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THE TEXAS MUNICIPAL POWER AGENCY

From concept to reality.

Eight years ago, four Texas cities recognized the need to assure reliable and efficient electric power for the future requirements of their citizens and industries.

These cities — Bryan, Denton, Garland and Greenville — worked together to develop a concept unique to the State of Texas. They set out to build a joint action electric utility. The effort was prodigious. It required innovative legislation, lengthy environmental approvals,

strategic planning, massive financing, costly acquisition of fuels and land, enormous construction and extensive staffing and training.

The cities met those challenges. Today the concept is a reality. The Texas Municipal Power Agency is an operational utility in commercial operation since October 1, 1983.

The President's Message:



Avon Acker

The Texas Municipal Power Agency stands on the verge of attaining the goal of our four member cities. On October 1, 1983, we began operation as a fully functioning electric utility dedicated to providing reliable electric power to the cities in the most economical manner.

The efforts of our Board of Directors, the Management and Staff of TMPA during the construction phase have led us to completion of the Gibbons Creek Steam Electric Station and associated facilities.

Continued leadership and effort — coupled with support of our cities will assure long-term success as an operating utility. The challenges of this new era are exciting, with efficiency and reliability as our ongoing objectives.

This has been a year of significant accomplishment for TMPA. I am confident this level of achievement will continue in our future.

A handwritten signature in dark ink, appearing to read "Avon Acker".

Avon Acker
President

Board of Directors
Texas Municipal Power Agency



Board Of Directors

Avon Acker

President
High Technology Company
Management
Greenville, Texas

Richard Stewart

Vice President
Retired American Airlines Pilot
Retired Air Force Colonel
Mayor
Denton, Texas

Jerry J. Ransom

Secretary-Treasurer
Computer Consultant, Scientist
City Council
Greenville, Texas

Richard Smith

Real Estate, Land Development
Bryan, Texas

Roland Vela

University Professor
Denton, Texas

William F. Magee

Consulting Engineer
Garland, Texas

Peyton Waller

Wholesale Building Materials
City Council
Bryan, Texas

Robert A. Jung III

Bank President
Garland, Texas



Avon Acker



Richard Stewart



Jerry J. Ransom



Richard Smith



Roland Vela



William F. Magee



Peyton Waller



Robert A. Jung III

**The General Manager's
Message:**



Ed Wagoner

The transition of TMPA from facility construction to utility operations continued during fiscal year 1983. All efforts were targeted towards the objective of the Gibbons Creek Steam Electric Station entering into Commercial Operation on October 1, 1983.

Significant and exciting events occurred which enabled us to successfully meet our objective. On September 30, 1983, the Agency was prepared to provide commercial electric power to our four member cities.

The leadership of the Board of Directors, coupled with the dedication and efforts of Agency management and staff, has brought us to the successful completion of our major construction projects.

Fiscal Year '83 was a time of change within the Agency. The Agency's headquarters were moved from Arlington to the Gibbons Creek site. This move involved relocation of the administrative staff and has resulted in more efficient and effective management control. In addition the Agency staff was reorganized to support an operational mode, and numerous contractors, including the prime contractor, were demobilized during 1983.

A number of milestone events occurred which prepared the Agency to enter Commercial Operations. The firing of the Gibbons Creek Steam Electric Plant using lignite delivered from our mine, completion of the leveraged leasing on the two draglines and conveyor system used by Navasota Mining, refunding a portion of the 1982 Bond Issue, successful start up and testing of major operating systems, attaining peak load of 451 MW, completion of mine-related transmission projects, the Agency Open House for citizens and dignitaries of our cities, major additions to Agency policies and procedures, and initiation of new training programs are indicative of the events that occurred this year.

Fiscal year 1983 was the end of an era for TMPA. A utility has been constructed and staffed. On October 1, 1983, the Agency entered into a new era as a fully operating utility.

TMPA has come of age as a public power entity committed to supplying the cities of Bryan, Denton, Garland and Greenville with reliable, economical electric service.

Ed Wagoner

Ed Wagoner
General Manager
Texas Municipal Power Agency

TMPA

The Texas Municipal Power Agency is located in Grimes County, Texas, near the community of Carlos. The Agency includes: a lignite-fired steam electric station; a 25,000 acre mining area with lignite reserves to supply fuel for the electric station; a 2,500 acre cooling lake; an overland conveyor system to carry lignite and a rail system to carry limestone to the plant; and the transmission system to carry electricity to the four member cities. TMPA also owns 6.2% of the future power to be generated by the Comanche Peak Nuclear Power Station.

The Agency is staffed with over 260 employees in corporate, administrative, operational and support jobs. TMPA began generating power in a

start up phase in November, 1982, and in full commercial operation October 1, 1983.

TMPA has an ongoing commitment to protect the environment of Grimes County and Central Texas. The Agency meets or exceeds all regulatory standards to protect air, water and land resources. Massive land reclamation projects are underway. After mining, the land is restored to better than original condition. Restoration actually improves the productivity of the land. State-of-the-art equipment monitors and protects air and water quality. A full time environmental staff monitors all phases of operation continually to maintain environmental quality.

Engineering, Construction & Systems Operations



Robert McKnight

Most of the major engineering and construction programs initiated in 1976 were completed this year. Of 40 major transmission, substation, power plant and mine projects, 34 were in service or made ready for service during the year.

The Gibbons Creek Plant was tested and placed in service. Nine major transmission projects were completed. Within the mine, six water control structures, the mine maintenance facilities and the lignite conveyor system were completed.

Over one thousand craft employees and most construction management personnel have been released as these projects have been completed. The Division is now structured to provide continuing construction and engineering to support production and system operations.

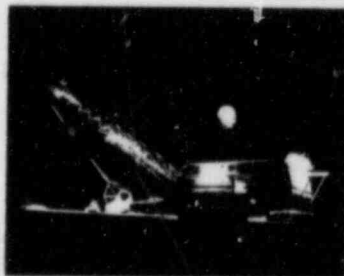
Major programs begun this year include: the closing of hundreds of contracts involving the completed projects; a cost-effective plant completion program; a system to control the manuals, drawings and docu-

ments needed to operate the plant and support systems; and a plant improvement program to reduce operating costs.

The System Operations Department is ordering spare parts for system maintenance. This group is now training employees in preventive maintenance to insure the future reliability of our substation and transmission systems.

The Land Department has acquired most of the rights-of-way needed for the Agency high-voltage transmission line network. The Department has also acquired control of a significant part of the lignite resources needed for the 30-year life of the Gibbons Creek Plant.

