Texas Utilities Company

1984 Annual Report

Serving the needs of people

Represented on the cover is the System's commitment to serve the needs of people, which is summarized in the statement of basic principles below.

The Texas Utilities Company System carries out its commitment to excellence in serving the needs of people .... customers, employees, investors and communities by:

- *Serving customers in a manner that merits their trust, respect and support.*
- *Acting so as to deserve the dedication and loyalty of employees.*
- *Managing our business in a way that earns the confidence of investors.*
- *Remaining sensitive to human needs and striving to be responsible and respected corporate citizens in our communities.*

It is only through the efforts of employees and their dedication and integrity that we will meet these commitments.

Contents

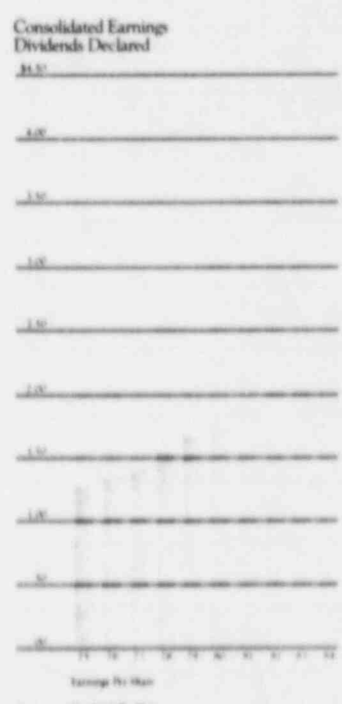
1985 Annual Meeting

The Annual Meeting of Shareholders of the Company will be held at 9:30 a.m. on Friday, May 17, 1985, at the Fairmont Hotel, Ross and Akard Streets, Dallas, Texas. Shareholders are cordially invited to be present at the annual meeting. Those unable to attend are urged to exercise their right to vote by proxy. Notice of meeting and proxy statement and form of proxy will be mailed shortly after March 29, the record date for the meeting. Following the meeting, a report of the proceedings will be prepared and distributed to all shareholders.

HIGHLIGHTS

	1984	1983	% Change
Utility Plant*	**$11,031,699,000**	$9,967,653,000	10.7%
Construction Expenditures	**$ 951,323,000**	$ 906,930,000	4.9
Electric Energy Sales in Kilowatt-hours (000's)	**69,125,771**	62,709,927	10.2
Peak Demand (Kilowatts)†	**15,265,000**	14,029,000	8.8
Operating Revenues	**$ 3,932,235,000**	$3,487,916,000	12.7
Fuel and Purchased Power	**$ 1,682,699,000**	$1,526,525,000	10.2
Operating Expenses‡	**$ 1,492,159,000**	$1,296,843,000	15.1
Consolidated Net Income	**$ 526,041,000**	$ 461,468,000	14.0
Earnings per Share	**$ 4.15**	$ 3.90	6.4
Dividends Declared per Share	**$ 2.36**	$ 2.20	7.3
Book Value per Share*	**$27.79**	$26.16	6.2
Customers*	**1,913,791**	1,788,347	7.0
Employees*	**16,208**	16,148	0.4

* *End of year*
† *1984 Includes 76,000 kilowatts of interruptible demand*
‡ *Excludes Fuel and Purchased Power*



MANAGEMENT'S LETTER

To the Shareholders:

The Company continued to experience difficulties in 1984 with nuclear licensing and in obtaining adequate rates. However, the Company has taken positive steps to respond to these problems. Included is a new plan for future development of the System, which incorporates additional resources for meeting the electric energy needs of the people we serve.

The process of obtaining an operating license for the Comanche Peak nuclear plant continued at a slow pace, and as part of that activity, the plant was subjected to exhaustive scrutiny by the Nuclear Regulatory Commission staff.

As a result of this detailed inspection effort, the staff identified potentially serious problems in several areas, which raised questions about the quality assurance program for the plant.

We remain fully committed to the safe construction and operation of Comanche Peak. All necessary resources are being concentrated on an action program to determine the significance of the findings and resolve all safety questions.

Construction of Comanche Peak Unit 1 was essentially complete in early 1985 and much of the pre-operational testing of the unit was finished.

Because of delays during construction and uncertainties about the time needed to complete the licensing effort, Unit 1 will not be placed in full-power operation before early 1986. Unit 2 is expected to be in operation in mid-1987. The estimated total cost of the project has been raised to \$4.56 billion, up from \$3.89 billion.

Comanche Peak's cost still compares favorably to the costs of other nuclear power plants. The Company's share of the project is \$3.9 billion, or \$1,930 per kilowatt, almost 25% below the industry average for plants scheduled to begin full-power operation in the same time period.

Because of its relatively low-cost nuclear fuel, Comanche Peak will be a long-term economic benefit to our customers, and its generating capacity is essential to the System's effort to continue providing reliable electricity.

The System serves the most economically vigorous part of Texas and one of the most vibrant areas of the nation. The population of the service area continues to increase at a record pace. The System gained more than 125,000 new customers in 1984, in addition to about 92,000 the year before.

This rapid growth poses a particular challenge to the Company, and the response—a new plan for meeting the needs of our customers through 1994—represents a significant development in the course of System planning.

The plan assesses the service area's needs for electricity, the energy resources available and the Company's financial situation.

The plan is based on aggressive use of conservation and load management programs to hold down growth in demand. Since 1981, these programs have succeeded in limiting growth in peak demand by about 600,000 kilowatts.

One-third of the growth in demand that takes place in the next 10 years will be met with cogeneration, gas/oil-fueled combustion turbine generating units and alternate energy sources, such as wind and solar.

The additional base-load generation that must be provided in the next decade will be supplied by Comanche Peak and four lignite units. The estimated operation dates of those lignite units have been rescheduled. Unit 1 of the Twin Oak lignite plant will go into service in 1991 and Unit 2 in 1992, a delay of two years each. The date for the Forest Grove plant was delayed from 1989 to 1993 and the fourth unit at the Martin Lake plant was delayed from 1991 to 1994.

The Company's resource plan is a thoughtful response to the changed economic and regulatory climate in which we operate today.

The regulatory environment has a significant bearing on the long-term adequacy of electricity supplies. Responsive and supportive regulation will be necessary for the System to continue providing a high quality of service to our rapidly growing area.

However, the regulatory environment in Texas presently is not favorable to construction of base-load generating capacity to meet these increasing needs.

The Company's efforts to obtain rates adequate to meet the financial requirements for serving customers' growing demand for electric service were stymied in 1984.

In May, Texas Utilities Electric Company filed a request for an 8% increase in revenues with the Public Utility Commission and municipal regulatory authorities. In October, the PUC ordered a revenue decrease of about $7 million.

A number of negative actions were taken during the year on the Company's bond ratings. Major rating agencies lowered their ratings of the Company's bonds two to three steps, from Triple A to high Double A, then to medium or low Double A, citing primarily the deteriorating regulatory climate in Texas, as well as uncertainty over licensing of Comanche Peak.

Earnings per share of common stock were $4.15, compared to $3.90 in 1983. Although 1984 results were not significantly affected by the rate order, its negative impact will be felt in 1985.

The System's summer peak demand increased 8.8% in 1984, and electric energy sales were up 10.2%. The increase in sales reflects the healthy economy and the 7% growth in the System's total number of customers.

Construction expenditures during the year totaled $951 million—$49 million less than forecast. Funds from operations provided 58.4% of 1984 construction expenditures.

During 1984, the System raised about $505 million through long-term financing, including about $110 million through participation in the dividend reinvestment and employee plans. At year-end, almost 50% of shareholders were reinvesting dividends. In March 1985, the Company sold five million shares of its common stock for approximately $131 million.

In February 1985, the Board of Directors raised the regular quarterly dividend from 59 cents to 63 cents per share. The new quarterly rate is payable April 1. Dividends declared on the common stock of the Company have been increased for 38 consecutive years.

Programs aimed at holding down operating costs remain integral to the Company's efforts to provide a high quality of service as economically as feasible. The System reorganization, which took effect January 1, 1984, has improved productivity, allowing the Company to serve a growing number of customers while reducing growth in number of employees.

Our first commitment is serving the needs of people who depend on us for reliable, economical electricity. Difficult periods, such as we presently confront, test the skills and demonstrate the resourcefulness of employees.

The dedication and loyalty of employees, and the continued support and interest of shareholders, are especially appreciated at times such as these. Only with such support can the System's continued strength and its future progress be assured.

March 14, 1985

PERRY G. BRITTAIN
Chairman of the Board

JERRY FARRINGTON
President

SYSTEM COMPANIES

The Texas Utilities Company System is investor-owned and provides electric energy in 87 counties in north central, east and west Texas to approximately 4,850,000 people—about one-third of the state's population.

Texas Utilities Company is a holding company with six wholly owned subsidiaries. The Company provides its subsidiaries with common stock capital and short-term funds required for their construction programs. The Company's principal subsidiary is Texas Utilities Electric Company. At year-end, the common stock of the Company was owned by some 97,800 registered shareholders.

Texas Utilities Electric Company was incorporated in September 1982. On January 1, 1984, Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company—formerly the electric utility subsidiaries of Texas Utilities Company—merged into and became divisions of the Electric Company along with a fourth division, Texas Utilities Generating Company. The Electric Company is engaged in the generation, purchase, transmission, distribution and sale of electricity.

Dallas Power & Light Company serves Dallas, the nation's eighth largest city, as well as three adjoining communities in Dallas County—Cockrell Hill, Highland Park and University Park. The area is a center for banking, insurance, commerce, cultural activities and regional distribution. Major industries include electronics and aerospace manufacturing. The national headquarters of more than 1,300 companies are located in Dallas, as are many regional headquarters.

Texas Electric Service Company provides service in 48 counties in north central and west Texas. This area includes Fort Worth, Arlington, Grand Prairie, Midland, Odessa, Wichita Falls and 72 other incorporated cities. Fort Worth is a banking, business and industrial center. The area served between Fort Worth and Dallas is a highly diversified complex of light industry, warehousing, commercial development and recreational attractions. The territory includes a major part of the Permian Basin in west Texas, other oil and gas fields, major defense-related manufacturing industries and extensive farming and ranching areas.

Texas Power & Light Company serves customers in 51 counties in north central and east Texas. Included are the cities of Carrollton, Irving, Killeen, Mesquite, Plano, Richardson, Tyler, Waco and 262 other incorporated municipalities. The rich agricultural blacklands of central Texas, farming and ranching sections north and east of Dallas, part of the oil and gas fields of east Texas and the Dallas-Fort Worth International Airport—the nation's largest airport—are all in the territory served. This area also is highly diversified with light and heavy manufacturing, electronics and substantial commercial activities.

Texas Utilities Generating Company is responsible for the planning, engineering, construction and operation of all generating stations, for planning the transmission system and for directing the dispatch and control of the transmission facilities of the Electric Company.

Texas Utilities Fuel Company owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services for the generation of electric energy by the Electric Company.

Texas Utilities Mining Company owns and operates fuel production facilities for the surface mining and recovery of lignite for use as fuel for the Electric Company's generating stations.

Texas Utilities Services Inc. furnishes financial, accounting and other administrative services at cost to the System companies.

Basic Resources Inc. is engaged primarily in the development of energy resources, related technology and services.

Chaco Energy Company was organized to own and operate facilities for the acquisition, production, sale and delivery of coal and other fuels.

SYSTEM REPORT

OPERATIONS

The area of Texas served by the System required more electricity in 1984 than ever before. Energy sales rose 10.2% to a new high of 69 billion kilowatt-hours.

