

information that is being withheld and identifies the privileges asserted. If the presiding officer decides that an in camera inspection is necessary, the producing party shall tender the information to the presiding officer within ten (10) calendar days of the presiding officer's order. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to P.U.C. PROC. R. 22.161.
38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against

such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

ATTACHMENT A

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 34077. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

Signature

Party Represented

Printed Name

Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Confidential &/or HS

Signature

Party Represented

Printed Name

Date



EXHIBIT D

Oncor Electric Delivery
1601 Bryan St.
Dallas, Texas 75201

**NOTICE OF APPLICATION
FILED WITH THE PUBLIC UTILITY COMMISSION**

Date

<<Title>>
<<Address 1>>
<<Address 2>>
<<City>>, TX <<zip>>

Dear <<Title>> <<Last Name>>:

Oncor Electric Delivery Company ("Oncor"), a regulated electric transmission and distribution company wishes to inform you that on April 25, 2007, Oncor and Texas Energy Future Holdings Limited Partnership, filed an Application for Sale, Transfer or Merger with the Public Utility Commission of Texas, a copy of which Application is kept at Oncor's office at 1601 Bryan St., 23rd floor, Dallas, TX 75201. The proposed Transaction described in the Application will not involve the transfer of Oncor's assets, municipal franchises, or any Certificates of Convenience and Necessity. No modification to Oncor's rates or services is being sought as a result of the proposed Transaction.

If you wish to protest the Application you should notify us and must file your protest in writing with the Public Utility Commission, 1701 North Congress Ave., P.O. Box 13326, Austin, Texas, 78711-3326, within fifteen (15) days. This case has been assigned as PUCT Docket No. 34077.

Sincerely,

[Applicant's Representative]
Oncor Electric Delivery Company

**NOTICE OF AN APPLICATION FILED WITH
THE PUBLIC UTILITY COMMISSION OF TEXAS**

Oncor Electric Delivery Company ("Oncor"), a regulated electric transmission and distribution company, wishes to inform you that on April 25, 2007, Oncor and Texas Energy Future Holdings Limited Partnership filed an Application for Sale, Transfer or Merger with the Public Utility Commission of Texas, a copy of which Application is kept at Oncor's office at 1601 Bryan Street, 23rd Floor, Dallas, Texas, 75201. The proposed Transaction described in the Application will not involve the transfer of Oncor's assets, municipal franchises, or any of Oncor's Certificates of Convenience and Necessity. No modification to Oncor's rates or services is being sought as a result of the proposed transaction.

Any persons wishing to intervene in this proceeding must file a written request with the Public Utility Commission of Texas, 1701 North Congress Ave., P.O. Box 13326, Austin, Texas, 78711-3326, no later than _____, 2007. This case has been assigned as PUCT Docket No.34077.

ONCOR ELECTRIC DELIVERY COMPANY

PUC DOCKET NO. 34077

Proposed Procedural Schedule

April 25, 2007	Joint Applicants File PURA §14.101 Filing with the Commission, including Application for Sale, Transfer or Merger and Joint Applicants' Direct Testimony
May 15, 2007	First Prehearing Conference
July 16, 2007	Intervenor Direct Testimony
July 23, 2007	Staff Direct Testimony
August 7, 2007	Joint Applicants Rebuttal Testimony
August 13-16, 2007	Hearing on the Merits before the Commissioners (2-4 days)
September 20, 2007	Commission Final Order Meeting – Commission Decision

PUC DOCKET NO. 34077

**JOINT REPORT AND APPLICATION OF § PUBLIC UTILITY COMMISSION
ONCOR ELECTRIC DELIVERY §
COMPANY AND TEXAS ENERGY § OF TEXAS
FUTURE HOLDINGS LIMITED §
PARTNERSHIP PURSUANT TO PURA §
§ 14.101**

PRELIMINARY ORDER

I. PROCEDURAL HISTORY

On April 25, 2007, Oncor Electric Delivery Company (“Oncor”), a public utility in Texas, and Texas Energy Future Holdings Limited Partnership (“TEF”) (collectively, “Applicants”), filed an application under PURA § 14.101(b)¹ and P.U.C. SUBST. R. 25.75, seeking a determination that the transaction described below (“Transaction”) is in the public interest.

Oncor’s parent, TXU Corp., and TEF have entered into an Agreement and Plan of Merger dated February 25, 2007 (“Merger Agreement”), whereby Texas Energy Future Merger Sub Corp., a Texas corporation and wholly-owned subsidiary of TEF (“Merger Sub”), will be merged with and into TXU Corp., with TXU Corp. continuing as the surviving corporation and as a wholly-owned subsidiary of TEF. Pursuant to the Merger Agreement, each share of common stock of TXU Corp. outstanding at the effective time of the merger will be cancelled and converted into the right to receive \$69.25 in cash, without interest, at the effective time of the merger. As a result of the Merger Agreement, TEF will own all or substantially all of the outstanding shares of TXU Corp., and Oncor will remain a direct or indirect wholly-owned subsidiary of TXU Corp.

II. ISSUES TO BE ADDRESSED

The Commission identifies the following issues that must be addressed in this docket:

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-64.158 (Vernon 1998 & Supp. 2005).

First, in accordance with PURA § 14.101(b), the following statutory issues shall be addressed:

1. Consideration of the reasonable value of the securities of Oncor to be indirectly acquired by TEF.
2. Whether the Transaction will adversely affect the health or safety of Oncor customers or employees.
3. Whether the Transaction will result in the transfer of jobs of citizens of this state employed by Oncor to workers domiciled outside this state.
4. Whether the Transaction will result in the decline of service by Oncor.
5. Whether the Transaction as it relates to Oncor is consistent with the public interest.

In addition to the requirements in PURA § 14.101(b), the parties shall address the following additional issues:

6. Whether the ratepayers of Oncor will bear any costs related to the Transaction.
7. Whether, after the Transaction, Oncor will limit its debt so that its debt-to-equity ratio remains at or below the debt-to-equity ratio established by the Commission for ratemaking purposes.
8. Whether the proposed "ring-fencing" provisions proposed by TEF regarding the structural separation of Oncor from its affiliates are in accordance with the requirements of P.U.C. SUBST. R. 25.272.
9. Whether Oncor has in place sufficient controls to ensure that no cost shifting, cross subsidies, and/or discriminatory behavior will occur between Oncor and its affiliates, in accordance with the requirements of P.U.C. SUBST. R. 25.272.
10. Whether Oncor's financial integrity will be protected from the separate operations of the affiliated power generation company and affiliated retail electric provider owned by other subsidiaries of TXU Corp.
11. Whether TEF has reaffirmed the stipulated commitments it made to the Commission in the letter TEF filed with the Commission on April 2, 2007.
12. Whether the Transaction is a means of evading regulation or facilitates regulatory oversight of Oncor.
13. Whether the Transaction results in tangible benefits to Texas customers of Oncor on a timely basis.

This list of issues is not intended to be exhaustive. The parties are free to raise and address any issues relevant in this docket that they deem necessary, subject to the limitations imposed by the Commission in Section III in this Order and in any future orders issued in this docket. The Commission reserves the right to identify in the future any additional issues or areas that must be addressed in this docket.

III. ISSUES NOT TO BE ADDRESSED

The following issues are not to be addressed in this proceeding:

1. Any issue relating to the business plans, including but not limited to marketing strategies or any competitively sensitive information, of any power generation company, generation development company, retail electric provider or other non-utility affiliates of Oncor.
2. Any issue relating to the operations of any affiliated power generation company, generation development company, affiliated retail electric provider, or other non-utility affiliate of Oncor, other than any transactions between any such affiliate and Oncor.
3. Alternative business combinations to the one proposed by the Applicants.
4. Matters that are exclusively under the jurisdiction of other regulatory bodies, including but not limited to, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the United States Department of Justice, the Federal Trade Commission, the United States Securities and Exchange Commission and the Texas Commission on Environmental Quality.

IV. EFFECT OF PRELIMINARY ORDER

The Commission's identification of issues not to be addressed should be considered dispositive on those issues. As to the remaining issues, this Order is preliminary in nature and is entered without prejudice to any party expressing views contrary to this Order before the Commission at hearing. Furthermore, this Order is not subject to motions for rehearing or reconsideration.

