SYSTEM EXTRA

News and information for employees of the Texas Utilities Company System

Vol. 1 No. 7

Ruling to be appealed

PUC's order for rate decrease will raise — not lower customers' future electric costs

Texas Utilities Electric Company will appeal the rate order issued on October 12 by the Texas Public Utilities Commission calling for a $7 million decrease in electric rates. The order will affect the average residential customer's electric bill only a few cents a month.

The ruling is unrealistic and could undermine the quality of the electric service that the System has traditionally provided its customers. And although making a difference of a few pennies now, the ruling will cost customers more in the future.

"This represents a very shortsighted attitude that could adversely affect our ability to economically provide for the continuing electric needs of the rapidly growing area we serve."

— TUEC Vice President Tom Baker

The Company sought a $304 million rate increase, which would have raised the average residential electric bill about eight percent. The order to reduce rates comes from a commission with an intent to represent consumer interests — yet, it is the consumer who will ultimately be hurt by its actions.

"This represents a very shortsighted attitude that could adversely affect our ability to economically provide for the continuing electric needs of the rapidly growing area we serve," said TUEC vice president Tom Baker. Baker pointed out that the System's service area has been growing at a rate averaging almost 10,000 customers a month so far this year. This summer, our customers made record demands on the System because of this growth and the summer heat. The growth reinforces the need to continue our construction program.

The PUC ruling denied any additional construction work in progress in the rate base, including more CWIP for Comanche Peak. Unit 1 is essentially complete and will be needed by next summer to meet spiraling customer demand.

The PUC staff has experienced a high rate of turnover and all three commissioners were replaced by Governor Mark White, who campaigned on a promise to get tough with utility rates. Because of a declining regulatory climate, the System's bond ratings have been reduced twice. "If our credit rating continues to be lowered because of regulatory actions," said Baker, "it will become more costly to borrow the money needed to finance facilities needed for customer demands. We are already being forced to pay higher interest rates for the money we borrow to build those needed facilities because of other PUC actions. And that means higher — not lower — electric rates for our customers in the long run." Baker also noted that the PUC ruling runs counter to the governor's policy of encouraging industrial growth. Industrial growth is impossible without adequate and dependable electric energy.

Ironically, the commission ordered a rate decrease despite comments from the PUC's examiners' report praising nearly every important aspect of the Company's performance. The report states, "The evidence more than amply supports the conclusion that the company has a high degree of efficiency in its operations, that it provides a superior quality of service, and that its management is prudent and innovative in load management and conservation measures. Such conclusions are warranted."

"I think this is a strong, well-managed company," said PUC commissioner Dennis Thomas, "but for the life of me, I can't figure out why they need a rate increase."

Commissioner Peggy Rosson said, "I do not find a company that files a totally unwarranted rate case to be managed prudently."

And Governor White added this: "Today's action by the PUC sends a clear message to utilities, consumers and the Wall Street bond market . . . not only will unwarranted rate increases be denied, but the Texas PUC has demonstrated that it is prepared to lower rates where justified."

Already there has been a multiple downgrading of TU Company bonds and the Company's common stock continues to sell at less than book value. Still TUEC rates remain below the national average.

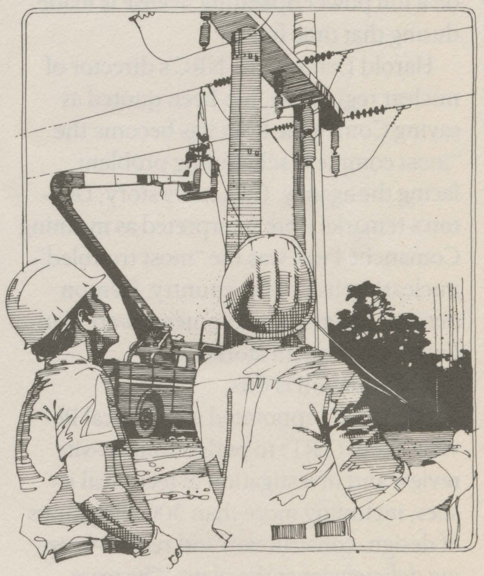
Furthermore, it has been more than two years since half the Company's customers have had a rate increase, and interest rates have increased since the last rate orders were returned. Since then, the Company has invested about $36 million a month to serve customers. Projections show that, based upon the actions of the PUC, the Company's financial performance may soon drop below the national average, possibly as soon as next year. The result would be a deterioration of the Company's ability to meet increasing demands and maintain the high quality of service that customers have come to expect.

