1980 Report to Stockholders
Texas Power & Light Company
Subsidiary of Texas Utilities Company

1980 at a Glance

	1980	1979	Per Cent Increase
Operating Revenues*	$ 992,155	$ 809,617	22.5
Operating Expenses*	$ 791,930	$ 643,066	23.1
Fuel Cost per Million Btu	131.2¢	113.6¢	15.5
Construction Expenditures (Excluding Nuclear Fuel)*	$ 409,806	$ 356,603	14.9
Electric Plant (End of Year)*	$3,140,209	$2,729,803	15.0
Plant Investment per Customer	$ 4,372	$ 3,967	10.2
Peak Demand (Megawatts)	5,861	5,067	15.7
Electric Energy Sales (Megawatt-hours)	26,467,419	24,799,781	6.7
Number of Customers (End of Year)	718,238	688,164	4.4
Residential (Average):			
Annual Kwh Usage per Customer	12,970	11,682	11.0
Cost to Customer per Kwh	4.55¢	4.05¢	12.3

*(Thousands of Dollars)

Contents

To the Stockholders of Texas Power & Light Company

Despite many ongoing and singular problems which affected the Company and the electric utility industry in general during 1980, this report of Texas Power & Light Company accounts major accomplishments in performance and significant gains in strength.

Paramount among the Company's responsibilities is providing adequate and reliable service to its customers. The capability of facilities and employees to meet demand for electric power was tested and proven by the hottest summer in Texas history. From May through September, temperatures rose to 100 degrees or higher on 64 days, 42 consecutively. The 1980 peak demand was 5,861 megawatts, which includes 275 megawatts of interruptible load serving Aluminum Company of America (Alcoa), a large industrial customer. This peak demand was an all-time Company record and almost 16 per cent higher than that of 1979.

Since 1968, the Company's construction and fuel programs have been directed to meeting customer demand while reducing the use of natural gas as a generating plant fuel. This objective is being accomplished by building and operating plants which use less expensive and more plentiful lignite coal and nuclear fuel. At the end of 1980, eight lignite-fueled generating units were in operation and five others were under construction or in design. In 1980, lignite accounted for approximately 53 per cent of fuel used and natural gas approximately 47 per cent. Construction continued during the year on a nuclear-fueled plant, the first unit of which is scheduled to be placed in service in 1982.

In January 1981, the Company completed an agreement, which is subject to approval of the Nuclear Regulatory Commission, for Tex-La Electric Cooperative of Texas, Inc. (Tex-La) to purchase a 4⅓ per cent undivided interest in the Comanche Peak nuclear project, including nuclear fuel and associated transmission facilities. The Company received approximately $90 million for that portion of the plant and related facilities, completed through December 31, 1980, to be acquired by Tex-La.

Lignite requirements for the generating units now in operation are being supplied from reserves near the Big Brown, Monticello and Martin Lake plants. The first ton of lignite for Big Brown was dug in 1971. In May 1980, a ceremony was held at the Monticello mining area to commemorate the mining of the 100 millionth ton from the three locations.

The Company's construction expenditures during 1980 were $410,000,000 (excluding nuclear fuel). Although general economic trends and capital market conditions were unfavorable in many ways, the Company was able to limit its exposure to some degree since it was able to fund approximately 44 per cent of the 1980 construction program from internally generated funds. Revenues were increased by extraordinarily high usage of energy during the summer, but even so, the level of internal financing was an accomplishment achieved in the face of increased operating and maintenance expenses compounded by continuing inflationary pressures.

During 1980, major credit rating agencies reaffirmed their confidence in the Company's securities by continuing the triple-A rating on the Company's First Mortgage Bonds.

In January 1980 and again in March 1981, the Company made application for rate adjustments to state and local regulatory authorities. Based on the January 1980 application, the Public Utility Commission of Texas (PUC) authorized an increase of approximately $81.9 million, or 10 per cent. New rates became effective for consumption after May 26, 1980. The adjustments proposed in March 1981 will increase revenues approximately $198 million, or 20.3 per cent. The hearing before the PUC concerning this application will begin in May 1981.

Electric energy sales for 1980 were 6.7 per cent higher than sales for 1979 and the average annual usage by residential customers rose 11 per cent. These increases are attributable largely to the high demand for energy to operate air conditioning equipment during a record-breaking summer heat wave, and in part to the addition of more than 30,000 customers to the Company's system.

During 1980, 72 manufacturing, distribution and office facilities employing 25 or more persons chose locations in the Company's service area. When in full operation, these businesses are expected to provide more than 7,700 new job opportunities.

In 1981 the Company will launch a load management program which will not only aid customers in the wise use of energy, but will also augment Company efforts to govern load growth and curb costly expansion. The result, in years to come, should be a slower increase in peak load demand and a more manageable increase in the unit production cost of electricity.

The Company is continuing efforts toward alternate energy production capabilities and increased productivity. These efforts include not only internal study and research, but also support of industry research and development programs.

Industrial Generating Co. (IGC), a division of Texas Utilities Generating Company until year-end 1979, became a division of Texas Power & Light Company on January 1, 1980. IGC operates certain generating and mining facilities which are owned by Aluminum Company of America, a large industrial customer, and in 1981 will also operate the Company's Sandow 4 generating unit located adjacent to the facilities of Alcoa.

H. O. Weatherbee, Jr., Vice President-Finance, retired on March 1, 1981. Mr. Weatherbee's 40-year career with the Company began in 1940. He was elected Assistant Treasurer in 1961 and Treasurer and Assistant Secretary in 1964. He was named Vice President and Treasurer in 1972 and Vice President-Finance in 1975.

W. H. Goodenough was elected Vice President-Finance in February 1981 upon retirement of H. O. Weatherbee, Jr. Prior to being named Manager of Communications in 1978, Mr. Goodenough served in a number of other managerial capacities.

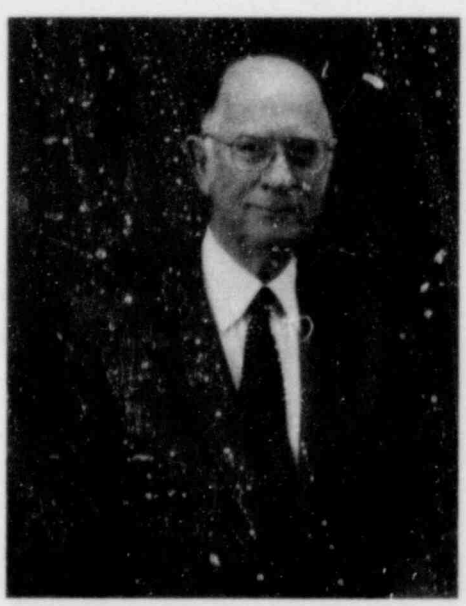
The directors and officers of the Company join us in expressing our appreciation to stockholders, employees and customers for their confidence and contributions to the Company's operations.

Respectfully submitted,

J. F. Skelton
Chairman of the Board

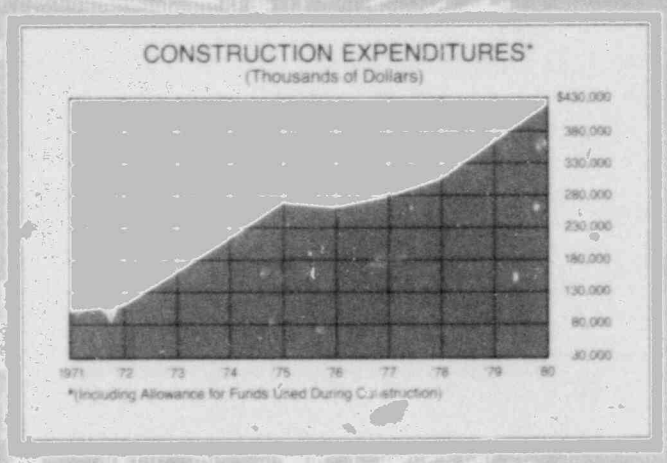
R. K. Campbell
President and Chief Executive

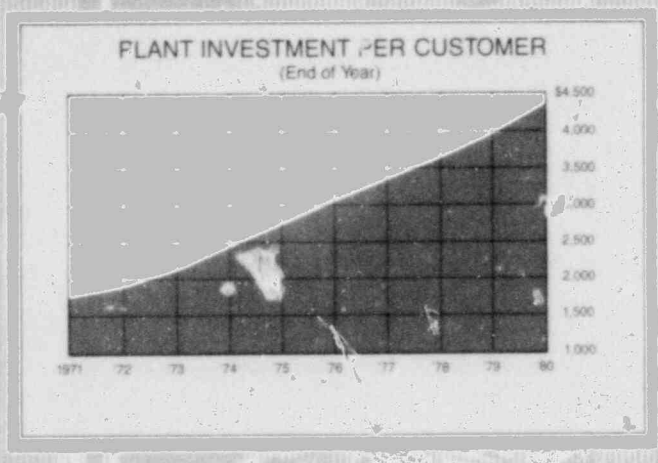
Dallas, Texas
March 31, 1981



J. F. Skelton

R. K. Campbell


CONSTRUCTION EXPENDITURES*
(Thousands of Dollars)
$430,000
380,000
330,000
280,000
230,000
180,000
130,000
80,000
30,000
1971
72
73
74
75
76
77
78
79
80
*(Including Allowance for Funds Used During Construction)


PLANT INVESTMENT PER CUSTOMER
(End of Year)
$4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
1971
72
73
74
75
76
77
78
79
80

Construction

Texas Power & Light Company's construction expenditures were approximately $410,000,000 (excluding nuclear fuel, during 1980. Total construction expenditures (excluding nuclear fuel) are expected to be approximately $371,000,000 in 1981, approximately $417,000,000 in 1982 and approximately $473,000,000 in 1983.

Since the late 1960's, the Company has conducted an intensive effort to build and operate generating plants which use lignite coal and nuclear materials as boiler fuels. The objective is to reduce the Company's use of natural gas and, at the same time, maintain a capability for supplying customers' electric energy needs.

In 1971, the first lignite-fueled unit was placed in operation and since that time seven additional lignite units have been put into service. These units were jointly constructed by Texas Power & Light Company (TP&L), Dallas Power & Light Company (DP&L) and Texas Electric Service Company (TES), subsidiaries of Texas Utilities Company (TU). TP&L's ownership interest in these units is shown in the table below.

Jointly Owned Generating Units in Service

Plant and Location	Fuel	Unit No.	Per Cent Participation	Net Capability (Megawatts) Total	Net Capability (Megawatts) Company Participation
Big Brown — Freestone County	Lignite	1	33⅓	575	191
		2	33⅓	575	192
Monticello — Titus County	Lignite	1	50	575	287
		2	50	575	288
		3	50	750	375
Martin Lake — Rusk County	Lignite	1	60	750	450
		2	60	750	450
		3	30	750	225

At the end of 1980, five other lignite-fueled generating units which TP&L will either own, jointly own with DP&L and TES or jointly own with Alcoa, were in design or under construction at four plant sites. One of these units, Sandow 4, will be placed in service in 1981 and will be operated by Industrial Generating Co., a division of the Company. As a result of a continuing review of projected customer demand and the cost of financial resources, announcement was made in early 1981 of delays of the in-service dates of the other four units: Twin Oak Unit 1 from 1985 to 1986, Twin Oak Unit 2 from 1986 to 1988, Martin Lake Unit 4 from 1985 to 1990 and Forest Grove Unit 1 from 1987 to 1989.

