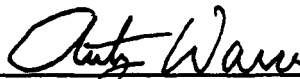


- Joint presentations at the same trade shows, conferences, or other marketing events within the State of Texas with a competitive affiliate; or,
  - Provided links from TXU Electric Delivery's Internet web site to a competitive affiliate's Internet web site.
58. TXU Electric Delivery has not identified any instances where it has given specific information about any of its competitive affiliates to a customer unless the customer made an unsolicited request for information specifically about any of its competitive affiliates. In such instances, TXU Electric Delivery has only provided the competitive affiliate's address and telephone number.
59. TXU Electric Delivery has not identified any instances where it has preferentially given the name of a competitive affiliate, or an opinion on the competitive affiliate's services to a customer that requested general information about products or services offered by competitive affiliates and their competitors.
60. The internal code of conduct has been filed with and approved by the PUCT.
61. TXU Electric Delivery posts notice of new affiliates on its web site for at least 30 calendar days after the creation of the affiliate.
62. TXU Electric Delivery has filed an update with the PUCT of its internal code of conduct related to the PUCT Code of Conduct requirements within 30 calendar days of any revision due to the creation of a new affiliate.
63. PricewaterhouseCoopers LLP, independent auditors, has been engaged to perform an audit of TXU Electric Delivery's compliance with Rule 25.272 of the PUCT Code of Conduct.
64. By January 1, 2002, TXU Electric Delivery filed a complaint procedure with the PUCT for addressing alleged violations of the PUCT Code of Conduct.

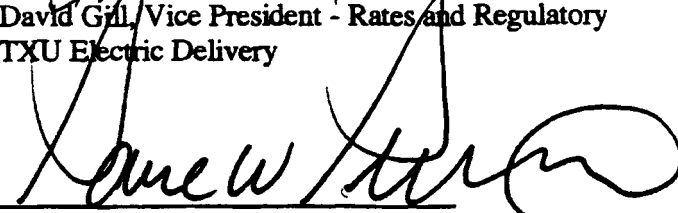
To the best of our knowledge and belief, no events have occurred subsequent to November 30, 2005 and through the date of this letter that have an effect on your examination or the presentation of the assertions and related criteria.



Autry Warren, Manager - Planning and Transmission  
TXU Electric Delivery



David Gill, Vice President - Rates and Regulatory  
TXU Electric Delivery



Paul Plunket, Sr. Vice President and Chief Legal Officer  
TXU Electric Delivery



Tom Baker, Chairman & CEO  
TXU Electric Delivery

**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**

**TXU ELECTRIC DELIVERY COMPANY**  
(a subsidiary of TXU Corp.)

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**Report of Independent Auditors**

**PricewaterhouseCoopers LLP**  
One North Wacker  
Chicago IL 60606  
Telephone (312) 298 2000  
Facsimile (312) 298 2001

To Management of TXU Electric Delivery Company  
and Management of TXU Corp.  
(parent company of TXU Electric Delivery Company):

We have examined management's assertions about TXU Electric Delivery Company's compliance, as of November 30, 2005, with section § 25.272 of the rules adopted by the Public Utility Commission of Texas (PUCT Code of Conduct), included in the accompanying Report of Management Assertions. Management is responsible for TXU Electric Delivery's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about TXU Electric Delivery's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions about TXU Electric Delivery's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on TXU Electric Delivery's compliance with the PUCT Code of Conduct.

As described in Note 3 to the accompanying Report of Management Assertions, we did not examine whether TXU Electric Delivery's financial statements, books and records, as of any date or for any period, are maintained in accordance with the Uniform System of Accounts or accounting principles generally accepted in the United States of America, pursuant to the PUCT Code of Conduct. The consolidated financial statements of TXU Corp. are audited by independent accountants other than PricewaterhouseCoopers LLP.

In our opinion, except for the effects of matters we may have discovered had we performed the examination cited in the previous paragraph, the accompanying management assertions, when taken as a whole, regarding TXU Electric Delivery's compliance with the PUCT Code of Conduct as of November 30, 2005, are fairly stated, in all material respects based upon the criteria set forth in the accompanying Report of Management Assertions.

Management disclosed certain compliance findings in the attached "Schedule of Compliance Audit Findings Pursuant to an Examination of Management Assertions as to Compliance with the PUCT Code of Conduct" (Schedule of Compliance Findings). The information included in the Schedule of Compliance Findings in the "Management Responses/Action Plans" column is presented by TXU Electric Delivery to provide additional information and has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it.

# PRICEWATERHOUSECOOPERS

This report is intended solely for the information and use of the Management of TXU Electric Delivery, the Management and the Board of Directors of TXU, and the Public Utility Commission of Texas, and is not intended to be and should not be used by anyone other than these specified parties.

PriceWaterhouseCoopers LLP

Dallas, Texas  
January 11, 2006

**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
**Schedule of Compliance Audit Findings Pursuant to an Examination of Management**  
**Assertions as to Compliance with the PUCT Code of Conduct**

The following Schedule of Compliance Audit Findings Pursuant to an Examination of Management Assertions as to Compliance with the PUCT Code of Conduct (Schedule of Compliance Findings) outlines, in table format, the compliance audit findings, management's related responses/action plans and the respective PUCT Code of Conduct section reference. Each of these findings is referred to in the accompanying Report of Management Assertions.

PUCT Code of Conduct Reference(s)	Compliance Audit Findings as of November 30, 2005	Management Responses/Action Plans
(d)(2),(d)(3), and (h)(4)	1. In August 2005, a customer call to TXU Corp's automated answering system regarding a customer's power outage was improperly directed to TXU Energy, TXU Electric Delivery's competitive affiliate. After a TXU Energy customer representative determined that the call was service related, the customer service representative redirected the customer to TXU Electric Delivery.	TXU Corporate phone operators were provided Affiliate Rules training and response instructions for incoming calls. The after hours automated messaging was changed accordingly.
(d)(2),(d)(3), and (g)(5)	2. In November 2004, it was discovered that certain TXU Energy employees were able to view certain customer meter usage and meter service orders internally generated by TXU Electric Delivery.	This matter was self-reported by the Service Contractor. System view access has been changed, no longer allowing TXU Energy employees this access.
(d)(2),(d)(3), and (g)(5)	3. In March 2005, the service contractor that processes TXU Energy billings disclosed that one employee had inappropriately viewed TXU Electric Delivery service orders and instructed TXU Electric Delivery on which actions to take for a TXU Energy customer's service order. These instructions were based on information not available to other market participants.	This matter was self-reported by the Service Contractor. Training was provided by the Service Contractor to all applicable employees.
(d)(2),(d)(3),(d)(7),(e)(2),(g)(1),(g)(3), and (g)(5)	4. TXU Electric Delivery requires that competitive affiliates have "affiliate rule exception" authorization and requires the related employees to attend affiliate rules training when competitive affiliates need to have access to TXU Electric	All user access to shared databases and directories has been reviewed to confirm appropriate access.

**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
**Schedule of Compliance Audit Findings Pursuant to an Examination of Management**  
**Assertions as to Compliance with the PUCT Code of Conduct**

PUCT Code of Conduct Reference(s)	Compliance Audit Findings as of November 30, 2005	Management Responses/Action Plans
	<p>Delivery systems. Access to certain TXU Electric Delivery applications and shared file directories was available to competitive affiliate employee users without the related exception authorization as follows:</p> <ul style="list-style-type: none"> <li>• Out of 4,540 total users, nine (9) competitive affiliate employees had access to the TXU Electric Delivery customer information and billing application without authorized affiliate rule exceptions;</li> <li>• Out of 436 total users, there were 25 competitive affiliate employees, without authorized affiliate rule exceptions, who had access to the TXU Electric Delivery purchasing and materials management application;</li> <li>• Out of 715 total users, two (2) users had access to the TXU Electric Delivery accounting system without authorized affiliate rule exceptions;</li> <li>• Out of 221 TXU Electric Delivery shared file directories, there were two (2) directories with sensitive information for each of which one (1) competitive affiliate employee was capable of accessing without authorized affiliate rule exceptions; and</li> <li>• For one (1) database out of a selection of 30 TXU Electric Delivery databases, 29 competitive affiliate employees had access to the database without authorized affiliate rule exceptions.</li> </ul>	



**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
**Schedule of Compliance Audit Findings Pursuant to an Examination of Management**  
**Assertions as to Compliance with the PUCT Code of Conduct**

PUCT Code of Conduct Reference(s)	Compliance Audit Findings as of November 30, 2005	Management Responses/Action Plans
(b)(2),(d)(2),(d)(3),(d)(4),(d)(6), (d)(7),(e)(1),(e)(2),(f)(1),(f)(2),(f)(3), (g)(1),(g)(2),(g)(3),(g)(5),(h)(1), (h)(3), and (h)(4)	<p>5. The PUCT Code of Conduct does not specifically require training of all employees and contractors. However, training is an important aspect of TXU Electric Delivery's compliance program. The documentation evidencing that certain employees and contractors received training was not available for the following:</p> <ul style="list-style-type: none"> <li>• Twenty-two (22) or less than 1% of TXU Electric Delivery employees;</li> <li>• Fifty-two (52) or 22% of TXU Corp. and TXU Business Services employees;</li> <li>• For the largest service contractor, fifteen (15) or less than 1%, and twelve (12) out of a sample of thirty (30) of their subcontractors.</li> </ul>	<p>All the employees listed on the Business Services and Corporate reports are required to sign and have signed their acknowledgement of TXU Corporate Code of Conduct, which requires employees to comply with all Company policies and procedures including the Affiliate Code of Conduct. In addition, all referenced employees have been notified to take the affiliate training or have received an affiliate rules awareness reminder from TXU Electric Delivery Rates and Regulatory.</p>