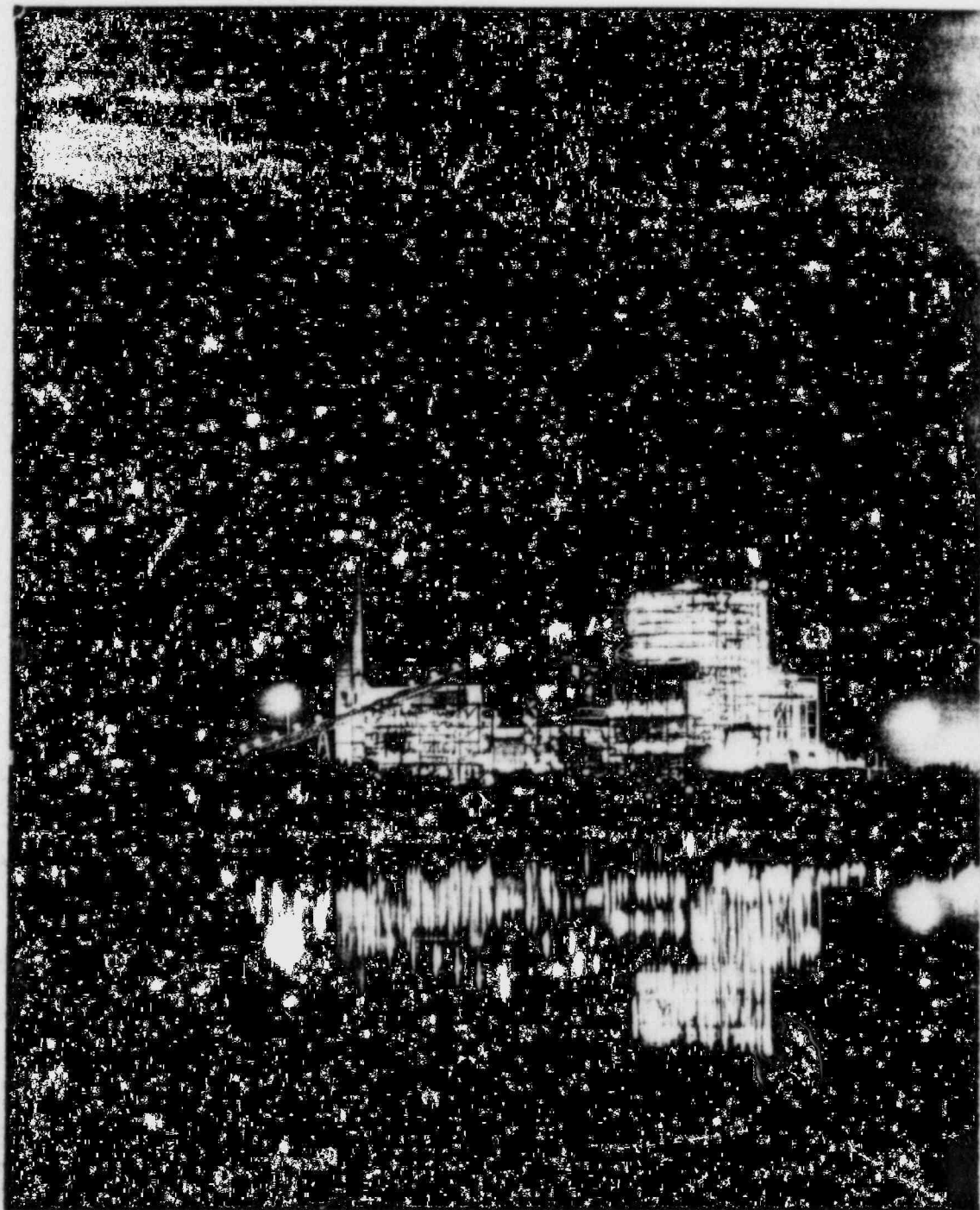
With construction near completion, we have the facilities and systems to exist as an operational utility. Division personnel are now providing the support and expertise to maximize our efficiency and productivity as a commercial utility.





No venture as complex as TMPA could succeed without the hard work of lots of people. TMPA has succeeded because of the dedication, loyalty, determination and good humor of our staff. Working together, we have reached a goal that many will envy and few can imitate.







Power Production



Don Cullum

The Power Production Division has devoted fiscal year 1983 to preparing plant personnel and equipment for commercial power production.

Start up occurred in several phases including generator synchronization and tie-on, first lignite fire, and operation of the overland conveyor. The plant reached its rated load of 408 megawatts and peak load of 451 megawatts early in 1983.

Operating efficiency improved with modifications to upgrade plant performance and with maintenance of equipment and systems performing

below standards. Engineering improvements in the unit control loops also increased plant efficiency.

With operating experience our staff has become skilled in finding and correcting the problem areas unique to the Gibbons Creek Plant. The Power Production staff has worked long and hard to make the shift to commercial production a success. Without their dedication and hard work our achievements this year would not have been possible.

Administrative Services And Human Resources



Dave Branham

The Administrative Services and Human Resources Division supports the Agency in a wide range of functions. This year these included a number of efforts critical to the Agency's transition to commercial production.

Within the division, the Human Resources Department relocated the Agency's headquarters and personnel from Arlington to Gibbons Creek, revised the employee evaluation system, coordinated dedication of the plant, redesigned compensation and benefits programs, recruited additional personnel, and installed a computerized personnel system.

The Administrative Services Department handled much of the logistics of moving the Agency's administrative offices to Gibbons Creek. This included design of the new administration building, furnishings, communications, equipment, and transportation to accommodate relocated personnel, files and records.

The Training and Safety Department designed and began major technical training programs, a coordinated safety effort, and supervisory and management training programs. As

part of an internal communication program, the Community and Employee Relations Department redesigned and began publishing the Agency newsletter "The Enlightener" and developed a safety incentive award program.

The Purchasing Department implemented a computer system to generate purchase orders, developed a stores catalogue and improved control over materials and expenditures by refining existing purchasing policies.

1983 was a significant year for the Agency with major changes in location, organization and scope. As one such change, the Administrative Services and Human Resources Division did not exist at the beginning of the year. By the end of the year the Division had significant impact on making those changes work. The Division was formed to provide effective centralized services to the Agency during the transition to commercial production and beyond. Through the dedicated efforts of the division's staff that goal has been attained and exceeded.

Financial Services



William P. Freeman

The Financial Services Division provides accounting, cash and investment management, financial planning and computer services for the Agency. The division has changed significantly this year, restructuring to meet the demands of commercial operations.

With the move of Agency headquarters from Arlington, the division lost much of its staff. But duties have been reassigned and new employees trained to bring the division back to full strength.

Major accomplishments during fiscal year 1983 include: completion of leveraged lease transactions for the mine's second dragline and conveyor system; the sale of \$76.3 million in revenue bonds; and the sale of \$379.96 million in refunding revenue bonds, saving the Agency over \$20 million in interest expense.

The development and implementation of critical accounting and computer systems include: a fuel accounting and energy billing system; a revised budgeting and variance reporting system; a master equipment list; the payroll/personnel system; and systems for purchasing,

receiving, warehousing and materials issue. Work began late in the year on revision of the general ledger and accounts payable systems; and the maintenance scheduling and control system.

The Financial Services Division also acts as the paying agent between the member cities. This allows for the economic dispatch of the member cities' resources for power and energy. During fiscal year 1983, the Agency received and paid over \$17,911,000 on behalf of the cities relating to economic dispatch transactions.

The management of agency funds and the selection and timing of investments are major efforts of the financial planning department. During fiscal year 1983, the Agency recorded gains on sales of investment securities of \$2,186,000. These gains were the direct result of monitoring market conditions and taking advantage of opportunities to trade investment securities for other securities with similar maturity and quality guidelines. Recently the Agency has gained access to the Telerate Network to further enhance our portfolio management.