Construction continued during 1980 on the nuclear-fueled Commanche Peak generating plant which will be jointly owned by TP&L, DP&L, TES, Texas Municipal Power Agency, Tex-La Electric Cooperative of Texas, Inc. and Brazos Electric Power Cooperative, Inc. As a result of design changes and modifications required by the Nuclear Regulatory Commission and of delays in obtaining an operating license, announcement was made in July 1980 of delay of the in-service dates of the two Comanche Peak units, Unit 1 from 1981 to 1982 and Unit 2 from 1983 to 1984.

The table below shows location, type of fuel, total capability, TP&L capability and the years in which the five lignite and two nuclear generating units now in design or under construction are scheduled to be placed in service.

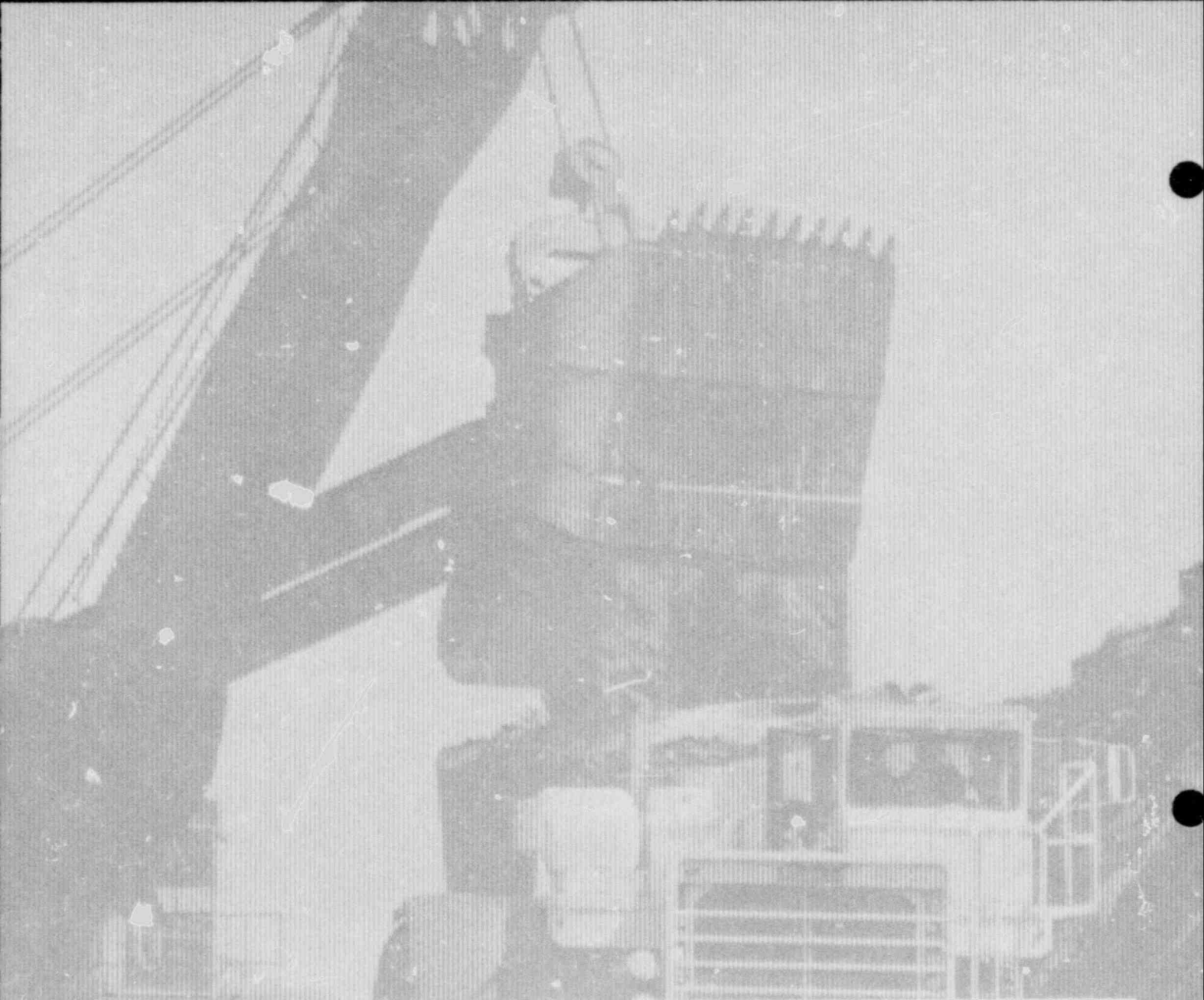
Generating Units Under Construction or in Design

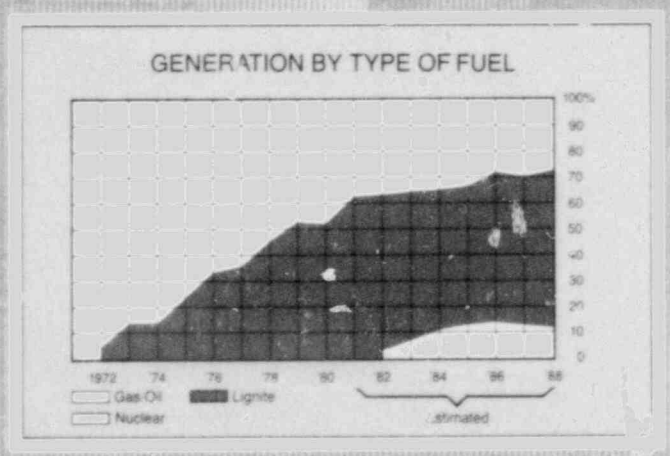
Plant and Location	Fuel	Unit No.	Net Capability (Megawatts) Total	Net Capability (Megawatts) Company Participation (a)	Scheduled for Service (b)
Sandow — Milam County	Lignite	4	545	545	1981
Comanche Peak — Somervell County	Nuclear	1	1,150	362	1982
		2	1,150	362	1984
Twin Oak — Robertson County	Lignite	1	750	562	1986
		2	750	563	1988
Forest Grove — Henderson County	Lignite	1	750	150	1989
Martin Lake — Rusk County	Lignite	4	750	244	1990

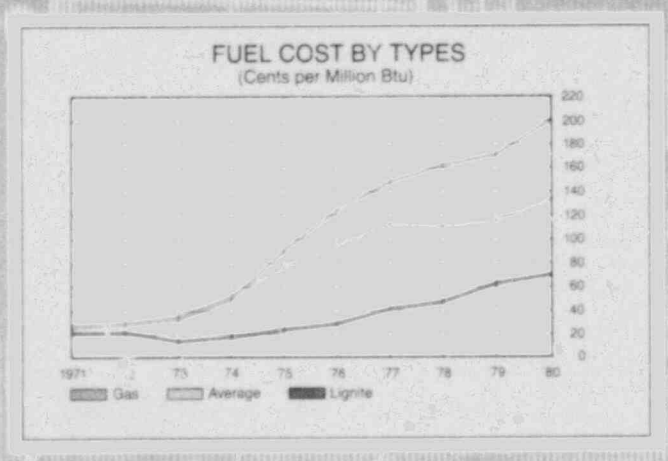
(a) Company participation in net capability and cost of units jointly owned with Dallas Power and Texas Electric: Martin Lake No. 4 — 32½%; Forest Grove — 20%. Company participation in net capability and cost of units jointly owned with Dallas Power, Texas Electric, Texas Municipal Power Agency, Tex-La Electric Cooperative of Texas, Inc. (Tex-La) and Brazos Electric Power Cooperative, Inc.: Comanche Peak — 31½% (Company participation recognizes a 2½% undivided interest purchased from Dallas Power, and the anticipated sale of a 4½% undivided interest to Tex-La, subject to approval by the NRC). Company participation in net capability and cost of units jointly owned with Alcoa: Twin Oak — 75% of net capability and 70% of cost.

(b) Subject to approval of various regulatory agencies, including the Nuclear Regulatory Commission in the case of Comanche Peak.

One of three lignite-fueled generating units at the Martin Lake plant, East Texas




GENERATION BY TYPE OF FUEL
100%
90
80
70
60
50
40
30
20
10
0
1972
74
76
78
80
82
84
86
88
Gas-Oil
Lignite
Nuclear
Estimated


FUEL COST BY TYPES
(Cents per Million Btu)
220
200
180
160
140
120
100
80
60
40
20
0
1971
73
74
75
76
77
78
79
80
Gas
Average
Lignite

Following the March 1979 incident at the Three Mile Island nuclear power plant near Harrisburg, Pennsylvania, the Nuclear Regulatory Commission staff issued in June 1980 an "Action Plan" designed to provide a comprehensive and integrated plan to improve safety of nuclear power reactors. Efforts by the Company are under way to comply with applicable requirements of the "Action Plan". Since many of the improvements indicated by the Three Mile Island incident had already been incorporated in the design of the Comanche Peak plant, the Company believes that the modifications presently under way will not significantly impact either the scheduled completion or the estimated completed cost of the two units of the Comanche Peak plant. However, if an operating license has not been issued by the time Unit 1 is ready for fuel loading, construction costs may increase and the in-service date may be delayed.

During 1980, expenditures for transmission and distribution facilities and general plant improvements totaled approximately $119,000,000. Upgrading and expansion of facilities is an ongoing part of the Company's efforts to assure reliability of service as customer needs grow and vary under changing conditions.

Construction expenditures necessary to meet federal, state and local regulations dealing with environmental protection continue to mount. During 1980, approximately $32,500,000 of the costs of constructing lignite-fueled generating units was for environment-related equipment. Although Company management believes that many of the mandates of regulatory authorities are questionable on a cost/benefit basis, all generating plants under construction are designed to comply with current regulations concerning air emissions.

Fuels

Cost, supply and diversification of types of generating plant fuels continue to be major concerns of the electric utility industry. However, the year 1980 marked ten years of significant progress by the Company from its prior position of total dependence on natural gas to one of major utilization of solid fuels.

In the period 1976-1980, the Company's fuel mix changed from approximately 67 per cent gas and 33 per cent lignite coal in 1976 to approximately 47 per cent gas and 53 per cent lignite in 1980. Oil accounted for less than 1 per cent of fuel used for electric generation during 1976 and 1980.

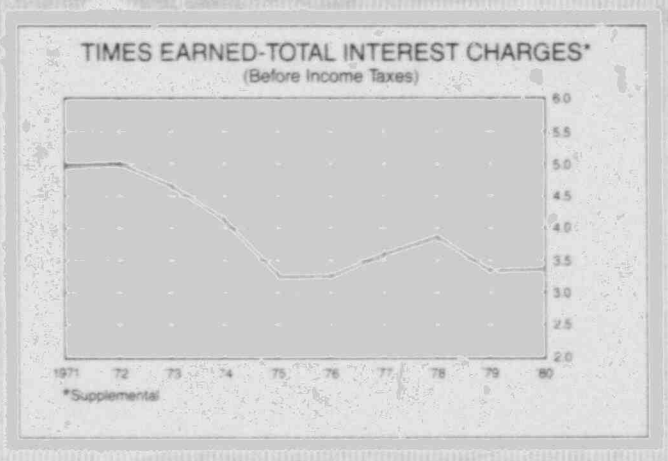
The total cost of fuels of all types in 1980 was $408,000,000, an increase of approximately 26 per cent over the 1979 cost of $324,000,000. This increase was due both to the greater volume and the rising prices of fuels used. The average cost of fuels in 1980 was 131.2¢ per million Btu, compared to 113.6¢ per million Btu in 1979, an increase of 15.5 per cent. This increase of 17.6¢ per million Btu over the 1979 average cost was primarily a result of an increase in the average cost of natural gas.

