

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE FOR DTC, REFERENCE HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS MEANS CEDE & CO. AND NOT THE BENEFICIAL OWNERS OF THE BONDS.

DTC is to receive payments from the Paying Agent/Registrar to be remitted to the DTC Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the DTC Participants, whose ownership interests are to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owner, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Trustee to DTC only. DTC is responsible for notifying Participants, and Participants are responsible for notifying the Beneficial Owners. Neither the Trustee nor the District is responsible for sending notices to Beneficial Owners.

Beneficial Owners are to receive a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Interest and principal are to be paid by the Trustee to DTC, then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) certificated Bonds are required to be delivered as described in the Bond Order.

If the District or the Trustee determines that DTC is incapable of discharging its responsibilities, the District or the Trustee shall (i) appoint a successor securities depository or (ii) deliver certificated Bonds, each as described in the Bond Order.

THE DISTRICT

Purpose

The District is a limited purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The City of Austin, Texas authorized the creation of the District. The District was created by order of the Texas Water Commission, now the Texas National Resource Conservation Commission (the "Commission") on November 5, 1993, and creation was confirmed by an election held within the District on February 18, 1984. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws applicable to municipal utility districts, including without limitation those conferred by Chapter 54, as amended, of the Texas Water Code. The District is empowered, among other things, to purchase, operate, and maintain all facilities, equipment and appliances helpful or necessary to the supply of water, the collection, processing and disposition of sewage and other wastes and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain certain, aspects of a fire department, independently or with one or more other conservation and reclamation districts, and to develop and maintain park and recreational facilities out of funds other than bond proceeds. The District is subject to the jurisdiction of the Commission and must obtain its approval before taking certain actions.

Description and Location

The District consists of approximately 997.7 acres of land located in Williamson and Travis Counties, approximately 11 miles north of the central business district of the City of Austin, and three miles east of the intersection of U.S. Highway 183 and RR 620. A small portion of the District (approximately 11.61 acres of public right-of-way) lies within the boundaries of the City of Austin and the remainder lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin and within the boundaries of the Round Rock Independent School District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors (the "Board"), consisting of five (5) members, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held on the first Saturday of May in even numbered years only. Four (4) of the members of the Board own homes in the District and one (1) of the Board members owns property in the District. The current members and officers of the Board along with their titles, occupations, and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Occupation</u>	<u>Expires</u>
Steve D. Pena	President	Public Accounting	May 1996
Jared R. Stallones	Vice-President	Teacher	May 1996
Robert K. Schultz	Secretary	Engineer	May 1994
Terry J. Ripperda	Treasurer	Home Mortgage Company Executive	May 1996
Robert Franson	Asst. Sec./Treas.	Engineer	May 1994

District Consultants

Tax Appraisal: The Williamson County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: Ms. Nelda Wells Spears performs the tax collection function on behalf of the District. Ms. Spears serves approximately 29 other special districts as Tax Assessor/Collector.

Engineer: The District's consulting engineer is Murfee Engineering Company, Austin, Texas. Such firm acts as consulting engineers for approximately 12 other special districts.

Manager: The operator and manager of the District's water and wastewater system is Am-Tex Corporation, Austin, Texas. Such firm acts as operator of approximately 35 other districts in the Austin area.

Auditor: The District's audited financial statements for the year ended September 30, 1992, were prepared by Brown, Graham and Company, P.C., Georgetown, Texas. The District has engaged the firm of Maxwell Locke & Ritter P.C., Austin, Texas to prepare audited financial statements for the year ending September 30, 1993.

Attorney: Strasburger & Price, L.L.P., Austin Texas serves as General Counsel to the District. A portion of the General Counsel's fees are contingent upon the sale and delivery of the Bonds. Compensation to the General Counsel for other services to the District is based on time charges actually incurred.

Bond Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel in connection with the issuance of the Bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert Davis & Co., Austin, Texas serves as the District's Financial Advisor. A portion of the Financial Advisor's fees are contingent upon the sale and delivery of the Bonds. Compensation to the Financial Advisor for other services to the District is based on time charges actually incurred.

STATUS OF DEVELOPMENT

Proceeds from the sale of the Outstanding District Bonds and monies expended by the developer on behalf of the District have been used to construct water, sanitary sewer and drainage facilities to serve approximately 381 acres developed as various subdivisions which included as of January 1, 1994, 1,677 completed homes, 23 homes under construction and 177 vacant and developed lots.

New homes in the District range in sales price from the mid \$90,000 range to approximately \$180,000. Only one homebuilder is active in the District, Milburn Investments Inc. New home sales within the District have been: 140 during 1989; 138 during 1990; 140 during 1991; 156 during 1992; and 130 during 1993.

State Farm Mutual Automobile Insurance Company ("State Farm") has purchased approximately 266 acres for development of an office campus. According to representatives of State Farm, the first phase of development of its property includes the development of 71 acres and the construction of a 467,000 square foot office building. Construction of the underground facilities to serve the 71 acre site is 99% complete and construction of the office building is approximately 87% complete. Such building is expected to be available for occupancy in mid-1994.

DEBT SERVICE REQUIREMENTS OF THE BONDS AND PRIOR BONDS

Fiscal Year	Series 1985 and 1989 Bonds Not Refunded ⁽¹⁾	The Bonds			Grand Total
		Principal	Interest	Total	
1994	\$ 120,947.50		\$ 217,968.11	\$ 217,968.11	\$ 338,915.61
1995	774,241.25		754,505.00	754,505.00	1,528,746.25
1996	785,768.75		754,505.00	754,505.00	1,540,273.75
1997	791,000.00 ⁽¹⁾	\$ 825,000.00	740,067.50	1,565,067.50	2,356,067.50 ⁽¹⁾
1998	540,952.50 ⁽¹⁾	875,000.00	709,442.50	1,584,442.50	2,125,395.00 ⁽¹⁾
1999	822,427.50 ⁽¹⁾	905,000.00	675,607.50	1,580,607.50	2,403,035.00 ⁽¹⁾
2000		930,000.00	638,895.00	1,568,895.00	1,568,895.00
2001		1,010,000.00	598,367.50	1,608,367.50	1,608,367.50
2002		1,055,000.00	553,695.00	1,608,695.00	1,608,695.00
2003		1,130,000.00	505,060.00	1,635,060.00	1,635,060.00
2004		1,170,000.00	452,725.00	1,622,725.00	1,622,725.00
2005		1,230,000.00	396,910.00	1,626,910.00	1,626,910.00
2006		1,305,000.00	336,685.00	1,641,685.00	1,641,685.00
2007		1,385,000.00	271,432.50	1,656,432.50	1,656,432.50
2008		1,465,000.00	200,875.00	1,665,875.00	1,665,875.00
2009		1,545,000.00	125,625.00	1,670,625.00	1,670,625.00
2010		1,740,000.00	43,500.00	1,783,500.00	1,783,500.00

(1) The District and the City intend to apply the reserve fund established by the Series 1985 and Series 1989 Bonds to the payment of the final maturities of the Series 1985 and Series 1989 Bonds not refunded.

SUMMARY OF THE CREATION AGREEMENT

Under State law, the City is required to give its consent to the creation of the District. The vehicle for this consent is an ordinance passed by the City, which includes the Creation Agreement. The Developer has assigned certain of its rights and duties under the Creation Agreement to the District. The following is a summary of certain terms and conditions of the Creation Agreement, but it is not a complete description and is qualified by reference to the Creation Agreement, copies of which are available from the District.

By passage of Ordinance No. 830505.0, the City has granted its consent to the creation of the District. In the Creation Agreement, the District has agreed to issue bonds only for purposes approved by the City. The Creation Agreement makes reference to and acknowledges the Contract.

In the Creation Agreement, the City has contracted to provide water and wastewater service to the District to serve domestic and commercial users within the District. The District itself will be a customer of the City and will receive service on the same basis as other municipal utility districts. The District will set its rates for customers within the District at an amount no lower than in-City customer retail rates. The District may set higher rates for out-of-district customers. The District has also agreed to collect a surcharge in addition to its normal rates. The requirement that the District collect a surcharge has been deleted by an amendment to the Creation Agreement.

The Creation Agreement provides that the applicable Developer within the District serves as project manager for the construction of the facilities constituting the District's utility system. Design of those facilities will be reviewed and approved by the appropriate state agencies and the City prior to construction.

The District agrees that it will not serve customers outside of its boundaries and that it will not annex additional land into the District without the prior approval of the City. The Creation Agreement also provides that the City shall not be liable for the failure to provide water and wastewater service where that failure results from conditions beyond the City's control. In addition, the City has the right to limit service to the District on the same basis and to the same extent that it limits service to other customers.

The Creation Agreement contains certain provisions which limit the right of the City to annex the land within the District.

The District and the City have agreed to certain land use controls, including use and density limitations, for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with state law and City ordinances. The Creation Agreement is for a term not to exceed 40 years.

SUMMARY OF THE CONTRACT

Following is a summary of certain provisions of the Contract. Reference is hereby made to the full and complete Contract for further information, copies of which are available upon request from the District.

Obligation of the District

The District has agreed to finance, acquire and construct the Contract Facilities. For purposes of refinancing, in part, the costs of the Contract Facilities, the District has agreed to issue and sell the Bonds. The District and the City have agreed that all bonds issued by the District pursuant to the provisions of the Contract shall be payable solely from the City Contract Payments, as described in "Payments by the City" below. All payments by the City are payable to the Trustee.

Prior to the passage of any resolution or order authorizing the issuance of bonds under the Contract, a substantial draft of such resolution or order, including any trust indenture authorized therein to secure such bonds, is required to be delivered to and approved by the City. Such approval, if and when given, constitutes the acknowledgement and agreement of the City that such bonds are to be issued in accordance with and in compliance with the Contract and the bond order for such bonds. Any registered owner of such bonds is entitled to rely fully and unconditionally on any such approval.

Conveyance, Ownership and Operation of Contract Facilities

In consideration of the payments to be made by the City, as specified in the Contract, the District has agreed that the Contract Facilities, upon final completion of the purchase and construction and acceptance thereof by the City, shall be conveyed by the District to the City, and the City shall thereafter have the sole responsibility for the maintenance and operation of the Contract Facilities at its expense.

Payments by the City

City's Obligation to Make Payments. In consideration of the conveyance of the Contract Facilities to the City, the City has agreed to pay the City Contract Payments directly to the Trustee in an amount equal to the total principal, interest, premium, if any, and Trustee and Paying Agent/Registrar's fees and other charges and expenses which may accrue in connection with the payment and discharge of the Bonds. Upon the City's approval of a substantial draft of the Bond Order and the issuance and delivery of the Bonds, the City's obligation to make the City Contract Payments shall become a binding obligation of the City until the entire principal of and premium, if any, and interest on the Bonds have been paid or provided for.

Pledge of Net Revenues of City's Waterworks and Sewer System. All payments required to be made by the City under the Contract constitute a "Separate Lien Obligation," which, under the provisions of the City Bond Ordinances is an obligation of the City which is payable from the Net Revenues of the City's Waterworks and Sewer System. The City has pledged the Net Revenues of the City's Waterworks and Sewer System, with the exception of those Net Revenues in excess of the amounts required for payment of the City Contract Payments, equally and ratably, to the payment and security of the Bonds and to the City Contract Payments. Such lien and pledge is on a parity and of equal dignity with the lien and pledge of the Net Revenues of the City's Waterworks and Sewer System securing the City's outstanding Subordinate Lien Bonds and any other Separate Lien Obligations of the City's Waterworks and Sewer System now outstanding or hereafter issued, and is subject to the prior lien and pledge of the Net Revenues of the City's Waterworks and Sewer System to the payment and security of the City's Prior Lien Bonds.

Rate Covenants of the City

Under the Contract, the City has agreed to establish and maintain rates and charges for the facilities and services provided by the City's Systems to provide gross revenues in each fiscal year from each System sufficient (i) to pay the maintenance and operating expenses thereof, (ii) to establish, maintain and restore the required balance in any reserve or contingency fund created for the payment and security of the Separate Lien Obligations, (iii) to produce combined Net Revenues of the City's Systems sufficient to pay amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Prior Lien Bonds, Subordinate Lien Bonds, and other obligations or evidences of indebtedness payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the City's Systems, and (iv) to produce combined Net Revenues of the City's Systems (after satisfaction of amounts required in (ii) and (iii) above) equal to at least the sum of (a) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Prior Lien Bonds and Separate Lien Obligations plus (b) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Subordinate Lien Bonds and all other indebtedness, except Prior Lien Bonds and Separate Lien Obligations, payable solely from and secured solely by a lien on and pledge of the Net Revenues of either the City's Electric System or the City's Waterworks and Sewer System, or both.

Pro Rata Share of the District

The District has agreed to pay to the City a pro rata share of the cost of the Contract Facilities based upon the capacity reserved for service to the District, which currently is estimated to be 34.81%. The District has agreed to make semiannual payments to the City in amounts sufficient to provide for payment of such pro rata share. The payments to the City for the District's pro rata share are secured by a pledge of the net revenues derived from the operation and ownership of the District's utility system and an ad valorem tax, imposed by the District, unlimited as to rate or amount, which the District has agreed to levy, assess and collect, upon all taxable property within the District at the same time as other District taxes are levied, assessed and collected.

Term of Contract

The Contract will be in force and effect for so long as the Bonds, or any portion of the Bonds, remain outstanding and unpaid, provided that in no event shall the term of the Contract exceed forty (40) years from the date of execution of the Contract by the District (February 21, 1984).

Remedies Upon Default

The Contract does not specify an exclusive remedy for any default, but all remedies (other than termination) existing at law or in equity may be availed of by the District or the City and shall be cumulative. In addition, the District and the City have agreed that each shall have available to it the equitable remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination), which may also be available to the District or the City.

SUMMARY OF THE BOND ORDER

The Bond Order prescribes the form of the Bonds and terms, conditions and provisions for the payment of the principal of, premium, if any, and interest on the Bonds. References to the Bonds also apply to the Prior Bonds in this Section of the Official Statement. The following is a summary of certain terms and provisions of the Bond Order, but the summary is not a complete description and is qualified by reference to the Bond Order, copies of which are available from the District upon request.

Security of the Bonds

The Bond Order provides that the Bonds are secured by and payable from a first lien on and pledge of the City Contract Payments.

