"The electric utility industry faces a restructuring resulting from competition that will cause dramatic changes in the way it does business. In this new competition, some utilities will win, and some will lose.

We are reshaping Central and South West Corporation to win."

Central and South West Corporation

1993 Annual Report

Table of Contents

Highlights

Central and South West Corporation

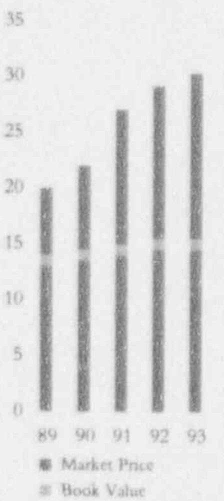
	1993	1992	Percent Change
Financial Data (millions)			
Operating Revenues	$3,687	$3,289	12.1
Fuel and Purchased Power	1,209	1,035	16.8
Gas Purchased for Resale	396	306	29.4
Other Operating Expenses	1,303	1,043	24.9
Taxes	322	317	1.6
Operating Income	457	588	(22.3)
Other	93	82	13.4
Fixed Charges	(288)	(288)	-
Cumulative Effect of Changes in Accounting Principles	46	-	-
Net Income for Common Stock	$ 308	$ 382	(19.4)
Common Stock Data			
Earnings per Share	$1.63	$2.03	(19.7)
Dividends Paid per Share	1.62	1.54	5.2
Average Common Shares Outstanding (millions)	188.4	188.3	
Return on Average Common Stock Equity	10.6%	13.5%	
Market Price			
High	$34¼	$30	
Low	28¼	24¼	
End of Year	30¼	29⅛	
Book Value per Share, End of Year	$15.55	$15.54	

All common stock data have been adjusted to reflect a two-for-one common stock split, effected by a 100% stock dividend paid on March 6, 1992, to shareholders of record on February 10, 1992.

The Corporation changed its method of accounting for unbilled revenues in 1993. Pro forma amounts assuming that the change in accounting for unbilled revenues had been adopted retroactively are not materially different from amounts previously reported for prior years.

Market Price Ranges
Dollars per Share

Book Value Compared to Market Price
Dollars per Share



Company Profile

Central and South West Corporation is a public utility holding company that owns all of the common stock of four electric operating subsidiaries: Central Power and Light Company, Public Service Company of Oklahoma, Southwestern Electric Power Company and West Texas Utilities Company. These companies provide electric service to more than four million people in a widely diversified area covering 152,000 square miles. This area is the second-largest served by any electric utility system in the United States.

Other major subsidiaries owned by the corporation are Transok, Inc., an intrastate natural gas transmission company; CSW Energy, Inc., which develops non-utility power projects; CSW Credit, Inc., which buys the accounts receivable of the CSW system and other utilities; CSW Leasing, Inc., which invests in leveraged leases; and Central and South West Services, Inc., which provides, at cost, professional services for the corporation and its subsidiaries.

Our strategic goal is to produce for Central and South West shareholders a return that will continue to compare favorably with that of other leading electric utilities in the country. To achieve our goal, we are focusing on the following four strategies—which combine to give us our competitive edge.

Enhancing our core electric utility business

CSW's four electric utilities are the core of its operation, serving 1.6 million customers in four states and providing 83 percent of its revenues. To improve the earnings of its electric utilities as the industry becomes increasingly competitive, CSW is working to reduce operating costs and to increase sales.

In 1993 CSW took a major step toward these goals with a fundamental restructuring of its electric utility businesses. The four operating utilities will now focus on customer service, marketing and economic development. All other activities, including power plant operations, production and transmission engineering, administrative services and marketing planning, will be the responsibility of centralized units serving all four electric utilities.

Along with an early retirement program announced late in the year, this restructuring will result in significant cost savings through improved efficiencies.

Additional efficiency improvements are being achieved through the Business Improvement Plan, which brings employees from throughout the system together to develop new procedures and approaches, to standardize tasks and to improve productivity.

The goal of increasing sales is being pursued by maintaining low rates and placing even greater emphasis on customer service. In late 1993 and early 1994, settlements were achieved with three major fuel suppliers. These settlements will result in savings that will be passed through to customers.

Sales of electricity grew 4.9 percent in 1993, largely because of the improving economy and increased weather-related demand by residential customers. CSW's system hit new peaks three times during the summer, the last being a peak of 11,464 megawatts on August 18.

Expanding our core utility business

CSW is committed to expanding its electric utility business through strategic acquisitions. In 1993 it acquired two small utilities and made substantial progress toward adding El Paso Electric Company to the system.

CSW's Southwestern Electric Power Company subsidiary completed its purchase of Bossier Electric Membership Corporation (BREMCO), which was adjacent to SWEPCO's southern division in Louisiana. BREMCO served 12,500 customers, who saw their cost for electricity decline from 9.7 cents to SWEPCO's price of 6.7 cents per kilowatt-hour.

Public Service Company of Oklahoma, another CSW subsidiary, acquired the Chelsea Municipal Authority, adding 225 customers.

The most important acquisition ever undertaken by CSW is its pending merger with El Paso Electric. CSW announced the merger in May 1993. The total transaction value is expected to be about $2.2 billion. Of that, approximately $770 million is expected to be paid in the form of CSW common stock. The balance would be new securities issued by El Paso Electric as part of its bankruptcy reorganization or cash.

In December 1993 the U.S. bankruptcy court overseeing the El Paso Electric case confirmed the utility's plan of reorganization, which incorporates the merger agreement with CSW. The proposed acquisition now must be approved by state and federal regulatory agencies.

By adding El Paso Electric, CSW will be able to improve its systemwide efficiencies. It also will expand its connections with electricity markets in the western United States and with Mexico, which is a strategically important market for both CSW's utilities and its functionally related non-utility activities. CSW remains interested in other strategic acquisitions of utilities.

Expanding our non-utility businesses

CSW has been carefully diversifying into functionally related non-utility businesses since the mid-1980s and now has a portfolio of activities that build on its core markets and skills.

Transok, Inc., an intrastate natural gas transmission company, serves all four CSW electric utility subsidiaries, CSW Energy, Inc., and other customers. Since 1990 it has more than doubled its pipeline system to approximately 6,400 miles and its annual gas throughput to 490 billion cubic feet. The second-largest natural gas processor in Oklahoma, Transok owns and operates eight gas processing plants. Transok produced 355 million gallons of natural gas liquids in 1993, compared to 125 million gallons in 1990.

CSW Energy, Inc., develops, operates, manages and acquires non-utility power projects. At the end of 1993, it had one cogeneration facility in operation in California and three expected to begin operating in 1994, one in Florida and two in Colorado. CSW Energy owns approximately half of each of those projects, which collectively will provide nearly 500 megawatts of electric power.

CSW is actively pursuing a series of new ventures in technologies that are directly related to the corporation's expertise and core markets. In 1994 CSW hopes to receive approval from the Securities and Exchange Commission for a new telecommunications subsidiary. CSW is sponsoring a project to install fiber-optic telecommunications as a test in one of its utility service areas. The purpose of this project is to improve energy efficiency for our utility customers, with any excess telecommunications capacity available to third parties. Other ventures may include renewable-energy and environmental technologies.

Pursuing financial initiatives

One of CSW's fundamental strategies is to examine the financial elements of the corporation in search of ways that could produce a profit or reduce its costs. Financial initiatives produced increased benefits in 1993.

In 1985 CSW became the first utility to establish a captive finance company, CSW Credit, Inc. CSW Credit purchases the accounts receivable from both affiliated companies and non-affiliated utilities. Because of differences in the financial structures and cost of money between utilities and finance companies, this practice can lower costs for utilities —and it can result in a profit for CSW Credit. In 1993 CSW Credit added a new utility client—its largest—which doubled the base of its business.

CSW also continued refinancing its debt to take advantage of lower interest rates. During 1993, the CSW system companies refinanced $708 million in debt to achieve annual interest savings of $17 million, with a net present value savings of $68 million. These transactions reduced CSW's embedded cost of debt from 8.3 percent at the end of 1992 to 7.8 percent at the end of 1993.

In 1993 CSW expanded a cost-effective source of capital by modifying its dividend reinvestment plan. The new plan, named PowerShare℠, was opened to all CSW employees and retirees and to its utility customers and other residents of the four states where CSW subsidiaries operate. PowerShare participants will be able to reinvest all or any portion of their dividends in CSW common stock. Based on the experience of similar plans, CSW expects that 1 percent to 5 percent of its customers will participate, providing significant amounts of new equity.

"Electric utilities are undergoing the most fundamental changes to occur in the past half-century. First, the growth rate in the use of electricity has slowed considerably during the past two decades. Second, the

boundaries defining the services offered by electric utilities are rapidly disappearing. In 1993 we focused much of our attention on improving the competitiveness of our core electric business."

E. R. Brooks, Chairman, President and Chief Executive Officer of CSW

Chairman's Letter

The electric utility industry faces a restructuring resulting from competition that will cause dramatic changes in the way it does business. In this new competition, some utilities will win, and some will lose.

We are reshaping Central and South West Corporation to win.

Because of all the changes taking place in the industry and in CSW, we are changing the emphasis of this annual report. We are focusing it almost exclusively on reviewing our corporate strategy for succeeding in the new electric utility environment and on discussing three milestones in 1993 that illustrate the progress we are making in implementing our strategy.

Our strategic goal is to produce for shareholders a return that will continue to compare favorably with that of other leading electric utilities in the country. In line with this goal, our board of directors in January 1994 declared the corporation's 43rd consecutive annual dividend increase. The indicated dividend for 1994 is $1.70, which is 4.9 percent higher than the $1.62 dividend paid in 1993. We are one of only four companies on the New York Stock Exchange to have such an uninterrupted history of dividend increases.

Net income for common stock in 1993 decreased to $308 million from $382 million a year ago. Our earnings per share declined by 40 cents a share to $1.63, compared to $2.03 in 1992. That decrease resulted primarily from two unusual developments in 1993:

- Our decision to restructure our electric utility business to make it more competitive and to recognize the costs of early retirement and related expenses—about $100 million—in 1993 earnings.
- The outage of the South Texas Project, the nuclear power generating station partially owned by our Central Power and Light Company subsidiary.

Our restructuring is expected to begin producing savings by the second half of 1994, allowing us to recover all costs by the end of 1995. STP Unit 1 is expected to restart in the first quarter of 1994, and Unit 2 is expected to restart in the second quarter of 1994.

"To continue achieving the same financial results, electric utilities must expand their base of customers or expand the services they offer."

In the future, we should feel the full effect of the earnings potential of our operating units. In particular, our operating companies are becoming even more efficient, low-cost energy producers that are well positioned to compete successfully in the increasingly competitive environment.

Milestones of 1993

To continue meeting our goals for shareholder returns in the future, we are refocusing our operations even more sharply on customers. We are dedicated to keeping our current customers, recognizing that they may have other options for their energy supply in the years ahead. We also are adding new customers by acquiring utilities and by expanding into related business areas.

The year 1993 provided clear evidence of our commitment to implementing this strategy. As I see it, three milestones for the year stand out:

- We began restructuring our entire core electric utility business. This will relieve our four operating utilities of the responsibility for power generation and administrative activities and will allow them to focus totally on—and be accountable for—customer satisfaction, marketing and economic development.
- We reached agreement with El Paso Electric Company for a merger that will make El Paso Electric a subsidiary of CSW. We also successfully navigated the complex process of gaining confirmation from the federal bankruptcy court for El Paso Electric's reorganization plan, which provides for the merger, and began the regulatory approval process.
- We opened an office in Mexico City, symbolizing our growing emphasis on our non-utility activities. The long-term potential of increased business with Mexico complements our portfolio of other non-utility businesses, including gas pipelines, cogeneration and independent power projects, and financial activities. To assure that we will be able to compete effectively in these non-utility areas, we began an important, new effort to modify the Public Utility Holding Company Act of 1935, which now requires us to gain the approval of the Securities and Exchange Commission before we can begin any new venture or initiate most new financings.

Re-Inventing Electric Utilities

Electric utilities are undergoing the most fundamental changes to occur in the past half-century. Two major factors are driving these changes.

First, the growth rate in the use of electricity has slowed considerably during the past two decades. In the 1960s, the use of electric power grew by 7 percent to 8 percent a year, giving utilities a steady increase in earnings and an ability to pay healthy, growing dividends. Now the growth in usage is only about 2 percent a year. This means that, to continue achieving the same financial results, electric utilities must expand their base of customers or expand the services they offer.

Second, the boundaries defining the services offered by electric utilities are rapidly disappearing. Historically, utilities had exclusive franchises and the responsibility for generating all the electric power that their customers needed. Those ground rules are changing.

The greatest change so far has come with the Energy Policy Act of 1992. It gave wholesale users of electricity—such as municipalities, rural electric cooperatives and government agencies—the right to choose among electric power suppliers. The Federal Energy Regulatory Commission now has the added authority to order utilities that own the transmission lines to transmit the power from the supplier to the wholesale customer. The act also provided exemptions from federal regulation for many independent power producers. As a result, utilities that have been serving municipalities, for example, now must compete with independent power producers and other utilities for that business.

These two fundamental changes in the industry—the declining growth in electric demand and the increase in electric power supply—led us to develop our four-part strategy, which we first described for you in our 1990 annual report:

- Enhance our core electric utility business.
- Expand our core electric utility business.
- Expand our non-utility businesses.
- Pursue financial initiatives.

"The fundamental question that we addressed in 1993 was how to organize our system to be successful."

Harry D. Mattison, Executive Vice President of CSW and President and Chief Executive Officer of CSW Electric

New work methods and equipment are part of our Business Improvement Plan. Using a graphical computer pad in the field, an engineer can design or update an installation to meet the customer's exact needs. As a result, our customers will get faster service at a lower cost—producing higher customer satisfaction.

This is the strategy that we have been systematically following for the past four years. It has led to the major changes now taking place throughout Central and South West. It gives us our competitive edge.

Reorganizing Our Electric Utilities

In 1993 we focused much of our attention on improving the competitiveness of our core business—made up of our four electric utilities.

Our utilities must retain our existing customers, including those that can shop among electric power suppliers, and must expand the services we provide.

We realized that two factors will determine the success of our utilities: First, we must produce and provide low-cost electric power, compared to other competitors. Second, because price differences may not always be significant, our customers must prefer to do business with us—they must like us.

The fundamental question that we addressed in 1993 was how to organize our system to be successful. In mid-year, we began examining different organizational structures to determine which would enable us to achieve our earnings targets and customer goals.

The concepts that guided us in our decision were *focus* and *accountability*. We wanted our utilities to be able to focus exclusively on—and be accountable for—understanding our customers, satisfying them and learning how we can help them with a wider range of services.

To make this possible, we decided to eliminate duplicate functions. We shifted the operation of our power plants, our engineering activities and our administrative and support functions from our four utilities to our centralized service company unit, Central and South West Services, Inc. Under the new organization, of which some aspects may require approval by the Securities and Exchange Commission, our four utilities and the service company comprise a new business unit called CSW Electric. Executive Vice President Harry D. Mattison has assumed the additional title of president and chief executive officer of CSW Electric.

With this new structure, we believe we will be able to lower our costs, as both the utilities and the power production department concentrate on becoming more competitive. We also will be able to enhance our relationships with our customers and better understand their needs.

This will result in a wider range of services and options that we offer customers—perhaps innovative pricing to help them lower their costs or new programs to make their use of electricity more efficient. Services like these will add value to our electric power, which is increasingly becoming a standard commodity, and will recast our utilities as energy service providers, not just distributors of electricity.

Fortunately, we are making this fundamental reorganization from a position of strength. For many corporations, restructuring has been a response to crisis. We are taking these steps to avoid a crisis, which we believe will be inevitable for any electric utility that has not reshaped itself for the new competitive era. Our reshaping will continue with additional consolidations and efficiencies as we hone our competitive edge.

We have kept the needs and interests of our employees in mind throughout this process. Before implementing our reorganization, we are offering an early retirement program with enhanced retirement benefits for eligible, long-term employees. We believe this program fairly and prudently balances our employees' needs as individuals with ours as a business.

Acquiring El Paso Electric

Our goal of expanding our core utility business means that we are actively looking for other electric utilities to acquire. These acquisitions typically may be of small municipal electric systems or rural electric cooperatives—and we did add two small utilities to our system in 1993. But when we have the opportunity to add a major utility in our region—when it furthers our long-range strategies and offers value to our shareholders—that becomes a top priority.

Our pending acquisition of El Paso Electric Company is an ideal example. It will add to our system 255,000 new electric utility customers who are located in a rapidly growing area. It also will make our position stronger as a gateway to sell power in the western states and Mexico.

"For many corporations, restructuring has been a response to crisis. We are taking these steps to avoid a crisis."

"Our reorganization and diversification activities aimed at meeting increased competition will benefit customers, employees and communities."

Glenn D. Rosilier, Senior Vice President and Chief Financial Officer of CSW

Merging El Paso Electric Company into Central and South West will increase the size of our system and provide significant savings for El Paso Electric's 275,000 customers. Through a public information campaign in both Spanish and English, we are working to explain the merger to the community.

"Our reorganization and diversification activities aimed at meeting increased competition will benefit customers, employees and communities."

Glenn D. Rosilier, Senior Vice President and Chief Financial Officer of CSW

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We already have six interconnecting transmission lines with Mexico. By adding El Paso Electric, we will increase that number to eight, and our service area will include even more of the Texas-Mexico border, from Brownsville to El Paso. Adding El Paso Electric also will provide interconnections with Arizona, California and the West.

El Paso Electric's energy costs are not as low as our existing utilities', and it will not add significantly to our earnings per share in the near-term. But because of El Paso Electric's strategic value and because we expect to be able to make the acquisition with little, if any, short-term dilution of our earnings, we are confident that this merger will provide excellent long-term value for our shareholders and customers.

In 1993 the merger progressed on schedule. Late in the year, we received the confirmation we needed from the federal bankruptcy court. We now have begun the regulatory processes at the federal level and in Texas and New Mexico. We still face several major hurdles but expect to complete the acquisition by mid-1995.

Diversifying in the U.S. and Mexico

We have kept the goal of expanding our non-utility activities tightly focused. We do not intend to stray far from our core expertise and markets.

This means a strict definition of the types of activities we will pursue as non-utility businesses. Currently we are looking at opportunities in telecommunications, energy, environmental services and technologies related to our core business, largely in the southern and western states and Mexico.

Under our recently announced restructuring, all of our non-utility activities have been organized into a business unit named CSW Enterprises. Executive Vice President Thomas V. Shockley, III, has assumed the additional title of president and chief executive officer of CSW Enterprises, which also oversees strategic planning, corporate development, and mergers and acquisitions.

"Our historic relationship with Mexico and our geographic location will prove to be among our greatest assets."

Our principal non-utility businesses are Transok, Inc., our intrastate natural gas pipeline subsidiary, and CSW Energy, Inc., our non-utility unit that builds and operates cogeneration and independent power projects.

Transok contributed lower earnings in 1993, largely because of low oil prices that depressed prices for natural gas liquids. But Transok did an excellent job of serving our utility subsidiaries in meeting their needs. It also made substantial progress toward positioning itself as a premier gas gathering, processing, storage, marketing and transmission company. It continued to integrate several recent acquisitions and to build new pipelines to serve the CSW companies and strengthen its position as a major west-to-east transporter.

CSW Energy lost $6 million in 1993 because of operational problems at its Oildale facility and continuing costs to develop new projects. It is expected to begin contributing to earnings in 1994, when three of its new cogeneration projects should go into operation: a 117-megawatt gas-fired project in Florida; a 272-megawatt project in Colorado, composed of five gas-fired turbines; and a 68-megawatt gas-fired project in Colorado.

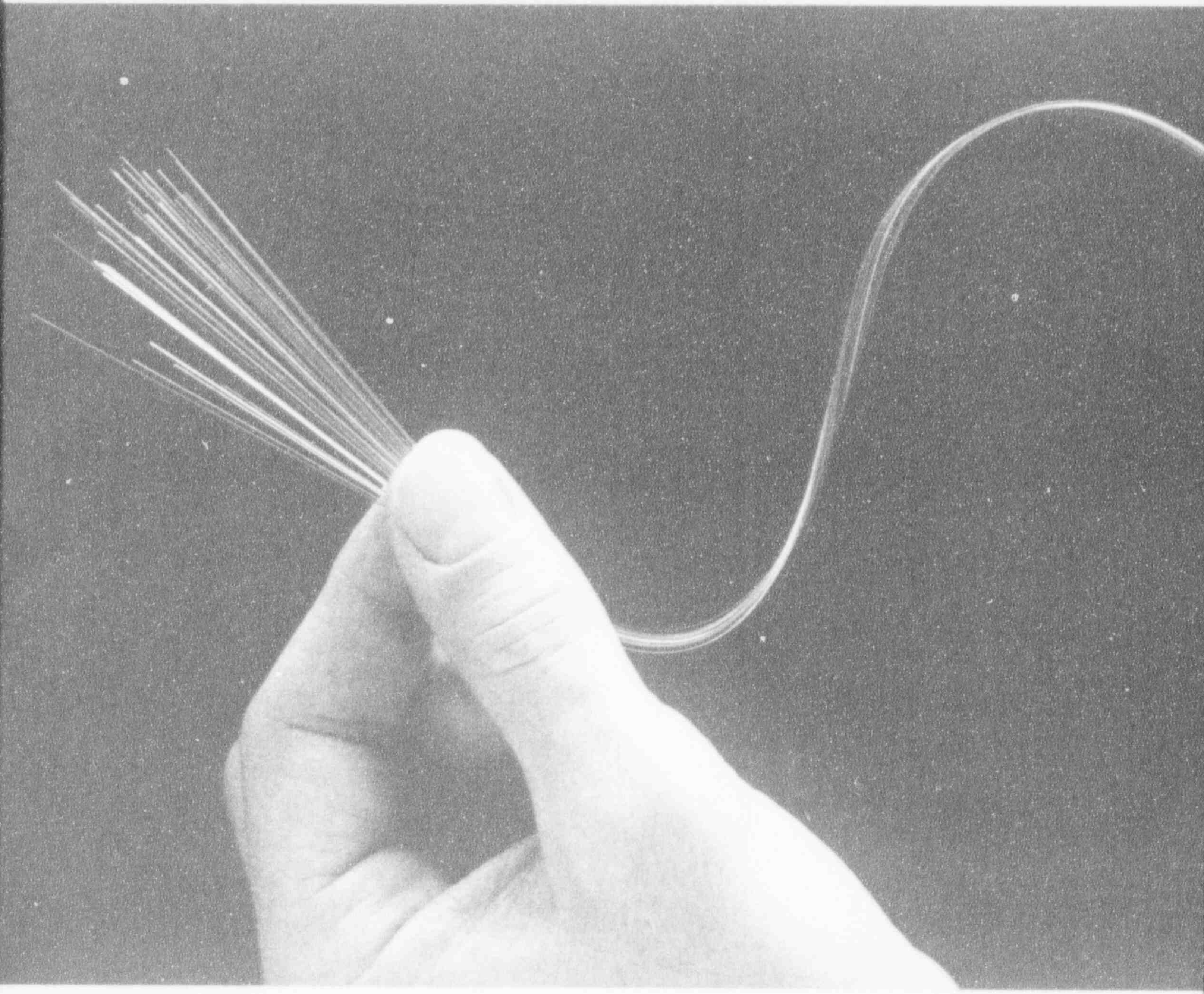
CSW Energy has two other projects under contract and 10 in intermediate stages of development. Although we are considering projects in other parts of the world, for the most part, CSW Energy currently intends to pursue projects in North America.

Non-Utility Businesses of CSW Enterprises

— *Transok Pipelines*
● *CSW Energy Projects*

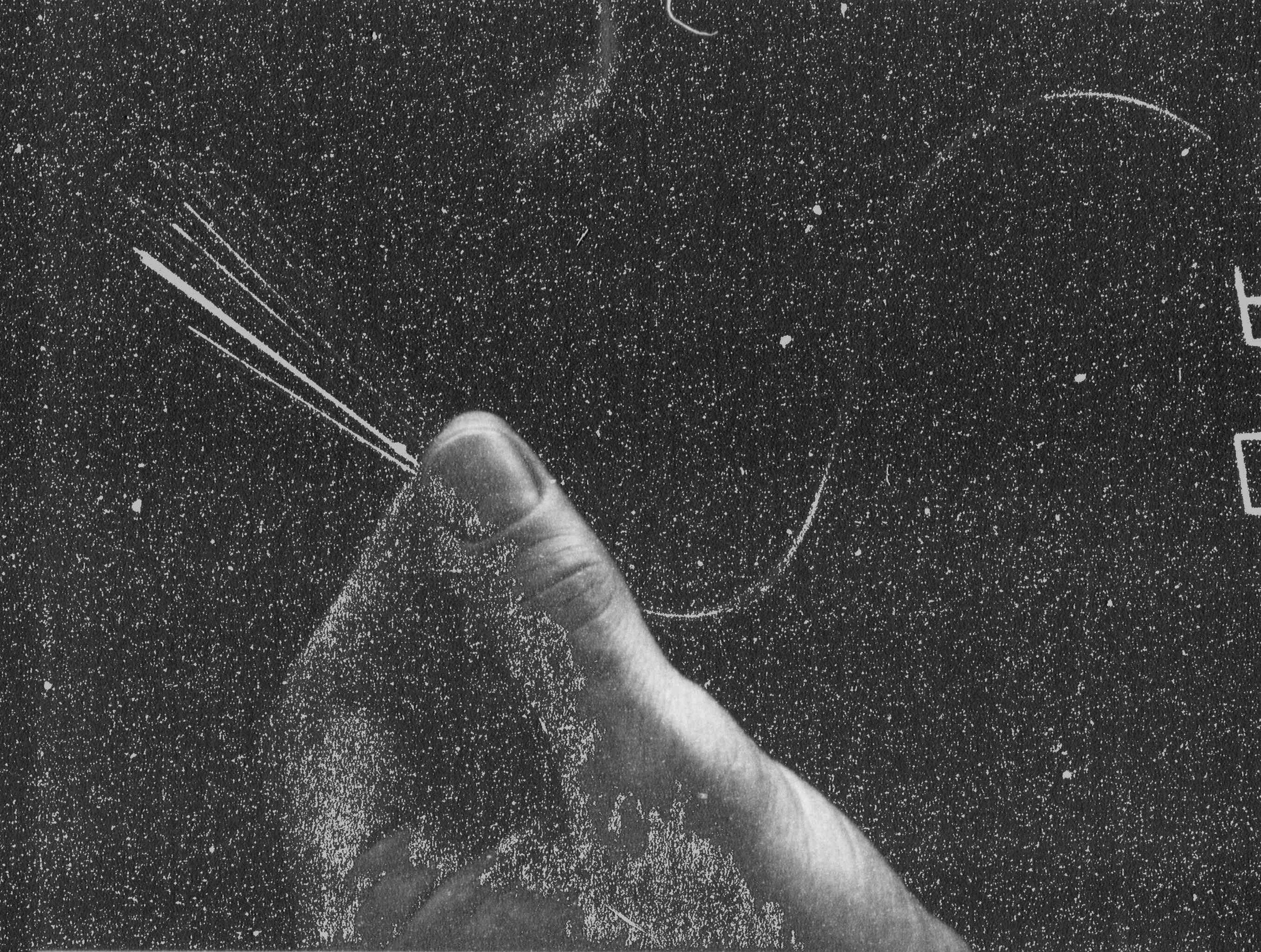
“... is not another utility. It's a breakthrough in technology.”

Thomas V. Shockley, III, Executive Vice President of CSW and President and Chief Executive Officer of CSW Enterprises



"The ultimate competition for an electric utility is not another utility. It's a breakthrough in technology."

Thomas V. Shockley, III, Executive Vice President of CSW and President and Chief Executive Officer of CSW Enterprises



Central Power and Light Company is pilot testing fiber-optic cable to help 2,500 customers better use electricity. The cable sends pricing information to the customer and can signal appliances to cycle on and off. Central and South West also is seeking to enter non-utility telecommunications ventures that lease excess fiber capacity for other uses.

Because the federal Energy Policy Act of 1992 gave companies like CSW Energy much wider latitude in the types of power projects that they can pursue, we see this unit as a long-term investment with significant growth potential.

Other non-utility activities that we are investigating involve new technologies related to our customers or our areas of expertise, such as fiber-optic telecommunications, renewable and other energy technologies, and environmental services.

The opening of our office in Mexico City represents a significant milestone in developing the long-term potential for our non-utility activities. It comes as a result of our long history of cooperative activities with Mexico's Comisión Federal de Electricidad.

We have been doing business with Mexico since 1916. Today, the potential for a more extensive involvement has never been greater. Under President Carlos Salinas de Gortari, the Mexican economy has been rapidly improving. Mexico is now one of the fastest growing economies in the world, with projected growth in electricity use of more than 5.5 percent a year. The country is expected to add 17,000 megawatts of capacity by the year 2000.

The passage of the North American Free Trade Agreement, which we actively supported, should help to make it possible for American firms to be far more active in the Mexican electric power market. We see the opportunity to help plan and build power plants and cogeneration facilities, to expand our transmission ties and to provide bulk power sales and backup power to industry and the government. Moreover, free trade with Mexico should help the economy of South Texas, where our Central Power and Light subsidiary operates.

Our Mexican initiatives are not designed for any dramatic short-term benefits. They will require persistence and patience, as Mexican economic policies and the trade relationship between our two countries evolve. Challenges are great in foreign markets; many international companies are competing fiercely for these growth opportunities. But over the long term, our historic relationship with Mexico and our geographic location will prove to be among our greatest assets. We intend to make the most of it, for the benefit of our current areas of operation, the economy of Mexico and our shareholders and customers.

Managing Today's Issues

While we plan for the future, we must remain successful in the present. Several current initiatives will help us meet our performance goals through the transition period of the next several years.

SEC Regulation. One priority issue we are addressing as part of the transition to a fully competitive electric power industry is, ironically, how to contend with regulation that hinders our ability to compete. Central and South West is a registered public utility holding company as defined by the Public Utility Holding Company Act of 1935. As such, we are closely regulated by the Securities and Exchange Commission. Only nine other electric utility systems have this designation.

Other large electric utilities that are not regulated under the 1935 Act—including many that operate in more than one state—can make their own decisions about diversification, reorganization or non-utility activities after approval by their state regulatory commissions. But those designated as 1935 Act holding companies must also apply for and receive approval from the SEC for any new venture and most new financings. This severely limits our ability to act quickly. As our industry evolves, this will become a more serious restraint on our ability to compete.

We have begun a major effort to encourage Congress to reconsider the most onerous provisions of the 1935 Holding Company Act. Specifically, we are advocating an amendment that would allow companies under this law to commit up to 15 percent of their assets to functionally related businesses without SEC approval. That would allow us to get involved with telecommunications and other projects related to our core business without special approval. We hope that all our friends and shareholders will work with us toward this important goal.

PSO Rate Increase. In late December, our Public Service Company of Oklahoma subsidiary received approval from the Oklahoma Corporation Commission for a permanent $14.4 million base rate increase. This represents a 2.3 percent increase over 1992 revenues. PSO agreed that it would not file for another general increase before June 30, 1995.

"We began an important, new effort to modify the Public Utility Holding Company Act of 1935."

South Texas Project. We took action in 1993 to enhance the management of our share of the South Texas Project, the nuclear power plant owned jointly by our Central Power and Light Company subsidiary and three other utilities and operated by Houston Lighting & Power Company. We hired a new vice president of nuclear activities to increase our level of participation in STP's management.

In February 1993, both of STP's generating units were taken out of service because major plant components failed to operate properly. In June, STP was placed on the watch list by the U.S. Nuclear Regulatory Commission because of several management concerns. As a result, HL&P conducted a major reorganization of its nuclear management.

Unit 1 of STP is expected to restart in the first quarter of 1994, and Unit 2 is scheduled to restart in the second quarter. For 1994 we expect that STP will experience lower operating and maintenance expenses than in 1993. After 1994 the operating costs should stabilize, but at a level higher than in the years before 1993. Our goal and expectation for STP is that it will return to its position among the top 25 percent of nuclear power plants in the country, in terms of both performance and cost.

One priority at STP has been to clear up a backlog of engineering and maintenance projects. This initiative resulted in approximately $29 million in unexpected expenses for CPL in 1993, causing a reduction in our earnings.

With the new STP management organization, the plant's improved condition, our increased oversight and the resolution of the NRC's concerns, we believe STP will remain a reliable and cost-effective source of electric power for decades into the future.

The Environment. In 1993 we continued implementing our formal environmental policy and procedures that we adopted in 1992. Our efforts resulted in two environmental awards:

- The Nature Conservancy of Texas presented its first North Texas Corporate Conservation Leadership Award to CSW for our wide-ranging commitment to protect and preserve the natural resources of Texas.
- The National Institute for Urban Wildlife honored CSW with its Outstanding Conservation Award for our commitment to the conservation of wildlife and our natural resources as evidenced by the many and diverse activities and programs of our subsidiary companies.

"We cannot compete with our hands tied by the 1935 Act while competitors are free to take quick advantage in the marketplace."

Ferd. C. Meyer, Jr., Senior Vice President and General Counsel of CSW

An advanced solar-powered heat pump at this house in Marfa, Texas, is one of the many applications CSW is installing to evaluate renewable energy. The CSW Renewables Project also includes utility-scale solar and wind generating sites. It ranks as one of the nation's most comprehensive renewable-energy programs.

In accordance with our corporate environmental policy, we also began planning an increased information outreach program to educate the public about our views on environmental protection and the effects of our activities on the environment.

Our commitment to the environment and to ecologically sound energy technologies led to a major development in 1993. In November we broke ground for the CSW Solar Park, part of the most comprehensive renewable energy program in the Southwest and one of the largest in North America. It is located in the Davis Mountains in far West Texas because of the area's ideal wind and solar resources.

The overall renewables program being established there will be a $17 million, five-year test of several different solar and wind technologies. Our goal is to understand how they may become competitive in cost with conventional electrical generation.

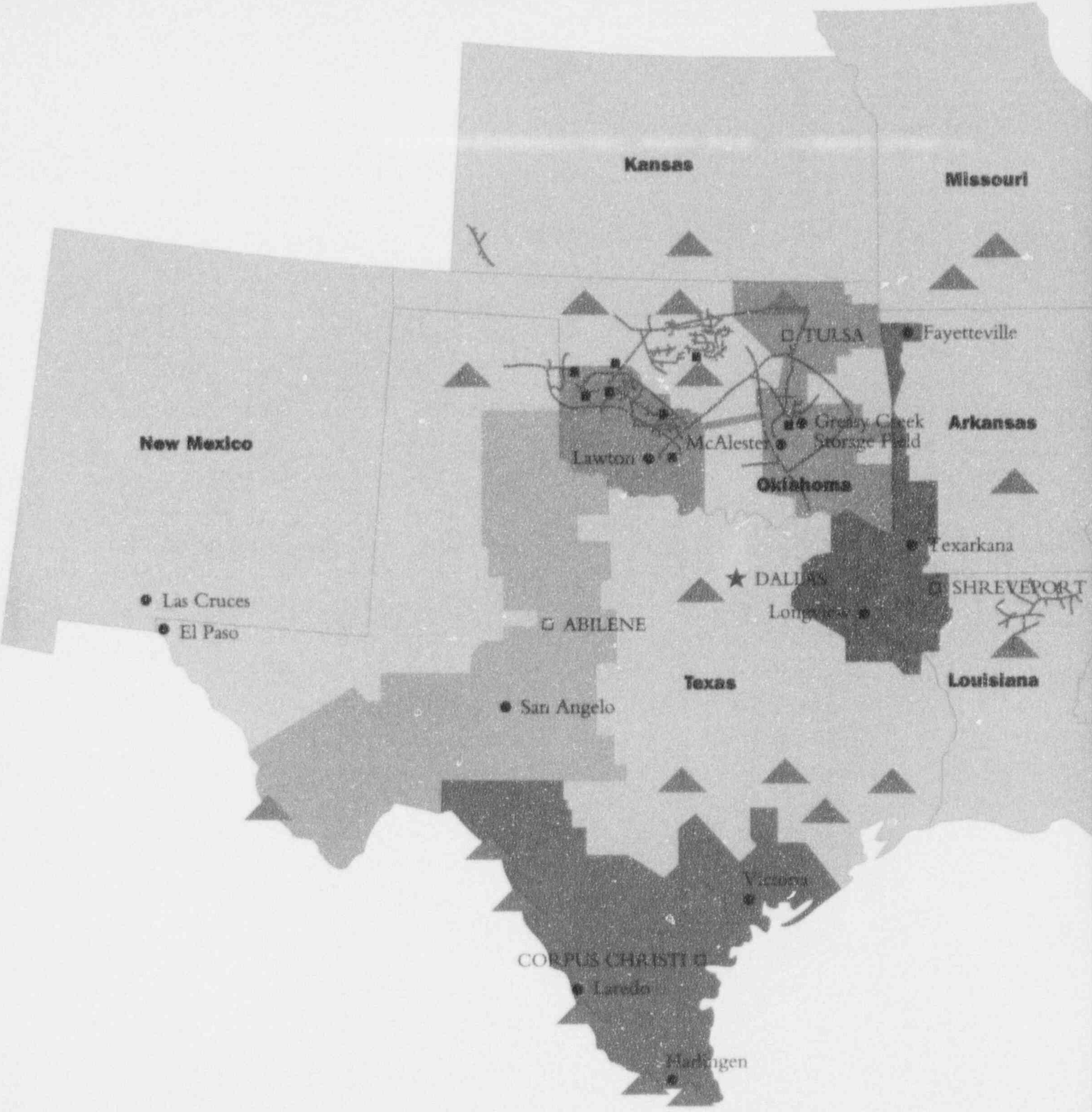
One of the projects, a new wind-turbine technology, attracted a total of $5 million in cooperative funding from the U.S. Department of Energy and the Electric Power Research Institute. Other projects in the program include photovoltaics, a solar-powered water pump for a youth soccer field, two solar-dish Stirling engines and several rooftop solar panels.

The steps we took in 1993 demonstrated our commitment to winning in the new era of competition. We will continue to seek new customers aggressively and to streamline our company's operations as we work to shape external conditions that affect us. With the strategy we are pursuing and the continued strong support of our employees, we are well prepared to compete and to win—by increasing the level of performance that both our customers and shareholders have come to expect from Central and South West.

