

ATTACHMENT 9
TXU ELECTRIC BUSINESS SEPARATION PLAN

DOCKET NO. _____

APPLICATION OF TXU ELECTRIC § BEFORE THE
COMPANY FOR APPROVAL OF § PUBLIC UTILITY COMMISSION
BUSINESS SEPARATION PLAN § OF TEXAS

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PETITION

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW TXU Electric Company ("TXU Electric"), a corporation organized and existing under the laws of the State of Texas and an investor-owned electric utility within the terms of the Public Utility Regulatory Act, Title 2, Texas Utilities Code ("Utilities Code") and files this its Petition for approval of its Business Separation Plan, respectfully showing the Commission the following:

I.

Section 39.051 of the Utilities Code requires that a utility (1) separate from its regulated utility activities on or before September 1, 2000 its customer energy services business activities that are otherwise already widely available in the competitive market and (2) separate its business activities from one another into a power generation company, a retail electric provider, and a transmission and distribution utility no later than January 1, 2002. Section 39.051 also requires that each utility file with the Commission by January 10, 2000 a plan for implementing that section. The Commission's Substantive Rules §§ 25.342 and 25.343 implement that section of the Utilities Code. Pursuant to all of those requirements, this filing reflects TXU Electric's plan for separation of its competitive energy services by September 1, 2000 and its plan for separation of its business activities by January 1, 2002. This filing also reflects TXU Electric's plan for ensuring TXU SESCO Company's ("TXU SESCO") compliance with Utilities Code § 39.051.

Consistent with Substantive Rule § 25.342(e)(2) and the Commission's instructions in its *Business Separation Plan Filing Package (BSP-FP) Filing Requirements and Compliance with the Code Of Conduct* (hereinafter "BSP-FP"), TXU Electric has included in this filing the requested information to the extent it is currently known. Exhibit TLB-1 to the testimony of Thomas L. Baker

indicates which information requested in the BSP-FP is being provided in this proceeding and the estimated date on which the information that is not yet known will be provided. This filing includes complete information required by Section L of the BSP-FP concerning the separation plan for competitive energy services, except that the cost information requested for those services in Substantive Rule § 25.343(e)(2) and in the BSP-FP was not available at the time of the filing of this Petition. That cost information will be provided in the April 2000 filing on Schedule O of the Unbundled Cost of Service Rate Filing Package as contemplated in the BSP-FP.

This filing reflects TXU Electric's and TXU SESCO's intent to fully separate their competitive energy services and, therefore, does not include any petitions relating to the provision of a competitive energy service. TXU Electric is seeking in this filing a good cause exception to Substantive Rules §§ 25.341(6), 25.342(f)(2), and 25.343 so that it can continue to provide its e-Wise[®] Low-Income Program until January 1, 2002 as required by Utilities Code § 39.903(g), which provides that "[u]ntil customer choice is introduced in a power region, an electric utility may not reduce, in any manner, programs already offered to assist low-income electric customers."

This filing also reflects TXU Electric's plan to separate its major assets into an unregulated power generation company and a regulated transmission and distribution company and to form an unregulated retail electric provider. TXU Electric has chosen to accomplish this separation by utilizing separate affiliated companies owned by a common holding company. This filing further reflects that after January 1, 2002, TXU SESCO will continue to operate solely as an unregulated retail electric provider.

II.

TXU Electric hereby requests that the Commission (1) approve its separation plan for competitive energy services by September 1, 2000; (2) approve its proposed Business Separation Plan on a time schedule consistent with the Commission's schedule for TXU Electric's April 2000 cost separation proceeding; and (3) grant the requested good cause exception so that TXU

Electric may continue to provide its e-Wise® Low-Income Program until January 1, 2002. Attached and made a part hereof for all purposes, in one volume, are a Table of Contents, an Executive Summary of the Business Separation Plan, and testimony, all as required by Substantive Rules §§ 25.342 and 25.343 and the BSP-FP.

III.

This Commission has jurisdiction over the parties and the subject matter hereof by virtue of Chapter 39 of the Utilities Code, including Subchapter G and § 39.051 of said Chapter.

IV.

Exhibit A to this Petition is a proposed form of notice for this proceeding. Upon approval by a presiding officer in this proceeding, the notice, as approved, will be published in newspapers having general circulation in each county of TXU Electric's service area and TXU SESCO's service area once a week for two consecutive weeks. Simultaneously with its filing, a copy of this Petition will be provided to all parties of record to the Commission's Project No. 21083, *Cost Unbundling and Separation of Utility Business Activities including Separation of Competitive Energy Services and Distributed Generation*.

V.

TXU Electric's business address and telephone number are:

TXU Electric Company
Energy Plaza
1601 Bryan Street
Dallas, Dallas County, Texas 75201-3411
(214)812-4600

TXU Electric's authorized representatives are:

David Gill
TXU Electric Company
1601 Bryan Street, Suite 19002
Dallas, Dallas County, Texas 75201-3411
(214)812-4812

and

Jo Ann Biggs
Worsham, Forsythe & Wooldridge, L.L.P.

1601 Bryan Street, 30th Floor
Dallas, Dallas County, Texas 75201-3402
(214)979-3000

General inquiries concerning this Petition should be directed to Mr. Gill at the above-stated address and telephone number. All pleadings, motions, orders, and other documents filed in this proceeding should be served upon Ms. Biggs at the above stated address.

WHEREFORE, PREMISES CONSIDERED, TXU Electric prays this Honorable Commission approve its separation plan for competitive energy services by September 1, 2000; approve its proposed Business Separation Plan on a time schedule consistent with the Commission's schedule for TXU Electric's April 2000 cost separation proceeding; grant the requested good cause exception so that TXU Electric may continue to provide its e-Wise[®] Low-Income Program until January 1, 2002; and grant it such other and additional relief to which it may be justly entitled.

Respectfully submitted,

WORSHAM, FORSYTHE &
WOOLDRIDGE, L.L.P.

Jo Ann Biggs

State Bar No. 02312400

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1601 Bryan Street, Suite 3000

Dallas, Texas 75201

(214)979-3000

By: 

Jo Ann Biggs

ATTORNEYS FOR
TXU ELECTRIC COMPANY

NOTICE

On January 10, 2000, TXU Electric Company ("TXU Electric"), in accordance with Chapter 39, Subchapter B of the Texas Utilities Code, filed an Application for Approval of Business Separation Plan with the Public Utility Commission of Texas ("Commission"). This Application also reflects TXU Electric's plan for ensuring TXU SESCO Company's ("TXU SESCO") compliance with Utilities Code § 39.051. Affected persons potentially include retail customers of TXU Electric and TXU SESCO. This filing is not a rate change under Chapter 36 of the Texas Utilities Code.

If the proposed Business Separation Plan is approved, TXU Electric and TXU SESCO will separate their competitive energy services business activities that are widely available in the competitive market from their regulated utility activities by September 1, 2000. If the proposed Business Separation Plan is approved, TXU Electric will also separate its business activities into a power generation company, a retail electric provider, and a transmission and distribution utility by January 1, 2002. TXU Electric's plan would accomplish this separation by utilizing separate affiliated companies owned by a common holding company. If the Business Separation Plan is approved, after January 1, 2002, TXU SESCO would operate solely as a retail electric provider.

TXU Electric is seeking a good cause exception to Sections 25.341(6), 25.342(f)(2), and 25.343 of the Commission's Substantive Rules so that it can continue to provide its e-Wise[®] Low-Income Program until January 1, 2002, as required by Section 39.903(g) of the Texas Utilities Code.

Persons with questions or who want more information about TXU Electric's Application may contact Chris Schein at (214)812-5338. A complete copy of TXU Electric's Application is available for inspection at 1601 Bryan Street, 32nd Floor, Dallas, Texas, 75201.

Persons who wish to intervene in the proceeding or comment upon the action sought should contact the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326, or call the Commission's Office of Customer Protection at (512)936-7120 or (888)782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512)936-7136.

TXU ELECTRIC

Exhibit A

**TXU ELECTRIC COMPANY
EXECUTIVE SUMMARY OF BUSINESS SEPARATION PLAN**

I. INTRODUCTION

The purpose of this filing is to provide the Commission with the business separation plan of TXU Electric Company ("TXU Electric") as required by Utilities Code § 39.051. TXU Electric's goal in the creation and implementation of this plan is to ensure that the future regulated transmission and distribution utility performs those services that are necessary to fully discharge its responsibilities and that it performs those services in a manner that will assure system reliability and safety and ease of access to the future transmission and distribution utility's system for all users.

Specifically, this plan demonstrates how TXU Electric plans to separate the provision of competitive energy services from its regulated business activities by September 1, 2000 and how it plans to unbundle into a power generation company, a retail electric provider, and a transmission and distribution utility by January 1, 2002. In filing this Petition, TXU Electric is requesting that the Commission (1) approve its separation plan for competitive energy services by September 1, 2000; (2) approve its proposed Business Separation Plan on a time schedule consistent with the Commission's schedule for TXU Electric's April 2000 cost separation proceeding; and (3) grant the requested good cause exception so that TXU Electric may continue to provide its e-Wise[®] Low-Income Program until January 1, 2002. This plan also reflects TXU Electric's plan for ensuring TXU SESCO Company's ("TXU SESCO") compliance with Utilities Code § 39.051.

This Executive Summary provides the information requested in Section B of the *Business Separation Plan Filing Package (BSP-FP) Filing Requirements and Compliance with the Code Of Conduct*.

II. OVERVIEW OF TXU ELECTRIC'S PRESENT STRUCTURE

TXU Electric is an investor-owned electric utility engaged in the generation, purchase, transmission, distribution, and sale of electric energy

wholly within the State of Texas. The TXU Electric organization currently consists of three business units: generation, transmission, and distribution. The testimony of Thomas L. Baker provides information concerning the services provided by these three business units and provides an organization chart of TXU Electric on September 30, 1999. The testimonies of Victor J. Zemanek and Rob D. Trimble provide additional information concerning the transmission and distribution business units. TXU Electric also purchases various business services such as accounting, finance, financial planning, information technology, human resources, environmental, regulatory, communications, and procurement services from its affiliate, TXU Business Services. These business services are addressed in the testimony of Stephen N. Ragland.

III. OVERVIEW OF TXU ELECTRIC'S SEPARATION PLAN

TXU Electric plans to separate its major assets into a regulated transmission and distribution utility and an unregulated power generation company. TXU Electric also plans to form an unregulated retail electric provider. TXU Electric has chosen to accomplish this separation by utilizing separate affiliated companies owned by a common holding company. The transmission and distribution utility will be a Texas corporation. The legal structure of the other entities is not known at this time. This separation is discussed in Mr. Baker's testimony.

For both TXU Electric and TXU SESCO, any competitive energy services that are offered after September 1, 2000 will be performed by an unregulated retail electric provider. A retail electric provider will also perform all activities related to the sale of electricity during the Customer Choice Pilot Project provided for in Utilities Code § 39.104 and after January 1, 2002 as required by Utilities Code §§ 39.051 and 39.105.

In addition, TXU Corp's existing trading company will remain an unregulated portfolio management and trading organization and will perform many of the energy supply functions currently in the Distribution Business Unit of TXU Electric.

TXU Electric and TXU SESCO will separate their competitive energy services from their regulated utility activities on or before September 1, 2000. The testimony of Mark E. Tanner discusses the separation of these activities. All other required separations will be effective by or on January 1, 2002.

Because TXU Electric has operated its system for several years with an organizational structure that is functionally unbundled into generation, transmission, and distribution business units, no additional measures are needed to ensure that the separation contemplated by this Business Separation Plan does not affect the safe and reliable operations of the generation, transmission, and distribution systems. The testimonies of Messrs. Zemanek and Trimble address TXU Electric's commitment to the continued reliability and safety of its transmission and distribution system and ease of access to the system for all users.

The total estimated amount of assets and liabilities transferred to each company is not known at this time. The estimated one-time cost of reorganization will be provided in the April 2000 cost separation proceeding. The testimony of R. Keith Pruett describes in detail the accounting system TXU Electric uses to record and report its costs, including the costs associated with the separations described in this filing. The testimony of David M. Davis describes the shared information and technology systems, and the tools that will be used to ensure compliance with separation requirements.

The total number of employees in TXU Electric on September 30, 1999 was 8,279. Proposed staffing levels for the regulated transmission and distribution utility will be provided when the utility's proposed tariffs are filed with the Commission in the April 2000 cost separation proceeding. It is estimated that approximately 29 employees currently associated with competitive energy services will transfer to a competitive affiliate prior to September 1, 2000. It is also estimated that 2,614 TXU Electric employees will become employees of the power generation company on January 1, 2002.

IV. WAIVERS REQUESTED BY TXU ELECTRIC

TXU Electric is requesting a good cause exception to Substantive Rules §§ 25.341(6), 25.342(f)(2), and 25.343 so that it can continue to provide its e-Wise[®] Low-Income Program until January 1, 2002. TXU Electric is seeking this good cause exception so that it can comply with Utilities Code § 39.903(g), which provides that “[u]ntil customer choice is introduced in a power region, an electric utility may not reduce, in any manner, programs already offered to assist low-income electric customers.” This request for a good cause exception is addressed in Mr. Tanner’s testimony. TXU Electric is requesting no other waivers in this proceeding.

V. TXU CORP’S INTERNAL CODE OF CONDUCT

As discussed in detail in the testimony of Brian D. Wenning, TXU Corp has established its *Program for Compliance with Affiliate Standards of Conduct in Texas*. Under this *Program*, TXU Corp intends to comply with the Utilities Code and the Commission’s affiliate rules by January 1, 2002 and to comply with those requirements through interim compliance efforts during the transition period prior to January 1, 2002. TXU Corp has developed its *Affiliate Standards of Conduct Compliance Plan*, which provides detailed information concerning how TXU Corp will comply with the requirements of Substantive Rules §§ 25.84, 25.272, and 25.273 both during the transition period prior to January 1, 2002 and after that date. Pursuant to that *Plan*, detailed work procedures are being developed within each line organization to give instructive guidance to individual employees. Mr. Wenning’s testimony discusses in detail both the *Program* and the *Plan*, which are attached as exhibits to his testimony. Sworn affidavits showing TXU Corp’s commitment to implement the *Program* and *Plan* are attached to Mr. Wenning’s testimony.

VI. CONCLUSION

TXU Electric’s plan demonstrates how it will comply with the requirements of Utilities Code § 39.051 by separating its competitive energy services from its regulated activities by September 1, 2000 and by unbundling into a power generation company, a retail electric provider, and a transmission and distribution

utility by January 1, 2002. This plan also demonstrates TXU SESCO's compliance with Utilities Code § 39.051. Therefore, TXU Electric respectfully requests that the Commission (1) approve its separation plan for competitive energy services by September 1, 2000; (2) approve its proposed Business Separation Plan on a time schedule consistent with the Commission's schedule for TXU Electric's April 2000 cost separation proceeding; and (3) grant the requested good cause exception so that TXU Electric may continue to provide its e-Wise® Low-Income Program until January 1, 2002.

**INDEX TO THE DIRECT TESTIMONY
OF THOMAS L. BAKER WITNESS FOR
TXU ELECTRIC COMPANY**

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1 Management Program at Harvard University in 1988. Following my
2 graduation from college in 1968, I became a Results Engineer for Dallas
3 Power & Light Company ("DP&L"), which is a predecessor of TXU Electric.
4 I served in the Air Force from 1969 through 1972, and, upon my discharge,
5 I returned to DP&L. From 1972 through 1980, I held various positions at
6 DP&L in areas such as power plant engineering, fuel management, and
7 rates, regulation, and economic research. In November 1980, I was
8 elected Vice President of DP&L with responsibility for rates, regulation,
9 and economic research.

10 As part of the 1984 corporate reorganization of TXU Corp, I was
11 transferred to TU Electric, a predecessor of TXU Electric, as Vice
12 President with responsibility for rates, regulation, and economic research.
13 In May 1986, I was elected Senior Vice President of TU Electric and
14 Texas Utilities Services Inc. ("TU Services") with responsibility for finance,
15 accounting, rates, regulation, and economic research. In addition, I was
16 Vice President and Principal Financial Officer of TXU Corp from May 1987
17 through October 1991. I was elected Executive Vice President of TU
18 Electric and TU Services in October 1991 and October 1992, respectively.
19 I was elected to my present position in February 1996. I became a
20 member of TXU Electric's Board of Directors in February 1987.

21 Q. WHAT ARE YOUR INDUSTRY ORGANIZATION AFFILIATIONS?

22 A. I am a past vice chairman of the Executive Board of the Electric Reliability
23 Council of Texas ("ERCOT"). I also am a past chairman of the Electric
24 Power Research Institute's Utility Planning Methods Committee and a
25 former member of both its Research Advisory Committee and its Energy
26 Analysis and Environmental Division Committee. In addition, I have
27 previously served as a member of the Edison Electric Institute's Finance
28 and Regulation Executive Advisory Committee and its Rate Research
29 Committee. I have also served as a member of the Board of the Texas
30 Atomic Energy Research Foundation and on the Joint Special Committee
31 on Cogeneration established by the Texas Legislature.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITY
2 COMMISSION OF TEXAS ("COMMISSION")?

3 A. Yes. I have testified before this Commission in Docket Nos. 3460, 4224,
4 4726, 5133, 5256, 5294, 5640, and 11735.

5 **II. PURPOSE OF TESTIMONY**

6 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY IN THIS
7 PROCEEDING.

8 A. The purpose of my testimony is to provide: (1) an overall description of the
9 TXU Electric Business Separation Plan Filing Package ("BSP-FP"); (2) a
10 description of the current organizational structure of TXU Electric; (3) an
11 overview of TXU Electric's Business Separation Plan for meeting the
12 requirements of Utilities Code § 39.051, including the proposed
13 methodology for submitting revisions to the plan; (4) a discussion of TXU
14 Electric's plan for ensuring TXU SESCO's compliance with Utilities Code
15 § 39.051; (5) a description of the future corporate structure for meeting the
16 requirements of Utilities Code § 39.051; and (6) an overview of TXU
17 Electric's Affiliate Standards Compliance Program.

18 **III. BUSINESS SEPARATION PLAN FILING PACKAGE**

19 Q. PLEASE DISCUSS THE INFORMATION PROVIDED BY TXU ELECTRIC
20 IN ITS BUSINESS SEPARATION PLAN FILING.

21 A. The TXU Electric BSP-FP presents TXU Electric's plan for business
22 separation, or unbundling, and TXU Electric's plan for the separation of
23 competitive energy services, as required by Utilities Code § 39.051 and
24 Commission Substantive Rules 25.342 and 25.343. This plan contains
25 the information known at the time of filing and the schedule for
26 supplementing the plan as additional information becomes known. The
27 list of testimonies, supporting witnesses, and issues addressed are
28 included in the following table:

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Testimony Subject	Witness	Issues Addressed
Policy	Thomas L. Baker	Case structure, current TXU Electric organization, overview of separation plan, future corporate structure, and overview of affiliate standards compliance program
Distribution	Rob D. Trimble	Current distribution organization and plans to ensure continued safe and reliable operations and ease of access for system users after January 1, 2002
Transmission	Victor J. Zemanek	Current transmission organization and plans to ensure continued safe and reliable operations and ease of access for system users after January 1, 2002
Energy Services	Mark E. Tanner	Identification of and plan for separation of competitive energy services
Code of Conduct	Brian D. Wenning	Compliance with statutory code of conduct, Commission rules, and corporate compliance program and plan
Accounting	R. Keith Pruett	Accounting systems to track costs, including costs associated with separation, and asset valuation methodology
Information Technology	David M. Davis	Separation of information technology systems
Corporate Support Services	Stephen N. Ragland	Provision of corporate support services to unbundled organizations

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In addition, Exhibit TLB-1 indicates, for each section of the BSP-FP, which witness is supplying the requested information or, if the information is not included in this filing, the date the information will be provided, in accordance with the Commission's BSP-FP instructions.

1 **IV. INTEGRATION OF TXU SESCO WITH TXU ELECTRIC**

2 Q. PLEASE DESCRIBE THE ORGANIZATIONAL RELATIONSHIP
3 BETWEEN TXU ELECTRIC AND TXU SESCO.

4 A. TXU SESCO, an affiliate of TXU Electric, is an electric utility engaged in
5 the purchase, transmission, distribution, and sale of electric energy in the
6 eastern and central parts of Texas. On December 15, 1999, TXU Electric
7 filed with the Commission an Application for Sale, Transfer, or Merger in
8 which TXU Electric reported that it plans to acquire from TXU SESCO all
9 regulated transmission, distribution, and general plant assets and requests
10 transfer of TXU SESCO's Certificate of Convenience and Necessity No.
11 30152 to TXU Electric. The application was given Docket No. 21850. The
12 application proposes to make this transfer effective on January 1, 2002 at
13 the net book value of TXU SESCO's regulated assets and liabilities as of
14 December 31, 2001. As a result of this transaction, TXU SESCO will no
15 longer be an electric utility as of January 1, 2002, and thereafter all
16 transmission and distribution services in the former TXU SESCO
17 certificated service area will be the responsibility of the TXU Electric
18 transmission and distribution utility.

19 Q. WILL TXU SESCO CONTINUE TO EXIST AS A SEPARATE
20 ORGANIZATION AFTER JANUARY 1, 2002?

21 A. Yes. TXU SESCO will continue to operate solely as an unregulated retail
22 electric provider and will continue to purchase wholesale power under an
23 existing power supply contract until its expiration on January 1, 2004.

24 Q. HAS TXU SESCO FILED A BUSINESS SEPARATION PLAN WITH THE
25 COMMISSION?

26 A. No separate business separation plan is being filed for TXU SESCO. The
27 separation of all employees, assets, liabilities, and facilities of TXU
28 SESCO is included in TXU Electric's Business Separation Plan.

29 Q. WHAT WILL HAPPEN TO THE CUSTOMERS OF TXU SESCO AS OF
30 JANUARY 1, 2002?

1 A. Customers of TXU SESCO who do not choose another retail electric
2 provider will continue to receive electric service from TXU SESCO in its
3 new role as an unregulated retail electric provider. Customers of TXU
4 SESCO who will be eligible to receive service at the price to beat and who
5 do not choose another retail electric provider will continue to receive
6 electric service from the TXU SESCO retail electric provider at the price to
7 beat as determined by the Commission consistent with Utilities Code
8 § 39.202.

9 **V. CURRENT ORGANIZATIONAL STRUCTURE OF TXU ELECTRIC**

10 Q. PLEASE DESCRIBE THE CURRENT ORGANIZATIONAL STRUCTURE
11 OF TXU ELECTRIC.

12 A. TXU Electric is an investor-owned electric utility engaged in the
13 generation, purchase, transmission, distribution, and sale of electric
14 energy wholly within the State of Texas.

15 TXU Electric's service area is located in the north central, eastern
16 and western parts of Texas, with a population estimated at 6.1 million -
17 about one-third of the population of Texas. Electric service is provided to
18 over 2.5 million customers in 92 counties and 370 incorporated
19 municipalities, including Dallas, Fort Worth, Arlington, Irving, Plano, Waco,
20 Mesquite, Grand Prairie, Wichita Falls, Odessa, Midland, Carrollton, Tyler,
21 Richardson and Killeen.

22 The TXU Electric organization currently consists of three
23 functionally-separate business units: generation, transmission, and
24 distribution. A brief description of these three business units is given
25 below. Exhibit TLB-2 provides organization charts of TXU Electric on
26 September 30, 1999. In addition, TXU Electric purchases various
27 business services such as accounting, finance, financial planning,
28 information technology, human resources, environmental, regulatory,
29 communications, and procurement services from its affiliate, TXU
30 Business Services.

31 **Generation**

1 To serve its customers in a reliable and cost-effective manner, TXU
2 Electric utilizes a combination of baseload, intermediate load, and peaking
3 units that use a variety of fuels. As of September 30, 1999, TXU Electric
4 owned 70 electric generating units at 23 sites with an aggregate net
5 generating capability of more than 21,000 megawatts ("MW"). Natural gas
6 is used as the primary fuel in 59 units at 18 sites. They range from large
7 base load units to small combustion turbines with quick-start capability.
8 TXU Fuel Company, an affiliate of TXU Electric, supplies gas fuel to meet
9 requirements for the units. Lignite coal is used as the primary fuel in nine
10 generating units at four sites in East and Central Texas. The lignite coal
11 operations at three of the locations include nearby mines run by TXU
12 Mining Company, an affiliate of TXU Electric. At the fourth location, coal is
13 provided through an operating agreement with a large industrial customer.
14 Nuclear fuel is used in the two units of the Comanche Peak Steam Electric
15 Station ("CPSES") owned and operated by TXU Electric. I will more fully
16 describe the current generation organization of TXU Electric later in my
17 testimony.

18 **Transmission**

19 The function of the transmission business unit is to provide non-
20 discriminatory wholesale open access to TXU Electric's transmission
21 facilities through business practices consistent with the statutory
22 requirement for open access transmission and the wholesale standard of
23 conduct rules adopted by the Commission. The direct testimony of Mr.
24 Victor J. Zemanek more fully describes the current transmission
25 organization of TXU Electric.

26 **Distribution**

27 The TXU Electric distribution system supplies electricity to
28 approximately 2.5 million customers (including approximately 2.2 million
29 residential customers and 300,000 commercial and industrial customers).
30 On average, TXU Electric has added approximately 45,000 customers to
31 its system each year for the last several years. The electric distribution

1 business consists of the ownership, management, construction,
2 maintenance, and operation of the distribution network within TXU
3 Electric's certificated service area. The direct testimony of Mr. Rob D.
4 Trimble more fully describes the current distribution organization of TXU
5 Electric.

6 Q. PLEASE PROVIDE A MORE DETAILED DESCRIPTION OF THE
7 CURRENT TXU ELECTRIC GENERATION ORGANIZATION.

8 A. My Exhibit TLB-2 shows the organizational structure of the TXU Electric
9 Generation Business Unit as of September 30, 1999. The Generation
10 Business Unit is composed of five organizations: Fossil Generation,
11 Nuclear Generation, Generation Services, Community Relations, and Coal
12 Acquisition & Transportation. On September 30, 1999, there were 2,637
13 TXU Electric employees in the Generation Business Unit.

14 Q. PLEASE DESCRIBE THE FOSSIL GENERATION ORGANIZATION AS
15 OF SEPTEMBER 30, 1999.

16 A. Fossil Generation is responsible for the operation, maintenance,
17 engineering, and support functions at TXU Electric's natural gas and
18 lignite coal fueled generating units to assure the reliable and efficient
19 operation and maintenance of these fossil-fueled generation units. Fossil
20 Generation is organized with a Generation Manager at each of TXU
21 Electric's four lignite generating stations: Big Brown, Monticello, Martin
22 Lake, and Sandow. There are also two Generation Managers with overall
23 responsibility for TXU Electric's West/Central and East natural gas fueled
24 generating stations, respectively. The Generation Support group provides
25 centralized engineering and technical support functions for all fossil
26 generating units. On September 30, 1999, there were 1,667 employees in
27 the Fossil Generation organization.

28 Q. PLEASE DESCRIBE THE NUCLEAR GENERATION ORGANIZATION
29 AS OF SEPTEMBER 30, 1999.

30 A. Nuclear Generation is responsible for the operations, overview,
31 engineering, and support functions at the CPSES in order to assure the

1 overall safe, reliable, and cost-effective operation and maintenance of
2 TXU Electric's nuclear generation facilities. Organizations within Nuclear
3 Generation include Nuclear Operations, Nuclear Engineering & Support,
4 Regulatory Affairs, and Nuclear Overview. On September 30, 1999, there
5 were 930 employees in the Nuclear Generation organization. The
6 following sections provide current responsibilities for these groups within
7 the Nuclear Generation organization:

8 Nuclear Operations

9 Nuclear Operations is responsible for directing the operation,
10 maintenance, and training at CPSES to ensure safe, reliable, and cost
11 effective operation of CPSES.

12 Nuclear Engineering & Support

13 Nuclear Engineering & Support is responsible for managing all design
14 activities and providing engineering-related technical services, including
15 nuclear fuel services, in support of CPSES operations.

16 Regulatory Affairs

17 Regulatory Affairs is responsible for managing all nuclear licenses and
18 permits needed to safely and lawfully operate and maintain CPSES.

19 Nuclear Overview

20 Nuclear Overview is responsible for directing the CPSES quality
21 assurance programs, which assess the plant's performance.

22 Q. PLEASE DESCRIBE THE GENERATION SERVICES ORGANIZATION
23 AS OF SEPTEMBER 30, 1999.

24 A. Generation Services is responsible for managing TXU Electric's transition
25 from a regulated provider of generation service to an unregulated provider
26 as of January 1, 2002. This group is actively participating in the
27 workshops and forums related to unbundling at ERCOT and the
28 Commission. On September 30, 1999, there were 23 employees in the
29 Generation Services organization.

30 Q. PLEASE DESCRIBE THE COMMUNITY RELATIONS ORGANIZATION
31 AS OF SEPTEMBER 30, 1999.

1 A. Community Relations is responsible for maintaining corporate
2 relationships with local community organizations and governmental
3 entities in the cities and counties in which TXU Electric's lignite and
4 nuclear generation facilities are located. On September 30, 1999, there
5 were 11 employees in the Community Relations organization.

6 Q. PLEASE DESCRIBE THE COAL ACQUISITION & TRANSPORTATION
7 ORGANIZATION AS OF SEPTEMBER 30, 1999.

8 A. Coal Acquisition & Transportation is responsible for obtaining contracts for
9 an adequate supply of coal for the TXU Electric lignite generation facilities
10 and for arranging the transportation of purchased coal. On September 30,
11 1999, there were three employees in the Coal Acquisition &
12 Transportation organization.

13 VI. TXU ELECTRIC BUSINESS SEPARATION PLAN

14 Q. PLEASE PROVIDE AN OVERVIEW OF THE TXU ELECTRIC BUSINESS
15 SEPARATION PLAN.

16 A. TXU Electric's goal in the creation and implementation of this plan is to
17 ensure that the future regulated transmission and distribution utility
18 performs those services that are necessary to fully discharge its
19 responsibilities and that it performs those services in a manner that will
20 assure system reliability and safety and ease of access to the future
21 transmission and distribution utility's system for all users. TXU Electric
22 has undertaken a process to separate those business activities that will be
23 unregulated from its regulated utility activities as required by Utilities Code
24 § 39.051. Exhibit TLB-3 provides a pictorial representation of TXU
25 Electric's plan for the separation of assets between the power generation
26 company and the transmission and distribution utility. Exhibit TLB-4
27 provides a graphical representation of how the broad functional activities
28 performed in TXU Electric will be separated into new organizations.
29 Competitive energy services will be separated by September 1, 2000 and
30 provided by an unregulated retail electric provider. A retail electric
31 provider will also perform activities related to the sale of electricity in

1 Customer Choice Pilot Projects provided for in Utilities Code § 39.104 and
2 after January 1, 2002 as required by Utilities Code § 39.051 and § 39.105.
3 In addition, TXU Corp's existing trading company will remain an
4 unregulated portfolio management and trading organization and will
5 perform many of the electric energy supply functions currently in the
6 Distribution Business Unit of TXU Electric. TXU Electric has chosen to
7 accomplish the separation by utilizing separate affiliated companies
8 owned by a common holding company. All business activities currently
9 performed in TXU Electric will either be performed by the regulated
10 transmission and distribution utility, a power generation company, a retail
11 electric provider, a portfolio management and trading company, or the
12 activity will be discontinued.

13 Q. WHAT WILL BE THE LEGAL STRUCTURE OF THE NEWLY-CREATED,
14 AFFILIATED COMPANIES?

15 A. The transmission and distribution utility will be a Texas corporation. The
16 legal structure of the newly-created affiliate companies is not known at this
17 time. This information will be provided when it becomes available. I
18 anticipate that the information will be available by April 1, 2000.

19 Q. WHAT IS THE LOCATION AND LEGAL MAILING ADDRESS OF THE
20 HEADQUARTERS OF EACH COMPANY?

21 A. This information is not known but will be provided when new companies
22 are created.

23 Q. MR. BAKER, WOULD YOU DISCUSS THE TIMELINE FOR TXU
24 ELECTRIC TO IMPLEMENT ITS BUSINESS SEPARATION PLAN?

25 A. TXU Electric will separate its competitive energy services from its
26 regulated utility activities on or before September 1, 2000 as described in
27 Mr. Tanner's testimony, and all other required separations will be effective
28 by or on January 1, 2002.

29 Q. WHAT MEASURES WILL BE TAKEN TO ENSURE THAT
30 REORGANIZATION WILL NOT AFFECT SAFE AND RELIABLE

1 OPERATIONS OF THE GENERATION, TRANSMISSION, AND
2 DISTRIBUTION SYSTEMS?

3 A. Because TXU Electric has operated its system for several years with an
4 organizational structure that is functionally unbundled into generation,
5 transmission, and distribution business units, no additional measures are
6 needed to ensure that the separation contemplated by the Business
7 Separation Plan does not affect the safe and reliable operation of the
8 generation, transmission, and distribution systems. The testimonies of
9 Messrs. Zemanek and Trimble contain additional details concerning the
10 continued safe and reliable operation of the transmission and distribution
11 systems.

12 Q. WHAT IS THE TOTAL AMOUNT OF ASSETS AND LIABILITIES
13 TRANSFERRED TO EACH COMPANY?

14 A. The total amount of assets and liabilities transferred to each company is
15 not known at this time nor can the exact amounts be known since the
16 transfers will be made at book value of the assets on December 31, 2001.
17 Assets and liabilities remaining with the regulated transmission and
18 distribution utility and included in its proposed rates will be filed with TXU
19 Electric's April 1, 2000 cost separation proceeding.

20 Q. WHAT IS THE TOTAL NUMBER OF EMPLOYEES IN EACH COMPANY
21 BEFORE AND AFTER THE SEPARATION?

22 A. The total number of employees in TXU Electric as of September 30, 1999
23 was 8,279. Some of those employees were also performing activities for
24 TXU Gas Distribution, and some employees of TXU Gas Distribution were
25 performing activities for TXU Electric. Proposed staffing levels for the
26 regulated transmission and distribution utility will be provided when the
27 utility's proposed tariffs are filed with the Commission in the April 1, 2000
28 cost separation proceeding. The total number of employees transferred
29 out of the utility to perform competitive energy services is discussed in the
30 testimony of Mr. Tanner. Staffing levels for other unbundled organizations
31 are discussed later in my testimony.

1 Q. WHAT IS TXU ELECTRIC'S ESTIMATE OF THE ONE-TIME COST OF
2 REORGANIZATION?

3 A. TXU Electric's estimate of the one-time cost of reorganization will be
4 included in the April 1, 2000 cost separation proceeding.

5 Q. PLEASE DESCRIBE THE PROCESS FOR SUPPLEMENTING TXU
6 ELECTRIC'S BUSINESS SEPARATION PLAN FOR SIGNIFICANT
7 CHANGES.

8 A. If changes are made to TXU Electric's Business Separation Plan that are
9 inconsistent with the plan approved by the Commission, a supplemental
10 filing will be made no later than 45 days prior to the proposed date of
11 implementation.