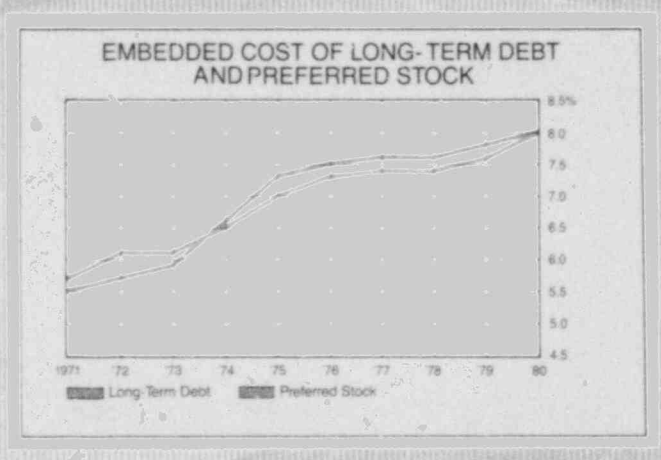
Fuel gas for the Company's eight principal gas and gas/oil-fueled generating plants is provided under contracts with three major suppliers, including Texas Utilities Fuel Company (TUFCO), a subsidiary of Texas Utilities Company. Approximately 55 per cent of the Company's gas requirements during 1980 was supplied by TUFCO.

Reserve supplies of both gas and oil are available to the Company during periods of peak demand for electric power or curtailments of deliveries of gas by suppliers. Oil is stored at all of the Company's principal gas and gas/oil-fueled plants. At the end of 1980, the Company had oil storage facilities with a capacity of 2 million barrels, with approximately 1.5 million barrels in inventory. Additional supplies of oil are available to the Company from storage facilities owned or under lease by TUFCO.

TUFCO also owns and operates underground gas storage facilities with a usable capacity of 22.4 billion cubic feet. Gas stored in these facilities is currently capable of being withdrawn at a rate of approximately 215 million cubic feet per day for use during periods of peak demand or curtailment of deliveries by other gas suppliers.

Lignite mining operations, East Texas


TIMES EARNED-TOTAL INTEREST CHARGES*
(Before Income Taxes)
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1971 72 73 74 75 76 77 78 79 80
*Supplemental


EMBEDDED COST OF LONG-TERM DEBT
AND PREFERRED STOCK
8.5%
8.0
7.5
7.0
6.5
6.0
5.5
5.0
4.5
1971 72 73 74 75 76 77 78 79 80
Long-Term Debt
Preferred Stock

All lignite-fueled generating units in operation, under construction or in design for the Company's system have been or are being constructed adjacent to lignite reserves which are recoverable by surface mining. At the end of 1980, Texas Power & Light, Dallas Power & Light and Texas Electric Service, along with Alcoa, a large industrial customer, which is a joint participant with TP&L in the construction of the Twin Oak generating plant, owned in fee or had under lease an estimated 820 million proven recoverable tons of such reserves. One lignite unit, Sandow Unit 4, will be owned by TP&L, but will be fueled from lignite reserves owned by Alcoa.

Lignite mining operations at the Big Brown, Martin Lake and Monticello generating plants are accompanied by an extensive reclamation program which restores mined land to a productive state. Similar programs are planned for future lignite production operations.

Commitments have been obtained for anticipated uranium ore concentrate requirements and fabrication services for the first 17 years of operations of the two nuclear-fueled generating units now under construction at the Comanche Peak plant site. Uranium hexafluoride conversion services have been contracted for through 1987, and uranium enrichment contracts, having a duration of approximately 30 years, have been made with the Department of Energy.

The Powerplant and Industrial Fuel Use Act of 1978, a constituent part of the National Energy Act, and associated regulations established deadlines to eliminate or reduce the use of natural gas as a boiler fuel by 1990. The Economic Regulatory Administration of the Department of Energy has issued regulations implementing this Act. In 1980, the Company, DP&L and TES filed a petition to review these regulations in the United States Court of Appeals for the Fifth Circuit, which petition has been transferred to the United States Court of Appeals for the Fourth Circuit. The Company is not able to state what impact this legislation will have on future operations.

Operating and Financing Costs

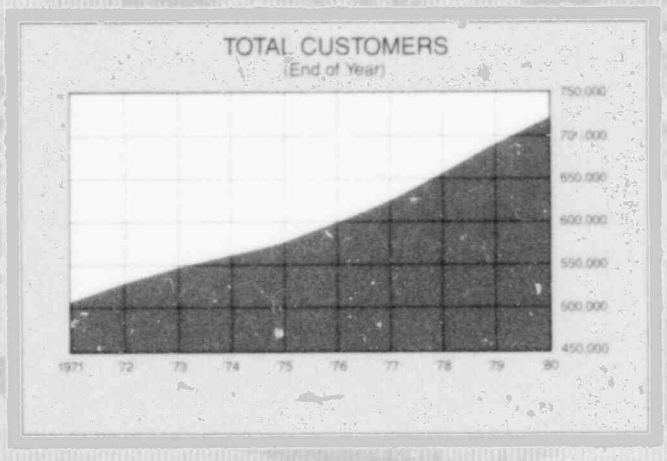
The increase in operation and maintenance expenses, other than fuel, resulted from continuing inflationary pressures on the cost of labor, materials and services, and from the addition of a lignite-fueled generating unit (Martin Lake Unit 3) in April 1979. Operation and maintenance expenses were also affected by the higher costs of operating and maintaining all existing lignite-fueled generating units, including the additional costs of operating and maintaining the pollution control equipment required in connection therewith. However, as a result of the Company's efforts to maximize the use of lower-cost lignite-fueled generation, increases in fuel costs were moderated; thus the Company's customers paid considerably less per kilowatt-hour than would have been the case if natural gas or oil had been used.

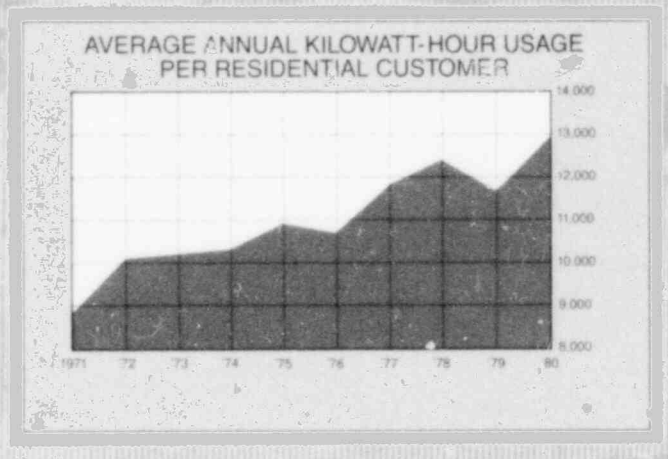
At December 31, 1980, the Company's embedded cost of long-term debt and preferred stock was 8.0 per cent. The upward trend in these costs, as shown by the chart on page 8, is expected to continue as the Company's need for long-term financing continues and capital market interest and dividend rates continue to remain higher than the Company's embedded costs.

Pre-tax interest coverage (including the Company's allocable share of interest on Texas Utilities Generating Company (TUGCO) and TUFCO Senior Notes) — a major factor in determining the cost of debt as well as the overall cost of capital — remained at 3.3 times. Periodic rate increases such as the rate request filed on March 6, 1981 (see "Rates, Regulation and Litigation"), will be required in the future to provide an adequate return on common equity, protect the quality of the Company's securities and enable the Company to acquire new capital at reasonable rates. The Company can best serve its customers if it is financially strong with the net result being lower rates over the long term.

The conservative capital structure of the Company is a result of its commitment to protect the quality of its securities and ensure the lowest cost of capital. At December 31, 1980, long-term debt, preferred stock and common equity comprised 45.7 per cent, 12.9 per cent and 41.4 per cent, respectively, of total capitalization.

Walnut Hill Business Park, Irving, Texas


TOTAL CUSTOMERS
(End of Year)
750,000
700,000
650,000
600,000
550,000
500,000
450,000
1971
'72
'73
'74
'75
'76
'77
'78
'79
'80


AVERAGE ANNUAL KILOWATT-HOUR USAGE
PER RESIDENTIAL CUSTOMER
14,000
13,000
12,000
11,000
10,000
9,000
8,000
1971
'72
'73
'74
'75
'76
'77
'78
'79
'80

Financing System Expansion

In 1980, the Company financed 44 per cent of its construction program from internally generated funds. In addition to net income after dividends, internally generated funds were derived from depreciation and from deferred federal income taxes and investment credits. It is the Company's goal to finance 50 per cent of its construction expenditures internally. The balance of the 1980 construction program was funded from external sources as outlined below.

In February 1980, the Company sold 2,000,000 shares of its common stock to Texas Utilities for $50,000,000.

In May 1980, the Company sold $50,000,000 principal amount of 11⅜ per cent First Mortgage Bonds, due May 1, 2010 and 300,000 shares of $10.92 Preferred Stock. In connection with the sale of these securities, the major credit rating agencies reaffirmed their confidence in the Company's securities by continuing the triple-A rating on the Company's First Mortgage Bonds.

In March 1981, the Company sold an additional 3,000,000 shares of common stock to Texas Utilities for $85,500,000. The proceeds from this sale will be used to repay short-term loans from Texas Utilities, and to fund a portion of the 1981 construction program.

Financing the remainder of the 1981 construction program will require additional funds from external sources. The Company expects to continue to obtain short-term loans from Texas Utilities for interim financing and also expects to obtain additional permanent financing in amounts and of types presently undetermined.

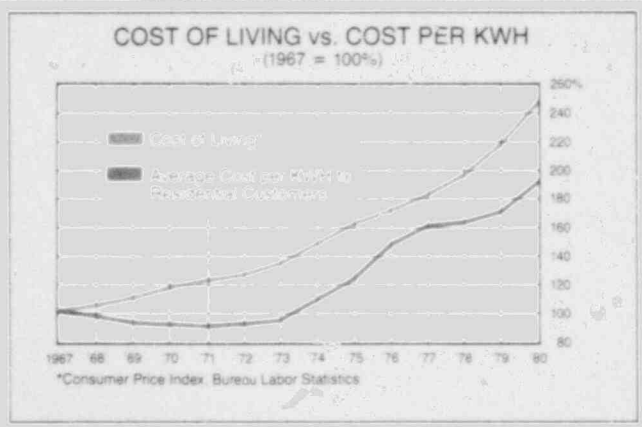
Rates, Regulation and Litigation

In January 1980, the Company made application for rate adjustments to the Public Utility Commission of Texas (PUC) and those incorporated municipalities which exercise original jurisdiction over the Company's electric rates within their corporate limits. The hearing before the PUC concerning the Company's rate application began on March 17, 1980, and the Commission issued a final order on April 29, 1980, which authorized an increase in revenues of approximately $81.9 million, or 10 per cent. New rates became effective for all affected customers for energy consumed after May 26, 1980. Subsequently, Tex-La Electric Cooperative of Texas, Inc. (Tex-La) and the Community Center of Stafford-Armstrong Addition of the City of Seagoville, Texas et al, filed separate District Court suits seeking reversal of the April rate order and a refund of all payments made by the plaintiffs under the new rate order.