Application of Moneys Under the Bond Order

The Bond Order provides for the creation of the Debt Service Fund to be maintained by the Trustee and held in trust for the benefit of the registered owners of the Bonds and any additional parity bonds pursuant to the Bond Order and the Trust Indenture ("Additional Bonds"). The Debt Service Fund constitutes a trust fund solely for the payment of the principal of, redemption premium, if any, and interest on the Bonds and any Additional Bonds.

Proceeds from the sale of the Bonds shall, promptly upon receipt by the District, be applied as follows: (i) accrued interest shall be deposited into the Debt Service Fund; (ii) the remaining proceeds from the sale of the Bonds shall be applied to establish an escrow fund to refund the Refunded Bonds and to the extent not otherwise provided for, to pay all expenses, including Bond insurance premiums, if any, arising in connection with the issuance of the Bonds, the establishment of such escrow fund and the refunding of the Refunded Bonds; and (iii) any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Debt Service Fund. Pursuant to the Contract, the City has irrevocably agreed, for so long as the Bonds or any Additional Bonds are outstanding, to pay the City Contract Payments. The City Contract Payments are to be paid directly to the Trustee, and the Trustee shall deposit all such payments as provided in the Bond Order and Trust Indenture.

Investments of Moneys

To the extent permitted by law, moneys deposited into the Debt Service Fund will be invested in direct or indirect obligations of the United States or the State of Texas, or certificates of deposit of state or national banks or savings and loan associations within the State of Texas. Interest and income derived from such investments shall be credited to, and any losses debited to, the fund or account from which the investment was made. The City and the District will share in any income credited to, or losses debited to, the Debt Service Fund, in accordance with their proportionate interests in such Fund, based on the District's pro rata share of debt service. The District and the City shall not be responsible to the Registered Owners for any loss arising out of the sale of any investment, except for losses resulting from the Trustee's

willful or negligent failure to make or sell any investment within a reasonable time after proper direction to do so, or losses resulting from the making or selling of any investment which was not authorized by proper direction.

Additional Bonds of the District

The District has reserved the right, upon the approval of the City, to issue Additional Bonds for the purpose of financing the cost of the Contract Facilities or for the refunding of any outstanding Bonds or any Additional Bonds. When issued and delivered, such Additional Bonds shall be payable from the Debt Service Fund, and shall be payable from and secured by a first lien on and pledge of City Contract Payments, and shall be secured by the Trust Indenture, in the same manner and to the same extent as, and be on a parity with, all then outstanding Parity Bonds, Bonds and Additional Bonds. It is provided in the Bond Order, however, that no series or issue of Additional Bonds shall be issued unless certain terms and conditions are met and certain certificates delivered, as set forth more particularly in the Bond Order.

In addition, in the case of any Additional Bonds the proceeds of which are to be used solely for the purpose of paying the cost of completion of the Contract Facilities as defined in the Contract, the City shall make a forecast (the "Forecast") of the operations of the City's Waterworks and Sewer System demonstrating, for the period (the "Forecast Period") of each ensuing fiscal year of the City through the 5th fiscal year of the City subsequent to the latest estimated date the Contract Facilities are expected to be commercially operative, the ability of said System to pay all obligations payable solely from the Net Revenues of said System to be outstanding after the issuance of the Additional Bonds then being issued, and an independent engineer shall review such Forecast and shall execute a certificate to the effect that such Forecast is reasonable, and, based thereon (and on such other factors deemed to be relevant), the Net Revenues of the City's Waterworks and Sewer System will be adequate for the Forecast Period to pay all obligations, payable solely therefrom, to be outstanding after the issuance of the Additional Bonds then being issued.

In the case of Additional Bonds the proceeds of which are to be used for any purpose other than refunding any outstanding Bonds or any Additional Bonds or paying the cost of completion of the Contract Facilities, the City in addition to meeting all other requirements for the issuance of Additional Bonds, will obtain a certificate or opinion of a certified public accountant to the effect that, according to the books and records of the City, the Net Earnings, for the preceding fiscal year of the City or for 12 consecutive months out of the 15 months immediately preceding the month the resolution authorizing the Additional Bonds is adopted, are at least equal to (A) the sum of all amounts required to be deposited from the City's Water and Sewer System Fund (i) in any special funds or accounts created for the payment and security of the Prior Lien Bonds, (ii) in the Interest and Sinking Fund and Reserve Fund for the payment of principal of and interest on the bonds authorized by the City Bond Ordinances and other bonds and obligations outstanding on a parity therewith and (iii) to establish and maintain the Required Reserve as provided in the City's Bond Ordinances authorizing the Bonds authorized by the City Bond Ordinances or any other ordinance relating to obligations for which the reserve fund for the Bonds authorized by the City Bond Ordinances was created and established to pay, plus (B) an amount equal to 1.25 times the combined maximum annual payments to be made during a fiscal year of the City on all Separate Lien Obligations of the City's Waterworks and Sewer System for purposes of paying or representing the payment of, principal of and interest on all indebtedness incurred by reason of, resulting from or issued pursuant to such Separate Lien Obligations. In making a determination of the Net Earnings, the accountant shall include in Net Earnings the District's available revenues and may take into consideration a change in the rates and charges for services and facilities afforded by the City's Waterworks and Sewer System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the City's Waterworks and Sewer System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the accountant's certificate or opinion.

The Bond Order specifically recognizes the right of the City to issue bonds on a parity with or superior to bonds payable with the City Contract Payments. The Bond Order also recognizes that the District may issue other bonds (in addition to the Bonds or any Additional Bonds issued pursuant to the Bond Order), including refunding bonds, to the extent authorized by law and permitted by the Agreement, provided that such bonds are payable from and secured by sources other than City Contract Payments.

Amendments to Bond Order, Trust Indenture and Contract

The Bond Order, Trust Indenture and Contract may be amended by the District with the consent of the City and the Bond Insurer (and of the Trustee for amendments to the Trust Indenture) for the purposes set forth in the Bond Order, and under certain circumstances as set forth therein, the consent of the Registered Owners of the Bonds and any Additional Bonds then outstanding may be required. However, under no circumstances can the District consent to any amendment to the Contract that alters or amends the City's obligation to pay the City Contract Payments.

SUMMARY OF THE TRUST INDENTURE

The Trust Indenture, dated November 1, 1985, as supplemented July 1, 1989 and January 1, 1994, between the District and the Trustee, creates an express trust to which the District assigns all of its rights, title and interest in and to, and grants a security interest in, the Contract, including specifically the City Contract Payments and the Debt Service Fund. The Trustee accepts such assignment and covenants to discharge the duties detailed in the Trust Indenture. The District has expressly acknowledged that it shall be the sole responsibility of the Trustee with respect to the Contract to enforce on behalf of the Registered Owners of the Bonds of the obligation of the City to make or pay the City Contract Payments. The following is a summary of certain terms and provisions of the Trust Indenture, but it is not a complete description and is qualified by reference to the Trust Indenture, copies of which are available from the District.

In accepting the trust, the Trustee also agrees to act as the Paying Agent/Registrar for the Bonds and to authenticate the Bonds. The Trustee further agrees to hold and administer the Debt Service Fund. The Trustee is required to maintain separate records and books and to render an annual report. The books and records are available for inspection by the District and the City.

The Trustee is appointed the agent and representative of the Registered Owners of the Bonds with power to enforce the Contract, the Trust Indenture and the Bond Order. No Registered Owner of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Trust Indenture, the Contract or the Bond Order, or for the execution of any trust under the Trust Indenture, or for the appointment of a receiver, or enforcement of any remedy under the Trust Indenture, except pursuant to the terms of the Trust Indenture.

In the case of any default under the provisions of the Bonds, the Contract, the Bond Order or the Trust Indenture, the Trustee may, in addition to any other remedies available to it, enforce any covenant in the Bonds, the Contract, the Bond Order or the Trust Indenture through the remedies of mandamus or specific performance, or by the appointment of a receiver. In the event of any such default, the Bonds may not be declared immediately due and payable by the Trustee or the Registered Owners. Any moneys received by the Trustee pursuant to any action taken as a result of an event of default shall, after payment of the fees and expenses of the Trustee, be applied in the manner prescribed in the Trust Indenture to the payment of principal of and interest on the Bonds.

Except for the failure of the City to make City Contract Payments or for a default in the payment of any amount with respect to the Bonds when and as they become due and payable, which failure or default shall not have been remedied and made good, the Trustee shall waive any event of default and its consequences upon the written request of the Registered Owners of a majority in aggregate principal amount of all Bonds and Additional Bonds then outstanding. In case of any such waiver the District, the Trustee, the City and the Registered Owners of the Bonds shall be restored to their former positions and rights under the Trust Indenture, but no such waiver or decision shall extend to any subsequent or other event of default, or any right consequent thereon.

The Trust Indenture provides that the Trustee shall be compensated from the Debt Service Fund and that the Trustee's expenses, advances and counsel fees will be paid from the same fund. The Trustee's responsibility is limited and the Trustee shall not be liable for action taken in good faith and shall not be required to expend its own funds or take any action which would conflict with any rule of law or the terms of the Trust Indenture. The Trust Indenture also provides that the Trustee may own Bonds and will have the same rights as if it were not Trustee. In addition, the Trust Indenture also makes provision for the resignation or removal of a Trustee and the appointment of a successor Trustee.

RATING

The District has been notified by Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P") that, based upon the municipal bond insurance policy to be issued by Financial Security Assurance Inc. upon delivery of the Bonds, the Bonds will be rated "Aaa" and "AAA", respectively (see "Bond Insurance" herein). An explanation of the significance of any such ratings may be obtained from Moody's and S&P. The ratings of the Bonds by Moody's and S&P reflect only the views of each company at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by Moody's and S&P if, in the judgment of Moody's and S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix D -- Form of Legal Opinion.

In rendering their opinion, Bond Counsel will rely upon (a) the District's no-arbitrage certificate and the verification report prepared by KPMG Peat Marwick, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel have based their opinion is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

The Underwriters have represented that the initial public offering price to be paid for the Bonds, as stated on the cover of the Official Statement, (the "Original Issue Discount Bonds") may be less than the principal amount thereof. The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the

semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted earnings and profits" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds is includable in the "alternative minimum taxable income" of a corporation (other than a regulated investment company or a real estate investment trust) for purposes of determining the environmental tax imposed by section 59A of the Code. Section 59A of the Code imposes on a corporation an environmental tax, in addition to any other income tax imposed by the Code, equal to 0.12 percent of the excess of the modified alternative minimum taxable income of such corporation for the taxable year over \$2,000,000.

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the

"revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS IN TEXAS

Section 54.515, Chapter 54, Texas Water Code states that the bonds of the District are legal and authorized investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees, and for the other political corporations or subdivisions of the State of Texas. The statute further provides that the Bonds are eligible to secure the deposit of any and all public funds of the State of Texas and any and all public funds of cities, towns, villages, counties, school districts, or other political corporations or subdivisions of the State of Texas; and the bonds are lawful and sufficient security for said deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such institutions or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes, and, consequently, the District makes no representation that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

LEGAL OPINIONS

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to like effect. Bond Counsel shall also render an opinion to the effect that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings and court decisions. See "TAX MATTERS."

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas has reviewed the information under the captions, "PLAN OF FINANCING", "DESCRIPTION OF THE BONDS" (other than the information under the subcaption "Book-Entry-Only System"), "LEGAL OPINIONS", AND "TAX MATTERS" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Bond Order contained under such captions is current as to matters of law and is a fair and accurate summary of the information purported to be shown.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

Strasburger & Price L.L.P., Austin, Texas will pass on certain legal matters for the District.

Fulbright & Jaworski L.L.P., San Antonio, Texas, will pass on certain legal matters for the Underwriters.

FINANCIAL ADVISOR

Robert Davis & Co. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and assisting in the preparation of the Official Statement. In its capacity as Financial Advisor, Robert Davis & Co. has assisted in compiling certain financial information and editing this Official Statement.

The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement nor has it conducted an investigation into the affairs of persons or firms referred to in this Official Statement for the purpose of passing upon the accuracy or completeness of this Official Statement.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the records of the District, the City and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, contracts and indentures contained in this Official Statement are made subject to all of the provisions of such statutes, documents, contracts and indentures. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to original documents in all respects.

The information contained in Appendices A and B has been obtained from the City, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District or the Underwriters.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to (a) Computation of forecasted receipts of principal and interest on the Restricted Acquired Obligations and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Refunding Bonds and the Restricted Acquired Obligations was examined by KPMG Peat Marwick, certified public accountants. Such computations were based solely on assumptions and information supplied by the Underwriters on behalf of the District. KPMG Peat Marwick has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a discount of \$132,560 from the initial offering price of the Bonds to the public. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Bond Order authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorize its further use in the offering of the Bonds.

/s/ Steve D. Pena
President, Board of Directors
North Austin Municipal Utility District No. 1

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APPENDIX A
INFORMATION REGARDING THE CITY'S UTILITY SYSTEMS

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THE SYSTEMS

The City owns and operates an Electric Light and Power System and a Waterworks and Sewer System which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and sewer services. The City owns all the facilities of the Waterworks and Sewer System. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City owns three gas/oil-fired electric generation facilities, two of which are available to meet system demand. A description of the Systems' service areas, operations and responsibilities, existing facilities and current construction follows.

Employees

The Systems have approximately 2,100 full-time permanent employees as of December 31, 1993 with average tenures of approximately 9.84 years. A number of the Systems' employees are members of the American Federation of State, County and Municipal Employees ("AFSCME"). Pursuant to V.A.T.C.S., Article 5154c, the City cannot recognize or negotiate with any collective bargaining group. AFSCME currently serves as an advisory and lobbying body for its members. The Systems have never experienced a strike or a job action, both of which would be illegal under State law.