12 **VII. 2002 UNBUNDLED ORGANIZATION AND SERVICES**

13 Q. PLEASE DESCRIBE THE ORGANIZATIONAL STRUCTURE AFTER THE
14 SEPARATION OF BUSINESS ACTIVITIES ON JANUARY 1, 2002.

15 A. Exhibit TLB-5 shows the proposed TXU Corp corporate structure to
16 accomplish separation of the business activities of TXU Electric. The
17 chart shows the corporate structure although the final names of each
18 company will be determined later. This chart shows that the regulated
19 transmission and distribution utility will be owned by the holding company,
20 TXU Corp. A new subsidiary of TXU Corp will be created to hold the
21 unregulated power generation, portfolio management and trading, and
22 retail organizations. TXU Business Services will continue to provide
23 business services to all TXU Corp organizations as described in the
24 testimony of Mr. Ragland. Exhibit TLB-6 shows the functions to be
25 transferred from TXU Electric to the power generation company and the
26 portfolio management and trading company as of January 1, 2002 to
27 accomplish separation of the business activities of TXU Electric.

28 Q. PLEASE DISCUSS THE SERVICES THAT WILL BE TRANSFERRED TO
29 THE POWER GENERATION COMPANY.

30 A. All services currently performed by the Fossil Generation, Nuclear
31 Generation, Community Relations, and Coal Acquisition & Transportation

1 organizations in the Generation Business Unit, as previously described in
2 my testimony, will be performed by the power generation company on and
3 after January 1, 2002. The TXU Electric employees in these four
4 organizations will become employees of the power generation company
5 on January 1, 2002.

6 Q. PLEASE DISCUSS THE SERVICES THAT WILL BE TRANSFERRED TO
7 THE PORTFOLIO MANAGEMENT AND TRADING ORGANIZATION.

8 A. All services currently performed by the Generation Services organization
9 in the Generation Business Unit, as previously described in my testimony,
10 will be performed by the portfolio management and trading company on
11 and after January 1, 2002. The TXU Electric employees in the Generation
12 Services organization will become employees of the portfolio management
13 and trading company on January 1, 2002. In addition, most services
14 performed for TXU Electric by the Energy Supply organization in the
15 Distribution Business Unit, as described in Mr. Trimble's testimony, will be
16 performed by the portfolio management and trading company on and after
17 January 1, 2002. TXU Gas Distribution will continue to perform its own
18 gas supply and related contract administration functions that have been
19 provided by the Energy Supply organization. The total number of
20 employees in the Energy Supply organization that will remain in the
21 transmission and distribution utility is not known at this time but will be
22 provided in the April 1, 2000 cost separation proceeding.

23 Q. PLEASE DISCUSS THE ORGANIZATIONAL STRUCTURE AND THE
24 SERVICES THAT WILL BE TRANSFERRED TO THE RETAIL ELECTRIC
25 PROVIDER AS OF JANUARY 1, 2002.

26 A. A detailed organization structure of the retail electric provider as of
27 January 1, 2002 is not known at this time. The services performed by the
28 Energy Marketing & Sales organization in the Distribution Business Unit,
29 as described in Mr. Trimble's testimony, will be performed by the retail
30 electric provider as of January 1, 2002. The competitive energy services
31 performed by the Energy Marketing & Sales organization, as described in

1 Mr. Tanner's testimony, will have been transferred out of TXU Electric on
2 September 1, 2000. In addition, some other activities, such as customer
3 billing and call center operations, will be performed by the retail electric
4 provider after January 1, 2002. The number of employees in the retail
5 electric provider is also unknown at this time.

6 **VIII. TXU CORP AFFILIATE STANDARDS COMPLIANCE PROGRAM**

7 Q. MR. BAKER, WOULD YOU PLEASE PROVIDE AN OVERVIEW OF THE
8 TXU ELECTRIC AFFILIATE STANDARDS COMPLIANCE PROGRAM?

9 A. It is the policy of TXU Corp that its business activities be conducted with
10 the highest standard of integrity and ethical conduct and in compliance
11 with all applicable laws and regulations. The code of conduct
12 requirements contained in Utilities Code § 39.157(d) and the Commission
13 rules implementing those requirements require that substantial
14 enhancements be made to TXU Corp's existing Corporate Compliance
15 Program and employee Code of Conduct. A new position of Compliance
16 Director with responsibility for the development and implementation of the
17 Affiliate Standards Compliance Program has been created, and the
18 Compliance Director, Mr. Brian Wenning, reports to the TXU Corp
19 Compliance Officer. The Affiliate Standards Compliance Program is being
20 developed to complement the existing compliance program and will
21 provide reasonable assurance that TXU Corp is in compliance with an
22 interim code of conduct applicable during the transition period before retail
23 competition begins and with the Commission's code of conduct rules on
24 January 1, 2002. Concurrent with the filing of this BSP-FP, TXU Corp is
25 adopting a Compliance Plan and training for Company employees will
26 begin in the first quarter of 2000. The Compliance Plan will be modified as
27 necessary to address changing circumstances during the transition period,
28 and the direct testimony of Mr. Brian Wenning will present this Plan and
29 provide details on TXU Corp's plans for complying with Utilities Code
30 § 39.157(d) and the affiliate rules during the transition period and after the
31 start of retail competition.

1
2 **IX. CONCLUSION**

3 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

4 A. My testimony demonstrates that TXU Electric's Business Separation Plan
5 complies with Utilities Code § 39.051 and § 39.157(d), the Commission's
6 Substantive Rule 25.342, and is in the public interest. This plan contains
7 sufficient information to allow the Commission to approve TXU Electric's
8 plan, including a specific schedule of compliance filings for information not
9 currently available.


10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A. Yes, it does.
12

STATE OF TEXAS §
 §
COUNTY OF DALLAS §


BEFORE ME, the undersigned authority, on this day personally appeared Thomas L. Baker, who, having been placed under oath by me, did depose as follows:

My name is Thomas L. Baker. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



Thomas L. Baker

SUBSCRIBED AND SWORN TO BEFORE ME by the said Thomas L. Baker this 7th day of January, 2000.



Notary Public, State of Texas



BUSINESS SEPARATION PLAN FILING PACKAGE (BSP-FP)
FILING REQUIREMENTS AND COMPLIANCE WITH THE CODE OF
CONDUCT

This Business Separation Plan Filing Package (BSP-FP) shall be used by utilities in preparing their plans for business separation or unbundling required by the Public Utility Regulatory Act §-39.051 (PURA), and P.U.C. SUBST. R. 25.342, relating to *Electric Business Separation*. The requested information shall be provided to the extent known at the time of filing, except for Section L which requires complete information by January 10, 2000. If information is not known, the utility shall state so, and provide an estimated date when such information will be known and a supplemental report submitted to the commission for approval. Utilities shall have their completed plan filed no later than May 1, 2001. The requested disclosures apply only to the activities, which the company provides as an integrated utility prior to separation, and to services between the transmission and distribution utility and its affiliates. The utility shall maintain consistency among the BSP-FP and P.U.C. SUBST. R. 25.341 relating to *Definitions*, P.U.C. SUBST. R. 25.343 relating to *Competitive Energy Services*, P.U.C. SUBST. R. 25.344 relating to *Cost Separation Proceedings*, and P.U.C. SUBST. R. 25.346 relating to *Separation of Electric Utility Metering and Billing Service Costs and Activities*. In addition to the specifically requested information, the utility may provide any information or documentation it believes could be helpful to the commission when evaluating the plan.

LIST OF REQUIRED TESTIMONY: The company shall provide testimonies to address the issues under each section.

Section A) Table of Contents: This section shall provide a list of testimonies, schedules, supporting witnesses, and issues addressed in each section.

A table of contents for the entire BSP-FP is included in this filing. A general description of the BSP-FP is included in the testimony of Mr. Baker.

Section B) Executive Summary of the Business Separation Plan. This section shall address the issues listed below:

An Executive Summary of TXU Electric's Business Separation Plan is included in this filing.

1. Overview of the present structure of the integrated utility;
Included in the testimonies of Messrs. Baker, Trimble, and Zemanek.
2. Overview of the separation plan, including but not limited to, the following issues:
 - (a) Specific type of separation chosen (affiliated, non-affiliated, divestiture) and how such method will comply with PURA §39.051 and §39.157;
Included in the testimony of Mr. Baker.
 - (b) Timeline to implement the major milestones in the business separation plan;
TXU Electric will separate its competitive energy services from its regulated utility activities on or before September 1, 2000 as described in Mr. Tanner's testimony, and all other required separations will be effective by or on January 1, 2002.
 - (c) Measures taken to ensure that reorganization will not affect safe and reliable operations of the generation, transmission, and distribution systems;
Included in the testimonies of Messrs. Baker, Trimble, and Zemanek.
 - (d) Total estimated amount of assets and liabilities transferred to each company;
Other than the separation of competitive energy services at September 1, 2000, the information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.
 - (e) Total number of employees in each company/function before and after the separation;
The total number of employees in each company/function on September 30, 1999 is included in the testimony of Mr. Baker. The number of employees transferred to a competitive affiliate to

perform competitive energy services is included in the testimony of Mr. Tanner. The number of employees transferred to the power generation company is included in the testimony of Mr. Baker. The number of employees in the transmission and distribution utility for the period following separation is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

- (f) Estimated one-time cost of reorganization under the company's proposed separation; and

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

- (g) If the company's proposal is not to create separate corporations, the costs necessary to reorganize into separate corporations.

TXU Electric has chosen to accomplish the separation by utilizing separate affiliated companies owned by a common holding company.

3. Waivers that the company is requesting to any of the requirements of PURA, commission rules, or guidelines regarding the BSP-FP, because of company specific situations (justification for each waiver shall be addressed in detail in related sections);

A waiver requested for the e-Wise[®] Low-Income DSM program is included in the testimony of Mr. Tanner. No other waivers are requested in this BSP-FP.

4. The company's planned internal code of conduct consistent with PURA §39.157(d) and P.U.C. SUBST. R. 25.272, relating to *Code of Conduct for Electric Utilities and Their Affiliates* (code of conduct). The company shall include sworn affidavits showing commitment to implement the internal code of conduct; and

Included in the testimony of Mr. Wenning.

5. A summary of any other information the company believes will be valuable for the commission to approve the plan.

TXU Electric has no additional information.

Section C) Financial and Legal Aspects of Business Separation. This section shall address the financial and legal aspects of the business separation including, but not limited to, the following issues:

1. The impact of the reorganization on the capital structure of the newly created companies:

(a) If common ownership is planned, what will be the capital structures of the new affiliated unbundled companies?

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(b) How will violations of existing debt indentures be avoided?

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(c) What restrictions will be imposed on common stock dividends from the subsidiary to the parent company?

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(d) What will be the allocation of financial liabilities, equity, retained earnings, and any other stockholder accounts?

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(e) Will any new or existing credit support arrangements violate P.U.C. SUBST. R. 25.272(d)(7) or PURA §39.157(d)(17)?

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(f) Any other financial issues specific to the company which are relevant to the separation; and

Any other financial issues will be addressed concurrent with the filing of the April 2000 cost separation proceeding.

2. The legal structure of the newly created affiliated companies: retail electric provider (REP) and power generation companies (PGC), including:

- (a) Structure (Corporation, Partnership, etc.);

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

- (b) List of officers and directors, and to the extent that there are shared officers and directors, certification by affidavit describing the procedures and mechanisms in place to ensure that such sharing does not circumvent P.U.C. SUBST. R. 25.272(d)(3) or PURA §39.157(d)(9); and

A list of officers and directors is not available but will be provided when known. The requested affidavits are included in the testimony of Mr. Wenning.

- (c) Location and legal mailing address of headquarters of each company.

The information requested is not yet known. The information requested will be provided when known.

Section D) Separation of Functions and Operations. This section shall provide detailed information regarding the services provided by each company. The description of activities shall be organized according to the following order.

Competitive energy services to be transferred to the retail electric provider on or before September 1, 2000 are included in the testimony of Mr. Tanner. Services to be transferred to the power generation company and to the portfolio management and trading company are included in the testimony of Mr. Baker. The services to be provided by the transmission and distribution utility will be supplied concurrent with the filing of the April 2000 cost separation filing.

1. Holding Company

- (a) (PGC);

- (b) Energy services previously performed by the regulated utility; and

- (c) Other internal supplementary functions and services transferred from the regulated utility;
2. Transmission and distribution utility (T&D Utility):
 - (a) System services;
 - (b) Discretionary services;
 - (c) Non-energy services; and
 - (d) Competitive energy services continued to be provided by the utility pursuant to commission waiver;
3. REP;
4. Competitive energy services previously performed by the regulated utility;
5. Other internal supplementary functions and services transferred from the regulated utility;
6. Corporate support services (CSS) (addressed separately in Section H);
and
7. Other affiliates (newly created and existing).

The company shall also provide supporting organization charts including the numbers of employees. The charts should have a pyramid structure with the top chart showing the organization of the holding company and all affiliated companies. For the PGC, T&D utility, REP, and CSS, charts shall show activities at the manager level.

Organization charts and numbers of employees, to the extent known, are provided in the testimony of Mr. Baker. Additional organization charts will be provided in the April 2000 cost separation proceeding. The number of employees transferred to a retail electric provider to perform competitive energy services at September 1, 2000 is included in the testimony of Mr. Tanner.

Section E) Physical Separation: This section shall provide comprehensive information on how the utility is planning to accomplish, or has already accomplished, physical separation. This section shall include, but not be limited to, following issues:

1. **Office Space or facilities.**
 - (a) Explain security access control mechanisms;

Included in the testimony of Mr. Wenning.

- (b) Provide *Physical Location Charts* by building and floor which show the departments or divisions occupying each building and floor;

Included in the testimony of Mr. Pruett.

- (c) Describe any cost allocation methods for shared office space or facilities (specific costs addressed in Section I); and

Included in the testimony of Mr. Pruett.

- (d) Describe how the companies will meet the requirements of PURA §39.157(d)(8), (9)(A), and (12);

Included in the testimony of Mr. Wenning.

2. **Equipment or other resources.** (excluding information technology systems, which shall be addressed separately in Section F):

- (a) Explain security access control mechanisms;

Included in the testimony of Mr. Wenning.

- (b) Describe any cost allocation methods for shared equipment or other resources (specific costs addressed in Section I); and

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

- (c) Describe how the companies will meet the requirements of PURA §39.157(d)(7), (9)(A), and (12).

Included in the testimony of Mr. Wenning.

3. **Employees.**

- (a) Total number of employees transferred from the utility to each affiliate;
and

The information requested with respect to competitive energy services is included in the testimony of Mr. Tanner. The information requested with respect to the power generation company is included in the testimony of Mr. Baker. Other information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

(b) Explain any internal mechanisms to prevent the sharing of confidential information prohibited by PURA §39.157(d).

Included in the testimony of Mr. Wenning.

4. **Compliance with code of conduct.** The utility shall show that it is a separate, independent entity from any competitive affiliates and, except as provided by PURA §-39.157(d)(8) and (9), does not share employees, facilities, information, or other resources, other than corporate support services, with those competitive affiliates, unless the company can prove to the commission that such sharing will not compromise the public interest to the extent the utility is required to do so by PURA §39.157(d)(7), §39.157(d)(9), or P.U.C. SUBST. R. 25.272.

Included in the testimony of Mr. Wenning.

Section F) Information Technology and Systems. This section shall provide comprehensive explanations regarding shared information and technology systems, including but not limited to, computer systems, Internet systems, Intranet systems, telephone systems, and other communications systems. For any shared information technology systems, the utility shall:

1. Describe access controls or firewalls to prevent employees of a competitive affiliate from gaining access to information about transmission or distribution system operations and other confidential information inconsistent with §39.157(d) and (g) or P.U.C. SUBST. R. 25.272;
Included in the testimony of Mr. Davis.
2. Describe cost allocation methods and compliance with PURA §-39.157(d)(12) (specific costs addressed in Section I); and
The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.
3. Describe other structural, transactional, and behavioral safeguard mechanisms to ensure that P.U.C. SUBST. R. 25.272 is not circumvented as a result of using a shared system.

Included in the testimony of Mr. Davis.

Section G) Asset and Liability Transfer and or Separations. This section shall describe asset and liability separations during the initial unbundling including, but not limited to, the following issues:

1. The method of valuation;

The information requested is included in the testimony of Mr. Pruett.

2. Which assets and liabilities will be transferred to which company;

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

3. When the assets and liabilities will be transferred;

The information requested is included in the testimonies of Mr. Baker and Mr. Pruett.

4. List of assets which have zero book value but are still useful;

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

5. New investments which will be necessary because of the reorganization such as accounting systems, IT, Call Center, etc.; and

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

6. Shared assets, and to the extent that there are shared assets, the company shall demonstrate in accordance with P.U.C. SUBST. R. 25.272(d)(2), (3), and (7) that such sharing will not compromise the public interest and that the company has adequate safeguards to preclude employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive

advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

Each of the six issues shall be addressed separately for each FERC account in the following order and include all the items listed on the balance sheet of the utility:

1. Tangible Assets;

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

2. Intangible Assets;

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

3. Liabilities; and

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

4. Equity.

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

Section H) Corporate Support Services: This section shall provide information regarding corporate support services as defined in PURA § 39.157(i)(2). This section shall include, but not be limited to:

1. **General:** Organization chart and location of each utility, service company, or affiliate that will be providing corporate support services;

Included in the testimony of Mr. Ragland.

2. **List and description of services:** A list and description of all services that are or will be provided by the utility, service company, or other affiliate, to all affiliated companies; before and after the reorganization;
Included in the testimony of Mr. Ragland.
3. **Pricing of services:** Either the direct price or allocation formulas for each service, the justification for the chosen formula, and a description of costing systems used such as activity based costing. The company must provide a detailed rationale for the pricing or allocation methodology chosen and demonstrate how the pricing or allocation methodology is linked to the principle of cost causation;
The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.
4. **Compliance with Code of Conduct:** The utility shall show that the sharing of corporate support services in accordance with PURA §-39.157(g) does not:
 - (a) Allow or provide a means for the transfer of confidential information from a utility to an affiliate;
Included in the testimony of Mr. Wenning.
 - (b) Create the opportunity for preferential treatment or an unfair competitive advantage;
Included in the testimony of Mr. Wenning.
 - (c) Lead to customer confusion; or
Included in the testimony of Mr. Wenning.
 - (d) Create significant opportunities for cross-subsidization of affiliates.
Included in the testimony of Mr. Ragland.

Section I) Separate Books and Records (Cost separation). This section shall describe in detail the accounting system the company will implement to track all costs, including the costs associated with separation. The company shall provide information regarding its existing accounting system, additions to be made to the new system, proposed chart of accounts and subaccounts, coding system, cost centers, etc. The company shall:

1. Show that its records are sufficient for commission or third party audits;
Included in the testimony of Mr. Pruett.
2. Describe its internal audit system and the frequency of the audits;
Included in the testimony of Mr. Pruett.
3. Show that necessary changes to the cost accounting system will be made to ensure that:
 - (a) Majority of the costs are directly assigned to the appropriate cost objects (cost center, activity, service, or a function);
Included in the testimony of Mr. Pruett.
 - (b) The allocation will be used only when necessary and will be based on cost causation; and
Included in the testimony of Mr. Pruett.
 - (c) Cost tracking systems are in compliance with the commission's cost separation requirements; and
Included in the testimony of Mr. Pruett.
4. Show that the books of accounts and records are in compliance with §39.157(d)(13).
Included in the testimony of Mr. Pruett.

Section J) Compliance with Code of Conduct. This section shall address in detail how the company is planning to comply with each provision of P.U.C. SUBST. R. 25.272 and PURA §39.157(d), both during the transition period and after the start of retail competition. General statements that policies will be in effect and appropriate personnel have been instructed to abide by the policies are not sufficient. If the company seeks a waiver from any portion of P.U.C. SUBST. R. 25.272, it may list its proposed waiver with supporting justification. In addition to the requirements contained in the other sections of the BSP-FP, the company shall address in detail, with supporting affidavits from top management, its procedures for implementing the following provisions:

1. **Compliance plans and deviation reports.** The company shall provide:
 - (a) Initial plans for compliance with P.U.C. SUBST. R. 25.272, to the extent that compliance is not addressed in other sections of the BSP-FP;

Included in the testimony of Mr. Wenning.

- (b) A description of how the company will comply with the requirement to post a conspicuous notice of newly created affiliates and file any related updates to the utility's compliance plan on a timely basis pursuant to P.U.C. SUBST. R. 25.272(i)(2). Please include a sample copy of the notice; and

Included in the testimony of Mr. Wenning.

- (c) A description of how the company will track and report deviations from the code of conduct within 30 days of the deviation as required by P.U.C. SUBST. R. 25.84(h).

Included in the testimony of Mr. Wenning.

- 2. Structural, transactional, and behavioral safeguards.** The company shall explain its proposed procedures for implementing structural, transactional, and behavioral safeguards to:

- (a) Prevent a utility from subsidizing the business activities of an affiliate with revenues from a regulated service;

Included in the testimony of Mr. Wenning.

- (b) Prevent a utility from providing preferential treatment to a competitive affiliate or a competitive affiliate's customers regarding services other than corporate support services;

Included in the testimony of Mr. Wenning.

- (c) Prevent the transfer of confidential information; and

Included in the testimony of Mr. Wenning.

- (d) Ensure that P.U.C. SUBST. R. 25.272 and PURA §39.157(d) are not circumvented as a result of shared employees, facilities, information, or other resources.

Included in the testimony of Mr. Wenning.

- 3. Nondiscriminatory provision of products and services.** For all products and services, other than corporate support services, the company shall explain its proposed procedures for making such products and services available, contemporaneously and in the same manner, to all similarly situated non-

affiliates. The company shall also explain the proposed procedures for processing all requests for such products and services on a non-discriminatory basis.

Included in the testimony of Mr. Wenning.

4. Discounts, rebates, fee waivers, or alternative tariff terms and conditions.

The company shall explain its proposed system for making information regarding discounts, rebates, fee waivers, or alternative tariff terms and conditions contemporaneously available, on a non-discriminatory basis, to all similarly situated non-affiliates. The company shall explain its proposed system for posting the information regarding the discounts, rebates, fee waivers, or alternative tariff terms and conditions on its Internet site or public electronic bulletin board as required by P.U.C. SUBST. R. 25.272(f)(2). The company shall also describe its procedures for third-party review of the records and for maintaining the records for three years.

Included in the testimony of Mr. Wenning.

5. Tying arrangements. The company shall explain its proposed system for ensuring that the utility does not condition the provision of any product, service, pricing benefit, or alternative terms or conditions upon the purchase of any other good or service from the utility or its competitive affiliate.

Included in the testimony of Mr. Wenning.

6. Information safeguards. The company shall describe its proposed procedures for obtaining customer consent for release of proprietary customer information, and shall provide a sample customer consent form or other proposed verifiable authorization method. The company shall describe how it will keep records that include the date, time, and nature of information released when it releases customer proprietary information to a competitive affiliate or any other entity, other than the customer, an independent organization as defined by PURA §39.151, or a provider of corporate support services for the sole purpose of providing corporate support services. The company shall state how it will, in order to facilitate the transition to customer choice, release proprietary customer information to its competitive affiliate for

billing purposes without authorization from those customers. The company shall state how it will release proprietary customer information to a provider of last resort without customer authorization for the purpose of serving customers who have been switched to the provider of last resort. The company shall state how it will advise an independent organization or provider of corporate support services that they are subject to P.U.C. SUBST. R. 25.272(g) with respect to releasing information to other persons. The company shall explain its proposed system for posting the information regarding the release of aggregate customer information on its Internet site or public electronic bulletin board and describe its procedures for maintaining the records and for third-party review as required by P.U.C. SUBST. R. 25.272(g). The company shall also explain its procedures for releasing proprietary customer information without customer authorization pursuant to P.U.C. SUBST. R. 25.272(g)(1)(A) when required by law, regulation, legal process, and pursuant to to P.U.C. SUBST. R. 25.272(g)(1)(B) when requested by a governmental entity, including providing a copy of the confidentiality agreement or protective order to protect such information.

Included in the testimony of Mr. Wenning.

7. **Access to transmission and distribution information.** The company shall explain its proposed procedures for ensuring that competitive affiliates do not receive preferential access to information about the utility's transmission and distribution systems.

Included in the testimony of Mr. Wenning.

8. **Joint marketing and advertising.** The company shall explain its methods for implementing the use of company name and logo disclaimer provisions of PURA § 39.157(d)(5)(B) and P.U.C. SUBST. R. 25.272(h)(1), and shall provide sample materials demonstrating use of the disclaimer. In addition, the company shall explain its procedures for ensuring compliance with P.U.C. SUBST. R. 25.272(h)(2).

Included in the testimony of Mr. Wenning.

9. Requests for information. The company shall explain its proposed procedures to be used by utility employees to ensure compliance with P.U.C. SUBST. R. 25.272(h)(3) and (4) when consumers ask for specific competitive affiliate information or when consumers ask for general information about products or services offered by competitive affiliates and their competitors. The company shall provide to the commission sample materials used, including but not limited to, training materials for customer service representatives and sample customer service scripts.
Included in the testimony of Mr. Wenning.

10. Internal mechanisms for education and enforcement. The company shall provide:

- (a) A copy of the proposed internal code of conduct;
Included in the testimony of Mr. Wenning.
- (b) A description of how the company will educate its employees regarding their obligations relating to the code of conduct; and
Included in the testimony of Mr. Wenning.
- (c) Information regarding disciplinary measures that address any actions by company employees that are in violation of the code of conduct.
Included in the testimony of Mr. Wenning.

Section K) Changes to the Separation Plan. This section shall list all proposed changes and shall describe in detail proposed significant changes to the plan after the plan is approved and before the plan is implemented. Utilities are obligated to make supplemental filings that shall note the proposed changes and address the effect of the proposed changes on each of the sections above. Any such filing shall be made no later than 45 days prior to the proposed date of implementation.
Included in the testimony of Mr. Baker.

Section L) Separation Plan for Interim Separation of Competitive Energy Services. This section shall describe in detail how the company plans to separate, on or before September 1, 2000, from regulated utility activities, its competitive energy services that

are otherwise also already widely available in the competitive market as directed by PURA § 39.051(a) and P.U.C. SUBST. R. 25.343. Competitive energy services included in this section are those defined in P.U.C. SUBST. R. 25.341(6).

Included in the testimony of Mr. Tanner.

The company shall provide the following information for the separation of its competitive energy services:

1. **General Information.** The information requested in Sections A-K of the BSP-FP. If the company asserts that any of the information requested in Sections A-K is not relevant or applicable to the separation of competitive energy services, the company shall so state with an explanation of why it contends such information is not applicable.

[Included at each question above.]

2. **Cost data.** Specific cost data associated with the information regarding the business separation requested in Sections A-K for Competitive Energy Services in accordance with Section VII, Schedule O, Competitive Energy Services, of the Unbundled Cost of Service Rate Filing Package (UCOS-RFP). The commission may requested the company to file separately some cost data for competitive energy services for ease in evaluation Section L.

The information requested is not yet known. The information requested will be supplied concurrent with the filing of the April 2000 cost separation proceeding.

3. **Shared assets.** When describing the separation and allocation of shared employees, computer systems, facilities, or other assets, quantify all assets, including any fractional portion of a shared asset. The company shall not assign a zero value because the portion of the asset used to provide a competitive energy service is less than the whole.

Sharing of certain systems, facilities, or assets is described in the testimonies of Mr. Davis and Mr. Pruett. The remainder of the information requested will be provided in the April 2000 cost separation proceeding.

4. **Petitions for waiver.** Petitions and associated unbundled tariffs filed by the company pursuant to P.U.C. SUBST. R. 25.243(d)(1) to provide a competitive

energy service. As part of this filing, the affected utility should provide all supporting workpapers and documents used in the calculation of the charges for petitioned services.

No petition is included in this BSP-FP. A good cause exception concerning TXU Electric's e-Wise® Low-Income DSM Program is requested in the testimony of Mr. Tanner.

5. **Implementation and enforcement.** How the company will implement and enforce any and all commission requirements for the separation of competitive energy services as set forth in P.U.C. SUBST. R. 25.343.

Included in the testimonies of Mr. Tanner and Mr. Wenning.

The commission shall adopt the utility's proposed BSP-FP for competitive energy services, adopt the plan with changes, or reject the plan and require the utility to file a new plan.

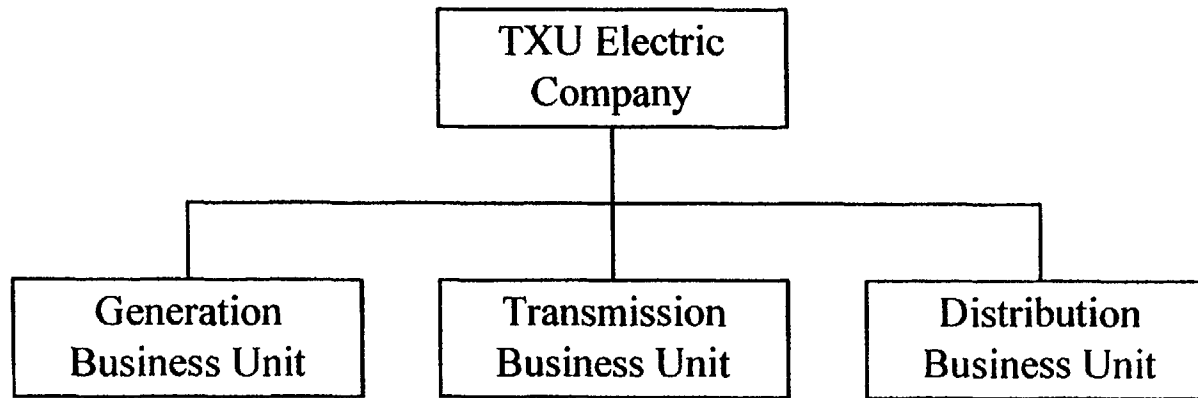
The commission may reserve the right to condition the approval of all or a portion of the plan on review and approval of the cost data regarding competitive energy services provided in the UCOS-RFP.

Section M) Confidentiality Schedule. This section shall contain, as described in General Instruction No. 6, for each section of the BSP-FP, which the company claims that the requested information is confidential, a signed statement by the company's attorney describing the reasons for claiming that the information is confidential. The statement shall include a declaration that the attorney has reviewed the information sufficiently to state in good faith that the information is confidential.

No information is claimed to be confidential in this BSP-FP.

