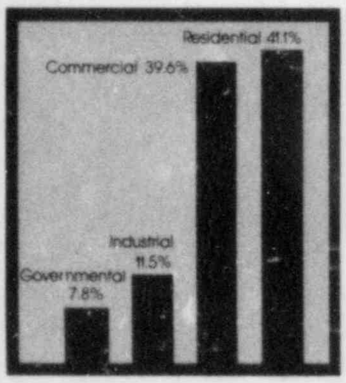
DALLAS POWER & LIGHT COMPANY
1982 ANNUAL REPORT

DALLAS POWER & LIGHT COMPANY

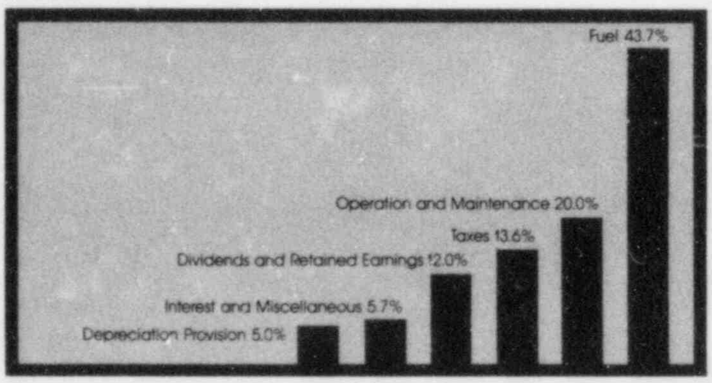
OPERATING HIGHLIGHTS

Thousands of Dollars	1982	1981
Operating Revenues	$ 702,330	$ 623,733
Operating Expenses	593,969	523,224
Fuel and Purchased Power Expenses	323,392	267,010
Other Operation and Maintenance Expense	136,410	119,152
Taxes	98,347	103,138
Expenditures for Construction	143,982	121,784
Electric Plant at Year-End	1,636,328	1,490,134
Total Generating Capability at Year-End (Kilowatts)	4,055,834	4,055,834

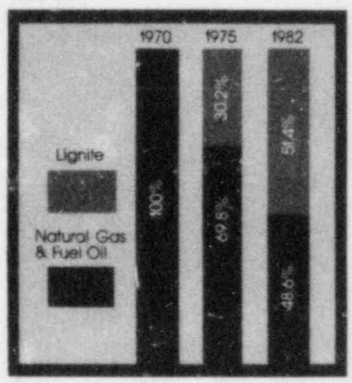
SOURCE OF REVENUE



EXPENSES



FUEL MIX



TO OUR SHAREHOLDERS:

Dallas will mark 100 years of electric service in 1983 — A Century of Light. Only one year after Edison's first electric plant became operational in New York City, electricity came to the streets of Dallas in 1883. After a century of light, Dallas continues its dynamic growth, and it is an appropriate time to review the past and also look ahead to the future.

During 1982 the Company's service area, while affected by the general downturn in the economy, remained relatively strong. This was reflected in the number of non-residential construction projects, unemployment below national levels, and new businesses and residential customers that moved into the area. Dallas added eight million square feet of office space during 1982. Another 19 million square feet are currently under construction with over 11 million of that footage in the downtown area. Dallas ranks second in the nation in both construction and absorption of office space.

Growth in the service area, along with present uncertainties in the regulatory climate and ever-changing fuel prices, adds to the challenge of providing reliable electric service at reasonable cost. The work of dedicated and experienced employees makes it possible for the Company to meet these challenges.

In 1982 DP&L customers used almost 12.2 billion kilowatt-hours of electricity and set a new summer peak demand of 2,882,000 kilowatts. This followed a new winter peak demand of 1,977,000 kilowatts set in February 1982 when Dallas experienced colder than normal temperatures. Despite a reduction in kilowatt-hour use by industrial customers, total general business sales of electricity increased by 3.6% during 1982. The average residential customer used 12,032 kilowatt-hours, an increase of 465 over the prior year.

For the fourth consecutive year, more than 50% of DP&L's electricity was generated by lignite, providing cost savings to customers along with the reliability of diversified fuel sources. Natural gas and a small amount of fuel oil provided the remaining fuel requirements during 1982. With the completion of the two Comanche Peak nuclear units, which are scheduled for operation in 1984 and 1985, additional fuel savings and diversification will be achieved.

The Company's construction expenditures in 1982 totaled $144 million, an increase from $122 million in 1981.

Long-term financing during 1982 totaled $57.65 million. The major portion of this was the sale of $50 million of 16% first mortgage bonds in July. In November a $7.65 million offering of 10% tax-exempt pollution control revenue bonds was completed. In February 1983 $50 million of 12¼% first mortgage bonds were sold, and additional long-term financing is planned in 1983.

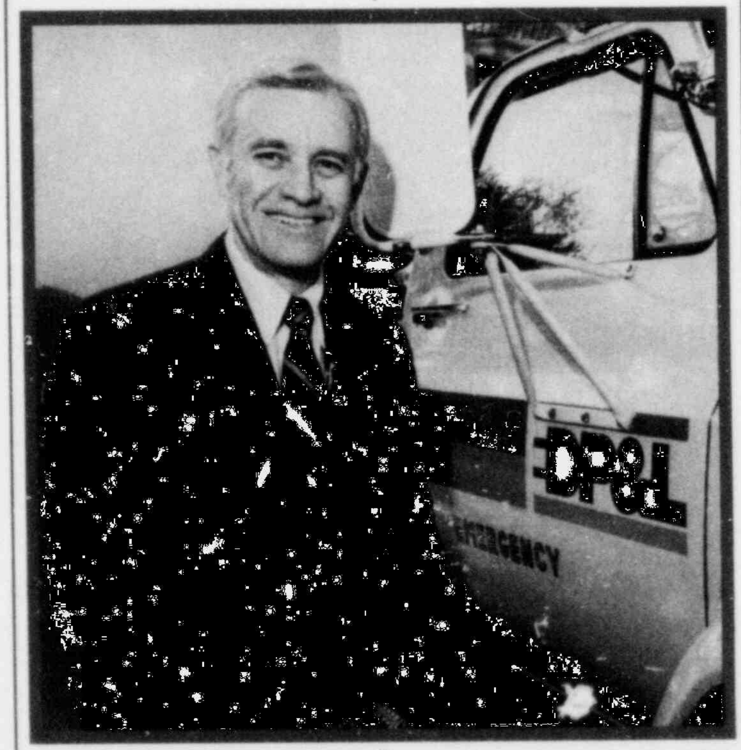
During the year the Company expanded its energy conservation and peak load management efforts to assist customers in achieving improved efficiency in energy use and to reduce the need for additional generating capacity. DP&L now offers a number of incentive programs for customers who install energy efficient equipment or change their operating characteristics, thereby helping to reduce the growth in peak demand.

Customers continue to practice energy conservation and monitor their usage as an aid in controlling the amount of their bills. In 1982 almost 55% of all bills for regular residential electric service were for $50 or less.

A new Energy Aid Program was introduced in early 1983 to help the elderly poor and those facing severe emergency situations pay for essential energy services. The Company and its employees contributed start-up funds and a method was provided for customers to make donations with their bill payments. The program is administered by the American Red Cross.

In November Joseph R. Musolino was elected to the Company's board of directors replacing James W. Keay. Musolino is president of RepublicBank Dallas, N.A. and vice chairman of the board of RepublicBank Corporation.

A plan to reorganize the Texas Utilities Company System was announced in May 1982. The plan is aimed at achieving additional efficiencies and has been approved by the Company's board of directors and shareholders, and was



found to be in the public interest by the Public Utility Commission of Texas. The reorganization is scheduled for implementation on January 1, 1984.

Each employee accepts the responsibility that comes with knowing that our customers depend on us for reliable and reasonably priced electric service around the clock. It is also recognized by the people of DP&L that safe working practices, cost control and high productivity are important elements of that responsibility.

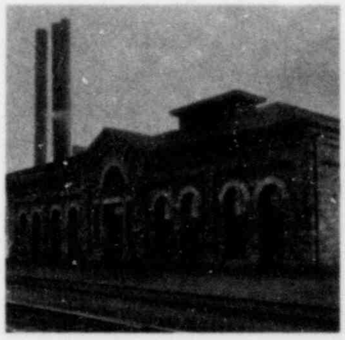
The employees of DP&L are dedicated to providing quality electric service and helping maintain Dallas' quality of life, both now and in the next century of light as well.

Jerry Farrington

Jerry Farrington
President and Chief Executive

In 1873 Dallas was emerging as an important city, but electric service was still ten years away.

By 1890 the State Fair of Texas was four years old and already a Dallas institution.



Dallas Generating Plant as it looked in 1900.

The year was 1883. Dallas was barely 40 years old. Elm and Main had just been paved with bois d'arc blocks. Ten years before, in 1873, Dallas had assured itself an eminent ranking among Texas cities when city fathers convinced two major railroads to cross at the center of town. The railroads brought to Dallas men and women full of ambition and resolve and vision. It was a vision of growth and commerce and competitive spirit. Now it was time to make it work.

In early 1883 Dallas Electric Lighting Company began supplying electric service from a generating plant located in an abandoned church building at the corner of Ross Avenue and Austin Street. The Dallas City Directory, 1883-1884, made the following report:

"A few months ago the electric light was introduced and now beautifully illuminates our grand hotels, merchant palaces, saloons, and streets in the heart of town with its pale, ghostly and weird rays. In a frame house at Austin and Ross Avenue, the lightning which Franklin captured from the thunder cloud and imprisoned in a bottle, now is made to order, transmitted through copper wires over town and dazzles the eye a thousand times more than did the jewels of Zenobia, as she walked in the triumphal procession of Diocletian."

