

**INDEX TO THE DIRECT TESTIMONY
OF STEPHEN N. RAGLAND
WITNESS FOR
TXU ELECTRIC COMPANY**

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1 **I. POSITION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND ADDRESS.

3 A. My name is Stephen N. Ragland. My business address is 1601 Bryan
4 Street, Dallas, Texas 75201.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by TXU Business Services and hold the position of
7 Management Support Manager - TXU Business Services.

8 Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND
9 PROFESSIONAL QUALIFICATIONS.

10 A. I graduated from East Texas State University in 1977 with a Bachelor of
11 Science degree in Business Administration. I was employed by Dallas
12 Power & Light Company in January 1979 as a Junior Accountant and
13 worked in various areas of the corporate accounting department. In
14 December 1992, I was employed by TXU Business Services (formerly TU
15 Services, Inc.) and appointed Management Support Manager - Texas
16 Utilities Fuel Company (TXU Fuel). In August 1996, I assumed the position
17 of Management Support Manager - Fuels. I held that position until December
18 1997, when I became the Management Support Manager for the Distribution
19 Business Unit - System Operations. I was named to my present position in
20 November 1998. I am a Certified Public Accountant in the State of Texas.

21 Q. WHAT IS THE NATURE OF YOUR RESPONSIBILITIES WITH TXU
22 BUSINESS SERVICES?

23 A. As Management Support Manager for TXU Business Services, I am
24 responsible for providing the following business decision support services;
25 business plan preparation assistance, including annual budgets; monitoring
26 of, and reporting on, financial and operating performance; and ensuring input
27 of appropriate billing metrics into the Financial Information Management
28 system for billing the cost of the services provided by TXU Business Services

1 to Texas Utilities Company ("TXU Corp") affiliates.

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

4 A. No.

5 **II. PURPOSE OF TESTIMONY**

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7 A. My testimony will discuss transactions between TXU Business Services and
8 the subsidiaries, divisions, and operating units within TXU Corp (hereinafter
9 collectively referred to as "TXU entities") following the "unbundling" of TXU
10 Electric Company ("TXU Electric"). My testimony shows that the necessary
11 procedures, systems, and processes are in place to prevent cross-
12 subsidization between affiliates. My testimony also supports the
13 reasonableness and necessity of any expenses billed by TXU Business
14 Services to TXU entities and demonstrates that the prices charged by TXU
15 Business Services to any one TXU entity are no higher than the prices
16 charged by TXU Business Services to other TXU entities or to a non-
17 affiliated third party for the same class of items.

18 **III. ORGANIZATION AND FUNCTION OF TXU BUSINESS SERVICES**

19 Q. WHAT SERVICES DOES TXU BUSINESS SERVICES PROVIDE?

20 A. TXU Business Services provides accounting, financial, information
21 technology, personnel, procurement, environmental, real estate, corporate
22 secretarial, facilities management, and other services for TXU entities. All
23 of the services provided by TXU Business Services are billed to each TXU
24 entity at cost with no return on equity or profit added. Exhibit SNR-1
25 provides an organization chart of TXU Business Services on September 30,
26 1999.

27 Q. PLEASE DESCRIBE THE FUNCTIONS OF TXU BUSINESS SERVICES
28 THAT PROVIDE SERVICES TO TXU ENTITIES.

1 A. The following functions, or service providers, provide services to TXU
2 entities:

3 (1) Accounting/Controller. This function provides basic accounting
4 and financial services, including payroll, accounts payable, fixed asset
5 accounting, financial information, financial reporting, and financial advisory
6 services.

7 (2) Administrative Services. This function provides services, such as
8 copier and print services; document storage, filing, and retrieval of
9 documents needed to support the acquisition, maintenance, and disposal of
10 property; acquisition and management of land, minerals, and rights-of-way;
11 maintenance, administration, and registration services for light and heavy
12 vehicles used to install and maintain assets; and operation of service
13 vehicles.

14 (3) Corporate. This function does not provide services, but is more
15 a repository for various necessary business costs, such as leasehold
16 improvements, Office of the President, depreciation, interest, and taxes.

17 (4) Corporate Services. This function provides state, local, and
18 federal tax services; retirement, thrift plan, and other employee benefit
19 administration; risk management services; claims and legal administration
20 services; and other similar services.

21 (5) Communications. This function provides communication to and
22 from the public regarding company matters as well as 24-hour media
23 availability to deal with any company, system, or customer matter that
24 demands immediate attention; provides advertising services to promote
25 public safety and inform customers of methods, products, and services
26 related to electricity or natural gas service; and provides a resource center
27 in which information can be procured in a timely manner to meet various
28 business needs. It also provides a communication vehicle to employees so

1 that they may stay informed of industry, regulatory, company, and other
2 information of general concern to the employee.

3 (6) Environmental. This function obtains and maintains all
4 necessary environmental permits and maintains compliance with
5 environmental permits, approvals, laws, and regulations.

6 (7) Finance. This function provides all services related to funds
7 management, securities administration and compliance, investor and lender
8 communications, and financial planning research and analysis.

9 (8) Financial Planning and Management Support. This function
10 provides support to the business decision process, including evaluating,
11 implementing, and monitoring TXU Corp business unit strategies and
12 project/investment opportunities, which enables business units to make
13 informed choices among business alternatives in a changing financial,
14 environmental, regulatory, and legal environment.

15 (9) Human Resources. This function provides services relating to
16 staffing and placement, including employee development, training, and
17 safety.

18 (10) Information Technology. This function provides dependable
19 communication within the system network through voice, data, and radio
20 devices; timely access to financial and operating data through mainframe,
21 server, and intranet infrastructure; training and deskside support for personal
22 computer equipment and applications; business solution consulting; and
23 application development and maintenance.

24 (11) Internal Audit. This function provides internal audit services.

25 (12) Procurement Services. This function provides procurement
26 management, purchasing, contracts, minority business development, and
27 related services.

28 (13) Regulatory Affairs. This function provides services to represent

1 TXU entities in rate and tariff proceedings and rulemakings before regulatory
2 authorities.

3 (14) Research and Development. This function stays abreast of
4 emerging technology and maintains relationships with universities,
5 departments, and institutions that facilitate receiving appropriate benefits
6 from any research investments made.

7 (15) Government Affairs. This function provides a means for
8 communication between TXU entities and governmental agencies regarding
9 legislative and regulatory issues.

10 (16) Public Policy. This function provides for development and
11 communication of public policy strategies and positions.

12 With a few exceptions, each of these functions is then divided into
13 various "projects" or "activities" (these terms are used synonymously). Most
14 TXU Business Services activities are directly charged or assigned to the
15 subsidiaries or divisions utilizing separate activity/project codes. Some
16 activities, however, are combined with other activities into what are termed
17 "processes."

18 Q. PLEASE DESCRIBE THESE PROCESSES UTILIZED.

19 A. The two processes utilized are:

20 (1) Human Resources. This process provides services for: design
21 and administration of salary plans; benefit design and administration of all
22 welfare and qualified benefit plans (*i.e.*, workers compensation, health care,
23 HMOs, accidental death and dismemberment, and retirement and thrift
24 plans); compliance with Equal Employment Opportunities Commission
25 requirements and affirmative action programs; compliance with Occupational
26 Safety and Health Administration workplace safety requirements;
27 development of a highly skilled workforce; and consistent administration of
28 employee relations activities, including counseling, discipline, and

1 terminations.

2 (2) Procure Resources. This process utilizes systemwide
3 procurement leverage to provide cost-effective, timely, reliable, and prudent
4 procurement of, and payment for, goods and services; efficient and effective
5 management of inventory investments; and optimization of the net return
6 from the reuse, disposal, or sale of surplus and salvage materials and
7 equipment.

8 Q. WHY WERE THOSE TWO PROCESSES INITIALLY ESTABLISHED?

9 A. Each of the two processes was initially developed in recognition of the fact
10 that the provision of certain broad areas of service actually requires various
11 different activities from numerous different functional areas. For example,
12 while most of the Human Resources process involves services provided by
13 the Human Resources function, it also involves the payroll activity service
14 provided by the Accounting function, as well as certain benefit plan
15 administration services provided by the Corporate Secretary function. Use
16 of processes supports efficient delivery of services by providing for improved
17 communication and cooperation within TXU Business Services and allowing
18 for a more streamlined service delivery process.

19 Q. ARE PROCESSES DIVIDED INTO ACTIVITIES SIMILAR TO THE MANNER
20 IN WHICH FUNCTIONS ARE DIVIDED INTO ACTIVITIES?

21 A. Yes. Human Resources and Procure Resources are divided into activities.

22 Q. IS THE "ACTIVITY" OR "PROJECT" LEVEL THE BASIS UPON WHICH
23 SERVICES ARE PROVIDED TO TXU ENTITIES?

24 A. Yes.

25 Q. WHAT SERVICES DOES TXU BUSINESS SERVICES CURRENTLY
26 PROVIDE?

27 A. Services provided by TXU Business Services are captured under
28 activities/projects. These activities/projects are listed and defined in my

1 Exhibit SNR-2.

2 Q. WILL TXU BUSINESS SERVICES CONTINUE TO PROVIDE THESE
3 SERVICES AFTER UNBUNDLING?

4 A. Yes. While TXU Business Services may, over time, add or delete
5 activities/projects as its clients may desire, the basic services provided will
6 remain unchanged.

7 Q. EXPLAIN THE PROCEDURE FOR REQUESTING THAT AN ACTIVITY OR
8 PROJECT BE PROVIDED BY TXU BUSINESS SERVICES TO ONE OR
9 MORE ENTITIES.

10 A. Activities or projects may be initiated in several ways:

11 1) A client of TXU Business Services, TXU Electric for example, may
12 request a specialized activity or project to meet a business need. TXU
13 Business Services creates a separate activity account code based on
14 the request of the client. The client is made aware of, and agrees to,
15 the estimated cost and the billing method before any expenses are
16 charged.

17 2) TXU Business Services may determine that costs should be identified
18 separately to better align the cost of the service with the cost
19 causation drivers and/or to better communicate the cost of the service
20 to the client. This may require that a new activity/project code be
21 created. TXU Business Services Management Support communicates
22 the change to the client, and the client has the opportunity to review
23 and approve the change before billings using the new activity/project
24 code are made.

25 3) TXU Business Services may initiate a separate activity or project to
26 assign the cost of a new service. These activities or projects are
27 typically established during the business planning cycle, and the client
28 has the opportunity to review and to agree or challenge the cost

1 assignment methodology of the new activity or project prior to
2 implementing the activity or project.

3 Q. WHAT TYPES OF COSTS ARE INCURRED IN PROVIDING SERVICES TO
4 TXU ENTITIES?

5 A. Expense categories include: salaries and wages; depreciation and
6 amortization; federal, state, and local taxes; income taxes; interest; outside
7 services; property insurance; injuries and damages; employee pension and
8 benefits; company membership dues; advertising; rents and leases; and
9 maintenance of structures and equipment.

10 Q. WHAT TYPES OF ASSETS ARE DEPRECIATED OR AMORTIZED BY TXU
11 BUSINESS SERVICES?

12 A. Depreciated assets include structures and improvements,
13 telecommunications structures, telecommunications equipment, automobiles,
14 office furniture and equipment, and computer equipment. Amortized assets
15 are primarily capitalized computer applications. I would note that TXU
16 Business Services' expenditures on capital assets are not billed until the
17 expense is recognized through depreciation or amortization.

18 Q. WHAT TYPES OF OUTSIDE SERVICES ARE PURCHASED BY TXU
19 BUSINESS SERVICES?

20 A. Outside services include, but are not limited to, contract programmers,
21 contract labor, attorneys, auditors, management consultants, public relations
22 consultants, and benefit plan administration. TXU Business Services may
23 utilize outside service providers in order to augment staffing levels during
24 peak work periods, enhance Company skill sets, or provide specialized
25 project expertise.

26 Q. LIST THE COMPONENTS OF EMPLOYEE PENSION AND BENEFIT
27 EXPENSE INCURRED BY TXU BUSINESS SERVICES ON BEHALF OF
28 TXU ENTITIES.

- 1 A. The components of pension and benefit expense include, but are not limited to,
2 to, retirement plans, thrift plans, life insurance, accidental death and
3 dismemberment insurance, dental insurance, hospitalization insurance,
4 prescription drug plan, HMO premiums, long-term disability, workers'
5 compensation, retiree health benefit costs, and educational reimbursement.
- 6 Q. CLASSIFY THE TYPES OF ADVERTISING PROGRAMS FOR TXU
7 ENTITIES.
- 8 A. Advertising programs include marketing, promotional, and safety.
- 9 Q. WHAT TYPES OF RENT AND LEASE EXPENDITURES ARE INCURRED
10 BY TXU BUSINESS SERVICES?
- 11 A. Rent and lease expenditures are made for, but are not limited to, office
12 space, automobiles, computer equipment, office equipment, and
13 communications equipment.
- 14 Q. ARE THERE EXPENDITURES MADE BY TXU BUSINESS SERVICES
15 THAT ARE NOT INCLUDED IN BILLINGS FOR SERVICES TO
16 SUBSIDIARIES OR DIVISIONS?
- 17 A. Yes. TXU Business Services may, as a matter of convenience, pay outside
18 vendors for goods or services provided to clients. These "convenience
19 payments" are not processed through TXU Business Services' service bill
20 since no service is rendered by TXU Business Services. TXU Business
21 Services is reimbursed, at cost, by the subsidiary or division for which the
22 convenience payment was made. TXU Business Services merely pays the
23 outside vendor's invoice as a convenience to the subsidiary or division and
24 then receives reimbursement for the amount paid to the outside vendor.
- 25 Q. BRIEFLY DESCRIBE HOW TXU BUSINESS SERVICES ACCOUNTS FOR
26 THE EXPENSES IT INCURS IN PROVIDING SERVICES TO TXU
27 ENTITIES.
- 28 A. As previously stated, TXU Business Services expenses are assigned to

1 activities/ projects. An activity or project has a defined scope of work, and the
2 consumed resources are measurable. Activity and project expenses are
3 replicated from the TXU Business Services general ledger to the Cost
4 Distribution System, the automated application utilized for billing to clients.
5 Activity and project expenses are introduced into the Cost Distribution
6 System and identified under one functional area. The majority of activity and
7 project expenses retain the service provider and activity/project identity as
8 introduced into the Cost Distribution System, but some may be reconfigured
9 through assignment of overheads, transfers between service providers, or
10 standard rate charges between service providers.

11 Q. YOU HAVE MENTIONED ALLOCATION OF OVERHEADS, TRANSFERS
12 BETWEEN SERVICE PROVIDERS, AND STANDARD RATE CHARGES
13 BETWEEN SERVICE PROVIDERS. PLEASE EXPLAIN HOW OVERHEAD
14 COSTS ARE ASSIGNED.

15 A. Overhead costs consist of expenses that cannot be specifically identified and
16 directly assigned to a service provider. Overhead costs are spread to
17 activities and projects based on relative total dollars or relative labor dollars.
18 The choice of total or labor dollars is based upon which method is more
19 appropriate to properly distribute the overhead cost in question.

20 Q. EXPLAIN THE USE OF INTERNAL TRANSFERS BETWEEN SERVICE
21 PROVIDERS WITHIN TXU BUSINESS SERVICES.

22 A. Transfers between service providers within TXU Business Services are
23 primarily used to: 1) apply TXU Business Services senior management
24 administrative costs to activities; 2) record services provided between service
25 providers that are billed at actual cost rather than standard rates; and 3)
26 combine activities across functional areas into processes.

27 Q. EXPLAIN THE MEANING AND PURPOSE OF STANDARD RATE
28 CHARGES BETWEEN VARIOUS SERVICE PROVIDERS WITHIN TXU

1 BUSINESS SERVICES.

2 A. Charges are recorded between service providers in order to more accurately
3 communicate the total cost of providing a given service. For example,
4 Environmental Services consumes mainframe computer time while serving
5 client companies. The cost of the mainframe computer time consumed is
6 billed from Information Technology to Environmental Services and is
7 included in the bill from Environmental Services to client companies. The rate
8 billed between TXU Business Services service providers is the same rate
9 charged to other TXU entities.

10 Q. DOES THE USE OF STANDARD RATES AND UNITS CONSUMED IN THE
11 BILLING PROCESS RESULT IN BILLINGS THAT TEMPORARILY DIFFER
12 FROM ACTUAL COSTS?

13 A. Yes. The use of standard rates and units consumed results in a temporary
14 over- or under-recovery of the actual cost to provide the service.

15 Q. HOW ARE THE TEMPORARY DIFFERENCES BETWEEN COSTS
16 INCURRED AND COSTS BILLED HANDLED BY TXU BUSINESS
17 SERVICES?

18 A. Over- or under-recovered costs are placed in a deferred account at the end
19 of the month. The over- or under-recovered costs are identified by activity or
20 project. On a quarterly basis, the over- or under-recovered costs are
21 reviewed and, if significant, are billed to clients (either as a debit or credit)
22 through an adjustment based on the relative consumption of the activity or
23 project by client. At year-end, the over- or under-recovery is always cleared
24 to zero through the same adjustment process, thus ensuring that only actual
25 costs are paid.

26 **IV. TXU BUSINESS SERVICES PRICING OF SERVICES**

27 Q. HOW ARE TXU BUSINESS SERVICES' EXPENSES CHARGED TO
28 CLIENTS?

1 A. There are two basic means by which TXU Business Services' expenses are
2 charged to its clients: direct billing and assignment of costs.

3 Direct billing refers to those activities/projects where the service is
4 performed for only one subsidiary or division. For example, Corporate
5 Services - Investor Reports/Related Services was directly billed 100% to
6 TXU Corp, as it is the only entity that has outside investors (with the
7 exception of preferred stock).

8 The assignment of costs, instead of direct billing, is necessary in
9 those instances where an activity/project captures costs related to a service
10 performed on behalf of multiple subsidiaries and divisions. In these cases,
11 costs are assigned to subsidiaries or divisions based on the principle of cost
12 causation.

