Texas Utilities Company
1983 Annual Report

1984 Annual Meeting

The Annual Meeting of Shareholders of the Company will be held at 9:30 a.m. on Friday, May 18, 1984, at the Fairmont Hotel, Ross and Akard Streets, Dallas, Texas. Shareholders are cordially invited to be present at the annual meeting. Those unable to attend are urged to exercise their right to vote by proxy. Notice of meeting and proxy statement and form of proxy will be mailed shortly after March 30, the record date for the meeting. Following the meeting, a report of the proceedings will be prepared and distributed to all shareholders.

Dallas/Fort Worth Airport, the largest air traffic hub in the Southwest and the sixth largest airport in the world in passenger traffic, is a leading influence on the economy of the System's service area. The airport, which celebrated its 10th anniversary in early 1984, is widely credited with being the dominant reason why the Dallas-Fort Worth Metroplex has become third in the nation as a corporate headquarters center. The Metroplex, home of 60 percent of the System's customers, has gained more than 2,300 new or relocating businesses since the airport opened. During the same period, the labor force in the Metroplex increased 40 percent and both retail sales and building permits jumped by 260 percent. The airport itself contributes an astounding $4 billion a year to the area economy.

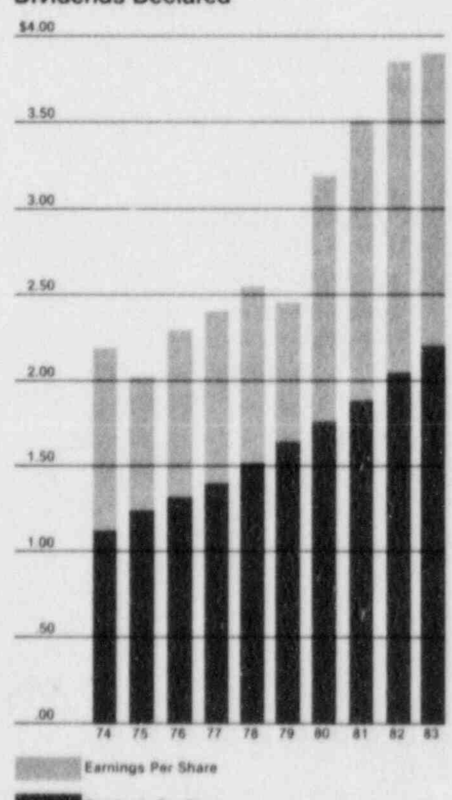
Contents

HIGHLIGHTS

	1983	1982	% Change
Utility Plant*	**$9,967,653,000**	$9,051,442,000	10.1%
Construction Expenditures	**$ 906,930,000**	$ 891,560,000	1.7
Electric Energy Sales in Thousands of Kilowatt-hours	**62,709,927**	60,380,142	3.9
Peak Demand in Kilowatts	**14,029,000**	13,204,000	6.2
Operating Revenues	**$3,487,916,000**	$3,238,025,000	7.7
Fuel and Purchased Power	**$1,526,525,000**	$1,354,439,000	12.7
Operating Expenses Excluding Fuel and Purchased Power	**$1,296,843,000**	$1,249,532,000	3.8
Consolidated Net Income	**$ 461,468,000**	$ 428,646,000	7.7
Earnings per Share	**$ 3.90**	$ 3.85	1.3
Dividends Declared per Share	**$ 2.20**	$ 2.04	7.8
Book Value per Share*	**$26.16**	$24.61	6.3
Customers*	**1,788,347**	1,695,863	5.5
Employees*	**16,148**	16,500	(2.1)

**End of year*

Consolidated Earnings
Dividends Declared



MANAGEMENT'S LETTER

To the Shareholders:

During 1983, the economy brightened, both nationwide and in the System's service area, with the Dallas-Fort Worth area continuing its steady economic development. Nevertheless, the electric utility industry, including your Company, faced difficult financial and regulatory problems.

A number of significant developments affecting the Company took place during the year.

A revised Public Utility Regulatory Act was adopted as part of the regular sunset review by the state Legislature. Changes included revision of the 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.

Texas has a long history of responsible regulation, but developments during the year raised uncertainties regarding the regulatory climate in the state.

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

Cost and schedule estimates for Comanche Peak were revised in December after the System completed a review of its construction program. Fuel load for Unit 1 is presently scheduled for mid-1984, and the unit should be in full service in early 1985. Unit 2 is expected to go into operation about 18 months later. The System's cost for the plant is $1,640 per kilowatt, which compares favorably to the cost of similar plants. The only other change resulting from the review was a one-year delay in the scheduled completion of one lignite unit.

Another major development during the year was the reorganization of the System, which became effective January 1, 1984. The new organization provides opportunities to reduce costs while maintaining the quality of service to customers.

Even with effective cost-reduction programs in place, rate increases were needed by Texas Electric Service Company and Dallas Power & Light Company. An increase for Texas Electric was approved late in the year and for Dallas Power in early 1984. In both cases, the increases approved were disappointing and came too late to help 1983 results. In March 1984, a Systemwide request for an 8% increase in revenues was filed by Texas Utilities Electric Company with the PUC and municipal regulatory authorities.

Earnings per share of common stock were $3.90, compared to $3.85 per share in 1982. The increase in earnings was limited by rising costs and inadequate rate levels.

The System's summer peak demand increased 6.2% in 1983, and electric energy sales were up 3.9%. The increase in sales reflects the improving economy, as well as a 5.5% growth in the System's total number of customers.

Construction expenditures during the year totaled $907 million, an increase of only 1.7% over expenditures in 1982. Funds from operations provided 56.1% of 1983 construction expenditures.

During 1983, System companies raised about $471 million through long-term financing, including some $226 million from the sale of authorized but unissued common stock. An offering of 5 million shares to the public in August 1983 raised $120 million. Participation in the dividend reinvestment plan and employee stock plans accounted for $106 million. At year-end, more than 47 percent of shareholders were reinvesting dividends.

In February 1984, your Board of Directors raised the regular quarterly dividend from 55¢ to 59¢ per share. The new quarterly rate is payable April 2. Dividends declared on the common stock of the Company have been increased for 37 consecutive years.

Customer education and assistance programs remained integral to the Company's goal of providing a high quality of customer service. In early 1983, a new Energy Aid Program was introduced to help customers who have severe financial hardships. By year-end, the Company, its customers and employees had contributed more than $475,000, and a total of 5,300 customers had received help.

In May 1983, T. L. Austin, Jr. announced his retirement as chairman of the board and chief executive officer. During his years of service to the Company, Mr. Austin's leadership was instrumental in the development of lignite resources, which already have saved customers nearly $3 billion.

The Board of Directors elected Perry G. Brittain, who had been president of the Company, to succeed Mr. Austin. Jerry Farrington, at the time president of Dallas Power, was elected president of the Company. In August 1983, he was elected a director.

In February 1984, Dr. Margaret N. Maxey was elected to fill a vacancy on the Board of Directors. Dr. Maxey, director of the Chair of Free Enterprise and professor in the Biomedical Engineering Program at the University of Texas at Austin, is also an author, consultant and lecturer on energy, ethics and the environment.

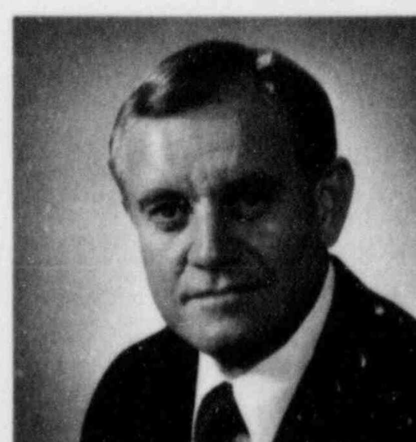
The year just past presented the Company a number of difficulties. The System has not emerged unscathed, but it remains in a relatively strong position. Among factors that give confidence in the outlook for 1984 are the positive business climate and economic vitality of the service area.

The dedication and loyalty of our employees and the continued support and interest of shareholders are sincerely appreciated. They have been the key to the System's growth and development and are essential to its future progress.

March 21, 1984

PERRY G. BRITTAIN
Chairman of the Board

Perry G. Brittain



JERRY FARRINGTON
President

Jerry Farrington

SYSTEM COMPANIES

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

Texas Utilities Company is a holding company with six wholly-owned subsidiaries. The Company provides its subsidiaries with common stock capital and short-term funds required for their construction programs. The Company's principal subsidiary is Texas Utilities Electric Company. At year-end, the common stock of the Company was owned by some 102,000 registered shareholders.

Texas Utilities Electric 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 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 many regional headquarters.

Texas Electric Service Company provides service in 48 counties in north central and west Texas. This area includes Fort Worth, Arlington, Grand Prairie, Midland, Odessa, Wichita Falls and 72 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, Irving, Killeen, Mesquite, Plano, Richardson, Tyler, Waco and 262 other incorporated municipalities. The rich agricultural blacklands of central Texas, farming and ranching sections north and east of Dallas, part of the oil and gas fields of east Texas and the Dallas-Fort Worth Regional Airport—the nation's largest airport—are all in the territory served. This area is also highly diversified with light and heavy manufacturing, electronics and substantial commercial activities.

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.