In March 1981, the Company made application for rate adjustments to the state and local regulatory authorities cited in the preceding paragraph. The proposed adjustments would increase total operating revenues approximately $198 million, or 20.3 per cent for the test year ended December 31, 1980. The hearing before the PUC concerning the application will begin in May 1981.

In April 1979, the PUC reported findings of its investigation of certain transactions between subsidiaries of Texas Utilities, including the Company. While the PUC concluded that the transactions were generally in the public interest, the PUC did require a refund of $1.2 million to customers of the Company. Certain provisions of the order issued by the PUC were appealed by the Company and other parties to the proceeding to the District Court of Travis County, Texas, and in December 1980, the Court announced its intention to remand the matter to the PUC for further consideration. The Court concluded that provisions of the Texas Public Utility Regulatory Act require a prior determination by regulatory authorities of the reasonableness of the charges involved in transactions among affiliated interests recovered by the Company under its fuel adjustment clause. The Court further indicated that it was not ordering additional refunds or requiring penalties to be levied, but asked that these matters be further considered on remand by the PUC. The Company intends to appeal any adverse final order entered by the Court.

The nuclear-fueled Comanche Peak plant, under construction


COST OF LIVING vs. COST PER KWH
(1967 = 100%)
Cost of Living*
Average Cost per KWH to Residential Customers
250%
240
220
200
180
160
140
120
100
80
1967 68 69 70 71 72 73 74 75 76 77 78 79 80
*Consumer Price Index, Bureau Labor Statistics

In December 1976, Tex-La Electric Cooperative of Texas, Inc. (Tex-La), a wholesale customer of the Company, requested an investigation of the Company by the PUC and Federal Power Commission, predecessor to the Federal Energy Regulatory Commission (FERC), to determine whether the Company engages in interstate commerce as a result of the transmission of energy generated by the Denison Dam plant located near the Texas-Oklahoma border and which of such agencies has jurisdiction over the wholesale sales by the Company. Subsequently, the PUC has established wholesale rates for sales by the Company to Tex-La, but the matter is still pending before the FERC. Intervenors in the FERC proceeding include certain Central and South West Corporation (CSW) subsidiaries, Houston Lighting & Power Company (HL&P) and the State of Texas.

In August 1978, in connection with the application for the operating license for the Comanche Peak nuclear-fueled plant, the Justice Department indicated that the intrastate provisions of agreements among members of the Texas Interconnected System (TIS) raise antitrust issues. The Nuclear Regulatory Commission (NRC) has ordered a hearing on this matter which is in progress. Proposed licensing conditions relating to the antitrust matters have been agreed to by the NRC staff, the Department of Justice, and all parties to the proceeding.

For the past five years, CSW has involved the Company, DP&L, and TES in a number of actions and regulatory proceedings in its efforts to retain its status as an integrated holding company. In June 1980, TP&L, DP&L, TES, HL&P, and CSW signed an agreement regarding interconnections across state lines in order to settle long-standing litigation and regulatory proceedings. Under terms of the agreement, two direct current interconnections will be constructed between TIS and the Southwest Power Pool for wheeling of power between such systems under specified terms and conditions. None of the costs of the interconnections will be borne by the Company, DP&L or TES. The continuing effectiveness of the agreement is contingent upon receipt of an order from FERC exempting the Company, DP&L, TES and HL&P from FERC jurisdiction.

In October 1980, the Company, DP&L, TES, CSW and HL&P filed an Offer of Settlement with the FERC based on the June agreement. This offer has the concurrence of the FERC staff; however, the Department of Justice has been permitted to intervene in the proceeding in general opposition to the settlement. In addition to FERC approval, the settlement agreement is also subject to various other regulatory approvals and resolution of related proceedings.

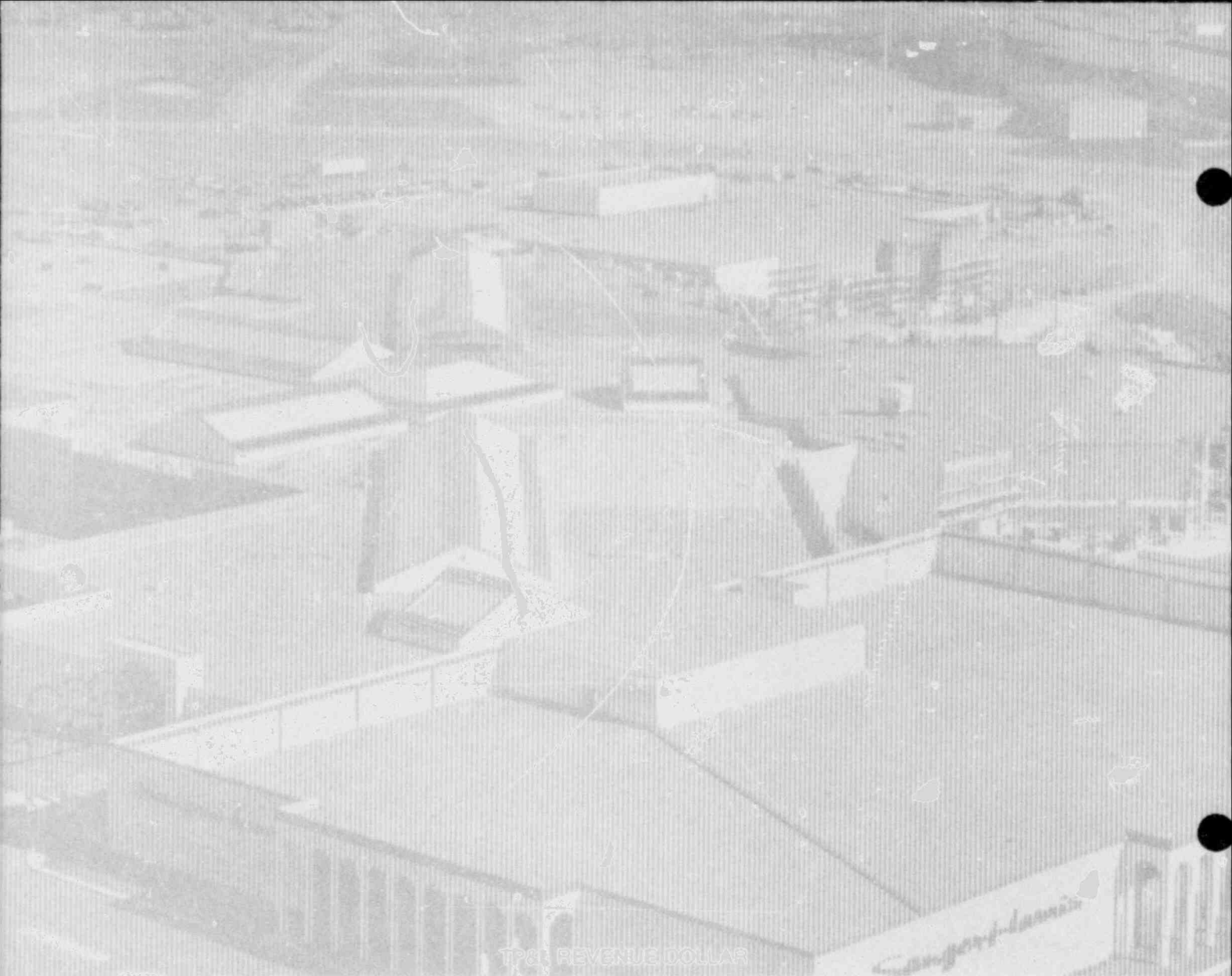
Service to Customers and Area Growth

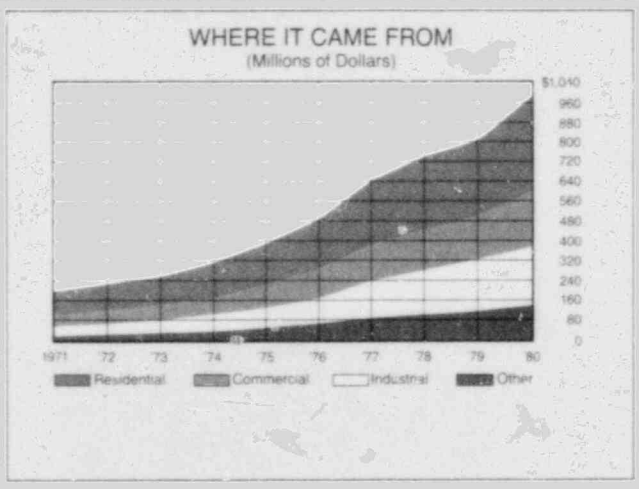
The record of growth of the 51-county area of Texas served by the Company is reflected dramatically by increases in the number of customers and the population of the service area. The number of customers rose from 688,164 at year-end 1979 to 718,238 at year-end 1980, an increase of 30,074 customers. In the same 12-month period, population of the service area rose from 2,446,000 to 2,538,000 an increase of 92,000 persons.

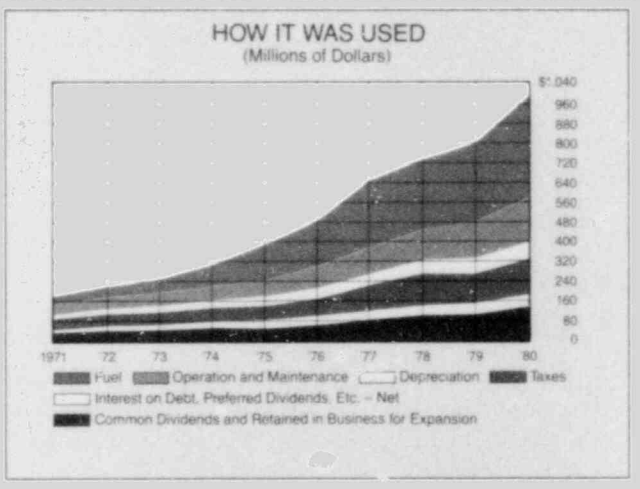
Customer conservation efforts were overshadowed by the extreme weather conditions of the summer, and average annual residential customer usage of electricity rose to 12,970 kilowatt-hours, an 11 per cent increase over 1979 figures. The increase also reflects the relatively mild weather conditions of 1979. Total energy sales show a similar influence of weather conditions as well as total customer growth. All customers contributed to total sales of 26,467,419 megawatt-hours in 1980, compared to 24,799,781 megawatt-hours in 1979, an increase of 6.7 per cent.

During 1980, 8,098 electrically heated homes were built in Texas Power & Light's service area, and 464 homes were converted to electric heating. Completed during the year were 6,589 electrically heated apartment units and the installation of 504 electrically heated mobile homes. Commercial customers installed 61,411 kilowatts of electric heating and 1,564 "Guard-Lites".

New residential development, Plano, Texas


THE REVENUE DOLLAR


WHERE IT CAME FROM
(Millions of Dollars)
$1,040
960
880
800
720
640
560
480
400
320
240
160
80
0
1971
72
73
74
75
76
77
78
79
80
Residential
Commercial
Industrial
Other


HOW IT WAS USED
(Millions of Dollars)
$1,040
960
880
800
720
640
560
480
400
320
240
160
80
0
1971
72
73
74
75
76
77
78
79
80
Fuel
Operation and Maintenance
Depreciation
Taxes
Interest on Debt, Preferred Dividends, Etc. – Net
Common Dividends and Retained in Business for Expansion

Large office complexes announced in 1980 include: Wausau Insurance Company, Irving; General Telephone Company, Irving; Zale Corporation, Irving; and Phillips Coal Company, Richardson. Two large data processing center locations were: Control Data Corporation, Irving; and Levi Strauss & Company, Irving.

