313,631</u>	<u>\$ 296,264</u>
Increase in specific prices of electric plant held during the year(b) .....			\$ 223,174
Adjustment to net recoverable cost of electric plant .....		\$ (55,517)	211,079
Effect of general inflation on electric plant .....			<u>(472,403)</u>
Effect of general inflation in excess of increase in specific prices of electric plant after adjustment to net recoverable cost .....			(38,150)
Gain from decline in purchasing power of net amounts owed .....		133,489	133,489
Net change in purchasing power .....		<u>\$ 77,972</u>	<u>\$ 95,339</u>

(a) Includes depreciation amounts of \$191,944 for historical cost, \$399,214 for constant dollar and \$416,581 for current cost.

(b) At December 31, 1983, electric plant, net of accumulated depreciation, was \$13,036,303 for current cost and \$7,420,958 for historical cost.

**COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES**

	1983	1982	1981	1980	1979
	<i>Thousands of Average 1983 Dollars</i>				
Operating revenues .....	\$3,487,626	\$3,341,816	\$2,999,390	\$2,628,359	\$2,409,246
<u>Constant Dollar Information</u>					
Net income .....	\$313,631	\$289,181	\$262,337	\$246,532	\$200,148
Net assets at year end at net recoverable cost .....	\$3,642,922	\$3,331,938	\$3,142,914	\$3,061,877	\$3,008,987
<u>Current Cost Information</u>					
Net income .....	\$296,264	\$264,273	\$232,070	\$207,078	\$146,152
Effect of general inflation in excess of increase in specific prices of electric plant after adjustment to net recoverable cost .....	\$(38,150)	\$(13,325)	\$(318,628)	\$(521,708)	\$(593,152)
Net assets at year end at net recoverable cost .....	\$3,642,922	\$3,331,938	\$3,142,914	\$3,061,877	\$3,008,987
<u>General Information</u>					
Gain from decline in purchasing power of net amounts owed .....	\$133,489	\$126,666	\$279,313	\$388,753	\$423,443
Consumer price index — average .....	298.4	289.1	272.4	246.8	217.4

## TEXAS UTILITIES ELECTRIC COMPANY

### Directors

- W. W. Aston  
Dallas, Texas  
President, Dallas Power & Light Company
- Perry G. Brittain  
Dallas, Texas  
Chairman of the Board and Chief Executive, Texas Utilities Company
- R. K. Campbell  
Dallas, Texas  
President, Texas Power & Light Company
- Jerry Farrington  
Dallas, Texas  
Chairman of the Board and Chief Executive, Texas Utilities Electric Company, and President, Texas Utilities Company
- Burl B. Hulsey, Jr.  
Fort Worth, Texas  
Vice Chairman of the Board, Texas Utilities Company
- W. G. Marquardt  
Fort Worth, Texas  
President, Texas Electric Service Company
- Erle Nye  
Dallas, Texas  
Executive Vice President, Texas Utilities Company
- Michael D. Spence  
Richardson, Texas  
President, Texas Utilities Generating Company

### Dallas Power & Light Company

- W. W. Aston  
Dallas, Texas  
President, Dallas Power & Light Company
- Perry G. Brittain  
Dallas, Texas  
Chairman of the Board and Chief Executive, Texas Utilities Company
- Lloyd S. Bowles  
Dallas, Texas  
Chairman of the Board and President, Dallas Federal Savings & Loan Association
- George L. Clark  
Dallas, Texas  
Chairman and Chief Executive Officer, Mercantile National Bank at Dallas
- J. D. Francis  
Dallas, Texas  
President, The Equitable Company of Texas
- Richard M. Hart  
Dallas, Texas  
Vice Chairman of the Board and Chief Administrative Officer, InterFirst Bank Dallas, N.A.
- Robert McDonald  
Dallas, Texas  
Retired President, Anderson Clayton Foods
- Joseph R. Musolino  
Dallas, Texas  
President of RepublicBank Dallas, N. A. and Vice Chairman of the Board, RepublicBank Corporation
- John M. Stemmons  
Dallas, Texas  
Chairman, Industrial Properties Corporation

### Texas Electric Service Company

- Perry G. Brittain  
Dallas, Texas  
Chairman of the Board and Chief Executive, Texas Utilities Company
- Ed. B. Collett  
Fort Worth, Texas  
Investments