DP&L PEOPLE

The character and performance of any enterprise is determined by its people. DP&L employees and their dedication to serving the electrical needs of Dallas make the difference in providing quality service at reasonable cost.

The people of DP&L understand the personal commitment required to provide electric service around-the-clock under all kinds of conditions. They couple that commitment with pride in serving the community and working efficiently. They direct their attention to the basics of a service business: quality service at reasonable cost, a genuine concern for customer needs, and a willingness to go the extra mile to ensure that every customer is promptly and equitably served.

DP&L retirees remain actively involved in their communities.

DP&L people meet their citizenship responsibilities by being actively involved and concerned with the needs of their communities. During 1982 Company employees responded to the special needs of the United Way with a Company-wide increase of over 37% in pledges to the Employee Charity Fund. Over 90% of Company employees participated in the Charity Fund. The 1982 employee blood drive also drew a positive response from DP&L employees, with a 43% increase in donations of blood over 1981.

A future customer learns about electricity.

Company employees are encouraged to maintain a sense of belonging after retiring from active service. These retirees remain a positive force in their communities and in the Company.

Personal employee growth is emphasized by sponsoring training and development programs. These programs provide increased opportunities for employees to improve their productivity and job effectiveness. During 1982 almost 1400 employees participated in over 90 training programs.

In addition, 104 employees pursued advanced studies under the Company- sponsored tuition aid program.

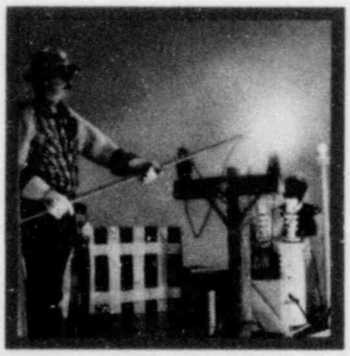
Employee safety and health remain a high priority. In 1982 the Company achieved its safety goals, experiencing no fatalities and maintaining an accident frequency rate substantially below the national average for the industry. This success was due to a strong management commitment, supervisory

The 1982 blood drive showed a 43% increase in employee donations.

involvement, comprehensive safety programs and, most importantly, to the conscientious application of safe work practices by each employee on a daily basis.

With the growing awareness of the importance of health maintenance, expanded programs in blood pressure screening, diabetes screening, vision testing and audiometric testing are provided. Certified training in cardiopulmonary resuscitation (CPR) continues to yield gratifying results, as Company employees were able to assist members of the public in several life threatening situations that occurred during the year.

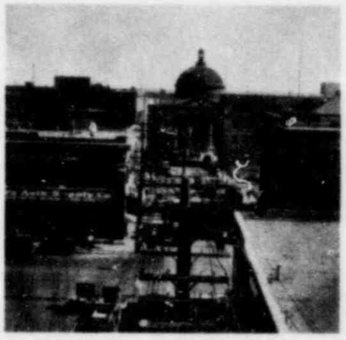
Whether it was saving a life with CPR training or working to improve the quality of life in their communities, DP&L employees gave generously of themselves throughout 1982, making that extra effort of personal commitment, both on and off the job.



Electrical safety demonstrations in area schools are popular and informative.

Pacific Avenue at Akard Street in downtown Dallas in 1918.

The Houston Street viaduct was acclaimed as the longest concrete bridge in the world when it was completed.



Harwood Street before overhead lines were placed underground in the 1920s.

1917. General John Pershing had been chasing Pancho Villa for months back and forth across the Texas-Mexico border. Vaudeville theaters along Elm Street were the entertainment rage in Dallas. World War I had begun in 1914. Now three years later, the United States declared war on Germany and entered the Allied cause.

Dallas Power & Light Company was incorporated on September 22, 1917. In October the new company took ownership of the property of the Dallas Electric Light and Power Company and began operating under a new franchise granted by the City of Dallas. By the end of 1917, DP&L had 24,693 customers.

PRODUCTIVITY

Productivity improvement and cost control continued to receive emphasis, along with the introduction of several important technical innovations.

The total number of customers increased during 1982 and these were served without proportionate increases in personnel. Fleet mileage for the year actually showed a slight decrease and was at about the same level as in the early 1970s, even though many new customers were added and the service area expanded since then.

The Roadrunner, a hand-held mini-computer, was introduced in 1982. The Roadrunner enables DP&L meter readers to improve their accuracy, and a special audit function within the device has reduced the number of meters that have to be reread each month.

Another milestone was achieved in the System Control Center by replacing 1960s-vintage control computers and programming with a modern, easier to maintain system. The new system provides controllers with additional and more timely operating data and will result in significant savings to the Company.

During the year the Company also implemented a responsibility accounting system designed to augment every department's cost control activities. This system is a major step toward increasing productivity through the use of automation. Along those same lines, the use of word processing has been expanded in order to speed clerical work and reduce the need for additional personnel.

Effective cost control involves the ideas and involvement of everyone in the organization. Throughout the year DP&L employees found new ways to work more efficiently and control costs.

A Company employee and two volunteers help weatherize a customer's home to save energy.

The Roadrunner, a hand-held mini-computer, allows DP&L meter readers to work faster and more accurately.

LOAD MANAGEMENT AND CONSERVATION

DP&L load management and conservation programs were again successful in 1982. These programs resulted in a reduction in the growth of peak demand, thereby reducing the need for expensive new generating capacity. The YES Program, introduced in 1981 to encourage residential customers to buy high efficiency heat pumps and air conditioners, was extended in 1982 to include small commercial customers. The Company's E-OK Certification Program remains a strong incentive for builders to provide energy efficiency in new home construction. These programs resulted in a peak load reduction of almost 17,000 kilowatts by the end of 1982.

Early in the year the Company introduced SWITCH, an incentive program to encourage the use of low energy fluorescent lighting by businesses. The lamps can provide the same lighting level as standard lamps with a reduction in power consumption of 15 to 20%. At year end the SWITCH Program and other activities to make lighting in existing businesses more efficient accounted for over 10,300 kilowatts of peak load reduction. Efficient lighting in new business construction amounted to another 16,400 kilowatts of peak load reduction compared to standard light-

A Production Department employee checks water quality.

ing practices of a few years ago.

Other load management activities for business customers resulted in additional peak load reduction. The most important of these was thermal storage, a system in which air conditioning equipment is operated at night and cooling is stored for use during the day. Construction was completed on the 50-story Thanksgiving Tower/BancTexas Plaza and the 20-story Four NorthPark East office buildings. Construction is now underway on the 70-story InterFirst Plaza, and will begin soon on the Lincoln Centre Phases III & IV office buildings. These five buildings will provide a total peak load reduction of more than 9,100 kilowatts through the use of thermal storage systems.

During 1982 the Company's load management programs achieved a peak load reduction of 55,700 kilowatts, thereby reducing the need for that amount of new power plant construction.

DP&L foresters work with customers to make sure trees are trimmed carefully and safely away from power lines.

Main Street as it looked in 1932.

The DP&L Oak Cliff office opened in 1931 with displays of the most up-to-date electrical appliances.

President Franklin D. Roosevelt visited Dallas in 1936 to open the Texas Centennial Exposition.

In the 1930s the Great Depression swept across the country. Under the light of the Magnolia Building's flying red horse, hard times came to Dallas, too.

A Century of Light in Dallas 1883 1983

As a young and growing city, Dallas weathered the Depression better than most American cities. Bonnie and Clyde garnered many of the headlines, but more quietly Dallas continued its march toward becoming one of the major centers of the Southwest.

The first Cotton Bowl, a wooden stadium at Fair Park, was completed in 1930, and in 1931 the DP&L Building, at 1506 Commerce, joined the growing Dallas skyline. The building still serves today as headquarters for Dallas Power & Light Company operations.

In 1932 a new Dodge cost $595, a man's wool suit went for $10.50 and the price of sirloin steak was 29 cents a pound. The average price of a residential kilowatt-hour of electricity was 5.36 cents. In 1982 that residential kilowatt-hour was just 6.26 cents — less than a penny more than it was in 1932.

OPERATIONS

Planning for the future needs of DP&L customers requires both foresight and flexibility, and since the mid-1960s emphasis has been placed on both fuel cost savings and diversification.

During 1982 the Company again generated over 50% of its electricity using lignite. Natural gas and a small amount of fuel oil provided the balance of DP&L's fuel usage. In 1982 alone, net savings to DP&L customers due to the use of lignite amounted to $180 million. Since 1975 the use of lignite has saved DP&L customers almost $500 million.

Besides the lignite units already in service, DP&L owns a 20% share in two future lignite units which are jointly owned with Texas Electric Service Company and Texas Power & Light Company. Forest Grove 1 is scheduled for operation in 1989, and Martin Lake 4 is scheduled for 1991.

Construction of the Comanche Peak nuclear plant continues on schedule with the estimated completion date for Unit 1 in 1984, and 1985 for Unit 2.