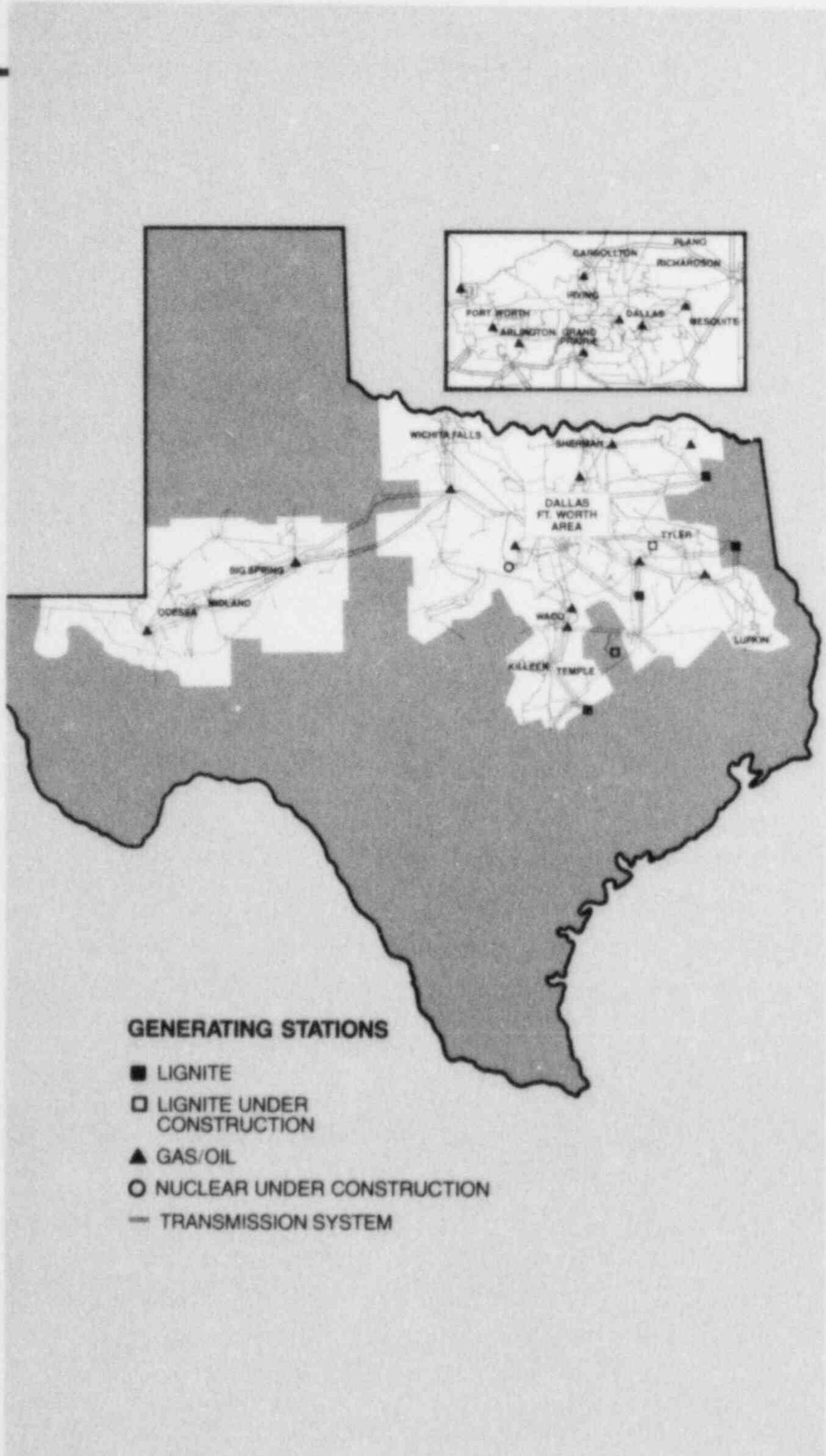
Texas Utilities Fuel Company owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services at cost for the generation of electric energy by the Electric Company.

Texas Utilities Mining Company owns and operates fuel production facilities for the surface mining and recovery of lignite for use as fuel, at cost, for the Electric Company's generating stations.

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

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

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



The System's service area is some 600 miles wide, from far west Texas eastward almost to Louisiana, and about 250 miles deep, from the Oklahoma border southward into central Texas. Its healthy diversity of economic activities range from energy production to manufacturing, commerce and agriculture.

SERVICE AREA

Diverse, strong and stable are words often used to describe the System's service area and its economy.

The hub of the service territory—the dynamic Dallas-Fort Worth Metroplex—ended 1983 with an unemployment rate of 4.5%—very favorable compared to state (7.1%) and national (8%) averages.

Economic growth continued during 1983, as it has for the past decade, at the steady pace that has allowed the Metroplex to retain and enhance its pleasant Sunbelt lifestyle.

The Metroplex took significant steps during 1983 to ensure it can adapt to the continued growth and development which is expected in the area. Dallas and Fort Worth voters approved new public transportation authorities, with Dallas including plans for the first municipal rail transit system in Texas.

The outlook for the System's west and east Texas service areas remains optimistic. Petroleum production was in an upward trend at year-end and continued improvement was predicted for 1984.

Although agriculture in far west Texas suffered from drought conditions during 1983, gross agricultural income was the highest ever reported in much of central and east Texas.

The diversity and stability of the service area, which enable it to withstand and overcome economic stress, is one of the major strengths of the System.

The Dallas Museum of Art's new $54 million facility opened in early 1984 to critical acclaim, joining the Kimbell Museum and Amon Carter Museum of Western Art in Fort Worth as nationally recognized Metroplex museums. The Dallas museum, built through a joint venture between the public and private sectors, is part of the developing 20-square-block Dallas Arts District set amid many of the new office buildings finished or under construction in downtown Dallas. More than 140 million square feet of new commercial construction was authorized, begun or completed during 1983 in the System's service area.

SYSTEM REPORT

OPERATIONS

The Electric Company supplied more than 62 billion kilowatt-hours to meet customers' needs for electricity in 1983—an increase of 3.9% in energy sales compared to 1982. The number of customers served grew by more than 92,000, or 5.5%, to 1,788,347 at year-end.

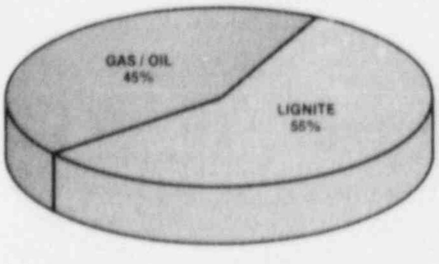
A new System peak demand of 14,029,000 kilowatts was set on August 15, 1983, surpassing the previous record of 13,204,000 kilowatts set in 1982. System net capability was 17,957,000 kilowatts at the time of the 1983 peak.

Lignite Records Set

Records for both lignite mining and kilowatt-hour generation were set during 1983.

Lignite was used to generate almost 35 billion kilowatt-hours, the highest annual total since the System began its major lignite generation program in 1971. Lignite has provided more than half the System's generation in each of the last five years, and in 1983 accounted for about 55% of the kilowatt-hours generated.

1983 Fuel Mix



Natural gas, along with a relatively small amount of fuel oil, provided 45% of the System's generation in 1983, a substantial drop from the 100% it provided before the System began its lignite program.

Production of lignite also surpassed that of previous years with 28,776,000 tons mined in 1983. On December 7, 1983, the System mined its 200 millionth ton of lignite. It took nine years to mine the first 100 million tons; but, because more lignite units were in service, it took only three and one-half more years to reach the 200 million mark.

Productivity of the System's mining operations continues to exceed that of the industry by a substantial margin. Average daily lignite production during 1983 was about 45 tons per man-day, which is about 50% higher than at similar mining operations in the United States.

Lignite Cost Savings Grow

The savings to customers brought about by the use of lignite continue to grow. In 1983, the average cost of lignite used was $0.92 per million Btu. By contrast, the cost of natural gas averaged $3.74 per million Btu.

The total accrued savings to customers from the use of less expensive lignite fuel had surpassed $2.8 billion by the end of 1983.

Productivity Efforts Continue

Significant progress was made during the year in the System's ongoing program to increase productivity and help hold down operating costs.

Data processing innovations continue to save money and enhance productivity in the System through newly-introduced programs such as a Distribution Information System which makes it easier for engineers to design and track distribution work.

Tangible cost-savings results also were brought about during 1983 by a reduction in the System work force of more than 350 employees through normal attrition and an early retirement program. The System was able to do this, without reducing the quality of service to customers, because of the reorganization of System Companies.

Reorganization Completed

Under the reorganization plan approved in 1982 by the Board of Directors and the Public Utility Commission of Texas, a single electric utility corporation, Texas Utilities Electric Company, was established. On January 1, 1984, the three System electric utilities merged into, and became divisions of, the new Electric Company. A fourth division, Texas Utilities Generating Company, is responsible for planning, engineering, construction and operation of all System generating facilities.

Lignite production and transportation is performed by Texas Utilities Mining Company. The Electric Company, Mining Company, Fuel Company, Texas Utilities Services Inc., Basic Resources Inc. and Chaco Energy Company are each separate subsidiaries of Texas Utilities Company.

The reorganized System structure offers more opportunities for efficiency and cost-effectiveness in operations. It also allows reduction in the time and effort needed to coordinate activities throughout the System and offers increased financial flexibility.

The System remains committed to a high standard of service to its customers, and the new organization should further increase productivity in providing that service to a growing number of customers.

Load Management Reducing Peak

Load management programs were begun in 1981 to encourage the use of energy-efficient equipment. The programs provide financial incentives to residential and small commercial customers who install high-efficiency air conditioning units or heat pumps in new or existing buildings or who build energy-efficient E-OK homes.

By the end of 1983, the load management program, combined with interruptible service contracts with some industrial users, had succeeded in limiting the growth in a peak load by 325,000 kilowatts. This is the equivalent of a medium-sized generating unit and would be enough power to serve 57,000 homes.

CONSTRUCTION

The System made an early start on diversifying its fuel resources, with construction beginning in the late 1960s on new generating plants to use lignite and in the early 1970s on the Comanche Peak nuclear plant.

The major part of this construction program has been concluded. 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 System customers.