TXU Electric Delivery Company (a subsidiary of TXU Corp.)  
Report of Management Assertions as to TXU Electric Delivery Company's  
Compliance with the Public Utility Commission of Texas Code of Conduct for Electric Utilities and Their Affiliates  
(PUCT Code of Conduct)

**Introduction** – The Report of Management Assertions has been structured to set forth, for each section of the PUCT Code of Conduct, a management assertion(s), and supporting evaluative criteria, where applicable. The management assertions are statements made by TXU Electric Delivery management regarding their belief and understanding of TXU Electric Delivery's compliance with the PUCT Code of Conduct. Evaluative criteria are specific, auditable evidence of actions taken by management that demonstrate and support conformance with the PUCT Code of Conduct. The management assertions have been evaluated against the evaluative criteria. The types of procedures performed in assessing the assertions include interviews with employees, review of internal written procedures and documentation supporting management's methodologies, procedures and assertions, detailed testing in areas identified as significant, and other procedures deemed necessary by the independent auditors. The term "PUCT Code of Conduct," commonly referred to as "Affiliate Rules", means a set of rules adopted by the Public Utility Commission of Texas (PUCT), that govern how electric utilities in Texas must interact with their affiliates. The Affiliate Rules are Substantive Rule 25.272 promulgated by the PUCT pursuant to the Texas Utilities Code. TXU Electric Delivery Company (TXU) is TXU Corp.'s electric transmission and distribution utility.

**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
**Report of Management Assertions as to TXU Electric Delivery Company's**  
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**(PUCT Code of Conduct)**

**Evaluative Criteria surrounding Training:** The PUCT Code of Conduct does not specifically require training of all employees and contractors. However, training is an important aspect of TXU Electric Delivery's compliance program, especially with regards to the PUCT Code of Conduct sections (b)(2), (d)(2), (d)(3), (d)(4), (d)(6), (d)(7), (e)(1), (e)(2), (f)(1), (f)(2), (f)(3), (g)(1), (g)(2), (g)(3), (g)(5), (h)(1), (h)(3), and (h)(4). TXU Electric Delivery has trained applicable employees as to the provisions and intent of Public Utility Regulatory Act (PURA) §39.157 and the rules implementing that section, including through the use of a computer-based training program. Additionally, TXU Electric Delivery's largest service contractor has trained their applicable employees and subcontractors as to the provisions and intent of Public Utility Regulatory Act (PURA) §39.157 and the rules implementing that section, including through the use of a computer-based training program. See item number 5 on the Schedule of Compliance Findings on page 5 for further information on the compliance findings surrounding TXU Electric Delivery's training program as well as the largest service contractor's training program.

See Accompanying Schedule of Compliance Audit Findings, Notes to Management Assertions, and Report of Independent Auditors

TXU Electric Delivery Company (a subsidiary of TXU Corp.)  
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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(a) - PURPOSE	<i>Not applicable (N/A). There are no specific management assertions pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>
(b)(1) General application	<i>Not applicable (N/A). There are no specific management assertions pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>
(b)(2) No circumvention of the code of conduct	<p>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 subsidiaries between a competitive affiliate and TXU Electric Delivery.</p> <p>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.</p> <p>Internally identified compliance incidents with the PUCT Code of Conduct have been documented and remediation was taken where necessary.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has documented the applicability of the PUCT Code of Conduct for each TXU Electric Delivery affiliate. Such determinations were performed by individuals knowledgeable and familiar with the PUCT Code of Conduct and with the business and corporate activities of the TXU Electric Delivery affiliate.</p> <p>TXU Electric Delivery has documented externally initiated complaints and internal identified compliance incidents which includes a detailed factual report of complaints and incidents and actions taken by TXU Electric Delivery.</p>
(b)(3) Notice of conflict and/or petition for waiver	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).	TXU Electric Delivery individuals knowledgeable of the orders and regulations of the FERC and the SEC applicable to TXU Electric Delivery have reviewed the PUCT Code of Conduct and have documented that no conflicts exist.

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(c) – DEFINITIONS</b>		
	<i>Not applicable (N/A). There are no specific management assertions pursuant to this section of the PUCT Code of Conduct.</i>	Not Applicable
<b>(d) – SEPARATION OF A UTILITY FROM ITS AFFILIATES</b>		
(d)(1) Separate and independent entities	TXU Electric Delivery is a separate, independent entity from its competitive affiliates.	TXU Electric Delivery, a wholly owned subsidiary of TXU Corp., is legally separate from the competitive affiliates of TXU.

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(d)(2) Sharing of employees, facilities, or other resources	<p>TXU Electric Delivery has shared certain of the following:</p> <ul style="list-style-type: none"> <li>• Officers and directors;</li> <li>• Property and equipment;</li> <li>• Computer systems and information systems; and</li> <li>• Corporate support services.</li> </ul> <p>only in such as allowed in paragraphs (3), (4), (5), or (7) of § 25.272.(d).</p> <p>In doing so, 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:</p> <ul style="list-style-type: none"> <li>• Allowing or providing a means to transfer confidential information from TXU Electric Delivery to an affiliate;</li> <li>• Creating an opportunity for preferential treatment or unfair competitive advantage;</li> <li>• Leading to customer confusion; or</li> <li>• Creating significant opportunities for cross-subsidization of affiliates.</li> </ul>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has identified the activities of its shared officers and employees to assess whether it shared its officers or employees with its competitive affiliates within the functions allowable under the PUCT Code of Conduct.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item numbers 1, 2, 3, and 4 on the Schedule of Compliance Findings on pages 3 - 4):</p> <ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul> <p>TXU Electric Delivery maintains physical access controls in which the employees of competitive affiliates are not granted access to areas of the facilities containing transmission, distribution, and the utility's customer information in accordance with the physical separation requirements per the PUCT Code of Conduct, except as allowed in paragraphs (3), (4), (5) or (7) of subsection 25.272.(d).</p>

**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
**Report of Management Assertions as to TXU Electric Delivery Company's**  
**Compliance with the Public Utility Commission of Texas Code of Conduct for Electric Utilities and Their Affiliates**  
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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(d)(3) Sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services	<p>TXU Electric Delivery has shared certain of the following:</p> <ul style="list-style-type: none"> <li>• Officers and directors;</li> <li>• Property and equipment;</li> <li>• Computer systems and information systems; and</li> <li>• Corporate support services.</li> </ul> <p>only in such as allowed in paragraphs (3), (4), (5), or (7) of § 25.272.(d).</p> <p>In doing so, 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:</p> <ul style="list-style-type: none"> <li>• Allowing or providing a means to transfer confidential information from TXU Electric Delivery to an affiliate;</li> <li>• Creating an opportunity for preferential treatment or unfair competitive advantage;</li> <li>• Leading to customer confusion; or</li> <li>• Creating significant opportunities for cross-subsidization of affiliates.</li> </ul>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has identified the activities of its shared officers and employees to assess whether it shared its officers or employees with its competitive affiliates within the functions allowable under the PUCT Code of Conduct.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item numbers 1, 2, 3, and 4 on the Schedule of Compliance Findings on pages 3 - 4):</p> <ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul> <p>TXU Electric Delivery maintains physical access controls in which the employees of competitive affiliates are not granted access to areas of the facilities containing transmission, distribution, and the utility's customer information in accordance with the physical separation requirements per the PUCT Code of Conduct, except as allowed in paragraphs (3), (4), (5) or (7) of subsection 25.272.(d).</p>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(d)(4) Employee transfers and temporary assignments	<p>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 of TXU.</p> <p>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.</p> <p>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.</p> <p>TXU Electric Delivery has not identified any instances where it made temporary, intermittent or rotating employee assignments to its competitive affiliates.</p> <p>TXU Electric Delivery has not identified any instances where a TXU employee was temporarily assigned as permitted in paragraph (4) of subsection 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.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has monitored and maintained documentation on transfers between TXU Electric Delivery and its competitive affiliates. In connection therewith, TXU Electric Delivery filed a "Report of Affiliate Activities" with the PUCT using forms approved by the PUCT on May 31, 2005, and encompassed the period from January 1, 2004 through December 31, 2004 and included a list of the employee transfers including employee identification codes, titles, and effective dates of transfers.</p> <p>TXU Electric Delivery has maintained written TXU Electric Delivery employee transfer statements signed by employees in which the employee attests to the employee's understanding of the requirements of the PUCT Code of Conduct. TXU Electric Delivery also maintains a website where it posts employee transfers relevant to the PUCT Code of Conduct.</p>
(d)(5) Sharing of office space	TXU Electric Delivery's office space is physically separate from that of its competitive affiliates consistent with section 25.272(d)(5).	TXU Electric Delivery maintains physical access controls in which the employees of competitive affiliates are not granted access to areas of the facilities containing transmission, distribution, and the utility's customer information in accordance with the physical separation requirements per the PUCT Code of Conduct, except as allowed in paragraphs (3), (4), (5) or (7) of subsection 25.272(d).