THE ELECTRIC UTILITY

Management

<u>Name</u>	<u>Length of Service</u>	<u>Title</u>	<u>with City</u>
John B. Moore		Director/CEO of Electric Utility	22 Years
Milton B. Lee, II		Chief Operating Officer	4 Years
Joseph Malaski		Chief Financial Officer	9 Years
Laura Doll		Chief Administrative Officer	12 Years
David Kasper		Director of Budget and Financial Planning	21 Years
Harvey Winkelmann		Director of Regulatory Affairs	10 Years
Sam Jones		Director of System Engineering and Control	32 Years
Cathy Baumgardner		Director of Administration and Community Services	16 Years
James Lanier, III		Director of Joint Projects	5 Years
Dan T. Stathos, III		Director of Operations Support	3 Years
Marvin Holcomb		Director of Transmission and Distribution	21 Years
vacant		Director of Generation	-- Years

Generation

The present generating facilities, or interest of the Electric Utility therein, are as follows:

<u>Unit</u>	<u>Year Installed</u>	<u>Turbine Generator Nameplate Rating (MVA)</u>	<u>Net Capacity (MW)</u>	<u>Fuel</u>
Fayette Power Project				
Unit No. 1	1979	341.8	285.0	coal
Unit No. 2	1980	341.8	285.0	coal
Holly Street Power Plant				
Unit No. 1	1960	133.70	97.0	gas/No. 5 oil backup
Unit No. 2	1964	133.70	97.0	gas/No. 5 oil backup
Unit No. 3	1966	224.00	165.0	gas/No. 5 oil backup
Unit No. 4	1974	234.00	181.0	gas/No. 2 oil backup
Photovoltaic Plant (PV300)	1986	0.30	0.3	solar
Decker Power Station				
Unit No. 1	1970	414.98	310.0	gas/No. 2 oil backup
Unit No. 2	1977	486.00	400.0	gas or Nos. 1 through 5 oil
Gas Turbines	1988	229.00	200.0	gas/No. 2 oil backup
South Texas Project Electric Generating Station				
Unit No. 1	1988	216.69	200.0	nuclear
Unit No. 2	1989	216.69	<u>200.0</u>	nuclear
Total Capacity			2,420.3(1)	

(1) The Seaholm Power Plant Units (net capacity - 100 MW) are not contributing to reserve capacity or system peak and are excluded from system capacity. The units (gas/no. 5 oil backup) will require intensive maintenance to bring them to reliable operating status.

See caption "Fuel Supply" for a discussion of the fuel supplies for the above units.

Fayette Power Project . . . The City is a 50% owner in the Fayette Power Project consisting of two coal fired units and related facilities with a net capacity of 1,140 megawatts ("MW"). A third unit has been constructed at the Fayette site but the City is not participating. The Fayette Power Project is a joint power project undertaken by the Lower Colorado River Authority ("LCRA") and the City. Pursuant to the participation agreement, LCRA was appointed Project Manager and a Management Committee was established composed of two representatives from each participant to direct the development and operation of the project. The participation agreement provides that all covenants, obligations and liabilities incurred under the participation agreement are several and not joint and collective. The Fayette Power Project is located approximately 8 1/2 miles east of LaGrange, between LaGrange and Fayetteville in Fayette County. Coal deliveries began in January 1979. Unit No. 1 and common facilities went into commercial operation June 16, 1979. Unit No. 2 is identical to Unit No. 1 and went into commercial operation May 1980.

South Texas Project . . . The City is a 16% owner in the South Texas Project ("STP") consisting of two 1,250 MW nuclear generating units. STP is located between Bay City and Palacios in Matagorda County. The participants in the project are two investor-owned utilities, Houston Lighting and Power Company ("HLP") (30.8%) and Central Power and Light Company ("CPL") (25.2%), and two municipal entities, City Public Service of San Antonio (28%) and the City. Pursuant to the STP participation agreement, HLP was designated as the Project Manager and a Management Committee composed of one representative and one alternate of each participant was established. The participation agreement provides that all covenants, obligations and liabilities incurred under the participation agreement are several and not joint and collective.

The entire project was 100% complete as of December 31, 1988. The Nuclear Regulatory Commission ("NRC") on August 21, 1987 issued a low power license for Unit No. 1. On March 8, 1988, Unit No. 1 achieved reactor criticality for the first time. On March 22, 1988, the NRC issued a full power license for Unit No. 1. Commercial operation began at midnight on August 25, 1988. Unit No. 2 was granted a low power license and full power license March 11 and March 28, 1989, respectively. Initial criticality was achieved March 12, 1989. Commercial operation was attained June 19, 1989. Construction and nuclear costs have been provided from bond and note proceeds and settlement proceeds obtained from the original architect-engineer and construction manager. The City has never financed interest during the construction period of STP.

Members of the current and past City Councils and residents of the City have expressed economic and environmental concerns with respect to the City's participation in a nuclear generating station. A referendum allowing for the sale or disposal of the City's interest in STP was approved in 1981 and the Bond Ordinance allows for the sale, lease or disposal of all or part of such interest. The City entered into an agreement in principal with HLP in conjunction with a proposed settlement of their litigation, which would have resulted in the City trading its interest in STP for the same amount of capacity in a lignite fired generating station. This agreement was later terminated by HLP. Outside consultants have been hired and a task force has been formulated to explore all potential options available with respect to STP.

On February 3, 1993 a reactor trip occurred at STP Unit 2. Following the trip an Auxiliary Feedwater Pump failed to operate properly. Due to concern about the operability of an identical pump in Unit 1, STP Unit 1 was shutdown on February 4, 1993 pending investigation of the problem. On February 5, 1993 the U.S. Nuclear Regulatory Commission (NRC) issued a Confirmatory Action Letter confirming the Houston Lighting and Power (HL&P) commitment not to restart either unit at STP until a public briefing is conducted with the NRC to review HL&P's efforts to correct the Auxiliary Feedwater Pump problems. On February 12, 1993 the Executive Director for Operations of the NRC informed HL&P of the NRC's Decision to conduct a Diagnostic Evaluation at STP. On April 19, 1993 the NRC proposed three separate fines totaling \$175,000 for violations relating to personnel errors and equipment deficiencies at STP. HL&P has acknowledged that these violations occurred and has paid these fines on behalf of the owners. On May 7, 1993 the NRC issued a Confirmatory Action Letter Supplement confirming HL&P's commitment to address eight additional issues at the public briefing in addition to the briefing on the Auxiliary Feedwater Pump issue. Both Units remain shutdown. On May 28, 1993 the NRC proposed two fines totaling \$325,000 for violations relating to equipment deficiencies at STP. HL&P has acknowledged that these violations occurred and has paid the fines on behalf of the owners. On June 10, 1993 the NRC Diagnostic Evaluation Team issued a final report critical of HL&P's management and operation of STP. On June 25, 1993 the NRC placed STP on its "Watch List" of nuclear plants requiring a higher level of regulatory scrutiny. On October 15, 1993 the NRC issued a second Confirmatory Action Letter supplement adding seven more issues to the previous nine issues which must be addressed by HL&P in a public briefing with the NRC prior to re-start of either Unit at STP. An NRC Operational Readiness Assessment Team (ORAT) conducted an on-site inspection during the week of December 6, 1993 and identified several areas requiring additional improvement prior to re-start. The ORAT will return on January 12, 1994 to conduct a phase II inspection. Re-start of Unit 1 is anticipated by HL&P to be possible by January 31, 1994 pending a favorable outcome of the NRC ORAT inspection and completion of the public briefing required by the Confirmatory Action Letter. Unit 2, also pending favorable NRC actions, is anticipated by HL&P to possibly be re-started by April 28, 1994. O&M expenditures at the end of 1993 totaled approximately \$364 million, a \$113.5 over-run of the \$250.5 approved plant budget. HL&P has proposed a \$325 million O&M budget for 1994.

Alternate Energy Sources . . . At a bond election held October 22, 1983, the voters of the City authorized \$25 million in Combined Utility Systems revenue bonds for the purpose of funding various alternate energy projects. A 300 kilowatt solar photovoltaic powerplant was completed in December 1986 at the site of the Utility's Decker Creek facility. The project was built on a turn-key basis for \$3.1 million, and currently is operating successfully. The City is also a co-owner of another 300 kilowatt solar photovoltaic project with 3M Company. The plant was constructed at 3M's new research facility in the City's electric service area. Final commercialization occurred in June 1990. For its \$600,000 investment in the project the City receives 31% of the electrical energy generated by the plant. Other projects funded with these bonds have included other smaller solar P.V. projects, various energy efficiency improvements to City buildings, and the installation of solid-state devices to meter customer appliance consumption and to cycle specific appliances as part of a load management program. It is anticipated that additional bond funds will be used to continue Austin's participation in research efforts relating to solar photovoltaics, fuel cells, hydro, battery storage applications, cogeneration, load control equipment, and electric vehicles.

Holly Power Plant . . . On March 13, 1993 a fire occurred at the Holly Street Power Plant. The fire was fueled by approximately two hundred gallons of #5 fuel oil contained in a length of pipe. Fuel oil is stored at the plant for use in the event natural gas supply is interrupted. The ignition source of the fire appears to have been an electrical heating system used to warm the piping which transports the fuel from on site storage tanks to the power plant. Although the heating system had been turned on in anticipation of cold weather, there was no oil being released from the storage tanks or flowing to the plant.

There were no injuries or service interruptions as a result of the fire and damage to plant equipment was minimal.

On March 18, 1993 the Austin City Council passed a resolution directing " ... the City Manager to outline options available to the City for closure and permanent decommissioning of the Holly Street Power Plant...". The City Council requested this report be brought back in ninety days.

In June, 1993 the City Manager issued a report on Holly Power Plant closure options with the following major findings: (1) Holly is poorly sited; (2) Holly is a large power plant and is needed today to provide electric capacity and support the transmission system; (3) early closure of Holly would require new generating capacity and new transmission lines and could occur in 5.7 years, and, alternatively, the operating life of the plant could be extended.

In July, 1993, the Austin City Council directed the City Manager to request proposals for energy resources which could replace the generating capacity of the Holly Power Plant. Proposals requested are to include electric power supply, demand-side management, renewable energy resources, cogeneration, and other energy sources.

The City of Austin Electric Department and Energy Conservation Services Department have drafted requests for proposals (RFPs) for potential Holly replacement resources. An RFP for power supply, an RFP for demand-side resources, and an RFQ for transmission supplementation are scheduled for issuance in late January, 1994.

Conventional System Improvements

On September 24, 1987, the City Council ordered the discontinuance of all 345 kV transmission project construction. The Electric Utility is continuing the construction of non-345 kV related transmission and substation projects, distribution and streetlighting projects, and miscellaneous generation projects. On March 31, 1988, the City Council approved amending the Capital Improvement Program ("CIP") by abandoning previously approved 345 kV-related projects and reappropriating those funds to an interim transmission plan to accommodate major transmission and substation needs until October 1989. The interim plan, including funds for long-range transmission planning and preliminary engineering, totals \$52,909,700. Funding is made up of \$16,483,000 in previously approved bonds and \$36,426,700 from abandoned 345 kV-related projects.

The 1989 Transmission Plan was presented to Council on April 11, 1989 and was approved in concept as an alternative to the previous 345 kV plan. The cost of the recommended plan is estimated at \$90 million in 1989 dollars. The major uncertainties affecting the total cost of the plan are opportunities for cost sharing of joint projects with LCRA, the schedule for construction of specific projects and the selection and acquisition of rights-of-way.

The Electric Utility recently entered into a transmission agreement with LCRA for the purchase of two 138 kV transmission lines and other future rights. The agreement will help facilitate the construction of critical transmission lines and accelerate the completion schedule of Austin's transmission plan. The transmission plan, including over fifty projects, is estimated to be completed in the next five to seven years.

The City Council held a bond election on August 8, 1992 to fund Electric Utility Capital requirements through 1995, and to approve the deauthorization of bond authority for the canceled Waste-to-Energy project and bond authority for energy conservation purposes.

The new funding included (1) \$33 million (including reserve fund contributions) for distribution and streetlighting additions and (2) \$49.5 million (including reserve fund contributions) for generation equipment upgrades at the Holly and Decker power plants.

Deauthorizations included (1) \$64.7 million for the Waste-to-Energy project canceled by the City Council in 1988 and (2) \$65.7 million on bond authority for energy conservation projects that can not legally be issued.

The new funding and the deauthorizations were approved by the voters on August 8, 1992.

A breakdown of the Electric Utility Department 1994-98 CIP Plan is as follows:

Transmission and Substation	\$ 87,698,000
Distribution and Streetlighting	135,577,000
Existing Generation	151,660,000
General Additions	<u>60,758,000</u>
	\$435,693,000

Funding for the CIP will consist of \$112,280,632 in current revenues, \$291,459,257 in debt, \$15,000,000 from contributions in aid of construction and \$16,953,111 in available cash in CIP funds, which totals to \$435,693,000.

Electric Supply Plan

Planning future Electric Utility needs is based on varying assumptions of economic growth and the impact the City's conservation and load management programs. The forecasted average annual growth in peak demand ranges from 1.5% to 4.1% annually for the period 1994 through 2004.

The long-range electric supply plan for the City is updated annually or as needed following the preparation of a new electric energy and demand forecast and the analysis of other recent data about electric generation and fuel options available to the City.

The City's Electric Supply Plan is based on the following goals and objectives:

- Meet long-term customer demand for electricity.
- Maintain electric utility service at adequate levels of reliability.
- Minimize cost to ratepayers.
- Implement cost effective demand-side programs.
- Diversify energy resources.
- Maintain planning flexibility.

The results of the most recent supply evaluation were presented to the City Council in July 1993. Additional sources of electrical power are not anticipated to be needed until after the year 2003, assuming the continued availability of the Holly Power Plant and the return to service of the South Texas Project. A variety of options will be considered to fulfill the needs for additional resources -- power purchases, demand-side management, repowering of existing generation, as well as new generation options.

For information concerning the City's current capacity, demand and reserve forecast for the years 1993 through 2003, see "Capacity Requirements".

Transmission and Distribution System

The transmission and distribution lines of the Electric Utility System as of September 30, 1993 are described as follows:

Miles	Description
55	345 kV transmission line (Fayette Power Project)
94	345 kV transmission line (South Texas Project)
61	345 kV transmission line (Fayette Power Project) (50% ownership with LCRA)
293	69 kV and 138 kV transmission line

The Electric Utility owns the following transmission substations:

Austrop	Holman	Pilot Knob
Decker Plant	Holly Plant	Seaholm Plant
	Lytton Springs	

The Electric Utility owns the following distribution substations:

Name	Capacity (MVA)	Name	Capacity (MVA)
Austin Dam	60	McNeil	90
Barton	60	Magnesium	90
Bee Creek	60	Marshall Ford	0
Bergstrom	32.5	North	60
Brackenridge	210	Northland	112.5
Burleson	93.6	Oak Hill	60
Cameron	60	Onion Creek	60
Cardinal Lane	80	Patton Lane	90
Carson Creek	60	Pedernales	60
Commons Ford	60	River Place	40
Daffin Gin	30	Salem Walk	90
Fiskville	60	Seaholm	60
Grove	60	Slaughter Lane	60
Hamilton	90	Sprinkle	30
HiCross	60	Steck	60
Howard Lane	60	Summit	140
Jett	60	Walnut Creek	120
Jollyville	60	Warren	60
Kingsbery	60	Wheless Lane	60
Koenig Lane	110	Williamson	90
Lakeshore	42.5	Zilker	20
Lakeway	60		

The City and LCRA entered into the Fayette Power Project Transmission Agreement dated March 17, 1977 setting forth the duties, obligations and responsibilities with respect to the transmission of energy from the Fayette Power Project. The City has also entered into the South Texas Project 345 kV Transmission Line Agreement dated as of January 1, 1976 with the participants in STP setting forth the duties, obligations and responsibilities with respect to transmission facilities associated with STP.