SIGNED AT AUSTIN, TEXAS the _____ day of _____ 2007.

PUBLIC UTILITY COMMISSION OF TEXAS

PAUL HUDSON, CHAIRMAN

JULIE PARSLEY, COMMISSIONER

BARRY T. SMITHERMAN, COMMISSIONER

PUC DOCKET NO. 34077
INDEX TO THE DIRECT TESTIMONY
OF ROBERT S. SHAPARD, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY

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1 **I. POSITION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

3 A. My name is Robert S. Shapard.

4 Q. BY WHOM ARE YOU EMPLOYED?

5 A. Oncor Electric Delivery Company ("Oncor").

6 Q. WHAT IS YOUR CURRENT POSITION WITH ONCOR, AND WHAT ARE
7 YOUR RESPONSIBILITIES?

8 A. Currently, I am the Chairman and Chief Executive Officer of Oncor. I have
9 held this position since April 2007. My present responsibilities include
10 leading Oncor's management team and employees, crafting Oncor's
11 strategy, overseeing Oncor's operations in order to continue achieving
12 industry-leading reliability, customer service and cost productivity, and
13 focusing on making necessary infrastructure investment in transmission
14 and distribution assets in Oncor's service territory.

15 Q. WHAT OTHER POSITIONS HAVE YOU HELD WITHIN THE TXU CORP.
16 SYSTEM?

17 A. In 2005, I returned to TXU Corp. as strategic advisor with respect to the
18 transmission and distribution business. I held that position until my current
19 appointment. Earlier in my career, I served for twenty years in various
20 financial and operating leadership roles for TXU Corp. and its subsidiaries,
21 including managing director of the former subsidiary TXU Australia, and
22 treasurer and assistant secretary of TXU Corp.

23 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

1 A. I hold a bachelor's degree in accounting from Texas Tech University, and I
2 am a certified public accountant.

3 Q. PLEASE DESCRIBE ANY OTHER RELEVANT EDUCATION OR
4 EXPERIENCE?

5 A. Prior to my current tenure with TXU Corp. and Oncor, I served as chief
6 financial officer of Tenet Healthcare Corporation. Prior to my service at
7 Tenet, I was the executive vice president and chief financial officer of
8 Exelon Corporation. Prior to joining Exelon, I was the executive vice
9 president and chief financial officer of Ultramar Diamond Shamrock.

10 **II. PURPOSE OF TESTIMONY**

11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

12 A. The primary purpose of my testimony is to support the "Joint Report and
13 Application of Oncor Electric Delivery Company and Texas Energy Future
14 Holdings Limited Partnership Pursuant to Public Utility Regulatory Act
15 Section 14.101" (the "Joint Report"). Oncor and Texas Energy Future
16 Holdings Limited Partnership ("TEF") (collectively, the "Applicants") are
17 sponsoring the Joint Report.

18 Q. IN CONNECTION WITH YOUR SUPPORT OF THE JOINT REPORT,
19 WHAT ARE THE SPECIFIC AREAS OF INTEREST THAT YOUR
20 DIRECT TESTIMONY WILL COVER?

21 A. My direct testimony will include the following information in support of the
22 Joint Report:

- 1 1. An overview of the Applicant's filing package in this proceeding;
- 2 2. An overview of Oncor's legal structure and its operations;
- 3 3. An overview of TEF's acquisition of TXU Corp. (the "Transaction"),
- 4 which has given rise to this proceeding;
- 5 4. A discussion of the effect of the Transaction on Oncor and the
- 6 tangible benefits of the Transaction as it relates to Oncor;
- 7 5. A discussion of the Transaction as it relates to Oncor in light of the
- 8 public interest and other specific considerations identified in PURA
- 9 Section 14.101(b);
- 10 6. A discussion of the Public Utility Commission of Texas'
- 11 ("Commission") oversight and regulatory authority over Oncor and
- 12 its rates and services; and
- 13 7. A request that the Commission find that the Transaction as it
- 14 relates to Oncor satisfies all of the considerations identified in
- 15 PURA Section 14.101(b) and that the Transaction as it relates to
- 16 Oncor is in the public interest.

17 **III. OVERVIEW OF FILING PACKAGE**

18 Q. PLEASE DESCRIBE THE APPLICANTS' FILING PACKAGE.

19 A. The Applicants' filing package consists of the Joint Report, which requests
20 that the Commission initiate a proceeding under PURA Section 14.101(b)
21 to review the Transaction. The Applicants have attached to the Joint
22 Report the following:

- 1 1. Exhibit A: the completed Application for Sale, Transfer or Merger
- 2 on the form prescribed by the Commission for such filings;
- 3 2. Exhibit B: a proposed Interim Order;
- 4 3. Exhibit C: a proposed Protective Order;
- 5 4. Exhibit D: a proposed form of direct notice;
- 6 5. Exhibit E: a proposed form of published notice, which the
- 7 Applicants specifically request that the Commission consider and
- 8 approve for publication;
- 9 6. Exhibit F: a proposed Procedural Schedule that includes proposed
- 10 deadlines for the prosecution and final resolution of this 14.101
- 11 review proceeding; and
- 12 7. Exhibit G: a proposed Preliminary Order.

13 Q. IN ADDITION TO THE JOINT REPORT AND ITS EXHIBITS, WHAT
14 OTHER MATERIALS ARE INCLUDED IN THE FILING PACKAGE?

15 A. The filing package also includes my direct testimony and exhibits, and
16 those of six other Oncor and TEF witnesses who support the Joint Report.

17 Q. PLEASE IDENTIFY THE APPLICANTS' WITNESSES, AND THE
18 PURPOSES OF THEIR RESPECTIVE TESTIMONY?

19 A. I will be the lead policy witness for Oncor. The purpose of my direct
20 testimony is set out in Section II herein. In addition to my direct testimony,
21 the Applicants are also filing the following testimony as part of the filing
22 package:

1 1. The direct testimony of Ms. Brenda J. Pulis, Senior Vice President
2 of Transmission & Distribution Asset Services for Oncor. Ms. Pulis will
3 testify regarding Oncor's current operations, service territory and
4 transmission and distribution assets. Ms. Pulis will also testify regarding
5 Oncor's current strong performance in terms of regulatory compliance,
6 reliability, and customer service. Ms. Pulis will also testify about Oncor's
7 workforce and capital expenditures and investment plans.

8 2. The direct testimony of Mr. John M. Casey, Assistant Treasurer and
9 Director of Finance for Oncor. Mr. Casey will testify regarding the current
10 capital structure of Oncor and the financial impact of the Transaction on
11 Oncor. Mr. Casey will explain why the Transaction will have no impact on
12 Oncor's rates in the areas of capital structure, financial integrity and costs
13 associated with the Transaction.

14 3. The direct testimony of Mr. Richard C. Hays, Controller for Oncor.
15 Mr. Hays will testify regarding the accounting principles that will be used
16 by Oncor to account for the Transaction and why the accounting for the
17 Transaction will not affect Oncor's rates.

18 4. The direct testimony of Mr. Frederick M. Goltz, a partner in
19 Kohlberg Kravis Roberts & Co. Mr. Goltz will testify regarding the
20 Transaction, the various commitments regarding Oncor that will be
21 undertaken upon consummation of the Transaction, the protections for
22 Oncor afforded by the proposed ring-fencing of Oncor from TXU Corp.'s

1 unregulated affiliates, and the public benefits for customers of the
2 Transaction and related commitments relative to Oncor.

3 5. The direct testimony of Steven M. Fetter, President of Regulation
4 UnFettered, an energy advisory firm. Mr. Fetter will testify regarding the
5 steps proposed to “ring-fence” Oncor from its unregulated affiliates, and
6 the benefits of the various mechanisms that will be put in place to
7 separate the operations of Oncor from its unregulated affiliates.

8 6. The direct testimony of Dr. William E. Avera, President of FINCAP,
9 Inc., a financial, economic, and policy consulting firm. Dr. Avera will testify
10 regarding the adequacy of Commission oversight through the PURA
11 14.101 process and the Commission’s ongoing regulatory authority, Dr.
12 Avera will also testify that the acquisition will neither hinder the
13 Commission in its oversight role nor enable Oncor or other TXU Corp.
14 subsidiaries to evade regulation.