Legal



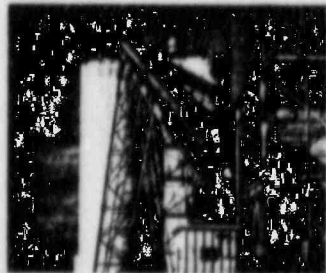
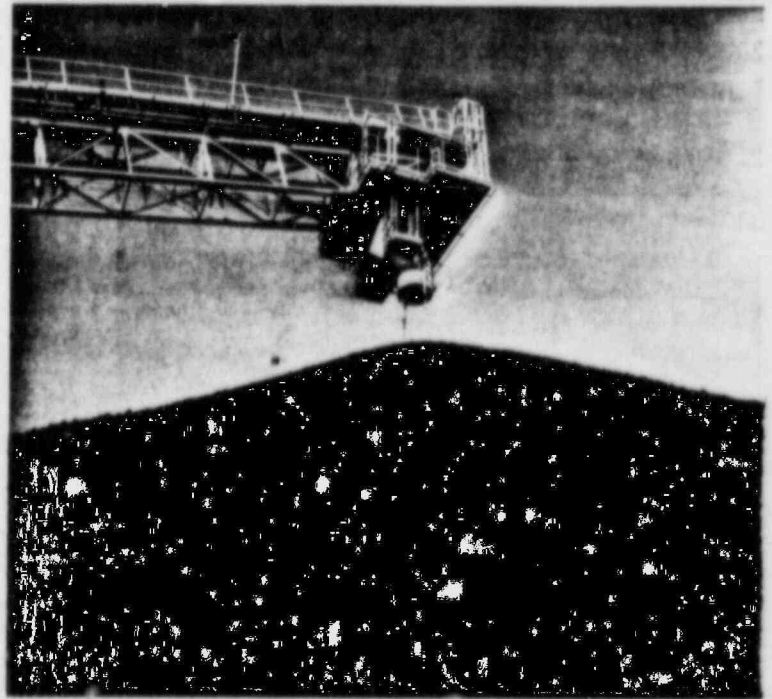
James R. Bailey

Added to the Agency in May, 1983, the Agency attorney has made headway towards the ultimate goal of providing the Agency with quality legal services at reduced cost. The office has taken over much of the legal work which had been done outside the Agency. This policy has made legal counsel much more accessible to the Agency and has saved considerable money. Outside counsel may still be obtained as the need arises.

The Legal office has made significant headway in closing out large contracts remaining from construction of the Gibbons Creek Station. Several

of these involved months of negotiations and many thousands of dollars. The office has obtained settlements that have saved the Agency the time and money of prolonged litigation.

Other areas of involvement in the past year include assisting in land transactions and environment-related proceedings; the handling of lawsuits; drafting of contracts; and aiding in financial transactions. It has been an exciting and productive year, and the future looks promising.





Internal Audit



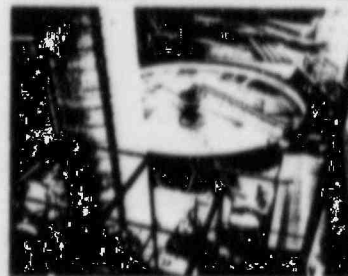
Gary Parsons

Internal Audit devoted most of fiscal year 1983 to auditing and closing out contracts related to completed construction at Gibbons Creek. These included major audits of the two primary contractors of the Gibbons Creek Station. In addition, the Department concentrated on the resolution of outstanding back-charges related to construction.

Internal Audit also performed operational audits of the Agency's pension plan and the Computer Services Department. Both audits focused on insuring that the Agency's assets

were being effectively and efficiently utilized and properly controlled. Recommendations made toward improving both of these areas are now being implemented.

Internal Audit performed several special projects for management during fiscal year 1983, in addition to normal duties that include preparing bank reconciliations, monitoring payroll adjustments and petty cash accounts and confirming easement purchases and damage claims.



Transmission
Interconnection
Facilities

TMPA

345 K.V.

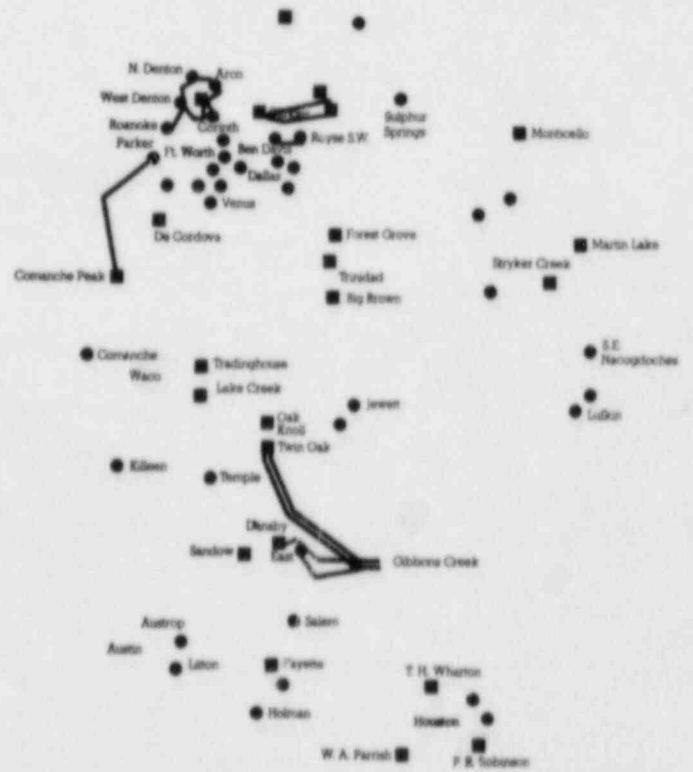
138 K.V.

Others

345 K.V.

● Generating Station

■ Substation



Profile Of Cities 1983

	Bryan	Denton	Garland	Greenville
Population—1983	54,000	51,700	160,000	24,400
Population—1970	33,719	38,874	81,437	22,043
Median Family Income (est.)	\$22,300	\$24,400	\$26,794	\$23,168
Employment (est.)	94.7%	92.7%	95.7%	87.0%
Building Permits (est.)	1,806	580	10,759	190
Major Industries and Businesses	Energy-related production, building materials, plastic containers, food products, furniture, business forms	Diesel trucks, welding equipment, business forms, linene, flour, multi-wall paper bags, computer software, microwave antennas, aspect containers	Metal products, aircraft equipment, trucks, ammunition, drilling equipment, wearing apparel, recreational equipment, chemical products, food products	Agricultural chemicals, rubber goods, bakery items, aircraft modification, wearing apparel, wooden doors
Other Resources	Ranching, agriculture, water and hydrocarbon fuel deposits, university	Two universities, museums, historic sites, lakes and recreational facilities	Ranching, interstate highway transportation, lakes and recreational facilities	Lakes and recreational facilities, interstate highway transportation
Electric Customers				
Residential	19,298	18,128	41,803	8,507
Commercial	2,552	2,390	3,410	1,273
Total	21,850	20,518	45,213	9,780
Generating Capacity	230 MW	168 MW	424 MW	95 MW
Net Energy for Load (kWh,000)	555,114	535,687	1,357,000	282,130

(A Development Stage Enterprise)

Financial Statements For The Years
Ended September 30, 1983 And 1982
And Auditors' Report