**TXU Electric Delivery Company (a subsidiary of TXU Corp.)**  
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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<p>(d)(6) Separate books and records</p> <p>(A) record all transactions with its affiliates in accordance with generally accepted accounting principles or state and federal guidelines</p> <p>(B) prepare financial statements that are not consolidated with those of its affiliates</p> <p>(C) maintain sufficient records to allow for an audit of the transactions between the utility and its affiliates</p>	<p>TXU Electric Delivery and its affiliates maintain their books and records in accordance with generally accepted accounting principles or state and federal guidelines.</p> <p>TXU Electric Delivery prepares financial statements that are not consolidated with those of its affiliates.</p> <p>TXU Electric Delivery and its affiliates maintain sufficient records to allow for an audit of the transactions between the utility and the affiliate.</p> <p>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.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>Inasmuch as the consolidated financial statements of TXU Electric Delivery are audited separately by independent accountants other than PricewaterhouseCoopers LLP, TXU Electric Delivery documents only that such an audit was performed by independent accountants other than PricewaterhouseCoopers LLP, and that it is beyond the scope of this audit for PricewaterhouseCoopers LLP to perform a separate examination. TXU Electric Delivery filed its annual report for 2004 with the Securities and Exchange Commission, which asserts its financial statements were prepared in accordance with accounting principles generally accepted in the United States. This was filed using forms approved by the SEC, and encompassed the period from January 1, 2004 through December 31, 2004.</p>

TXU Electric Delivery Company (a subsidiary of TXU Corp.)  
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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<p>(d)(6) Separate books and records, continued</p> <p>(A) record all transactions with its affiliates in accordance with generally accepted accounting principles or state and federal guidelines</p> <p>(B) prepare financial statements that are not consolidated with those of its affiliates</p> <p>(C) maintain sufficient records to allow for an audit of the transactions between the utility and its affiliates</p>		<p>TXU Electric Delivery has documented goods and services transacted between TXU Electric Delivery and its affiliates to assess whether, as applicable, the prices for such goods and services are based upon fully allocated costs or as otherwise determined by PURA and the PUCT's rules.</p> <p>TXU Electric Delivery has documented the manner in which financial transactions are priced, reported and conducted, including the determination of the cost allocation methodology for corporate support services provided by TXU Business Services shared between TXU Electric Delivery and any affiliate.</p> <p>TXU Electric Delivery has documented the manner in which shared corporate services are priced, reported and conducted at fully allocated cost including the determination of the TXU Electric Delivery and affiliate portions and the allocation basis thereto.</p> <p>TXU Electric Delivery maintains a secure processing environment for the systems used to maintain records of transactions with its competitive affiliates. For the purposes of this criteria, the attributes of the secure processing environment include:</p> <ul style="list-style-type: none"> <li>• a backup power generator and uninterruptible power supply;</li> <li>• a water detection system;</li> <li>• certain physical access control systems;</li> <li>• temperature control systems; and</li> <li>• fire suppression systems.</li> </ul> <p>TXU Electric Delivery has electronic backup and recovery procedures in place to maintain documentation as available for tariffed and non-tariffed transactions with its competitive affiliates.</p>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(d)(7) Limited credit support by a utility	<p>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.</p> <p>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.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has maintained documentation of the instances where it provided information regarding credit, investment, or financing arrangements to a competitive affiliate of TXU Electric Delivery.</p> <p>TXU Electric Delivery has maintained documentation that, with respect to any credit arrangements where any TXU Electric Delivery assets in the rate base or any cash are pledged by TXU Electric Delivery, that such credit arrangements are applicable only to TXU Electric Delivery.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item number 4 on the Schedule of Compliance Findings on pages 3 - 4):</p> <ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(e) - TRANSACTIONS BETWEEN A UTILITY AND ITS AFFILIATES</b>		
(e)(1) Transactions with all affiliates	TXU Electric Delivery has not identified any instances where business activities of any affiliate where subsidized by revenues of TXU Electric Delivery.	See related "Evaluative Criteria surrounding Training" on page 7.
(A) sale of products or services by a utility	The costs of shared services have been fully allocated between TXU Electric Delivery and its affiliates.	TXU Electric Delivery has documented goods and services transacted between TXU Electric Delivery and its affiliates to assess whether, as applicable, the prices for such goods and services are based upon fully allocated costs or as otherwise determined by PURA and the PUCT's rules.
(B) purchase of products, services, or assets by a utility from its affiliate	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 subsection 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.	Sales of products and services between TXU Electric Delivery and its affiliates have been documented in a manner indicating how financial transactions are priced, reported and conducted, including the determination of the cost allocation methodology for corporate support services provided by TXU Business Services shared between TXU Electric Delivery and any affiliate. In connection therewith, TXU Electric Delivery filed a "Report of Affiliate Activities" with the PUCT using forms approved by the PUCT on May 31, 2005, and encompassed the period from January 1, 2004 through December 31, 2004 and included a list of the employee transfers including employee identification codes, titles, and effective dates of transfers.
(C) transfer of assets	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.	TXU Electric Delivery has documented the manner in which shared corporate services are priced, reported and conducted at fully allocated cost including the determination of the TXU Electric Delivery and affiliate portions and the allocation basis thereto.
(D) transfer of assets implementing restructuring legislation	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.	TXU Electric Delivery monitors inter-company financial transactions for costs billed from competitive affiliates.
	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.	
	TXU Electric Delivery and its affiliates maintain sufficient records of the transactions between the utility and the affiliate.	

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(e)(2) Transactions with competitive affiliates	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 subsection 25.272.(e) of the PUCT Code of Conduct.	See related "Evaluative Criteria surrounding Training" on page 7.
(A) provision of corporate support services	TXU Electric Delivery has identified no instances where transactions related to corporate support services among TXU Electric Delivery and its competitive affiliates resulted in the following: <ul style="list-style-type: none"> <li>• Allowing or providing a means to transfer confidential information from TXU Electric Delivery to a competitive affiliate;</li> <li>• Creating an opportunity for preferential treatment or unfair competitive advantage;</li> <li>• Leading to customer confusion; or,</li> <li>• Creating significant opportunities for cross-subsidization of affiliates.</li> </ul>	TXU Electric Delivery has documented goods and services transacted between TXU Electric Delivery and its competitive affiliates to assess whether, as applicable the prices for such goods and services are based upon fully allocated costs or as otherwise determined by PURA and the PUCT's rules. TXU Electric Delivery maintains copies of all contracts with competitive affiliates including the effective date of the agreement and parties to the agreement, the term of the agreement, a narrative describing the assets being sold by the utility to the competitive affiliate, the obligations of the parties, the price of those products, services, or assets, and the billing and payment procedures. In connection therewith, TXU Electric Delivery filed a "Report of Affiliate Activities" with the PUCT, which outlines transactions between TXU Electric Delivery and its competitive affiliates. This was filed using forms approved by the PUCT on May 31, 2005, and encompassed the period from January 1, 2004 through December 31, 2004.
(B) purchase of products or services by a utility from its competitive affiliate  (C) transfers of assets	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.  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.	TXU Electric Delivery has filed copies with the PUCT of all agreements with its competitive affiliates.  TXU Electric Delivery monitors inter-affiliate financial transactions for cost allocations from competitive affiliates.

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<p>Continued from previous page</p> <p>(e)(2) Transactions with competitive affiliates</p> <p>(A) provision of corporate support services</p> <p>(B) purchase of products or services by a utility from its competitive affiliate</p> <p>(C) transfers of assets</p>	<p>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 §25.273.</p>	<p>TXU Electric Delivery has maintained documentation for purchases of products or services from its competitive affiliates where competitive bidding was required.</p> <p>TXU Electric Delivery maintains a secure processing environment for the systems used to maintain records of transactions with its competitive affiliates. For the purposes of this criteria, the attributes of the secure processing environment include:</p> <ul style="list-style-type: none"> <li>• a backup power generator and uninterruptible power supply;</li> <li>• a water detection system;</li> <li>• certain physical access control systems;</li> <li>• temperature control systems; and</li> <li>• fire suppression systems.</li> </ul> <p>TXU Electric Delivery has electronic backup and recovery procedures in place to maintain documentation as available for tariffed and non-tariffed transactions with its competitive affiliates.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item number 4 on the Schedule of Compliance Findings on pages 3 - 4):</p> <ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(f) - SAFEGUARDS RELATING TO PROVISION OF PRODUCTS AND SERVICES</b>		
(f)(1) Products and services available on a non-discriminatory basis	<p>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.</p> <p>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.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has filed copies of all agreements with its competitive affiliates with the PUCT.</p> <p>TXU Electric Delivery has evaluated transactions that have occurred between TXU Electric Delivery and its competitive affiliates to assess whether, related to such transactions, there was any preference (i.e. in pricing, terms conditions, access/disclosure of transmission and distribution information, etc.) over unaffiliated suppliers in the provision of services or goods by TXU Electric Delivery.</p> <p>TXU Electric Delivery monitors inter-company transactions for costs billed from competitive affiliates.</p>