A new System peak demand of 15,265,000 kilowatts, including interruptible demand of 76,000 kilowatts, was set on August 29, 1984, exceeding by 8.8% the previous record of 14,029,000 kilowatts set in 1983. The System's net capability at the time of the 1984 peak was 17,905,000 kilowatts, leaving a firm reserve margin of 17.9%. This record usage reflects the addition of more than 125,000 new customers in 1984, the largest single-year increase in the System's history.

Area Economy Expands

Texas will soon become the second most populous state in the union with continued growth expected in the number of residents. Since much of this growth will be in the System's service territory, the area's economy should remain strong.

Economic expansion in the service area continued in 1984, especially in the Dallas-Fort Worth Metroplex. Construction activity remained at an all-time high. Reflecting that economic health, the area's unemployment rate was less than 4% at year's end. This figure was much lower than the year-end Texas rate of 5.6% and the national rate of 6.9%.

Added Productivity, Savings Achieved

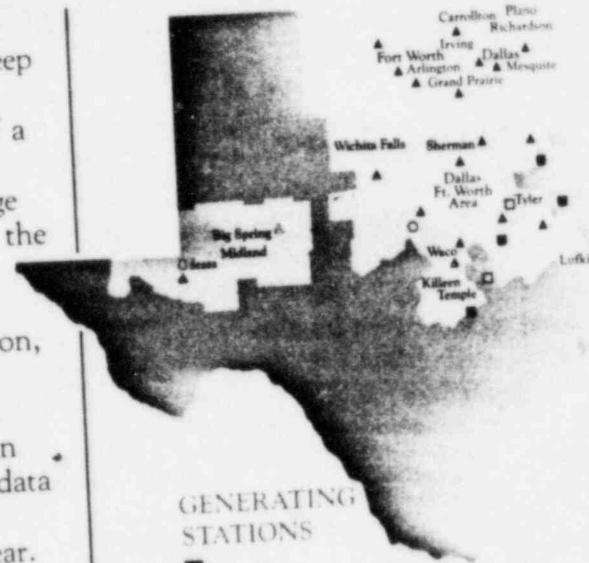
Employee skills and a strong power system met the unprecedented demand last summer, and growing customer needs throughout the year, with efficiency and productivity that helped keep costs down and reliability high. The System's cost of a residential kilowatt-hour remained below the average for the 25 largest cities in the nation and among the lowest in Texas.

The System reorganization, effective January 1, 1984, provided opportunities to realize long-term savings in many functions, such as data processing, which began centralizing during the year. Consolidating the four existing centers into one will eliminate duplication of hardware, software and personnel, and will enable more services to be provided. Also, the new Texas Utilities System Operations Center was activated during the year, allowing the more economic dispatch of System generating units.

Load Management Effective

Construction expenditures and increasing customer demand have made load management and energy conservation integral to the System's plans for the future. Aggressively promoted System load management efforts, including interruptible service contracts with some industrial users, have limited peak load by about 600,000 kilowatts since the program began in 1981. This reduction is almost the equivalent of a large generating unit.

Innovative programs that encourage the use of more energy-efficient equipment and other methods that reduce peak demands will play an increasingly important role in limiting the need for expensive new generating capacity. Accordingly, the System took steps in 1984 to centralize and intensify its load management efforts.



GENERATING STATIONS
■ Lignite
□ Lignite under construction
▲ Gas/Oil
○ Nuclear under construction

Thermal storage systems, such as the one in this new building in Dallas, help manage growth in peak load and reduce the need for new generating capacity.

Customer service representatives throughout the System respond with [illegible] concern to the [illegible]

FUEL

The System's fuel program continued in 1984 to save customers money and ensure ample fuel supplies for System generating plants.

Lignite, at an average cost of $0.94 per million Btu, accounted for 52% of the System's fuel requirements in 1984. Natural gas provided 47.7% and cost an average of $3.74 per million Btu, the same as in 1983. This was the first year since 1966 that the System's cost of natural gas did not increase. Oil, which is used primarily when natural gas is curtailed, accounted for only 0.3% of 1984 fuel requirements. The average cost of all fuels for 1984 was $2.34 per million Btu.

Careful acquisition and planning and the flexibility of 2,090 miles of pipeline and about 28 billion cubic feet of underground storage capacity enabled the Fuel Company to meet System gas needs under the extreme conditions of both summer and winter.

Lignite Benefits Customers

The System's lignite has saved customers more than $3.4 billion, compared to what they would have paid for the same amount of generation over the years using higher-priced natural gas. The System owns in fee or has under lease an estimated 835 million proven recoverable tons of this relatively low-cost fuel.

Mining Company operations remained the fourth largest in the country, with more than 29,000,000 tons produced in 1984. This was an average of about 45 tons per man-day, which compares very favorably with similar operations in the United States.

Innovative techniques have contributed to this productivity and the favorable cost of lignite. One such innovation, the Easi-Miner, was put into operation at Monticello in 1984. A continuous surface miner, it is designed to cut, size and load 2,800 tons of lignite per hour. It also can remove the parting, the non-lignite material between lignite seams, which is prevalent at some System mining sites.

Mining Enters Computer Age

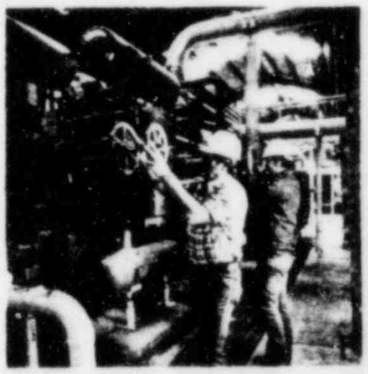
The System's mining operations entered the computer age in 1984 with the installation of the Texas Utilities Mine Planning and Information System, one of the most advanced mine planning programs in the industry.

With its data storage and planning capabilities, this system enables greater productivity from mining equipment, while freeing mining engineers from much of the associated time-consuming manual calculations.

Nuclear Fuel On Site

The initial fuel load for Comanche Peak's Unit 1—about 222,000 pounds of fuel in 193 assemblies—is on site and stored in the fuel building.

The System has enough nuclear fuel under contract to power Comanche Peak for 17 years, and it is planning for the purchase of future supplies.



The Bethel underground natural gas storage facility increases System fuel flexibility.

The 120-ton Easi-Miner helps System mining operations remain among the most productive in the country.

Today's complex mining environment demands sophisticated tools such as this computerized mine planning and information system.

The System also has long-term contracts for related fuel-processing services. There is capacity at the site for the safe storage of spent fuel for approximately 17 years of operation, and this can be increased, if needed, until the federal government opens a permanent disposal facility.

Chaco Litigation Continues

Chaco Energy Company, a non-utility subsidiary of the Company, signed agreements in 1977 for more than 320 million tons of coal in north-western New Mexico. In December 1981, the Company and Chaco filed suit against Santa Fe Industries, Inc., and two of its subsidiaries and against Thercol Energy Company and Peabody Coal Company, alleging, among other things, violation of federal and state antitrust laws and other unlawful conduct involving these agreements, which have made the commercial mining of this coal uneconomical. The suit seeks to have the agreements declared void and unenforceable and also seeks damages and other relief. Discovery is proceeding; however, the suit is not yet set for trial.

In January 1983, the Company and Chaco settled all claims against Thercol and Peabody. The settlement did not affect the claims asserted in the suit against Santa Fe Industries and its subsidiaries.

Serving the Needs of Customers

The System serves the needs of its customers in many ways—from planning and building for the future to maintaining round-the-clock service in all kinds of weather and providing special assistance, such as help in efficient energy use or senior citizens' programs. This continuing commitment to customers has resulted in a long record of dependable service at reasonable rates.

CONSTRUCTION

Major construction work in 1984 included expansion of transmission and distribution systems and other facilities to serve the growth in customers. This activity accounted for more than 40% of 1984 expenditures for utility property.

A new resource plan for meeting expected growth in customers' needs for electricity through 1994 was developed during the year. Without concentrated load management and conservation efforts, increases in peak demand during the next ten years are estimated to average between 3.5% and 4% annually. Such efforts, however, should reduce the amount of growth to be met by additional generation to less than 3%.

The use of nuclear and lignite fuels is planned to meet more than half of this growth. Other elements of the plan—cogeneration, combustion turbines and the rescheduling of lignite units under construction—make it responsive to the projected needs of customers as well as to the System's financial capabilities.

Cogeneration Sought

Cogeneration involves the simultaneous production of steam for use in industrial processes and the generation of electricity. This power source can be developed relatively quickly compared to the time required to build new base-load power plants.

During 1984, a cogeneration group was organized within the Electric Company to develop this alternative. Since the System's service area has limited cogeneration potential, the group also is actively pursuing cogeneration possibilities near the Texas Gulf Coast.

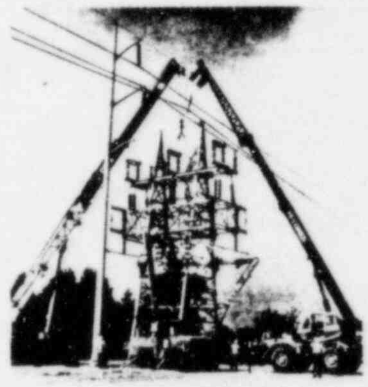
Combustion Turbine Generating Units Planned

Combustion turbines are relatively small gas- or oil-fueled units. They produce electric power by directly using energy from the burning of fuel to turn a turbine-generator, thereby eliminating the steam cycle of conventional power plants. They are designed to meet peak demand, and their quick-starting capability makes them useful in other critical operating situations.

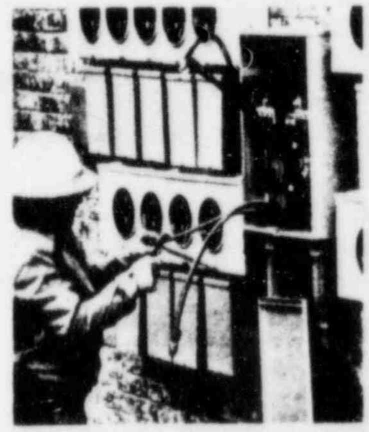
Because they are preassembled, simpler and smaller (55,000 to 100,000 kilowatts), combustion turbines can be designed, purchased and installed in about two years. They can be built for less than half of the cost per kilowatt of a lignite plant, but this savings must be considered along with the higher cost of gas or oil. Pending regulatory approval, work is expected to begin on the System's first combustion turbines in 1985. They will be installed at existing gas-fueled power plants and are expected to provide 190,000 kilowatts of capability by the end of 1988.

Lignite Plant Changes Announced

Included in the new resource plan was a revision of scheduled operating dates for the four lignite units under construction. The service date of the single-unit Forest Grove plant near Athens, Texas, was changed from 1989 to 1993, and the date for the fourth unit at the Martin Lake plant near Henderson, Texas, was changed from 1991 to 1994. Unit 1 of the Twin Oak plant in Robertson County, Texas, was rescheduled for 1991 and Unit 2 for 1992, a postponement of two years each.

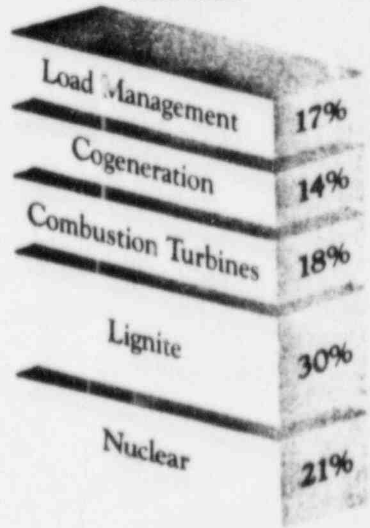


New high voltage transmission line helps meet [illegible] customer needs.



Distribution personnel installed more than 125,000 meters to serve new customers in 1984.