TEXAS MUNICIPAL POWER AGENCY (A Development Stage Enterprise)

BALANCE SHEETS, September 30, 1983 And 1982

Assets	Notes	1983	1982
Electric Plant:	3		
In service:			
Transportation equipment		\$ 130,000	\$ 130,000
Furniture and fixtures		346,000	346,000
Electric plant leased to others		403,000	403,000
Intangible plant		445,000	445,000
Total		1,324,000	1,324,000
Less accumulated depreciation		554,000	466,000
Total — net		770,000	858,000
Construction work in progress	2, 4	853,699,000	766,391,000
Nuclear fuel		12,184,000	7,845,000
Total electric plant		866,653,000	775,094,000
Restricted Assets:	5		
Cash		32,000	41,000
Securities purchased under agreements to resell, at cost		47,540,000	35,923,000
United States Government and Government Agency obligations		252,865,000	344,077,000
Special deposits		1,309,000	1,277,000
Accrued interest		6,556,000	7,800,000
Accounts receivable and other		6,130,000	504,000
Advance payments to contractors		272,000	1,248,000
Fuel stock		3,368,000	—
Due from unrestricted assets		66,000	346,000
Total restricted assets		318,138,000	391,216,000
Current Assets:			
Cash		2,000	17,000
Time deposits		175,000	159,000
Securities purchased under agreements to resell, at cost		32,264,000	1,892,000
United States Government and Government Agency obligations		7,496,000	—
Accounts receivable and other		11,230,000	19,000
Total current assets		51,167,000	2,087,000
Other Assets:			
Unamortized borrowing costs		24,867,000	24,145,000
Deferred expenses to be recovered in future years		—	193,000
Excess cost on advance refunding of debt — net	6	106,869,000	—
Deferred fuel costs	3	16,874,000	—
Total other assets		148,610,000	24,338,000
Total		\$1,384,568,000	\$1,192,735,000

Liabilities And Accumulated Net Revenues (Deficit)	<i>Notes</i>	1983	1982
Net Revenues (Deficit) Accumulated During The Development Stage		\$ 872,000	\$ (24,000)
Long-Term Debt:			
Revenue bonds, excluding current instalments:	6	-	
Series 1976		48,590,000	49,310,000
Series 1978		246,505,000	250,000,000
Series 1979		300,000,000	300,000,000
Series 1980		250,000,000	250,000,000
Series 1982		31,085,000	300,000,000
Series 1982A		76,300,000	—
Series 1983		379,960,000	—
Unamortized discount and premium — net		(1,501,000)	(421,000)
Notes payable, excluding current instalments	7	1,675,000	2,345,000
Total long-term debt		1,332,614,000	1,151,234,000
Current Liabilities:			
Payable from restricted assets:			
Current instalments of long-term debt		4,675,000	1,125,000
Accounts payable		12,270,000	21,441,000
Retainage payable		1,945,000	6,682,000
Accrued and matured interest		10,492,000	10,106,000
Accrued compensation and pension benefits		235,000	450,000
Total payable from restricted assets		29,617,000	39,804,000
Payable from current assets:			
Accounts payable		4,210,000	1,375,000
Due to restricted assets		66,000	346,000
Total current liabilities		33,893,000	41,525,000
Other Liabilities:			
Unearned surcharge revenues	3	16,805,000	—
Deferred revenue to be recognized in future years		384,000	—
Total other liabilities		17,189,000	—
Commitments And Contingencies	4, 9		
Total		\$1,384,568,000	\$1,192,735,000

See notes to financial statements.

(A Development Stage Enterprise)

Statements Of Net Revenues And Net Revenues (Deficit) Accumulated During The Development Stage For The Years Ended September 30, 1983 And 1982 And Cumulative From Inception (July 1975) To September 30, 1983

	1983	1982	Cumulative
Operating Revenues:			
Charges to participating Cities	\$ 1,123,000	\$ 503,000	\$ 4,342,000
Other operating income	97,000	60,000	259,000
Total operating revenues	1,220,000	563,000	4,601,000
Operating Revenue Deductions:			
Operating and general expenses	649,000	260,000	3,254,000
Depreciation and amortization	48,000	54,000	237,000
Total operating revenue deductions	697,000	314,000	3,491,000
Net operating revenues	523,000	249,000	1,110,000
- Other Income (Deductions):			
Revenues of electric plant leased to others	95,000	101,000	428,000
Expenses of electric plant leased to others, including depreciation of \$19,000 per year	(53,000)	(68,000)	(371,000)
Interest income	44,932,000	53,818,000	216,623,000
Interest expense on long-term debt	(106,720,000)	(89,905,000)	(342,053,000)
Other interest expense	—	—	(618,000)
Amortization of debt discount, premium and borrowing costs, net	(1,298,000)	(1,128,000)	(4,893,000)
Amortization of excess cost on advance refunding of debt	(2,977,000)	—	(2,977,000)
Gain on sales of securities	2,186,000	874,000	3,154,000
Allowance for funds used in projects	63,877,000	36,341,000	130,166,000
Gain on sale of property	908,000	—	908,000
Other income—net	950,000	33,000	967,000
Deferred Expenses (Revenues) To Be Recovered Or Recognized In Future Years	(577,000)	54,000	(384,000)
Net Revenues	896,000	336,000	1,693,000
Net Revenues (Deficit) Accumulated During The Development Stage:			
At beginning of period	(24,000)	428,000	—
Distributions to participating Cities	—	(788,000)	(821,000)
At end of period	\$ 872,000	\$ (24,000)	\$ 872,000

See notes to financial statements.

(A Development Stage Enterprise)

Statements Of Changes In Financial Position For The Years Ended September 30, 1983 And 1982
And Cumulative From Inception (July 1975) To September 30, 1983