Industrial facilities with electrical loads in excess of 1,000 kilowatts added in 1980 were: PPG Industries, Inc., Farmers Branch, tempered glass; Vernco, Stephenville, evaporative coolers; FMC Corporation, Stephenville, flow control products; Bowater Computer Forms, Inc., Plano, computer forms; Lehigh, Steck and Warlick, Carrollton, printing; Minyards Food Store, Coppell, warehouse-distribution center; and Marsco Corporation, Kerens, methanol and oxygen.

The Company intensified efforts to aid customers in the conservation of energy. The "E-OK Program" consisting of guidelines and standards for energy-efficient residential construction and equipment installation, showed gains of 1,236 qualifying homes in 1980. Several major tract and custom home builders endorsed the "E-OK Program" as part of their energy conservation package offered to prospective home buyers.

During 1980, the Company prepared for implementation of the Texas Residential Conservation Service plan which will begin in 1981. State-qualified customer service employees will conduct requested energy audits on residential customer premises. The audit will show the individual customer the most cost-effective measures for conservation of energy.

Additionally, the Company is planning a program of incentives to encourage customers to install more efficient equipment as well as equipment designed for use during other than high-usage periods.

Also in 1980, the Company implemented a program for commercial and industrial customers called "Energy Management Action". The program utilized a workshop format to inform these customers how to conserve energy in their buildings and equipment operations.

Supplemental to direct initiative conservation programs, the Company uses all communication tools to aid customers in conservation and wise energy management. Personal contacts of Customer Service Representatives and Home Service Advisors are supported by "how-to" literature, by Speakers Bureau programs, by school programs and by advertising messages through mass media.

Working with large industrial and commercial customers, technical and statistical data was supplied ranging from tariffs, metering and load estimates to the potential savings of alternative modes of operation such as off-peak, interruptible and co-generation.

The Company's Agri-Business Development staff worked with agricultural customers to aid in farm production and efficient use of electrical energy. Adverse weather conditions, excessive heat and little moisture, dropped agricultural income in 36 counties of the area served by the Company. Gross agricultural income for the year was $1,762,069,000, a decrease of 8.6 per cent under the record income experienced during 1979.

All programs of customer assistance are designed to aid the customer in conservation and to allow the Company to utilize its facilities efficiently while keeping pace with area development.

Public Affairs

The Company and its various publics are coupled in many relationships, each characterized by degrees of concern with aspects of the Company's performance, but each dependent upon mutual understanding.

The rapport that the Company has developed with customers has served well both sides of the relationship through nearly 70 years of enterprise. The honest approach that has built a solid constituency continues to provide the Company a sound base in the evolving, complex world of energy production, use and cost.

Communication with the public is viewed as an opportunity to exchange ideas and to build understanding of energy use and availability while the Company expands its knowledge of public concerns and needs.

Collin Creek Mall retail complex, under construction, Plano, Texas

As the energy situation has become of more immediate concern to the public, Texas Power & Light has met that interest with sincere answers and openness. As a prerequisite to responding to public interest, the Company first listens. Listening is a practice followed throughout the organization.

During 1980, Texas Power & Light President R. K. Campbell, through arrangements of the Company's Consumer Affairs Division, continued TP&L's "listen first" policy. Meetings were arranged with representatives of diverse interest groups in service area municipalities. Housewives, minority representatives, labor leaders and many others met face-to-face with the president, bringing suggestions of ways the Company can improve its relationships with consumers. The single purpose of the meetings is to gain an understanding of the concerns of consumers and to develop Company response to those concerns.

From technical assistance to speakers to tours, the Company takes the initiative in communications. For more than 25 years, the Company has provided its facilities, expertise and materials to youth organizations, to public schools and universities and to adult groups of many kinds. An extensive film library, energy education materials, study courses and seminars are offered to customers.

Company officials and the media relations staff worked directly with editors and reporters to ensure proper information flow based on confidence and understanding. Media seminars have had a special appeal to area newsmen in recent years and results reflect a greater understanding of TP&L and energy supply, use and cost.

With emphasis on one-to-one communications, mass communications efforts augment and reflect messages conveyed in daily contacts of employees. Supportive programs are carried out through newspaper, radio and television advertising, service bill enclosures and periodic special mailings.

Employees

Evidence of the efforts and quality of Company employees underlies each achievement detailed in this report. Financial health, adequate fuel supplies, good public and regulatory relationships, well-engineered construction and efficient Company operations are results of individual work toward mutual goals.

Texas Power & Light recruits and employs capable people. To help them reach their potential, the Company conducts extensive training programs and provides current information to keep employees knowledgeable of industry developments.

Almost three-fourths of the Company's employees participated in some type of formal training in 1980 in addition to on-the-job training. Over 130 workshops and seminars were conducted, and over 100 employees completed job-related courses at colleges and universities through the Company's Education Assistance Program.

Information on the industry and the Company reached employees through a monthly magazine, weekly news summaries, special reports and conference briefings. In 1980, a seven-part conference program on the American economy was presented to employees. The program was designed to help employees understand and deal with inflation, the changing marketplace and other aspects of the economic system.

Approximately half of all employees attended an annual employee meeting in October 1980. Employees were updated on current energy issues by nationally recognized scientists and educators.

On-the-job safety training includes first aid and defensive driving. Safety inspections of facilities, equipment and work habits were conducted in an ongoing program to assure employee well-being.

Employees at the Valley generating plant received the Edison Electric Institute Safety Achievement Award for working 1,007,808 manhours without a disabling injury in the period from October 1, 1973 to February 29, 1980. The record remained unbroken at year-end 1980.

Company employees, as a group, worked 3,267,367 man-hours without a disabling injury from August 3, 1979 through January 8, 1980 and 1,275,511 man-hours in the period June 27, 1980 through August 22, 1980.

Established in 1946, the Company's Employees' Retirement Plan paid benefits during 1980 to a total of 749 retirees and beneficiaries. The Company pays all costs of the Retirement Plan and makes all contributions to the Trust Fund.

As an Equal Opportunity Employer, the Company continues to seek the most effective utilization of all employees through its Affirmative Action Program.

At the end of 1980, the Company had 4,834 full-time employees. This number included the 668 full-time employees of IGC, a division of Texas Utilities Generating Company until January 1, 1980 when it became a division of Texas Power & Light Company. IGC operates certain generating and mining facilities which are owned by Alcoa, a large industrial customer.

Research and Development

The Company continues to emphasize technical research, development of new energy sources and application of efficient energy technologies.

Technical research in residential and commercial energy conservation has centered on three areas: utilization of solar and heat-recovering devices, reduced-infiltration construction and thermal integrity of structures.

The Company is monitoring eight solar installations on private residences for analysis to determine efficiency and relative expense of solar energy. Five residential and three commercial buildings are subjects of controlled tests on water heating systems that utilize waste heat recovered from air conditioning units.

Infiltration studies, now in the fourth year, have resulted in the development of at least three new energy conservation products now marketed by independent companies. Reproductions of the equipment developed for the studies are used nationally by universities, builders and other utilities.

Testing the ability of a structure to retain conditioned air, thermal integrity studies are still under way to provide data that indicates the effects of this type energy conservation on future Company plant and fuel requirements.

In the area of funded research, Texas Power & Light and more than 500 other energy-oriented entities are supporting the work of the Electric Power Research Institute. The Institute is now in its tenth year of operation and is involved in major efforts in solar, geothermal and nuclear fusion energy with funding of over $1 billion budgeted for the years 1980 to 1984.

Since 1957, Texas Power & Light and nine other Texas investor-owned utilities have sponsored the Texas Atomic Energy Research Foundation (TAERF). Through TAERF, the Company is supporting efforts of the Energy Research Center at the University of Texas at Austin to develop the nuclear fusion process. The Texas Experimental Tokomak, a fusion device, began trial operation in late 1980.

Company employees of the past decades initiated research that resulted in the present system of energy production and delivery. With the same respect for future generations, the Company is committed to research and to development of innovative and timely energy technology.

Financial Statistics

	1980	1979	1978	1977	1976
TOTAL ASSETS end of year (thousan	$2,790,527	$2,416,820	$2,107,413	$1,976,081	$1,684,806
ELECTRIC PLANT end of ye sands)	$3,140,209	$2,729,803	$2,376,985	$2,078,257	$1,815,570
Accumulated depreciation	494,911	433,158	377,346	325,775	290,873
Construction expenditures (including allowar for funds used during construction)	409,806	356,603	295,180	275,966	257,942
CAPITALIZATION end of year (thousands)					
Long-term debt	$1,015,522	$ 949,644	$ 820,113	$ 815,047	$ 695,709
Preferred stock	285,782	256,112	226,521	226,521	196,866
Common stock equity	920,355	806,334	722,263	675,046	590,576
Total	$2,221,659	$2,012,090	$1,768,897	$1,716,614	$1,483,151
AVERAGE INTEREST RATE ON LONG TERM DEBT end of year	8.0%	7.8%	7.6%	7.6%	7.5%
AVERAGE DIVIDEND RATE ON PREFERRED STOCK end of year	8.0%	7.6%	7.4%	7.4%	7.3%
NET INCOME (thousands)	$ 161,623	$ 128,642	$ 123,086	$ 105,335	$ 82,503
DIVIDENDS DECLARED ON COMMON STOCK (thousands)	75,864	65,194	59,040	54,050	48,300
RATIO OF EARNINGS TO FIXED CHARGES	3.9	3.8	4.1	3.7	3.2
SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES*	3.3	3.3	3.8	3.6	3.2
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF EARNINGS TO COMMON STOCK	27.0%	21.8%	17.1%	23.3%	28.1%
RETURN ON AVERAGE COMMON STOCK EQUITY	16.2%	14.3%	15.2%	14.0%	12.4%
FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	44.0%	46.4%	51.0%	42.0%	31.5%

*The supplemental ratio of earnings to fixed charges includes the Company's allocable portion of interest on Senior Notes of affiliated companies which provide services to the Company.