System Resource Plan 1985-1994



The System's plan to [illegible] the expected growth in customers' needs from 1985-1994 includes a mix of resources.

The Electric Company became sole owner of the Twin Oak units in 1984 through the purchase of Alcoa's 30% share of the plant and associated lignite fuel. The share of the mining equipment owned by Alcoa for use at Twin Oak was purchased by the Mining Company.

Construction Schedule

Station - Unit	Capability (kilowatts)	Service Date
Comanche Peak 1	1,010,000*	1986
Comanche Peak 2	1,010,000*	1987
Twin Oak 1	750,000	1991
Twin Oak 2	750,000	1992
Forest Grove 1	750,000	1993
Martin Lake 4	750,000	1994

*Net capability to the Electric Company

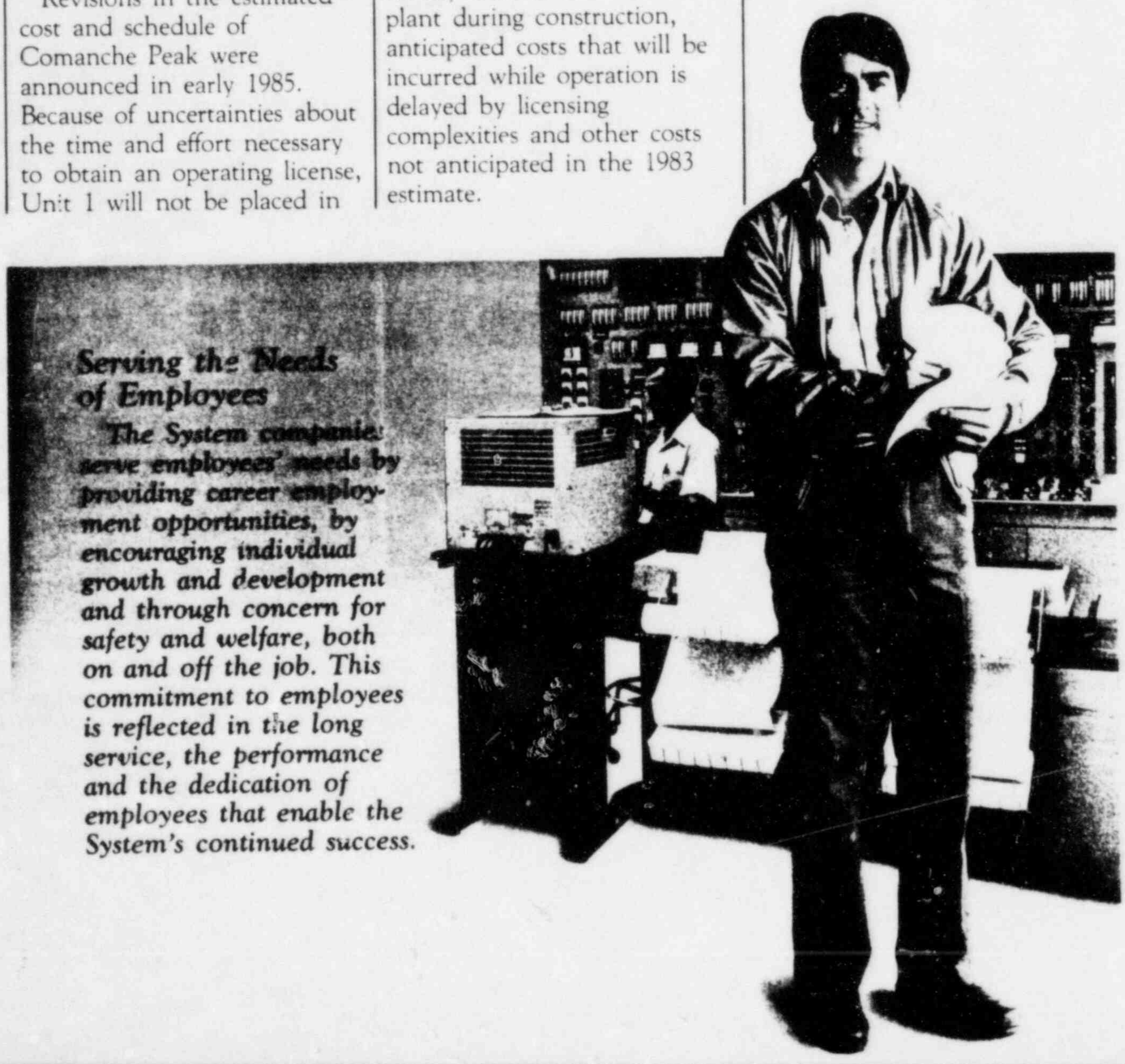
Comanche Peak Rescheduled

Revisions in the estimated cost and schedule of Comanche Peak were announced in early 1985. Because of uncertainties about the time and effort necessary to obtain an operating license, Unit 1 will not be placed in full-power operation before early 1986. Unit 2 is expected to become operational in mid-1987.

Based on this schedule, the cost of the plant is estimated to be $4.56 billion. The previous cost estimate of $3.89 billion, developed in 1983, was based on having Unit 1 in operation in early 1985 and Unit 2 about 18 months later.

The Electric Company's share of the new estimated cost is about $3.9 billion, or $1,930 per kilowatt, some 25% below the industry average for comparable plants going into service in the same time period.

The new estimate takes into account the additional cost of money used to finance the plant during construction, anticipated costs that will be incurred while operation is delayed by licensing complexities and other costs not anticipated in the 1983 estimate.



Serving the Needs of Employees

The System companies serve employees' needs by providing career employment opportunities, by encouraging individual growth and development and through concern for safety and welfare, both on and off the job. This commitment to employees is reflected in the long service, the performance and the dedication of employees that enable the System's continued success.

Construction Expenditures

		Estimated		
	1984	1985	1986	1987
		Millions of Dollars		
Electric property:				
Production	**$387**	$ 382	$ 445	$ 428
Transmission	**44**	63	62	77
Distribution	**241**	258	280	273
General	**35**	39	38	34
Other utility property	**72**	154	187	280
Total	**779**	896	1,012	1,092
AFUDC*	**172**	229	138	133
Total construction expenditures	**$951**	$1,125	$1,150	$1,225
Such expenditures do not include:				
Nuclear fuel	**$44**	$58	$22	$46
Non-utility property	**19**	25	29	40

*Allowance for funds used during construction

Unit 1 Essentially Complete

By year's end, construction of Comanche Peak's Unit 1 was essentially complete. Unit 2 was 65% and the entire project was 84% complete.

Significant accomplishments during 1984 included:

- Implementation of full security for Unit 1
- Installation of a training simulator, an exact replica of the Unit 1 control room
- Completion of the second exercise of the Comanche Peak emergency plan, in cooperation with state and local officials
- An increase in the number of licensed reactor operators to 53
- Progress in preoperational testing

More Hearings Held

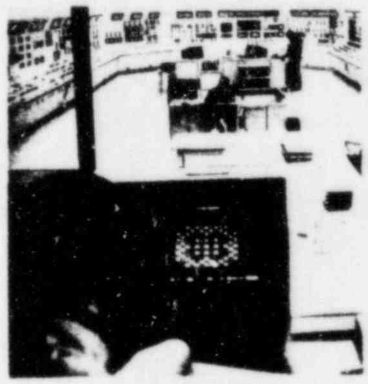
Reviews by the Nuclear Regulatory Commission and public hearings conducted by the NRC's Atomic Safety and Licensing Boards concerning Comanche Peak's operating license were held throughout 1984 and into early 1985. Additional hearings are expected to be held in 1985.

The public hearings focused on the one remaining contention, construction quality assurance. In mid-1984, a second ASLB was formed specifically to hear a sub-issue of this contention, that of alleged harassment and intimidation of quality control inspectors at the plant site.

The Company continued to implement its plan to provide the assurance on the design quality of the plant the ASLB asked for in late 1983. Included were reviews by an independent engineering firm engaged by the Electric Company. Also, detailed testimony and evidence were filed with the ASLB.

In March 1984, the NRC established a task force to consolidate and carry out the various reviews necessary for the NRC staff to complete its work on outstanding regulatory items. This led to the establishment of a Technical Review Team, which in July 1984 began an intensive on-site investigation.

Comanche Peak's security center became operational for Unit 1 in 1984.



The simulator, an exact replica of Comanche Peak's Unit 1 control room, sharpens reactor operators' skills by duplicating operating conditions.

The TRT has since issued three reports identifying potential problems in several areas and requesting the development of a program to answer questions and concerns raised in those reports.

In response, an action plan was submitted by the Electric Company in October. The plan established a Comanche Peak Review Team with independent, recognized experts in each of the areas examined by the TRT. Implementation of the plan began in late 1984 and it has been expanded to address the design quality issues.

In late December, the NRC appointed senior staff members to two panels to determine the staff's positions and findings on the construction quality assurance contention and on the sub-issue of alleged harassment and intimidation.

The latest of the TRT reports, issued on January 8, 1985, contained a number of concerns about the plant's quality assurance program. The report did not assess the safety significance of these findings.

The Electric Company has asked the ASLB to defer any further hearings until the Comanche Peak Review Team can develop action plans to respond to the TRT concerns. The Company is committed to a complete review of these issues and to providing a comprehensive resolution of all concerns involving the safety of Comanche Peak.

Because of the numerous uncertainties in the licensing process, no assurance can be given that the estimated commercial operation dates of these units can be met or that the estimated completion costs thereof will not be exceeded.

Serving the Needs of Investors

Teachers and participants in hundreds of other pension and retirement funds, insurance policyholders and individual shareholders are among the hundreds of thousands of people who have a stake in Texas Utilities Company. The System is dedicated to meeting their needs by maintaining the financial integrity necessary to provide a secure, quality investment that earns a fair return. Common stock dividends, which have been increased for 38 consecutive years, are evidence of this commitment.

EMPLOYEES

The System's long record of serving the needs of customers, investors and communities has been established through the skills, dedication and performance of employees. Working together as a team, employees enabled the System to continue this record of service throughout 1984.

Employees Practice Community Citizenship

System employees continued their participation in many community programs. Included were volunteer fire, law-enforcement and life-saving medical services as well as work on a myriad of civic, youth and charitable projects, such as repairing and winterizing homes of senior citizens and the disadvantaged and building a new playground for children at a Head Start center.

Opportunities Provided

Employees are afforded equal opportunity in all phases of employment and personnel activities. This objective is carried out effectively through affirmative action programs developed by the companies.

Educational opportunities also are available to all employees. On-the-job training during 1984 included seminars and technical courses at the System's accredited training center in Athens, Texas. Many employees took advantage of the financial assistance provided for job-related courses offered at colleges, universities and technical schools.

More Safety Records Set

System employees set records and received national recognition for their safe work habits during 1984. A team approach, coupled with the System attitude that no job exists that cannot be done safely, helped make the year safer.

Power operations employees at the Monticello plant received the National Safety Council's Award of Honor and the Edison Electric Institute's Industrial Health Award for working five million man-hours without a disabling injury. Operations employees at the Martin Lake, Stryker Creek and Comanche Peak plants also worked a noteworthy one million man-hours without a disabling injury.

The Mining Company worked its first one million man-hours in 1984 without a lost-time injury. On August 23, 1984, employees at Martin Lake set a national safety record for surface mines by working 2,018,076 hours without a disabling injury.

Employees in the three operating divisions exceeded safety goals in 1984, working over 16 million man-hours with no fatalities.

RATES AND REGULATION

In January 1984, Dallas Power & Light Company received an order from the Public Utility Commission of Texas on a July 1983 application for higher rates granting an increase in operating revenues of about 6.5%.

