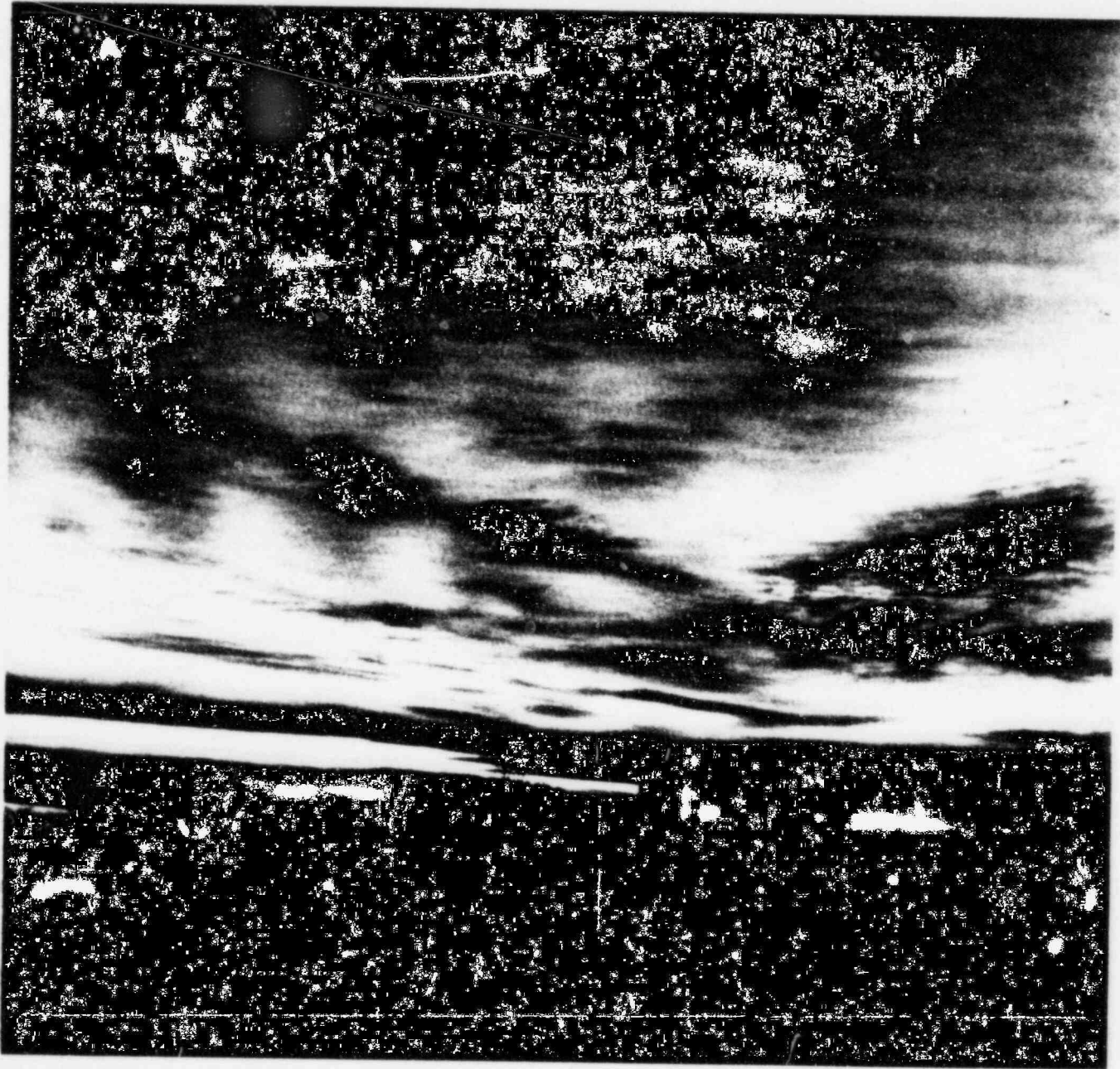


BRAZOS ELECTRIC POWER COOPERATIVE, INC.  
1984 ANNUAL REPORT



*"We are 280 people dedicated to  
meeting the energy needs of today and  
the future for our 500,000 consumers  
and others who will join them."*

*Richard E. McCaskill  
Executive Vice President  
and General Manager*

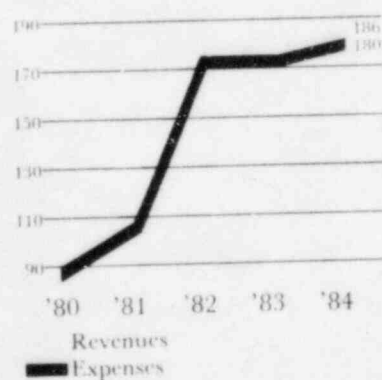
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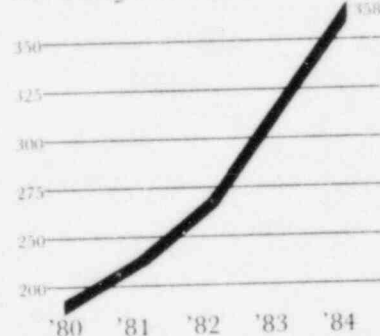
# FINANCIAL AND OPERATING HIGHLIGHTS

	1984	1983	1982
Total Operating Revenues (000's)	\$186,164	\$174,860	\$173,107
Total Operating Expenses (000's)	\$180,394	\$172,479	\$172,757
Operating Margins (Loss) (000's)	\$ 5,770	\$ 2,381	\$ 350
Total Assets (000's)	\$400,826	\$351,987	\$305,640
Total Equity (000's)	\$ 29,949	\$ 23,497	\$ 20,753
Times Interest Earned Ratio (TIER)	1.22	1.10	1.03
Debt Service Coverage (DSC)	1.27	1.15	1.09
Energy Sales (Megawatt hours)			
Member Cooperatives	2,846,999	2,498,886	2,389,141
Municipal Interchange Customers	341,058	303,299	272,603
Economy Sales	370,149	461,793	1,003,469
Total	<u>3,558,206</u>	<u>3,263,978</u>	<u>3,665,213</u>
Peak Demand (Megawatts)	650	624	531

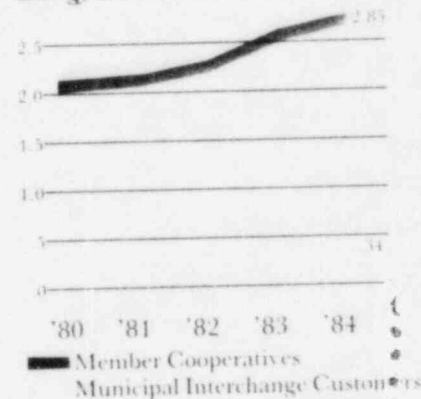
*Revenues & Expenses (in \$ millions)*



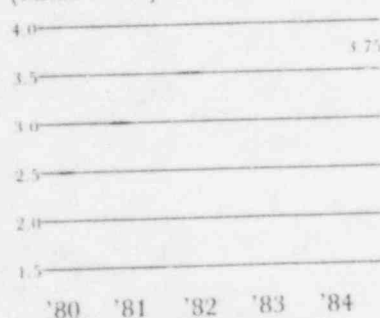
*Net Utility Plant (in \$ millions)*



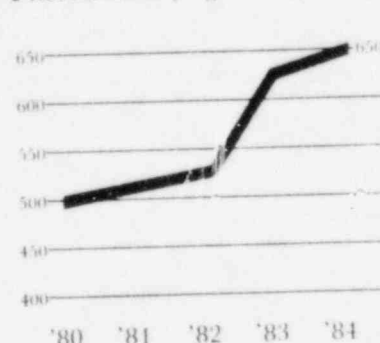
*Energy Sales (in millions of megawatt hours)*