	1983	1982	Cumulative
Sources Of Working Capital:			
Net revenues	\$ 896,000	\$ 336,000	\$ 1,693,000
Depreciation and amortization	67,000	19,000	217,000
Deferred (expenses) revenues to be recovered or recognized in future years	577,000	(54,000)	384,000
Working capital provided by operations	1,540,000	301,000	2,294,000
Proceeds of revenue bonds	456,260,000	300,000,000	1,616,324,000
Increase (decrease) in notes payable, excluding current instalments	(670,000)	(320,000)	1,675,000
Unearned surcharge revenues	16,805,000	—	16,805,000
Proceeds from sale of equipment	36,411,000	25,559,000	61,970,000
Total	\$510,346,000	\$325,540,000	\$1,699,068,000
Uses Of Working Capital:			
Construction expenditures	\$123,698,000	\$215,650,000	\$ 914,911,000
Additions to nuclear fuel	4,339,000	1,873,000	12,184,000
Increase (decrease) in net restricted assets	(62,891,000)	99,745,000	288,521,000
Borrowing costs	1,802,000	7,216,000	27,552,000
Deferred fuel costs	16,874,000	—	16,874,000
Current instalments of revenue bonds	4,215,000	690,000	4,905,000
Distributions to participating Cities	—	788,000	821,000
Advance refunding of debt	268,915,000	—	279,540,000
Excess cost on advance refunding of debt	106,869,000	—	106,869,000
Increase (decrease) in working capital	46,525,000	(422,000)	46,891,000
Total	\$510,346,000	\$325,540,000	\$1,699,068,000
Increase (Decrease) In Components Of Net Restricted Assets:			
Cash, investments and special deposits	\$ (79,572,000)	\$ 98,530,000	\$ 301,746,000
Accrued interest	(1,244,000)	3,531,000	6,556,000
Accounts receivable and advance payments to contractors	4,650,000	1,005,000	6,402,000
Fuel stock	3,368,000	—	3,368,000
Due from unrestricted funds	(280,000)	346,000	66,000
Current instalments of long-term debt	(3,550,000)	(765,000)	(4,675,000)
Accounts and retainage payable	13,908,000	(2,462,000)	(14,215,000)
Accrued and matured interest	(386,000)	(564,000)	(10,492,000)
Accrued compensation and related benefits	215,000	(4,000)	(235,000)
Due to current assets	—	128,000	—
Increase (decrease) in net restricted assets	\$ (62,891,000)	\$ 99,745,000	\$ 288,521,000
Increase (Decrease) In Components Of Working Capital:			
Cash and investments	\$ 37,869,000	\$ 904,000	\$ 39,937,000
Accounts receivable and other	11,211,000	(42,000)	11,230,000
Due from restricted assets	—	(128,000)	—
Accounts payable	(2,835,000)	(810,000)	(4,210,000)
Due to restricted funds	280,000	(346,000)	(66,000)
Increase (decrease) in working capital	\$ 46,525,000	\$ (422,000)	\$ 46,891,000

See notes to financial statements.

**TEXAS MUNICIPAL
POWER AGENCY**

(A Development Stage Enterprise)

**NOTES TO
FINANCIAL STATEMENTS**

1. GENERAL

The Texas Municipal Power Agency (TMPA) was created in July 1975 by concurrent ordinances of the Texas cities of Bryan, Denton, Garland and Greenville (Cities) pursuant to Chapter 166, Acts of the 63rd Legislature of Texas, Regular Session, 1973 as amended by Chapter 143, Acts of the 64th Legislature, Regular Session, 1975 (Act). Under the provisions of the Act, TMPA is a separate municipal corporation, a political subdivision of the State, and body politic and corporate.

In September 1976, TMPA entered into identical power sales contracts with each of the Cities for the pur-

pose of obtaining the economic advantages of jointly financing, constructing and operating large electric generating units and related facilities to supply the Cities' future energy needs. The Cities, under the power sales contracts with TMPA, are required to pay, for the benefits received or to be received by them from such activities, an amount sufficient to pay TMPA's operating and maintenance expenses and the Bond Fund, Reserve Fund and Contingency Fund requirements of the Revenue Bonds.

TMPA is undertaking, as projects approved by the Cities on August 27, 1976 and June 13, 1978, respectively, construction of the Gibbons Creek Steam Electric Station, a lignite-fueled generating plant located in Grimes County, Texas with a net generating capability of 390 MW, and acquisition of a 6.2% ownership interest in the construction of the Comanche Peak Plant, a nuclear-fueled generating plant being constructed by Texas Utilities Generating Company, a subsidiary of Texas Utilities Company (see Note 4). In addition to these projects, TMPA is planning or undertaking a number of "Systems Development and Reliability Expenditures" which primarily relate to transmission and communication facilities.

The total financing requirements for the above-mentioned projects upon completion were estimated by TMPA as of September 30, 1983 as follows:

Construction costs	
Gibbons Creek:	
Steam electric station	\$ 403,620,000
Lignite mine	87,992,000
Transmission facilities	51,760,000
Subtotal	543,372,000
Comanche Peak	188,376,000
Systems development and reliability expenditures	86,901,000
Reserve and contingency funds required by Bond Resolutions	123,861,600
Net interest	234,746,000
Excess cost on advance refunding of debt	109,846,000
Other	50,243,000
Total	\$1,337,345,000

In December 1983, Texas Utilities Generating Company announced a schedule delay and revised cost estimate for the construction of the Comanche Peak Plant. TMPA's portion of construction costs is expected to increase by approximately \$18,000,000 above the previous estimate. The estimated commercial operation dates of the two units have been changed from 1984 to 1985 for Unit 1 and from 1985 to 1986 for Unit 2.

The total estimated financing requirements do not include an estimate for the additional costs to be incurred for TMPA's portion of the increased Comanche Peak expenditures. TMPA is currently reviewing these revisions to determine the need and timing of additional financing to cover the additional construction and related financing costs.

On October 1, 1983, the Gibbons Creek Steam Electric Station was declared in commercial operation. Concurrently, all energized transmission lines, substations, the Gibbons Creek Steam Electric Station and the lignite mine were transferred from construction work in progress to electric plant in service. Total cost of projects transferred was approximately \$640,000,000.

3. SUMMARY OF INVESTMENT AND FINANCING

Electric Plant — Electric plant is stated at historical cost. Such cost includes payroll-related costs such as taxes and employee benefits, general and administrative costs, and an allowance for funds used in projects.

The costs of lignite rights are included in construction work in progress and amounted to \$32,935,000 at September 30, 1983. Lignite rights include the costs of all preliminary and exploration studies, leasehold or fee acquisitions, delay rentals and advance royalties.

Federal Income Taxes — Any income of TMPA, a political subdivision of the State of Texas, is exempt from Federal income tax under Section 115 of the Internal Revenue Code.

Allowance for Funds Used in Projects — TMPA has capitalized to electric plant the net cost of borrowed funds used during the period of construction. The net cost of borrowed funds includes amortization of bond discounts, premiums and borrowing costs, amortization of excess cost on advance refunding of debt, gains and losses on sales of securities, and interest expense net of interest income.

Depreciation — Depreciation of electric plant in service is calculated by the straight-line method using the following rates:

<i>Transportation</i>	33%
<i>Furniture and fixtures</i>	20%
<i>Electric plant leased to others</i>	5%
<i>Intangible plant</i>	3%

Revenue Bonds — Issuance costs, discounts, and premiums of Revenue Bonds are being amortized by the sinking fund method over the period of the related maturities.

Unearned Surcharge Revenues — TMPA has billed the Cities for power sales during the initial testing of the lignite plant during the year ended September 30, 1983 under a rate formula approved by the Board of Directors. The rate charged included a base amount to cover fuel costs and a surcharge to help defray unfunded debt service in future years. The base revenues were credited against the lignite plant construction work order as an offset to the costs of fuel recorded therein. The surcharge revenues were recorded on the balance sheet as a deferred credit and will be recorded as revenues when earned.

Fuel Stock — Fuel oil and lignite inventories are valued at weighted-average cost. The cost of fuel consumed during initial testing of the lignite plant during 1983, which was not recovered from the Cities through billings for power sales, has been deferred and will be charged to the Cities over a period of approximately five years.

In January 1979, TMPA executed the Joint Ownership Agreement (Agreement) to acquire a 6.2% undivided ownership interest in the Comanche Peak Steam Electric Station. The project consists of two 1,150 MW nuclear-fueled pressurized water-reactor steam electric units, together with associated nuclear fuel, switchyard, substation, railroad spur and reservoir. It also includes an interest in a certain associated transmission line.