"There are those who would punish or scold the Company for filing this case," TUEC attorney Bob Wooldridge told the PUC commissioners. "We do not believe an apology for filing this case is in order. We sought and we seek rate relief based upon substantial evidentiary support."

Said Baker, "During these proceedings we stated the facts and substantiated them. We have no apologies. We would file again if we had to do it over."

The first step in the appeal process is to file a request for a rehearing by the PUC.

In the meantime, the Company will develop new rates based upon the order. The rate changes, which will go into effect about the first of November, will amount



to just a few cents a month and hardly be noticeable on the average customer's bill.

But if the regulatory climate in Texas doesn't take a change for the better soon, the results will become apparent to customers. For without adequate funds to build and operate the electric system for one of the fastest growing regions of the nation, electric service supply and reliability will decline, and tomorrow's rates will reflect the unreasonable, short-sighted actions of today.

EXTRA! EXTRA!

West Texas' ode to the pecan is the annual Permian Basin Pecan Show. Number 18 will be held Nov. 19 and 20 at the Monahans Community Center, according to **Jerry Cash**, manager of TESCO's Monahans office. Cash was co-chairman of last year's show, sponsored by the Monahans Chamber of Commerce.

The show has three divisions, he reports: pecans, food and crafts. All divisions award cash prizes and the first place winners in each category of pecans advance to the regional pecan show. Last year **Paula Johnson**, Monahans customer operations supervisor, entered her Western Sky pecans.

The crafts division is for decorative items using real pecans. The food division has the usual cake, cookie and pie categories, but in miscellaneous there are a variety of entries using pecans. Cash recalled that some Mexican dishes were entered last year.

Monahans may be home to the pecan show, but TESCO's acknowledged "Mr. Pecan" is **LeRoy Olsak**, manager of the Lamesa office. He is considered an expert in West Texas pecan cultivation. He tends 1,500 pecan trees near El Dorado, close to San Angelo, and he planted the nine pecan trees which shade the Lamesa office. Pecans from these trees have earned grand champion honors at the Dawson County Pecan Show.

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Only a few more weeks before Christmas and how many of you have yet to begin your shopping and/or finalizing your holiday plans?

C'mon now, let's see your hands. Whew, that many!

Well, the City of Denison and many of its residents, including Texas Power & Light's district office and employees, are putting you all to shame by finalizing plans for their annual Christmas parade.

The parade, which is scheduled for Saturday, Dec. 1, 10 a.m., was first held in the early 1930s and was originally sponsored by the local newspaper. The Chamber of Commerce now coordinates the festivities which attract bands and floats from all over the area and several thousand spectators.

Larry G. Mims, TP&L district manager, says the parade is a lot of fun, and the look on the children's faces when they finally see Santa Claus "is truly heartwarming."

The fun, he explained, also comes in part because the Company puts up the Christmas decorations throughout the downtown area and employees actively participate in the parade.

Some of those employees and their families include: Mims and his wife, **Suzanne**, his sons, **William** and **Edward**, who through their involvement in the area's Scouting organization have been in the parade; **Christina Herman**, daughter of distribution assistant superintendent **Roger**, who plays in the Denison High School band; **Lori England**, daughter of home services advisor **Kay**, who is a Denison High School varsity cheerleader; **Charlotte Renfro**, manager's secretary, and her husband, **Alan**, and their son **Todd**, also through their Scouting involvement; **Kari Woolly**, daughter of lineman **Charles**, who is a student at a local dance studio; lineman **Kenneth Williams**, who helps build floats, and his son, **Charles**, who is involved in the Camp Fire organization; and **Holly Chappell**, daughter of district chief accountant **Delbert**, who also plays in the high school band.

Hub Brown, retired TP&L district chief accountant, helps each year with the local Lions Club in repairing and distributing toys for local children.

Mims explained that 55 TP&L employees serve more than 21,000 customers in the Denison-Pottsboro area.