Estimates Revised

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

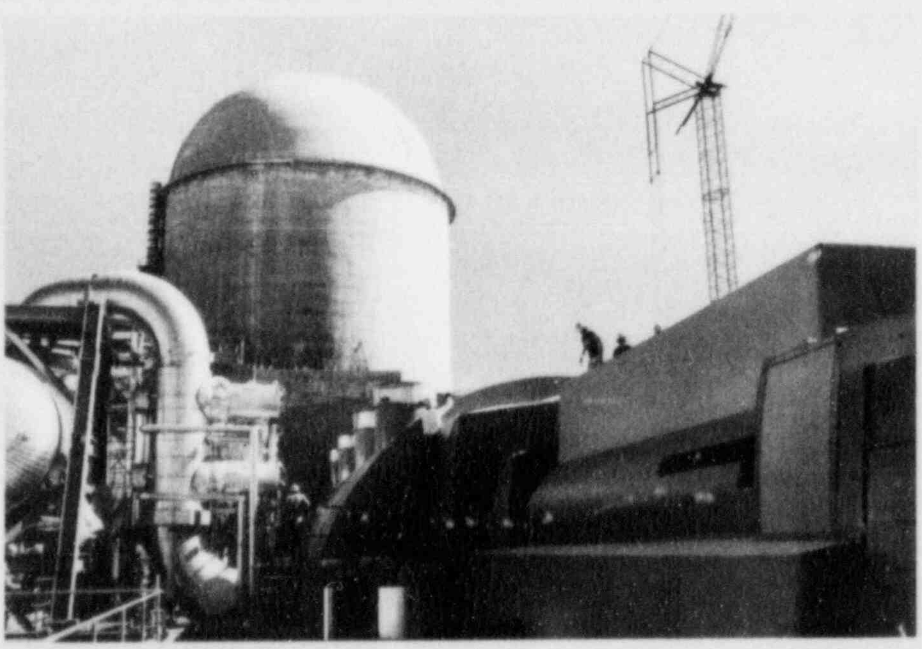
Construction Schedule

Station - Unit	Fuel	Capability (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.

The estimated fuel load date for Comanche Peak Unit 1 was rescheduled 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 was revised from $3.44 billion to $3.89 billion. Of the total, the Electric Company's share is $3.31 billion, or $1,640 per kilowatt—almost 30% below an average of $2,300 per kilowatt for comparable plants in this country.

Texas Utilities Electric Company owns 87 5/6% 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 1/6%.

Comanche Peak Milestones Achieved

A reliable supply of affordable electricity is vital to the continued economic health of Texas, and Comanche Peak will be essential to providing that supply.

During 1983, significant progress was made, with Unit 1 nearly complete at the end of the year. Of the required testing, 75% had been finished or was in progress.

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 NRC to 26 reactor operators.

•Full-scale exercise of the Comanche Peak emergency plan in cooperation with state and county governments.

•Delivery of the fuel for Unit 1.

Licensing Hearings Continue

Further public hearings on the application for an operating license for Comanche Peak were continued 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.

The remaining issue concerns construction quality assurance. The System 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 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 it has been designed and built properly. The Board requested that the Company file a plan to help resolve its concerns. The Company has presented 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. 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.

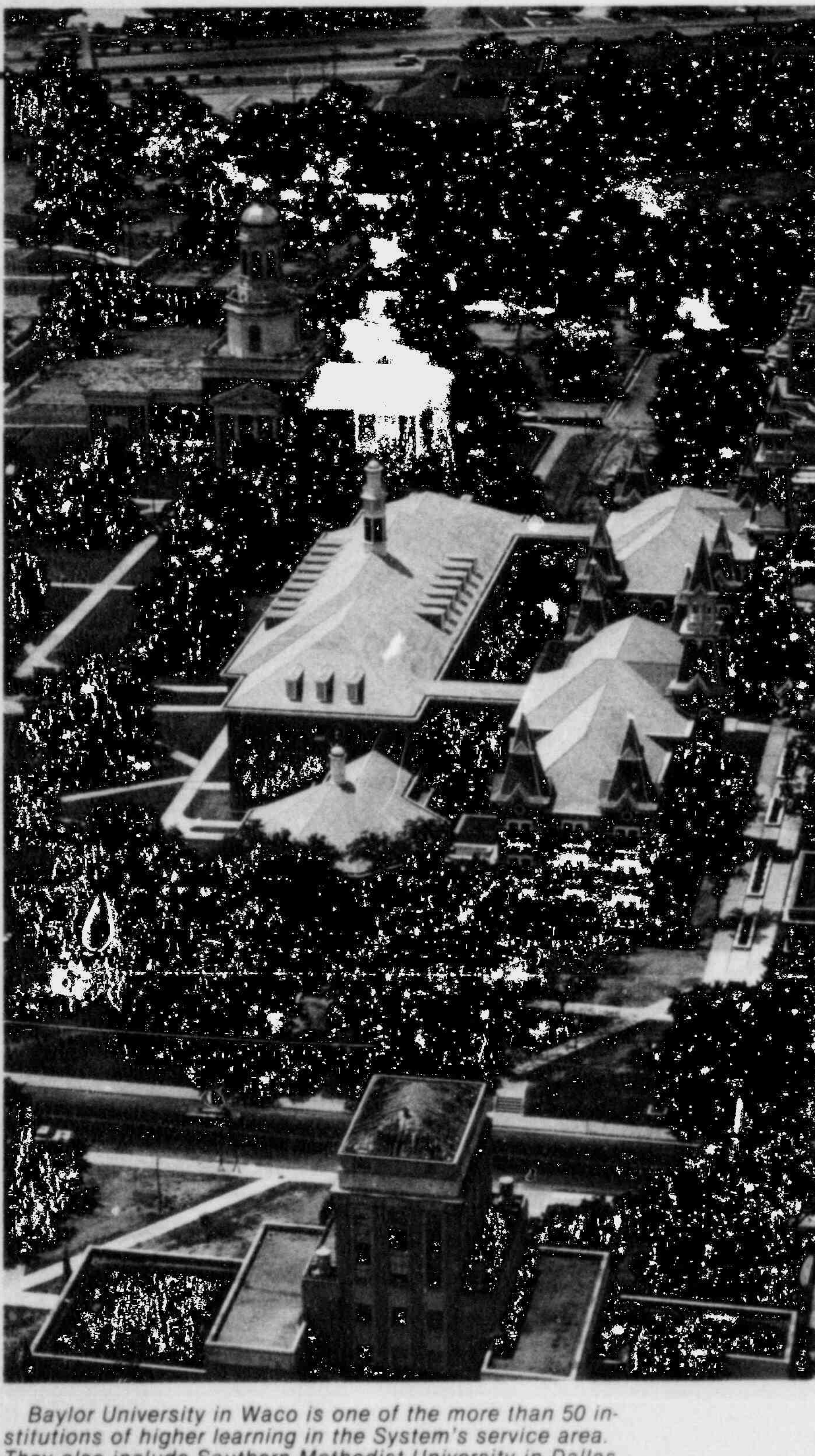
Other Projects Underway

Development of a new mining area for the Martin Lake plant progressed in 1983. The new 25,000-acre site will make an additional 102 million tons of lignite available for use by the System, with operations

Construction Expenditures

		Estimated		
	1983	1984	1985	1986
	Millions of Dollars			
Electric property:				
Production	$431	$373	$377	$747
Transmission	40	74	70	81
Distribution	201	226	246	259
General	21	40	39	28
Fuel facilities:				
Gas	14	11	4	19
Lignite	41	108	227	33
Total	748	832	963	1,167
*AFUDC	159	168	162	133
Total construction expenditures	$907	$1,000	$1,125	$1,300
Such expenditures do not include:				
Nuclear fuel	$45	$79	$70	$48
Non-utility property	48	23	27	32

*Allowance for funds used during construction.



Baylor University in Waco is one of the more than 50 institutions of higher learning in the System's service area. They also include Southern Methodist University in Dallas, Texas Christian University in Fort Worth and branches of the University of Texas in Arlington, Odessa, Richardson and Tyler. About 250,000 students are enrolled in the various universities, two- and four-year colleges, medical schools and seminaries in the service area.

planned to begin in 1985.

Construction also began on a new facility to house the Texas Utilities System Operations Center. When completed in 1985, the expanded Operations Center will consolidate some responsibilities of the three operating divisions. The result will be more efficient centralized dispatching of the generation of electricity from all System power plants.

More than 25% of 1983 construction expenditures involved work on the transmission and distribution system, much of it because of the addition of more than 92,000 new customers.

FUEL SUPPLIES

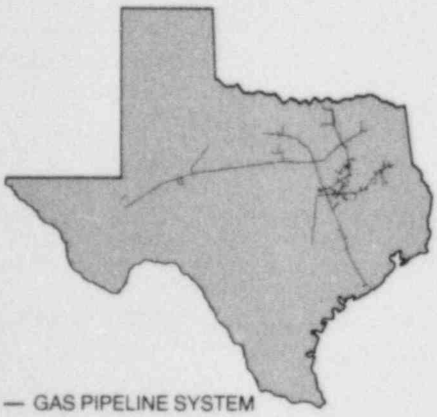
Long-range fuel planning, acquisition and management programs have kept the System in a strong fuel position for many years. Fuel costs consistently have been held well below the state and national averages for electric utilities.

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

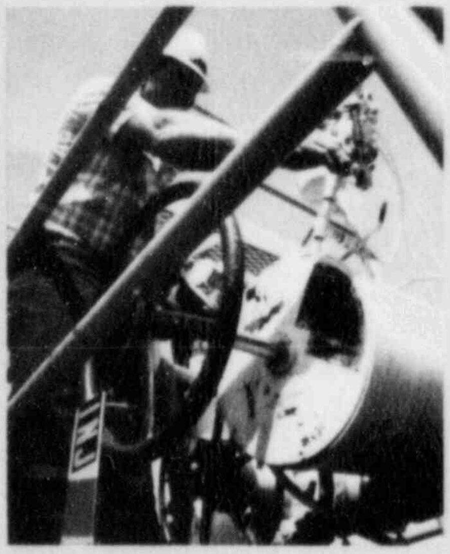
Major supplies of natural gas will be needed for the foreseeable future, however, especially during periods of high electricity use. The Fuel Company supplied 84% of total System gas requirements in 1983. Effective January 1, 1984, all remaining gas contracts held by Texas Electric and Texas Power were assigned to the Fuel Company.