Operating Statistics

	Year Ended December 31,				
	1980	1979	1978	1977	1976
ELECTRIC ENERGY GENERATED AND PURCHASED (MWh)					
Generated — net station output	28,431,111	25,952,023	24,503,681	22,719,340	19,141,490
Purchased and net interchange	218,847	729,425	1,412,136	759,767	1,166,547
Total generated and purchased	28,649,958	26,681,448	25,915,817	23,479,107	20,308,037
Company use, losses, and unaccounted for	2,182,539	1,881,667	1,930,139	1,670,311	1,536,641
Total electric energy sales	26,467,419	24,799,781	23,985,678	21,808,796	18,771,396
FUEL MIX FOR ELECTRIC GENERATION					
Gas	47.3%	46.4%	53.0%	62.6%	66.9%
Oil	0.1	0.5	0.2	2.0	0.2
Lignite	52.6	53.1	46.8	35.4	32.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
ELECTRIC ENERGY SALES (MWh)					
Residential	8,451,010	7,334,355	7,520,665	6,921,676	6,048,260
Commercial	4,975,135	4,451,990	4,338,257	4,045,638	3,624,348
Industrial	8,583,227	8,512,728	8,000,546	7,391,531	6,000,781
Government and municipal	943,792	845,800	880,988	809,213	746,488
Total general business	22,953,164	21,144,873	20,740,456	19,168,058	16,419,877
Other electric utilities	3,514,255	3,654,908	3,245,222	2,640,738	2,351,519
Total electric energy sales	26,467,419	24,799,781	23,985,678	21,808,796	18,771,396
OPERATING REVENUES (thousands)					
Residential	$ 380,564	$ 293,489	$ 285,748	$ 256,624	$ 204,114
Commercial	224,116	185,750	168,904	144,185	112,077
Industrial	238,898	211,085	184,091	156,093	110,734
Government and municipal	35,983	28,587	26,902	23,208	18,703
Total general business	879,561	718,911	665,645	580,110	445,628
Other electric utilities	96,882	82,715	70,828	58,075	43,534
Total from electric energy sales	976,443	801,626	736,473	638,185	489,162
Other operating revenues	15,712	7,991	6,835	7,019	4,882
Total operating revenues	$ 992,155	$ 809,617	$ 743,308	$ 645,204	$ 494,044
ELECTRIC CUSTOMERS (end of year)					
Residential	623,077	595,631	563,378	535,012	514,041
Commercial	80,517	78,553	77,371	74,327	70,510
Industrial	6,990	6,599	6,257	5,919	5,749
Government and municipal	7,619	7,346	7,061	7,121	7,110
Total general business	718,203	688,129	654,067	622,379	597,410
Other electric utilities	35	35	30	29	28
Total electric customers	718,238	688,164	654,097	622,408	597,438
Residential classification includes indirect sales (apartments, etc.); dwelling units not included in number of customers	42,523	43,560	47,656	52,585	53,076
Industrial classification includes interruptible sales to Alcoa:					
Electric energy sales (MWh)	2,918,794	3,076,399	2,891,259	2,786,027	1,822,488
Operating revenues (thousands)	$ 48,813	$ 48,400	$ 41,572	$ 36,878	$ 20,052

Texas Power & Light Company

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

Liquidity and Capital Resources

The primary capital requirements of the Company for 1980 and as estimated for 1981 through 1983 are as follows:

	1980	1981	1982	1983
		(Thousands of Dollars)		
Construction expenditures (excluding AFUDC)	$372,000	$336,000	$387,000	$446,000
Nuclear fuel	11,000	5,000	17,000	23,000
Maturities of long-term debt and sinking fund requirements	2,000	—	14,000	1,000
Total	$385,000	$341,000	$418,000	$470,000

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

The Company generates funds from operations sufficient to meet operating needs, pay dividends on capital stock and finance a significant portion of capital requirements. These funds are derived from net income, depreciation, deferred taxes, and federal investment tax credits. Factors affecting the ability of the Company to fund a portion of its capital requirements from operations include adequate rate relief and regulatory practices allowing a substantial portion of construction work in progress in rate base, adequate depreciation rates, normalization of federal income taxes, current recovery of the cost of fuel used in the generation of electricity and the opportunity to earn competitive rates of return required in the capital markets. For 1980, 44% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the Company through the sale of common and preferred stocks, first mortgage bonds, and pollution control revenue bonds. The capitalization ratios of the Company at December 31, 1980 consisted of 46% long-term debt, 13% preferred stock, and 41% common stock equity, and similar ratios are expected to be maintained in the future. To provide for immediate cash requirements during periods between long-term financings, the Company obtains short-term loans from Texas Utilities, which has lines of credit with commercial banks aggregating $300,000,000 at December 31, 1980. The Company does not maintain separate credit arrangements with banks or other lenders.

The Company expects to sell additional securities as needed, in amounts and of types presently undetermined. Although the Company cannot predict future regulatory practices and is to some degree exposed to fluctuating economic and securities market conditions, it does not currently expect any changes in trends or commitments which might significantly alter its basic financial position or ability to finance capital requirements in the future. (See "Rates, Regulation and Litigation".)

Results of Operations

Increases in operating revenues include rate increases granted the Company and recovery of higher fuel costs on a current basis, customer growth, and increased energy consumption by customers. (See "Rates, Regulation and Litigation" and "Operating Statistics".) Energy consumption per customer is affected by material variations in weather conditions and was particularly impacted by the unusually hot and dry summer of 1980 compared to the relatively mild summer of 1979 and by warmer summer and colder winter weather in 1978. Customer consumption also reflects the effects of energy conservation on the part of some customers.

Operation and maintenance expenses have increased substantially as a result of continuing inflationary pressures on the cost of labor, materials and services and the additional lignite-fueled generating units placed in service during 1978 and 1979; such expenses were also affected by the higher costs of operating and maintaining existing lignite-fueled generating units, including the additional costs of operating and maintaining the pollution control equipment required in connection therewith and unscheduled maintenance on several such units in 1979. 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 amount of construction work in progress of the Company not allowed in rate base by regulatory authorities, and for 1980, an increase in the AFUDC rate effective November 1979, accompanied by the commencement of semi-annual compounding. The decrease in other income and deductions — net for 1980 reflects decreased interest income on temporary cash investments while the increase for 1979 resulted from increased income from Alcoa for construction of generating facilities.

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

The Company has prepared supplementary information concerning the effects of changing prices in compliance with the reporting requirements of Financial Accounting Standards Board Statement No. 33; such information is included beginning on page 31 following the notes to financial statements.

Accountants' Opinion

DELOITTE HASKINS & SELLS
Certified Public Accountants

Texas Power & Light Company:

We have examined the balance sheet of Texas Power & Light Company as of December 31, 1980 and 1979 and the related statements of income, retained earnings, and source of funds for construction for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company at December 31, 1980 and 1979 and the results of its operations and the source of its funds for construction for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Dallas, Texas
February 27, 1981

Texas Power & Light Company
Balance Sheet

Assets

	December 31,	
	1980	1979
	(Thousands of Dollars)	
ELECTRIC PLANT		
In service:		
Production	$ 951,311	$ 940,328
Transmission	444,481	398,027
Distribution	699,564	647,394
General	67,684	55,914
Total	2,163,040	2,041,663
Construction work in progress	938,997	659,522
Nuclear fuel	34,852	23,829
Held for future use	3,320	4,789
Total electric plant	3,140,209	2,729,803
Less accumulated depreciation	494,911	433,158
Electric plant, less accumulated depreciation	2,645,298	2,296,645
OTHER INVESTMENTS	4,297	2,406
CURRENT ASSETS		
Cash in banks	6,175	7,734
Special deposits	6,180	6,539
Accounts receivable:		
Customers	50,476	45,211
Other	10,627	5,773
Allowance for uncollectible accounts	(2,449)	(1,651)
Inventories—at average cost:		
Materials and supplies	17,169	13,760
Fuel stock	21,111	18,022
Other current assets	26,090	15,686
Total current assets	135,379	111,074
DEFERRED DEBITS	5,553	6,695
TOTAL	$2,790,527	$2,416,820

Liabilities

	December 31,	
	1980	1979
	(Thousands of Dollars)	
CAPITALIZATION		
Common stock (Note 3)	$ 660,000	$ 610,000
Retained earnings (Note 4)	260,355	196,334
Total	920,355	806,334
Preferred stock (Note 3)	285,782	256,112
Long-term debt — less amounts due currently (Note 5):		
First mortgage bonds	897,500	847,500
Other long-term debt	121,781	105,288
Unamortized discount	(3,759)	(3,144)
Total	1,015,522	949,644
Total capitalization	2,221,659	2,012,090
CURRENT LIABILITIES		
Notes payable — Texas Utilities Company (parent)	70,000	5,500
Accounts payable:		
Affiliates	35,009	26,967
Other	55,849	55,277
Dividends declared	5,689	4,870
Customers' deposits	7,223	6,565
Taxes accrued	47,176	19,466
Interest accrued	28,285	27,349
Other current liabilities	6,522	8,225
Total current liabilities	255,753	154,219
RESERVE FOR INSURANCE AND CASUALTIES	1,621	1,703
ACCUMULATED DEFERRED FEDERAL INCOME TAXES	141,849	108,297
UNAMORTIZED FEDERAL INVESTMENT TAX CREDITS	169,645	140,511
COMMITMENTS AND CONTINGENCIES (Notes 2 and 6)		
TOTAL	$2,790,527	$2,416,820

See accompanying Notes to Financial Statements.

Texas Power & Light Company
Statements of Income and Retained Earnings

	Year Ended December 31,		
	1980	1979	1978
	(Thousands of Dollars)		
Income			
OPERATING REVENUES	$992,155	$809,617	$743,308
OPERATING EXPENSES			
Fuel	407,636	323,539	288,557
Operation	110,391	91,988	82,592
Maintenance	69,796	55,002	39,657
Depreciation	69,881	64,152	56,312
Federal income taxes (Note 7)	84,408	65,974	75,561
Taxes other than income	49,818	42,411	39,187
Total operating expenses	791,930	643,066	581,866
OPERATING INCOME	200,225	166,551	161,442
OTHER INCOME			
Allowance for equity funds used during construction	27,788	17,499	11,093
Other income and deductions — net	19,403	19,569	18,195
Federal income taxes	(9,071)	(9,091)	(8,751)
Total other income	38,120	27,977	20,537
TOTAL INCOME	238,345	194,528	181,979
INTEREST CHARGES			
Interest on mortgage bonds	70,503	65,924	57,684
Interest on other long-term debt	8,889	5,356	4,891
Other interest	7,287	932	3,345
Allowance for borrowed funds used during construction	(9,957)	(6,326)	(7,027)
Total interest charges	76,722	65,886	58,893
NET INCOME	$161,623	$128,642	$123,086
Retained Earnings			
BALANCE AT BEGINNING OF YEAR	$196,334	$152,263	$105,046
ADD — Net income	161,623	128,642	123,086
Total	357,957	280,905	228,132
DEDUCT			
Dividends (cash)			
Preferred stock:			
$ 4 series ($ 4.00 per share per annum)	280	280	280
$ 4.44 series ($ 4.44 per share per annum)	666	666	666
$ 4.56 series ($ 4.56 per share per annum)	610	610	610
$ 4.76 series ($ 4.76 per share per annum)	476	476	476
$ 4.84 series ($ 4.84 per share per annum)	339	339	339
$ 7.24 series ($ 7.24 per share per annum)	1,810	1,810	1,810
$ 7.80 series ($ 7.80 per share per annum)	2,340	2,340	2,340
$ 8.16 series ($ 8.16 per share per annum)	2,448	2,448	2,448
$ 8.20 series ($ 8.20 per share per annum)	2,460	2,460	2,460
$ 8.68 series ($ 8.68 per share per annum)	2,604	2,604	2,604
$ 8.84 series ($ 8.84 per share per annum)	2,652	2,548	—
$ 9.32 series ($ 9.32 per share per annum)	2,796	2,796	2,796
$10.92 series ($10.92 per share per annum)	2,257	—	—
Common stock (per share: 1980, $2.24; 1979, $2.04; 1978, $1.92)	75,864	65,194	59,040
Total dividends	97,602	84,571	75,869
BALANCE AT END OF YEAR (Note 4)	$260,355	$196,334	$152,263

See accompanying Notes to Financial Statements.