13 Q. WHY ARE ALL ACTIVITIES AND DOLLARS NOT DIRECTLY BILLED?

14 A. TXU Business Services strives to directly bill expenses, but it can only do so
15 where an activity serves only one subsidiary or division. As I testified above,
16 the purpose behind the consolidation of functions into TXU Business
17 Services is that TXU Business Services can provide services to more than
18 one client at a total lower cost than would be incurred if each client were to
19 provide the service for itself. Thus, since consolidation of services is one of
20 the fundamental principles underlying the existence of an efficient service
21 organization, it is not surprising that TXU Business Services cannot direct bill
22 all activities. The purpose of any cost assignment methodology used by TXU
23 Business Services is to bill each subsidiary or division, as accurately as
24 possible, the costs that were incurred on behalf of that client. Because of the
25 different types of services involved, various different methods are used to
26 most closely assign the costs to the entity on whose behalf the costs were
27 incurred. For example, for many Human Resources activities, the most
28 appropriate billing methodology is the number of employees for each

1 subsidiary or division. As another example, for Information Technology
2 activities, the most appropriate billing methodology may be based on the
3 seconds of computer mainframe time used or the number of personal
4 computers utilized by each client. The total number of different cost
5 assignment methodologies should not be of concern; the proper focus
6 should be on whether, for each given activity, the cost assignment
7 methodology chosen reasonably assigns costs on a cost-causation basis.
8 Indeed, our commitment to properly assign costs is a cause of the relatively
9 large number of cost assignment methodologies. A description of the cost
10 assignment methodology used to assign costs for each activity billed to TXU
11 entities during the twelve months ended September 30, 1999, will be
12 provided in TXU Electric's April 1, 2000 Cost Separation Filing.

13 Q. FOR ANY GIVEN ACTIVITY, IS THERE ONLY ONE REASONABLE COST
14 ASSIGNMENT METHODOLOGY?

15 A. No. The need for the use of a cost assignment methodology reflects the fact
16 that the total costs in a particular activity were not incurred directly for, and
17 cannot readily be assigned directly to, only one subsidiary or division. For
18 any given activity, there may be one, or more than one, cost assignment
19 methodology that is a reasonable approximation of the basis upon which the
20 costs were incurred -- a matching of expenses to the cost drivers -- and that
21 can fairly and equitably be used to assign costs to the clients.

22 Q. HOW OFTEN IS THE COST ASSIGNMENT METHOD FOR EACH
23 ACTIVITY REVIEWED TO ENSURE THAT IT REMAINS A REASONABLE
24 COST ASSIGNMENT APPROACH FOR THAT ACTIVITY?

25 A. The cost assignment method used for billing is reviewed at least annually for
26 every TXU Business Services activity, as part of the budget process
27 described later. If necessary, the method may be reviewed more often.

28 Q. ARE THE COST ASSIGNMENT METHODOLOGIES USED BY TXU

1 BUSINESS SERVICES REASONABLE?

2 A. Yes. In all instances, the price charged to any TXU entity is no higher than
3 that charged by TXU Business Services to another TXU entity or to a non-
4 affiliated person for that same class of items. Where assignment
5 methodologies were used, they were applied consistently to determine
6 charges to all subsidiaries and divisions for a particular project or activity
7 code.

8 Q. HOW OFTEN ARE THE RESULTS OF THE COST ASSIGNMENT
9 METHODS REVIEWED TO UPDATE THE BILLING UNITS THAT ARE
10 USED?

11 A. The time period between review of the billing units -- or "billing metrics" -- for
12 each cost assignment methodology varies, depending on the activity
13 involved. The time period can be monthly, semi-annually, annually, or,
14 where the cost assignment methodology is based upon assignment of staff,
15 as often as every time a change in staff assignment is made.

16 Q. FOR EACH ACTIVITY, IS THE BASIS FOR THE COST ASSIGNMENT THE
17 SAME FOR ALL SUBSIDIARIES AND DIVISIONS?

18 A. Yes. TXU Business Services does not discriminate in the provision of
19 services to the subsidiaries and divisions of TXU Corp. For each activity that
20 is billed using a cost assignment methodology, the same methodology is
21 used for all expenses incurred under that activity, and thus TXU Business
22 Services bills each TXU entity on the basis of the same cost-causation
23 principle. This ensures that a particular TXU entity is not, and has not been,
24 charged a price higher than that charged by TXU Business Services to the
25 other TXU entities or non-affiliated third parties for the same class of items.

26 Q. EARLIER, YOU SPOKE ABOUT CHARGES THAT ONE SERVICE
27 PROVIDER WITHIN TXU BUSINESS SERVICES MIGHT CHARGE
28 ANOTHER SERVICE PROVIDER IN TXU BUSINESS SERVICES, USING

1 THE EXAMPLE OF MAINFRAME COMPUTER CHARGES. ARE THESE
2 STANDARD RATE CHARGES ALSO USED TO CHARGE SUBSIDIARIES
3 AND DIVISIONS FOR SERVICES RENDERED DIRECTLY TO THE
4 SUBSIDIARY OR DIVISION?

5 A. Yes. Continuing the use of the mainframe computer time example,
6 Information Technology will charge out for that time using a standard rate per
7 central processing unit (CPU) second. Within TXU Business Services,
8 Environmental Services may use the mainframe computer in order to provide
9 TXU Electric with some type of environmental service, and the cost of that
10 computer time will be billed from Information Technology to Environmental
11 Services, and then ultimately to TXU Electric via the Environmental Services
12 activity or project involved. However, TXU Electric (and the other TXU
13 entities) may also make direct use of the mainframe computer and be
14 charged for that use through the appropriate Information Technology activity
15 code. For any activity that is billed by service providers, the billing
16 methodology and rate will be the same for all clients, whether within TXU
17 Business Services or to other TXU entities.

18 Q. DOES THE SAME ADJUSTMENT OR TRUE-UP PROCESS THAT YOU
19 DESCRIBED EARLIER FOR STANDARD RATE CHARGES APPLY TO ALL
20 USERS OF ALL SERVICES THAT ARE BILLED USING A STANDARD
21 RATE CHARGE METHODOLOGY?

22 A. Yes. There is always a true-up to ensure that the actual costs -- and only the
23 actual costs -- are paid.

24 Q. DOES EACH BILLING METHODOLOGY, EITHER DIRECT ASSIGNMENT
25 OR A COST ASSIGNMENT METHODOLOGY, RESULT IN 100% OF THE
26 EXPENSES INCURRED BEING BILLED BY TXU BUSINESS SERVICES'
27 TO THE SUBSIDIARIES TXU CORP?

28 A. Yes. TXU Business Services is an "at-cost," rather than a "for-profit"

1 company. Ultimately, TXU Business Services recovers all of its costs from
2 its clients.

3 **V. STANDARD FOR AFFILIATE TRANSACTIONS**

4 Q. MR. RAGLAND, ARE YOU FAMILIAR WITH THE STATUTORY STANDARD
5 USED BY THE COMMISSION TO DETERMINE THE REASONABLENESS
6 OF EXPENSES ASSOCIATED WITH AFFILIATE TRANSACTIONS AND
7 THEIR INCLUSION IN RATES?

8 A. Yes. I have reviewed Section 36.058 of the Texas Utilities Code (PURA),
9 which sets out the basic affiliate transaction standard to be applied by the
10 Commission. Section 36.058 requires that each item or class of items
11 charged by an affiliate be found to be reasonable and necessary and not
12 higher than charges to a third party or other affiliate for the same item or
13 class of items.

14 Q.. WHAT ITEMS OR CLASSES OF ITEMS ARE PROVIDED BY TXU
15 BUSINESS SERVICES?

16 A. TXU Business Services provides numerous business services to subsidiaries
17 of TXU Corp. TXU Business Services captures the expenses incurred to
18 provide a particular service in an activity or project, and each of these
19 activities/projects constitutes a class of items.

20 Q. DOES THE USE OF ACTIVITIES/PROJECTS EASILY ALLOW FOR A
21 DETERMINATION AS TO WHETHER THE STATUTORY STANDARD HAS
22 BEEN MET?

23 A. Yes. As I have detailed above, each activity/project is evaluated to
24 determine its specific cost driver, *i.e.*, the number of employees served,
25 square footage utilized, number of desktop computers, etc. The cost driver
26 is then used to develop an appropriate billing methodology for assigning
27 costs to the recipient of that service. The division of services into
28 activities/projects, with a specific cost assignment methodology for each

1 activity/project, allows for easy regulatory review of each class of items to
2 ensure compliance with the statutory standard.

3 **VI. TXU BUSINESS SERVICES COST CONTROLS**

4 Q. HOW DOES TXU BUSINESS SERVICES CONTROL THE COSTS OF THE
5 SERVICES PROVIDED BY TXU BUSINESS SERVICES?

6 A. There are various means, including the budget process and monthly
7 variance reviews.

8 Q. DISCUSS THE OVERALL STRUCTURE OF THE BUDGET PROCESS FOR
9 TXU BUSINESS SERVICES.

10 A. The budgeting process for TXU Business Services is the final output of the
11 annual preparation of business plans. A comprehensive business plan is a
12 detailed and well thought-out description of how business unit managers
13 intend to operate the businesses within the unit. The business plan outlines
14 the strategic intent of the business unit and explicitly states the strategies
15 and implementation action plans for the business unit. Also included are
16 projected capital investments, projected revenues, and projected operating
17 costs.

18 Q. DURING THE BUDGET PROCESS, DOES TXU BUSINESS SERVICES
19 MEET WITH ITS CLIENTS?

20 A. Yes. TXU Business Services conducts formal planning sessions with clients,
21 including TXU Electric, prior to the calendar year being planned. Proposed
22 billing by TXU Business Services is reviewed with clients before being
23 finalized.

24 Q. WHAT BENEFIT IS DERIVED FROM PLANNING SESSIONS BETWEEN
25 TXU BUSINESS SERVICES AND ITS CLIENTS?

26 A. Planning sessions give TXU Business Services and its clients an opportunity
27 to negotiate service and service levels and to request services that are not
28 currently being provided. Also, such planning sessions ensure that services

1 provided by TXU Business Services are not duplicated by clients.

2 Q. DOES THE PLANNING PROCESS HELP ENSURE THAT BUDGETS ARE
3 COST EFFICIENT?

4 A. Yes. The level of services planned to be purchased by a TXU entity from
5 TXU Business Services is reviewed by that entity's mid-level managers who
6 will be receiving the services requested. As a result of allowing TXU
7 Business Services management and client management to review services
8 provided by TXU Business Services, market forces are brought to bear on
9 TXU Business Services. The level of expenditures proposed by all TXU
10 entities receives further review as funding requests are evaluated, based on
11 their relative contributions to corporate direction, by upper-level
12 management.

13 Q. ARE TXU BUSINESS SERVICES BUDGETS REVIEWED FOR VARIANCES
14 DURING THE YEAR?

15 A. Yes. TXU Business Services management reviews charges for their
16 responsibility areas each month. Material variances are evaluated as to
17 cause. If costs for a particular activity are increasing, actions are taken to
18 reduce expense where possible. Permanent variances, either increases or
19 decreases, are incorporated into a periodic revised budget projection
20 reviewed by corporate management.

21 Q. OTHER THAN THE BUDGET PROCESS AND MONTHLY VARIANCE
22 REVIEWS, WHAT OTHER STEPS DOES TXU BUSINESS SERVICES
23 TAKE TO ENSURE THAT THE BUSINESS PROCESSES OR COSTS
24 INCURRED BY TXU BUSINESS SERVICES ARE REASONABLE?

25 A. TXU Business Services has also utilized the management tool of
26 "benchmarking," which is the process of comparing and measuring against
27 other organizations in order to gain information on philosophies, policies,
28 practices, and measures that can be utilized to increase performance.

- 1 Q. WHAT TYPES OF ENTITIES HAS TXU BUSINESS SERVICES
2 BENCHMARKED AGAINST?
- 3 A. Depending upon the service being examined, comparisons have been made
4 with other utilities, companies outside the utility industry, or some
5 combination thereof. Most of those studies have generally addressed
6 business processes, as opposed to specific costs, and provide a variety of
7 comparisons, in which TXU Business Services compares favorably. Those
8 studies also provide information used to continue to enhance established
9 efficient business processes.
- 10 Q. ARE THERE OTHER MEANS USED TO ENSURE THE
11 REASONABLENESS OF TXU BUSINESS SERVICES' CHARGES?
- 12 A. Yes. A significant portion of the services provided by TXU Business
13 Services is labor intensive. The Human Resources function within TXU
14 Business Services is active in comparing its compensation levels -- both
15 salaries and benefits -- to those of other firms in the Dallas - Fort Worth
16 metropolitan area and to other utilities and non-utility companies nationwide.
17 TXU Business Services utilizes the data and services of various consulting
18 firms to ensure that its salaries and benefits are competitive with, but not
19 excessive as compared to, those being paid by other large corporations with
20 which TXU Business Services must compete for job applicants.
- 21 Q. DOES CONSOLIDATION OF FUNCTIONS IN TXU BUSINESS SERVICES
22 ALLOW FOR THE SERVICES TO BE PROVIDED AT A LOWER OVERALL
23 TOTAL COST RELATIVE TO WHAT THE COST MIGHT BE IF THESE
24 SERVICES WERE NOT CONSOLIDATED?
- 25 A. Yes. It is obvious that duplicate staffs, equipment, and facilities can be
26 avoided through consolidation. For example, each TXU entity with
27 employees needs the services of a human resources department. Rather
28 than having multiple human resources departments, TXU Business Services

1 provides these types of services to clients through a single human resources
2 process. The same holds true for the other services provided by TXU
3 Business Services.

4 **VII. CONCLUSION**

5 Q. WHAT CONCLUSIONS HAVE YOU REACHED CONCERNING TXU
6 BUSINESS SERVICES' EXPENSES?

7 A. The costs incurred by TXU Business Services and billed to TXU entities --
8 both in total and for each class of items -- are reasonable and necessary;
9 include no equity return or profit; reasonably reflect the actual cost of
10 services to TXU entities; and are no higher than the prices charged to
11 another TXU entity, or to other unaffiliated companies, for the same class
12 of items.

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

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

My name is Stephen N. Ragland. 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.



Stephen N. Ragland

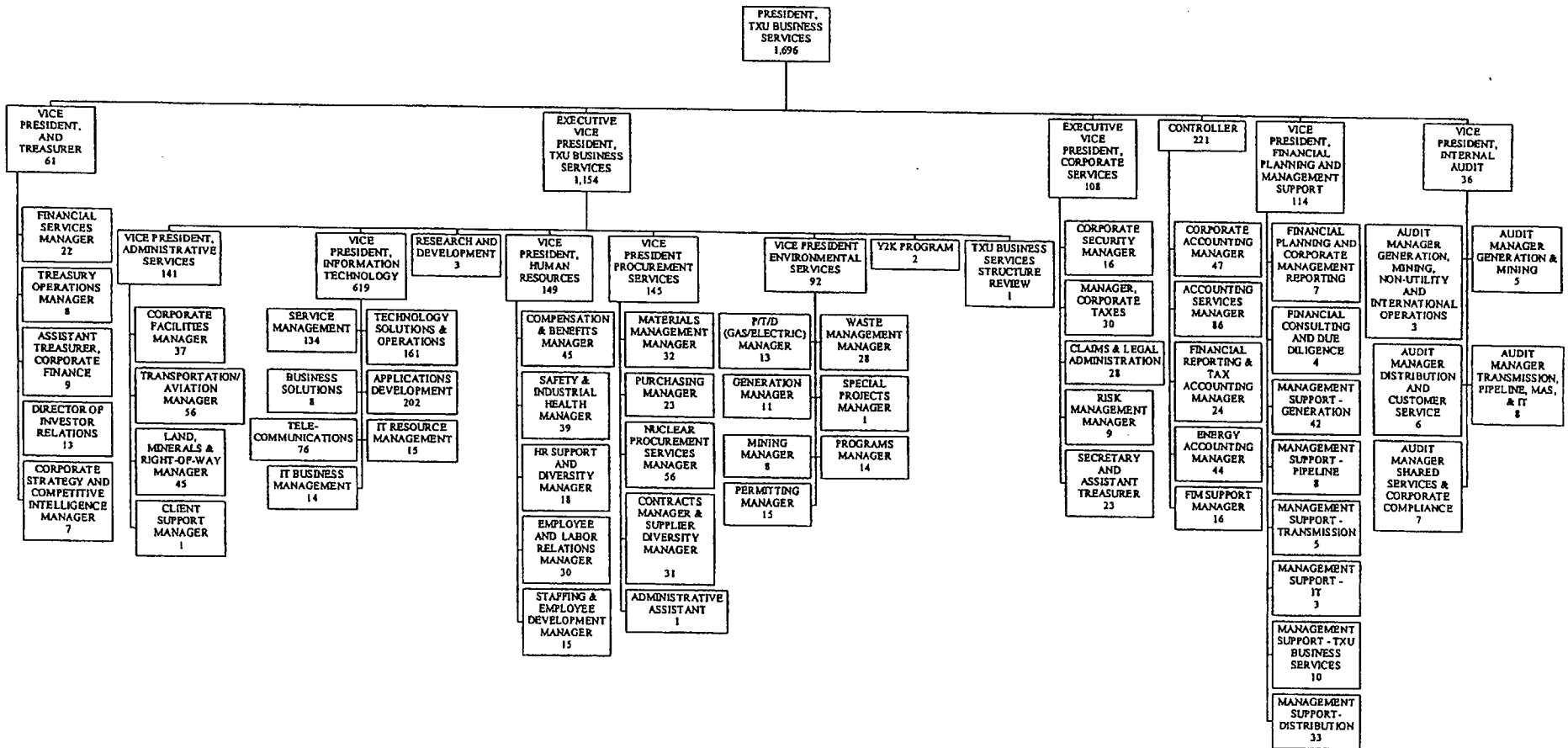
SUBSCRIBED AND SWORN TO BEFORE ME by the said Stephen N. Ragland this 7th day of January, 2000.