Pipelines, Storage Provide Flexibility

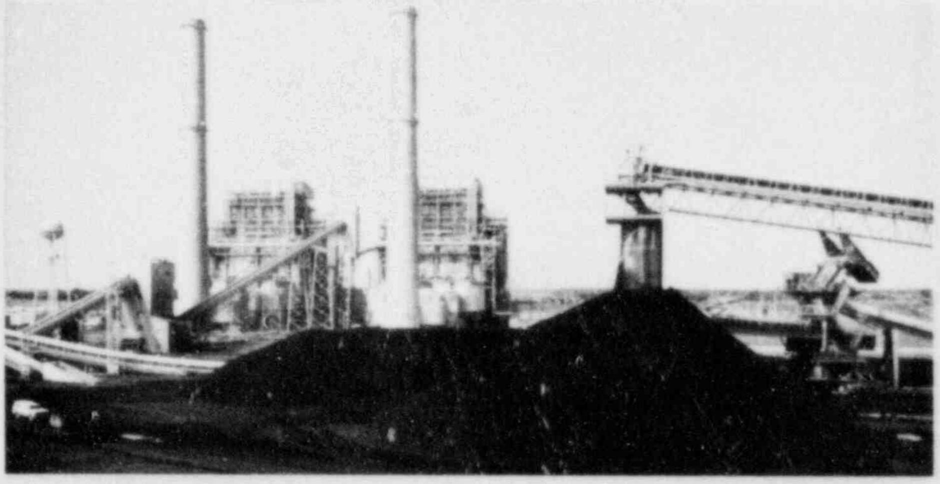
The Fuel Company owns and operates a network of gas pipelines through which this fuel is gathered and transported for use in the generation of electricity. Effective December 31, 1983,



the Old Ocean Fuel Company, formerly a subsidiary of Texas Electric, was merged into the Fuel Company, adding 371 miles of pipeline and additional gas storage to its system. The Fuel Company's total usable storage capacity is now about 28 billion cubic feet.



The System also has oil storage capacity of about 6.9 million barrels. This oil is used primarily when natural gas supplies are interrupted or curtailed. Oil



and gas storage facilities provide added flexibility in the acquisition and use of these fuels.

Lignite, Nuclear Fuel Supplies Assured

The System has acquired lignite deposits over a period of more than 30 years, and, thus, has been able to carry out its program to build generating plants that use this relatively low-cost fuel. The System has access to an estimated 845 million proven recoverable tons to fuel the lignite units in operation and under construction.

Nuclear fuel for the first 17 years of operation of each Comanche Peak unit is under contract. The System also has long-term contracts for related fuel processing services, except for the disposal of spent fuel. The Nuclear Waste Policy Act of 1982 authorizes a plan under which the federal government will develop interim storage and permanent disposal facilities for spent nuclear fuel.

Adequate storage for spent fuel is available on site for at least 17 years of operation, and this storage capacity can be increased.

Chaco Energy Company

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

In January 1983, the Company and Chaco settled all claims against Thercol and Peabody. The settlement does not affect the claims asserted against Santa Fe Industries and its subsidiaries in the suit. Discovery is proceeding on schedule; however, the suit is not yet set for trial.

The Dallas-Fort Worth Metroplex has taken care to preserve and enhance the quality of its lifestyle. In Fort Worth, new multi-story office buildings downtown overlook Sundance Square (pictured), where historic buildings have been renovated and turned into restaurants, shops and galleries. Clydesdale-drawn carriages are available to the growing number of tourists who visit the area. The historic Stockyards area on Fort Worth's north side also has been renovated and is a popular tourist attraction. The Mid-Cities area between Fort Worth and Dallas has become a major family entertainment complex, with such attractions as Six Flags Over Texas, other theme parks and sports stadiums.

RESEARCH AND DEVELOPMENT

The System remains involved in ongoing research programs aimed at finding new energy sources and new technologies which will help assure the continued reliability of electric service and hold down costs.

Environmental research projects sponsored by the System, as well as its reclamation efforts, have minimized the effect of its operations and have made positive contributions to the ecology.

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.

Part of the Company's reclamation program involves reforestation of surface-mined areas, an effort that is proving to be very successful. Since 1975, more than 680,000 trees have been planted at three lignite mining locations.

The overall survival rate in recent years has been almost 80%—in some areas about 95%.

EPRI Conducts Major Research

The System supports the Electric Power Research Institute, which conducts or directs research projects generic to the industry. EPRI now has more than 1,500 research projects underway, benefitting the System and other electric utilities through cooperative efforts.

EPRI research includes programs in solar energy and wind power development, fusion power research, efficient use of electricity for improved load management and research in environmental protection.

EMPLOYEES

The System's employees are its greatest asset. Ever-improving productivity, national safety records and dedication to excellence in customer service are some of the more significant contributions made to the System by its employees.

Employees are afforded equal opportunity in all phases of employment and personnel activities. This objective is carried out effectively through affirmative action programs developed by the companies.

Skills Training Emphasized

Each System company has a firm commitment to providing employees with formal training and with financial assistance for job-related educational courses

offered at colleges, universities and technical schools.

Continuous training programs are provided to employees in many areas of System operations, including customer service, transmission, distribution and power production.

The world's first commercial dragline simulator was installed during 1983 at one of the System's training centers. Another simulator, an exact replica of the Comanche Peak nuclear plant's Unit 1 control room, is scheduled to be installed at the Nuclear Operations Support Facility late in 1984.

National Safety Records Set

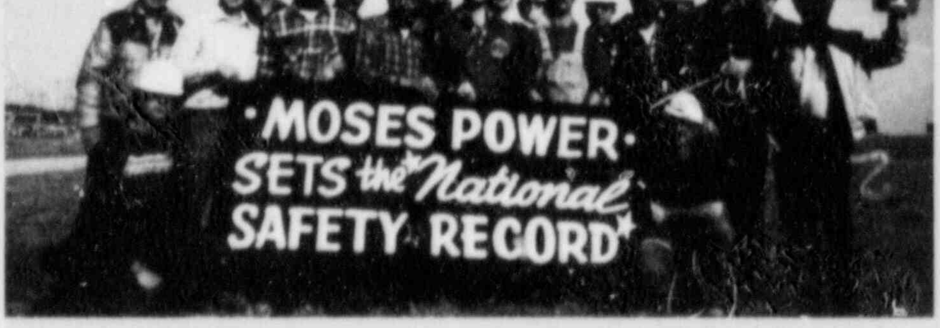
Safety is a basic commitment in all System companies. This objective is supported by ongoing programs at all work locations and through recognition for outstanding safety achievements.

A sustained and highly dedicated commitment by employees to safety led to two national records being set in 1983.

Both power plant and mining groups at the Monticello lignite plant set national industry safety records during the year—at a time when generation and mining production were at or near record levels.

On December 27, the Monticello power department achieved four million man-hours without a lost-time injury—the most ever attained by a coal-fueled power plant.

Earlier in the month, employees of the three Monticello mining sites were honored for having achieved more than 1.9 million man-hours without a lost-time injury. That also was a national record, the most man-hours worked without a lost-time injury in the surface mining industry.



RATES AND REGULATION

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

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 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 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 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.

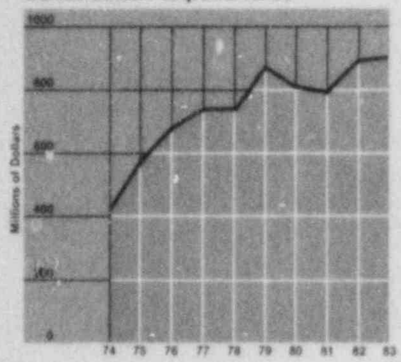
Each investor-owned electric utility in Texas was required to file with the PUC information necessary to establish an interim fixed fuel factor to become effective with September billings and to remain in effect until the utility's next general rate case or PUC reconciliation.

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 for emergency requests to change the fixed fuel factor must be acted on within 30 days by the PUC if unforseeable circumstances substantially change the cost of fuel from the approved factor.

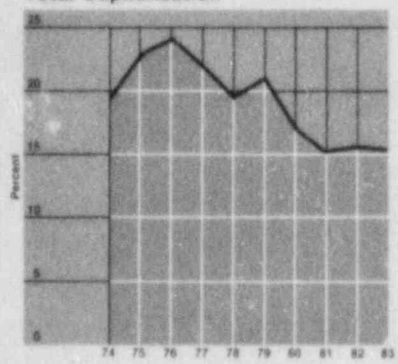
Dallas Power, Texas Electric and Texas Power jointly filed the required information and were granted an interim fuel factor. In July, applications were filed for a new fuel factor to become effective in January 1984 based on the Electric Company's estimated fuel cost per kilowatt-hour during 1984. In 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.

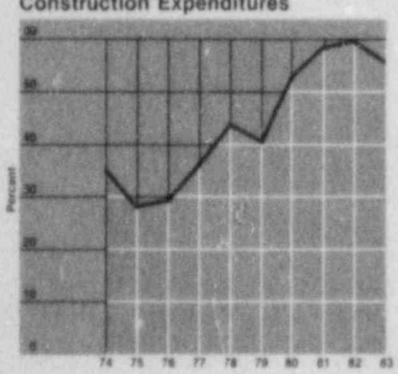
Construction Expenditures



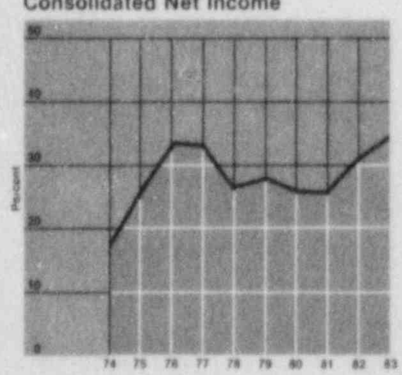
Construction Expenditures as a Percent of Prior Year Total Capitalization



Net Funds From Operations as a Percent of Construction Expenditures



AFUDC as a Percent of Consolidated Net Income



FINANCIAL REPORT

Contents

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

Liquidity and Capital Resources

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

	1983	1984	1985	1986
		Thousands of Dollars		
Construction expenditures (excluding AFUDC)	$748,000	$832,000	$ 963,000	$1,167,000
Nuclear fuel and non-utility property	93,000	102,000	97,000	80,000
Maturities of long-term debt and sinking fund requirements	40,000	64,000	78,000	73,000
Total	$881,000	$998,000	$1,138,000	$1,320,000

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

The System companies generate funds from operations sufficient to meet operating needs, pay dividends on capital stock and finance a significant portion of capital requirements. These funds are derived from consolidated net income, depreciation, deferred taxes and investment tax credits. Factors affecting the ability of Electric 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 56% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the System companies through the sale of common stock by the Company, and the sales of preferred stock and long-term debt by the System companies. The capitalization ratios of the System companies at December 31, 1983, consisted of approximately 44% long-term debt, 10% preferred stock and 46% common stock equity and similar ratios are expected to be maintained in the future. For information regarding bank lines of credit and short-term borrowings of the Company, see Note 2 to Financial Statements.