Under the terms of the Agreement, TMPA is obligated to pay 6.2% of all future (i) construction costs, (ii) nuclear fuel costs, and (iii) operating costs (after the station is placed into commercial operation) plus a management fee of five percent of its pro rata share of operating costs and fuel costs (subject to certain cost escalation limitations). Subject to certain operational exceptions, TMPA is entitled to receive 6.2% of the net power output that the station is capable of producing at any given time.

The Atomic Energy Act of 1954 requires the issuance by the Nuclear Regulatory Commission (NRC) of operating licenses for the Comanche Peak Station. The application for the operating licenses for both units was docketed with the NRC on April 25, 1978. Operating licenses will not be

issued for the Comanche Peak Station under present NRC regulations unless various proceedings have been successfully concluded before the Atomic Safety and Licensing Board and the NRC. TMPA can give no assurance that such operating licenses will be issued. If operating licenses have not been issued by the time the Units are ready for fuel loading, costs will increase and the commercial operation dates (see Note 2) will be delayed.

On December 28, 1983, the Atomic Safety and Licensing Board issued a report in which it indicated that charges made by two engineers raise questions about the design of certain portions of the Comanche Peak Plant. The Board ordered Texas Utilities Generating Company, the applicant for the plant's operating license, to offer additional proof of adequate design and design review procedures, including the suggested use of an independent design review, in connection with its efforts to obtain an operating license for the plant. Texas Utilities Generating Company has not determined whether to file a motion for reconsideration or appeal of the Board's order, or what additional evidence may be required in connection with this matter. Consequently, it cannot predict the effect of this order on the licensing proceeding.

RESTRICTED ASSETS

Restricted assets presented in the accompanying balance sheets include those assets comprising the Bond, Reserve, Contingency and Construction Funds which are established and maintained pursuant to the Bond Resolutions of TMPA. All assets in the Bond Fund and substantially all assets in the Reserve Fund are available only to meet the principal and interest payments on the

Revenue Bonds. Assets in the Construction Fund are available primarily for the payment of construction and acquisition costs of those projects described in Note 2. Assets in the Contingency Fund are for use in paying extraordinary or unusual costs.

The aggregate amount of assets in each of these funds as of

September 30, 1983 and 1982 is as follows:

	9/30/83	9/30/82
Bond Fund	\$104,117,000	\$128,591,000
Reserve Fund	122,051,000	114,909,000
Contingency Fund	2,113,000	2,045,000
Construction Fund	89,857,000	145,671,000
Total	\$318,138,000	\$391,216,000

TMPA has purchased investment securities under repurchase agreements whereby TMPA will resell, at its cost plus accrued earnings, specified amounts of the securities on or before specified dates. The securi-

ties are obligations of the United States Government and Government Agencies. At September 30, 1983, TMPA had repurchase agreements bearing interest at rates ranging from 8.9% to 10.2% with various resale dates between October 1983 and March 1984.

United States Government and Government Agency obligations bear interest at rates ranging from 7.3% to 15.9% and mature at various dates between October 1983 and April 1991. The securities are stated at amortized cost which, in the aggregate, is not materially different from market.

TMPA has seven issues of Revenue Bonds outstanding, summarized as follows:

Series	Maturing		Range of Interest Rates		Earliest Redemption
	From	To	From	To	Date
1976	1983	2011	5 %	6 1/4%	1986
1978	1984	2011	5.35	7	1988
1979	1985	2012	5 1/2	7	1989
1980	1985	2012	6	9 1/4	1990
1982	1986	1996	9 1/2	13 1/2	—
1982A	1986	2012	7 1/2	10 1/4	1992
1983	1988	2012	6 1/2	9 1/2	1993

The Bonds are payable solely from, and are collateralized by an irrevocable first lien on, the net revenues of TMPA and the funds established by the Bond Resolutions, subject to the payment of operating and maintenance

expenses from money on deposit in the Revenue Fund.

Annual debt service requirements as of September 30, 1983 are summarized as follows:

Years Ending September 30:	Principal	Interest	Total
1984	\$ 4,215,000	\$ 109,253,000	\$ 113,468,000
1985	11,270,000	109,030,000	120,300,000
1986	14,090,000	108,400,000	122,490,000
1987	14,985,000	107,524,000	122,509,000
1988	19,525,000	106,557,000	126,082,000
1989-2012	1,272,570,000	1,662,147,000	2,934,717,000
Total	\$1,336,655,000	\$3,202,911,000	\$3,539,566,000

Continued

In March 1983, TMPA sold \$379,960,000 of Series 1983 Revenue Bonds (Refunding Bonds). The net proceeds of these bonds have been pledged to refund \$268,915,000 of Series 1982 Term Bonds (Refunded Bonds). The Refunded Bonds will be redeemed on March 1, 1997 at 100% of the aggregate principal amount thereof. The net proceeds of the Refunding Bonds have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States Government. These securities mature at such times and in such amounts so that the maturing principal, together with the interest income thereon, will be sufficient to pay the debt service requirements of the Refunded Bonds through the redemption date. This transaction

resulted in a net reduction of debt service cost over the life of the Refunding Bonds.

The Refunded Bonds in the amount of \$268,915,000 have been treated as defeased and the liability and related unamortized borrowing costs have been removed from the balance sheet. The difference between the net proceeds of the Refunding Bonds deposited with the escrow agent and the carrying amount of the Refunded Bonds, net of unamortized borrowing costs, on the date of the transaction, amounted to \$109,846,000. This difference has been deferred and is being amortized by the sinking fund method over the life of the Refunding Bonds. At September 30, 1983 all of the Refunded Bonds remain outstanding.

The Act permits TMPA to issue non-negotiable purchase money notes payable in instalments (collateralized by the properties being acquired) in order to acquire land or

fuel resources. The costs of the property and investments collateralizing the notes approximated \$7,400,000 as of September 30, 1983.

TMPA has a retirement plan covering substantially all its employees. The plan is structured so that TMPA contributes 10% of gross wages to a fund for participants. Employees may contribute an additional amount up to 10% from their earnings on a voluntary basis. Interest is earned on each individual's account until retirement or termination. The employee

becomes a vested participant after six months of service. Effective for all employees hired after September 30, 1983, the employee will become vested at the rate of 20% per year of service. Retirement plan costs for 1983 and 1982 were \$756,000 and \$485,000, respectively.

9. COMMITMENTS

In connection with the projects and activities described in Note 2, TMPA has outstanding contracts for goods and services which aggregate approximately \$51,000,000 as of September 30, 1983.

In order to obtain certain property and confirm certain rights necessary to complete the Gibbons Creek Steam Electric Station, TMPA has made certain payments to Grimes County and three school districts and has agreed to make additional annual payments, subject to adjustment as specified in the agreement, at the rate of \$520,000 per year, as long as the Gibbons Creek Unit No. 1 is in operation. The estimated total payments remaining to be made by TMPA under this agreement are approximately \$14,580,000 as of September 30, 1983.