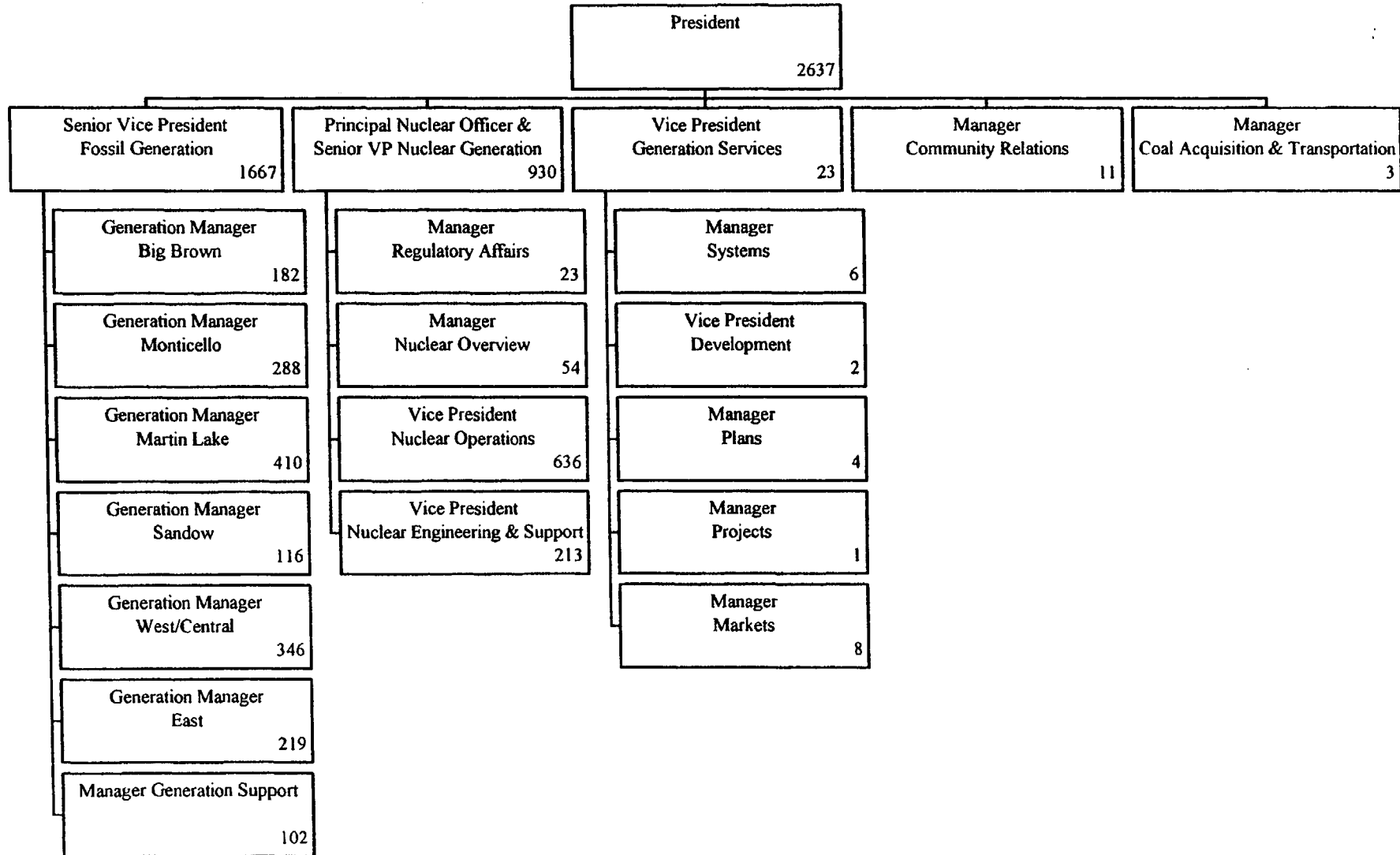
**Existing Organization of TXU Electric
as of September 30, 1999**

EXHIBIT TLB-2
Page 1 of 4

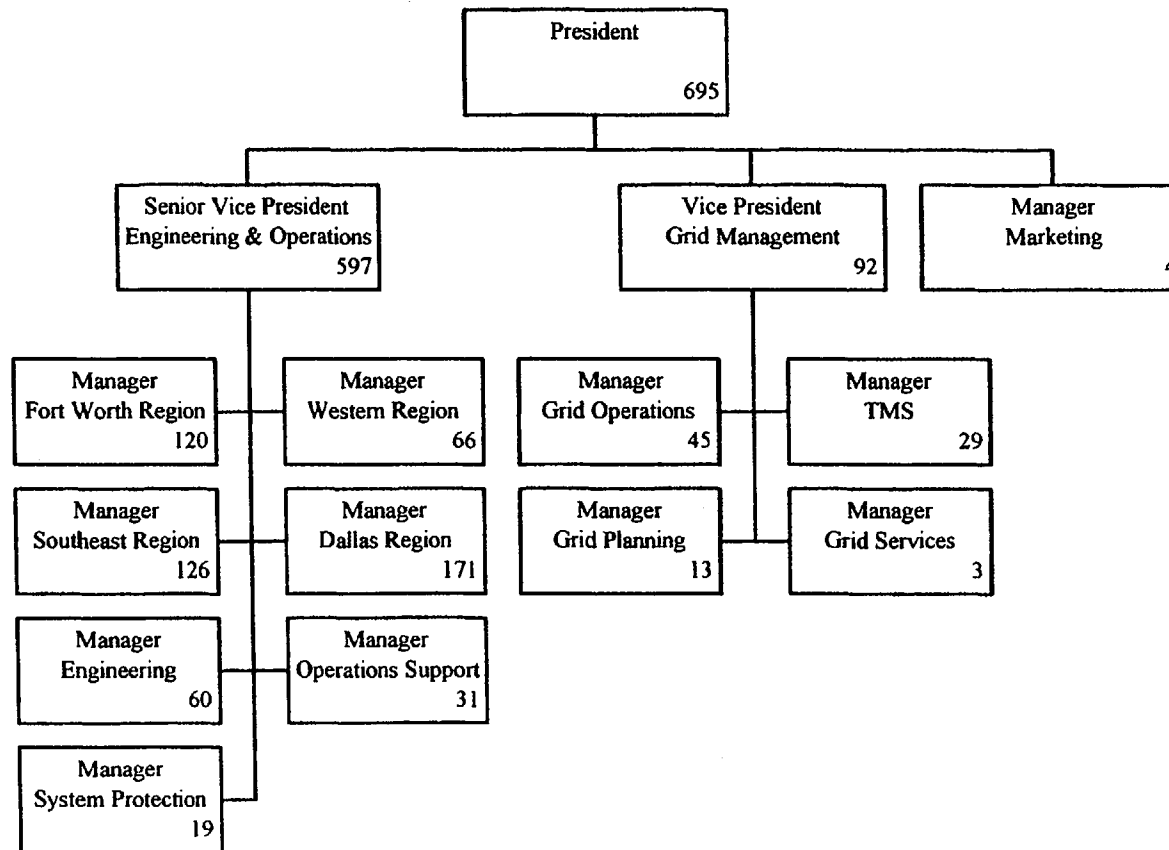


TXU Electric - Generation Business Unit as of September 30, 1999

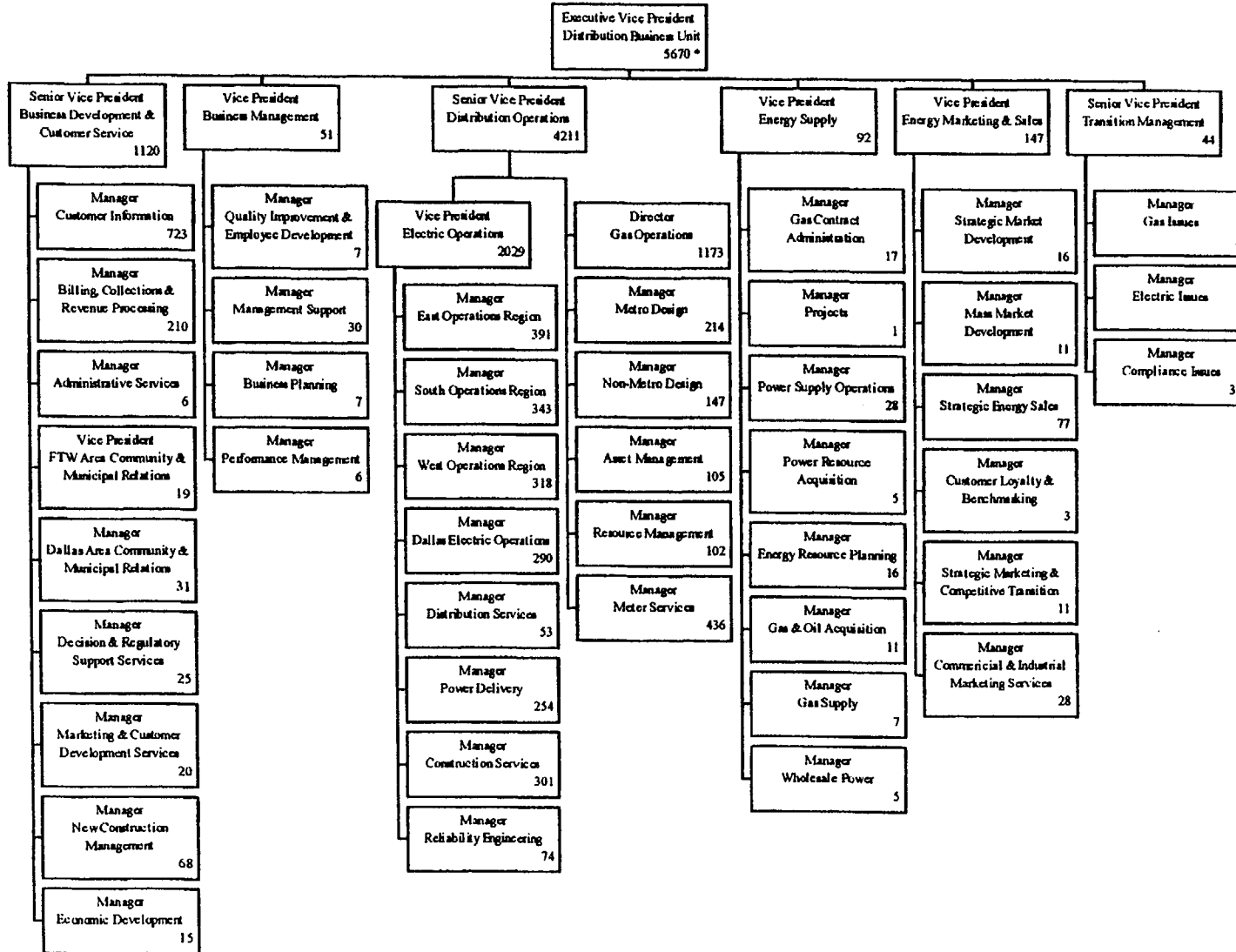
EXHIBIT TLB-2
Page 2 of 4



**TXU Electric - Transmission Business Unit
as of September 30, 1999**



Distribution Business Unit as of September 30, 1999

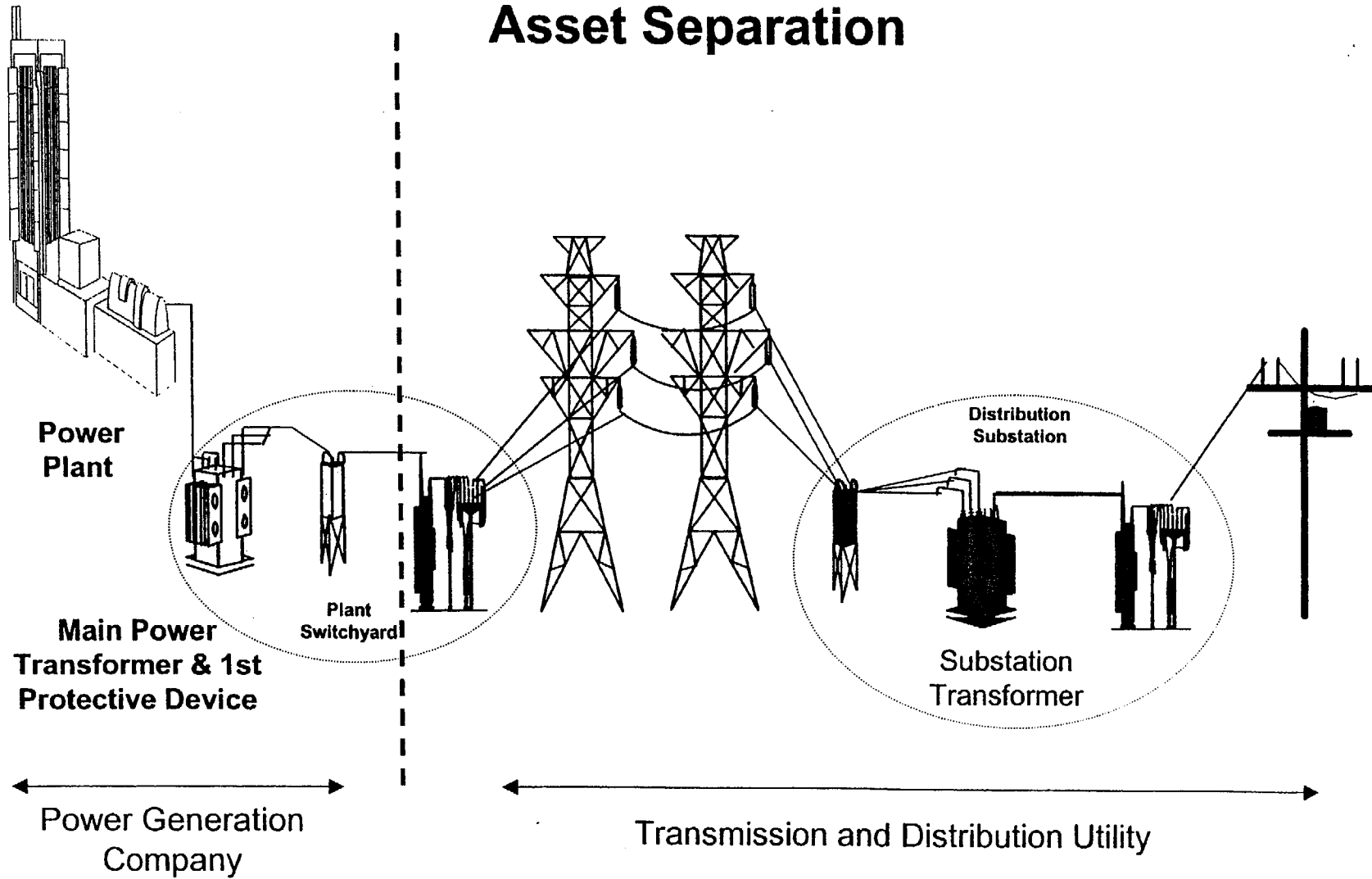


TXU ELECTRIC SYSTEM

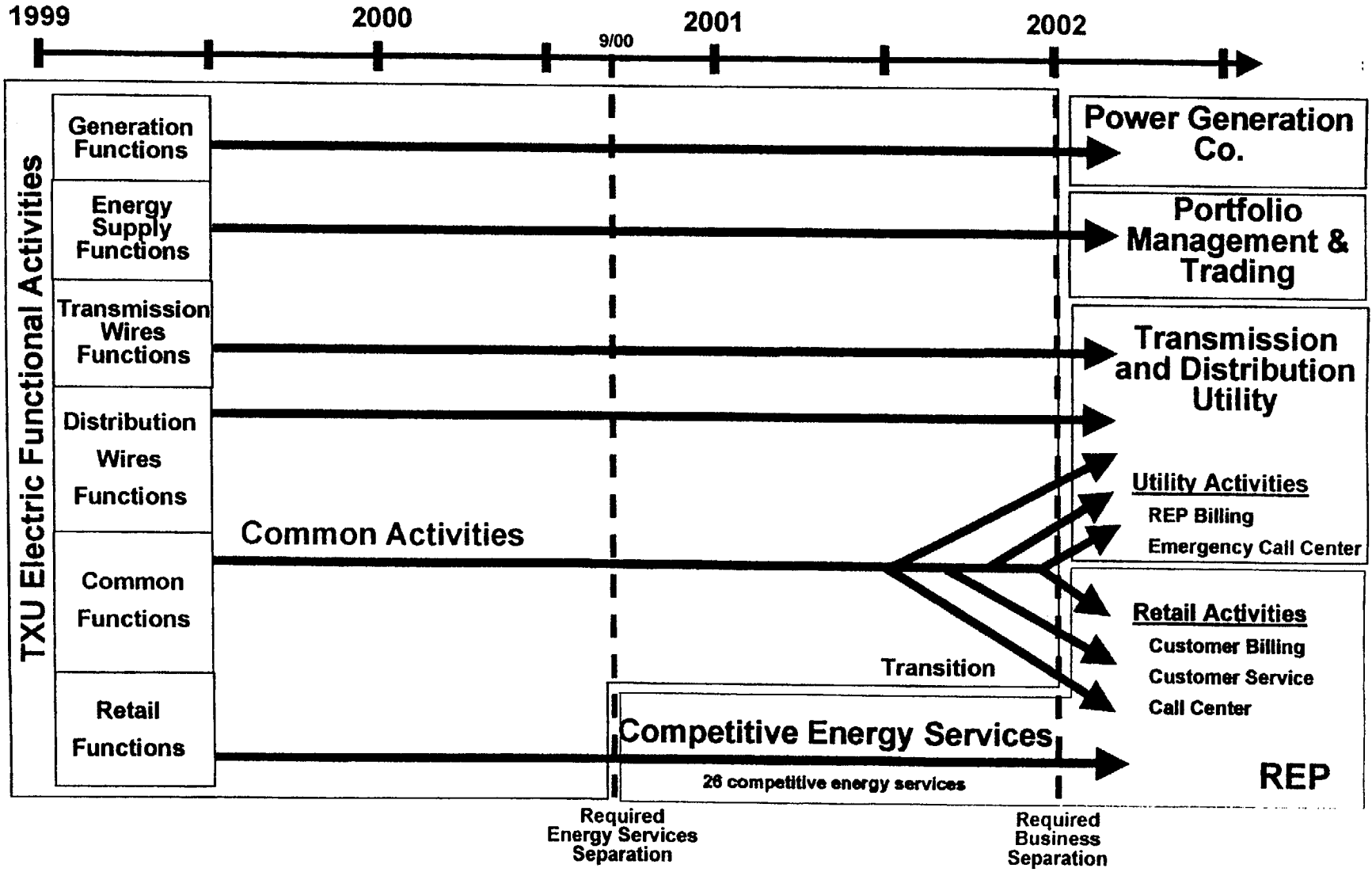
EXHIBIT TLB-3

Page 1 of 1

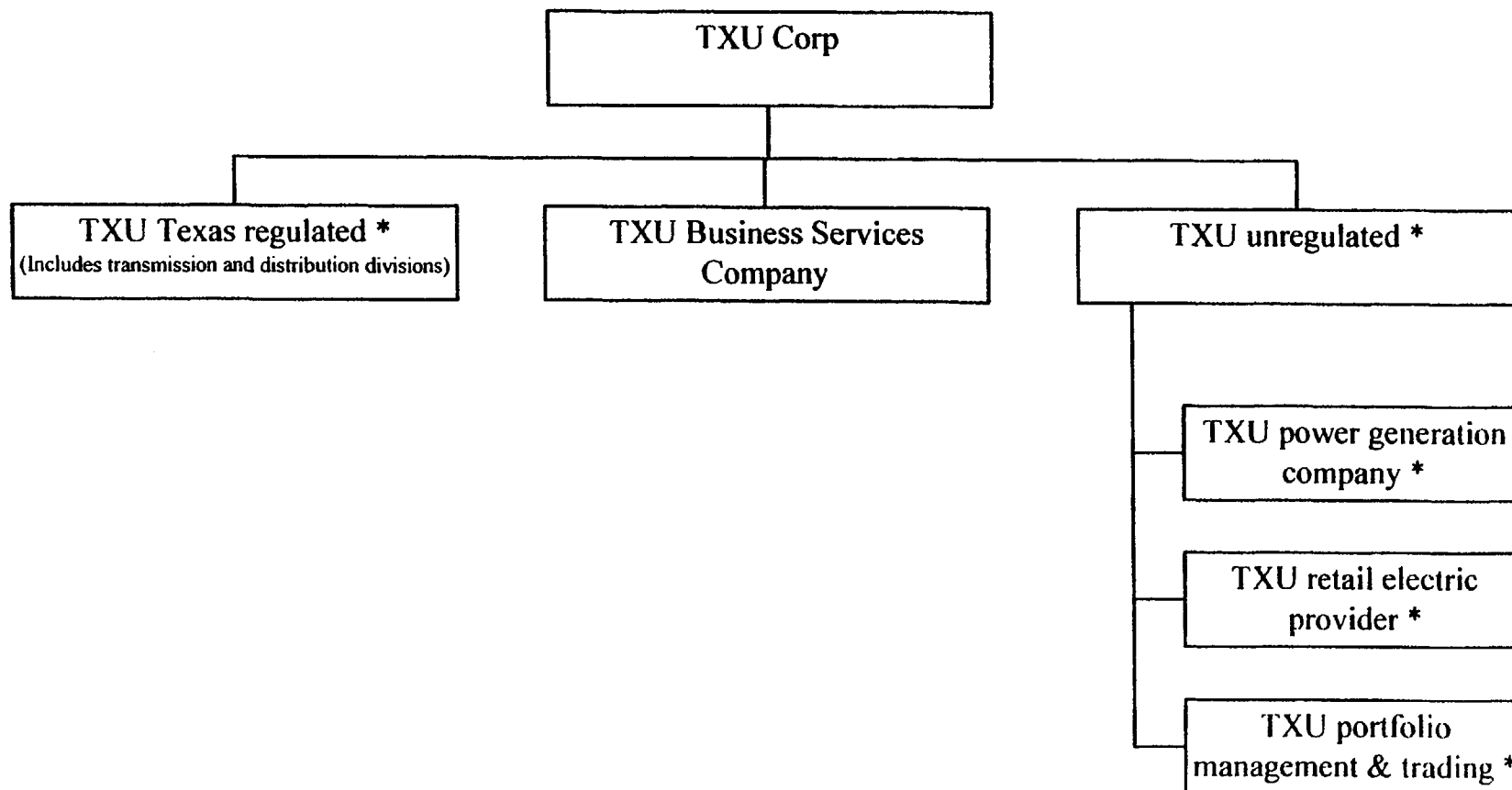
Asset Separation



TXU Electric Separation

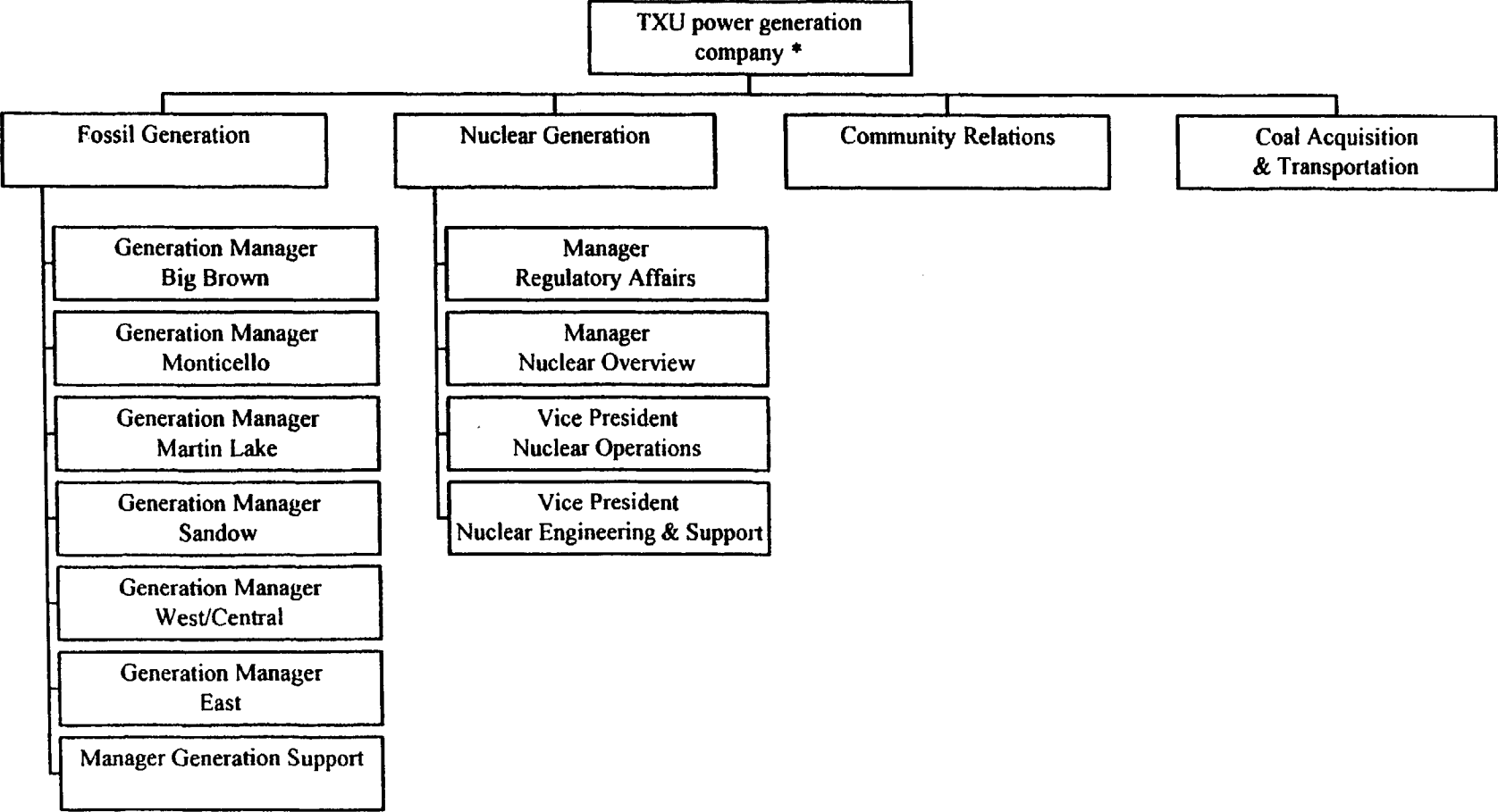


**Proposed Corporate Structure
as of January 1, 2002**



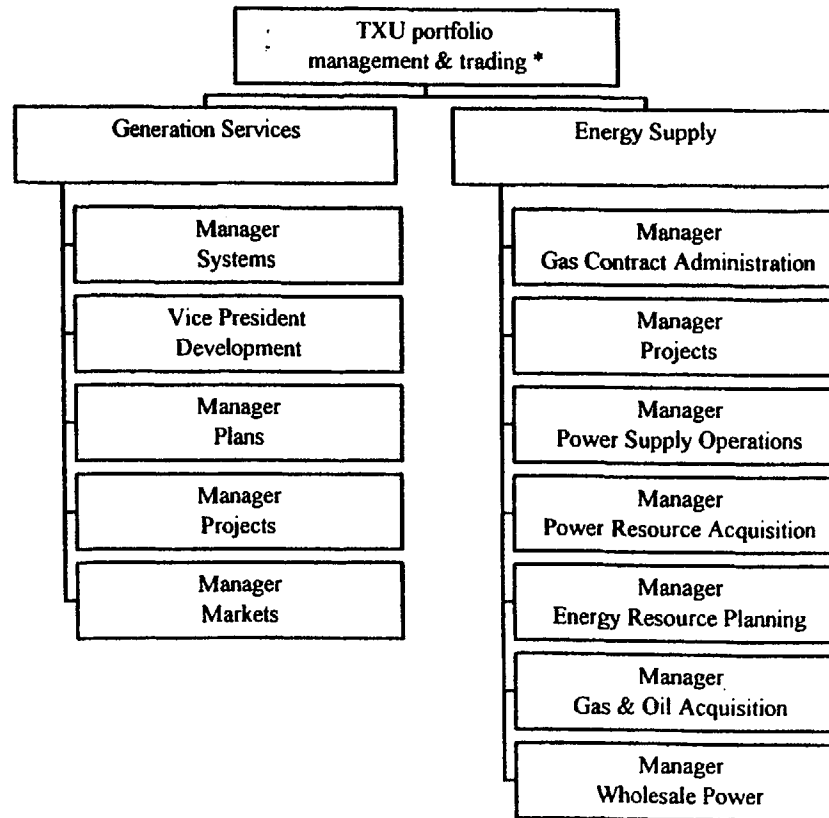
* Company names have not been chosen

**Functions Transferred from TXU Electric
to Power Generation Company
as of January 1, 2002**



* Company name has not been chosen

**Functions Transferred from TXU Electric
to Portfolio Management & Trading
as of January 1, 2002**



* Company name has not been chosen.

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OF ROB D. TRIMBLE, WITNESS FOR
TXU ELECTRIC COMPANY**

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1 In May 1996, I was elected Vice President of Operations for TXU Mining
2 Company. In September 1998, I began my current assignment as Senior
3 Vice President for the Distribution Business Unit of TXU Electric. I am a
4 registered Professional Engineer in the State of Texas. I have previously
5 testified in Public Utility Commission of Texas Docket Nos. 11735 and 15195
6 on behalf of TXU Electric.

7 **II. PURPOSE OF TESTIMONY**

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. The purpose of my testimony is to describe the TXU Distribution Business
10 Unit ("DBU"), its activities and responsibilities by functional area, and TXU
11 Electric's plans to assure the continued safe and reliable operation of its
12 distribution facilities and ease of access for system users after January 1,
13 2002.

14 **III. DESCRIPTION OF THE CURRENT TXU ELECTRIC**

15 **DISTRIBUTION BUSINESS UNIT**

16 Q. MR. TRIMBLE, WHAT IS THE CURRENT MISSION OF THE DBU?

17 A. The mission of the DBU is to deliver the essential services of electricity and
18 gas safely, reliably, and economically to end-use customers to enhance their
19 lives and economic well being.

20 Q. PLEASE PROVIDE AN OVERVIEW OF THE ELECTRIC DISTRIBUTION
21 SYSTEM.

22 A. TXU Electric serves approximately 2.5 million customers in an area covering
23 approximately 53,000 square miles in the State of Texas. My Exhibit RDT-1
24 provides a map of TXU Electric's service territory. TXU Electric provides
25 electric service in 370 cities and 92 counties in this service territory.

26 Q. PLEASE PROVIDE AN OVERVIEW OF THE CURRENT DBU
27 ORGANIZATION.

28 A. My Exhibit RDT-2 shows the current organizational structure of the DBU.
29 The DBU consists of the Distribution Operations, Business Development &
30 Customer Service, Business Management, Transition Management, Energy

1 Supply, and Energy Marketing & Sales organizations. On September 30,
2 1999, there were 5,670 employees in the DBU.

3 **A. Distribution Operations**

4 Q. PLEASE DESCRIBE THE CURRENT DISTRIBUTION OPERATIONS
5 ORGANIZATION.

6 A. The Distribution Operations organization is responsible for the overall safe
7 and reliable operation of the DBU's electric and gas distribution facilities.
8 Organizations within Distribution Operations include Electric Operations, Gas
9 Operations, Metering Services, Resource Management, System Asset
10 Management, Metro Design, and Non-Metro Design. On September 30,
11 1999, there were 4,211 employees in the Distribution Operations
12 organization. The following sections provide current responsibilities for the
13 groups within this organization:

14 **Electric Operations:**

15 Electric Operations is responsible for operation and maintenance of
16 the electric distribution system, including service restoration, power quality,
17 meter reading in non-metro areas, construction services, distribution
18 services, and community relations in non-metro areas. Electric Operations
19 is basically divided between metro area and non-metro area responsibilities.
20 The metro area includes all or portions of ten counties in the Dallas/Fort
21 Worth metro area. The counties include Dallas, Tarrant, Collin, Denton,
22 Rockwall, Parker, Johnson, Kaufman, Hunt, and Ellis. Non-metro Operations
23 includes 18 districts (including TXU SESCO Company ("TXU SESCO"), an
24 affiliate of TXU Electric), in three regions that encompass all or part of 91 out
25 of 92 counties in TXU Electric's service territory. The regions are designated
26 as East, South, and West. My Exhibit RDT-3 provides a listing of the 18 non-
27 metro districts and a description of the primary responsibilities of personnel
28 in the various non-metro districts. The Abilene and Bryan Districts have gas
29 responsibilities only. Metro Operations organizations include Power Delivery,
30 Dallas Electric Operations, Construction Services, Reliability Engineering,

1 and Distribution Services. Dallas Electric Operations is responsible for
2 operation, construction, and maintenance activities in areas that cover the
3 majority of Dallas County.

4 Power Delivery, Construction Services, Reliability Engineering, and
5 Distribution Services are responsible for activities in the Dallas/Fort Worth
6 metro area and for providing support to non-metro organizations. My Exhibit
7 RDT-4 provides a description of the primary responsibilities of these
8 departments. Support provided to non-metro organizations by these
9 departments is necessary to ensure consistent application of TXU Electric
10 work processes and policies. In addition, these organizations provide
11 specialized expertise in the areas of electric system dispatch, control and
12 reporting; emergency service restoration; construction coordination and
13 scheduling; planned and unplanned maintenance services; electric system
14 performance and reliability analysis; and account maintenance activities.

15 Gas Operations:

16 Gas Operations has responsibility for the operation and maintenance
17 of the gas distribution system. In addition, Gas Operations has responsibility
18 for electric activities where operational efficiencies can be gained by having
19 the expertise to conduct activities that are similar for both gas and electric.
20 My Exhibit RDT-5 provides a description of the electric responsibilities of the
21 departments in Gas Operations. Gas Operations personnel perform the
22 following electric activities: turn on/turn off service; locating underground
23 electric facilities when requested by customers, contractors, or governmental
24 entities; and tagging electric meters for disconnection in instances where
25 customers have not paid electric bills in a timely manner.

26 Meter Services:

27 This group provides metering services for both gas and electric
28 operations. This group's primary functions include meter acquisition; meter
29 inspection; testing, repair, and calibration of meters; meter installations,
30 meter design, meter standards and specifications; and technology

1 evaluation. This group also performs meter reading in the metro area, and
2 supports meter reading system-wide.

3 Resource Management:

4 This group provides support to electric and gas operations in the
5 areas of environmental coordination, transportation equipment analysis, work
6 load optimization, alliance management, materials management services,
7 and facilities logistics.

8 Asset Management:

9 This organization is responsible for formulation and implementation
10 of policies regarding the planning, design, and construction of the electric
11 and gas distribution systems. Its responsibilities include strategic planning,
12 preparation of the construction budget for projects needed to serve existing
13 customers, the development of construction and materials standards, asset
14 utilization strategies, Distribution Information System support, technology
15 applications support, and contingency planning.

16 Metro Design:

17 Metro Design provides distribution engineering design and project
18 management services to the electric and gas distribution organizations in the
19 Dallas/Fort Worth metro area. Additional responsibilities include
20 development of the Metro Operation's construction budget and development
21 and refinement of engineering design standards.

22 Non-Metro Design:

23 Non-Metro design provides distribution engineering design and project
24 management services to the electric and gas distribution organizations in
25 non-metro areas. Additional responsibilities include development of the Non-
26 Metro Operation's construction budget and development and refinement of
27 engineering design standards.

28 **B. TXU SESCO Distribution Operations**

29 Q. PLEASE DESCRIBE THE CURRENT TXU SESCO DISTRIBUTION
30 OPERATIONS.

1 A. As I previously discussed, TXU SESCO, while a separate company, is
2 managed as one of the 18 non-metro districts in the Electric Operations
3 organization. The TXU SESCO District Manager reports to the East Region
4 Manager. My Exhibit RDT- 6 shows the primary responsibilities of the
5 personnel in the TXU SESCO district.

6 **C. Business Development & Customer Service**

7 Q. PLEASE DESCRIBE THE BUSINESS DEVELOPMENT AND CUSTOMER
8 SERVICE ORGANIZATION.

9 A. Business Development & Customer Service is responsible for customer
10 information centers, customer billing, collections, and revenue processing,
11 developing and maintaining metro area community and municipal relations,
12 managing the process and costs of adding new customers, and managing
13 TXU Electric's business and economic development program. On
14 September 30, 1999, there were 1,120 employees in the Business
15 Development & Customer Service organization. Departments within
16 Business Development & Customer Service include the following:

17 **Customer Information:**

18 This department is responsible for operating electric and gas
19 customer information centers in Irving and Waco. Personnel in these centers
20 exchange information with customers by phone, mail, e-mail, or fax. My
21 Exhibit RDT-7 lists the primary activities performed at the customer
22 information centers.

23 **Billing, Collections, & Revenue Processing:**

24 Billing, Collections, & Revenue Processing is responsible for billing,
25 collecting, and processing revenues for gas and electric services to
26 customers of TXU Electric and TXU Lone Star Gas, including TXU SESCO.
27 Primary functions include active collections; off-service collections; legal
28 services required for collections; bankruptcies; tax exemption processing and
29 maintenance; security deposits; billing exceptions; electronic data
30 interchange billing and processing; payment processing operations for

1 electric and gas; payroll; wire transfers; reconciliation of bank statements;
2 returned check processing; bank drafts; and telepay.

3 Dallas Area Community & Municipal Relations:

4 This department is responsible for community and municipal relations
5 in the Dallas area. Responsibilities include managing activities associated
6 with city actions on rates, franchises, and ordinances in Dallas County and
7 cities in Collin and Rockwall counties, and sponsoring and coordinating TXU
8 Electric involvement in charitable, civic, and community events.

9 Fort Worth Area Community & Municipal Relations:

10 This department is responsible for community and municipal relations
11 in the Fort Worth area. Responsibilities include managing activities
12 associated with city actions on rates, franchises, and ordinances in cities in
13 Tarrant County and cities in Denton, Parker, and Johnson counties. Other
14 responsibilities include sponsoring and coordinating TXU Electric
15 involvement in charitable, civic, and community events.

16 Economic Development:

17 This department is responsible for developing and implementing TXU
18 Electric's economic development plan. Economic Development personnel
19 interface with internal work groups, as well as local and state economic
20 development groups. This group also sponsors and coordinates TXU
21 Electric involvement in various activities and events promoting economic
22 development.

23 New Construction Management:

24 New Construction Management is responsible for managing the
25 process and costs of extensions of distribution facilities to new customers or
26 increasing the capacity of facilities serving existing customer's electric and
27 gas loads. This group is also responsible for managing capital funds
28 required to serve these additional customer loads and for developing and
29 maintaining working relationships with builders and developers, to facilitate
30 extensions and expansion of distribution facilities.

1 Decision & Regulatory Support Services:

2 This department is responsible for analysis and forecasting of electric
3 and gas customers, sales, revenues, and peak loads. The department is
4 also responsible for demand-side management and energy efficiency
5 strategies and programs. Additional responsibilities include educational
6 services for schools and other organizations and administrative support for
7 customer tracking/reporting and regulatory compliance.

8 Administrative Services:

9 Administrative Services is responsible for providing support for
10 municipal regulatory issues and policies, including franchises and
11 ordinances. In addition, this department has internal communications
12 responsibilities.

13 Marketing & Customer Development Services:

14 Marketing & Customer Development Services is responsible for gas
15 industrial account management, gas contract negotiations, residential
16 developer/builder relations and negotiations, gas market research, and gas
17 marketing plans.