15 **IV. OVERVIEW OF ONCOR**

16 Q. PLEASE DESCRIBE ONCOR.

17 A. Oncor, a Texas corporation, is a wholly-owned direct subsidiary of TXU
18 Corp. Oncor is an electric transmission and distribution utility that delivers
19 power pursuant to rates approved by municipalities in which it provides
20 service that have retained original jurisdiction and by this Commission.
21 Oncor operates more than 115,000 miles of distribution and transmission
22 lines within the Electric Reliability Council of Texas (“ERCOT”) region of

1 Texas. Oncor also provides limited open access wholesale transmission
2 service under tariffs on file with the Federal Energy Regulatory
3 Commission ("FERC") for certain transactions that are subject to the
4 jurisdiction of the FERC under Sections 210, 211, and 212 of the Federal
5 Power Act.

6 Q. WHAT IS THE PRIMARY BUSINESS PURPOSE OF ONCOR?

7 A. The primary business purpose of Oncor is to provide safe and reliable
8 transmission and distribution service to its customers at a reasonable cost.
9 Oncor's reliability statistics compare favorably to those of other utilities.
10 As discussed by Ms. Brenda J. Pulis in her direct testimony, over the past
11 year Oncor ranked in the top quartile relative to a peer group of utilities in
12 System Average Interruption Duration Index ("SAIDI") performance, which
13 is one of the key reliability metrics used by Oncor to measure its
14 performance. Moreover, Oncor's retail residential distribution rates are
15 lower than average for distribution service providers operating in the areas
16 in Texas open to retail competition. Exhibit RSS-1 to my direct testimony
17 demonstrates that Oncor's residential rates are among the lowest in Texas
18 for comparable transmission and distribution service.

19 Q. DOES ONCOR MAKE ANY SALES OF ELECTRIC ENERGY AT RETAIL
20 OR WHOLESALE?

1 A. No. Oncor is a regulated utility that provides transmission and distribution
2 service only. Oncor provides this service on a non-discriminatory basis for
3 wholesale transmission customers and retail electric providers.

4 Q. WHERE DOES ONCOR FIT WITHIN THE TXU CORP. SYSTEM?

5 A. Oncor is legally and functionally separate from the other subsidiaries of
6 TXU Corp. An organizational chart showing the existing relationship of
7 Oncor to its parent, TXU Corp., and to TXU Corp's operating subsidiaries,
8 including its primary retail electric provider, TXU Energy ("TXU Energy
9 Retail"), and its power generator affiliates, which TEF expects to rename
10 with the Luminant Energy brand ("Luminant"), is attached to my testimony
11 as Exhibit RSS-2. With regard to its unregulated affiliates, Oncor
12 maintains compliance with affiliate standards with respect to any affiliate
13 dealings in accordance with PURA and the requirements of the
14 Commission.

15 **V. OVERVIEW OF THE TRANSACTION**

16 Q. PLEASE DESCRIBE THE TRANSACTION.

17 A. TXU Corp., the parent of Oncor, TEF and Texas Energy Future Merger
18 Sub Corp, a Texas corporation and wholly-owned subsidiary of TEF
19 ("Merger Sub"), have entered into an Agreement and Plan of Merger dated
20 as of February 25, 2007 (the "Merger Agreement"), pursuant to which, at
21 closing, Merger Sub will be merged with and into TXU Corp., with TXU
22 Corp. continuing as the surviving corporation and as a subsidiary of TEF.

1 As a result of the Merger Agreement, upon closing, TEF will own all or
2 substantially all of the outstanding shares of TXU Corp., and Oncor will
3 remain a direct or indirect wholly-owned subsidiary of TXU Corp., subject
4 to any minority investment in Oncor. Investment funds affiliated with each
5 of Kohlberg Kravis Roberts & Co. L.P. ("KKR") and TPG Capital, L.P
6 ("Texas Pacific Group") currently are the only owners of TEF and its sole
7 general partner, Texas Energy Future Capital Holdings LLC ("Texas
8 Energy Capital LLC").

9 Q. WHAT CONSIDERATION WILL TEF PAY FOR THE ACQUISITION OF
10 TXU CORP.?

11 A. At the close of the Transaction, each outstanding share of common stock
12 of TXU Corp. will be converted into the right to receive \$69.25 in cash,
13 without interest and less any applicable withholding tax, except for shares
14 owned by shareholders exercising dissenters' rights and shares held by
15 either TXU Corp. or by TEF or Merger Sub or their respective subsidiaries.

16 Q. WHEN DO THE APPLICANTS ANTICIPATE THAT THE TRANSACTION
17 WILL CLOSE?

18 A. The Transaction will close after all regulatory filings are made and the
19 necessary approvals are received and all conditions of closing are met. In
20 addition to the Joint Report as filed with the Commission, the parties to the
21 Transaction either have made, or intend to make, regulatory filings relating
22 to the Transaction with the FERC, the Nuclear Regulatory Commission,

1 the Federal Communications Commission, and the Antitrust Division of the
2 United States Department of Justice pursuant to the Hart-Scott-Rodino
3 Antitrust Improvements Act of 1976, as amended.

4 TXU Corp. will remain the sole owner of Oncor's common stock,
5 subject to any minority ownership in Oncor, although it is envisioned that
6 an intermediate holding company ("Oncor Electric Delivery Holdings") will
7 be established between TXU Corp. and Oncor. The Transaction will not
8 result in the transfer of any of Oncor's assets, franchises, or certificates of
9 convenience and necessity.

10 **VI. EFFECT OF THE TRANSACTION ON ONCOR**

11 Q. WHAT WILL BE THE EFFECT OF THE TRANSACTION ON ONCOR?

12 A. While the Transaction will result in an ultimate change in control at
13 Oncor's parent, the Transaction is expected to have minimal effect on the
14 day-to-day operations of Oncor. No Oncor assets will be transferred as a
15 result of the Transaction, and there will be no change to Oncor rates or
16 services as a result of the Transaction. Oncor's customers and retail end-
17 users should not notice any change from the safe and reliable
18 transmission and distribution service that they currently enjoy, as
19 supported by the testimony of Ms. Brenda J. Pulis.

20 TEF and Oncor are, however, making a number of binding, public
21 commitments that, when implemented upon closing of the Transaction,
22 should substantially strengthen Oncor's long-term strategic focus and

1 benefit Oncor's customers and the Texas electric power market. TEF has
2 memorialized certain of these commitments in a letter filed with the
3 Commission on April 2, 2007, which was assigned Docket No. 34077, and
4 TEF has confirmed and further discussed these and other Oncor
5 commitments in the direct testimony of Frederick M. Goltz. TEF and
6 Oncor have requested that the Commission include these commitments in
7 both a binding interim order and a final order in this proceeding that finds
8 that the Transaction as it relates to Oncor is in the public interest.

9 Q. PLEASE DESCRIBE THE MATERIAL COMMITMENTS MADE WITH
10 RESPECT TO ONCOR.

11 A. In the April 2 letter, TEF made ten material commitments that related
12 directly to Oncor. These commitments have been affirmed by TEF and
13 Oncor in the Joint Report, will be made effective upon the closing of the
14 Transaction, and are as follows:

- 15 • **Name Change Commitment** - On or before closing of the
16 Transaction, the name of TXU Electric Delivery Company will be
17 changed to Oncor Electric Delivery Company. Oncor's logo will be
18 separate and distinct from the logos of the parent, TXU Corp., the
19 retail electric provider, which will retain the TXU Energy name
20 ("TXU Energy Retail"), and the power generation company, which
21 we expect to rename with the Luminant Energy brand ("Luminant").
22 In fact, the name of TXU Electric Delivery Company was changed
23 to Oncor Electric Delivery Company on April 24, 2007. TXU Corp.
24 commits to maintaining a name and logo for Oncor that is separate
25 and distinct from the names of TXU Corp.'s retail electric provider
26 and wholesale generation companies.
- 27
28 • **Separate Board Commitment** - At closing and thereafter, Oncor
29 will have a separate board of directors that will not include any
30 members from the boards of directors of TXU Energy Retail or