The Electric Utility is interconnected with the LCRA, with whom the City has a power interchange agreement. The Electric Utility is also interconnected with HLP, City Public Service Board of San Antonio and Central Power and Light Company. The City is a member of the Electric Reliability Council of Texas ("ERCOT"), an organization made up of major investor-owned and municipal systems, a state river authority, a municipal joint agency, plus a number of cooperatives and small municipalities. As a participant in ERCOT, the City's Electric Utility is able to provide and be provided with a reliable backup supply of generation under emergency conditions. The diversification of the fuel sources of the member systems increases the potential for economic interchanges among the respective systems. Sale and purchase transactions generally maximize the use of the less expensive fuel sources by all members of the interconnected system.

Historically, electric utilities operating in Texas have not had any interstate connections other than in certain emergency situations and hence investor owned utilities have not been subject to regulation by the Federal Energy Regulatory Commission ("FERC") and its predecessor agencies under the Federal Power Act. Over the past several years, successful efforts have been made to provide interstate connections. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. The settlement of such proceedings permits the ERCOT members to avoid federal regulation as the result of any interstate interconnection with another interstate connected utility.

Power and Energy Sales Contracts

The City has a contract with the University of Texas at Austin to provide 25 MW of supplemental standby power and energy. This contract will provide revenue of approximately \$58,500 per month in 1994. The contract may be terminated by either party after 180 days written notice, or sooner, if both parties so agree.

In November 1988, the City entered into a power sales contract with the City of Weatherford, Texas for the sale of electricity starting June 1989. A revised contract was adopted by the City on August 18, 1990 which provided for the sale of 10MW of electric capacity from January 1990 through December 1990 and 25MW of capacity from January 1991 through December 1996. The contract replaced the original of November 1988.

In August 1992, the First Supplemental Agreement was executed, extending the terms for the sale of electricity by the City to Weatherford through December 2000. The extension is subject to Weatherford obtaining appropriate transmission wheeling arrangements.

This contract is projected to produce revenue of approximately \$75,000 per month for the rest of its term.

Historical Demand and Electric Utility Sales

The following table summarizes historical demand and Electric Utility annual sales from 1983 to 1993:

	Net Service Area Generation MWh (1)	Annual Increase %	Service Area Peak Demand MW (1)	Annual Increase %
1983	4,411,201	2.8%	1,101	8.7%
1984	5,098,251	15.6%	1,210	9.9%
1985	5,688,017	11.6%	1,320	9.1%
1986	6,001,990	5.5%	1,402 (2)	6.2%
1987	6,083,313	1.4%	1,391	(0.8%)
1988	6,323,984	4.0%	1,395	0.3%
1989	6,497,623	2.8%	1,408 (3)	0.9%
1990	6,772,026	4.3%	1,483 (4)	5.3%
1991	6,925,344	2.3%	1,457 (5)	(1.8%)
1992	7,128,826	2.9%	1,498 (6)	2.8%
1993	7,402,724	3.8%	1,581 (7)	5.5%
Annual Compounded Increase 1983-1993		5.3%		3.7%

(1) Service area energy (MWh) and demand (MW) values are sensitive to temperature variations. The historic energy and demand values have not been adjusted for normalized temperature.

(2) Excludes an additional 304 MW coincidental demand delivered to other utilities.

(3) Excludes an additional 10 MW coincidental demand delivered to other utilities.

(4) Excludes an additional 130 MW coincidental demand delivered to other utilities.

(5) Excludes an additional 101 MW coincidental demand delivered to other utilities.

(6) Excludes an additional 23 MW coincidental demand delivered to other utilities.

(7) Peak of 1581 MW occurred in both July and August. Excludes an additional 28 MW coincidental demand delivered to other utilities in July. Excludes an additional 112 MW coincidental demand delivered to other utilities in August.

Projected Aggregate Peak and Energy Requirements

The following table summarizes the aggregate peak demand and energy requirements projected by the City and reviewed by independent consultants.

<u>Fiscal Year Ending September 30,</u>	<u>Demand (MW)</u>	<u>Energy Sales (GWh)</u>
1994	1,585	6,945
1995	1,609	7,126
1996	1,639	7,357
1997	1,669	7,520
1998	1,722	7,814
1999	1,773	8,101
2000	1,831	8,442
2001	1,888	8,748
2002	1,942	9,047
2003	2,021	9,448
2004	2,086	9,811
Projected Annual Compounded Increase 1994-2004	2.8%	3.5%

Annual Summary of Customer Consumption and Average Price

The Electric Utility delivers electricity to an average of 282,000 customers within its service area. The kilowatt-hour sales distributed by customer classification served by the Electric Utility are shown in the following table:

	<u>Fiscal Year Ended September 30,</u>				
	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
All Customers					
Average Monthly kWh Per Customer	1,983	1,917	1,927	1,936	1,891
Average Monthly Bill Per Customer	\$ 134.16	\$ 118.63	\$ 119.90	\$ 124.53	\$ 118.66
Average Monthly Revenues Per kWh	\$0.06765	\$0.06189	\$0.06221	\$0.06432	\$0.06277
Residential Customers					
Average Monthly kWh Per Customer	865	821	847	870	842
Average Monthly Bill Per Customer	\$ 62.79	\$ 54.08	\$ 56.21	\$ 59.74	\$ 55.38
Average Monthly Revenues Per kWh	\$0.07261	\$0.06584	\$0.06634	\$0.06867	\$0.06578
General Customers					
Average Monthly kWh Per Customer	11,560	11,244	10,141	9,853	10,974
Average Monthly Bill Per Customer	\$ 745.30	\$ 668.26	\$ 604.20	\$ 605.71	\$ 667.00
Average Monthly Revenues Per kWh	\$0.06447	\$0.05943	\$0.05958	\$0.06148	\$0.06078

Capacity Requirements

The following table, prepared by the City and reported for planning purposes to ERCOT and FERC, summarizes the total capacity requirements versus capacity available to the Electric Utility through 2003.

Capacity in excess of requirements is considered to be reserve capacity. ERCOT guidelines specify that member utilities should maintain a reserve margin of at least 15 of its forecasted annual maximum hourly firm demand. Austin currently plans to maintain at least a 20 percent reserve margin.

Under current forecast assumptions, Austin expects to have sufficient capacity from its existing generation facilities for at least the next ten years.

The loss of any existing generation facility would accelerate the City's need for additional capacity.

Assessment of Electric Supply Needs

Year	Unadjusted Peak Load (b)	Conservation and Load Management	Expected Peak Load (d)	Firm Sales	Total Requirements	System Capacity at Peak	20% Reserve Requirements	Reserve Above 20%	Reserve Margin (%) (e)
1993	-----	--	1,581 (a)	25	1,606	2,420	321	493	50.7
1994	1,641	56	1,585	25	1,610	2,420	322	488	50.3
1995	1,689	80	1,609	25	1,634	2,420	327	459	48.1
1996	1,751	112	1,639	25	1,664	2,420	333	423	45.4
1997	1,809	140	1,669	25	1,694	2,420	339	387	42.9
1998	1,894	172	1,722	25	1,747	2,420	349	324	38.5
1999	1,978	205	1,773	25	1,798	2,420	360	262	34.6
2000	2,063	232	1,831	25	1,856	2,420	371	193	30.4
2001	2,173	285	1,888	0	1,888	2,420	378	154	28.2
2002	2,272	330	1,942	0	1,942	2,420	388	90	24.6
2003	2,390	369	2,021	0	2,021	2,420	404	(5)	19.7

(a) Actual.

(b) Based on the Latest Long Term Base Load forecast.

(c) The Seaholm units are not contributing to reserve capacity or system peak and are excluded (100MW) from system capacity. The units will require intensive maintenance to bring them to reliable operating status.

(d) Unadjusted peak load less conservation and load management.

(e) Installed capacity less total requirements divided by total requirements. A 20% reserve margin is generally accepted as a planning target to maintain system reliability in case of unexpected outages or load increases.

Except where noted, all values are megawatts (MW).

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Generation and Use Data

	Fiscal Year Ended September 30,				1989			
	1993	1992	1991	1990	Average Customers	kWh	Average Customers	kWh
Net kWh Generated								
kWh Received from ERCOT(1)								
Less: kWh Delivered to ERCOT (1)								
Less: kWh Delivered to Other Utilities								
Total kWh Delivered to Service Area								
Service Area Energy Use:								
Residential								
General Service								
Public Street Lighting								
City Utility Departments								
Other City Departments								
Total Service Area Sales Loss and Unaccounted For Service Area								
System Peak Demand (kWh)								

(1) Electric Reliability Council of Texas (formerly Texas Interconnected System).

(2) Includes 1,408,000 kW peak demand delivered to service area plus coincidental demand of 10,000 kW delivered to other utilities.

(3) Includes 1,483,000 kW peak demand delivered to service area plus coincidental demand of 130,000 kW delivered to other utilities.

(4) Includes 1,457,000 kW peak demand delivered to service area plus coincidental demand of 101,000 kW delivered to other utilities.

(5) Includes 1,498,000 kW peak demand delivered to service area plus coincidental demand of 23,000 kW delivered to other utilities.

(6) Includes 1,581,000 kW peak demand in August of 1993 delivered to service area plus net coincidental demand of 112,000 kW delivered to other utilities. A system peak of 1,581,000 kW was also recorded in July of 1993 with an additional 28,000 kW net coincidental demand delivered to other utilities.

Large Customers

The ten largest customers served by the Electric Utility comprised 8.3% of total service area sales revenue derived from Electric Utility customers in 1993, unchanged from 1992. The three largest customers, Motorola, Inc. and IBM Corporation (South) and Advanced Micro Devices comprised 4.2% of the total service area sales revenues derived from the Electric Utility in 1993 compared to 4.1% in 1992. The following table indicates the largest customers with sales and revenues derived from such customers.

	Fiscal Year Ended September 30, (dollars in thousands)									
	1993		1992		1991		1990		1989	
	MWh	Revenue	MWh	Revenue	MWh	Revenue	MWh	Revenue	MWh	Revenue
Motorola, Inc.	163,120	\$ 8,497	152,968	\$7,168	148,766	\$7,040	144,143	\$6,886	133,772	\$6,507
IBM Corporation (South)	116,233	6,420	116,130	5,829	116,902	5,869	116,028	5,893	108,482	5,603
Advanced Micro Devices	95,679	5,059	106,947	4,978	102,234	4,807	95,905	4,550	87,969	4,280
Motorola, Inc. (1)	86,579	3,847	37,891	1,824	42,859	1,688	—	—	—
IBM Corporation (North)	71,934	3,842	74,727	3,657	77,240	3,829	73,771	3,633	64,204	3,233
UT - Sematech	64,413	2,889	69,187	2,719	66,353	2,667	59,311	2,405	33,069	1,395
Motorola, Inc.	49,071	2,589	76,463	2,978	46,104	2,224	31,935	1,585	24,733	1,215
Bergstrom Air Force Base (2)	51,339	2,588	63,059	2,916	67,382	3,133	67,626	3,181	65,585	2,956
Texas Instruments	41,194	2,336	39,505	2,071	40,111	2,125	41,642	2,245	43,735	2,323
Capital Complex	28,488	1,340	22,082	924	23,662	1,048	23,815	1,061	25,621	1,089
	<u>768,050</u>	<u>\$39,407</u>	<u>758,959</u>	<u>\$35,082</u>	<u>731,613</u>	<u>\$34,430</u>	<u>654,176</u>	<u>\$31,439</u>	<u>587,170</u>	<u>\$28,601</u>

(1) Economic Development Rate.

(2) Bergstrom Air Force Base is one of the military installations closed by the Base Closure Commission. The base closed in September of 1993.

Electric Rates

The following electric rates are effective November 1, 1989, by Ordinance 890914-D. The Electric Utility did not change its rates in the Fall of 1990, 1991, 1992, or 1993. The staff is currently reviewing whether any changes will be necessary for the Fall of 1994. See "Rate Regulation" below.

Customer Class	Fuel Charge (1) All kWh	Customer Charge \$ 3.00	Energy Charge		Summer May thru October
			1st 500 kWh \$.0275 Per kWh	Winter November thru April	
Residential Service (E01)					
General Service Non-Demand (E02)	All kWh	3.00		\$.0582 All kWh Above 500 kWh	\$.0782 All kWh Above 500 kWh
State Accounts Non-Demand (E13)	All kWh	3.00		.0413 All kWh .0434 All kWh	.0613 All kWh .0634 All kWh
Water and Wastewater - (E03)	All kWh	Minimum Bill \$12.00 (2)		.0238 All kWh	.0596 All kWh
Other City (Including Electric) (E04)	All kWh	12.00 (2)		.0333 All kWh	.0501 All kWh
Streetlight/Traffic - (E05)	All kWh	12.00 (2)		.1477 All kWh	.1477 All kWh
General Service Demand (E06)	All kWh	12.00 (2)	Energy Charge \$.0210 All kWh	Demand Charge \$ 9.55 All kW	\$10.97 all kW
General Service Demand - Public Schools (E10)	All kWh	12.00 (2)	.0210 All kWh	5.07 All kW	7.31 All kW
Primary Service - (E07)	All kWh	12.00 (2)	.0160 All kWh	10.51 All kW	12.75 All kW
Large Primary Service - (E08)	All kWh	12.00 (2)	.0160 All kWh	11.53 All kW	13.85 All kW
State Accounts-Demand Secondary Service (E14)	All kWh	12.00 (2)	.0175 All kWh	9.62 All kW	11.56 All kW
State Accounts - Primary Service (E17)	All kWh	12.00 (2)	.0100 All kWh	11.52 All kW	11.85 All kW
State/BAFB Large Primary Service (E15)	All kWh	12.00 (2)	.0100 All kWh	10.54 All kW	11.05 All kW
Nightwatchman: 175 Watt Merc. Vapor 100 Watt High Pressure Sodium 400 Watt Merc. Vapor 250 Watt High Pressure Sodium	Fuel Charge 60 kWh Per Light 35 kWh Per Light 140 kWh Per Light 90 kWh Per Light	Pole Rental \$1.83 Per Pole 1.83 Per Pole 1.83 Per Pole 1.83 Per Pole	Customer Charge		
			\$4.04 Per Light 3.68 Per Light 8.59 Per Light 7.25 Per Light		

(1) Plus an Adjustment for Fuel Cost for All kWh Used, Calculated as Per Rate Ordinance Formula.