18 **D. Business Management**

19 Q. PLEASE DESCRIBE THE BUSINESS MANAGEMENT ORGANIZATION.

20 A. Business Management is responsible for the financial planning, performance
21 analysis, and cost management process within the DBU, including managing
22 the cost assignment process, ensuring compliance with regulatory financial
23 policies and requirements, and analyzing and reporting operation and
24 maintenance and capital expenses. This organization is responsible for
25 coordinating and overseeing the DBU's quality improvement, communication,
26 training, and employee development processes. It is also responsible for
27 identification and implementation of functional and cross-functional best
28 practices and performance standards for processes within the DBU. On
29 September 30, 1999, there were 51 employees in the Business Management
30 organization.

1 **E. Transition Management**

2 Q. PLEASE DESCRIBE THE TRANSITION MANAGEMENT ORGANIZATION.

3 A. Transition Management is responsible for analyzing distribution related
4 issues associated with the implementation of Senate Bill No. 7. This
5 organization is composed of a cross-functional group of personnel with
6 expertise in areas of TXU Electric that are affected by that legislation. On
7 September 30, 1999, there were 44 employees in the Transition
8 Management organization.

9 **F. Energy Supply**

10 Q. PLEASE DESCRIBE THE ENERGY SUPPLY ORGANIZATION.

11 A. Energy Supply is responsible for providing reliable electric and gas resources
12 at the lowest reasonable costs, to meet the energy needs of the customers
13 served by TXU Electric and TXU Gas Distribution (formerly TXU Lone Star
14 Gas), Departments within Energy Supply include Power Supply Operations,
15 Gas & Oil Acquisition, Gas Supply, Power Resource Acquisition, Gas
16 Contract Administration, Energy Resource Planning, Wholesale Power, and
17 Projects. On September 30, 1999, there were 92 employees in the Energy
18 Supply organization.

19 **G. Energy Marketing & Sales**

20 Q. PLEASE DESCRIBE THE ENERGY MARKETING & SALES
21 ORGANIZATION AS OF SEPTEMBER 30, 1999.

22 A. Energy Marketing & Sales is responsible for policy and strategy development
23 related to energy sales. Departments within Energy Marketing & Sales
24 include Strategic Market Development, Mass Market Development, Strategic
25 Energy Sales, Customer Loyalty & Benchmarking, Commercial & Industrial
26 Marketing Services, and Strategic Marketing & Competitive Transition. On
27 September 30, 1999, there were 147 employees in the Energy Marketing &
28 Sales organization.

1 **IV. MEASURES TAKEN TO ENSURE THE CONTINUED PROVISION OF**
2 **SAFE AND RELIABLE OPERATION OF THE DISTRIBUTION SYSTEM AND**
3 **EASE OF ACCESS FOR SYSTEM USERS AFTER JANUARY 1, 2002**

4 Q. HAS TXU ELECTRIC TAKEN APPROPRIATE MEASURES TO ENSURE
5 THAT THE ELECTRIC DISTRIBUTION SYSTEM WILL CONTINUE TO BE
6 OPERATED IN A SAFE AND RELIABLE MANNER?

7 A. Yes. After September 1, 2000, the distribution function will utilize the same
8 basic operation and maintenance personnel, practices, and procedures that
9 are used today to provide safe and reliable electric service, and distribution
10 personnel will perform system services in the same manner as today. Of
11 course, to ensure the continuation of such safe and reliable operations, rates
12 for distribution services will have to include recovery of costs and an
13 adequate return on investments. Safety will remain a high priority, just as it
14 is today. The organizations that ensure power quality on the distribution
15 system, and provide system planning, maintenance and construction, and
16 system reliability support will continue to be in place. The distribution system
17 will be operated in a manner that ensures that system reliability will be
18 consistent with the Commission's recently enacted reliability regulations.

19 Q: WHAT STEPS DOES THE DBU INTEND TO TAKE TO ENSURE EASE OF
20 ACCESS TO THE TXU DISTRIBUTION SYSTEM FOR FUTURE USERS OF
21 THE SYSTEM?

22 A. The DBU recognizes that non-discriminatory, open access to the distribution
23 system is essential for the development of a healthy competitive retail
24 market. Therefore, the DBU is committed to ensuring the successful
25 implementation of retail open access. To the extent changes are required
26 in the current Commission rules governing wholesale open access to
27 facilitate the transition to retail competition, the DBU intends to be an active
28 participant in those rulemaking proceedings. In addition, the TXU Electric
29 organization that responds to customer requests for distribution system
30 service will remain in place. In the future, however, the primary customers of

1 the distribution utility will be retail electric providers. TXU Electric will
2 respond to those customers' requests in a fair and non-discriminatory
3 manner, consistent with requirements of the Commission's rules, approved
4 tariffs and good utility practice.

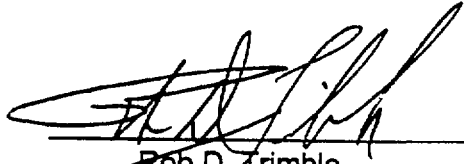
5 Q. MR. TRIMBLE, DOES THIS CONCLUDE YOUR TESTIMONY?

6 A. Yes, it does.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

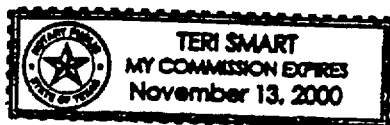
BEFORE ME, the undersigned authority, on this day personally appeared Rob D. Trimble, who, having been placed under oath by me, did depose as follows:

My name is Rob D. Trimble. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



Rob D. Trimble

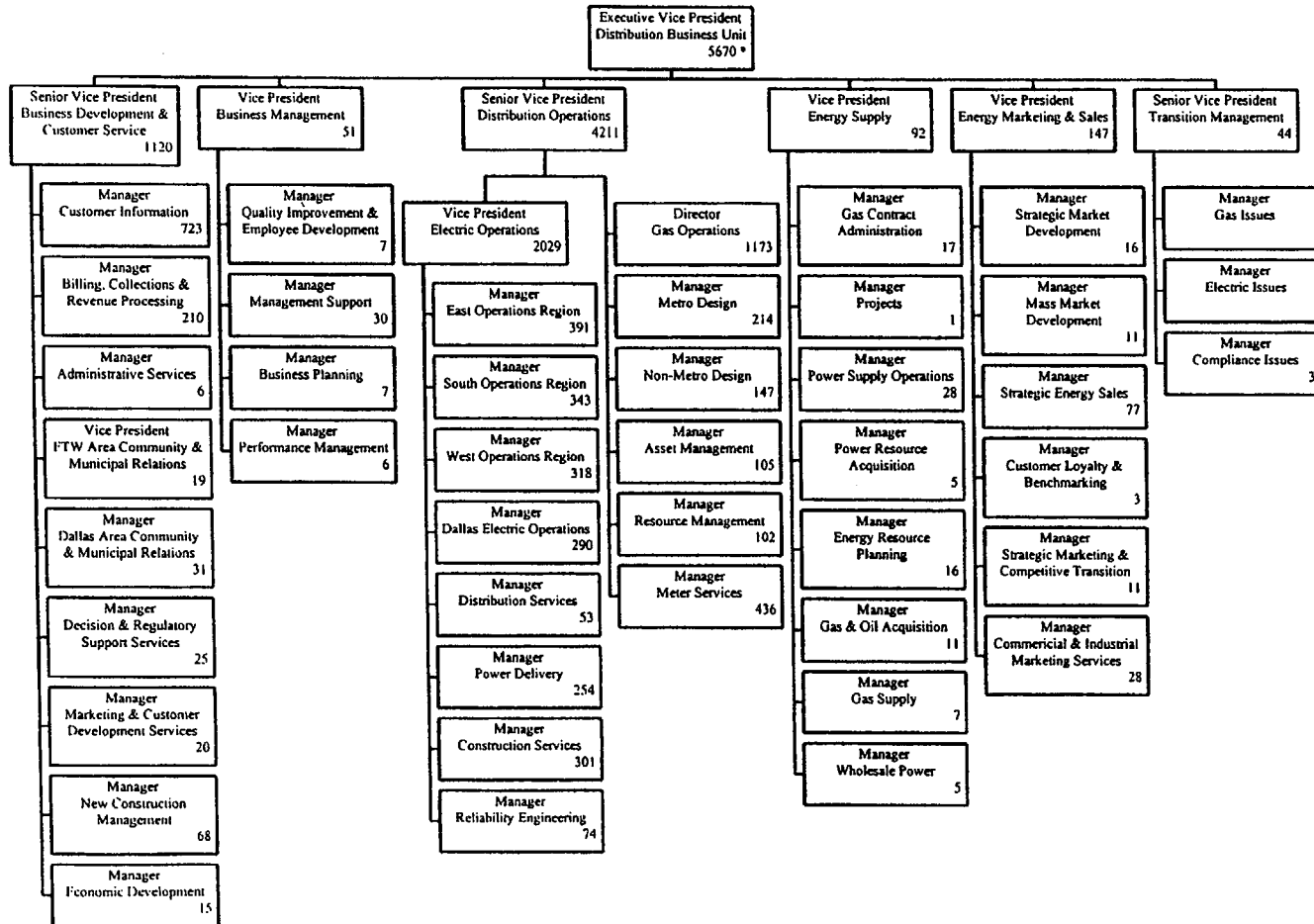
SUBSCRIBED AND SWORN TO BEFORE ME by the said Rob D. Trimble
this 10th day of January, 2000.





Notary Public, State of Texas

Distribution Business Unit as of September 30, 1999



* Includes 634 TXU Gas Distribution employees and 89 TXU Business Services employees

TXU ELECTRIC
NON-METRO OPERATIONS DISTRICTS

WEST

Abilene
Brownwood
Midland
Mineral Wells
Odessa
Wichita Falls

SOUTH

Bryan
Round Rock
Temple
Waco
Waxahachie
Killeen

EAST

Texoma
Paris
Tyler
Lufkin
Palestine
SESCO

TXU ELECTRIC NON-METRO OPERATIONS PRIMARY FUNCTIONS

OPERATIONS

- Service restoration
- Feeder reliability
- Issue materials & supplies

METER SERVICES

- Read meters
- Disconnects/reconnects in electric only areas
- Read in/read out

MAINTENANCE & CONSTRUCTION

- Maintain existing electric facilities
- Construct new electric facilities

TOWN MANAGER

- Community Relations
- Franchises
- Regulatory activities
- Ordinances
- Distribution Services

**TXU ELECTRIC
METRO ELECTRIC OPERATIONS ORGANIZATIONS
PRIMARY FUNCTIONS**

POWER DELIVERY

- Operate and maintain electric distribution system
- Service restoration
- Dispatch trouble calls for metro and non-metro areas
- Schedule clearances
- Install & repair service lines
- Coordinate vegetation trimming for metro and non-metro areas

CONSTRUCTION SERVICES

- Construction coordination
- Job planning & tracking
- Material acquisition
- M&C of facilities
- Central Business District network M&C

RELIABILITY ENGINEERING

- Electric system reliability & integrity analysis
- Contingency planning
- Data Integrity
- Technology application
- Equipment Expertise

**DALLAS ELECTRIC
OPERATIONS**

- Operate electric system
- Maintenance & Construction (M&C) of electric facilities
- Dispatch trouble calls
- Schedule outage clearances

DISTRIBUTION SERVICES

- Electric & gas account maintenance
- Rate administration
- Assist service restoration
- Street light database maintenance
- On-Call Manager Program
- Resolve service reliability issues
- Liasion between customers and Distribution Operations

GAS OPERATIONS PRIMARY ELECTRIC FUNCTIONS

METRO FIELD SERVICES

- Electric turn on/off in metro areas
- Tagging of electric meters

DISPATCH OPERATIONS

- Dispatch Field Services personnel for electric turn on/off

REPAIR & CONSTRUCTION

- Locate underground electric lines in metro areas

OPERATIONS

- Electric turn on/off in non-metro areas (except in electric only areas)
- Locate underground electric lines in non-metro areas (except in electric only areas)

TXU SESCO DISTRICT PRIMARY FUNCTIONS

OPERATIONS

- Service restoration
- Feeder reliability
- Issue materials & supplies

MAINTENANCE & CONSTRUCTION

- Maintain existing electric facilities
- Construct new electric facilities

TOWN MANAGER

- Community Relations
- Franchises
- Regulatory activities
- Ordinances
- Distribution Services
- Bill Collections

Customer Information Centers

Miscellaneous General Inquiries

Outage reporting
Emergency reporting from Fire and Police
Customer Move/Transfer
Customer Information Change
Programs (Average Pay, Summary Billing, etc.)
Credit Extension
Bill/Rate Explanation

Specialized Support Functions

New Construction Management
Key Account Support
Correspondence
Central Dispatch
City Inspection Coordination
Resource Management/Training
Texas RR Commission Contact Resolution Process
PUC Contact Resolution Process
Energy Assist Program
Energy Aid

**INDEX TO THE DIRECT TESTIMONY
OF VICTOR J. ZEMANEK, WITNESS FOR
TXU ELECTRIC COMPANY**

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1 **II. PURPOSE OF TESTIMONY**

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3 A. The purpose of my testimony is to:

- 4 1. Describe the current TXU Electric transmission organization, its activities and
5 responsibilities by functional area, and its transmission facilities; and
6 2. Describe the TXU Electric transmission organization's plans to assure the
7 continued safe and reliable operation of its transmission facilities and ease of
8 access for system users after January 1, 2002.

9 **III. DESCRIPTION OF THE TXU ELECTRIC TRANSMISSION BUSINESS UNIT**

10 **AS OF SEPTEMBER 30, 1999**

11 Q. PLEASE DESCRIBE THE CURRENT CORPORATE ORGANIZATIONAL
12 STRUCTURE OF TXU ELECTRIC'S TRANSMISSION ORGANIZATION.

13 A. The transmission organization is a strategic business unit within TXU Electric.
14 The President of the Transmission Business Unit ("TBU") reports to the TXU
15 Electric President and Chief Operating Officer and has three direct reports.
16 These direct reports are the Transmission Grid Management Vice President, the
17 Transmission Engineering and Operations Senior Vice President, and the
18 Transmission Marketing Manager. Please refer to Exhibit VJZ-1 for the
19 applicable organization chart. The organization charts in my Exhibits VJZ-2 and
20 VJZ-3 show the organizational units that report to the Transmission Grid
21 Management Vice President and the Transmission Engineering and Operations
22 Senior Vice President.

23 Q. PLEASE DESCRIBE THE OVERALL FUNCTION AND SCOPE OF TXU
24 ELECTRIC'S TBU.

25 A. The TBU provides open access wholesale transmission service over TXU
26 Electric's transmission grid in accordance with the Commission's Substantive
27 Rules 25.191 through 25.204. TXU Electric's transmission facilities form a vital
28 part of the Electric Reliability Council of Texas ("ERCOT") transmission network
29 by interconnecting other utilities, generators, loads, and transmission providers.
30 Additionally, TXU Electric provides transmission facilities necessary for ERCOT
31 loads to import generation into ERCOT, and for ERCOT generators to export

**Zemanek – Direct – TXU Electric
Business Separation Plan**

1 generation out of ERCOT, through the North and East High Voltage Direct
2 Current Interconnections between ERCOT and the Southwest Power Pool.

3 The TBU is fully responsible for TXU Electric's transmission facilities. The
4 activities associated with this responsibility include the planning, design,
5 engineering, construction, operation, and maintenance of TXU Electric's
6 transmission facilities. These facilities include all equipment from the first
7 protective device (e.g., a circuit breaker), installed between the step-up
8 transformers at power plants and the high voltage transmission system, that is
9 located in the switchyards at generation plants connected to the TXU Electric
10 transmission grid, and all equipment in the TXU Electric high voltage (60 kV and
11 above) transmission system and all load-serving substations. Additionally, TXU
12 Electric currently operates and maintains all of the transmission facilities of TXU
13 SESCO Company ("TXU SESCO"), a regulated affiliate of TXU Electric, under
14 contract.

15 Q. PLEASE DESCRIBE TXU ELECTRIC'S AND TXU SESCO'S TRANSMISSION
16 SERVICE TERRITORIES AND FACILITIES.

17 A. The transmission service territories of TXU Electric and TXU SESCO are shown
18 on my Exhibit VJZ-4, which includes a depiction of TXU Electric's and TXU
19 SESCO's major 345 kV and 138 kV backbone transmission lines. I have
20 included the service territory presently served by TXU SESCO because, as
21 discussed in Mr. Baker's testimony, TXU Electric is planning to acquire the TXU
22 SESCO transmission facilities effective December 31, 2001. The transmission
23 assets that belong to TXU Electric and TXU SESCO include:

- 24 1. 4,133 circuit miles of 345 kV transmission lines with supporting structures;
- 25 2. 6,712 circuit miles of 138 kV transmission lines with supporting structures;
- 26 3. 3,042 circuit miles of 69 kV transmission lines with supporting structures; and
- 27 4. 941 distribution/transmission substations.

28 Q. PLEASE DESCRIBE THE CURRENT ACTIVITIES PERFORMED BY THE
29 TRANSMISSION MARKETING ORGANIZATIONAL UNIT.

30 A. Transmission Marketing serves in a customer service liaison role with wholesale
31 market participants regarding their transmission service-related needs from TXU

1 Electric. Those market participants include electric utilities, municipal utilities,
2 river authorities, rural electric cooperatives, exempt wholesale generators,
3 qualifying facilities, and power marketers. Transmission Marketing works with
4 these entities, along with Grid Planning and Transmission Engineering, to define
5 the facilities necessary to establish new points of interconnection or modify
6 existing points of interconnection. Additionally, Transmission Marketing also
7 prepares any necessary contractual agreements related to transmission services
8 and communicates with wholesale market participants regarding billing and
9 payment issues associated with such services.

10 Q. PLEASE DESCRIBE THE CURRENT ACTIVITIES PERFORMED BY THE
11 TRANSMISSION ENGINEERING & OPERATIONS ORGANIZATIONAL UNIT.

12 A. As shown on my Exhibit VJZ-2, Transmission Engineering & Operations is
13 comprised of the following groups:

14 Fort Worth, Dallas, Western and Southeast Regions

15 The four Transmission Region organizations are accountable for the direction,
16 control and management of all operations, maintenance, and testing activities
17 required for the reliable and efficient transmission of electric energy over TXU
18 Electric's transmission grid in their respective regions. This accountability
19 includes all major transmission equipment such as distribution power
20 transformers, auto transformers, circuit breakers (both distribution voltage and
21 high-voltage level), overhead and underground transmission lines, microwave
22 installations, and transmission System Control And Data Acquisition ("SCADA")
23 equipment located in substations, generating plant switchyards, and transmission
24 switching stations. Additionally, it also includes electronic communications and
25 protective relaying equipment for these facilities. The activities performed by
26 these organizations include: monitoring and control of operations and
27 maintenance budgets; administration of an effective safety program for region
28 personnel; the administration of all environmental rules and regulations within the
29 regions, including the planning, coordinating, and execution of all environmental
30 clean up activities; and the development and coordination of emergency

1 operations and restoration plans designed to minimize interruptions and maintain
2 a high level of customer service reliability.

3 Engineering

4 Engineering is responsible for the engineering design and construction of all TXU
5 Electric transmission lines and substations. This includes developing and
6 implementing a capital budget, obtaining all regulatory and environmental
7 approvals and permits necessary for particular projects, and project management
8 through construction. This organization also works closely with the four
9 Transmission Regions to provide special engineering services on an as-needed
10 basis. Engineering, under the supervision of the ERCOT Independent System
11 Operator ("ISO"), provides facilities studies for connecting new generating
12 facilities to TXU Electric's transmission grid and is responsible for designing and
13 constructing the TXU Electric interconnection facilities for those generating plants
14 that connect to the TXU Electric transmission grid.

15 System Protection

16 System Protection is accountable for the performance of the electrical system's
17 relaying protection including the development and implementation of electrical
18 system relaying protection philosophies, conceptual relaying designs, and
19 establishing the settings for protective relays. This organization also provides
20 functional support for the design, construction and installation, maintenance, and
21 testing of electrical system protection schemes and equipment. Its activities
22 include monitoring the performance of the electrical system during fault and
23 transient conditions to determine system relaying operational performance. The
24 primary purposes of this organization are to provide for public and employee
25 safety, limit equipment damage during electrical short circuits, maximize
26 customer service continuity, and minimize the probability of cascading outages.

27 Operations Support

28 Operations Support is responsible for providing technical support to transmission
29 region or district field personnel regarding appropriate maintenance practices on
30 transmission and substation equipment and emergency restoration efforts. Its
31 activities include technical assistance for the operation of the SCADA and

1 telecommunications system; performance analysis of equipment; management of
2 an integrated maintenance program; oversight and management of the operating
3 and maintenance budget for Transmission Engineering and Operations;
4 investigation of abnormal and complex system operating occurrences to ensure
5 corrective procedures are implemented to maintain high reliability; management
6 of the mobile transformer fleet; and administration of the spare parts inventory.

7 Q. PLEASE DESCRIBE THE CURRENT ACTIVITIES PERFORMED BY THE
8 TRANSMISSION GRID MANAGEMENT ORGANIZATIONAL UNIT.

9 A. As shown on my Exhibit VJZ-3, Transmission Grid Management is comprised of
10 the following groups:

11 Grid Operations

12 Grid Operations is responsible for the real-time safe and reliable operation of
13 TXU Electric's transmission grid, and, when necessary, works closely with the
14 ERCOT ISO to coordinate emergency response and restoration activities. These
15 responsibilities include monitoring, controlling, coordinating, and dispatching
16 transmission and interchange for the TXU Electric control area. Additionally, to
17 ensure a safe and reliable system, Grid Operations performs studies for use in
18 preparing a daily operating plan, and it conducts daily or hourly (as needed)
19 reliability and security analysis of operating conditions to evaluate voltage and
20 equipment loading limits and implements corrective measures as limits are
21 approached. It also manages clearances for transmission facilities, associated
22 with maintenance or construction, for productivity concerns and, in conjunction
23 with the ERCOT ISO, for possible impacts on reliability.

24 Transmission Management System

25 This organization is responsible for the operation, maintenance and upgrade of
26 the Transmission Management System ("TMS"), which is the computer system
27 that provides an operating platform for the control and assessment of TXU
28 Electric's transmission grid and distribution substation feeders. TMS personnel
29 also monitor the performance of TMS system communications and data links to
30 assure the accuracy of TMS real-time information.

1 Grid Planning

2 Grid Planning is responsible for the planning of TXU Electric's transmission grid
3 and interacts directly with the ERCOT ISO to coordinate ERCOT system
4 planning for ERCOT-wide grid improvements and constraint mitigation projects.
5 It develops and maintains the TBU plan that describes those transmission facility
6 additions and modifications that are necessary to reliably accommodate
7 expected or potential uses of the TXU Electric transmission grid. Grid Planning
8 also develops plans for reliably operating the transmission system until
9 necessary facility additions can be built. Additionally, under the supervision of
10 the ERCOT ISO, it performs system security studies for new generating facilities
11 connecting to TXU Electric's transmission grid and directs and performs studies
12 of regional transmission system efficiencies that require multi-transmission
13 provider involvement.

14 Grid Services

15 Grid Services is responsible for monitoring the business uses of the TXU Electric
16 transmission grid and for the accounting and billing associated with transactions
17 involving the transfer of power into, out of, and through the TXU Electric
18 transmission grid. It also monitors the metered results of interchange with other
19 control areas and makes negotiated adjustments to balance energy when errors
20 arise from problems such as metering or scheduling errors.

21 Q. WHAT IS THE STAFFING LEVEL FOR THE TBU?

22 A. As of September 30, 1999, TBU's staffing level was 695 employees. These
23 employees were distributed among the TBU organizational units as shown on
24 my Exhibits VJZ-1 through VJZ-3.

25 **IV. MEASURES TAKEN TO ENSURE CONTINUED SAFE AND RELIABLE**
26 **OPERATIONS AND EASE OF ACCESS FOR SYSTEM USERS**
27 **AFTER JANUARY 1, 2002**

28 Q. IS TXU ELECTRIC ADDRESSING THE NEED TO ASSURE THE CONTINUED
29 SAFE AND RELIABLE OPERATION OF ITS TRANSMISSION FACILITIES
30 DURING THE TRANSITION TO RETAIL COMPETITION?

1 A. Yes. The TBU management team is committed to maintaining the same level of
2 high quality service that it presently provides to its transmission service
3 customers during and after the transition to retail competition and expects to
4 continue to meet the same industry standards and TXU Electric standards and
5 performance goals that it has historically achieved.

6 Q: HOW DOES THE TBU INTEND TO ENSURE EASE OF ACCESS TO THE TXU
7 TRANSMISSION SYSTEM FOR FUTURE USERS OF THE SYSTEM?

8 A. The TBU currently provides wholesale non-discriminatory open access to the
9 users of the transmission system in accordance with the Commission's
10 Substantive Rules and the Company's Tariff for Transmission Service. The TBU
11 management team has been actively involved in the rulemaking proceedings and
12 ERCOT committee and task force activities related to open access, and will
13 continue its participation in the future with the objective of facilitating the
14 transition to retail competition. The TBU is committed to continuing the provision
15 of open access transmission service for all future transmission customers in
16 accordance with the Commission's rules, approved tariffs, and good utility
17 practice.

18 Q. WILL THE ACTIVITIES OF THE TBU BE IMPACTED BY EXTERNAL
19 ACTIVITIES THAT ARE PROPOSED FOR THE TRANSITION TO RETAIL
20 COMPETITION?

21 At this time, I am aware of one activity that will have some impact on the TBU.
22 The ERCOT ISO is planning to move to single control area operation for the
23 entire ERCOT grid. When this occurs, the Transmission Grid Management
24 ("TGM") function will no longer provide control area services. The exact date for
25 the transition to a single control area is not known at this time; however, I
26 understand that ERCOT's plans are for the transition to be accomplished by June
27 1, 2001.

28 Q. HOW WILL TGM'S GRID OPERATIONS BE AFFECTED BY THE TRANSITION
29 TO A SINGLE CONTROL AREA?

30 A. In the current ERCOT control area environment, TGM conducts control area and
31 transmission grid operations as part of TXU Electric's responsibility for grid

1 reliability in compliance with Commission Substantive Rules 25.191 through
2 25.204, and North American Electric Reliability Council ("NERC"), ERCOT, and
3 ISO security obligations. Control area operations include: interchange
4 transaction and power transfer schedule implementation, including scheduling
5 ancillary services; hourly and daily reconciliation of actual versus scheduled
6 energy transfers, including adjustments for any measurement of control error;
7 daily system operations reserve (both regulating and contingency) and capacity
8 planning; confirmation of ancillary services arrangements; and the
9 implementation, when required, of ERCOT emergency operations. Grid
10 operations include monitoring and conditioning of voltage and loading conditions
11 on the transmission system; coordinating and scheduling equipment outages;
12 analyzing actual or potential contingency events for corrective or preventative
13 actions (coordinated with the ERCOT ISO and with other transmission providers
14 as well as generation supply sources) to support grid reliability; and switching
15 activities to restore service or otherwise control the status of transmission system
16 elements as it pertains to service reliability and safety.

17 After the transition to a single control area, TGM's Grid Operations
18 responsibilities will primarily be the operation of TXU Electric's transmission
19 facilities including transmission system security assessment, transmission
20 dispatch and coordination with the ERCOT ISO, and the implementation of
21 ERCOT emergency operations as directed by the ERCOT ISO.

22 Q. WILL TGM'S ROLE UNDER THE ERCOT EMERGENCY OPERATING GUIDE
23 BE AFFECTED BY THE TRANSITION TO RETAIL COMPETITION?

24 A. Yes. Until ERCOT begins operations as a single control area, TGM as the TXU
25 Electric control area operator is responsible for implementing the emergency
26 operations described in ERCOT Operating Guide No. III, Emergency Operation,
27 when requested to do so by the ISO or when conditions in the TXU Electric
28 control area require the action described in this guide. The ERCOT ISO may
29 request emergency assistance and may require, in response to adverse weather
30 and/or short supply situations, that certain operations conditions be implemented
31 by control areas. Emergency actions include: shedding of non-firm and then firm

1 load as needed or ordered by the ERCOT ISO; utility load reductions; public
2 appeals for voluntary load reduction; realignment of generating unit output levels
3 or redispatch; curtailment of power transfer schedules or events; voltage
4 reductions; restoring facilities to service prior to planned schedule; opening
5 transmission lines in some instances to alleviate overload; and emergency
6 assistance in the form of capacity or energy to address shortfalls. The ISO
7 makes these requests through the control areas in ERCOT, which, in turn, are
8 responsible for assuring that required actions, including the furnishing of
9 emergency assistance, are allocated among the control area's transmission
10 customers on a nondiscriminatory basis. In addition, under Substantive Rules
11 25.191 through 25.204 and NERC and ERCOT guides, control area operators
12 are responsible for operating their systems so that the reliability of their systems
13 and the ERCOT interconnection are maintained. TGM as a control area operator
14 implements, on a nondiscriminatory basis, emergency procedures whenever
15 intra-control area conditions exist that challenge the reliability of either or both of
16 the TXU Electric transmission facilities and/or the interconnected ERCOT
17 system. Whenever such procedures are implemented within the control area,
18 TGM controllers also notify the ISO of the conditions and actions taken.

19 After the transition to a single control area, the ERCOT ISO will assume
20 responsibility for those activities previously performed by the TXU Electric control
21 area; however, certain of the above actions will still need to be carried out by
22 TGM, under ERCOT ISO direction, as part of its grid operations responsibilities.
23 The TGM management team is working closely with the ERCOT ISO and other
24 market participants in planning the transition to single control area operations
25 and is committed to assuring that the transition proceeds without any reduction in
26 system reliability.

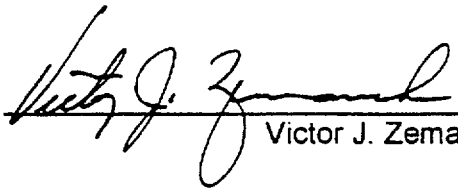
27 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

28 A. Yes.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Victor J. Zemanek, who, having been placed under oath by me, did depose as follows:

My name is Victor J. Zemanek. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

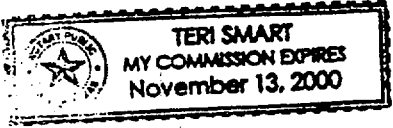


Victor J. Zemanek

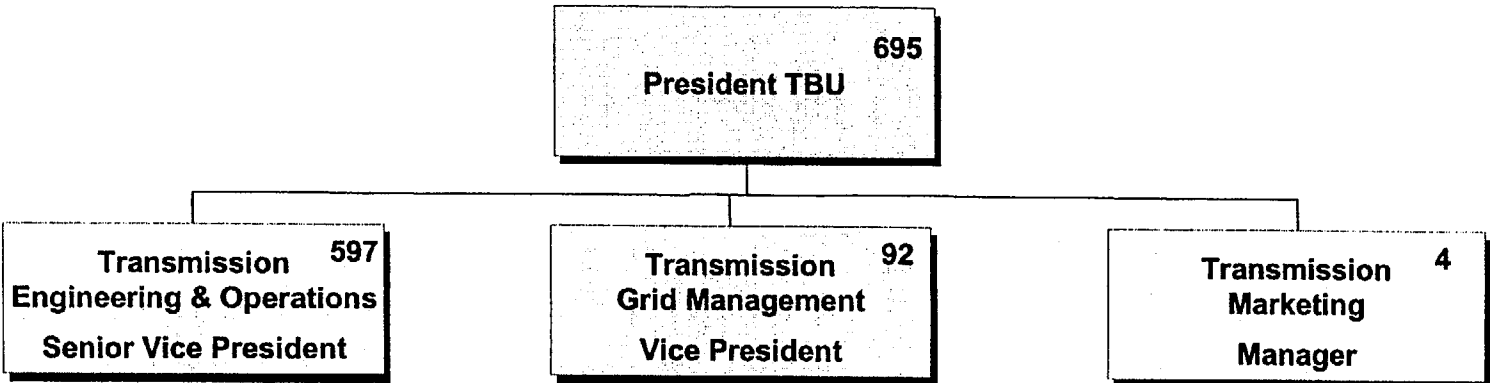
SUBSCRIBED AND SWORN TO BEFORE ME by the said Victor J. Zemanek this 6th day of January, 2000.