- 1 Luminant.
- 2 • **Separate Headquarters Commitment** - Within a reasonable
- 3 transition period after closing of the Transaction, not to exceed 6
- 4 months, Oncor's headquarters will be located in a separate building
- 5 from the headquarters and operations of TXU Energy Retail and
- 6 Luminant.
- 7 • **No Transaction-Related Debt at Oncor Commitment-** Oncor will
- 8 not incur, guaranty or pledge assets in respect of any incremental
- 9 new debt related to financing the Transaction at the closing or
- 10 thereafter. Oncor's financial integrity will be protected from the
- 11 separate operations of TXU Energy Retail and Luminant.
- 12 • **Debt-to-Equity Ratio Commitment** - Oncor's debt will be limited
- 13 so that its regulatory debt-to-equity ratio is at or below the assumed
- 14 debt-to-equity ratio established from time to time by the
- 15 Commission for ratemaking purposes, which is currently set at 60%
- 16 debt to 40% equity. For ratemaking purposes, in its scheduled rate
- 17 cases in 2007 and 2008, Oncor will support a cost of debt that does
- 18 not exceed Oncor's actual cost of debt immediately prior to the
- 19 announcement of the Transaction.
- 20 • **Capital Expenditure Commitment** - Following the closing of the
- 21 Transaction, Oncor will continue to make capital expenditures
- 22 consistent with the capital expenditures in Oncor's business plan.
- 23 Total capital spending will depend in part on economic and
- 24 population growth in Texas, as well as permitting and siting
- 25 outcomes. However, in any event, over the five years following the
- 26 year in which closing of the Transaction occurs, Oncor will make
- 27 capital expenditures in connection with its transmission and
- 28 distribution business in an aggregate amount of more than \$3.0
- 29 billion.
- 30 • **DSM/Energy Efficiency Commitment** - Over the five years
- 31 following the year in which closing occurs, subsidiaries of TXU
- 32 Corp. will expend an aggregate of at least \$200 million on demand-
- 33 side management/energy efficiency programs ("DSM") over the
- 34 amount included by the Commission in Oncor's rates. This
- 35 commitment will approximately double the level of spending on
- 36 DSM currently included in Oncor's rates. Oncor will not seek to
- 37 recover in rates any of the \$200 million in incremental DSM
- 38 expenditures.

- 1 • **Service and Safety Commitment** - Oncor will support the
2 inclusion of negotiated commitments with appropriate stakeholders
3 regarding reliability, customer service and employee safety in any
4 final order regarding the Transaction issued pursuant to PURA
5 Section 14.101.
- 6 • **Rate Case Commitment** - If, for any reason, the Commission has
7 not initiated a general rate proceeding for Oncor or its predecessor
8 prior to July 1, 2008, Oncor will not later than that date file a
9 general rate case consistent with its currently effective settlement
10 agreement with certain municipalities.
- 11 • **Continued Ownership Commitment** - TEF will hold a majority of
12 its ownership interest in Oncor, in the current regulatory system, for
13 a period of more than five years after the closing date of the
14 Transaction.

15 Q. ARE ANY ADDITIONAL COMMITMENTS RELATING TO ONCOR BEING
16 MADE?

17 A. Yes. As part of the Joint Report filing, additional commitments are being
18 made, as follows:

- 19 • **Holding Company Commitment** - A new holding company, Oncor
20 Electric Delivery Holdings, will be formed between TXU Corp. and
21 Oncor.
- 22 • **Independent Board Commitment** - Each of Oncor Electric
23 Delivery Holdings and Oncor will have a board of directors
24 comprised of at least nine persons. A majority of the board
25 members of each of Oncor Electric Delivery Holdings and Oncor
26 will qualify as "independent" in all material respects in accordance
27 with the rules and regulations of the New York Stock Exchange
28 ("NYSE") (which are set forth in Section 303A of the NYSE Listed
29 Company Manual and in Exhibit FMG-3), from TXU Corp. and its
30 subsidiaries (including TXU Energy Retail and Luminant), TPG and
31 KKR. Consistent with prior commitments, the directors of Oncor
32 and Oncor Electric Delivery Holdings will also not include any
33 members from the boards of directors of TXU Energy Retail or
34 Luminant.
- 35 • **Affiliate Asset Transfer Commitment** - Neither Oncor Electric

1 Delivery Holdings nor Oncor will transfer any material assets or
2 facilities to any affiliates (other than the Ring-Fenced Entities, as
3 hereinafter defined), other than such transfer that is on an arm's
4 length basis consistent with the Commission's affiliate standards
5 applicable to Oncor, regardless of whether such affiliate standards
6 would apply to the particular transaction.

7 • **Arm's Length Relationship Commitment** - Each of the Ring-
8 Fenced Entities will maintain an arm's length relationship with the
9 TXU Group (as defined below) consistent with the Commission's
10 affiliate standards applicable to Oncor.

11 • **Separate Books and Records Commitment** - Each of the Ring-
12 Fenced Entities will maintain accurate and appropriate detailed
13 books, financial records and accounts, including checking and other
14 bank accounts, and custodial and other securities safekeeping
15 accounts that are separate and distinct from those of any other
16 entity.

17 **VII. PURA Section 14.101 Considerations**

18 Q. PLEASE DESCRIBE THE SPECIFIC FACTORS THAT THE
19 COMMISSION MUST CONSIDER IN A PURA SECTION 14.101
20 REVIEW?

21 A. PURA Section 14.101 specifically identifies a number of factors that the
22 Commission must consider in connection with a review of a reported
23 transaction. These factors include the following:

- 24 1. the reasonable value of the property, facilities, or securities to be
25 acquired, disposed of, merged, transferred or consolidated;
- 26 2. whether the Transaction will adversely affect the health or safety of
27 customers or employees;
- 28 3. whether the Transaction will result in the transfer of jobs of citizens
29 of this state to workers domiciled outside this state;

- 1 4. whether the Transaction will result in the decline of service;
- 2 5. whether the public utility will receive consideration equal to the
- 3 reasonable value of the assets when it sells, leases, or transfers
- 4 assets; and
- 5 6. whether the Transaction is in the public interest.

6 Q. WILL ANY ONCOR PROPERTY, FACILITIES, OR SECURITIES BE

7 ACQUIRED, DISPOSED OF, MERGED, TRANSFERRED OR

8 CONSOLIDATED, AS A RESULT OF THE TRANSACTION?

9 A. No. As I previously described, the Transaction is an acquisition by TEF of

10 TXU Corp. stock only. No Oncor property or other assets will be sold,

11 transferred or otherwise affected. TEF will acquire the TXU Corp. stock at

12 a substantial premium over the market price of TXU's common stock prior

13 to the announcement of the merger. As contemplated by the Merger

14 Agreement, TXU Corp. conducted a 50 day "go shop" process to solicit

15 other potential competing bids. After that process, TXU Corp.'s board of

16 directors concluded that there was no proposal that could reasonably be

17 expected to result in a superior proposal to the existing Merger

18 Agreement.

19 Q. WILL THE TRANSACTION ADVERSELY AFFECT THE HEALTH OR

20 SAFETY OF ONCOR'S CUSTOMERS OR EMPLOYEES?

21 A. No. Again, the Transaction is a financial transaction at the parent level. It

22 is not expected to have an impact on the daily operations of Oncor, and

1 there is no reason to believe that the health or safety of its customers or
2 employees will be adversely affected.

3 Q. WILL THE TRANSACTION RESULT IN THE TRANSFER OF JOBS OF
4 WORKERS THAT ARE CITIZENS OF TEXAS TO WORKERS
5 DOMICILED OUTSIDE OF THIS STATE?

6 A. Again, no. The Transaction is not expected to result in the transfer of jobs
7 outside of Texas. TXU Corp. is a Texas company, with substantially all of
8 its operations located in Texas. Oncor, in particular, is fundamentally
9 linked to Texas through its vast transmission and distribution system.
10 Texas workers will always be needed to construct, operate, and maintain
11 the Oncor system. Further, Oncor and the InfrastruX Group have
12 suspended their proposed electric utility services joint venture, and it will
13 be terminated upon closing of the Transaction.