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(1)(2) Discounts, rebates, fee waivers, or alternative tariff terms and conditions	<p>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.</p> <p>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.</p>	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has documented goods and services transacted between TXU Electric Delivery and its competitive affiliates to assess whether, as applicable, the prices for such goods and services are based upon rates as determined by a state or federal agency at the tariffed rate.</p> <p>TXU Electric Delivery has filed copies of all agreements with its competitive affiliates with the PUCT.</p> <p>TXU Electric Delivery maintains a website where it posts notice of such discounts, rebates, fee waivers, or alternative tariff terms and conditions for at least 30 consecutive calendar days.</p> <p>TXU Electric Delivery maintains a secure processing environment for the systems used to maintain records of transactions with its competitive affiliates. For the purposes of this criteria, the attributes of the secure processing environment include:</p> <ul style="list-style-type: none"> <li>• a backup power generator and uninterruptible power supply;</li> <li>• a water detection system;</li> <li>• certain physical access control systems;</li> <li>• temperature control systems; and</li> <li>• fire suppression systems.</li> </ul> <p>TXU Electric Delivery has electronic backup and recovery procedures in place to maintain documentation as available for tariffed and non-tariffed transactions with its competitive affiliates.</p>



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(D)(3) Tying arrangements prohibited	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.	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has documented guidelines regarding the following premises:</p> <ul style="list-style-type: none"> <li>• Not representing to customers or potential customers that it can offer competitive retail services bundled with its tariffed services;</li> <li>• Not acting on behalf of competitive affiliate in any communications and contacts with any existing or potential customers;</li> <li>• Not participating in joint sales calls with a competitive affiliate of TXU; and</li> <li>• Not participating in joint proposals with a competitive affiliate of TXU.</li> </ul>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(g) – INFORMATION SAFEGUARDS</b>		
(g)(1) Proprietary customer information	Customers who have requested their proprietary customer information from TXU Electric Delivery have been provided that information.	See related "Evaluative Criteria surrounding Training" on page 7.
(A) exception for law, regulation, or legal process	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 subsection 25.272.(g) of the PUCT Code of Conduct or PUCT Substantive Rules 25.472 and TXU's Tariff for Retail Delivery Service. The PUCT's Staff has clarified that "proprietary customer information," as defined at Section 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 Section 25.272(g)(1).	TXU Electric Delivery has documented procedures that outline methods for releasing customer data that include the circumstances and requirements under which customer information can be released.
(B) exception for release to governmental entity		TXU Electric Delivery has documented procedures directing that it only release customer information once a letter of authorization is received from the customer. TXU Electric Delivery maintains a record of all customer information release requests and the date information was actually released.
(C) exception to facilitate transition to customer choice		TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item number 4 on the Schedule of Compliance Findings on pages 3 - 4):
(D) exception for release to providers of last resort	When releasing customer proprietary information to a provider of corporate services, TXU Electric Delivery informs those entities of their being subject to section 25.272(g)(1) with regard to the releasing of such information to other persons.  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.	<ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul>

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(g)(2) Nondiscriminatory availability of aggregate customer information	Except in the provision of corporate support services in accordance with subsection (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 section 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.	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has documented procedures that outline methods for releasing aggregate customer data that include the circumstances and requirements under which customer information can be released.</p> <p>TXU Electric Delivery has maintained a log of the dates and to whom aggregate customer information releases have occurred.</p> <p>TXU Electric Delivery maintains a website where it posts notice of such aggregation service for at least 30 consecutive calendar days.</p> <p>TXU Electric Delivery maintains an aggregated customer information web page that details non-customer specific, nonpublic information releases for all electricity suppliers.</p>

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(g)(3) No preferential access to transmission and distribution information	TXU Electric Delivery has identified no instances where it has allowed its competitive affiliate's preferential access to its transmission and distribution systems information.	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has developed and monitored compliance with certain policies that prohibit the transfer of transmission or distribution information from TXU Electric Delivery to its competitive affiliates in a preferential manner.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item number 4 on the Schedule of Compliance Findings on pages 3 - 4):</p> <ul style="list-style-type: none"> <li>Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>Restricting physical access to information systems hardware and facilities; and</li> <li>Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul>
(g)(4) Other limitations on information disclosure	<i>Not applicable (N/A). There are no specific management assertions pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(g)(5) Other information	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 subsection 25.272.(g) of the PUCT Code of Conduct, and except for information required to perform allowed corporate support services.	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has developed and monitored compliance with certain policies that prohibit the transfer of customer information or non-customer specific non-public information from TXU Electric Delivery to its generating entities or affiliates except as allowed under the PUCT Code of Conduct (See item numbers 2 and 3 on the Schedule of Compliance Findings on page 3).</p> <p>TXU Electric Delivery has developed and monitored compliance with certain policies that prohibit the transfer of transmission or distribution information from TXU Electric Delivery to its competitive affiliates in a preferential manner.</p> <p>TXU Electric Delivery has implemented control procedures and security settings within its information systems environment including the following (See item number 4 on the Schedule of Compliance Findings on pages 3- 4):</p> <ul style="list-style-type: none"> <li>• Assessing the type and PUCT Code of Conduct relevance of applications and information contained within the information systems;</li> <li>• Restricting access through the use of usernames and passwords to electric distribution, transmission, and customer data and application functions to only individuals permitted under the PUCT Code of Conduct;</li> <li>• Restricting physical access to information systems hardware and facilities; and</li> <li>• Implementing security settings within the information systems that restrict access to system administration functions.</li> </ul>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(h) – JOINT MARKETING AND ADVERTISING</b>		
(h)(1) Utility name or logo	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.	<p>See related "Evaluative Criteria surrounding Training" on page 7.</p> <p>TXU Electric Delivery has documented guidelines regarding the following premise:</p> <ul style="list-style-type: none"> <li>TXU Electric Delivery does not trade upon, promote, or advertise its affiliate's affiliation with TXU.</li> </ul> <p>TXU Electric Delivery has retained copies of its marketing and advertising materials.</p>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(h)(2) Joint marketing, advertising, and promotional activities	<p>TXU Electric Delivery has identified no instances where it performed the following:</p> <ul style="list-style-type: none"> <li>• Provided or acquired leads on behalf of its competitive affiliates;</li> <li>• Solicited business or acquired information on behalf of its competitive affiliates;</li> <li>• Given the appearance of speaking or acting on behalf of its competitive affiliates;</li> <li>• Shared market analysis reports or other types of proprietary or non-publicly available reports with its competitive affiliates;</li> <li>• Represented to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or,</li> <li>• Requested authorization from its customers to pass on information exclusively to a competitive affiliate.</li> </ul> <p>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.</p>	<p>TXU Electric Delivery maintains procedures directing it to provide customers with information about electricity providers by directing those customers to call Texas Electric Choice.</p> <p>TXU Electric Delivery has maintained a documented record of the trade shows in which it participated.</p> <p>TXU Electric Delivery has retained copies of its business development proposals and related materials.</p> <p>TXU Electric Delivery has documented meetings where TXU Electric Delivery, a competitive affiliate, and a customer or potential customer of either TXU Electric Delivery or a competitive affiliate were present.</p> <p>TXU Electric Delivery has a documented log of any market analysis reports that it provides to affiliates, competitive affiliates, or third parties.</p> <p>TXU Electric Delivery has not provided links from its web site to any competitive affiliate's Internet web site.</p>

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Continued from previous page.  (h)(2) Joint marketing, advertising, and promotional activities	<p>TXU Electric Delivery has identified no instances where it performed the following:</p> <ul style="list-style-type: none"> <li>• Acted or appeared to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;</li> <li>• Joint sales calls with a competitive affiliate;</li> <li>• Joint proposals with a competitive affiliate;</li> <li>• Joint promotional communications or correspondence, except as allowed for under paragraph (2)(B)(iv) of subsection 25.272.(h) of the PUCT Code of Conduct;</li> <li>• Joint presentations at the same trade shows, conferences, or other marketing events within the State of Texas with a competitive affiliate; or,</li> <li>• Provided links from TXU Electric Delivery's Internet web site to a competitive affiliate's Internet web site.</li> </ul>	<p>TXU Electric Delivery has documented guidelines regarding the following premises:</p> <ul style="list-style-type: none"> <li>• Not providing or acquiring leads on behalf of the competitive affiliates of TXU Electric Delivery;</li> <li>• Not soliciting business or acquiring information on behalf of the competitive affiliates of TXU Electric Delivery;</li> <li>• Not giving the appearance of speaking or acting on their behalf on behalf of the competitive affiliates of TXU Electric Delivery;</li> <li>• Not sharing market analysis reports or other types of proprietary or non-publicly available reports with the competitive affiliates of TXU Electric Delivery;</li> <li>• Not representing to customers or potential customers that it can offer competitive retail services bundled with its tariffed services;</li> <li>• Not requesting authorization from its customers to pass on information exclusively to a competitive affiliate of TXU Electric Delivery;</li> <li>• Not acting on behalf of competitive affiliate in any communications and contacts with any existing or potential customers;</li> <li>• Not participating in joint sales calls with a competitive affiliate of TXU Electric Delivery; and</li> <li>• Not participating in joint proposals with a competitive affiliate of TXU Electric Delivery.</li> </ul>



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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(h)(3) Requests for specific competitive affiliate information	TXU Electric Delivery has not identified any instances where it has given specific information about any of its competitive affiliates to a customer unless the customer made an unsolicited request for information specifically about any of its competitive affiliates. In such instances, TXU Electric Delivery has only provided the competitive affiliate's address and telephone number.	See related "Evaluative Criteria surrounding Training" on page 7.  TXU Electric Delivery maintains procedures directing it to provide customers, upon request, with specific information about TXU Electric Delivery's competitive affiliate limited to only that competitive affiliate's contact information.
(h)(4) Requests for general information about products or services offered by competitive affiliates and their competitors	TXU Electric Delivery has not identified any instances where it has preferentially given the name of a competitive affiliate, or an opinion on the competitive affiliate's services to a customer that requested general information about products or services offered by competitive affiliates and their competitors.	See related "Evaluative Criteria surrounding Training" on page 7.  TXU Electric Delivery maintains procedures directing it to provide customers, upon request, general information about electricity providers by directing those customers to call Texas Electric Choice. See item number 1 on the Schedule of Compliance Findings on page 3.