Financings to date in 1984 include the sale by Fuel Company in January of an additional $46,000,000 principal amount of 12.20% senior notes due 1990. System companies expect to sell securities as needed, including (i) the anticipated sale by Electric Company in April 1984 of $100,000,000 principal amount of first mortgage and collateral trust bonds, (ii) the possible future sale by Electric Company of up to 350,000 shares of preferred stock currently registered for offering with the Securities and Exchange Commission pursuant to Rule 415, (iii) sales of additional shares of common stock of the Company pursuant to various plans described in Note 3 to Financial Statements and (iv) sales of additional securities from time to time, in amounts and of types presently undetermined. Although Electric Company cannot predict future regulatory practices and is to some degree exposed to fluctuating economic and securities market conditions, no changes are expected 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 of the former electric utility subsidiaries should provide greater financing flexibility and achieve additional economies and efficiencies. See Rates and Regulation and Note 10 to Financial Statements.

See Financial Statistics for additional information.

Results of Operations

Operating revenues have increased $249,891,000 for 1983 and $499,648,000 for 1982 primarily as a result of recovery of higher fuel costs, increased energy sales and rate levels. Energy consumption is affected by material variations in weather conditions. Temperatures during 1983 were relatively mild compared to temperatures experienced during 1982 and 1981, which were relatively normal. See Rates and Regulation 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 reimbursement of approximately $17,000,000 from a municipality representing water payments charged to expense in prior periods (see Note 10 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 increases in the AFUDC rate effective January 1982 and increases in the level of construction work in progress of Electric 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 2⅙% interest in Comanche Peak released by Tex-La Electric Cooperative of Texas, Inc. (Tex-La). Other income and deductions—net and related federal income taxes for 1982 reflect the net gain on the sale of the 2⅙% interest in Comanche Peak.

Other interest charges declined in 1983 primarily because of the interest paid Tex-La in 1982 upon the assumption of the 2⅙% interest in Comanche Peak released by Tex-La.

Consolidated net income for 1982 included an increase of approximately $3,400,000 as a result of the sale of the 2⅙% interest in Comanche Peak (see Note 9 to Financial Statements).

Electric 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 (see Rates and Regulation).

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

Financing in 1983
Thousands of Dollars

Texas Utilities Electric Company	
First mortgage bonds (Note 6):	
12¼% series due 2013	$ 50,000
12¼% series due 2013	75,000
12 % series due 1985	1,000
Preferred stock (Note 5):	
300,000 shares at $11.32 per share	29,670
350,000 shares at $10.08 per share	34,696
Total	$190,366
Texas Utilities Fuel Company	
Senior notes (Note 6):	
12.20% due 1990	$ 54,000
Texas Utilities Company	
Common stock (Note 3):	
Public offering	120,125
Other plans	106,246
Total	226,371
Total System financing	$470,737

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Statement of Consolidated Income

	1983	1982	1981
	Thousands of Dollars		
OPERATING REVENUES	$3,487,916	$3,238,025	$2,738,377
OPERATING EXPENSES			
Fuel and purchased power	1,526,525	1,354,439	1,053,777
Operation	425,082	419,501	337,075
Maintenance	230,515	224,711	194,064
Depreciation	199,684	188,281	180,445
Federal income taxes (Note 7)	226,372	222,581	236,247
Taxes other than income	215,190	194,458	173,768
Total operating expenses	2,823,368	2,603,971	2,175,376
OPERATING INCOME	664,548	634,054	563,001
OTHER INCOME			
Allowance for equity funds used during construction	118,032	97,279	70,381
Other income and deductions—net	3,678	11,163	5,568
Federal income taxes (Note 7)	1,758	(2,645)	402
Total other income	123,468	105,797	76,351
TOTAL INCOME	788,016	739,851	639,352
INTEREST CHARGES			
Interest on mortgage bonds	233,884	202,707	157,238
Interest on other long-term debt	58,442	60,880	61,539
Other interest	23,129	40,054	38,424
Allowance for borrowed funds used during construction	(40,489)	(38,765)	(23,576)
Total interest charges	274,966	264,876	233,625
PREFERRED STOCK DIVIDENDS OF SUBSIDIARY	51,582	46,329	46,329
CONSOLIDATED NET INCOME	$ 461,468	$ 428,646	$ 359,398
Average shares of common stock outstanding (thousands)	118,455	111,357	102,292
Earnings and dividends per share of common stock:			
Earnings (on average shares outstanding)	$3.90	$3.85	$3.51
Dividends declared	2.20	2.04	1.88

Statement of Consolidated Retained Earnings

	1983	1982	1981
	Thousands of Dollars		
BALANCE AT BEGINNING OF YEAR	$1,260,941	$1,059,371	$ 892,279
ADD—Consolidated net income	461,468	428,646	359,398
Total	1,722,409	1,488,017	1,251,677
DEDUCT—Dividends declared on common stock (for amounts per share, see Statement of Consolidated Income)	262,659	227,076	192,306
BALANCE AT END OF YEAR (Note 4)	$1,459,750	$1,260,941	$1,059,371

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Statement of Consolidated Source of Funds for Construction

	1983	1982	1981
	Thousands of Dollars		
FUNDS FROM OPERATIONS			
Consolidated net income	$461,468	$428,646	$359,398
Depreciation (including amounts charged to fuel)	227,947	218,105	206,323
Deferred federal income taxes—net	99,412	95,512	68,445
Federal investment tax credits—net	51,908	74,187	62,361
Allowance for funds used during construction	(158,521)	(136,044)	(93,957)
Total funds from operations	682,214	680,406	602,570
Less—Dividends declared on common stock	262,659	227,076	192,306
Net funds from operations	419,555	453,330	410,264
FUNDS FROM FINANCING			
Sales of securities:			
First mortgage bonds	142,079	300,414	218,507
Other long-term debt	54,000	4,215	3,677
Preferred stock	64,366	—	—
Common stock	226,371	186,761	164,252
Retirement of long-term debt	(40,336)	(29,533)	(21,207)
Decrease in notes payable:			
Bank loans	—	—	(50,000)
Commercial paper	(70,715)	(47,785)	(20,910)
Net funds from financing	375,765	414,072	294,319
OTHER SOURCES (USES) OF FUNDS			
Changes in working capital, excluding notes payable and long-term debt due currently:			
Cash in banks and temporary cash investments	(707)	59,380	(56,644)
Accounts receivable—net	(34,872)	(22,792)	(38,503)
Inventories	57,290	(55,224)	(56,402)
Accounts payable	(19,374)	13,037	4,704
Taxes accrued	12,169	3,716	46,652
Advance payment on sale of utility plant (Note 9)	—	(90,420)	90,420
Other—net	42,948	12,532	31,661
Net change	57,454	(79,771)	21,888
Non-utility property—net	(47,654)	(16,684)	(22,985)
Nuclear fuel	(45,381)	(29,551)	4,271
Sale of utility plant (Note 9)	—	36,220	—
Other—net	(11,330)	(22,100)	(9,446)
Net other sources (uses) of funds	(46,911)	(111,886)	(6,272)
Total	$748,409	$755,516	$698,311
CONSTRUCTION EXPENDITURES			
Utility plant	$906,930	$891,560	$792,268
Allowance for funds used during construction	(158,521)	(136,044)	(93,957)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	$748,409	$755,516	$698,311

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

December 31

	1983	1982
	Thousands of Dollars	
Assets		
UTILITY PLANT		
In service:		
Production	**$3,493,203**	$3,430,197
Transmission	**1,014,929**	946,138
Distribution	**1,917,418**	1,733,862
General	**220,364**	196,209
Total	**6,645,914**	6,306,406
Construction work in progress	**3,156,271**	2,625,307
Nuclear fuel	**156,088**	110,707
Held for future use	**9,380**	9,022
Total utility plant	**9,967,653**	9,051,442
Less accumulated depreciation	**1,958,103**	1,758,156
Utility plant, less accumulated depreciation	**8,009,550**	7,293,286
INVESTMENTS—at cost		
Non-utility property (Note 10)	**146,367**	98,713
Other investments (Note 1)	**15,770**	15,687
Total investments	**162,137**	114,400
CURRENT ASSETS		
Cash in banks (Note 2)	**15,430**	17,723
Temporary cash investments—at cost	**3,000**	—
Special deposits	**27,135**	17,516
Accounts receivable:		
Customers	**207,771**	170,814
Other	**33,074**	35,117
Allowance for uncollectible accounts	**(8,999)**	(8,957)
Inventories—generally at average cost:		
Materials and supplies	**113,125**	105,155
Fuel stock	**135,164**	200,424
Other current assets	**23,432**	35,333
Total current assets	**549,132**	573,125
DEFERRED DEBITS	**60,135**	40,596
Total	**$8,780,954**	$8,021,407

See accompanying Notes to Financial Statements.