14 Q. WILL THE TRANSACTION RESULT IN A DECLINE OF SERVICE BY
15 ONCOR?

16 A. No. The Transaction will not have a negative effect on Oncor's
17 operations, and thus will not result in a decline of service. If anything,
18 given the commitment to continue Oncor's robust capital expenditure
19 program, the Transaction has the potential to improve Oncor's service
20 through enhanced reliability and the deployment of smart grid technology.
21 From an operational standpoint, TEF does not plan to make any changes

1 to the way Oncor is managed or to its business plan. It will be business as
2 usual at Oncor following the Transaction.

3 Q. IS THE TRANSACTION AS IT RELATES TO ONCOR IN THE PUBLIC
4 INTEREST?

5 A. Most certainly, yes. Speaking from Oncor's perspective, the Transaction
6 does not impact the day-to-day operations of Oncor, which currently result
7 in safe and reliable transmission and distribution service. Nevertheless,
8 the binding commitments that are being made, as they relate to Oncor, will
9 result in substantial, tangible public benefits.

10 First, the Name Change Commitment should eliminate any
11 confusion that may exist in the marketplace regarding Oncor and the
12 services it provides, as being distinct from those services provided by TXU
13 Energy Retail and Luminant. The Separate Headquarters Commitment
14 should further reinforce the separate identity of Oncor from its affiliates.
15 Also, importantly, Oncor's headquarters will remain in Dallas.

16 Second, the Separate Board Commitment, Separate Headquarters
17 Commitment, Holding Company Commitment, Independent Board
18 Commitment, and Separate Books and Records Commitment will
19 eliminate any concern that Oncor management will in some way work to
20 benefit its unregulated, affiliated companies to the detriment of utility
21 customers or other market participants.

1 Third, the No Transaction-Related Debt at Oncor Commitment and
2 Debt-to-Equity Ratio Commitment should ensure that Oncor will remain
3 financially strong, regardless of the financial condition of its unregulated,
4 affiliates. In particular, the commitments relating to the “ring-fencing” of
5 Oncor, as discussed in detail in the direct testimony of Mr. Frederick M.
6 Goltz and Mr. Steven M. Fetter, provide financial protection from TXU
7 Corp.’s other businesses that is greater than the existing protection for
8 Oncor, go well beyond the protections that are commonly afforded utilities
9 in the industry, and are consistent with ring-fencing structures that are
10 commonly accepted and relied upon in the corporate finance community.

11 Fourth, the Capital Expenditure Commitment to maintain and
12 support Oncor’s existing, robust capital expenditure plan should benefit
13 Oncor customers through improved reliability and customer service.
14 Oncor’s investment in advanced metering technology is expected to open
15 the door to new products and demand-side management opportunities for
16 customers.

17 Fifth, the DSM/Energy Efficiency Commitment should serve to
18 mitigate customer load growth during a time when energy efficiency is an
19 important policy objective. As mentioned previously, this commitment is
20 being made in conjunction with a commitment not to seek recovery of
21 these expenditures in Oncor’s rates. Further, the funds related to the

1 DSM/Energy Efficiency Commitment are separate and distinct from
2 Oncor's Automated Meter Reading investments.

3 Finally, the Service and Safety Commitment, Rate Case
4 Commitment, and Continued Ownership Commitment will serve to ensure
5 that Oncor will continue to work with its customers and other stakeholder
6 groups to address their concerns, to preserve transparency around
7 Oncor's operations, and to not impair in any way the regulatory authority
8 of the Commission and Oncor's other regulators.

9 Oncor already provides some of the most reliable and least
10 expensive electric transmission and distribution services in Texas. Each
11 of the public benefits I have described should be, from the Oncor
12 customer's perspective, an improvement over the existing successful
13 paradigm.

14 Q. DOES THE TRANSACTION IMPLICATE ANY MARKET POWER OR
15 COMPETITIVE ISSUES FROM ONCOR'S PERSPECTIVE?

16 A. No. Obviously, there are no market power or competitive issues with
17 Oncor, the regulated transmission and distribution utility. Oncor is a
18 monopoly utility that cannot exert market power due to its regulated
19 nature. Moreover, Oncor does not provide competitive energy services
20 except as expressly authorized by the Commission. After the Transaction
21 closes, Oncor will continue to maintain compliance with affiliate standards
22 with respect to any affiliate dealings, in accordance with PURA and the

1 requirements of the Commission. Oncor has a distinguished record of
2 compliance with these requirements, as evidenced by the most recent
3 Commission audit of Oncor's affiliate standards, which is attached to my
4 direct testimony as Exhibit RSS-3.

5 Q. WHO IS ONCOR'S LARGEST CUSTOMER?

6 A. Oncor's largest customer is TXU Energy Retail Company LP, its primary
7 affiliated retail electricity provider.

8 Q. HAVE YOU CONSIDERED THE POTENTIAL EFFECT OF A
9 BANKRUPTCY AT TXU ENERGY RETAIL ON THE FINANCIAL
10 INTEGRITY OR OPERATIONS OF ONCOR?

11 A. Yes. Oncor recognizes that TXU Energy Retail is Oncor's largest
12 customer, and thus, revenue received from TXU Energy Retail makes up
13 a substantial portion of total Oncor revenue. Oncor has investigated the
14 possible effects on Oncor revenues of a TXU Energy Retail bankruptcy.
15 In doing so, Oncor has assumed the maximum number of days that TXU
16 Energy Retail's invoices could be past due prior to its bankruptcy
17 (approximately sixty). One-sixth of TXU Energy Retail's annual payments
18 to Oncor is currently approximately \$183 million. Based on 2006 data, if
19 the hypothetical past due period occurred in July and August, which based
20 on historical customer demand would be the two months of highest
21 electric usage, then the past due revenues that would be subject to the
22 bankruptcy proceeding would be approximately \$250 million. During the

1 post-bankruptcy filing period, Oncor has assumed that TXU Energy Retail
2 customers would switch or be moved to other retail electric providers, or
3 that the bankruptcy court would approve payments for any post-
4 bankruptcy service provided by Oncor.

5 While it certainly would not be a good thing for Oncor if \$183-250
6 million of its revenue were subject to a bankruptcy proceeding, it also
7 would not be so significant as to jeopardize Oncor's overall financial
8 integrity. First, Oncor's existing equity is almost \$3 billion. Second, in
9 2006 Oncor generated sufficient revenue to result in dividends in excess
10 of \$340 million. While a write-off of \$183-250 million would result in a
11 substantial reduction in Oncor earnings (and dividends) in the short term,
12 the effect would be relatively short-lived and Oncor would be able to
13 quickly restore its pre-filing financial position. Third, following the
14 transaction, Oncor will have access to \$2.0 billion of revolving credit
15 facilities, which will provide significant funds to support Oncor's ongoing
16 operations.

17 **VIII. COMMISSION OVERSIGHT**

18 Q. WHAT WILL BE THE COMMISSION'S OVERSIGHT AND REGULATORY
19 AUTHORITY AS IT RELATES TO ONCOR AFTER THE TRANSACTION
20 CLOSES?

21 A. There will be no change in the Commission's oversight and regulatory
22 authority over Oncor after closing. The Commission will continue to have

1 full regulatory authority over Oncor's rates and services, its affiliate
2 transactions, its reliability, and other aspects of Oncor's business.
3 Moreover, the Commission's authority to investigate the management and
4 affairs of Oncor, or to audit Oncor's operations or books and records,
5 remains unqualified. Oncor will continue to provide transparency about its
6 operations to the Commission. Oncor is committed to meeting or
7 exceeding the Commission's reporting requirements in every respect.

8 Q. HOW ARE ONCOR'S RATES DETERMINED?

9 A. Oncor's rates are determined by its regulators, using traditional cost of
10 service rate-making principles as detailed in PURA and the Commission's
11 Substantive Rules.

12 Q. WILL THE TRANSACTION INCREASE ONCOR'S COST OF SERVICE
13 IN ITS NEXT RATE CASE, WHICH IS EXPECTED TO BE FILED IN
14 2007?

15 A. No. As discussed previously, the Transaction is effectively a change in
16 control at Oncor's parent company. Oncor's rates and services will not be
17 affected in any material way by the Transaction. Oncor will not incur any
18 new debt to finance the Transaction. Customers will not be asked to bear
19 any costs or expenses of the Transaction, including any goodwill,
20 Transaction premium, or other Transaction-related costs or expenses in
21 the 2007 rate case or any other rate case.