(2) Minimum Bill is applied when the sum of energy, demand and fuel charges is less than \$12.00.

Fuel Charge

The City assesses a monthly fuel charge based on a formula designed to recover the actual cost of fuel per kWh. The intent of the fuel formula is to avoid any over or under recovery of costs associated with fuel.

Fuel Supply

Coal. Coal is the fuel for Units 1 and 2 of the Fayette Power Project. In order to secure an adequate supply of coal for the operation of these units the City and LCRA entered into a Coal Purchase Contract with Decker Coal Company on October 24, 1974, and a Coal Supply Agreement ("ARCO Contract") with Thunder Basin Coal Company, a wholly owned subsidiary of Atlantic Richfield Company, effective April 21, 1977. The Decker Contract has been terminated as a result of litigation.

The ARCO Contract was amended, effective April 1, 1989, to provide for a price reduction in return for an increase in the term and the contract volumes. Under the amended contract, the City will buy approximately two million tons of coal annually from Thunder Basin Coal Company through 1995 at a reduced initial price; the amendment also provides for a system of fixed, indexed, and market-driven prices which are expected to produce a slower rate of price escalation than was experienced under the original terms of the contract. Between 1996 and 2001, inclusive, the City will purchase approximately 1.25 million tons of coal annually from Thunder Basin Coal Company at a price set by the indexes or by the market at the City's option. The contract amendment is expected to save the City approximately \$3 million per year through 1995. The LCRA is an equal party to the amended contract as it was to the original agreement. The average price per ton of Thunder Basin Coal Company coal delivered to the Fayette Project was approximately \$2.00 per million British Thermal Units ("MMBTU") in 1988. The current average delivered price per ton of coal, under the amended contract, is approximately \$1.27 per MMBTU.

In addition to the Thunder Basin Coal Company coal, the City will also purchase 50,000 to 100,000 tons of coal annually on the spot market. Under the Thunder Basin Coal contract, there are provisions to redetermine the price of a portion of total annual contract quantity referred to as "Supplemental Quantity" coal for the year 1994 and again for 1995. If the parties are unable to agree upon a price, LCRA and the City shall issue invitations for bids for the supply of this coal, with Thunder Basin retaining the right to match the bid price and continue to supply the coal. The parties were unable to reach agreement on a redetermined price and Kerr McGee Coal company submitted the low bid to supply this coal. Thunder Basin elected not to match Kerr McGee's price of less than \$1.00 per MMBtu, and as a result, Kerr McGee was awarded a contract to supply approximately 1.58 million tons of cal to the City and LCRA during calendar year 1994.

Pursuant to the Fayette Power Project Agreement Regarding Railroad Cars and Railroad Car Maintenance dated May 10, 1979, the City and LCRA purchased 1,090 rotary dump railroad cars to move coal to the Fayette Power Project and have established facilities to maintain such cars. The effect of this arrangement is to reduce the transportation tariff on coal and places the control and management of the cars in the hands of the City and LCRA.

Coal from the Powder River Basin can be originated by either the Burlington Northern Railroad ("BN") or, for many of the largest mines in the Basin, the Chicago North Western Railroad ("CNW"). Both of these railroads have served the project since 1985. One carrier, the Union Pacific, delivers the coal to the Fayette Project.

Coal is currently being shipped to Fayette pursuant to a ten-year contract with the CNW and Union Pacific. The rate under this contract is lower than under the prior contract with the same railroads which expired in March 1989.

Gas and Oil. The City currently has gas transportation contracts with Lone Star and Valero. These contracts provide for 90,000 MMBtus and 150,000 MMBtus respectively, of firm transportation service each day. The Lone Star contract may be terminated by either party in 1996 or subsequently, and the Valero contract may be terminated by either party at the end of 1999 or subsequently.

Currently, the City pursues a strategy of buying gas from multiple suppliers under contracts of various lengths and with different price adjustment procedures, with the objective of maximizing competition and diversifying risk. This has resulted in the City receiving very competitive bids for its business at prices reflecting the current market. At the end of fiscal year

1992-93, the City had core gas supply contracts with Tenngasco Marketing, Gulf Energy Marketing, Mobil Natural Gas (2 Contracts), Anthem Energy, and Reata Industrial Gas. The City also had contracts with 12 spot gas vendors.

Each core contract provides firm or interruptible gas volumes up to 20,000 MMBtus per day. The spot gas contracts provide short term gas supplies with most purchases being made on a monthly basis. Spot purchases can be made on a firm, interruptible, constant flow or variable volume basis at the City's option. The City's reliance on firm versus non-firm supplies is adjusted monthly depending on the season and market conditions.

Prices under the core contracts vary monthly with market indices and may also be subject to price reopeners. The spot prices are determined by monthly bids.

The annual average price of gas delivered to the City's generating facilities is about \$2.49 per MMBtu.

With regard to transportation of the gas, Valero was, through the end of 1989, obligated to transport 110,000 MMBTUs of gas per day to the City's existing steam generating facilities. Beginning in 1990, this obligation increased to 150,000 MMBTUs per day. Effective as of September 1, 1993, the City and Valero executed an amendment to their gas transportation agreement clarifying the City's obligation to transport gas on the Valero pipeline system. As a result of the amendment the City will be able to transport up to 30% of the gas for Decker Units 1 and 2 on the Lone Star Pipeline Company's system at substantially reduced cost. The balance of the City's gas requirements for existing units will continue to be transported on Valero through the end of the term of the contract on January 1, 2000.

Under a separate agreement, Valero's affiliate, Reata Industrial Gas, L.P., has in the past supplied gas for the City's gas turbine facility. Reata has indicated that it may not wish to continue to serve the turbines. The City completed in July 1992 construction of a new pipeline which connects the turbines and steam units at the Decker site to the Lone Star pipeline system. The City now purchases gas for the turbines as part of its other contracts. Lone Star will transport the gas pursuant to a contract approved by the City Council in December 1990. The City will also retain the Reata contract as an alternative supply for the turbines.

The average price of gas delivered to the City's generating facilities is currently about \$2.94 per MMBTU.

In case of a curtailment in natural gas supplies, fuel oil is used to replace the natural gas shortfall. The Electric Utility maintains a reserve of approximately 10 million gallons of No. 2 oil and No. 5 oil. The City maintains standby oil contracts in case additional supplies are needed.

Nuclear. The four major components in the preparation of nuclear fuel for reactor use are uranium oxide (U308), conversion to UF6, enrichment and fabrication. The Project has sufficient U308 inventory to meet its uranium requirements through March 1995. Conversion services are currently provided by British Nuclear Fuels, Ltd. (BNFL) through December 1995.

A long-term contract with the U.S. Department of Energy (DOE) through the year 2000 provides for enrichment services. However, the DOE recently transferred control of its enrichment facilities and contracts to the new U.S. Enrichment Corporation.

The fabrication contract with Westinghouse covers the STP requirements for the initial cores and operation through 2004 and 2006 for Units 1 and 2, respectively, and provides for fabrication services at a reduced cost.

Rate Regulation

In the 1989 71st Regular Session of the Texas Legislature, the Public Utility Regulatory Act ("PURA") was amended as it pertains to the PUC's appellate jurisdiction over the City's electric rates. The PURA, as amended, retains its current means of appeal, i.e., through section 26(c) of the PURA, by the filing of a petition with the PUC containing the requisite number of valid signatures from residential ratepayers who take service outside the City's corporate limits. Two methods for appealing the City's electric rates were added to PURA. Under the new section 26(d) any participant designated as a "party" in the proceedings held by the City to set electric rates, regardless of whether such "party" receives electric service inside or outside the City's corporate limits, may appeal the City's rate ordinance. However, in a section 26(d) appeal, the

PUC has no jurisdiction to review the City's electric utility's revenue requirements, including its debt service coverage ratio and its general fund transfer, and the PUC has no jurisdiction to review the City's electric utility's residential rate design.

Under the new section 26(e), in order to effect an appeal, a petition containing the requisite number of valid signatures from residential ratepayers who take service outside the City's corporate limits must be filed with the PUC. Under a section 26(e) appeal, the PUC has no jurisdiction to review the City's electric utility general fund transfer and intervenors are limited to presenting testimony on cost allocation and non-residential-ratepayers rate design. An intervenor may file revenue-related testimony but only if it supports the City's position on revenue requirements. Additionally, under a section 26(e) appeal, the rate case expenses of the petitioning ratepayers are to be paid by the City. The City, however, will be reimbursed by residential ratepayers who receive service outside the City's corporate limits.

The standard of review to be employed by the PUC when examining the City's electric rates was established in 1986 following an appeal initiated by ratepayers living outside the City's corporate boundaries. On October 24, 1985, ratepayers living outside the City limits of the City filed a petition with the PUC challenging the rates authorized by the City Council to be effective for statements rendered after November 1, 1985. On January 31, 1986, the City filed suit in State District Court in Travis County challenging the jurisdiction of the PUC over municipal utilities on the grounds that the Public Utility Regulatory Act does not contain sufficient standards applicable to municipal utilities to allow the PUC to validly conduct a proceeding to determine municipal electric rates.

On April 15, 1987, the Texas Court of Appeals held that the PUC has jurisdiction over nonresident ratepayer appeals and that in determining rates for the City the PUC is authorized to apply the Article VI Standards of the Public Utility Regulatory Act. The effect of this ruling is to authorize the PUC to apply the same ratemaking standards to the City as are applied to utilities over which the PUC has original jurisdiction. A writ of error was filed with the Texas Supreme Court on June 12, 1987. On September 16, 1987, the Supreme Court of Texas refused the application for writ of error with the notation "no reversible error".

Real Estate Taxes

The Electric Utility pays no real property taxes on facilities inside or outside the City, or payments in lieu of taxes with respect to the Electric Utility.

Service Area

The service area for the Electric Utility was established by the PUC pursuant to a certificate of convenience and necessity on April 3, 1978. The City's service area encompasses 184.0 square miles within the City itself and 237.3 square miles of surrounding Travis and Williamson Counties. The establishment of such a service area entitles the Electric Utility to provide electric service within such area. As presently constituted, the City's service area overlaps with approximately 11 square miles of the service area of Texas Utilities Electric Company in Travis and Williamson Counties. The City does not anticipate any jurisdictional problems as a result of such service area overlap.

The City may not extend the service area for the Electric Utility to an area receiving similar utility service without first obtaining a certificate of convenience and necessity from the PUC. The City has no plans to expand its present service area.

Federal Regulation

Rate Regulation. The Electric Utility is not subject to Federal regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of the Electric Utility under current Federal statutes and regulations. The Electric Utility submits various reports to FERC and voluntarily utilizes the FERC System of Accounts in maintaining its books of accounts and records.

Environmental and Other Regulation. The Electric Utility's generating units and its interest in STP are subject to environmental regulation by Federal, State and local authorities and to zoning regulations by local authorities. The Electric Utility believes that its operating generating units are presently in compliance with all such regulations now in

effect. Federal and State standards and procedures governing protection of the environment are subject to change. These changes arise from continuing legislative, regulatory, and judicial action respecting the standards and procedures.

The Electric Utility will continue to make the necessary changes to assure future compliance to the evolving regulatory requirements.

An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual generating units not in compliance. Further, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

STP is subject to regulation by the NRC. The participants were required to obtain liability insurance and a United States Government indemnity agreement for STP Unit 1 and Unit 2 in order for the NRC operating licenses to be issued. This primary insurance and the retrospective assessment discussed below are to insure against the maximum liability under the Price-Anderson Act for any public claims arising from a nuclear incident which occurs at any of the licensed nuclear reactors located in the United States.

Price-Anderson coverage for nuclear construction and operation activities has been extended. The bill Public Law 100-408 which was signed by the President on August 22, 1988 contains a 15-year extension of the Price-Anderson Act and raises the amount of insurance available for a nuclear accident from \$700 million to approximately \$7.2 billion. The \$7.2 billion would come from nuclear liability insurance available from private sources of approximately \$200 million per reactor (the maximum amount currently attainable) with retrospective assessments of up to \$63 million on each operating reactor (payable at a rate not to exceed \$10 million per year) in the event of an accident. Such limit and retrospective assessments are subject to adjustment for inflation.

In addition, the Participants are required to maintain on-site property damage insurance to cover the costs of cleanup of the facility in the event of an accident. The property insurance obtained is composed of both a primary layer of insurance in the amount of \$500 million and a layer of excess insurance that would contribute \$1,085 million of additional coverage through a retrospective assessment from each electric utility licensee of an NRC licensed power reactor. The retrospective assessment for STP Units 1 and 2 could be up to \$9 million. The City will be liable for its 16 percent ownership interest of any retrospective assessment with respect to Unit 1 and Unit 2.

Finally, the NRC has amended its regulations effective July 27, 1988 setting forth minimum amounts required to demonstrate reasonable assurance of funds for decommissioning by reactor type. On or before July 26, 1990, each holder of an operating license for a production of utilization facility in effect on July 27, 1990, was required to submit to the NRC a report indicating how reasonable assurance would be provided. The City of Austin with the other participants provided the required report to the NRC. The minimum amount for a PWR reactor the size of each STP unit is \$105 million (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The report provided by the City of Austin as well as the other STP Participants, based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City of Austin has established an external irrevocable trust for decommissioning with Bank One Texas, N.A. The City of Austin has been collecting for decommissioning through its rates since Fiscal Year 1989. The decommissioning account balance at September 30, 1992 was \$10,973,421. For Fiscal Year 1993, the City of Austin is collecting \$2,658,000 for decommissioning expense.