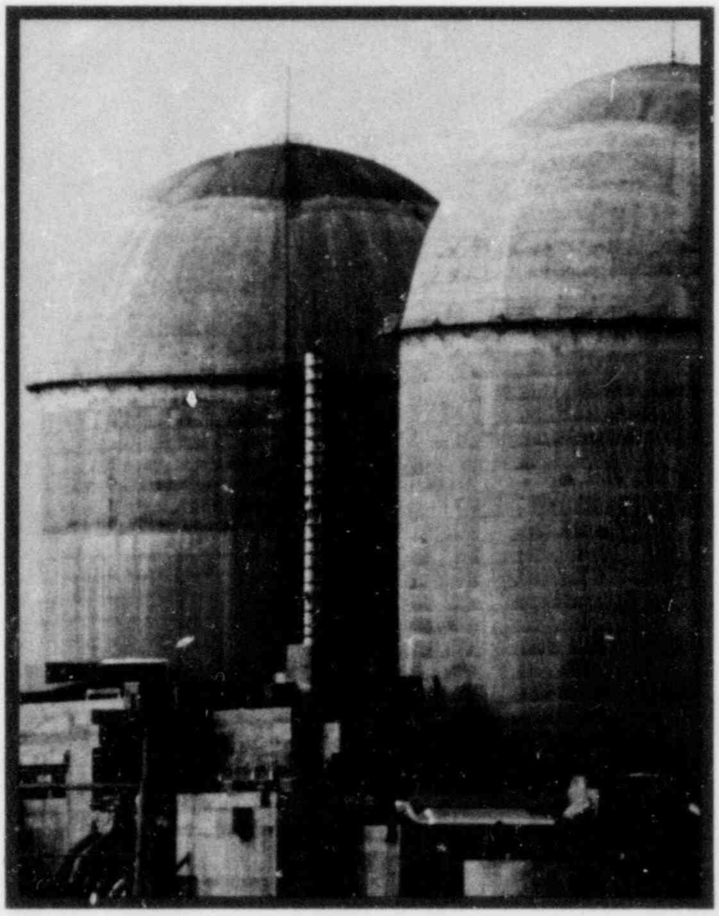
A new weather radar system allows employees to anticipate weather problems.

The estimated cost of the plant is $3.44 billion, with DP&L owning 18⅓% of both units. The cost compares favorably with estimates for nuclear units scheduled for completion by other companies in the same time period. Because of the low price of nuclear fuel, the plant will produce electric energy at a cost comparable to other available alternatives at the time it becomes operational.

The new Visitors Information Center at Comanche Peak opened to the public in November 1982. The center includes displays designed to answer questions about nuclear power and Comanche Peak, including how the plant will work, its safety features, the plant's construction history, what radiation is, how nuclear fuel is fabricated and how spent nuclear fuel is transported and stored.

The newly-completed North Service Center was opened in early 1983 to meet electric service needs created by the tremendous growth experienced in the area. The service center will also improve productivity of crews and lessen fuel costs by reducing travel time to job sites.

The new Kleberg Substation with two 13 kilovolt feeders was placed in service in 1982. Construction was begun on the North Network Substation, which will serve the arts district of downtown Dallas and adjacent areas. Construction should be completed in December of 1983.



Comanche Peak nuclear plant will help assure DP&L customers of a diversified fuel base and energy for the future.

EMERGENCY PREPAREDNESS

Emphasis on emergency preparedness continued during the year with a review of plans for handling emergency situations.

A color weather radar monitoring system was installed. This new system is connected directly to the National Weather Service and continuously monitors weather conditions within a 240-mile radius. Potential weather problems are detected early so that adequate response is available and customer outage time is reduced.

The Emergency Restoration Center which serves as a central location for coordination and information exchange during emergencies was in operation during three days of extremely cold weather in January 1982.

RESEARCH

DP&L continues to support the research efforts of the Electric Power Research Institute, a nonprofit organization sponsored by electric utilities

Learning how to rescue an injured co-worker at 50 feet up is just one lesson at lineman school.

and others throughout the United States. EPRI is placing an increasing emphasis on load management techniques and the efficient use of electricity, as well as the development of new energy technology and fuel sources.

As an original supporter of the Texas Atomic Energy Research Foundation, DP&L is involved in nuclear fusion research at the University of Texas at Austin. DP&L's research also includes work at the Big Brown Environmental Research Center near Fairfield, Texas.

Through lignite and nuclear fuel diversification, through efficient and cost-effective facilities, and through a commitment to energy research, DP&L is carefully planning for the future needs of its customers.

The new North Service Center serves the far North Dallas area.

The skyline expands after World War II ...

while Dallas schoolgirls dress for the times ...

and a happy serviceman gets a homecoming hug.

In the early 1940s Dallas men and women joined millions of others as a people gone to war. After a surprise attack by the Japanese at Pearl Harbor, America began to display its military and industrial might, ultimately turning the tide of the war.

Americans returned from the war to begin a period of unparalleled economic growth and prosperity. By 1950 annual business expansion in Dallas hit the rate of five new business enterprises daily and 18 new manufacturing plants a month. The population had grown to 435,000.

In the late 40s and early 50s DP&L embarked on a massive construction program to keep pace with the city's rapidly growing electrical needs. When DP&L was formed in 1917 its generating capacity was 13,300 kilowatts. By 1954 that capacity had grown to 482,000 kilowatts.

FINANCE AND REGULATION

FINANCING

The Company's construction expenditures for 1982 totaled $144 million, and are expected to be approximately $145 million in 1983, $133 million in 1984, and $131 million in 1985.

The 1982 construction program was financed partially from the sale in July of $50 million of 16% first mortgage bonds, and in November by the issuance of $7.65 million of 10% tax-exempt pollution control revenue bonds. In February 1983, $50 million of 12¼% first mortgage bonds were sold and additional long-term financing is planned for 1983.

RATES

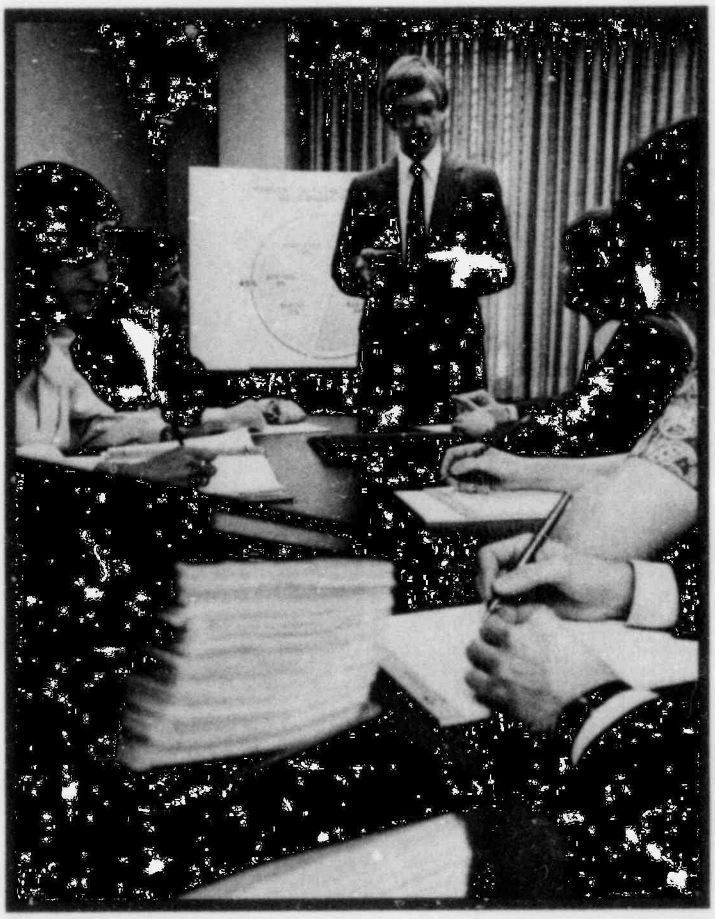
The Company's last application for increased rates was over two years ago in September 1980 and was subsequently reflected in billings beginning in March 1981. Due to increasing operating and construction costs, which cannot be completely offset by productivity and cost control gains, the Company anticipates the need for additional rate relief in 1983.

Increased computerization allows employees to work more efficiently.

LEGAL AND REGULATORY MATTERS

In 1982 the Federal Energy Regulatory Commission issued an order approving a settlement between the Texas Utilities System companies, Central and South West Corporation, Houston Lighting and Power Company, and other utilities in Texas which provides for the establishment of two direct current interstate interconnections. The settlement also provides that the Texas Utilities System companies will remain exempt from FERC's general jurisdiction. Other related proceedings were terminated under similar conditions and terms.

The Company is involved in a revision of the organizational structure of the Texas Utilities System. A single electric utility corporation, Texas Utilities Electric Company, will be established. Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company will merge into and become divisions of the new Electric Company. A fourth division will be responsible for engineering, construction and operation of all System generating facilities. The Company believes the revised structure will provide greater flexibility and achieve additional economies and efficiencies which will benefit shareholders, customers and employees of the System. The proposed



DP&L accountants work hard to keep up with the constant changes in regulatory and accounting procedures.

A friendly smile for customers is the first phase of good customer service.

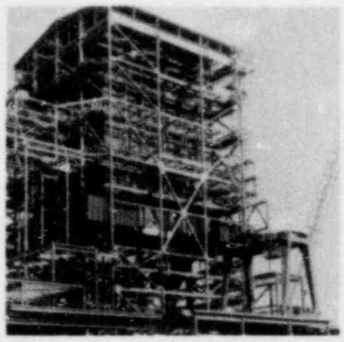
merger has been approved by the Company's board of directors and preferred and common shareholders. The Public Utility Commission of Texas has also approved the merger, finding it to be in the public interest. The merger is expected to become effective on January 1, 1984.

In other matters, after the district court remand of PUC Docket No. 1903, Dallas Power & Light Company, with Texas Electric Service Company and Texas Power & Light Company, filed to establish a procedure to provide prior approval of affiliate fuel transactions. In July 1982 the Public Utility Commission adopted a settlement agreement in this docket which provides for quarterly fuel price approvals.