The Electric Company filed a request in March 1984 for a $304 million, or 8%, increase in System-wide rates. Following seven weeks of hearings, the PUC issued an order in October 1984, providing for a decrease in Electric Company revenues of $7 million.

Based on the final order, new uniform rates were placed into effect throughout the System in November 1984.

Fuel Rule Adopted

On January 12, 1984, the PUC adopted its final rule relating to fuel-cost recovery. A fixed fuel factor was approved in April 1984 and will remain in effect until the next general rate increase or PUC reconciliation.

No less than 12 months after implementing a change in fuel-cost recovery, a utility is required to request reconciliation of any over-recovery of fuel costs and may request reconciliation of any under-recovery of fuel costs. Under the rule, emergency requests to change the fixed fuel factor must be acted on within 30 days by the PUC if unforeseeable circumstances substantially change the cost of fuel from the approved factor.

Serving the Needs of Communities

The System has long served the needs of communities with much more than reliable electric service. From volunteer fire fighting to charitable causes, employees help in virtually every kind of community effort. The companies have traditionally shouldered community responsibilities and are partners in civic projects and economic development. The System is committed to being a good corporate citizen in all of the communities it serves.

RESEARCH AND DEVELOPMENT

The System continues to support research programs aimed at finding new energy sources and alternative technologies in order to meet future energy needs and to ensure the continued reliability of electric service to its customers while safeguarding the environment.

The System's major research efforts are through the Electric Power Research Institute, the independent research arm of the electric utility industry. Participation in 1984 enabled the System to share the cost of approximately 1,400 research projects with other utilities.

Environmental Research Continues

A unique environmental research program has been an ongoing effort by the System to study the effects of mining and power plant operations on air, land, water and wildlife.

Guided by an independent committee of university professors, graduate-level studies are conducted through the Environmental Research Center, adjacent to the Big Brown lignite plant.

Research Aids Load Management

Research programs focused on load management are receiving increased System attention. Such research on thermal storage systems in high-rise buildings has contributed to the success of this program.

Projects in 1984 included studies on the remote control of electrical equipment, the effects of solar heating on residences and the use of special construction materials for energy savings. All of these programs were aimed at reducing customers' use of on-peak electricity, which in turn could help postpone new power plant construction.

Byproduct Use Increases

Favorable results of research and development programs are moving the System towards marketing the materials that are byproducts from burning lignite, thus avoiding the cost of disposing of them.

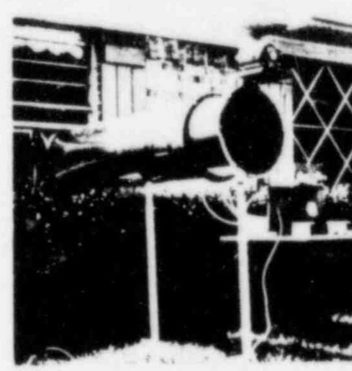
In 1984, opportunities to sell fly ash increased as a major building-materials company placed in service a processing facility at the Monticello station near Mt. Pleasant, Texas. After several years of successful testing, the Texas Department of Highways ordered 20,000 tons of bottom ash for a resurfacing demonstration project that will gain state and national attention. And 1,000 tons per day of synthetic gypsum made from a byproduct of the Martin Lake plant's flue-gas desulfurization process will soon be sold to produce wallboard competitive in quality and cost with natural gypsum.

Basic Resources Develops Technology

A leader in the development of in-situ lignite gasification, Basic Resources Inc., a subsidiary of the Company, plans a large-scale test of this technology. The process has the potential to produce usable energy from vast deposits of Texas lignite that cannot be mined economically.

Other Basic projects include developing and marketing energy-related training programs.

Graduate students' studies through the Environmental Research Center help improve operations.

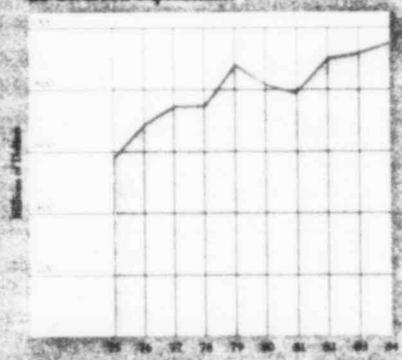


System research project is aimed at lowering customers' home energy costs by finding air infiltration that can be eliminated.

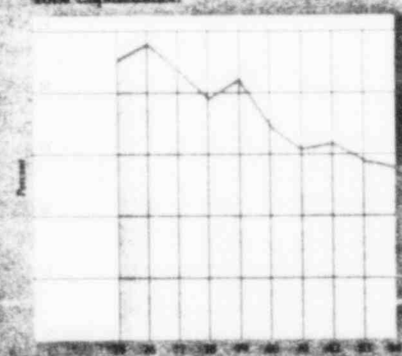
FINANCIAL REPORT

Contents

Construction Expenditures

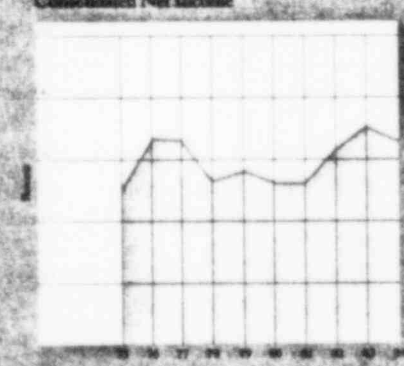


Construction Expenditures as a Percent of Prior Year Total Capitalization



Net Funds From Operations as a Percent of Construction Expenditures

AFUDC as a Percent of Consolidated Net Income



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

Liquidity and Capital Resources

The primary capital requirements for 1984 and as estimated for 1985 through 1987 are as follows:

	1984	1985	1986	1987
		Thousands of Dollars		
Construction expenditures (excluding AFUDC)	$ 779,000	$ 896,000	$1,012,000	$1,092,000
Nuclear fuel and non-utility property	63,000	83,000	51,000	86,000
Purchase of utility plant	120,000	—	—	—
Maturities of long-term debt and sinking fund requirements	66,000	77,000	73,000	56,000
Total	$1,028,000	$1,056,000	$1,136,000	$1,234,000

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

The System Companies generate funds from operations sufficient to meet operating needs, pay dividends on capital stock and finance a significant portion of capital requirements. These funds are derived from consolidated net income, depreciation, deferred taxes and investment tax credits. Factors affecting the ability of Electric Company to fund a portion of its capital requirements from operations include adequate rate relief and regulatory practices allowing a substantial portion of construction work in progress in rate base, adequate depreciation rates, normalization of federal income taxes, recovery of the cost of fuel used in the generation of electricity and the opportunity to earn competitive rates of return required in the capital markets. For 1984, approximately 58% of the funds needed for construction was generated from operations.

External funds of a permanent or long-term nature are obtained by the System Companies through the sale of common stock by the Company, and the sales of preferred stock and long-term debt by the System Companies. The capitalization ratios of the System Companies at December 31, 1984, consisted of approximately 43% long-term debt, 10% preferred stock and 47% common stock equity and similar ratios are expected to be maintained in the future. For information regarding bank lines of credit and short-term borrowings of the Company, see Note 2 to Financial Statements.

Financings to date in 1985 include the sale to the public of 5,000,000 shares of the authorized but unissued common stock of the Company in March for $130,650,000. System Companies expect to sell securities as needed, including the possible future sale by Electric Company of up to $200,000,000 principal amount of first mortgage and collateral trust bonds currently registered for offering pursuant to Rule 415, sales of additional shares of common stock of the Company pursuant to various plans described in Note 3 to Financial Statements and sales of additional securities from time to time, in amounts and of types presently undetermined. Although Electric Company cannot predict future regulatory practices, the extent of any further delays in the licensing of Comanche Peak or any changes in economic and securities market conditions, no changes are expected in trends or commitments which might significantly alter its basic financial position or ability to finance capital requirements. See Note 10 to Financial Statements.

See Financial Statistics for additional information.

Results of Operations

Operating revenues have increased $444,319,000 and $249,891,000 for 1984 and 1983, respectively. The following table details the factors contributing to these increases:

Factors	Percent of total increase 1984	1983
Fuel revenue	36%	65%
Change in tariffs	27	11
Increased energy sales	37	21
Other	—	3
Total	100%	100%

Energy sales have increased in 1984 and 1983 primarily due to customer growth, weather conditions and improved economic conditions, with the latter particularly impacting commercial and industrial sales. The severe winter weather in late 1983 and early 1984 contributed to increased 1984 energy sales. See Rates and Regulation and Operating Statistics.

Fuel and purchased power expense increased primarily as a result of increased generation. See Operating Statistics. The increases in operation expense in 1984 and 1983 were impacted by costs associated with Electric Company's load management programs. Operation expense for 1983 was reduced by $17,000,000 as a result of a reimbursement from a municipality representing water payments charged to expense in prior periods (see Note 10 to Financial Statements). Maintenance expense increased in 1984 primarily in connection with the lignite-fueled generating units. Increases in taxes other than income resulted primarily from increases in revenue and property based taxes.

Increases in allowance for funds used during construction are primarily attributable to the increase in the AFUDC rate effective January 1984 and increases in the level of construction work in progress of Electric Company not allowed in rate base by regulatory authorities. Other income and deductions—net and related federal income taxes for 1982 reflect the net gain on the sale of the 2⅛% interest in Comanche Peak (see Note 9 to Financial Statements).

Other interest charges in 1982 reflect the interest paid Tex-La upon the assumption of the 2⅛% interest in Comanche Peak released by Tex-La (see Note 9 to Financial Statements).

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

The Company has prepared supplementary information concerning the effects of changing prices in compliance with the reporting requirements of Financial Accounting Standards Board Statement No. 33, as amended; such information is included on pages 34 and 35.

Financing in 1984

Thousands of Dollars

Texas Utilities Electric Company	
First mortgage bonds (Note 6):	
13⅜% series due 2013	$100,000
12½% series due 2013	150,000
Preferred stock (Note 5):	
1,000,000 shares at an adjustable rate per share	98,200
Total	$348,200
Texas Utilities Fuel Company	
Serial notes (Note 6):	
12.20% due 1990	$ 46,000
Texas Utilities Company	
Common stock (Note 3):	
Public offering	—
Other plans	110,565
Total	110,565
Total System financing	$504,765

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Statement of Consolidated Income

Year Ended December 31,

	1984	1983	1982
		Thousands of Dollars	
OPERATING REVENUES	$3,932,255	$3,487,916	$3,238,025
OPERATING EXPENSES			
Fuel and purchased power	1,682,699	1,526,525	1,354,439
Operation	493,920	425,082	419,501
Maintenance	269,940	230,515	224,711
Depreciation	202,755	199,684	188,281
Federal income taxes (Note 7)	279,858	226,372	222,581
Taxes other than income	245,686	215,190	194,458
Total operating expenses	3,174,858	2,823,368	2,603,971
OPERATING INCOME	757,377	664,548	634,054
OTHER INCOME			
Allowance for equity funds used during construction	129,988	118,032	97,279
Other income and deductions—net	2,026	3,678	11,163
Federal income taxes (Note 7)	(403)	1,758	(2,645)
Total other income	131,611	123,468	105,797
TOTAL INCOME	888,988	788,016	739,851
INTEREST CHARGES			
Interest on mortgage bonds	306,397	233,884	202,707
Interest on other long-term debt	57,858	58,442	60,880
Other interest	19,806	23,129	40,054
Allowance for borrowed funds used during construction	(81,772)	(40,489)	(38,765)
Total interest charges	302,289	274,966	264,876
PREFERRED STOCK DIVIDENDS OF SUBSIDIARY	60,658	51,582	46,329
CONSOLIDATED NET INCOME	$ 526,041	$ 461,468	$ 428,646
Average shares of common stock outstanding (thousands)	126,626	118,455	111,357
Earnings and dividends per share of common stock:			
Earnings (on average shares outstanding)	$4.15	$3.90	$3.85
Dividends declared	2.36	2.20	2.04

Statement of Consolidated Retained Earnings

Year Ended December 31,

	1984	1983	1982
		Thousands of Dollars	
BALANCE AT BEGINNING OF YEAR	$1,459,750	$1,260,941	$1,059,371
ADD—Consolidated net income	526,041	461,468	428,646
Total	1,985,791	1,722,409	1,488,017
DEDUCT—Dividends declared on common stock (for amounts per share, see Statement of Consolidated Income)	298,878	262,659	227,076
BALANCE AT END OF YEAR (Note 4)	$1,686,913	$1,459,750	$1,260,941

See accompanying Notes to Financial Statements.