E R Brooks

E. R. Brooks
Chairman, President and Chief Executive Officer
February 25, 1994

"Steps we took in 1993 demonstrated our commitment to winning in the new era of competition."



Electric Utility Service System

- *Central Power and Light Company*
- *Public Service Company of Oklahoma*
- *Southwestern Electric Power Company*
- *West Texas Utilities Company*
- ★ *Corporate Headquarters–Dallas*
- □ *Electric Subsidiary Headquarters*
- ▲ *System Interconnections with Other Utilities*

Transok System

- — *Pipelines*
- ■ *Processing Plants*
- □ *Transok Headquarters–Tulsa*

"CSW's four electric utilities are the core of its operation, serving 1.6 million customers in four states and providing 83 percent of revenues. To improve the earnings of its electric utilities as the industry becomes increasingly competitive, CSW is working to reduce operating costs and to increase sales. In 1993 CSW took a major step toward these goals with a fundamental restructuring of its electric utility business."

Operational Profile

Unit	Year	Operating Revenues [2] *in millions*	Net Income for Common *in millions*	Earnings per CSW Share [1]	Return on Average Common Stock Equity %	Capitalization Ratios: Common Equity %	Preferred Stock %	Debt %
Central and South West Corporation, a public utility holding company, owns four electric operating subsidiaries, an intrastate gas pipeline subsidiary and four other subsidiaries.	1993	$3,687	$308	$1.63	10.6	49	6	45
	1992	3,289	382	2.03	13.5	49	6	45
	1991	3,047	375	1.99	13.6	49	7	44
Central Power and Light Company provides electricity to 589,000 customers in south Texas.	1993	$1,224	$158	$0.84	11.1	47	9	44
	1992	1,113	202	1.07	14.2	47	9	44
	1991	1,099	197	1.05	13.7	47	9	44
Public Service Company of Oklahoma provides electricity to 466,000 customers in eastern and southwestern Oklahoma.	1993	$708	$46	$0.24	10.5	51	2	47
	1992	622	45	0.24	10.5	50	2	48
	1991	651	52	0.28	13.0	52	2	46
Southwestern Electric Power Company provides electricity to 396,000 customers in northwestern Louisiana, northeast Texas and western Arkansas.	1993	$837	$79	$0.42	12.0	50	4	46
	1992	778	91	0.49	14.4	53	4	43
	1991	761	93	0.49	14.6	51	4	45
West Texas Utilities Company provides electricity to 182,000 customers in north-central and west Texas.	1993	$346	$29	$0.16	10.9	59	1	40
	1992	315	34	0.18	12.9	54	3	43
	1991	319	35	0.18	13.2	52	4	44

	Year	Operating Revenues *in millions*	Net Income for Common *in millions*	Earnings per CSW Share [1]	Return on Average Common Stock Equity %	Throughput *in billions of cubic feet*	Transportation *in billions of cubic feet*
Transok, Inc., an Oklahoma intrastate natural gas gathering, transmission and processing company, delivers gas for system companies, predominantly Public Service Company of Oklahoma, and for non-affiliated customers; it also operates gas processing plants and sells gas to markets across the United States.	1993	$705	$19	$0.10	8.8	490.3	323.7
	1992	543	20	0.11	11.3	448.2	299.3
	1991	277	18	0.09	21.4	298.5	227.1

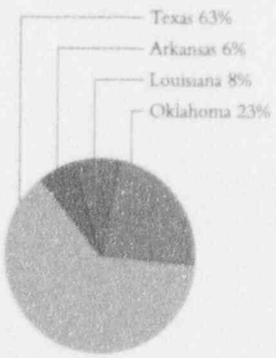
[1] *Adjusted to reflect a two-for-one common stock split effected by a 100% stock dividend paid on March 6, 1992, to shareholders of record on February 10, 1992.*

[2] *The Corporation changed its method of accounting for unbilled revenues in 1993. Pro forma amounts assuming that the change in accounting for unbilled revenues had been adopted retroactively are not materially different from amounts previously reported for prior years.*

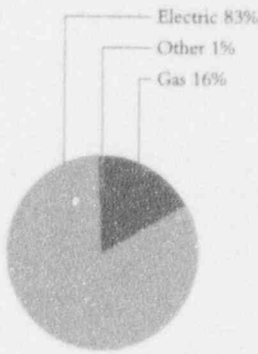
Kilowatt-hour Sales *in billions*	Revenue per Residential Kilowatt-hour	Generating Capability [3] *in megawatts*	Peak Demand *in megawatts*	Average Fuel Cost *per million Btu*	Fuel Mix *% of kilowatt-hours by fuel type* Gas	Coal	Lignite	Nuclear	Number of Customers *in thousands*	Number of Employees	Ratio of Customers to Employees
54.4	7.29¢	14,316	11,464	$2.11	46	44	9	1	1,633	8,707	
51.8	7.17	14,184	10,606	1.92	40	43	9	8	1,599	8,595	
51.8	7.10	14,156	10,203	1.87	41	44	8	7	1,577	8,581	
17.6	8.45¢	4,410	3,518	$2.17	65	33		2	589	2,299	256:1
17.2	7.99	4,414	3,347	1.70	50	25		25	577	2,308	250:1
16.9	7.96	4,415	3,291	1.73	54	25		21	566	2,330	243:1
14.2	6.28¢	4,058	3,147	$2.38	54	46			466	1,970	237:1
13.4	6.24	3,907	3,010	2.34	55	45			462	2,035	228:1
13.5	6.27	3,878	3,080	2.17	50	50			458	2,041	224:1
18.4	6.65¢	4,464	3,651	$1.94	16	55	29		396	2,033	195:1
16.8	6.73	4,464	3,237	1.93	11	60	29		379	1,982	191:1
16.2	6.59	4,464	3,200	1.87	10	63	27		374	1,959	191:1
6.6	7.92¢	1,384	1,201	$1.91	60	40			182	1,239	147:1
6.0	7.93	1,399	1,118	1.82	60	40			181	1,249	145:1
6.2	7.79	1,399	1,097	1.73	60	40			179	1,294	138:1

[3] *Includes 719 megawatts in long-term storage for 1993 and 1992, and 861 megawatts in long-term storage for 1991.*

1993 Electric Revenues by State



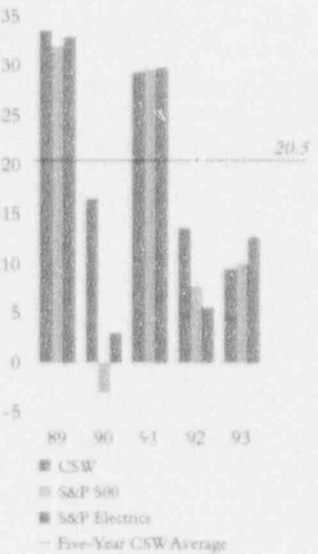
1993 Operating Revenues by Business Segment



Selected Financial Data

Central and South West Corporation

Annual Total Return to Shareholders
Percent



The following selected financial data for each of the five years ended December 31 are provided to highlight significant trends in the financial condition and results of operations for the Corporation.

	1993	1992	1991	1990	1989
	(millions except per share amounts and ratios)				
Operating Revenues	\$3,687	\$3,289	\$3,047	\$2,744	\$2,549
Net Income	327	404	401	386	337
Preferred Stock Dividends	19	22	26	30	31
Net Income for Common Stock	308	382	375	356	306
Total Assets	10,623	9,829	9,396	9,074	8,347
Common Stock Equity	2,930	2,927	2,834	2,743	2,647
Preferred Stock					
Not Subject to Mandatory Redemption	292	292	292	291	291
Subject to Mandatory Redemption	58	75	97	103	106
Long-term Debt	2,749	2,647	2,518	2,513	2,537
Capitalization Ratios					
Common Stock Equity	48.6%	49.3%	49.4%	48.5%	47.4%
Preferred Stock	5.8	6.2	6.8	7.0	7.1
Long-term Debt	45.6	44.5	43.8	44.5	45.5
Earnings per Share of Common Stock	\$1.63	\$2.03	\$1.99	\$1.89	\$1.63
Dividends Paid per Share of Common Stock	\$1.62	\$1.54	\$1.46	\$1.38	\$1.30

Common Stock Price Range and Dividends Paid per Share

	1993			1992		
	Market Price		Dividends Paid	Market Price		Dividends Paid
	High	Low		High	Low	
First Quarter	\$33¼	\$28⅝	40.5¢	\$27¼	\$25	38.5¢
Second Quarter	34¼	28¾	40.5	28⅜	24¼	38.5
Third Quarter	33⅞	32¼	40.5	30	28	38.5
Fourth Quarter	33	28¼	40.5	29¾	27	38.5

All common stock data have been adjusted to reflect the two-for-one common stock split, effected by a 100% stock dividend paid on March 6, 1992, to shareholders of record on February 10, 1992.

The Corporation changed its method of accounting for unbilled revenues in 1993. Pro forma amounts assuming that the change in accounting for unbilled revenues had been adopted retroactively are not materially different from amounts previously reported for prior years.

Overview

The electric utility industry is changing rapidly and becoming more competitive. Several years ago, in anticipation of increasing competition and fundamental changes in the industry, the Corporation's management developed a four-part strategic plan. This plan is designed to help position the Corporation to be competitive in the rapidly changing environment that the CSW System currently faces. The four-part strategy is:

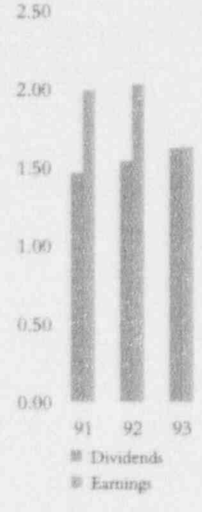
- Enhance the Corporation's core electric utility business.
- Expand the Corporation's core electric utility business.
- Expand the Corporation's non-utility business.
- Pursue financial initiatives.

Since the introduction of CSW's strategic plan in 1990, the Corporation has undertaken initiatives in each of these areas that are important steps in the implementation of the overall strategy. These initiatives were marked by three events in 1993 that were extraordinary in nature and are discussed below as well as other sections of this report. Such events include the proposed acquisition of El Paso Electric Company and the reorganization of the Corporation's core business. In addition, the Corporation has faced some operational challenges during the past year with the outage at STP.

Proposed El Paso Merger

The Corporation and El Paso have entered into a Merger Agreement under which El Paso would emerge from bankruptcy protection as a wholly owned subsidiary of the Corporation. All classes of El Paso's creditors and shareholders have approved the Modified Plan which sets forth the consideration to be paid in connection with the merger. The total value of the Corporation's offer to acquire El Paso is approximately $2.2 billion. The aggregate number of shares of CSW Common to be issued pursuant to the Modified Plan cannot be determined at this time due to certain contingencies, including the future price of CSW Common, future dividend rates on CSW Common and the timing of the effective date of the Modified Plan. While the total number of shares of CSW Common ultimately to be issued cannot be determined, the value of the shares issued is expected to be approximately $770 million based on the anticipated effective date of early 1995. Depending on the number of shares issued and the outcome of other matters discussed below, existing holders of CSW Common may experience short-term dilution in earnings. The Corporation has requested authority from the SEC under the Holding Company Act to engage in certain hedging strategies designed to minimize potential dilution. The Corporation has also requested authorization to hedge the interest rates to be borne by certain of the debt securities to be issued pursuant to the Modified Plan, which calls for the interest rates to be set at or about the effective time of the merger. There can be no assurances, however, when or if the SEC will authorize the Corporation to engage in hedging transactions.

Earnings and Dividends per Share
Dollars



Completion of the merger is subject to various conditions, including receipt of necessary regulatory approvals. The Corporation and El Paso have initiated the process of seeking regulatory approvals, but there can be no assurances as to when, on what terms or whether the required approvals will be received. The effectiveness and success of the merger is also dependent upon certain assumptions. The financial assumptions underlying the Modified Plan assume, among other things, that El Paso will secure regulatory approvals necessary to implement acceptable rate treatment.

A glossary of certain terms used in this discussion is on page 62.

Other contingencies which could impact the success of the merger include the risk of competition in serving key portions of El Paso's service area, financial risk arising out of changes in interest rates and the price of CSW Common, regulatory risk principally related to approval of the merger and El Paso's request for a rate increase, and operating risk associated with the ownership of an interest in the Palo Verde nuclear facility.

STP

In February 1993, Units 1 and 2 of STP were shut down by HLP, the Project Manager, in an unscheduled outage resulting from mechanical problems relating to two auxiliary feedwater pumps. HLP determined that the units would not be restarted until the equipment failures had been corrected and the NRC was briefed on the causes of these failures and the corrective actions that were taken. The NRC formalized that commitment in a confirmatory action letter, which was supplemented after subsequent NRC inspections.

The NRC announced in June 1993 that STP was placed on its "watch list" of plants with "weaknesses that warrant increased NRC attention." Plants on the watch list are subject to closer NRC oversight. STP will remain on the NRC's watch list until both units return to service and a period of good performance is demonstrated.

During the outage, the necessary improvements have been made by HLP to address the issues in the confirmatory action letter, as supplemented. On February 15, 1994, the NRC agreed that the confirmatory action letter issues had been resolved with respect to Unit 1, and that it supported HLP's recommendation that Unit 1 was ready to restart. Unit 1 restarted in late February 1994 and operated at low power for three days. The Project Manager then shut down Unit 1 due to a problem with a steam generator feedwater valve and a steam generator tube leak. The Project Manager expects to make the necessary repairs and restart Unit 1 in late March 1994, although additional delays may occur.

While many of the corrective actions taken are common to both units, HLP must demonstrate to the NRC that these issues are also resolved with respect to Unit 2 before it is restarted. HLP estimates that Unit 2 will restart during the second quarter of 1994. The outage has not affected CPL's ability to meet customer demands because of existing capacity and CPL's ability to purchase additional energy from affiliates and nonaffiliates.

As discussed below under "Results of Operations," the outage resulted in an additional \$29 million of operating, maintenance and other costs. CPL is expected to continue to experience increased STP-related operations and maintenance costs but at a level significantly lower than 1993 expenses.

During the outage, CPL's fuel and purchased power costs have been, and are expected to continue to be, increased as the power normally generated by STP must be replaced through sources with higher costs. It is unclear how the Texas Commission will address the reasonableness of higher costs associated with the STP outage. At January 31, 1993, before the start of the STP outage, CPL had an over-recovered fuel balance of \$5.2 million, exclusive of interest. At January 31, 1994, CPL's under-recovered fuel balance was \$55.7 million, exclusive of interest. This under-recovery of fuel costs, while due primarily to the STP outage, was also affected by changes in fuel prices and timing differences. CPL cannot accurately estimate the amount of any future under- or over-recoveries due to the unpredictable nature of the above factors. Although there is the potential for disallowance of fuel-related costs, such determination cannot be made until fuel costs are reconciled with the Texas Commission. If a significant portion of fuel costs were disallowed by the Texas Commission, the Corporation could experience a material adverse effect on its consolidated results of operations in the year of any disallowance. CPL is required by the Texas Commission's rules to file a reconciliation of its fuel costs by May 1, 1994. However, the Texas Commission Staff is proposing a revised filing deadline that would not require CPL to file before the fourth quarter of 1994.

Management believes that the operating outage at STP will not have a material effect on the Corporation's financial condition or on its consolidated results of operations.

See Note 10 Litigation and Regulatory Proceedings of the Notes for additional information related to STP.

Restructuring

The Corporation recently announced a management restructuring and early retirement program designed to consolidate and restructure its operations in order to meet the challenges of the changing electric utility industry and to compete effectively in the years ahead. The underlying goal of the restructuring is to enable the Electric Operating Companies to focus on and be accountable for serving customers.

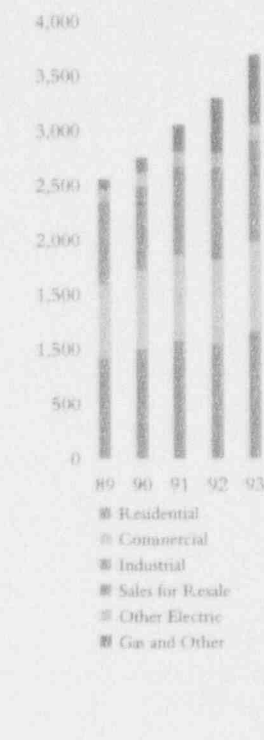
The initial phase of the restructuring will involve certain changes at the Corporation's service company, CSWS. CSWS will be realigned into two primary units—Operation Services and Production Services. Operation Services will provide administrative services that can be performed centrally to benefit the CSW System. Production Services will focus on consolidated fuel and generation planning for the Electric Operating Companies and also provide engineering and other support for CSWE. Certain aspects of the restructuring may be subject to SEC approval.

To implement its restructuring program, the Corporation will consolidate and centralize its operation services and production services. The Corporation is expected to reduce the size of its work force and incur costs associated with an early retirement program, severance packages and relocation. An early retirement program has been offered to 726 eligible employees. Since the restructuring is not expected to be completed until the end of 1994, it is not possible at this time to predict the number of employees who will take the early retirement program, be granted severance packages or be relocated. The total cost of the restructuring is estimated to be $97 million before taxes, and was expensed in 1993.

The severance and relocation costs will be paid from general corporate funds in 1994 and early retirement costs from pension and postretirement benefit plan trusts. Savings from the restructuring are expected to begin in the second half of 1994. By the end of 1995, initial costs should be fully recovered through operations and maintenance cost savings.

The Corporation established a Business Improvement Plan in 1991 to identify, analyze and implement the best business practices as part of its efforts to align the CSW System strategically to meet competitive forces. The BIP program will be incorporated as part of the reorganization. Any additional costs are expected to be offset by future savings from the benefits provided through the implementation of BIP recommendations.

Revenues by Class
Dollars in Millions



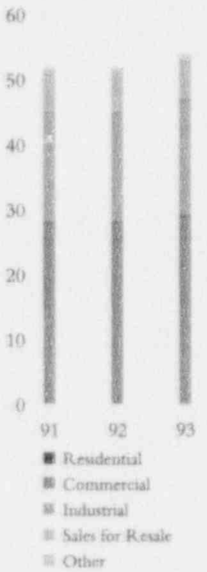
Results of Operations

Overview of Results

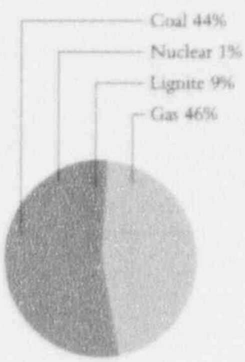
The Corporation's earnings declined to $308 million or $1.63 per share in 1993 as compared to $382 million or $2.03 per share in 1992 and $375 million or $1.99 per share in 1991. The return on average common stock equity was 10.6% in 1993 compared to 13.5% in 1992 and 13.6% in 1991. Electric operations contributed approximately 100% of total earnings in 1993, 95% in 1992, and 96% in 1991.

Earnings in 1993 were below 1992 levels due to additional costs primarily associated with the outage at STP; higher benefit costs as a result of the adoption of SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions; higher taxes other than income as a result of school funding tax increases in Texas; and the increase in the Federal tax rate from 34% to 35%. These items were partially offset by higher kilowatt-hour sales due to 1993 weather which was more favorable than weather in 1992.

Kilowatt-Hour Sales
Billions of Kilowatt-Hours



1993 Fuel Mix



In addition, earnings in 1993 were significantly affected by items described below:

	(millions, after-tax)
Restructuring charges	$(63)
Recognition of unbilled revenues	49
Early adoption of SFAS No. 112, Employers' Accounting for Postemployment Benefits	(9)
Adoption of SFAS No. 109, Accounting for Income Taxes	6
Establishment of reserves for fuel and other properties	(11)
Prior year tax adjustments	(18)

The increase in earnings in 1992 over 1991 was primarily the result of positive economic growth in the service territories of the Electric Operating Companies, as well as lower expenses, taxes and interest charges which combined to more than offset the effect of mild weather in 1992.

Operating Revenues
Revenues increased 12.1% in 1993, 7.9% in 1992 and 11.0% in 1991 from the previous years due to the following items:

	Revenue Increase (Decrease) From Prior Year		
	1993	1992	1991
		(millions)	
Base rate changes	$ 8	$ -	$127
Fuel costs	168	-	8
Natural gas	107	255	110
KWH sales	93	(25)	81
Other	22	12	(23)
	$398	$242	$303

Base revenue increased slightly in 1993 due primarily to the rate increase granted to PSO. As part of a stipulated agreement reflecting its recent rate increase, PSO agreed that it will not file for an increase in base rates until after June 30, 1995. In general, the Electric Operating Companies currently have no plans to file for increases in base rates in the near future. As part of stipulated agreements, CPL has agreed to freeze base rates from January 1, 1991, through 1994, subject to certain force majeure events, including double-digit inflation, major tax increases, extraordinary increases in operating expenses or serious declines in operating revenues. CPL may file for increases in base rates, which would be effective after December 31, 1994, subject to certain limitations. During December 1993 and January 1994, several Cities in CPL's service territory exercised their rights to require CPL to file rate cases to determine if CPL's rates are fair, just and reasonable.

For additional information on these proceedings and others, see Note 10 Litigation and Regulatory Proceedings.

Higher fuel costs resulted from increased generation due to higher KWH sales and a higher unit cost of fuel, primarily due to higher natural gas prices and the need to replace nuclear fuel with higher cost fuels during the STP outage.

Revenues from natural gas increased 22% in 1993 due primarily to an increase in sales volumes and to a lesser extent an increase in sales prices. Transok continued to increase volumes and revenue on gathering, transportation, and sales of natural gas and natural gas liquids. A portion of this increase is attributable to the acquisition of the NGC Anadarko Gathering System in 1993. Revenue increases in 1993 from the sale of natural gas liquids and increases in sales volumes are primarily attributable to acquisitions. Revenues from natural gas increased 106% in 1992 due to the acquisition

of gas gathering systems from Reliance Pipeline Company. In 1991, increases were due to the acquisition of the gas gathering, transmission and marketing business of TEX/CON Oil & Gas Company, and the remaining interest in the Western Anadarko Gas Gathering System.

The percentage changes in KWH sales for the three years were as follows:

	KWH Sales Increase (Decrease) From Prior Year		
	1993	1992	1991
Residential	9.0%	(4.2)%	2.5%
Commercial	4.8	(1.1)	1.6
Industrial	5.5	3.1	4.8
Sales for resale	(6.6)	5.4	7.5
Total sales	4.9	0.1	3.5

KWH sales to retail customers increased in 1993 from 1992 as a result of more normal 1993 weather compared to the mild weather experienced in 1992. Also contributing to the increase in 1993 was an increase in customers due to the acquisition by SWEPCO of a neighboring electric cooperative. The increase in 1991 was due primarily to increased usage per customer, which was mainly weather-related. The continued increases in industrial sales over the last three years reflect the increased marketing efforts by the Electric Operating Companies and the continued improvement in the economy throughout their service areas. Sales for resale decreased in 1993 because plants in the CSW System were producing power to replace the power normally produced at STP and increased in 1992 due to increased marketing efforts.

The Electric Operating Companies have maintained competitive rates in an increasingly competitive marketplace. Efforts have increased at each of the Electric Operating Companies to attract new customers while efficiently serving all customers. Economic conditions in the service areas of the Electric Operating Companies are expected to continue to improve in 1994.

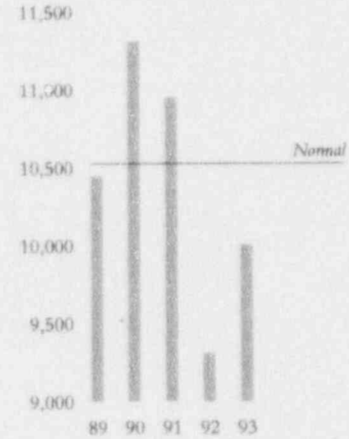
Fuel and Purchased Power Expense
During 1993, the Electric Operating Companies generated 91% of their electric energy requirements. During 1992 and 1991 they generated 94% and 96%, respectively. Total fuel and purchased power expense increased 17% in 1993, and was unchanged in 1992. In 1993, the reduction in electric energy requirements generated by the Electric Operating Companies described above and the increase in purchased power expense was due primarily to the need to replace nuclear power during the STP outage.

The average unit cost of fuel per million Btu was $2.11 in 1993, $1.92 in 1992, and $1.87 in 1991. The increases in unit fuel costs are attributable to higher gas costs as well as the need to replace lower cost nuclear fuel with coal and gas during the STP outage. The expected restart of STP Unit 1 in the first quarter of 1994, the anticipated restart of Unit 2 during the second quarter of 1994 and settlements with fuel suppliers achieved by SWEPCO and WTU should contribute to lower fuel costs in 1994.

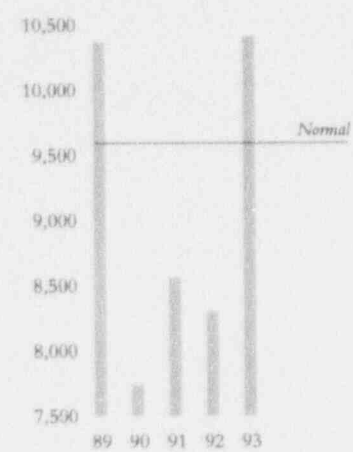
Gas Purchased for Resale
Gas purchased for resale increased 29% in 1993 and 171% in 1992 due to the increased pipeline capacity that resulted from Transok's acquisitions and an increase in off-system sales.

Other Operating and Maintenance Expenses and Taxes
Other operating and maintenance expenses increased in 1993. CPL incurred $29 million in additional non-fuel costs associated with the STP outage. Other increases included $16 million from expenses associated with SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions; $17 million in lignite and other property reserves; $15 million in increases in corporate expenditures; and $15 million in additional administrative and general expenses including higher medical costs, pension costs, and legal expenses.

Combined Cooling Degree Days
Degree Days

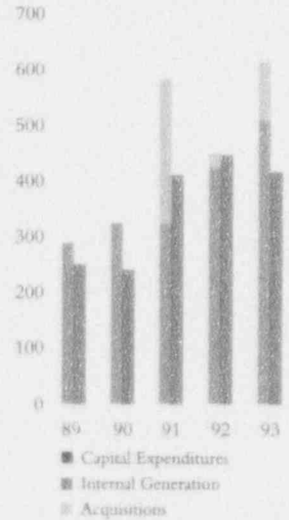


Combined Heating Degree Days
Degree Days



Federal income taxes were lower in 1993 than 1992 due to lower taxable income offset in part by tax adjustments and the increase in the corporate tax rate from 34% to 35% effective retroactive to January 1, 1993. Taxes other than Federal increased in 1993 and 1992 due to school funding tax increases in Texas.

Capital Expenditures
Dollars in Millions



Annual inflation rates, as measured by the national Consumer Price Index, have averaged about 3.3% during the three years ended December 31, 1993. Management believes that inflation, at these levels, does not materially affect the Corporation's consolidated results of operations or financial position. However, under existing regulatory practice, only the historical cost of plant is recoverable from customers. As a result, cash flows designed to provide recovery of historical plant costs may not be adequate to replace plant in future years.

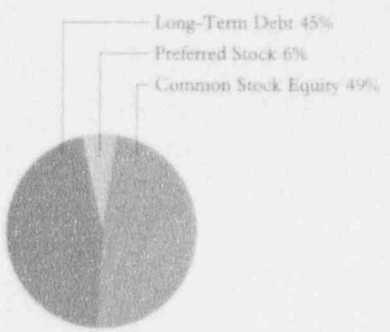
Mirror CWIP Amortization

In 1990, CPL deferred carrying costs for STP Units 1 and 2 and established a corresponding liability to customers recorded in Mirror CWIP liability and other. CPL is amortizing this Mirror CWiP liability in declining amounts over a five year period, including non-cash earnings of $76 million in 1993, $83 million in 1992 and $97 million in 1991, with $68 million and $41 million remaining for 1994 and 1995, respectively.

Interest Expense

Interest expense on long-term debt decreased in 1993 due to continued refinancings, lowering the Corporation's embedded cost of long-term debt from 8.3% in 1992 to 7.8% in 1993. Interest expense on long-term debt increased in 1992 primarily due to the issuance of $140 million in medium-term notes by Transok which was partially offset by the refinancing of higher cost long-term debt. Short-term interest expense increased in 1993 due to increased borrowings attributable to the expansion of CSW Credit's business, interim financing of CSWE's projects, and the financing of various corporate initiatives, partially offset by lower interest rates. Short-term interest expense decreased in 1992 due to lower rates.

1993 Capital Structure



Cumulative Effect of Changes in Accounting Principles

In 1993, the Corporation implemented SFAS No. 112, Employers' Accounting for Post Employment Benefits, SFAS No. 109, Accounting for Income Taxes and changed the method of accounting for unbilled revenues. These changes are presented as a net $46 million cumulative effect of changes in accounting principles.

Liquidity and Capital Resources

Overview

The historical capital requirements of the CSW System have primarily been for the construction of electric utility plant. Large capital expenditures for the construction of new generating capacity are not planned through the end of this decade. Accordingly, internally generated funds should meet most of the capital requirements of the Electric Operating Companies. However, the Corporation's strategic initiatives may require additional capital. Primary sources of capital are long-term debt and preferred stock issued by the Electric Operating Companies, common stock issued by the Corporation and internally generated funds. In addition, the non-electric subsidiaries used new sources of capital in 1993 including a private medium-term note program at Transok and various forms of non-recourse financing at CSWE. The Corporation, in order to strengthen its capital structure and support growth from time to time, may decide to issue additional shares of its common stock.

Productive investment of net funds from operations in excess of capital expenditures and dividend payments are necessary to enhance the long-term value of the Corporation for its investors. The Corporation is continually evaluating the best use of these funds. The Corporation is required to obtain authorization from various regulatory bodies in order to invest in any additional business activities.

Capital Expenditures

Capital expenditures totaled $508 million in 1993. Based on projections of growth in peak demand, the CSW System will not require significant additional generating capability through the end of this decade. Planned construction expenditures for the Electric Operating Companies for the next three years are primarily to improve and expand transmission and distribution facilities. These improvements will be required to meet the needs of new customers and the growth in the requirements of existing customers. Capital expenditures without regard to capital required for acquisitions by CSW or its subsidiaries, if any, are expected to be $535 million, $466 million, and $487 million during 1994, 1995, and 1996, respectively. Approximately 13% of the total for the three-year period is for expected expansion of Transok's gas pipeline system.

The CSW System facilities plan presently includes projected coal- and lignite-fired generating plants for which the CSW System has invested approximately $140 million in prior years for plant sites, engineering studies and lignite reserves. In 1993, as part of an analysis of its facilities plan, the Corporation rejected certain lignite leases and wrote down its lignite related investment by approximately $14 million. Should future plans exclude these plants for environmental or other reasons, the Corporation would evaluate the probability of recovery of these investments and record appropriate reserves.

Long-Term Financing

During 1993 and the first two months of 1994, the majority of the CSW System's long-term financing consisted of refinancing high cost debt with lower cost debt, summarized as follows:

	Debt Issued				Debt Reacquired			
	Security	Amount (millions)	Rate	Maturity	Security	Amount (millions)	Rate	Maturity
CPL	FMB[1]	$ 25	7 1/8%	1999	FMB[1]	$ 25	8 3/4%	2000
	FMB[1]	115	7 1/2	2002	FMB[1]	40	9 3/8	2004
					FMB[1]	75	8 7/8	2008
	FMB[3]	50	6 7/8	2003	FMB	46	8	2003
	FMB	75	7 1/8	2008	FMB	75	8 1/4	2007
	FMB	100	6	2000	FMB	150	9 3/4	1998
	FMB[3]	100	7 1/2	2023				
	PCRB	120	6	2028	PCRB	70	10 1/8	2014
					PCRB	50	9 3/4	2015
PSO	FMB[2]	35	6 1/4	2003	FMB	31	8 1/4	2004
	FMB	100	7 3/8	2023	FMB	100	9	2016
	FMB	50	6 1/2	2005	FMB	50	8 3/4	2005
SWEPCO	PCRB[1]	54	7.6	2019	PCRB[1]	54	10	2013
	FMB[3]	55	6 3/8	2003	FMB	51	8.85	2016
	FMB[3]	45	7 1/4	2023	FMB	42	9 1/8	2019
	FMB[3]	45	5 1/4	2000	FMB	20	7	1997
					FMB	23	7 1/2	2001
	FMB[4]	80	6 7/8	2025				
WTU	FMB[2][3]	40	6 1/8	2004	FMB	23	7 7/8	2003
					FMB[2]	12	7 1/4	1999
TRANSOK	MTN[4]	60	6.6-7 3/4	2003-2023				

[1] *Reacquisition occurred in 1993 with proceeds from the issuance of FMBs in 1992. The funds held for these reacquisitions were reflected on the December 31, 1992 consolidated balance sheet in special deposits.*

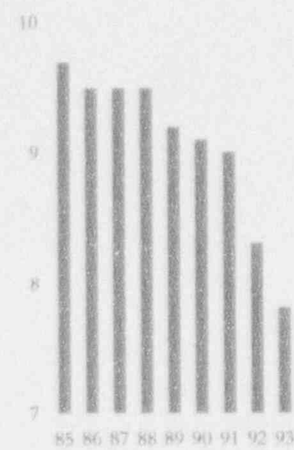
[2] *Issuance and reacquisition occurred in 1994 and are not reflected on the December 31, 1993 consolidated balance sheet.*

[3] *The proceeds remaining after the reacquisition of debt were used for general corporate purposes.*

[4] *Proceeds were used to repay short-term debt.*

Embedded Cost of Long-Term Debt

Percent



The 1993 refinancings lowered the CSW System's embedded cost of long-term debt from 8.3% in 1992, to 7.8% in 1993. The CSW System continually monitors the capital markets for opportunities to lower its cost of capital through refinancing.

Certain Electric Operating Companies have filed shelf registration statements with the SEC for the sale of first mortgage bonds. CPL and WTU currently have $360 and $60 million remaining under their respective shelf registration statements.

In 1993, Transok sold an aggregate of $60 million of medium-term notes, completing its $200 million private medium-term note program. Proceeds from the sale of these notes were used primarily to repay interim financings provided by the Corporation for acquisitions by Transok in 1991.

The Electric Operating Companies and Transok may issue additional debt securities, subject to market conditions and other factors, to refund debt, to meet capital expenditure needs, and for other general corporate purposes.

The Corporation is considering acquiring other electric utility companies or other electric utility properties. For any major acquisition, additional funds from the capital markets, including the issuance of common stock in underwritten public offerings, in the acquisition transaction itself, or otherwise, may be required.

In connection with the proposed El Paso acquisition CSW plans to issue new shares of CSW Common. As discussed above, the aggregate number of shares of CSW Common to be issued pursuant to the Modified Plan cannot be determined at this time. The total value of such shares is projected to be approximately $770 million.

In 1993, the Corporation modified its PowerShare dividend reinvestment plan. The new plan is available to all CSW shareholders, employees, eligible retirees, its utility customers and other residents of the four states where the Electric Operating Companies operate. Plan participants are able to make optional cash payments and reinvest all or any portion of their dividends in CSW common shares. Based on the experience of similar plans, the Corporation expects that 1 to 5 percent of its customers will participate, providing an estimated $25 to $50 million of new common stock equity a year.

The Corporation strives to maintain a strong capital structure and credit ratings for each company in the CSW System to provide the flexibility to pursue other business endeavors, the ability to obtain required funds from the capital markets, and the ability to react to changing economic and financial conditions.

Short-term Debt

Short-term debt, except for CSW Credit, is used primarily to meet fluctuations in working capital requirements and other interim capital needs. The primary source of short-term borrowings is the issuance of the Corporation's commercial paper, of which $769 million was outstanding at December 31, 1993. Bank lines of credit aggregating $797 million at year end were maintained by the Corporation to back up its commercial paper program. Strategic goals include high ratings on commercial paper and adequate bank lines of credit to provide maximum flexibility.

The maximum amount of consolidated short-term debt outstanding in 1993 was $1,465 million in September which represented 24% of total capitalization at December 31, 1993. The average amount of short-term debt outstanding during 1993 was $1,219 million, of which $683 million was attributable to CSW Credit. The weighted average cost of short-term debt was 3.4% in 1993. Short-term debt outstanding increased due to increases at CSW Credit due to the addition of a significant customer, the interim funding of certain CSWE construction projects and continued expenditures for new corporate initiatives.

CSW Energy
At December 31, 1993, the Corporation had loaned $209 million to CSWE on an interim basis for the purpose of developing and constructing cogeneration facilities. Repayment of these amounts to the Corporation is expected to be through funds obtained from third party non-recourse project financing. In late February 1994, CSWE closed permanent project financing for its 50% owned Mulberry facility, which is described below, and repaid $94 million of the interim financing provided by the Corporation. In addition to the amounts already expended in 1993 for the development of projects, CSWE has authority from the SEC to expend up to $102 million on future projects.

CSW Credit
CSW Credit purchases without recourse the accounts receivable of the Operating Companies and certain non-affiliated electric companies. CSW Credit's capital structure contains greater leverage than that of the Operating Companies, consequently lowering the Corporation's cost of capital.

CSW Credit issues commercial paper, secured by the assignment of its receivables, to meet its financing needs. CSW Credit maintains a revolving credit agreement which aggregated $960 million at December 31, 1993 to back up its commercial paper program.

Recent Developments and Trends

Competition and Industry Challenges
The Corporation's business has been, and will continue to be affected by various challenges that confront the electric utility industry generally. The CSW System currently faces competition for power sales in the wholesale market. In the future, the Corporation may face similar competition for retail sales from other utilities, independent power producers or alternative sources of electricity or other energy. To date, the CSW System has been successful in meeting the competition.

In 1993, PSO and SWEPCO filed with the FERC tariffs under which they make generally available firm and non-firm transmission services for other electric utilities on the combined PSO and SWEPCO transmission systems in the Southwest Power Pool. The FERC accepted the tariffs for filing on November 4, 1993. The tariffs will expose the CSW System to some additional risk of loss of load or reduced revenue resulting from competition with alternative suppliers of electric power.

Other industry-wide issues confronting the Corporation and its subsidiaries include current and proposed stringent nuclear, environmental and other regulation and deregulation. In addition, the Corporation and its subsidiaries are continuing to manage costs and rates and focus on new initiatives, including non-utility initiatives, in order to maintain its financial strength and reach its financial targets.