THE WATERWORKS AND SEWER SYSTEM

Management

<u>Name</u>	<u>Title</u>	<u>Length of Service With City</u>
Randy J. Goss	Director, Water and Wastewater Utility	4 Years
Maria Alicia Garcia	Chief Financial Officer	*
Chris Lippe	Assistant Director, Engineering	10 Years
Cathy Harrington	Assistant Director, Administration and Planning	13 Years
William Rhodes	Assistant Director, Operations	4 Years
Mitt Tidwell	Deputy Assistant Director, Field Operations	3 Years
Alex N. Duderstadt	Deputy Assistant Director, Water and Wastewater Treatment	26 Years

* Ms. Garcia will assume the Chief Financial Officer's position on February 7, 1994.

WATER SYSTEM

Service Area

The City supplies treated water to residential and commercial customers within the corporate limits of the City and to a portion of Travis and Williamson Counties. The presently defined service area totals approximately 488 square miles. The City also has contracted to supply treated water on a wholesale basis to seventeen municipal utility districts (MUDs), two water control and improvement districts, six water supply corporations, three private utilities, the City of Rollingwood and the City of Sunset Valley. With respect to one of the City's obligations under the water district contracts, the City is responsible for meter reading, billing and collection functions and is paid a specific charge per customer per month.

The City has previously acquired the systems and assets of ten water control and improvement districts. The City has paid off and canceled the bonded indebtedness of eight of these districts and is presently paying, from surplus revenues of the Water and Wastewater Utility, the unpaid bonded indebtedness of the other two districts. The Texas Natural Resource Conservation Commission (TNRCC), formerly the Texas Water Commission (TWC), is empowered to grant the City a certificate of convenience and necessity to provide water and sewer service to retail customers outside the City's boundaries. The City is not required to obtain such a certificate.

Facilities

In 1888, City leaders campaigned successfully for the first Austin Dam across the Colorado River, which was completed early in 1893. In 1934, a \$4,500,000 loan and grant was obtained from the Public Works Administration to complete the Buchanan Dam. The Lower Colorado River Authority ("LCRA") finished the dam which is 150 feet high, 11,200 feet long, and the lake it forms is thirty-two miles long and two miles wide, covering 23,000 surface acres.

Since that time, a stairway of lakes has been created by the building of five additional dams, giving the area 150 miles of lakes. The Tom Miller Dam is within the City limits, and forms Lake Austin, which covers 3,000 surface acres; Mansfield Dam, the fifth largest masonry dam in the world, impounds Lake Travis, which covers 42,000 acres; Marble Falls Dam creates Lake Marble Falls which spreads over 900 acres; Lake Lyndon B. Johnson, held by Alvin Wirtz Dam, has an area of 6,300 acres; and Roy Inks Dam forms Lake Inks with a surface of 900 acres. The City owns Tom Miller Dam and has leased it to LCRA through December 31, 2020. The other dams are owned by LCRA.

The combined storage capacity of the six lakes is around 3,300,000 acre-feet of water, or more than a trillion gallons. Approximately 800,000 acre feet of this is reserved for flood control. Of the six dams on the Colorado River, two form

major impounding reservoirs for the control of flood water; however, Mansfield Dam is the only designated flood control structure.

The City has also constructed Longhorn Dam on the Colorado River just downstream of Lake Austin. Town Lake, which has a capacity of approximately 3,500 acre-feet, is created by Longhorn Dam. The City further constructed Decker Dam on Decker Creek, a tributary of the Colorado River that joins the river downstream of Longhorn Dam. Decker Dam creates Lake Walter E. Long, which has a capacity of approximately 34,000 acre-feet.

United States Geological Survey records at Austin gauging station No. 08158000 show the following flows for the water year (October 1 through September 30).

1972 - 1,128,000 Acre Feet	1979 - 867,200 Acre Feet	1986 - 886,500 Acre Feet
1973 - 896,400 Acre Feet	1980 - 803,500 Acre Feet	1987 - 3,399,000 Acre Feet
1974 - 1,463,000 Acre Feet	1981 - 1,626,000 Acre Feet	1988 - 834,500 Acre Feet
1975 - 3,039,000 Acre Feet	1982 - 1,356,000 Acre Feet	1989 - 677,900 Acre Feet
1976 - 992,600 Acre Feet	1983 - 587,000 Acre Feet	1990 - 692,300 Acre Feet
1977 - 1,956,000 Acre Feet	1984 - 764,900 Acre Feet	1991 - 829,700 Acre Feet
1978 - 885,100 Acre Feet	1985 - 751,100 Acre Feet	1992 - 5,419,000 Acre Feet

Using the twenty-one years from 1972-1992, the average flow was 1,421,652 acre feet per year. Using the lowest year, 1983, the flow was 587,800 acre feet, or 192 billion gallons, which is over 5 times the amount of water used by the City for the fiscal year ended September 30, 1992.

Water Rights. The City holds independent rights to impound, divert and use the waters of the Colorado River and its tributaries, and additional rights to such water pursuant to agreements with LCRA.

The City's independent water rights have been adjudicated before the Texas Water Commission in accordance with the Texas Water Right Adjudication Act, Texas Water Code Section 11.301 et seq. The City's rights, as determined by the Water Commission, are set forth in the Final Determination of all claims of Water Rights in the Lower Colorado River Segment of the Colorado River Basin issued by the Texas Water Commission on July 29, 1985. Both the City and LCRA appealed the Final Determination, seeking additional rights and contesting the rights awarded to each other, in a proceeding styled In Re: The Exceptions of the Lower Colorado River Authority and the City of Austin to the Adjudication of Water Rights in the Lower Colorado River Segment of the Colorado River Basin, Cause No. 115,414-A-1 in the District Court of Bell County, Texas, 264th Judicial District ("Cause No. 115,414-A-1").

The City and LCRA entered into a Comprehensive Water Settlement Agreement (the "Settlement Agreement") on December 10, 1987. The settlement generally improves the independent water rights of both the City and LCRA. Such rights include: the rights to maintain Tom Miller Dam and Lake Austin, Longhorn Dam and Town Lake, and Decker Dam and Lake Walter E. Long; the right to divert and use 271,403 acre-feet of water per year from Lake Austin and Town Lake for municipal purposes; the right to divert and circulate an unlimited amount of water per year from Town Lake for industrial purposes, so, as to consumptively use not to exceed 24,000 acre-feet per year; the right to divert and circulate water from Lake Walter E. Long for industrial purposes, so as to consumptively use not to exceed 16,156 acre-feet per year; and the right to divert and use water through Tom Miller Dam for the generation of hydroelectric power. LCRA's independent water rights as determined by the Water Commission, including rights to maintain Lakes Travis and Buchanan and to divert and use water from such lakes. Pursuant to the Settlement Agreement and the final judgment in Cause No. 151,414-A-1, certain other pending water-related disputes between the City and LCRA were settled. LCRA was granted an option to acquire up to a 50% undivided interest in the City's proposed Water Treatment Plant No. 4 (discussed below). The District Court issued a final judgment consistent with the Settlement Agreement. Certificates of Adjudication have been issued by the Texas Water Commission.

Pursuant to previous agreements between the City and LCRA, LCRA has agreed to supply the City additional water from storage in Lakes Travis and Buchanan. The City also has leased Tom Miller Dam, and the City's right to divert and use water for the generation of hydroelectric power through Tom Miller Dam, to LCRA. The Settlement Agreement provided for the City to receive water from Lake Travis for the proposed Water Treatment Plant No. 4, and for additional water for municipal and other purposes of use downstream of Lake Travis.

Water Treatment Plants

The City's Water and Wastewater Utility has three water treatment plants (Green, Davis and Ullrich) which have a rated capacity of 225 million gallons per day ("mgd"). The water treatment plants have a combined clear well storage capacity of 38.8 million gallons on site. The City's Water and Wastewater Utility includes a water distribution system having over 3,000 miles of water mains of varying diameters, distribution storage facilities with an effective storage capacity of 113 million gallons, 18,000 fire hydrants and twenty-four booster pump stations.

The City receives its water supply from the Colorado River through the three water treatment plants. The Green Plant takes water from Town Lake, which is located near the downtown area of the City. The Davis Plant and the Ullrich Plant both take water from Lake Austin.

The Green Plant is located east of Shoal Creek near its junction with the Colorado River and has a rated capacity of 45 mgd. An intake station on the river contains four traveling water screens and four raw water pumps. The Green Plant was constructed in 1924 and expanded in 1935, 1938, 1949 and 1985. An extensive modernization was completed in 1985, restoring this plant to a status comparable to the other two plants. The firm pumping capacity (i.e., with one of the largest pumps out of service) is 45 mgd. Water is pumped through a forty-two inch line to the chemical feed building, where it is split into two parallel treatment units.

The Davis Plant, located at Mount Bonnell Road and West 35th Street, has a rated capacity of 120 mgd. The plant is of conventional design, with rapid mix basins, flocculation basins, sedimentation basins, gravity filters, clearwell storage, and raw water and finished water pumping stations. The plant was constructed in 1954 and expanded in 1963, 1975 and 1986.

The Ullrich Plant, located on a site south of Red Bud Trail and Forest View Drive, has a rated capacity of 60 mgd. The existing plant facilities consist of an intake and raw water pumping station, raw water transmission main, six upflow-solids contact clarifiers, twelve filters, chlorine disinfection, clearwell reservoir, high service pumping station, and sludge handling facilities. Expansion of this plant has been planned and divided into several phases. Design and construction efforts currently under way will bring the plant into compliance with the Safe Drinking Water Act and expand plant design capacity to 100 mgd. These improvements should be completed in 1994.

Construction of Water Treatment Plant No. 4 will add incremental initial capacity of up to 60 million gallons per day with an intake structure rated at 150 million gallons per day. Based on revised growth projections, the City anticipates that construction of Water Treatment Plant No. 4 will not be started before the year 2000. \$104 million of bonds have been authorized for this project based on an earlier schedule pursuant to which the plant would have been already under construction. Additional costs incurred due to the revised timing are anticipated to be funded with capital recovery fees.

Water Conservation Plan

The Water and Wastewater Utility developed a water conservation plan for emergency purposes in the early 1980's after experiencing an equipment failure in the distribution system during a high summer demand period. Although the problems were short lived, they had sufficient impact to cause the development of a plan for any potential future problems. The plan is designed to educate customers to use water effectively and to reduce the peak demands on the Water and Wastewater Utility. The water conservation plan, which is in effect from May 1 to September 30 of each year, has four stages, one voluntary and three more restrictive mandatory stages. The plan is presently designed to shift from voluntary to mandatory stages when daily pumpage exceeds a specific limit established by the City Manager which relates to treatment capacity for three consecutive days. If higher levels of pumpage should occur, the plan would move to one of the more restrictive mandatory levels. Currently, the treatment facilities have a rated capacity of 225 mgd. No mandatory water restrictions have been required since the summer of 1986. Inclining block rates to be implemented April 1, 1994 are designed to promote water conservation by Single Family Residential Customers.

Water Storage and Pumping Facilities

In addition to the water treatment plants, the Water and Wastewater Utility owns and operates the following storage facilities and major water pump stations:

<u>Name</u>	<u>Total Capacity (millions of gallons)</u>		<u>Firm Capacity (gallons per minute)</u>
<u>North System</u>			
Anderson Mill	3		(1)
East Austin	12		37,700
Forest Ridge	3		5,000
Four Points	7	ground	
	1	elevated	5,700
Guilford Cove	.275		600
Highland Park	2		1,000
Howard Lane	20		(1)
Jollyville	11		54,000
Martin Hill	34		(1)
North Austin	10		65,600
Pond Springs	3		(1)
Spicewood Springs	10		59,000
<u>South System</u>			
Center Street	8		31,400
Davis Lane	20		36,500
Eberhart	1.5		11,500
La Crosse	2		(1)
Leuthan Lane	3		860
Loop 360	.439		1,200
Oak Hill Pump	(2)		250
Oak Hill Reservoir	1		(1)
Pilot Knob	10		(1)
Slaughter Lane	6		15,000
Travis Country	(2)		1,800
Westlake Drive	.01		200
Lost Creek	(2)		2,000

(1) Storage only, no pumps.

(2) Pumps only, no reservoir.

Source: City's Water and Wastewater Utility.

Historical Water Pumpage

The following table summarizes historical demand and maximum day water pumpage from fiscal 1984 through fiscal 1993:

<u>Fiscal Year</u>	<u>Total Pumpage (millions of gallons)</u>	<u>Maximum Percent Change</u>	<u>Day Pumpage (millions of gallons)</u>
1984	35,071	19.9	154
1985	35,398	0.9	168
1986	36,574	3.3	179
1987	34,017	(7.0)	177
1988	36,332	6.8	162
1989	38,300	5.4	178
1990	38,311	-	177
1991	36,126	(5.7)	161
1992	36,984	2.4	169
1993	39,824	7.7	189

Source: City's Water and Wastewater Utility.

Projected Water Pumpage

The following table, based on actual operating experience, summarizes the peak day and total annual water pumpage requirements projected by the City:

<u>Fiscal Year</u>	<u>Total Pumpage (millions of gallons)</u>	<u>Maximum Day Pumpage (millions of gallons)</u>
1994	39,609	190
1995	40,514	195
1996	41,557	201
1997	42,716	206
1998	43,973	211
1999	45,111	217
2000	46,089	223
2001	47,072	229
2002	47,923	235
2003	48,948	241

The capacity of the system is expected to be increased from 225 mgd to 260 mgd by 1995.

Source: City's Water and Wastewater Utility.