Statement of Consolidated Source of Funds for Construction

Year Ended December 31,

	1984	1983	1982
		Thousands of Dollars	
FUNDS FROM OPERATIONS			
Consolidated net income	$526,041	$461,468	$428,646
Depreciation (including amounts charged to fuel)	226,177	227,947	218,105
Deferred federal income taxes—net	113,685	83,149	95,512
Federal investment tax credits—net	59,635	51,908	74,187
Allowance for funds used during construction	(171,760)	(158,521)	(136,044)
Total funds from operations	753,778	665,951	680,406
Less—Dividends declared on common stock	298,878	262,659	227,076
Net funds from operations	454,900	403,292	453,330
FUNDS FROM FINANCING			
Sales of securities:			
First mortgage bonds	250,000	142,079	300,414
Other long-term debt	30,856	54,000	4,215
Preferred stock	98,200	64,366	—
Common stock	110,565	226,371	186,761
Retirement of long-term securities	(65,967)	(40,336)	(29,533)
Increase (decrease) in notes payable (commercial paper)	33,200	(70,715)	(47,785)
Net funds from financing	476,854	375,765	414,072
OTHER SOURCES (USES) OF FUNDS			
Changes in working capital, excluding notes payable and long-term debt due currently:			
Cash in banks and temporary cash investments	(3,306)	(707)	59,380
Accounts receivable—net	(32,623)	(34,872)	(22,792)
Inventories	(75,433)	57,290	(55,224)
Accounts payable	83,435	(19,374)	13,037
Taxes accrued	29,442	12,169	3,716
Advance payment on sale of utility plant (Note 9)	—	—	(90,420)
Other—net	(2,281)	42,948	12,532
Net change	(766)	57,454	(79,771)
Non-utility property—net	(19,443)	(47,654)	(16,684)
Nuclear fuel	(43,833)	(45,381)	(29,551)
Sale (purchase) of utility plant (Note 9)	(119,944)	—	36,220
Over (under)-recovered fuel revenue (net of deferred taxes)	13,441	(19,092)	—
Other—net	18,354	24,025	(22,100)
Net other sources (uses) of funds	(152,191)	(30,648)	(111,886)
Total	$779,563	$748,409	$755,516
CONSTRUCTION EXPENDITURES			
Utility plant	$951,323	$906,930	$891,560
Allowance for funds used during construction	(171,760)	(158,521)	(136,044)
CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	$779,563	$748,409	$755,516

See accompanying Notes to Financial Statements.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

December 31,

	1984	1983
	Thousands of Dollars	
ASSETS		
UTILITY PLANT		
In service:		
Production	$ 3,554,599	$3,493,203
Transmission	1,042,821	1,014,929
Distribution	2,125,962	1,917,418
General	260,553	220,364
Total	6,983,935	6,645,914
Construction work in progress	3,840,691	3,156,271
Nuclear fuel	199,921	156,088
Held for future use	7,152	9,380
Total utility plant	11,031,699	9,967,653
Less accumulated depreciation	2,143,863	1,958,103
Utility plant, less accumulated depreciation	8,887,836	8,009,550
INVESTMENTS—at cost		
Non-utility property (Note 10)	165,810	146,367
Other investments (Note 1)	15,478	15,770
Total investments	181,288	162,137
CURRENT ASSETS		
Cash in banks (Note 2)	9,736	15,430
Temporary cash investments—at cost	12,000	3,000
Special deposits	19,592	27,135
Accounts receivable:		
Customers	249,537	207,771
Other	27,292	33,074
Allowance for uncollectible accounts	(12,360)	(8,999)
Inventories—generally at average cost:		
Materials and supplies	124,078	113,125
Fuel stock	199,644	135,164
Other current assets	28,556	23,432
Total current assets	658,075	549,132
DEFERRED DEBITS		
Under-recovered fuel revenue	10,465	35,355
Other	21,484	24,780
Total deferred debits	31,949	60,135
Total	$ 9,759,148	$8,780,954

See accompanying Notes to Financial Statements.

	1984	1983
	Thousands of Dollars	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common stock—without par value (Note 3):		
Authorized shares—200,000,000		
Outstanding shares—1984, 128,[illegible]; 1983, 123,[illegible],058	$1,886,190	$1,775,625
Retained earnings (Note 4)	1,686,913	1,459,750
Total common stock equity	3,573,103	3,235,375
Preferred stock (Note 5):		
Not subject to mandatory redemption	727,911	629,779
Subject to mandatory redemption	34,696	34,696
Long-term debt, less amounts due currently (Note 6)	3,322,925	3,103,452
Total capitalization	7,658,635	7,003,302
CURRENT LIABILITIES		
Notes payable—commercial paper (Note 2)	59,700	26,500
Long-term debt due currently	76,750	64,180
Total (to be refinanced)	136,450	90,680
Accounts payable	243,964	160,529
Dividends declared	91,652	81,339
Customers' deposits	34,615	29,541
Taxes accrued	201,926	172,484
Interest accrued	90,433	80,320
Other current liabilities	32,465	62,665
Total current liabilities	831,505	677,558
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES		
Accumulated deferred federal income taxes	671,347	569,289
Unamortized federal investment tax credits	574,732	519,058
Other deferred credits and noncurrent liabilities	22,929	11,747
Total deferred credits and other noncurrent liabilities	1,269,008	1,100,094
COMMITMENTS AND CONTINGENCIES (Note 1[illegible])		
Total	$9,759,148	$8,780,954

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies

Consolidation—The consolidated financial statements include the Company and all of its subsidiaries; all significant intercompany items and transactions have been eliminated in consolidation. Effective January 1, 1984, the Company's three electric utility subsidiaries, Dallas Power & Light Company (Dallas Power), Texas Electric Service Company (Texas Electric) and Texas Power & Light Company (Texas Power) were merged into Texas Utilities Electric Company (Electric Company), a wholly owned subsidiary of the Company. All references herein to "Electric Company" include Dallas Power, Texas Electric and Texas Power.

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

Allowance For Funds Used During Construction—Allowance for funds used during construction (AFUDC) is a cost accounting procedure whereby amounts based upon interest charges on borrowed funds and a return on equity capital used to finance construction are charged to utility plant. The accrual of AFUDC is in accord with generally accepted accounting principles for the industry, but does not represent current cash income. Effective January 1984 and 1982, Electric Company has capitalized AFUDC at a net of tax rate of 9½% and 9%, respectively, compounded semi-annually, of expenditures incurred, except for that portion of construction work in progress allowed in rate base by regulatory authorities. These rates were determined on the basis of, but are less than, the cost of capital used to finance the construction program.

Depreciation—Depreciation is based upon an amortization of the original cost of depreciable properties on a straight-line basis over the estimated service lives of the properties. Depreciation as a percent of average depreciable property approximated 3.3% for 1984 and 3.8% for 1983 and 1982.

Other Investments—The difference between the amount at which the investment in a subsidiary is carried by the Company and the underlying book equity of each subsidiary at the respective dates of acquisition of $14,439,000 is included in other investments.

Revenues—Revenues include billings under approved rates (including a fuel recovery factor) applied to meter readings each month on a cycle basis and an amount for under or over recovery of fuel representing the difference between actual fuel cost and billings on the approved fuel recovery factor. Reconciliation of the under or over recovery of fuel may be requested at least annually and is subject to approval by the Public Utility Commission of Texas.

Federal Income Taxes—The Company and its subsidiary companies file a consolidated federal income tax return, and federal income taxes are allocated to all subsidiary companies based upon taxable income or loss. Deferred federal income taxes are currently provided for timing differences between book and taxable income; such differences result primarily from the use of liberalized depreciation and accelerated cost recovery allowable under the Internal Revenue Code and the under or over recovery of fuel. Cumulative timing differences in earlier years for which deferred federal income taxes were not provided approximated $248,000,000 at December 31, 1984. Investment tax credits are being amortized to income over the estimated service lives of the properties.

2. Bank Balances and Short-Term Borrowings

At December 31, 1984 and 1983, the Company had lines of credit with commercial banks aggregating $300,000,000. The lines of credit may be used for either backup lines for commercial paper or for bank loans. At December 31, 1984, the total amount of borrowings authorized by the Board of Directors of the Company from banks or other lenders was $500,000,000.

No commitments with respect to the maintenance of compensating balances have been made by the Company to any banks from which it has lines of credit; such arrangements are dependent upon the regular operating balances maintained in accounts with said banks by the Company and its subsidiaries.

3. Common Stock

The Company issued and sold shares of its authorized but unissued common stock during the years 1984, 1983 and 1982 as follows:

	Public Offering		Automatic Dividend Reinvestment and Common Stock Purchase Plan		Employees' Thrift Plan and Employee Stock Ownership Plan		Total	
Year	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
1984	—	$ —	3,875,799	$86,450,000	1,024,812	$24,115,000	4,900,611	$110,565,000
1983	5,000,000	120,125,000	3,052,467	71,055,000	1,450,272	35,191,000	9,502,739	226,371,000
1982	5,000,000	103,925,000	2,549,435	52,288,000	1,396,583	30,548,000	8,946,018	186,761,000

At December 31, 1984, 5,639,200 shares of the authorized but unissued common stock of the Company were reserved for issuance and sale pursuant to the above plans.

In March 1985, the Company sold through a public offering 5,000,000 shares of its authorized but unissued common stock for $130,650,000.

The Company has 50,000,000 authorized shares of serial preference stock having a par value of $25 a share, none of which has been issued.

4. Retained Earnings

The articles of incorporation, the mortgages, as supplemented, and the debenture agreements of Electric Company contain provisions which, under certain conditions, restrict distributions on or acquisitions of its common stock. At December 31, 1984, $91,096,000 of retained earnings of Electric Company were thus restricted as a result of the provisions of such articles of incorporation. Retained earnings at such date also included $431,243,000, representing the Company's equity in undistributed earnings since acquisition included in transfers by Electric Company from its retained earnings to stated value of common stock, making a total of retained earnings which was restricted of $522,339,000 at December 31, 1984.