Holding Company Act
The Holding Company Act generally limits the operations of a registered holding company to a single integrated public utility system, plus such additional businesses as are functionally related to such system. Among other things, the Holding Company Act requires the Corporation and its subsidiaries to seek prior SEC approval before effecting mergers and acquisitions or pursuing other types of initiatives. Pervasive regulation under the Holding Company Act may impede or delay the Corporation's efforts to achieve its strategic and operating objectives, including its pursuit of non-utility initiatives. The Corporation is continuing its efforts to modify the Holding Company Act in order to provide the flexibility to compete within the changing environment.

Litigation and Regulatory Proceedings
PSO has been named a defendant in complaints filed in federal and state courts in Oklahoma alleging, among other things, that some of the plaintiffs and the property of other plaintiffs were contaminated with PCBs and other toxic by-products

following certain incidents, including transformer malfunctions. To date, complaints representing approximately $735 million (including compensatory and punitive damages) of claims have been dismissed, certain of which resulted from settlements among the parties. The settlements did not have a significant effect on the Corporation's consolidated results of operations. Remaining complaints currently total approximately $396 million, of which approximately one-third represents punitive damages. Although management cannot predict the outcome of these proceedings, it believes that PSO has defenses to these complaints and intends to pursue them vigorously. Moreover, management has reason to believe that PSO's insurance may cover some of the claims. Management also believes that the ultimate resolution of these cases will not have a material adverse effect on the Corporation's consolidated results of operations.

Four pending lawsuits, naming CPL as one of the defendants, allege that property damage and health impairment affects residents near the Industrial Road and Industrial Metals site in Corpus Christi, Texas. This site was used by several metal salvage companies for the salvage of various materials purchased from electric utilities. Although management cannot predict the outcome of these procedings, based on the defenses that management believes are available to CPL, management believes that the ultimate resolution of the pending lawsuits will not have a material adverse effect on the Corporation's consolidated results of operations.

Reference is made to Note 10 Litigation and Regulatory Proceedings, for additional information relating to litigation and regulatory proceedings during 1993 involving the Electric Operating Companies.

Consolidated Taxes

The Texas Commission has historically allowed recovery in rates of an income tax component based on the Federal income tax incurred by a utility as if it were a stand-alone company. However, in two recent rate determinations, the Texas Commission reduced another Texas utility's tax losses and other items. The Texas Supreme Court has agreed to review the decision of a court of appeals which determined that the Texas Public Utility Regulatory Act requires the Texas Commission to reduce rates by the tax benefit of losses of an unregulated affiliate.

The Corporation believes that Federal income taxes should be determined on a stand-alone basis for ratemaking purposes. Presently, this issue does not have a significant effect on the Corporation.

Environmental

The operations of the CSW System, like those of other utility systems, generally involve the use and disposal of substances subject to environmental laws. CERCLA, the federal "Superfund" law, addresses the cleanup of sites contaminated by hazardous substances. Superfund requires that PRPs fund remedial actions regardless of fault or the legality of post disposal activities. Many states have similar laws. Theoretically, any one PRP can be held responsible for the entire cost of a cleanup. Typically, however, cleanup costs are allocated among PRPs.

The Electric Operating Companies have been named as responsible parties under federal or state remedial laws thirteen times, and have resolved seven of those claims without a material adverse effect on the Corporation. The Corporation does not anticipate that resolution of the remaining six claims, individually or in the aggregate, will have a material adverse effect on it. Although the reasons for this expectation differ from site to site, factors that are the basis for the expectation for specific sites are the volume and/or type of waste allegedly contributed by the Electric Operating Company, the estimated amount of costs allocated to the Electric Operating Company and the participation of other parties.

Contaminated former MGPs are a type of site which utilities, and others, may have to remediate in the future under Superfund or other federal or state remedial programs. Gas was manufactured at MGPs from the mid-1800's to the mid-1900's. In some cases, utilities and others have faced potential liability for MGPs because they, or their alleged predecessors, owned or operated the plants. In other cases, utilities or others may have been subjected to such liability for MGPs because they acquired MGP sites after gas production ceased. SWEPCO is investigating contamination at a suspected MGP in Marshall, Texas. Although it has not been determined whether a cleanup will be required at this site, preliminary estimates of potential response costs indicate that such costs would not be material to the Corporation. As more information is obtained about the site, and SWEPCO discusses the site with the TNRCC, the preliminary estimates may change. If a cleanup is required, SWEPCO intends to seek contribution from other PRPs.

Under the Clean Air Amendments of 1990, beginning in the year 2000 the Electric Operating Companies will be required to hold allowances in order to emit sulfur dioxide. The Corporation believes, based on the CSW System facilities plan, that its allowances are adequate to meet the needs of the Electric Operating Companies at least through 2008. These amendments also direct the EPA to issue regulations governing nitrogen oxide emissions. Currently the Corporation anticipates spending $15 million on continuous emission monitoring equipment from 1993 through 1995. In addition, these amendments require government studies to determine what controls, if any, should be imposed on utilities to control air toxic emissions. The impact that the nitrogen oxide emission regulations, and the air toxics study, will have on the Electric Operating Companies cannot be determined at this time.

Research is ongoing whether exposure to EMFs may result in adverse health effects or damage to the environment. Although a few of the studies to date have suggested certain associations between EMFs and some types of adverse health effects, the research to date has not established a cause-and-effect relationship between EMFs and adverse health effects. The Corporation cannot predict the impact on the CSW System or the electric utility industry if further investigations or proceedings were to establish that the present electricity delivery system is contributing to increased risk or incidence of health problems.

Fuel Settlements

During December 1993, two major disputes involving litigation with long-term contract coal suppliers were settled. One dispute related to a coal supply contract between WTU and Exxon Coal USA, Inc. and the other to a coal supply contract between SWEPCO and Amax Coal Company. In each case, the prior contract was replaced with a new or amended and restated coal supply agreement. Both settlements are expected to result in reduced fuel costs both now and in the future.

In January 1994, SWEPCO entered into a settlement with Delhi Gas Pipeline Co. of litigation between the parties regarding a gas supply contract. The settlement provided for termination of the existing gas supply contract, which otherwise would have expired in March 1995, and a new four-year gas supply contract between the parties. The settlement is expected to result in a reduction of SWEPCO's gas costs now and in the future.

The benefit of these settlements will be passed through to customers of WTU and SWEPCO through fuel costs adjustment mechanisms.

Non-Utility Initiatives

Transok

Transok is an intrastate natural gas gathering, transmission, marketing and processing company that provides natural gas services to CSW System companies, predominately PSO, and to non-affiliated gas customers throughout the United States. Transok's natural gas facilities are located in Oklahoma, Louisiana and Texas. It operates gas processing plants and markets natural gas liquids produced from those plants to various markets.

In 1993, Transok completed the purchase of the NGC Anadarko Gathering System, which included a processing plant and approximately 350 miles of gathering facilities. Transok also completed a new pipeline connecting the 125-megawatt San Angelo power station owned by WTU to Northern Natural Gas Company. The 34-mile connection will create an opportunity to reduce WTU's fuel costs and improve its reliability by offering easier access to competitively priced interstate gas, especially in times of peak usage.

Transok also began building a 41-mile pipeline in Oklahoma, to connect its Wynnewood line to its Comanche processing plant. When completed in 1994 it will serve PSO by alleviating constraints on other Transok pipeline facilities.

CSW Energy

CSWE was reactivated in 1990 for the purpose of developing business opportunities primarily in the area of independent power and cogeneration. This wholly-owned subsidiary of the Corporation is authorized to develop various non-utility generation projects and to own and operate such projects, subject to further regulatory approvals.

At December 31, 1993, CSWE had made equity investments of $28 million and currently intends to make additional equity investments of $30 million in 1994.

CSWE has an interest in two facilities which have achieved commercial operation. The 40-megawatt facility at Oildale, California, has 23-year agreements to supply steam to Witco Corporation's oil refinery and to sell electricity to Pacific Gas and Electric Company. The second project, which began commercial operation on January 17, 1994, is a 68-megawatt, gas fired plant in Brush, Colorado. The project provides steam and hot water for a 15-acre greenhouse and sells electricity to Public Service Company of Colorado.

Two other plants are expected to be completed during 1994. CSWE's 50-percent owned Ft. Lupton facility, a 272-megawatt gas-fired plant in Fort Lupton, Colorado, will provide steam and hot water for a 20 acre greenhouse and will sell electricity to Public Service Company of Colorado. The other facility is CSWE's 50-percent owned Mulberry facility, a 117-megawatt gas-fired cogeneration plant in Polk County, Florida. This facility will provide steam for a thermal host and will sell electricity to Florida Power Corporation and Tampa Electric Company. The CSW System is providing engineering, procurement and construction management services for the Mulberry project. CSWE's operating and maintenance division will operate this project.

In late 1993, development commenced on a 102-megawatt, gas-fired plant in Florida that will provide thermal energy to an orange juice processor and will sell electricity to Florida Power Corporation. In addition, construction will begin on a 148-megawatt plant near Sacramento, California, which will have an ethanol plant as thermal host and will supply electricity to the Sacramento Municipal Utility District.

In addition to these projects, CSWE has another ten projects totaling more than 3,000 megawatts in various stages of development, mostly in affiliation with other developers. All of these projects are subject to further negotiations and regulatory approvals.

Mexico

In 1993 CSW continued its Mexico initiative that began in 1992. The Corporation's goal is to participate in providing the country's future electricity needs. Mexico is projecting growth in electricity requirements of more than 5.5% per year over the next decade. The geographical location of the CSW System offers opportunities to provide bulk power sales to Mexico. In addition, the Corporation intends to participate in the development of transmission facilities, independent power projects and cogeneration in Mexico. Recent changes in Mexican statutes and regulations now permit participation in such ventures. The opening of an office in Mexico City allows CSW greater access to key Mexican industrial and governmental officials, permitting the Corporation to more readily evaluate opportunities as they become available. The passage of the North American Free Trade Agreement in 1993 should enhance the potential for the Corporation to become far more active in the Mexican electric power market.

Other Initiatives

To meet its strategic goals the Corporation will continue to search for possible electric utilities to acquire and will continue evaluating opportunities to pursue functionally related non-utility businesses. The Corporation is, for example, exploring opportunities in telecommunications, energy, the environment, and other technologies. Furthermore, the Corporation has broken ground for the most comprehensive renewable energy project in the Southwest, encompassing photovoltaics, wind turbines, rooftop solar panels, and innovative solar-dish Stirling engines.

Consolidated Statements of Income

Central and South West Corporation

	For the Years Ended December 31		
	1993	1992	1991
Operating Revenues	(millions except per share amounts)		
Electric			
Residential	$1,160	$1,046	$1,081
Commercial	832	773	778
Industrial	736	659	632
Sales for resale	179	177	173
Other	148	135	139
Gas and other	632	499	244
	3,687	3,289	3,047
Operating Expenses and Taxes			
Fuel and purchased power	1,209	1,035	1,035
Gas purchased for resale	396	306	113
Other operating	679	562	531
Restructuring charges	97	-	-
Maintenance	197	170	181
Depreciation and amortization	330	311	291
Taxes, other than Federal income	197	175	163
Federal income taxes	125	142	167
	3,230	2,701	2,481
Operating Income	457	588	566
Other Income and Deductions			
Mirror CWIP liability amortization	76	83	97
Other	17	(1)	8
	93	82	105
Income Before Interest Charges	550	670	671
Interest Charges			
Interest on long-term debt	219	230	224
Interest on short-term debt and other	50	36	46
	269	266	270
Income before Cumulative Effect of Changes in Accounting Principles	281	404	401
Cumulative Effect of Changes in Accounting Principles	46	-	-
Net Income	327	404	401
Preferred Stock Dividends	19	22	26
Net Income for Common Stock	$ 308	$ 382	$ 375
Average Common Shares Outstanding	188.4	188.3	188.3
Earnings per Share of Common Stock before Cumulative Effect of Changes in Accounting Principles	$ 1.39	$ 2.03	$ 1.99
Cumulative Effect of Changes in Accounting Principles	.24	-	-
Earnings per Share of Common Stock	$ 1.63	$ 2.03	$ 1.99
Dividends Paid per Share of Common Stock	$ 1.62	$ 1.54	$ 1.46

Consolidated Statements of Retained Earnings

	For the Years Ended December 31		
	1993	1992	1991
		(millions)	
Retained Earnings at Beginning of Year	$1,751	$1,659	$1,570
Net income for common stock	308	382	375
Deduct: Common stock dividends	306	290	275
Preferred stock redemption costs	-	-	11
Retained Earnings at End of Year	$1,753	$1,751	$1,659

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

Consolidated Statements of Cash Flows

Central and South West Corporation

	1993	1992	1991
	For the Years Ended December 31 (millions)		
Operating Activities			
Net income	$ 327	$ 404	$ 401
Non-cash items included in net income			
Depreciation and amortization	366	351	326
Deferred income taxes and investment tax credits	94	71	62
Mirror CWIP liability amortization	(76)	(83)	(97)
Restructuring charges	97	-	-
Cumulative effect of changes in accounting principles	(46)	-	-
Changes in assets and liabilities			
Accounts receivable	(64)	(52)	(46)
Unrecovered fuel cost	(63)	(4)	16
Accounts payable	27	53	54
Accrued taxes	45	(41)	10
Other	(13)	(13)	(22)
	694	686	704
Investing Activities			
Capital expenditures	(508)	(422)	(322)
Acquisitions	(106)	(27)	(261)
Non-affiliated accounts receivable purchases	(314)	11	3
CSW Energy projects	(127)	(37)	-
Other	(14)	(8)	(8)
	(1,069)	(483)	(588)
Financing Activities			
Proceeds from issuances of long-term debt	904	1,009	30
Retirement of long-term debt	(50)	(4)	(11)
Reacquisition of long-term debt	(987)	(652)	(30)
Special deposits for reacquisition of long-term debt	199	(199)	-
Redemption of preferred stock	(17)	(13)	(13)
Change in short-term debt and other	603	19	225
Payment of dividends	(325)	(312)	(301)
	327	(152)	(100)
Net Change in Cash and Cash Equivalents	(48)	51	16
Cash and Cash Equivalents at Beginning of Year	110	59	43
Cash and Cash Equivalents at End of Year	$ 62	$ 110	$ 59
Supplementary Information			
Interest paid less amounts capitalized	$ 260	$ 268	$ 271
Income taxes paid	$ 53	$ 108	$ 129

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

Consolidated Balance Sheets

Central and South West Corporation

	As of December 31	
	1993	1992
	(millions)	
ASSETS		
Plant		
Electric utility		
Production	$ 5,775	$ 5,756
Transmission	1,228	1,177
Distribution	2,362	2,182
General	709	628
Construction work in progress	371	264
Nuclear fuel	160	153
Gas	752	666
	11,357	10,826
Less-accumulated depreciation	3,550	3,265
	7,807	7,561
Current Assets		
Cash and temporary cash investments	62	110
Special deposits	2	206
Accounts receivable	813	435
Materials and supplies, at average cost	149	144
Fuel inventory, substantially at average cost	102	136
Gas inventory/products for resale, substantially at LIFO	28	10
Unrecovered fuel cost	70	7
Prepayments and other	53	33
	1,279	1,081
Deferred Charges and Other Assets		
Deferred plant costs	518	519
Mirror CWIP assets	332	342
Other non-utility investments	253	135
Income tax regulatory assets	182	-
Other	252	191
	1,537	1,187
	$10,623	$ 9,829

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

	As of December 31	
	1993	1992
CAPITALIZATION AND LIABILITIES	(millions)	
Capitalization		
Common stock, $3.50 par value, authorized 350,000,000 shares in 1993 and 1992; issued and outstanding 188,405,000 shares in 1993 and 188,371,000 shares in 1992.	$ 659	$ 659
Paid-in capital	518	517
Retained earnings	1,753	1,751
Total Common Stock Equity	2,930	2,927
Preferred stock		
Not subject to mandatory redemption	292	292
Subject to mandatory redemption	58	75
Long-term debt	2,749	2,647
Total Capitalization	6,029	5,941
Current Liabilities		
Long-term debt/preferred stock due within twelve months	26	246
Short-term debt	769	483
Short-term debt – CSW Credit	641	326
Accounts payable	306	279
Accrued taxes	98	53
Accrued interest	55	59
Accrued restructuring charges	97	-
Other	168	116
	2,160	1,562
Deferred Credits		
Income taxes	1,935	1,660
Investment tax credits	335	350
Mirror CWIP liability and other	164	316
	2,434	2,326
	$10,623	$ 9,829

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

1. Summary of Significant Accounting Policies

Public Utility Regulation

Central and South West Corporation is subject to regulation by the Securities and Exchange Commission as a registered holding company under the Public Utility Holding Company Act of 1935. CSW's Operating Companies are also regulated by the SEC under the Holding Company Act. The Corporation's four Electric Operating Companies—Central Power and Light Company, Public Service Company of Oklahoma, Southwestern Electric Power Company, and West Texas Utilities Company—are subject to regulation by the Federal Energy Regulatory Commission. The Electric Operating Companies are subject to further regulation for rates and other matters by state regulatory commissions.

CSW Credit, Inc.

A wholly-owned subsidiary of the Corporation, CSW Credit, purchases, without recourse, the billed and unbilled accounts receivable of the Electric Operating Companies, Transok and certain nonaffiliated companies.

The more significant accounting policies of the Corporation and its subsidiaries are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiary companies. All significant intercompany items and transactions have been eliminated.

Plant

Electric utility plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, overhead items and allowances for borrowed and equity funds used during construction. Gas plant acquisitions are stated at fair market value based on the purchase price while other gas plant is stated at original cost of construction, which includes the cost of contracted services, direct labor, materials, overhead items and capitalized interest.

Depreciation

Provisions for depreciation of plant are computed using the straight-line method, generally at individual rates applied to the various classes of depreciable property. The annual consolidated composite rates averaged 3.2% for 1993, 1992 and 1991.

Nuclear Decommissioning

CPL's portion of the estimated costs of decommissioning STP is $85 million in 1986 dollars based on a site specific study completed in 1986. CPL will continue to review and update this cost estimate and a new study will be completed in 1994. CPL is recovering decommissioning costs through its rates over the 38-year life of STP. The $4 million annual cost of decommissioning is reflected in the income statement as other operating expense. The funds received from customers applicable to decommissioning are paid to an irrevocable external trust and as such are not reflected on the Corporation's consolidated balance sheets. At December 31, 1993, the trust balance was approximately $15 million.

At the end of STP's 38-year life, decommissioning will be accomplished using the decontamination method, which is one of three techniques acceptable by the NRC. Using this method the decontamination activities occur as soon as possible after the end of plant operation. Contaminated equipment is cleaned or removed to a permanent disposal location and the site is generally returned to its pre-plant state.

A glossary of certain terms used in this discussion is on page 62.

Electric Revenues and Fuel
Prior to January 1, 1993, electric revenues were recorded at the time billings were made to customers on a cycle-billing basis. Electric service provided subsequent to billing dates through the end of each calendar month became part of operating revenues of the next month. To conform to general industry standards, the Electric Operating Companies changed their method of accounting to accrue for estimated unbilled revenues. The effect of this change on 1993 net income was an increase of $49 million ($0.26 per share), net of taxes of $26 million. If this change in accounting method was applied retroactively, the effect on consolidated net income for 1992 and 1991 would have been immaterial. This adjustment was recorded in 1993 as a cumulative effect of change in accounting principle.

The Electric Operating Companies recover actual fuel costs through fuel recovery mechanisms. The application of these mechanisms varies by jurisdiction. Fuel costs regulated by Oklahoma, Louisiana, Arkansas and FERC are adjusted automatically. Fuel costs in Texas are recovered as a fixed component of rates whereby over-recoveries of fuel are payable to customers and under-recoveries may be billed to customers after Texas Commission approval. See Note 10, Litigation and Regulatory Proceedings, for further information about fuel recovery.

Deferred Plant Costs
In accordance with orders of the Texas Commission, WTU and CPL deferred operating, depreciation and tax costs incurred for Oklaunion Power Station Unit 1 and STP, respectively, subsequent to their commercial operation dates until retail rates which included Oklaunion and STP in rate base became effective. The deferred costs are being amortized and recovered through rates over the lives of the respective plants. See Note 10, Litigation and Regulatory Proceedings, for further discussion of WTU's and CPL's deferred accounting proceedings.

Statements of Cash Flows
Cash equivalents are considered to be highly liquid debt instruments purchased with a maturity of three months or less. Accordingly, temporary cash investments are considered cash equivalents.

Accounting Changes
Effective January 1, 1993, the Corporation adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions and SFAS No. 112, Employers' Accounting for Postemployment Benefits (See Note 8, Benefit Plans). The Corporation also adopted SFAS No. 109, Accounting for Income Taxes (See Note 2, Federal Income Taxes). In addition, the Electric Operating Companies also changed their method of accounting for unbilled revenues (See Note 1, Summary of Significant Accounting Policies, Electric Revenues and Fuel).

The adoption of SFAS No. 106 resulted in an increase in 1993 operating expenses of $16 million. The adoption of SFAS No. 109, SFAS No. 112 and the change in accounting for unbilled revenues are presented as cumulative effect of changes in accounting principles as shown below:

	Pre-Tax Effect	Tax Effect	Net Income Effect	EPS Effect
		(millions, except EPS)		
SFAS No. 109	$ -	$ 6	$ 6	$0.03
SFAS No. 112	(13)	4	(9)	(0.05)
Unbilled revenues	75	(26)	49	0.26
Total	$62	$(16)	$46	$0.24

Pro forma amounts, assuming that the change in accounting for unbilled revenues had been adopted retroactively, are not materially different from amounts previously reported for prior years.

Reclassification

Certain financial statement items for prior years have been reclassified to conform to the 1993 presentation.

2. Federal Income Taxes

The Corporation adopted the provisions of SFAS No. 109 effective January 1, 1993. The net effect on the Corporation's earnings was a one-time adjustment to increase net income by $6 million ($0.03 per share). This adjustment was recorded as a cumulative effect of change in accounting principle. The benefit was attributable to the reduction in deferred taxes associated with the Corporation's non-utility operations previously recorded at rates higher than current rates.

For utility operations, there is no effect of SFAS No. 109 on the Corporation's earnings. As a result of this change, the Corporation recognized additional accumulated deferred income taxes, from its utility operations, and corresponding regulatory assets and liabilities to ratepayers in amounts equal to future revenues or the reduction in future revenues required when the income tax temporary differences reverse and are recovered or settled in rates. As a result of a favorable earnings history, the Corporation did not record any valuation allowance against deferred tax assets at December 31, 1993.

The Corporation files a consolidated Federal income tax return and participates in a tax sharing agreement.

Components of income taxes are as follows:

	1993	1992	1991
		(millions)	
Included in Operating Expenses and Taxes			
Current	$ 28	$ 64	$105
Deferred	112	95	77
Deferred investment tax credits (ITC)	(15)	(17)	(15)
	125	142	167
Included in Other Income and Deductions			
Current	(3)	(7)	(5)
Deferred	(5)	7	(4)
	(8)	-	(9)
Tax effects of cumulative effect of changes in Accounting Principles	14	-	-
	14	-	-
	$131	$142	$158

Total income taxes differ from the amounts computed by applying the statutory income tax rates to income before taxes. The reasons for the differences are as follows:

	1993	%	1992	%	1991	%
			(dollars in millions)			
Tax at statutory rates	$160	35	$186	34	$190	34
Differences						
Amortization of ITC	(15)	(3)	(15)	(3)	(14)	(3)
Mirror CWIP	(23)	(5)	(25)	(4)	(29)	(5)
Benefit of tax settlements	-	-	(10)	(2)	-	-
Prior period adjustments	18	4	-	-	-	-
Cumulative effect of change in method of accounting for income taxes	(8)	(2)	-	-	-	-
Other	(1)	-	6	1	11	2
	$131	29	$142	26	$158	28

Investment tax credits deferred in prior years are included in income over the lives of the related properties.

The significant components of the net deferred income tax liability are as follows:

	December 31, 1993	January 1, 1993
	(millions)	
Deferred Tax Liabilities:		
Property related book/tax basis differences	$1,547	$1,396
Mirror CWIP asset	116	116
Deferred plant costs	181	177
Income tax related regulatory assets	239	232
Other	234	227
Total Deferred Tax Liabilities	2,317	2,148
Deferred Tax Assets:		
Income tax related regulatory liabilities	(177)	(203)
Mirror CWIP liability	(38)	(63)
Alternative minimum tax carryforward	(68)	(52)
Other	(105)	(88)
Total Deferred Tax Assets	(388)	(406)
Net accumulated deferred income taxes – total	1,929	1,742
Net accumulated deferred income taxes – noncurrent	1,935	1,790
Net accumulated deferred income taxes – current	(6)	(48)
Net accumulated deferred income taxes – total	$1,929	$1,742

3. Long-Term Debt

The long-term debt of the Operating Companies outstanding as of the end of the last two years was as follows:

Maturities		Interest Rates		December 31	
From	To	From	To	1993	1992
				(millions)	
First mortgage bonds					
1994	1998	5¼%	9¾%	$ 253	$ 423
1999	2003	5¼	8	656	475
2004	2008	6.2	8¾	478	509
2014	2018	7½	9⅜	144	349
2019	2023	7¼	9⅛	503	312
2024	2028	6⅞	6⅞	80	-
Pollution control bonds					
2004	2008	5.9	7⅛	104	105
2009	2013	8.2	8.2	17	17
2014	2018	7⅞	10⅛	274	344
2019	2023	7.6	7.6	54	54
2024	2028	6.0	6.0	120	-
Notes and lease obligations					
1995	2023	3.16	9¾	273	216
Unamortized discount				(22)	(28)
Unamortized costs of reacquired debt				(185)	(129)
				$2,749	$2,647

The mortgage indentures, as amended and supplemented, securing first mortgage bonds issued by the Electric Operating Companies, constitute a direct first mortgage lien on substantially all electric utility plant.

The Electric Operating Companies and Transok may offer additional first mortgage bonds and medium-term notes subject to market conditions and other factors.

Annual Requirements
Certain series of outstanding first mortgage bonds have annual sinking fund requirements which are generally 1% of the amount of each such series issued. These requirements may be, and have generally been, satisfied by the application of net expenditures for bondable property in an amount equal to 166-2/3% of the annual requirements.

At December 31, 1993, the annual sinking fund requirements average approximately $5 million for the next five years and the annual maturities of long-term debt are below $36 million except in 1997 when the maturities are $258 million.

Dividends
The mortgage indentures, as amended and supplemented, contain certain restrictions on the use of retained earnings for cash dividends on their common stocks. These restrictions do not limit the ability of the Corporation to pay dividends to its shareholders. At December 31, 1993, $1,131 million of the subsidiaries' retained earnings were available for the payment of cash dividends to the Corporation.

Reacquired Long-term Debt
During 1993, 1992 and 1991, the Electric Operating Companies reacquired $987 million, $652 million and $30 million of long-term debt, respectively, including reacquisition premiums, prior to maturity. The premiums and related reacquisition costs are included in long-term debt on the consolidated balance sheets and are being amortized over 5 to 35 years, consistent with its ratemaking treatment. Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, for more information on reacquired long-term debt.

The weighted average cost of long-term debt was 7.8% for 1993, 8.3% for 1992 and 9.0% for 1991.

4. Preferred Stock

The outstanding preferred stock of the Electric Operating Companies as of the end of the last two years was as follows:

1993 Shares Outstanding	Dividend Rate From	Dividend Rate To	December 31 1993	December 31 1992	Current Redemption Prices From	Current Redemption Prices To
			(millions)			
Not subject to mandatory redemption						
592,900	4%	5%	$ 59	$ 59	$102.75	$109.00
760,000	7.12	8.72	76	76	101.00	102.91
1,600,009	auction		160	160	100.00	100.00
Issuance expenses and unamortized redemption costs			(3)	(3)		
			$292	$292		
Subject to mandatory redemption						
364,000	6.95%	6.95%	$ 37	$ 47	$104.64	$104.64
223,750	10.05	10.05	22	29	104.76	104.76
Issuance expenses and unamortized redemption costs			(1)	(1)		
			$ 58	$ 75		

The outstanding preferred stock not subject to mandatory redemption is redeemable at the option of the Electric Operating Companies upon 30 days notice at the current redemption price per share. CPL's auction preferred stock totaling $160 million may also be redeemed at par on any dividend payment date. The CSW System's authorized number of shares of preferred stock totaled 6.4 million at December 31, 1993 and 1992.

Redemption prices of certain preferred stock decline at specified intervals in future periods. The preferred stock issues subject to mandatory redemption are refundable at various times during the period 1994 through 1998.

The minimum annual sinking fund requirements of the preferred stock are $9 million in 1994 and average $5 million in each of the years from 1995 through 1998.

The dividends on CPL's $160 million auction preferred stock are adjusted every 49 days, based on current market rates. The dividend rates averaged 2.72%, 3.59% and 5.48% during 1993, 1992 and 1991.

During 1993, 1992 and 1991, the Electric Operating Companies redeemed $17 million, $13 million and $13 million, respectively, of preferred stock, including redemption premiums.

5. Common Stock

On March 6, 1992, the Corporation effected a two-for-one split of the Corporation's common stock by means of a 100% stock dividend paid to shareholders of record on February 10, 1992. All references to number of shares outstanding, to per share information in the Consolidated Financial Statements, and to the notes thereto have been adjusted to reflect the stock split on a retroactive basis.

The Corporation has a restricted stock plan and a stock option plan. Under the stock option plan, 2,707,000 shares of common stock are available for grant and 491,000 shares are reserved for exercise of options which were outstanding at December 31, 1993.

6. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Cash and temporary cash investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments. Short-term investments are classified in accounts receivable on the consolidated balance sheets.

Short-term debt

The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt

The fair value of the CSW System's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Preferred stock subject to mandatory redemption
The fair value of the Electric Operating Companies' preferred stock subject to mandatory redemption is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Corporation for pre' .red stock with the same or similar remaining redemption provisions.

The estimated fair values of the Corporation's financial instruments are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(millions)		
Cash and temporary cash investments	$ 62	$ 62	$ 110	$ 110
Short-term investments	13	13	30	30
Short-term debt	1,436	1,436	1,055	1,055
Long-term debt	2,749	2,947	2,647	2,772
Preferred stock subject to mandatory redemption	58	61	75	77

The fair value does not affect the Corporation's liabilities unless the issues are redeemed prior to their maturity dates.

7. Short-Term Financing

The CSW System has established a money pool to coordinate short-term borrowings and to make borrowings outside the money pool through the Corporation's issuance of commercial paper. At December 31, 1993, the CSW System had bank lines of credit aggregating $797 million to back up its commercial paper program.

CSW Credit, which does not participate in the money pool, issues commercial paper that is secured by the assignment of its receivables. CSW Credit maintains a revolving credit agreement which aggregated $960 million at December 31, 1993, to back up its commercial paper program.

8. Benefit Plans

Defined Benefit Pension Plan
The Corporation maintains a tax qualified, non-contributory defined benefit pension plan covering substantially all of the CSW System employees. Participants in the plan during 1993 included approximately 8,300 active employees, 3,600 retirees and beneficiaries and 900 terminated employees with vested benefits. Benefits are based on employees' years of credited service, age at retirement, and final average annual earnings with an offset for the participant's primary Social Security benefit. The Corporation's funding policy is based on actuarially determined contributions, taking into account amounts which are deductible for income tax purposes and minimum contributions required by the Employee Retirement Income Security Act of 1974, as amended. Contributions to the plan for the years ended December 31, 1993, 1992 and 1991 were $32 million, $29 million, and $22 million, respectively. Pension plan assets consist primarily of common stocks and short-term and intermediate-term fixed income investments.

The components of net periodic pension cost and the assumptions used in accounting for pensions are as follows:

	1993	1992	1991
		(dollars in millions)	
Net Periodic Pension Cost			
Service cost	$ 20	$ 18	$ 15
Interest cost on projected benefit obligation	56	50	43
Actual return on plan assets	(68)	(43)	(95)
Net amortization and deferral	-	(20)	44
	$ 8	$ 5	$ 7
Assumptions			
Discount rate	7.75%	8.50%	8.50%
Long-term salary increase	5.46	5.96	5.96
Return on plan assets	9.50	9.50	9.50

A reconciliation of the funded status of the plan to the amounts recognized on the consolidated balance sheets is shown below:

	December 31, 1993	1992
	(millions)	
Plan assets, at fair value	$790	$721
Actuarial present value of		
Accumulated benefit obligation for service rendered to date	649	549
Additional benefit for future salary levels	133	122
Projected benefit obligation	782	671
Plan assets in excess of projected benefit obligation	8	50
Unrecognized net gain	62	(5)
Unrecognized prior service cost	(8)	(8)
Unrecognized net obligation	17	18
Prepaid pension cost	$ 79	$ 55

The vested portion of the accumulated benefit obligations at December 31, 1993 and 1992, was $586 million and $499 million respectively. The unrecognized net obligation is being amortized over the average remaining service life of employees, 17 years. Prepaid pension cost is included in other deferred charges on the consolidated balance sheets.

In addition to the amounts shown in the above table, the Corporation has a non-qualified excess benefit plan. This plan is available to all pension plan participants who are entitled to receive a pension benefit from the Corporation which is in excess of the limitations imposed on benefits by the Internal Revenue Code through the qualified plan. The Corporation's net periodic cost for this non-qualified plan was $1.8 million in 1993 and $0.5 million for each of the prior two years.

Postretirement Benefits Other Than Pensions

The Corporation adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, January 1, 1993. The adoption resulted in an increase in operating expenses of $16 million for 1993. The Corporation's accumulated postretirement benefit obligation was $207 million. The transition obligation was $180 million and is being amortized over twenty years. In prior years, the Corporation accounted for these benefits on a pay-as-you-go basis. Expenses for 1992 and 1991 were $10 million and $8 million, respectively. The Corporation's funding policy is based on actuarially determined contributions taking into account amounts which are deductible for income tax purposes. Contributions for 1993 were approximately $31 million.

The Texas Commission approved a rule allowing full recovery of costs related to SFAS No. 106 with the amortization of the transition obligation over a period of twenty years, provided the costs are funded and recovery is allowed in a rate case. The rule requires all amounts received in rates to be held in an external trust. The Arkansas Commission approved a rule allowing full recovery of costs related to SFAS No. 106 with amortization of the transition obligation over a period of twenty years. The Louisiana Commission voted to remain on a pay-as-you-go basis. Pursuant to an order of the Oklahoma Commission, the Corporation has deferred a portion of the difference between pay-as-you-go benefit costs and the benefits costs determined under SFAS No. 106, and established a regulatory asset of $5 million in anticipation of future recovery through rates.

The components of net periodic postretirement benefit cost and the assumptions used in accounting for postretirement benefits are as follows:

	1993
	(millions)
Net Periodic Postretirement Benefit Cost	
Service cost	$ 8
Interest cost on accumulated postretirement benefit obligation	17
Actual return on plan assets	(1)
Amortization of transition obligation	9
Net amortization and deferral	(2)
	$ 31

A reconciliation of the funded status of the plan to the amounts recognized on the consolidated balance sheets is shown below:

	December 31, 1993	January 1, 1993
	(dollars in millions)	
Accumulated Postretirement Benefit Obligation		
Retirees	$146	$121
Other fully eligible participants	30	35
Other active participants	64	51
Total APBO	240	207
Plan assets at fair value	(51)	(27)
APBO in excess of plan assets	189	180
Unrecognized transition obligation	(171)	(180)
Unrecognized gain or (loss)	(18)	-
(Accrued)/Prepaid Cost	$ -	$ -
Assumptions		
Discount rate	7.75%	8.50%
Return on plan assets	9.00%	9.00%
Tax rates for taxable trusts	39.60%	31.00%

Health Care Cost Trend Rate Assumptions

Pre-65 Participants: 1993 Rate of 12.50% grading down .75% per year to an ultimate rate of 6.5% in 2001.

Post-65 Participants: 1993 Rate of 12.00% grading down .75% per year to an ultimate rate of 6.0% in 2001.

Increasing the assumed health care cost trend rates by one percentage point in each year would increase the APBO as of December 31, 1993 by $28 million and increase the aggregate of the service and interest cost components of net postretirement benefits by $4 million.

Postemployment Benefits

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, Employers' Accounting for Postemployment Benefits. This statement requires the accrual method of accounting for certain types of postemployment benefits provided to former or inactive employees after employment, but before retirement. This new standard requires that the expected costs of these benefits be accrued during the period employees render service to qualify for benefits. The most significant costs for the Corporation are the continued medical and salary benefits during long-term disability. Effective January 1, 1993 the Corporation adopted SFAS No. 112 and the effect of the change on 1993 income was $9 million ($0.05 per share), net of taxes of $4 million, reflected in cumulative effect of changes in accounting principles. In 1992 and 1991, while recording these expenses on a pay-as-you-go basis, the Corporation incurred expenses of $0.7 million and $0.9 million, respectively.

Restructuring Charges

The Corporation recently announced an early retirement program as a part of the corporate restructuring efforts in order to streamline operations and reduce future costs. It is anticipated that this restructuring will affect employee benefit costs incurred by the Corporation in future periods. Due to the timing of the implementation of the program, many variables regarding specific costs cannot be identified until mid-1994. As a result, no adjustments have been made to the employee benefit cost data presented above.

9. Jointly Owned Electric Utility Plant

The Electric Operating Companies are parties to various joint ownership agreements with other non-affiliated entities. Such agreements provide for the joint ownership and operation of generating stations and related facilities, whereby each participant bears its share of the project costs. At December 31, 1993, the companies have undivided interests in five such generating stations and related facilities as shown below:

	CPL South Texas Nuclear Plant	SWEPCO Flint Creek Coal Plant	SWEPCO Pirkey Lignite Plant	SWEPCO Dolet Hills Lignite Plant	CSW System Oklaunion Coal Plant
			(dollars in millions)		
Plant in service	$2,340	$ 78	$ 429	$ 225	$ 398
Accumulated depreciation	$ 318	$ 37	$ 121	$ 55	$ 80
Plant capacity – mw	2,500	480	650	650	676
Participation	25.2%	50.0%	85.9%	40.2%	78.1%
Share of capacity – mw	630	240	559	262	528

10. Litigation and Regulatory Proceedings

CPL

Introduction

CPL owns 25.2% of STP, a two-unit nuclear power plant which is located near Bay City, Texas. In addition to CPL, HLP, the Project Manager, owns 30.8%, San Antonio owns 28.0%, and Austin owns 16.0%. STP Unit 1 was placed in service in August 1988 and STP Unit 2 was placed in service in June 1989.