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With Comanche Peak nearing completion, more and more people are interested in what it looks like and how it works. System employees will have an opportunity to see the plant via a videotaped tour to be released this fall.

The tour begins with a description of the major components, then gives the audience an aerial view of the plant. The tour proceeds inside for a look at the nuclear reactor and steam generator within the containment dome, the control room, turbine deck and fuel handling area.

Comanche Peak administrative services superintendent Tom Gosdin is the tour host on this tape produced by Jerry Smith, TUSI Creative Services.

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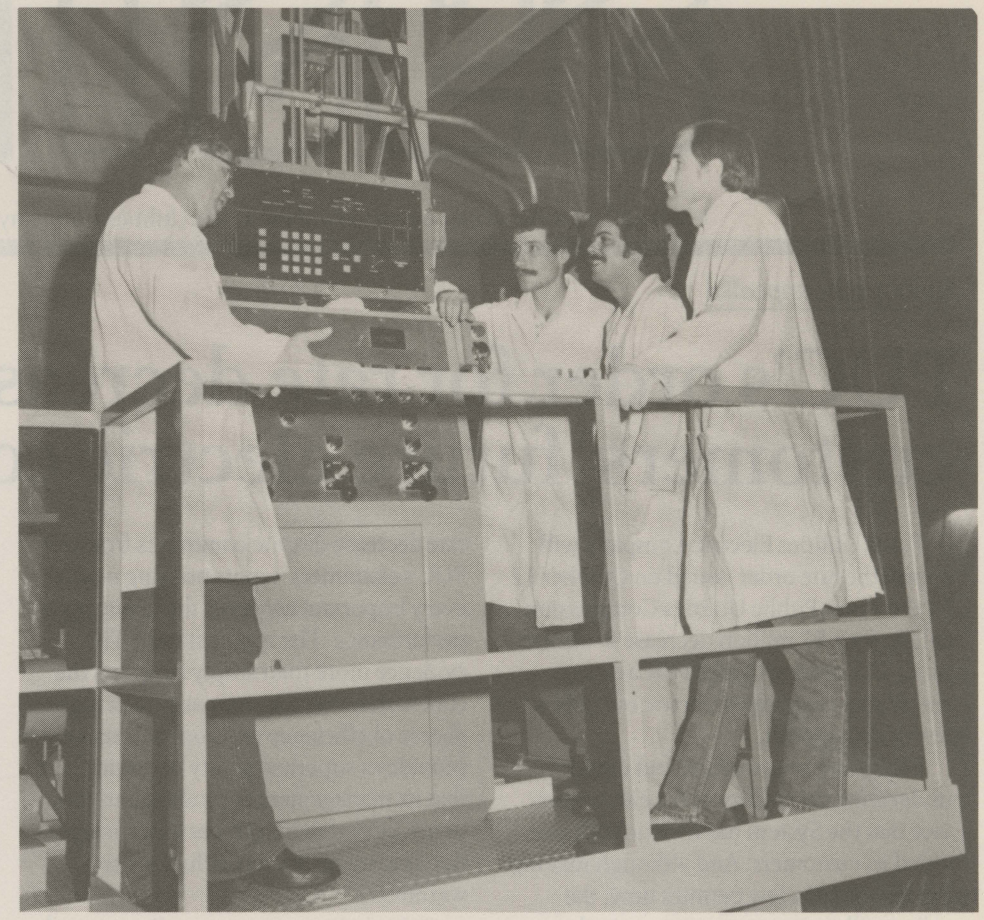
Issues complicate licensing process



Ray Fortenberry (far left), Comanche Peak shift supervisor, inspects the plant's Unit 1 refueling manipulator crane with auxiliary operators (left to right) Jim Radford, Ray Wheeler and Mark Kertz. TUGCO recently notified the ASLB that is is resequencing its testing schedule for Unit 1 in order to begin some required preoperational testing before fuel is loaded into the reactor.

Comanche Peak Unit 1 is essentially complete and ready for fuel load. But the licensing process continues to complicate the effort to get the unit into operation.

Citing the number and complexity of the licensing issues, the Nuclear Regulatory Commission staff in late October said its reviews of the various issues will not be completed before January.