5. Preferred Stock of Electric Company (cumulative, without par value, entitled upon liquidation to $100 a share)

	Shares Outstanding December 31,		Amount December 31,		Redemption Price Per Share (before adding accumulated dividends)	
	1984	1983	1984	1983	Current	Eventual Minimum
			Thousands of Dollars			
Not Subject to Mandatory Redemption						
$ 4.50 series	74,367	74,430	$ 7,440	$ 7,443	$110.00	$110.00
4.00 series (Texas Power)	70,000	70,000	7,000	7,000	102.00	102.00
4.56 series (Texas Power)	133,753	133,786	13,377	13,379	112.00	112.00
4.00 series (Texas Electric)	110,000	110,000	11,000	11,000	102.00	102.00
4.56 series (Texas Electric)	64,947	65,000	6,561	6,563	112.00	112.00
4.24 series	100,000	100,000	10,081	10,081	103.50	103.50
4.64 series	100,000	100,000	10,016	10,016	103.25	103.25
4.84 series	70,000	70,000	7,000	7,000	101.79	101.79
4.00 series (Dallas Power)	70,000	70,000	7,049	7,049	103.56	103.56
4.76 series	100,000	100,000	10,000	10,000	102.00	102.00
5.08 series	80,000	80,000	8,004	8,004	103.60	103.60
4.80 series	100,000	100,000	10,009	10,009	102.79	102.79
4.44 series	150,000	150,000	15,061	15,061	102.61	102.61
7.20 series	200,000	200,000	20,044	20,044	103.21	103.21
7.80 series	299,875	300,000	30,021	30,030	103.25	103.25
8.92 series	200,000	200,000	20,076	20,076	105.83	103.60
6.84 series	200,000	200,000	20,022	20,022	104.76	103.05
7.24 series	249,800	250,000	25,100	25,113	105.23	103.42
7.44 series	300,000	300,000	30,006	30,006	104.26	102.40
7.48 series	300,000	300,000	30,073	30,073	104.82	102.95
8.20 series	300,000	300,000	30,108	30,108	105.34	103.29
8.44 series	300,000	300,000	30,046	30,046	105.29	103.18
9.32 series	300,000	300,000	29,625	29,625	106.99	102.33
9.36 series	300,000	300,000	29,625	29,625	107.02	102.34
8.68 series	300,000	300,000	29,550	29,550	106.26	101.92
8.16 series	299,475	300,000	29,616	29,655	106.12	102.04
8.32 series	300,000	300,000	29,655	29,655	105.88	101.00
8.84 series	300,000	300,000	29,591	29,591	106.13	102.05
10.92 series	300,000	300,000	29,670	29,670	110.92*	102.73
10.12 series	350,000	350,000	34,615	34,615	110.12*	100.00
11.32 series	300,000	300,000	29,670	29,670	111.32*	100.00
Adjustable rate series A**	1,000,000	—	98,200	—	***	100.00
Total	7,322,217	6,323,216	$727,911	$629,779		
Subject to Mandatory Redemption						
$10.08 series****	350,000	350,000	$34,696	$34,696	$110.08*	$100.00

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

**Bears a dividend rate for the period ended January 31, 1985, of 9.90% per annum based on the fixed liquidation price of $100 per share. Each quarter, dividends are at the rate, determined in advance of such period, of 2.50% below the highest of the per annum rates on secondary market three-month U.S. Treasury bills, U.S. Treasury ten-year constant maturities or U.S. Treasury twenty-year constant maturities. However, the rate for any dividend period shall in no event be less than 6.50% or greater than 13% per annum.

***Not redeemable prior to June 1, 1989.

****Annual 14,000 share mandatory redemption at $100 per share commencing April 1, 1989, with a non-cumulative option of Electric Company to redeem an additional 14,000 shares annually at $100 per share.

6. Long-Term Debt of Subsidiaries, less amounts due currently

Maturity Groups From	Maturity Groups To	Interest Rate Groups From	Interest Rate Groups To	December 31, 1984	December 31, 1983
				Thousands of Dollars	
First mortgage bonds:					
1985	1989	3[illegible]%	12 %	$ 78,500	$ 121,500
1990	1994	4[illegible]	4[illegible]	69,000	69,000
1995	1999	4[illegible]	7[illegible]	189,000	189,000
2000	2004	7[illegible]	10[illegible]	550,000	550,000
2005	2009	8[illegible]	9[illegible]	675,000	675,000
2010	2014	11[illegible]	17[illegible]	925,000	675,000
Pollution control series:					
2011	2012	10	13[illegible]	110,000	110,000
Sinking fund debentures:					
1985	1989	4[illegible]	5[illegible]	25,256	27,761
1993	1994	6[illegible]	7[illegible]	33,889	34,373
Total				2,655,645	2,451,634
Pollution control revenue bonds:					
2004	2009	5.70	7[illegible]	160,000	160,000
Funds on deposit with trustee				—	(4,856)
Total				160,000	155,144
Senior notes:					
1990	1999	8.50	12.20	524,820	511,300
Unamortized premium and discount				(17,540)	(14,626)
Total long-term debt, less amounts due currently				$3,322,925	$3,103,452

Sinking fund and maturity requirements for the years 1985 through 1989 under long-term debt instruments in effect at December 31, 1984, were as follows:

Year	Sinking Fund (a)	Maturity	Minimum Cash Requirement (b)
	Thousands of Dollars		
1985	$46,477	$44,270	$76,750
1986	47,822	40,000	73,387
1987	47,450	22,000	55,565
1988	47,665	22,500	56,280
1989	46,752	18,000	51,180

(a) Excluding requirements satisfied prior to December 31, 1984: $3,633,000 for 1985, $913,000 for 1986, $535,000 for 1987, $320,000 for 1988 and $320,000 for 1989.

(b) Other requirements may be satisfied by certification of property additions at the rate of 167% of such requirements, except for nineteen issues at 100%.

Utility plant of Electric Company is generally subject to the liens of its mortgages.

7. Federal Income Taxes

The details of federal income taxes are as follows:

	1984	1983	1982
		Thousands of Dollars	
Charged to operating expenses:			
Current	$128,398	$ 82,570	$ 68,392
Deferred—net:			
Differences between depreciation methods and lives	98,274	72,045	69,435
Certain capitalized construction costs	18,415	11,561	9,925
Under (over)-recovered fuel revenue	(12,899)	16,263	—
Other	8,035	(7,975)	642
Total	91,825	91,894	80,002
Investment tax credits—net	59,635	51,908	74,187
Total to operating expenses	279,858	226,372	222,581
Charged (credited) to other income:			
Current	(10,007)	(9,276)	(12,865)
Deferred—net	10,410	7,518	15,510
Total to other income	403	(1,758)	2,645
Total federal income taxes	$280,261	$224,614	$225,226

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

	1984	1983	1982
		Thousands of Dollars	
Federal income taxes at statutory rate of 46%	$398,802	$339,326	$322,092
Reductions in federal income taxes resulting from:			
Allowance for funds used during construction	79,010	72,919	62,580
Depletion allowance	24,834	28,021	27,565
Amortization of investment tax credits	13,826	12,956	12,339
Other	871	816	(5,618)
Total reductions	118,541	114,712	96,866
Total federal income taxes	$280,261	$224,614	$225,226
Effective tax rate	32.3%	30.4%	32.2%

8. Retirement Plans and Other Postretirement Benefits

The System Companies have uniform retirement plans covering substantially all employees. The costs of the plans are determined by independent actuaries and are funded by the companies as accrued. The costs of the plans, including amounts capitalized, approximated $45,300,000 for 1984, $46,724,000 for 1983 (including $2,664,000 associated with a one-time early retirement program) and $39,000,000 for 1982. As of the annual valuations in 1984 and 1983, accumulated benefits and net fund assets were as follows:

	1984	1983
	Thousands of Dollars	
Actuarial present value of accumulated benefits:		
Vested	$313,793	$268,882
Nonvested	33,443	27,821
Total	$347,236	$296,703
Net fund assets	$370,462	$316,725

An assumed rate of return of 7% was used in determining the value of accumulated benefits.

In addition to retirement plans, the System Companies offer certain health care and life insurance benefits to active and retired employees. The costs of such benefits are generally recognized as claims are paid. The costs of providing such benefits to retired employees, net of employee contributions, approximated $3,993,000 for 1984.

9. Purchase and Sale of Utility Plant

In October 1984, Electric Company purchased Alcoa's 30% interest in the partially completed Twin Oak generating station and associated lignite reserves, and Mining Company purchased the associated lignite mining facilities and equipment. Electric Company is now the sole owner of the Twin Oak generating station which consists of two 750-megawatt lignite-fueled generating units that currently are scheduled for operation in 1991 and 1992. The purchase price of Alcoa's interest in the station, related lignite reserves and mining facilities and equipment was $119,944,000.

In January 1981, Texas Power completed an agreement to sell a 4⅓% undivided interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La Electric Cooperative of Texas, Inc. (Tex-La), with such sale subject to regulatory approvals and Tex-La's ability to obtain long-term financing arrangements. Texas Power received approximately $90,000,000 from Tex-La in connection with this agreement for that portion of the cost of the plant and related facilities recorded through December 31, 1980. Commencing in January 1981, Tex-La paid its pro rata share of the construction costs of the facilities. In January 1982, Tex-La notified Texas Power that it was unable to obtain long-term financing in an amount sufficient to support a 4⅓% participation and requested that consideration be given to reducing such participation to 2⅙%. In February 1982, Texas Power concurred in the Tex-La request by agreeing, subject to regulatory approvals and completion of Tex-La's long-term financing arrangements, to assume the 2⅙% ownership interest released by Tex-La. In May 1982, following regulatory approvals and completion of the long-term financing arrangements, Texas Power completed the sale of a 2⅙% interest in the Comanche Peak station, nuclear fuel and associated transmission facilities to Tex-La, assumed ownership interest of the 2⅙% released by Tex-La and refunded approximately $66,000,000 for that portion of costs and interest expended by Tex-La allocable to the 2⅙% interest so released. Since late February 1985, Tex-La has failed to make periodic payments of its portion of the costs of Comanche Peak. Tex-La has been experiencing difficulty in obtaining additional financing with respect to Comanche Peak from the Rural Electrification Administration. Based on the current cost estimates, Tex-La's remaining payments to Electric Company in connection with Comanche Peak (including amounts currently due) are estimated to be approximately $14,000,000. Electric Company has sent a notice of default to Tex-La.

10. Commitments and Contingencies

For major construction work now in progress or contemplated by the System Companies, and commitments with respect thereto, see Construction.

Electric Company has entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and has agreed, in effect, to guarantee the principal, $51,320,000 at December 31, 1984, and interest on bonds issued to finance the reservoirs from which the water is supplied. The bonds mature at various dates through 2011 and have interest rates ranging from 5¼% to 9%. Electric Company is required to make periodic payments equal to such principal and interest for the years 1985 through 1989 as follows: $4,397,000 for 1985, $4,383,000 for 1986, $4,387,000 for 1987, $4,387,000 for 1988 and $4,396,000 for 1989. In addition, Electric Company is obligated to pay certain variable costs of operating and maintaining the reservoirs. Total payments, including amounts capitalized, under such contracts for 1984, 1983 and 1982 were $4,766,000, $4,784,000 and $4,806,000, respectively. In July 1983, Electric Company received regulatory approval of an agreement with a municipality for that municipality to assume all contract rights and obligations of Electric Company in connection with $107,020,000 remaining principal amount of bonds issued for similar purposes which had previously been guaranteed by Electric Company. Electric Company is, however, contingently liable in the event of default by the municipality.

Electric Company has entered into an agreement with Tex-La whereby Electric Company agreed to purchase an assignment of portions of Tex-La's entitlement to capacity and energy from the Comanche Peak station in declining amounts over the first eight years of commercial operation of each generating unit. Under the agreement, Electric Company is required to make annual payments to Tex-La comprising a pro rata share of operating costs plus a capital charge on Tex-La's net investment applicable to the portion of Tex-La's entitlement assigned.

Chaco entered into an agreement in 1977 for the rights to over 200 million tons of surface mineable coal located in New Mexico. The agreement provides, subject to certain limitations, for advance royalty payments, payable over a remaining period of approximately 30 years, which are based upon annual

10. Commitments and Contingencies (continued)

quantities ranging from approximately 3.5 million tons in 1985 to a maximum of approximately 8.3 million tons in 1991. Such payments approximated $6.80 per ton in 1984 and are subject to escalation in the future due to inflation. In connection with the foregoing, the Company entered into a surety agreement pursuant to which it has undertaken to assure the performance by Chaco with respect to this agreement. Non-utility property at December 31, 1984 and 1983 includes $70,500,000 and $52,700,000, respectively, of minimum advance royalties paid by Chaco under the terms of this agreement.