Final Orders

In October 1990, the Texas Commission issued the STP Unit 1 Order which fully implemented a stipulated agreement filed in February 1990 to resolve dockets then pending before the Texas Commission. In December 1990, the Texas Commission issued the STP Unit 2 Order which fully implemented a stipulated agreement to resolve all issues regarding CPL's investment in STP Unit 2.

The STP Unit 1 Order allowed CPL to increase retail base rates by $144 million. This base rate increase made permanent a $105 million interim base rate increase placed into effect in March 1990 and a $39 million interim base rate increase placed into effect in September 1989. The STP Unit 2 Order provided for a retail base rate increase of $120 million effective January 1, 1991. The STP Unit 1 Order also provided for the deferral of operating expenses and carrying costs on STP Unit 2. A prior Texas Commission order (see "Deferred Accounting" below) had authorized deferral of STP Unit 1 costs. Such costs are being recovered through rates over the remaining life of STP. Also, the STP Unit 1 Order authorized use of Mirror CWIP, pursuant to which CPL recognized carrying costs as deferred costs, and established a corresponding liability to customers recorded in Mirror CWIP liability and other deferred credits on the balance sheets. In compliance with the order, carrying costs collected through rates during periods when CWIP was included in rate base were recognized as a loan from customers. The loan is being repaid through lower rates from 1991 through 1995, which approximates the length of time during which the carrying costs were collected from customers. The Mirror CWIP liability is being reduced by the recognition of non-cash income during the period 1991 through 1995.

The STP Unit 1 and 2 Orders resolved all issues pertaining to the reasonable original costs of STP and the appropriate amount to be included in rate base. Pursuant to the Texas Commission orders, the original cost of CPL's total investment in STP is included in rate base.

As part of the stipulated agreement, CPL has agreed to freeze base rates from January 1, 1991, through 1994, subject to certain force majeure events including double-digit inflation, major tax increases, extraordinary increases in operating expenses or serious declines in operating revenues. CPL may file for increases in base rates, which would be effective after 1994 and subject to certain limitations. The fuel portion of customers' bills is subject to adjustments following the normal review and approval by the Texas Commission.

The stipulated agreements, as discussed above, were entered into by CPL, the Texas Commission Staff and a majority of intervenors including major cities in CPL's service territory and major industrial customers. These intervenors represent a significant majority of CPL's customers. CPL and the TSA reached agreements, which were subsequently approved by the Texas Commission Staff and other signatories, whereby TSA agreed not to oppose the stipulated agreements in any respect, except with regard to deferred accounting and rate design issues in the STP Unit 1 Order. OPUC and a coalition of low-income customers declined to enter into the stipulated agreements.

In January 1991, the TSA, OPUC and the coalition of low-income customers filed appeals of the STP Unit 1 Order in District Court requesting reversal of the deferred accounting for STP Unit 2 and other aspects of that order. In March 1991, the TSA, OPUC and the coalition of low-income customers filed appeals of the STP Unit 2 Order in the District Court requesting reversal of that order. These appeals are pending before the District Court. If these orders are ultimately reversed on appeal, the stipulated agreements would be nullified and the Corporation could experience a significant adverse effect on its consolidated results of operations. However, the parties to the stipulated agreement, should it be nullified, are bound to renegotiate and try to reach a revised agreement that would achieve the same results. Management believes that the STP Unit 1 and 2 Orders will be upheld.

Deferred Accounting

CPL was granted deferred accounting for STP Unit 1 and 2 costs by Texas Commission orders. These orders allowed CPL to defer post-in-service operating and maintenance costs, including taxes and depreciation, and carrying costs until these costs were reflected in retail rates. Deferred accounting had an immediate positive effect on net income in the years allowed, but cash earnings were not increased until rates went into effect reflecting STP in service (see "STP Final Orders" above). The total deferrals for the periods affected were approximately $492 million with an after-tax net income effect of approximately $325 million. This total deferral included approximately $270 million of pre-tax debt carrying costs. Pursuant to the STP Unit 1 and 2 Orders, CPL's retail rates include recovery of all STP Unit 1 and 2 deferrals over the remaining life of the plant.

In July 1989, OPUC and the TSA filed appeals of the Texas Commission's final order in District Court requesting reversal of deferred accounting for STP Unit 1. In September 1990, the District Court issued a judgment affirming the Texas Commission's order for STP Unit 1, which was subsequently appealed to the Court of Appeals by OPUC and the TSA. The hearing of CPL's STP Unit 1 deferred accounting order was combined by the Court of Appeals with similar appeals of HLP deferred accounting orders.

In September 1992, the Court of Appeals issued a decision that allows CPL to include STP Unit 1 deferred post-in-service operating and maintenance costs in rate base. However, the Court of Appeals held that deferred post-in-service carrying costs could not be included in rate base, thereby prohibiting CPL from earning a return on such costs.

After the Court of Appeals' denial of each party's motion for rehearing of the decision, CPL and the Texas Commission in December 1992 filed Applications for Writ of Error petitioning the Supreme Court of Texas to review the September 1992 decision denying rate base treatment of deferred post-in-service carrying costs by the Court of Appeals. Additionally, the TSA and OPUC filed Applications for Writ of Error petitioning the Supreme Court of Texas to reverse the Court of Appeal's decision, challenging generally the legality of deferred accounting for or rate base treatment of any deferred costs. In May 1993, the Supreme Court of Texas granted CPL's application for writ of error. CPL's case was consolidated with the deferred accounting cases of El Paso and HLP. Oral arguments were heard in September 1993 and the Supreme Court's decision is pending.

If CPL's orders granting deferred accounting were ultimately reversed and not favorably revised, the Corporation could experience a material adverse effect on its results of operations. While management cannot predict the ultimate outcome of the deferred accounting appeal, management believes CPL will successfully receive approval of its deferred accounting orders or will be successful in renegotiation of its rate orders, so that there will be no material adverse effect on the Corporation's continuing consolidated results of operations.

Outage

In February 1993, Units 1 and 2 of STP were shut down by HLP, the Project Manager, in an unscheduled outage resulting from mechanical problems relating to two auxiliary feedwater pumps. HLP determined that the units would not be restarted until the equipment failures had been corrected and the NRC briefed on the causes of these failures and the corrective actions that were taken. The NRC formalized that commitment in a confirmatory action letter and sent an Augmented Inspection Team to STP to review the matter. In March 1993, the NRC began a diagnostic evaluation of STP. Conducted infrequently, diagnostic evaluations are broad-based evaluations of overall plant operations and are intended to review the strengths and weaknesses of the licensee's performance and to identify the root cause of performance problems. During and subsequent to the June 1993 completion of the evaluation, the NRC supplemented its confirmatory action letter to identify additional issues to be resolved and verified by the NRC before restart of STP. Such issues included the need to reduce backlogs of engineering and maintenance work and to simplify work processes which placed excessive burdens on operating and other plant personnel. The report also identified the need to strengthen management communications, oversight and teamwork as well as the capability to identify and correct the root causes of problems.

The NRC announced in June 1993 that STP was placed on its "watch list" of plants with "weaknesses that warrant increased NRC attention." Plants on the watch list are subject to closer NRC oversight. STP will remain on the NRC's watch list until both units return to service and a period of good performance is demonstrated.

During the outage, the necessary improvements have been made by HLP to address the issues in the confirmatory action letter, as supplemented. On February 15, 1994, the NRC agreed that the confirmatory action letter issues had been resolved with respect to Unit 1, and that it supported HLP's recommendation that Unit 1 was ready to restart. Unit 1 restarted in late February 1994 and operated at low power for three days. The Project Manager then shut down Unit 1 due to a problem with a steam generator feedwater valve and a steam generator tube leak. The Project Manager expects to make the necessary repairs and restart Unit 1 in late March 1994, although additional delays may occur.

While many of the corrective actions taken are common to both units, HLP must demonstrate to the NRC that these issues are also resolved with respect to Unit 2 before it is restarted. HLP estimates that Unit 2 will restart during the second quarter of 1994 after the completion of refueling, which began in March 1993 but was delayed in order to focus on the issues discussed above. The outage has not affected CPL's ability to meet customer demands because of existing capacity and CPL's ability to purchase additional energy from affiliates and non-affiliates.

During 1993, the NRC imposed a total of $500,000 in fines against HLP in connection with violations of NRC requirements that occurred prior to the February 1993 shut down. No fines have been imposed for activities subsequent to the shut down. CPL has paid its portion (25.2%) of the costs of fines.

CPL's share of increased non-fuel operation and maintenance costs in 1993, related to the outage at STP, necessary to affect the needed improvements were approximately $29 million, and were expensed as incurred. Included in these expenses were detailed inspections of both units' steam generators, and the acceleration of certain maintenance activities from 1994 to 1993. This acceleration is expected to eliminate the need for any planned outages for either unit in 1994. The 1994 budgeted STP non-fuel operation and maintenance expenses are expected to be significantly lower than the 1993 actual expenses; but even though lower, they are expected to be sufficient to continue enhancements that will result in improved long-term performance of STP.

Pursuant to the substantive rules of the Texas Commission, CPL generally is allowed to recover its fuel costs through a fixed fuel factor. These fuel factors are in the nature

of temporary rates, and CPL's collection of revenues by such factors is subject to adjustment at the time of a fuel reconciliation proceeding before the Texas Commission. The difference between fuel revenues billed and fuel expense incurred is recorded as an addition to or a reduction of revenues, with a corresponding entry to unrecovered fuel or other current liabilities, as appropriate. Any fuel costs, (not limited to under- or over-recoveries) which the Texas Commission determines as unreasonable in a reconciliation proceeding are not recoverable from customers.

During the outage, CPL's fuel and purchased power costs have been, and are expected to continue to be, increased as the power normally generated by STP must be replaced through sources with higher costs. It is unclear how the Texas Commission will address the reasonableness of higher costs associated with the outage. At January 31, 1993, before the start of the STP outage, CPL had an over-recovered fuel balance of $5.2 million, exclusive of interest. At January 31, 1994, CPL's under-recovered fuel balance was $55.7 million, exclusive of interest. This under-recovery of fuel costs, while due primarily to the STP outage, was also affected by changes in fuel prices and timing differences. CPL cannot accurately estimate the amount of any future under- or over-recoveries due to the unpredictable nature of the above factors. Although there is the potential for disallowance of fuel-related costs, such determination cannot be made until fuel costs are reconciled with the Texas Commission. If a significant portion of fuel costs were disallowed by the Texas Commission, the Corporation could experience a material adverse effect of its consolidated results of operations in the year of any disallowance. CPL is required by the Texas Commission's rules to file a reconciliation of its fuel costs by May 1, 1994, however the Texas Commission Staff is proposing a revised filing deadline that would not require CPL to file before the fourth quarter of 1994.

In July 1993, CPL filed a fuel surcharge petition, which is separate from a fuel reconciliation proceeding, with the Texas Commission to comply with the mandatory provisions of the Texas Commission's fuel rules. The petition requested approval of a customer surcharge to recover under-recovered fuel and purchased power costs resulting from the STP outage, increased natural gas costs and other factors. The petition also requested that the Texas Commission postpone consideration of the surcharge until the STP outage concluded or at the time fuel costs are next reconciled as discussed above. In August 1993, a Texas Commission Administrative Law Judge granted CPL's request to postpone consideration of the surcharge. In January 1994, CPL updated its fuel surcharge petition to reflect amounts of under-recovery through November 1993. Likewise, CPL requested and was granted postponement of the updated petition until the STP outage concluded or at the time fuel costs are next reconciled.

Management believes that the operating outage at STP will not have a material effect on the Corporation's financial condition or on its consolidated results of operations.

Rate Case Filings

During December 1993 and January 1994, several Cities in CPL's service territory exercised their rights to require CPL to file rate cases to determine if CPL's rates are fair, just and reasonable. The Cities together account for approximately 40% of CPL's base revenues. The governing bodies of these Cities have original jurisdiction over rates only within their incorporated limits. The Cities have ordered CPL to file rate cases by various dates from February 17 through March 18, 1994, with hearings scheduled in February and March 1994.

The Cities have informed CPL that this rate review was precipitated by the outage at STP leading the Cities to question whether STP should continue to be included in CPL's rate base. Further, the Cities question whether CPL is earning an excessive return on equity. In February 1994, a consultant for the Cities filed its report with the Cities. The consultant recommends that STP Unit 2 be removed from CPL's rate base, resulting

in a reduction of CPL's total base revenues of $106.5 million. The consultant did not recommend a reduction in revenues relating to STP Unit 1, nor did it suggest a revenue reduction for its contention that CPL's earnings have been excessive, but it suggests that those issues be reserved for future proceedings if circumstances warrant action. Furthermore, the consultant made no recommendations concerning STP operation and maintenance expenses.

CPL contends that both units of STP belong in rate base because of the long-term benefits nuclear generation provides to customers. CPL is not aware of any Texas Commission precedent directly supporting the removal of a nuclear plant from rate base because of outages of the duration experienced by Unit 1 and expected for Unit 2. CPL also believes that its return on equity is below the level specified for the rate freeze period in accordance with the stipulated agreement entered into by CPL and parties to its last rate order, including the Cities. This rate order does not restrict the Cities from exercising their original jurisdiction over rates during the rate freeze period. The Texas Commission has appellate jurisdiction over rates set by municipalities.

In February and early March 1994, some of the Cities passed resolutions ordering CPL to reduce rates by $73 million, if applied on a total company basis. These Cities' revenues represent approximately 20% of CPL's total base revenues. The orders only affect the rates of customers who take service within these Cities' limits. The orders call for rates to be reduced in April unless, on appeal, the Texas Commission takes action which would stay their effectiveness. CPL intends to appeal these orders to the Texas Commission and seek the actions necessary to stay their effectiveness. CPL cannot predict if other cities acting in their capacity as regulatory authorities will initiate similar proceedings.

In December 1993, a complaint was filed at the Texas Commission by a CPL customer who takes service outside of municipal limits, where the Texas Commission has original jurisdictional. The complaint seeks a review of CPL's rates due to the outage at STP. The Texas Commission has docketed the proceeding, but has taken no other action in the matter. Subsequently, the OPUC and General Counsel petitioned the Texas Commission to review CPL's rates. Any rate orders which might ultimately be entered as a result of these filings would affect customers served by CPL in all areas where individual city regulatory authorities do not have original jurisdiction.

Management cannot predict the ultimate outcome of these rate filings, although management believes that their ultimate resolution will not have a material adverse effect on the Corporation's consolidated results of operations or financial condition.

Westinghouse Litigation

CPL and other owners of STP are plaintiffs in a lawsuit filed in October 1990 in the District Court in Matagorda County, Texas against Westinghouse, seeking damages and other relief. The suit alleges that Westinghouse supplied STP with defective steam generator tubes that are susceptible to stress corrosion cracking. Westinghouse filed an answer to the suit in March 1992, denying the plaintiff's allegations. The suit is currently in the discovery phase.

Inspections during the current STP outage have detected early signs of stress corrosion cracking in tubes at STP Unit 1, but the resulting remedial measures to date have not resulted in a material expense to CPL. Management believes additional problems would develop gradually and could be monitored by the operators of STP. An accurate estimate of the costs of remedying any further problems currently is unavailable due to many uncertainties, including among other things, the timing of repairs, which may coincide with scheduled outages, and the recoverability of amounts from Westinghouse and any insurers. Management believes that the ultimate resolution of this matter will not have a material adverse effect on the Corporation's results of operations.

PSO

In January 1994, the Oklahoma Commission issued an order unanimously approving a joint stipulation between PSO, the Oklahoma Commission Staff, and the Office of the Attorney General of the State of Oklahoma, as recommended by an Administrative Law Judge. The order allows PSO an increase in retail rates of $14.4 million on an annual basis which represents a $4.3 million increase above those authorized by a March 1993 interim order. The revised rates were implemented in February 1994. Among other things, PSO has agreed that it will not file another retail rate increase application until after June 30, 1995.

PSO has been named defendant in complaints filed in Federal and state courts of Oklahoma and Texas in 1984 through January 1994 by gas suppliers alleging claims arising out of certain gas purchase contracts. Cases currently pending seek approximately $34 million in actual damages, together with claims for punitive damages which, in compliance with pleading code requirements, are alleged to be in excess of $10,000. The plaintiffs seek relief through the filing dates as well as attorney fees. As a result of settlements among the parties, certain plaintiffs dismissed their claims with prejudice to further action. The settlements did not have a significant effect on PSO's consolidated results of operations. The remaining suits are in the preliminary stages. Management cannot predict the outcome of these proceedings. However, management believes that PSO has defenses to these complaints and intends to pursue them vigorously. Management also believes that the ultimate resolution of the remaining complaints will not have a material adverse effect on the Corporation's consolidated results of operations.

PSO has been named defendant in complaints filed in Federal and state courts of Oklahoma in 1984, 1985, 1986 and 1993. The complaints allege, among other things, that some of the plaintiffs and the property of other plaintiffs were contaminated with PCBs and other toxic by-products following certain incidents, including transformer malfunctions in April 1982, December 1983 and May 1984. To date, complaints representing approximately $735 million (including compensatory and punitive damages) of claims have been dismissed, certain of which resulted from settlements among the parties. The settlements did not have a significant effect on the Corporation's consolidated results of operations. Remaining complaints currently total approximately $396 million, of which approximately one-third is for punitive damages. Discovery with regard to the remaining complaints continues. Management cannot predict the outcome of these proceedings. However, management believes that PSO has defenses to these complaints and intends to pursue them vigorously. Management also believes that the ultimate resolution of the remaining complaints will not have a material adverse effect on the Corporation's consolidated results of operations.

In June 1992, PSO filed suit in Federal District Court in Tulsa, Oklahoma, against a rail carrier seeking declaratory relief under a long-term contract for the transportation of coal. In July 1992, the defendant carrier asserted counterclaims against PSO alleging that PSO breached the contract. The counterclaims seek damages in an unspecified amount. PSO and the defendant carrier have filed motions for summary judgment on certain dispositive issues in the litigation. The motions have been fully briefed and argued and the parties are awaiting the Court's order. In December 1993, PSO amended its suit against the defendant carrier seeking damages and declaratory relief under Federal and state anti-trust laws. Although management cannot predict the outcome, management believes that PSO's interpretation and performance of the contract have been proper and intends to vigorously pursue this case. Management also believes that the ultimate resolution of the case will not have a material adverse effect on the Corporation's consolidated results of operations.

SWEPCO

In April 1991, TIEC filed suit in the Travis County District Court challenging the Texas Commission's final order on SWEPCO's fuel reconciliation proceeding in Docket 8900. The District Court upheld the order, a decision which TIEC challenged on appeal. On January 5, 1994, the Texas Supreme Court rejected TIEC's latest request for an appeal and the decision is now final.

WTU

WTU received approval from the Texas Commission in September 1987 to defer operating expenses and carrying costs associated with Oklaunion incurred subsequent to its December 1986 commercial operation date until December 1987 when retail rates including Oklaunion in WTU's rate base became effective. The deferred costs are being recovered and amortized over the life of the plant. In November 1987 OPUC filed an appeal in District Court of the Texas Commission's final order requesting that WTU not be allowed to defer any costs associated with Oklaunion. In October 1988 the District Court affirmed the final order of the Texas Commission. In December 1988 OPUC filed an appeal of the District Court order with the Court of Appeals. In September 1990 the Court of Appeals upheld the District Court's affirmation of the Texas Commission's final order and in October 1990, OPUC filed a motion for rehearing of the Court of Appeal's decision, which was denied in November 1990. The Supreme Court granted OPUC's application for writ of error in WTU's deferred accounting case. Oral arguments were heard in September 1993 and the Supreme Court's decision is pending.

On October 2, 1992, the District Court heard the remanded appeals of the final rate order of the Texas Commission in WTU's 1987 rate case. The District Court affirmed WTU's rate order in all material respects with the exception of the inclusion of deferred carrying costs in rate base for Oklaunion. The District Court's decision allowed WTU to include Oklaunion deferred post-in-service operating and maintenance costs in rate base. While the 1992 District Court decision permits deferred post-in-service carrying costs to be amortized and recovered in WTU's cost of service, it does not permit WTU to include these costs in rate base, thereby prohibiting WTU from earning a return on these costs. On April 16, 1993, WTU filed an appeal of the District Court's decision with the Third Court of Appeals. Oral arguments for the appeal were heard December 1, 1993, and the case is pending a decision by the Third Court of Appeals. No assurance can be given as to the ultimate outcome of this matter, which is related to but separate from WTU's deferred accounting case.

Currently, WTU has recorded approximately $32 million of Oklaunion deferred costs, of which $25 million are carrying costs. Management believes that no write-off of deferred carrying costs is necessary under the District Court's decisions.

Management believes that WTU's deferred accounting treatment is within the Texas Commission's statutory authority and should ultimately be sustained on appeal. However, no assurance can be given as to the outcome of any rate proceedings involving this matter. While management cannot predict the ultimate outcome of the deferred accounting appeals, management believes that WTU's deferred accounting matter will not result in a material adverse effect on the Corporation's consolidated results of operations.

OTHER

The Corporation is party to various other legal claims, actions and complaints arising in the normal course of business. Management does not expect disposition of these matters to have a material adverse effect on the Corporation's consolidated results of operations.

11. Commitments and Contingent Liabilities

It is estimated that the CSW System will spend approximately $535 million in capital expenditures during 1994. Substantial commitments have been made in connection with this capital expenditure program.

To supply a portion of the fuel requirements of the CSW System, the subsidiary companies have entered into various commitments for the procurement of fuel.

In connection with the lignite mining contract for its Henry W. Pirkey Power Plant, SWEPCO has agreed, under certain conditions, to assume the obligations of the mining contractor. As of December 31, 1993, the maximum amount SWEPCO would have to assume was $76.3 million. The maximum amount may vary as the mining contractor's need for funds fluctuates. The contractor's actual obligation outstanding at December 31, 1993 was $66.3 million.

Nuclear Insurance

In connection with the licensing and operation of STP, the owners have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the Nuclear Regulatory Commission, in accordance with the financial protection requirements of the Price-Anderson Act.

The Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities, is in effect until August 1, 2002. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants is $7.8 billion per incident. The owners of STP are insured for their share of this liability through a combination of private insurance amounting to $200 million and a mandatory industry-wide program for self-insurance totaling $7.6 billion. The maximum amount that each licensee may be assessed under the industry-wide program of self-insurance following a nuclear incident at an insured facility is $66.15 million (which amount may be adjusted for inflation) for each licensed reactor, but not more than $10 million per reactor for each nuclear incident in any one year. CPL and each of the other STP owners are subject to such assessments, which CPL and other owners have agreed will be borne on the basis of their respective ownership interests in STP. For purposes of these assessments, STP has two licensed reactors.

The owners of STP currently maintain on-site property damage insurance in the amount of $2.7 billion provided by American Nuclear Insurers and Nuclear Electric Insurance Limited. Policies of insurance issued by American Nuclear Insurers and Nuclear Electric Insurance Limited stipulate that policy proceeds must be used first to pay decontamination and clean-up costs, before being used to cover direct losses to property. CPL and the other owners of STP have entered into an agreement that provides for the total cost of decontamination liability and property insurance for STP (including premiums and assessments) to be shared pro rata based upon each owner's respective ownership interests in STP.

CSW Energy

Through various wholly-owned subsidiaries, CSWE is involved in six different cogeneration projects classified as qualifying facilities under the Public Utility Regulatory Policies Act of 1978 and the rules and regulations promulgated thereunder by the FERC. CSWE finances its development efforts and equity investments primarily through borrowings from the Corporation. These borrowings are intended to be repaid with proceeds from non-recourse project financing from independent third party financial institutions.

As a result of its participation in the projects, CSWE has contractual commitments to provide certain services and support. Each of the contracts provides, among other things, that the potential maximum liability of the CSWE subsidiaries will be limited to the fixed price of such contracts, currently aggregating approximately $175 million. The Corporation has direct or indirect responsibility for these amounts.

12. Business Segments

The Corporation's business segments include electric utility operations (CPL, PSO, SWEPCO, WTU), and gas operations (Transok). Five non-utility companies are included in corporate items (CSWE, CSW Credit, CSW Leasing, Inc., CSWS and the Corporation).

The Corporation's business segment information follows:

	1993	1992	1991
		(millions)	
Operating revenues			
Electric	$ 3,055	$ 2,790	$ 2,803
Gas	603	496	241
Corporate items and other	29	3	3
	$ 3,687	$ 3,289	$ 3,047
Operating income			
Electric	$ 553	$ 689	$ 692
Gas	17	40	34
Corporate items and other	12	1	7
Total operating income before taxes	582	730	733
Income taxes	125	142	167
	$ 457	$ 588	$ 566
Depreciation			
Electric	$ 296	$ 284	$ 276
Gas	29	22	12
Corporate items and other	5	5	3
	$ 330	$ 311	$ 291
Identifiable assets			
Electric	$ 8,927	$ 8,575	$ 8,321
Gas	691	674	585
Corporate items and other	1,005	580	490
	$10,623	$ 9,829	$ 9,396
Capital expenditures and acquisitions			
Electric	$ 481	$ 325	$ 276
Gas	88	101	300
Corporate items and other	45	23	7
	$ 614	$ 449	$ 583

13. Quarterly Information (Unaudited)

The following unaudited quarterly information includes, in the opinion of management, all adjustments necessary for a fair presentation of such amounts.

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings per Share of Common Stock
		(millions)		
1993				
March 31–Reported	$ 817	$ 102	$ 57	$ .28
Adjustment	(7)	(5)	35	.19
March 31–Restated	810	97	92	.47
June 30–Reported	859	121	73	.36
Adjustment	35	23	23	.12
June 30–Restated	894	144	96	.48
September 30–Reported	1,139	218	180	.93
Adjustment	1	1	1	-
September 30–Restated	1,140	219	181	.93
December 31–Reported	872	16	17	.06
Adjustment	(29)	(19)	(59)	(.31)
December 31–Restated	843	(3)	(42)	(.25)
	$3,687	$ 457	$ 327	$ 1.63
1992				
March 31	$ 685	$ 109	$ 63	$ .30
June 30	763	126	79	.39
September 30	989	222	175	.91
December 31	852	131	87	.43
	$3,289	$ 588	$ 404	$ 2.03

Quarterly information has been restated to reflect the change in accounting for unbilled revenues and the adoption of SFAS No. 112, Employers' Accounting for Post-employment Benefits. These changes were made in December 1993, but are effective January 1, 1993.

Information for quarterly periods is affected by seasonal variations in sales, rate changes, timing of fuel expense recovery and other factors.

Glossary of Terms

The following abbreviations or acronyms used in this text are defined below:

Abbreviation or Acronym	**Definition**
AFUDC	Allowance for funds used during construction
APBO	Accumulated Postretirement Benefit Obligations
Arkansas Commission	Arkansas Public Service Commission
Austin	City of Austin, Texas
BIP	Business Improvement Plan
Btu	British thermal unit
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
Cities	Several cities in CPL's service territory
Corporation or CSW	Central and South West Corporation, Dallas, Texas
Court of Appeals	Court of Appeals, Third District of Texas, Austin, Texas
CPL	Central Power and Light Company, Corpus Christi, Texas
CSW Common	CSW common stock, $3.50 par value per share
CSW Credit	CSW Credit, Inc., Dallas, Texas
CSWE	CSW Energy, Inc., Dallas, Texas
CSW System	CSW and its subsidiaries
CSWS	Central and South West Services, Inc., Dallas, Texas
CWIP	Construction work in progress
DET	Diagnostic Evaluation Team
District Court	State District Courts of Travis County, Texas
El Paso	El Paso Electric Company
Electric Operating Companies	CPL, PSO, SWEPCO and WTU
EMF	Electric and Magnetic Fields
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FERC	Federal Energy Regulatory Commission
FMB	First Mortgage Bond
HLP	Houston Lighting & Power Company
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
KWH	Kilowatt-hour
Louisiana Commission	Louisiana Public Service Commission
Merger Agreement	Agreement and Plan of Merger between El Paso and CSW, dated as of May 8, 1993, as amended
MGP	Manufactured Gas Plant
Mirror CWIP	Mirror Construction Work in Progress
Modified Plan	Modified Third Amended Plan of Reorganization
MTN	Medium-term Note
MW	Megawatt
Notes	Notes to Consolidated Financial Statements
NRC	Nuclear Regulatory Commission
Oklahoma Commission	Corporation Commission of the State of Oklahoma
Oklaunion	Oklaunion Power Station Unit No. 1
Operating Companies	CPL, PSO, SWEPCO, WTU, and Transok
OPUC	Office of Public Utility Counsel
Palo Verde	Palo Verde Nuclear Generating Station
PCB	Polychlorinated biphenyl
PCRB	Pollution Control Revenue Bond
Project Manager	HLP, the Project Manager for STP
PRP	Potentially responsible party
PSO	Public Service Company of Oklahoma, Tulsa, Oklahoma
San Antonio	City of San Antonio, Texas
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
STP	South Texas Project nuclear electric generating station
STP Unit 1 Order	October 1990 Texas Commission STP Unit 1 Final Order
STP Unit 2 Order	December 1990 Texas Commission STP Unit 2 Final Order
SWEPCO	Southwestern Electric Power Company, Shreveport, Louisiana
Texas Commission	Public Utility Commission of Texas
TIEC	Texas Industrial Energy Consumers
TNRCC	Texas Natural Resource Conservation Commission
TSA	Texas State Agencies
Transok	Transok, Inc., Tulsa, Oklahoma
Westinghouse	Westinghouse Electric Corporation
WTU	West Texas Utilities Company, Abilene, Texas

Report of Independent Public Accountants

To the Shareholders and Board of Directors of Central and South West Corporation:

We have audited the accompanying consolidated balance sheets of Central and South West Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1993 and 1992, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central and South West Corporation and subsidiary companies as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

In 1993, as discussed in Note 1, Central and South West Corporation and subsidiary companies changed their methods of accounting for unbilled revenues, postretirement benefits other than pensions, income taxes and postemployment benefits.

Arthur Andersen & Co.

Arthur Andersen & Co.

Dallas, Texas
February 25, 1994

Report of Management

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements of Central and South West Corporation and subsidiary companies as well as all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Corporation, together with its subsidiary companies, maintains an adequate system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that the consolidated financial statements are prepared in accordance with generally accepted accounting principles and that the assets of the companies are properly safeguarded. The system of internal controls is documented, evaluated and tested by the Corporation's internal auditors on a continuing basis. Due to the inherent limitations of the effectiveness of internal controls, no internal control system can provide absolute assurance that errors will not occur. However, management strives to maintain a balance, recognizing that the cost of such a system should not exceed the benefits derived. No material internal control weaknesses have been reported to management.

Arthur Andersen & Co. was engaged to audit the consolidated financial statements of the Corporation and subsidiary companies and issue its reports thereon. Their audits were conducted in accordance with generally accepted auditing standards. Such standards require an examination of selected transactions and other procedures sufficient to provide reasonable assurance that the consolidated financial statements are not misleading and do not contain material errors. The Report of Independent Public Accountants does not limit the responsibility of management for information contained in the consolidated financial statements and elsewhere in the Annual Report.

E R Brooks

E. R. Brooks
Chairman, President and Chief Executive Officer

Glenn D. Rosilier

Glenn D. Rosilier
Senior Vice President and Chief Financial Officer

Wendy G. Hargus

Wendy G. Hargus
Controller

Report of Audit Committee

The Audit Committee of the board of directors is composed of seven outside directors. The members of the Audit Committee are: Arthur E. Rasmussen, Chairman, Glenn Biggs, Molly Shi Boren, Robert W. Lawless, Jr., J. C. Templeton, Thomas B. Walker, Jr. and Lloyd D. Ward. The Committee held three meetings during 1993.

The Committee oversees the Corporation's financial reporting process on behalf of the board of directors. In fulfilling its responsibility, the Committee recommends to the board of directors, subject to shareholder approval, the selection of the Corporation's independent public accountants. The Committee discusses with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discusses the Corporation's consolidated financial statements and the adequacy of internal controls. The Committee meets regularly with the Corporation's internal auditors and independent public accountants to discuss the results of their audits, their evaluations of internal controls and the overall quality of the Corporation's financial reporting. The meetings are designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

Arthur E. Rasmussen

Arthur E. Rasmussen
Chairman, Audit Committee

Comparative Statistical and Financial Record

Central and South West Corporation

	1993	1992	1991	1990	1989
Sales (Kilowatt-hours in millions)					
Residential	15,903	14,593	15,236	14,857	14,268
Commercial	12,966	12,370	12,512	12,321	11,993
Industrial	18,205	17,257	16,739	15,980	15,181
Sales for resale	5,852	6,262	5,942	5,526	5,448
Other	1,434	1,363	1,346	1,329	1,308
	54,360	51,845	51,775	50,013	48,198
Operating Revenues (millions)					
Electric					
Residential	$ 1,160	$ 1,046	$ 1,081	$ 1,003	$ 921
Commercial	832	773	778	724	673
Industrial	736	659	632	596	567
Sales for resale	179	177	173	159	179
Other	148	135	139	128	120
Gas and other	632	499	244	134	89
	$ 3,687	$ 3,289	$ 3,047	$ 2,744	$ 2,549
Average Number of Customers (thousands)					
Residential	1,378	1,353	1,335	1,322	1,308
Commercial	198	195	193	192	190
Industrial	25	25	25	25	25
Other	12	12	12	11	12
	1,613	1,585	1,565	1,550	1,535
Number of Customers at End of Period (thousands)	1,633	1,599	1,577	1,560	1,546
Residential Sales Averages					
Kilowatt-hours per customer	11,541	10,786	11,413	11,238	10,908
Revenue per customer	$ 842	$ 773	$ 810	$ 759	$ 704
Revenue per kilowatt-hour	7.29¢	7.17¢	7.10¢	6.75¢	6.46¢
Total Electric Revenue per Kilowatt-hour	5.62¢	5.38¢	5.41¢	5.22¢	5.10¢
Generating Capacity at Time of Peak (megawatts)	12,242	13,041	13,623	13,597	13,537
System Coincident Peak Load (megawatts)	11,464	10,606	10,203	10,397	10,008
Fuel Data					
Average Btu per net Kwh	10,391	10,482	10,461	10,456	10,474
Cost per million Btu	$ 2.11	$ 1.92	$ 1.87	$ 1.95	$ 2.01
Cost per Kwh generated (mills)	20.90	20.12	19.59	20.45	21.02
Total Plant (millions)					
Cost	$11,357	$10,826	$10,788	$10,251	$ 9,634
Annual additions	594	457	578	694	327
Accumulated depreciation	3,550	3,265	2,986	2,701	2,448
Capitalization (millions)					
Common stock equity	$ 2,930	$ 2,927	$ 2,834	$ 2,743	$ 2,647
Preferred stock	350	367	389	394	397
Long-term debt	2,749	2,647	2,518	2,513	2,537

1988	1987	1986	1985	1984	1983
14,036	13,518	13,338	13,321	12,853	12,134
11,663	11,319	11,256	11,004	10,464	9,846
14,578	14,168	14,997	15,591	15,587	14,580
5,920	5,435	4,907	6,391	7,784	8,671
1,284	1,259	1,279	1,333	1,321	1,295
47,481	45,699	45,777	47,640	48,009	46,526
$ 911	$ 857	$ 885	$ 894	$ 864	$ 803
657	635	666	672	650	601
553	554	651	734	768	716
181	170	175	238	305	326
120	134	111	116	129	114
90	93	67	57	50	53
$ 2,512	$ 2,443	$ 2,555	$ 2,711	$ 2,766	$ 2,613
1,298	1,292	1,291	1,281	1,259	1,225
189	188	187	184	179	174
25	25	25	25	25	24
11	11	12	12	11	11
1,523	1,516	1,515	1,502	1,474	1,434
1,531	1,523	1,518	1,515	1,494	1,456
10,814	10,463	10,332	10,399	10,209	9,905
$ 702	$ 663	$ 685	$ 698	$ 686	$ 656
6.49¢	6.34¢	6.64¢	6.71¢	6.72¢	6.62¢
5.10¢	5.14¢	5.44¢	5.57¢	5.66¢	5.50¢
13,176	13,550	13,049	12,729	12,217	12,167
10,138	9,668	10,243	9,802	9,830	9,567
10,340	10,367	10,414	10,365	10,377	10,380
$ 2.01	$ 1.94	$ 2.16	$ 2.48	$ 2.72	$ 2.68
20.83	20.16	22.52	25.74	28.29	27.91
$ 9,370	$ 8,961	$ 8,441	$ 7,911	$ 7,361	$ 6,486
466	562	676	851	910	756
2,219	2,015	1,827	1,703	1,544	1,397
$ 2,594	$ 2,514	$ 2,359	$ 2,206	$ 2,030	$ 1,849
396	365	442	385	428	428
2,514	2,410	2,343	2,269	2,169	1,886

E. R. Brooks

Chairman, President and Chief Executive Officer

Brooks, 56, began his career with WTU in 1961 after receiving a B.S. degree in electrical engineering from Texas Tech. He became vice president of customer services at WTU in 1980, vice president of engineering at CPL in 1982 and president and chief executive officer at CPL in 1986. He was elevated to executive vice president of CSW in 1987 and president in 1990. He became chairman in 1991. Brooks is a member of the board of the Edison Electric Institute and the Association of Electric Companies of Texas and chairman of the board of trustees for the North American Electric Reliability Council. In addition to other activities, he is on the executive boards of the Boy Scouts of America, the United Way of Metropolitan Dallas and the Dallas Symphony Association.

Thomas V. Shockley, III

Executive Vice President and Director
President and Chief Executive Officer, CSW Enterprises

Shockley, 49, joined CPL as an engineer in 1970. At CPL he was named executive director of fuels and nuclear in 1984, vice president in 1985, chief engineering officer in 1986 and CPL president and chief executive officer in 1987. He became senior vice president of CSW in 1990 and executive vice president later that year. In 1993 he was named president and chief executive officer of CSW Enterprises. He holds a B.S. degree in electrical engineering from Texas A&I and an M.S.E.E. degree from the University of Texas. He is a member of the board of the Texas State Aquarium Association and the Dallas Business Committee for the Arts. Shockley also is a member of the University of Texas at Dallas School of Management Advisory Council and a member of the Citizens Commemorative Coin Advisory Committee for the U.S. Mint.