### Advisory Directors

- J. A. Gooch  
Fort Worth, Texas  
Senior Member, the firm of Cantey, Hanger, Gooch, Munn & Collins
- Paul Leonard  
Fort Worth, Texas  
Investments
- W. G. Marquardt  
Fort Worth, Texas  
President, Texas Electric Service Company
- Dr. James M. Moudy  
Fort Worth, Texas  
Chancellor Emeritus, Texas Christian University
- Charles R. Perry  
Odessa, Texas  
President, Perry Investments, Inc.
- E. Bruce Street  
Graham, Texas  
Investments
- W. K. Stripling, Jr.  
Fort Worth, Texas  
Investments
- C. H. Wilemon, Jr.  
Arlington, Texas  
Chairman, Texas Commerce Bank — Arlington
- Texas Power & Light Company**
- K. A. Anderson  
Palestine, Texas  
Owner, The "K" Way Equipment Company
- E. L. Ashcroft, Jr.  
Sulphur Springs, Texas  
Owner, Ashcroft Motor-Investment Company
- Thomas W. Baker  
Nacogdoches, Texas  
Chairman of the Board, Commercial National Bank
- Thomas E. Blakey  
Dallas, Texas  
Vice President, Texas Power & Light Company
- Frank A. Blankenbeckler, Jr.  
Waxahachie, Texas  
Chairman of the Board, Ellis County Savings Association
- Perry G. Brittain  
Dallas, Texas  
Chairman of the Board and Chief Executive, Texas Utilities Company
- R. K. Campbell  
Dallas, Texas  
President, Texas Power & Light Company
- Ben H. Carpenter  
Dallas, Texas  
Chairman of the Board and Chief Executive Officer, Southland Financial Corporation
- Marvin Gibbs  
Paris, Texas  
President, Fry & Gibbs Funeral Home
- Charles F. Hawn  
Athens, Texas  
President, Hawn Lumber Company, Inc.
- Thomas G. Parker  
Taylor, Texas  
Chairman of the Board, First-Taylor National Bank
- R. L. Poland  
Lufkin, Texas  
Chairman of the Board and Chief Executive Officer, Lufkin Industries, Inc.
- James A. Ratteree  
Dallas, Texas  
Investments
- R. E. Roberts  
Cleburne, Texas  
Chairman of the Board and Chief Executive Officer, Rangaire Corporation
- B. Lynn Sanders, Jr.  
Corsicana, Texas  
President, Corsicana Grain & Elevator Company, Inc.
- C. Truett Smith  
Wylie, Texas  
Investments
- John A. Warner  
Tyler, Texas  
President and Chief Executive Officer, Tyler Pipe Industries, Inc.
- Joe N. Weatherby  
Brownwood, Texas  
President and Manager, Weatherby Motor Company, Inc.