Analysis of Water Bills

	Fiscal Year Ended September 30				
	1993	1992	1991	1990	1989
<u>Average Monthly Bill Per Customer</u>					
Urban	\$ 36.90	\$ 40.79	\$ 41.05	\$ 45.40	\$ 41.93
Rural	48.17	43.66	45.26	49.26	51.27
City Departments	231.73	255.51	259.30	349.76	354.09
Average Monthly Bill -					
Above Consumers	38.50	41.76	42.19	46.59	43.61
Sales to Other Water Utilities ⁽¹⁾	10,630.93	10,598.18	9,767.70	15,431.98	15,565.46
Average Monthly Bill -					
All Consumers	42.62	45.20	45.75	51.46	48.51
<u>Average Monthly Usage In 1,000 Gallons</u>					
Urban	17.40	16.42	18.68	19.18	18.65
Rural	13.36	11.74	12.79	13.91	14.75
City Departments	111.45	103.41	104.07	193.14	192.47
Average Monthly Usage -					
Above Consumers	17.40	16.33	18.49	19.24	18.82
Sales to Other Water Utilities ⁽¹⁾	4,652.85	5,043.52	7,404.50	6,541.64	5,748.04
Average Monthly Usage -					
All Consumers	19.21	17.97	21.19	21.30	20.63
<u>Average Revenue Per 1,000 Gallons</u>					
Urban	\$ 2.12	\$ 2.48	\$ 2.20	\$ 2.37	\$ 2.25
Rural	3.61	3.72	3.54	3.54	3.47
City Departments	2.08	2.47	2.49	1.81	1.84
Average Revenue -					
Above Consumers	2.21	2.56	2.28	2.42	2.32
Sales to Other Water Utilities ⁽¹⁾	2.28	2.10	1.32	2.36	2.71
Average Revenue -					
All Consumers	2.22	2.52	2.16	2.42	2.35

(1) Includes all wholesale customers.

Source: City's Water and Wastewater Utility.

Information Concerning Water Sales

	1993		1992		1991		1990		1989	
	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons
Thousand Gallons Pumped	134,011	27,562,120	128,726	25,119,208	127,170	28,227,544	126,026	29,221,144	123,781	27,924,397
Less: Sales to Other Water Utilities (1)	<u>11,775</u>	<u>1,865,944</u>	<u>11,999</u>	<u>1,618,835</u>	<u>11,913</u>	<u>1,802,379</u>	<u>11,475</u>	<u>1,915,596</u>	<u>12,357</u>	<u>2,011,523</u>
Thousand Gallons to System	145,786	29,428,064	140,725	26,738,043	139,083	30,029,923	137,501	31,136,740	136,138	29,935,920
Water Sales:	<u>510</u>	<u>676,051</u>	<u>464</u>	<u>594,789</u>	<u>474</u>	<u>615,862</u>	<u>391</u>	<u>696,193</u>	<u>391</u>	<u>902,670</u>
Urban	146,296	30,104,115	141,189	27,332,832	139,557	30,645,785	137,892	31,832,933	136,529	30,838,590
Rural		162,000		162,000		154,000		210,100		43,204
City Departments		6,426,717		6,735,169		824,207		2,839,958		4,440,347
Total Sales to Ultimate Consumer		<u>36,692,832</u>		<u>34,230,001</u>		<u>31,623,992</u>		<u>34,882,991</u>		<u>35,322,141</u>
Used by Water Utility										
Loss and Unaccounted For										
Thousand Gallons to System										
Maximum Daily Consumption										
Thousand Gallons		188,992		168,832		160,856		177,273		172,294
Average Daily Consumption										
Thousand Gallons		91,500		82,873		96,717		97,180		92,765

(1) Includes sales to all wholesale customers.

(1) 1990 rates for water districts and municipal utility districts went down 15% from the prior year due to a water rate settlement.

WASTEWATER SYSTEM

Service Area

The Water and Wastewater Utility provides wastewater service to customers within the corporate limits of the City and a portion of Travis and Williamson Counties. The City has entered into wholesale service contracts with seventeen municipal utility districts, one private utility, and the Cities of Sunset Valley and Rollingwood to provide wastewater service.

Facilities

The Water and Wastewater Utility has three main wastewater treatment plants with a permitted capacity of 120 mgd, one sludge treatment facility, over 2,200 miles of sanitary sewer mains and lines, and 77 lift stations. The three treatment plants are the Walnut Creek Wastewater Treatment Plant which began operations in 1977, the Govalle Wastewater Treatment Plant constructed in 1936, and the South Austin Regional Wastewater Treatment Plant completed in 1986. The Hornsby Bend Treatment Plant operates as a sludge treatment and disposal facility and was placed in operation in 1956. In 1992 and 1993, the City received from the Texas Water Commission and the U.S. Environmental Protection Agency renewals of discharge permits for all its wastewater treatment plants.

The Walnut Creek Wastewater Treatment Plant is currently permitted to discharge an average flow of 60 mgd. During 1993 average flow was 36.7 mgd. Sludge from this plant is pumped to the anaerobic digesters at Hornsby Bend for stabilization and disposal.

The Govalle Wastewater Treatment Plant was initially constructed in 1936 and has undergone several expansions. It now has a permitted capacity of 20 mgd. During 1993 average flow was 10.9 mgd. Sludge from this plant is also pumped to the anaerobic digesters at Hornsby Bend. Extensive modernization completed in 1986 and subsequent improvements completed in March and September 1988 have enabled the Govalle plant to reliably produce the quality of effluent required by state and federal permits. A major interceptor tunnel completed in September 1988 diverts any excess flows from Govalle to the South Austin Regional Plant.

The South Austin Regional Wastewater Treatment Plant, which replaced the Williamson Creek Treatment Plant, began operation in April 1986. The plant is now permitted to discharge at a rate of 40 mgd. During 1993 average flow was 25.6 mgd. A major interceptor transports the wastewater to the South Austin plant from the site of the former Williamson Creek plant. Waste sludge is pumped to the Hornsby Bend facility to anaerobic digesters which were constructed simultaneously with the plant.

The Hornsby Bend Treatment Plant serves as the City's central sludge treatment and disposal facility. Waste sludge from the Walnut Creek, South Austin Regional and Govalle plants is pumped to anaerobic digesters at Hornsby Bend. A greenhouse enclosed aquaculture pond is used to treat the pond water prior to its use for irrigation on utility owned land at the site. Major improvements recently completed at Hornsby Bend include sludge thickening facilities. Sludge received at Hornsby Bend is thickened, anaerobically digested, dewatered in sludge drying basins and composted for marketing and distribution. Some dried sludge is applied to on-site agricultural land. A Center for Environmental Research has been established with the cooperation of the City, the University of Texas and Texas A&M University. The City provides laboratory, offices and research facilities at Hornsby Bend for the two universities to conduct environmental research.

The City, the City of Round Rock and the Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties (the "District") have entered into contracts providing for the construction, operation and maintenance of the Brushy Creek Regional Wastewater System. The City's participation in the project has been considered by the City Council on several occasions, and the latest approved contracts allocate 27,500 living unit equivalents ("LUEs") for the City at a construction cost of approximately \$23,515,000. The approved contracts allow the City to phase construction in accordance with demand for wastewater services in the City's extra-territorial jurisdiction served by the facility.

Stormwater is collected in an entirely separate gravity feed storm sewer system and is segregated from the sanitary sewer system. The storm sewer system is operated and maintained by the City's Department of Public Works and Transportation.

The City believes that the structural condition of the Wastewater System is generally sound. Expenditures for operation, maintenance and repairs of the over 2,200 miles of sewer lines and mains have averaged approximately \$7.3 million per year during the last five years.

Lift Stations

In addition to the wastewater treatment plants, the Water and Wastewater Utility owns and operates the following major lift stations:

<u>Name</u>	<u>Firm Capacity (gallons per minute)</u>
Montopolis (1)	22,000
Boggy Creek East	16,400
Shoal Creek	9,000
Canterbury (1)	3,475
Taylor Slough	3,400
Barton Creek	5,800
Springfield	2,400
Bee Caves	1,758
Great Hills	1,890
Travis County	1,400

It is not expected that any expansion of these lift stations will be required in the next ten years.

(1) These lift stations control flow to the Govalle and South Austin Regional Wastewater Treatment Plants.

Historical Wastewater Flows

The following table summarizes the historical wastewater flows to the City's wastewater treatment facilities from fiscal 1984 through fiscal 1993:

<u>Fiscal Year</u>	<u>Total Wastewater Flow (millions of gallons)</u>	<u>Percent Change</u>
1984	19,082	3.9
1985	24,945	30.7
1986	23,903	(4.2)
1987	23,973	.3
1988	21,655	(9.7)
1989	23,017	6.3
1990	22,935	(0.4)
1991	25,002	9.0
1992	30,126	20.5
1993	26,794	(11.1)

Projected Wastewater Flows

The following table summarizes the wastewater flows projected to be received at the City's wastewater treatment plants:

<u>Fiscal Year</u>	<u>Total Wastewater Flow (millions of gallons)</u>
1994	25,702
1995	26,297
1996	27,007
1997	27,738
1998	28,471
1999	29,231
2000	29,998
2001	30,782
2002	31,586
2003	32,398

Source: City's Water and Wastewater Utility. Such projections are based on actual operating experience.

To meet these projections, the capacity of the Walnut Creek Wastewater Treatment Plant is expected to be increased from 60 mgd to 80 mgd by the year 2000. Also, if the Govalle Plant is shut down by the year 2000 as presently planned, the South Austin Regional Wastewater Treatment Plant will have to be expanded to a capacity of 65 mgd.

Future Capital Improvements

Construction has been curtailed in order to moderate required rate increases and in response to slowed development and system growth. During the next six years, it is anticipated that the Waterworks and Sewer System will require approximately \$415.1 million for system improvements. Such improvements will include treatment facilities, reservoir, pump station and lift station improvements, and major transmission distribution and collection improvements. It is anticipated that such improvements will be financed as follows: (1) the issuance of \$213.6 million Additional Prior Lien Bonds already voted, (2) the issuance of \$83.4 million Additional Prior Lien Bonds required to be voted, (3) the application of \$104.1 million of anticipated transfers from current revenues and amounts on hand, (4) receipts aggregating \$11 million anticipated from contributions in aid of construction, and (5) \$3.0 million received from the issuance of Separate Lien Obligation Bonds (MUD Contract Revenue Bonds)

Services Financed by Utility Districts

On August 19, 1981, the City Council enacted an ordinance establishing the basic requirements for the City's consent to the creation of a Municipal Utility District ("MUD"), a Water Control and Improvement District ("WCID"), a Fresh Water Supply District or any other water district created under State law for the purpose of supplying water and/or sewer service to land within the extra-territorial jurisdiction or the City limits of the City. That ordinance has been modified by the City's enactment of the Land Development Code, which contains provisions relating to the City's consent to MUDs.

MUDs and WCIDs supply water and wastewater service to areas within and outside the City limits and function as a financing mechanism for development of land.

Under the current process, the City consents to the formation of a district by approval of a consent ordinance, a consent agreement, and a utility construction contract, if necessary. These contracts between the City, the petitioners seeking formation of the district and the district itself establish a detailed set of requirements and policy statements governing the construction within, operation of and issuance of bonds by such district.

The City has contractual commitments with fifteen municipal utility districts for the construction of improvements to and extensions of the City's Waterworks and Sewer System. The commitments for the financing of such improvements and

extensions exist in the form in which the district issues bonds and constructs the improvements. The City generally becomes the owner of such improvements upon completion of construction. The City makes payments equal to the total debt service on the bonds from the City's user fees charged to customers using such improvements, surplus Net Revenues from the Waterworks and Sewer System and, if necessary, City ad valorem taxes. The district will pay its pro-rata share of the bonds directly to the City.

A variation of the above is written into some of the contractual commitments with the most recently approved districts in that the issuance by the district of bonds for such improvements and extensions creates a lien on and pledge of the Net Revenues of the Waterworks and Sewer System to cover the City's payments on the total debt service. The lien is known as a Separate Lien Obligation and is on a parity, with respect to the lien on and pledge of the Net Revenues of the Waterworks and Sewer System, with the Subordinate Lien Bonds already issued by the City or to be issued in the future. No pledge of the City's ad valorem taxes is made. The City will own, operate and maintain the facilities after completion of the project. In addition, the City may request that some of the districts finance improvements to the City's water and/or wastewater treatment facilities.

Under the creation agreements with the districts, the districts may be annexed separately and dissolved by the City. Upon annexation and dissolution of the districts, the City would assume the district's outstanding debts and other obligations, which pursuant to state law would become payable from ad valorem taxes levied and collected within the City or, in some cases, from a surcharge fee assessed by the City to utility users within the boundaries of the annexed district. Upon annexation, the City is empowered to issue any authorized but unissued bonds of the district and to use the proceeds for improvements within the annexed district. Alternatively, some of the districts may be annexed but not dissolved at the option of the City. If so, the City would be required only to provide services other than water and wastewater services and not to assume the district's outstanding debt.

The City has also consented to the creation of twelve MUDs inside the City's corporate limits (of which six have been dissolved), and all these districts have been created by the Texas Water Commission. These districts receive retail water and sewer services as well as all other services from the City and will issue bonds and levy a MUD tax to finance internal water, sewer and drainage facilities. The City will never have to assume any of the debt issued for these inside City districts, so long as the City does not dissolve these districts.

On March 13, 1992, the City Clerk certified an initiative petition, which was submitted to the City Council by the Save Our Springs (SOS) Coalition. The certification caused an ordinance "to prevent pollution of Barton Springs, Barton Creek and the Barton Springs Aquifer" to be added to the City's August 8, 1992 election. At the election, the voters of the City approved the ordinance, and the City continues the preparation of rules relating thereto.

The ordinance seeks to reach its goals by restricting development in the southwest portion of the City and its extraterritorial jurisdiction. Development is restricted through impervious cover limitations, limitations on exemptions and variance and prohibitions on environmental contaminants that are caused by development. Opponents of the ordinance have asserted that the ordinance will sharply limit development, thereby resulting in an erosion of the City's tax base. In addition, the opponents have argued that certain Municipal Utility Districts within the area affected by the ordinance will be unable to be developed in a manner sufficient to provide a tax base that can generate the revenue required to pay debt service on outstanding obligations. Finally, the opponents assert that the ordinance constitutes a "taking" of property of certain affected landowners for which they must be compensated under the United States Constitution, thereby subjecting the City to potential liability for damages. Proponents of the ordinance counter these arguments by asserting that while the ordinance may decrease the tax base in the affected area, the City as a whole will not be adversely affected because development will shift to other areas of the City. Also, they argue that protecting the environment in the manner contemplated by the ordinance enhances the quality of life in the City and will attract people and businesses to the City. Finally, the proponents assert that the ordinance does not constitute a compensable "taking" under the United States Constitution.

The City has been sued by developers challenging the legality of the ordinance and seeking damages against the City under the theory that the ordinance results in an unconstitutional taking of property without just compensation. The City intends to defend all challenges to the ordinance.

Water and Sewer Rates

The City is not subject to regulation by the TNRCC with regard to the operation of the Waterworks and Sewer System or the rates charged for water and sewer service to customers within the boundaries of the City. The TNRCC has appellate jurisdiction to determine municipal water and sewer rates outside the City's boundaries.