TMPA has entered into a mining services contract with Navasota Mining Company (Navasota) to operate the lignite mine at the Gibbons Creek Steam Electric Station. Under an option provided in the contract, TMPA elected to have Navasota provide the major mining equipment to be used in the operation of the mine and sold its interests in two partially completed draglines and a coal conveyor system at cost to Navasota for \$61,709,000 (\$25,559,000 sold in April, 1982 and \$36,150,000 sold in October and December, 1982). Concurrently with the sales, Navasota sold the equipment to third parties and

entered into lease agreements with such third parties. Under the mining contract, TMPA is obligated to make minimum payments equal to the costs incurred by Navasota under its lease agreements for the draglines and the conveyor system. The aggregate amount of required payments at September 30, 1983 is as follows:

Years Ending September 30:	
1984	\$ 6,686,000
1985	6,686,000
1986	6,686,000
1987	6,686,000
1988	6,686,000
Later years	126,440,000
Total	\$159,870,000

The above amounts are subject to escalation under various circumstances as stipulated in the mining contract. In addition, TMPA is required to pay additional amounts depending upon the levels of mining activity. Total payments made under the mining services contract in 1983 and 1982, respectively, were approximately \$30,600,000 and \$9,700,000. The mining contract can be terminated by TMPA at any time subsequent to the expiration of an initial six and one-fourth year period, and by Navasota at the expiration of the initial period or at the end of any successive five-year period thereafter.

The Board of Directors
Texas Municipal Power Agency:

We have examined the balance sheets of Texas Municipal Power Agency (A Development Stage Enterprise) as of September 30, 1983 and 1982 and the related statements of net revenues and net revenues (deficit) accumulated during the development stage and of changes in financial position for the years then ended and cumulative from inception (July 1975) to September 30, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Texas Municipal Power Agency at September 30, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended and cumulative from inception (July 1975) to September 30, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Hoskins + Sells
Dallas, Texas
December 28, 1983

Ed L. Wagoner
General Manager

David O. Branham
*Director of Administrative Services
and Human Resources*

Donald E. Culum
Director of Power Production

William P. Freeman
Director of Financial Services

Robert B. McKnight
*Director of Engineering, Construction
and Systems Operations*

James R. Bailey
Agency Attorney

Gary T. Parsons
Internal Auditor



TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.

FINANCIAL STATEMENTS

December 31, 1983 and 1982

and

ACCOUNTANTS' REPORT

AXLEY & RODE

CERTIFIED PUBLIC ACCOUNTANTS

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AXLEY & RODE
CERTIFIED PUBLIC ACCOUNTANTS
LUFKIN · NACOGDOCHES · CROCKETT · LIVINGSTON
TEXAS

February 8, 1984

The Board of Directors
Tex-La Electric Cooperative
of Texas, Inc.

We have examined the balance sheets of Tex-La Electric Cooperative of Texas, Inc. as of December 31, 1983, and 1982, and the related statements of revenue and patronage capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 3, 1983, our opinion on the 1982 financial statements was qualified because of the effects of the omission of patronage capital allocations from the National Rural Utilities Cooperative Finance Cooperation. As explained in Note 9, the Cooperative has restated its 1982 financial statements to include the patronage capital allocations. Accordingly, our present opinion on the 1982 financial statements, as presented herein, differs from that previously expressed.

In our opinion, the financial statements referred to above present fairly the financial position of Tex-La Electric Cooperative of Texas, Inc. at December 31, 1983 and 1982 and the results of its operations and changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.


CERTIFIED PUBLIC ACCOUNTANTS

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
BALANCE SHEETS
December 31, 1983 and 1982

<u>ASSETS</u>	<u>1983</u>	<u>1982</u>
Electric Plant, At Cost:		
Furniture and fixtures	\$ 19 153	\$ 5 798
Less accumulated depreciation	1 789	848
	17 364	4 950
Construction work in progress (Notes 2 and 5)	100 297 109	76 702 076
Net Electric Plant	<u>100 314 473</u>	<u>76 707 026</u>
Other Property and Investments:		
Land	12 649	-
Investments in associated organizations (Note 9)	2 838 157	2 837 157
	<u>2 850 806</u>	<u>2 837 157</u>
Current Assets:		
Cash, including certificates of deposit of		
\$275,000 in 1983 and \$150,000 in 1982 - General	296 709	214 343
Cash, including certificates of deposit of		
\$3,575,901 in 1983 and \$1,138,541 in 1982 -		
Construction	3 578 285	1 150 096
Accounts receivable (includes receivables from		
member cooperatives of \$1,719,509 in 1983 and		
\$1,659,243 in 1982)	1 763 801	1 675 703
Prepaid expenses	-	4 757
Accrued interest	1 250	5 576
Total Current Assets	<u>5 640 045</u>	<u>3 050 475</u>
	<u>\$108 805 324</u>	<u>\$82 594 658</u>
 <u>EQUITIES, MARGINS AND LIABILITIES</u>		
Equities and Margins (Note 10):		
Memberships	\$ 700	\$ 700
Patronage capital (Note 3)	218 186	207 219
Other equities (Note 4)	68 015	38 280
Total Equities and Margins	<u>286 901</u>	<u>246 199</u>
Long-term debt (Note 5)	<u>103 948 000</u>	<u>80 682 000</u>
Current Liabilities:		
Accounts payable	1 832 149	1 636 934
Accrued expenses	-	322
Accrued interest	2 738 274	29 203
Total Current Liabilities	<u>4 570 423</u>	<u>1 666 459</u>
	<u>\$108 805 324</u>	<u>\$82 594 658</u>

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

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
For The Years Ended December 31, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Operating Revenues:		
Power sales (Note 6)	\$25 417 829	\$10 817 219
Professional fee assessments	<u> -</u>	<u>195 343</u>
	<u>25 417 829</u>	<u>11 012 562</u>
Operating Expenses:		
Cost of purchased power	24 645 152	10 476 778
Administrative and general (Notes 7 and 8)	760 769	459 908
Depreciation	<u>941</u>	<u>377</u>
	<u>25 408 862</u>	<u>10 937 063</u>
Net operating margins	10 967	75 499
Interest Charges:		
Interest on long-term debt	13 900 180	14 279 048
Allowance for borrowed funds used during construction	<u>(13 900 180)</u>	<u>(14 279 048)</u>
Net interest charges	<u> -</u>	<u> -</u>
Nonoperating Margins:		
Interest income	<u>29 735</u>	<u>9 839</u>
Net margins	40 702	85 338
Patronage capital - Beginning	207 219	131 720
Transfer to appropriated margins (Note 4)	<u>(29 735)</u>	<u>(9 839)</u>
Patronage capital - Ending	<u>\$ 218 186</u>	<u>\$ 207 219</u>

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

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For The Years Ended December 31, 1983 and 1982

	1983	1982
Funds Were Provided By:		
Net margins	\$ 40 702	\$ 85 338
Add Items Not Requiring Funds:		
Depreciation	941	377
TOTAL FUNDS FROM OPERATIONS	<u>41 643</u>	<u>85 715</u>
Advances from CFC	-	12 967 856
Advances from REA	23 266 000	80 682 000
Sale of interest in Commanche Peak Steam Electric Station	-	66 133 123
	<u>\$23 307 643</u>	<u>\$159 868 694</u>
Funds Were Used For:		
Additions to construction work in progress	\$23 595 033	\$ 24 675 867
Additions to furniture and fixtures	13 355	2 687
Additions to land	12 649	-
Investment in associated organizations	1 000	-
Payments on debt to CFC	-	134 040 396
Increase (Decrease) in working capital	(314 394)	1 149 744
	<u>\$23 307 643</u>	<u>\$159 868 694</u>
Increase (Decrease) In Working Capital By Components:		
Cash - General	\$ 82 366	\$ (35 613)
Cash - Construction	2 428 189	1 150 096
Accounts receivable	88 098	1 634 168
Prepaid expenses	(4 757)	1 394
Accrued interest	(4 326)	4 598
Accounts payable	(195 215)	(1 577 072)
Accrued expenses	322	1 376
Accrued interest	(2 709 071)	(29 203)
	<u>\$ (314 394)</u>	<u>\$ 1 149 744</u>