1 Further, for ratemaking purposes, in Docket No. 34040 (the
2 expected 2007 rate filing) and in the anticipated 2008 rate case to be filed
3 pursuant to a settlement with certain cities, Oncor will propose a cost of
4 debt that does not exceed Oncor's actual cost of debt immediately prior to
5 the announcement of the Transaction. That commitment will protect
6 customers from higher interest costs, whether those costs arise from the
7 Transaction or are the result of factors independent of the Transaction,
8 such as movements in overall market interest rates.

9 Q. WILL ONCOR'S RATES CHANGE AT ITS NEXT RATE FILING?

10 A. The Commission will determine Oncor's rates that result from its next
11 filing. It is important to note that Oncor has made significant investment in
12 electric infrastructure that is not reflected in its current rates, has
13 regulatory assets for which it is authorized to seek recovery, and faces the
14 same increasing costs as do other businesses. While these factors may
15 affect Oncor's cost of service, they are not the result of any facet of the
16 Transaction, but rather are the result of normal utility operating conditions.

17 Q. WILL THE TRANSACTION RESULT IN ANY MERGER SAVINGS AT
18 ONCOR OR THAT CAN BE ATTRIBUTED TO ONCOR?

19 A. No. The Transaction is not expected to result in any merger savings at
20 Oncor or that could be attributable to Oncor. In many mergers, two or
21 more entities with active on-going operations are combined into one single
22 operating unit. Very often, when these multiple operations are combined

1 into one, the parties to the merger can achieve savings through the
2 elimination of duplicate functions and the consolidation of operations to
3 achieve synergies and economies of scale. While, in a legal sense, the
4 Transaction is structured as a “merger,” TEF is not currently an operating
5 entity, and it has no active operating assets or divisions to merge into
6 Oncor. Thus, while the Transaction is expected to result in numerous
7 tangible, public benefits to Oncor and its customers, merger savings is not
8 among those benefits.

9 The Transaction will result, however, in tangible economic benefits
10 for Oncor’s customers. The DSM/Energy Efficiency Commitment is a
11 significant economic commitment of approximately \$200 million over five
12 years over and above the amounts included in Oncor’s rates. Additionally,
13 in its normal course of business, Oncor will continue to look for ways to
14 reduce costs, if it can do so without compromising safety, reliability or
15 quality of service. TEF has indicated that it intends to request that Oncor
16 management continue its existing good practices with respect to long-term
17 cost management. Quite frankly, it is because there are no expected cost
18 savings at Oncor, no targeted reduction in force, or changes to the
19 management or employees at Oncor as a result of this Transaction that I
20 can confidently say that this Transaction will not have a detrimental impact
21 to the operations, service or reliability of Oncor going forward.

22 **IX. REQUEST FOR “PUBLIC INTEREST” FINDING**

1 Q. PLEASE SUMMARIZE THE PRIMARY POINTS IN YOUR TESTIMONY?

2 A. To summarize my testimony, I have described the current structure of
3 Oncor, and described the Transaction. I have also testified that the
4 Transaction will have minimal effects on the day-to-day operations of
5 Oncor, and I have described the various commitments that are being
6 made to ensure that Oncor remains a strong, safe, and reliable
7 transmission and distribution company. I have testified that the
8 Transaction will not affect the health or safety of customers, that it will not
9 result in employees being transferred out of state, that it will not result in
10 any decline in service, and that it is in the public interest. I have also
11 explained how the separateness of Oncor from its unregulated affiliates
12 will reduce confusion to the public, eliminate concerns of cross-subsidies,
13 and ensure Oncor's continued financial strength. I have testified regarding
14 Oncor's capital expenditure plans and TEF's and Oncor's commitment to
15 continue capital investments and to fund DSM efforts. I have also
16 explained how Oncor will be protected from the financial condition of its
17 unregulated affiliates and confirmed that Oncor will be subject to the
18 Commission's continuing oversight. Finally, I have described how Oncor's
19 rates will be determined, including that I have confirmed that Oncor's
20 customers will be insulated from bearing any costs of the Transaction in
21 rates.

1 Q. WHAT IS IT THAT YOU ARE ASKING THE COMMISSION TO DO IN
2 THIS PROCEEDING?

3 A. The Applicants are asking the Commission to find that the Transaction as
4 it relates to Oncor is in the public interest and that it satisfies all of the
5 criteria for Commission consideration as set out in PURA Section
6 14.101(b). As I have discussed previously in my direct testimony, the
7 Transaction will result in substantial public benefits relating to Oncor and
8 the services it provides. Moreover, the ring-fencing actions to be taken as
9 part of the Transaction will actually serve to improve the financial integrity
10 of Oncor relative to the risks it has to TXU Corp. and its other subsidiaries.

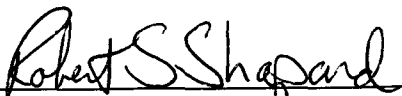
11 Q. IS THIS THE END OF YOUR DIRECT TESTIMONY IN THIS DOCKET?

12 A. Yes.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

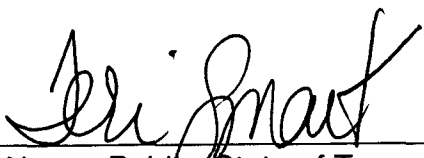
BEFORE ME, the undersigned authority, on this day personally appeared Robert S. Shapard, who, having been placed under oath by me, did depose as follows:

My name is Robert S. Shapard. I am of legal age and a resident of the State of Texas. The foregoing testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are accurate, true and correct.



Robert S. Shapard

SUBSCRIBED AND SWORN TO BEFORE ME by the said Robert S. Shapard this 23rd day of April, 2007.

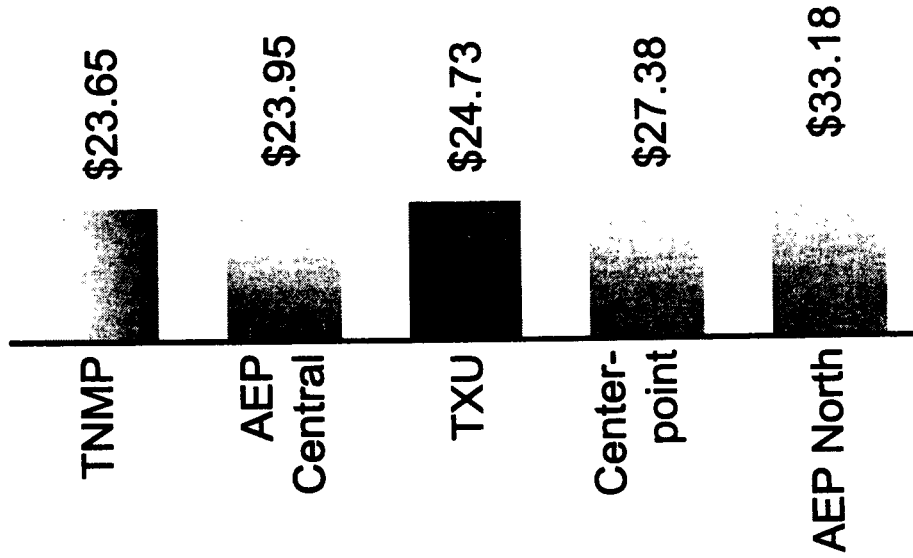


Notary Public, State of Texas



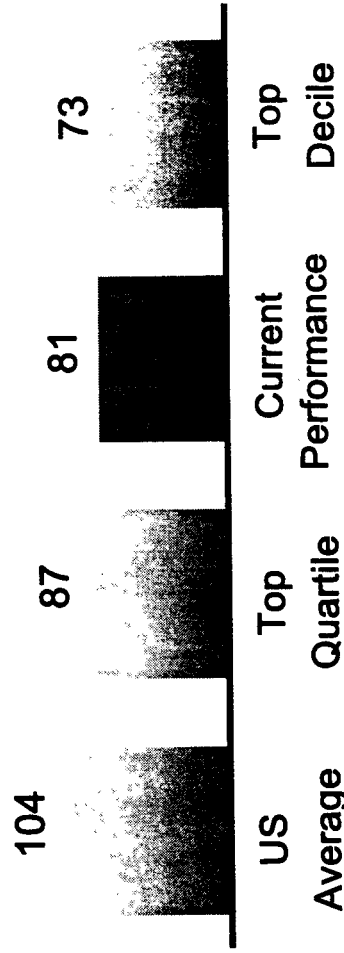
Electric Delivery Is A Low Cost Operator