# OFFICERS

## TEXAS UTILITIES ELECTRIC COMPANY

Jerry Farrington  
Chairman of the Board and  
Chief Executive

W. W. Aston  
Division President

R. K. Campbell  
Division President

W. G. Marquardt  
Division President

Michael D. Spence  
Division President

Erle Nye  
Executive Vice President

T. L. Baker  
Vice President

D. E. Kelch  
Vice President, Treasurer  
and Assistant Secretary

T. R. Locke, Jr.  
Vice President

G. W. Sellar  
Vice President

S. S. Swiger  
Vice President and Controller

E. L. Watson  
Vice President

Peter B. Tinkham  
Secretary

W. E. Patterson  
Assistant Controller

Gary L. Price  
Assistant Controller

J. P. Knierim  
Assistant Treasurer

C. E. Layton  
Assistant Treasurer

### Dallas Power & Light Company

W. W. Aston  
President

J. A. Byrd, Jr.  
Vice President

T. R. Griffin  
Vice President

D. J. Hampton  
Vice President

E. R. Holcomb  
Vice President

J. D. Karney  
Controller

### Texas Electric Service Company

W. G. Marquardt  
President

E. D. Scarth  
Vice President

W. M. Taylor  
Vice President

P. D. Williams  
Vice President

B. A. Andress  
Controller

### Texas Power & Light Company

R. K. Campbell  
President

Gerson Berman  
Vice President

Thomas E. Blakey  
Vice President

Louis W. Howard  
Vice President

Joe M. Nelson  
Vice President

E. C. Stanphill  
Vice President

Clark Choate  
Controller

### Texas Utilities Generating Company

Michael D. Spence  
President

L. F. Fikar  
Executive Vice President

R. J. Gary  
Executive Vice President

Billy R. Clements  
Vice President

Joe B. George  
Vice President

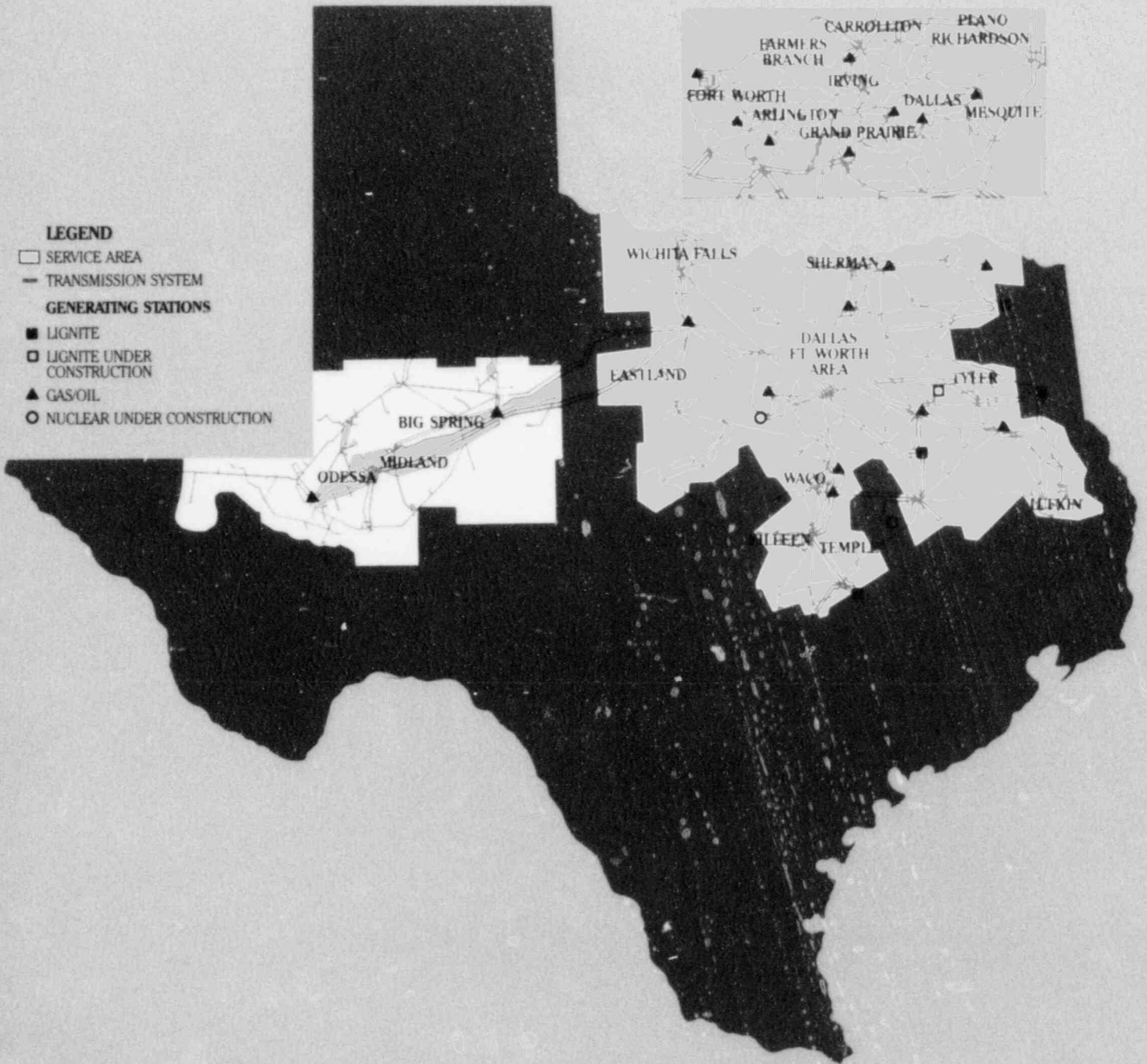
John D. Janak  
Vice President

Leon Loveless  
Vice President

M. H. Tanner, Jr.  
Vice President

W. M. McDonough, Jr.  
Controller

# SERVICE AREA MAP



## DIRECTORY

### REGISTRAR, TRANSFER AGENT AND DIVIDEND PAYING AGENT

RepublicBank Dallas, National Association  
Corporate Trust Department  
P.O. Box 2964  
Dallas, TX 75221

*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.*

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

*Requests for copies or other shareholder information should be directed to:*

*Shareholder Relations  
Texas Utilities Electric Company  
2001 Bryan Tower  
Dallas, Texas 75201  
(214) 653-4730*

*Texas Utilities Electric Company*  
*2001 Bryan Tower*  
*Dallas, Texas 75201*  
*(214) 653-4600*