*Average Fuel Cost (\$ per MCF)  
(includes transportation cost)*



*Peak Demand (megawatts)*



*Economy Energy Sales  
(in millions of megawatt hours)*



## REPORT TO MEMBERS

We opened last year's Annual Report with the words: "Our activities and accomplishments during 1983 have established our direction for many years to come." In 1984, the Brazos employees made such significant progress along our intended track—in some cases exceeding goals—that we proudly dedicate this annual report to them. Not only do they work for you, they also are motivated by the satisfaction of accomplishments which benefit you and your consumers. One can overhear that message in their daily conversations. One can see it in their output. We mentioned in our 1983 report our plan to construct a 25-mile natural gas pipeline. We completed it on August 3 at a cost of \$4.3 million, slightly below budget. The effort involved people from almost every division. But here is what all of us want you to note: by year-end, this project had saved you \$1.77 million in fuel charges. A "spot" gas market exists because of a nation-wide surplus of natural gas. By connecting us to this market, our pipeline has brought competition to our gas purchases. We are now buying significant volumes of gas at prices more than 20% below those at the beginning of the year. We anticipate that the project will pay for itself within four years. Last year we reported that our involvement with the San Miguel Electric Cooperative and the efforts of personnel at the San Miguel Plant had brought down the cost of wholesale electricity by year-end. It was not a passing highlight. This year's average power cost has been lowered another five percent. Because we continue to grow, the trend cannot persist. We will need a rate increase early in





William G. Parker  
*President*

Richard E. McCaskill  
*Executive Vice President  
and General Manager*

1986. Our ongoing efforts to control operating costs will enable us to lessen the effect of this rate increase. It will be used to pay for our 3.8% share of Comanche Peak Unit #1. According to the latest schedule of the project manager, Texas Utilities Generating Company, Unit #1 should begin commercial operation in 1986. Because the project has been subject to delays and cost overruns, we have implemented a special program to monitor the progress of construction and testing. We do believe that Brazos will benefit from the addition of another fuel to those fuels presently represented in our generation capacity. We continue to believe that nuclear power is one of our nation's better alternatives for electric power. Those who blindly oppose this source of power ironically force our industry to turn to less desirable alternatives. Our most immediate objective in 1985 is to complete plans for our next generation project: to obtain a partner, permits and financing. Because of our membership in the Texas Municipal Power Pool, we have been able to delay this plant from 1987 to 1992. The delay will save our consumers approximately \$40 million per year for those five years. Project conceptual design and fuels studies are complete. An evaluation of our power needs (Power Requirements Study) has been approved by the Rural Electrification Administration. Our board has selected as its preference a jointly-owned unit at the San Miguel plant site where our partner would be South Texas Electric Cooperative. Financing may not continue to be available in its present form from the Rural Electrification Administration. REA's program seems to have been placed in a state of regression by the cur-

rent administration. Removal of this financing source could create considerable hardship for our members. But, we believe that Brazos could obtain other

financing. The Rural Electrification Program is celebrating its 50th anniversary this year.

What its adherents and participants have accomplished is hard to comprehend in light of today's

technology. Ninety percent of America's rural citizens were brought from a pioneer existence to

contemporary conditions within two decades. To believe that a few administrative decisions can

threaten our existence and progress is nonsense. We would not have come this far if we were that weak. During the year, J.D. Copeland, Jr., was

appointed Assistant General Manager. Mr. Copeland brings a financial background to our general management and his appointment assures continuity of

management in any contingency. In closing, we would like to recognize

three fine gentlemen, Robert H. Bunting, Grover F. Furr and William Sanders, who have given much to us in their years of service on the Brazos board. We

accept their decisions to step down but we will miss them.

*Three outstanding board members step down.*



**Robert H. Bunting**  
*J-A-C Electric  
Cooperative, Inc.*

**Grover F. Furr**  
*Fort Belknap Electric  
Cooperative, Inc.*



**William Sanders**  
*Erath County Electric  
Cooperative Association*

**William G. Parker**  
*President*

**Richard E. McCaskill**  
*Executive Vice President  
and General Manager*

## TREASURER'S REPORT



The Consolidated Statement of Revenue and Patronage Capital and Other Equities of the Cooperative and its wholly owned subsidiary, the Brazos Fuel Company, Inc., reflects that operations produced net margins of \$6,451,275 for the calendar year 1984.

Margins improved significantly compared to the net margins of \$2,744,917 reported in 1983. The margins from 1984 resulted in a Times Interest Earned Ratio (TIER) of 1.22 and a Debt Service Coverage (DSC) of 1.27. The TIER and DSC ratios are key financial indicators used by the Rural Electrification Administration in assessing the ability of the Cooperative to meet its mortgage requirements.

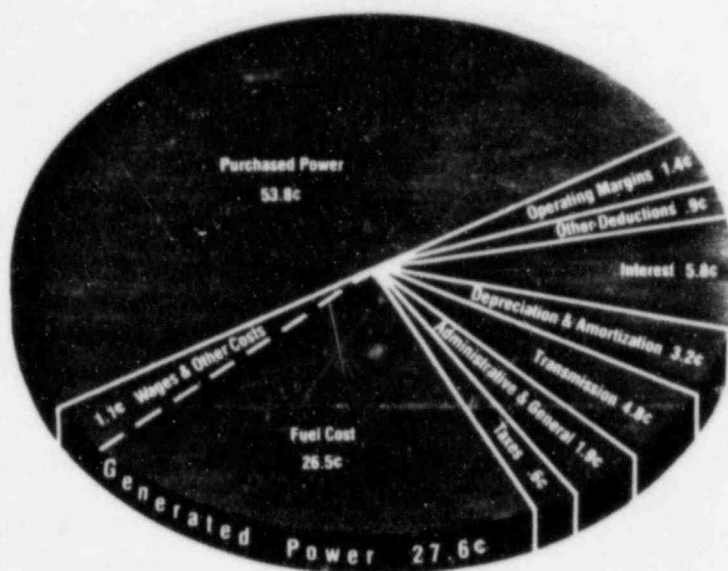
Operating margins from the Cooperative's operations for 1984 were \$5,815,999. These margins and patronage capital allocations received have been allocated to customers on a patronage basis. Total patronage capital allocated was \$6,229,728.

This year, total assets exceeded \$400 million. Total revenues were \$186 million. The distribution of revenues indicates that purchased power continues to be the major cost item. We present below the distribution of both the 1983 and the 1984 revenue dollars.