Notary Public, State of Texas

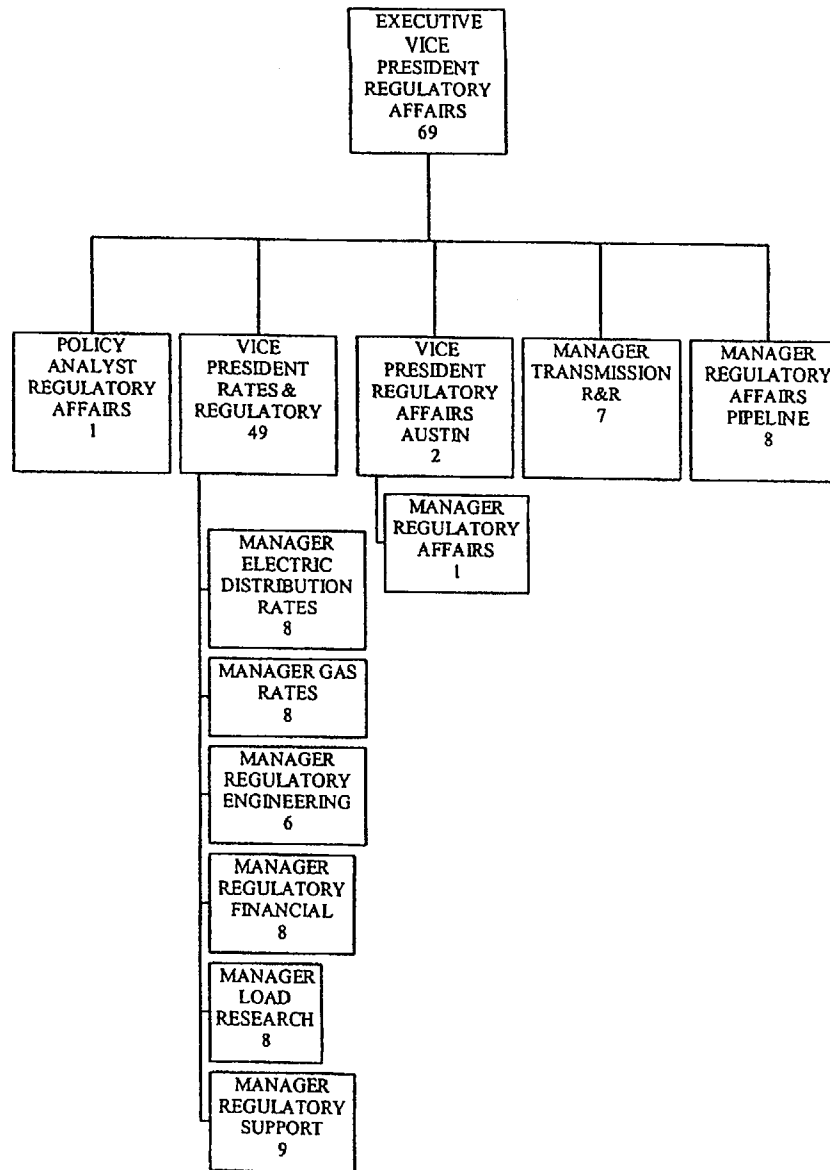


TXU BUSINESS SERVICES

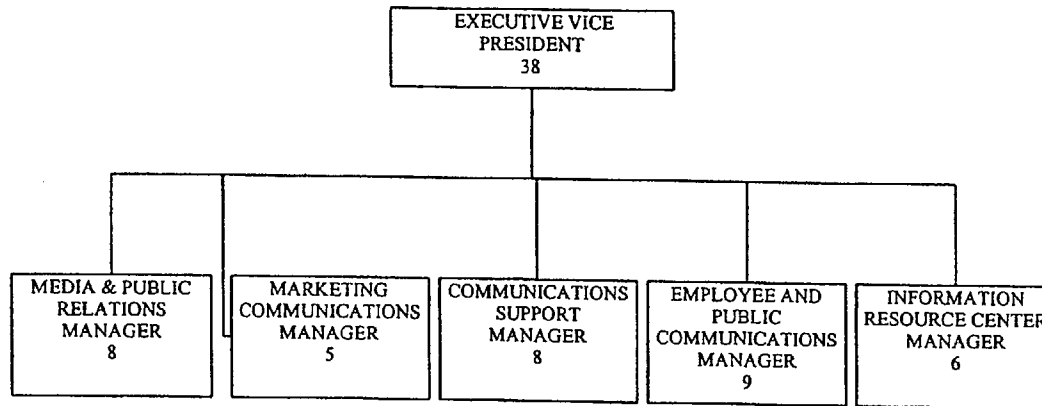


As of September 1999, TXU Business Services had 1880 employees of which 35 employees are assigned to an affiliate.

REGULATORY SERVICES



COMMUNICATIONS

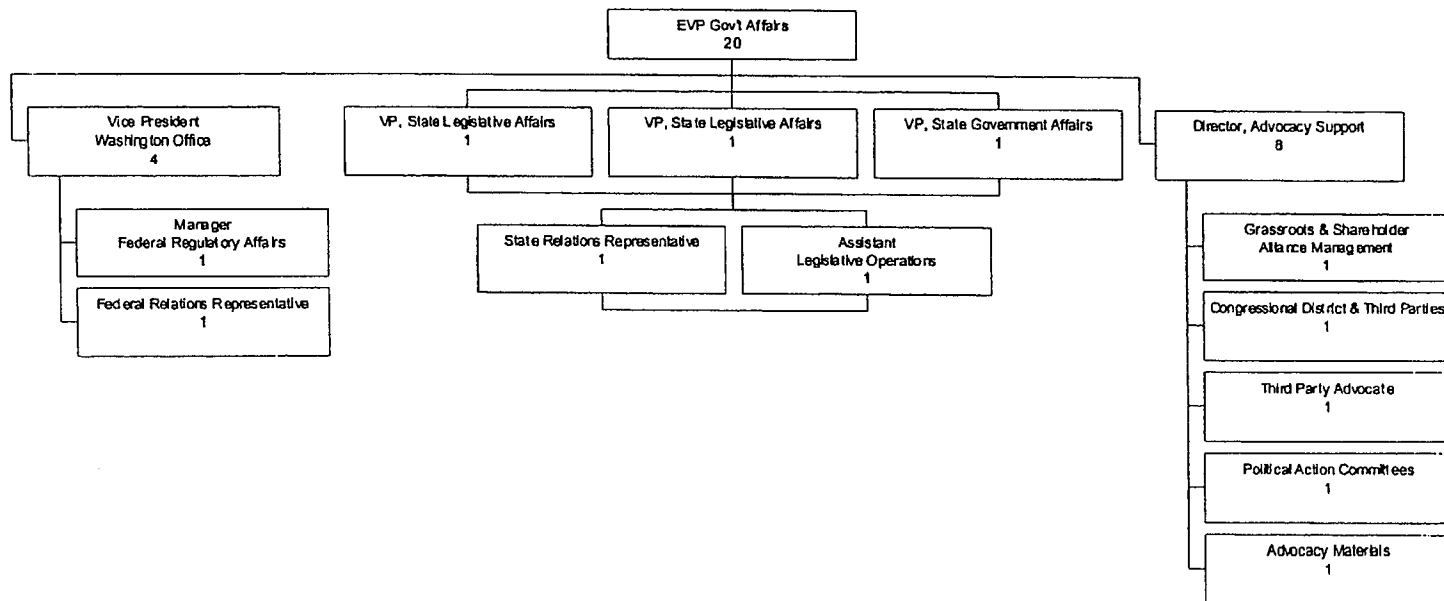


OFFICE OF THE CHAIRMAN

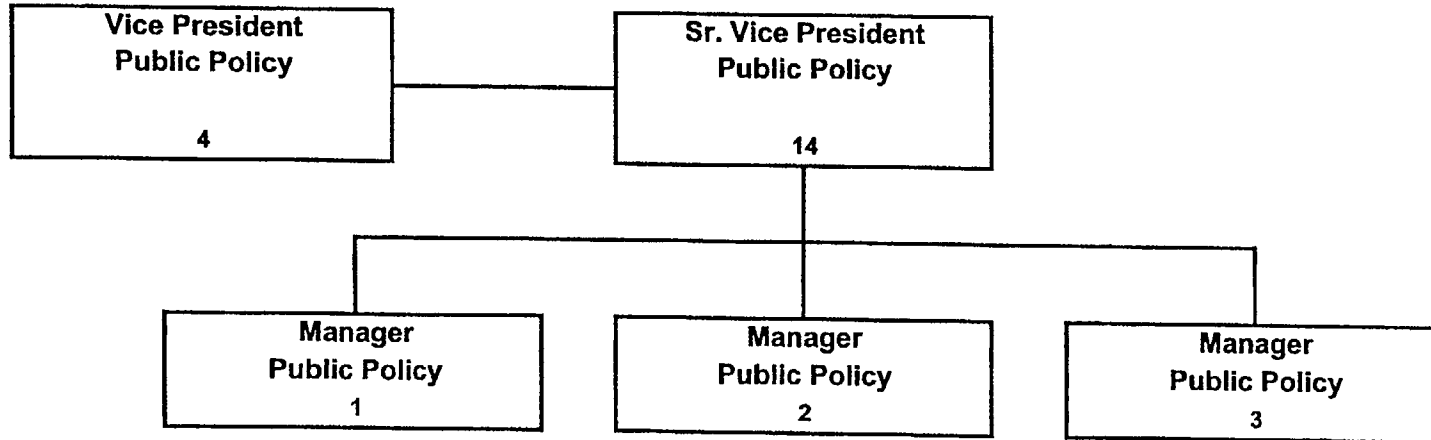
Exhibit SNR-1
Page 4 of 6

OFFICE OF THE CHAIRMAN
4

TXU Government Affairs



PUBLIC POLICY



**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10000000	Office - President	600100	Office Of The President	Administrative costs associated with the Office of the President of TXU Business Services.
10100000	Office Of The Chairman	600200	Office Of The Chairman	Administrative costs associated with the Chief Executive Officer of Texas Utilities.
10200000	Excellence In Action	611000	Excellence in Action	Excellence in Action (EIA) coordinates the activities between all domestic TXU businesses associated with developing initiatives to improve performance; developing a reporting system to report performance results; and developing continuous improvement processes and tools.
10300000	Admin - Corporate Support	631000	Corporate Support Admin	Administrative costs associated with Corporate Support services.
10400000	Transmission Admin	605000	Transmission Administration	Executive management administrative costs.
10600000	Business Development Services	666100	Emerging Businesses-Admin	Related costs associated with the research and analysis of new/alternative business.
10610000	Altos - Market Modeling	624100	Finance - Admin	Includes expenses associated with Altos Market Modeling Model for potential acquisition.
10700000	Business Development Serv - Br	666100	Emerging Businesses-Admin	Related costs associated with the research and analysis of new/alternative business. Business Development Services are required to identify new business opportunities and the likelihood of their success.
10800000	Eastern Group	618000	Eastern Group	Expatriate expenses for Eastern Group
10900000	TUS Regulatory Admin	609100	TUS Regulatory - Admin	Provide regulatory support services for the Distribution business unit, Transmission business unit, and Pipeline business unit such as manual and electronic filings with the PUC, filings with FERC, and printing of filings.
10919291	Dkt 19291 - Mckinney-Anna Ccn	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which include filings, legal expenses, employee expenses and office support.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10920000	Regulatory Affairs	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Electric
10920046	Dkt 12206 - Fuel Surcharge 8/3	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920061	Dkt #15195-Fuel Reconciliation	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920066	Lyntegar/Taylor Reduct Of Rate	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920078	Dkt #18490-TUE Settlement	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920080	Dkt #17180-Navy - Wholesale	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920081	Dkt #17880-Hill County Coop	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920084	Dkt #17942-Time Of Use Rates	609100	TUS Regulatory - Admin	For expenses incurred for TXU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10920087	Special Project	609100	TUS Regulatory - Admin	For expenses incurred in support of cause No 97-14029 - Texas Rose vs. TU Electric which may include filings, legal expenses, employee expenses and office support.
10920088	1999 Irp Project	609100	TUS Regulatory - Admin	For expenses incurred in support of the 1999 Integrated Resource Plan which may include filings, legal expenses, employee expenses and office support.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10920089	Fuel Reconciliation - 1998	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10920090	Dkt #19715-Power Res Group	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10920091	Dkt #19087-Green Pricing Tariff	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10920093	Dkt #19799-Rick Lovell Complaint	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10920094	Dkt #19885-TX DOT Complaint	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10920095	January 1999 Fuel Refund	609100	TUS Regulatory - Admin	Application for TXU Electric to refund to its customers an overcollection of fuel cost revenues existing as of February 28, 1999. Costs associated with this docket include litigation expenses, public notice expense, office support expense and employee expenses.
10920100	Electric Industry Restructure	609100	TUS Regulatory - Admin	The Electric Industry Restructuring project was designed to capture costs associated with PUC projects resulting from the passage of Senate Bill 7 which deregulates the electric industry. Costs associated with the various projects would include legal expenses, office support expenses and employee expenses.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
10920101	Appl of Securization Order	609100	TUS Regulatory - Admin	Charges for rates & regulatory work performed to support the Application for Securization Order as a result of SB 7. Electric utilities may file an application for a financing order from the commission to use securitization financing to recover regulatory assets and stranded costs.
10920102	Unbundling Case	609100	TUS Regulatory - Admin	Regulatory work done in support of the Unbundling Case mandated by Senate Bill 7.
10920103	T&D Rate Case	609100	TUS Regulatory - Admin	Regulatory work done in support of the Transmission and Distribution Rate Case mandated by Senate Bill 7.
10926003	Gas Rates - Rate Book Administ	609100	TUS Regulatory - Admin	Charges for rate and regulatory work performed in support of Lone Star Gas - Distribution and Lone Star Pipeline Rate Book. Costs include litigation expenses, office support expenses and employee expenses.
10926022	LSP - Asset Transfer Project	609100	TUS Regulatory - Admin	For expenses incurred in support of identifying assets that may need to be transferred to Lone Star Pipeline which may include legal expenses, employee expenses and office support.
10926023	Carrollton Gas Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926024	Lewisville Gas Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926026	GUD 8877-Brazos Complaint LSG	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926027	Grand Prairie Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10926028	DeSoto Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926029	Denton Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926030	Mid-Cities Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926031	Waco Gas Rate Case	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10926032	Synder Rate Case	609100	TUS Regulatory - Admin	City of Synder Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926033	Corsicana Rate Case	609100	TUS Regulatory - Admin	City of Corsicana Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926034	Eden Rate Case	609100	TUS Regulatory - Admin	City of Eden Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926035	McGregor Rate Case	609100	TUS Regulatory - Admin	City of McGregor Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926036	Abilene Gas Rate Case	609100	TUS Regulatory - Admin	City of Abilene Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10926037	Buckholts Gas Rate Case	609100	TUS Regulatory - Admin	City of Buckholt Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926038	Olney Gas rate Case	609100	TUS Regulatory - Admin	City of Olney Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926039	San Angelo Gas Rate Case	609100	TUS Regulatory - Admin	City of San Angelo Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926040	Northeast Metro Rate Case	609100	TUS Regulatory - Admin	Charges for rate and regulatory work performed in support of the Northeast Metro Rate Case which includes Garland, Allen, Fairview, Frisco, Lavon, McKinney, Murphy, Parker, Plano, Richardson, Rowlett, Sachse, The Colony and Wylie. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926041	Ector Rate Case	609100	TUS Regulatory - Admin	City of Ector Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10926043	Dallas Gas Rate Case	609100	TUS Regulatory - Admin	City of Dallas Gas Rate Case seeks to increase gas rates for the city. Costs associated with this case include litigation expenses, office support expenses and employee expenses.
10930000	Regulatory Affairs - Trans	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Electric Transmission.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
10930062	Transmission Rulemaking	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10930065	Dkt #14475-TNP Contract Disput	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10930077	Dkt #17285-CPL & WTU Trans Svc	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10930085	Dkt #18194-Rates Ds, Dis & Xfm	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10931002	FERC East HVDC Tie - TSA	609100	TUS Regulatory - Admin	For expenses incurred in support of the Federal Energy Regulatory Commission - East High Voltage Direct Current Tie - Transmission Service Agreement Filing. Support may include filings, legal expenses, employee expenses and office support.
10931003	FERC Tfd Tariff Revision Dkt	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10931004	Dkt #15638-TUE TCOS Filing	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in this docket which may include filings, legal expenses, employee expenses and office support.
10931007	Dis Court Lawsuit PUC Sr 23.67	609100	TUS Regulatory - Admin	For expenses incurred for TU Electric's intervention in the District Court Lawsuit concerning substantive rule 23.67. Support may include filings, legal expenses, employee expenses and office support.
10931009	TEX-LA	609100	TUS Regulatory - Admin	This is the settlement of FERC Docket TX94-4-000 and TX94-4-002 (Tex-La Tariff). This settlement is the result of Tex-La's complaint with FERC regarding TXU's pricing for transmission service for power purchased by Tex-La to serve its load.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10931010	Limestone SES - Watermill Proj	609100	TUS Regulatory - Admin	For expenses incurred in the support of the ERCOT Independent System Operator - proposed construction of double-circuit Limestone-Watermill 345 kV Transmission Line. TXU Electric has proposed to construct this 87.4 mile double-circuit transmission line using 2-1590 kcmil ACSR conductor with double-circuit steel structures.
10950000	Regulatory Affairs - Pipeline	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting the Pipeline business unit, as well as other affiliates such as LSGD (due to joint contracts regarding industrial and commercial transportation and LSGD rate cases) and LSGTR (gas supply contracts).
10951000	Regulatory Affairs - LSP Legal	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings and legal expenses.
10970000	Regulatory Affairs - Austin	609100	TUS Regulatory - Admin	Regulatory advocacy at the PUC and other state regulatory agencies. Includes interfacing with other investor-owned utilities' regulatory advocates in Austin, and maintaining relationships with stakeholders in the Austin regulatory community.
10980000	Reg - TUE - Corporate	609100	TUS Regulatory - Admin	Expenses incurred as the Austin-based contact for the Public Utility Commission. Also includes expenses incurred as a result of interaction with the Department of Transportation, the General Service Commission, and any other agency conducting activities with the Public Utility Commission.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
10981000	Reg Affairs-TUE Distribution	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Electric.
10982000	Reg Affairs - TUE Transmission	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Electric.
10983000	Reg Affairs-Sesco	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU SESCO.
10983002	Dkt 18403-SESCO House Bill 11	609100	TUS Regulatory - Admin	For expenses incurred in support of this project which may include filings, legal expenses, employee expenses and office support.
10984000	Reg Affairs - LSG Distribution	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Lone Star Gas Distribution.
10985000	Reg Affairs - LSP	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Lone Star Pipeline.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
10986000	Reg Affairs - LSGTR	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Lone Star Gas Distribution.
10987000	Reg Affairs - ENS Processing	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Processing.
10988000	Reg Affairs - TU Fuel	609100	TUS Regulatory - Admin	Expenses incurred with the management of rates and regulatory affairs before the regulatory authorities which include rate and tariff proceedings, fuel proceedings, rulemakings, reporting, customer complaints and deregulation issues impacting TXU Fuel.
11000000	Public Affairs-Utility Operations	610000	Governmental Affairs	Coordination of the provision of information services to government personnel at the state and federal levels on behalf of TXU Electric.
11010000	Public Affairs-Non Util Operations	610000	Governmental Affairs	Expenses associated with the Association of Electric Companies of Texas.
11100000	Office of CEO - TXU Australia	607000	TU Australia	Expatriate Management assigned to TU Australia operations.
11150000	Tu Aust Expat Trans	607000	TU Australia	Expatriate expenses associated with Expatriate Management assigned to TU Australia operations.
11160000	Retail - TXU Australia	607000	TU Australia	Expatriate management assigned to TXU Australia retail operations.
11170000	Networks - TXU Australia	607000	TU Australia	Expatriate management assigned to TXU Australia network operations.
11200000	Support Services -Tu Communication	600300	TU Communications	Administrative costs and other expenses related to management and staff support.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
11201000	Support Services - Executive Adm	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11202000	Support Svc-Corp Development	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11202100	Support Svcs-Finance & Acctg	600300	TU Communications	Administrative costs and other expenses related to management and staff support for TXU Communications Finance & Accounting Support Services.
11203000	Support Svc-Tactical Marketing	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11203100	Support Svc-Tactical Marketing	600300	TU Communications	Costs associated with Support Services for Tactical Marketing of TXU Communications.
11204000	Support Svc-Strategic Marketing	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11204100	Spt Svc-Strategic Mkt, Gung Ho	600300	TU Communications	Costs associated with Cultural Transformation (GUNG HO!) currently being implemented within TXU Communications.
11205000	Tu Comm-Business Devlpmnt Supp	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11206000	Tu Comm-Operations Support Servic	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11207000	Support Svcs-Prod Dev/Bus Spt	600300	TU Communications	Administrative costs and other expenses related to management and staff support for TXU Communications Product Development / Business Support Services
11207100	Suppt Svc-Prod Dev/Bus Spt Svc	600300	TU Communications	Administrative costs and other expenses related to management and staff support incurred in which to provide Product Development / Business Support Services to Integrated Solutions.
11207200	Supt Svc-Prod Dev/Bus Supt Svc	600300	TU Communications	Administrative costs and other expenses related to management and staff support incurred in which to provide Product Development / Business Support Services to Integrated Solutions