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
<b>(i) - REMEDIES AND ENFORCEMENT</b>		
(i)(1) Internal codes of conduct for the transition period	The internal code of conduct has been filed with and approved by the PUCT.	TXU Electric Delivery has developed and submitted a Compliance plan which includes its internal code of conduct related to the PUCT Code of Conduct requirements.
(i)(2) Ensuring compliance for new affiliates	TXU Electric Delivery posts notice of new affiliates on its web site for at least 30 calendar days after the creation of the affiliate.  TXU Electric Delivery has filed an update with the PUCT of its internal code of conduct related to the PUCT Code of Conduct requirements within 30 calendar days of any revision due to the creation of a new affiliate.	TXU Electric Delivery maintains a website that contains information regarding new affiliates, and posts information regarding new affiliates for at least 30 calendar days after the creation of the affiliate.
(i)(3) Compliance audits	PricewaterhouseCoopers LLP, independent auditors, has been engaged to perform an audit of TXU Electric Delivery's compliance with sections 25.272 of the PUCT Code of Conduct.	PricewaterhouseCoopers LLP's report on its audit of TXU Electric Delivery's management assertions relative to the PUCT Code of Conduct compliance is on Page 1.
(i)(4) Informal complaint procedure	By January 1, 2002, TXU Electric Delivery filed a complaint procedure with the PUCT for addressing alleged violations of the PUCT Code of Conduct.  Externally initiated complaints have been documented and include a detailed factual report of the complaint and actions taken by TXU Electric Delivery.  Internally identified compliance incidents have been documented and remediation was taken where necessary by TXU Electric Delivery.	TXU Electric Delivery has developed and submitted a complaint procedure with the PUCT related to the PUCT Code of Conduct requirements.  TXU Electric Delivery has documented externally initiated complaints and internally identified compliance incidents which include a detailed factual report of the complaint and actions taken by TXU Electric Delivery.
(i)(5) Enforcement by the commission	<i>Not applicable (N/A). There are no specific management assertions required pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>

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PUCT CODE OF CONDUCT SECTION	MANAGEMENT ASSERTION(S)	EVALUATIVE CRITERIA
(i)(6) No immunity from antitrust enforcement	<i>Not applicable (N/A). There are no specific management assertions required pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>
(i)(7) No immunity from civil relief	<i>Not applicable (N/A). There are no specific management assertions required pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>
(i)(8) Preemption	<i>Not applicable (N/A). There are no specific management assertions required pursuant to this section of the PUCT Code of Conduct.</i>	<i>Not Applicable</i>

See Accompanying Schedule of Compliance Audit Findings, Notes to Management Assertions, and Report of Independent Auditors  
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## Notes to Report of Management Assertions

### 1. Basis of Presentation:

The accompanying Report of Management Assertions has been structured to set forth, for each section of the PUCT Code of Conduct, a management assertion(s), and supporting evaluative criteria. The management assertions are statements made by TXU Electric Delivery Management regarding their belief and understanding of TXU Electric Delivery's compliance with section § 25.272 of the rules adopted by the Public Utility Commission of Texas (PUCT Code of Conduct). Evaluative criteria are specific, auditable evidence of actions taken by management that demonstrate and support conformance with the PUCT Code of Conduct. The management assertions have been evaluated against the evaluative criteria. The types of procedures performed in assessing the assertions include interviews with employees, review of internal written procedures and documentation supporting management's methodologies, procedures and assertions, detailed testing in areas identified as significant, and other procedures deemed necessary by the independent auditors. The term "PUCT Code of Conduct," commonly referred to as "Affiliate Rules", means a set of rules adopted by the Public Utility Commission of Texas (PUCT), that govern how electric utilities in Texas must interact with their affiliates. The Affiliate Rules are Substantive Rules § 25.272 promulgated by the PUCT pursuant to the Texas Utilities Code.

### 2. Glossary of Terms:

The following is a list of key terms used in this report and TXU Electric Delivery's definitions/interpretations of such terms.

**No cross subsidization** - Allocation of shared services or pricing of goods, services and assets involving TXU Electric Delivery and its affiliates such that the costs that are fully allocated to TXU Electric Delivery and its competitive and other affiliates based upon usage or other reasonable cost causative determinants.

**Fully allocated cost** - The cost of a product, service, or asset based on book values for the component elements established through generally accepted accounting principles (GAAP); or alternatively, an internal transfer price based upon the actual or expected (budgeted) operating and maintenance expenses and a capital component, as appropriate, divided by the expected or actual units for the service or product produced. The operating and maintenance expenses shall be fully loaded with applicable overheads.

**Market value** - Prices for goods and services that are representative of prices available from unaffiliated entities.

**A fair, competitive bidding process** - A bidding process that provides non-preferential opportunities to vendors to provide products or services.

**REP** - Retail electricity provider.

### **3. Books and Records:**

Section § 25.272 (d)(6) requires TXU Electric Delivery and its affiliates to maintain its books and records in accordance with generally accepted accounting principles or state and federal guidelines. Inasmuch as the financial statements of TXU Electric Delivery are audited separately by independent accountants other than PricewaterhouseCoopers LLP, TXU Electric Delivery asserts only that such an audit was performed by independent accountants other than PricewaterhouseCoopers LLP, and that it is beyond the scope of this audit for PricewaterhouseCoopers LLP to perform a separate examination. TXU Electric Delivery filed its annual report for 2004 with the Securities and Exchange Commission, which asserts its financial statements were prepared in accordance with accounting principles generally accepted in the United States. This was filed using forms approved by the SEC, and encompassed the period from January 1, 2004 through December 31, 2004.

### **4. Sharing of Officers:**

Regarding section § 25.272(d)(3), TXU Electric Delivery does not share officers and directors with its competitive affiliates except in non-operational, administrative roles (e.g., Treasurer, Secretary) and the list of officers/directors common to TXU and each affiliate are provided in its "Report of Affiliate Activities" filed with the PUCT, which most recently occurred on May 31, 2005.

### **5. Corporate Support Services:**

Regarding section § 25.272 (d)(3), TXU Corp., TXU Electric Delivery, and TXU Electric Delivery's affiliates, including its competitive affiliates, can and do share such corporate support services as human resources, procurement, information technology, regulatory services, administrative services, accounting, environmental services, corporate communications, financial services, financial planning and management support. Such corporate support services are, at times, performed by corporate support services personnel who are employed by TXU Corp.'s subsidiaries and a significant number of these services are contracted to Capgemini Energy Limited Partnership, "Contractor."

### **6. Capgemini Energy Limited Partnership (CGE):**

CGE provides corporate support services and other business services to TXU Corp., TXU, and TXU's affiliates, including its competitive affiliates. CGE is primarily owned by Capgemini and three percent is owned by TXU. CGE is referred to as "Service Contractor" in the report.