The Cooperative received Rural Electrification Administration and Federal Financing Bank loan fund advances of \$54,009,400 during 1984. Of these funds, \$3,603,000 were REA insured and \$50,406,400 were REA guaranteed. These advances were used to finance the construction of transmission facilities and to

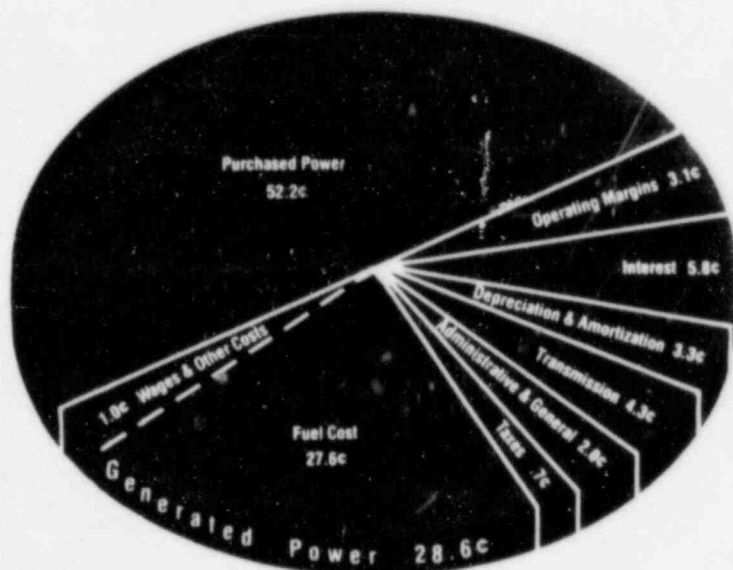
finance the cost of our 3.8% interest in the Comanche Peak Nuclear Plant. Long-term debt at year-end was just under \$348 million. The Cooperative's total margins and equities of \$29.9 million represent 7.5% of the \$400.8 million total assets.

*Joe Forman*  
**Joe Forman**  
 Secretary-Treasurer



### DISTRIBUTION OF 1983 REVENUE DOLLAR

Purchased Power	53.8c
Operating Margins	1.4c
Other Deductions	.9c
Interest	5.8c
Depreciation & Amortization	3.2c
Transmission	4.8c
Administrative & General	1.9c
Taxes	.6c
Wages & Other Costs	1.1c
Fuel Cost	26.5c
Generated Power	27.6c
<b>Total</b>	<b>100.0c</b>



### DISTRIBUTION OF 1984 REVENUE DOLLAR

Purchased Power	52.2c
Operating Margins	3.1c
Interest	5.8c
Depreciation & Amortization	3.3c
Transmission	4.3c
Administrative & General	2.0c
Taxes	.7c
Wages & Other Costs	1.0c
Fuel Cost	27.6c
Generated Power	28.6c
<b>Total</b>	<b>100.0c</b>



## ACHIEVEMENTS

We have dedicated this annual report to our employees. Because of their dedication and teamwork, their accomplishments have produced achievements by Brazos greater than the sum of their individual contributions. In presenting what they have done for our member cooperatives, municipal customers and Texas Municipal Power Pool members; we feel the frustration of having to

*The corporate image of Brazos is projected by all of our employees. Employees in transmission crews, accounting, computer services, printing, central files, land acquisition and others in contact with our publics bring the Cooperative frequent praise.*

limit our recognition. Please understand that behind each achievement is the support of many employees. And for each major achievement recognized here, there are several not mentioned. The corporate image of Brazos is not maintained by designated individuals. In fact, it is projected by all of our employees and it is very favorable because of them. Employees in transmission

crews, accounting, computer services, printing, central files, land acquisition and others in contact with our publics bring the Cooperative frequent praise. Such praise initiated the letters of commendation listed at the end of this report.



*The image of Brazos which our employees make and project has had a significant effect on our strength and vitality. It contributed to the decision of five West Texas cooperatives to join Brazos on January 1, 1986.*

*Coleman County Electric Cooperative*

*Comcha Valley Electric Cooperative*

*Dickens Electric Cooperative*

*Gale City Electric Cooperative*

*Southeast Texas Electric Cooperative*

*It had a deciding influence on some of our most important customers which is also our power suppliers and chose to continue their relationship with Brazos.*

*Here we work for others, here we work the hardest, here we maintain our attitude, here we let our own attributes speak for themselves. Brazos is a cooperative, we're not just another electric utility.*

## 1984 REVIEW

Outstripping our growth rate of recent years, sales to our member cooperatives and municipal customers increased 14% this year. They purchased 3,188,057 megawatt hours compared to 2,802,185 megawatt hours in 1983. The net load on our transmission system increased 15% to 2,817,027 megawatt hours. Our system peak was 650 megawatts, 16% greater than our 1983 summer peak. During the year, we suspected this rapid growth might be due to the weather. In hindsight, we see that climatic conditions were average with the exception of low rainfall. It will take further analysis to determine the causes of this accelerated growth. Our strong growth enabled us to use general funds to finance a long-needed addition to our headquarters building and our 25-mile natural gas pipeline. Margins at year-end were a healthy \$6.5 million. The average price charged to our members and municipal customers dropped from 55.66 to 53.72 mills per kilowatt hour. Purchased power represented over half the 1984 cost of electric service. Our single largest expense was the 1,642,639 megawatt hours received from San Miguel Electric Cooperative at a cost of \$66.3 million. Natural gas continued to be a significant expense representing approximately 28% of our total cost. However, we have achieved additional control of fuel costs as discussed later in this report. In 1976, our Project Construction & Engineering employees had to be moved to rented office space several miles from our headquarters building. Even then our space remained limited. This summer, we completed an addition to the headquarters building. It has



*Placing increased emphasis on the use of our computer facilities, employees in several departments have been developing a materials monitoring program which can assist in control of materials from procurement, through receipt, storage, installation and even retirement. This effort is noteworthy because its progress has been highly dependent on the perseverance, coordination, compromise and creativity of employees in Purchasing, Engineering, Operations and Accounting and especially in the Computer Section. We anticipate that the program will become functional early in 1985. Besides reducing preparation and maintenance of manual records and documents, the program will allow us to reduce our inventory of materials, and have them available in the quantity needed, when required.*

enabled us to bring all our Waco employees together in one building. During the year, our Corporate Planning employees completed a new Power Requirements Study which was submitted to the Rural Electrification Administration. This intensive study projects our power needs through the year 1997. It shows a 5.7% per year growth rate and the need for a new power plant in 1992. In a series of meetings throughout the year, our Board of Directors reviewed this need for new generation capacity and available alternatives. They selected, as the preferred alternative, a second unit at the San Miguel Plant site. In the last quarter of the year, we worked toward the development of a project partnership with South Texas Electric Cooperative, Inc. With the recession in 1981, a glut developed in the natural gas market. In time, gas prices began to drift lower and a spot market developed. In 1983, we saw that a gas pipeline connecting us to the spot market would be economical. Construction of a 12-inch pipeline began on May 15 and the pipeline became operational on August 3, connecting our R.W. Miller Plant to 36-inch pipelines of Lone Star Gas and Valero Transmission. The economic benefits have exceeded our expectations. By year-end, this \$4.3 million pipeline had saved us \$1.77 million in fuel charges. The employees of our subsidiary, Brazos Fuel Company, had negotiated agreements enabling us to purchase unlimited volumes of spot market gas at \$3.05 per MMBTU. Offers of lower price gas came almost weekly. Furthermore, the soft spot market and the pipeline put us in a position to renegotiate the contracts with our dedicated producers. We and our producers are now in