Company engineers have helped reestablish thermal storage as a valuable energy-saving idea.

In 1969 man walked on the moon.

During the same era Dallas began the climb toward becoming a celebrated national sports center.



And the Texas Utilities companies began a long-range fuel diversification program with the construction of Big Brown, a lignite-fueled plant.

Dallas and DP&L grew even faster through the 1960s. Dallas was recognized as a national, and increasingly, as an international center of commerce. Major corporations began to relocate in Dallas in record numbers. It became known as a city where the entrepreneurial spirit was welcome, a city where vision paid off and things got done.

Again, DP&L kept pace with the city it served. In the 1960s DP&L along with other Texas Utilities companies began a long-range fuel diversification program, aimed at cutting dependence on natural gas supplies for power generation. The System began to develop lignite deposits and to build lignite-fueled generating units. Construction of the Big Brown Plant near Fairfield started in 1968 and the Monticello and Martin Lake plants followed.

The 1973 Arab oil embargo sent oil and gas prices soaring. In 1982 lignite accounted for over 50% of the fuel used to generate electricity for DP&L customers. Since 1975 the use of lignite for generation of electricity has saved DP&L customers almost $500 million.

DALLAS AND DP&L

Electric service in Dallas is 100 years old. DP&L has been providing that service since 1917. We can look back with pride, knowing the Company has made a strong and positive contribution toward building a great city. Through all of the good times and all of the hard times, Dallas and DP&L have shared a vision of progress.

Despite the downturn in the national economy, Dallas remained one of the nation's bright spots during the year. Even with a large influx of job-seekers from other areas of the country, the December 1982 unemployment rate in Dallas of 5.2% was considerably below the nationwide rate.

Dallas remains one of the top convention cities in America. During 1982 more than 1.7 million people attended conventions in Dallas, adding more than one half billion dollars to the local economy. Dallas was also selected as the site of the 1984 Republican National Convention.

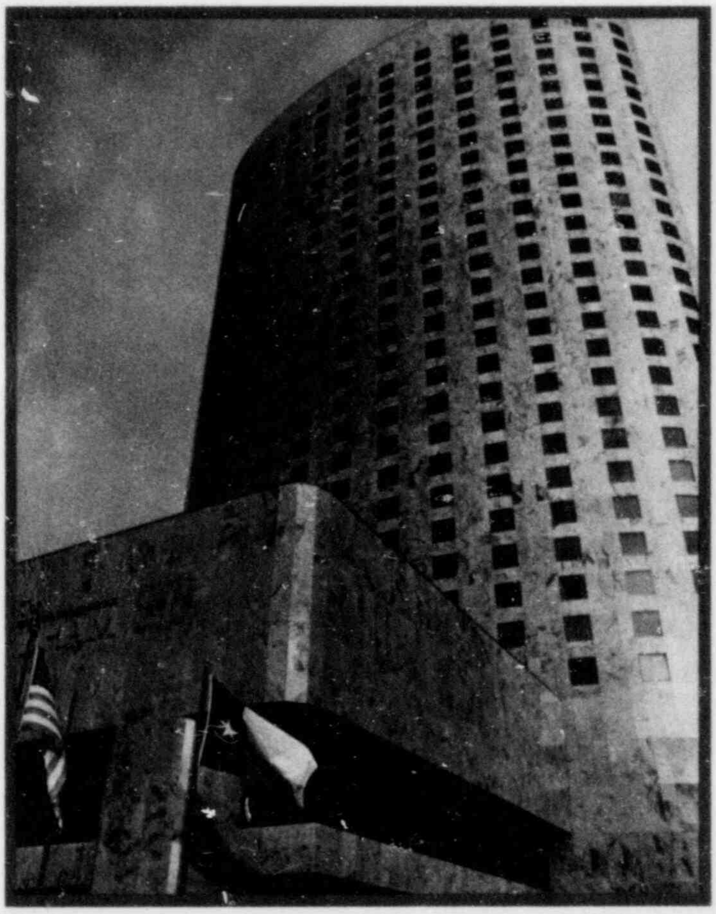
Construction continued at a strong pace, with additions of eight million square feet of office space during 1982. Another 19 million square feet are currently under construction with over 11 million of that in the downtown area. Dallas ranks second in the nation in both construction and absorption of office space.

Total building permits exceeded $1.4 billion. Two major airlines announced expansion plans at Dallas/Fort Worth Airport with expenditures for remodeling ranging from $75 to $100 million each. Also during the year Dallas voters passed a $200 million capital bond package that will help assure the high quality of life Dallas residents enjoy.

In 1982 Dallas made substantial progress toward its commitment to grow as a cultural center. The arts district construction accelerated, while the fully restored Majestic Theatre opened its doors to the public and became the permanent home of the Dallas Ballet.

More than ever, the downtown area reflected a blend of old and new. New buildings filled the skyline, and with them came the revitalization of the West End and the more recently announced renovation of the area di-

Lincoln Centre is a part of the dynamic growth in North Dallas.

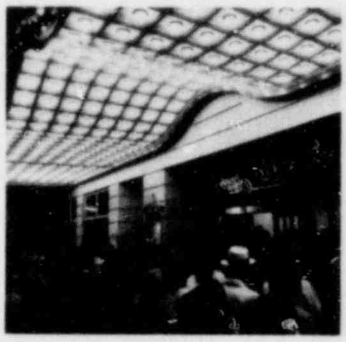

The new Wyndham Hotel serves visitors to the Market Center complex.


DP&L employees are active in community affairs, including hosting a local television show.

rectly east of downtown. Far North Dallas continued to grow rapidly with the completion of a major shopping mall as well as many other new businesses, hotels and residences.

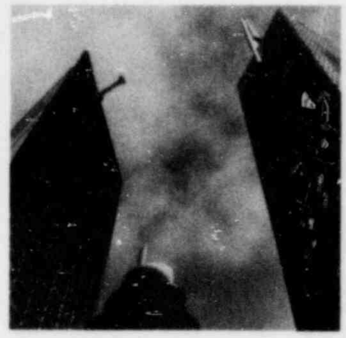
Even with a slower economy, 1982 was still a year of solid progress for Dallas. For over 65 years DP&L has supplied the electricity that has helped Dallas grow. It is a partnership that works. The lights have been on in Dallas for a century, and today they shine more brightly than ever.

A special phone allows customer service representatives to serve deaf customers directly.



Built in the 1920s as a vaudeville theater, the renovated Majestic Theatre reopened its doors in November.

It's skating fun for all ages on the ice at the Plaza of the Americas.



The ARCO Tower joins the growing Dallas skyline.

Since 1917 the DP&L commitment to Dallas has remained the same. Historically the Company has been concerned about economy and is working hard to increase productivity and further control costs. DP&L is confident it can do so and still provide its customers with the same degree of reliability they have come to expect.

In 1983 Dallas and DP&L stand on the threshold of a new Century of Light. Comanche Peak will be the first nuclear power plant in Texas. With the operation of Unit 1 scheduled for 1984 and Unit 2 for 1985, the Company will enter a second century of light in Dallas with an expanded fuel base that will further assure customers of an adequate power supply to meet their needs.

DP&L employees will meet the challenges of 1983 and the years beyond with hard work, foresight and dedication. Like the city it serves, DP&L is, and will continue to be, a place where things get done.

SELECTED FINANCIAL DATA

FINANCIAL STATISTICS	Year Ended December 31,				
	1982	1981	1980	1979	1978
TOTAL ASSETS end of year (thousands)	$ 1,351,078	$ 1,224,710	$ 1,126,170	$ 1,100,995	$ 1,047,450
ELECTRIC PLANT end of year (thousands)	$ 1,636,328	$ 1,490,134	$ 1,372,482	$ 1,318,354	$ 1,244,442
Accumulated depreciation end of year	377,919	345,508	313,797	277,817	245,683
Construction expenditures (including allowance for funds used during construction)	143,982	121,784	121,693	167,600	158,438
CAPITALIZATION end of year (thousands)					
Long-term debt	$ 427,344	$ 401,949	$ 345,617	$ 346,443	$ 373,017
Preferred stock	104,722	104,722	104,722	104,722	104,722
Common stock equity	498,419	463,741	432,962	375,690	339,279
Total	$ 1,030,485	$ 970,412	$ 883,501	$ 826,855	$ 817,018
AVERAGE INTEREST COST ON LONG-TERM DEBT end of year	9.1%	8.2%	6.9%	6.6%	6.5%
AVERAGE DIVIDEND COST ON PREFERRED STOCK end of year	6.3%	6.3%	6.3%	6.3%	6.3%
NET INCOME (thousands)	$ 86,249	$ 78,150	$ 67,383	$ 45,932	$ 42,953
DIVIDENDS DECLARED ON COMMON STOCK (thousands)	$ 45,000	$ 40,800	$ 33,040	$ 32,450	$ 19,175
COMMON STOCK DATA					
Shares outstanding — average	15,000,000	15,000,000	14,083,333	13,833,333	13,000,000
Shares outstanding — end of year	15,000,000	15,000,000	15,000,000	14,000,000	13,000,000
Earnings per average share	$ 5.31	$ 4.77	$ 4.32	$ 2.85	$ 2.80
Dividends declared per share	$ 3.00	$ 2.72	$ 2.36	$ 2.36	$ 1.48
Return on average common stock equity	16.6%	16.0%	15.0%	11.0%	11.0%
RATIO OF EARNINGS TO FIXED CHARGES	4.1	4.6	4.0	3.2	3.1
SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES*	3.5	3.8	3.3	2.9	3.0
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF EARNINGS TO COMMON STOCK	23.2%	16.6%	20.4%	41.9%	43.2%
NET FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	61.4%	66.5%	56.9%	29.3%	35.9%

*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.