	1983	1982
	Thousands of Dollars	
Liabilities		
CAPITALIZATION		
Common stock, Texas Utilities Company—without par value (Note 3):		
Authorized shares—200,000,000		
Outstanding shares—1983, 123,685,058; 1982, 114,182,319	**$1,775,625**	$1,549,254
Retained earnings (Note 4)	**1,459,750**	1,260,941
Total common stock equity	**3,235,375**	2,810,195
Preferred stock (Note 5):		
Not subject to mandatory redemption	**629,779**	600,109
Subject to mandatory redemption	**34,696**	—
Long-term debt, less amounts due currently (Note 6)	**3,103,452**	2,973,253
Total capitalization	**7,003,302**	6,383,557
CURRENT LIABILITIES		
Notes payable—commercial paper (Note 2)	**26,500**	97,215
Long-term debt due currently	**64,180**	39,880
Total (to be refinanced)	**90,680**	137,095
Accounts payable	**160,529**	179,903
Dividends declared	**81,339**	69,804
Customers' deposits	**29,541**	25,425
Taxes accrued	**172,484**	160,315
Interest accrued	**80,320**	75,379
Other current liabilities	**62,665**	42,291
Total current liabilities	**677,558**	690,512
RESERVE FOR INSURANCE AND CASUALTIES	**11,747**	9,003
ACCUMULATED DEFERRED FEDERAL INCOME TAXES	**569,289**	469,745
UNAMORTIZED FEDERAL INVESTMENT TAX CREDITS	**519,058**	468,590
COMMITMENTS AND CONTINGENCIES (Note 10)		
Total	**$8,780,954**	$8,021,407

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Notes to Financial Statements

1. Significant Accounting Policies

Consolidation—The consolidated financial statements include the Company and all of its subsidiaries; all significant intercompany items and transactions have been eliminated in consolidation. Effective January 1, 1984, the Company's three electric utility subsidiaries, Dallas Power & Light Company (Dallas Power), Texas Electric Service Company (Texas Electric) and Texas Power & Light Company (Texas Power) were merged into Texas Utilities Electric Company (Electric Company), a wholly owned subsidiary of the Company. All references herein to "Electric Company" include Dallas Power, Texas Electric and Texas Power.

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

Allowance For Funds Used During Construction—Allowance for funds used during construction (AFUDC) is a cost accounting procedure whereby amounts based upon interest charges on borrowed funds and a return on other capital used to finance construction are charged to utility plant. The accrual of AFUDC is in accord with established accounting practices of the industry, but does not represent current cash income. Effective January 1982 and 1981, Electric Company has capitalized AFUDC at a net of tax rate of 9% and 8½%, respectively, compounded semiannually 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, Electric 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 3.8% for 1983, 1982 and 1981.

Other Investments—The difference between the amount at which the investment in a subsidiary is carried by the Company and the underlying book equity of such subsidiary at the respective dates of acquisition is included in other investments: $14,439,000 at December 31, 1983 and $14,411,000 at December 31, 1982.

Federal Income Taxes—The Company and its subsidiary companies file a consolidated federal income tax return, and federal income taxes are allocated to all subsidiary companies based upon taxable income or loss. Deferred federal income taxes are generally provided for 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 7.)

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

2. Bank Balances and Short-Term Borrowings

At December 31, 1983 and December 31, 1982, the Company had lines of credit with commercial banks aggregating $300,000,000. The lines of credit may be used for either backup lines for commercial paper or for bank loans. At December 31, 1983, the total amount of borrowings authorized by the Board of Directors of the Company from banks or other lenders was $500,000,000.

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

3. Common Stock

The Company issued and sold shares of its authorized but unissued common stock during the years 1983, 1982 and 1981 as follows:

	Public Offering		Automatic Dividend Reinvestment and Common Stock Purchase Plan		Employees' Thrift Plan and Employee Stock Ownership Plan		Total	
Year	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
1983	5,000,000	$120,125,000	3,052,467	$71,055,000	1,450,272	$35,191,000	9,502,739	$226,371,000
1982	5,000,000	103,925,000	2,549,435	52,288,000	1,396,583	30,548,000	8,946,018	186,761,000
1981	5,000,000	86,100,000	2,358,142	42,699,000	1,789,514	35,453,000	9,147,656	164,252,000

At December 31, 1983, 6,539,811 shares of the authorized but unissued common stock of the Company were reserved for issuance and sale pursuant to the above plans.

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

4. Retained Earnings

The articles of incorporation, the mortgages, as supplemented, and the debenture agreements of Electric Company 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 of Electric Company was thus restricted as a result of the provisions of such articles of incorporation. Retained earnings at such date also included $431,243,000, representing the Company's equity in undistributed earnings since acquisition included in transfers by Electric Company from its retained earnings to stated value of common stock, making a total of retained earnings which was restricted of $508,324,000 at December 31, 1983.

Notes to Financial Statements (continued)

5. Preferred Stock of Electric Company (cumulative, without par value, entitled upon liquidation to $100 a share)

	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			
Not Subject to Mandatory Redemption						
$ 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		
Subject to Mandatory Redemption						
$10.08 series**	350,000	—	$34,696	—	$110.08*	$100.00

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

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

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

Maturity Groups From	Maturity Groups To	Interest Rate Groups From	Interest Rate Groups To	December 31, 1983	December 31, 1982
				Thousands of Dollars	
First mortgage bonds:					
1984	1988	3⅜%	12 %	$ 121,500	$ 165,500
1989	1993	4¼	4½	69,000	69,000
1994	1998	4½	6⅝	174,000	174,000
1999	2003	7⅛	9⅜	365,000	365,000
2004	2008	8¼	10⅛	700,000	700,000
2009	2013	9⅜	17½	850,000	725,000
Pollution control series:					
2011	2012	10	13½	110,000	110,000
Funds on deposit with trustee				—	(16,079)
Sinking fund debentures*:					
1985	1989	4½	5¼	27,761	—
1993	1994	6⅝	7¾	34,373	—
Total				2,451,634	2,292,421
Pollution control revenue bonds:					
2004	2009	5.70	7⅝	160,000	160,000
Funds on deposit with trustee				(4,856)	(4,856)
Total				155,144	155,144
Sinking fund debentures*:					
1985	1989	4½	5¼	—	27,851
1993	1994	6⅝	7¾	—	34,739
Total				—	62,590
Senior notes:					
1990	1999	8.50	12.20	511,300	476,480
Unamortized premium and discount				(14,626)	(13,382)
Total long-term debt, less amounts due currently				$3,103,452	$2,973,253

*In June 1983, Electric 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 its outstanding first mortgage bonds.

In January 1984, Fuel Company sold an additional $46,000,000 principal amount of 12.20% senior notes due 1990.

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 Fund (a)	Maturity	Minimum Cash Requirement (a) (b)
		Thousands of Dollars	
1984	$34,017	$45,000	$64,180
1985	47,481	45,270	78,376
1986	47,480	40,000	73,480
1987	47,015	22,000	55,565
1988	47,230	22,500	56,280

(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%.

Utility plant of Electric Company is generally subject to the lien of the mortgages.

Notes to Financial Statements (continued)

7. Federal Income Taxes

The details of federal income taxes are as follows:

	1983	1982	1981
	Thousands of Dollars		
Charged to operating expenses:			
Current	$ 82,570	$ 68,392	$101,851
Deferred—net:			
Differences between depreciation methods and lives	72,045	69,435	63,831
Certain capitalized construction costs	11,561	9,925	9,040
Other	8,288	642	(836)
Total	91,894	80,002	72,035
Investment tax credits—net	51,908	74,187	62,361
Total charged to operating expenses	226,372	222,581	236,247
Charged to other income:			
Current	(9,276)	(12,865)	3,188
Deferred—net	7,518	15,510	(3,590)
Total charged to other income	(1,758)	2,645	(402)
Total federal income taxes	$224,614	$225,226	$235,845

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

	1983	1982	1981
	Thousands of Dollars		
Federal income taxes at statutory rate of 46%	$339,326	$322,092	$295,123
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction	72,919	62,580	43,220
Depletion allowance	28,021	27,565	14,662
Amortization of investment tax credits	12,956	14,677	10,348
Other	816	(7,956)	(8,952)
Total reductions	114,712	96,866	59,278
Total federal income taxes	$224,614	$225,226	$235,845
Effective tax rate	30.4%	32.2%	36.8%

8. Retirement Plans

The System companies have uniform retirement plans covering substantially all employees. The costs of the plans are determined by independent actuaries and are funded by the companies as accrued. The costs of the plans, including amounts capitalized, approximated $46,724,000 for 1983 (including $2,664,000 associated with a one time early retirement program), $39,000,000 for 1982 and $31,791,000 for 1981. As of the annual valuations in 1983 and 1982, accumulated benefits and net fund assets were as follows:

	1983	1982
	Thousands of Dollars	
Actuarial present value of accumulated benefits:		
Vested	$268,882	$234,978
Nonvested	27,821	23,005
Total	$296,703	$257,983
Net fund assets	$316,725	$230,827

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

9. Sale of Utility Plant

In January 1981, Texas Power completed an agreement to sell a $4\frac{1}{3}\%$ 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 $4\frac{1}{3}\%$ participation and requested that consideration be given to reducing such participation to $2\frac{1}{6}\%$. 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 $2\frac{1}{6}\%$ 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 $2\frac{1}{6}\%$ interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La, assumed ownership interest of the $2\frac{1}{6}\%$ released by Tex-La and refunded approximately $66,000,000 for that portion of costs and interest expended by Tex-La allocable to the $2\frac{1}{6}\%$ interest so released. (See Management's Discussion and Analysis of Financial Condition and Results of Operations.)

10. Commitments and Contingencies

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

Electric Company has entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and have agreed, in effect, to guarantee the principal, $52,310,000 at December 31, 1983, and interest on bonds issued to finance the reservoirs from which the water is supplied. The bonds mature at various dates through 2011 and have interest rates ranging from $5\frac{1}{2}\%$ to 9%. Electric 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, Electric 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, Electric Company received regulatory approval of an agreement with a municipality for that municipality to assume all contract rights and obligations of Electric Company in connection with $108,845,000 remaining principal amount of bonds issued for similar purposes which had previously been guaranteed by Electric Company; Electric Company is, however, contingently liable in the event of default by the municipality.

Electric Company has entered into an agreement with Tex-La whereby Electric 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, Electric 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 9.)