The Nuclear Regulatory Commission (NRC) has been reviewing Electric Company's application for operating licenses for the Comanche Peak units. As a part of that review, a proceeding was initiated before an Atomic Safety and Licensing Board (ASLB) and hearings on various issues have been ongoing since December 1981. In December 1983, the ASLB issued a memorandum questioning Electric Company's quality assurance/quality control (QA/QC) program for the design of certain portions of the plant and requested that Electric Company offer additional proof of adequate design and design review procedures. Electric Company has been responding to that request and, in accordance with the ASLB's suggestion, has employed an independent engineering firm to perform studies of the plant's design adequacy. In July 1984, a separate ASLB, including two of the three members on the original ASLB, was convened to receive testimony on allegations that QC inspectors at the plant have been subjected to an atmosphere of harassment and intimidation which is alleged to have affected the implementation of Electric Company's QA program. Hearings have been temporarily recessed on this part of the proceeding.

As a separate part of the NRC's review of Electric Company's operating license application, in March 1984 the NRC established a Technical Review Team (TRT) to consolidate and carry out the various reviews necessary for the NRC Staff to reach its decision regarding the operating licenses. In January 1985, the TRT issued a report on its review of the QA/QC programs at Comanche Peak. The report states that although the QA program documentation met NRC requirements, the implementation of the QA program demonstrates that Electric Company has lacked the commitment to aggressively implement an effective QA/QC program in several areas. The TRT indicated that it has found evidence of faulty construction and ineffective QA and QC inspections. Questions were also raised concerning the training and qualification of QC personnel and in the reporting of deficiencies. The TRT further found that prior to July 1984 problems had existed in the control of documentation. In addition, deficiencies in several other areas were described. Electric Company is presently assessing the TRT report and intends to promptly submit a response thereto.

Construction of Unit 1 of Comanche Peak is virtually complete, but because of numerous uncertainties in the licensing process, no assurance can be given that the estimated commercial operation dates of these units can be met or that the estimated completion costs thereof will not be exceeded. Failure to secure timely and favorable regulatory approvals or any further delay occasioned by reinspections or possible rework resulting therefrom will increase the cost of the plant and would likely increase financing requirements.

The Company and its subsidiaries are involved in various legal and administrative proceedings which, in the opinion of the Company, should not have a material effect upon the consolidated financial position or results of operations.

11. Supplementary Financial Information (Unaudited)

In the opinion of the Company, the following information includes all adjustments (constituting only normal recurring accruals) necessary to a fair statement of such amounts; quarterly results are not necessarily indicative of expectations for a full year's operations because of seasonal and other factors, including rate changes and variations in maintenance and other operating expense patterns:

Quarter Ended	Operating Revenues 1984	Operating Revenues 1983	Operating Income 1984	Operating Income 1983	Consolidated Net Income 1984	Consolidated Net Income 1983	Earnings Per Share of Common Stock 1984	Earnings Per Share of Common Stock 1983
	Thousands of Dollars (except per share amounts)							
March 31	[illegible]	$ 732,926	$158,039	$132,919	$105,173	$ 79,512	$0.84	$0.69
June 30	[illegible]	763,535	164,331	139,002	106,072	85,155	0.84	0.74
September 30	[illegible]	1,141,912	282,239	235,526	216,276	186,073	1.70	1.57
December 31	[illegible]	849,543	152,768	157,051	98,520	110,728	0.77	0.90
Total	[illegible]	$3,487,916	$757,377	$664,548	$526,041	$461,468	$4.15	$3.90

Statement of Responsibility

The management of Texas Utilities Company is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Company and its subsidiaries and other information included in this report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. As appropriate, the statements include amounts based on informed estimates and judgments of management.

The Company's system of internal accounting control is designed to provide reasonable assurance, on a cost-effective basis, that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing consolidated financial statements. Management believes that the system of control provides reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected within a timely period. Key elements in this system include the effective communication of established written policies and procedures, selection and training of qualified personnel and organizational arrangements that provide an appropriate division of responsibility. This system of control is augmented by an ongoing internal audit program designed to evaluate its adequacy and effectiveness.

The Board of Directors of the Company addresses its oversight responsibility for the consolidated financial statements through its Audit Committee, which is composed of directors who are not employees of the Company. The Audit Committee meets regularly with the Company's management, internal auditors and independent certified public accountants to review matters relating to financial reporting, auditing and internal controls. To ensure auditor independence, both the internal auditors and independent certified public accountants have full and free access to the Audit Committee.

The independent certified public accounting firm of Deloitte Haskins & Sells is engaged to examine, in accordance with generally accepted auditing standards, the consolidated financial statements of the Company and its subsidiaries and to express an opinion thereon.

Accountants' Opinion

DELOITTE HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Texas Utilities Company:

We have examined the consolidated balance sheet of Texas Utilities Company and subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of income, retained earnings and source of funds for construction for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the companies at December 31, 1984 and 1983 and the results of their operations and the source of their funds for construction for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Dallas, Texas
March 14, 1985

Financial Statistics

	1984	1983	1982
TOTAL ASSETS end of year (thousands)	$9,759,148	$8,780,954	$8,021,4
UTILITY PLANT end of year (thousands)	$11,031,699	$9,967,653	$9,051,4
Accumulated depreciation end of year	2,143,863	1,958,103	1,758,1
Construction expenditures (including allowance for funds used during construction)	951,323	906,930	891,5
CAPITALIZATION end of year (thousands)			
Long-term debt	$3,322,925	$3,103,452	$2,973,
Preferred stock:			
Not subject to mandatory redemption	722,911	629,779	600,
Subject to mandatory redemption	34,696	34,696	
Common stock equity	3,573,103	3,235,375	2,810,
Total	$7,653,635	$7,003,302	$6,383,
CAPITALIZATION RATIOS end of year			
Long-term debt	43.4%	44.3%	46
Preferred stock	10.0	9.5	9
Common stock equity	46.6	46.2	44
Total	100.0%	100.0%	100
EMBEDDED INTEREST COST ON LONG-TERM DEBT end of year	10.1%	9.7%	9
EMBEDDED DIVIDEND COST ON PREFERRED STOCK end of year	8.3%	8.0%	7
CONSOLIDATED NET INCOME (thousands)	$526,041	$461,468	$428
DIVIDENDS DECLARED ON COMMON STOCK (thousands)	$298,878	$262,659	$227
COMMON STOCK DATA			
Shares outstanding—average	126,626,241	118,454,666	111,35
Shares outstanding—end of year	128,585,669	123,685,058	114,18
Earnings per average share	$4.15	$3.90	[illegible]
Dividends declared per share	$2.36	$2.20	[illegible]
Book value per share—end of year	$27.79	$26.16	$[illegible]
Return on average common stock equity	15.5%	15.3%	1
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION AS PERCENT OF CONSOLIDATED NET INCOME	32.7%	34.4%	3
NET FUNDS FROM OPERATIONS AS PERCENT OF CONSTRUCTION EXPENDITURES (excluding allowance for funds used during construction)	58.4%	53.9%	6

1981	1980	1979	1978	1977	1976	1975	1974
7,806,658	$6,552,972	$5,821,938	$5,161,808	[illegible]	$3,878,180	$3,245,663	$2,768,435
[illegible]194,803	$7,438,877	$6,631,618	$5,862,096	$5,111,037	$4,398,695	$3,736,126	$3,177,008
[illegible]560,754	1,338,698	1,213,927	1,057,068	912,887	813,837	716,726	629,236
792,268	[illegible]	822,916	792,363	734,280	671,708	570,016	418,776
[illegible]713,863	[illegible]	$2,368,612	$2,038,654	$1,899,057	$1,627,403	$1,334,881	$1,140,023
[illegible],109	600,309	535,824	506,233	476,308	446,923	412,379	358,123
[illegible]421,864	2,090,520	1,830,472	1,624,298	1,432,850	1,266,086	1,024,491	982,349
[illegible]735,836	$5,218,345	$4,734,908	$4,169,185	$3,768,465	$3,340,412	$2,776,745	$2,480,495
47.3%	[illegible]	50.0%	48.9%	49.2%	48.7%	48.1%	46.0%
10.5	[illegible]	11.3	12.1	12.7	13.4	15.0	14.4
42.2	40.1	38.7	39.0	38.0	37.9	36.9	39.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
10.0%	8.5%	7.9%	7.5%	7.3%	7.2%	6.9%	6.4%
7.7%	7.2%	7.4%	7.8%	7.2%	7.2%	7.0%	6.6%
[illegible]159,998	[illegible]	$211,[illegible]	$200,738	$179,919	$147,920	$120,976	$123,107
[illegible]292,306	$168,527	$142,307	$119,945	$103,250	$ 85,800	$ 74,400	$ 63,880
[illegible]292,239	93,719,257	86,319,396	79,026,787	73,394,444	64,625,000	60,000,000	56,588,889
[illegible]236,301	96,098,645	82,985,098	80,665,889	75,000,000	70,000,000	60,000,000	60,000,000
$3.51	$3.38	$2.45	$2.34	$2.46	$2.29	$2.02	$2.18
$1.88	$1.76	$1.64	$1.52	$1.40	$1.32	$1.24	$1.12
$23.01	$21.76	$20.80	$20.14	$19.60	$18.09	$17.07	$16.30
15.9%	15.2%	12.1%	13.1%	13.0%	12.0%	12.2%	13.5%
26.1%	30.2%	28.2%	26.9%	33.9%	29.7%	26.1%	17.8%
[illegible]	52.7%	40.3%	44.1%	26.8%	29.7%	28.9%	35.8%

Operating Statistics

	1984	1983	19
ELECTRIC ENERGY GENERATED AND PURCHASED *(megawatt-hours)*			
Generated—net station output	72,582,637	67,706,594	64,22
Purchased and net interchange	382,651	343,581	37
Total generated and purchased	72,965,288	68,050,175	64,59
Company use, losses, and unaccounted for	3,839,517	5,340,248	4,21
Total electric energy sales	69,125,771	62,709,927	60,38
ELECTRIC ENERGY SALES *(megawatt-hours)*			
Residential	22,693,290	20,162,506	19,94
Commercial	19,026,267	17,366,563	16,47
Industrial	20,343,558	18,690,077	17,5
Government and municipal	1,920,420	1,790,476	1,7
Total general business	63,983,535	58,009,622	55,6
Other electric utilities	5,142,236	4,700,305	4,7
Total electric energy sales	69,125,771	62,709,927	60,3
OPERATING REVENUES *(thousands)*			
Residential	$1,546,081	$1,306,912	$1,2
Commercial	1,127,766	998,362	9
Industrial	893,531	808,016	7
Government and municipal	117,793	104,730	
Total general business	3,685,171	3,218,020	2,9
Other electric utilities	233,296	202,387	1
Total from electric energy sales	3,918,467	3,420,407	3,1
Other operating revenues	13,768	67,509	
Total operating revenues	$3,932,235	$3,487,916	$3,2
ELECTRIC CUSTOMERS end of year			
Residential	1,669,735	1,556,760	1,4
Commercial	208,477	198,548	1
Industrial	24,058	22,761	
Government and municipal	11,455	10,210	
Total general business	1,913,725	1,788,279	1,6
Other electric utilities	66	68	
Total electric customers	1,913,791	1,788,347	1,6
RESIDENTIAL STATISTICS (excludes master-metered customers, megawatt-hour sales and revenues)			
Average kilowatt-hours per customer	12,887	12,073	
Average revenue per kilowatt-hour	6.93¢	6.60¢	

Industrial classification includes service to Alcoa-Sandow (interruptible prior to May 1981):

Electric energy sales *(megawatt-hours)*	2,989,272	2,660,564	2,
Operating revenues *(thousands)*	$70,825	$68,121	$

Supplementary Information Concerning Effects of Changing Prices

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

Information [illegible] changes in specific prices (current cost) represent such changes in utility plant from the [illegible] were [illegible] incurred to present. The current cost of utility plant was computed by indexing the existing historical cost of plant by the Handy-Whitman Index of Public Utility Construction Costs for the South Central Region and other appropriate indices. Such current costs are not necessarily representative of the replacement cost of the Company's productive capacity that might be incurred in a future period.