Working with engineering and equipment suppliers and fuel suppliers, the Corporate Powering Corp. and Brazos Fuel Company employees help with generation planning to the point at which we select our next unit. Intensive design studies, conceptual design studies, and facilities design are options to a second project in San Miguel, Puerto Rico and an interconnector. The interconnector will

*Using a daily unit commitment/production cost program, System Operations employees were able to better plan generating unit operation, energy sales and purchases, and fuel purchases for Brazos and the other members of the Texas Municipal Power Pool.*

the process of executing contract amendments which lower the gas price and institute more current terms and conditions. Moreover, Southwestern Gas Pipeline has lowered its transportation charge for producer gas purchased under these amended contracts. We recognize that the gas glut will not last forever, but it is giving us the opportunity to obtain more realistic contracts which

reflect the current market. Our System Operations employees made improvements in operations planning and energy accounting. Using a daily unit commitment/production cost program, they were able to study and better plan generating unit operation, energy sales and purchases, and fuel purchases for Brazos and the other members of the Texas Municipal Power Pool (TMPP). Our employees also developed computer programs to record and allocate purchases and sales within TMPP systems. During 1984, our Power Production employees conducted major inspections and overhauls of Miller Plant Unit #2 low pressure turbine and generator, and of North Texas Unit #3 turbine and generator. They installed a new turbine control system on Miller Plant Unit #2 for increased performance and safety. And, they significantly improved the fuel efficiency of our largest generating plant. Our Transmission Department employees accomplished goals which had been established for 1984. They instituted a program of inspection and modification



*We have been asked often, sometimes in jest, "When will the cost of electricity come down?" It has been a dream, but for the past two years it has happened due to individual contributions of many employees. Some of those contributions are our economic dispatching operation, completion of our natural gas pipeline, high output from the San Miguel Plant, and aggressive sales of available electric power to other utilities.*

*We first mentioned economic dispatching in our 1982 Annual Report. Through our membership in the Texas Municipal Power Pool, our System Operations employees have continued to achieve substantial savings for our members. For 1984 these amounted to \$1.6 million. For the three years, savings have been \$8.3 million. The other pool members—the Cities of Bryan, Denton, Garland and Greenville—have achieved proportionate savings.*

of reclosers. Practical guards were developed and installed to control contamination of the insulators on a 345 KV transmission line, contamination created by roosting buzzards. From 1981 through 1984, all poles ten years or older in our system were inspected and treated. During 1984, our line crews reinforced or replaced 537 poles. This program has improved system reliability and helped to reduce outages. The average outage time in 1984 was 60.39 minutes per substation as compared to 61.4 minutes in 1983. Project Construction & Engineering employees completed projects in 1984 which increased our distribution substation capacity by 63,624 KVA and converted 31.9 miles of transmission line to 138 KV.

## MANAGEMENT

**Richard E. McCaskill**  
*Executive Vice President and General Manager*

**J. D. Copeland, Jr.**  
*Assistant General Manager*

**Francis M. Bushnell, Jr.**  
*Executive Assistant and Manager-Public Relations*

**Clarence W. Carpenter**  
*Manager-Finance and Administration*

**Billy W. Dyess**  
*Manager-Project Construction and Engineering*

**Dan B. Swenke, Jr.**  
*Manager-Operations*

**William B. Townsend, Jr.**  
*Manager-Corporate Planning*

*Subsidiary*  
**Brazos Fuel Company, Inc.**

**Clifford L. Sartin**  
*Manager-Fuel Operations*



*One of the most noteworthy of our employees' contributions was commencement and completion of a 25-mile natural gas pipeline. Completed under budget, the line cost about \$4.3 million. But what is most gratifying is the savings it has created for our consumers. In the first 21 days of operation the fuel cost savings were \$550,000. By year-end they had grown to \$1.77 million.*



## BOARD OF DIRECTORS



## OFFICERS



*Lois J. Ruff, Assistant to the Secretary*



*Standing L to R:  
 Richard E. McCaskill, Executive Vice President and  
 General Manager  
 Joe Forman, Secretary-Treasurer  
 Wise Electric Cooperatives, Inc.  
 F. C. Lucdtke, Vice President  
 McLennan County Electric Cooperatives, Inc.  
 Seated  
 William G. Parker, President  
 Comanche County Electric Cooperatives Assn.*



*Standing L. to R.:*

Fred Parker, *Erath County Electric Cooperative Assn.*

Don Gregg, *B-K Electric Cooperative, Inc.*

Bernard Hilbers, *J-A-C Electric Cooperative, Inc.*

*Seated L. to R.:*

J. F. Herring, Jr., *Tex County Electric Cooperative, Inc.*

Woodrow Hensarling, *Mt-South Electric Cooperative Assn.*



*Standing L. to R.:*

Sam Houston, *Hill County Electric Cooperative, Inc.*

Horace R. LeNoir, *Limestone County Electric Cooperative, Inc.*

M. E. Holley, *Denton County Electric Cooperative, Inc.*

Robert T. Lewis, Jr., *Gadsden County Electric Cooperative, Inc.*

*Seated:*

J. W. Richards, Jr., *Robertson Electric Cooperative, Inc.*



*Standing L. to R.:*

Lawrence Karl, *Barthlett Electric Cooperative, Inc.*

Luther L. Parks, *Bellevue Electric Cooperative, Inc.*

Philip E. Slater, *East Belknap Electric Cooperative, Inc.*

*Seated L. to R.:*

Melvin Jordan, *Nazareth County Electric Cooperative, Inc.*

Jack Elam, *Hamilton County Electric Cooperative Assn.*

Billy J. Poland, *Johnson County Electric Cooperative Assn.*



While our primary motivation is providing competitive reliable power, we can do so only by maintaining a staff of dedicated, trained and experienced employees. It is with great pride that we mention two awards which they have won. The Texas Society of Professional Engineers (TSPE) awarded its Industry Professional Development Award to Brazos during the year. TPSE submitted Brazos' name to the National Society of Professional Engineers (NSPE) and we were presented the NSPE Industry Professional Development Award early in 1985. Equal recognition is also accorded an organization from each of government, education, construction, and private practice. It is thrilling to have our people selected from all industry in the nation.

## FINANCIAL STATEMENT

*The financial strength and resilience of the Brazos System stem from its member cooperatives and customers, listed below. They serve consumers in rural, suburban, and urban areas totaling nearly 20% of Texas. This vast service area provides diversity for income sources of residential, agricultural and industrial loads. It also provides strong growth in energy sales.*

### Member Cooperatives

Bartlett Electric Cooperative, Inc.  
B-K Electric Cooperative, Inc.  
Belfalls Electric Cooperative, Inc.  
Comanche County Electric Cooperative Assn.  
Cooke County Electric Cooperative Assn.  
Denton County Electric Cooperative, Inc.  
Erath County Electric Cooperative Assn.  
Fort Belknap Electric Cooperative, Inc.  
Hamilton County Electric Cooperative Assn.  
Hill County Electric Cooperative, Inc.  
J-A-C Electric Cooperative, Inc.  
Johnson County Electric Cooperative Assn.  
Limestone County Electric Cooperative, Inc.  
McLennan County Electric Cooperative, Inc.  
Mid-South Electric Cooperative Assn.  
Navarro County Electric Cooperative, Inc.  
Robertson Electric Cooperative, Inc.  
Tri-County Electric Cooperative, Inc.  
Wise Electric Cooperative, Inc.