Harry D. Mattison

Executive Vice President and Director
President and Chief Executive Officer, CSW Electric

Mattison, 57, joined SWEPCO in 1957 with a B.S. degree in electrical engineering from the University of Arkansas. He worked in industrial sales and division operations before being named a SWEPCO vice president and East Texas division manager in 1983. He was named executive vice president in 1988 and SWEPCO's president and chief executive officer in 1988. He was promoted to his position at CSW in 1990. In 1993, he was named president and chief executive officer of CSW Electric and chief executive officer of CSWS. Mattison is a member of the Program Advisory Board of the Center for Legislative Energy and Environmental Research and on the Executive Committee of the Central Dallas Association.

Ferd. C. Meyer, Jr.

Senior Vice President and General Counsel

Meyer, 54, was a partner with the Matthews & Branscomb law firm in San Antonio before he joined CSW in 1986 as vice president and assistant general counsel of CSWS. He was named assistant general counsel of CSW in 1987, vice president and general counsel in 1988 and senior vice president and general counsel in 1990. Meyer has a B.B.A. degree in finance and a law degree from the University of Texas. In addition to other activities, he is vice chairman of the Electric Committee for the American Bar Association Section on Public Utility, Communications and Transportation Law and serves on the Legal Committee of the Edison Electric Institute. He is also a Fellow in The American College of Trial Lawyers.

Glenn D. Rosilier

Senior Vice President and Chief Financial Officer

Rosilier, 46, worked at Arthur Andersen & Co. before joining WTU in 1975. At WTU he served as treasurer and controller. In 1979 he became controller of CSW and vice president and controller of CSWS. He was promoted to vice president of finance of CSW in 1989 and to his present position in 1990. He has a B.B.A. degree from the University of Saint Thomas in Houston and an M.S. degree in accountancy from the University of Houston. In addition to other activities, he is a member of the board and executive committee of the Texas Association of Taxpayers, a member of the Texas and Oklahoma societies of CPAs and the Financial Executives Institute and is active in the Circle Ten Council of the Boy Scouts of America.

Robert R. Carey

President and Chief Executive Officer
Central Power and Light Company

Carey, 55, became head of CPL in 1990, having served as vice president of operations, Southern Region general manager, Rio Grande Valley operations manager and director of information services. He has a B.B.A. degree from Texas A&M. In addition to other activities, Carey is immediate past president of the United Way of the Coastal Bend. He is chairman of the Corpus Christi Chamber of Commerce, president of the Texas Atomic Energy Research Foundation and a member of the board of trustees for the Art Museum of South Texas. Carey is also on the boards of the Texas Research League, the Texas Association of Taxpayers and the Association of Edison Illuminating Companies.

Robert L. Zemanek

President and Chief Executive Officer
Public Service Company of Oklahoma

Zemanek, 42, was named president of PSO in 1992. Previously, he was PSO executive vice president. He began his career in 1972 at CPL, where he held engineering and operations positions before being named executive director of electrical systems in 1987. In 1988, he became general manager of CPL's Northern Region, and in 1989 vice president of corporate services for PSO. He has a B.S. degree in

electrical engineering from Texas A&M. In addition to other activities, he is on the boards of the Metropolitan Tulsa Chamber of Commerce, the Oklahoma State Chamber of Commerce and Industry, the Oklahoma Academy for State Goals, the Philbrook Museum of Art, The Nature Conservancy, Oklahoma Chapter, and the Hillcrest Medical Center.

Richard H. Bremer

President and Chief Executive Officer
Southwestern Electric Power Company

Bremer, 45, advanced to SWEPCO president in 1990 from vice president of operations. He worked in various financial positions, vice president of finance and regional manager at CPL from 1977 to 1989. He has a B.A. degree in accounting from Luther College. In addition to other activities, he is a member of the board of directors of the Commercial National Bank of Shreveport, the Biomedical Research Foundation of Northwest Louisiana, the Louisiana State Fair, the Shreveport Symphony and the Association of Electric Companies of Texas. He is currently serving as the president of the Shreveport Chamber of Commerce.

Glenn Files

President and Chief Executive Officer
West Texas Utilities Company

Files, 46, joined WTU in 1991 as executive vice president. Previously, he was vice president of marketing and business development at CPL. In more than 19 years at PSO, his positions included district manager, division manager and corporate planning and analysis responsibilities. In 1993, he assumed additional duties as transition executive for the merger of CSW with El Paso Electric Company. He has a B.S. degree from Cameron University. In addition to other activities, Files is a member of the board of the Texas Research League, the Hendrick Medical Center Foundation, the West Texas Rehabilitation Center, the Community Foundation of Abilene, the Center for Economic Education of Hardin-Simmons University and vice president of public affairs for the Abilene Chamber of Commerce.

F. Joseph Becraft

President and Chief Executive Officer
Transok, Inc.

Becraft, 50, joined Transok in 1989 from Valero Energy Corporation where he had been senior vice president and natural gas division head. He has a B.S. degree in business from Drake University. In addition to other activities, he serves as a vice president of the Gas Processors Association, a director of the Southern Gas Association, a member of the Oklahoma Commission on Natural Gas Policy, a member of the board of the Texas Intrastate Natural Gas Pipelines Association and on the board of the Center for the Physically Limited in Tulsa.

Terry D. Dennis

President and Chief Executive Officer
CSW Energy, Inc.

Dennis, 47, became president and CEO of CSW Energy in 1993. Previously, he had been president of CSWS and vice president of engineering at CSWS. Beginning in 1970, he worked in various engineering positions at WTU before being named WTU's vice president of engineering in 1989. He has a B.S. degree in electrical engineering from the University of Texas. Dennis is past section chairman of the Institute of Electrical and Electronic Engineers and a member of the Texas and National Societies of Professional Engineers. He has served as both chapter president and a member of the state board for the Texas Society of Professional Engineers. He has served on various committees of the Edison Electric Institute and the Electric Reliability Council of Texas.

M. Bruce Evans

President, Operation Services
Central and South West Services, Inc.

Evans, 38, was named president of CSWS Operation Services in 1993. He joined the CSW system in 1979 as a management trainee for WTU. He worked as district auditor in Childress, as a customer services supervisor in the Abilene Division and as district manager in Marfa. He transferred to CSW in 1990 as executive assistant to the chief operating officer and was named vice president of business improvement in 1992. Evans holds a B.B.A. degree in finance from Hardin-Simmons University. Currently he is serving on the board of directors of the Boys and Girls Clubs of Greater Dallas.

Richard P. Verret

President, Production Services
Central and South West Services, Inc.

Verret, 47, was named president of CSWS Production Services in 1993. He joined CPL in 1972 as a distribution electrical engineer. At CPL, he was named vice president of power in 1986, vice president of engineering and chief engineer in 1987, and vice president of regional operations in 1989. Verret moved to CSWS in 1992 as vice president of engineering. He holds a B.S. degree in electrical engineering from Texas A&I University and is a Registered Professional Engineer in Texas.

Board of Directors

T. J. Barlow
Retired Chairman and Chief Executive Officer
Anderson, Clayton & Co., Houston

Glenn Biggs
Chairman and Chief Executive Officer
Texas High-Speed Rail Corporation

Molly Shi Boren
Attorney, Seminole, Oklahoma

E. R. Brooks
Chairman, President and Chief Executive Officer
Central and South West Corporation

Joe H. Foy
Retired Partner
Bracewell & Patterson, Houston

Robert W. Lawless
President and Chief Executive Officer
Texas Tech University and
Texas Tech University Health Science Center
Lubbock, Texas

Harry D. Mattison
Executive Vice President
Central and South West Corporation

James L. Powell
Ranching and Investments
Fort McKavett, Texas

Arthur E. Rasmussen
Retired Chairman and Chief Executive Officer
and Chairman of the Executive Committee
Household International, Chicago

Thomas V. Shockley, III
Executive Vice President
Central and South West Corporation

J. C. Templeton
Investments, Houston

Thomas B. Walker, Jr.
Limited Partner
Goldman Sachs Group, L.P., Dallas

Lloyd D. Ward
Division President – Central
Frito-Lay, Inc., Dallas

Committees of the Board of Directors

1. The Audit Committee recommends to the board of directors the independent public accountants to be appointed, subject to shareholder approval. The Audit Committee reviews with the independent public accountants and the Corporation's internal auditors the scope of external and internal audits and the adequacy of, and the compliance with, the Corporation's system of internal accounting controls.

2. The Executive Compensation Committee reviews benefit programs and management succession programs and determines the compensation of executive officers.

3. The Nominating Committee reviews the compensation of the board of directors and recommends candidates for membership.

4. The Policy Committee reviews and makes recommendations to the board of directors concerning major policy issues; considers on a continuing basis the composition, structure and functions of the board of directors and its committees; and reviews existing corporate policies and recommends changes when appropriate. The Policy Committee has authority to act in place of the board of directors when the board is not in session, to the extent permitted by law.

Membership of these committees is as follows:

T. J. Barlow (3) (4)
Chairman of the Nominating Committee

Glenn Biggs (1) (3)

Molly Shi Boren (1) (2)

E. R. Brooks (4)
Chairman of the Policy Committee

Joe H. Foy (2) (4)
Chairman of the Executive Compensation Committee

Robert W. Lawless (1) (2)

James L. Powell (2) (3)

Arthur E. Rasmussen (1) (4)
Chairman of the Audit Committee

J. C. Templeton (1) (2)

Thomas B. Walker, Jr. (1) (3)

Lloyd D. Ward (1) (3)

Officers

Central and South West Corporation

E. R. Brooks
Chairman, President and Chief Executive Officer

Thomas V. Shockley, III
Executive Vice President

Harry D. Mattison
Executive Vice President

Ferd. C. Meyer, Jr.
Senior Vice President and General Counsel

Glenn D. Rosilier
Senior Vice President and Chief Financial Officer

Thomas M. Hagan
Vice President, Government Relations–Office of the Chairman

Lawrence E. De Simone
Vice President, Strategic Planning

G. Holman King
Vice President, Mergers and Acquisitions

Kenneth C. Raney, Jr.
Vice President and Assistant General Counsel

Michael D. Smith
Vice President, Corporate Services

Frederic L. Frawley
Corporate Secretary and Senior Attorney

Wendy G. Hargus
Controller

Stephen J. McDonnell
Treasurer

Verla R. Campbell
Assistant Secretary

CSW Leasing, Inc.

Thomas V. Shockley, III
President

CSW Credit, Inc.

Glenn D. Rosilier
President

CSW Electric

Harry D. Mattison
President and Chief Executive Officer

Central Power and Light Company

Robert R. Carey
President and Chief Executive Officer

Public Service Company of Oklahoma

Robert L. Zemanek
President and Chief Executive Officer

Southwestern Electric Power Company

Richard H. Bremer
President and Chief Executive Officer

West Texas Utilities Company

Glenn Files
President and Chief Executive Officer
Transition Executive, El Paso Electric Transition Team

Central and South West Services, Inc.

M. Bruce Evans
President, Operation Services

Richard P. Verret
President, Production Services

CSW Enterprises

Thomas V. Shockley, III
President and Chief Executive Officer

Transok, Inc.

F. Joseph Becraft
President and Chief Executive Officer

CSW Energy, Inc.

Terry D. Dennis
President and Chief Executive Officer

Common Stock Listing

Central and South West Corporation's common stock is traded under the ticker symbol CSR and listed on the New York and Midwest stock exchanges.

You can obtain stock quotations from the New York Stock Exchange report in most daily newspapers under the listing CenSoW.

Common Stock Dividends

Dividends of 40.5 cents a share were paid in each quarter of 1993. All dividends paid by the Corporation represent taxable income to shareholders for federal income tax purposes.

The Corporation's board of directors in January 1994 increased the quarterly dividend rate to 42.5 cents a share, payable on February 28, 1994, to shareholders of record on February 8, 1994. The increase marked the 43rd consecutive year of higher dividends paid by the Corporation. The Corporation is one of only four companies listed on the New York Stock Exchange to have such an uninterrupted record of dividend increases.

Traditionally, the Corporation's board of directors has declared dividends to be payable on the last business day of February, May, August and November.

Lost Dividend Checks or Stock Certificates

If you do not receive your dividend check or stock certificate, or they are lost, destroyed or stolen, please call our shareholder services department immediately.

Stock Transfer

Central and South West Services, Inc., is the transfer agent and registrar for Central and South West Corporation's common stock and for the preferred stocks of the Corporation's subsidiary companies.

To transfer your stock to another name, write the new name, address and tax identification number on the back of the certificate and sign your name exactly as it appears on the front. Then, have your signature Medallion-guaranteed by a commercial bank or a stockbroker whose firm is a member of the New York Stock Exchange. Signatures cannot be Medallion-guaranteed by a notary public.

Your stock certificate should be sent to our shareholder services department by registered or certified mail.

If you have questions about transferring your shares, you can write or call our shareholder services department.

Taxpayer ID Number

Federal law requires each shareholder to provide a taxpayer identification number for all shareholder accounts. For individual shareholders, your ID number is your Social Security number.

You must provide your ID number whenever you open a new account in our stock, even if you already own stock in existing accounts in your name. If you do not provide the ID number, the Corporation is required to withhold 31% federal income tax from your dividends.

If your stock is registered in a joint account, it is important to tell us the taxpayer ID number of the primary owner you designate. If you are a custodian for a minor or act as a trustee on an account, please provide the beneficial owner's tax identification number. This will ensure that your dividends are reported under the correct name, address and taxpayer ID number.

If you have not yet given us your taxpayer ID number, please contact our shareholder services department to request a W-9 form. Complete, sign and return the form as soon as possible.

Duplicate Annual Report Mailings

We are required to mail an annual report to all our shareholders. You will receive duplicate mailings from us if there are two or more shareholders at the same address or if your shares are registered in different, but similar, names.

To eliminate duplicate mailings, please tell us the name of the accounts you want eliminated and the name of the account that you want your mailings addressed to. Send your request to our shareholder services department.

Direct Deposit

We are pleased to offer direct deposit of dividend payments to your checking, savings or credit union account at any financial institution that accepts electronic direct deposits. Direct deposit eliminates the possibility of your check being lost or stolen, and the funds are credited to your account on the dividend payment date. If you would like an enrollment card, please call our shareholder services department.

Proxy and Dividend Mailing

Duplicate mailings of proxies and dividend checks cannot be eliminated unless the registration is the same for all of your accounts.

If your account registrations are identical, notify our shareholder services department that you want to combine your accounts. If your account registrations are different and you want to combine your accounts, all certificates must be issued in the one registration you prefer. To have your certificates reissued, follow the instructions under Stock Transfer.

1994 Annual Meeting

The 1994 annual meeting of shareholders is scheduled for April 21. It will be held at the University of Arkansas, Giffels Auditorium, Old Main, Fayetteville, Arkansas. The meeting will begin at 10:00 a.m., Central Daylight time. If you will not be attending the meeting, please vote your shares by signing and returning your proxy card as soon as possible.

PowerShare℠ Dividend Reinvestment and Stock Purchase Plan

The Corporation offers its shareholders a convenient way to purchase additional shares of common stock through its PowerShare℠ Dividend Reinvestment and Stock Purchase Plan.

The plan offers shareholders, non-shareholders of legal age who are residents of the four-state area (Arkansas, Louisiana, Oklahoma and Texas), and employees and eligible retirees of the Corporation or its subsidiaries a convenient and economical way to purchase the Corporations' common stock.

Once participants are enrolled in the plan, cash dividends, as well as any cash investments and/or payroll or pension deductions, may be used to purchase shares of common stock.

Participants may make optional cash purchases of $25 minimum and up to $100,000 per calendar year (Annual Limit) for the purchase of common stock.

CSW shareholders of record may enroll in PowerShare simply by completing and returning the enrollment form received from the Corporation.

Employees and eligible retirees of the Corporation or its subsidiaries may purchase shares of common stock through automatic payroll or pension deductions.

Full investment of funds is possible under the plan (subject to minimum and maximum purchase requirements) because both full and fractional shares will be credited to participants' plan accounts.

Participants may deposit all of their certificates of common stock with our shareholder services department for safekeeping and will receive credit to their plan accounts for their shares.

Participants will receive quarterly statements of account with a record of their activity as soon as practicable following each dividend payment date and will receive written confirmations of investments upon opening plan accounts or making optional cash purchases of plan shares. Statements of account are a participant's continuing record of transactions and should be retained for tax purposes.

Through the plan, participants may sell shares of common stock held or deposited in their plan accounts.

We also offer automatic electronic investment to participants in the PowerShare℠ Plan. Optional cash payments can be electronically processed directly from your checking, savings or credit union account at any financial institution that accepts electronic direct debits.

This does not constitute an offer to sell or solicitation of an offer to buy securities. Such offers and solicitations are made by way of prospectus only. No sales of CSW common stock under the plan will be made or commitments to purchase accepted until a copy of the prospectus is delivered. There is no obligation to participate in the plan, and the above does not constitute CSW's recommendation to participate in the plan.

Additional Information

We will be pleased to send you additional copies of this annual report. Also available is a *Ten-Year Financial and Statistical Review of the Central and South West System.*

The Corporation is subject to the informational requirements of the Securities Exchange Act of 1934 and files reports and other information statements with the Securities and Exchange Commission. These reports may be inspected at the SEC and at the New York and Midwest Stock Exchanges.

We will provide copies of these reports without charge to any Central and South West shareholder. If you would like to receive a report, please write or call our shareholder services department.

Shareholder Services

Our shareholder services staff is available from 8 a.m. to 5 p.m., Central time, Monday through Friday to answer questions you may have. Our address and telephone number is:

Central and South West Corporation
Shareholder Services Department
P.O. Box 660164
Dallas, Texas 75266-0164
or call:
1-800-527-5797

Security Analyst Contact

Security analysts should contact:
Sharon R. Peavy, Director of Investor Relations
Central and South West Corporation
214-777-1277

If you would like to be included on our investor relations mailing list to receive news releases and other corporate information, please contact our shareholder services department.

Central and South West Corporation
Incorporated in 1925
Under the Laws of Delaware

1616 Woodall Rodgers Freeway
P.O. Box 660164
Dallas, Texas 75266-0164
214-777-1000

Subsidiary Companies

Central Power and Light Company

Public Service Company of Oklahoma

Southwestern Electric Power Company

West Texas Utilities Company

Transok, Inc.

Central and South West Services, Inc.

CSW Credit, Inc.

CSW Energy, Inc.

CSW Leasing, Inc.

Equal Opportunity Employer

This report is printed on recycled paper.

Design: Summerford Design, Inc.
Photography: Jim Olvera Photographer

PowerShare℠

Share in the Power

Shareholders and employees of Central and South West Corporation as well as residents in the four states where CSW's electric utility companies operate can now purchase the common stock of CSW directly from the corporation without going through a broker.

This convenient, economical investment plan is called PowerShare℠.

About PowerShare

- Easy Enrollment for Shareholders

CSW shareholders of record may enroll in the plan simply by completing the enrollment form sent to them by the Corporation along with a prospectus.

- $25 Minimum Additional Investments

The minimum additional or optional cash purchase per transaction is $25. Participants may make optional cash purchases of up to $100,000 per calendar year for common stock.

- Dividend Reinvestment and Payment Options

Participants may elect to have cash dividends on all or any portion of their shares of common stock automatically reinvested in CSW common stock. Cash dividend payments not reinvested will be paid to participants by check or through electronic direct deposit.

- New Safekeeping Service for CSW Stock Certificates

PowerShare participants may deposit stock certificates for CSW common stock with CSW's Shareholder Services for safekeeping and the shares will be credited to those participants' PowerShare accounts.

- Timely Records of Transactions

Participants will receive quarterly statements of account with a record of their activity as soon as practicable following each dividend payment date, and written confirmations of investments upon opening plan accounts, or making optional cash purchases of plan shares. Statements of account are a participant's continuing record of transactions and should be retained for tax purposes.

- For More Information and a Prospectus . . .

The more information you have, the stronger your ability to make sound investment decisions. The CSW prospectus provides more details about PowerShare and about Central and South West Corporation. We encourage you to read this information before deciding whether to enroll in the plan or sending in any money.

If you have any questions, please call CSW Shareholder Services toll-free at 1-800-527-5797 weekdays between the hours of 8 a.m. and 5 p.m. Central time.

Yes! I want more information about PowerShare℠

Please type or print clearly, and mail this completed form to:

Central and South West Corporation, Shareholder Services Department, P.O. Box 660164, Dallas Texas 75266-0164

Last Name First Name Middle Initial

Address

City State Zip

This does not constitute an offer to sell or a solicitation of an offer to buy securities. Such offers and solicitations are made by way of prospectus only, and no sales of common stock under the plan will be made or commitment to purchase accepted until a copy of the prospectus is delivered. There is no obligation to participate in the plan, and these materials do not constitute the Corporation's recommendations to participate in the plan.

No Postage
Necessary If
Mailed In The
United States

BUSINESS REPLY CARD

FIRST CLASS PERMIT NO. 2551 DALLAS, TEXAS

Postage Will Be Paid By Addressee

Central and South West Corporation
Shareholder Services
P.O. Box 660164
Dallas, Texas 75266-9874

Central and South West Corporation

1616 Woodall Rodgers Freeway
P.O. Box 660164
Dallas, Texas 75266-0164

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1993

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from __________ to __________

COMMISSION FILE NUMBER 0-346

CENTRAL POWER AND LIGHT COMPANY

(Exact name of registrant as specified in its charter)

TEXAS	**74-0550600**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

539 North Carancahua Street, Corpus Christi, Texas 78401-2802

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 512/881-5300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Cumulative Preferred Stock, $100 Par Value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate by check mark if disclosure for delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K [X].

Number of shares of Common Stock outstanding at December 31, 1993: 6,755,535
(None of such shares are held by nonaffiliates.)

TABLE OF CONTENTS

DEFINITIONS

The following abbreviations or acronyms used in this text are defined below:

Abbreviation or Acronym	Definition
ALJ.................	Administrative Law Judge
AFUDC...............	Allowance for funds used during construction
APBO................	Accumulated Postretirement Benefit Obligation
Austin..............	City of Austin, Texas
Btu.................	British thermal unit
CEO.................	Chief Executive Officer
CERCLA..............	Comprehensive Environmental Response, Compensation and Liability Act of 1980
Company or CPL......	Central Power and Light Company, Corpus Christi, Texas
Court of Appeals....	Court of Appeals, Third District of Texas, Austin, Texas
CSW.................	Central and South West Corporation, Dallas, Texas
CSW System..........	CSW and its subsidiaries
CSWE................	CSW Energy, Inc., Dallas, Texas
CSWS................	Central and South West Services, Inc., Dallas, Texas
CWIP................	Construction Work in Progress
DOE.................	Department of Energy
District Court......	District Court of Travis County
Electric Operating Companies.........	PSO, SWEPCO, WTU and the Company
Energy Policy Act...	The National Energy Policy Act of 1992
EPA.................	United States Environmental Protection Agency
ERISA...............	Employee Retirement Income Security Act of 1974, as amended
ERCOT...............	Electric Reliability Council of Texas
FASB................	Financial Accounting Standards Board
FERC................	Federal Energy Regulatory Commission
HLP.................	Houston Lighting & Power Company
Holding Company Act.	Public Utility Holding Company Act of 1935, as amended
HVdc................	High-voltage direct-current
ITC.................	Investment Tax Credit
Kw..................	Kilowatt (1,000 Watts)
Kwh.................	Kilowatt-hour
Mcf.................	1,000 cubic feet
Mw..................	Megawatt (1 Million Watts)
Named Executive Officers..........	The CEO and the four most highly compensated executive officers of the Company reflected in the Summary Compensation Table
NRC.................	Nuclear Regulatory Commission
Oklaunion...........	Oklaunion Power Station Unit No. 1
OPUC................	The Office of Public Utility Counsel
PCB.................	Polychlorinated biphenyl
Project Manager.....	Houston Lighting & Power Company
PSO.................	Public Service Company of Oklahoma, Tulsa, Oklahoma
PURA................	Public Utility Regulatory Act
RCRA................	Federal Resource Conservation and Recovery Act of 1976
PCRB................	Pollution Control Revenue Bond
SAR.................	Stock Appreciation Right
San Antonio.........	City of San Antonio, Texas
SEC.................	Securities and Exchange Commission
SFAS................	Statement of Financial Accounting Standards
SO_2.................	Sulfur dioxide
STP.................	South Texas Project electric generating station
SWEPCO..............	Southwestern Electric Power Company, Shreveport, Louisiana
Texas Commission....	Public Utility Commission of Texas
TNRCC...............	Texas Natural Resource Conservation Commission
TSA.................	Texas State Agencies
TU..................	Texas Utilities Electric Company
Westinghouse........	Westinghouse Electric Corporation
WTU.................	West Texas Utilities Company, Abilene, Texas

PART I

ITEM 1. BUSINESS.

The Company. The Company, a Texas corporation, is a public utility engaged in generating, purchasing, transmitting, distributing and selling electricity in south Texas. It is a wholly owned subsidiary of CSW, a registered holding company under the Holding Company Act.

At December 31, 1993, the Company supplied electric service to approximately 589,000 retail customers in a 44,000 square mile area with an estimated population of 1,945,000. It supplied at wholesale all or a portion of the electric energy requirements of two municipalities and five rural electric cooperatives. The three largest metropolitan areas served by the Company are Corpus Christi, Laredo and McAllen, which have estimated populations of 265,000, 133,000 and 88,000, respectively.

The economic base of the territory served by the Company includes manufacturing, metal refining, petroleum, petrochemical, agriculture and tourism. In 1993, industrial customers accounted for approximately 23% of the Company's total operating revenues. Contracts with substantially all industrial customers provide for both demand and energy charges. Demand charges continue under such contracts even during periods of reduced industrial activity, thus mitigating the effect of reduced activity on operating income.

Regulation and Rates

Regulation. The Company, as a subsidiary of CSW, is subject to the jurisdiction of the SEC under the Holding Company Act with respect to the issuance, acquisition and sale of securities, acquisition and sale of certain assets or any interest in any business, including certain aspects of fuel exploration and development programs, accounting practices and other matters.

The FERC has jurisdiction under the Federal Power Act over certain of the Company's electric utility facilities and operations, wholesale rates and certain other matters.

The Texas Commission has jurisdiction over accounts, certification of utility service territories, sale or acquisition of certain utility property, mergers and certain other matters. Neither the Texas Commission nor the governing bodies of incorporated municipalities have jurisdiction over the issuance of securities.

National Energy Policy Act of 1992. The Energy Policy Act, adopted in October 1992, significantly changed U.S. energy policy, including that governing the electric utility industry. The Energy Policy Act allows the FERC, on a case-by-case basis and with certain restrictions, to order wholesale transmission access and to order electric utilities to enlarge their transmission systems. The Energy Policy Act does, however, prohibit FERC-ordered retail wheeling, including "sham" wholesale transactions. Further, under the Energy Policy Act a FERC transmission order requiring a transmitting utility to provide wholesale transmission services must include provisions generally that permit the utility to recover from the FERC applicant all of the costs incurred in connection with the transmission services, any enlargement of the transmission system and associated services.

In addition, the Energy Policy Act revised the Holding Company Act to permit utilities, including registered holding companies, and non-utilities to form exempt wholesale generators. An exempt wholesale generator is a new category of non-utility wholesale power producer that is free from most federal and state regulation, including the principal restrictions of the Holding Company Act. These provisions enable broader participation in wholesale power markets by reducing regulatory hurdles to such participation. Management believes that this Act will make wholesale markets more competitive. However, the Company is unable to predict the extent to which the Energy Policy Act will affect its operations.

See ITEM 1. BUSINESS -- Environmental Matters, for information relating to Environmental regulation.

Rates. The Texas Commission has original jurisdiction over retail rates in the unincorporated areas of Texas. The governing bodies of incorporated municipalities have such jurisdiction over rates within their incorporated limits. Municipalities may elect, and some have elected, to surrender this jurisdiction to the Texas Commission. The Texas Commission has appellate jurisdiction over rates set by incorporated municipalities.

See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, Rate Case Filings in ITEM 8, for further information with respect to current rate proceedings.

Electric utilities in Texas are not allowed to make automatic adjustments to recover changes in fuel costs from retail customers. A utility is allowed to recover its known or reasonably predictable fuel costs through a fixed fuel factor. The Texas Commission established procedures effective May 1, 1993, subject to certain transition rules, whereby each utility under its jurisdiction may petition to revise its fuel factors every six months according to a specified schedule. Fuel factors may also be revised in the case of an emergency or in a general rate proceeding. Under the revised procedures, a utility will remain subject to the prior rules until after its first fuel reconciliation, or in some instances a general rate proceeding including a fuel reconciliation, subject to the new rules. Management does not believe that the new rules substantially change the manner in which the Company will recover retail fuel costs.

Fuel factors are in the nature of temporary rates, and the utility's collection of revenues by such is subject to adjustment at the time of a fuel reconciliation proceeding. At the utility's semi-annual adjustment date, a utility is required to petition the Texas Commission for a surcharge or to make a refund when it has materially under- or over-collected its fuel costs and projects that it will continue to materially under- or over-collect. Material under- or over-collections including interest are defined as four percent of the most recent Texas Commission adopted annual estimated fuel cost for the utility, which is approximately $10.4 million for the Company. A utility does not have to revise its fuel factor when requesting a surcharge or refund. An interim emergency fuel factor order must be issued by the Texas Commission within 30 days after such petition is filed by the utility.

Final reconciliation of fuel costs are made through a reconciliation proceeding, which may contain a maximum of three years and a minimum of one year of reconcilable data, and must be filed with the Texas Commission no later than six months after the end of the period to be reconciled. In addition, a utility must include a reconciliation of fuel costs in any general rate proceeding regardless of the time since its last fuel reconciliation proceeding. Any fuel costs which are determined unreasonably incurred in a reconciliation proceeding must be refunded to customers. In the event that the Company does not recover all of its fuel costs under the above procedures, the Company could experience an adverse impact on its results of operations.

All of the Company's contracts with its wholesale customers contain FERC approved fuel-adjustment provisions that permit it to automatically pass actual fuel costs through to its customers.

See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8, for further information with respect to regulation and rates.

STP

The ownership of a nuclear generating unit exposes the Company to significant special risks. Under the Atomic Energy Act of 1954 and Energy Reorganization Act of 1974, operation of nuclear plants is intensively regulated by the NRC, which has broad power to impose licensing and safety-related requirements. Along with other federal and state agencies, the NRC also has extensive regulations pertaining to the environmental aspects of nuclear reactors. The NRC has the authority to impose fines and/or shutdown a unit until compliance is achieved, depending upon its assessment of the severity of the situation.

The high degree of regulatory monitoring and controls to assure safe operation could cause the STP units to be out of service for long periods of

time. Outages are also necessary approximately every 18 months for refueling. Because STP's fuel costs currently are lower than any of the Company's other units, the Company's average fuel costs are expected to be higher whenever an STP unit is down or operates below the prior period's average capacity.

Risks of substantial liability arise from the operation of nuclear-fueled generating units and from the use, handling, and possible radioactive emissions associated with nuclear fuel. While the Company carries insurance, the availability, amount and coverage thereof is limited and may become more limited in the future. The available insurance will not cover all types or amounts of loss expense which may be experienced in connection with the ownership of STP. See NOTE 10, COMMITMENTS AND CONTINGENCIES - Nuclear Insurance, in ITEM 8 for further information.

See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8 for a discussion of the STP outage.

Operations

Peak Loads and System Capabilities. The following table sets forth for the years 1991 through 1993 the net system capabilities of the Company (including the net amounts of contracted purchases and contracted sales) at the time of peak demand, the maximum coincident system demand on a one-hour integrated basis (exclusive of sales to other electric utilities) and the respective amounts and percentages of peak demand generated by the Company and net purchases and sales:

Year	Net System Capabilities(a) Mw	Maximum Coincident System Demand(b) Mw	Percent Increase (Decrease) In Peak Demand Over Prior Period	Generation at Time of Peak Mw	Generation at Time of Peak %	Net Purchases (Sales) at Time of Peak Mw	Net Purchases (Sales) at Time of Peak %
1991	4,005	3,291	5.8	3,424	104.0	(133)	(4.0)
1992	4,165	3,347	1.7	3,003	89.7	344	10.3
1993	4,480	3,518	5.1	2,943	83.7	575	16.3

(a) Does not include 452 Mw of system capability in long-term storage in 1991 and 310 Mw in 1992 and 1993 as described under "ITEM 2. PROPERTIES -- Facilities." Does include 630 Mw of STP capability that was not available at the peak due to the outage described in NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8.

(b) Maximum coincident system demand occurred on August 21, August 11 and August 25, in the years 1991, 1992 and 1993, respectively.

The Company is a member of ERCOT, which also includes TU, HLP, WTU, Texas Municipal Power Agency, Texas Municipal Power Pool, Lower Colorado River Authority, the municipal systems of San Antonio, Austin and Brownsville, the South Texas and Medina Electric Cooperatives, and several other interconnected systems and cooperatives. The ERCOT members interchange power and energy on firm, economy and emergency bases. The Company also engages in economy interchanges with the other electric operating companies in the CSW System.

The CSW System operates on an interstate basis to facilitate exchanges of power. PSO and WTU are interconnected through the 200,000 Kw North HVdc Tie. In August 1992, the Company entered into an agreement with SWEPCO, HLP and TU to construct and operate an East Texas Hvdc transmission interconnection which will facilitate exchanges of power for the CSW System. The Company has a 25.0% ownership interest in the project. This interconnection will consist of a back-to-back HVdc converter station and 16 miles of 345 kilovolt alternating-current transmission line connecting transmission substations at SWEPCO's Welsh Power Plant and TU's Monticello Power Plant. In March 1993, an application for a Certificate of Convenience and Necessity for the transmission interconnection was approved by the Texas Commission. This 600,000 Kw project is scheduled to be completed in 1995.

Competition. In Texas, electric service areas are approved by the Texas Commission. A given tract in the Company's overall service area may be singly certificated to the Company, to one of several competing electric cooperatives or to one of the competing municipal electric systems; it may also be dually or triply certificated to these entities. These certificated areas have changed only slightly since the formation of the Texas Commission in 1976, with the Company generally singly certificated to serve inside most municipalities, cooperatives singly certificated to serve much of the rural areas, and the suburban areas mostly dually certificated.

Since 1990, in dually certificated areas, the Company has been higher in cost than competitors for many applications, especially small commercial and industrial customers. However, most business has been retained and some new business acquired, primarily because of service reliability and other customer service advantages. Natural gas and other alternative fuels, including those used in cogeneration facilities, have resulted in some losses of sales, primarily because of higher electricity costs relative to gas and oil costs. Although there have been some losses, electricity is still the fuel of choice for most air conditioning installations. Renewable energy such as solar and wind is not now a feasible economic choice for customers of the Company in most instances. The Company believes that its rates, the quality and reliability of its service and the relatively inelastic demand for electricity for certain end uses place it in a favorable competitive position in current retail markets.

Wholesale energy markets, including the market for wholesale electric power, are extremely competitive, even more so after the enactment of the Energy Act of 1992. See "National Energy Policy Act of 1992" above. The Company competes with other public utilities, cogenerators and qualified facilities in other forms, exempt wholesale generators and others for sales of electric power at wholesale.

Many competitive forces currently are at work in the electric utility industry. Various legislative and regulatory bodies are considering many issues, including the extent of any deregulation of the electric utility industry or of any access to an electric utility's transmission system to make retail sales of power, the pricing of transmission service on an electric utility's transmission system, and the role of utilities, independents and others in the construction and operation of new generation capacity. The Company is unable to predict the ultimate outcome or impact of these issues or the impact of further changes in the electric utility industry on the Company. To the extent that consumers of electric power approach electric power as a fungible commodity and are accorded more choices in the future for their power supplies, the principal factor determining success in retail and wholesale markets probably would be price, and to a lesser extent, reliability, availability of capacity, and customer service. The Company is taking steps to enhance its marketing and customer service, reduce costs, and improve and standardize business practices in line with the best practices in the CSW System, in order to position itself for increased competition in the future. See ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, for a discussion of the restructuring of the CSW System and certain industry and other challenges.

Seasonality. Sales of electricity by the Company tend to increase during warmer summer months and, to a lesser extent, cooler winter months, because of higher demand for power for cooling and heating purposes.

Employees. At December 31, 1993, the Company had 2,299 employees. See ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Restructuring, for a discussion of the recently announced restructuring of the CSW System and associated early retirement program and work force reduction.

Operating Statistics

	Years Ended December 31,		
	1993	1992	1991
KILOWATT-HOUR SALES (Millions):			
Residential	5,612	5,408	5,476
Commercial	4,278	4,181	4,215
Industrial	6,406	5,800	5,354
Other retail....................	435	414	396
Sales to retail customers	16,731	15,803	15,441
Sales for resale	913	1,370	1,485
Total	17,644	17,173	16,926
NUMBER OF ELECTRIC CUSTOMERS AT END OF PERIOD:			
Residential	504,893	493,772	483,627
Commercial	74,767	73,200	72,520
Industrial (a)..................	6,156	6,307	6,411
Other...........................	3,538	3,561	3,508
Total	589,354	576,840	566,066
RESIDENTIAL SALES AVERAGES:			
Kwh per customer	11,298	11,133	11,492
Revenue per customer	\$955	\$890	\$915
Revenue per Kwh	8.45¢	7.99¢	7.96¢
REVENUES PER KWH ON TOTAL SALES ...	6.93¢	6.48¢	6.49¢
FUEL COST DATA:			
Average Btu per net Kwh	10,296	10,404	10,309
Cost per million Btu	\$2.17	\$1.70	\$1.73
Cost per Kwh generated	2.23¢	1.77¢	1.79¢
Cost as a percentage of revenue	28.6	27.6	27.6

(a) The customer decrease in 1993 was largely due to the combining of multiple customer accounts into single accounts.