Depreciation on the current cost basis was determined by applying the System Companies' straight-line depreciation rates used for financial accounting purposes to the appropriate indexed utility plant amounts and is [illegible] (including depreciation charged to fuel) that has been restated from the financial statements. In compliance with FASB 33, no adjustment has been made to federal income taxes.

Under rate-making rules prescribed by the Public Utility Commission of Texas, only the original cost of utility plant is recoverable through revenues as depreciation. Therefore, the difference between the cost of plant stated in terms of current cost and original cost is not recoverable through rates as depreciation and is reflected in the adjustment to net recoverable cost of utility plant. The Company believes, based on past experience, that System Companies will be allowed to recover the investment in utility plant when replacement of facilities actually occurs.

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

1981	1980	1979	1978	1977	1976	1975	1974
447,413	62,865,641	58,051,429	57,196,077	53,156,235	47,573,856	45,862,942	43,969,560
91,091	56,388	75,695	79,688	72,845	46,656	225,718	176,059
538,504	62,922,029	58,127,124	57,275,765	53,229,080	47,620,512	46,088,660	44,145,619
166,327	4,422,762	4,001,684	4,041,486	3,549,768	3,290,124	3,238,645	3,052,126
372,177	58,499,267	54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493
676,240	19,844,409	17,394,402	17,943,224	16,442,382	14,548,407	14,575,846	13,532,494
383,162	14,683,104	13,264,836	13,117,202	12,547,755	11,338,371	11,026,495	10,285,297
992,261	17,581,265	17,275,459	16,469,636	15,678,254	13,917,588	12,962,019	13,231,004
192,106	1,796,988	1,669,726	1,728,056	1,565,518	1,425,665	1,333,765	1,293,641
843,769	53,905,766	49,604,423	49,258,118	46,233,909	41,230,031	39,898,125	38,342,436
528,408	4,593,501	4,521,017	3,976,161	3,445,403	3,100,357	2,951,890	2,751,057
372,177	58,499,267	54,125,440	53,234,279	49,679,312	44,330,388	42,850,015	41,093,493
344,761	$ 877,555	$ 672,340	$ 640,611	$ 552,331	$ 442,204	$374,480	$308,735
778,008	590,921	488,170	439,146	375,822	303,785	251,882	204,441
859,678	482,919	419,224	373,456	310,811	238,426	182,491	149,526
83,077	68,396	54,565	49,623	40,331	32,390	25,337	20,209
65,524	2,019,791	1,634,299	1,502,836	1,279,295	1,016,805	834,190	682,911
61,998	123,188	105,306	87,592	69,975	53,052	39,764	27,890
27,522	2,142,979	1,739,605	1,590,428	1,349,270	1,069,857	873,954	710,801
10,855	31,574	16,684	13,928	18,508	12,473	14,782	15,796
38,377	$2,174,553	$1,756,289	$1,604,356	$1,367,778	$1,082,330	$888,736	$726,597
21,273	1,356,651	1,287,701	1,221,468	1,159,885	1,122,358	1,090,798	1,069,017
72,269	171,495	164,291	160,170	153,658	146,287	140,085	136,241
20,692	19,590	18,654	17,953	17,216	16,688	16,405	16,077
10,263	10,488	11,257	11,260	11,274	11,121	10,736	10,330
29,497	1,558,224	1,481,903	1,410,851	1,342,033	1,296,454	1,258,024	1,231,665
78	80	80	62	60	59	63	58
29,575	1,558,304	1,481,983	1,410,913	1,342,093	1,296,513	1,258,087	1,231,723
11,862	13,125	11,667	12,747	12,213	10,860	11,155	10,573
5.72¢	4.54¢	3.98¢	3.70¢	3.45¢	3.20¢	2.71¢	2.43¢
98,997	2,918,794	3,076,999	2,881,259	2,385,027	1,822,488	2,038,618	2,431,269
4,016	$48,813	$48,400	$41,572	$36,878	$20,052	$18,704	$15,309

Summary of Consolidated Net Income Adjusted for Effects of Changing Prices

For the Year Ended December 31, 1984

In Thousands of Dollars

	Historical Cost Reported in Financial Statements	Adjusted for Changes in Specific Prices (Current Cost)
		Average 1984 Dollars
Operating revenues	$3,932,235	$3,932,235
Operating expenses (a)	3,174,858	3,429,254
Operating income	757,377	502,981
Other income	131,611	131,611
Total income	888,988	634,592
Interest charges	302,289	302,289
Preferred stock dividends of subsidiary	60,658	60,658
Consolidated net income	$ 526,041	$ 271,645
Increase in specific prices (current cost) of utility plant held during the year (b)		$ 174,075
Less effect of increase in general price level		555,787
Effect of general inflation in excess of increase in specific prices of utility plant		(381,712)
Adjustment to net recoverable cost		311,588
Effect of general inflation in excess of increase in specific prices of utility plant after adjustment to net recoverable cost		(70,124)
Gain from decline in purchasing power of net amounts owed		179,745
Net change in purchasing power		$ 109,621

(a) Depreciation, including amounts charged to fuel, was $226,177,000 for historical cost and $480,573,000 for current cost.
(b) At December 31, 1984, utility plant, net of accumulated depreciation, was $14,788,129,000 for current cost and $8,887,836,000 for historical cost.

Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

	1984	1983	1982	1981	1980
	Thousands of Average 1984 Dollars				
Operating revenues	$3,932,235	$3,836,383	$3,484,433	$3,127,419	$2,741,000
Current Cost Information					
Consolidated net income	$271,645	$221,372	$188,012	$145,843	$129,867
Earnings per share of common stock	$2.35	$1.87	$1.69	$1.43	$1.38
Effect of general inflation in excess of increase in specific prices of utility plant after adjustment to net recoverable cost	$(70,124)	$(36,681)	$(48,060)	$(355,297)	$(599,372)
Net assets at end of year at net recoverable cost	[illegible]	$4,074,080	$3,660,432	$3,368,504	$3,262,666
General Information					
Gain from decline in purchasing power of net amounts owed	$179,745	$163,612	$155,328	$347,389	$484,004
Dividends declared per share of common stock	[illegible]	$2.29	$2.20	$2.25	$2.22
Market price per share of common stock at end of year	[illegible]	$23.83	$25.00	$21.69	$22.43
Consumer price index—average	[illegible]	298.4	289.1	272.4	246.8

DIRECTORS AND OFFICERS

Directors

PERRY G. BRITTAIN
Dallas, Texas
Chairman of the Board and Chief Executive of the Company

JAMES K. DOBEY
Aptos, California
Retired Chairman of the Board, Wells Fargo & Company

JERRY FARRINGTON
Dallas, Texas
President of the Company

WILLIAM M. GRIFFIN
Hartford, Connecticut
Executive Vice President, Director and Chairman of the Finance Committees of Hartford Fire Insurance Company and Subsidiaries

BURL B. HULSEY, JR.
Fort Worth, Texas
Vice Chairman of the Board of the Company

MARGARET N. MAXEY
Austin, Texas
Director of the Chair of Free Enterprise and Professor, Biomedical Engineering Program, College of Engineering at the University of Texas at Austin

ABNER V. McCALL
Waco, Texas
Chancellor of Baylor University

J. C. PACE, JR.
Fort Worth, Texas
Chairman of the Board and Director of Kimbell, Inc.

CHARLES N. PROTHRO
Wichita Falls, Texas
Owner, Perkins-Prothro Company

WILLIAM H. SEAY
Dallas, Texas
Investments, Retired Chairman and Chief Executive Officer of Southwestern Life Insurance Company

Officers

PERRY G. BRITTAIN
Chairman of the Board and Chief Executive

BURL B. HULSEY, JR.
Vice Chairman of the Board

JERRY FARRINGTON
President

ERLE NYE
Executive Vice President

H. A. HORN
Treasurer and Assistant Secretary

S. S. SWIGER
Controller

PETER B. TINKHAM
Secretary and Assistant Treasurer

Directory

TRANSFER AGENTS AND REGISTRARS
Mercantile National Bank at Dallas
Dallas, Texas

Morgan Guaranty Trust Company of New York
New York, New York

DIVIDEND DISBURSING AGENT
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

AGENTS FOR PARTICIPANTS
AUTOMATIC DIVIDEND REINVESTMENT
AND COMMON STOCK PURCHASE PLAN
Morgan Guaranty Trust Company of New York
Dividend Reinvestment Plans
P.O. Box 3506, Church Street Station
New York, New York 10008

STOCK EXCHANGE LISTINGS
New York Stock Exchange, Inc.
New York, New York

Midwest Stock Exchange, Incorporated
Chicago, Illinois

The Pacific Stock Exchange Incorporated
Los Angeles and San Francisco, California

Ticker Symbol - TXU

The Annual Report has been prepared for the purpose of providing shareholders with information concerning the Company and not in connection with any sale or purchase of, or any offer or solicitation of an offer to buy or sell, any securities.

Texas Utilities Company distributes a booklet containing detailed System financial and operating data, which have been compiled for the convenience of financial analysts; a copy will be furnished upon request.

A copy of the Annual Report to the Securities and Exchange Commission, Form 10-K, will be furnished by the Company upon request.

Requests for copies or other shareholder information should be directed to:
Shareholder Relations
Texas Utilities Company
2001 Bryan Tower
Dallas, Texas 75201
(214) 653-4646

Quarterly Market Price Ranges

Quarter Ended	Price Range 1984 High	1984 Low	1983 High	1983 Low
March 31	$26	$22¾	$24⅛	$22¼
June 30	23⅞	20⅝	26¼	23½
September 30	25⅞	21	26	23⅜
December 31	26⅝	24⅜	27⅜	22⅜

Dividends Paid per Share of Common Stock

Quarter Ended	Dividends Paid 1984	1983
March 31	$0.55	$0.51
June 30	0.59	0.55
September 30	0.59	0.55
December 31	0.59	0.55
	$2.32	$2.16

The Company has declared common stock dividends payable in cash in each year since its incorporation in 1945 and has continued its record of annual dividend increases, which commenced in 1948. At its February 1985 meeting, the Board of Directors again raised the quarterly dividend by four cents per share, from 59 cents to 63 cents. This regular quarterly dividend is payable April 1, 1985, to shareholders of record on March 19. Dividends are paid in cash to shareholders who are not participating in the Automatic Dividend Reinvestment and Common Stock Purchase Plan; all dividends are reportable for federal income tax purposes as ordinary dividend income. Reference is made to Note 4 to Financial Statements regarding limitations upon payment of dividends on common stock.

Under provisions of the Economic Recovery Tax Act of 1981, qualified individual shareholders of the Company may elect to defer federal income taxes on dividends reinvested under the Automatic Dividend Reinvestment and Common Stock Purchase Plan in amounts up to $1,500 a year on joint returns or $750 a year on individual returns. This provision of the Act applies to dividends paid and reinvested from January 1, 1982 through December 31, 1985.

Texas
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