In 1988, the TWC accepted jurisdiction of water rate complaints by five wholesale customers: Springwoods MUD, North Central Austin Growth Corridor MUD, Williamson County MUD No. 1, North Austin Growth Corridor MUD No. 1 and the City of Rollingwood. The complaint of Williamson County MUD No. 1 was withdrawn. The City settled the dispute outside of litigation and approved an agreement with the four litigants in December 1989. As part of the settlement, the City agreed to a phased reduction of water and wastewater rates for all wholesale customers of the City, in exchange for their dismissal of rate appeals until November 1993. The TWC approved the settlement, and in 1992, the Water and Wastewater Utility concluded a cost of service study stipulated by the agreement. Decreased wholesale rates have been implemented as a result of the study and future updates are anticipated to support movement to cost of service based rates for all customer classes.

The Texas legislature passed legislation effective September 1, 1989 which states that water districts may appeal a city's water and sewer rates to the TNRCC regardless of prior contractual agreements.

The following monthly wholesale water and sewer rates become effective November 1, 1993. The approved rates for retail customers will be implemented April 1, 1994. These rates are revenue neutral, representing only shifts in customer class cost responsibility, not system rate increases.

WATER SERVICE RATES

Monthly Customer Charges

<u>Customer Account Charge</u>		<u>Equivalent Meter Charge</u>	
	<u>Charge per Month</u>	<u>Meter Size</u>	<u>Charge per Month</u>
Retail Customer Account Charge			
(\$/month)	\$4.27	5/8	\$ 0.63
		3/4	0.95
Wholesale Customer Account Charge		1	1.58
(\$/ month)	\$4.25	1 1/4	1.95
		1 1/2	3.15
		2	5.04
		3	9.45
		4	15.75
		6	31.50
		8	50.40
		10	98.47
		12	140.67

Volume Unit Charge (1)

	<u>Unit Cost per 1,000 Gallons (2)</u>	
	<u>Inside City</u>	<u>Outside City</u>
Single-Family Residential (3)		
0 - 2,900 Gallons	\$1.25	\$2.40
2,901 - 6,900 Gallons	2.00	3.20
6,901 - 14,900 Gallons	2.50	3.90
14,900 - over Gallons	3.50	4.50
Multifamily	\$2.25	\$3.31
Commercial	\$2.23	\$3.33
Large Volume/Industrial	\$2.22	N/A

- (1) Wholesale unit charges vary between \$1.50 and \$2.70 for each 1,000 gallons.
- (2) The 2,000 gallon quantity allowance will be eliminated for all retail customers.
- (3) The City of Austin has approved an inclining block rate structure to promote water conservation for the Single Family Residential customers. These rates will be administered on the basis of 100 gallon increments.

WASTEWATER SERVICE RATES

Customer Account Charge

	<u>Inside City</u>	<u>Outside City</u>	<u>Wholesale Customers</u>
Customer Account Charge (\$/month)	\$5.61	\$8.42	\$4.33

Volumes Unit Charge All Volumes over 2,000 Gallons

	<u>Unit Cost per 1,000 Gallons*</u>
Retail Inside City:	
Single-Family	\$3.58
Multifamily	3.58
Commercial	3.58
Large Volume/Industrial	3.08
Retail Outside City:	
Single-Family	\$5.37
Multifamily	5.37
Commercial	5.37
Large Volume/Industrial	N/A
Wholesale:	\$2.51-\$3.00

* The 2,000 gallon allowance has not been eliminated for retail customers. Applied to average water consumption during December, January and February billing periods, or actual water consumption, whichever is lower.

Capital Recovery Fees

On September 3, 1982, the City Council adopted an ordinance, under which all new non-industrial and non-commercial customers of the Waterworks and Sewer System must pay a Capital Recovery Fee at the time that the customer's new tap is purchased. The fee has been revised a number of times since that date and is currently applied to all connections added to the Waterworks and Sewer System unless expressly waived by the City Council. In 1989, the City Council appointed an Impact Fee Advisory Committee and reauthorized the Capital Recovery Fee in compliance with procedures and methodology established by State law. The fee of \$2,095 per unit, subject to a 25% discount for in City development, was implemented June 20, 1990. There are a number of express exemptions from payment of these fees.

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**COMPARATIVE ANALYSIS OF ELECTRIC LIGHT AND POWER SYSTEM
AND WATERWORKS AND SEWER SYSTEM OPERATIONS**
October 1, 1989 to March 31, 1993
(Thousands Rounded)

	Fiscal Year Ended September 30				
	1993	1992	1991	1990	1989
INCOME:					
Revenue	\$670,277	\$609,314	\$614,691	\$638,932	\$592,747
Operating Expense	<u>358,369</u>	<u>274,749</u>	<u>271,462</u>	<u>255,122</u>	<u>229,429</u>
Balance Available for Debt Service	311,908	334,565	343,229	383,810	363,318
Depreciation and Amortization Expense	<u>44,125</u>	<u>56,487</u>	<u>78,239</u>	<u>78,846</u>	<u>50,860</u>
Earnings Before Interest Expense	267,783	278,078	264,990	304,964	312,458
Interest Incurred on Debt	(201,747)	(211,868)	(218,782)	(224,766)	(222,507)
Interest Capitalized	0	0	0	0	0
Other	<u>(120)</u>	<u>(4,253)</u>	<u>(2,364)</u>	<u>(83)</u>	<u>(6,943)</u>
INCOME BEFORE EXTRA- ORDINARY LOSS (a) (c)	65,916	61,957	43,844	80,115	83,008
EXTRAORDINARY GAIN (LOSS) (b)	<u>4,240</u>	<u>648</u>	<u>(425)</u>	<u>(458)</u>	<u>0</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS (a) (d)	<u>\$ 70,156</u>	<u>\$ 62,605</u>	<u>\$ 43,419</u>	<u>\$ 79,657</u>	<u>\$ 83,008</u>
PERCENTAGES:					
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expense	<u>53.47%</u>	<u>45.09%</u>	<u>44.16%</u>	<u>39.93%</u>	<u>38.71%</u>
Balance Available for Debt Service	46.53%	54.91%	55.84%	60.07%	61.29%
Depreciation and Amortization Expense	<u>6.58%</u>	<u>9.27%</u>	<u>12.73%</u>	<u>12.34%</u>	<u>8.58%</u>
Earnings Before Interest Expense	39.95%	45.64%	43.11%	47.73%	52.71%
Interest Incurred on Debt	(30.10%)	(34.77%)	(35.59%)	(35.18%)	(37.54%)
Interest Capitalized	0.00%	0.00%	0.00%	0.00%	0.00%
Other	<u>(0.02%)</u>	<u>(0.60%)</u>	<u>(0.38%)</u>	<u>(0.01%)</u>	<u>(1.17%)</u>
INCOME BEFORE EXTRA- ORDINARY LOSS (a)	<u>9.83%</u>	<u>10.27%</u>	<u>7.14%</u>	<u>12.54%</u>	<u>14.00%</u>

(a) Income before transfers to the General Fund, which are as follows:

1990	\$63,665,887
1991	\$63,054,576
1992	\$73,237,718

Income does not include transfers to the General Fund and Other Funds, at September 30, 1993, which are as follows:

Transfer to General Fund	\$68,581,868
Transfers to Other Funds	\$ 2,525,728

(b) As a result of the advance refunding of the City's outstanding utility system revenue bonds.

(c) Excludes Combined Utility Funds' costs to be recovered in future years of \$30,641,290 for the fiscal year ended September 30, 1993, \$25,006,668 for the fiscal year ended September 30, 1992, \$22,990,072 for fiscal year ended September 30, 1991, \$8,771,016 for the fiscal year ended September 30, 1990 and (\$15,175,699) for the fiscal year ended September 30, 1989.

(d) The income before operating transfers at 9-30-93 recognizes effects of SFAS 71. Full implementation of SFAS 71 has minimal, if any, effect on times coverage.

**OPERATING STATEMENT
ELECTRIC LIGHT AND POWER SYSTEM AND WATERWORKS
AND SEWER SYSTEM**

	Fiscal Year Ended September 30			
	1993	1992	1991	1990
REVENUE				
ELECTRIC UTILITY				
Domestic and Rural -- Residential	\$191,032,872	\$161,387,519	\$162,317,275	\$165,299,924
Commercial -- General	264,992,435	234,463,435	229,823,507	226,417,792
City Utility Departments	9,762,405	8,444,235	8,533,025	8,349,918
Public Street Lighting	4,371,264	4,358,334	4,397,009	4,386,221
City General Government Departments	4,068,812	3,261,744	4,406,552	4,438,312
Sales to Other Utilities (Including Capacity Contract) (a)	7,323,624	6,424,205	6,375,981	11,029,278
Rent from Electric Property	235,110	239,329	258,359	243,273
Customers' Forfeited Discounts	3,423,835	3,123,235	2,845,825	3,028,629
Miscellaneous	3,634,117	4,368,395	3,508,438	749,050
Total Electric Utility	<u>\$488,844,474</u>	<u>\$426,070,449</u>	<u>\$422,465,971</u>	<u>\$423,942,397</u>
WATER UTILITY				
Urban	\$66,789,866	\$62,726,778	\$58,643,829	\$67,519,679
Rural	6,702,559	6,111,573	6,377,144	6,667,999
City Utility Departments	529,933	523,257	501,193	471,764
City General Government Departments	1,071,625	937,644	1,075,788	1,169,328
Sales to Other Water Utilities	5,962,207	6,147,122	5,939,760	8,086,359
Water Connections	272,882	295,203	314,462	280,052
Customers' Forfeited Discounts	584,784	566,911	533,720	600,100
Miscellaneous	545,208	241,426	369,164	30,419
Total Water Utility	<u>\$82,459,064</u>	<u>\$77,549,914</u>	<u>\$73,755,060</u>	<u>\$84,825,700</u>
SEWER UTILITY				
Urban	\$64,347,563	\$65,038,093	\$64,624,395	\$64,788,401
Rural	2,812,407	2,719,489	2,636,595	2,402,683
City Utility Departments	49,110	45,203	140,195	177,596
City General Government Departments	381,179	421,397	441,454	492,719
Service to Other Utilities	2,067,325	2,481,548	3,566,308	4,002,325
Sewer Connections	262,384	274,117	292,001	259,897
Customers' Forfeited Discounts	517,839	549,748	499,259	510,719
Miscellaneous	3,333,658	3,126,325	3,395,140	3,781,712
Total Sewer Utility	<u>\$73,771,465</u>	<u>\$74,655,920</u>	<u>\$75,595,347</u>	<u>\$76,416,052</u>
Interest	\$25,202,489	\$31,038,077	\$42,874,767	\$53,747,584
TOTAL REVENUE	<u>\$670,277,492</u>	<u>\$609,314,360</u>	<u>\$614,691,145</u>	<u>\$638,931,733</u>

(a) Revenues were from a power sales contract with the City of Weatherford, Texas and economy energy sales.

**OPERATING STATEMENT
ELECTRIC LIGHT AND POWER SYSTEM AND WATERWORKS
AND SEWER SYSTEM -- (Continued)**

	Fiscal Year Ended September 30			
	1993	1992	1991	1990
EXPENSE				
ELECTRIC UTILITY				
Production	\$105,119,885	\$ 49,701,485	\$ 46,478,476	\$ 47,463,697
Joint Facilities Production	123,733,897	113,435,529	117,666,827	111,993,030
Transmission and Distribution	23,959,082	20,733,739	17,910,074	13,326,541
Customers' Accounting and Collection	12,456,931	11,357,826	14,805,497	13,699,254
Jobbing and Contract Work	(1,942)	29,886	(116,115)	(68,304)
Engineering	6,574,677	7,029,043	6,013,090	7,814,613
Administrative and General	17,875,312	8,792,387	8,941,105	5,447,294
Interdepartmental Services	700,000	700,000	700,000	700,000
Total Electric Utility	<u>\$290,417,842</u>	<u>\$211,779,895</u>	<u>\$212,398,954</u>	<u>\$200,295,703</u>
				<u>\$179,034,024</u>
WATER UTILITY				
Purification	\$ 9,663,141	\$ 9,167,925	\$ 8,496,279	\$ 10,769,544
Distribution	13,170,197	12,816,603	12,805,908	8,391,521
Customers' Accounting and Collection	5,428,541	5,247,294	4,377,629	3,254,003
Jobbing and Contract Work	(131,410)	(56,032)	(149,213)	647,063
Engineering	1,398,699	1,600,287	203	0
Administrative and General	6,635,824	5,090,376	6,298,985	6,939,569
Total Water Utility	<u>\$36,164,992</u>	<u>\$33,866,452</u>	<u>\$31,829,791</u>	<u>\$30,001,700</u>
				<u>\$ 11,639,343</u>
				<u>7,365,935</u>
				<u>3,922,148</u>
				<u>302,254</u>
				<u>0</u>
				<u>5,204,318</u>
				<u>\$ 28,433,998</u>
SEWER UTILITY				
Sewer Lines	\$ 7,281,136	\$ 7,734,044	\$ 8,182,839	\$ 7,248,274
Sewage Treatment	13,934,414	12,092,846	12,382,501	11,761,198
Customers' Accounting and Collection	3,285,101	3,268,692	2,771,880	3,411,347
Jobbing and Contract Work	(22,017)	20,321	(21,411)	(48,939)
Engineering	1,317,556	1,117,129	1,574,902	1,025,150
Administrative and General	5,989,948	4,869,827	2,342,096	1,427,724
Total Sewer Utility	<u>\$31,786,138</u>	<u>\$29,102,859</u>	<u>\$27,232,807</u>	<u>\$24,824,754</u>
				<u>\$ 21,961,388</u>
TOTAL EXPENSE (a)	<u>\$358,368,971</u>	<u>\$274,749,207</u>	<u>\$271,461,552</u>	<u>\$229,429,410</u>
				<u>\$363,317,088</u>
NET REVENUE AVAILABLE FOR DEBT SERVICE	<u>\$319,629,197</u>	<u>\$334,565,153</u>	<u>\$343,229,593</u>	<u>\$383,809,576</u>
Electric Customers	289,733	295,347	281,926	257,824
Water Customers	146,396	141,210	142,721	137,936
Sewer Customers	133,467	128,986	124,508	117,558

(a) Interest expense, depreciation, amortization and other nonoperating items are not included in total expense.