### Municipal Customers

Bartlett  
Granbury  
Hearne  
Sanger  
Seymour  
Weatherford  
Whitesboro

### Other

Texas A & M University





# COMPARATIVE SUMMARY OF ELECTRICAL OPERATIONS 1980-1984\*

	1984	1983	1982	1981	1980
<b>Electricity Generated and purchased—In Megawatt Hours</b>					
Generated at W.R. "Bob" Poage Plant	—	—	—	—	—
Generated at North Texas Plant	5,131	8,814	22,890	71,897	99,986
Generated at Randle W. Miller Plant	1,291,634	1,118,547	1,499,573	1,494,217	1,782,357
Purchased for system					
A. From San Miguel Electric Cooperative	1,707,432	1,668,411	1,654,877	366,664	—
B. From other utilities	206,859	229,462	170,161	295,685	286,930
Purchased at isolated meter points	509,537	460,553	458,434	412,529	413,856
	<u>3,720,593</u>	<u>3,485,787</u>	<u>3,805,935</u>	<u>2,640,992</u>	<u>2,583,129</u>
<b>Electric Sales—In Megawatt Hours</b>					
A. Firm					
Member Cooperatives	2,846,999	2,498,886	2,389,141	2,226,904	2,214,371
Cities—regular interchange	341,058	303,299	272,603	218,956	224,843
	3,188,057	2,802,185	2,661,744	2,445,860	2,439,214
B. Economy Sales	370,149	461,793	1,003,469	83,595	23,748
	<u>3,558,206</u>	<u>3,263,978</u>	<u>3,665,213</u>	<u>2,529,455</u>	<u>2,462,962</u>
<b>Electric Sales to Member Cooperatives—In Megawatt Hours</b>					
Bartlett Electric Cooperative, Inc.	53,251	47,297	47,221	43,646	44,297
Belfalls Electric Cooperative, Inc.	42,152	39,125	42,317	46,837	42,859
B-K Electric Cooperative, Inc.	68,565	61,230	61,530	62,194	66,430
Comanche County Electric Cooperative Assn.	150,106	141,177	136,675	123,059	113,760
Cooke County Electric Cooperative Assn.	257,327	244,152	234,604	220,337	221,999
Denton County Electric Cooperative, Inc.	292,555	242,089	218,286	195,937	195,123
Erath County Electric Cooperative Assn.	167,941	153,394	146,638	137,763	140,736
Fort Belknap Electric Cooperative, Inc.	113,499	105,013	94,726	84,994	75,466
Hamilton County Electric Cooperative Assn.	82,260	75,894	75,602	69,983	72,741
Hill County Electric Cooperative, Inc.	133,026	115,100	111,916	103,032	108,514
J-A-C Electric Cooperative, Inc.	97,748	87,038	92,017	73,085	66,765
Johnson County Electric Cooperative Assn.	345,719	299,957	286,371	259,155	262,235
Limestone County Electric Cooperative, Inc.	67,473	59,878	61,201	58,552	61,404
McLennan County Electric Cooperative, Inc.	87,206	77,712	77,009	75,815	74,774
Mid-South Electric Cooperative Assn.	179,825	155,889	156,657	141,804	117,957
Navarro County Electric Cooperative, Inc.	139,314	91,528	86,241	95,233	106,045
Robertson Electric Cooperative, Inc.	54,631	48,201	48,626	41,757	41,568
Tri-County Electric Cooperative, Inc.	372,215	323,536	301,061	283,580	290,372
Wise Electric Cooperative, Inc.	142,186	130,676	120,443	110,141	111,326
	<u>2,846,999</u>	<u>2,498,886</u>	<u>2,389,141</u>	<u>2,226,904</u>	<u>2,214,371</u>

# COMPARATIVE SUMMARY OF ELECTRICAL OPERATIONS 1980-1984\*

	1984	1983	1982	1981	1980
(Mills per KWH)					
<b>Total Operating Revenue (1)</b>	<b>52.3</b>	<b>53.3</b>	<b>46.8</b>	<b>40.1</b>	<b>34.6</b>
<b>Operating Costs</b>					
Production expenses (2)	42.3	43.4	39.5	34.1	29.1
Transmission expenses	2.3	2.5	2.2	1.6	.8
Administrative and general expenses	.6	.6	.8	1.0	.9
Depreciation, taxes, insurance, interest	5.5	6.0	4.1	3.4	3.2
<b>Total Operating Costs</b>	<b>50.7</b>	<b>52.5</b>	<b>46.6</b>	<b>40.1</b>	<b>34.0</b>
<b>Net Operating Margin (Loss)</b>	<b>1.8</b>	<b>.8</b>	<b>.2</b>	<b>(—)</b>	<b>.6</b>
(1) Average sales price by class					
Firm power sales					
Member Cooperatives	53.7	55.6	49.9	40.1	34.5
Cities	53.9	56.4	50.8	42.4	36.0
Surplus power sales					
Cities	39.3	38.0	37.9	33.9	34.5
(2) Further analyzed by source					
Generated power					
Cost of fuel	39.6	40.9	39.1	34.1	27.6
Wages and other costs	1.5	1.7	1.2	1.0	.6
Purchased power					
For system	38.7	38.6	36.3	24.9	22.9
At isolated meter points	45.5	43.8	41.6	35.6	29.1

\*Excludes operations of Brazos Fuel Company, Inc.

# CONSOLIDATED BALANCE SHEET

As of December 31, 1984 and 1983

1984

1983

**ASSETS** (Note 2)**Utility Plant** (Notes 1, 3 and 13):

Electric plant in service, at cost	\$201,032,449	\$179,060,951
Completed construction not classified	4,380,007	13,251,288
Construction work in progress	195,096,121	161,589,306
Nuclear fuel in process of refinement and enrichment	8,747,213	6,906,277
	<u>409,255,790</u>	<u>360,807,822</u>
Less accumulated provision for depreciation and amortization	50,893,788	46,480,898
Utility plant, net	<u>358,362,002</u>	<u>314,326,924</u>

**Other property and investments:**

Investments in associated organizations:		
Capital term certificates (Note 13)	7,070,764	5,666,914
Patronage capital (Note 1)	1,114,644	956,632
Other	6,036	6,250
Restricted assets and other investments:		
Certificates of deposit	13,859	13,497
Other	—	17,500
	<u>8,205,303</u>	<u>6,660,793</u>

**Current assets:**

Cash—general	2,040,418	1,754,488
Cash—loan funds	47,156	6,624
Special deposits	64,675	127,635
Temporary cash investments	1,445,600	—
Accounts receivable	18,445,453	18,222,009
Fuel inventory, at average cost	3,344,797	771,732
Material and supplies, at average cost	5,953,419	6,629,439
Prepayments	84,320	84,090
Total current assets	<u>31,425,838</u>	<u>27,596,017</u>