JOINTLY OWNED GENERATING UNITS IN SERVICE

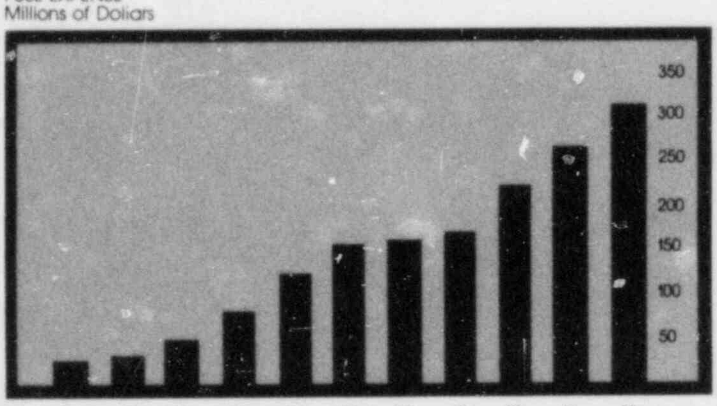
Plant and Location	Fuel	Unit No.	Percent Participation	Net Capability (Megawatts) Total	Net Capability (Megawatts) Company Participation	Company's Participation in Electric Plant in Service December 31, 1982 (Thousands of Dollars)
Big Brown — Freestone County	Lignite	1	33⅓	575	191	$ 54,858
		2	33⅓	575	192	
Monticello — Titus County	Lignite	1	20	575	115	53,619
		2	20	575	115	
Martin Lake — Rusk County	Lignite	1	20	750	150	166,053
		2	20	750	150	
		3	25	750	188	

GENERATING UNITS UNDER CONSTRUCTION OR IN DESIGN

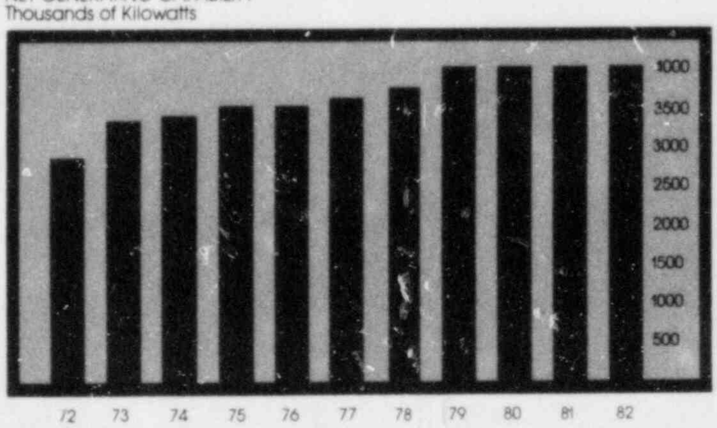
Plant and Location	Fuel	Unit No.	Unit Net Capability (Megawatts) Total	Unit Net Capability (Megawatts) Company Participation	Scheduled for Service*
Comanche Peak — Somervell County	Nuclear	1	1,150	211	1984
		2	1,150	211	1985
Forest Grove — Henderson County	Lignite	1	750	150	1989
Martin Lake — Rusk County	Lignite	4	750	150	1991

*Subject to approval of various regulatory agencies, including the NRC in the case of Comanche Peak.

FUEL EXPENSE
Millions of Dollars



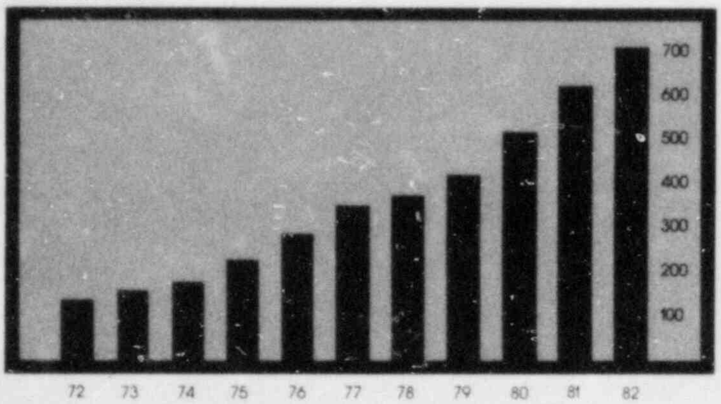
NET GENERATING CAPABILITY
Thousands of Kilowatts



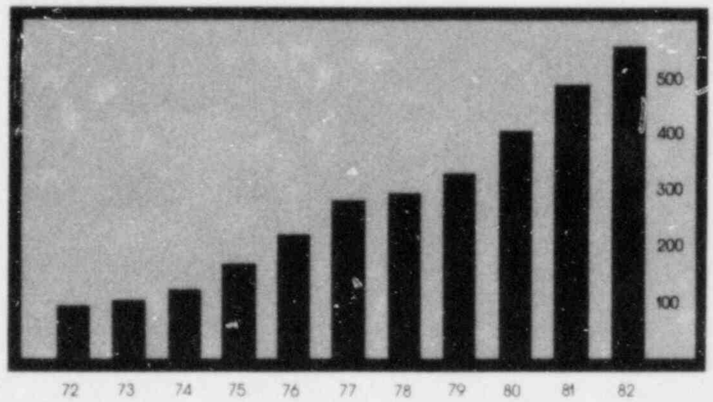
OPERATING STATISTICS

	Year Ended December 31,				
	1982	1981	1980	1979	1978
ELECTRIC ENERGY GENERATED AND PURCHASED (mwh)					
Generated — net station output	12,623,908	12,304,210	12,713,256	11,720,463	12,011,330
Purchased and net interchange	347,188	320,619	134,090	165,132	89,923
Total generated and purchased	12,971,096	12,624,829	12,847,346	11,885,595	12,101,253
Company use, losses, and unaccounted for	648,012	686,878	598,289	585,817	652,025
Total electric energy sales	12,323,084	11,937,951	12,249,057	11,299,778	11,449,228
FUEL MIX FOR ELECTRIC GENERATION					
Gas	47.5%	48.1%	48.1%	48.2%	55.1%
Oil	1.1	0.5	—	0.7	0.6
Lignite	51.4	51.4	51.9	51.1	44.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
ELECTRIC ENERGY SALES (mwh)					
Residential	4,743,853	4,510,383	4,880,144	4,301,795	4,554,102
Commercial	5,415,213	5,127,820	4,975,876	4,570,382	4,609,565
Industrial	1,701,710	1,785,342	1,842,414	1,773,866	1,696,511
Government and municipal	339,218	347,721	365,588	320,003	319,097
Total general business	12,199,994	11,771,266	12,064,022	10,966,046	11,179,275
Other electric utilities	123,090	166,685	185,035	333,732	269,953
Total electric energy sales	12,323,084	11,937,951	12,249,057	11,299,778	11,449,228
OPERATING REVENUES (thousands)					
Residential	$ 296,903	$ 266,984	$ 232,071	$ 177,173	$ 165,413
Commercial	286,228	252,623	197,473	167,411	144,985
Industrial	82,870	79,697	65,185	56,332	47,114
Government and municipal	16,596	15,908	13,423	9,720	7,455
Total general business	682,597	615,212	508,152	410,636	364,967
Other electric utilities	4,366	4,311	3,491	6,653	5,504
Total from electric energy sales	686,963	619,523	511,643	417,289	370,471
Other operating revenues	15,367	4,210	12,173	5,152	4,871
Total operating revenues	$ 702,330	$ 623,733	$ 523,816	$ 422,441	$ 375,342
ELECTRIC CUSTOMERS (end of year)					
Residential	298,828	286,423	273,347	254,586	241,201
Commercial	31,737	30,500	29,855	28,567	27,272
Industrial	2,428	2,444	2,362	2,328	2,199
Government and municipal	115	145	395	877	825
Total general business	333,108	319,512	305,959	286,358	271,497
Other electric utilities	2	2	2	2	2
Total electric customers	333,110	319,514	305,961	286,360	271,499
Residential classification includes indirect sales (apartments, etc.); dwelling units not included in number of customers	117,222	124,475	130,781	143,088	142,485

OPERATING REVENUES
Millions of Dollars



OPERATION AND MAINTENANCE
EXPENSES AND TAXES
Millions of Dollars



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

Liquidity and Capital Resources

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

	1982	1983	1984	1985
	Thousands of Dollars			
Construction expenditures (excluding AFUDC)	$125,000	$123,000	$110,000	$108,000
Nuclear fuel	6,000	11,000	17,000	14,000
Maturities of long-term debt and sinking fund requirements	—	34,000	25,000	25,000
Total	$131,000	$168,000	$152,000	$147,000

For detail concerning major new construction work now in progress or contemplated by the Company and commitments with respect thereto see pages 10 and 14 of this report.

The Company generates funds from operations sufficient to meet operating needs, pay dividends on capital stock and finance a significant portion of capital requirements. These funds are derived from net income, depreciation, deferred taxes, and investment tax credits. Factors affecting the ability of the Company to fund a portion of its capital requirements from operations include adequate rate relief and regulatory practices allowing a substantial portion of construction work in progress in rate base, adequate depreciation rates, normalization of federal income taxes, full current recovery of the cost of fuel used in the generation of electricity and the opportunity to earn competitive rates of return required in the capital markets. For 1982, approximately 61% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the Company through the sales of common stock primarily to Texas Utilities Company (parent), preferred stock and long-term debt. The capitalization ratios of the Company at December 31, 1982 consisted of approximately 42% long-term debt, 10% preferred stock and 48% common stock equity. To provide for immediate cash requirements during periods between long-term financings, the Company obtains short-term loans from Texas Utilities Company, which had lines of credit with commercial banks aggregating $300,000,000 at December 31, 1982. The Company does not maintain separate credit arrangements with banks or other lenders.