Texas monthly wires charges
07 YTD; \$/MWh

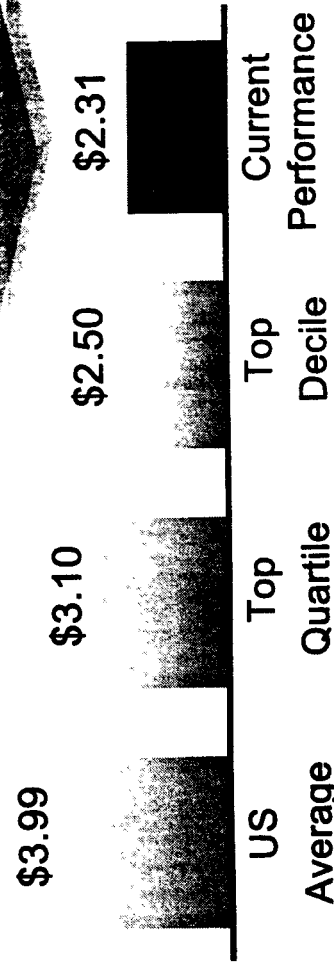


AEP North and AEP Central have both recently filed for rate cases.

T&D O&M expense per customer
05, 06; \$/customer



T&D O&M expense per MWh delivered
05, 06; \$/MWh delivered





500 North Akard
Dallas, TX 75201
Tel: 214 486-4812
Fax: 214 486-3221
dtgill@txued.com

David T. Gill
Vice President

May 26, 2006

Filing Clerk
Public Utility Commission of Texas
1701 N Congress Avenue
Austin Texas 78701

Subject: Project No. 26066 - PUC Monitoring of Code of Conduct Compliance Audits Pursuant to P.U.C. Substantive Rule § 25.272(i)(3)

TXU Electric Delivery Company ("TXU Electric Delivery") engaged PricewaterhouseCoopers LLP to perform an independent audit of TXU Electric Delivery's compliance with § 25.272 of the rules adopted by the Public Utility Commission of Texas. In accordance with Substantive Rule § 25.272(i)(3), the results of the audit and supporting information are provided in the following attachments:

- PricewaterhouseCoopers transmittal letter dated May 22, 2006, confirming delivery of the final report to TXU Electric Delivery.
- TXU Corp. letter to PricewaterhouseCoopers dated May 2, 2006, affirming management's assertions concerning TXU Electric Delivery's compliance with § 25.272 of the rules adopted by the Public Utility Commission of Texas.
- PricewaterhouseCoopers Audit Report dated January 11, 2006, entitled "TXU Electric Delivery Company (a Subsidiary of TXU Corp.) Attestation Report Pursuant to Section 25.272(i)(3) of the Public Utility Commission of Texas Promulgation of Regulations on Codes of Conduct for Electric Utilities and their Affiliates as of November 30, 2005."

Please note that PricewaterhouseCoopers continued review and consultation with TXU Electric Delivery subsequent to the issuance of the report dated January 11, 2006, and the audit process was completed on May 22, 2006. If you have any questions or require further information, please contact me at 214-486-4812.

Sincerely,

A handwritten signature in black ink, appearing to read "David T. Gill".



May 22, 2006

Mr. Autry Warren, Manager Planning & Transmission
TXU Electric Delivery
Lincoln Plaza LP-124
500 North Akard Street
Dallas, TX 75201

Dear Mr. Warren:

Please find enclosed five copies of The TXU Electric Delivery Attestation Report Pursuant to Section 25.272(i)(3) Of the Public Utility Commission of Texas Promulgation of Regulations on Codes of Conduct for Electric Utilities and their Affiliates as of November 30, 2005. Also, please find enclosed three unbound copies of the same report.

Should you have any questions on this report or require additional copies, please contact me at 267-330-2165.

Sincerely,

A handwritten signature in black ink, appearing to read 'Craig H.' with a long horizontal flourish extending to the right.

Michael A. Herman, Partner
for PricewaterhouseCoopers LLP



TXU Electric Delivery
500 N Akard Street
Dallas, TX 75007

May 2, 2006

PricewaterhouseCoopers LLP
1201 Louisiana Avenue
Suite 12900
Houston TX 77002

We are providing this letter in connection with your examination of management's assertions about TXU Electric Delivery Company's compliance with the Public Utility Commission of Texas Substantive Rule 25.272 on Code of Conduct for Electric Utilities and their Affiliates (PUCT Code of Conduct) as of November 30, 2005 for the purpose of expressing an opinion as to whether management's assertions, when taken as a whole, are fairly stated, in all material respects, based upon stated criteria.

We confirm, to the best of our knowledge and belief, as of January 11, 2006, the date of your report, the following representations made to you during your examination:

1. We are responsible for complying with the PUCT Code of Conduct.
2. We are responsible for establishing and maintaining effective internal control over compliance with the PUCT Code of Conduct.
3. We have performed an evaluation of our compliance with the PUCT Code of Conduct.
4. We have disclosed all matters of known noncompliance.
5. We have made available all documentation related to compliance with the specified requirements.
6. We are responsible for the presentation of the assertions and the appropriateness of the measurement and disclosure criteria on which they are based.
7. We have made available to you all significant information that we believe is relevant to the assertions, including, if applicable:
 - Information about actions taken at meetings of the board of directors and committees of the board of directors.
 - Communications from regulatory agencies, competitors or interveners.

8. There are no known matters contradicting the management assertions.
9. There are no communications from regulatory agencies affecting the management assertions.
10. We have disclosed any communications from regulatory agencies, internal auditors, and other practitioners concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in the written assertion and the date of your report.
11. We have disclosed any known noncompliance occurring subsequent to November 30, 2005.
12. TXU Electric Delivery has identified no arrangements whereby TXU Electric Delivery or a competitive affiliate circumvented the provisions or the intent of PURA §39.157 or any rules implementing that section by using any affiliate to provide information services, products, or subsidies between a competitive affiliate and TXU Electric Delivery.
13. Externally initiated complaints reported to the PUCT regarding TXU Electric Delivery's compliance with the Code of Conduct have been documented and include a detailed factual report of the complaint and actions taken by TXU Electric Delivery.
14. Internally identified compliance incidents with the PUCT Code of Conduct have been documented and remediation was taken where necessary.
15. TXU Electric Delivery has identified no conflicts between the PUCT Code of Conduct and the orders or regulations of the Federal Energy Regulatory Commission (FERC) or Securities and Exchange Commission (SEC).
16. TXU Electric Delivery is a separate, independent entity from its competitive affiliates.
17. TXU Electric Delivery has shared certain of the following:
 - Officers and directors;
 - Property and equipment;
 - Computer systems and information systems; and
 - Corporate support services.only as such is allowed in paragraphs (3), (4), (5), or (7) of Rule 25.272(d).
18. TXU Electric Delivery has identified no instances where the sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services among TXU Electric Delivery and its competitive affiliates resulted in the following:

- Allowing or providing a means to transfer confidential information from TXU Electric Delivery to an affiliate;
 - Creating an opportunity for preferential treatment or unfair competitive advantage;
 - Leading to customer confusion; or
 - Creating significant opportunities for cross-subsidization of affiliates.
19. TXU Electric Delivery has not identified any instances where a TXU Electric Delivery employee engaged in, or with knowledge of, transmission or distribution system operations, was assigned, for less than one year, to a competitive affiliate.
 20. TXU Electric Delivery has not identified any instances where any employees transferred from TXU Electric Delivery to a competitive affiliate were permitted to remove or otherwise provide information to the competitive affiliate that the competitive affiliate would otherwise be precluded from having pursuant to the PUCT Code of Conduct.
 21. TXU Electric Delivery posted a conspicuous notice of employee transfers on its Internet site for at least 30 consecutive calendar days and beginning within 24 hours after each transfer. Records were not maintained to document the date of employee transfer postings, but such records are not required by the PUCT Code of Conduct.
 22. TXU Electric Delivery has not identified any instances where it made temporary, intermittent or rotating employee assignments to its competitive affiliates.
 23. TXU Electric Delivery has not identified any instances where a TXU employee was temporarily assigned as permitted in paragraph (4) of Rule 25.272(d) of the PUCT Code of Conduct, to restoring power in the event of a major service interruption or resolving emergency situations affecting system reliability.
 24. TXU Electric Delivery's office space is physically separate from that of its competitive affiliates consistent with Rule 25.272(d)(5).
 25. TXU Electric Delivery and its affiliates maintain their books and records in accordance with generally accepted accounting principles or state and federal guidelines.
 26. TXU Electric Delivery prepares financial statements that are not consolidated with those of its affiliates.
 27. TXU Electric Delivery and its affiliates maintain sufficient records to allow for an audit of the transactions between the utility and the affiliate.