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

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operation:

Tex-La Electric Cooperative of Texas, Inc. (the Cooperative) was formed in May, 1979, pursuant to the Texas Electric Cooperative Corporation Act, by the rural electric cooperatives of Cherokee County Electric Cooperative Association, Deep East Texas Electric Cooperative, Inc., Jasper-Newton Electric Cooperative, Inc., Houston County Electric Cooperative, Inc., Rusk County Electric Cooperative, Inc., Sam Houston Electric Cooperative, Inc. and Wood County Electric Cooperative, Inc. (Members).

The Cooperative was formed to obtain the financing required by the members to acquire ownership interest in large electric generating facilities and for coordinating the power supply requirements of such members.

B. Chart of Accounts:

The accounting records of the Cooperative are maintained substantially in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC).

C. Electric Plant:

Furniture and fixtures are stated at the historical cost and are being depreciated using the straight-line method over a period of ten years.

Construction work in progress represents the Cooperative's share of the project costs not yet in production.

D. Allowance for Borrowed Funds Used During Construction:

The Cooperative has capitalized to electric plant the cost of borrowed funds used for the construction of the Comanche Peak Steam Electric Station. Interest capitalized as part of newly constructed facilities at December 31, 1983 was approximately \$33,600,000.

E. Income Taxes:

The Cooperative is exempt from Federal income tax under the provisions of Section 501(c)(12) of the Internal Revenue Code.

NOTE 2 - JOINTLY-OWNED FACILITIES

On December 9, 1980, the Cooperative executed a Joint Ownership Agreement to acquire a 4 1/3% undivided ownership interest in the Comanche Peak Steam Electric Station, a two unit 1150 megawatts each nuclear fueled electric generating station, located near Glen Rose, Texas in Hood and Somervell Counties, Texas, being constructed by Texas Utilities Generating Company. On February 12, 1982, the Cooperative sold 2 1/6% interest in the project to Texas Power and Light Company. The proceeds from the sale amounted to \$66,133,123 which represented the Cooperative's cost of construction and capitalized interest.

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 - JOINTLY-OWNED FACILITIES - CONTINUED

The project is estimated to cost \$3.89 billion and is scheduled for completion in 1984 and 1985 for units one and two, respectively.

NOTE 3 - PATRONAGE CAPITAL

The details of patronage capital at December 31, 1983 and 1982 are as follows:

	<u>1983</u>	<u>1982</u>
Assignable (Note 4)	\$218 186	\$207 219
Assigned	-	-
	<u>218 186</u>	<u>207 219</u>
Less: Retired	-	-
	<u>\$218 186</u>	<u>\$207 219</u>

NOTE 4 - OTHER EQUITIES

The details of other equities at December 31, 1983 and 1982 are as follows:

	<u>1983</u>	<u>1982</u>
Appropriated margins	\$68 015	\$38 280

The by-laws of the Cooperative provide that nonoperating margins be used initially to offset any losses incurred during the current or any prior fiscal year. Upon recovery of any losses, a fund in the amount of \$400,000 shall be accumulated from these remaining nonoperating margins and funded each year, if necessary, to maintain the \$400,000 balance.

NOTE 5 - LONG-TERM DEBT

Long-term debt at December 31, consisted of the following:

	<u>1983</u>	<u>1982</u>
Mortgage note payable to the United States of America with the Rural Electrification Administration (REA) as administrator	\$103 948 000	\$80 682 000

In July, 1981, the Cooperative entered into a loan agreement not to exceed \$180,000,000 to finance the construction and operation of generating facilities, electric transmission, distribution and service lines by the Cooperative payable to the Federal Financing Bank pursuant to an agreement between the Federal Financing Bank and the REA. The maturity date of each amount advanced under the loan agreement shall not be less than two years nor more than seven years after the date of the advance and shall be designated in writing at the time of request by the borrower subject to REA approval. The interest rate applicable to each advance shall be the respective rate established by the Federal Financing Bank at the time of the advance.

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 - POWER CONTRACTS

Tex-La Electric Cooperative, Inc. has entered into agreements with Texas Power and Light and the United States of America acting through the Southwestern Power Administration (SPA) for the delivery of power and energy. Tex-La Electric Cooperative, Inc. has assigned its rights, titles and interest in the delivery of power and energy to the Cooperative.

During 1981 and through July 31, 1982, the Cooperative collected a professional fee assessment of \$0.0005 per kilowatt hour for providing the assigned power from Tex-La Electric Cooperative, Inc. to its members. The Cooperative realized \$195,343 of professional fee assessments for the year ended December 31, 1982.

The Cooperative is obligated to supply power to its members under the power sales contracts which exist with the Cooperative's seven members for the sale of all electric power which the members will require for the operations of their respective systems. The contracts extend to December 30, 2026 and thereafter, as permitted by law until the expiration of six months after notice of cancellation by either the Cooperative or the members.

NOTE 7 - PENSION PLAN

Pension benefits are provided for substantially all employees. The Cooperative's policy is to fund all pension costs accrued through participation in the National Rural Electric Cooperative Association Retirement and Security Program. Pension costs were \$6,594 for 1983 and \$8,100 for 1982. The Plan is approved by the Internal Revenue Service.

NOTE 8 - RELATED PARTY

The Cooperative and Sam Rayburn G & T, Inc., (SRG&T) a rural generation and transmission cooperative, have entered into a contractual agreement whereby the Cooperative agrees to provide management services to SRG&T. SRG&T reimburses the Cooperative for SRG&T's proportionate share of the management related expenses. The Cooperative was reimbursed \$85,129 in 1983 and \$63,778 in 1982. Certain members of the Cooperative are members of SRG&T.

NOTE 9 - INVESTMENT IN ASSOCIATED ORGANIZATION

As of December 31, 1983, the Cooperative has received patronage capital allocations in the amount of \$2,837,157 from the National Rural Utilities Cooperative Finance Corporation (CFC). The patronage capital allocations represent the Cooperative's share of the net margin of CFC for the two years ended May 31, 1982.

CFC had provided interim financing for the construction of the electric plant prior to permanent financing being obtained from the REA during 1982. During 1983, the Cooperative recorded the patronage capital allocations which represent the proportionate increase in the Cooperative's investment account.

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 - COMMITMENT

In connection with the Commanche Peak Steam Electric Station project as described in Note 2, the Cooperative has entered into contracts with Texas Utilities Generating Company, to provide for 2 1/6% of the cost of construction. As of December 31, 1983, the Cooperative has paid funds totaling approximately \$68,900,000. An additional amount estimated to be \$13,200,000 is committed from long-term debt to pay for the construction of the project.