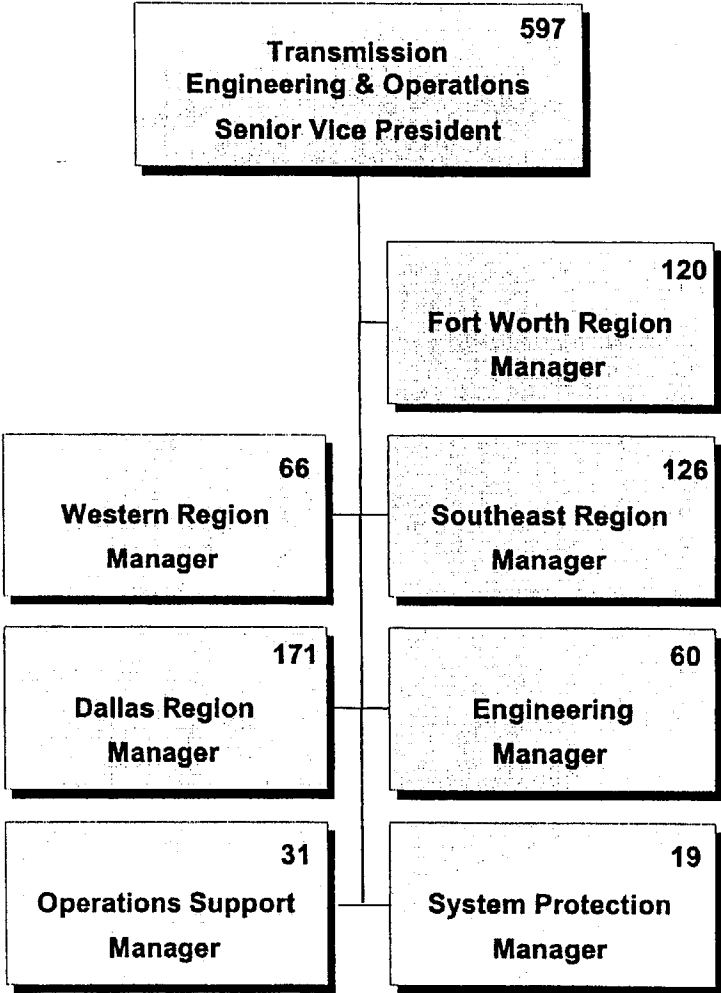
Notary Public, State of Texas



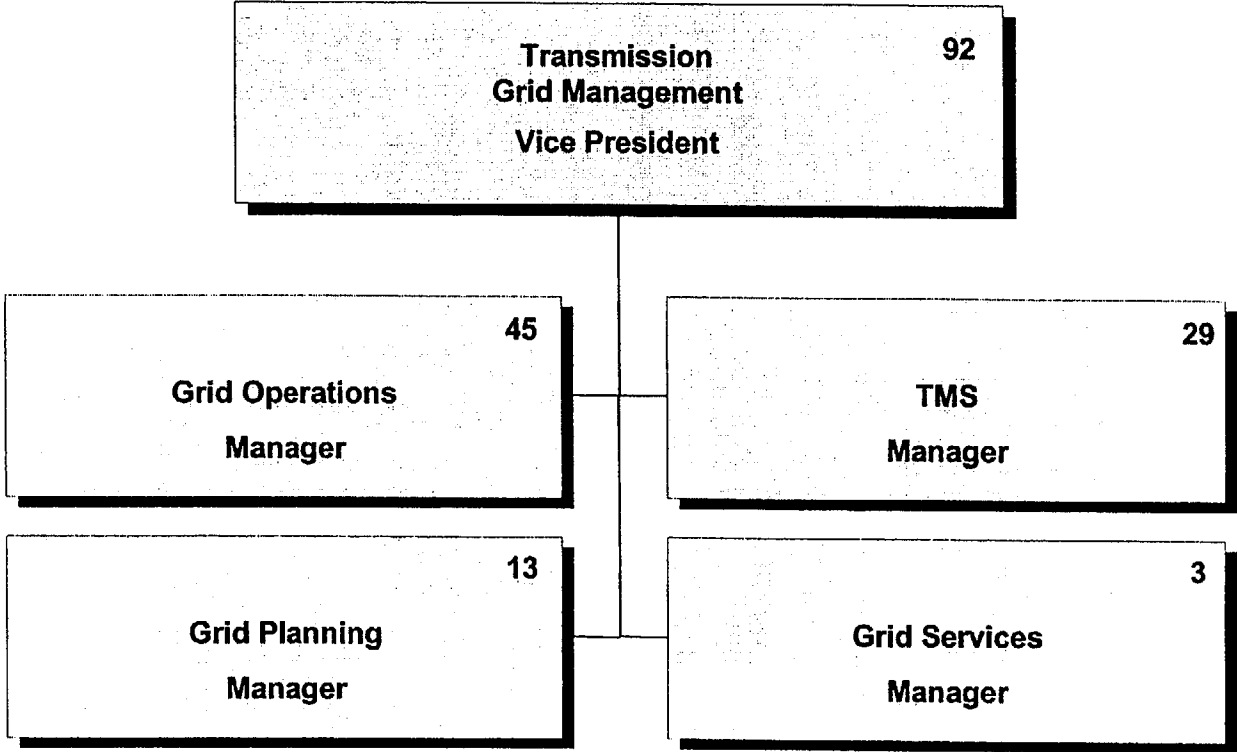
TXU Electric Transmission Business Unit



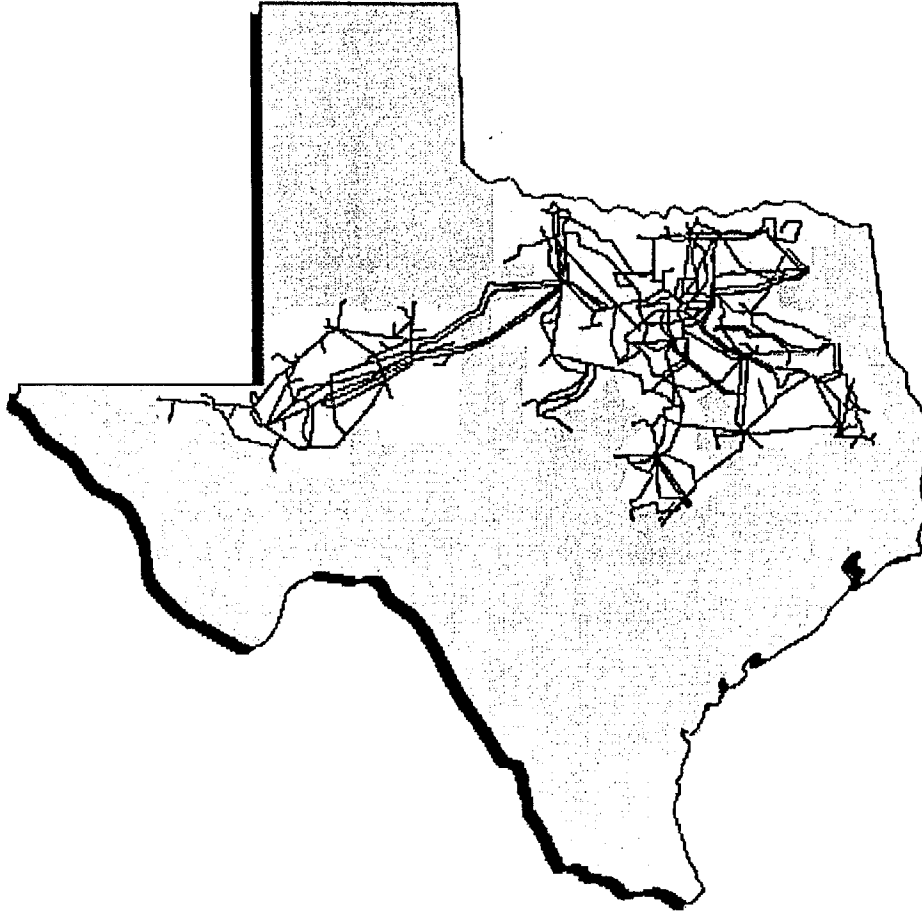
Transmission Engineering and Operations



Transmission Grid Management



TRANSMISSION SERVICE TERRITORY



**INDEX TO THE DIRECT TESTIMONY
OF MARK E. TANNER, WITNESS FOR
TXU ELECTRIC COMPANY**

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TXU Electric Company Competitive Energy Services	14

1 planning, introduction of new products and services, advertising and
2 marketing communications, and monitoring of customer satisfaction.
3 Additionally, I am responsible for developing the plan for separation of retail
4 electric services from utility operations.

5 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITY
6 COMMISSION OF TEXAS?

7 A. No, I have not.

8 II. PURPOSE OF TESTIMONY

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to describe the plans of TXU Electric and
11 TXU SESCO Company ("TXU SESCO") for separation of competitive energy
12 services from existing utility operations. (In this testimony, when I refer to
13 TXU Electric, that term also includes TXU SESCO.) This plan separates
14 competitive energy services from existing regulated utility operations in
15 compliance with the Utilities Code and the Commission's Substantive Rules
16 § 25.341 through § 25.343. In addition, I will briefly describe how this plan
17 complies with affiliate rules requirements.

18 Q. WHAT PORTIONS OF THE BUSINESS SEPARATION PLAN FILING
19 PACKAGE ARE YOU COVERING IN YOUR TESTIMONY?

20 A. My testimony will address Section (L): Separation Plan for Interim Separation
21 of Competitive Energy Services, which addresses the separation of
22 competitive energy services from the regulated utility by September 1, 2000.

23 III. COMPETITIVE ENERGY SERVICES SEPARATION PLAN

24 Q. PLEASE DESCRIBE YOUR OVERALL PLAN FOR SEPARATION OF
25 COMPETITIVE ENERGY SERVICES.

26 TXU Electric has identified 27 "competitive energy services," as that term is
27 defined by the Commission. Of these 27 competitive services, 26 will be
28 transferred from the regulated utility to a competitive affiliate on or before
29 September 1, 2000. The one remaining service is the e-Wise[®] Low-Income
30 DSM Program, for which TXU Electric is requesting the Commission grant a
31 good cause exception from the requirements of Substantive Rule § 25.343.

1 That request will be discussed in detail later in my testimony. A list of the
2 services that will be separated is provided as Exhibit MET-1. The services
3 also provided by TXU SESCO are denoted by asterisks on that exhibit.

4 As I discuss later in my testimony, the personnel and assets
5 necessary to provide those competitive energy services will be transferred
6 on or before September 1, 2000.

7 Q. IS TXU ELECTRIC PETITIONING THE COMMISSION IN THIS
8 PROCEEDING FOR AUTHORITY TO PROVIDE ANY COMPETITIVE
9 ENERGY SERVICE IN THE REGULATED UTILITY?

10 A. No.

11 **A. Development Process**

12 Q. WHAT WERE THE KEY FACTORS YOU CONSIDERED IN DEVELOPING
13 THIS PLAN?

14 A. Several important principles were considered in developing this separation
15 plan. Our primary concern was ensuring compliance with the Utilities Code,
16 affiliate rule requirements, and the Commission's Substantive Rules § 25.341
17 through § 25.343. Our plan also ensures an orderly transition of services
18 from utility operations, thereby minimizing any adverse impacts on
19 customers.

20 Q. PLEASE DESCRIBE THE PROCESS YOU USED TO IDENTIFY AND
21 EVALUATE THE ENERGY SERVICES TXU ELECTRIC IS CURRENTLY
22 PROVIDING.

23 A. We first identified the competitive services provided by TXU Electric that fall
24 within the purview of Substantive Rule § 25.341. To accomplish this, we
25 performed an extensive review to determine which services we provide that
26 fall under the rule's definition of "competitive energy services." As previously
27 stated, during the review process, we identified 27 services that meet that
28 definition.

29 Once we identified these services, we evaluated each to determine if
30 there were any factors that would impact its separation from utility operations

1 on or before September 1, 2000. As a result of this evaluation, we
2 determined that there was one service -- the e-Wise[®] Low-Income DSM
3 Program -- that fell under the definition of a "competitive energy service" in
4 the Commission's Substantive Rule § 25.341(6) that the regulated utility
5 should continue to provide on a transitional basis until January 1, 2002. For
6 the remainder of my testimony, I will refer to that service as a "transitional
7 service."

8 We also identified several activities that had been terminated by TXU
9 Electric, such as its in-house demand-side management ("DSM") programs,
10 that, if they were still being offered, would have qualified as competitive
11 energy services. TXU Electric has already terminated the following services:
12 e-Wise[®] Homes DSM Program, e-Plus[™]Homes DSM Program, e-Choice[®]
13 DSM Program, and Pilot e-Wise[®] Multifamily DSM program, and advertising
14 associated with these programs.

15 We also determined that there are numerous activities identified as
16 "competitive energy services" by Substantive Rule § 25.341(6) that TXU
17 Electric does not provide. Those activities, as identified in that rule, include
18 the marketing, sale, design, construction, installation, or retrofit, financing,
19 operation and maintenance, warranty and repair of, or consulting with respect
20 to: (A) energy consuming, customer premise equipment; (B) energy
21 efficiency and control of dispatchable load management services; (H)
22 communication services related to any energy service not essential for the
23 retail sale of electricity; (I) home and property security services; (K) building
24 or facility design and related engineering services; (L) hedging and risk
25 management services; (M) propane and other energy-based services; (N)
26 retail marketing, selling, demonstration and merchant activities; (O) facilities
27 operations and management; (P) controls and other premises energy
28 management systems, environmental control systems, and related services;
29 (Q) premise energy or fuel storage facilities; (S) indoor air quality products;
30 (T) duct sealing and duct cleaning; and (U) air balancing.

1 Q. ARE THERE ANY COMPETITIVE ENERGY SERVICES PROVIDED BY
2 TXU ELECTRIC THAT YOU HAVE NOT ADDRESSED IN YOUR
3 TESTIMONY?

4 A. No. To the best of my knowledge, all of the competitive energy services
5 performed by TXU Electric were identified in our review and have been
6 addressed in my testimony.

7 **B. Transitional Service**

8 Q. WHAT COMPETITIVE ENERGY SERVICE DID YOU IDENTIFY AS A
9 TRANSITIONAL SERVICE?

10 A. The service that falls into this category is the e-Wise⁵ Low-Income DSM
11 Program.

12 Q. HOW DID YOU DETERMINE THAT THIS SERVICE WAS A TRANSITIONAL
13 SERVICE?

14 A. This service is a transitional service because TXU Electric is legally required
15 to continue the program. Utilities Code § 39.903(g) specifically provides that
16 "[u]ntil customer choice is introduced in a power region, an electric utility may
17 not reduce, in any manner, programs already offered to assist low-income
18 electric customers." TXU Electric's e-Wise⁶ Low-Income DSM Program is
19 designed to provide DSM measures to low-income customers. Thus, the
20 Utilities Code specifically requires TXU Electric to continue providing that
21 program until January 1, 2002.

22 TXU Electric is requesting, therefore, that the Commission grant it a
23 good cause exception to the requirements of Substantive Rule § 25.343 so
24 that TXU Electric may continue to provide its e-Wise⁷ Low-Income DSM
25 Program until January 1, 2002.

26 **IV. IMPLEMENTATION PROCESS**

27 Q. MR. TANNER, PLEASE DESCRIBE HOW TXU ELECTRIC PLANS TO
28 IMPLEMENT ITS PLAN FOR SEPARATING COMPETITIVE ENERGY
29 SERVICES FROM UTILITY OPERATIONS.

30 A. Separation of these activities is simplified by the functional reorganization

1 that TXU Electric began in early 1999 in anticipation of passage of electric
2 industry restructuring legislation. In this reorganization, TXU Electric
3 identified those functional areas that naturally fall to future retail operations
4 and developed an organizational structure that allows for those functions to
5 be cleanly severed from utility operations.

6 Specifically, separation of competitive energy services will impact
7 three organizations within the Distribution Business Unit: Energy Marketing
8 and Sales (from which the majority of the competitive energy services will be
9 transferred), Distribution Operations, and Business Development and
10 Customer Service. It will also impact the Engineering and Operations
11 organization in the Transmission Business Unit. The organization charts for
12 these affected organizations are included in exhibits attached to Mr. Baker's
13 testimony. These organizations will continue to exist and provide regulated
14 services in the regulated utility after the competitive energy service personnel
15 and their associated activities are transferred from them and into the
16 competitive affiliate.

17 Among other services, the Energy Marketing and Sales organization
18 has responsibility for most, 15 out of 27, of the competitive energy services
19 identified for separation, including Energy Park seminars, on-site
20 commercial/industrial energy audits, process profitability studies, residential
21 energy audits, small commercial/industrial energy audits, thermal storage
22 consultation, HVAC dealer referrals, power quality assistance, builder
23 conferences and expositions, Business Edge magazine, customer specific
24 web page, Enerlink, Konnections, performance contracting, and sub-metered
25 service.

26 In addition to many regulated services, Distribution Operations
27 performs six of the competitive energy services identified for separation.
28 These include services such as electric facility maintenance, distribution
29 engineering and construction, e-TapSM temporary construction power, interval
30 load data, electric meter pulses, and non-company meter reading services.

31 The Business Development and Customer Service organization

1 performs. in addition to a number of other regulated services. two of the
2 competitive energy services identified for separation. These include the
3 services identified as energy conservation services, and architects and
4 engineers conference. Business Development and Customer Service also
5 provides the e-Wise[®] Low-Income DSM program for which TXU Electric is
6 seeking a good cause exception.

7 The Engineering and Operations organization, in the Transmission
8 Business Unit performs, along with other regulated services, three
9 competitive energy services identified for separation. These services include
10 substation and transmission equipment maintenance, substation and
11 transmission equipment design and construction, and substation leasing.

12 On or before September 1, 2000, these competitive energy services
13 will be transferred from the organizations I just described to a competitive
14 affiliate. That transfer will occur in a manner that accomplishes the following:

- 15 ● The personnel who perform these functions will be physically
16 separated from utility personnel.
- 17 ● In accordance with the affiliate rules, these personnel will no longer
18 have access to utility information, including customer proprietary
19 information, unless a customer specifically gives permission to the
20 regulated utility to release that information.
- 21 ● All transactions with customers, and with utility personnel, will be
22 conducted in compliance with the affiliate rules.

23 The exact date of these separation activities has not been determined
24 at this time, but will occur as soon as practical after this transition plan is
25 approved, and no later than September 1, 2000.

26 Q. HOW WILL PHYSICAL SEPARATION OF COMPETITIVE ENERGY
27 SERVICES BE ACHIEVED?

28 A. Individuals who will continue to provide the energy services to be separated
29 will be physically separated from the regulated utility. As described in Mr.
30 Wenning's testimony and discussed in detail in Texas Utilities Company's
31 ("TXU Corp") Affiliate Standards Compliance Plan, TXU Electric will ensure

1 physical separation by strictly adhering to our Compliance Plan. Many of the
2 competitive affiliate offices will be located in separate buildings. However,
3 where affiliate personnel are located within the same building as the
4 regulated utility, they will be located on separate floors or in offices with
5 separate access.

6 Q. HOW WILL COMPUTER SYSTEMS RELATED TO COMPETITIVE ENERGY
7 SERVICES BE SEPARATED FROM UTILITY COMPUTER SYSTEMS?

8 A. The separation of computer systems related to competitive energy services
9 will be handled in three ways. First, some of the competitive energy services
10 utilize software packages that reside on individual work stations. That
11 software will be transferred to a competitive affiliate prior to September 1,
12 2000 and erased from utility computers.

13 The second situation arises with competitive energy services such as
14 energy audits that utilize a link to the utility's customer information system
15 ("CIS"), thus allowing access to the customer's historical information. When
16 these competitive energy services are separated to a competitive affiliate, the
17 link to the utility's CIS will be disabled, and the competitive affiliate will be
18 required to obtain the information in the same manner as any other non-
19 affiliated entity.

20 Third, with respect to common information systems shared by the
21 utility and the competitive affiliate, as is discussed in greater detail in Mr.
22 Davis' testimony, appropriate measures will be taken to segregate and
23 protect the confidentiality of data and information. This will be accomplished
24 through appropriate security access procedures to ensure that utility records
25 and information will not be available to the competitive affiliate.

26 As discussed in Mr. Wenning's and Mr. Davis' testimony, precautions
27 will be taken to ensure compliance with the affiliate rules provisions set forth
28 in Substantive Rules § 25.84, § 25.272 and § 25.273.

29 Q. WHAT RESOURCE TRANSFERS ARE REQUIRED TO IMPLEMENT THIS
30 PLAN FOR SEPARATION OF COMPETITIVE ENERGY SERVICES?

1 A. At this time, we have determined that many of the competitive energy
2 services have vendor and/or customer contracts associated with them.
3 dedicated phone lines, software packages, file servers, personal computers,
4 leased vehicles, measurement and recording equipment, metering devices,
5 and the personnel necessary to administer the programs. Additionally, some
6 of our programs have registered trademarks or service marks associated with
7 them. All of the above mentioned resources, as well as any others identified
8 that are associated with competitive energy services as defined by the
9 Commission's Substantive Rules, will be transferred to the competitive
10 affiliate. At this time, it is estimated that approximately 29 individuals
11 currently associated with competitive services will transfer to the competitive
12 affiliate prior to September 1, 2000.

13 Q. HOW DOES TXU ELECTRIC PLAN ON HANDLING EXISTING CUSTOMER
14 CONTRACTS RELATED TO COMPETITIVE ENERGY SERVICES?

15 A. TXU Electric will assign, attempt to reform, or terminate all existing customer
16 contracts related to competitive energy services.

17 **V. AFFILIATE RULES COMPLIANCE**

18 Q. WILL THIS PLAN FOR SEPARATION OF COMPETITIVE ENERGY
19 SERVICES MEET THE AFFILIATE RULES REQUIREMENTS?

20 A. Yes. TXU Electric will comply with all affiliate rules requirements as
21 mandated in Utilities Code § 39.157(d) and Substantive Rules § 25.84, §
22 25.272, and § 25.273. The methodology for achieving these requirements
23 is provided in detail in Mr. Wenning's testimony. TXU Electric is committed
24 to ensuring that employees are fully aware of the affiliate rules requirements
25 and aware of the possible penalties for violation of those requirements.

26 With regard to competitive energy services that are being transferred
27 to the competitive affiliate, there are at least three situations in which
28 competitive affiliates and the regulated utility could interact that would require
29 efforts to ensure that the affiliate rules requirements are not violated. The
30 first situation is when the competitive affiliate requires some form of

1 operational coordination with the regulated utility, such as locating an
2 underground electrical line, obtaining clearance on a facility, designing
3 facilities to meet service guidelines, or other circumstances. This form of
4 operational coordination occurs on a daily basis now with, among others,
5 non-utility maintenance and construction entities. After the competitive
6 energy services are transferred to a competitive affiliate, that competitive
7 affiliate will interact with the regulated utility in the same manner as other
8 third-party firms and will not receive any preferential treatment.

9 The second situation in which the regulated utility and the competitive
10 affiliate might interact would be in the exchange of customer information. As
11 provided for in Substantive Rule § 25.272(g)(1), only after having obtained
12 verifiable authorization from the customer will the utility provide proprietary
13 customer information to the competitive affiliate or any other requesting
14 entity.

15 Third, as customers request information on competitive energy
16 services provided by a competitive affiliate or the affiliate's competitors, the
17 utility representative will provide the information in accordance with
18 Substantive Rules § 25.272(h)(3) and (4).

19 These are only three examples of the interactions that could occur
20 between the regulated utility and its competitive affiliate. Other unforeseen
21 scenarios could arise. But no matter what the scenario, as I stated
22 previously, it is our intention to comply with the affiliate rules provisions set
23 forth in Utilities Code § 39.157(d) and Substantive Rules § 25.84, § 25.272
24 and § 25.273 as addressed in the testimony of Mr. Wenning.

25 VI. CONCLUSION

26 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

27 A. TXU Electric performed an extensive review of competitive energy services
28 and identified the services to be separated from the regulated utility and one
29 transitional service that should be provided by TXU Electric until January 1,
30 2002. The services to be separated will not be provided by the regulated

1 utility after September 1, 2000. TXU Electric is requesting that the
2 Commission grant a good cause exception to the requirements established
3 in Substantive Rule § 25.343 and allow TXU Electric to continue to provide
4 its e-Wise[®] Low-Income DSM Program through December 31, 2001.

5 In order to facilitate the transition to customer choice, the resources
6 required to provide the competitive energy services will be transferred to a
7 competitive affiliate by September 1, 2000. The separation of access to
8 common information systems and the physical separation of personnel will
9 be in compliance with the affiliate rules. In situations where operational
10 coordination or the exchange of customer specific information are necessary,
11 the utility will provide the support in the same manner to the competitive
12 affiliate or any requesting party.

13 Q. MR. TANNER, DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes, it does.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Mark E. Tanner, who, having been placed under oath by me, did depose as follows:

My name is Mark E. Tanner. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



Mark E. Tanner

SUBSCRIBED AND SWORN TO BEFORE ME by the said Mark E. Tanner
this 3rd day of January, 2000.





Notary Public, State of Texas

TXU ELECTRIC COMPANY COMPETITIVE ENERGY SERVICES

Separated Services

*** Energy Conservation Services - § 25.341(6)(C)**

Designed to handle complex bill inquiries related to amount/size of electric bills by telephone. Call center representatives also provide energy conservation assistance to customers regarding miscellaneous equipment such as heat pumps, air conditioning units, and water heaters.

Energy Park™ Seminars - § 25.341(6)(C)

Workshops that give residential, commercial, and industrial customers the opportunity to learn about the latest equipment, regulatory developments, and other energy-related news.

*** On-Site Commercial/Industrial Energy Audits - § 25.341(6)(C)**

On-site visits that focus on increasing the efficiency of energy consuming equipment such as lighting, motors, chillers, and thermal storage load shifting possibilities. This service is intended to assist customers in the efficient uses of energy.

Process Profitability Studies - § 25.341(6)(C)

This service is an intensive study that focuses on processes using energy as an analysis tool to identify opportunities for reducing cost and improving profitability. This service assists customers in identifying means to reduce their total operating cost.

*** Residential Energy Audits - § 25.341(6)(C)**

Audits that inform residential customers of energy conservation practices and measures to manage energy use. These audits are provided through on-site visits, mail-in audits, and on-line energy audits. This service helps customers make informed energy management decisions to get the most benefit from their energy dollar.

*** Small Commercial/Industrial Energy Audits - § 25.341(6)(C)**

Audits for small commercial and industrial customers that inform customers of energy conservation practices and measures to manage energy use. These audits are provided through on-site visits, mail-in audits, and on-line energy audits.

Thermal Storage Consultation - § 25.341(6)(C)

Encourages the application of cool storage technology by providing analysis to customers regarding the billing effects of shifting demand from on-peak to off-peak periods. Assists customers in determining the feasibility of a Thermal Energy Storage System.

HVAC Dealer Referrals - § 25.341(6)(C)

List of HVAC dealers provided to customers desiring comprehensive high efficiency HVAC equipment replacement, including duct work repairs or replacement, and insulation upgrades.

*** Power Quality Assistance - § 25.341(6)(D)**

Assistance provided at customer's request, related to customer premise power quality issues. Service includes monitoring, site investigation, analysis, and recommendations for resolving electrical equipment failures and operational problems.

Architects & Engineers Conference - § 25.341(6)(E)

A bi-annual education conference for architects and engineers that is sponsored by several utilities, the purpose of which is to educate and update professional design and maintenance engineers and architects in the latest innovations in electrotechnologies.

Builder Conferences and Expositions - § 25.341(6)(E)

Sponsorship of builder and contractor conferences, such as the Texas Association of Builders, National Association of Homebuilders, and the Texas Air Conditioning Contractors of America.

e-TapSM Temporary Construction Power - § 25.341(6)(E)

This pilot program provides readily accessible temporary construction power to builders and developers. It eliminates the need for a temporary construction pole and results in improved response and flexibility for builders and developers.

Business Edge Magazine - § 25.341(6)(E)

Business magazine published quarterly that assists small business customers with energy and non-energy related topics.

*** Electric Facility Maintenance - § 25.341(6)(F)**

Scheduled maintenance of a customer's distribution facilities, including inspection, cleaning, testing, and operation of equipment.

Substation & Transmission Equipment Design and Construction - § 25.341(6)(F)

Design and construction of customer substation and transmission facilities.

Substation and Transmission Equipment Maintenance - § 25.341(6)(F)

Inspection, testing, maintenance, and repair of customer substation and transmission facilities.

Distribution Engineering and Construction Services - § 25.341(6)(F)

Distribution engineering and construction services for other electric utilities and customers, which may include the design, planning, project management, and construction of electric distribution facilities.

Substation Leasing - § 25.341(6)(F)

Lease of substation facilities to customers.

Customer Specific Web Page - § 25.341(6)(G)

Web site provided to the customer that is designed to provide billing history, usage and cost information. Typically provided to larger, multi-site Commercial and Industrial customers.

Enerlink™ - § 25.341(6)(G)

Provides the customer an analytical tool for operating equipment in the most cost effective manner. Includes a utility rate billing module built into the software to give the customer the ability to model and forecast energy costs.

Konnections - § 25.341(6)(G)

Formerly known as Energy Profiler, this service gives the customer an analytical tool for operating equipment in the most cost-effective manner. It also provides the customer the ability to model and forecast energy costs.

Interval Load Data - § 25.341(6)(G)

Load data supplied to customers in 15 or 60 minute intervals, aggregated monthly or over greater periods of time at the customer's request.

*** Electric Meter Pulses - § 25.341(6)(G)**

Installation of electrical pulse metering equipment at customer's premise to provide information necessary for energy management programs.

Performance Contracting - § 25.341(6)(R)

Pilot performance contracting program for federal government customers. Savings associated with energy projects pay for projects.

Non-Company Meter Reading Services - § 25.341(6)(V)

Services provided to municipalities for the reading of customer water meters.

Sub-metered Service - § 25.341(6)(V)

Provides billing and payment collection of commercial customer's tenants for their portion of the building's use of electricity.

Transitional Service - continued through December 31, 2001

e-Wise® Low Income DSM Program - § 25.341(6)(E)

Designed to provide demand side management services to low-income customers. The purpose is to improve the structural efficiency of low-income family dwellings. Primary measures include weatherization, installation of high efficiency refrigerators, compact fluorescent lights, water savers, and energy education.

* denotes service is also provided by TXU SESCO

**INDEX TO THE DIRECT TESTIMONY
OF BRIAN D. WENNING, WITNESS FOR
TXU ELECTRIC COMPANY**

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1 Generally, I will testify about TXU Corp's efforts to ensure
2 compliance with the Commission's new affiliate rules pertinent to the
3 electric utility industry in Texas. Specifically with regard to the
4 requirements of the Commission's BSP-FP, my testimony addresses the
5 information requested in BSP-FP subsections as listed in Mr. Baker's
6 Exhibit TLB-1.

7 **III. TXU CORP SUBSIDIARIES AFFECTED BY AFFILIATE RULES**

8 Q. TO WHICH ENTITIES IN TXU CORP DO THE AFFILIATE RULES
9 APPLY?

10 A. The Commission's affiliate rules apply to electric utilities and transactions
11 or activities between electric utilities and their affiliates, and to
12 transmission and distribution utilities and transactions or activities between
13 transmission and distribution utilities and their affiliates. TXU Electric is an
14 "electric utility" operating in the State of Texas as defined in Utilities Code
15 Sec. 31.002(6). After unbundling, the regulated functions of TXU Electric
16 will become a "transmission and distribution utility" operating in a
17 qualifying power region in the State of Texas as defined in Utilities Code
18 Sec. 31.002(19) after separation and certification by the Commission of
19 the Electric Reliability Council of Texas as a qualifying power region
20 pursuant to Utilities Code Sec. 39.152.

21 Q. WITH REGARD TO AFFILIATE RULES COMPLIANCE, WILL TXU
22 ELECTRIC'S AFFILIATED ELECTRIC UTILITY, TXU SESCO, COMPLY
23 WITH TXU CORP'S AFFILATE STANDARDS COMPLIANCE
24 PROGRAM?

25 A. Yes. Like TXU Electric, TXU SESCO is subject to the TXU Corp's
26 program for compliance with the Commission's affiliate rules. As more
27 fully described in the testimony of Mr. Baker, TXU SESCO's transmission
28 and distribution systems will be absorbed into TXU Electric as of January
29 1, 2002. During the period up until January 1, 2002, TXU SESCO will be
30 fully incorporated into TXU Corp's affiliate standards compliance program.

1 For the purposes of this testimony, where I refer to compliance efforts
2 using only "TXU Electric" it should be taken to mean the electric utilities,
3 TXU Electric and TXU SESCO, and the transmission and distribution utility
4 they will become.

5 Q. DESCRIBE WHICH ENTITIES ARE OR WILL BE COMPETITIVE
6 AFFILIATES OF TXU ELECTRIC.

7 A. A competitive affiliate is an affiliate of a utility that provides services or
8 sells products in a competitive energy-related market in this state,
9 including telecommunications services, to the extent those services are
10 energy-related. For example, TXU Energy Services and TXU Energy
11 Trading are competitive affiliates. Upon the creation of TXU Corp's power
12 generation company and TXU Corp's retail electric provider, they too will
13 become competitive affiliates of TXU Electric.

14 Q. HOW WILL THE SEPARATION OF THE GENERATION AND ENERGY
15 SUPPLY FUNCTIONS OF TXU ELECTRIC BE ACCOMPLISHED TO
16 COMPLY WITH THE AFFILIATE RULES?

17 A. Pursuant to Utilities Code Sec. 39.051, TXU Electric's generation and
18 related wholesale energy supply function ("TXU Generation") will be
19 separated from the utility by January 1, 2002. Because of obligations as
20 an integrated electric utility to provide safe and reliable electricity service,
21 TXU Generation must remain a part of the utility until that date. However,
22 in order to provide customers with the benefits of competition, TXU
23 Generation must also prepare to act as a separate power generation
24 company well in advance of January 2002. Prior to that date, TXU
25 Generation must contract with retail electric providers (including TXU
26 Electric's retail electric provider) in forward contracts for consumption in
27 the period beginning January 1, 2002.

28 During the transition period prior to January 1, 2002, TXU
29 Generation will not be used as a conduit to a competitive affiliate for
30 proprietary customer information, aggregate customer information,
31 transmission and distribution information, or other information, simply

1 because it potentially has access to such information by virtue of being
2 part of the utility. In its role to arrange supplies for forward contracts, TXU
3 Generation will use only that information that it would have access to after
4 January 1, 2002.

5 On January 1, 2002, TXU Generation employees of the electric
6 utility will be transferred to the appropriate business unit and will no longer
7 be employees of the regulated electric utility. TXU Generation continues
8 to be bound by the required transmission open access separations
9 pursuant to Substantive Rule 25.196(c).

10 In this manner, TXU Generation will adhere to the January 1, 2002
11 separation date pursuant to Utilities Code Sec. 39.051(b) and TXU Corp's
12 program for compliance established pursuant to the Commission's affiliate
13 rules.

14 Q. BESIDES TXU ELECTRIC AND ITS COMPETITIVE AFFILIATES, ARE
15 OTHER TXU CORP SUBSIDIARIES AFFECTED BY AFFILIATE
16 STANDARDS OF CONDUCT COMPLIANCE?

17 A. Yes. All subsidiaries are affected in the sense that provisions such as: (1)
18 prohibitions against cross-subsidization, and (2) prohibitions against using
19 any affiliate to circumvent the affiliate rules, touch upon the utility's
20 relationship with all its affiliates. More directly, TXU Business Services is
21 affected because of the numerous corporate support services it provides
22 the utility and the utility's competitive affiliates.

23 IV. INITIAL COMPLIANCE EFFORTS

24 Q. PLEASE DESCRIBE THE HISTORY OF AFFILIATE RULES
25 COMPLIANCE AT TXU ELECTRIC.

26 A. TXU Corp has long been subject to some degree of regulation over
27 affiliate activity. The electric utility, TXU Electric (and its predecessor
28 electric utilities) had relationships with its affiliates that pre-dated, and
29 were not created by, the passage of Senate Bill No. 7 ("SB7"). For
30 instance, the corporate support services functions provided by TXU

1 Business Services today have been provided for decades and have long
2 been subject to cost allocation scrutiny by the Commission. Even prior to
3 SB7, electric utilities in Texas were subject to Utilities Code Sec. 35.035
4 and 36.058 that govern affiliate transactions. TXU Electric also continues
5 to comply with the Commission's current standards of conduct related to
6 wholesale open access that were introduced for the wholesale electricity
7 market as a result of legislation in Texas in 1995.

8 Q. WHAT EMPLOYEE TRAINING HAS TXU CORP VOLUNTARILY
9 UNDERTAKEN IN THE AREA OF AFFILIATE RULES COMPLIANCE
10 SINCE THE PASSAGE OF SENATE BILL NO. 7?

11 A. TXU Corp began educating its employees on affiliate rules compliance in
12 June 1999 immediately following the passage of SB7. I was involved in
13 several training sessions with both Distribution and Communications
14 personnel. During those sessions, I provided training on the scope of the
15 affiliate code of conduct contained in SB7, and advised employees to
16 avoid communicating in a way that, while it was not prohibited, might be
17 perceived as being contrary to the spirit of SB7. Those training meetings
18 also addressed disclaimer use, joint marketing, preferential treatment, and
19 specifically addressed the use of certain media including the Internet,
20 Intranet, bill inserts, and advertisements. The advice given to prudently
21 avoid certain communications was another step toward our continuing
22 compliance and was the beginning of employee training that is now being
23 formalized as part of TXU Corp's compliance activities.