28. TXU Electric Delivery and its affiliates maintain sufficient records to allow for an audit of the corporate support services allocated between the utility and the affiliate.
29. TXU Electric Delivery shares certain credit, investment, or financing arrangements with its competitive affiliates. In doing so, TXU Electric Delivery has identified no instances where such sharing resulted in the following: the transfer of confidential information to a competitive affiliate, created an opportunity for preferential treatment or unfair competitive advantage, led to customer confusion, or created significant opportunities for cross-subsidization of affiliates.
30. TXU Electric Delivery has not allowed an affiliate to obtain credit under any arrangement that includes a specific pledge of any assets in the rate base of TXU Electric Delivery or a pledge of cash reasonably necessary for TXU Electric Delivery operations.
31. TXU Electric Delivery has not identified any instances where business activities of any affiliate were subsidized by revenues of TXU Electric Delivery.
32. The costs of shared services have been fully allocated between TXU Electric Delivery and its affiliates.
33. Sales of products or services between TXU Electric Delivery and its affiliates are priced, reported, and conducted in a manner that results in the identification of the TXU Electric Delivery and affiliate portions of such transactions. Except for corporate support services provided pursuant to paragraph (2)(A) of Rule 25.272(e) of the PUCT Code of Conduct, products and services offered by TXU Electric Delivery to its affiliates are limited to products and services governed by a tariff approved by the PUCT.
34. Products, services, and assets purchased by TXU Electric Delivery from an affiliate are priced at levels that reflect the market value of the products, services, or assets.
35. Except for asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, TXU Electric Delivery has priced assets sold to affiliates at levels that reflect the fully allocated cost of the asset.
36. TXU Electric Delivery maintains a record of all contracts and related bids for the provision of work, products, or services between TXU Electric Delivery and its affiliates.

37. TXU Electric Delivery and its affiliates maintain sufficient records of the transactions between the utility and the affiliate.
38. Financial transactions between TXU Electric Delivery and the competitive affiliates of TXU Electric Delivery are at market value, except as otherwise allowed in paragraph (2) of Rule 25.272(e) of the PUCT Code of Conduct.
39. Transactions between TXU Electric Delivery and its competitive affiliates that have been documented are priced, reported, and conducted in a manner that results in the identification of the TXU Electric Delivery and competitive affiliate portions of such purchases and the basis for such cost allocations.
40. Except for those transactions involving corporate support services, TXU Electric Delivery maintains a contemporaneous written record documenting all non-tariffed financial transactions between TXU Electric Delivery and its affiliates.
41. Except for asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, TXU Electric Delivery has identified no instances where it transferred assets with a per unit value of \$75,000 or more, or a total value of \$1 million or more, to any competitive affiliate unless it was as a result of a fair, competitive bidding process formalized in a contract in accordance with Rule 25.273.
42. TXU Electric Delivery has not identified any instances where a competitive affiliate of TXU Electric Delivery, or customers of a competitive affiliate of TXU Electric Delivery, were provided any preferential access over non-affiliates in the provision of tariffed product or service offerings provided by TXU Electric Delivery.
43. Except for corporate support services, TXU Electric Delivery has not identified any instances where it has created an arrangement with a competitive affiliate to utilize a product or service that was not offered to competitors.
44. TXU Electric Delivery has not identified any instances where it offered discounts, rebates, fee waivers, or alternative tariff terms and conditions to its competitive affiliates without making the same benefit contemporaneously available on a non-discriminatory basis to all similarly situated non-affiliates.
45. TXU Electric Delivery has not identified any instances where it has created an arrangement with a competitive affiliate to utilize discounts, rebates, fee waivers, or alternative tariff terms and conditions without making the same benefit contemporaneously available on a non-discriminatory basis to all similarly situated non-affiliates.

46. TXU Electric Delivery has not identified any instances where it conditioned the provision of any product, service, pricing benefit, or alternative terms or conditions to the purchase of any other goods or services from its competitive affiliates.
47. Customers who have requested their proprietary customer information from TXU Electric Delivery have been provided that information.
48. TXU Electric Delivery has not identified any instances where it released proprietary customer information, without written customer authorization, to any other entity other than the customer, ERCOT, or a provider of corporate support services, except for proprietary customer information releases in accordance with paragraphs (1)(A), (1)(B), (1)(C), and (1)(D) of Rule 25.272(g) of the PUCT Code of Conduct or PUCT Substantive Rule 25.472 and TXU Electric Delivery Tariff for Retail Delivery Service. The PUCT's Staff has clarified that "proprietary customer information," as defined in Rule 25.272(c)(5), does not include a customer's name and address when released to governmental entities. As a public service, TXU Electric Delivery does, therefore, provide customer name and address information to governmental entities upon request without triggering the requirements of Rule 25.272(g)(1).
49. When releasing proprietary customer information to a provider of corporate services, TXU Electric Delivery informs those entities of their being subject to Rule 25.272 (g)(1) with regard to the releasing of such information to other persons.
50. When TXU Electric Delivery releases proprietary customer information to an entity or other than: (1) the customer, (2) ERCOT (3) a provider of corporate support services for the sole purpose of providing the corporate support services, or (4) a customer's REP pursuant to its Tariff for Retail Delivery Service; TXU Electric Delivery maintains records that include the date, time, and nature of proprietary customer information released.
51. Except in the provision of corporate support services in accordance with Rule (e)(2)(A), TXU Electric Delivery has not identified any instances where it made aggregate non-proprietary customer information available to its competitive affiliates without providing the information required in Rule 25.272(g)(2) by notice on the Internet for a duration of 30 calendar days beginning 24 hours prior to the provision of such information to the competitive affiliate. Records were not maintained to document the date of aggregate customer information postings, but such records are not required by the PUCT Code of Conduct.

52. TXU Electric Delivery has identified no instances where it has allowed its competitive affiliate preferential access to its transmission and distribution systems information.
53. TXU Electric Delivery has documented no instances where it has shared information, except for information that is publicly available, except as otherwise allowed in accordance with Rule 25.272(g) of the PUCT Code of Conduct, and except for information required to perform allowed corporate support services.
54. TXU Electric Delivery has not identified any instances where it has allowed the use of its corporate name, trademark, brand, or logo by a competitive affiliate on any business cards or in any written or auditory advertisements of specific services to existing or potential residential or small commercial customers in TXU Electric Delivery's service area prior to September 1, 2005 unless it was accompanied with the required disclaimer.
55. TXU Electric Delivery has identified no instances where it performed the following:
- Provided or acquired leads on behalf of its competitive affiliates;
 - Solicited business or acquired information on behalf of its competitive affiliates;
 - Given the appearance of speaking or acting on behalf of its competitive affiliates;
 - Shared market analysis reports or other types of proprietary or non-publicly available reports with its competitive affiliates;
 - Represented to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or,
 - Requested authorization from its customers to pass on information exclusively to a competitive affiliate.
56. TXU Electric Delivery has identified no instances where it has participated in joint customer meetings with a competitive affiliate except to discuss technical or operational subjects at a customer's unsolicited request.
57. TXU Electric Delivery has identified no instances where it performed the following:
- Acted or appeared to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;
 - Joint sales calls with a competitive affiliate;
 - Joint proposals with a competitive affiliate;
 - Joint promotional communications or correspondence, except as allowed for under paragraph (2)(B)(iv) of Rule 25.272(h) of the PUCT Code of Conduct;