Construction and Financing

Construction. The estimated total capital expenditures (including AFUDC) for the years 1994-1996 are as follows:

	1994	1995	1996	Total
		(Millions)		
Generation	$ 36	$ 27	$ 20	$ 83
Transmission	72	16	41	129
Distribution	57	56	60	173
Fuel	2	8	21	31
Other	28	21	15	64
Total	$195	$128	$157	$480

Information in the foregoing table is subject to change due to numerous factors, including the rate of load growth, escalation of construction costs, changes in lead times in manufacturing, inflation, the availability and pricing of alternatives to construction or nuclear, environmental and other regulation, delays from regulatory hearings, the adequacy of rate relief and the availability of necessary external capital. Changes in these and other factors could cause the Company to defer or accelerate construction or to sell or buy more power, which would affect its cash position, revenues and income to an extent that cannot now be reliably predicted. See Construction Program in MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, in ITEM 7, for additional information relating to construction.

The Company continues to study alternatives to reduce or meet future increases in customer demand, including without limitation demand-side management programs, new and efficient electric technologies, various architectures for new and existing generation facilities, and methods to reduce transmission and distribution losses. The Texas Commission considers on a case-by-case basis mechanisms whereby costs of demand-side management programs and some return on the related investment are recoverable from customers, either on a current basis or through deferral to a base rate case. The Texas Commission has not to date adopted similar mechanisms for associated revenue reductions and performance incentives.

The CSW System facilities plan currently indicates that the Company will not require substantial additions to its generating capacity until the year 2001 or beyond.

Financing. See, Financing and Capital Resources in MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, in ITEM 7, for information with respect to financing and capital resources.

Fuel Supply

General. The Company's present electric generating plants showing the type of fuel used are set forth under "ITEM 2. PROPERTIES."

During 1993, approximately 65% of Kwh generation was from gas, 33% from coal and 2% from nuclear fuel. Nuclear generation was substantially reduced in 1993 due to the STP outage described in NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8. Natural gas consumption totaled 104 million Mcf and coal requirements were 2 million tons.

Natural Gas. The Company's eight gas-fired electric generating plants are supplied by 12 separate long-term natural gas purchase agreements accounting for approximately 57% of the Company's total gas requirements in 1993. The balance of the Company's natural gas requirements could have been supplied under existing long-term arrangements; however, with the favorable spot market conditions existing during the period, the Company elected to purchase these requirements under lower cost, spot market arrangements. The Company's principal gas supplies for 1993 were provided under agreements with Corpus Christi Gas Marketing L.P.,

Enron Corporation, Onyx Pipeline Company or their affiliates. They supplied approximately 22%, 18% and 11%, respectively, of the Company's total natural gas purchases. Including spot market suppliers, the Company had 31 individual suppliers of natural gas during 1993.

Coal. The Company's two coal-fired electric generating plants, Coleto Creek and jointly owned Oklaunion, are both primarily supplied by single long-term coal purchase agreements. At Coleto Creek, the long-term agreement expiring in 1999 with Colowyo Coal Company provided approximately 56% of the coal requirements of the plant for 1993. The Company's purchase obligation set forth in the Colowyo agreement for 1994 is for approximately 60% of Coleto Creek's requirements and 25% for 1995 through expiration. The coal is mined in northwestern Colorado and is transported approximately 1,400 miles under long-term rail agreements with the Denver & Rio Grande Western Railroad Company, the Burlington Northern Railroad Company and the Southern Pacific Transportation Company. The balance of the Coleto Creek requirements are currently being procured on the spot market and it is anticipated that this will continue until the expiration of the agreement in 1999. The Company owns sufficient railcars for operation of three unit trains, and has negotiated contracts with the rail carriers involved which have been accepted by the Interstate Commerce Commission. At year-end 1993, the Company had approximately 140,000 tons of coal in inventory at Coleto Creek, representing approximately 21 days supply.

Currently Oklaunion's long-term coal supply is provided under a contract expiring in 2006 with Exxon Coal USA, Inc. This agreement is for Wyoming coal which is transported approximately 1,100 miles to the plant by the Burlington Northern Railroad Company. Approximately 65% of the total 1993 Oklaunion coal requirements for the Company were supplied under the Exxon Agreement with the balance procured on the spot market. In December 1993, a settlement was reached with Exxon regarding disputes over certain provisions of this long-term coal contract. The settlement is expected to result in lower fuel costs at Oklaunion. The Company's share of the year-end 1993 coal inventory at Oklaunion was approximately 40,000 tons, representing approximately 52 days supply.

Nuclear Fuel. The nuclear fuel cycle entails several steps, including purchase of uranium concentrate, conversion of uranium concentrate to uranium hexafluoride, enrichment of uranium hexafluoride into the isotope U235 and fabrication of the enriched uranium into fuel rods and fuel assemblies. Fuel requirements for STP are being handled by a committee comprised of representatives of all participants in STP.

The Company and the other STP participants have entered into contracts with suppliers for uranium concentrate sufficient for the operation of both STP units through 1996. Enrichment contracts have been secured for a 30-year period from the present for each unit. Contracts have been secured for conversion services for both units through 1996. Also, fuel fabrication services have been contracted for the initial cores and 16 years of operation of each unit from the present. The Company believes it will be able to obtain adequate supplies of nuclear fuel components and services required for the life of STP.

The nuclear power industry faces uncertainties with respect to the cost and availability of long-term arrangements for disposal of spent nuclear fuel and other radioactive waste. Disposal costs for low-level radioactive waste that results from normal operation of nuclear units have increased significantly in recent years and are expected to continue to rise, but adequate storage and disposal facilities are expected to be available for STP.

The Company and the other STP participants have entered into a waste disposal contract for spent fuel with the DOE. Under this contract, the DOE is required to take possession of all spent fuel from the STP units by 1998. The DOE has had difficulties in formulating and implementing its strategy for high-level waste disposal and for any compensation to utilities if the DOE is unable to accept such waste on schedule.

Until the federal government begins receiving such materials in accordance with the Nuclear Waste Policy Act and DOE contracts, operating nuclear generating plants will need to retain high-level wastes and spent fuel on-site or make some other provisions for their storage. STP has on-site storage facilities with the

capability to store up to 40 years of spent fuel discharged from each unit. Under NRC regulations, spent nuclear fuel from STP may be stored under a general license provided that the licensee notifies the NRC, uses only NRC-certified casks for storage, and stores the spent fuel under conditions specified in the cask's certificate of compliance.

Governmental Regulation. The price and availability of each of the foregoing fuel types are significantly affected by governmental regulation. Any inability in the future to obtain adequate fuel supplies, or adoption of additional regulatory measures restricting the use of such fuels for the generation of electricity, might affect the Company's ability to meet economically the needs of its customers and could require it to supplement or replace, prior to normal retirement, existing generating capability with units using other fuels. This would be impossible to accomplish quickly, would require substantial expenditures for construction and could have a significant adverse effect on the Company's financial position and results of operations.

Fuel Costs. Additional fuel cost data for the Company appears under "Operating Statistics." For 1993, total average cost of fuel per million Btu was \$2.17. Average costs per million Btu by major fuel type were \$2.27 for natural gas, \$2.06 for coal and \$0.57 for nuclear. The Company is unable to predict accurately the future cost of fuel.

Environmental Matters

The Company is subject to regulation with respect to air and water quality and solid waste standards, along with other environmental matters, by various federal, state and local authorities. These authorities have continuing jurisdiction in most cases to require modifications in the Company's facilities and operations. Changes in environmental statutes or regulations could require substantial additional expenditures to modify the Company's facilities and operations and could have a significant adverse effect on the Company's results of operations. Violations of environmental statutes or regulations can result in fines and other costs.

Air Quality. Air quality standards and emission limitations are subject to the jurisdiction of the TNRCC, with oversight by the EPA. In accordance with regulations of the TNRCC, permits are required for all generating units on which construction is commenced or which are substantially modified after the effective date of the applicable regulations. The Company has not received notice from any federal or state government agency alleging that it currently is subject to an enforcement action for a material violation of existing federal or state air quality and emission regulations. The EPA has approved and may enforce the air quality standards and limitations adopted by the TNRCC and has adopted ambient air quality standards applicable nationally, as well as new source performance standards for all new or substantially modified generating units.

In November 1990, the United States Congress passed the Clean Air Act Amendments of 1990, which place restrictions on the emission of SO_2 and nitrogen oxides from gas-, coal- and lignite-fired generating plants starting in the year 2000. The right to emit SO_2 from existing generating plants will be established based on historical operating conditions. These rights will be controlled through an allowance program. Each unit of allowance is an entitlement to emit one ton of SO_2 per year. The Company, based on the CSW System facilities plan, believes its allowances are adequate to meet its needs at least through 2008. Public and private markets are developing for trading of excess allowances. The Company presently has no intention of engaging in sales or purchases of allowances, but may seek to do so in the future if market conditions warrant.

Based on the latest CSW System facilities plan, the Company estimates making capital expenditures of \$5 million to install emission monitoring equipment for existing plants by January 1, 1995.

Water Quality. The TNRCC and the EPA have jurisdiction over all wastewater discharges into state waters. The TNRCC has jurisdiction for establishing water quality standards and issuing waste control permits covering discharges which might affect the quality of state waters. The EPA has jurisdiction over "point source" discharges through the National Pollutant Discharge Elimination System

provisions of the Clean Water Act. The Company has not received notice from any federal or state government agency alleging that it currently is subject to an enforcement action for a material violation of existing federal or state wastewater discharge regulations.

Solid Waste Disposal. The RCRA and the TNRCC solid waste rules provide for comprehensive control of all solid wastes from generation to final disposal. The TNRCC has received authorization from the EPA to administer the RCRA solid waste control program for Texas. The Company has not received notice from any federal or state government agency alleging that it currently is subject to an enforcement action for a material violation of existing federal or state solid waste regulations.

CERCLA and Related Matters. Under CERCLA, owners or operators of contaminated sites and, transporters and/or generators of hazardous substances can be held liable for the cleanup of hazardous substance disposal sites. Similar liabilities for hazardous substance disposal can arise under applicable state law. The Company incurs costs for the handling, transportation, storage and disposal of hazardous, toxic and non-hazardous waste materials. Unit costs for waste classified as hazardous or toxic exceed by a substantial margin unit costs for waste classified as non-hazardous.

The Company produces combustion and other generation by-products, such as sludge, ash, slag, low-level radioactive waste and spent fuel. The Company owns distribution poles treated with creosote or similar substances which are not expected to exhibit characteristics that would cause them to be hazardous waste. The EPA currently exempts coal combustion by-products from regulation as hazardous wastes. In connection with its operations, the Company also has used asbestos, PCBs and other materials classified as hazardous or toxic waste. If additional by-products or other materials generated or used by the Company were reclassified as hazardous or toxic wastes, or other new laws or regulations concerning hazardous or toxic wastes or other materials were put in effect, the Company's disposal and remedial costs could increase materially. In 1993, the EPA made an administrative determination that coal combustion by-products are non-hazardous. The EPA is expected in the near-term to issue new regulations stating whether certain other non-combustion by-products will be classified as hazardous waste.

In November 1985, the Texas Attorney General brought suit against the Company under the Texas Solid Waste Disposal Act and Chapter 26 of the Texas Water Code. This suit alleged that the Company was one of the parties responsible for lead and PCB contamination at the Industrial Road and Industrial Metals site in Corpus Christi, Texas and, therefore, should share the responsibility for cleanup of the site. The site was used by several metal salvage companies for the salvage of various materials allegedly purchased from various entities including the Company and other utilities. Pursuant to an agreement with the State of Texas, and under the direction and supervision of the Texas Water Commission (TWC), now the TNRCC, the Company engaged independent contractors to design and implement a closure plan for the site which was approved by the TWC. The closure of the site was conducted and completed under the direction and supervision of the TWC by an independent contractor specializing in waste site closures and waste management facilities. The Closure Certification Report was submitted to the TWC in December 1990, and was given final approval by the TWC in August 1991. Total expenses incurred by the Company for cleanup through December 1993 have been approximately $2 million. No additional material costs to the Company are anticipated.

Three additional lawsuits relating to this site, naming the Company as one of the defendants, are pending and discovery continues. The first was filed in December 1990 and is currently pending in U. S. District Court, Southern District, Nueces County. This suit was filed by multiple plaintiffs residing in a neighborhood near the Industrial Metals site who now allege response costs under CERCLA and property damages in excess of $100 million for lead contamination allegedly resulting from closure of the site. In November 1992, a similar suit with multiple plaintiffs, was filed in the 117th Judicial District Court, Nueces County. This suit alleges property damage and response costs under CERCLA in excess of $1 million for lead and PCB contamination allegedly resulting from the closure of the site. A third lawsuit was filed in March 1993 in the

94th Judicial District Court in Nueces County. The suit was filed by multiple parties alleging that the closure of the site caused a wrongful diversion of surface water under the Texas Water Code, resulting in flooding to their property. They claim actual damages of approximately $162,000, plus mental anguish and attorneys' fees. The Company was recently granted summary judgment on a fourth suit arising from the site that was filed in the spring of 1993 in the 37th Judicial District Court in Bexar County. This suit was filed against the Company and other defendants by a widow alleging that her husband's death was caused by exposure to PCBs at the site where he was employed 20 years ago for a two week period. An appeal is possible, but the limitation period for that appeal does not begin to run until the Company is severed from the suit still pending against other defendants. Although management cannot predict the outcome of these proceedings, based on the defenses that management believes are available to the Company, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's results of operations or financial condition.

In September 1992, the EPA conducted an inspection, of various Company facilities, under the Toxic Substance Control Act regarding various PCB and equipment management activities. The Company is responding to the initial findings and it is not known when a final inspection report will be issued, however, management does not believe that the resolution of this matter will have a material adverse effect on the Company's results of operations or financial condition.

See ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Environmental for a discussion of certain other environmental matters.

From time to time the Company is made aware of various other environmental issues or is a party to various other legal claims, actions, complaints and other proceedings related to environmental matters. Management does not expect disposition of any such environmental proceedings to have a material adverse effect on the Company's results of operations or financial condition.

ITEM 2. PROPERTIES.

Facilities. At December 31, 1993, the Company owned the following electric generating plants (or portions thereof in the cases of the jointly owned plants). (See "ITEM 1. BUSINESS -- Fuel Supply.")

Plant Name and Location	Type of Fuel Primary/Secondary	Net Dependable Capability Mw
Barney M. Davis	gas/oil(a)	339
Corpus Christi, Texas	gas/oil	340
Coleto Creek	coal	604
Goliad, Texas		
Lon C. Hill	gas/oil(a)	549
Corpus Christi, Texas		
Nueces Bay	gas/oil(a)	512(b)
Corpus Christi, Texas		
Victoria	gas/oil(a)	258(b)
Victoria, Texas		
La Palma	gas/oil	47
San Benito, Texas	gas/oil(a)	156(b)
E. S. Joslin	gas/oil(a)	252
Point Comfort, Texas		
J. L. Bates	gas/oil(a)	182
Mission, Texas		
Laredo	gas/oil(a)	66
Laredo, Texas	gas/oil	106
Eagle Pass		
Eagle Pass, Texas	hydro	6
Oklaunion	coal	53(c)
Vernon, Texas		
STP	nuclear	630(d)
Bay City, Texas		
Total		4,100

(a) For extended periods of operation, oil can be used only in combination with gas. Use of oil in facilities primarily designed to burn gas results in increased maintenance expense and a reduction of approximately 15% in capability.

(b) Excludes units in long-term storage - 34 Mw at Nueces Bay, 228 Mw at Victoria and 48 Mw at La Palma.

(c) The Company owns 7.81% of the 676 Mw unit operated by WTU.

(d) The Company owns 25.2% of the two 1,250 Mw units operated by HLP.

All of the generating plants described above are located on land owned by the Company or jointly with the other participants in jointly owned plants. The Company's electric transmission and distribution facilities are for the most part located over or under highways, streets and other public places or property owned by others, for which permits, grants, easements or licenses (which the Company believes to be satisfactory, but without examination of underlying land titles)

have been obtained. The principal plants and properties of the Company are subject to the lien of the first mortgage indenture under which the Company's first mortgage bonds are issued.

ITEM 3. LEGAL PROCEEDINGS.

See ITEM 1. BUSINESS - Environmental Matters, for information relating to environmental and certain other proceedings.

See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8, for information relating to regulatory and legal proceedings.

The Company is party to various other legal claims, actions and complaints arising in the normal course of business. Management does not expect disposition of these matters to have a material adverse effect on the Company's results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

All of the outstanding shares of Common Stock of the Company are owned by its parent company, CSW.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data are provided to highlight significant trends in the financial condition and results of operations of the Company:

	1993	1992	1991	1990	1989
			(thousands, except ratios)		
Electric Operating Revenues	$1,223,528	$1,113,423	$1,098,730	$ 948,520	$ 836,585
Income Before Cumulative Effect of Changes in Accounting Principles	145,130	218,511	217,206	204,870	147,781
Preferred Stock Dividends	14,003	16,070	19,844	23,528	24,558
Income for Common Stock Before Cumulative Effect of Changes in Accounting Principles	131,127	202,441	197,362	181,342	123,223
Cumulative Effect of Changes in Accounting Principles (1)	27,295	-	-	-	-
Net Income for Common Stock	158,422	202,441	197,362	181,342	123,223
Total Assets (2)	4,781,745	4,583,660	4,458,063	4,516,375	3,913,360
Preferred Stock					
Not Subject to Mandatory Redemption	250,351	250,351	250,351	250,351	250,351
Subject to Mandatory Redemption	22,021	28,393	35,331	40,584	43,803
Long-Term Debt	1,362,799	1,347,887	1,350,854	1,346,587	1,331,349
Ratio of Earnings to Fixed Charges (SEC Method) Before Cumulative Effect of Changes in Accounting Principles	2.69	3.23	3.18	3.11	2.48
Capitalization Ratios					
Common Stock Equity	46.6%	46.9%	46.6%	47.0%	45.7%
Preferred Stock	8.9	9.1	9.3	9.4	9.8
Long-Term Debt	44.5	44.0	44.1	43.6	44.5

(1) The 1993 cumulative effect relates to the changes in accounting for unbilled revenues and adoption of SFAS No. 112, Employer's Accounting for Postemployment Benefits. See NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, in ITEM 8.

(2) The 1992-1989 total assets have been reclassified to reflect the effects of the adoption in 1993 of SFAS No. 109, Accounting for Income Taxes. See NOTE 2, FEDERAL INCOME TAXES, in ITEM 8.

The Company changed its method of accounting for unbilled revenues in 1993. Pro forma amounts assuming that the change in accounting for unbilled revenues had been adopted retroactively are not materially different from amounts previously reported for prior years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Reference is made to the Company's Financial Statements and related Notes and Selected Financial Data in ITEM 8. The information contained therein should be read in conjunction with, and is essential in understanding, the following discussion and analysis.

Overview

Net income for common stock for the year 1993 decreased 21.7% to $158 million from $202 million in 1992. The decline was due primarily to increased administrative and general expenses, increased STP operating and maintenance expenses, higher taxes other than Federal income, additional employee benefits costs, and the decline in Mirror CWIP liability amortization. Partially offsetting the effects of the above items were increased base revenues, reduced interest expense, lower preferred stock dividends, and the cumulative effect of a change in accounting for unbilled revenue. Reflected in the overall earnings reduction is a $9 million net negative effect of several one-time items including the cost of the Company's restructuring, true-up of prior years' federal taxes, write-down of lignite properties and environmental issues, adoption of new accounting standards for medical costs and the accrual of unbilled revenues.

The 1992 increase in net income for common stock over 1991 was due primarily to higher revenues from increased Kwh sales, lower operating and maintenance expenses and a reduction in preferred stock dividends.

Average return on common equity decreased to 11.1% in 1993 from 14.2% in 1992. The Company took advantage of lower interest rates in 1993 and refinanced $391 million of higher cost debt which reduced the embedded cost of long-term debt and lowered annual interest expense $11 million.

STP

In February 1993, Units 1 and 2 of STP were shut down by HLP, the Project Manager, in an unscheduled outage resulting from mechanical problems relating to two auxiliary feedwater pumps. HLP determined that the units would not be restarted until the equipment failures had been corrected and the NRC was briefed on the causes of these failures and the corrective actions that were taken. The NRC formalized that commitment in a confirmatory action letter and sent an Augmented Inspection Team to STP to review the matter. In March 1993, the NRC began a diagnostic evaluation of STP. Conducted infrequently, diagnostic evaluations are broad-based evaluations of overall plant operations and are intended to review the strengths and weaknesses of the licensee's performance and to identify the root cause of performance problems. During and subsequent to the June 1993 completion of the evaluation, the NRC supplemented its confirmatory action letter to identify additional issues to be resolved and verified by the NRC before restart of STP. Such issues included the need to reduce backlogs of engineering and maintenance work and to simplify work processes which placed excessive burdens on operating and other plant personnel. The report also identified the need to strengthen management communications, oversight and teamwork as well as the capability to identify and correct the root causes of problems.

The NRC announced in June 1993 that STP was placed on its "watch list" of plants with "weaknesses that warrant increased NRC attention." Plants on the watch list are subject to closer NRC oversight. STP will remain on the NRC's watch list until both units return to service and a period of good performance is demonstrated.

During the outage, the necessary improvements have been made by HLP to address the issues in the Confirmatory action letter, as supplemented. On February 15, 1994, the NRC agreed that the confirmatory action letter issues had been resolved with respect to Unit 1, and that it supported HLP's recommendation that Unit 1 was ready to restart. Unit 1 restarted in late February 1994 and operated at low power for three days. The Project Manager then shut down Unit 1 due to a problem with a steam generator feedwater valve and a steam generator

tube leak. The Project Manager expects to make the necessary repairs and restart Unit 1 in late March 1994, although additional delays may occur.

While many of the corrective actions taken are common to both units, HLP must demonstrate to the NRC that these issues are also resolved with respect to Unit 2 before it is restarted. HLP estimates that Unit 2 will restart during the second quarter of 1994 after the completion of refueling, which began in March 1993 but was delayed in order to focus on the issues discussed above. The outage has not affected the Company's ability to meet customer demands because of existing capacity and the Company's ability to purchase additional energy from affiliates and nonaffiliates.

As discussed below, under Results of Operation, the outage resulted in an additional $29 million of operating, maintenance and administrative and general costs. The Company expects to continue to experience increased operation and maintenance expenses in 1994 but at a significantly lower level than in 1993.

During the outage, the Company's fuel and purchased power costs have been, and are expected to continue to be, increased as the power normally generated by STP must be replaced through sources with higher costs. It is unclear how the Texas Commission will address the reasonableness of higher costs associated with the STP outage. At January 31, 1993, before the start of the STP outage, the Company had an over-recovered fuel balance of $5.2 million, exclusive of interest. At January 31, 1994, the Company's under-recovered fuel balance was $55.7 million, exclusive of interest. This under-recovery of fuel costs, while due primarily to the STP outage, was also affected by changes in fuel prices and timing differences. The Company cannot accurately estimate the amount of any future under- or over-recoveries due to the unpredictable nature of the above factors. Although there is the potential for disallowance of fuel-related costs, such determination cannot be made until fuel costs are reconciled with the Texas Commission. If a significant portion of fuel costs were disallowed by the Texas Commission, the Company could experience a material adverse effect on its results of operations in the year of disallowance. The Company is required by the Texas Commission's rules to file a reconciliation of its fuel costs by May 1, 1994. However, the Texas Commission Staff is proposing a revised filing deadline that would not require the Company to file before the fourth quarter of 1994.

Management believes that the operating outage at STP will not have a material effect on its financial condition or on its results of operations.

See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8 for additional information related to STP.

Restructuring

CSW recently announced a management restructuring and early retirement program designed to consolidate and restructure its operations in order to meet the challenges of the changing electric utility industry and to compete effectively in the years ahead. The underlying goal of the reorganization is to enable the Company and the other Electric Operating Companies to focus better on and be accountable for serving customers.

The initial phase of the restructuring will involve certain changes at CSWS, the mutual service company that serves the CSW System. CSWS will be realigned into two primary units - Operation Services and Production Services. Operation Services will provide administrative services that can be performed centrally to benefit the CSW System, including the Company. Production Services will focus on consolidated fuel and generation planning for the Electric Operating Companies as well as certain other activities. Certain aspects of the restructuring may require SEC approval.

To implement its restructuring program, the CSW System will consolidate and centralize its operation services and production services, including the Company's. The Company is expected to reduce the size of its work force. An early retirement program has been offered to approximately 200 eligible Company employees and 726 employees on a systemwide basis. Since the restructuring is not expected to be completed until the end of 1994, it is not possible at this time to predict the number of employees who will take the early retirement

program, be granted severance packages or be relocated. The Company's share of costs associated with an early retirement program, severance packages and relocation is estimated to be $29.4 million before taxes, and was expensed in 1993.

The Company's share of severance and relocation costs will be paid from its general corporate funds in 1994 and early retirement costs primarily from pension and postretirement benefit plan trusts. Savings from the restructuring are expected to begin in the second half of 1994. By the end of 1995, initial costs should be fully recovered through operations and maintenance cost savings.

CSW established a Business Improvement Plan (BIP) in 1991 to identify, analyze and implement the best business practices as part of its efforts to align the CSW System strategically to meet competitive forces. The BIP program will be incorporated as part of the reorganization. Any additional costs to the Company are expected to be offset by future savings from the benefits provided through the implementation of BIP recommendations.

Rates and Regulatory Matters

Reference is made to NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS, in ITEM 8, for a discussion of the Company's rates and regulatory matters.

Construction Program

The Company's need for capital results primarily from its construction of facilities to provide reliable electric service to its customers. Construction expenditures including AFUDC were approximately $180 million in 1993, $102 million in 1992 and $100 million in 1991. It is estimated that construction expenditures including AFUDC during the 1994 through 1996 period will aggregate $480 million. Such expenditures primarily will be made to improve and expand transmission and distribution facilities. These improvements are expected to meet the needs of new customers and to satisfy changing requirements of existing customers. No new baseload power plants are currently planned until after the year 2000.

The CSW System facilities plan presently includes projected coal and lignite fired generating plants for which the Company has invested approximately $24 million as of year-end for plant sites, engineering studies and lignite reserves. As part of an analysis in 1993, the CSW System rejected certain lignite leases and CPL wrote down its lignite related investment by approximately $2.9 million. Should future plans exclude these plants for environmental or other reasons, the Company would evaluate the probability of recovery of these investments and record appropriate reserves.

Financing and Capital Resources

Internal Generation. Internally generated funds consisting of cash flows from operating activities less common and preferred stock dividends, provided approximately one-half of the capital requirements for 1993. It is anticipated that capital requirements for the period 1994 through 1996 will generally be provided from internal sources. The Company also anticipates that some external financing will be required during this period; however, the nature, timing and extent have not yet been determined.

Long-Term Financing. Long-term financing by the Company involves the sale of first mortgage bonds, unsecured debt and preferred stock, and the receipt of capital contributions from its parent company. The goal of the Company is to provide a strong capital structure. At December 31, 1993, the capitalization ratios were 47% common stock equity, 9% preferred stock and 44% long-term debt.

On September 30, 1993, the Company filed with the SEC an amendment to a previously filed registration statement for the sale of first mortgage bonds in an aggregate amount up to $360 million. The Company intends to offer its first mortgage bonds subject to market conditions and other factors. The proceeds of any such offerings will be used principally to reacquire all or a portion of one or more series of the Company's outstanding first mortgage bonds in order to lower the Company's embedded cost of long-term debt and to repay short-term debt.

The Company may also use the proceeds to redeem outstanding higher cost preferred stock.

During 1993, the Company sold $325 million of first mortgage bonds and the Matagorda County Navigation District Number One (Texas) issued on behalf of the Company $120 million of tax-exempt PCRBs in order for the Company to refinance high cost debt with lower cost debt. Summarized below are the Company's 1993 long-term debt activities.

Series	Debt Issued Amount (millions)	Maturity	Series	Debt Reacquired Amount (millions)	Maturity
(1) DD, 7 1/8%	$ 25	1999	(1) K, 8 3/4%	$ 25	2000
(1) EE, 7 1/2%	115	2002	(1) N, 9 3/8%	40	2004
			(1) P, 8 7/8%	75	2008
(2) FF, 6 7/8%	50	2003	M, 8%	46	2003
GG, 7 1/8%	75	2008	O, 8 1/4%	75	2007
HH, 6%	100	2000	Y, 9 3/4%	150	1998
(2) II, 7 1/2%	100	2023			
PCRB, Series			PCRB, Series		
1993, 6%	120	2028	1984, 10 1/8%	70	2014
			(3) Series U		
			9 3/4%	50	2015
			(4) Z, 9 3/8%	8	2019
	$585			$539	

(1) Reacquisition occurred in 1993 with proceeds from the issuance of debt in 1992. The funds held for these reacquisitions were reflected on the December 31, 1992 balance sheet in special deposits.

(2) The proceeds remaining after the reacquisition of debt were used for general company purposes.

(3) Series U is a first mortgage bond issue which collateralized PCRB, Series 1985A.

(4) Reacquisition occurred with internally generated funds.

The Company reduced its embedded cost of long-term debt from 8.94% in 1992 to 8.43% in 1993 and lowered annual interest expense by $11.0 million as a result of its debt management activities. The Company continually monitors the capital markets for opportunities to refund other long-term securities through refinancings if market conditions permit.

Sale of Accounts Receivable. The Company sells its billed and unbilled accounts receivable, without recourse, to CSW Credit, Inc., a wholly owned subsidiary of CSW. The sales provide the Company with cash immediately, thereby reducing working capital needs and revenue requirements. The average and year-end amounts of accounts receivable sold were $112.3 million and $105.8 million in 1993, as compared to $106.7 million and $95.4 million in 1992.

Short-Term Financing. The Company, together with other members of the CSW System, has established a CSW System money pool to coordinate short-term borrowings. These loans are unsecured demand obligations at rates approximating the CSW System's commercial paper borrowing costs. The Company's short-term borrowing limit from the money pool is $250 million. During 1993, the average amount of short-term borrowings outstanding at month-end was $87.3 million at a weighted average interest rate of 3.3%. The maximum amount of short-term borrowings outstanding at any month-end during 1993 was $171.2 million, which was the amount outstanding at December 31, 1993.

Accounting Changes

In 1993 the Company adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, SFAS No. 112, Employers' Accounting

for Postemployment Benefits (See NOTE 7, BENEFIT PLANS) and SFAS 109, Accounting for Income Taxes (See NOTE 2, FEDERAL INCOME TAXES). The Company also changed its method of accounting for unbilled revenues (See NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Electric Revenues and Fuel).

Results of Operations

Electric Operating Revenues. Total revenues increased 9.9% in 1993 and 1.3% in 1992. The 1993 increase reflects higher fuel-related revenues of $88.7 million and greater base revenues of $21.4 million. Fuel-related revenues were up because of the rise in per unit fuel and purchased power costs, as discussed below, and because of higher fuel consumption on greater Kwh sales.

Total Kwh sales were up 2.7%, reflecting growth in retail sales of 5.9%, partially offset by a 33.4% decline in lower margin sales for resale. All of the Company's retail classes showed increases with residential and commercial sales growing by 3.8% and 2.3%, respectively. Such growth was mainly due to the continued increase in number of customers served as well as from 1993's weather, which was warmer than the mild weather experienced last year. Industrial sales were up 10.4% on higher demand in the petrochemical and petroleum industries, where several companies that CPL serves had plant expansions and increased load requirements. The off-system sales decline was a result of decreased economy sales, attributable to less available capacity to make such sales as a result of the outage at STP during the year.

The increase in 1992 revenues over 1991 was primarily due to higher Kwh sales to lower-margin industrial customers mainly in the petrochemical and petroleum industries.

Fuel and Purchased Power Expense. The 14.1% increase in fuel expense in 1993 is attributable to an increase in consumption of both gas and coal, associated with higher generation during the STP outage and the resulting higher average unit cost of fuel. The rise in per unit fuel costs reflects the higher per unit cost of gas and coal, which replaced lower cost nuclear fuel during the STP outage as discussed in LITIGATION AND REGULATORY PROCEEDINGS in ITEM 8. Purchased power increased $46.9 million in 1993 as a result of increased purchases to replace STP's generation.

Fuel expense increased in 1992 mainly because of higher fuel consumption associated with increased generation from greater Kwh sales. Purchased power was up as a result of increased economy purchases from other power companies with lower cost generation.

Costs per million Btu by fuel source were:

	1993	1992	1991
Gas	$2.27	$2.13	$2.03
Coal	2.06	2.06	2.16
Nuclear	.57	.54	.55
Total	2.17	1.70	1.73

Other Operating Expenses and Taxes. Other operating expenses increased $40.5 million in 1993 primarily because of an $16.7 million increase in operation and administrative and general costs at STP and a $19.5 million increase in administrative and general expenses other than STP. The higher STP related costs reflect costs associated with the outage. Administrative and general costs other than those at STP were higher due to increased pension and medical costs, which included implementing of SFAS No. 106 Employers' Accounting for Postretirement Benefits Other Than Pensions. The adoption of this accounting standard increased 1993 expenses $5.9 million over 1992. Maintenance expense increased $20.0 million in 1993, due largely to a $17.3 million increase in maintenance activities at STP associated with the outage. Expenses at STP are expected to be higher in 1994 than those prior to the outage, but not as high as experienced in 1993.

The restructuring expenses reflect the one-time cost of the Company's restructuring as previously discussed. Such expenses include the estimated costs associated with the early retirement program, severance packages and relocation.

These costs are expected to be recovered through lower expenses by the end of 1995.

The 1992 decrease in other operating and maintenance expenses was primarily the result of reduced administrative and general, customer accounting and power station maintenance expenses.

Depreciation and amortization increased in 1993 and 1992 due mainly to the addition of distribution facilities. Taxes, other than Federal income, increased in 1993 mainly as a result of increasing ad valorem taxes. The increase in 1992 is largely a result of a Texas state franchise tax refund received in 1991 for prior year taxes and higher ad valorem taxes. For 1992 and 1993, ad valorem taxes increased due to changes in the funding system for public schools in Texas.

Federal income taxes decreased $12.1 million in 1993 due to lower taxable income partially offset by the increase in the statutory tax rate from 34% to 35% effective retroactive to January 1, 1993.

Annual inflation rates, as measured by the Consumer Price Index, have averaged 3.3% for the three-year period ending December 31, 1993. The Company believes that inflation, at these levels, does not materially affect its results of operation or financial condition. However, under existing regulatory practice, only the historical cost of plant is recoverable from customers. As a result, cash flows designed to provide recovery of historical plant costs may not be adequate to replace plant in future years.

Mirror CWIP Liability Amortization. The Company is amortizing its Mirror CWIP liability in declining amounts over a five year period. As a result, $76 million of non-cash earnings was recognized in 1993, a decrease from the $83 million recognized in 1992. The liability will be amortized over the remaining two years at $68 million in 1994 and $41 million in 1995.

Interest Expense and Preferred Stock Dividends. Total interest expense decreased 6.5% in 1993. The decrease was due to the Company's refinancing of higher cost long-term debt with lower cost debt partially offset by increases in short-term interest and other associated with higher short-term borrowings to meet working capital needs and increased amortization levels for debt issuance costs and loss on reacquisition of debt. Preferred dividends decreased in 1993 and 1992 due to lower dividend rates on money market and auction preferred stocks and due to the retirement of $6.5 million and $7.1 million of 10.05% Series preferred stock in 1993 and 1992.

Cumulative Effect of Changes in Accounting Principles. In 1993 the Company changes its method of accounting for unbilled revenues and recorded unbilled revenues of $29.5 million, net of taxes of $15.9 million, for electricity used by customers but not yet billed. The Company also adopted SFAS No. 112, Employers' Accounting for Postemployment Benefits, recognizing $2.2 million, net of taxes of $1.2 million, in additional expense.

Other Matters

Competition and Industry Challenges. The Company's business has been, and will continue to be affected by various challenges that confront the electric utility industry generally. The Company currently faces competition for power sales in the wholesale market. In the future, the Company may face similar competition for retail sales from other utilities, independent power producers or alternative sources of electricity or other energy. To date, the Company has been successful in meeting the competition.

Other industry-wide issues confronting the Company include current and proposed stringent nuclear, environmental and other regulation and deregulation as discussed elsewhere in this report. In addition, the Company is continually seeking to manage costs and rates and focus on new initiatives in order to maintain its financial strength and reach its financial targets.

Environmental. The operations of the Company, like those of other electric utilities, generally involves the use and disposal of substances subject to environmental laws. CERCLA, the federal, "Superfund" law, addresses the cleanup

of sites contaminated by hazardous substances. Superfund requires that PRPs fund remedial actions regardless of fault or the legality of past disposal activities. Many states have similar laws. Theoretically, any one PRP can be held responsible for the entire cost of a cleanup. Typically, however, cleanup costs are allocated among PRPs.

The Company has been named as a responsible party under federal or state remedial laws and has either resolved or expects to resolve these claims without a material adverse effect on the Company. Although the reasons for this expectation differ from site to site, factors that are the basis for the expectation for specific sites are the volume and/or type of waste allegedly contributed by the Company, the estimated amount of costs allocated to the Company and the participation of other parties.

The Clean Air Amendments of 1990 direct the EPA to issue regulations governing nitrogen oxide emissions. In addition, these amendments require government studies to determine what controls, if any, should be imposed on utilities to control air toxic emissions. The impact that the nitrogen oxide emission regulations, and the air toxics study, will have on the Company cannot be determined at this time.

Research is ongoing whether exposure to Electric and Magnetic Fields (EMFs) may results in adverse health effects or damage to the environment. Although a few of the studies to date have suggested certain associations between EMFs and some types of adverse health effects, the research to date has not established a cause-and-effect relationship between EMFs and adverse health effects. The Company cannot predict the impact on the Company or the electric utility industry if further investigations or proceedings were to establish that the present electricity delivery system is contributing to increased risk or incidence of health problems.

Consolidated Taxes. The Texas Commission has historically allowed recovery in rates of an income tax component based on the Federal income tax incurred by a utility as if it were a stand-alone company. However, in two recent rate determinations, the Texas Commission reduced another Texas utility's cost of service tax expense by tax losses of an unregulated affiliated and other items. The Texas Supreme Court has agreed to review the decision of a court of appeals which determined that the Texas Public Utility Regulatory Act requires the Texas Commission to reduce rates by the tax benefit of losses of an unregulated affiliate.