### **7. PUCT Code of Conduct:**

The term "PUCT Code of Conduct," commonly referred to as "Affiliate Rules", means a set of rules adopted by the Public Utility Commission of Texas (PUCT), that govern how electric utilities in Texas must interact with their affiliates. The Affiliate Rules are Substantive Rules § 25.272 promulgated by the PUCT pursuant to the Texas Utilities Code

**EXHIBIT I**  
**PUCT Code of Conduct**

## EXHIBIT I: PUCT Code of Conduct

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

- (a) **Purpose.** The provisions of this section establish safeguards to govern the interaction between utilities and their affiliates, both during the transition to and after the introduction of competition, to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities.
- (b) **Application.**
  - (1) **General application.** This section applies to:
    - (A) electric utilities operating in the State of Texas as defined in the Public Utility Regulatory Act (PURA) §31.002(6), and transactions or activities between electric utilities and their affiliates, as defined in PURA §11.003(2); and
    - (B) transmission and distribution utilities operating in a qualifying power region in the State of Texas as defined in PURA §31.002(19) upon commission certification of a qualifying power region pursuant to PURA §39.152, and transactions or activities between transmission and distribution utilities and their affiliates, as defined in PURA §11.003(2).
  - (2) **No circumvention of the code of conduct.** An electric utility, transmission and distribution utility, or competitive affiliate shall not circumvent the provisions or the intent of PURA §39.157 or any rules implementing that section by using any affiliate to provide information, services, products, or subsidies between a competitive affiliate and an electric utility or a transmission and distribution utility.
  - (3) **Notice of conflict and/or petition for waiver.** Nothing in this section is intended to affect or modify the obligation or duties relating to any rules or standards of conduct that may apply to a utility or the utility's affiliates under orders or regulations of the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). A utility shall file with the commission a notice of any provision in this section that conflict with FERC or SEC orders or regulations. A utility that is subject to statutes or regulations in any state that conflict with a provision of this section may petition the commission for a waiver of the conflicting provision on a showing of good cause.
- (c) **Definitions.** The following words and terms when used in this section shall have the following meaning unless the context clearly indicates otherwise:
  - (1) **Arm's length transaction** — The standard of conduct under which unrelated parties, each acting in its own best interest, would carry out a particular transaction. Applied to related parties, a transaction is at arm's length if the transaction could have been made on the same terms to a disinterested third party in a bargained transaction.
  - (2) **Competitive affiliate** — An affiliate of a utility that provides services or sells products in a competitive energy-related market in this state, including telecommunications services, to the extent those services are energy-related.
  - (3) **Confidential information** — Any information not intended for public disclosure and considered to be confidential or proprietary by persons privy to such information. Confidential information includes but is not limited to information relating to the interconnection of customers to a utility's transmission or distribution systems, proprietary customer information, trade secrets, competitive information relating to internal manufacturing processes, and information about a utility's transmission or distribution system, operations, or plans for expansion.

§25.272(c) continued

- (4) **Corporate support services** — Services shared by a utility, its parent holding company, or a separate affiliate created to perform corporate support services, with its affiliates of joint corporate oversight, governance, support systems, and personnel. Examples of services that may be shared, to the extent the services comply with the requirements prescribed by PURA §39.157(d) and (g) and rules implementing those requirements, include human resources, procurement, information technology, regulatory services, administrative services, real estate services, legal services, accounting, environmental services, research and development unrelated to marketing activity and/or business development for the competitive affiliate regarding its services and products, internal audit, community relations, corporate communications, financial services, financial planning and management support, corporate services, corporate secretary, lobbying, and corporate planning. Examples of services that may not be shared include engineering, purchasing of electric transmission facilities and service, transmission and distribution system operations, and marketing, unless such services are provided by a utility, or a separate affiliate created to perform such services, exclusively to affiliated regulated utilities and only for provision of regulated utility services.
  - (5) **Proprietary customer information** — Any information compiled by an electric utility on a customer in the normal course of providing electric service that makes possible the identification of any individual customer by matching such information with the customer's name, address, account number, type or classification of service, historical electricity usage, expected patterns of use, types of facilities used in providing service, individual contract terms and conditions, price, current charges, billing records, or any other information that the customer has expressly requested not be disclosed. Information that is redacted or organized in such a way as to make it impossible to identify the customer to whom the information relates does not constitute proprietary customer information.
  - (6) **Similarly situated** — The standard for determining whether a non-affiliate is entitled to the same benefit a utility offers, or grants upon request, to its competitive affiliate for any product or service. For purposes of this section, all non-affiliates serving or proposing to serve the same market as a utility's competitive affiliate are similarly situated to the utility's competitive affiliate.
  - (7) **Transaction** — Any interaction between a utility and its affiliate in which a service, good, asset, product, property, right, or other item is transferred or received by either a utility or its affiliate.
  - (8) **Utility** — An electric utility as defined in PURA §31.002(6) or a transmission and distribution utility as defined in PURA §31.002(19). For purposes of this section, a utility does not include a river authority operating a steam generating plant on or before January 1, 1999, or a corporation authorized by Chapter 245, Acts of the 67th Legislature, Regular Session, 1981 (Article 717p, Vernon's Texas Civil Statutes). In addition, with respect to a holding company exempt under the Public Utility Holding Company Act (PUHCA) §3(a)(2), the term "utility," as used in this section, means the division or business unit through which the holding company conducts utility operations and not the holding company as a legal entity.
- (d) **Separation of a utility from its affiliates.**
- (1) **Separate and independent entities.** A utility shall be a separate, independent entity from any competitive affiliate.
  - (2) **Sharing of employees, facilities, or other resources.** Except as otherwise allowed in paragraphs (3), (4), (5), or (7) of this subsection, a utility shall not share employees, facilities, or other resources with its competitive affiliates unless the utility can prove to the commission prior to such sharing that the sharing will not compromise the public interest. Such sharing may be allowed if the utility implements adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.



**§25.272(d) continued**

- (3) **Sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services.** A utility and a competitive affiliate may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services, if the utility implements safeguards that the commission determines are adequate to preclude employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.
- (4) **Employee transfers and temporary assignments.** A utility shall not assign, for less than one year, utility employees engaged in transmission or distribution system operations to a competitive affiliate unless the employee does not have knowledge of confidential information. Utility employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with the utility who are engaged in transmission system operations on a day-to-day basis or have knowledge of transmission or distribution system operations and are transferred to a competitive affiliate, shall not remove or otherwise provide or use confidential property or information gained from the utility or affiliated service company in a discriminatory or exclusive fashion, to the benefit of the competitive affiliate or to the detriment of non-affiliated electric suppliers. Movement of an employee engaged in transmission or distribution system operations, including a person employed by a service company affiliated with the utility who is engaged in transmission or distribution system operations on a day-to-day basis or has knowledge of transmission or distribution system operations from a utility to a competitive affiliate or vice versa, may be accomplished through either the employee's termination of employment with one company and acceptance of employment with the other, or a transfer to another company, as long as the transfer of an employee from the utility to an affiliate results in the utility bearing no ongoing costs associated with that employee. Transferring employees shall sign a statement indicating that they are aware of and understand the restrictions and penalties set forth in this section. The utility also shall post a conspicuous notice of such a transfer on its Internet site or other public electronic bulletin board within 24 hours and for at least 30 consecutive calendar days. The exception to this provision is that employees may be temporarily assigned to an affiliate or non-affiliated utility to assist in restoring power in the event of a major service interruption or assist in resolving emergency situations affecting system reliability. Consistent with §25.84(h) of this title, however, within 30 days of such a deviation from the code of conduct, the utility shall report this information to the commission and shall conspicuously post the information on its Internet site or other public electronic bulletin board for 30 consecutive calendar days.
- (5) **Sharing of office space.** A utility's office space shall be physically separate from that of its competitive affiliates, where physical separation is accomplished by having office space in separate buildings or, if within the same building, by a method such as having offices on separate floors or with separate access, unless otherwise approved by the commission.
- (6) **Separate books and records.** A utility and its affiliates shall keep separate books of accounts and records, and the commission may review records relating to a transaction between a utility and an affiliate.
  - (A) In accordance with generally accepted accounting principles or state and federal guidelines, as appropriate, a utility shall record all transactions with its affiliates, whether they involve direct or indirect expenses.
  - (B) A utility shall prepare financial statements that are not consolidated with those of its affiliates.
  - (C) A utility and its affiliates shall maintain sufficient records to allow for an audit of the transactions between the utility and its affiliates. At any time, the commission may, at its discretion, require a utility to initiate, at the utility's expense, an audit of transactions between the utility and its affiliates performed by an independent third party.

**§25.272(d) continued**

- (7) **Limited credit support by a utility.** A utility may share credit, investment, or financing arrangements with its competitive affiliates if it complies with subparagraphs (A) and (B) of this paragraph.
  - (A) The utility shall implement adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.
  - (B) The utility shall not allow an affiliate to obtain credit under any arrangement that would include a specific pledge of any assets in the rate base of the utility or a pledge of cash reasonably necessary for utility operations. This subsection does not affect a utility's obligations under other law or regulations, such as the obligations of a public utility holding company under §25.271(c)(2) of this title (relating to Foreign Utility Company Ownership by Exempt Holding Companies).
- (e) **Transactions between a utility and its affiliates.**
  - (1) **Transactions with all affiliates.** A utility shall not subsidize the business activities of any affiliate with revenues from a regulated service. In accordance with PURA and the commission's rules, a utility and its affiliates shall fully allocate costs for any shared services, including corporate support services, offices, employees, property, equipment, computer systems, information systems, and any other shared assets, services, or products.
    - (A) **Sale of products or services by a utility.** Unless otherwise approved by the commission and except for corporate support services, any sale of a product or service by a utility shall be governed by a tariff approved by the commission. Products and services shall be made available to any third party entity on the same terms and conditions as the utility makes those products and services available to its affiliates.
    - (B) **Purchase of products, services, or assets by a utility from its affiliate.** Products, services, and assets shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the product, service, or asset.
    - (C) **Transfers of assets.** Except for asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, assets transferred from a utility to its affiliates shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the assets or the utility's fully allocated cost to provide those assets.
    - (D) **Transfer of assets implementing restructuring legislation.** The transfer from a utility to an affiliate of assets implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G will be reviewed by the commission pursuant to the applicable provisions of PURA, and any rules implementing those provisions.
  - (2) **Transactions with competitive affiliates.** Unless otherwise allowed in this subsection, transactions between a utility and its competitive affiliates shall be at arm's length. A utility shall maintain a contemporaneous written record of all transactions with its competitive affiliates, except those involving corporate support services and those transactions governed by tariffs. Such records, which shall include the date of the transaction, name of affiliate involved, name of a utility employee knowledgeable about the transaction, and a description of the transaction, shall be maintained by the utility for three years. In addition to the requirements specified in paragraph (1) of this subsection, the following provisions apply to transactions between utilities and their competitive affiliates.
    - (A) **Provision of corporate support services.** A utility may engage in transactions directly related to the provision of corporate support services with its competitive affiliates. Such provision of corporate support services shall not allow or provide a means for the transfer of confidential information from the utility to the competitive affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of the competitive affiliate.