**Deferred debits:**

Unrecovered purchased fuel costs, less allowance for unrecoverable gas of \$160,880 and \$336,077 (Notes 1 and 13)	543,759	704,894
Fixed transmission costs, less amortization of \$1,274,694 and \$849,796 (Note 8)	803,165	1,228,062
Other	1,486,017	1,470,365
	<u>2,832,941</u>	<u>3,403,321</u>
	<u>\$400,826,084</u>	<u>\$351,987,055</u>

	1984	1983	1982	1981	1980
<b>Maximum Kilowatt Demand At Member Delivery Points</b>	<b>683,450</b>	<b>612,297</b>	<b>568,681</b>	<b>556,837</b>	<b>551,656</b>
<b>Annual Load Factor Percent Member Cooperatives</b>	<b>47</b>	<b>47</b>	<b>48</b>	<b>46</b>	<b>46</b>
<b>Electric Energy Sales</b>					
Member Cooperatives	\$152,868,791	\$138,873,457	\$119,214,939	\$ 89,373,467	\$ 76,382,941
Municipal and Economy	32,956,026	34,699,138	51,976,783	11,830,747	8,848,000
	<b>\$185,824,817</b>	<b>\$173,572,595</b>	<b>\$171,191,722</b>	<b>\$101,204,214</b>	<b>\$ 85,230,941</b>
<b>Other Electric Revenue</b>	<b>371,785</b>	<b>233,616</b>	<b>184,241</b>	<b>245,027</b>	<b>102,932</b>
<b>Total Operating Revenues</b>	<b>\$186,196,602</b>	<b>\$173,806,211</b>	<b>\$171,375,963</b>	<b>\$101,449,241</b>	<b>\$ 85,333,873</b>
<b>Operating Expenses</b>					
Production Expense- Generated Power	\$ 53,333,538	\$ 48,018,505	\$ 59,530,029	\$ 54,979,207	\$ 53,184,446
Production Expense- Purchased Power	97,200,643	93,506,213	85,265,221	31,174,730	18,633,493
Transmission Expense	8,036,110	8,264,545	8,121,976	4,092,502	1,962,736
Insurance and Welfare Expense	1,459,113	1,344,556	1,200,410	954,435	841,434
Other Administrative & General Expenses	2,274,458	1,955,285	1,783,918	1,635,066	1,337,628
Depreciation and Amortization	6,048,486	5,631,674	5,126,312	3,826,420	3,519,135
Taxes	1,279,700	1,046,208	1,082,647	1,014,270	913,757
Interest on Long-Term Debt	29,081,630	26,620,960	22,403,479	15,530,709	11,343,930
Other Interest	487,041	972,492	1,047,359	583,981	576,205
Less Interest Charged to Construction	(18,820,116)	(17,466,851)	(14,735,721)	(12,438,836)	(8,462,767)
Other Operating Deductions	—	1,566,127	144,739	179,555	3,779
<b>Total Cost of Electric Service</b>	<b>180,380,603</b>	<b>\$171,459,714</b>	<b>\$170,970,369</b>	<b>\$101,532,039</b>	<b>\$ 83,853,776</b>
<b>Gain (Loss) in Operating Margins</b>	<b>5,815,999</b>	<b>\$ 2,346,497</b>	<b>\$ 405,594</b>	<b>\$ (82,798)</b>	<b>\$ 1,480,097</b>
<b>Non-Operating Margins</b>	<b>701,313</b>	<b>366,651</b>	<b>337,760</b>	<b>92,624</b>	<b>247,537</b>
<b>Gain (Loss) in Total Margins</b>	<b>\$ 6,517,312</b>	<b>\$ 2,713,148</b>	<b>\$ 743,354</b>	<b>\$ 9,826</b>	<b>\$ 1,727,634</b>

\*Excludes operations of Brazos Fuel Company, Inc.

# CONSOLIDATED STATEMENT OF REVENUE AND PATRONAGE CAPITAL AND OTHER EQUITIES

As of December 31, 1984 and 1983

	1984	1983
<b>Operating revenues:</b>		
Sales of electric energy (Notes 1 and 11)	\$185,824,817	\$173,572,595
Sales of natural gas	—	1,094,380
Other	338,823	193,449
	<u>186,163,640</u>	<u>174,860,424</u>
<b>Operating costs and expenses:</b>		
Cost of natural gas sold	—	1,057,943
Operating expense:		
Operation expense:		
Production—fuel (Note 1)	51,129,695	45,843,552
Production—other	1,014,299	998,341
Purchased power	97,200,643	93,506,213
Transmission	5,883,761	6,268,391
Distribution	287,857	268,835
Administrative and general	3,801,710	3,421,521
Maintenance expense:		
Production	961,584	886,402
Transmission	1,098,378	946,474
Distribution	766,114	780,845
General plant	160,223	139,746
Depreciation and amortization (Note 1)	6,050,623	5,634,087
Taxes	1,290,384	1,055,956
Interest on long-term debt	29,081,630	26,620,960
Other interest	487,041	950,131
Interest charged to construction (Note 1)	(18,820,116)	(17,466,851)
Other deductions	—	1,566,127
Total operating costs and expenses	<u>180,393,826</u>	<u>172,478,673</u>
<b>Operating margins</b>	<b>5,769,814</b>	<b>2,381,751</b>
<b>G &amp; T Capital Credits</b>	<b>281,750</b>	<b>—</b>
<b>Other capital credits and patronage dividends</b>	<b>131,979</b>	<b>105,609</b>
<b>Non-operating margins:</b>		
Interest income	261,443	263,306
Other	540	—
<b>Margins before Federal income tax</b>	<b>6,445,526</b>	<b>2,750,666</b>
<b>Federal income tax (benefit) (Note 12)</b>	<b>(5,749)</b>	<b>5,749</b>
<b>Net margins</b>	<b>6,451,275</b>	<b>2,744,917</b>
<b>Patronage capital and other equities, beginning of year</b>	<b>23,497,355</b>	<b>20,752,438</b>
<b>Patronage capital and other equities, end of year</b>	<b>\$ 29,948,630</b>	<b>\$ 23,497,355</b>

The accompanying notes are an integral part of these financial statements.



	1984	1983
<b>LIABILITIES</b>		
<b>Equity and margins:</b>		
Memberships	\$ 95	\$ 95
Patronage capital and other equities (Note 4)	29,948,630	23,497,355
	<u>29,948,725</u>	<u>23,497,450</u>
<b>Long-term debt:</b>		
REA mortgage notes (Notes 4 and 5)	84,728,820	84,051,471
NRUCFC mortgage notes (Notes 4 and 6)	10,545,339	9,805,443
FFB mortgage notes (Notes 4 and 7)	252,629,000	203,487,000
	<u>347,903,159</u>	<u>297,343,914</u>
<b>Current liabilities:</b>		
Current maturities of long-term debt	3,520,000	3,698,000
Accounts payable	15,250,203	16,997,734
Notes payable—NRUCFC (Note 9)	2,900,000	4,800,000
Notes payable—banks	—	17,500
Other accrued liabilities	1,142,027	5,412,438
Total current liabilities	<u>22,812,230</u>	<u>30,925,672</u>
<b>Deferred credits (Note 1)</b>	<u>161,970</u>	<u>220,019</u>
	<u><b>\$400,826,084</b></u>	<u><b>\$351,987,055</b></u>

The accompanying notes are an integral part of these financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1—Summary of Significant Accounting Policies

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Brazos Fuel Company. All intercompany items have been eliminated in consolidation.