The Company believes that federal income taxes should be determined on a stand-alone basis for ratemaking purposes. Presently this issue does not have a significant effect on the Company

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Statements Of Income

CENTRAL POWER AND LIGHT COMPANY

	For the Years Ended December 31, 1993	1992	1991
		(thousands)	
Electric Operating Revenues			
Residential	$ 474,426	$ 432,295	$ 435,860
Commercial	369,426	342,201	343,437
Industrial	281,247	240,341	221,885
Sales for resale	45,369	50,342	48,834
Other	53,060	48,244	48,714
	1,223,528	1,113,423	1,098,730
Operating Expenses and Taxes			
Fuel	350,268	306,939	303,428
Purchased power	64,025	17,160	15,041
Other operating	225,034	184,514	196,817
Restructuring charges	29,365	-	-
Maintenance	81,352	61,399	68,092
Depreciation and amortization	131,825	129,131	127,341
Taxes, other than Federal income	86,394	70,343	62,453
Federal income taxes	65,186	77,272	75,985
	1,033,449	846,758	849,157
Operating Income	190,079	266,665	249,573
Other Income and Deductions			
Mirror CWIP liability amortization	75,702	82,527	96,671
Other	2,737	1,298	3,590
	78,439	83,825	100,261
Income Before Interest Charges	268,518	350,490	349,834
Interest Charges			
Interest on long-term debt	112,939	125,476	124,987
Interest on short-term debt and other	10,449	6,503	7,641
	123,388	131,979	132,628
Income Before Cumulative Effect of Changes in Accounting Principles	145,130	218,511	217,206
Cumulative Effect of Changes in Accounting Principles	27,295	-	-
Net Income	172,425	218,511	217,206
Preferred stock dividends	14,003	16,070	19,844
Net Income for Common Stock	$ 158,422	$ 202,441	$ 197,362

Statements Of Retained Earnings

	For the Years Ended December 31, 1993	1992	1991
		(thousands)	
Retained Earnings at Beginning of Year	$863,988	$854,659	$875,521
Net income for common stock	158,422	202,441	197,362
Deduct: Common stock dividends	172,000	193,000	215,000
Preferred stock redemption costs	103	112	3,224
Retained Earnings at End of Year	$850,307	$863,988	$854,659

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

Balance Sheets

CENTRAL POWER AND LIGHT COMPANY

	As of December 31, 1993	1992
	(thousands)	
ASSETS		
Electric Utility Plant		
Production	$3,061,911	$3,051,969
Transmission	351,584	329,400
Distribution	765,266	715,633
General	209,170	210,204
Construction work in progress	168,421	94,736
Nuclear fuel	160,326	152,494
	4,716,678	4,554,436
Less - Accumulated depreciation	1,263,372	1,148,348
	3,453,306	3,406,088
Current Assets		
Cash and temporary cash investments	2,435	3,666
Special deposits	1,967	151,589
Accounts receivable	23,850	20,296
Materials and supplies, at average cost	64,359	58,839
Fuel inventory, at average cost	16,934	29,259
Deferred income taxes	4,831	31,289
Unrecovered fuel costs	52,959	-
Prepayments and other	2,255	2,198
	169,590	297,136
Deferred Charges and Other Assets		
Deferred STP costs	489,773	490,458
Mirror CWIP asset	331,845	341,865
Income tax related regulatory assets	266,597	-
Other	70,634	48,113
	1,158,849	880,436
	$4,781,745	$4,583,660
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock, $25 par value, authorized 12,000,000 shares, issued and outstanding 6,755,535 shares	$ 168,888	$ 168,888
Paid-in capital	405,000	405,000
Retained earnings	850,307	863,988
Total Common Stock Equity	1,424,195	1,437,876
Preferred stock		
Not subject to mandatory redemption	250,351	250,351
Subject to mandatory redemption	22,021	28,393
Long-term debt	1,362,799	1,347,887
Total Capitalization	3,059,366	3,064,507
Current Liabilities		
Long-term debt and preferred stock due within twelve months	3,928	143,900
Advances from affiliates	171,165	91,766
Accounts payable	79,604	60,392
Accrued taxes	33,769	27,224
Accrued interest	24,683	25,729
Accrued restructuring charges	29,365	-
Other	28,020	31,047
	370,534	380,058
Deferred Credits		
Income taxes	1,057,453	727,953
Investment tax credits	164,322	170,128
Mirror CWIP liability and other	130,070	241,014
	1,351,845	1,139,095
	$4,781,745	$4,583,660

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

Statements of Cash Flows

CENTRAL POWER AND LIGHT COMPANY	For the Years Ended December 31, 1993	1992	1991
		(thousands)	
OPERATING ACTIVITIES			
Net Income	$172,425	$218,511	$217,206
Non-cash Items Included in Net Income			
Depreciation and amortization	140,223	154,716	148,012
Deferred income taxes and investment tax credits	84,714	42,773	30,990
Mirror CWIP liability amortization	(75,702)	(82,527)	(96,671)
Restructuring charges	29,365	-	-
Cumulative effect of changes in accounting principles	(27,295)	-	-
Changes in Assets and Liabilities			
Accounts receivable	(3,554)	(6,415)	12,473
Fuel inventory	12,325	(3,137)	1,175
Accounts payable	19,151	6,209	7,057
Accrued taxes	(9,311)	(2,165)	17,065
Unrecovered fuel costs	(57,386)	(1,195)	5,001
Other	(6,388)	(23,020)	(23,199)
	278,567	303,750	319,109
INVESTING ACTIVITIES			
Construction expenditures	(177,120)	(100,805)	(98,199)
Other	(1,544)	(763)	(1,056)
	(178,664)	(101,568)	(99,255)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	441,131	435,497	-
Retirement of long-term debt	(431)	(405)	(168)
Reacquisition of long-term debt	(573,776)	(304,650)	(210)
Retirement of preferred stock	(6,578)	(7,050)	(7,050)
Special deposits for reacquisition of long-term debt	145,482	(145,482)	-
Change in short-term debt	79,399	29,618	21,523
Payment of dividends	(186,361)	(209,196)	(235,674)
	(101,134)	(201,668)	(221,579)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,231)	514	(1,725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,666	3,152	4,877
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,435	$ 3,666	$ 3,152
SUPPLEMENTARY INFORMATION			
Interest paid less amounts capitalized	$116,664	$130,078	$125,760
Income taxes paid	3,631	45,314	35,715

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

Statements of Capitalization

CENTRAL POWER AND LIGHT COMPANY

			As of December 31, 1993	1992
			(thousands)	
COMMON STOCK EQUITY			$1,424,195	$1,437,876
PREFERRED STOCK				
Cumulative $100 Par Value, Authorized 3,035,000 Shares				
Series	Number of Shares Outstanding	Current Redemption Price		
Not Subject to Mandatory Redemption				
4.00%	100,000	$105.75	10,000	10,000
4.20%	75,000	103.75	7,500	7,500
7.12%	260,000	101.00	26,000	26,000
8.72%	500,000	102.91	50,000	50,000
Auction Money Market	750,000	100.00	75,000	75,000
Auction Series A	425,000	100.00	42,500	42,500
Auction Series B	425,000	100.00	42,500	42,500
Issuance Expense			(3,149)	(3,149)
			250,351	250,351
Subject to Mandatory Redemption				
10.05%	223,750	104.76	22,375	28,850
Issuance Expense			(354)	(457)
			22,021	28,393
LONG-TERM DEBT				
First Mortgage Bonds				
Series J, 6 5/8%, due January 1, 1998			28,000	28,000
Series L, 7%, due February 1, 2001			36,000	36,000
Series M, 8%, due November 1, 2003			-	46,000
Series O, 8 1/4%, due October 1, 2007			-	75,000
Series T, 7 1/2%, due December 15, 2014			111,700	111,700
Series U, 9 3/4%, due July 1, 2015			31,765	81,700
Series Y, 9 3/4%, due June 1, 1998			-	150,000
Series Z, 9 3/8%, due December 1, 2019			140,000	148,000
Series AA, 7 1/2%, due March 1, 2020			50,000	50,000
Series BB, 6%, October 1, 1997			200,000	200,000
Series CC, 7 1/4%, October 1, 2004			100,000	100,000
Series DD, 7 1/8%, December 1, 1999			25,000	25,000
Series EE, 7 1/2%, December 1, 2002			115,000	115,000
Series FF, 6 7/8%, due February 1, 2003			50,000	-
Series GG, 7 1/8%, due February 1, 2008			75,000	-
Series HH, 6%, due April 1, 2000			100,000	-
Series II, 7 1/2%, due April 1, 2023			100,000	-
Installment Sales Agreements - PCRBs				
Series 1974A, 7 1/8%, due June 1, 2004			8,700	8,955
Series 1977, 6%, due November 1, 2007			34,235	34,235
Series 1984, 7 7/8%, due September 15, 2014			6,330	6,330
Series 1984, 10 1/8%, due October 15, 2014			68,870	139,200
Series 1986, 7 7/8%, due December 1, 2016			60,000	60,000
Series 1993, 6%, due July 1, 2028			120,265	-
Notes Payable, 6 1/2%, due December 8, 1995			448	651
Unamortized Discount			(12,265)	(17,923)
Unamortized Costs of Reacquired Debt			(86,249)	(49,961)
			1,362,799	1,347,887
TOTAL CAPITALIZATION			$3,059,366	$3,064,507

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Power and Light Company is subject to regulation by the SEC, under the Holding Company Act, and by the FERC, under the Federal Power Act, and follows the Uniform System of Accounts prescribed by the FERC. The Company is subject to further regulation for rates and other matters by the Texas Commission. The Company, as a member of the CSW System, engages in transactions and coordinates its activities and operations with other members of the CSW System. The most significant accounting policies are summarized below.

Electric Utility Plant. Electric utility plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, overhead items and allowances for borrowed and equity funds used during construction.

Depreciation. Provisions for depreciation of utility plant are computed using the straight-line method generally at individual rates applied to the various classes of depreciable property. The annual composite rates averaged 3.0% for each of the years 1993, 1992 and 1991.

Nuclear Decommissioning. The Company's portion of the estimated costs of decommissioning STP is $85 million in 1986 dollars based on a site specific study completed in 1986. The Company will continue to review and update this cost estimate and a new study will be completed in 1994. The Company is recovering decommissioning costs through rates over the 38 year life of STP. The $4.2 million annual cost of decommissioning is reflected on the income statement as other operating expense. The funds received from customers applicable to decommissioning are paid to an irrevocable external trust and as such are not reflected on the Company's balance sheet. At December 31, 1993, the trust balance was $15.2 million.

At the end of STP's 38 year life, decommissioning is expected to be accomplished using the decontamination method, which is one of three techniques acceptable by the NRC. Using this method the decontamination activities occur as soon as possible after the end of plant operation. Contaminated equipment is cleaned or removed to a permanent disposal location and the site is generally returned to its pre-plant state.

Electric Revenues and Fuel. Prior to January 1, 1993, electric revenues generally were recorded at the time billings were made to customers on a cycle-billing basis. Electric service provided subsequent to billing dates through the end of each calendar month became part of electric revenues of the next month. To conform to general industry standards the Company in 1993 began accruing unbilled base revenues for electricity used by customers but not yet billed. This adjustment was recorded in 1993 as a cumulative effect of a change in accounting principle. The effect of this change on the Company's net income for 1993 was an increase of $45.4 million, or $29.5 million net of taxes. If this change in accounting method was applied retroactively, the effect on net income for 1992 and 1991 would have been immaterial.

The cost of fuel is charged to expense as consumed. The cost of nuclear fuel is amortized to fuel expense based on a ratio of the estimated Btu's used and available to generate electric energy, and includes a provision for the disposal of spent nuclear fuel.

The Company recovers fuel costs applicable to sales to wholesale customers, regulated by the FERC, through an automatic fuel adjustment clause.

The Company recovers fuel costs in Texas as a fixed component of base rates. The difference between fuel revenues billed and fuel expense incurred is recorded as an addition to or a reduction of revenues, with a corresponding entry to unrecovered fuel cost or other current liabilities as appropriate. Over-recoveries of fuel are payable to customers, and under-recoveries may be billed to customers after Texas Commission approval.

Accounts Receivable. The Company sells its accounts receivable, without recourse, to CSW Credit, Inc., a wholly owned subsidiary of CSW.

Deferred STP Costs. In accordance with Texas Commission orders, the Company deferred plant costs for STP Units 1 and 2 incurred subsequent to their commercial operation dates until retail rates which included the units in rate base became effective. The deferred plant costs are amortized and recovered through rates over the life of the plant in increasing amounts. See NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS for further discussion of the deferred accounting proceedings.

Mirror CWIP. In accordance with Texas Commission orders, the Company previously recorded Mirror CWIP, which is being amortized over the life of STP, as more fully discussed in NOTE 9, LITIGATION AND REGULATORY PROCEEDINGS.

Statements of Cash Flows. Cash equivalents are considered to be highly liquid debt instruments purchased with a maturity of three months or less. Accordingly, temporary cash investments and advances to affiliates are considered cash equivalents.

Reclassification. Certain financial statement items for prior years have been reclassified to conform to the 1993 presentation.

Accounting Changes. Effective January 1, 1993, the Company adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, SFAS No. 112, Employers' Accounting for Postemployment Benefits (See NOTE 8, BENEFITS PLANS), and SFAS No. 109, Accounting for Income Taxes (See NOTE 2, FEDERAL INCOME TAXES). The Company also changed its method of accounting for unbilled revenues (See Electric Revenues and Fuel above).

The adoption of SFAS No. 109 had no effect on the Company's results of operations. The adoption of SFAS No. 112 and the change in accounting for unbilled revenues are presented as cumulative effect of changes in accounting principles as shown below:

	Pre-Tax Effect	Tax Effect (thousands)	Net Income Effect
SFAS No. 112	\$(3,371)	\$ 1,180	\$(2,191)
Unbilled revenues	45,363	(15,877)	29,486
Total	\$41,992	\$(14,697)	\$27,295

Pro forma amounts, assuming that the change in accounting for unbilled revenues had been adopted retroactively, are not materially different from amounts previously reported for prior years.

2. FEDERAL INCOME TAXES

The Company, together with other members of the CSW System, files a consolidated Federal income tax return and participates in a tax sharing agreement.

The Company adopted the provisions of SFAS No. 109, effective January 1, 1993. This standard had no impact on the Company's results of operations.

SFAS No. 109 requires the recognition of deferred tax liabilities for income customers associated with temporary differences previously passed through to rate payers and the equity component of allowance for funds used during construction. In addition, SFAS No. 109 requires reclassification of certain deferred income tax liabilities to reflect the Company's obligation to reduce revenue requirements for deferred income taxes provided at rates higher than the current 35% Federal income tax rate.

As a result, the Company recognized additional accumulated deferred income taxes and corresponding regulatory assets and liabilities to customers in amounts

equal to future revenues or the reduction in future revenues that will be required when the income tax temporary differences reverse and are recovered or settled in rates.

Components of Federal income taxes are as follows:

	1993	1992 (thousands)	1991
Included in Operating Expenses and Taxes			
Current	$(19,690)	$ 34,336	$ 44,832
Deferred	90,682	48,773	36,984
Deferred ITC	(5,806)	(5,837)	(5,831)
	65,186	77,272	75,985
Included in Other Income and Deductions			
Current	736	390	(1,963)
Deferred	(162)	(163)	(163)
	574	227	(2,126)
Tax Effects of Cumulative Effects of Changes in Accounting Principles	14,697	-	-
	$ 80,457	$ 77,499	$ 73,859

Total income taxes differ from the amounts computed by applying the statutory income tax rates to income before taxes. The reasons for the differences are as follows:

	1993	%	1992	%	1991	%
			(dollars in thousands)			
Tax at statutory rates	$ 88,509	35.0	$100,643	34.0	$ 98,962	34.0
Differences						
Amortization of ITC	(5,806)	(2.3)	(5,789)	(2.0)	(5,789)	(2.0)
Mirror CWIP	(22,989)	(9.1)	(24,652)	(8.3)	(29,463)	(10.1)
Prior period adjustments	19,101	7.6	-	-	-	-
Other	1,642	.6	7,297	2.5	10,149	3.5
	$ 80,457	31.8	$ 77,499	26.2	$ 73,859	25.4

ITC deferred in prior years are included in income over the lives of the related properties.

The significant components of the net deferred income tax liability are as follows:

	December 31, 1993	January 1, 1993
	(thousands)	
Deferred Tax Liabilities		
Property related book/tax basis differences	$ 745,164	$ 640,275
Income tax related regulatory assets	178,984	172,657
Mirror CWIP asset	116,146	116,234
Deferred STP costs	171,421	166,756
Other	37,989	38,061
Total Deferred Tax Liabilities	1,249,704	$1,133,983
Deferred Tax Assets		
Income tax related regulatory liabilities	(85,675)	(105,370)
Mirror CWIP liability	(38,150)	(62,799)
Unamortized ITC	(57,513)	(57,843)
Alternative minimum tax	(15,744)	(13,402)
Total Deferred Tax Assets	(197,082)	(239,414)
Net Accumulated Deferred Income Taxes-Total	$1,052,622	$ 894,569
Net Accumulated Deferred Income Taxes-Noncurrent	$1,057,453	$ 925,858
Net Accumulated Deferred Income Taxes-Current	(4,831)	(31,289)
Net Accumulated Deferred Income Taxes-Total	$1,052,622	$ 894,569

3. **LONG-TERM DEBT**

The mortgage indenture, as amended and supplemented, securing first mortgage bonds issued by the Company, constitutes a direct first mortgage lien on substantially all electric utility plant.

Annual Requirements. Certain series of the Company's outstanding first mortgage bonds have annual sinking fund requirements which are generally one percent of the greatest amount outstanding at any time of each series of first mortgage bonds issued. These requirements may be, and have historically been, satisfied by the application of net expenditures for bondable property in an amount equal to 166-2/3% of the annual requirements. Series J, L, and Z first mortgage bonds are subject to this annual sinking fund requirement.

At December 31, 1993, the annual sinking fund requirements exclusive of maturities, and the annual aggregate maturities including sinking fund requirements, of long-term debt are as follows:

	Annual Sinking Fund Requirements	Annual Aggregate Maturities
	(thousands)	
1994	2,120	3,299
1995	2,120	3,563
1996	2,120	3,135
1997	2,120	203,155
1998	1,840	30,895

Dividends. The Company's mortgage indenture, as amended and supplemented, contains certain restrictions on the payment of common stock dividends. At December 31, 1993, $630 million of retained earnings were available for the payment of cash dividends to CSW.

Reacquired Long-Term Debt. During 1993, the Company issued first mortgage bonds, the proceeds of such offerings were used to refinance higher cost debt in order to lower the embedded cost of long-term debt.

The premiums and reacquisition costs of reacquired long-term debt are included in long-term debt on the balance sheets and are being amortized over 5 to 35 years. Reference is made to ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, for additional information on reacquired long-term debt.

Due Within Twelve Months. In December 1992, the Company issued Series DD and EE first mortgage bonds in the aggregate amount of $140 million to reacquire Series K, N and P first mortgage bonds in January 1993. Accordingly, at December 31, 1992, the Company reclassified these bonds totaling $140 million from long-term debt on the balance sheet to current liabilities, long-term debt and preferred stock due within twelve months.

4. PREFERRED STOCK

The dividends on the Company's $160 million auction preferred stocks are adjusted every 49 days, based on current market rates. The dividend rate averaged 2.7%, 3.6%, and 5.5% during 1993, 1992 and 1991.

The Company's 10.05%, $100 par value preferred stock requires a mandatory sinking fund sufficient to retire 35,250 shares annually until January 31, 2001, and a specified number of shares in each 12-month period thereafter. The sinking fund redemption price is $100 per share. The portion to be retired within twelve months is reflected as such on the balance sheet under current liabilities.

Each series of preferred stock, with the exception of the 10.05% Series and the auction preferred stock, is redeemable at the option of the Company upon 30 days notice at the current redemption price per share. Redemption prices of the 8.72% and 10.05% Series decline at specified intervals in future years. The 10.05% Series is redeemable as of February 1, 1994. The Company's three issues of auction preferred stock may be redeemed at par on any dividend payment date.

The premiums and reacquisition costs of reacquired preferred stock are treated as a reduction to retained earnings.

5. SHORT-TERM FINANCING

The Company, together with other members of the CSW System, has established a money pool to coordinate short-term borrowings through the issuance of CSW's commercial paper. Money pool borrowings are shown as advances from affiliates on the balance sheet. At December 31, 1993, the CSW System had bank lines of credit aggregating $797 million, including the Company's lines of credit, to back up its commercial paper program. Short-term cash surpluses transferred to the money pool receive interest income in accordance with the money pool arrangement.

6. FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash, temporary cash investments, special deposits and short-term debt. The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for the debt of the same or similar remaining maturities.

Preferred stock subject to mandatory redemption. The fair value of this preferred stock is estimated based on the quoted market prices for the same or

similar issues or on the current rates offered to the Company for preferred stock with the same or similar remaining redemption provisions.

The estimated fair values of the Company's financial instruments are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Cash and temporary cash investments	$ 2,435	$ 2,435	$ 3,666	$ 3,666
Special deposits	1,967	1,967	151,589	151,589
Short-term debt	171,165	171,165	91,766	91,766
Long-term debt	1,362,799	1,456,533	1,347,887	1,424,128
Preferred stock subject to mandatory redemption	22,021	23,086	28,393	29,766
Long-term debt and preferred stock due within twelve months	3,928	4,096	143,900	149,632

7. BENEFIT PLANS

Defined Benefit Pension Plan. The Company, together with other members of the CSW System, maintains a tax qualified, non-contributory defined benefit pension plan covering substantially all of its employees. Participants in the plan during 1993 included approximately 2,300 active employees, 1,200 retirees and beneficiaries and 300 terminated employees with vested benefits. Benefits are based on employees' years of service, age at retirement and final average annual earnings with an offset for the participant's primary Social Security benefit. The CSW System's funding policy is based on actuarially determined contributions, taking into account amounts deductible for income tax purposes and minimum contributions required by ERISA. Contributions to the plan for the years ended December 31, 1993, 1992 and 1991 were $11.0 million, $11.7 million and $10.1 million, respectively. Pension plan assets consist primarily of common stocks and short- and intermediate-term fixed income investments.

The components of net periodic pension cost and the assumptions used in accounting for pensions are as follows:

	1993	1992	1991
		(thousands)	
Net Periodic Pension Cost			
Service cost	$ 5,228	$ 4,834	$ 4,324
Interest cost on projected benefit obligation	14,878	13,686	12,072
Actual return on plan assets	(18,079)	(11,750)	(26,785)
Net amortization and deferral	68	(5,330)	12,269
	$ 2,095	$ 1,440	$ 1,880
Assumptions:			
Discount rate	7.75%	8.50%	8.50%
Long-term compensation increase	5.46%	5.96%	5.96%
Return on plan assets	9.50%	9.50%	9.50%

As of December 31, 1993 and 1992, the plan's net assets exceeded the total actuarial present value of accumulated benefit obligations.

Postretirement Benefits Other Than Pensions. The Company adopted SFAS No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions, January 1, 1993. The adoption resulted in an increase in operating expense of $5.9 million for 1993. The Company's accumulated postretirement benefit obligation was $66.5 million. The transition obligation was $58.0 million and is being amortized over twenty years. In prior years the Company accounted for these benefits on a pay-as-you-go basis. Expenses for 1992 and 1991 were $3.8 million and $3.5 million, respectively. The CSW System's funding policy is based on actuarially determined contributions taking into account amounts which are

deductible income tax purposes. The Company contributed approximately $8.6 million in 1993.

The components of net periodic postretirement benefit cost and the assumptions used in accounting for postretirement benefits are as follows:

	1993 (thousands)
Net Periodic Postretirement Benefit Cost	
Service cost	$2,257
Interest cost on accumulated postretirement benefit obligation	5,505
Actual return on plan assets	(249)
Amortization of transition obligation	2,900
Net amortization and deferral	(703)
	$9,710
Assumptions:	
Discount rate	7.75%
Return on plan assets	9.00%

Health Care Cost Trend Rate Assumptions:

Pre-65 Participants: 1993 Rate of 12.50% grading down .75% per year to an ultimate rate of 6.5% in 2001.

Post-65 Participants: 1993 Rate of 12.00% grading down .75% per year to an ultimate rate of 6.0% in 2001.

Increasing the assumed health care cost trend rates by one percentage point in each year would increase the APBO as of December 31, 1993 by $8.8 million and increase the aggregate of the service and interest cost components of net postretirement benefits by $1.2 million.

Postemployment Benefits. In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, Employers' Accounting for Postemployment Benefits. This statement requires the accrual method of accounting for certain types of postemployment benefits provided to former or inactive employees after employment, but before retirement. This new standard requires that the expected costs of these benefits be accrued during the period employees render service to qualify for benefits. The most significant costs for the Company are the continued medical and salary benefits during long-term disability. Effective January 1, 1993, the Company adopted SFAS No. 112 and the effect of the change on 1993 income was $2.2 million reflected in cumulative effect of changes in accounting principles.

Restructuring Charges. The Company recently announced an early retirement program as a part of the Company's restructuring efforts in order to streamline operations and reduce future costs. It is anticipated that this restructuring will affect employee benefit costs incurred by the Company in future periods. Due to the timing of the implementation of the program, many variables regarding specific costs cannot be identified until mid-1994. As a result, no adjustments have been made to the employee benefit cost data presented above.

8. JOINTLY OWNED ELECTRIC UTILITY PLANT

The Company is party to joint ownership agreements with nonaffiliated entities. Such agreements provide for the joint ownership and operation of STP consisting of two nuclear generating units. The Company also has a joint ownership agreement with other members of the CSW System and nonaffiliated entities to provide for the joint ownership and operation of Oklaunion and its related facilities. The statements of income reflect the Company's portion ofoperating costs associated with jointly owned plant in service. At December 31, 1993, the Company had interests in the generating stations and related facilities as shown below:

	STP	Oklaunion
	(dollars in thousands)	
Plant in service	$2,340,336	$36,045
Accumulated depreciation	$318,101	$7,058
Plant capacity - mw	2,500	676
Participation	25.2%	7.8%
Share of capacity - mw	630	53

9. LITIGATION AND REGULATORY PROCEEDINGS

STP

Introduction. The Company owns 25.2% of STP, a two-unit nuclear power plant which is located near Bay City, Texas. In addition to the Company, HLP, the Project Manager, owns 30.8%, San Antonio owns 28.0%, and Austin owns 16.0%. STP Unit 1 was placed in service in August 1988 and STP Unit 2 was placed in service in June 1989.

STP Final Orders. In October 1990, the Texas Commission issued a final order (STP Unit 1 Order) which fully implemented a stipulated agreement filed in February 1990 to resolve dockets then pending before the Texas Commission. In December 1990, the Texas Commission issued a final order (STP Unit 2 Order) which fully implemented a stipulated agreement to resolve all issues regarding the Company's investment in STP Unit 2.

The STP Unit 1 Order allowed the Company to increase retail base rates by $144 million. This base rate increase made permanent a $105 million interim base rate increase placed into effect in March 1990 and a $39 million interim base rate increase placed into effect in September 1989. The STP Unit 2 Order provided for a retail base rate increase of $120 million effective January 1, 1991. The STP Unit 1 Order also provided for the deferral of operating expenses and carrying costs on STP Unit 2. A prior Texas Commission order (see "Deferred Accounting" below) had authorized deferral of STP Unit 1 costs. Such costs are being recovered through rates over the remaining life of STP. Also, the STP Unit 1 Order authorized use of Mirror CWIP, pursuant to which the Company recognized $360 million of carrying costs as deferred costs, and established a corresponding liability to customers recorded in Mirror CWIP liability and other deferred credits on the balance sheets. In compliance with the order, carrying costs collected through rates during periods when CWIP was included in rate base were recognized as a loan from customers. The loan is being repaid through lower rates from 1991 through 1995, which approximates the length of time during which the carrying costs were collected from customers. The Mirror CWIP liability is being reduced by the recognition of non-cash income during the period 1991 through 1995.

The STP Unit 1 and 2 Orders resolved all issues pertaining to the reasonable original costs of STP and the appropriate amount to be included in rate base. Pursuant to the Texas Commission orders, the original cost of the Company's total investment in STP is included in rate base.

As part of the stipulated agreement, the Company has agreed to freeze base rates from January 1, 1991 through 1994, subject to certain force majeure events including double-digit inflation, major tax increases, extraordinary increases in operating expenses or serious declines in operating revenues. The Company may file for increases in base rates, which would be effective after 1994 and subject to certain limitations. The fuel portion of customers' bills is subject to adjustment following the normal review and approval by the Texas Commission.

The stipulated agreements, as discussed above, were entered into by the Company, the Texas Commission Staff and a majority of intervenors including major cities in the Company's service territory and major industrial customers. These intervenors represent a significant majority of the Company's customers. The Company and the TSA reached agreements, which were subsequently approved by the Texas Commission Staff and other signatories, whereby TSA agreed not to oppose the stipulated agreements in any respect, except with regard to deferred accounting and rate design issues in the STP Unit 1 Order. OPUC and a coalition of low-income customers declined to enter into the stipulated agreements.

In January 1991, the TSA, OPUC and t coalition of low-income customers filed appeals of the STP Unit 1 Order in District Court requesting reversal of the deferred accounting for STP Unit 2 and other aspects of that order. In March 1991, the TSA, OPUC and the coalition of low-income customers filed appeals of the STP Unit 2 Order in the District Court requesting reversal of that order. These appeals are pending before the District Court. If these orders are ultimately reversed on appeal, the stipulated agreements would be nullified and the Company could experience a significant adverse effect on its results of operations. However, the parties to the stipulated agreement, should it be nullified, are bound to renegotiate and try to reach a revised agreement that would achieve the same results. Management believes that the STP Unit 1 and 2 Orders will be upheld.

Deferred Accounting. The Company was granted deferred accounting for STP Unit 1 and 2 costs by Texas Commission orders. These orders allowed the Company to defer post-in-service operating and maintenance costs, including taxes and depreciation, and carrying costs until these costs were reflected in retail rates. Deferred accounting had an immediate positive effect on net income in the years allowed, but cash earnings were not increased until rates went into effect reflecting STP in service (see "STP Final Orders" above). The total deferrals for the periods affected were approximately $492 million with an after-tax net income effect of approximately $325 million. This total deferral included approximately $270 million of pre-tax debt carrying costs. Pursuant to the STP Unit 1 and 2 Orders, the Company's retail rates include recovery of all STP Unit 1 and 2 deferrals over the remaining life of the plant.

In July 1989, OPUC and the TSA filed appeals of the Texas Commission's final order in District Court requesting reversal of deferred accounting for STP Unit 1. In September 1990, the District Court issued a judgment affirming the Texas Commission's order for STP Unit 1, which was subsequently appealed to the Court of Appeals by OPUC and the TSA. The hearing of the Company's STP Unit 1 deferred accounting order was combined by the Court of Appeals with similar appeals of HLP deferred accounting orders.

In September 1992, the Court of Appeals issued a decision that allows the Company to include STP Unit 1 deferred post-in-service operating and maintenance costs in rate base. However, the Court of Appeals held that deferred post-in-service carrying costs could not be included in rate base, thereby prohibiting the Company from earning a return on such costs.

After the Court of Appeal's denial of each party's motion for rehearing of the decision, the Company and the Texas Commission in December 1992 filed Applications for Writ of Error petitioning the Supreme Court of Texas to review the September 1992 decision denying rate base treatment of deferred post-in-service carrying costs by the Court of Appeals. Additionally, the TSA and OPUC filed Applications for Writ of Error petitioning the Supreme Court of Texas to reverse the Court of Appeal's decision, challenging generally the legality of deferred accounting for or rate base treatment of any deferred costs. In May 1993, the Supreme Court of Texas granted the Company's application for writ of error. The Company's case was consolidated with the deferred accounting cases of El Paso Electric Company and HLP. Oral arguments were heard in September 1993 and the Supreme Court's decision is pending.

If the Company's orders granting deferred accounting were ultimately reversed and not favorably revised, the Company could experience a material adverse effect on its results of operations. While management cannot predict the ultimate outcome of the deferred accounting appeal, management believes the Company will successfully receive approval of its deferred accounting orders or will be successful in renegotiation of its rate orders, so that there will be no material adverse effect on the Company's results of operations or financial condition.

STP Outage. In February 1993, Units 1 and 2 of STP were shut down by HLP, the Project Manager, in an unscheduled outage resulting from mechanical problems relating to two auxiliary feedwater pumps. HLP determined that the units would not be restarted until the equipment failures had been corrected and the NRC

briefed on the causes of these failures and the corrective actions that were taken. The NRC formalized that commitment in a confirmatory action letter, and sent an Augmented Inspection Team to STP to review the matter. In March 1993, the NRC began a diagnostic evaluation of STP. Conducted infrequently, diagnostic evaluations are broad-based evaluations of overall plant operations and are intended to review the strengths and weaknesses of the licensee's performance and to identify the root cause of performance problems. During and subsequent to the June 1993 completion of the evaluation, the NRC supplemented its confirmatory action letter to identify additional issues to be resolved and verified by the NRC before restart of STP. Such issues included the need to reduce backlogs of engineering and maintenance work and to simplify work processes which placed excessive burdens on operating and other plant personnel. The report also identified the need to strengthen management communications, oversight and teamwork as well as the capability to identify and correct the root causes of problems.

The NRC announced in June 1993 that STP was placed on its "watch list" of plants with "weaknesses that warrant increased NRC attention." Plants on the watch list are subject to closer NRC oversight. STP will remain on the NRC's watch list until both units return to service and a period of good performance is demonstrated.

During the outage, the necessary improvements have been made by HLP to address the issues in the confirmatory action letter, as supplemented. On February 15, 1994, the NRC agreed that the confirmatory action letter issues had been resolved with respect to Unit 1, and that it supported HLP's recommendation that Unit 1 was ready to restart. Unit 1 restarted in late February 1994 and operated at low power for three days. The Project Manager then shut down Unit 1 due to a problem with a steam generator feedwater valve and a steam generator tube leak. The Project Manager expects to make the necessary repairs and restart Unit 1 in late March 1994, although additional delays may occur.

While many of the corrective actions taken are common to both units, HLP must demonstrate to the NRC that these issues are also resolved with respect to Unit 2 before it is restarted. HLP estimates that Unit 2 will restart during the second quarter of 1994 after the completion of refueling, which began in March 1993 but was delayed in order to focus on the issues discussed above. The outage has not affected the Company's ability to meet customer demands because of existing capacity and the Company's ability to purchase additional energy from affiliates and nonaffiliates.

During 1993, the NRC imposed a total of $500,000 in fines against HLP in connection with violations of NRC requirements that occurred prior to the February 1993 shut down. No fines have been imposed for activities subsequent to the shut down. The Company has paid its portion (25.2%) of the cost of fines.

The Company's share of increased non-fuel operation and maintenance costs in 1993, related to the outage at STP, necessary to effect the needed improvements were approximately $29 million, and were expensed as incurred. Included in these expenses were detailed inspections of both units' steam generators, and the acceleration of certain maintenance activities from 1994 to 1993. This acceleration is expected to eliminate the need for any planned outages for either unit in 1994. The 1994 budgeted STP non-fuel operation and maintenance expenses are expected to be significantly lower than the 1993 actual expenses; but even though lower, they are expected to be sufficient to continue enhancements that will result in improved long-term performance of STP.

Pursuant to the substantive rules of the Texas Commission, the Company generally is allowed to recover its fuel costs through a fixed fuel factor. These fuel factors are in the nature of temporary rates, and the Company's collection of revenues by such fuel factors is subject to adjustment at the time of a fuel reconciliation proceeding before the Texas Commission. The difference between fuel revenues billed and fuel expense incurred is recorded as an addition to or a reduction of revenues, with a corresponding entry to unrecovered fuel cost or other current liabilities, as appropriate. Any fuel costs (not limited

to under- or over-recoveries) which the Texas Commission determines as unreasonable in a reconciliation proceeding are not recoverable from customers.

During the outage, the Company's fuel and purchased power costs have been, and are expected to continue to be, increased as the power normally generated by STP must be replaced through sources with higher costs. It is unclear how the Texas Commission will address the reasonableness of higher costs associated with the outage. At January 31, 1993, before the start of the STP outage, the Company had an over-recovered fuel balance of $5.2 million, exclusive of interest. At January 31, 1994, the Company's under-recovered fuel balance was $55.7 million, exclusive of interest. This under-recovery of fuel costs, while due primarily to the STP outage, was also affected by changes in fuel prices and timing differences. The Company cannot accurately estimate the amount of any future under- or over-recoveries due to the unpredictable nature of the above factors. Although there is the potential for disallowance of fuel-related costs, such determination cannot be made until fuel costs are reconciled with the Texas Commission. If a significant portion of fuel costs were disallowed by the Texas Commission, the Company could experience a material adverse effect on its results of operations in the year of any disallowance. The Company is required by Texas Commission's rules to file a reconciliation of its fuel costs by May 1, 1994. However, the Texas Commission Staff is proposing a revised filing deadline that would not require the Company to file before the fourth quarter of 1994.

In July 1993, the Company filed a fuel surcharge petition, which is separate from a fuel reconciliation proceeding, with the Texas Commission to comply with the mandatory provisions of the Texas Commission's fuel rules. The petition requested approval of a customer surcharge to recover under-recovered fuel and purchased power costs resulting from the STP outage, increased natural gas costs and other factors. The petition also requested that the Texas Commission postpone consideration of the surcharge until the STP outage concluded or at the time fuel costs are next reconciled as discussed above. In August 1993, a Texas Commission ALJ granted the Company's request to postpone consideration of the surcharge. In January 1994, the Company updated its fuel surcharge petition to reflect amounts of under-recovery through November 1993. Likewise, the Company requested and was granted postponement of the updated petition until the STP outage concluded or at the time fuel costs are next reconciled.

Management believes that the operating outage at STP will not have a material effect on its financial condition or on its results of operations.

Rate Case Filings. During December 1993 and January 1994, several cities (Cities) in the Company's service territory exercised their rights to require the Company to file rate cases to determine if its rates are fair, just and reasonable. The Cities, together, account for approximately 40% of the Company's base revenues. The governing bodies of these Cities have original jurisdiction over rates only within their incorporated limits. The Cities have ordered the Company to file rate cases by various dates from February 17 through March 18, 1994, with hearings scheduled in February and March 1994.