**§25.272(e) continued**

- (B) **Purchase of products or services by a utility from its competitive affiliate.** Except for corporate support services, a utility may not enter into a transaction to purchase a product or service from a competitive affiliate that has a per unit value of \$75,000 or more, or a total value of \$1 million or more, unless the transaction is the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title (relating to Contracts Between Electric Utilities and Their Competitive Affiliates).
  - (C) **Transfers of assets.** Except for asset transfers facilitating unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G, any transfer from a utility to its competitive affiliates of assets with a per unit value of \$75,000 or more, or a total value of \$1 million or more, must be the result of a fair, competitive bidding process formalized in a contract subject to the provisions of §25.273 of this title.
- (f) **Safeguards relating to provision of products and services.**
- (1) **Products and services available on a non-discriminatory basis.** If a utility makes a product or service, other than corporate support services, available to a competitive affiliate, it shall make the same product or service available, contemporaneously and in the same manner, to all similarly situated entities, and it shall apply its tariffs, prices, terms, conditions, and discounts for those products and services in the same manner to all similarly situated entities. A utility shall process all requests for a product or service from competitive affiliates or similarly situated non-affiliated entities on a non-discriminatory basis. If a utility's tariff allows for discretion in its application, the utility shall apply that provision in the same manner to its competitive affiliates and similarly situated non-affiliates, as well as to their respective customers. If a utility's tariff allows no discretion in its application, the utility shall strictly apply the tariff. A utility shall not use customer-specific contracts to circumvent these requirements, nor create a product or service arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to utilize the product or service.
  - (2) **Discounts, rebates, fee waivers, or alternative tariff terms and conditions.** If a utility offers its competitive affiliate or grants a request from its competitive affiliate for a discount, rebate, fee waiver, or alternative tariff terms and conditions for any product or service, it must make the same benefit contemporaneously available, on a non-discriminatory basis, to all similarly situated non-affiliates. The utility shall post a conspicuous notice on its Internet site or public electronic bulletin board for at least 30 consecutive calendar days providing the following information: the name of the competitive affiliate involved in the transaction; the rate charged; the normal rate or tariff condition; the period for which the benefit applies; the quantities and the delivery points involved in the transaction (if any); any conditions or requirements applicable to the benefit; documentation of any cost differential underlying the benefit; and the procedures by which non-affiliates may obtain the same benefit. The utility shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party. A utility shall not create any arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to benefit from the discount, rebate, fee waiver, or alternative tariff terms and conditions.
  - (3) **Tying arrangements prohibited.** Unless otherwise allowed by the commission through a rule or tariff prior to a utility's unbundling pursuant to PURA §39.051, a utility shall not condition the provision of any product, service, pricing benefit, or alternative terms or conditions upon the purchase of any other good or service from the utility or its competitive affiliate.

**§25.272 continued**

**(g) Information safeguards.**

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

  - (A) Exception for law, regulation, or legal process.** A utility may release proprietary customer information to another entity without customer authorization where authorized or requested to do so by the commission or where required to do so by law, regulation, or legal process.
  - (B) Exception for release to governmental entity.** A utility may release proprietary customer information without customer authorization to a federal, state, or local governmental entity or in connection with a court or administrative proceeding involving the customer or the utility; provided, however, that the utility shall take all reasonable actions to protect the confidentiality of such information, including, but not limited to, providing such information under a confidentiality agreement or protective order, and shall also promptly notify the affected customer in writing that such information has been requested.
  - (C) Exception to facilitate transition to customer choice.** In order to facilitate the transition to customer choice, a utility may release proprietary customer information to its affiliated retail electric provider or providers of last resort without authorization of those customers only during the period from September 1, 2001, through December 31, 2001, or during a different period prescribed by the commission.
  - (D) Exception for release to providers of last resort.** On or after January 1, 2002, a utility may provide proprietary customer information to a provider of last resort without customer authorization for the purpose of serving customers who have been switched to the provider of last resort.
- (2) Nondiscriminatory availability of aggregate customer information.** A utility may aggregate non-proprietary customer information, including, but not limited to, information about a utility's energy purchases, sales, or operations or about a utility's energy-related goods or services. However, except in circumstances solely involving the provision of corporate support services in accordance with subsection (e)(2)(A) of this section, a utility shall aggregate non-proprietary customer information for a competitive affiliate only if the utility makes such aggregation service available to all non-affiliates under the same terms and conditions and at the same price as it is made available to any of its affiliates. In addition, no later than 24 hours prior to a utility's provision to its competitive affiliate of aggregate customer information, the utility shall post a conspicuous notice on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days, providing the following information: the name of the competitive affiliate to which the information will be provided, the rate charged for the information, a meaningful description of the information provided, and the procedures by which non-affiliates may obtain the same information under the same terms and conditions. The utility shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to the utility and the third party.

**§25.272(g) continued**

- (3) **No preferential access to transmission and distribution information.** A utility shall not allow preferential access by its competitive affiliates to information about its transmission and distribution systems.
  - (4) **Other limitations on information disclosure.** Nothing in this rule is intended to alter the specific limitations on disclosure of confidential information in the Texas Utilities Code, the Texas Government Code, Chapter 552, or the commission's substantive and procedural rules.
  - (5) **Other information.** Except as otherwise allowed in this subsection, a utility shall not share information, except for information required to perform allowed corporate support services, with competitive affiliates unless the utility can prove to the commission that the sharing will not compromise the public interest prior to any such sharing. Information that is publicly available, or that is unrelated in any way to utility activities, may be shared.
- (h) **Safeguards relating to joint marketing and advertising.**
- (1) **Utility name or logo.** Before September 1, 2005, a utility shall not allow the use of its corporate name, trademark, brand, or logo by a competitive affiliate, on employee business cards or in any written or auditory advertisements of specific services to existing or potential residential or small commercial customers located within the utility's certificated service area, whether through radio or television, Internet-based, or other electronic format accessible to the public, unless the competitive affiliate includes a disclaimer with its use of the utility's corporate name, trademark, brand, or logo. Such disclaimer of the corporate name, trademark, brand, or logo in the material distributed must be written in a bold and conspicuous manner or clearly audible, as appropriate for the communication medium, and shall state the following: "{Name of competitive affiliate} is not the same company as {name of utility} and is not regulated by the Public Utility Commission of Texas, and you do not have to buy {name of competitive affiliate}'s products to continue to receive quality regulated services from {name of utility}."
  - (2) **Joint marketing, advertising, and promotional activities.**
    - (A) A utility shall not:
      - (i) provide or acquire leads on behalf of its competitive affiliates;
      - (ii) solicit business or acquire information on behalf of its competitive affiliates;
      - (iii) give the appearance of speaking or acting on behalf of any of its competitive affiliates;
      - (iv) share market analysis reports or other types of proprietary or non-publicly available reports, including, but not limited to, market forecast, planning, or strategic reports, with its competitive affiliates;
      - (v) represent to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or
      - (vi) request authorization from its customers to pass on information exclusively to its competitive affiliate.
    - (B) A utility shall not engage in joint marketing, advertising, or promotional activities of its products or services with those of a competitive affiliate in a manner that favors the affiliate. Such joint marketing, advertising, or promotional activities include, but are not limited to, the following activities:
      - (i) acting or appearing to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;
      - (ii) joint sales calls;
      - (iii) joint proposals, either as requests for proposals or responses to requests for proposals;
      - (iv) joint promotional communications or correspondence, except that a utility may allow a competitive affiliate access to customer bill advertising inserts according to the terms of a commission-approved tariff so long as access to such inserts is made available on the same terms and conditions to non-affiliates offering similar services as the competitive affiliate that uses bill inserts;
      - (v) joint presentations at trade shows, conferences, or other marketing events within the State of Texas; and