Notes to Financial Statements (concluded)

10. Commitments and Contingencies (concluded)

Chaco entered into an agreement in 1977 for the rights to over 200 million tons of surface mineable coal located in New Mexico. The agreement provides, subject to certain limitations, for advance royalty payments, payable over a remaining period of approximately 30 years, which are based upon annual quantities ranging from approximately 3.1 million tons in 1984 to a maximum of approximately 8.3 million tons in 1991. Such payments approximated $5.50 per ton in 1983 and are subject to escalation in the future due to inflation. In connection with the foregoing, the Company entered into a surety agreement pursuant to which it has undertaken to assure the performance by Chaco with respect to this agreement. Non-utility property at December 31, 1983 and December 31, 1982 includes $52,700,000 and $37,000,000, respectively, of minimum advance royalties paid by Chaco under the terms of this agreement. Reference is made to Fuel Supplies—Chaco Energy Company for information concerning pending litigation relating to the validity and enforceability of such agreement.

Electric Company is involved in a proceeding before the Atomic Safety and Licensing Board (ASLB) with respect to Electric 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. Electric 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. (See Construction.)

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

11. Supplementary Financial Information (Unaudited)

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

	Operating Revenues		Operating Income		Consolidated Net Income		Earnings Per Share of Common Stock	
Quarter Ended	**1983**	**1982**	**1983**	**1982**	**1983**	**1982**	**1983**	**1982**
	Thousands of Dollars (except per share amounts)							
March 31	$ 732,926	$ 692,415	$132,919	$131,724	$ 79,512	$ 80,978	$0.69	$0.77
June 30	763,535	748,016	139,002	139,059	85,155	86,179	0.74	0.77
September 30	1,141,912	1,076,211	235,576	226,440	186,073	174,864	1.57	1.55
December 31	849,543	721,383	157,051	136,831	110,728	86,625	0.90	0.76
Total	$3,487,916	$3,238,025	$664,548	$634,054	$461,468	$428,646	$3.90	$3.85

Statement of Responsibility

The management of Texas Utilities Company is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Company and its subsidiaries and other information included in this report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. As appropriate, the statements include amounts based on informed estimates and judgments of management.

The Company's system of internal accounting control is designed to provide reasonable assurance, on a cost-effective basis, that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing consolidated financial statements. Management believes that the system of control provides reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected within a timely period. Key elements in this system include the effective communication of established written policies and procedures, selection and training of qualified personnel and organizational arrangements that provide an appropriate division of responsibility. This system of control is augmented by an ongoing internal audit program designed to evaluate its adequacy and effectiveness.

The Board of Directors of the Company addresses its oversight responsibility for the consolidated financial statements through its Audit Committee, which is composed of directors who are not employees of the Company. The Audit Committee meets regularly with the Company's management, internal auditors and independent certified public accountants to review matters relating to financial reporting, auditing and internal controls. To ensure auditor independence, both the internal auditors and independent certified public accountants have full and free access to the Audit Committee.

The independent certified public accounting firm of Deloitte Haskins & Sells is engaged to examine, in accordance with generally accepted auditing standards, the consolidated financial statements of the Company and its subsidiaries and to express an opinion thereon.

Accountants' Opinion

DELOITTE HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Texas Utilities Company:

We have examined the consolidated balance sheet of Texas Utilities Company and subsidiaries as of December 31, 1983 and 1982 and the related consolidated statements of income, retained earnings and source of funds for construction for each of the three years in the period ended December 31, 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 companies at December 31, 1983 and 1982 and the results of their operations and the source of their funds for construction for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Dallas, Texas
March 21, 1984

TEXAS UTILITIES COMPANY SYSTEM

Financial Statistics

	1983	1982	1981
TOTAL ASSETS end of year *(thousands)*	**$8,780,954**	$8,021,407	$7,306,658
UTILITY PLANT end of year *(thousands)*	**$9,967,653**	$9,051,442	$8,194,803
Accumulated depreciation end of year	**1,958,103**	1,758,156	1,560,754
Construction expenditures (including allowance for funds used during construction)	**906,930**	891,560	792,268
CAPITALIZATION end of year *(thousands)*			
Long-term debt	**$3,103,452**	$2,973,253	$2,713,863
Preferred stock:			
Not subject to mandatory redemption	**629,779**	600,109	600,109
Subject to mandatory redemption	**34,696**	—	—
Common stock equity	**3,235,375**	2,810,195	2,421,864
Total	**$7,003,302**	$6,383,557	$5,735,836
CAPITALIZATION RATIOS end of year			
Long-term debt	**44.3%**	46.6%	47.3%
Preferred stock	**9.5**	9.4	10.5
Common stock equity	**46.2**	44.0	42.2
Total	**100.0%**	100.0%	100.0%
EMBEDDED INTEREST COST ON LONG-TERM DEBT end of year	**9.7%**	9.5%	9.0%
EMBEDDED DIVIDEND COST ON PREFERRED STOCK end of year	**8.0%**	7.7%	7.7%
CONSOLIDATED NET INCOME *(thousands)*	**$461,468**	$428,646	$359,398
DIVIDENDS DECLARED ON COMMON STOCK *(thousands)*	**$262,659**	$227,076	$192,306
COMMON STOCK DATA			
Shares outstanding—average	**118,454,666**	111,356,815	102,292,239
Shares outstanding—end of year	**123,685,058**	114,182,319	105,236,301
Earnings per average share	**$3.90**	$3.85	$3.51
Dividends declared per share	**$2.20**	$2.04	$1.88
Book value per share—end of year	**$26.16**	$24.61	$23.01
Return on average common stock equity	**15.3%**	16.4%	15.9%
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF CONSOLIDATED NET INCOME	**34.4%**	31.7%	26.1%
NET FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	**56.1%**	60.0%	58.8%

1980	1979	1978	1977	1976	1975	1974	1973
$6,552,972	$5,821,933	$5,161,808	$4,563,806	$3,878,180	$3,245,663	$2,768,435	$2,352,427
$7,438,877	$6,631,618	$5,862,096	$5,111,037	$4,398,695	$3,736,126	$3,177,008	$2,771,698
1,378,654	1,213,927	1,057,068	917,637	813,837	716,726	629,236	552,477
807,008	872,916	737,353	734,282	671,708	570,016	418,776	321,907
$2,527,716	$2,368,612	$2,038,654	$1,859,057	$1,627,403	$1,334,881	$1,140,023	$ 995,352
600,109	535,824	506,233	476,578	446,923	417,373	358,123	297,969
—	—	—	—	—	—	—	—
2,090,520	1,830,472	1,624,298	1,432,830	1,266,086	1,024,491	982,349	856,164
$5,218,345	$4,734,908	$4,169,185	$3,768,465	$3,340,412	$2,776,745	$2,480,495	$2,149,485
48.4%	50.0%	48.9%	49.3%	48.7%	48.1%	46.0%	46.3%
11.5	11.3	12.1	12.7	13.4	15.0	14.4	13.9
40.1	38.7	39.0	38.0	37.9	36.9	39.6	39.8
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
8.3%	7.9%	7.5%	7.3%	7.2%	6.9%	6.4%	5.7%
7.7%	7.4%	7.3%	7.2%	7.1%	7.0%	6.6%	6.3%
$297,844	$211,151	$200,738	$175,919	$147,920	$120,976	$123,107	$111,243
$164,527	$142,262	$119,945	$103,250	$ 85,800	$ 74,400	$ 63,880	$ 57,590
93,719,257	86,319,396	79,026,787	73,194,444	64,625,000	60,000,000	56,588,889	55,354,167
96,088,645	87,985,098	80,665,889	75,000,000	70,000,000	60,000,000	60,000,000	56,000,000
$3.18	$2.45	$2.54	$2.40	$2.29	$2.02	$2.18	$2.01
$1.76	$1.64	$1.52	$1.40	$1.32	$1.24	$1.12	$1.04
$21.76	$20.80	$20.14	$19.10	$18.09	$17.07	$16.30	$15.09
15.2%	12.2%	13.1%	13.0%	12.9%	12.1%	13.5%	14.2%
26.2%	28.2%	26.9%	33.3%	33.7%	26.1%	17.8%	14.2%
52.7%	40.3%	44.1%	36.4%	29.7%	28.5%	35.8%	41.3%

TEXAS UTILITIES COMPANY SYSTEM

Operating Statistics

	1983	1982	1981
ELECTRIC ENERGY GENERATED AND PURCHASED *(megawatt-hours)*			
Generated—net station output	**67,706,594**	64,224,726	62,447,413
Purchased and net interchange	**343,581**	371,190	91,091
Total generated and purchased	**68,050,175**	64,595,916	62,538,504
Company use, losses, and unaccounted for	**5,340,248**	4,215,774	4,166,327
Total electric energy sales	**62,709,927**	60,380,142	58,372,177
FUEL MIX FOR ELECTRIC GENERATION *(percent)*			
Gas	**42.9%**	44.4%	46.4%
Oil	**1.7**	0.6	0.2
Lignite	**55.4**	55.0	53.4
Total	**100.0%**	100.0%	100.0%
ELECTRIC ENERGY SALES *(megawatt-hours)*			
Residential	**20,162,506**	19,945,087	18,676,240
Commercial	**17,366,563**	16,475,253	15,383,162
Industrial	**18,690,077**	17,526,412	17,992,261
Government and municipal	**1,790,476**	1,730,273	1,692,106
Total general business	**58,009,622**	55,677,025	53,743,769
Other electric utilities	**4,700,305**	4,703,117	4,628,408
Total electric energy sales	**62,709,927**	60,380,142	58,372,177
OPERATING REVENUES *(thousands)*			
Residential	**$1,306,912**	$1,237,632	$1,044,761
Commercial	**998,362**	911,487	778,008
Industrial	**808,016**	745,243	659,678
Government and municipal	**104,730**	95,673	83,077
Total general business	**3,218,020**	2,990,035	2,565,524
Other electric utilities	**202,387**	190,727	161,998
Total from electric energy sales	**3,420,407**	3,180,762	2,727,522
Other operating revenues	**67,509**	57,263	10,855
Total operating revenues	**$3,487,916**	$3,238,025	$2,738,377
ELECTRIC CUSTOMERS (end of year)			
Residential	**1,556,760**	1,477,097	1,421,273
Commercial	**198,548**	187,065	177,269
Industrial	**22,761**	21,478	20,692
Government and municipal	**10,210**	10,148	10,263
Total general business	**1,788,279**	1,695,788	1,629,497
Other electric utilities	**68**	75	78
Total electric customers	**1,788,347**	1,695,863	1,629,575
Residential classification includes indirect sales (apartments, etc.); dwelling units not included in number of customers	**197,945**	205,304	213,905
Industrial classification includes service to Alcoa-Sandow (interruptible prior to May 1981):			
Electric energy sales *(megawatt-hours)*	**2,660,564**	2,316,308	2,848,997
Operating revenues *(thousands)*	**$68,121**	$68,035	$64,016