In February 1983, the Company issued $50,000,000 principal amount of 12⅞% first mortgage bonds due 2013. 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, including

the proposed merger of the Company, Texas Electric Service Company and Texas Power & Light Company into Texas Utilities Electric Company. The new organization resulting from the proposed merger should provide greater financing flexibility and achieve additional economies and efficiencies.

See Selected Financial Data — Financial Statistics for additional information.

Results of Operations

Operating revenues have increased $78,597,000 for 1982 and $99,917,000 for 1981 primarily as a result of the recovery of higher fuel costs on a current basis and increased rate levels, and also for 1982, as a result of increased energy sales. Energy consumption is affected by material variations in weather conditions and was particularly impacted by the unusually hot and dry summer of 1980 compared to the relatively normal temperatures during the summers of 1981 and 1982. (See Selected Financial Data — Operating Statistics.)

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

The increase in allowance for funds used during construction (AFUDC) for 1982 is primarily attributable to the increase in the AFUDC rate effective January 1982 and the increase in the level of construction work in progress not included in rate base by regulatory authorities; the decrease for 1981 resulted primarily from the allowance of a greater portion of construction work in progress in rate base by regulatory authorities.

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

The Company has prepared supplementary information concerning the effects of changing prices in compliance with the reporting requirements of Financial Accounting Standards Board Statement No. 33; such information is included on pages 28 and 29 of this report.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Dallas Power & Light Company:

We have examined the balance sheet of Dallas Power & Light Company as of December 31, 1982 and 1981 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, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company at December 31, 1982 and 1981 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, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Dallas, Texas
March 25, 1983

DALLAS POWER & LIGHT COMPANY

BALANCE SHEET

ASSETS

	December 31, 1982	December 31, 1981
	Thousands of Dollars	
ELECTRIC PLANT		
In service		
Production	$ 541,339	$ 511,770
Transmission	161,164	159,144
Distribution	379,894	354,017
General	48,493	41,928
Total	1,130,890	1,066,859
Construction work in progress	481,004	405,286
Nuclear fuel	23,327	16,917
Held for future use	1,107	1,072
Total electric plant	1,636,328	1,490,134
Less accumulated depreciation	377,919	345,508
Electric plant, less accumulated depreciation	1,258,409	1,144,626
OTHER INVESTMENTS	493	469
CURRENT ASSETS		
Cash in banks	1,206	2,899
Special deposits	9,845	8,121
Accounts receivable:		
Customers	34,002	32,418
Other	2,947	2,636
Allowance for uncollectible accounts	(2,127)	(2,194)
Inventories — at average cost:		
Materials and supplies	11,911	10,678
Fuel stock	15,906	13,779
Working funds	7,625	5,872
Other current assets	6,794	2,035
Total current assets	88,109	76,244
DEFERRED DEBITS	4,067	3,371
TOTAL	$1,351,078	$1,224,710

See accompanying Notes to Financial Statements.

LIABILITIES

	December 31, 1982	December 31, 1981
	Thousands of Dollars	
CAPITALIZATION		
Common stock (Note 3)	$ 328,500	$ 328,500
Retained earnings (Note 4)	169,919	135,241
Total	498,419	463,741
Preferred stock (Note 3)	104,722	104,722
Long-term debt, less amounts due currently (Note 5)	427,344	401,949
Total capitalization	1,030,485	970,412
CURRENT LIABILITIES		
Notes payable — Texas Utilities Company (parent)	36,700	20,000
Long-term debt due currently	34,000	—
Accounts payable:		
Affiliates	22,427	17,992
Other	9,695	12,404
Dividends declared	1,643	1,643
Customers' deposits	7,027	5,220
Taxes accrued	35,668	47,808
Interest accrued	11,513	7,260
Matured interest	5,358	7,624
Other current liabilities	3,774	5,211
Total current liabilities	167,805	125,162
RESERVE FOR INSURANCE AND CASUALTIES	3,927	2,942
ACCUMULATED DEFERRED FEDERAL INCOME TAXES	70,820	59,586
UNAMORTIZED FEDERAL INVESTMENT TAX CREDITS	78,041	66,608
COMMITMENTS AND CONTINGENCIES (Notes 2 and 6)		
TOTAL	$1,351,078	$1,224,710

See accompanying Notes to Financial Statements.

DALLAS POWER & LIGHT COMPANY

STATEMENT OF INCOME

	Year Ended December 31,		
	1982	1981	1980
	Thousands of Dollars		
OPERATING REVENUES	$702,330	$623,733	$523,816
OPERATING EXPENSES			
Fuel and purchased power	323,392	267,010	210,507
Operation	87,145	75,778	65,487
Maintenance	49,265	43,374	37,638
Depreciation	36,396	34,759	33,758
Federal income taxes (Note 7)	41,699	48,431	38,407
Taxes other than income	56,072	53,872	48,243
Total operating expenses	593,969	523,224	434,040
OPERATING INCOME	108,361	100,509	89,776
OTHER INCOME			
Allowance for equity funds used during construction	13,820	8,867	8,906
Other income and deductions — net	1,102	1,804	1,275
Federal income taxes	(576)	(835)	(593)
Total other income	14,346	9,836	9,588
TOTAL INCOME	122,707	110,345	99,364
INTEREST CHARGES			
Interest on mortgage bonds	34,888	25,839	21,793
Interest on other long-term debt	2,271	2,333	2,412
Other interest	3,983	7,012	11,298
Allowance for borrowed funds used during construction	(4,684)	(2,989)	(3,522)
Total interest charges	36,458	32,195	31,981
NET INCOME	86,249	78,150	67,383
PREFERRED STOCK DIVIDENDS	6,571	6,571	6,571
NET INCOME AFTER PREFERRED STOCK DIVIDENDS	$ 79,678	$ 71,579	$ 60,812
Average shares of common stock outstanding (thousands)	15,000	15,000	14,083
Earnings and dividends per share of common stock:			
Earnings (on average shares outstanding)	$5.31	$4.77	$4.32
Dividends declared	3.00	2.72	2.36

See accompanying Notes to Financial Statements.

STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,		
	1982	1981	1980
	Thousands of Dollars		
BALANCE AT BEGINNING OF YEAR	$135,241	$104,462	$ 76,690
ADD — Net income	86,249	78,150	67,383
Total	221,490	182,612	144,073
DEDUCT			
Dividends (cash)			
Preferred stock:			
$4 series ($4.00 per share per annum)	280	280	280
$4.24 series ($4.24 per share per annum)	424	424	424
$4.50 series ($4.50 per share per annum)	335	335	335
$4.80 series ($4.80 per share per annum)	480	480	480
$6.84 series ($6.84 per share per annum)	1,368	1,368	1,368
$7.20 series ($7.20 per share per annum)	1,440	1,440	1,440
$7.48 series ($7.48 per share per annum)	2,244	2,244	2,244
Common stock (for amounts per share, see Statement of Income)	45,000	40,800	33,040
Total dividends	51,571	47,371	39,611
BALANCE AT END OF YEAR (Note 4)	$169,919	$135,241	$104,462

See accompanying Notes to Financial Statements.

DALLAS POWER & LIGHT COMPANY

STATEMENT OF SOURCE OF FUNDS FOR CONSTRUCTION

	Year Ended December 31,		
	1982	1981	1980
	Thousands of Dollars		
FUNDS FROM OPERATIONS			
Net income	$ 86,249	$ 78,150	$ 67,383
Depreciation	36,396	34,759	33,758
Deferred federal income taxes — net	11,234	8,223	8,424
Federal investment tax credits — net	13,280	11,220	4,670
Allowance for funds used during construction	(18,504)	(11,856)	(12,428)
Total funds from operations	128,655	120,496	101,807
Less — Dividends declared			
Preferred stock	6,571	6,571	6,571
Common stock	45,000	40,800	33,040
Total dividends declared	51,571	47,371	39,611
Net funds from operations	77,084	73,125	62,196
FUNDS FROM FINANCING			
Sales of securities:			
First mortgage bonds	59,922	59,424	—
Other long-term debt	82	13	279
Common stock	—	—	29,500
Retirement of long-term debt	(25)	(2,025)	(29,575)
Increase (decrease) in notes payable to Texas Utilities Company (parent)	16,700	(30,600)	(25,900)
Net funds from financing	76,679	26,812	(25,696)
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	1,693	(615)	45
Accounts receivable — net	(1,962)	(7,248)	(515)
Inventories	(3,360)	(2,778)	(765)
Accounts payable	1,726	491	(4,274)
Taxes accrued	(12,140)	12,080	18,863
Other — net	(5,879)	9,126	(10,506)
Net change	(19,922)	11,056	2,848
Nuclear fuel	(6,410)	914	(4,776)
Sale of electric plant	—	—	74,327
Other — net	(1,953)	(1,979)	366
Net other sources (uses) of funds	(28,285)	9,991	72,765
TOTAL	$125,478	$109,928	$109,265
CONSTRUCTION EXPENDITURES			
Electric plant	$143,982	$121,784	$121,693
Allowance for funds used during construction	(18,504)	(11,856)	(12,428)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	$125,478	$109,928	$109,265

See accompanying Notes to Financial Statements.