**§25.272(h)(B) continued**

- (vi) providing links from a utility's Internet web site to a competitive affiliate's Internet web site.
- (C) At a customer's unsolicited request, a utility may participate in meetings with a competitive affiliate to discuss technical or operational subjects regarding the utility's provision of transmission or distribution services to the customer, but only in the same manner and to the same extent the utility participates in such meetings with unaffiliated electric or energy services suppliers and their customers. The utility shall not listen to, view, or otherwise participate in any way in a sales discussion between a customer and a competitive affiliate or an unaffiliated electric or energy services supplier.
- (3) **Requests for specific competitive affiliate information.** If a customer or potential customer makes an unsolicited request to a utility for information specifically about any of its competitive affiliates, the utility may refer the customer or potential customer to the competitive affiliate for more information. Under this paragraph, the only information that a utility may provide to the customer or potential customer is the competitive affiliate's address and telephone number. The utility shall not transfer the customer directly to the competitive affiliate's customer service office via telephone or provide any other electronic link whereby the customer could contact the competitive affiliate through the utility. When providing the customer or potential customer information about the competitive affiliate, the utility shall not promote its competitive affiliate or its competitive affiliate's products or services, nor shall it offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider.
- (4) **Requests for general information about products or services offered by competitive affiliates and their competitors.** If a customer or potential customer requests general information from a utility about products or services provided by its competitive affiliate or its affiliate's competitors, the utility shall not promote its competitive affiliate or its affiliate's products or services, nor shall the utility offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider. The utility may direct the customer or potential customer to a telephone directory or to the commission, or provide the customer with a recent list of suppliers developed and maintained by the commission, but the utility may not refer the customer or potential customer to the competitive affiliate except as provided for in paragraph (3) of this subsection.
- (i) **Remedies and enforcement.**
  - (1) **Internal codes of conduct for the transition period.** During the transition to competition, including the period prior to and during utility unbundling pursuant to PURA §39.051, each utility shall implement an internal code of conduct consistent with the spirit and intent of PURA §39.157(d) and with the provisions of this section. Such internal codes of conduct are subject to commission review and approval in the context of a utility's unbundling plan submitted pursuant to PURA §39.051(e); however, such internal codes of conduct shall take effect, on an interim basis, on January 10, 2000. The internal codes of conduct shall be developed in good faith by the utility based on the extent to which its affiliate relationships are known by January 10, 2000, and then updated as necessary to ensure compliance with PURA and commission rules. A utility exempt from PURA Chapter 39 pursuant to PURA §39.102(c) shall adopt an internal code of conduct that is consistent with its continued provision of bundled utility service during the period of its exemption.
  - (2) **Ensuring compliance for new affiliates.** A utility and a new affiliate are bound by the code of conduct immediately upon creation of the new affiliate. Upon the creation of a new affiliate, the utility shall immediately post a conspicuous notice of the new affiliate on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days. Within 30 days of creation of the new affiliate, the utility shall file an update to its internal code of conduct and compliance plan, including all changes due to the addition of the new affiliate. The utility shall ensure that any interaction with the new affiliate is in compliance with this section.
  - (3) **Compliance Audits.** No later than one year after the utility has unbundled pursuant to PURA §39.051, and, at a minimum, every third year thereafter, the utility shall have an audit prepared by independent auditors that verifies that the utility is in compliance with this section. The utility shall file the results of each audit with the commission within one month of the audit's completion. The cost of the audits shall not be charged to utility ratepayers.

§25.272(i) continued

- (4) **Informal complaint procedure.** A utility shall establish and file with the commission a complaint procedure for addressing alleged violations of this section. This procedure shall contain a mechanism whereby all complaints shall be placed in writing and shall be referred to a designated officer of the utility. All complaints shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The designated officer shall acknowledge receipt of the complaint in writing within five working days of receipt. The designated officer shall provide a written report communicating the results of the preliminary investigation to the complainant within thirty days after receipt of the complaint, including a description of any course of action that will be taken. In the event the utility and the complainant are unable to resolve the complaint, the complainant may file a formal complaint with the commission. The utility shall notify the complainant of his or her right to file a formal complaint with the commission, and shall provide the complainant with the commission's address and telephone number. The utility and the complainant shall make a good faith effort to resolve the complaint on an informal basis as promptly as practicable. The informal complaint process shall not be a prerequisite for filing a formal complaint with the commission, and the commission may, at any time, institute a complaint against a utility on its own motion.
- (5) **Enforcement by the commission.** A violation or series or set of violations of this section that materially impairs, or is reasonably likely to materially impair, the ability of a person to compete in a competitive market shall be deemed an abuse of market power.
  - (A) In addition to other methods that may be available, the commission may enforce the provisions of this rule by:
    - (i) seeking an injunction or civil penalties to eliminate or remedy the violation or series or set of violations;
    - (ii) suspending, revoking, or amending a certificate or registration as authorized by PURA §39.356, or
    - (iii) pursuing administrative penalties under PURA, Chapter 15, Subchapter B.
  - (B) The imposition of one penalty under this section does not preclude the imposition of other penalties as appropriate for the violation or series or set of violations.
  - (C) In assessing penalties, the commission shall consider the following factors:
    - (i) the utility's prior history of violations;
    - (ii) the utility's efforts to comply with the commission's rules, including the extent to which the utility has adequately and physically separated its office, communications, accounting systems, information systems, lines of authority, and operations from its affiliates, and efforts to enforce these rules;
    - (iii) the nature and degree of economic benefit gained by the utility's competitive affiliate;
    - (iv) the damages or potential damages resulting from the violation or series or set of violations;
    - (v) the size of the business of the competitive affiliate involved;
    - (vi) the penalty's likely deterrence of future violations; and
    - (vii) such other factors deemed appropriate and material to the particular circumstances of the violation or series or set of violations.
- (6) **No immunity from antitrust enforcement.** Nothing in these affiliate rules shall confer immunity from state or federal antitrust laws. Sanctions imposed by the commission for violations of this rule do not affect or preempt antitrust liability, but rather are in addition to any antitrust liability that may apply to the anti-competitive activity. Therefore, antitrust remedies also may be sought in federal or state court to cure anti-competitive activities.
- (7) **No immunity from civil relief.** Nothing in these affiliate rules shall preclude any form of civil relief that may be available under federal or state law, including, but not limited to, filing a complaint with the commission consistent with this subsection.
- (8) **Preemption.** This rule supersedes any procedures or protocols adopted by an independent organization as defined by PURA §39.151, or similar entity, that conflict with the provisions of this rule.

**EXHIBIT II**

**Supplemental Letter Regarding Attestation  
Standards of the American Institute of  
Certified Public Accountants**



**Exhibit II: Supplemental Letter Regarding Attestation  
Standards of The American Institute  
of Certified Public Accountants**

January 11, 2006

To Management of TXU Electric Delivery Company  
and Management of TXU Corp.  
(parent company of TXU Electric Delivery Company):

Dear Ladies and Gentlemen:

PricewaterhouseCoopers LLP performed an examination of TXU Electric Delivery management's assertions on compliance as of November 30, 2005 with the set of rules adopted by the Public Utility Commission of Texas (PUCT), that govern how electric utilities in Texas such as TXU Electric Delivery are required to interact with their affiliates. Our examination was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. This letter is intended to provide further information as to those professional standards. It is not intended to, and does not, address specific procedures performed by PricewaterhouseCoopers LLP in our examination of TXU Electric Delivery management's assertions as to TXU Electric Delivery's compliance with the PUCT Code of Conduct.

**Background**

The American Institute of Certified Public Accountants (AICPA) is a body that establishes professional standards for certified public accountants. All engagements performed by members of the AICPA must adhere to these guidelines. The authoritative guidance promulgated by the AICPA includes professional standards for reporting on an entity's compliance with specified laws, regulations, rules, contracts or grants (such as the PUCT Code of Conduct). In this type of engagement, management is required to provide its own assertions about the entity's compliance with a specific measurable standard. The independent accountant examines these assertions and expresses an opinion about whether the assertions, when taken as a whole, are stated fairly, in all material respects, based on established or agreed-upon criteria. An attestation engagement does not provide a legal opinion about compliance with the PUCT Code of Conduct or about TXU Electric Delivery's compliance thereto.

**Attestation Standards**

The attestation standards provide for multiple levels of assurance. An examination is an attest engagement designed to achieve the highest level of assurance about compliance.

The objective of an examination is for the independent accountant to express an opinion on an entity's assertions as to compliance based on established or agreed-upon criteria. As further discussed below, to express such an opinion, the independent accountant must obtain sufficient competent evidential matter about the entity's compliance.

An examination is designed to provide reasonable, but not absolute, assurance that management's assertions on compliance, when taken as a whole, are fairly stated, in all material respects, based upon the stated criteria. As discussed in the attestation standards, absolute assurance is not attainable due to limitations, including the inherent limitations of internal control over compliance, the nature of the evidence available, the need for judgment and the use of sampling. However, the standards require the independent accountant to design and conduct the engagement to limit the risk of not detecting material non-compliance to an appropriately low level.

The attestation standards state, "The practitioner should exercise (a) due care in planning, performing, and evaluating the results of his or her examination procedures and (b) the proper degree of professional skepticism to achieve reasonable assurance that material non-compliance will be detected." The attestation standards require that the independent accountant:

- obtain an understanding of the specified compliance requirements and management's assertions thereto;
- plan the engagement;
- consider relevant portions of internal control structure over compliance;
- obtain sufficient evidence to support his or her conclusions, including testing compliance with specified requirements; and,
- consider subsequent events.

Procedures conducted in accordance with this framework are intended to allow the independent accountant to form an opinion about whether management's assertions about compliance with specified requirements, when taken as a whole, are stated fairly, in all material respects, based on the established or agreed-upon criteria. The types of procedures performed in assessing compliance include interviews with employees impacted by the standards, review of internal written procedures and documentation supporting management's methodologies, procedures and assertions, observation of activities and operations performed by employees, and detailed testing in areas identified as significant. The assessment may be measured as of a point in time or over a period.