24 More classroom-setting training on affiliate rules occurred in July,
25 August, and September 1999 with key audiences from TXU Electric
26 Distribution and from TXU Business Services. Since no specific
27 regulations or rules yet existed as the basis for detailed training, the
28 training was based upon Utilities Code Sec. 39.157 and was designed to
29 raise awareness regarding the statutory requirements and was
30 accompanied by advice regarding activities or transactions to prudently
31 avoid.

1 Further training occurred in the fourth quarter of 1999 and included
2 employees in the following areas of the corporation: TXU Electric Dallas
3 and Ft. Worth area community and municipal relations; TXU Business
4 Services Internal Audit; TXU Business Services accounting managers;
5 TXU Business Services Communications; TXU Electric Distribution
6 Marketing & Sales; TXU Electric Distribution Services; TXU Distribution
7 New Construction Management; TXU Business Services Financial
8 Services; TXU Energy Services; and TXU Business Services
9 Governmental Affairs. Advice given in these sessions to those
10 representing TXU Electric in customer service roles included the following:

- 11 • TXU Electric employees could promote the "wires" business and
12 promote the service area, but not promote the competitive affiliate;
- 13 • At a customer's unsolicited request, TXU Electric could participate in
14 meetings with a competitive affiliate to discuss technical or operational
15 subjects regarding the utility's provision of T&D services only in the
16 same manner and to the same extent the utility participates in such
17 meetings with unaffiliated suppliers;
- 18 • TXU Electric employees could give "annual report" overviews of the
19 corporation, but were advised to not emphasize or highlight the
20 competitive affiliate, and could respond to a customer's specific
21 request for more information on the competitive affiliate by giving only
22 the competitive affiliate's name, address, and phone number;
- 23 • TXU Electric employees could discuss restructuring; for example, the
24 fact that after January 1, 2002, the electric utility that customers have
25 known as TXU Electric will be a "wires utility" and will not itself be
26 providing electricity at retail; and
- 27 • TXU Electric employees could discuss tariffed "utility" services
28 provided both before and after January 1, 2002.

29 Over 1,400 attendees have already received initial classroom
30 training representing approximately 10 percent of Distribution, and 40

1 percent of corporate support services employees. These employees will
2 also obtain more detailed training during the year 2000.

3 Training included publicizing in December 1999 the establishment
4 of reporting mechanisms. Such mechanisms include telephone calls to a
5 special Compliance Department voice mailbox number, calls to me, and a
6 special electronic mailbox address, as well as re-emphasizing a TXU Corp
7 toll-free Hot Line for reporting unethical behavior.

8 Q. WHAT OTHER MEASURES HAS TXU CORP VOLUNTARILY
9 UNDERTAKEN IN THE AREA OF AFFILIATE RULES COMPLIANCE
10 SINCE THE PASSAGE OF SENATE BILL NO. 7?

11 A. TXU Corp's senior management approved the efforts to create a new,
12 very visible compliance position reporting to TXU Corp's Compliance
13 Officer. During the first period of transition toward competition, this
14 position is to be focused exclusively on affiliate rules compliance issues. I
15 was named to this position effective September 17, 1999.
16 Announcements regarding this position thus also formally established the
17 reporting mechanism of contacting the Compliance Director with affiliate
18 rules-related inquiries or reports of potential violations.

19 Also, during the third quarter of 1999, TXU Electric engaged the
20 expertise of an outside consultant familiar with affiliate rules compliance
21 resulting from electric industry restructuring in other states. That
22 consultant's expertise as an auditor of other utilities' affiliate rules
23 compliance programs provides a particularly qualified perspective since it
24 is this kind of audit that will be performed on TXU Corp's affiliate
25 standards compliance program in the future to determine its effectiveness.
26 By engaging the consultant during the early stages of TXU Corp's affiliate
27 standards compliance program design, TXU Corp has been able to
28 confirm the reasonableness of its early efforts and to make improvements
29 in the design of its compliance activities.

30 Q. DESCRIBE TXU ELECTRIC'S COMPLIANCE WITH PHYSICAL
31 SEPARATION REQUIREMENTS.

1 A. All TXU Corp office space where the physical separation requirements are
2 applicable is already located in separate buildings or, if within the same
3 building, on separate floors or with separate access. For instance,
4 employees of the competitive affiliate TXU Energy Services occupy office
5 space in an office building that has no utility office space. Current
6 locations of departments or divisions are shown in Mr. Keith Pruett's
7 Exhibit RKP-5. While space needs are nearly always evolving and the
8 current physical office locations are unlikely to remain fixed, the physical
9 separation requirements will be complied with as a part of any business or
10 office space change.

11 With regard to the separation of customer energy services business
12 activities that are otherwise also already widely available in the
13 competitive market pursuant to Substantive Rule 25.342, offices of
14 employees providing those competitive energy services will be physically
15 separated from the utility when such services are separated from the
16 utility. Until such time as all office space separations can be completed to
17 meet the requirements, employees are otherwise bound by the other
18 provisions in the interim code that address the sharing of information.
19 Prior to January 1, 2002, during the process of unbundling, physical
20 separation of office space will be implemented contemporaneous with any
21 movement of employees from the electric utility to a competitive affiliate.

22 Most TXU Corp office space to which the physical separation
23 requirements would apply is equipped with an automated security card-
24 key access system. Under this system, all personnel and the general
25 public by and large have unrestricted access to common areas such as
26 office building lobbies and elevator vestibules on each floor. At elevator
27 vestibules, there typically are doors that automatically stay locked at all
28 times (except in the case of an emergency) and deny access to office
29 space beyond. To gain access requires that the person present their
30 individual, programmed security access card-key or gain entry by being
31 escorted into the space by a resident employee.

1 Separation methods such as separation on separate floors satisfies
2 the physical separation requirements, and the secured access method of
3 separation is not mandatory. Nonetheless, TXU Corp is currently
4 exploring the efficacy of a security card-key reprogramming effort to
5 restrict competitive affiliate employees from security card-key access to
6 the transmission or distribution utility's office space. This additional
7 measure may be undertaken after further office space changes occur such
8 as after September 1, 2000, when customer energy services business
9 activities are separated.

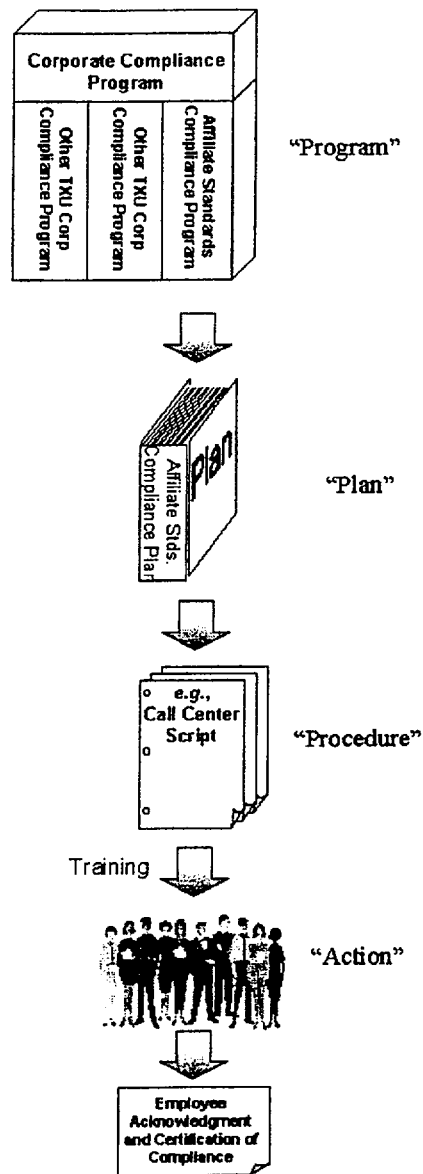
10 V. COMPLIANCE DESIGN

11 Q. WHAT ARE TXU ELECTRIC'S OBJECTIVES WITH REGARD TO
12 AFFILIATE RULES COMPLIANCE?

13 A. The main objective of TXU Electric is to provide reasonable assurance
14 that TXU Corp and its subsidiaries and their employees and agents will
15 not violate the affiliate rules issued pursuant to Utilities Code Sec. 39.157.
16 TXU Corp has thus established its *Program for Compliance with Affiliate*
17 *Standards of Conduct in Texas* ("Affiliate Standards Compliance
18 Program"). Under the Affiliate Standards Compliance Program, TXU Corp
19 intends to comply with the statute and the Commission's affiliate rules
20 through its interim compliance efforts during the transition to the opening
21 of the competitive market on January 1, 2002, and to be in compliance
22 with the statute and the Commission's affiliate rules on January 1, 2002,
23 and thereafter.

24 Q. PLEASE DESCRIBE THE HEIRARCHY OF TXU CORP'S AFFILIATE
25 RULES COMPLIANCE ACTIVITIES.

26 A. As illustrated in the accompanying graphic, corporate level policy includes
27 the Corporate Compliance Program that is being modified for the addition
28 of the Affiliate Standards Compliance Program. The Affiliate Standards
29 Compliance Program, attached in Exhibit BDW-1, incorporates the
30 requirement for TXU Corp to abide by Substantive Rules 25.84, 25.272,



1 and 25.273 (but does not address these rules in detail). The Affiliate
 2 Standards Compliance Program outlines seven key elements that are
 3 integral to effective compliance and also includes an informal external
 4 complaint procedure.

5 Next, under the Affiliate Standards Compliance Program, with
 6 regard to the specific provisions of Substantive Rules 25.84, 25.272, and
 7 25.273, TXU Corp describes its commitments in the document *Affiliate*

1 *Standards of Conduct Compliance Plan* ("Affiliate Standards Compliance
2 Plan"). The Affiliate Standards Compliance Plan is attached to this
3 testimony as Exhibit BDW-2. The Affiliate Standards Compliance Plan is
4 distinguished from the Affiliate Standards Compliance Program in that the
5 Plan describes performance in detail at, generally, a function level.

6 The Affiliate Standards Compliance Plan addresses both the period
7 after January 1, 2002, and the transition period leading up to that date. It
8 serves a role inside TXU Corp to describe required compliance at a fairly
9 detailed level. It serves a role outside TXU Corp to describe to the
10 Commission TXU Corp's internal code of conduct pursuant to Substantive
11 Rule 25.272(i)(1), including TXU Corp's standards of conduct for the
12 transition period leading up to January 1, 2002. The Affiliate Standards
13 Compliance Plan complements the overall Affiliate Standards Compliance
14 Program, which includes other elements, such as TXU Corp's training and
15 enforcement of compliant behavior.

16 Finally, given the commitments in the Affiliate Standards
17 Compliance Plan, detailed work procedures are developed within the work
18 areas to give instructive guidance for action at, generally, the individual
19 employee level. Such instructive guidance may include scripts for call
20 center representatives to follow, or samples created by TXU Electric's
21 advertising department supervisors for their graphic artist employees to
22 follow in order to comply with requirements to conspicuously present the
23 statutory disclaimer. Call center scripts will be created during the first
24 quarter of 2000 in conjunction with formal training for those in call center
25 operations. Samples of the disclaimer as it will appear in advertising
26 literature and business cards are attached as Exhibits BDW-3 and BDW-4,
27 respectively.

28 Since current work procedures are best understood within the work
29 areas and are changed within the context of that line of management, it
30 will be the responsibility of line managers to understand the standards of
31 conduct, analyze the potential risk of violating the standards of conduct

1 inherent in current practices, and institute any necessary modifications to
2 their work practices. To ensure that line managers and their employees
3 take ownership of compliance at this level, line managers will be trained
4 on their role and responsibility in performing this risk assessment and
5 ensuring compliance. The Compliance Director will provide oversight and
6 assistance to the line managers.

7 Q. DID TXU CORP FOLLOW ANY PRECEDENT IN PREPARING ITS
8 AFFILIATE STANDARDS COMPLIANCE PROGRAM?

9 A. Yes, TXU Corp's Affiliate Standards Compliance Program is based on an
10 approach that is widely recognized as an effective means for a corporation
11 seeking to guide employee behavior. Under this approach, there are
12 seven major elements that are the hallmarks of a reasonable compliance
13 program, all of which are represented in the Affiliate Standards
14 Compliance Program. Summarized, the seven elements are:

- 15 1. Policies and Procedures: The organization has established
16 policies and procedures to govern conduct expected from its
17 employees.
- 18 2. High-Level Oversight: Specific high-level personnel in the
19 organization have responsibility for the overall compliance
20 program.
- 21 3. Communication & Training: The organization takes steps to
22 effectively communicate its policies and procedures to
23 employees.
- 24 4. Careful Delegation of Responsibility: The organization uses due
25 care to delegate responsibility and discretionary authority.
- 26 5. Monitoring and Reporting: The organization takes steps to
27 achieve compliance such as auditing and establishing reporting
28 mechanisms.
- 29 6. Consistent Enforcement: The standards are consistently
30 enforced through appropriate measures.

1 7. Feedback and Continuous Improvement: After a defect is
2 detected, the organization takes reasonable steps to respond
3 appropriately.

4 Q. HOW ARE THE SEVEN ELEMENTS OF AN EFFECTIVE COMPLIANCE
5 PROGRAM INCORPORATED INTO YOUR AFFILIATE STANDARDS
6 COMPLIANCE PROGRAM?

7 A. Taking each of the seven elements in turn:

8 With regard to the first element, TXU Corp has established
9 standards and procedures to be followed by employees that are
10 reasonably capable of ensuring compliance with all pertinent laws and
11 regulations. The Corporate Compliance Program that already exists in
12 TXU Corp has served to fulfill this element. However, a substantial
13 expansion of the Corporate Compliance Program is being introduced as a
14 separate compliance program. That expanded program, the Affiliate
15 Standards Compliance Program, attached in Exhibit BDW-1, is a means of
16 giving greater visibility to this very important endeavor. The Affiliate
17 Standards Compliance Program complements the overall Corporate
18 Compliance Program. The more detailed Affiliate Standards Compliance
19 Plan, attached as Exhibit BDW-2, gives managers and employees a
20 detailed description of standards and procedures established to comply
21 with affiliate rules. Line managers will also prepare for their employees, in
22 conjunction with formal classroom training, any additional standards and
23 procedures necessary to ensure compliance within a specific work area.

24 The establishment of TXU Corp's Affiliate Standards Compliance
25 Program and Affiliate Standards Compliance Plan is to be communicated
26 to executive and function management personnel, as well as individual
27 employees, at the utility and affected affiliates contemporaneous with the
28 filing of this testimony. It will also be communicated in the context of
29 formal classroom training sessions.

30 With regard to the second element, specific individuals in upper
31 management are assigned responsibility to oversee compliance with such

1 standards and procedures and to oversee the Affiliate Standards
2 Compliance Program. Namely, TXU Corp's Corporate Secretary and
3 Executive Vice President of TXU Business Services is TXU Corp's
4 Compliance Officer whose responsibility is to develop, implement, enforce,
5 and maintain the Corporate Compliance Program, of which the Affiliate
6 Standards Compliance Program is a part. The TXU Business Services
7 Vice President, Internal Audit, is responsible for monitoring and auditing
8 the Corporate Compliance Program, investigating program breakdowns,
9 and assisting the Compliance Officer with administrative tasks relating to
10 the Corporate Compliance Program. Also, as the Compliance Director, I
11 am accountable to the Compliance Officer for the development,
12 implementation, and day-to-day management of the Affiliate Standards
13 Compliance Program and Affiliate Standards Compliance Plan. While
14 compliance is an express job requirement for all employees, certain
15 employees in upper management have affirmed TXU Corp's commitment
16 to compliance. Their affirmations are attached in Exhibit BDW-5.

17 With regard to the third element, standards and procedures are
18 communicated effectively to all employees through training programs and
19 through publications that explain in a practical manner what is required.
20 This sizeable task is currently underway. Based on the commitments in
21 the Affiliate Standards Compliance Plan, a comprehensive training plan
22 has begun whereby management in each functional area is working in
23 partnership with the Compliance Department to perform a risk assessment
24 in order to develop training appropriate for each work group. Function
25 level managers and their employees help identify the provisions in the
26 affiliate rules that apply to their work group. They also identify the
27 procedures that guide actions under these standards. This information is
28 used to tailor the training to best fit the work group.

29 With regard to the fourth element, responsibility for performance in
30 compliance with pertinent laws and regulations is incumbent upon all
31 affected employees, and these employees are currently being trained to

1 be aware of and accept the additional responsibility imposed by affiliate
2 rules. Annually, employees will be required to sign an Employee
3 Acknowledgment and Certification of Compliance form affirming that they
4 have read and understand TXU Corp's code of conduct programs, and will
5 continue to comply with their provisions. A sample affirmation form is
6 attached as Exhibit BDW-6.

7 With regard to the fifth element, reporting and monitoring systems
8 are designed to provide reasonable assurance that material violations will
9 be prevented or detected. TXU Corp's Affiliate Standards Compliance
10 Program describes the various avenues for reporting either violations or
11 for posing affiliate rules inquiries. Generally, a report of an alleged
12 violation goes through the established Corporate Compliance Program for
13 resolution. That is, affiliate rules *violations* are addressed as a violation of
14 TXU Corp's Affiliate Standards Compliance Program *and* its Corporate
15 Compliance Program. TXU Corp's Affiliate Standards Compliance
16 Program expands the Corporate Compliance Program reporting channels
17 to allow for the fact that affiliate rules compliance will generate *questions*
18 as well as, potentially, violations. A separate set of communication
19 channels that include calls to my office, calls to a special Compliance
20 Department phone number, and a special e-mail address are established
21 to assist in receiving inquiries.

22 Monitoring compliance using such means as employee surveys,
23 audits, and analysis of reports and/or complaints will be conducted.
24 (These are described in more detail below.)

25 With regard to the sixth element, standards and procedures are
26 enforced consistently through disciplinary mechanisms, including, as
27 appropriate, discipline of individuals, up to and including termination, who
28 violate the code of conduct, who assist others in doing so, who fail to
29 report a violation of the code of conduct, or who fail to detect a violation
30 when they are responsible for doing so. TXU Corp will consistently
31 enforce the compliance standards and procedures through uniform

1 discipline. TXU Corp has in place policies that set forth appropriate
2 discipline for violations of policies, procedures, and work rules. These
3 policies are appropriately and consistently applied with the assistance of
4 Human Resources and include a thorough review of the circumstance
5 and, when appropriate, consultation with legal counsel regarding the
6 advisability of further action.

7 With regard to the seventh element, if a violation or other program
8 defect is detected, reasonable steps are taken to respond appropriately to
9 prevent future violations, including any necessary modifications to the
10 Affiliate Standards Compliance Program, the Affiliate Standards
11 Compliance Plan, or any work area's standards or procedures.

12 Q. ON WHAT METHODS WILL TXU CORP RELY TO ASSESS THE
13 EFFECTIVENESS OF ITS COMPLIANCE EFFORTS?

14 A. TXU Corp will incorporate a variety of methods to test the effectiveness of
15 its compliance efforts:

- 16 • Where possible as an integral part of the training given employees,
17 feedback on both the receipt and understanding of the training
18 messages will be sought through such mechanisms as testing or post-
19 training surveys or questionnaires.
- 20 • Periodic employee surveys and/or focus groups will be conducted.
- 21 • Internal and external audits will critique the program.
- 22 • Inquiries or allegations of violations received through the various
23 reporting mechanisms will reveal whether the basis for the inquiry or
24 violation has or has not been adequately addressed, for instance, in
25 training.
- 26 • Interviews with line managers and other employees will be conducted.
- 27 • Statistical data regarding the frequency and character of inquiries,
28 complaints, and reported potential violations.
- 29 • Training needs, or other compliance program element deficiencies, will
30 be formally and informally communicated by employees and managers

1 where they perceive there might be improvements possible in the
2 compliance program.

3 Q. WHAT IS THE PROPOSED SCHEDULE FOR AFFILIATE RULES
4 TRAINING AND EDUCATION AT TXU CORP?

5 A. To be effective, employee training and communication for the new affiliate
6 rules will not be a one time event; it will require an initial educational effort
7 followed by periodic reminders or refresher sessions, as well as an
8 ongoing effort to address, for instance, new hires and transferring
9 employees. For instance, the initial training conducted during 1999 for
10 over 1,400 employees is not the only training these employees will obtain.

11 Because existing employees have been used to working in an
12 integrated utility, a detailed, consistent, and widespread education and
13 behavior training program, most typically in a classroom setting, is
14 necessary. Such a program cannot be designed, produced, staffed, and
15 executed instantly.

16 As a practical matter, considering that a reasonable average class
17 size limit of 30-50 persons is suited to effectively communicate information
18 as detailed and novel as affiliate rules, it would take approximately 150
19 sessions to train the approximately 6,000 current TXU Electric Distribution
20 employees alone. At the rate of two sessions per day, assuming half-day
21 sessions were adequate, this would occupy a training team for 15
22 continuous weeks after the program was designed, produced, and staffed
23 with adequate training personnel. This span of 15 weeks represents the
24 most optimistic estimate to logistically complete the initial training.
25 Realistically, it is estimated that most of the training would be completed
26 by September 1, 2000. It is thus reasonable to approach the task of
27 employee education as a longer term project and to prioritize the
28 audiences in terms of the impact of the affiliate rules on particular work
29 responsibilities and activities.

30 Key first audiences identified for training include those with
31 customer contact such as account managers and call center

1 representatives. Other early audiences are those such as Information
2 Technology employees who work on computer systems that often have
3 long lead times so that they can, early-on, incorporate affiliate rules-
4 related factors into the design of those systems. Mr. David Davis
5 discusses such systems in his direct testimony.

6 While this first wave of classroom training and education occurs,
7 other groups can be exposed to more general training media, such as
8 through memo announcements with pertinent questions and answers,
9 videos, and TXU Corp's Intranet, to name a few. Currently, messages
10 utilizing these media are in various concept approval, design, or
11 production stages of development, or in use. These media can be useful
12 for their ability to broadcast general information to a large population of
13 employees to raise awareness rather quickly. Later, they will be
14 complemented with classroom and other training.

15 It is anticipated that general education through such means as a
16 memorandum from upper management, video, or Intranet site will be
17 made available to employees in the first quarter of 2000 to the extent they
18 aren't already available. Other detailed classroom training material is
19 currently being developed and training and communication using this
20 material will be heaviest during the first and second quarters of 2000,
21 targeting those highest in priority. Those lesser in priority would be
22 scheduled for training during the third quarter of 2000. The prioritization is
23 not completed and will evolve based upon business unit risk assessments
24 and identified need.

25 Q. WHAT PERSONNEL RESOURCES DO YOU ANTICIPATE WILL BE
26 NECESSARY TO CARRY OUT AFFILIATE RULES COMPLIANCE
27 TRAINING?

28 A. Personnel will be necessary for a variety of training-related tasks
29 including: designing and establishing a training program; instructing
30 employees and/or instructing trainers; answering the Affiliate Standards
31 Compliance Program Help Line and responding to other requests for

1 guidance; documenting training; maintaining an informal complaint
2 resolution process; designing, implementing, and maintaining educational
3 resources for employees on the Intranet and through other channels;
4 assisting business units in their analyses of affiliate rule impacts on their
5 business and their need for training; and assisting in internal and external
6 audits of the training program.

7 This effort is being accomplished through Compliance Department
8 staff and the use of a variety of resources. The Compliance Department is
9 currently staffing up to a goal of six full-time-equivalents ("FTEs") by the
10 second quarter of 2000. Current resources centralized in the Compliance
11 area of TXU Corp include the Compliance Director and personnel in
12 internal audit and corporate security.

13 Other human resources are allocated as adjunct resources to
14 support the Compliance Department. One such adjunct resource is the
15 professional training and employee development staff in Human
16 Resources, which is shared as a corporate support service with the
17 Compliance Department. These personnel are experienced by virtue of
18 their involvement in TXU Corp's Corporate Compliance Program. They
19 also have professional training expertise that aids in the effectiveness of
20 any training. Also, as necessary and prudent, professional training
21 expertise has been hired from outside sources to complement internal
22 training resources.

23 Regulatory and Legal support is also provided to advise whether
24 training materials are suited to effectively communicate the standard of
25 conduct demanded of employees.

26 Another resource is various Subject Matter Experts ("SMEs") within
27 each affected TXU Corp business unit. SMEs are given special, detailed
28 affiliate rules training, and serve as decentralized Compliance Department
29 staff within each affected business unit. Given their day-to-day
30 responsibilities within the business unit, they enhance the Compliance
31 Department's ability to help identify the relevant affiliate rules and specific

1 issues that would impact their business activities. In their role, they assist
2 the Compliance Department in customizing affiliate rules training for their
3 work area, thus making the training more effective and more relevant to
4 the audience.

5 Q. WHAT OTHER HUMAN RESOURCES DO YOU ANTICIPATE WILL BE
6 NECESSARY TO CARRY OUT OTHER ELEMENTS OF TXU CORP'S
7 AFFILIATE STANDARDS COMPLIANCE PLAN, BESIDES THAT
8 NECESSARY FOR TRAINING?

9 A. Human resources internal to the Compliance Department are being
10 supplemented by other TXU Corp resources.

11 Corporate Security will be providing support that includes operating
12 the Hotline, referring non-violation reports to the Compliance Director, and
13 conducting investigations into alleged violations.

14 The Human Resources Department is providing support that
15 includes record-keeping in personnel systems to ensure that all applicable
16 personnel have attended training and for documenting their attendance,
17 tracking inter-affiliate transfers in personnel systems, communicating to
18 exiting and transferring employees about their obligations with regard to
19 information transfer, and coordinating disciplinary action.

20 Internal Audit will be providing support that includes auditing the
21 Affiliate Standards Compliance Program and assisting in investigating
22 program breakdowns, should any occur.

23 Communications will be providing support that includes preparing
24 training materials, such as videos or printed materials, and establishing
25 Intranet and/or Internet websites for both training and compliance with
26 regulatory posting requirements.

27 Competitive affiliates' marketing functions will establish controls to
28 comply with the appropriate use of disclaimers.

29 The Rates & Regulatory Group will be providing support that
30 includes coordination of various compliance filings and reports.

1 Property Management will be providing support that includes
2 facilitating any personnel office moves or other physical separations.

3 Information Technology will be providing support that includes
4 establishing system interface constraints (firewalls) as appropriate,
5 establishing Internet or electronic bulletin board posting of information,
6 establishing electronic mailbox reporting mechanisms, and storing certain
7 electronic messages for auditing purposes.

8 Accounting will be providing support that includes ensuring that
9 appropriate cost allocations are performed when corporate support
10 services are shared between a utility and its competitive affiliate, and
11 ensuring that accounting transactions between the utility and its
12 competitive affiliate are appropriately recorded and that adequate records
13 are retained for auditing purposes.

14 Procurement will be providing support that includes establishing
15 controls to ensure proper bidding protocols are followed when the utility
16 purchases certain products or services from its competitive affiliate.

17 TXU Corp's legal counsel will continue to provide support that
18 includes interpreting applicable law and providing advice regarding the
19 sufficiency of the Affiliate Standards Compliance Program and the Affiliate
20 Standards Compliance Plan.

21 Q. HOW WILL THE SHARING OF CORPORATE SUPPORT SERVICES BE
22 DONE IN A MANNER THAT WILL NOT VIOLATE THE COMMISSION'S
23 SUBSTANTIVE RULES PROMULGATED PURSUANT TO THE
24 UTILITIES CODE?

25 A. TXU Business Services is the entity that performs corporate support
26 services for both TXU Electric and its competitive affiliates. The sharing of
27 TXU Business Services' computer and information systems will be
28 structured to include adequate firewall, data security, and other protective
29 measures described in the testimony of Mr. David Davis. Also, TXU
30 Business Services employees will be trained under the Affiliate Standards
31 Compliance Program and the Affiliate Standards Compliance Plan as to

1 the prohibitions contained in the Utilities Code Sec. 39.157(g) and
2 Substantive Rule 25.272(d)(3). In addition, the cost of sharing corporate
3 support services will be allocated appropriately as described in the
4 testimony of Mr. Stephen Ragland to avoid cross-subsidization. Also,
5 customer confusion will not be an issue since TXU Business Services
6 provides its services primarily to TXU Corp affiliates and does not market
7 energy.

8 The sharing of corporate support services provides significant
9 efficiency savings that are pro-competitive, and TXU Corp, TXU Electric,
10 and TXU Business Services are committed to performing corporate
11 support services in a manner that does not violate Utilities Code Sec.
12 39.157(g) or the Substantive Rules implementing that statute.

13 Q. DOES TXU CORP'S AFFILIATE STANDARDS COMPLIANCE
14 PROGRAM GUARANTEE THAT ABUSE WON'T OCCUR AND THAT
15 ALL OPPORTUNITIES FOR ABUSE HAVE BEEN ELIMINATED?

16 A. No rationally designed compliance program can completely eliminate the
17 possibility of employee intentional or unintentional misconduct. What is
18 necessary in view of the potential for affiliate abuse is that: (1) corporate
19 leaders have stated their expectations and provide oversight; (2) policies
20 and standards are clearly documented; (3) the standards for behavior
21 have been communicated; (4) responsibility is delegated appropriately; (5)
22 auditing, reporting and investigating mechanisms, and a means for
23 monitoring behavior are established; (6) there is consistent enforcement in
24 cases of improper behavior; and (7) modifications are made as necessary
25 in the process. These seven elements are present in TXU Corp's Affiliate
26 Standards Compliance Program. TXU Corp intends to perform these
27 elements in a reasonable manner, thus ensuring that compliant behavior
28 will result.

1 VI. CONCLUSION

2 Q. PLEASE SUMMARIZE THE MAJOR COMPONENTS OF TXU CORP'S
3 COMPLIANCE DESIGN.

4 A. In summary, the Affiliate Standards Compliance Program states TXU
5 Corp's process for compliance with the Commission's affiliate rules
6 adopted pursuant to Utilities Code Sec. 39.157. Next, the Affiliate
7 Standards Compliance Plan states TXU Corp's detailed commitments to
8 each pertinent provision of the Commission's Substantive Rules 25.84,
9 25.272, and 25.273. The Affiliate Standards Compliance Plan's
10 commitments constitute TXU Corp's interim standards of conduct around
11 which a training program is created. Work areas then, in conjunction with
12 the training, identify and modify work area procedures to ensure compliant
13 activities and behavior.

14 Q. IS IT YOUR CONCLUSION THAT TXU CORP HAS APPROPRIATELY
15 DEVELOPED A COMPLIANCE PROGRAM THAT WILL SATISFY THE
16 LEGAL REQUIREMENTS APPLICABLE TO AFFILIATE ACTIVITIES
17 BETWEEN THE ELECTRIC UTILITY AND ITS COMPETITIVE
18 AFFILIATES?

19 A. Yes. TXU Corp has made a strong commitment to compliance. TXU
20 Corp's Affiliate Standards Compliance Program and its Affiliate Standards
21 Compliance Plan are carefully designed to produce compliance. I am
22 confident that the expected results will promote competition, providing the
23 benefits of competition to consumers as intended by the Legislature.

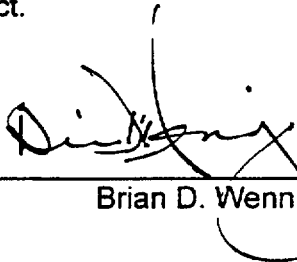
24 Q. MR. WENNING, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

25 A. Yes.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Brian D. Wenning, who, having been placed under oath by me, did depose as follows:

My name is Brian D. Wenning. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



Brian D. Wenning

SUBSCRIBED AND SWORN TO BEFORE ME by the said Brian D. Wenning this 7th day of January, 2000.



Notary Public, State of Texas



PROGRAM FOR COMPLIANCE WITH AFFILIATE STANDARDS OF CONDUCT IN TEXAS

Effective January 10, 2000

INTRODUCTION

Texas Utilities Company ("Company") is committed to conducting all of its business activities with the highest standards of integrity and ethical conduct and in compliance with all applicable laws and regulations. Consistent with Substantive Rules 25.84, 25.272, and 25.273 promulgated by the Public Utility Commission of Texas pursuant to Texas Utilities Code that was modified through legislation (*i.e.*, Senate Bill No. 7, Section 39.157), the Company has established this *Program for Compliance with Affiliate Standards of Conduct in Texas* ("Affiliate Standards Compliance Program"). The Affiliate Standards Compliance Program exists as a component of the Company's overall Corporate Compliance Program.

The Affiliate Standards Compliance Program consists of seven major elements:

1. Standards and procedures to be followed by employees are established that are reasonably capable of ensuring compliance with all pertinent laws and regulations addressing affiliate rules.
2. Specific individuals in management are assigned responsibility to oversee compliance with such standards and procedures and to oversee the Affiliate Standards Compliance Program.
3. Responsibility for performance in compliance with pertinent laws and regulations is incumbent upon all affected employees.
4. Standards and procedures are communicated effectively to all employees through training programs and through publications that explain in a practical manner what is required.
5. Monitoring, reporting and auditing systems are designed to provide reasonable assurance that material violations will be prevented or detected.
6. Standards and procedures are enforced consistently through disciplinary mechanisms, including, as appropriate, discipline of individuals who fail to detect a violation.
7. If a violation or other program defect is detected, reasonable steps are taken to respond appropriately to prevent future violations, including any necessary modifications to the Affiliate Standards Compliance Program.

STANDARDS AND PROCEDURES

The Company has established compliance standards and procedures to provide reasonable assurance that violations of laws, regulations, and policies and procedures will be prevented or detected. State laws and regulations that address affiliate relationships have been identified and the potential for unethical or illegal conduct in each area has been assessed.

The compliance standards and procedures include this Affiliate Standards Compliance Program, the Company's *Statement of Principles*, the *Code of Conduct*, policy manuals, procedure manuals, employee handbooks, and training on pertinent state laws and regulations.

The Company has further committed to compliance described in its *Affiliate Standards of Conduct Compliance Plan*. This detailed set of commitments governs utility activities with its affiliates during the transition to the opening of the competitive market, and after January 1, 2002.

MANAGEMENT OVERSIGHT

The following organization structure and assignment of responsibilities is in place to support the Affiliate Standards Compliance Program.

Corporate Compliance Officer — The Company has designated a Corporate Compliance Officer (Compliance Officer) with responsibility to develop, implement, enforce, and maintain the Corporate Compliance Program of which the Affiliate Standards Compliance Program is a part. The Compliance Officer is accountable to the Audit Committee of the Company's Board of Directors, and provides the Audit Committee with an annual report regarding the effectiveness of the Corporate Compliance Program, any incidence of non-compliance and its resolution, and any proposed changes to the Corporate Compliance Program.

Compliance Director — Accountable to the Compliance Officer for the day-to-day management of the Affiliate Standards Compliance Program with responsibility to develop, implement and maintain the Affiliate Standards Compliance Program.

Corporate Compliance Committee — The Compliance Officer is supported by the Corporate Compliance Committee (Compliance Committee), which is responsible for the day-to-day operation of the Corporate Compliance Program. The Compliance Committee is responsible for ensuring the consistent application and enforcement of the Corporate Compliance Program of which the Affiliate Standards Compliance Program is a part. The Compliance Committee is made up of representatives of the major business units of the System and its members are appointed by the Chief Executive.