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. Effective January 1, 1982, the Company capitalized AFUDC at a net of tax rate of 9%, compounded semi-annually, of expenditures incurred, except for that portion of construction work in progress allowed in rate base by regulatory authorities. Prior AFUDC rates effective in January 1981 and November 1979 were 8½% and 8%, respectively. These rates were determined on the basis of, but are less than, the cost of capital used to finance the construction program.

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 3.4% for 1982, 3.5% for 1981 and 3.6% for 1980.

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

Reserve for Insurance and Casualties — 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. Texas Electric Service Company (Texas Electric) and Texas Power & Light Company (Texas Power), 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 Texas Utilities Company System (System), including the Company. Texas Utilities Services Inc. (Service Company) furnishes engineering, financial and other services; Texas Utilities Fuel Company (Fuel Company) owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services for the generation of electric energy; and Texas Utilities Generating Company (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 Texas Electric and Texas Power, 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. The Company is, in effect, obligated for its share of the principal, $98,216,000 at December 31, 1982, and interest on long-term notes of Fuel Company and of Generating Company through the payments described above. Such notes mature at various dates through 1999 and have interest rates ranging from 8.50% to 10.45%.

In August 1982, the Board of Directors of Texas Utilities directed management to proceed with the implementation of a revision of the organizational structure of the System. Such revision will involve the merging of the Company, Texas Electric and Texas Power into Texas Utilities Electric Company (Electric Company), with the merging companies thereafter becoming divisions of Electric Company. The merger is expected to become effective with the commencement of business on January 1, 1984.

For information concerning jointly-owned generating stations, see pages 8 and 14 of this report.

3. Common and Preferred Stocks

	December 31, 1982		December 31, 1981		Redemption Price Per Share (before adding accumulated dividends)	
	Shares Outstanding	Amount	Shares Outstanding	Amount	Current	Eventual Minimum
		Thousands of Dollars		Thousands of Dollars		
Common stock — without par value; authorized 20,000,000 shares	15,000,000	$32[illegible]00	15,000,000	$328,500		
Preferred stock — cumulative, without par value; entitled upon liquidation to $100 a share, authorized 2,000,000 shares:						
$4 series	70,000	$ 7,049	70,000	$ 7,049	$103.56	$103.56
$4.24 series	100,000	10,081	100,000	10,081	103.50	103.50
$4.50 series	74,430	7,443	74,430	7,443	110.00	110.00
$4.80 series	100,000	10,009	100,000	10,009	102.79	102.79
$6.84 series	200,000	20,023	200,000	20,023	104.76	103.05
$7.20 series	200,000	20,044	200,000	20,044	105.01	103.21
$7.48 series	300,000	30,073	300,000	30,073	106.69	102.95
Total	1,044,430	$104,722	1,044,430	$104,722		

In December 1980, the Company issued and sold, on a pre-emptive basis to common shareholders, 1,000,000 shares of its authorized common stock for $29,500,000.

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, 1982, none of the retained earnings was thus restricted.

5. Long-Term Debt, less amounts due currently

	December 31, 1982	December 31, 1981
	Thousands of Dollars	
First mortgage bonds:		
3½ % series due 1983	$ —	$ 9,000
7¾ % series due 1983	—	25,000
7¾ % series due 1984	25,000	25,000
7¾ % series due 1985	25,000	25,000
3⅞ % series due 1986	10,000	10,000
4⅛ % series due 1986	10,000	10,000
4¼ % series due 1993	25,000	25,000
4⅞ % series due 1996	20,000	20,000
5⅛ % series due 1997	16,000	16,000
9⅛ % series due 2000	30,000	30,000
7⅞ % series due 2001	30,000	30,000
7⅝ % series due 2002	30,000	30,000
8⅞ % series due 2005	50,000	50,000
15⅛% series due 2011	50,000	50,000
16 % series due 2012	50,000	—
Pollution control series:		
13½% Series A due 2011	15,260	15,260
10% Series B due 2012	7,650	—
Funds on deposit with trustee	(3,564)	(5,836)
Total	390,346	364,424
Pollution control revenue bonds:		
6¼% series due 2006	8,590	8,590
5.70% series due 2007	7,125	7,125
6.60% series due 2008	2,025	2,025
Funds on deposit with trustee	(783)	(865)
Total	16,957	16,875
Sinking fund debentures:		
4½%, due 1989	9,385	9,385
6¼%, due 1993	11,428	11,453
Total	20,813	20,838
Unamortized premium and discount:		
Premium	953	1,018
Discount	(1,725)	(1,206)
Total	(772)	(188)
Total long-term debt, less amounts due currently	$427,344	$401,949

In February 1983, the Company issued and sold, $50,000,000 principal amount of first mortgage bonds, 12¼% Series, due 2013.

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

Year	Sinking Fund(a)	Maturity (see above)	Minimum Cash Requirement(a)(b)
	Thousands of Dollars		
1983	$3,939	$34,000	$34,000
1984	3,717	25,000	25,028
1985	3,739	25,000	25,300
1986	3,539	20,000	20,300
1987	3,624	—	385

(a) Excluding amounts satisfied prior to December 31, 1982: $600,000 for 1983, $572,000 for 1984, $300,000 for each of the years 1985 and 1986, and $215,000 for 1987.

(b) Other requirements may be satisfied by certification of property additions at the rate of 100% 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 pages 10 and 14 of this report concerning the Company's construction program.

The Company, Texas Electric and Texas Power have entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and have agreed, in effect, to guarantee the principal and interest on bonds issued to finance the reservoirs from which the water is supplied. At December 31, 1982, the Company was obligated for $25,747,000 principal amount of such bonds, which mature at various dates through 2004 and have interest rates ranging from 5½% to 10⅞%. The Company is required to make periodic payments equal to such principal and interest for the years 1983 through 1987 as follows: $2,336,000 for 1983, $2,328,000 for 1984, $2,330,000 for 1985, $2,322,000 for 1986, and $2,324,000 for 1987. In addition, the Company is obligated to pay certain variable costs of operating and maintaining the reservoirs. The Company's total payments for 1982 and 1981 were $2,582,000 and $2,337,000, respectively. Amounts payable under the contracts may be reduced, under certain circumstances, due to the sale of water to nonaffiliate parties. In June 1982, the Company, Texas Electric and Texas Power entered into an agreement, which is subject to regulatory approval, with a municipality for it to assume all contract rights and obligations for the three companies in connection with the principal amount of certain bonds (of which $22,115,000 is the Company's share included above), related interests and costs of operating and maintaining the reservoir; however, the Company, Texas Electric and Texas Power would be contingently liable in the event of default by the municipality.

The Company is involved in various legal and administrative proceedings which, 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,		
	1982	1981	1980
	Thousands of Dollars		
Charged to operating expenses:			
Current federal income taxes	$17,185	$28,988	$25,313
Deferred federal income taxes — net:			
Differences between depreciation methods and lives	9,093	7,265	6,480
Certain capitalized construction costs	2,367	1,878	1,534
Other	(226)	(920)	410
Total	11,234	8,223	8,424
Investment tax credits — net	13,280	11,220	4,670
Total federal income taxes charged to operating expenses	41,699	48,431	38,407
Charged to other income	576	835	593
Total federal income taxes	$42,275	$49,266	$39,000

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,		
	1982	1981	1980
	Thousands of Dollars		
Federal income taxes at statutory rate of 46%	$59,121	$58,611	$48,936
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction	8,512	5,454	5,717
Depletion allowance	4,982	2,743	1,630
Amortization of investment tax credits	1,677	1,379	1,520
Other	1,675	(231)	1,069
Total reductions	16,846	9,345	9,936
Total federal income taxes	$42,275	$49,266	$39,000
Effective tax rate	32.9%	38.7%	36.7%

8. Retirement Plan

The Company has a retirement plan covering substantially all employees. The cost of the plan is determined by an independent actuary and is funded by the Company as accrued. The cost of the plan, including amounts capitalized, approximated $7,287,000 for 1982, $6,469,000 for 1981, and $5,656,000 for 1980. As of the annual valuations at July 1, 1982 and 1981, accumulated benefits and net fund assets were as follows:

	1982	1981
	Thousands of Dollars	
Actuarial present value of accumulated benefits:		
Vested	$49,365	$47,091
Nonvested	4,015	4,792
Total	$53,380	$51,883
Net fund assets	$43,143	$39,844

Assumed rates of return of 7% for 1982 and 5½% for 1981 were used in determining the value of accumulated benefits; if the 5½% rate had been used for 1982, the present value of accumulated benefits would have been approximately $7,745,000 higher.

DALLAS POWER & LIGHT COMPANY

SUPPLEMENTARY INFORMATION CONCERNING EFFECTS OF CHANGING PRICES

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

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

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

Depreciation on the constant dollar and current cost basis was determined by applying the Company'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, any difference in the cost of plant stated in terms of constant dollars and current cost over the original cost is not recoverable through rates as depreciation and is reflected as Adjustment to Net Recoverable Cost of Electric Plant. The Company believes, based on past experiences, that it will be allowed to recover the investment in electric plant when replacement of facilities actually occurs.