In light of that, Peter Bloch, chairman of the Atomic Safety and Licensing Board, stated on Oct. 23 that the board does not expect a ruling on a full power operating license before April.

Having Unit 1 in operation by next summer is still possible if a final decision on a full power operating license is made during that time frame.

Harold Denton, the NRC's director of nuclear regulation, has been quoted as saying Comanche Peak has become the "most complex" scheduling problem facing the agency. (In a news story, Denton's remarks were interpreted as meaning Comanche Peak was the "most troubled" nuclear project in the country. Denton denied this, and his comments were clarified in subsequent stories.)

The situation is this:

• The NRC appointed a Technical Review Team (TRT) to perform an on-site review and investigation of technical issues, including more than 500 allegations of design, construction and record-keeping deficiencies at the plant. The team began its work July 9, and on Sept. 18 issued a preliminary report.

That preliminary report listed the TRT's findings in the areas of electrical/instrumentation, civil/structural and test programs. The team had a number of questions in those areas, and asked the Company to file an action plan describing how it would address those issues.

The Company filed the requested action plan and discussed it with the NRC staff in meetings on Oct. 19 and 23. It is being modified in response to staff comments and is being implemented.

The TRT is still evaluating its on-site review in the areas of mechanical, quality assurance/quality control and protective coatings programs. It is not expected to complete that review and issue its final report until the end of November.

• On another front, the NRC staff is continuing an investigation into allegations of harassment and intimidation of quality control inspectors, also the subject of the present round of ASLB hearings. Those hearings now are scheduled to resume Nov. 19 in Bethesda, Md.

• A major factor complicating the ASLB hearings on the Comanche Peak license presently is the active involvement of the intervenor and two Washington, D.C.-based activist groups, all of whom continue to introduce new issues and last-minute allegations.

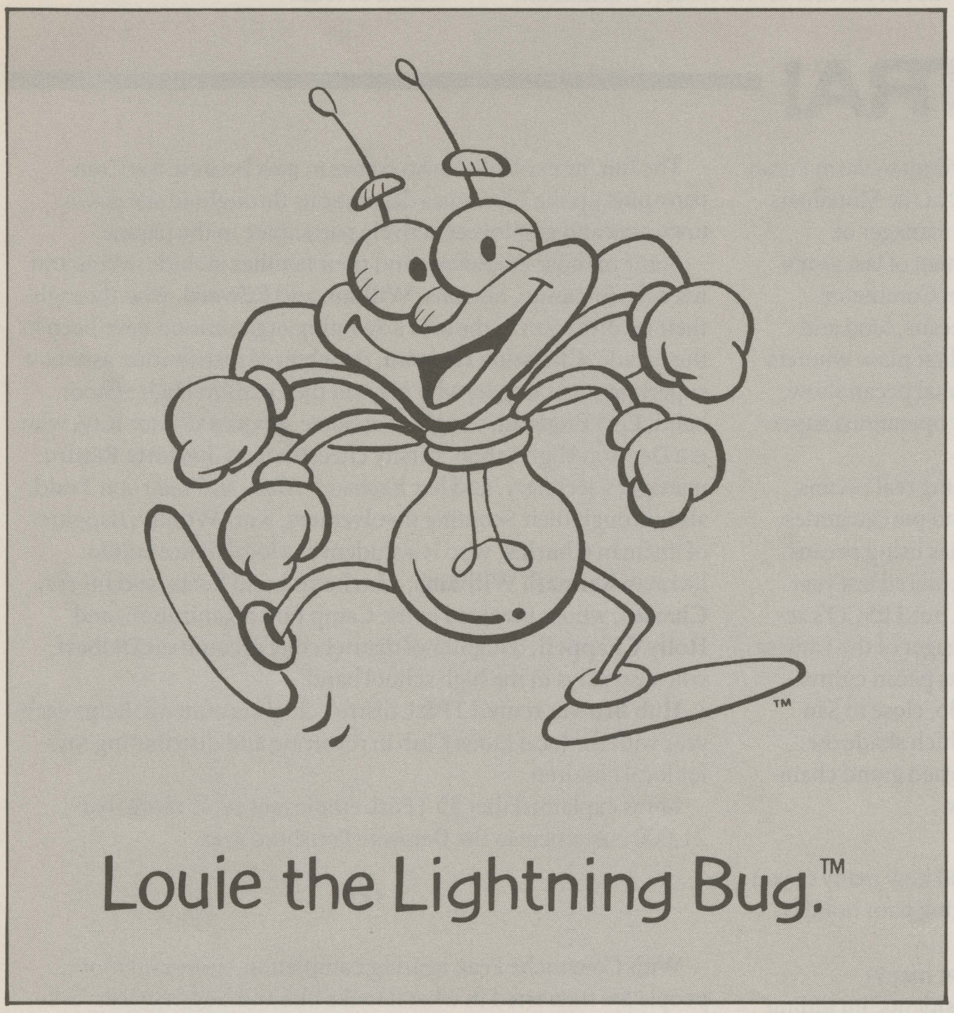
• Largely because of the intervenor's efforts, the ASLB is considering a number of technical design and design quality assurance issues. These issues will be decided after the board reviews written briefs and affidavits which are being filed by the Company, the intervenor and the NRC staff.