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
11207300	Suppt Svc-Prod Dev/Bus Spt Svc	600300	TU Communications	Administrative costs and other expenses related to management and staff support incurred in which to provide Product Development / Business Support Services to Integrated Solutions.
11220000	Support Svc-Mobile Dispatch	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11230000	Support Svc-Transport	600300	TU Communications	Administrative costs and other expenses related to management and staff support.
11300000	TEG Related Expenses	600000	Corporate Department - TUS	TU Services labor related to the evaluation of The Energy Group as a potential acquisition.
11500000	Leasehold Improvements - Txu	600000	Corporate Department - TUS	Related costs associated with any improvements to Energy Plaza.
11600000	Leasehold Improvements - Tufco	600000	Corporate Department - TUS	Related costs associated with any improvements to Energy Plaza.
11610000	Leasehold Improvements-Ep 12Th	600000	Corporate Department - TUS	Related costs associated with any improvements to Energy Plaza.
11620000	Leasehold Improvements-Ep 11Th	600000	Corporate Department - TUS	Related costs associated with any improvements to Energy Plaza.
11800000	Performance Enhancement Plan	600000	Corporate Department - TUS	Labor related costs related to TU's Performance Enhancement Plan.
12000000	Business Club Dues	600000	Corporate Department - TUS	Employee memberships and monthly dues related to memberships in luncheon and other business clubs.
13010000	Environ Services - Permitting	613100	Environmental Services	Tasks associated with obtaining and maintaining all environmental permits and approvals required for system facilities and plants. Actual permit fees are paid directly by the affiliate impacted.
13020000	Environ Services - Other	613100	Environmental Services	Tasks associated with operating, managing, communicating and optimizing all system facilities in compliance with environmental permits, approvals, laws, regulations, resources and issues.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
13100000	Environ Services -Fossil Prod	613100	Environmental Services	Environmental Services related outside services for Fossil.
13200000	Environ Services-Nuclear Prod	613100	Environmental Services	Environmental Services related outside services for Nuclear.
13300000	Environ Services - Distrib - Electric	613100	Environmental Services	Environmental Services related outside services for System Ops - Electric.
13330000	Environ Services - Distrib - Gas	613100	Environmental Services	Environmental Services related outside services for System Ops - Gas.
13410000	Environ Services-Transmission	613100	Environmental Services	Environmental Services related outside services for TXU Electric Transmission.
13420000	Environ Services-Transmission	613100	Environmental Services	Environmental Services related outside service - legal only for TXU Electric Transmission.
13500000	Environ Services-Tumco	613100	Environmental Services	Environmental Services related outside services for TXU Mining.
13600000	Environmental Services-LSP	613100	Environmental Services	Environmental Services related outside services for TXU Lone Star Pipeline.
13630000	Envir Srv - Enserch -Processing	613100	Environmental Services	Environmental Services related outside services for TXU Processing.
13640000	Environmental Services-Tufco	613100	Environmental Services	Environmental services-related outside vendor services for TXU Fuels.
13700000	Environmental Services-Sesco	613100	Environmental Services	Environmental services-related outside vendor services for TXU SESCO.
13750000	Env Services - Integrated Solution	613100	Environmental Services	Environmental services-related outside vendor services for TXU Energy Services.
13760000	Env Services - LCC	613100	Environmental Services	Environmental services-related outside vendor services for TXU Communications.
13900000	Environmental Lab	613100	Environmental Services	Tasks associated with testing products for levels of hazardous waste.
14400000	Nuclear Procurement	683000	Procure Resources	Process of developing long-term, reliable sources to provide quality materials and related services at the lowest evaluated cost.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
14450000	Nuclear Warehousing	683000	Procure Resources	Process of receiving, storing & issuing materials necessary to support operation of Comanche Peak and resolving all material restraints affecting plant operations.
15000000	Minority Business Development	642100	Customer Operations-Admin	Costs associated with processing Primeco customer payments.
15000201	Mastersource Services	657000	Integrated Solutions	Administrative Expenses related to the Mastersource Project - INSOL.
15130000	Inserting & Mailing	642100	Customer Operations-Admin	Cost of inserting & mailing services including labor and labor related expenses, envelopes, printing, equipment leases and maintenance, and postage.
15200000	Payment Processing	642100	Customer Operations-Admin	Posting customer payments and depositing funds received through all avenues chosen by customers to remit payment (central cash, electronic draft, credit card, debit card and bank draft).
16000000	Special Services	600100	Office Of The President	Administrative costs associated with the Office of the President in conjunction with BRI & CHA.
17000000	Res - General Expense	657000	Integrated Solutions	Administrative Expenses related to Retail Energy Services - New Business Development.
17000001	Market Services-Integrated Solution	657000	Integrated Solutions	Administrative Expenses related to Retail Energy Services - New Business Development.
17010005	Juice	657000	Integrated Solutions	Administrative Expenses related to Retail Energy Services - New Business Development.
17400303	Welcome Home Operations	657000	Integrated Solutions	Administrative expenses related to TXU Energy Services Residential Market Management Selections Project.
19100000	Real Estate - Acquisition	622100	Administrative Services - Admin	Provide services to acquire and maintain railroad/highway permits and licenses, easement preparation/releases, property record search and consulting .

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
19200000	Real Estate - Management	622100	Administrative Services - Admin	Provide services for searches of property records, resolve property disputes, administer facility leases, negotiate & execute facility leases, consulting, document management and encroachment reporting.
19300000	Facilities Management	622100	Administrative Services - Admin	Provide Services for mail/courier, EP conference centers, coffee shop, PBX operators, light office moves and EP janitorial and upkeep.
19311000	Metroplex Maintenance	622100	Administrative Services - Admin	Provide services for small remodeling projects, repairs to HVAC & electrical system, modular furniture installation and periodic maintenance/repairs of building systems.
19313000	Commerce Street Building	622100	Administrative Services - Admin	Provide building management services to include security and maintenance & repairs.
19314000	Union Tower	622100	Administrative Services - Admin	Provide building management services to include security and maintenance & repairs.
19316000	Building Ops - Harwood Building	622100	Administrative Services - Admin	Includes expenses for utilities, security, janitorial, minor maintenance, building engineering, copy center, mail services, and light office moves.
19320100	Corp Building Operation-Admin	622100	Administrative Services - Admin	Administration of TU Properties Cushman Wakefield contract, including performance management.
19330000	Big Brown Admin Bldg	622100	Administrative Services - Admin	Provide building management services.
19340000	Somervell Admin Bldg	622100	Administrative Services - Admin	Provide building management services.
19350000	Trinidad Admin Bldg	622100	Administrative Services - Admin	Provide building management services.
19370000	Lake Creek Admin Bldg	622100	Administrative Services - Admin	Provide building management services.
19390000	Valley Admin Bldg	622100	Administrative Services - Admin	Provide building management services.
19400000	Print Services	622100	Administrative Services - Admin	Provide print services to include forms, manuals, labels and other miscellaneous printing.
19420000	Printing Services - Forms Mgmt	622100	Administrative Services - Admin	Costs associated with the design and production of standardized forms.
19430000	Printing Services - Copier Service	622100	Administrative Services - Admin	Copier leases and management of copier leases, delivery of paper to EP floors and consulting services for acquiring copiers.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
19500000	Aviation Service-Fixed Cost	622100	Administrative Services - Admin	Activity includes costs for pilots labor, building leases, maintenance of airplanes, administrative costs and training & seminars.
19540000	Fixed Costs - Falcon Jet	622100	Administrative Services - Admin	Sale of the Falcon jet.
19600000	Transportation Administration	622100	Administrative Services - Admin	Provide services for vehicle standards/specifications, new product evaluation, fleet replacement, fuel credit card program, vehicle acquisition & delivery, regulatory compliance & support, administration of pool vehicles and other administrative functions
19620000	Union Tower Basement Parking	622100	Administrative Services - Admin	Administrative costs associated with operations of the Union Tower basement and garage parking facilities.
19630000	Union Tower Garage Operation	622100	Administrative Services - Admin	Administrative costs associated with operations of the Union Tower basement and garage parking facilities.
19640000	Trans Services-Harwood Complex P	622100	Administrative Services - Admin	Operating costs of garage and parking lots - security, electricity, minor maintenance.
19710000	Corp Document Services - Document	622100	Administrative Services - Admin	Imaging of corporate documents, TUM property mapping, court filings, deed platting, processing payment of coal and lignite leases.
19720000	Corp Document Services-Offsite Rec	622100	Administrative Services - Admin	Storage and retrieval costs for inactive company documents.
19810000	Corp Real Estate Services-Comm Re	622100	Administrative Services - Admin	Provide property management services, property lease administration, acquisition and disposal of commercial real estate.
19820000	Corp Real Estate Services-Design &	622100	Administrative Services - Admin	Architectural, engineering and design for capital and O&M, projects, construction management, and special studies.
19830000	Corp Re Services-Maynard Ranch Le	622100	Administrative Services - Admin	Costs associated with the leasing and operation of the ranch as a hunting lease and conference center.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
20210000	Public Policy-TUE-Above Line	612700	Public Policy	Expenses incurred by the Policy Group that are not legislative advocacy matters influencing legislation (directly or indirectly). Includes costs related to regulatory proceedings, i.e., FERC NOPR or a PUC or Railroad Commission hearing or rulemaking.
20220000	Public Policy-TUE-Below Line	612700	Public Policy	Expenses incurred for legislative advocacy matters. Costs include influencing legislation whether directly (via lobbying and legislative support) or indirectly (e.g. via communication to employees, retirees, or general public and memberships in assoc.
20220001	Public Policy - Securitization	612700	Public Policy	Expenses incurred associated with the Securitization project by Public Policy.
20250000	Public Policy-TXU	612700	Public Policy	Public Policy activities for the benefit of TXU Corporate in general, not specifically assignable to TXU Electric or Lone Star Gas.
20250001	Public Policy - Employee GrassRoot	612700	Public Policy	Public Policy activities for the benefit of TXU Corporate in general, not specifically assignable to TXU Electric or Lone Star Gas.
20400000	Information Resource Center	612100	Communication - Admin	Individualized business research including information collecting, editing and data analysis. Desktop information service entails industry reports/Internet access, CD ROM information access, training, and the management of unique client information database.
21200000	Technology Management Services	615000	Research & Development	Various research and development program costs.
21291010	R&D for Fossil Generation	615000	Research & Development	All costs are external payments for research and technical information programs.
21291020	R&D for Nuclear Generation	615000	Research & Development	All costs are external payments for research and technical information programs.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
21291030	R&D for Trans Grid Mgmt	615000	Research & Development	All costs are external payments for research and technical information programs.
21291040	R&D for Energy Supply - Electric	615000	Research & Development	All costs are external payments for research and technical information programs.
21291060	R&D for Transmission Engineering &	615000	Research & Development	All costs are external payments for research and technical information programs.
21291070	R&D for System Ops - Electric	615000	Research & Development	All costs are external payments for research and technical information programs.
21291090	R&D for Marketing	615000	Research & Development	All costs are external payments for research and technical information programs.
21291100	R&D for TU Corporate	615000	Research & Development	All costs are external payments for research and technical information programs.
21291110	R&D Services for BRI	615000	Research & Development	Meet corporate commitments and cross-functional needs and maintain company research relationships with universities, and remain abreast of emerging technology.
21400000	Employee Communication Service	612100	Communication - Admin	Production of the Spotlight magazine, Spotlight News Daily, E-Talk, publication/writing services, audio/visual communication services, event planning services, electronic information services and consultation services.
21420000	Training Videos	612100	Communication - Admin	Conduct training, safety seminars, executive presentations, and employee information programs for system employees. Costs include: publishing/developing, salaries, employee reimbursable, photographic supplies, postage, printing.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
21500000	Investor Reports & Related Srv	612100	Communication - Admin	Preparation of Texas Utilities Company annual report to shareholders, the report of the annual shareholders meeting, annual meeting presentation costs, board meeting presentations, and support provided to investor relations representatives.
21710000	Media Relations	612100	Communication - Admin	Provide media response, monitoring and initiation services 24 hours day, 7 days per week. Provide media training, witness preparation and consulting related to media relations activities.
21720000	Public Relations	612100	Communication - Admin	Provide public relations activities and support including, concept development, strategy planning, preparation and consulting. Specific PR activities include: Energy Park, Earthfair, McGruff Truck, Babysafe, Best Buy - Adult Safety, Energy Conservation Campaign, Energy Aid, Environmental Report, Winter/Summer preparation, and Stock Shows/State Fair.
21740000	Env Comm Program	612100	Communication - Admin	Advertising and public relations activities in support of TUE environmental programs.
21810000	TUE Total Advertising	612100	Communication - Admin	Market research, consultation, project management, copy writing, artwork, print/broadcast production, media placement, customer opinion surveys, bill inserts and Spanish publications to educate customers about efficient and safe use of electricity and natural gas and other customer education programs.
21820000	TXU Brand	612100	Communication - Admin	Market research, consultation, project management, copy writing, artwork, print/broadcast production, media placement, customer opinion surveys, bill inserts and publications to generate awareness of new corporate identity and brand.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
21831000	Marketing Advertising - TUE	612100	Communication - Admin	Market research, consultation, project management, copy writing, artwork, print/broadcast production, media placement, customer opinion surveys, bill inserts and Spanish publications to generate new business, retain existing business, or to inform customers.
21832000	Marketing Adv-Lone Star Gas	612100	Communication - Admin	Includes the costs incurred in the development of advertising to generate new or retain existing business for Lone Star Gas. Also, includes development and placement of advertising to inform customers of methods, products, and services to efficiently use energy resources
21833000	Marketing Adv-Non-Regulated	612100	Communication - Admin	Includes the costs incurred in the development of advertising to generate new or retain existing business for non-regulated businesses.
21880000	Adv Svcs-Safety & Institut-Lsg	612100	Communication - Admin	Includes expenses incurred in the development and placement of safety and corporate image messages for the benefit of Lone Star Gas.
21899000	Comm Integ Sols - Selections	612100	Communication - Admin	Includes expenses incurred for a project in Integrated Solutions.
24000000	Austin Public Affairs-Non Util	610000	Governmental Affairs	Provide information services to government personnel at the state level related to legislative advocacy.
24200000	Public Info Svcs-Austin & Was	610000	Governmental Affairs	Provide information services to government personnel at the state and federal levels.
24600000	Public Info Services - Austin	610000	Governmental Affairs	Provide information services to government personnel at the state and federal levels.
24700000	Public Info Services - Washing	610000	Governmental Affairs	Provide information services to government personnel at the state and federal levels.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
40100000	Communications Connectivity	616100	Admin-Information Technology	Communication within the company's network system through voice and data devices. Focused on planning, leasing and maintaining the network infrastructure (PBXs, microwaves, voice mail, hubs, controllers, routers, multiplexers, modems and other miscellaneous networks.
40300000	Mainframe Systems	616100	Admin-Information Technology	Provides the client with the ability to access the company's mainframe system. This activity focuses on planning, leasing and maintaining the mainframe infrastructure (CPU, storage (DASD & optical disk) and system software).
40400000	Dedicated Equipment Support	616100	Admin-Information Technology	Provides the client with training, help desk support and deskside support (hardware & software installation, software & hardware upgrades and asset tracking) with their dedicated equipment. This equipment includes PCS, mainframe printers and terminals.
40500000	896 Radios	616100	Admin-Information Technology	Provides the client with the ability to communicate within the company's 896 radio system. This activity focuses on planning, installing and maintaining the leased 896 radio infrastructure (towers and transmitters). The focus is also on the configuration, tracking, and vendor negotiations of the hand held radios.
40600000	Server Connectivity	616100	Admin-Information Technology	Provides the client the ability to access information through the company's server environment. This activity focuses on planning, installing and maintaining the server, internet and remote LAN environments.
41310000	Admin-Ens Energy Srv	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, business application services, and training.
41312000	Applications Development	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include application development.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
41313000	Technical Support	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: operations, project coordination and management, and coordination between Clients and I/T infrastructure organizations.
41322000	Unregulated Customer Supp	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41323000	Unregulated Business Supp	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41332203	Executives	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41333200	Electric/Gas Ops	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
41333300	DIS/GIS Management	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41333400	DIS Support	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41333500	Call Ct Sup/CIS Main	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41333600	CIS Maintenance	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41333700	SESCO	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
41334200	Customer Service	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41334300	Account Reps	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41334400	Engy Sup & R&R - Esd	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41334500	Client Support - Marketing & S	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41335000	Admin - Pipeline	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
41335001	Lone Star Pipeline	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41335002	Tufco / Pipesco	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41335003	Level II Acct Supp	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41335004	EPI Support	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41335200	Gas Accounting	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
41336200	Engineering & Ops	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41336300	Grid Mgmt Mktg & R&R	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41337000	Nuclear Generation	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41338001	Fossil Operations	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41338002	Tumco	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
41338004	Fuels	616100	Admin-Information Technology	Provides clients with business solutions through an I/T "partner". Services include: consulting, systems integration and application development, business application services and operations, training, project coordination and management, and coordination between affiliates and I/T infrastructure organizations.
41420001	Comm Gateway Develop	616100	Admin-Information Technology	The Gateway is the concept, design, prototype, build and deployment of a communication device which will provide a wireless communication to a home network.
41420002	Cont Ctr-Assoc Syst	616100	Admin-Information Technology	The Control Center will be the nucleus of the Operational Solutions monitoring and control function. The center will provide mass communications into a central location. The communications will support clients of Operational Solutions across the US.
41420004	Fiber Extension	616100	Admin-Information Technology	Provides Information Technology support for the installation of additional fiber optics to connect TU fiber in Ft Worth to TU fiber in Waco, thereby increasing overall coverage of the system.
41420005	Client Project - Master Source	616100	Admin-Information Technology	Consolidated billing business which consolidates various utility billings and issues a consolidated billing for some key customers.
41430001	Infrast Improv Trans	616100	Admin-Information Technology	To address minor network infrastructure improvements such as cable drop or additions or replacement of old LAN type cabling at any one of the 20 Transmission Eng & Ops locations.
41430002	Electronic Library	616100	Admin-Information Technology	Established to analyze the Transmission business unit requirements and determine the best solution to widely post Transmission related information.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
41430003	EPRI MMW	616100	Admin-Information Technology	Established to implement the EPRI Maintenance Mgmt Work Station solution for Transmission in order to provide current technology for planning and data analysis. Components include maintenance ranking, performance assessment and a data warehouse.
41430004	EMS Interface	616100	Admin-Information Technology	Established to develop interfaces to feeder systems for the Energy Management System (EMS). EMS is a replacement for supervisory control and data acquisition systems
41430005	Trans Planning Softw	616100	Admin-Information Technology	Purchase a data product manager (ASPEN Line Constants actually purchased) that would interface with the PSS/E Load Flow Analysis program and simplify the maintenance of the base cases (data) used by PSS/E.
41430006	Infrastr Improve Tgm	616100	Admin-Information Technology	Installation of hardware, racks, routers to improve infrastructure as part of the Energy Management System implementation.
41430009	FMIS For LSG Support	616100	Admin-Information Technology	Facility Metering Information System. Maintains inventory of meters.
41430010	Dev Phase II Gas/DIS	616100	Admin-Information Technology	This project will complete the development portion of Gas work request design integration with the Distribution Information System.
41430013	Impl DEIS Phase II	616100	Admin-Information Technology	This project completes the development of Phase II of the Distribution Equipment Information System. Phase II will add the remaining plant account property, including regulators, capacitors, and reclosures.
41430014	Gas Pipeline GIS	616100	Admin-Information Technology	This project provides programming support for the Autocad based GIS system.
41430015	DIS Gas Implement	616100	Admin-Information Technology	Desktop support technology for deploying equipment and software to enable users of the DIS system.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
41430020	Lotus Notes - Inet	616100	Admin-Information Technology	Development customer access to billing and bill payment information. Also, tracking of E Wise and E Choice programs.
41430023	Year 2000 Project	616100	Admin-Information Technology	Account Support for date logic maintenance related to the Year 2000 challenge.
41430024	LSG / TU CIS Project	616100	Admin-Information Technology	Support for cloning CIS and modifying to handle billing and processing of gas customers. This project is primarily for data conversion.
41430025	LSG/ TU CIS Phase 2	616100	Admin-Information Technology	Support for cloning CIS and modifying to handle billing and processing of gas customers. This project is primarily for data conversion.
41430026	Mobile Computing	616100	Admin-Information Technology	Provides mobile communications from remote vehicles to central processing for generating work orders, receiving customer service orders, and general data exchange between the field and central operations.
41430028	EPIC Infrastructure	616100	Admin-Information Technology	Lotus Notes based workflow application which will automate both the current ONE form and final design authorization processes at substantial labor cost savings.
41430031	Year 2000-Gas Acctg	616100	Admin-Information Technology	Account Support for date logic maintenance related to the Year 2000 challenge.
41430034	Migrate To TU's Tool Set	616100	Admin-Information Technology	Costs associated with combining Enserch and TU Electric software tool sets.
41430038	Retail Co. Business System Pla	616100	Admin-Information Technology	Develop technology plans for customer systems.
41440007	PC Relocations	616100	Admin-Information Technology	Expenses associated with PC relocations resulting from integration of Texas Utilities and ENSERCH.
41440009	Client Project - EMS Technicia	616100	Admin-Information Technology	Energy Management Technician expenses dedicated to the Transmission Grid Management system.
41440010	Call Center Infrastructure Prj	616100	Admin-Information Technology	Upgrades for the Call Center's local area network from token ring to fast Ethernet to support the Atlas project implementation.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
41440011	TU Com Network Monitoring	616100	Admin-Information Technology	Site monitoring and dispatching problems for TXU Communication's fiber optic transport systems. The network operation will also serve as a point of contact to communicate fiber optic paths before excavating and with PRIMECO to access TXU Electric tower sites.
42100000	Desktop	616100	Admin-Information Technology	Ongoing end-to-end support for the business computers (PC's), mainframe terminals and peripheral equipment on the desktop including desktop acquisition, installation and maintenance, Support Center, Local Area Network (LAN) services, Lotus Notes e-mail, printer sharing, internet access, enterprise software, remote LAN access, security, lease management and end-user training.
42200000	Telephone	616100	Admin-Information Technology	Basic telephone service, equipment (e.g., PBX, handsets), maintenance, local and long distance service, the TU phone network, and moves & changes.
42300000	Data Network	616100	Admin-Information Technology	Access to end usage of the TU Wide Area Network.
42400000	Radio	616100	Admin-Information Technology	896 Megahertz radio units and infrastructure (voice and data).
42500000	App Port - MF Application	616100	Admin-Information Technology	Full cost of applications, presented by application, for mainframe and client/server systems (including processor, storage, software, and application maintenance & DBA staff.
42600000	App Port - MF End User	616100	Admin-Information Technology	Full cost of applications, presented by application, for mainframe and client/server systems (including processor, storage, software, and application maintenance & DBA staff.