Texas Power & Light Company
Statement of Source of Funds for Construction

	Year Ended December 31,		
	1980	1979	1978
	(Thousands of Dollars)		
FUNDS FROM OPERATIONS			
Net income	$161,623	$128,642	$123,086
Depreciation	69,881	64,152	56,312
Deferred federal income taxes—net	33,552	27,164	20,827
Federal investment tax credits—net	34,062	42,994	35,021
Allowance for funds used during construction	(37,745)	(23,825)	(18,120)
Total funds from operations	261,373	239,127	217,126
Less—Dividends declared:			
Preferred stock	21,738	19,377	16,829
Common stock	75,864	65,194	59,040
Total dividends declared	97,602	84,571	75,869
Net funds from operations	163,771	154,556	141,257
FUNDS FROM FINANCING			
Sales of Securities:			
First mortgage bonds	50,000	100,000	—
Other long-term debt	18,096	31,288	5,600
Preferred stock	29,670	29,591	—
Common stock	50,000	40,000	—
Retirement of long-term debt	(1,603)	(841)	(4,073)
Increase (decrease) in notes payable to Texas Utilities Company (parent)	64,500	5,500	—
Net funds from financing	210,663	205,538	1,527
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	1,559	2,559	24,667
Accounts receivable—net	(9,321)	(7,219)	(9,021)
Inventories	(6,498)	(1,716)	2,285
Accounts payable	8,614	12,025	17,102
Taxes accrued	27,710	(18,022)	10,778
Other—net	(9,335)	(1,158)	(43)
Net change	12,729	(13,531)	45,708
Investment advances to affiliates	(1,800)	(800)	99,575
Nuclear fuel	(11,023)	(6,447)	(9,915)
Other—net	(2,279)	(6,538)	(1,092)
Net other sources (uses) of funds	(2,373)	(27,316)	134,276
TOTAL	$372,061	$332,778	$277,060
CONSTRUCTION EXPENDITURES			
Electric plant	$409,806	$356,603	$295,180
Allowance for funds used during construction	(37,745)	(23,825)	(18,120)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	$372,061	$332,778	$277,060

See accompanying Notes to Financial Statements.

Texas Power & Light Company
Notes to Financial Statements

1. Significant Accounting Policies

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

Allowance For Funds Used During Construction — Allowance for funds used during construction (AFUDC) is a cost accounting procedure whereby amounts based upon interest charges on borrowed funds and a return on other capital used to finance construction are charged to electric plant. The accrual of AFUDC is in accord with established accounting practices of the industry, but does not represent current cash income. The Company has capitalized AFUDC at a net of tax rate of 8% compounded semi-annually of expenditures incurred, except for that portion of construction work in progress allowed in rate base by regulatory authorities. Prior to November 1979, a rate of 7% had been used. These rates were determined on the basis of, but are less than, the cost of capital used to finance the construction program. Effective January 1,1981, a rate of 8½% was adopted.

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 electric plant in service approximated 3.5% for 1980 and 3.4% for 1979 and 1978.

Federal Income Taxes — The Company is included in the consolidated federal income tax return of Texas Utilities Company and subsidiary companies, and federal income taxes are allocated to all subsidiary companies based upon taxable income or loss. Deferred federal income taxes are generally provided for differences between book and taxable income; such differences result primarily from the use of liberalized depreciation and the class life depreciation system (ADR). Current federal income taxes have been reduced by amounts of investment tax credits allowable under the Internal Revenue Code; such credits are being amortized to income over the estimated service lives of the properties. (See Note 7.)

Reserve For Insurance and Casualties — The Company, as allowed by regulatory authorities, maintains a reserve for major uninsured losses and claims.

2. Affiliates

The Company is a subsidiary of Texas Utilities which provides common stock capital and short-term financing to the Company. Dallas Power and Texas Electric, whose respective systems are interconnected with that of the Company, are also subsidiaries of Texas Utilities. Texas Utilities has three other subsidiaries which perform specialized services, at cost, for the System, including the Company; Service Company furnishes engineering, financial and other services; Fuel Company owns a natural gas pipeline system, acquires, stores and delivers fuel gas and oil and provides other fuel services for the generation of electric energy; and Generating Company operates the jointly-owned generating stations and furnishes related services, including the ownership and operation of fuel production facilities for the surface mining and recovery of lignite for use as fuel at such stations.

The Company, jointly with Dallas Power and Texas Electric, has entered into agreements with Fuel Company to procure certain fuels and related services and with Generating Company for the production of lignite fuel and the operation of electric generating stations; payments are at cost of the services received and are required by the agreements to be "at least equivalent in the aggregate to the annual charge to income on the books" of Fuel Company and of Generating Company.

For information concerning jointly-owned generating stations, see "Construction".

3. Common and Preferred Stocks

	Shares Outstanding December 31,		Amount December 31,		Redemption Price Per Share (before adding accumulated dividends)	
	1980	1979	1980	1979	Current	Eventual Minimum
			(Thousands of Dollars)			
Common stock — without par value; authorized 80,000,000 shares	34,350,000	32,350,000	$660,000	$610,000		
Preferred stock — cumulative, without par value; entitled upon liquidation to $100 a share; authorized 5,000,000 shares:						
$ 4 series	70,000	70,000	$ 7,000	$ 7,000	$102.00	$102.00
$ 4.44 series	150,000	150,000	15,061	15,061	102.61	102.61
$ 4.56 series	133,786	133,786	13,379	13,379	112.00	112.00
$ 4.76 series	100,000	100,000	10,000	10,000	102.00	102.00
$ 4.84 series	70,000	70,000	7,000	7,000	101.79	101.79
$ 7.24 series	250,000	250,000	25,113	25,113	107.04	103.42
$ 7.80 series	300,000	300,000	30,030	30,030	105.20	103.25
$ 8.16 series	300,000	300,000	29,655	29,655	108.16*	102.04
$ 8.20 series	300,000	300,000	30,108	30,108	107.39	103.29
$ 8.68 series	300,000	300,000	29,550	29,550	108.43	101.92
$ 8.84 series	300,000	300,000	29,591	29,591	108.17*	102.05
$ 9.32 series	300,000	300,000	29,625	29,625	106.99	102.33
$10.92 series	300,000	—	29,670	—	110.92*	102.73
Total	2,873,786	2,573,786	$285,782	$256,112		

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

The Company issued and sold shares of its authorized common stock to Texas Utilities as follows: February 1980, 2,000,000 shares for $50,000,000; and February 1979, 1,600,000 shares for $40,000,000. In March 1981, the Company issued and sold an additional 3,000,000 shares of its authorized common stock to Texas Utilities for $85,500,000.

The Company also issued and sold shares of its authorized preferred stock as follows: May 1980, 300,000 shares of $10.92 preferred stock for $29,670,000; and February 1979, 300,000 shares of $8.84 preferred stock for $29,591,400.

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

4. Retained Earnings Restrictions

The Company's articles of incorporation, the mortgage, as supplemented, and the debenture agreements contain provisions which, under certain conditions, restrict distributions on or acquisitions of its common stock. At December 31, 1980, $32,239,000 of retained earnings was thus restricted as a result of the provisions of the articles of incorporation.

The articles of incorporation restriction provides in effect that the Company shall not pay any common dividend which would reduce retained earnings to less than one and one-half times annual preferred dividend requirements. The mortgage restriction is based primarily on the replacement fund requirements of the mortgage. The restriction contained in the debenture agreements is designed to maintain the aggregate preferred and common stock equity at or above 33⅓% of total capitalization.

5. Long-Term Debt (less amounts due currently)

	December 31,	
	1980	1979
	(Thousands of Dollars)	
First mortgage bonds:		
3¼% series due 1982	$ 14,000	$ 14,000
3⅛% series due 1984	20,000	20,000
4⅜% series due 1986	10,000	10,000
4½% series due 1988	12,500	12,500
4½% series due 1991	12,000	12,000
4⅜% series due 1993	10,000	10,000
4½% series due 1995	14,000	14,000
5 % series due 1996	20,000	20,000
5½% series due 1997	30,000	30,000
6⅝% series due 1998	25,000	25,000
8⅝% series due 2000	30,000	30,000
8⅞% series due 2000	30,000	30,000
7⅞% series due 2001	30,000	30,000
7½% series due 2002	40,000	40,000
7½% series due 2003	50,000	50,000
8¼% series due 2004	50,000	50,000
10⅛% series due 2004	50,000	50,000
9½% series due 2005	100,000	100,000
8.60% series due 2006	100,000	100,000
8¼% series due 2007	100,000	100,000
9⅜% series due 2009	100,000	100,000
11⅜% series due 2010	50,000	—
Total first mortgage bonds	897,500	847,500
Other long-term debt:		
Sinking fund debentures		
4⅝%, due 1987	6,711	6,976
4½%, due 1989	10,773	11,251
7¾%, due 1994	16,228	17,088
Total	33,712	35,315
Pollution control revenue bonds — net		
7½% series due 2004	15,000	15,000
6¼% series due 2006	32,385	32,385
5.70% series due 2007	11,235	11,235
6.60% series due 2008	4,890	4,890
7⅝% series due 2009	35,000	35,000
Funds on deposit with trustee	(10,441)	(28,537)
Total	88,069	69,973
Total other long-term debt	121,781	105,288
Unamortized discount	(3,759)	(3,144)
Total long-term debt (less amounts due currently)	$1,015,522	$949,644

Sinking fund and maturity requirements for the years 1981 through 1985 under long-term debt instruments in effect at December 31, 1980 were as follows:

Year	Sinking Fund(a)	Maturity (see above)	Minimum Cash Requirement(a)(b)
	(Thousands of Dollars)		
1981	$3,863	$ —	$ —
1982	4,253	14,000	14,000
1983	5,615	—	612
1984	7,103	20,000	20,900
1985	7,103	—	900

(a) Excluding amounts satisfied prior to December 31, 1980: $900,000 for 1981, $900,000 for 1982 and $288,000 for 1983.

(b) Other requirements may be satisfied by certification of property additions at the rate of 167% of such requirements.

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

6. Commitments and Contingencies

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

The Company, along with Dallas Power & Light Company and Texas Electric Service Company has entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and has agreed, in effect, to guarantee its share of the principal, $53,779,000 at December 31, 1980, and interest on bonds issued to finance the reservoirs from which the water is supplied.

The Company is involved in various legal and administrative proceedings (see "Rates, Regulation and Litigation"), and while the Company cannot predict the final results, such proceedings, in the opinion of the Company, are not expected to have a material effect upon the financial position or results of operations of the Company.

7. Federal Income Taxes

The details of federal income taxes are as follows:

	Year Ended December 31,		
	1980	1979	1978
	(Thousands of Dollars)		
Charged to operating expenses:			
Current federal income taxes	$ 18,510	$(3,669)	$18,676
Deferred federal income taxes — net:			
Differences between depreciation methods and lives	26,706	22,328	16,978
Certain capitalized construction costs	5,301	4,646	4,814
Other	(171)	(325)	72
Total	31,836	26,649	21,864
Investment tax credits — net	34,062	42,994	35,021
Total federal income taxes charged to operating expenses	84,408	65,974	75,561
Charged to other income	9,071	9,091	8,751
Total federal income taxes	$ 93,479	$75,065	$84,312

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

	Year Ended December 31,		
	1980	1979	1978
	(Thousands of Dollars)		
Federal income taxes at statutory rate (46%; 48% prior to 1979)	$117,347	$93,705	$99,551
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction	17,363	10,959	8,697
Depletion allowance	3,482	2,859	2,421
Amortization of investment tax credits	3,698	3,145	2,414
Other	(675)	1,677	1,707
Total reductions	23,868	18,640	15,239
Total federal income taxes	$ 93,479	$75,065	$84,312
Effective tax rate	36.6%	36.9%	40.7%

8. Retirement Plans

The Company has uniform retirement plans covering substantially all employees. The costs of the plans are determined by independent actuaries and are funded by the Company as accrued. The costs of the plans, including amounts capitalized, approximated $8,628,000 for 1980, $7,038,000 for 1979 and $5,821,000 for 1978. As of the latest annual valuations in 1980 and 1979, accumulated benefits and net fund assets were as follows:

	1980	1979
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$83,050	$66,778
Nonvested	8,181	6,875
Total	$91,231	$73,653
Net fund assets	$70,130	$52,168

An assumed rate of return of 5½% was used in determining the value of accumulated benefits.