Affiliate Standards of Conduct Advisory Committee — The Affiliate Standards of Conduct Advisory Committee is responsible for reviewing planned or implemented business strategies as they may be impacted by current or future affiliate rules, and assisting in responding to inquiries or evaluating allegations of misconduct. The Affiliate Standards of Conduct Advisory Committee consists of the Compliance Director and representatives from Regulatory and Legal. The Compliance Director serves as Chair of the committee.

Internal Audit — Internal Audit is responsible for monitoring and auditing the Affiliate Standards Compliance Program, and investigating program breakdowns.

Corporate Security — Corporate Security investigates any compliance program breakdowns and operates the hotline for reporting violations. Hotline calls that pertain to affiliate rules will be referred to the Compliance Director for response or, in the case of an actual violation, for assistance in the investigation.

All organizations — Each organization is responsible for performing an assessment of the risk of its activities being in compliance, communicating with employees, enforcing the Affiliate Standards Compliance Program, monitoring and documenting compliance with

the Affiliate Standards Compliance Program, and consistently administering disciplinary action where breakdowns occur.

RESPONISIBILITY ASSIGNED AS APPROPRIATE

Adherence to all pertinent laws and regulations is incumbent upon every employee. Company management will determine the extent to which the affiliate rules impact employees in their business and ensure that each affected employee bears responsibility for affiliate rules compliance.

TRAINING AND COMMUNICATION

The Company will effectively communicate its affiliate rules standards and procedures to all pertinent employees.

A comprehensive training plan has been implemented whereby management in each functional area will work in partnership with Compliance Director to develop, implement, and maintain training appropriate for each work group. Function level managers and their direct reports shall identify the provisions in the affiliate rules that apply to their work group. They shall also identify the procedures that guide actions under these standards. This information shall be used to tailor the training to best fit the work group.

Certain employees, as determined by management, will be required to confirm in writing that he or she has read and understands the *Code of Conduct* and will act in accordance with its standards. Each year all such employees will be required to reaffirm in writing that they are familiar with the *Code of Conduct*, have conducted themselves in accordance with the *Code of Conduct* during the past year, and are not aware of any violations by others.

Affiliate rules compliance training will be added to current continuing education courses offered to all pertinent employees, including the new employee orientation and management training courses.

Management will conduct periodic reviews of the compliance programs. Any changes in the *Code of Conduct* or in the affiliate rules which apply to a work group will be communicated in a timely fashion to the work group.

MONITORING AND AUDITING

The Company will take reasonable steps to achieve compliance with the affiliate rules. Each function level manager is responsible for monitoring his or her work group for compliance with the affiliate rules. It is the responsibility of every employee to report concerns, violations, or suspected violations of affiliate rules.

Employee Reporting -- Employees are encouraged to report all concerns regarding violations or suspected violations of affiliate rules. Since employees may sometimes be uncertain as to whether a particular activity is a violation, they are encouraged to report any incident which they honestly believe may constitute a violation. There will be no retaliation taken against an employee for the act of making a good faith report regarding a possible violation; however, if the

reporting employee is later found to be involved in a confirmed violation, that involvement will be considered when remedial action or discipline for the violation is administered.

Employees who suspect improper activities should report their concerns to any of the following:

- Their supervisor and/or manager
- The Vice President, Internal Audit, or Corporate Security Manager
- The Compliance Officer or any member of the Compliance Committee
- The Company hotline, by calling 1-800-453-0801

Employees are also encouraged to use these means to ask questions about prospective business plans that might be impacted by affiliate rules. Thus, the above means are extended beyond their conventional purpose for reporting alleged violations and can also be used to address potential future activities. **However, in cases not involving a suspected violation, communication using the above means will be referred to the Compliance Director. Thus, routine inquiries can be more directly communicated to the following:**

- The Compliance Director
- The Affiliate Standards Compliance Program help line by calling 214-812-ASCP (214-812-2727)
- Notes e-mail addresses "Affiliate Standards Compliance Program" or "ASCP" (without the quotation marks)

The preferred method of communicating regarding routine affiliate standards inquiries is through the use of e-mail in order to aid in the auditing process. Employees who desire to remain anonymous or have their identity kept confidential should utilize the Company hotline to express their concerns.

Reports made through any of the above methods will be evaluated, investigated and resolved according to the guidelines in the Corporate Compliance Program for situations involving a violation, and according to the following guidelines for situations not involving a violation:

Concerns Reported to Supervisors and Managers — Supervisors and managers (collectively, "managers") are responsible for providing reasonable assurance that their employees understand the avenues available within the Company for reporting concerns.

The manager who receives a concern from an employee shall document all available details regarding the matter. If immediate action is required to remedy or mitigate the effects of a possible violation, or to comply with a government-mandated disclosure requirement, the manager is responsible for taking immediate action. If the situation requires further investigation, documentation regarding the matter should be forwarded to the Compliance Director for evaluation and/or investigation.

Upon completion of an investigation, the manager who initially received the concern from his or her employee and referred it for investigation will be notified of the results of the investigation. That manager is responsible for the final disposition of the concern, including:

- initiation of discipline or other remedial actions,
- development of documentation relating to the disposition of the matter,

- communicating with the reporting employee to ensure effective feedback regarding the concern, and
- forwarding the documentation to the Compliance Director.

Concerns Reported to Internal Audit or Corporate Security Manager — Because of the longstanding Corporate Compliance Program, Internal Audit or Corporate Security may directly receive affiliate rules concerns from a variety of sources, including referrals from management, direct reports of concerns from employees, or reports of allegations from people outside the Company, including regulatory agencies. Internal Audit and Corporate Security will coordinate efforts with the Compliance Director to ensure effective investigation of any concern and may utilize the assistance of Compliance Committee members or other management as appropriate.

All investigations will be conducted in a timely manner and feedback will be provided to those who submit concerns either directly or through management. Documentation of all concerns received, investigative actions, and results will be maintained. Results will also be reported to the appropriate level of management for corrective action as warranted.

Concerns Reported to a Compliance Committee Member or to the Compliance Officer — Affiliate rules concerns received by Compliance Committee members or the Compliance Officer will be forwarded to the Compliance Director for investigation.

Concerns Reported through the Hotline — The Company hotline (1-800-453-0801) allows employees who wish to remain anonymous or have their identity kept confidential to report suspected violations. The subset of hotline calls that are inquiries regarding affiliate rules will be forwarded to the Compliance Director.

The Corporate Security Manager is responsible for the overall administration of the Company hotline, including documenting and tracking the concerns, notifying the Compliance Director, and providing feedback to the employee who reported the concern, when appropriate. Corporate Security will coordinate efforts with the Compliance Director to ensure effective investigation of any concern.

Periodic Review of Internal Reporting and Investigation Procedures — At least annually, the Compliance Committee and the Compliance Director will review the Company hotline process and the internal reporting and investigation procedures to determine their effectiveness for affiliate rules concern reporting.

Auditing -- Internal Audit will continue to allocate adequate resources to the review of high-risk processes. In addition, components of the Compliance Program will be audited annually.

External Complaint -- The utility shall make a good faith effort to resolve any complaint with an external complainant on an informal basis as promptly as practicable.

Complaint Reporting — Complaints are required to be submitted in writing or through electronic mail with enough substantive information to pursue an investigation. The person receiving a written complaint shall forward the written complaint information: (1) to the Compliance Director, and (2) to either the Compliance Officer or the Vice President, Internal Audit. The Compliance Director shall establish a case number and file.

The Compliance Officer, the Vice President, Internal Audit, or other officer shall acknowledge to the complainant receipt of the complaint in writing within five working days of receipt. A preliminary investigation of complaint shall be completed within 30 days after receipt of complaint. The Compliance Officer, the Vice President, Internal Audit, or other officer shall provide a written report communicating the results of the preliminary investigation to the complainant within thirty days after receipt of the complaint, including a description of any course of action that will be taken.

Unresolved Complaints — In the event that the utility and the complainant are unable to resolve the complaint, the utility shall notify the complainant of his or her right to file a formal complaint with the Public Utility Commission and shall provide the complainant with the Commission's address and telephone number. The utility will exercise good faith efforts with the Commission and the complainant to resolve the issue in the formal complaint.

Annual Reporting of Informal Complaint Resolution — The utility shall report to the Commission information regarding the nature and status of informal complaints including the name of the complainant and a summary report of the complaint, including all relevant dates, companies involved, employees involved, the specific claim, and any actions taken to address the complaint. Such information shall be included in the utility's annual "Report of Affiliate Activities," filed with the Commission.

ENFORCEMENT AND DISCIPLINE

The Company will consistently enforce the compliance standards and procedures through uniform discipline, including discipline for negligent failure to detect violations. The Company has in place policies that set forth appropriate discipline for violations of policies, procedures, and work rules. These policies are to be appropriately and consistently applied with the assistance of Human Resources. Human Resources retains records on employee discipline and the types of discipline imposed for violations to provide reasonable assurance of consistency of discipline for similar violations.

Each disciplinary situation will be processed through Human Resources and will include a thorough review of the circumstances, and when appropriate, consultation with legal counsel regarding the Company's liability and the advisability of further legal action.

PROGRAM RESPONSE TO VIOLATION

It is the policy of the Company to support criminal prosecution and/or to initiate other appropriate legal action against anyone who commits an unlawful act against the interests of the Company. Full cooperation and support are given to authorities in their efforts to address matters of concern to the Company and general public policy.

If the Company conducts an investigation regarding a possible criminal violation of state law, the Compliance Officer, legal counsel, and executive officer responsible for the effected area will evaluate the results of the investigation. They will determine if a criminal offense has actually occurred and whether disclosure to an appropriate government agency is warranted. The Compliance Officer will coordinate Company response and cooperation with regard to any governmental criminal investigation involving the Company.

The Company recognizes that many state statutes and regulations affect various aspects of Company operations and often mandate timely disclosures of various types of events to governmental authorities. All managers and supervisors with such disclosure responsibilities are expected to strictly comply with all aspects of governmental reporting requirements.

The Compliance Committee will conduct periodic reviews of the overall compliance programs to determine if they should be updated or modified. A review will be performed after any detection of a violation, and at least annually to determine the effect of law changes on the programs. The Committee will also monitor applicable industry practices and incorporate industry standards into the compliance programs as necessary.

Affiliate Standards of Conduct Compliance Plan
("Affiliate Standards Compliance Plan")

with regard to provisions contained in
Public Utility Commission of Texas'
Substantive Rules 25.84, 25.272 and 25.273

Notes:

- TXU Corp's use of the term "utility" in this document should be taken to mean the "electric utility" during the period up to January 1, 2002, and the "transmission and distribution utility" on and after that date, as defined in the Utilities Code.
- The convention used in this document is for the utility's compliance efforts to be described (shown in Arial bold text) under each relevant provision of the Public Utility Commission's rules (shown in Times Roman text).
- This document constitutes TXU Corp's internal standards of conduct which describe TXU Corp's commitments to the Public Utility Commission's affiliate rules.

§25.84. Reporting of Affiliate Transactions for Electric Utilities.

- (a) **Purpose.** This section establishes reporting requirements for transactions between utilities and their affiliates.
- (b) **Application.** This section applies to:
- (1) electric utilities operating in the State of Texas as defined in the Public Utility Regulatory Act (PURA) §31.002(6), and transactions or activities between electric utilities and their affiliates, as defined in PURA §11.003(2); and
 - (2) transmission and distribution utilities operating in a qualifying power region in the State of Texas as defined in PURA §31.002(19) upon commission certification of a qualifying power region pursuant to PURA §39.152, and transactions or activities between transmission and distribution utilities and their affiliates, as defined in PURA §11.003(2).
- (c) **Definitions.** Any terms defined in §25.272 of this title (relating to Code of Conduct for Electric Utilities and Their Affiliates) have the same meanings herein.
- (d) **Annual report of affiliate activities.** A "Report of Affiliate Activities" shall be filed annually with the commission. Using forms approved by the commission, a utility shall report activities among itself and its affiliates in accordance with the requirements in this section. The report shall be filed by June 1, and shall encompass the period from January 1 through December 31 of the preceding year.

The utility will continue to report activities among itself and its affiliates in accordance with the requirements in this provision.

- (e) **Copies of contracts or agreements.** A utility shall reduce to writing and file with the commission copies of any contracts or agreements it has with its affiliates. The requirements of this subsection are not satisfied by the filing of an earnings report. All contracts or agreements shall be filed by June 1 of each year as attachments to the Report of Affiliate Activities required in subsection (d) of this section. In subsequent years, if no significant changes have been made to the contract or agreement, an amendment sheet may be filed in lieu of refileing the entire contract or agreement.

The utility will continue to provide the Commission copies of any contracts or agreements it has with its affiliates, or an amendment sheet, in accordance with this provision in its "Report of Affiliate Activities" annual filing with the Commission.

- (f) **Tracking migration of employees.** A utility shall track and document the movement between the utility and its competitive affiliates of all employees engaged in transmission or distribution system operations, including persons

employed by a service company affiliated with the utility who are engaged in transmission or distribution system operations on a day-to-day basis or have knowledge of transmission or distribution system operations. Employee migration information shall be included in the utility's Report of Affiliate Activities. The tracking information shall include an identification code for the migrating employee, the respective titles held while employed at each entity, and the effective dates of the migration.

Because of certain system modifications necessary in the employee records system to automate such tracking, the utility estimates that Human Resources will have procedures in place to comply with tracking by September 1, 2000. Before automated tracking can be relied on, employee transfer records will be manually tracked and recorded.

In the utility's "Report of Affiliate Activities" annual filing with the Commission, the utility will report such employee movement for each annual period beginning with the year January 1 through December 31, 2000.

- (g) **Annual reporting of informal complaint resolution.** A utility shall report to the commission information regarding the nature and status of informal complaints handled in accordance with the utility's procedures developed pursuant to §25.272(i)(4) of this title (relating to Code of Conduct for Electric Utilities and Their Affiliates). The information reported shall include the name of the complainant and a summary report of the complaint, including all relevant dates, companies involved, employees involved, the specific claim, and any actions taken to address the complaint. Such information on all informal complaints that were initiated or remained unresolved during the reporting period shall be included in the utility's Report of Affiliate Activities.

The utility has a complaint reporting and recording system in place to implement this rule as of January 10, 2000. Such complaint reporting and recording system is established as part of TXU Corp's Affiliate Standards Compliance Program. In the utility's "Report of Affiliate Activities" annual filing with the Commission, the utility will report information regarding the resolution of such complaints for each annual period beginning with the year January 1 through December 31, 2000.

- (h) **Reporting of deviations from the code of conduct.** A utility shall report information regarding the instances in which deviations from the code of conduct were necessary to ensure public safety and system reliability pursuant to §25.272(d)(4) of this title. The information reported shall include the nature of the circumstances requiring the deviation, the action taken by the utility and the parties involved, and the date of the deviation. Within 30 days of each deviation, the utility shall report this information to the commission and shall conspicuously post the information on its Internet site or a public electronic bulletin board for 30 consecutive calendar days. Such information shall be summarized in the utility's Report of Affiliate Activities.

The utility will have adequate procedures in place to implement this rule by September 1, 2000, including post-event reporting of any such deviations sent to the Compliance Director within 15 days of the deviation. The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to report to the Commission and conspicuously post the information on its Internet site or a public electronic bulletin board information regarding the instances in which deviations from its interim standards of conduct were necessary to ensure public safety and system reliability pursuant to §25.272(d)(4). In the utility's "Report of Affiliate Activities" annual filing with the Commission, the utility will report information regarding such instances for each annual period beginning with the year January 1 through December 31, 2001. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

- (i) **Annual update of compliance plans.** Initial plans for compliance with §25.272 of this title (relating to Code of Conduct for Electric Utilities and Their Affiliates) shall be supplied as a part of the utility's unbundling plan filed pursuant to PURA §39.051. The utility shall post a conspicuous notice of newly created affiliates and file any related updates to the utility's compliance plan on a timely basis pursuant to §25.272(i)(2) of this title. Additionally, the utility shall ensure that its annual Report of Affiliate Activities reflects all approved changes to its compliance plans, including those changes that result from the creation of new affiliates.

Having supplied its plans for initial compliance as part of the utility's unbundling plan filed pursuant to Utilities Code §39.051, the utility will implement the annual reporting requirements of this rule by June 1, 2001, the first occasion to file a "Report of Affiliate Activities" that would cover a period of time in which the utility was required to be compliant with any code of conduct — in that instance, its interim standards of conduct.

TXU Corp's standards of conduct will be revised as necessary going forward. Any substantive revisions to the standards of conduct due to the addition of a new affiliate will be communicated to the Commission within 30 days of the creation of the new affiliate.

With regard to the conspicuous notice posting of the creation of a new affiliate, the utility will post such notice pursuant to S.R. 25.272(i)(2) for all new competitive affiliates as defined in the rules but does not intend to post notice upon the creation any affiliates such as an affiliate in the United Kingdom to which these rules would not be relevant and the posting of which might confuse one to think that entity was a competitive affiliate subject of the rules.

The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to conspicuously post information regarding newly created affiliates on its Internet site or a public electronic bulletin board. Prior to that date, TXU Electric will furnish to the Commission a sample copy of the notice. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

§25.272. Code of Conduct for Electric Utilities and Their Affiliates.

- (a) **Purpose.** The provisions of this section establish safeguards to govern the interaction between utilities and their affiliates, both during the transition to and after the introduction of competition, to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities.
- (b) **Application.**
- (1) **General application.** This section applies to:
 - (A) electric utilities operating in the State of Texas as defined in the Public Utility Regulatory Act (PURA) §31.002(6), and transactions or activities between electric utilities and their affiliates, as defined in PURA §11.003(2); and
 - (B) transmission and distribution utilities operating in a qualifying power region in the State of Texas as defined in PURA §31.002(19) upon commission certification of a qualifying power region pursuant to PURA §39.152, and transactions or activities between transmission and distribution utilities and their affiliates, as defined in PURA §11.003(2).
 - (2) **No circumvention of the code of conduct.** An electric utility, transmission and distribution utility, or competitive affiliate shall not circumvent the provisions or the intent of PURA §39.157 or any rules implementing that section by using any affiliate to provide information, services, products, or subsidies between a competitive affiliate and an electric utility or a transmission and distribution utility.

The utility is committed to not use any affiliate, including an affiliate that provides corporate support services, to circumvent the intent of Utilities Code §39.157 or any rules implementing that statute. This commitment applies both during the transition period leading up to competition and subsequent to the introduction of competition. Specific procedures that are being implemented are described in other sections of this document that address the potential use of an affiliate for the provision of information, services, products, or subsidies.

- (3) **Notice of conflict and/or petition for waiver.** Nothing in this section is intended to affect or modify the obligation or duties relating to any rules or standards of conduct that may apply to a utility or the utility's affiliates under orders or regulations of the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). A utility shall file with the commission a notice of any provision in this section that conflict with FERC or SEC orders or regulations. A utility that is subject to statutes or regulations in any state that conflict with a provision of this section may petition the commission for a waiver of the conflicting provision on a showing of good cause.

- (c) **Definitions.** The following words and terms when used in this section shall have the following meaning unless the context clearly indicates otherwise:
- (1) **Arm's length transaction** — The standard of conduct under which unrelated parties, each acting in its own best interest, would carry out a particular transaction. Applied to related parties, a transaction is at arm's length if the transaction could have been made on the same terms to a disinterested third party in a bargained transaction.
 - (2) **Competitive affiliate** — An affiliate of a utility that provides services or sells products in a competitive energy-related market in this state, including telecommunications services, to the extent those services are energy-related.
 - (3) **Confidential information** — Any information not intended for public disclosure and considered to be confidential or proprietary by persons privy to such information. Confidential information includes but is not limited to information relating to the interconnection of customers to a utility's transmission or distribution systems, proprietary customer information, trade secrets, competitive information relating to internal manufacturing processes, and information about a utility's transmission or distribution system, operations, or plans for expansion.
 - (4) **Corporate support services** — Services shared by a utility, its parent holding company, or a separate affiliate created to perform corporate support services, with its affiliates of joint corporate oversight, governance, support systems, and personnel. Examples of services that may be shared, to the extent the services comply with the requirements prescribed by PURA §39.157(d) and (g) and rules implementing those requirements, include human resources, procurement, information technology, regulatory services, administrative services, real estate services, legal services, accounting, environmental services, research and development unrelated to marketing activity and/or business development for the competitive affiliate regarding its services and products, internal audit, community relations, corporate communications, financial services, financial planning and management support, corporate services, corporate secretary, lobbying, and corporate planning. Examples of services that may not be shared include engineering, purchasing of electric transmission facilities and service, transmission and distribution system operations, and marketing, unless such services are provided by a utility, or a separate affiliate created to perform such services, exclusively to affiliated regulated utilities and only for provision of regulated utility services.
 - (5) **Proprietary customer information** — Any information compiled by an electric utility on a customer in the normal course of providing electric service that makes possible the identification of any individual customer by matching such information with the customer's name, address, account number, type or classification of service, historical electricity usage, expected patterns of use, types of facilities used in providing service,

individual contract terms and conditions, price, current charges, billing records, or any other information that the customer has expressly requested not be disclosed. Information that is redacted or organized in such a way as to make it impossible to identify the customer to whom the information relates does not constitute proprietary customer information.

- (6) **Similarly situated** — The standard for determining whether a non-affiliate is entitled to the same benefit a utility offers, or grants upon request, to its competitive affiliate for any product or service. For purposes of this section, all non-affiliates serving or proposing to serve the same market as a utility's competitive affiliate are similarly situated to the utility's competitive affiliate.
- (7) **Transaction** — Any interaction between a utility and its affiliate in which a service, good, asset, product, property, right, or other item is transferred or received by either a utility or its affiliate.
- (8) **Utility** — An electric utility as defined in PURA §31.002(6) or a transmission and distribution utility as defined in PURA §31.002(19). For purposes of this section, a utility does not include a river authority operating a steam generating plant on or before January 1, 1999, or a corporation authorized by Chapter 245, Acts of the 67th Legislature, Regular Session, 1981 (Article 717p, Vernon's Texas Civil Statutes). In addition, with respect to a holding company exempt under the Public Utility Holding Company Act (PUHCA) §3(a)(2), the term "utility," as used in this section, means the division or business unit through which the holding company conducts utility operations and not the holding company as a legal entity.

(d) **Separation of a utility from its affiliates.**

- (1) **Separate and independent entities.** A utility shall be a separate, independent entity from any competitive affiliate.

By January 1, 2002, pursuant to Utilities Code §39.051, the utility shall be a separate, independent entity from any competitive affiliates. Each entity will have a board of directors and management team. Certain officers and directors may be common to these businesses pursuant to Utilities Code §39.157(d)(9)(A). Any sharing of common officers or directors will occur with the implementation of adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner inconsistent with Utilities Code §39.157(g) or (i).

Assets, personnel and costs of the utility will be separated into the appropriate entity in accordance with the unbundling and cost separation rules including subsection (e)(1)(D) below.

Appropriate measures are underway to protect the confidentiality of data and information in common information systems through segregation of databases or through appropriate security access procedures to ensure that utility customer data or information about the distribution or transmission system will not be available preferentially to a competitive affiliate.

- (2) **Sharing of employees, facilities, or other resources.** Except as otherwise allowed in paragraphs (3), (4), (5), or (7) of this subsection, a utility shall not share employees, facilities, or other resources with its competitive affiliates unless the utility can prove to the commission prior to such sharing that the sharing will not compromise the public interest. Such sharing may be allowed if the utility implements adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

Except as allowed in paragraphs (3), (4), (5), or (7) of this subsection and as described by the utility in this document, the utility does not intend to share employees, facilities, or other resources with its competitive affiliates. Should it seek to do so in the future, it will seek a public interest finding from the Commission.

- (3) **Sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services.** A utility and a competitive affiliate may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services, if the utility implements safeguards that the commission determines are adequate to preclude employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

Pursuant to the Utilities Code §39.157(d)(9)(A), the utility plans to share the subject items with its competitive affiliates and is currently implementing adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner inconsistent with Utilities Code §39.157(g) and (i). Such safeguards include:

- **Physical separation pursuant to the requirements of (d)(5) below.**
- **Employee training and education in the context of its Affiliate Standards Compliance Program adequate to preclude employees of a competitive affiliate from gaining access to information in a manner that would allow the transfer of confidential information from a utility to an affiliate.**
- **Establishment of monitoring, reporting, auditing, enforcement and other elements of its Affiliate Standards Compliance Program.**
- **Establishment of adequate firewall, data security, and other protective measures to computer and information systems.**

As examples of such safeguards, the sharing of officers and directors, and of media relations as a corporate support service, are described as follows.

The utility recognizes that certain of its officers and directors may be officers and/or directors of its affiliate and may be intimate with aspects of the utility business such that they could be in a position to violate the spirit of the affiliate rules. The utility commits that it will not use such officers and directors in common to circumvent the affiliate rules. The utility's sharing of officers and directors is consistent with Utilities Code §39.157 (d)(9)(A) allowing such sharing to the extent that the utility implements adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner inconsistent with Utilities Code §39.157(g) and (i). Such safeguards shall include officer and director training in the year 2000 on the pertinent provisions of the affiliate rules and officer acknowledgement of their commitment under the Affiliate Standards Compliance Program to adhere to the affiliate rules. With the exception of certain officers, the utility does not intend to share employees between itself and its competitive affiliate. Should it seek to do so in the future, it will seek a public interest finding from the Commission.

Certain corporate support services are provided for both the utility and a competitive affiliate that necessarily communicate to non-customers the utility's relationship with its competitive affiliate and give information about the products and services of both the utility and the competitive affiliate. For instance, Media Relations speaks with members of the media about the whole of TXU Corp. These communications generally are from the corporate perspective, are not with customers, and will not be used to jointly market, advertise or promote specific products or services of the competitive affiliate.

Media Relations representatives of the utility, the competitive affiliate, and corporate support services interviewed by the media will remind media representatives who may be unfamiliar with the relationship between the utility and its competitive affiliates who share the same name, trademark, brand or logo of that relationship and advise the media representatives on the correct company name attribution that should be applied to avoid customer confusion.

- (4) **Employee transfers and temporary assignments.** A utility shall not assign, for less than one year, utility employees engaged in transmission or distribution system operations to a competitive affiliate unless the employee does not have knowledge of confidential information. Utility employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with the utility who are engaged in transmission system operations on a day-to-day basis or have knowledge of transmission or distribution system operations and are transferred to a competitive affiliate, shall not remove or otherwise provide or use confidential property or information gained from the utility or affiliated service company in a discriminatory or exclusive fashion, to the benefit of the competitive affiliate or to the detriment of non-affiliated electric suppliers. Movement of an employee engaged in transmission or distribution system operations, including a person employed by a service company affiliated with the utility who is engaged in transmission or distribution system operations on a day-to-day basis or has knowledge of transmission or distribution system operations from a utility to a competitive affiliate or vice versa, may be accomplished through either the

employee's termination of employment with one company and acceptance of employment with the other, or a transfer to another company, as long as the transfer of an employee from the utility to an affiliate results in the utility bearing no ongoing costs associated with that employee.

Transferring employees shall sign a statement indicating that they are aware of and understand the restrictions and penalties set forth in this section. The utility also shall post a conspicuous notice of such a transfer on its Internet site or other public electronic bulletin board within 24 hours and for at least 30 consecutive calendar days. The exception to this provision is that employees may be temporarily assigned to an affiliate or non-affiliated utility to assist in restoring power in the event of a major service interruption or assist in resolving emergency situations affecting system reliability. Consistent with §25.84(h) of this title, however, within 30 days of such a deviation from the code of conduct, the utility shall report this information to the commission and shall conspicuously post the information on its Internet site or other public electronic bulletin board for 30 consecutive calendar days.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000. Also, the utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to implement the posting requirements. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

Exit interviews between the transferring employee and their supervisor will be conducted in which materials that the employee would take to his new assignment are reviewed to ensure compliance with the above requirements. Transferring employees shall sign a statement indicating that they are aware of and understand the restrictions and penalties set forth in this section. Human Resources will effect any transfers, adding to its checklist of responsibilities in conjunction with such a transfer to include the requisite employee acknowledgment and to confirm the notice posting to the Internet or electronic bulletin board. Accounting is being advised to administer any requisite changes to ensure that the utility bear no ongoing costs associated with the transferring employee. Information Technology will modify employee access to secured information systems as necessary to preclude improper access to utility computer applications.

- (5) **Sharing of office space.** A utility's office space shall be physically separate from that of its competitive affiliates, where physical separation is accomplished by having office space in separate buildings or, if within the same building, by a method such as having offices on separate floors or with separate access, unless otherwise approved by the commission.

TXU Corp's office space where this provision would be applicable is already separated in separate buildings or, if within the same building, on separate floors or with separate access.

By September 1, 2000, personnel associated with providing competitive energy services will be physically separated from the utility. Until such time as all office space separations can be implemented to meet the requirements of this provision, employees are otherwise bound by the other provisions in this interim code that address the sharing of information, e.g., in section (g) below. Prior to 2002 during the process of unbundling and after January 1, 2002, physical separation of office space will be implemented contemporaneous with any movement of employees from the utility to a competitive affiliate.

- (6) **Separate books and records.** A utility and its affiliates shall keep separate books of accounts and records, and the commission may review records relating to a transaction between a utility and an affiliate.
- (A) In accordance with generally accepted accounting principles or state and federal guidelines, as appropriate, a utility shall record all transactions with its affiliates, whether they involve direct or indirect expenses.
- (B) A utility shall prepare financial statements that are not consolidated with those of its affiliates.
- (C) A utility and its affiliates shall maintain sufficient records to allow for an audit of the transactions between the utility and its affiliates. At any time, the commission may, at its discretion, require a utility to initiate, at the utility's expense, an audit of transactions between the utility and its affiliates performed by an independent third party.

The utility and its affiliates already have procedures in place to keep separate books of accounts and sufficient records in accordance with the above provisions (d)(6)(A) and (C). The utility prepares utility financial statements that are not consolidated with those of its affiliates, and makes records relating to a transaction between the utility and an affiliate available for review by the Commission. These procedures will be adhered to upon the creation of any new affiliates as well.

- (7) **Limited credit support by a utility.** A utility may share credit, investment, or financing arrangements with its competitive affiliates if it complies with subparagraphs (A) and (B) of this paragraph.
- (A) The utility shall implement adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.
- (B) The utility shall not allow an affiliate to obtain credit under any arrangement that would include a specific pledge of any assets in

the rate base of the utility or a pledge of cash reasonably necessary for utility operations. This subsection does not affect a utility's obligations under other law or regulations, such as the obligations of a public utility holding company under §25.271(c)(2) of this title (relating to Foreign Utility Company Ownership by Exempt Holding Companies).

Item (d)(7)(A) is addressed under (d)(2) above. With regard to item (d)(7)(B), TXU Corp will not allow an affiliate to obtain credit under an arrangement that would include a specific pledge of assets in the rate base of the utility nor a pledge of cash reasonably necessary for utility operations, consistent with the Utilities Code Sec. 39.157(d)(7) and (d)(17).

(e) Transactions between a utility and its affiliates.

- (1) Transactions with all affiliates.** A utility shall not subsidize the business activities of any affiliate with revenues from a regulated service. In accordance with PURA and the commission's rules, a utility and its affiliates shall fully allocate costs for any shared services, including corporate support services, offices, employees, property, equipment, computer systems, information systems, and any other shared assets, services, or products.

Procedures for appropriately allocating costs for any shared services between the utility and a competitive affiliate are already in place.

- (A) Sale of products or services by a utility.** Unless otherwise approved by the commission and except for corporate support services, any sale of a product or service by a utility shall be governed by a tariff approved by the commission. Products and services shall be made available to any third party entity on the same terms and conditions as the utility makes those products and services available to its affiliates.

For any sale of a product or service governed by a tariff and pursuant to Utilities Code §36.058, the utility has adequate procedures in place to implement this provision as of its January 10, 2000, unbundling filing.

- (B) Purchase of products, services, or assets by a utility from its affiliate.** Products, services, and assets shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the product, service, or asset.

For any such purchase by a utility from its affiliate, the utility will adhere to this subsection and Utilities Code §36.058.

- (C) Transfers of assets.** Except for asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in

accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, assets transferred from a utility to its affiliates shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the assets or the utility's fully allocated cost to provide those assets.

The utility has adequate procedures in place today, including procedures in Accounting Services in accordance with the requirements set forth in this subsection.

- (D) **Transfer of assets implementing restructuring legislation.** The transfer from a utility to an affiliate of assets implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G will be reviewed by the commission pursuant to the applicable provisions of PURA, and any rules implementing those provisions.
- (2) **Transactions with competitive affiliates.** Unless otherwise allowed in this subsection, transactions between a utility and its competitive affiliates shall be at arm's length. A utility shall maintain a contemporaneous written record of all transactions with its competitive affiliates, except those involving corporate support services and those transactions governed by tariffs. Such records, which shall include the date of the transaction, name of affiliate involved, name of a utility employee knowledgeable about the transaction, and a description of the transaction, shall be maintained by the utility for three years. In addition to the requirements specified in paragraph (1) of this subsection, the following provisions apply to transactions between utilities and their competitive affiliates.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

The utility will have adequate procedures in place to implement this subsection (e)(2)'s requirements to provide written documentation of transactions with competitive affiliates by September 1, 2000. This provision does not prohibit the inclusion of the utility in the TXU Corp consolidated federal income tax return prospectively, or in any corresponding state tax returns filed on a consolidated or group basis, or to hinder compliance by the utility and TXU Corp with federal regulations governing the filing of consolidated tax returns or corresponding state regulations as applicable from time to time.

To comply with the requirement for a written contemporaneous record of all transactions between a utility and its competitive affiliate, the utility has developed guidance for its employees to utilize in determining whether or not an interaction rises to the level of a

transaction for which a written record must be contemporaneously created. This guidance is as follows.

In dealings between the utility and a competitive affiliate:

1. Corporate support services need not be recorded;
2. Tariffed transactions need not be recorded although sufficient information will be recorded to aid in the auditing process such as processing times for completing direct access service requests;
3. Consistent with subsection (g)(5) below, information that is publicly available, or that is unrelated in any way to utility activities, may be shared and need not be recorded;
4. Interactions of a personal nature unrelated to the provision of utility services or competitive services need not be recorded. These include items such as anniversary announcements; and birthday, holiday and get-well greetings;
5. Personal gifts not intended to influence the recipient to take a business action intended to benefit the giver need not be recorded;
6. Any transaction where consideration would be expected to flow between the recipient and the giver should be recorded;
7. Any interaction where no consideration would normally be expected to flow between the recipient and the giver need not be recorded.

Appropriate utility line management will be encouraged during training and education to establish a daily transactions reporting process to record all pertinent transactions.

When and where economically feasible, copies of affected electronic mail may be forwarded automatically to storage for recordkeeping and compliance monitoring purposes.