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42700000	App Port - Client Server	616100	Admin-Information Technology	Full cost of applications, presented by application, for mainframe and client/server systems (including processor, storage, software, and application maintenance & DBA staff.
42800000	Staff Support	616100	Admin-Information Technology	Includes the staff required to ensure the effective delivery of day-to-day services, including Regional Service Managers and Service Coordinators.
42900000	I/T Mgmt & Admin	616100	Admin-Information Technology	Internal I/T Management & Administration, including I/T VP, Business Support Services, I/T Accounting Support, I/T Technical.
43000000	Tech Pln, EIA, Chgbk & Corp OH	616100	Admin-Information Technology	TXU system-wide initiatives (domestic), I/T product testing and evaluation, I/T strategic planning, and TXU Business Services corporate costs assigned to I/T, Human Resources, and Administrative Services.
43001000	Technology Security & Stds	616100	Admin-Information Technology	Protection of corporate information assets by access control and anti-virus software, configuration of business computers, diagnostics, standard software loading, third level technical support for the desktop technicians, promotion of integrated and collaborative approaches to information processes and problem solving.
50000000	Admin - Finance	624100	Finance - Admin	Misc admin general exps associated with the office of the Vice President of Finance.
51200000	Yankee Bond - TEG	624100	Finance - Admin	Includes costs associated with employee expenses related to TXU Business Services Yankee Bond TEG issuance in 1999.
51300000	TUA S1 1999 - Bonds	624100	Finance - Admin	1999 S1 Bond Issuance For TXU Australia

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
53110000	Mergers & Dissolutions	625100	Corporate Services - Admin	Includes costs associated with mergers and dissolutions such as merger filing fees, dissolution fees, annual reports, franchise tax, qualification fees and withdrawal fees.
54200000	Claims & Legal Admin Services	625100	Corporate Services - Admin	Includes costs associated with the investigation and resolution of liability claims and lawsuits filed against Texas Utilities System companies.
54310000	Corporate Security-Shared Serv	625100	Corporate Services - Admin	Includes costs associated with examining the effectiveness of safeguards for protecting System assets from loss and investigating losses and related violations of Company policy.
54400000	OPEB Transition Obligations	625100	Corporate Services - Admin	Includes costs related to TU Services' portion of OPEB Transition Obligations.
54500000	Litigation	625100	Corporate Services - Admin	Prosecution and defense of lawsuits filed by and against Texas Utilities, its subsidiaries and affiliates.
60300100	Corp Accting Billing-Rate Case	6231000	Controller - Admin	Services include corporate books and accounts, corporate consolidation, cash accounting, fuel accounting, revenue accounting, inventory accounting, records management, regulatory accounting, account reconciliation, bank reconciliation, and accounts receivable. Accounting services are necessary to maintain the financial integrity of each affiliate.
60300200	CorpAcct Billing-Rate Case LSP	6231000	Controller - Admin	Services include corporate books and accounts, corporate consolidation, cash accounting, fuel accounting, revenue accounting, inventory accounting, records management, regulatory accounting, account reconciliation, bank reconciliation, and accounts receivable. Accounting services are necessary to maintain the financial integrity of each affiliate.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60300300	Corp Acct Billing-Rate Case LS	6231000	Controller - Admin	Services include corporate books and accounts, corporate consolidation, cash accounting, fuel accounting, revenue accounting, inventory accounting, records management, regulatory accounting, account reconciliation, bank reconciliation, and accounts receivable. Accounting services are necessary to maintain the financial integrity of each affiliate.
60302000	Records Management	623210	Controller - Admin	Services include maintaining the active records of the controllership.
60303000	Corporate Accounting IT Costs	623210	Controller - Admin	Services provided include maintaining automated general ledger systems; managing the process of calculating various service billings among the consolidated group; providing accounting expertise for proper application of GAAP and regulatory treatment of financial transactions; providing support in all regulatory matters; developing methodologies and providing continues support for business unit reporting to support ongoing stand alone operations. This activity only includes the indirect costs from Information Technology.
60313000	EES Labor	623210	Controller - Admin	Services include labor associated with supporting TXU Energy Services.
60315000	Accounting Staff Costs-Mexico	623210	Controller - Admin	Services include labor associated with supporting operations in Mexico.
60340100	TPSRV DEVELOPMENT PROJECT	623210	Controller - Admin	Services includes labor and expenses associated with developing a service company (TPSRV) that provides services for TXU Lones Star Pipeline and TXU Fuel through a central location.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60341000	FIM Systems (Amort & Int)	623210	Controller - Admin	Services include interest and amortization costs associated with the capitalized system - Financial Information Management.
60521000	Financial Planning	628100	Financial Planning & Mgt-Admin	Regulatory and forecasting analysis; budget and variance analysis; business planning cycle forecasting, analysis, and consolidations; project analysis and other administrative support.
60522000	FP-Performance,Analysis,& Rept	628100	Financial Planning & Mgt-Admin	Management reporting, resource plan coordination, performance analysis and reporting decision support, economic analysis, and functional/accounting communications.
60530000	Management Support Services	628100	Financial Planning & Mgt-Admin	Financial consulting support for executives in business units to evaluate capital project/investment opportunities; perform independent analysis and review of information developed by business units or consultants in support of resource allocation request; provide support to business units and due diligence.
60530001	Fin Consulting-Intl Gas	628100	Financial Planning & Mgt-Admin	Financial consulting support for executives in business units to evaluate capital project/investment opportunities; perform independent analysis and review of information developed by business units or consultants in support of resource allocation request; provide support to business units and due diligence.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
60540000	MSS-Distribution-Indirects	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60540001	MSS-Distribution-Directs	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60540002	Business Management - DBU	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation and evaluation of business unit strategies. Participate in the development of, and monitoring of, business unit and performance unit performance measures. Anticipate changing business environments, seek viable business solution alternatives and provide management with recommendations to facilitate the decision making process.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60551000	Management Suppt-Fossil Gen	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60552000	Management Suppt-Nuclear Gen	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
60553000	Management Suppt-Fuels	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60554000	Management Suppt-Tumco	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60555000	Generation Administration	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60560000	Management Suppt-Pipeline	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
60570000	Management Suppt-Transmission	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60580000	Management Suppt-Emerging Bus	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60590000	Management Suppt-Tu Srvcs Corp	628100	Financial Planning & Mgt-Admin	Participate in the development, implementation, and evaluation of business unit strategies. Prepare and analyze information requirements of the business unit. Participate in the development of, and monitor, business unit performance measures. Analyze and report the O&M and Capital action plans of the business unit. Anticipate changing business environments, seek viable business solution alternatives, and provide management with ideas and recommendations to facilitate the decision making process.
60600000	Energy Accounting-Not Valid	623210	Controller - Admin	Fuel and purchase power accounting (TUE); revenue/receivable accounting (TUE, ENSERCH); payment for gas purchases (ENSERCH); billing for gas transportation (ENSERCH), gas sales (EES), and NGL sales (EPI); gas meter allocations (ENSERCH); and gas pipeline.
60601000	Enrgy Accting - Gcbs	623210	Controller - Admin	Information Technology costs associated with administering the Gas Contract Business System.
60610000	Energy Accounting Admin	623210	Controller - Admin	Costs associated with the administration of the Energy Accounting's organization which includes Gas Accounting, Gas Processing, Fuel & Purchase Power and Revenue & Receivables.
60620000	Gas Accounting	623210	Controller - Admin	Services include gas allocations; billing and purchase payments.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
60630000	Revenue & Receivables	623210	Controller - Admin	Services include electric transmission revenue process; industrial gas billing; non-CIS gas and electric billing & accounts receivable; gas severance tax process; and analysis of electric and gas revenues, sales and margins.
60640000	Fuel & Purchased Power	623210	Controller - Admin	Services provided include nuclear fuel inventory; lignite, western coal, fuel oil and natural gas inventories & consumption; co-generation and other purchase power contracts; off system purchases and sales.
60650000	Gas Processing	623210	Controller - Admin	Services include gas and natural gas liquids allocations; producer payments; customer billings.
64000000	Internal Audit Services	604100	Internal Audit - Admin	Operational reviews, internal control advice, management requests, and task force participation. Internal Audit activities are performed in order to provide executive management and the audit committee of the TXU Board of Directors assurance regarding the adequacy and effectiveness of internal controls throughout TXU.
66010000	Emerging Bus Admin	666100	Emerging Businesses-Admin	Administrative Expenses related to Emerging Business - New Business Development.
66020000	Emerging Bus - Admin Domestic	666100	Emerging Businesses-Admin	Administrative costs and other expenses related to management of the Emerging Businesses Group, exclusive of the Eastern Group in the U.K., effective April 1999.
66030000	Enserch Development	666100	Emerging Businesses-Admin	Administrative Expenses related to Emerging Business - New Business Development.
66040000	Enserch Energy Svcs	666100	Emerging Businesses-Admin	Administrative Expenses related to Emerging Business - Enserch Energy Services.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
66050000	EES National Accts	666100	Emerging Businesses-Admin	Administrative costs and other expenses related to management of Enserch Energy Services - National Accounts Administration.
66060000	Alternative Fuels Admin	666100	Emerging Businesses-Admin	Administrative Expenses related to management of the Alternative Fuels Division.
66070000	Mexico City Operations	666100	Emerging Businesses-Admin	Expatriate personnel and related expenses assigned to Mexico City operations.
71241000	Enhanced Retirement Program	626100	Human Resources - Admin	Incremental administrative costs associated with the 1999 Enhanced Retirement Offering. Costs include outside services, contract labor, and printing.
81010000	Staffing & Placement	681000	Human Resources	Provide a diverse and qualified candidate pool to meet staffing needs within established laws and policies.
81020000	Compensation & Benefits	681000	Human Resources	Services related to the development and ongoing administration of employee benefit programs. Services include ERISA/governmental compliance, employee/retiree/manager interface, and actuarial studies, developing employee/retiree communications, Thrift/EN\$AVE plan accounting, retirement counseling, legal/benefit plan interpretation and vendor management. Benefit programs include retirement (TU/ENS/EBASCO), Thrift, Medical (POS & HMOs), Dental, Prescription Drugs (PCS/Mail-Order), Life Insurance, Long-Term Disability, Workers' compensation, Employee Transportation programs, Service Awards, Appliance purchase plan, and Energy conservation program.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
81021000	C&B - HRIS	681000	Human Resources	Services related to the support and maintenance of the Employee Information System (EIS) which provides the data warehouse for employee/retiree records, compensation/payroll information, employment status/history, education/training history, Thrift/EN\$AVE enrollment and participant information, Retirement/term-vested/surviving spouse data/information. Ad-hoc reporting is supported through client request and a pre-programmed menu system available to system users. This area also maintains the corporate employee records and complies with state and federal record retention regulations, as well as, responds to all legal and court subpoenas requests.
81022000	C&B - ESC	681000	Human Resources	Services related to the support and interface with employees/retirees through a state-of-the art call center utilizing IVR technology and dedicated call center representatives. Services supported through a one-stop call center include benefit interface and support with Medical, Dental, Prescription, Insurance, Thrift and Retirement. IVR technology supports phone and fax back access for employment verification, benefits open enrollment, personalized benefit profiles, student verification, transfer access to all service providers with 1 800 numbers and answers to frequently asked questions (these services are offered 7 days a week/ 24hrs/day). Flexible spending accounts and life insurance claims, as well as, Cobra and HIPPA notifications are also processed through this center.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
81023000	C&B - Compensation	681000	Human Resources	Services related to the development and ongoing administration of compensation programs. Services include job evaluation, job descriptions, governmental compliance (FLSA), Salary surveys and market analysis, manager and executive interface on compensation planning and design. Compensation programs include Non-exempt, Craft, Technician, Exempt and Short-term/Long-term/PEP incentive plans.
81025000	Payroll	681000	Human Resources	Tasks related to time collection, payroll processing, paycheck processing, payroll tax compliance, accounting and other services related to payroll.
81030000	Employee Relations	681000	Human Resources	Tasks related to providing advice and counsel concerning established laws and policies.
81041000	Employee Development	681000	Human Resources	Development and presentation of programs, design of processes to enhance employee and team performance
81042000	Craft & Tech Training - ATC	681000	Human Resources	Development and presentation of craft and technical instruction.
81042100	Craft & Tech Training-Farm Br	681000	Human Resources	Development and presentation of craft and technical instruction.
81050000	Safety & Ind Health	681000	Human Resources	Tasks related to developing and supporting a hazard free work environment including: ensuring legal and regulatory compliance, management consultation, safety overview, developing and administering safety policies and programs and wellness program management.
81060000	Client Support	681000	Human Resources	Tasks related to assisting and administering personnel support and Diversity activities.
81080000	Over/Under Clearing	626100	Human Resources - Admin	Clear out over/under recovery of expenses related to the H/R process.