#### *System of Accounts*

The accounting records of the Cooperative conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Electrification Administration (REA).

#### *Electric Revenues and Fuel Costs*

Electric revenues are recorded monthly as of the date meters are read and accounts are billed.

Fuel costs are charged to production expense as fuel is consumed.

#### *Plant Additions and Retirements*

The cost of additions to electric plant in service represents the original cost of the contracted services, direct labor and material, interest on construction loans, and indirect charges for engineering, supervision and similar overhead items.

Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are charged to operations. For property replaced or renewed, the original cost plus removal cost less salvage is charged to accumulated provision for depreciation. The cost of related replacements and renewals is added to electric plant.

Contributions in aid of construction are credited to the applicable plant accounts.

#### *Interest Charged to Construction*

The Cooperative has capitalized as a part of electric plant the cost of borrowed funds used for such purposes, net of interest earned on "idle" advances of the borrowings. This procedure is in accordance with that prescribed by REA.

#### *Depreciation*

Provision has been made for depreciation on a straight-line basis at annual composite rates as follows:

Production plant	3.10%
Transmission plant	2.75%
Distribution plant	2.88%
General plant:	
Structures and improvements	2.50%
Transportation	15.50%
Communications	6.50%
Other general plant	6.00%
EDP equipment	16.00%

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

As of December 31, 1984 and 1983

	1984	1983
<b>Working capital provided from:</b>		
Net margins	\$ 6,451,275	\$ 2,744,917
Depreciation and amortization	6,050,623	5,634,087
Patronage capital allocations	(413,729)	(105,609)
Working capital provided from operations	12,088,169	8,273,395
Advances from REA	3,603,000	9,807,000
Advances from FFB	49,142,000	40,548,000
Advances from CFC	1,264,400	—
Salvage value of retirements	786,055	284,203
Contributions for line removal and relocation	345,569	11,252
Decrease in unrecovered purchased fuel costs	161,135	71,004
Decrease in deferred debits	—	514,035
Total working capital provided	67,390,328	59,508,889
<b>Working capital used for:</b>		
Additions to utility plant	50,417,528	53,411,986
Payments on long-term debt to REA	2,925,651	3,183,242
Payments on long-term debt to CFC	524,504	487,697
Plant removal costs	374,900	408,246
Decrease in deferred credits	58,050	48,241
Increase in other deferred debits	15,652	—
Increase in other property and investments	1,130,780	533,806
Total working capital used	55,447,065	58,073,218
Increase in working capital	\$11,943,263	\$ 1,435,671
<b>Changes in working capital:</b>		
Increase (decrease) in current assets:		
Cash	326,462	752,378
Temporary cash investments	1,445,600	(600,000)
Special Deposits	(62,960)	6,035
Accounts receivable	223,444	(774,611)
Material and supplies	1,897,045	(854,659)
Prepayments	230	(127,564)
	3,829,821	(1,598,421)
Increase (decrease) in current liabilities:		
Current maturities of long-term debt	(178,000)	43,000
Accounts payable	(1,747,531)	(6,938,579)
Notes payable	(1,917,500)	(505,000)
Other accrued liabilities	(4,270,411)	4,366,467
	(8,113,442)	(3,034,092)
Increase in working capital	\$11,943,263	\$ 1,435,671

The accompanying notes are an integral part of these financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4—Patronage Capital and Other Equities

Detail of patronage capital:

	December 31,	
	1984	1983
Assignable	\$ 6,242,912	\$ 2,452,106
Assigned	20,016,665	17,577,743
	<u>26,259,577</u>	<u>20,029,849</u>
Detail of other equities:		
Capital gains and losses	9,383	9,383
Non-operating margins	3,471,291	3,183,707
Retained earnings of subsidiary	208,379	274,416
	<u>3,689,053</u>	<u>3,467,506</u>
Total patronage capital and other equities	<u>\$ 29,948,630</u>	<u>\$ 23,497,355</u>

Under provisions of the long-term debt agreements, until the total of equities and margins equals or exceeds 40% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the next preceding year.

The by-laws of the Cooperative do not provide for the assignment of non-operating margins or earnings of subsidiaries. The by-laws permit the offsetting of current year operating margins against operating deficits of prior years.

### 5—Long-Term Debt—REA Mortgage Notes

Mortgage notes to REA are 2% and 5%, 35-year notes payable with principal and interest installments of approximately \$1,400,000 due quarterly. The debt includes an estimated \$2,995,000 of principal and deferred interest payable within the next twelve months. The notes are scheduled to be fully repaid at various dates from May 15, 1985 to September 12, 2018. Unadvanced loan funds of \$11,565,000 at 5% are available to the Cooperative on loan commitments from REA.

### 6—Long-Term Debt—CFC Mortgage Notes

Long-term debt to CFC consists of 7% to 14% mortgage notes payable with principal and interest installments of approximately \$360,000 due quarterly with \$525,000 principal payable within the next twelve months. The notes are scheduled to be fully repaid at various dates from May 31, 1989 to November 30, 2016. Unadvanced loan funds of \$7,423,600 at 11% are available to the Cooperative on loan commitments from CFC.

### *Patronage Capital Certificates*

Patronage capital from associated organizations is recorded at the stated amount of the certificates.

### *Unrecovered Purchased Fuel Costs*

Natural gas purchased under the take-or-pay terms of contracts with various individual producers is recorded at contract cost, which includes production taxes and royalties. The amount of gas paid for in advance is classified as a deferred debit. Unpaid production taxes and royalties, related to the above contracts, are included in deferred credits until such time that the gas purchased and not taken will actually be recovered by the Cooperative.

An allowance for unrecoverable gas is provided for by charges to income. The allowance is based upon a determination by the Cooperative's consulting engineers as to the volume of gas losses in each well.

### **2—Assets Pledged**

All assets are pledged as security for the long-term debt to REA, National Rural Utilities Cooperative Finance Corporation (CFC) and Federal Financing Bank (FFB).

### **3—Utility Plant**

Listed below are the major classes of utility plant as of December 31, 1984 and 1983:

	December 31,	
	1984	1983
Intangible Plant	\$ 2,170	\$ 2,170
Production plant	59,953,744	59,936,639
Transmission plant	103,028,281	84,391,302
Distribution plant	33,663,622	30,544,187
General plant	4,384,632	4,186,653
Completed construction not classified	4,380,007	13,251,288
Electric plant in service	205,412,456	192,312,239
Construction work in progress	195,096,121	161,589,306
Nuclear fuel in process of refinement and enrichment	8,747,213	6,906,277
	<u>\$409,255,790</u>	<u>\$360,807,822</u>

Included in construction work in progress at December 31, 1984, are costs of \$175,006,107 for the purchase of 3.8% ownership in the Comanche Peak Nuclear Plant. The Cooperative estimates the remaining cost to complete its 3.8% share in the plant to be approximately \$66,250,000 of which loan funds of \$10,356,581 are available from commitments from FFB.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 10—Retirement Plan

The Cooperative has a contributory retirement plan covering substantially all of its employees. Total retirement costs charged to operations for 1984 and 1983, were \$333,251 and \$356,179, respectively, and include charges for current and prior service costs. The Cooperative's policy is to fund retirement cost annually as it is accrued.