The Cities have informed the Company that this rate review was precipitated by the outage at STP leading the Cities to question whether STP should continue to be included in the Company's rate base. Further, the Cities question whether the Company is earning an excessive return on equity. In February 1994, a consultant for the Cities filed its report with the Cities. The consultant recommended that STP Unit 2 be removed from the Company's rate base, resulting in a reduction of the Company's total base revenues of $106.5 million. The consultant did not recommend a reduction in revenues relating to STP Unit 1, nor did it suggest a revenue reduction for its contention that the Company's earnings have been excessive, but it suggested that those issues be reserved for future proceedings if circumstances warrant action. Furthermore, the consultant made no recommendations concerning STP operation and maintenance expenses.

The Company contends that both units of STP belong in rate base because of the long-term benefits nuclear generation provides to customers. The Company is not aware of any Texas Commission precedent directly supporting the removal of a nuclear plant from rate base because of outages of the duration experienced by

Unit 1 and expected for Unit 2. The Company also believes that its return on equity is below the level specified for the rate freeze period in accordance with the stipulated agreement entered into by the Company and parties to its last rate order, including the Cities. This rate order does not restrict the Cities from exercising their original jurisdiction over rates during the rate freeze period. The Texas Commission has appellate jurisdiction over rates set by municipalities.

In February and early March 1994, some of the Cities passed resolutions ordering the Company to reduce rates by $73 million, if applied on a total company basis. These Cities' revenues represent approximately 20% of the Company's total base revenues. The orders only affect the rates of customers who take service within these Cities' limits. The orders call for rates to be reduced in April unless, on appeal, the Texas Commission takes action which would stay their effectiveness. The Company has appealed these orders to the Texas Commission seeking the actions necessary to stay their effectiveness. The Company cannot predict if other cities acting in their capacity as regulatory authorities will initiate similar proceedings.

In December 1993, a complaint was filed at the Texas Commission by a customer of the Company who takes service outside of municipal limits, where the Texas Commission has original jurisdiction. The complaint seeks a review of the Company's rates due to the outage at STP. The Texas Commission has docketed the proceeding, but has taken no other action in the matter. In March 1994, the OPUC and General Counsel petitioned the Texas Commission to review the Company's rates. Any rate orders which might ultimately be entered as a result of these filings would affect customers served by the Company in all areas where individual city regulatory authorities do not have original jurisdiction.

Management cannot predict the ultimate outcome of these rate filings, although management believes that their ultimate resolution will not have a material adverse effect on the Company's results of operations or financial condition.

Westinghouse Litigation. The Company and other owners of STP are plaintiffs in a lawsuit filed October 1990 in the District Court in Matagorda County, Texas against Westinghouse, seeking damages and other relief. The suit alleges that Westinghouse supplied STP with defective steam generator tubes that are susceptible to stress corrosion cracking. Westinghouse filed an answer to the suit in March 1992, denying the plaintiff's allegations. The suit is currently in the discovery phase.

Inspections during the current STP outage have detected early signs of stress corrosion cracking in tubes at STP Unit 1, but the resulting remedial measures to date have not resulted in a material expense to the Company. Management believes that any additional problems would develop gradually and could be monitored by the operators of STP. An accurate estimate of the costs of remedying any further problems currently is unavailable due to many uncertainties, including among other things, the timing of repairs, which may coincide with scheduled outages, and the recoverability of amounts from Westinghouse and any insurers. Management believes that the ultimate resolution of this matter will not have a material adverse effect on the Company's results of operations.

General. The Company is party to various other legal claims, actions and complaints arising in the normal course of business. Management does not expect disposition of these matters to have a material adverse effect on the Company's results of operations or financial condition.

10. COMMITMENTS AND CONTINGENT LIABILITIES

It is estimated that the Company will spend approximately $187 million for construction purposes in 1994. Substantial commitments have been made in connection with the construction program.

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various commitments for the procurement of fuel.

Nuclear Insurance

In connection with the licensing and operation of STP, the owners have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC in accordance with the financial protection requirements of the Price-Anderson Act.

The Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities is in effect until August 1, 2002. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants is $9.3 billion per incident effective February 1994. The owners of STP are insured for their share of this liability through a combination of private insurance amounting to $200 million and a mandatory industry-wide program for self-insurance totaling $9.1 billion. The maximum amount that each licensee may be assessed for each licensed reactor under the industry-wide program of self-insurance following a nuclear incident at an insured facility is $75.5 million which may be adjusted for inflation plus a five percent charge for legal expenses, but not more than $10 million per reactor for each nuclear incident in any one year. The Company and each of the other STP owners are subject to such assessments, which the Company and the other owners have agreed will be borne on the basis of their respective ownership interests in STP. For purposes of these assessments, STP has two licensed reactors.

The owners of STP currently maintain on-site decontamination liability and property damage insurance in the amount of $2.7 billion provided by American Nuclear Insurers (ANI) and the Nuclear Electric Insurance Limited (NEIL) II program. Policies of insurance issued by ANI and NEIL II stipulate that policy proceeds must be used first to pay decontamination and clean-up costs, before being used to cover direct losses to property. The Company and the other owners of STP have entered into an agreement that provides for the total cost of decontamination liability and property insurance for STP (including premiums and assessments) to be shared pro rata based upon each owner's respective ownership interests in STP.

The Company purchases, for its own account, business interruption and extra expense insurance under the NEIL I Business Interruption and/or Extra Expense Program. This insurance will reimburse the Company for extra expenses incurred, up to $1.7 million per week, for replacement generation or purchased power as the result of a covered accident that shuts down production at STP for more than 21 weeks. The maximum amount recoverable for Unit 1 is $103.4 million and for Unit 2 is $105.9 million. The Company is subject to an additional assessment up to approximately $2.2 million for the current policy year in the event that losses as a result of a covered accident at a nuclear facility insured under NEIL I exceeds the accumulated funds available under the NEIL I Business Interruption and/or Extra Expense Program.

11. QUARTERLY INFORMATION (UNAUDITED)

The following unaudited quarterly information includes, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such amounts:

Quarter Ended	Electric Operating Revenues	Operating Income (thousands)	Net Income
1993			
March 31	$240,910	$41,346	$28,598
Adjustment	(2,656)	(1,753)	25,962
March 31 Restated	$238,254	$39,593	$54,560
June 30	298,863	55,400	42,334
Adjustment	17,190	11,345	11,345
June 30 Restated	$316,053	$66,745	$53,679
September 30	383,087	85,916	75,510
Adjustment	4,103	2,522	2,102
September 30 Restated	$387,190	$88,438	$77,612
December 31 (1)	$282,031	$(4,697)	$(13,426)
1992			
March 31	$227,513	$46,838	$34,022
June 30	267,959	60,984	47,527
September 30	338,215	95,474	83,426
December 31	279,736	63,369	53,536

(1) Operating and net income includes the effect of a pre-tax charge of $29 million related to the Company's restructuring as discussed in ITEM 7. MANAGEMENTS'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Restructuring.

Quarterly information for 1993 has been restated to reflect the change in accounting for unbilled revenues and the adoption of SFAS No. 112, Employers' Accounting for Postemployment Benefits See NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. These changes were made in December 1993, but were effective January 1, 1993.

Information for quarterly periods is affected by seasonal variations in sales, rate changes, timing of fuel expense recovery and other factors.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Central Power and Light Company:

We have audited the accompanying balance sheets and statements of capitalization of Central Power and Light Company (a Texas corporation and wholly owned subsidiary of Central and South West Corporation) as of December 31, 1993 and 1992, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Power and Light Company as of December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

In 1993, as discussed in the Notes to the financial statements, the Company changed its methods of accounting for unbilled revenues, postretirement benefits other than pensions, income taxes and postemployment benefits.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules V, VI, IX, X and Exhibit 12 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules and exhibit have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Dallas, Texas
February 25, 1994

REPORT OF MANAGEMENT

Management is responsible for the preparation, integrity and objectivity of the financial statements of Central Power and Light Company as well as all other information contained in this report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained elsewhere in this report is consistent with that in the financial statements.

The Company maintains an adequate system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with generally accepted accounting principles and that the assets of the Company are properly safeguarded. The system of internal controls is documented, evaluated and tested by the Company's internal auditors on a continuing basis. Due to the inherent limitations of the effectiveness of internal controls no internal control system can provide absolute assurance that errors and irregularities will not occur. However, management strives to maintain a balance, recognizing that the cost of such a system should not exceed the benefits derived. No material internal control weaknesses have been reported to management.

Arthur Andersen & Co. was engaged to audit the financial statements of the Company and issue a report thereon. Their audit was conducted in accordance with generally accepted auditing standards. Such standards require an examination of selected transactions and other procedures sufficient to provide reasonable assurance that the financial statements are not misleading and do not contain material errors. The Report of Independent Public Accountants does not limit the responsibility of management for information contained in the financial statements and elsewhere in the report.

Robert R. Carey
President and Chief Executive Officer

Melanie J. Richardson
Vice President and Treasurer

David P. Sartin
Controller and Secretary

REPORT OF AUDIT COMMITTEE

The Audit Committee of the Board of Directors is composed of six outside directors. The members of the Audit Committee are: Robert A. McAllen, Chairman, Jim L. Peterson, Ruben M. Garcia, H. Lee Richards, Pete Morales, Jr. and S. Loyd Neal, Jr. The Committee held two meetings during 1993.

The Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee discusses with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discusses the Company's financial statements and the adequacy of internal controls. The Committee meets regularly with the Company's internal auditors and independent public accountants to discuss the results of their audits, their evaluations of internal controls, and the overall quality of the Company's financial reporting. The meetings are designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

Robert A. McAllen
Chairman, Audit Committee

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

CSW common stock amounts in ITEM 11 and ITEM 12 reflect the two-for-one common stock split, effected by a 100% common stock dividend paid March 6, 1992 to shareholders of record on February 10, 1992.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

(a) The following is a list of directors of the Company, together with certain information with respect to each of them:

Name, Age, Principal Occupation, Business Experience and Other Directorships	Year First Became Director
E. R. BROOKS. . . . . AGE - 56	1991
Chairman, President and CEO of CSW since February 1991. President of CSW from September 1990 to February 1991. President and Chief Operating Officer of CSW from January 1990 to September 1990 and Executive Vice President of CSW from 1987 to 1989. Director of CSW and each of its subsidiaries. Director of Hubbell, Electric, Inc. and of Baylor University Medical Center, Dallas, Texas.	
ROBERT R. CAREY . . . . AGE - 56	1989
President and CEO of the Company since January 1990. Executive Vice President and Chief Operating Officer of the Company from 1989 to 1990. Vice President, Operations of the Company from 1988 to 1989. Director of Corpus Christi National Bank, Corpus Christi, Texas.	
RUBEN M. GARCIA . . . . AGE - 62	1981
President or principal of several firms engaged primarily in construction and land development in the Laredo, Texas area.	
HARRY D. MATTISON (1) . . . . AGE - 57	1994
Executive Vice President of CSW since September 1990 and Chief Executive Officer of CSWS since December 1993. Chief Operating Officer of CSW from September 1990 to December 1993. President and Chief Executive Officer of SWEPCO from September 1988 to September 1990. Director of each of CSW's wholly owned subsidiaries.	
ROBERT A. McALLEN . . . . AGE - 59	1983
Robert A. McAllen Investments, Inc., Weslaco, Texas. Consultant to First National Bank, Edinburg, Texas.	
PETE MORALES, JR. . . . . AGE - 53	1990
President and General Manager of Morales Feed Lots, Inc., Devine, Texas. Director of Devine State Bank, Devine, Texas.	
S. LOYD NEAL, JR. . . . . AGE - 56	1990
President of Hilb, Rogal and Hamilton Company of Corpus Christi, an insurance agency, Corpus Christi, Texas.	

Name, Age, Principal Occupation, Business Experience and Other Directorships	Year First Became Director
JIM L. PETERSON . . . . AGE - 58	1989
President and CEO of Whataburger, Inc. from 1974 to 1993. Director of Mercantile Bank of Corpus Christi.	
H. LEE RICHARDS . . . . AGE - 60	1987
Chairman of the Board of Hygeia Dairy Company, Harlingen, Texas. Director of Harlingen National Bank, Harlingen, Texas.	
MELANIE J. RICHARDSON . . . . AGE - 37	1993
Vice President, Administration and Treasurer of the Company since 1993. Vice President, Corporate Services and Treasurer of the Company from 1992 to 1993. Treasurer of the Company since March 1992. Director of Internal Audits of the Company 1991 to 1992. Manager of Personnel Services of the Company 1990 to 1991. Manager of Financial Audits of the Company 1986 to 1990.	
J. GONZALO SANDOVAL . . . . AGE - 45	1992
Vice President, Operations/Engineering of the Company since 1993. Vice President, Regional Operations of the Company from 1992 to 1993. Vice President, Corporate Services of the Company from 1991 to 1992. General Manager of the Southern Region from 1988 to 1991.	
B. W. TEAGUE. AGE - 55	1984
Vice President, Marketing and Business Development of the Company since 1991. Vice President, Corporate Services of the Company from 1988 to 1991. Senior Vice President, District Operations of the Company from 1986 to 1988.	
GERALD E. VAUGHN. . . . . AGE - 51	1993
Vice President, Nuclear of CSWS since January 1994. Vice President, Nuclear Affairs of the Company since July 1993. Vice President for Nuclear Services of Carolina Power and Light Company, Raleigh, North Carolina, from 1990 to 1993. Vice President of Nuclear Operations at HLP from 1987 to 1990.	

(1) Mr. Mattison was elected to the Board effective February 1, 1994, replacing Dale E. Ward. Mr. Ward resigned from the Board in January 1994 upon his transfer to CSWS as Vice President of Production Engineering.

All outside directors have engaged in their respective principal occupations listed above for a period of more than five years, unless otherwise indicated.

(b) The following is a list of the executive officers who are not directors of the Company, together with certain information with respect to each of them:

Name	Age	Present Position	Year First Elected to Present Position
David P. Sartin	37	Controller and Secretary	1991

Each of the directors and executive officers of the Company is elected to hold office until the first meeting of the Company's Board of Directors after the 1994 annual meeting of stockholders, presently scheduled to be held on April 14, 1994. Each of the executive officers listed in the table above has been employed by the Company or an affiliate in the CSW System in an executive or managerial capacity for at least the last five years except for Mr. Vaughn.

ITEM 11. EXECUTIVE COMPENSATION.

Cash and Other Forms of Compensation

The following table sets forth the aggregate cash and other compensation for services rendered for the fiscal years of 1993, 1992, and 1991 paid or awarded by the Company to the Named Executive Officers.

Summary Compensation Table

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)(1)(2)	CSW Restricted Stock Award(s) ($) (1)(4)	CSW Securities Underlying Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)(2)(5)
Robert R. Carey	1993	272,893	32,943	9,548	33,608	-	-	27,587
President and CEO	1992	248,394	47,150	5,718	47,151	12,431	-	27,498
	1991	223,475	45,092	-	48,116	-	-	-
Dale E. Ward (6)	1993	143,681	8,407	4,816	8,531	-	-	5,920
Vice President,	1992	134,858	10,269	1,339	10,266	3,135	-	5,838
Engineering and Production	1991	127,717	8,161	-	8,740	-	-	-
B. W. Teague	1993	128,308	5,085	4,169	5,143	-	-	5,309
Vice President,	1992	122,200	9,905	1,885	9,874	3,135	-	5,499
Marketing and Business Development	1991	109,665	5,542	-	5,888	-	-	-
J. Gonzalo Sandoval	1993	120,327	7,878	4,963	7,986	-	-	4,221
Vice President,	1992	111,107	13,583	27,649	-	2,916	-	3,333
Operations/Engineering	1991	93,650	6,331	-	-	-	-	-
C. Wayne Stice (7)	1993	119,628	7,664	2,279	-	-	-	1,049
Assistant to the	1992	112,854	8,403	2,486	-	2,295	-	-
President, Corporate Secretary	1991	106,686	6,792	-	-	-	-	-

(1) Amounts in this column are paid or awarded in a calendar year for performance in a preceding year.

(2) The 1991 amounts are omitted pursuant to the transitional provisions in the revised rules on executive officer and director compensation disclosure adopted by the SEC.

(3) Amounts of perquisites and other personal benefits are included in this column only if they exceed the lesser of $50,000 or 10% of the total annual salary and bonus reported. Each such item that exceeds 25% of the total amount of perquisites and other personal benefits reported for each Named Executive Officer is identified below.

Mr. Sandoval was reimbursed $18,745 for moving expenses in 1992.

(4) Grants of restricted stock are administered by the Executive Compensation Committee of CSW's Board of Directors, which has the authority to determine the individuals to whom and the terms on which restricted stock grants shall be made. The awards reflected in this column all have four-year vesting periods with 20% of the CSW common stock vesting on the first, second and third anniversary dates of the award and 40% vesting on the fourth such anniversary. Upon vesting, shares of CSW common stock are issued without restrictions. The individuals received dividends and may vote shares of restricted stock, even before such shares have vested. The amount reported in the table represents the market value of the shares at the date of grant. As of the end of 1993, the aggregate restricted stock holdings of each of the Named Executive Officers were:

Name	Restricted Stock Held at 12/31/93	Market Value at 12/31/93
Robert R. Carey	3,963	$119,881
Dale E. Ward	948	28,677
B. W. Teague	726	21,962
J. Gonzalo Sandoval	264	7,986
C. Wayne Stice	-	-

(5) Amounts shown in this column consist of the annual employer matching payments to CSW's Thrift Plus Plan.

The 1993 and 1992 amounts in this column for Mr. Carey also includes the average amounts of premiums paid per participant in those years under CSW's memorial gift program. For 1993, this average was $17,013. Under this program for certain executive officers, directors and retired directors from the CSW System, CSW will make a donation in the participant's name to up to three organizations of an aggregate of $500,000, payable by CSW upon the participant's death and funded by term life insurance coverage. Actual premiums paid are based on pooled risks for groups of participants.

(6) Mr. Ward transferred to CSWS in January 1994.

(7) Mr. Stice retired from the Company in February 1994.

Option/SAR Grants

No grants of CSW common stock options or CSW SARs were made in 1993.

Option/SAR Exercises and Year-End Value Table

Shown below is information regarding CSW common stock option/SAR exercises during 1993 and unexercised CSW common stock options/SARs at year-end for the Named Executives Officers.

Aggregated CSW Option/SAR Exercises in 1993
and Fiscal Year-End CSW Option/SAR Value

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of CSW Securities Underlying Unexercised Options/SARs at Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in the Money Options/SARs at Year-End ($) Exercisable/ Unexercisable (1)
Robert R. Carey	-	-	5,643 / 8,288	3,527 / 5,180
Dale E. Ward	-	-	1,045 / 2,090	653 / 1,306
B. W. Teague	1,045	3,004	0 / 2,090	0 / 1,306
J. Gonzalo Sandoval	-	-	971 / 1,945	607 / 1,216
C. Wayne Stice	500	8,375	1,015 / 1,530	634 / 956

(1) Based on the New York Stock Exchange December 31, 1993, closing price of CSW's common stock of $30.25/share and an exercise price of $29.625/share.

Long-term Incentive Plan Awards Table

The following table shows information concerning awards made to the Named Executive Officers during 1993 under CSW's Long-Term Incentive Plan ("LTIP"):

Long-Term Incentive Plan Awards Made in 1993

Name	Number of CSW Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price Based Plans: Threshold ($)	Target ($)	Maximum ($)
Robert R. Carey	1	2 years	-	137,238	205,857
Dale E. Ward	1	2 years	-	28,105	42,158
B. W. Teague	1	2 years	-	28,105	42,158
J. Gonzalo Sandoval	1	2 years	-	28,105	42,158
C. Wayne Stice	1	-	-	-	-

Payouts of the awards are contingent upon CSW's achieving a specified level of total shareholder return, relative to a peer group of utility companies, for the three-year period ended December 1995. Such return must also exceed the average six-month treasury bill rate for the same period in order for any payout to be made. If the Named Executive Officer's employment is terminated during the performance period for any reason other than death, total and permanent disability or retirement, then the award is generally canceled.

The LTIP contains a provision accelerating awards upon a change in control of CSW. If a change in control of CSW occurs, (a) all options and SARs become fully exercisable, (b) all restrictions, terms and conditions applicable to all restricted stock are deemed lapsed and satisfied and (c) all performance units are deemed to have been fully earned, as of the date of the change in control. Awards which have been granted and outstanding for less than six months as of the date of change in control are not then exercisable, vested or earned on an accelerated basis. The LTIP also contains provisions designed to prevent circumvention of the above acceleration provisions generally through coerced termination of an employee prior to the change in control of CSW.

Retirement Plans

Pension Plan Table

Average Compensation	Annual Benefits After Specified Years of Credited Service		
	20	25	30 or more
$100,000	$ 33,333	$ 41,667	$ 50,000
150,000	50,000	62,500	75,000
200,000	66,667	83,333	100,000
250,000	83,333	104,167	125,000
300,000	100,000	125,000	150,000
350,000	116,333	145,833	175,000

Executive officers are eligible to participate in the tax-qualified, CSW Pension Plan like other employees of the Company. Certain executive officers, including the Named Executive Officers, are also eligible to participate in the CSW Special Executive Retirement Plan (SERP), a non-qualified ERISA excess benefit plan. Such pension benefits depend upon years of credited service, age at retirement and amount of covered compensation earned by a participant. The annual normal retirement benefits payable under the pension and the SERP are based on 1.67% of "average compensation" times the number of years of credited service (reduced by (i) no more than 50% of a participant's age 55 Social Security benefit, and (ii) certain other offset benefits).

"Average compensation" means the average covered compensation (salary as reported in the Summary Compensation Table) during the 36 consecutive months of highest pay during the 120 months prior to retirement. The combined benefit levels in the table above, which include both the pension and SERP, are based on assumed retirement at age 65, the years of credited service shown, continued existence of the plans without substantial change, and payment in the form of a single life annuity.

Respective years of credited service and ages, as of December 31, 1993, for the Named Executive Officers are as follows: Mr. Carey, 26 and 56; Mr. Stice, 30 and 56; Mr. Ward, 21 and 46; Mr. Sandoval, 20 and 45, and Mr. Teague, 30 and 55.

Meetings and Compensation. The Board of Directors held four meetings during 1993. Directors who are not also executive officers and employees of the Company or its affiliates receive annual directors' fees of $6,000 for serving on the Board and a fee of $300 plus expenses for each meeting of the Board or committee attended.

Those directors who are not also officers of the Company are eligible to participate in a deferred compensation plan. Under this plan such directors may elect to defer payment of annual directors' and meeting fees until they retire from the Board or as they otherwise direct.

Compensation Committee Interlocks and Insider Participation. No person serving during 1993 as a member of the Executive Compensation Committee of the Board of Directors of CSW served as an officer or employee of the Company during or prior to 1993. No person serving during 1993 as an executive officer of the Company serves or has served on the compensation committee or as a director of another company, one of whose executive officers serves as a member of the Executive Compensation Committee of CSW or as a director of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

All 6,755,535 shares of the Company's outstanding Common Stock, $25 par value, per share, are owned beneficially and of record by CSW, 1616 Woodall Rodgers Freeway, Dallas, Texas 75202.

Security Ownership of Management

The following table shows CSW common stock beneficially owned as of December 31, 1993, by each director, the Named Executive Officers and, as a group, all directors and executive officers of the Company. Share amounts shown in this table include restricted stock, options exercisable within 60 days after year-end shares of CSW common stock credited to Central and South West Corporation Thrift plan accounts, and all other shares of CSW common stock beneficially owned by the listed persons. Each person has a sole voting and investment power with respect to all shares listed in the table below unless otherwise indicated.

Name	Beneficial Ownership as of December 31, 1993 CSW Common Stock (1)(2)
E. R. Brooks	60,959
Robert R. Carey	10,734
Ruben M. Garcia	-
Robert A. McAllen	2,000
Pete Morales, Jr.	-
S. Loyd Neal, Jr.	323
Jim L. Peterson	-
H. Lee Richards	-
Melanie J. Richardson	757
J. Gonzalo Sandoval	6,225
C. Wayne Stice	4,087
B. W. Teague	2,701
Gerald E. Vaughn	500
Dale E. Ward	8,659
All of the above and other executive officers as a group	99,192

(1) Included in these amounts for Mr. Brooks, Mr. Carey, Mr. Mattison, Mr. Stice, Mr. Ward, Mr. Teague and Mr. Sandoval are restricted stock of 7,172, 3,963, 4,708, 0, 948, 726 and 264, respectively. These individuals have voting power, but not investment power with respect to these shares. The above shares also include 9,531, 5,643, 6,176, 1,015, 1,045, 0, 971, and 938 shares underlying immediately exercisable options held by Mr. Brooks, Mr. Carey, Mr. Mattison, Mr. Stice, Mr. Ward, Mr. Teague, Mr. Sandoval and the directors and executive officers as a group, respectively.

(2) All directors' and executive officers' shares owned as of January 1, 1994, as indicated are owned directly and aggregate less than one percent of the outstanding shares of such class.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

	Page Reference
(a) Financial Statements (Included under "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA"):	
Report of Independent Public Accountants.	42
Statements of Income for the years ended December 31, 1993, 1992 and 1991.	24
Statements of Retained Earnings for the years ended December 31, 1993, 1992 and 1991.	24
Balance Sheets as of December 31, 1993 and 1992.	25
Statements of Cash Flows for the years ended December 31, 1993, 1992 and 1991.	26
Statements of Capitalization as of December 31, 1993 and 1992.	27
Notes to Financial Statements.	28-41
(b) Reports on Form 8-K:	
The Company filed a report on Form 8-K dated March 10, 1994, reporting ITEM 5. OTHER EVENTS relating to the STP outage and current rate case proceedings.	
(c) Exhibits:	
3. (a) Restated Articles of Incorporation, as amended, of the Company (incorporated herein by reference to Exhibit 4(a) to the Company's Registration Statement No. 33-4897, Exhibits 5 and 7 to Form U-1 File No. 70-7171, Exhibits 5, 8.1, 8.2 and 19 to Form U-1 File No. 70-7472 and the Company's Form 10-Q for the quarterly period ended September 30, 1992, ITEM 6, Exhibit 1).	-
(b) Bylaws, as amended, of the Company. (Incorporated herein by reference to Exhibit 3(b) to the Company's 1991 Form 10-K, file No. 0-346.)	-

		Page Reference
4.	Indenture of Mortgage or Deed of Trust dated November 1, 1943, executed by the Company to The First National Bank of Chicago and Robert L. Grinnell, as Trustees, as amended through October 1, 1977 (incorporated herein by reference to Exhibit 5.01 in File No. 2-60712), and the Supplemental Indentures of the Company dated September 1, 1978 (incorporated herein by reference to Exhibit 2.02 in File No. 2-62271) and December 15, 1984, July 1, 1985, May 1, 1986 and November 1, 1987 (incorporated herein by reference to Exhibit 17 to Form U-1 File No. 70-7003, Exhibit 4(b) in File No. 2-98944, Exhibit 4 to Form U-1 File No. 70-7236 and Exhibit 4 to Form U-1 File No. 70-7249) and June 1, 1988, December 1, 1989, March 1, 1990, October 1, 1992, December 1, 1992, February 1, 1993 and April 1, 1993 (incorporated herein by reference to Exhibit 2 to Form U-1 File No. 70-7520, Exhibit 3 to Form U-1 File No. 70-7721, Exhibit 10 to Form U-1 File No. 70-7735 and Exhibit 10(a), 10(b), 10(c) and 10(d), respectively, to Form U-1 File No. 70-8053).	-
12.	Statement re computation of Ratio of Earnings to Fixed Charges for the five years ended December 31, 1993.	61
18.	Letter from Independent Public Accountants for change in accounting principle.	62
23.	Consent of Independent Public Accountants.	63
24.	(a) Powers of Attorney.	64
	(b) Powers of Attorney.	65
	(c) Powers of Attorney.	66

	Page Reference
(d) Schedules:	
Report of Independent Public Accountants on Supplemental Schedules and Exhibit.	42
V. Property, Plant and Equipment for the years ended December 31, 1993, 1992 and 1991.	56
VI. Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment for the years ended December 31, 1993, 1992 and 1991.	57
IX. Short-Term Borrowings for the years ended December 31, 1993, 1992 and 1991.	58
X. Supplementary Income Statement Information for the years ended December 31, 1993, 1992 and 1991.	59

All other exhibits and schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements and related notes to financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 15, 1994.

CENTRAL POWER AND LIGHT COMPANY

By: David P. Sartin
Controller and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 15, 1994.

Signature	Title
Robert R. Carey	President and CEO and Director (Principal executive officer)
Melanie J. Richardson	Vice President, Treasurer and Director (Principal financial officer)
David P. Sartin	Controller and Secretary (Principal accounting officer)
*E. R. Brooks	Director
*Ruben M. Garcia	Director
*Harry D. Mattison	Director
*Robert A. McAllen	Director
*Pete Morales, Jr.	Director
*S. Loyd Neal, Jr.	Director
*Jim L. Peterson	Director
*H. Lee Richards	Director
*J. Gonzalo Sandoval	Director
*B. W. Teague	Director
*Gerald E. Vaughn	Director

*Melanie J. Richardson, by signing her name hereto, does sign this document on behalf of the persons indicated above pursuant to a power of attorney duly executed by each such person.

*By: Melanie J. Richardson
Attorney-in-Fact

CENTRAL POWER AND LIGHT COMPANY
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance Beginning of Year	Additions at Cost	Retirements at Cost	Other Changes Add/(Deduct)	Balance End of Year
			(Thousands)		
Year 1993					
Electric Utility Plant:					
Production	$3,051,969	$ 9,692	$ 1,040	$ 1,290	$3,061,911
Transmission	329,400	22,190	733	727	351,584
Distribution	715,633	57,940	7,561	(746)	765,266
General	210,204	8,400	4,061	(5,373)	209,170
Construction work in progress	94,736	73,685	-	-	168,421
Nuclear fuel	152,494	7,832	-	-	160,326
	$4,554,436	$179,739	$13,395	$(4,102)	$4,716,678
Year 1992					
Electric Utility Plant:					
Production	$3,043,101	$ 9,703	$ 942	$ 107	$3,051,969
Transmission	329,192	1,655	439	(1,008)	329,400
Distribution	681,905	43,190	9,590	128	715,633
General	209,932	2,769	1,957	(540)	210,204
Construction work in progress	65,699	29,037	-	-	94,736
Nuclear fuel	136,877	15,617	-	-	152,494
	$4,466,706	$101,971	$12,928	$(1,313)	$4,554,436
Year 1991					
Electric Utility Plant:					
Production	$3,020,266	$ 25,019	$ 2,129	$ (55)	$3,043,101
Transmission	318,573	10,775	177	21	329,192
Distribution	642,529	46,391	7,013	(2)	681,905
General	206,930	5,451	838	(1,611)	209,932
Construction work in progress	56,917	8,782	-	-	65,699
Nuclear fuel	132,972	3,905	-	-	136,877
	$4,378,187	$100,323	$10,157	$(1,647)	$4,466,706

SCHEDULE VI

CENTRAL POWER AND LIGHT COMPANY
ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31

Column A	Column B	Column C		Column D	Column E	Column F
		Additions Charged to Costs and Expenses				
Classification	Balance Beginning of Year	Depreciation/ Amortization	Other Accounts	Retirements(1)	Other Changes Add/ (Deduct)	Balance End of Year
		(Thousands)				
Year 1993						
Electric Utility Plant:						
Production	$ 638,458	$ 78,595	$ 1,093	$ 1,109	$ -	$ 717,037
Transmission	130,317	9,437	-	654	-	139,100
Distribution	222,749	32,101	-	12,644	135	242,341
General	84,871	4,757	5,806	3,992	-	91,442
Nuclear fuel	71,953	-	1,499	-	-	73,452
	$1,148,348	$124,890	$ 8,398	$18,399	$ 135	$1,263,372
Year 1992						
Electric Utility Plant:						
Production	$ 559,640	$ 78,342	$ 1,093	$ 617	$ -	$ 638,458
Transmission	121,976	9,206	-	815	(50)	130,317
Distribution	206,278	30,323	-	13,931	79	222,749
General	78,168	4,582	3,177	1,773	717	84,871
Nuclear fuel	50,637	-	21,316	-	-	71,953
	$1,016,699	$122,453	$25,586	$17,136	$ 746	$1,148,348
Year 1991						
Electric Utility Plant:						
Production	$ 482,524	$ 77,866	$ 1,094	$ 1,844	$ -	$ 559,640
Transmission	113,216	9,059	-	299	-	121,976
Distribution	188,883	28,671	-	11,288	12	206,278
General	73,085	4,346	1,920	676	(507)	78,168
Nuclear fuel	32,980	-	17,657	-	-	50,637
	$ 890,688	$119,942	$20,671	$14,107	$ (495)	$1,016,699

(1) Retirements are at original cost, net of removal costs and salvage.

SCHEDULE IX

CENTRAL POWER AND LIGHT COMPANY
SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31

Year	Column A Category of Aggregate Short-term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding at any Month-end	Column E Average Amount Outstanding During the Period	Column F Weighted Average Interest Rate During the Period
		(Thousands)				
1993	Advances from Affiliates	$171,165	3.4%	$171,165	$87,319	3.3%
1992	Advances from Affiliates	$ 91,766	3.7%	$107,425	$49,058	4.1%
1991	Advances from Affiliates	$ 62,148	5.0%	$ 69,876	$28,717	6.2%

CENTRAL POWER AND LIGHT COMPANY
SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31

	1993	1992	1991
		(thousands)	
Real estate and personal property taxes	$55,255	$41,003	$38,817
State gross receipts taxes	14,173	13,685	13,099
Payroll taxes	8,300	7,288	7,032
Franchise taxes	6,420	6,284	1,265(a)
State utility commission assessments	1,913	1,822	1,784
Other taxes	333	261	456
	$86,394	$70,343	$62,453

(a) A refund of approximately $3.6 million related to prior years was received in 1991.

The amounts of taxes, depreciation and maintenance charged to accounts other than income and expense accounts were not significant. Rents, royalties, advertising and research and development costs during these years were not significant.

INDEX TO EXHIBITS

Exhibit Number	Exhibit	Transmission Method
3(a)	Restated Articles of Incorporation, as amended, of the Company (incorporated herein by reference to Exhibit 4(a) to the Company's Registration Statement No. 33-4897, Exhibits 5 and 7 to Form U-1 File No. 70-7171, Exhibits 5, 8.1, 8.2 and 19 to Form U-1 File No. 70-7472 and the Company's Form 10-Q for the quarterly period ended September 30, 1992, ITEM 6, Exhibit 1).	Incorporated by Reference
3(b)	Bylaws, as amended, of the Company. (Incorporated herein by reference to Exhibit 3(b) to the Company's 1990 Form 10-k, File No. 0-346).	Incorporated by Reference
4	Indenture of Mortgage or Deed of Trust dated November 1, 1943, executed by the Company to The First National Bank of Chicago and Robert L. Grinnell, as Trustees, as amended through October 1, 1977 (incorporated herein by reference to Exhibit 5.01 in File No. 2-60712), and the Supplemental Indentures of the Company dated September 1, 1978 (incorporated herein by reference to Exhibit 2.02 in File No. 2-62271) and December 15, 1984, July 1, 1985, May 1, 1986 and November 1, 1987 (incorporated herein by reference to Exhibit 17 to Form U-1 File No. 70-7003, Exhibit 4(b) in File No. 2-98944, Exhibit 4 to Form U-1 File No. 70-7236 and Exhibit 4 to Form U-1 File No. 70-7249) and June 1, 1988, December 1, 1989, March 1, 1990, October 1, 1992, December 1, 1992, February 1, 1993 and April 1, 1993, (incorporated herein by reference to Exhibit 2 to Form U-1 File No. 70-7520 and Exhibit 3 to Form U-1 File No. 70-7721, Exhibit 10 to Form U-1 File No. 70-7725 and Exhibit 10(a), 10(b), 10(c) and 10(d), respectively, to Form U-1 File No. 70-8053).	Incorporated by Reference
12	Statement re computation of Ratio of Earnings to Fixed Charges for the five years ended December 31, 1992.	Electronic
18	Letter from Independent Public Accountants for change in accounting principle.	Electronic
23	Consent of Independent Public Accountants.	Electronic
24(a)	Powers of Attorney.	Electronic
24(b)	Powers of Attorney.	Electronic
24(c)	Powers of Attorney.	Electronic

EXHIBIT 12

CENTRAL POWER AND LIGHT COMPANY
RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEARS ENDED DECEMBER 31

	1993	1992	1991	1990	1989
		(thousands, except ratios)			
Operating income	$190,079	$266,665	$249,573	$162,527	$161,695
Adjustments:					
Federal income taxes	(19,690)	34,336	44,832	(2,124)	(60,000)
Provision for deferred Federal income taxes	90,682	48,773	36,984	103,490	127,894
Deferred investment tax credits	(5,806)	(5,837)	(5,831)	(6,103)	(5,619)
Other income and deductions	2,237	1,117	396	(2,641)	4,243
Allowance for borrowed and equity funds used during construction	2,618	1,171	2,124	1,057	40,091
STP carrying costs	-	-	-	185,078	84,590
Mirror CWIP amortization	75,702	82,527	96,671	-	-
Earnings	$335,822	$428,752	$424,749	$441,284	$352,894
Fixed charges:					
Interest on long-term debt	$112,939	$125,476	$124,987	$126,584	$129,535
Interest on short-term debt and other	11,993	7,266	8,697	15,521	12,511
Fixed Charges	$124,932	$132,742	$133,684	$142,105	$142,046
Ratio of Earnings to Fixed Charges	2.69	3.23	3.18	3.11	2.48

RE: Central Power and Light Company
Form 10-K Report for the year ended December 31, 1993

Ladies and Gentlemen:

This letter is written to meet the requirements of Regulations S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

Prior to January 1, 1993, electric revenues were recorded at the time billings were made to customers on a cycle-billing basis. Electric service provided subsequent to billing dates through the end of each calendar month became part of operating revenues of the next month. To conform to industry standards CPL changed its method of accounting to accrue for estimated revenues for electricity used by customers, but not yet billed.

A complete coordinated set of financial and reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that the Company's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with you, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of your management.

Very truly yours,

ARTHUR ANDERSEN & CO.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Central Power and Light Company

As independent public accountants, we hereby consent to the incorporation of our reports dated February 25, 1994, included in, and incorporated by reference in this Form 10-K, into Central Power and Light Company's previously filed registration statement on Form S-3 (File Nos. 33-48995 and 33-49577).

Arthur Andersen & Co.

Dallas, Texas
February 25, 1994