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<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
82000000	Manage Assets	682000	Manage Assets	Cross functional process of raising and managing capital for the purchase of assets and managing/administering assets over their useful life. Includes Finance, Fixed Asset Accounting, Property Taxes, and Risk Management.
83010000	Procure Resources	683000	Procure Resources	Established to provide materials/ services, when needed, at lowest evaluated cost, establish alliances with key suppliers/contractors, locate and develop qualified minority/women owned businesses.
83020000	PMMS System & Support	683000	Procure Resources	Established to support inventory management; maintain and operate the Materials Management System, warehouse & bar code systems; analyze & coordinate materials; electronically forecast materials requirements; transfer excess materials; PMMS training; warehouse & inventory practice; investigate new inventory methods.
83030000	Resource Recovery	683000	Procure Resources	Established to provide for sale or disposal of surplus materials, including storage, security, invoicing and collection.
83040000	Payment & PMMS/AP System	684000	Corporate Oversight	Issue payments for invoices or settle funds through Electronic Data Interchange; enter all prioritized invoices by year end; respond to inquiries; report to the IRS on 1099s; execute wire transfers; provide training & administer account payable system.
83040000	Payment & PMMS/AP System	683000	Procure Resources	Issue payments for invoices or settle funds through Electronic Data Interchange; enter all prioritized invoices by year end; respond to inquiries; report to the IRS on 1099s; execute wire transfers; provide training & administer account payable system.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84000000	Corporate Oversight	684000	Corporate Oversight	Services included are: Corporate Environmental Stewardship, Corporate Planning, Research & Development, Public Informations Services, Advertising Services - Safety/Institutional/Specialty Items, Corporate Secretary Services, State & Local Taxes, Federal Taxes, Corporate Security, Tax Accounting, Financial Information Management, Financial Information Management - Amortization, Financial Reporting, Process Improvement, Internal Audit, Human Resources, Diversity, Y2K.
84020000	Govt Relations Oversight-TXU	684000	Corporate Oversight	Activities associated with communication between Texas Utilities Company and state/federal regulatory and legislative bodies, including recommending positions or actions on proposed rules.
84030000	Corp Oversight-Advertising	684000	Corporate Oversight	Safety, message development and placement for the general corporation, Corporate image message development and placement for the general corporation, Advertising specialty items for external use for the benefit of the general corporation.
84040000	Govt Relations Oversight-TUE	684000	Corporate Oversight	Provides communication between TXU Electric and the Legislature and state regulatory agencies, including recommending positions or actions on proposed legislation and regulations.
84050000	Govt Relations Oversight-TUF	684000	Corporate Oversight	Provides communication between TXU Fuels and the Legislature and state regulatory agencies, including recommending positions or actions on proposed legislation and regulations.
84060000	Govt Relations Oversight-TUM	684000	Corporate Oversight	Provides communication between TXU Mining and the Legislature and state regulatory agencies, including recommending positions or actions on proposed legislation and regulations.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84070000	Procurement Administration	684000	Corporate Oversight	1) Develop and implement corporate strategy, policy, guidelines and plans concerning development and utilization of Minority and Women owned business enterprises. 2) Develop and implement corporate strategy, guidelines, and plans concerning acquisition of materials and services. 3) Develop and coordinate the Procurement organization as related to job responsibilities and client focus. 4) Provide guidelines for corporate adhesion to sound business practices, upholding the utmost standards of fiduciary responsibilities, integrity, and ethics as related to acquisition of materials and services.
84080000	Technology Security & Stds	684000	Corporate Oversight	Protect corporate information assets by access control and anti-virus software, configure business computers, run diagnostics, load software applications, provide third level technical support for the desktop technicians in the field including installation, warranty maintenance, break/fix, upgrades on all business computers, promote integrated and collaborative approaches to information asset capture, creation, organization, access and use regarding processes, problems, and information sharing.
84090000	Year 2000 - I/T Infrastructure	684000	Corporate Oversight	Includes expenses incurred for Y2K inventory and assessment of software and the hardware environment (including network) to determine Y2K readiness. Also included are expenses for industry specific expertise, equipment upgrades, and desktop consulting.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84100000	Human Resources	684000	Corporate Oversight	Establishment of safety policies, policies to provide rewards and incentives for superior performance, diversity initiatives, organization development, succession planning, development of core employee competencies (e.g., leadership, ability to modify business structures and philosophies), and coordination of human resource issues of significant overall importance.
84110000	Environmental Stewardship	684000	Corporate Oversight	Activities associated with the development and implementation of system-wide environmental policies and programs, environmental risk management, the environmental research program, and stakeholder outreach.
84120000	Claims & Legal Administration	684000	Corporate Oversight	Includes costs associated with the investigation and resolution of liability claims and lawsuits filed against affiliates.
84130000	Litigation	684000	Corporate Oversight	Includes costs associated with the prosecution and defense of lawsuits filed by and against affiliates.
84140000	Corp Secretarial Services	684000	Corporate Oversight	Includes costs associated with all Corporate Governance requirements such as Board of Directors meetings and maintenance and retention of corporate documents.
84150000	State Taxes	684000	Corporate Oversight	Includes costs associated with processing multi-state tax returns and payments, researching and resolving tax issues, tax planning for new ventures/transactions, tax training and administration of tax audits, hearings and litigation.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84160000	Local Taxes	684000	Corporate Oversight	Includes costs associated with filing multi-jurisdiction property tax renditions, conducting market value appraisals, negotiating value settlements, processing tax payments and administering appraisal review, hearings and litigation.
84170000	Domestic Tax Services	684000	Corporate Oversight	Includes costs associated with domestic tax compliance issues.
84180000	International Tax Services	684000	Corporate Oversight	Includes costs associated with international tax compliance issues.
84190000	Risk Management Services	684000	Corporate Oversight	Includes costs associated with risk management services such as identification and measurement of risks, evaluation and selection of risk handling alternatives, negotiation and purchase of insurance, establishment of self-insured programs, loss prevention, property damage investigation and review of established risk management programs to measure results.
84200000	Corporate Security Services	684000	Corporate Oversight	Includes costs associated with examining the effectiveness of safeguards for protecting System assets from loss and investigating losses and related violations of Company policy.
84210000	Real Estate Management	684000	Corporate Oversight	Provide services for searches of property records, resolve property disputes, administer facility leases, negotiate and execute facility lease consulting contracts, document management and encroachment reporting.
84230000	Aviation Services - Fixed	684000	Corporate Oversight	Activity includes costs for pilot labor, building leases, major maintenance or overhaul, administrative costs, and training and seminars.

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84240000	Transportation Administration	684000	Corporate Oversight	Provide services for vehicle standards and specifications, new product evaluation, fleet replacement, fuel credit card program, vehicle acquisition and delivery, regulatory compliance and support administration of pool vehicles and other administrative functions.
84250000	Corporate Document Services	684000	Corporate Oversight	Provides for imaging of corporate documents, property mapping, court filings, deed platting, and payment processing for leases.
84270000	Commercial Real Estate Service	684000	Corporate Oversight	Provides property management services, property lease administration, acquisition and disposal of commercial real estate.
84280000	Corp Real Estate Services-Design &	684000	Corporate Oversight	Architectural, engineering, and design services for capital and O&M projects, construction management, and special studies.
84290000	Employee Communications	684000	Corporate Oversight	Production of the Spotlight magazine, Spotlight News Daily, E-Talk, publication/writing services, audio/visual communication services, event planning services, electronic information services and consultation services.
84300000	Media Relations	684000	Corporate Oversight	Provide media response, monitoring and initiation services 24 hours.day, 7 days per week. Provide media training, witness preparation and consulting related to media relations activities.
84310000	Public Relations	684000	Corporate Oversight	Provide public relations activities and support including, concept development, strategy planning, preparation and consulting.
84320000	Community Relations	684000	Corporate Oversight	Includes the cost of preparing and publishing written and /or audio-video, media contacts displays and tours for the public.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84340000	Research & Development	684000	Corporate Oversight	Management and coordination of research matters of a corporate nature, including (1) relationships with the Electric Power Research Institute, the Gas Research Institute, the Institute of Gas Technology, and major research universities; (2) coordination of invention and patent matters; (3) response to public inquiries.
84350000	Controller Administrative	684000	Corporate Oversight	Services include the administration of the Controller's organization which includes Corporate Accounting, Accounting Services, Energy Accounting, Financial Reporting & Tax Accounting and FIM Support.
84360000	Financial Reporting	684000	Corporate Oversight	Services include preparing the external and quarterly financial statements and reports; assuring compliance with the SEC, regulatory agencies and industry associations; preparing internal monthly reports of TXU consolidated and individual subsidiary financial results.
84370000	Internal Audit	684000	Corporate Oversight	Functional audits, compliance audits, operational reviews, control self assessments, internal control advice, management requests, task force participation, and audit committee reporting.
84380000	Capital Acq, Mgmt & Retirement	684000	Corporate Oversight	Includes costs associated with developing and maintaining bank relationships, planning financing activities, negotiating terms and conditions, transacting financing activities and complying with terms of financial documents.
84390000	Treasury Operations	684000	Corporate Oversight	Includes costs associated with disbursing funds, managing cash resources and maintaining commercial bank relationships.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84400000	Shareholder Services	684000	Corporate Oversight	Includes costs associated with maintaining register of security holders, disbursing security holder payments, administering securities transfer activities and administering dividend reinvestment plan.
84410000	Credit & Collections	684000	Corporate Oversight	Includes costs associated with credit analysis and collection activities.
84420000	Risk Control & Analysis	684000	Corporate Oversight	Includes costs associated with financial risk management.
84430000	Investor Relations	684000	Corporate Oversight	Includes costs associated with informing investment community of state of the corporation to facilitate full valuation, responding to investment community inquiries and communicating investor and analyst outlook to management.
84440000	Corporate Planning	684000	Corporate Oversight	Includes costs associated with identification and coordination of emerging issues, supporting executive management in developing goals and strategies, analyzing strategic alternatives, and reviewing business plans.
84450000	Finance Administrative	684000	Corporate Oversight	Includes miscellaneous administrative and general costs associated with the office of the Vice President of Finance.
84460000	Regulatory Administration	684000	Corporate Oversight	Provides regulatory support services for the Distribution business unit, Transmission business unit, and Pipeline business unit. Services include manual and electronic filings with the PUC and Railroad Commission, filings with FERC, printing of filings, and maintaining the file retrieval system.
84470000	Public Affairs-Utility Operations	684000	Corporate Oversight	Coordination of the provision of information services to government personnel at the state and federal levels on behalf of TXU Electric.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84480000	Public Affairs-Non Utility Op	684000	Corporate Oversight	Coordination of the provision of information services to government personnel at the state and federal levels on behalf of TXU Electric.
84490000	Austin Public Affairs	684000	Corporate Oversight	Provide information services to government personnel at the state and federal levels. Austin and Washington public information services are required by TXU Electric to provide a means for communication to/from the company regarding legislative and regulatory issues.
84500000	Washington Gov Affairs	684000	Corporate Oversight	Provide information services to government personnel at the state and federal levels.
84510000	Year 2000 - Non I/T	684000	Corporate Oversight	The Program Management Office coordinates the overall activities relating to the Company's Year 2000 Program. The Y2K Manager also manages the activities associated with work by individual business units and works with each business unit to establish efficient processes for organizing and conducting work relating to its individual business unit needs.
84520000	Excellence In Action	684000	Corporate Oversight	Excellence in Action (EIA) coordinates the activities between all domestic TXU businesses associated with developing initiatives to improve performance; developing a reporting system to report performance results; and developing continuous improvement processes and tools.

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Project	Project Title	Serv Provider	Service Provider Description	Project Description
84530000	Public Policy - TUE	684000	Corporate Oversight	1)Expenses incurred by the Policy Group that are not legislative advocacy matters influencing legislation (directly or indirectly). May include costs related to regulatory proceedings, such as a FERC, NOPR or PUC hearing or rulemaking. 2) Expenses incurred for legislative advocacy matters. Costs associated with influencing legislation whether directly (via communication to employees, retirees, or general public and memberships in associations) should be recorded in this project.
84540000	Modified OPEB Transition Oblig	684000	Corporate Oversight	Includes costs related to TXU Business Services' portion of Other Post Employment Benefits Transition Obligations. Recognition of Other Post Employment Benefits is required under generally accepted accounting principles.
84550000	Corporate Accounting Admin	684000	Corporate Oversight	Services include the administration of the Corporate Accounting organization.
84560000	FIM Support Admin	684000	Corporate Oversight	Services include the administration of the FIM Support's organization which includes FIM Support and FIM Systems (amortization & interest).
84570000	Accounting Services Admin	684000	Corporate Oversight	Services include the administration of the Accounting Service organization which includes Property Accounting, Accounts Payable and Payroll.
84580000	Energy Accounting Admin	684000	Corporate Oversight	Services include the administration of the Energy Accounting organization which includes Gas Accounting, Gas Processing, Fuel & Purchase Power and Revenue & Receivables.
84590000	Fin Report & Tax Acctg Admin	684000	Corporate Oversight	Services include the administration of the Financial Reporting & Tax Accounting organization which includes Financial Accounting and Tax Accounting.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
84600000	Financial Planning	684000	Corporate Oversight	Regulatory and forecasting analysis; budget and variance analysis; business planning cycle forecasting, analysis, and consolidation; project analysis and other administrative support.
84700000	Fin Consulting & Due Diligence	684000	Corporate Oversight	Financial consulting support for executives in business units to evaluate capital project/investment opportunities and perform independent analysis and review of information developed by business units or consultants in support of resource allocation request.
84800000	VM	684000	Corporate Oversight	Infrastructure Services, Service Coordination, Project Management, and Development expended to migrate current VM users to alternate system platforms.
84900000	Year 2000 - Applications	684000	Corporate Oversight	Efforts expended for completion of system tests, interface testing of mission critical applications, retests and testing of new applications, contingency implementation, and setup and support of new test environments.
00000060	Jim Dixon Expenses	627100	Procurement Services - Admin	To track expenses associated with Jim Dixon - Gas Operations Manager.
02000576	GENESIS	628100	Financial Planning & Mgt-Admin	Participate in the development and implementation of business systems, processes and strategies necessary for DBU, both during the transition to and the implementation of the new industry environment.
2141000C	Employee Communications	612100	Communication - Admin	Production of the Spotlight magazine for employees, Spotlight News Daily, E-Talk, publication/writing services, audio/visual communications services, event planning services, electronic information services, and consultation services to provide system-wide information of concern to the employee on a regular and timely basis.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
428C0000	Client Projects-Labor Related	616100	Admin-Information Technology	Consulting, Business Solutions, Integration Services, and Application Development Staff assigned to client requested projects.
428C0002	COF Call Center	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0003	Waco Call Center	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0004	Sonet Improvements	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0005	Harwood Infrastructure Improv	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0012	EMS Project-Tech Support	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0083	E&O App Dev Projects-Sys Ops E	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0097	CIS Cost Improvement	616100	Admin-Information Technology	Conduct analysis of CIS operations to ensure the system is running as efficiently as possible. Specifically; this will involve the use of system resources, I.e. CPU seconds, storage, working storage, monitoring requirement, etc. Once identified, work requests will be developed and cost justified. Those providing payback within a reasonable period will be researched and developed.
428C0101	Mobile Computing Phase II	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0106	Significant Events Paging	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
428C0107	Sales Force Automation	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects
428C0112	Business Sys Plan/Gas Analysis	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0116	Retail Co. Business Syst. Plan	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0119	TU Comm. Network Monitoring	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0120	DBA-IMA/ATLAS	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0127	Maintenance Mgmt Workstation	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0128	Key Accounts	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0132	ACIS	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0133	HEA	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0134	Transmission Engineering Intra	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0135	System Protection Intranet	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0136	DIS Internet	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

Project	Project Title	Serv Provider	Service Provider Description	Project Description
428C0197	Automated Invoice (Brinker)	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0198	21'st Century Status Call Back	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0199	Excess Flow Valve	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0200	Green Rates	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0201	MasterSource Customer Integrat	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0202	e-Programs	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0203	Add Service Ctr Code to Analys	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0236	Voice Mail Networking Project	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0238	GENESIS Project	616100	Admin-Information Technology	Costs related to Project Genesis.
428C0255	TU Comm Network Monitoring	616100	Admin-Information Technology	Hardware, software, and contractor (non-staff augmentation) used for client requested projects.
428C0256	GENCO Business Plan	616100	Admin-Information Technology	IT work performed on the Generating Company (GENCO) Business Plan.

**TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999**

<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
43002APP	Year 2000 - Applications	616100	Admin-Information Technology	Review the inventory of corporate applications by Information Technology and modify and test all critical applications to ensure no business interruptions relating to the Year 2000 Issue.
5030000C	Funds Management	624100	Finance - Admin	Includes costs associated with disbursing funds, managing cash resources and maintaining commercial bank relationships.
5060000C	Credit & Collections	624100	Finance - Admin	Includes costs associated with credit analysis and collection activities.
5090000C	Financial Advisory Services	624100	Finance - Admin	Includes costs associated with financial consulting to affiliate businesses to develop financial solutions related to business activities such as acquiring capital through non-capital market transactions including leasing, non-traditional bank financing and other structures financing.
6030000C	Corporate Accounting	623210	Controller - Admin	Services include corporate books and accounts, corporate consolidation, cash accounting, fuel accounting, revenue accounting, inventory accounting, records management, regulatory accounting, account reconciliation, bank reconciliation, and accounts receivable.
6032000C	Tax Accounting	623210	Controller - Admin	Services include providing accounting for all federal and state income and other taxes; furnishing accounting information required for tax filing compliance; providing tax related regulatory support for regulated Business Units.
6034000C	FIM Support	623210	Controller - Admin	Services include maintenance of the FIM system; providing security; report development, consulting, and maintenance; project management of large projects; development and implementation for adding and training new FIM users.

TXU Business Services
Activity/Project Summaries
For the Twelve Months Ending September 30, 1999

<u>Project</u>	<u>Project Title</u>	<u>Serv Provider</u>	<u>Service Provider Description</u>	<u>Project Description</u>
6040000C	Property Accounting	623210	Controller - Admin	Services include managing processes for capitalization of construction charges; asset cost recovery processes; asset reporting and retirement; tracking and accounting for inventory; job order process monitoring and regulatory support.
605301MS	Due Diligence LSP-Trans Oak	628100	Financial Planning & Mgt-Admin	Expenses incurred by Due Diligence in supporting the Lone Star Pipeline Trans Oak Project.
6061000B	Transfer Labor to Pipeline	623210	Controller - Admin	Services include labor related to LSP projects.
SB7COMPL	SB7COMPL	612700	Public Policy	To record expenses associated with Project Champion incurred by Public Policy.

RECEIVED
60 MAR 30 AM 10:20
Jo Ann Biggs
Direct Dial: 214.979.3048
Email: jbiggs@wfw.com

March 30, 2000

Mr. James Galloway, Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78711

RE: PUC Docket No. 21950, SOAH Docket No. 473-00-0496, *Application of TXU Electric Company For Approval of Its Plan To Implement Business Separation As Required Under Section 39.051 of The Public Utility Regulatory Act.*

Dear Mr. Galloway:

Enclosed for filing in the above-referenced case please find the requisite number of copies of the "Supplemental Direct Testimony of Thomas L. Baker."

Please note that the only change from his Direct Testimony that Mr. Baker's Supplemental Testimony reflects is that TXU Electric now plans to unbundle its transmission and distribution operations into separate transmission and distribution utilities.

I am sending a copy of this letter and the enclosure to all parties of record. Thank you for your attention to this matter.

Sincerely,


Jo Ann Biggs

Enclosures

cc: w/ enclosures – All parties of record

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SOAH DOCKET NO. 473-00-0496

PUC DOCKET NO. 21950

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

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	EXHIBIT TLB-S-3 Proposed Corporate Structure	
	as of January 1, 2002	

1 SUPPLEMENTAL DIRECT TESTIMONY OF THOMAS L. BAKER

2
3 **I. INTRODUCTION**

4 Q PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT
5 EMPLOYMENT POSITION.

6 A. My name is Thomas L. Baker, and my business address is 1601 Bryan
7 Street, Dallas, Texas. I am President of the Distribution Business Unit,
8 and in that capacity I am President of the Electric Service Division of TXU
9 Electric Company ("TXU Electric"), President of TXU SESCO Company
10 ("TXU SESCO"), and President of TXU Gas Distribution, a division of TXU
11 Gas Company. I also serve as a member of the Board of Directors of TXU
12 Electric, as a member of the Board of Directors of TXU Gas Distribution, a
13 division of TXU Gas Company, and as a member of the TXU Corp
14 Operating Committee.

15 Q. ARE YOU THE SAME THOMAS L. BAKER THAT FILED DIRECT
16 TESTIMONY FOR TXU ELECTRIC IN DOCKET NO. 21950?

17 A. Yes, I am.

18 **II. PURPOSE OF SUPPLEMENTAL DIRECT TESTIMONY**

19 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR SUPPLEMENTAL
20 DIRECT TESTIMONY IN THIS PROCEEDING?

21 A. The purpose of my supplemental direct testimony is to amend TXU
22 Electric's Business Separation Plan by providing additional information
23 clarifying the future organizational structure of TXU Electric's current
24 transmission and distribution operations and discuss the legal structure of
25 the newly-created affiliated companies.

26 **III. 2002 UNBUNDLED ORGANIZATION AND SERVICES**

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

29 A. Exhibit TLB-5 in my direct testimony shows the proposed TXU Corp
30 corporate structure to accomplish separation of the business activities of
31 TXU Electric and indicates that the regulated transmission and distribution

1 utility will be one company owned by the holding company, TXU Corp.
2 Rather than have one utility that provides both transmission and
3 distribution, we have now decided to create separate transmission and
4 distribution utilities, as permitted by Utilities Code § 39.051(c), to be
5 owned by TXU Corp. The attached Exhibits TLB-S-1, TLB-S-2, and TLB-
6 S-3 reflect this change and replace Exhibits TLB-3, TLB-4, and TLB-5,
7 respectively, in my direct testimony.

8 Q. WHAT IS THE PROPOSED SCHEDULE FOR TXU ELECTRIC TO
9 UNBUNDLE ITS TRANSMISSION AND DISTRIBUTION OPERATIONS
10 INTO SEPARATE TRANSMISSION AND DISTRIBUTION UTILITIES?

11 A. TXU Electric fully intends to have the separation of its transmission and
12 distribution operations accomplished by January 1, 2002. However, if for
13 some reason we are unable to meet this schedule, the regulated
14 transmission and distribution operations will continue to be performed as
15 two divisions of one wire company until the legal separation between
16 transmission and distribution can be completed. Since the unregulated
17 business activities will be separated from the regulated utility activities by
18 January 1, 2002, TXU Electric will still be in compliance with Utilities Code
19 § 39.051 if the regulated transmission and distribution operations remain
20 in the same company for a short period of time.

21 Q. WHAT WILL BE THE LEGAL STRUCTURE OF THESE UTILITIES AND
22 THE NEWLY-CREATED AFFILIATED COMPANIES?

23 A. The transmission utility and the distribution utility will each be separate
24 Texas corporations. The power generation company, the retail electric
25 provider, and the portfolio management and trading company will be
26 corporations.

27 Q. WILL THIS ORGANIZATIONAL CHANGE IMPACT HOW TXU ELECTRIC
28 SEPARATES ITS CURRENT BUSINESS ACTIVITIES?

29 A. No. All business activities that we originally proposed to be performed by
30 the transmission and distribution utility will now be performed in either the
31 transmission utility or the distribution utility.

1 Q. DOES THIS CHANGE HAVE ANY IMPACT ON THE REST OF TXU
2 ELECTRIC'S BUSINESS SEPARATION PLAN?

3 A. No. All other aspects of the Business Separation Plan remain as I
4 described them in my direct testimony in this proceeding. In addition, any
5 reference in any other witness' direct testimony in this proceeding to a
6 single transmission and distribution utility should now be read to refer to a
7 separate transmission utility and a separate distribution utility.

8 **IV. CONCLUSION**

9 Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL DIRECT TESTIMONY.

10 A. My supplemental direct testimony provides a revision to TXU Electric's
11 Business Separation Plan concerning the organizational structure of TXU
12 Corp's regulated transmission and distribution utilities after January 1,
13 2002. As illustrated in my Exhibit TLB-S-3, TXU Electric now plans to
14 unbundle its transmission and distribution operations into a separate
15 transmission utility and a separate distribution utility.


16 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT
17 TESTIMONY?

18 A. Yes, it does.
19

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

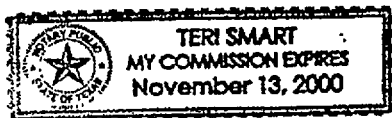
BEFORE ME, the undersigned authority, on this day personally appeared Thomas L. Baker, who, having been placed under oath by me, did depose as follows:

My name is Thomas L. Baker. I am of legal age and a resident of the State of Texas. The foregoing supplemental 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 28th day of March, 2000.