- (A) **Provision of corporate support services.** A utility may engage in transactions directly related to the provision of corporate support services with its competitive affiliates. Such provision of corporate support services shall not allow or provide a means for the transfer of confidential information from the utility to the competitive affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of the competitive affiliate.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

- (B) **Purchase of products or services by a utility from its competitive affiliate.** Except for corporate support services, a utility may not enter into a transaction to purchase a product or service from a competitive affiliate that has a per unit value of \$75,000 or more, or a total value of \$1 million or more, unless the

transaction is the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title (relating to Contracts Between Electric Utilities and Their Competitive Affiliates).

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Procurement Services and Accounting Services will assist as appropriate in establishing controls to ensure proper bidding protocols are followed when the utility purchases such products or services from its competitive affiliate.

- (C) **Transfers of assets.** Except for asset transfers facilitating unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, any transfer from a utility to its competitive affiliates of assets with a per unit value of \$75,000 or more, or a total value of \$1 million or more, must be the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Procurement Services and Accounting Services as necessary will establish controls to ensure proper bidding protocols are followed when the utility transfers such assets to its competitive affiliate.

- (f) **Safeguards relating to provision of products and services.**
- (1) **Products and services available on a non-discriminatory basis.** If a utility makes a product or service, other than corporate support services, available to a competitive affiliate, it shall make the same product or service available, contemporaneously and in the same manner, to all similarly situated entities, and it shall apply its tariffs, prices, terms, conditions, and discounts for those products and services in the same manner to all similarly situated entities. A utility shall process all requests for a product or service from competitive affiliates or similarly situated non-affiliated entities on a non-discriminatory basis. If a utility's tariff allows for discretion in its application, the utility shall apply that provision in the same manner to its competitive affiliates and similarly situated non-affiliates, as well as to their respective customers. If a utility's tariff allows no discretion in its application, the utility shall strictly apply the tariff. A

utility shall not use customer-specific contracts to circumvent these requirements, nor create a product or service arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to utilize the product or service.

For all tariffed product or service offerings including regulated services that a utility provides on a routine or recurring basis included in a tariff, and pursuant to Utilities Code § 36.003, the utility has adequate procedures in place to implement this rule as of its January 10, 2000, unbundling filing.

The utility will not create a product or service arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to utilize the product or service.

- (2) **Discounts, rebates, fee waivers, or alternative tariff terms and conditions.** If a utility offers its competitive affiliate or grants a request from its competitive affiliate for a discount, rebate, fee waiver, or alternative tariff terms and conditions for any product or service, it must make the same benefit contemporaneously available, on a non-discriminatory basis, to all similarly situated non-affiliates. The utility shall post a conspicuous notice on its Internet site or public electronic bulletin board for at least 30 consecutive calendar days providing the following information: the name of the competitive affiliate involved in the transaction; the rate charged; the normal rate or tariff condition; the period for which the benefit applies; the quantities and the delivery points involved in the transaction (if any); any conditions or requirements applicable to the benefit; documentation of any cost differential underlying the benefit; and the procedures by which non-affiliates may obtain the same benefit. The utility shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party. A utility shall not create any arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to benefit from the discount, rebate, fee waiver, or alternative tariff terms and conditions.

The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to conspicuously post on its Internet site or a public electronic bulletin board information that, to the extent that the utility tariff provides for a discount, rebate, fee waiver, or alternative tariff terms and conditions, the provision of these will be done in a non-discriminatory manner pursuant to Utilities Code Sec. 36.003 and this provision (f)(2).

- (3) **Tying arrangements prohibited.** Unless otherwise allowed by the commission through a rule or tariff prior to a utility's unbundling pursuant to PURA §39.051, a utility shall not condition the provision of any product, service, pricing benefit, or alternative terms or conditions upon

the purchase of any other good or service from the utility or its competitive affiliate.

The utility has already instituted adequate procedures to implement this rule. Illegal tying is prohibited by state and federal anti-trust law and the utility conducts periodic anti-trust training for appropriate employees.

(g) Information safeguards.

- (1) Proprietary customer information.** A utility shall provide a customer with the customer's proprietary customer information, upon request by the customer. Unless a utility obtains prior affirmative written consent or other verifiable authorization from the customer as determined by the commission, or unless otherwise permitted under this subsection, it shall not release any proprietary customer information to a competitive affiliate or any other entity, other than the customer, an independent organization as defined by PURA §39.151, or a provider of corporate support services for the sole purpose of providing corporate support services in accordance with subsection (e)(2)(A) of this section. The utility shall maintain records that include the date, time, and nature of information released when it releases customer proprietary information to another entity in accordance with this paragraph. The utility shall maintain records of such information for a minimum of three years, and shall make the records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party. When the third party requesting review of the records is not the customer, commission, or Office of Public Utility Counsel, the records may be redacted in such a way as to protect the customer's identity. If proprietary customer information is released to an independent organization or a provider of corporate support services, the independent organization or entity providing corporate support services is subject to the rules in this subsection with respect to releasing the information to other persons.

The utility will maintain records that include the date, time, and nature of information released when it releases proprietary customer information to an entity other than the customer, an independent organization as defined by PURA §39.151, or a provider of corporate support services for the sole purpose of providing corporate support services.

The utility has begun training to ensure compliance with this provision. Compliance should be considered effective: (1) upon the establishment of the required record keeping program, and (2) as of the completion of all detailed, initial employee training and education — both of which are estimated to be concluded by September 1, 2000. That training shall include instructing employees when releasing information to a provider of corporate support services or to an independent organization, to inform those entities or otherwise ensure that those entities are aware of their being subject to this subsection with regard to releasing the information to other persons. By that date, the utility will have procedures in place that describe: (1) procedures sufficient for customer written consent

or other verifiable authorization, and (2) how to keep records suitable for auditing that include the date, time, and nature of information released pursuant to this subsection.

- (A) **Exception for law, regulation, or legal process.** A utility may release proprietary customer information to another entity without customer authorization where authorized or requested to do so by the commission or where required to do so by law, regulation, or legal process.

The utility will continue to comply.

- (B) **Exception for release to governmental entity.** A utility may release proprietary customer information without customer authorization to a federal, state, or local governmental entity or in connection with a court or administrative proceeding involving the customer or the utility; provided, however, that the utility shall take all reasonable actions to protect the confidentiality of such information, including, but not limited to, providing such information under a confidentiality agreement or protective order, and shall also promptly notify the affected customer in writing that such information has been requested.

Corporate Security and/or legal support to the utility are preparing a confidentiality agreement or protective order, as well as a customer notification letter, that are to be used when the utility releases information pursuant to this subsection. These documents will be completed by March 31, 2000, and placed into use at that time.

- (C) **Exception to facilitate transition to customer choice.** In order to facilitate the transition to customer choice, a utility may release proprietary customer information to its affiliated retail electric provider or providers of last resort without authorization of those customers only during the period from September 1, 2001, through December 31, 2001, or during a different period prescribed by the commission.

With the exception of proprietary customer information exchanged during the four-month window immediately prior to January 1, 2002 (or different period prescribed by the Commission) in order to facilitate the transition to customer choice, proprietary customer information will not be shared by the utility with its affiliated retail electric provider or any provider of last resort without customer authorization.

- (D) **Exception for release to providers of last resort.** On or after January 1, 2002, a utility may provide proprietary customer information to a provider of last resort without customer authorization for the purpose of serving customers who have been switched to the provider of last resort.

The utility will release proprietary customer information without customer authorization to a provider of last resort on or after January 1, 2002, in order for the provider of last resort to serve customers assigned to it.

- (2) **Nondiscriminatory availability of aggregate customer information.** A utility may aggregate non-proprietary customer information, including, but not limited to, information about a utility's energy purchases, sales, or operations or about a utility's energy-related goods or services. However, except in circumstances solely involving the provision of corporate support services in accordance with subsection (e)(2)(A) of this section, a utility shall aggregate non-proprietary customer information for a competitive affiliate only if the utility makes such aggregation service available to all non-affiliates under the same terms and conditions and at the same price as it is made available to any of its affiliates. In addition, no later than 24 hours prior to a utility's provision to its competitive affiliate of aggregate customer information, the utility shall post a conspicuous notice on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days, providing the following information: the name of the competitive affiliate to which the information will be provided, the rate charged for the information, a meaningful description of the information provided, and the procedures by which non-affiliates may obtain the same information under the same terms and conditions. The utility shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective: (1) upon the establishment of the required electronic posting mechanisms, and (2) upon the completion of all detailed, initial employee training and education. The latter is estimated to be concluded by September 1, 2000. The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to comply with this requirement. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

- (3) **No preferential access to transmission and distribution information.** A utility shall not allow preferential access by its competitive affiliates to information about its transmission and distribution systems.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000.

However, compliance should be considered fully effective: (1) upon the establishment of adequate firewall, data security, and other protective measures to computer and

information systems that is estimated to be concluded by January 1, 2002; (2) upon the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000; and (3) upon the establishment of electronic posting mechanisms to ensure non-preferential treatment.

To the extent that the utility shares information about its transmission or distribution system with its competitive affiliate, it will do so on a non-preferential basis with competitors of its competitive affiliate. This may be accomplished through the posting of system information on an electronic bulletin board or an Internet web site. The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to share information using this means. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

- (4) **Other limitations on information disclosure.** Nothing in this rule is intended to alter the specific limitations on disclosure of confidential information in the Texas Utilities Code, the Texas Government Code, Chapter 552, or the commission's substantive and procedural rules.
- (5) **Other information.** Except as otherwise allowed in this subsection, a utility shall not share information, except for information required to perform allowed corporate support services, with competitive affiliates unless the utility can prove to the commission that the sharing will not compromise the public interest prior to any such sharing. Information that is publicly available, or that is unrelated in any way to utility activities, may be shared.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

The utility will not preferentially share confidential and competitively sensitive information obtained by the utility in the course of providing service to its customers, except for information required to perform allowed corporate support services, with competitive affiliates unless the utility can prove to the Commission that the sharing will not compromise the public interest prior to any such sharing.

Consistent with the PUC's preamble to the adoption of the PUC affiliate rules, this provision is intended to prohibit all "inappropriate" sharing of information between utilities and their competitive affiliates and "some common sense and good judgment is required in drawing the line between permissible and impermissible conduct." Consequently, the utility has developed guidance for its employees to utilize in determining whether or not an interaction rises to the level at which this provision would apply. This guidance is as follows.

In dealings between the utility and a competitive affiliate:

1. Information relating to the operations of the Transmission or Distribution systems, other than information related to a specific transaction between the utility and the competitive affiliate, may not be provided unless the

- same information is made available to third parties on a non-preferential basis.
2. Interactions of a personal nature unrelated to the provision of utility services or competitive electricity services need not be prohibited. These include items such as anniversary announcements; and birthday, holiday and get-well greetings.
 3. The exchange of information necessary for routine operational or tariffed transactions between the utility and the competitive affiliate is not prohibited.
 4. Information that is publicly available may be shared.
 5. Information that is unrelated in any way to utility activities may be shared.
- (h) **Safeguards relating to joint marketing and advertising.**
- (1) **Utility name or logo.** Before September 1, 2005, a utility shall not allow the use of its corporate name, trademark, brand, or logo by a competitive affiliate, on employee business cards or in any written or auditory advertisements of specific services to existing or potential residential or small commercial customers located within the utility's certificated service area, whether through radio or television, Internet-based, or other electronic format accessible to the public, unless the competitive affiliate includes a disclaimer with its use of the utility's corporate name, trademark, brand, or logo. Such disclaimer of the corporate name, trademark, brand, or logo in the material distributed must be written in a bold and conspicuous manner or clearly audible, as appropriate for the communication medium, and shall state the following: "{Name of competitive affiliate} is not the same company as {name of utility} and is not regulated by the Public Utility Commission of Texas, and you do not have to buy {name of competitive affiliate}'s products to continue to receive quality regulated services from {name of utility}."

Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective upon the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000. The utility has already instituted some measures to achieve early compliance.

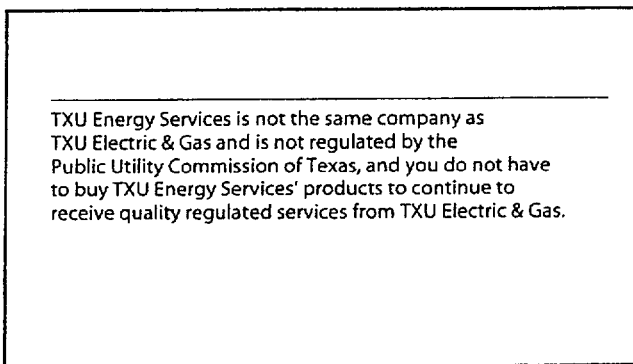
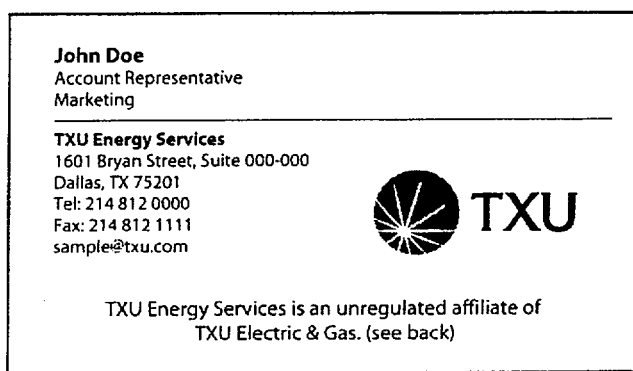
Besides training and communication about this requirement that has begun, TXU Corp Internet web pages already feature a link to a disclaimer that communicates that, "Several companies in the TXU Family of Companies are separate affiliates of TXU Electric & Gas and are not regulated by the Public Utility Commission of Texas, and you do not have to buy their products to continue to receive quality regulated services from TXU Electric & Gas."

The utility is in the process of inserting the required disclaimer in a bold and conspicuous manner on all Internet web pages (rather than just being behind a link button) upon which the utility's name, trademark, brand, or logo is used by a competitive affiliate advertising specific services to existing or potential residential or small commercial customers located within the utility's certificated service area. TXU Corp web sites such as http://www.txu.com/family/10_trad.asp already feature the disclaimer. Although web sites

will evolve over time, all applicable existing sites will feature the disclaimer by September 1, 2000 (to the extent that they don't already), and any new web sites will feature the disclaimer as required by this subsection when such sites are established on the web.

Due to the limited space on business cards and the confusing clutter the full disclaimer would introduce to customers reading the face of a business card, the full disclaimer will appear on the back of subject business cards. The face of the business card will feature a condensed disclaimer stating, "[Affiliate] is an unregulated affiliate of [the utility] (see back)." The full and condensed disclaimer will be printed legibly in 6 point font, or larger.

Below is a business card template featuring the disclaimer. New competitive affiliate business cards are to be printed using this template. The process to replace business card stocks will be completed by September 1, 2000, and old cards may remain in use until new cards have been distributed to employees.



(2) Joint marketing, advertising, and promotional activities.

The utility has begun training to ensure compliance with this subsection. Compliance with this subsection is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective upon the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

(A) A utility shall not:

- (i) provide or acquire leads on behalf of its competitive affiliates;

The utility may obtain information that is not of general knowledge regarding customer interest in building or expanding electricity-consuming facilities in its service area. The utility must safeguard information pursuant to subsection (g)(1), but otherwise may make public such information in a manner such as posting on an Internet site that: (1) does not give a competitive affiliate or a competitive affiliate's customers any preferential advantage, access, or treatment; or (2) does not occur in a manner that is discriminatory or anti-competitive with respect to a nonaffiliated competitor of a competitive affiliate.

- (ii) solicit business or acquire information on behalf of its competitive affiliates;

The utility may obtain information that is not of general knowledge regarding customer interest in building or expanding electricity-consuming facilities in its service area. The utility must safeguard information pursuant to subsection (g)(1), but otherwise may make public such information in a manner such as posting on an Internet site that: (1) does not give a competitive affiliate or a competitive affiliate's customers any preferential advantage, access, or treatment; or (2) does not occur in a manner that is discriminatory or anti-competitive with respect to a nonaffiliated competitor of a competitive affiliate.

- (iii) give the appearance of speaking or acting on behalf of any of its competitive affiliates;

All pertinent utility employees will be trained and instructed to identify themselves with customers or potential customers as employees of the utility, and to not represent themselves as employees of, or acting on behalf of, their competitive affiliate.

- (iv) share market analysis reports or other types of proprietary or non-publicly available reports, including, but not limited to, market forecast, planning, or strategic reports, with its competitive affiliates;

Utility employees will be instructed that information listed in this subsection (iv) that might otherwise be legally disclosed to others after termination of employment can be shared with its competitive affiliates. Allowed corporate governance and corporate support services reports are expressly permitted. Confidential utility information included in draft or final non-public market, forecast, planning, or strategic reports to regulatory or governmental entities will not be provided to a competitive affiliate unless it is also contemporaneously made available to all market participants.

- (v) represent to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or

The utility employees will be trained and instructed to not represent to customers or potential customers that the utility can offer "competitive retail services" bundled with its tariffed services. Services identified as appropriate for the utility to provide that are addressed in PUC Substantive Rule 24.342 are not "competitive retail services."

- (vi) request authorization from its customers to pass on information exclusively to its competitive affiliate.

The utility will not request such authorization from its customers but will respond to customer requests to pass on information to a competitive affiliate or a non-affiliated competitor. The utility may post on its Internet web pages generic language that any customer, competitive affiliate, or non-affiliate could use to instruct the utility to release proprietary customer information.

- (B) A utility shall not engage in joint marketing, advertising, or promotional activities of its products or services with those of a competitive affiliate in a manner that favors the affiliate. Such joint marketing, advertising, or promotional activities include, but are not limited to, the following activities:
 - (i) acting or appearing to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;

All pertinent utility employees will be trained and instructed to identify themselves with customers or potential customers as employees of the transmission and/or distribution utility, and to not represent themselves as employees of, or acting on behalf of, their competitive affiliate.

- (ii) joint sales calls;

The utility employees will be trained and instructed to not represent themselves as employees of, or acting on behalf of, their competitive affiliate.

The utility will provide training on this subsection (ii) in conjunction with provision (h)(2)(C) below as allowing utility participation, at the customer's unsolicited request and on a non-discriminatory basis, in meetings with a competitive affiliate to discuss technical or operational subjects regarding the utility's provision of transmission or distribution services to the customer. The utility shall not listen to, view, or otherwise participate in any way in a sales discussion between a customer and a competitive affiliate or an unaffiliated electric or energy services supplier. If the utility attends such a meeting and sales matters are raised, its employees must excuse themselves for the course of the sales discussion.

The utility's competitive affiliate will communicate during the meeting the substance of the disclaimers set forth above in subsection (h)(1). Utility participation in such a meeting is not considered a reportable transaction.

- (iii) joint proposals, either as requests for proposals or responses to requests for proposals;

The utility with its competitive affiliate will not prepare a joint request for proposal nor respond jointly with its competitive affiliate to a request for proposal. The utility's employees will be trained and instructed that this provision does not prohibit the utility

from responding separately to a request for electricity service. The utility may coordinate on proposals with any entity including its competitive affiliate to the extent it does so at arm's length.

- (iv) joint promotional communications or correspondence, except that a utility may allow a competitive affiliate access to customer bill advertising inserts according to the terms of a commission-approved tariff so long as access to such inserts is made available on the same terms and conditions to non-affiliates offering similar services as the competitive affiliate that uses bill inserts;

The utility has begun training to ensure compliance with this subsection. Compliance with this subsection is expected from all employees effective January 10, 2000.

- (v) joint presentations at trade shows, conferences, or other marketing events within the State of Texas; and

The utility will instruct its employees that this rule permits utility participation at trade shows, conferences, or other marketing-type events within the State of Texas so long as the participation occurs in a manner that does not favor the competitive affiliate including that any trade booths are not shared nor contiguous. The utility employees will be trained and instructed to not represent themselves as employees of, or acting on behalf of, their competitive affiliate. Attendance at such an event is not a reportable transaction.

- (vi) providing links from a utility's Internet web site to a competitive affiliate's Internet web site.

The utility is in the process of completing Internet site redesign and by September 1, 2000, if not sooner, will comply with this provision.

- (C) At a customer's unsolicited request, a utility may participate in meetings with a competitive affiliate to discuss technical or operational subjects regarding the utility's provision of transmission or distribution services to the customer, but only in the same manner and to the same extent the utility participates in such meetings with unaffiliated electric or energy services suppliers and their customers. The utility shall not listen to, view, or otherwise participate in any way in a sales discussion between a customer and a competitive affiliate or an unaffiliated electric or energy services supplier.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Utility employees will be trained and instructed to not represent themselves as employees of, or acting on behalf of, their competitive affiliate.

Utility employees will also be trained and instructed that, in conjunction with provision (h)(2)(B)(ii) above, they are permitted to participate at the customer's unsolicited request and on a non-discriminatory basis in meetings with a competitive affiliate to discuss technical or operational subjects regarding the utility's provision of transmission or distribution services to the customer. The utility shall not listen to, view, or otherwise participate in any way in a sales discussion between a customer and a competitive affiliate or an unaffiliated electric or energy services supplier. If the utility attends such a meeting and sales matters are raised, its employees must excuse themselves for the course of the sales discussion.

The utility's competitive affiliate will communicate during the meeting the substance of the disclaimers set forth above in subsection (h)(1). Attendance at such a meeting is not a reportable transaction.

- (3) **Requests for specific competitive affiliate information.** If a customer or potential customer makes an unsolicited request to a utility for information specifically about any of its competitive affiliates, the utility may refer the customer or potential customer to the competitive affiliate for more information. Under this paragraph, the only information that a utility may provide to the customer or potential customer is the competitive affiliate's address and telephone number. The utility shall not transfer the customer directly to the competitive affiliate's customer service office via telephone or provide any other electronic link whereby the customer could contact the competitive affiliate through the utility. When providing the customer or potential customer information about the competitive affiliate, the utility shall not promote its competitive affiliate or its competitive affiliate's products or services, nor shall it offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Utility employees will answer customer inquiries regarding the existence of a competitive affiliate and the relationship of that competitive affiliate to the utility and may offer a corporate perspective of the whole of TXU Corp's business. Utility employees will be trained and instructed to not represent themselves as employees of, or acting on behalf of, their competitive affiliate. Such training may take the form of scripts for, for instance, call center representatives to follow. If a customer or potential customer makes an unsolicited request to the utility for information specifically about any of its competitive affiliates, utility employees may refer the customer or potential customer to the competitive affiliate for more information by providing to the customer or potential customer the competitive affiliate's name, address (postal and/or Internet), and telephone number.

- (4) **Requests for general information about products or services offered by competitive affiliates and their competitors.** If a customer or potential customer requests general information from a utility about products or services provided by its competitive affiliate or its affiliate's competitors, the utility shall not promote its competitive affiliate or its affiliate's products or services, nor shall the utility offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider. The utility may direct the customer or potential customer to a telephone directory or to the commission, or provide the customer with a recent list of suppliers developed and maintained by the commission, but the utility may not refer the customer or potential customer to the competitive affiliate except as provided for in paragraph (3) of this subsection.

The utility has begun training to ensure compliance with this provision. Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective upon the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Supplier lists such as the current E-Choice Authorized Dealer Referral list will be provided as a utility service, but this service will end September 1, 2000. (The Authorized Dealer Network is a group of heating and cooling professionals authorized by TXU Electric & Gas to help customers make decisions about replacing an old system.)

- (i) **Remedies and enforcement.**
- (1) **Internal codes of conduct for the transition period.** During the transition to competition, including the period prior to and during utility unbundling pursuant to PURA §39.051, each utility shall implement an internal code of conduct consistent with the spirit and intent of PURA §39.157(d) and with the provisions of this section. Such internal codes of conduct are subject to commission review and approval in the context of a utility's unbundling plan submitted pursuant to PURA §39.051(e); however, such internal codes of conduct shall take effect, on an interim basis, on January 10, 2000. The internal codes of conduct shall be developed in good faith by the utility based on the extent to which its affiliate relationships are known by January 10, 2000, and then updated as necessary to ensure compliance with PURA and commission rules. A utility exempt from PURA Chapter 39 pursuant to PURA §39.102(c) shall adopt an internal code of conduct that is consistent with its continued provision of bundled utility service during the period of its exemption.

TXU Corp will have adequate procedures in place to be in substantial compliance with such an interim, internal standard of conduct upon it becoming effective on an interim basis, aware that such an interim standard is a target objective and not a standard that can be reasonably achieved without, for instance, a comprehensive training and implementation campaign that necessarily cannot occur in haste. Thus, the utility commits to the individual timelines under each relevant provision.

Within 30 days of these proposed internal standards being approved by the Commission, the utility will be in compliance with every provision proposed in these internal standards of conduct or shall petition the Commission, citing good cause, for an extension of time on any provision whose requirements it cannot reasonably meet.

This interim, internal standards of conduct document will be revised as necessary going forward. Any substantive revisions will be promptly communicated to the Commission.

- (2) **Ensuring compliance for new affiliates.** A utility and a new affiliate are bound by the code of conduct immediately upon creation of the new affiliate. Upon the creation of a new affiliate, the utility shall immediately post a conspicuous notice of the new affiliate on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days. Within 30 days of creation of the new affiliate, the utility shall file an update to its internal code of conduct and compliance plan, including all changes due to the addition of the new affiliate. The utility shall ensure that any interaction with the new affiliate is in compliance with this section.

The utility will post such notice and is instructing its employees that the requirement pertains to competitive affiliates and not affiliates that are not subject of concern such as an affiliate doing business in the United Kingdom.

The corporate secretary or other department will be charged with instigating the posting of this information and informing the Compliance Director of the creation so that potential changes in the internal code of conduct and compliance plan due to the new affiliate, if any, can be made.

The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to conspicuously post information regarding newly created affiliates on its Internet site or a public electronic bulletin board. Prior to that date, TXU Electric will furnish to the Commission a sample copy of the notice. To assist in the auditing process, records of any electronic posting that show the adequacy of the posting (e.g., with regard to content and duration) will be kept.

TXU Corp's standards of conduct will be revised as necessary going forward. Any substantive revisions to the standards of conduct due to the addition of a new affiliate will be communicated to the Commission within 30 days of the creation of the new affiliate.

- (3) **Compliance Audits.** No later than one year after the utility has unbundled pursuant to PURA §39.051, and, at a minimum, every third year thereafter, the utility shall have an audit prepared by independent auditors that verifies that the utility is in compliance with this section. The utility shall file the results of each audit with the commission within one month of the audit's completion. The cost of the audits shall not be charged to utility ratepayers.

The utility will have an audit prepared by independent auditors not later than one year after the utility has unbundled pursuant to Utilities Code §39.051, and, at a minimum, every third year thereafter that verifies that the utility is in compliance with this section. The utility will file the audit results with the Commission within one month of the audit's completion.

- (4) **Informal complaint procedure.** A utility shall establish and file with the commission a complaint procedure for addressing alleged violations of this section. This procedure shall contain a mechanism whereby all complaints shall be placed in writing and shall be referred to a designated officer of the utility. All complaints shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The designated officer shall acknowledge receipt of the complaint in writing within five working days of receipt. The designated officer shall provide a written report communicating the results of the preliminary investigation to the complainant within thirty days after receipt of the complaint, including a description of any course of action that will be taken. In the event the utility and the complainant are unable to resolve the complaint, the complainant may file a formal complaint with the commission. The utility shall notify the complainant of his or her right to file a formal complaint with the commission, and shall provide the complainant with the commission's address and telephone number. The utility and the complainant shall make a good faith effort to resolve the complaint on an informal basis as promptly as practicable. The informal complaint process shall not be a prerequisite for filing a formal complaint with the commission, and the commission may, at any time, institute a complaint against a utility on its own motion.

The utility has established a complaint reporting and recording system to implement this provision coincident with its January 10, 2000, unbundling filing. In the utility's "Report of Affiliate Activities" annual filing with the Commission, the utility will report information regarding the resolution of such complaints for each annual period beginning with the year January 1 through December 31, 2000.

- (5) **Enforcement by the commission.** A violation or series or set of violations of this section that materially impairs, or is reasonably likely to materially impair, the ability of a person to compete in a competitive market shall be deemed an abuse of market power.
- (A) In addition to other methods that may be available, the commission may enforce the provisions of this rule by:
- (i) seeking an injunction or civil penalties to eliminate or remedy the violation or series or set of violations;
 - (ii) suspending, revoking, or amending a certificate or registration as authorized by PURA §39.356; or
 - (iii) pursuing administrative penalties under PURA, Chapter 15, Subchapter B.

- (B) The imposition of one penalty under this section does not preclude the imposition of other penalties as appropriate for the violation or series or set of violations.
- (C) In assessing penalties, the commission shall consider the following factors:
 - (i) the utility's prior history of violations;
 - (ii) the utility's efforts to comply with the commission's rules, including the extent to which the utility has adequately and physically separated its office, communications, accounting systems, information systems, lines of authority, and operations from its affiliates, and efforts to enforce these rules;
 - (iii) the nature and degree of economic benefit gained by the utility's competitive affiliate;
 - (iv) the damages or potential damages resulting from the violation or series or set of violations;
 - (v) the size of the business of the competitive affiliate involved;
 - (vi) the penalty's likely deterrence of future violations; and
 - (vii) such other factors deemed appropriate and material to the particular circumstances of the violation or series or set of violations.
- (6) **No immunity from antitrust enforcement.** Nothing in these affiliate rules shall confer immunity from state or federal antitrust laws. Sanctions imposed by the commission for violations of this rule do not affect or preempt antitrust liability, but rather are in addition to any antitrust liability that may apply to the anti-competitive activity. Therefore, antitrust remedies also may be sought in federal or state court to cure anti-competitive activities.
- (7) **No immunity from civil relief.** Nothing in these affiliate rules shall preclude any form of civil relief that may be available under federal or state law, including, but not limited to, filing a complaint with the commission consistent with this subsection.
- (8) **Preemption.** This rule supersedes any procedures or protocols adopted by an independent organization as defined by PURA §39.151, or similar entity, that conflict with the provisions of this rule.

§25.273. Contracts Between Electric Utilities and Their Competitive Affiliates.

- (a) **Purpose.** This section establishes the requirements for the implementation of contracts between utilities and their competitive affiliates resulting from a fair, competitive bidding process.
- (b) **Application.**
- (1) **General application.** This section applies to:
 - (A) electric utilities operating in the State of Texas as defined in the Public Utility Regulatory Act (PURA) §31.002(6), and transactions or activities between electric utilities and their affiliates, as defined in PURA §11.003(2); and
 - (B) transmission and distribution utilities operating in a qualifying power region in the State of Texas as defined in PURA §31.002(19) upon commission certification of a qualifying power region pursuant to PURA §39.152, and transactions or activities between transmission and distribution utilities and their affiliates, as defined in PURA §11.003(2).
 - (2) **No circumvention of the code of conduct.** An electric utility, transmission and distribution utility, or competitive affiliate shall not circumvent the provisions or the intent of PURA §39.157 or any rules implementing that section by using any affiliate to provide information, services, products, or subsidies between the electric utility, transmission and distribution utility, and a competitive affiliate.

The utility and its competitive affiliates are committed to not use any affiliate, including an affiliate that provides corporate support services, to circumvent the intent of Utilities Code §39.157 or any rules implementing that statute. This commitment applies both during the transition period leading up to competition and subsequent to the introduction of competition. Specific procedures that are being implemented are described in other sections of this document that address the potential use of an affiliate for the provision of information, services, products, or subsidies.

- (3) **Notice of conflicts and/or petition for waiver.** Nothing in this section is intended to affect or modify the obligation or duties relating to any rules or standards of conduct that may apply to a utility or the utility's affiliates under orders or regulations of the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). A utility shall file with the commission a notice of any provision in this section that conflicts with FERC or SEC orders or regulations. A utility that is subject to statutes or regulations in any state that conflict with a provision of this section may petition the commission for a waiver of the conflicting provision on a showing of good cause.

- (c) **Definitions.** Any terms defined in §25.272 of this title (relating to Code of Conduct for Electric Utilities and Their Affiliates) have the same meanings herein.
- (d) **Competitive bidding required.** A utility shall conduct competitive bidding, as required by §25.272 of this title, to procure products and services, other than corporate support services, that are offered by an competitive affiliate or to sell to any competitive affiliate assets that have a per unit value of more than \$75,000, or a total value of more than \$1 million. This section does not apply to transfers that facilitate unbundling under PURA §39.051 or asset valuation under PURA §39.262.

The utility has begun training to ensure compliance with this subsection (d). Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.

Procurement Services and Accounting Services will assist as appropriate in establishing controls to ensure proper bidding protocols are followed for transactions subject to Substantive Rule 25.272.

- (1) **Notice.** The utility shall provide reasonable notice of any request for proposals required pursuant to this section. Such notice shall include:
 - (A) notice by publication in trade journals or newspapers as appropriate;
 - (B) notice by mail to persons who previously requested to be notified of the request for proposals; and
 - (C) conspicuous notice on the utility's Internet site or other public electronic bulletin board.
- (2) **Independent evaluator.** The utility shall use an independent evaluator when a competitive affiliate's bid is included among the bids to be evaluated. If an independent evaluator is required, the utility shall maintain a record of communications with the independent evaluator. The independent evaluator shall identify in writing the bids that are most advantageous and warrant negotiation and contract execution, in accordance with the criteria set forth in the request for proposals. The utility retains responsibility for final selection of products or services.
- (3) **Competitive bidding procedures.** The utility shall make a request for proposals available to interested persons by conspicuously posting the request on its Internet site or other public electronic bulletin board.

The utility is in the process of completing Internet or electronic bulletin board development such that it will have adequate procedures in place by September 1, 2000, to conspicuously post the request consistent with this requirement.

- (A) The request for proposals must clearly set forth the eligibility and selection criteria and shall specify the weight to be given to any non-cost selection criteria.
 - (B) The utility shall strictly enforce the criteria specified in the request for proposals.
 - (4) **Evaluation of bids.** The utility or independent evaluator, as appropriate, shall evaluate each bid submitted in accordance with the criteria specified in the request for proposals. The utility or independent evaluator may not give preferential treatment or consideration to any bid.
 - (5) **Rejection of bids.** The utility is not required to accept a bid and may reject any or all bids in accordance with the selection criteria specified in the request for proposals.
- (e) **Contracts.** A utility shall file with the commission a signed copy of any contracts entered into with a competitive affiliate as the result of the fair, competitive bidding process described in this section. A contract shall include, at a minimum, the following provisions:
- (1) the effective date of the agreement and parties to the agreement;
 - (2) the term of the agreement;
 - (3) a narrative describing the products or services provided to the utility, including a list by specific service of all the affiliated companies who provide or receive these services, or a narrative describing the assets being sold by the utility to the competitive affiliate;
 - (4) the obligations of the parties;
 - (5) the price for those products, services, or assets governed by the contract; and
 - (6) billing and payment procedures.

The utility has begun training to ensure compliance with this subsection (e). Compliance with this provision is expected from all employees effective January 10, 2000. However, compliance should be considered fully effective as of the completion of all detailed, initial employee training and education that is estimated to be concluded by September 1, 2000.