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

SUMMARY OF NET INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

	Year Ended December 31, 1982		
		Adjusted for Changing Prices	
(Thousands of Dollars)	Historical Cost Reported In Financial Statements	General Inflation (Constant Dollar)	Specific Prices (Current Cost)
		Average 1982 Dollars	
Operating revenues	$702,330	$702,330	$702,330
Operating expenses (a)	593,969	640,733	646,709
Operating income	108,361	61,597	55,621
Other income	14,346	14,346	14,346
Total income	122,707	75,943	69,967
Interest charges	36,458	36,458	36,458
Net income	$ 86,249	$ 39,485	$ 33,509
Increase in specific prices of electric plant held during the year (b)			$104,915
Adjustment to net recoverable cost of electric plant		$ 1,659	(13,395)
Effect of general inflation on electric plant			(83,885)
Effect of general inflation in excess of increase in specific prices of electric plant after adjustment to net recoverable cost			7,635
Gain from decline in purchasing power of net amounts owed		22,951	22,951
Net change in purchasing power		$ 24,610	$ 30,586

(a) Includes depreciation amounts of $36,396,000 for historical cost, $83,160,000 for constant dollar and $89,136,000 for current cost.

(b) At December 31, 1982, electric plant, net of accumulated depreciation, was $2,308,155,000 for current cost and $1,258,409,000 for historical cost.

COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

	Year Ended December 31,				
	1982	1981	1980	1979	1978
Operating revenues*	$702,330	$661,973	$613,594	$561,765	$555,329
Constant Dollar Information					
Net income*	$39,485	$36,802	$34,181	$23,811	
Earnings per share of common stock	$2.19	$1.98	$1.89	$1.09	
Net assets at year end at net recoverable cost*	$596,334	$583,810	$601,565	$604,120	
Current Cost Information					
Net income*	$33,509	$31,807	$27,435	$10,985	
Earnings per share of common stock	$1.80	$1.66	$1.40	$0.16	
Effect of general inflation in excess of increase in specific prices of electric plant after adjustment to net recoverable cost*	$7,635	$(49,012)	$(93,775)	$(120,054)	
Net assets at year end at net recoverable cost*	$596,334	$583,810	$601,565	$604,120	
General Information					
Gain from decline in purchasing power of net amounts owed*	$22,951	$49,726	$75,629	$93,219	
Dividends declared per share of common stock	$3.00	$2.89	$2.76	$3.14	$2.19
Consumer price index — average	289.1	272.4	246.8	217.4	195.4

*Thousands of Average 1982 Dollars

DIRECTORS

1 T. L. Austin, Jr.
Chairman of the Board and Chief Executive of Texas Utilities Company

1,2,3 Henry C. Beck, Jr.
Chairman of the Board of Henry C. Beck Company

2,3 Lloyd S. Bowles
Chairman of the Board and President of Dallas Federal Savings & Loan Association

George L. Clark
Chairman and Chief Executive Officer of Mercantile National Bank at Dallas

1,3 J. S. Farrington
President and Chief Executive of Dallas Power & Light Company

J. D. Francis
President of The Equitable Company of Texas

Richard M. Hart
Vice Chairman of the Board and Chief Administrative Officer of InterFirst Bank Dallas, N.A.

*James W. Keay
Retired Vice Chairman of the Board of RepublicBank Corporation

1,2,3 Robert McDonald
Retired President of Anderson Clayton Foods

**Joseph R. Musolino
President of RepublicBank Dallas, N.A. and Vice Chairman of the Board of RepublicBank Corporation

1 John M. Stemmons
Chairman of Industrial Properties Corporation

1 Member of the Executive Committee
2 Member of the Audit Committee
3 Member of the Retirement Committee
*Resigned November 1982
**Elected November 1982

OFFICERS

J. S. Farrington
President and Chief Executive

W. W. Aston
Vice President

T. L. Baker
Vice President

D. J. Hampton
Vice President

G. W. Sellar
Vice President

M. H. Tanner, Jr.
Vice President

G. M. Hamilton, III
Secretary

J. D. Karney
Treasurer and Assistant Secretary

J. H. Loughan
Assistant Treasurer

W. E. Patterson
Assistant Treasurer

TRANSFER AGENT

(For Preferred Stock)
InterFirst Bank Dallas, N.A.,
Dallas, Texas

REGISTRAR

(For Preferred Stock)
RepublicBank
Dallas, N.A.,
Dallas, Texas

This report is transmitted to the shareholders and employees of the Company, and to others, for the sole purpose of furnishing information concerning the Company and it is not issued in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities of the Company.

NOTICE

The "Tax Equity and Fiscal Responsibility Act of 1982" includes provisions which require that 10% of each interest and dividend payment be withheld and that the amounts withheld be sent to the Internal Revenue Service for application against shareholder tax obligations. These provisions of the Act become effective on July 1, 1983.

The Company has been advised by its Legal Counsel that certain exemptions are allowed under the Act which may exempt a shareholder from the withholding requirement. Individual shareholders are urged to contact the Internal Revenue Service or their accountant concerning questions about exemption qualification or other provisions of the Act.

WE ARE DEDICATED

DP&L is a public service business dedicated to excellence in providing electric energy at a reasonable price, while serving the interests of its customers, employees and investors, and meeting its citizenship obligations.

To achieve this, DP&L:

• Builds, operates and maintains facilities and develops resources to provide dependable and reliable electric service.

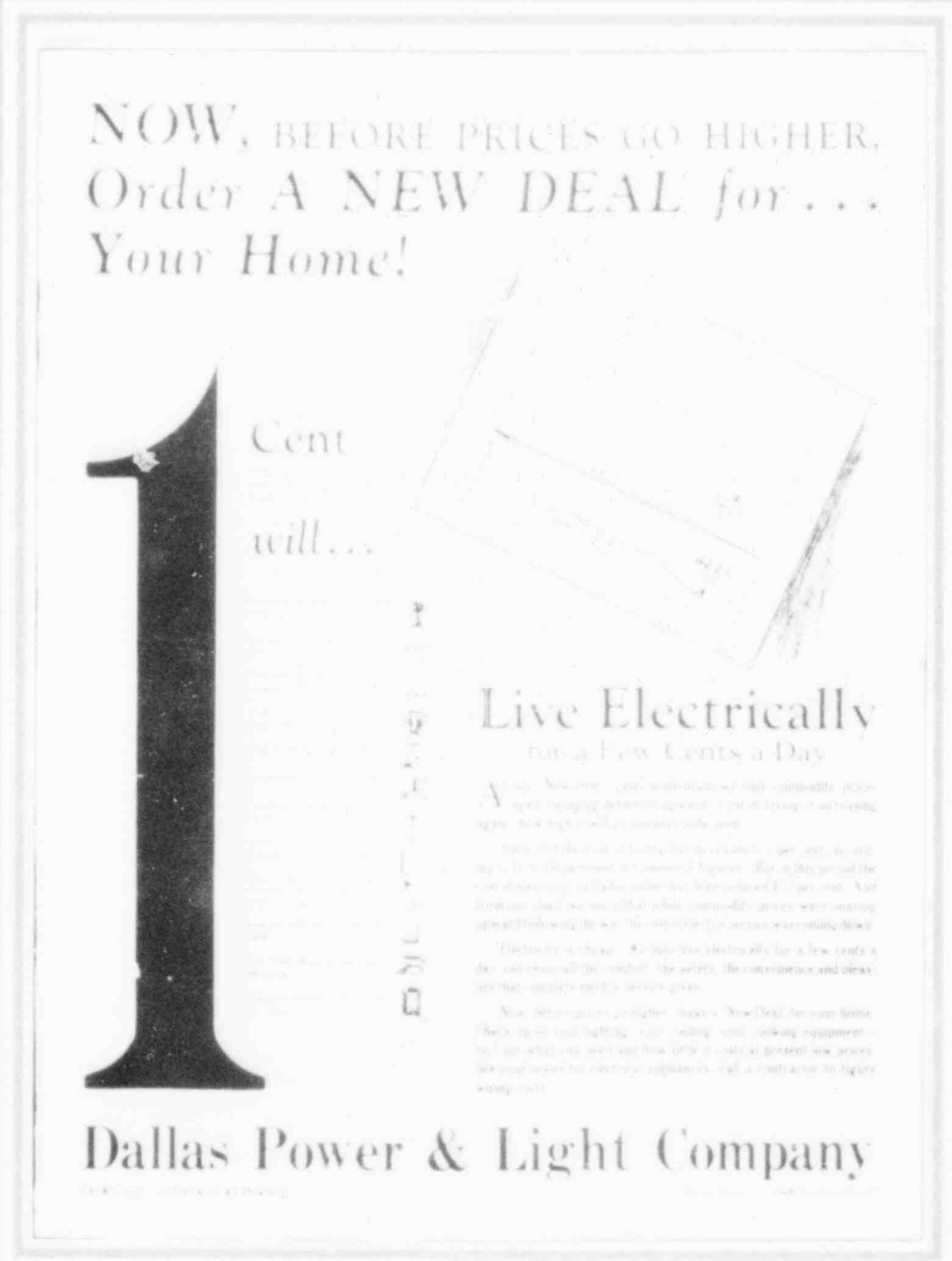
• Provides a climate for individual employee development and well-being and encourages dedication, pride and excellence in serving the community with innovative and efficient utilization of resources and technology.

• Encourages and practices energy conservation, efficient energy use and the development of viable energy sources, while supporting a sound community economy and a quality environment.

• Strives for public confidence, understanding and support by providing information and assistance to customers in an efficient, courteous and concerned manner.

• Strives to maintain quality earnings sufficient to compensate its investors, obtain required capital and operate efficiently.

DALLAS POWER & LIGHT COMPANY
1506 Commerce Street
Dallas, Texas 75201



A residential kilowatt-hour of electricity costs less than a penny more today than it did in 1933 when the ad was published, yet provides a better lifestyle than could have been imagined a half century ago.