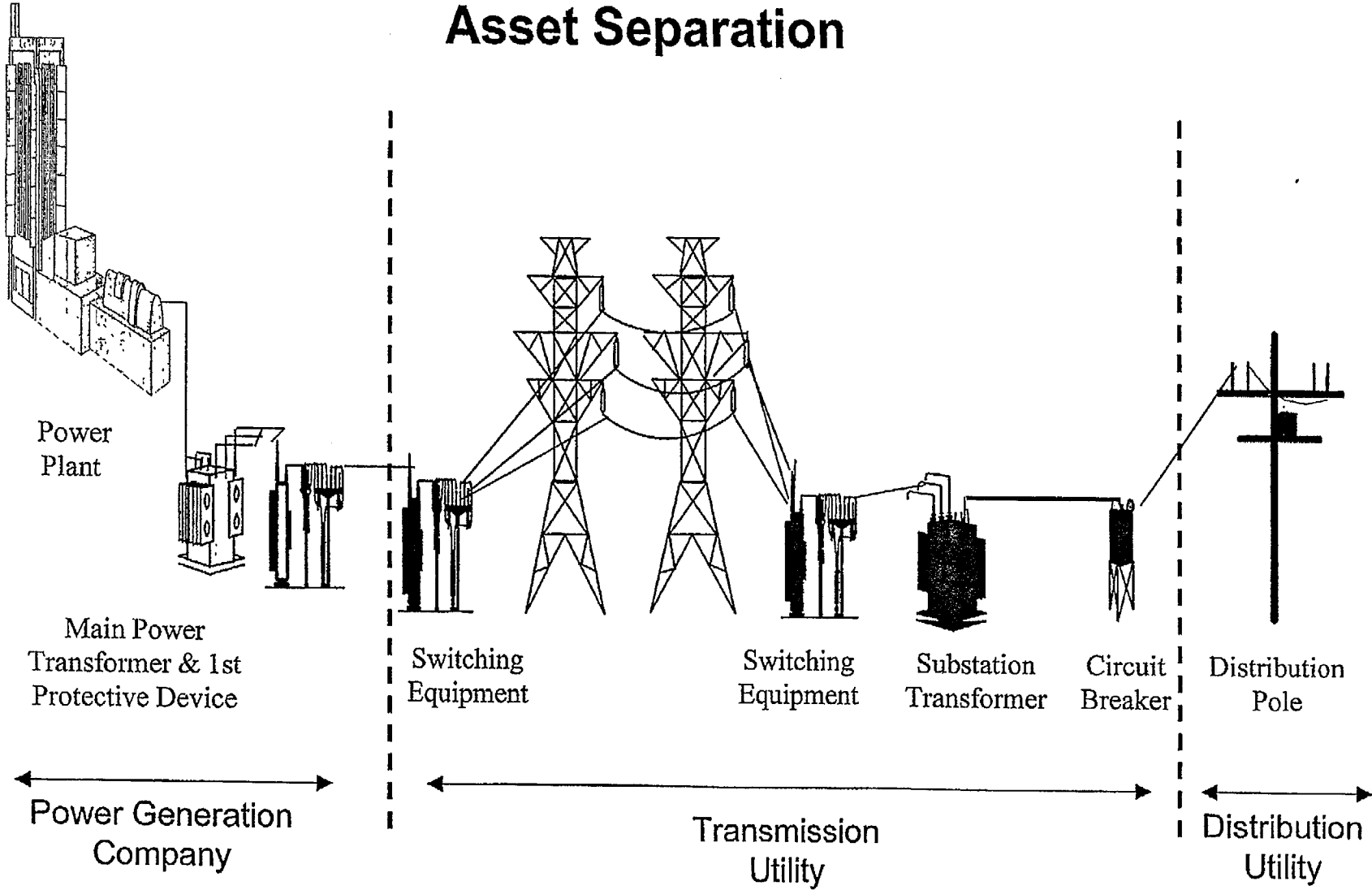




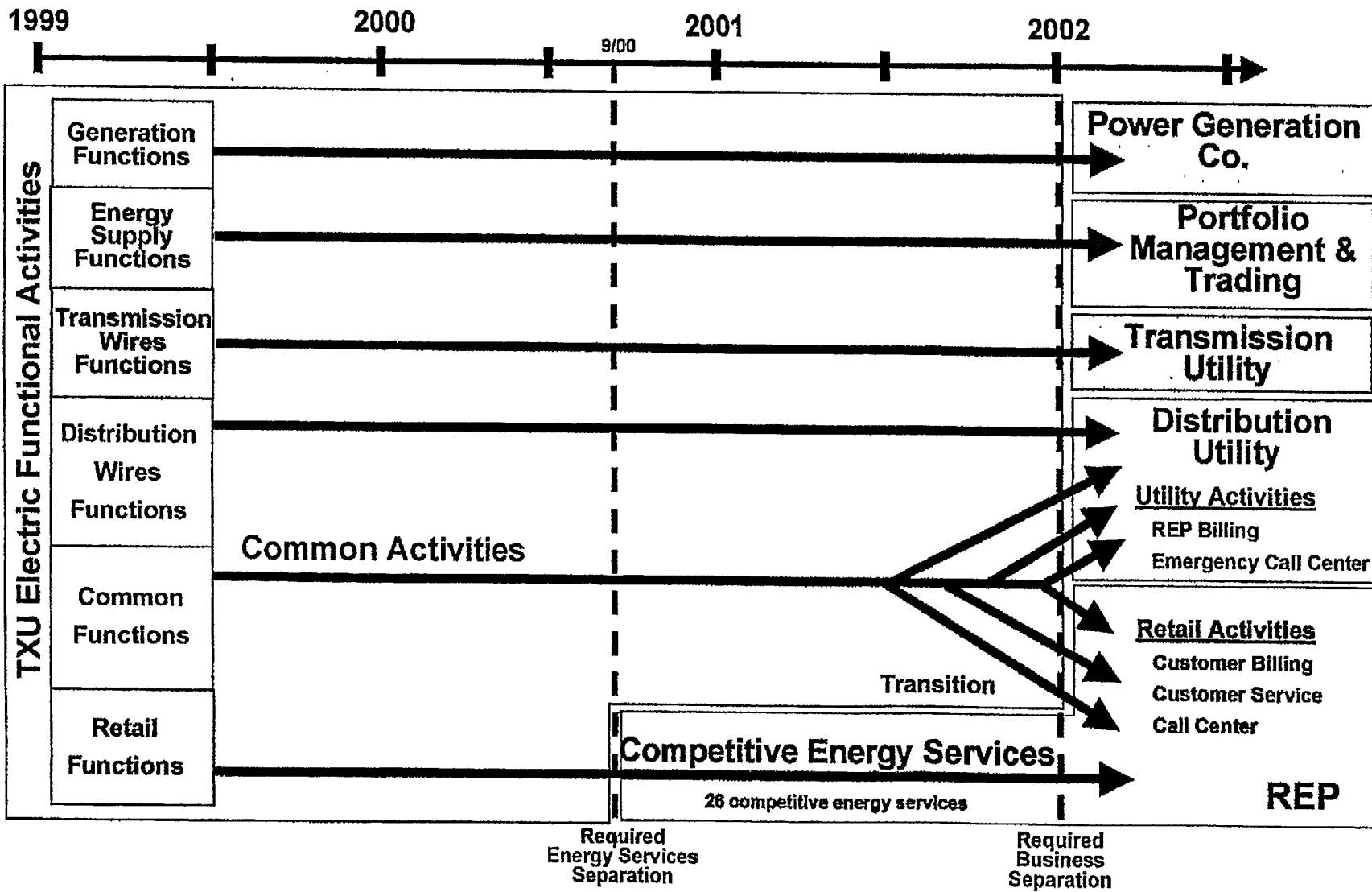
Notary Public, State of Texas

TXU ELECTRIC SYSTEM Asset Separation

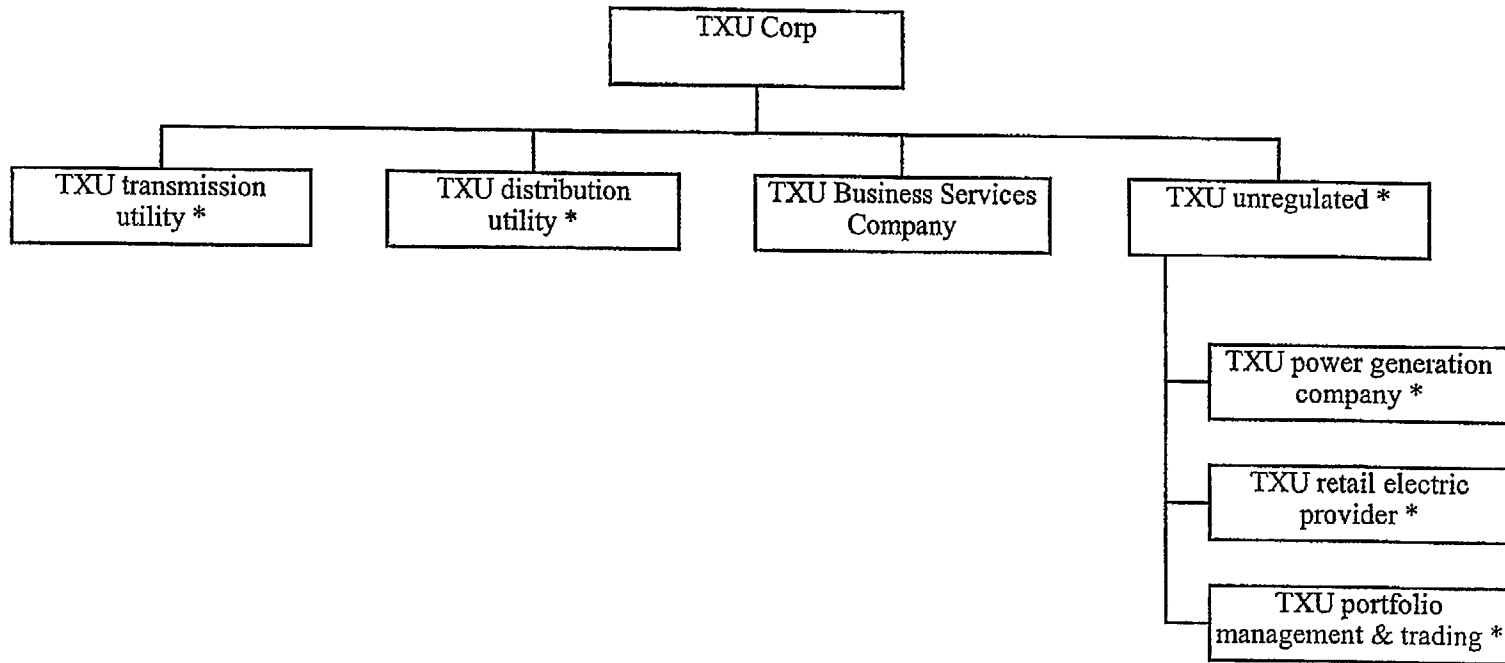
EXHIBIT TLB-S-1
Page 1 of 1



TXU Electric Separation



Proposed Corporate Structure
as of January 1, 2002



6

* Company names have not been chosen

**Relevant Excerpts from the
Public Utility Commission of Texas
Interim Order**

June 5, 2001

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PUC DOCKET NO. 22350

SOAH DOCKET NO. 473-00-10150

PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION OF TXU ELECTRIC
COMPANY FOR APPROVAL OF
UNBUNDLED COST OF SERVICE
RATE PURSUANT TO PURA § 39.201
AND PUBLIC UTILITY COMMISSION
SUBSTANTIVE RULE § 25.344

§
§
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PUBLIC UTILITY COMMISSION

OF TEXAS

**INTERIM ORDER – PHASES III & IV
T&D REVENUE REQUIREMENT, COST ALLOCATION, TXU BUSINESS
SEPARATION, AND EXCESS MITIGATION OF STRANDED COSTS**

This Order addresses TXU Electric Company's (TXU or the Company) transmission and distribution revenue requirement, cost allocation, business separation plan, and excess mitigation of stranded costs.

Except to the extent provided in this Order, the Public Utility Commission of Texas (Commission) adopts the proposal for decision (PFD), including findings of fact and conclusions of law, issued on March 14, 2001 and amended on April 12, 2001,¹ by the administrative law judge (ALJ) for the State Office of Administrative Hearings (SOAH). The Commission adopts the PFD with certain modifications.

I. Procedural History

In 1999, the Texas Legislature passed Senate Bill 7 (SB7)² instituting retail competition in the electric industry. SB7 requires electric utilities to unbundle their business functions and establish transmission and distribution (T&D) rates to various non-bypassable "wires" charges to reflect costs

¹ The ALJ's corrections were contained in a memorandum dated April 12, 2001, to Stephen Journeay, Director, Policy Development Division, filed with the Public Utility Commission of Texas on April 12, 2001.

² Tex. S.B. 7, 76th Leg., R.S. (1999) codified at Tex. Utilities Code Ann. § § 11.001-64.158 (Vernon 1998 & Supp. 2001).

1302

Moreover, the Commission finds that TXU SESCO shall submit an annual compliance filing to ensure that excess earnings for 1999, 2000, and 2001 have been spent in compliance PURA § 39.255. The compliance filing pursuant to the 1999 annual report shall be made by June 30, 2001, and future compliance filings shall be made by March 31 of the year following the filing of the annual report.

III. FINDINGS OF FACT

Procedure and Parties

1. TXU Electric Company (TXU or the Company) is an integrated investor-owned utility providing electric service in Texas within the Electric Reliability Council of Texas (ERCOT).
 2. TXU filed this application on March 31, 2000, in accordance with the requirement of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. (Vernon 1998 & Supp. 2001)(PURA) that it unbundle its business functions. This case will establish TXU's unbundled cost of service (UCOS) transmission and distribution (T&D) rates for the rate year 2002.
 3. TXU published notice of this proceeding once each week for four consecutive weeks in newspapers of general circulation in each county in which TXU provides electric service. Newspaper notice was completed by June 25, 2000. In addition, TXU mailed direct notice as a bill insert to each affected retail customer; direct notice was completed on June 15, 2000. A copy of the notice was mailed to all wholesale customers and annual planned wholesale transmission service customers and to each municipality served by TXU on May 18, 2000.
 4. This docket was referred by the Public Utility Commission of Texas (PUC or Commission) to the State Office of Administrative Hearings (SOAH) on April 3, 2000, for assignment of an administrative law judge to conduct a hearing and issue a proposal for decision. Following the
-

131A. In accordance with Order No. 17 in Docket No. 22344, a utility may recover reasonable and necessary rate case expenses that are related to the transmission and distribution functions, including those incurred prior to January 2002.

132. Deleted.

132A. Consistent with its determination in Docket No. 22355, the Commission finds it reasonable to apportion TXU's Electric expenses using the net asset functionalization factor. Using this methodology, 38.3% of TXU's Electric requested rate case expenses are attributable to the transmission and distribution functions and are recoverable as a result. TIEC Ex. 11 at 15-16.

132B. It is reasonable for TXU to recover rate case expenses through the annual report required by PURA § 39.257 for the calendar year 2001. Should TXU not have earnings in its annual report sufficient to cover the entire amount of recoverable rate case expenses, TXU may petition the Commission for other relief, including approval of the recovery of the remaining amount as a regulatory asset.

BUSINESS SEPARATION PLAN

133. The TXU Business Separation Plan (BSP) calls for all business activities currently performed by TXU to be performed either by the regulated T&D utilities, a separate power generation company, a REP, a portfolio management and trading company, or the current activity will be discontinued. TXU will create separate affiliated companies owned by a common holding company and separate transmission and distribution utilities, as permitted by PURA § 39.051(c) that will be Texas corporations owned by TXU Corporation. The power generation company, the REP, and the portfolio management and trading company will be corporations, and a new subsidiary of TXU Corporation will be created to hold these entities.

133A. TXU may elect to keep the transmission and distribution operations together in one utility after January 1, 2002.

134. Allowing generation facilities currently in rate base to be “eligible facilities” as defined in the federal Public Utility Holding Company Act of 1935 (PUHCA), 15 U.S.C. § 79z-5a, will benefit consumers, is in the public interest, and does not violate Texas law.
135. The Commission does not express an opinion as to the reasonableness of TXU’s market valuation of generation assets for purposes of the true-up under PURA § 39.252.
136. TXU anticipates it and TXU Corporation will need to purchase the securities of the future TXU transmission utility in order for it to be a wholly-owned subsidiary of TXU Corporation. This approval of the BSP constitutes an express authorization to acquire those securities.
137. As part of the implementation of its BSP, TXU will transfer the Comanche Peak Steam Electric Station (CPSES), the Nuclear Regulatory Commission license to operate CPSES, the nuclear decommissioning trust funds associated with CPSES, and the right to future decommissioning collections concerning CPSES to its power generation company. Following implementation of the TXU BSP, the TXU power generation company will assume the decommissioning liability associated with CPSES.
138. The TXU Distribution Utility will collect from its customers the decommissioning costs on behalf of the TXU power generation company and transfer all collected amounts to the TXU power generation company. The TXU power generation company will contribute all nuclear decommissioning collections to its nuclear decommissioning trust funds.
139. As part of its unbundling under PURA § 39.051, TXU will create separate transmission and distribution utilities. Each utility should have a separate CCN number for its wires facilities. The existing CCNs that cover both the transmission and distribution facilities should stay with the Distribution Utility on January 1, 2002. It is necessary; therefore, for the Commission to issue a new CCN to the future TXU transmission utility for all of the transmission facilities for which TXU currently holds a CCN, including the transmission facilities of TXU SESCO

that will be transferred to TXU effective December 31, 2001 under the Commission's Order in Docket No. 21850.

Decommissioning Costs

140. The Commission finds that the total market value of the decommissioning fund for both Comanche Peak nuclear units is \$264,437,398, which takes into account the after-tax market value for these plants. This fund balance includes the \$71,214,203 in market value over book value shown on TXU Schedule II-B-12, p. 1, Account 2545000.
141. The reasonable rates of return to be imputed to the decommissioning fund balances are as follows: for years 2000-2025, 6.88%; 2026-2034, 5.56%; and 2035, and after, 4.04%. These are based on an equity return of 10.92%.
142. In determining the equity return, it is appropriate to consider the broadest possible period of time in order to observe various financial and economic characteristics. The Ibbotson returns for years 1926 through 1999 provide a reasonable measure of equity returns.
143. No parties contested the escalation rate for the nuclear decommissioning costs. Therefore, the reasonable rates are those proposed by TXU—4.81% for CPSES Unit 1 and 4.60% for Unit 2, resulting in a weighted average escalation factor of 4.68% for both units.
144. The Company's portfolio mix for the decommissioning fund is 60% equities, 39% fixed income, and 1% cash in 1999 through 2015; 30% equities, 55% fixed income, and 15% cash from 2026 through 2034; and 50% fixed income and 50% cash for 2035 and thereafter.

System Benefit Fund Fee

145. The Commission finds that the System benefit fund fee fund is \$51,174,456 (Schedule I-A(D), p. 1 and Schedule WP/1-A(D)/1), which is based on a Commission approved rate of \$.50 per megawatt-hour.

Nuclear Decommissioning Fund/Disposal and Removal Costs

146. Nuclear Regulatory Commission (NRC) regulations do not prohibit the states from collecting additional funds in the trust fund for other decommissioning activities such as site restoration. The Commission has consistently included these costs in the decommissioning trust fund.
147. Costs associated with site restoration do not include returning the site to a "pristine" condition, but rather to return it to a stable, safe condition by dismantling structures that have already been significantly damaged from removal of radioactive material and by grading after dismantling.
148. TXU will be responsible for the costs associated with moving and storing spent fuel during the license termination process. Therefore, these costs should be included in the decommissioning expense calculation.
149. TLG Services, Inc., (TLG) cost estimate assumed that no scrap can be salvaged from Comanche Peak once it is dismantled. No positive value was assumed for the scrap primarily due to the off-setting expense of surveying required to verify to a 100% confidence level that material leaving the site has no detectable radionuclide contamination. While no positive value was assumed for the scrap, its inherent value was considered through the offset of disposal costs.
150. TXU will make economically reasonable efforts to salvage equipment during decommissioning, but placing a salvage value on the machinery and equipment at this time would be speculative. Furthermore, the salvage value would be small in comparison to overall decommissioning expenses. It is difficult to predict the remaining life of the equipment that will be on site when decommissioning begins, and it is difficult to predict the market for used equipment that long into the future. Any value received from sale of the material would be more than off-set by the on-site processing costs.

151. The TLG report clearly explains the reasons for not including scrap value in the decommissioning cost estimate; that explanation reflects a reasonable treatment of this matter, and no adjustment should be made to place a value on scrap as a reduction to decommissioning expense.
152. Ratepayer funds collected in advance of decommissioning should be returned to the ratepayers in the event that the Comanche Peak nuclear site is not returned to greenfield condition and that some other, less expensive, form of decommissioning is ultimately pursued. The method for such refunding should be determined at a future date.

Service Reliability

153. TXU has implemented strategies that have resulted in lower capital and maintenance expenses. TXU is prioritizing its vegetation management for the worst performing SAIDI and SAIFI feeders on a geographical basis to minimize expenses associated with crew relocations. The Company has instituted other measures to improve efficiency in vegetation management areas. Consequently, no Commission action is necessary at this time to address TXU's plant maintenance and service reliability.

COST ALLOCATION AND RATE DESIGN

Local Gross Receipts Taxes

154. The goal of the Commission is to institute, to the extent possible, a generic rate design that would honor the principles of cost causation, simplicity, and equity to customers within the given rate classes.
155. Local gross receipts tax (LGRT) is a tax or fee on the franchise arrangement whereby the T&D utility uses city streets, alleys, and rights-of-way to erect poles and run wires for delivery of electricity to the utility's customers within the municipal boundaries.
156. The LGRT legislation requires the tax be based on the number of kWh delivered within the municipal boundaries in order to maintain sufficient revenue levels for the cities. To meet this

purpose, especially given the potential offsetting effect from the Commission's decision regarding the over-funded pension plan discussed in FOF Nos. 68-71A. However, the final rates to be approved by the Commission for the period beginning January 1, 2002 shall include this adjustment to invested capital.

IV. Conclusions of Law

1. TXU Electric is an electric public utility as defined in § 11.004 and § 31.002 of the Public Utility Regulatory Act (PURA), TEX. UTIL. CODE ANN. §§ 11.001–64.158 (Vernon 1998 & Supp. 2001).
2. The Commission has jurisdiction over this matter pursuant to PURA §§ 14.001, 32.001, 36.001, 39.051, and 39.201.
3. SOAH has jurisdiction over matters related to conduct of the hearing and preparation of a proposal for decision in this proceeding, pursuant to PURA § 14.053 and TEX. GOV'T CODE ANN. § 2003.049 (Vernon 2000).
4. Appropriate notice of this application and hearing was provided in compliance with TEX. GOV'T. CODE ANN. §§ 2001.051 and 2001.0552, PURA § 36.103, and P.U.C. PROC. R. 22.51.
- 4A. The Commission conducted this docket in accordance with the requirements of the Administrative Procedure Act³³ and with the provisions of PURA.³⁴

Revenue Requirement

5. The revenues set forth in the Commission Revenue Requirement Schedules meet the PURA § 36.051 requirements that the Commission fix a utility's overall revenues at a level that will

³³ *Tex. Gov't Code Ann. §§ 2001.001 et seq. (Vernon Pamph. 2000).*

³⁴ *Public Utility Regulatory Act, Tex. Util. Code § 11.001-64.158 (Vernon 1998 & Supp. 2001).*

16. TXU's costs are appropriately assigned to the transmission and distribution utilities and TXU affiliates as described in its application and modified by the findings of fact.

Business Separation Plan

17. TXU's proposed organization after restructuring complies with the provisions of PURA § 39.051 and P.U.C. SUBST. R. 25.341-343 and 25.346.
18. Allowing the generation facilities that are currently in TXU's rate base to be eligible facilities as defined by 15 U.S.C. § 79z-5a (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Texas law.
19. The Commission's approval of TXU's BSP constitutes express authorization of the acquisition of securities of the TXU transmission utility by TXU and TXU Corporation as necessary to accomplish that BSP.
20. TXU's nuclear decommissioning fund complies with P.U.C. SUBST. R. 25.231(b)(1)(F) and 25.301.

Rate Design

21. The allocation of costs to the customers classes established by TXU as modified by the findings of fact comply with P.U.C. SUBST. R. 25.344(h) and PURA § 36.003(b) and is reasonable, not unreasonably preferential, prejudicial, or discriminatory.
22. Collecting LGRT in base rates by employing the direct/spread method for allocating and collecting the LGRT with the in-city revenues calculated using the energy allocator, is reasonable and permits municipalities to recover the appropriate level of revenues as provided in PURA § 33.008(b).
23. The forecasted billing determinants established in this order are reasonable.
24. TXU's proposed non-bypassable charges, including the proposed Riders for nuclear decommissioning, system benefit fund fees, and other non-bypassable charges, the rider SE