Supplementary Information Concerning Effects of Changing Prices

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

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

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

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

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

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

To reflect the results of rate regulation, Gain From Decline in Purchasing Power of Net Amounts Owed is offset by the Reduction to Net Recoverable Cost of Electric Plant.

Summary of Income Adjusted for the Effects of Changing Prices
For the Year Ended December 31, 1980

(Thousands of Dollars)	Historical Cost Reported In Financial Statements	Adjusted for Changing Prices: General Inflation (Constant Dollar)	Adjusted for Changing Prices: Specific Prices (Current Cost)
		(Average 1980 Dollars)	
Operating revenues	$992,155	$ 992,155	$992,155
Operating expenses(a)	791,930	854,214	865,168
Operating income	200,225	137,941	126,987
Other income	38,120	38,120	38,120
Total income	238,345	176,061	165,107
Interest charges	76,722	76,722	76,722
Net income	$161,623	$ 99,339	$ 88,385
Increase in specific prices of electric plant held during the year(b)			$389,991
Reduction to net recoverable cost of electric plant		$(225,294)	(105,828)
Effect of general inflation on electric plant			(498,503)
Effect of general inflation in excess of increase in specific prices of electric plant after reduction to net recoverable cost			(214,340)
Gain from decline in purchasing power of net amounts owed		155,702	155,702
Net change in purchasing power		$ (69,592)	$(58,638)

(a) Includes depreciation amounts of $69,881,000 for historical cost, $132,165,000 for constant dollar, and $143,119,000 for current cost.

(b) At December 31, 1980, electric plant, net of accumulated depreciation, was $4,623,384,000 for current cost and $2,645,298,000 for historical cost.

Supplementary Information Concerning Effects of Changing Prices — (Concluded)

Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

	1980	1979	1978	1977	1976
			(Thousands of Average 1980 Dollars)		
Operating revenues	$ 992,155	$ 919,105	$938,836	$877,335	$715,132
Constant Dollar Information					
Net income	$ 99,339	$ 93,158			
Net assets at year end at net recoverable cost	$1,151,992	$1,140,547			
Current Cost Information					
Net income	$ 88,385	$ 77,073			
Effect of general inflation in excess of increase in specific prices of electric plant after reduction to net recoverable cost	$ (214,340)	$ (235,021)			
Net assets at year end at net recoverable cost	$1,151,992	$1,140,547			
General Information					
Gain from decline in purchasing power of net amounts owed	$ 155,702	$ 161,713			
Consumer Price Index — average	246.8	217.4	195.4	181.5	170.5

Joe M. Nelson, Vice President-Customer and Public Service; Leon Loveless, Vice President-Power; Thomas E. Blakey, Vice President-Operations; Gerson Berman, Vice President-Engineering and Purchasing.

Michael D. Spence, Vice President-Special Projects; W. H. Goodenough, Vice President-Finance; Gary L. Price, Treasurer and Assistant Secretary; Louis W. Howard, Vice President-Rates, Regulation and Wholesale Power.

Directors

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Owner, The "K" Way Equipment Company

E. L. ASHCROFT, JR. — Sulphur Springs, Texas
Owner, Ashcroft Motor-Investment Company

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

THOMAS W. BAKER — Nacogdoches, Texas
Chairman of the Board, Commercial National Bank

THOMAS E. BLAKEY — Dallas, Texas
Vice President of the Company

FRANK A. BLANKENBECKLER, JR. — Waxahachie, Texas
Chairman of the Board, Ellis County Savings Association

R. K. CAMPBELL — Dallas, Texas
President and Chief Executive of the Company

BEN H. CARPENTER — Dallas, Texas
President and Chief Executive Officer, Southland Financial Corporation

MARVIN GIBBS — Paris, Texas
President, Fry & Gibbs Funeral Home

JOHN M. GRIFFITH — Taylor, Texas
Chairman of the Board, City National Bank

CHARLES F. HAWN — Athens, Texas
President, Hawn Lumber Company, Inc.

R. L. POLAND — Lufkin, Texas
President and Chief Executive Officer, Lufkin Industries, Inc.

JAMES A. RATTEREE — Irving, Texas
Investments

R. E. ROBERTS — Cleburne, Texas
Chairman of the Board and Chief Executive Officer, Rangaire Corporation

B. LYNN SANDERS, JR. — Corsicana, Texas
President, Corsicana Grain and Elevator Company, Inc.

J. F. SKELTON — Dallas, Texas
Chairman of the Board of the Company

C. TRUETT SMITH — Wylie, Texas
President, First State Bank

JOHN A. WARNER — Tyler, Texas
President and Chief Executive Officer, Tyler Pipe Industries, Inc.

JOE N. WEATHERBY — Brownwood, Texas
President and Manager, Weatherby Motor Company, Inc.

This report and the financial statements contained herein are submitted for the general information of the stockholders of Texas Power & Light Company. They are not presented in connection with any sale or offer to sell, or any solicitation to buy, any securities.

Officers

J. F. SKELTON	Chairman of the Board
R. K. CAMPBELL	President and Chief Executive
GERSON BERMAN	Vice President
THOMAS E. BLAKEY	Vice President
W. H. GOODENOUGH	Vice President
LOUIS W. HOWARD	Vice President
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MICHAEL D. SPENCE	Vice President
CHARLES V. McCARTER	Secretary and Assistant Treasurer
GARY L. PRICE	Treasurer and Assistant Secretary
W. M. McDONOUGH, JR.	Assistant Treasurer

Executive Committee

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T. L. AUSTIN, JR.
R. K. CAMPBELL
BEN H. CARPENTER
JOHN M. GRIFFITH
CHARLES F. HAWN
J. F. SKELTON

Transfer Agent (for Preferred Stocks)
Mercantile National Bank at Dallas
Dallas, Texas

Registrar (for Preferred Stocks)
Republic National Bank of Dallas
Dallas, Texas

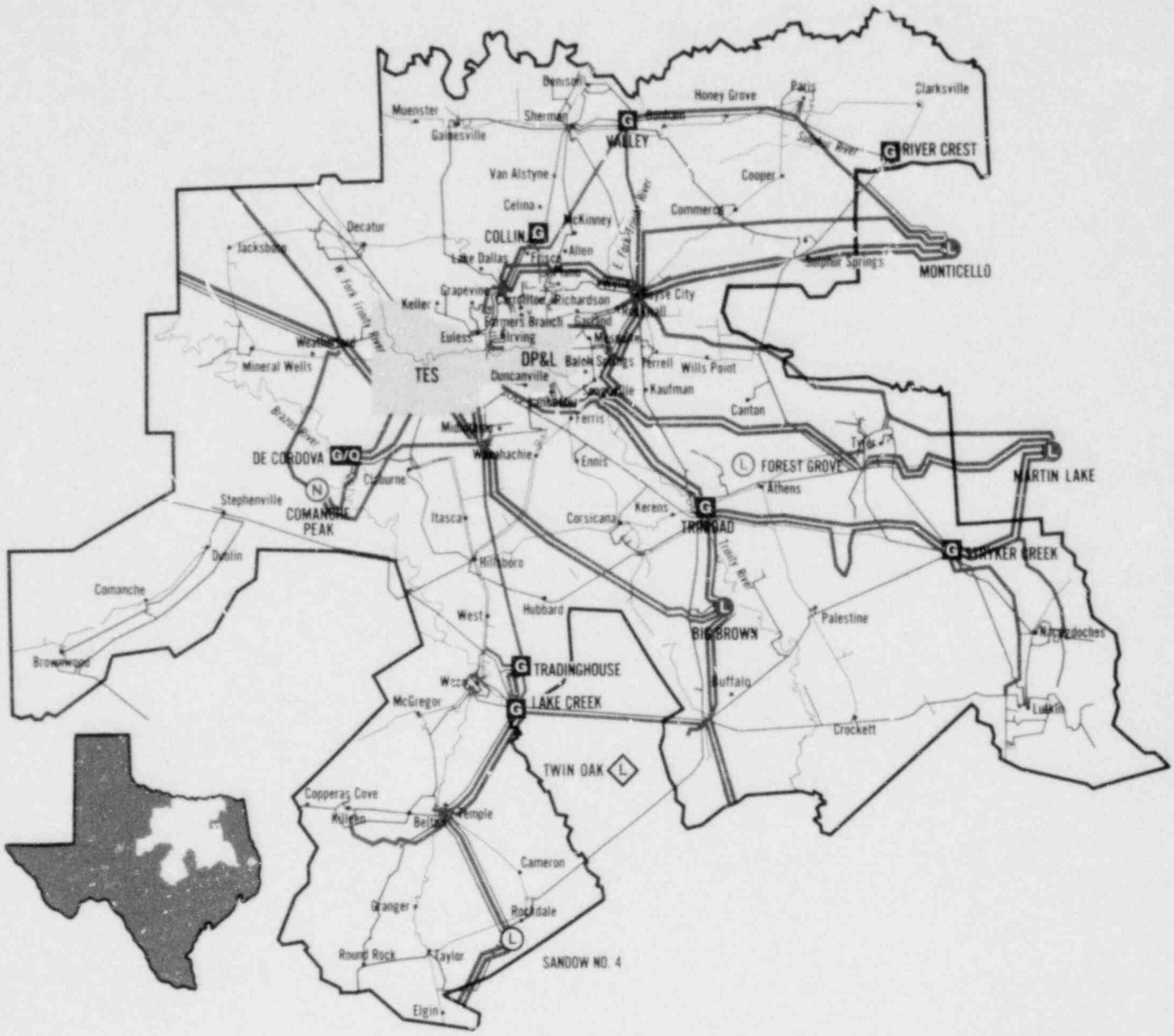
Trustee (for Mortgage Bonds)
Republic National Bank of Dallas
Dallas, Texas

Trustee (for Debentures)
First National Bank in Dallas
Dallas, Texas

Trustee (for Employees' Retirement Plan)
Republic National Bank of Dallas
Dallas, Texas

General Offices
1511 Bryan Street
Dallas, Texas 75201

System Map • Texas Power & Light Company • December 31, 1980



System Map Legend

This map of the Company's service area shows generating stations, major transmission lines and towns in which a Division, District or Local Office is located.

• **Town with Company Office**

Generating Stations — Owned by Texas Power & Light

G Gas-fueled, Operating

G/O Gas/Oil-fueled, Operating

(L) Lignite-fueled, Under Construction

Generating Stations — Jointly Owned by Texas Power & Light and a large industrial customer

◇L Lignite-fueled, Under Construction

Generating Stations — Jointly Owned by Texas Power & Light, Dallas Power & Light and Texas Electric Service

L Lignite-fueled, Operating

(L) Lignite-fueled, Under Construction

(N) Nuclear-fueled, Under Construction

Areas Served by Dallas Power & Light and Texas Electric Service

Transmission Lines

—— 345 KV.

—— 138 KV.

—— 69 KV.

TMPA Report

Texas Municipal Power Agency Annual Report 1980