• The Company's motion requesting a limited license to load fuel is still pending before the ASLB. Because it became apparent the board would not act on the motion by the time Unit 1 would be ready physically for fuel load, the Company in mid-October changed the sequence of its testing program so that progress in preoperational testing could continue. Those tests that can be done before fuel load are underway.

The need to have the unit available has been emphasized.

System peak demand grew by almost nine percent this summer and our service area continues to experience rapid customer growth. Without Comanche Peak, the System will have less generating capacity next summer than needed to maintain the reserve margin generally believed essential to reliable service.

Lightning Louie: New bug in TU System



There's a new cartoon character on the airwaves throughout the System. By now, you may have already seen him. He's as hip, lively and colorful as any animated critter you're likely to spot on Saturday morning TV, yet he's a funny fellow with a very serious mission . . . saving children from injury or even death due to contact with electricity.

The new character is **Louie the Lightning Bug**, and TUEC's TV advertising is featuring him through November, during Saturday morning "kid vid" hours as well as on prime time shows like "Knight Rider" and "The A Team." Louie's message: "Play it safe around electricity," and he'll convey his point with singing, dancing and jiving routines based upon the most commonly encountered situations which pose electric hazards to children and parents.

Louie was created by Alabama Power & Light Company and to date has been adopted by 26 electric utilities nationwide. In addition to television, Louie will show up in bill inserts. And there will be **Louie the Lightning Bug** stickers and pins, too, which will be distributed to children throughout the System service area.

Employees have "thrifty" savings habits

As of June 30 of this year, almost 72 percent of all Texas Utilities Company System employees were participants in the Employees' Thrift Plan. The Plan, now in its 16th year, is aimed at encouraging System employees to establish regular savings programs, assisting employees in acquiring TU Company common stock as an incentive to efficient operation because of ownership of an equity interest in the System, and promoting the best interest of the TU Company System by attracting and retaining good employees. The Company matches employees' contributions to the program at rates of 40, 50 or 60 percent depending upon the length of an employee's service.

On June 30, the percentage of employee participation by TU Company and its subsidiaries and divisions ranged from 65 percent to 100 percent. Systemwide, the most popular by far of the five investment options available was Option A, the investment of 100 percent of Thrift funds in TU Company common stock. More than 57 percent of all employees chose that option. The percentage of participation in other options was as follows:

Option B — 100 percent Government Bonds — 1.1 percent

Option C — 100 percent Guaranteed Fixed Income — 19.8 percent

Option D — 100 percent Equity Fund — 2.9 percent

Option E — Combination (chosen from the above) — 18.9 percent

Participating employees also have the option of choosing the amount of their pay contributed to the Thrift Plan. The options range from 2 to 12 percent. By far, the most popular option — at 50.4 percent of all participants — is the contribution of 6 percent of gross pay to the Plan. Ranking second in popularity is the minimum 2 percent participation level, with 15.3 percent of all participants choosing that option. Barely more than 10 percent chose the 4 percent participation level, and 7.3 percent opted for the maximum participation level of 12 percent.

If you are not a Thrift Plan participant but want to be, contact your supervisor for details.