The actuarially computed value of vested benefits at December 31, 1983 (date of latest information available) was \$5,670,029. The book value of the retirement fund assets at December 31, 1983 was \$7,820,573.

### 11—Transactions with Member Cooperatives

The Cooperative has contracts with 18 of its 19 member distribution cooperatives, through June 30, 2020, for the sale of wholesale electric energy. The contract with the other member cooperative is through the period June 30, 2010. Sales of electric energy to the 19 members were \$152,868,791 and \$138,873,457 for 1984 and 1983, respectively.

### 12—Federal Income Taxes

Federal income taxes are paid on taxable income of the subsidiary only. No provision has been made for Federal income taxes for the Cooperative in reliance on a determination letter, dated March 12, 1969, issued by Internal Revenue Service, which states that in the opinion of the Service the Cooperative meets the requirements of Section 501(c)(12) of the Internal Revenue Code and is entitled to exemption from Federal income tax.

### 12—Federal Income Taxes (Continued)

The tax benefit of \$5,749 in the year ended December 31, 1984, represents a refund due from Internal Revenue Service resulting from a net operating loss of the subsidiary in 1984.

### 13—Commitments and Contingencies

#### *Unrecovered Purchased Fuel Costs*

The Cooperative has contracted to purchase gas from various individual producers, in addition to other suppliers. The remaining term of the majority of these contracts is approximately 9 years. Under the terms of the contract agreements, the



## **7—Long-Term Debt—FFB Mortgage Notes**

Long-term debt to FFB consists of 10.361% to 13.081%, 2 to 32 year notes payable with interest payments due quarterly. The notes are scheduled to be fully repaid at various dates from September 8, 1985 to December 31, 2017. The Cooperative has an option to extend the due dates, of the 2 year notes, for a period not less than two years nor greater than seven years after the date of the advance; or to extend the maturity date to thirty-four years after the end of the calendar year in which the advance was made. At December 31, 1984, the Cooperative had \$21,164,000 of advances with short-term maturity dates which they intend to refinance under the above options. These advances have been classified as long-term debt for financial statement purposes. Unadvanced loan funds of \$50,432,000 are available to the Cooperative on loan commitments from FFB.

## **8—Deferred Debits**

The Cooperative has constructed a 78 mile, 345KV transmission line from the San Miguel Electric Cooperative, Inc. generating plant

(Plant) to a point of interconnection with another utility. Power is transmitted from the Plant to the point of interconnection and is wheeled by other utilities into the Brazos transmission system. Certain fixed costs associated with the line, and charges from other utilities for wheeling services, were deferred pending commercial operation of the Plant which occurred in early 1982. The deferred costs are being amortized to expense on a straight-line basis over a period of 5 years.

## **9—Line of Credit Agreement**

The Cooperative has established a line of credit, for short-term financing, with CFC for \$40,000,000. At December 31, 1984, the amount owed CFC under such agreement was \$2,900,000 due February 15, 1985 at an annual interest rate of 11 3/4%. In addition, the Cooperative has established a line of credit, for short-term financing, with a bank for \$20,000,000 at the prime interest rate. Prior approval from CFC is required if the combined borrowing under the lines of credit will exceed \$40,000,000. The Cooperative has not borrowed any funds under the agreement with the bank.





Central Texas Tower, P. O. Box 7616, Waco, TX 76714-7616, 817/776-4190

## The Board of Directors

### Brazos Electric Power Cooperative, Inc.

We have examined the consolidated balance sheet of Brazos Electric Power Cooperative, Inc. and subsidiary as of December 31, 1984 and 1983, and the related consolidated statements of revenue and patronage capital and other equities and changes in financial position for the years then ended. 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, such financial statements present fairly the financial position of Brazos Electric Power Cooperative, Inc. and subsidiary at December 31, 1984 and 1983, and the results of their operations and the changes in their financial positions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Main Hurdman*

March 1, 1985

Cooperative has agreed to purchase and receive, or pay for if available and not taken, an average daily quantity of gas as set forth in the contracts. The contracts provide for the recovery of gas paid for, but not taken, over the remaining life of the contracts. It is the opinion of management, that with proper monitoring of reservoir performance and field surveillance of operating conditions, failure to recover gas paid for but not taken above the allowance for unrecoverable gas, will be minimal; and that such failures, should they occur, are a proper increment of the cost of actual gas delivered and therefore recoverable, under the Cooperative's rate structure, from its customers.

The Cooperative is presently renegotiating its gas purchase

agreements with the various producers. Management anticipates that proposed contract amendments will eliminate the uncertainty and potential liability imposed by the take-or-pay provisions of previous contracts with the producers.

#### *Construction Commitments*

The Cooperative's expenditures for its 1985 construction program are estimated to be approximately \$46,100,000 of which \$44,700,000 will be financed by REA, CFC and FFB loan funds and \$1,400,000 by general funds. Approximately \$14,335,000 of the estimated 1985 construction program expenditures are for additions to the Comanche Peak Nuclear Plant.

## EMPLOYEE COMMENDATIONS

*For professionalism and efficiency in repairing switching equipment at Symmes:*

Rayburn E. Tomberlin	Thomas McHenry	Lynell Saylor
Mark Beaman	John Petty	John Cunningham
Leslie Williams	Joe Ridd	Richard Williamson
Chris Thompson		

*For contributions to the community of Glenberry:*

Dean Markish

*For contributions to the annual operations of the 1988 annual meeting:*

Shirley Lawrence	Wendy Furrer	Shirley Weaver
Jack Nelson	Don Sharnick	William Spence
Malvin Silver	Thomas Reed	Thomas L. Loe
Thomas McFarland	Taylor Perkins	R. Weaver
Perry Hurl	Paul Reimer	John Wilson
Tim Wynn	Robert Mason	John Hill
Theresa Burke	Mary Higgins	

*For an evaluation and report on the City of Bartlett's electric system:*

Jack Arel  
Linda Carr

*For significant assistance in the preparation of a presentation on financing:*

Alan Ramsey  
Wendy Furrer  
John Gifford

*For providing very concerned and caring help in the area of health benefits:*

Malvin Silver

*For assistance to Fort Belknap Electric Cooperative in getting temporary access at the Bryant Island delivery point:*

John Gifford  
W. E. Townsend, Jr.

*For skillful planning of the Project Construction and Engineering Division move into new facilities in the headquarters building:*

Marvin "Eddy" Brown

*For promoting an excellent image of Brame while obtaining right-of-way:*

John McHenry

*For efficient transportation cleanup at the Railway Substation:*

Dean Markish	Lynell Saylor	Christopher Henson
Leslie Williams	Richard Williamson	John Petty
Joe Ridd	Mark Beaman	John Cunningham