	1980	1979	1978	1977	1976	1975	1974	1973
	62,865,641	58,051,429	57,196,077	53,156,235	47,573,856	45,862,942	43,969,560	42,169,231
	56,388	75,695	79,688	72,845	46,656	225,718	176,059	449,061
	62,922,029	58,127,124	57,275,765	53,229,080	47,620,512	46,088,660	44,145,619	42,618,292
	4,422,762	4,001,684	4,041,486	3,549,768	3,290,124	3,238,645	3,052,126	2,872,902
	58,499,267	54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493	39,745,390
	49.0%	48.6%	58.0%	65.9%	68.3%	74.8%	82.0%	81.7%
	0.1	1.4	0.6	1.5	0.2	0.3	2.1	3.2
	50.9	50.0	41.4	32.6	31.5	24.9	15.9	15.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	19,844,409	17,394,402	17,943,224	16,642,382	14,548,407	14,575,846	13,532,494	13,122,546
	14,683,104	13,264,436	13,117,202	12,347,755	11,338,371	11,026,495	10,285,297	10,130,629
	17,581,265	17,275,859	16,469,636	15,678,254	13,917,588	12,962,019	13,231,004	12,715,469
	1,796,988	1,669,726	1,728,056	1,565,518	1,425,665	1,333,765	1,293,641	1,226,292
	53,905,766	49,604,423	49,258,118	46,233,909	41,230,031	39,898,125	38,342,436	37,194,936
	4,593,501	4,521,017	3,976,161	3,445,403	3,100,357	2,951,890	2,751,057	2,550,454
	58,499,267	54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493	39,745,390
	$ 877,555	$ 672,340	$ 640,611	$ 552,331	$ 442,204	$ 374,480	$ 308,735	$ 268,131
	590,921	488,170	439,146	375,822	303,785	251,882	204,441	178,718
	482,919	419,224	373,456	310,811	238,426	182,491	149,526	125,144
	68,396	54,565	49,623	40,331	32,390	25,337	20,209	16,974
	2,019,791	1,634,299	1,502,836	1,279,295	1,016,805	834,190	682,911	588,967
	123,188	105,306	87,592	69,975	53,052	39,764	27,890	20,967
	2,142,979	1,739,605	1,590,428	1,349,270	1,069,857	873,954	710,801	609,934
	31,574	16,684	13,928	18,508	12,473	14,782	15,796	5,162
	$2,174,553	$1,756,289	$1,604,356	$1,367,778	$1,082,330	$ 888,736	$ 726,597	$ 615,096
	1,356,651	1,287,701	1,221,468	1,159,885	1,122,358	1,090,798	1,069,017	1,048,317
	171,495	164,291	160,170	153,658	146,287	140,085	136,241	134,895
	19,590	18,654	17,953	17,216	16,688	16,405	16,077	15,773
	10,488	11,257	11,260	11,274	11,121	10,736	10,330	9,886
	1,558,224	1,481,903	1,410,851	1,342,033	1,296,454	1,258,024	1,231,665	1,208,871
	80	80	62	60	59	63	58	58
	1,558,304	1,481,983	1,410,913	1,342,093	1,296,513	1,258,087	1,231,723	1,208,929
	223,960	240,164	243,886	248,755	240,672	236,055	232,358	224,577
	2,918,794	3,076,399	2,891,259	2,786,027	1,822,488	2,038,618	2,431,269	2,001,058
	$48,813	$48,400	$41,572	$36,878	$20,052	$18,704	$15,309	$10,037

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Supplementary Information Concerning Effects of Changing Prices

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

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

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

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

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

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

Summary of Consolidated Net Income Adjusted for Effects of Changing Prices

Year Ended December 31, 1983

	Historical Cost Reported in Financial Statements	Adjusted for Changing Prices: General Inflation (Constant Dollar)	Adjusted for Changing Prices: Specific Prices (Current Cost)
Thousands of Dollars		*Average 1983 Dollars*	
Operating revenues	$3,487,916	$3,487,916	$3,487,916
Operating expenses (a)	2,823,368	3,052,707	3,072,501
Operating income	664,548	435,209	415,415
Other income	123,468	123,468	123,468
Total income	788,016	558,677	538,883
Interest charges	274,966	274,966	274,966
Preferred stock dividends of subsidiary	51,582	51,582	51,582
Consolidated net income	$ 461,468	$ 232,129	$ 212,335
Increase in specific prices of utility plant held during the year (b)			$ 256,196
Adjustment to net recoverable cost of utility plant		$ (54,910)	215,438
Effect of general inflation on utility plant			(506,750)
Effect of general inflation in excess of increase in specific prices of utility plant after adjustment to net recoverable cost			(35,116)
Gain from decline in purchasing power of net amounts owed		156,933	156,933
Net change in purchasing power		$ 102,023	$ 121,817

(a) Depreciation, including amounts charged to fuel, was $227,947,000 for historical cost, $457,286,000 for constant dollar and $477,080,000 for current cost.

(b) At December 31, 1983, utility plant, net of accumulated depreciation, was [illegible]3,974,803,000 for current cost and $8,009,550,000 for historical cost.

Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

	1983	1982	1981	1980	1979
	Thousands of Average 1983 Dollars				
Operating revenues	**$3,487,916**	$3,342,188	$2,999,749	$2,629,200	$2,410,656
Constant Dollar Information					
Consolidated net income	**$232,129**	$208,672	$173,828	$166,897	$120,885
Earnings per share of common stock	**$1.96**	$1.88	$1.70	$1.78	$1.40
Net assets at year end at net recoverable cost	**$3,869,397**	$3,510,974	$3,230,992	$3,129,475	$3,086,856
Current Cost Information					
Consolidated net income	**$212,335**	$180,337	$139,889	$124,565	$61,552
Earnings per share of common stock	**$1.79**	$1.62	$1.37	$1.32	$0.71
Effect of general inflation in excess of increase in specific prices of utility plant after adjustment to net recoverable cost	**$(35,116)**	$(7,731)	$(340,793)	$(574,904)	$(647,367)
Net assets at year end at net recoverable cost	**$3,869,397**	$3,510,974	$3,230,992	$3,129,475	$3,086,856
General Information					
Gain from decline in purchasing power of net amounts owed	**$156,933**	$148,987	$333,092	$464,246	$501,218
Dividends declared per share of common stock	**$2.20**	$2.11	$2.06	$2.13	$2.25
Market price per share of common stock at year end	**$22.86**	$23.98	$20.80	$21.51	$23.04
Consumer price index—average	**298.4**	289.1	272.4	246.8	217.4

DIRECTORS AND OFFICERS

Directors

PERRY G. BRITTAIN
Dallas, Texas
Chairman of the Board and Chief Executive of the Company

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

JERRY FARRINGTON
Dallas, Texas
President of the Company

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

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

MARGARET N. MAXEY
Austin, Texas
Director of the Chair of Free Enterprise and Professor, Biomedical Engineering Program, College of Engineering at the University of Texas at Austin.

ABNER V. McCALL
Waco, Texas
Chancellor of Baylor University

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

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

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

Officers

PERRY G. BRITTAIN
Chairman of the Board and Chief Executive

BURL B. HULSEY, JR.
Vice Chairman of the Board

JERRY FARRINGTON
President

ERLE NYE
Executive Vice President

H. A. HORN
Treasurer and Assistant Secretary

S. S. SWIGER
Controller

PETER B. TINKHAM
Secretary and Assistant Treasurer

Directory

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

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

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

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

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

Midwest Stock Exchange, Incorporated
Chicago, Illinois

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

Ticker Symbol - TXU

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

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

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

Requests for copies or other shareholder information should be directed to:
Shareholder Relations
Texas Utilities Company
2001 Bryan Tower
Dallas, Texas 75201
(214) 653-4646

Quarterly Market Price Ranges

	Price Range			
Quarter Ended	**1983**		1982	
	High	**Low**	High	Low
March 31	**$24⅛**	**$22¼**	$21¾	$19⅛
June 30	**26¼**	**23½**	23⅞	21
September 30	**26**	**23⅜**	25	20⅞
December 31	**27⅜**	**22⅝**	25¾	22

Dividends Paid per Share of Common Stock

	Dividends Paid	
Quarter Ended	**1983**	1982
March 31	**$0.51**	$0.47
June 30	**0.55**	0.51
September 30	**0.55**	0.51
December 31	**0.55**	0.51
	$2.16	$2.00

The Company has declared common stock dividends payable in cash in each year since its incorporation in 1945 and has continued its record of annual dividend increases, which commenced in 1948. At its February 1984 meeting, the Board of Directors again raised the quarterly dividend by four cents per share, from 55 cents to 59 cents. This regular quarterly dividend is payable April 2, 1984, to shareholders of record on March 5. Dividends are paid in cash to shareholders who are not participating in the Automatic Dividend Reinvestment and Common Stock Purchase Plan; all dividends are reportable for federal income tax purposes as ordinary dividend income. Reference is made to Note 4 to Financial Statements regarding limitations upon payment of dividends on common stock.

Under provisions of the Economic Recovery Tax Act of 1981, qualified individual shareholders of the Compay may elect to defer federal income taxes on dividends reinvested under the Automatic Dividend Reinvestment and Common Stock Purchase Plan in amounts up to $1,500 a year on joint returns or $750 a year on individual returns. This provision of the Act applies to dividends paid and reinvested from January 1, 1982 through December 31, 1985.

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