

TXU Reaches Key Milestones in \$10 Billion Investment to Power the Future of Texas *Progress Exceeds Expectations; Environmental Benefits Reaffirmed*

Dallas – June 8, 2006 – TXU Corp. (NYSE: TXU) today reported the achievement of significant milestones in its solid-fuel power generation program, which includes the planned investment of over \$10 billion to power the future of Texas through the construction of 11 coal power generation facilities. TXU has:

- Received notice that the Texas Commission on Environmental Quality (TCEQ) has deemed air permit filings for TXU's reference plants¹ administratively complete. Through an unprecedented voluntary environmental commitment, TXU's program will decrease the company's total key emissions 20 percent below current levels while doubling its solid-fuel generation capacity.
- Improved the risk/reward profile of the program by:
 - Securing a commitment for \$11 billion of non-recourse financing at favorable rates to fund construction of the generation facilities and to provide collateral support as part of a new subsidiary development company, TXU Generation Development Company LLC (TXU DevCo);
 - Hedging a significant portion of the economic output of the facilities through 2012 with the ongoing execution of the company's natural gas hedging program;
 - Launching a process to sell forward power from TXU DevCo; and
 - Working with Morgan Stanley and Citigroup, as financial advisors, to lead a process for the potential sale or swap of equity interests in TXU DevCo. High interest in physical power purchases and TXU DevCo's equity is indicative of the broad public policy and financial appeal of TXU's program.
- Achieved major milestones in the execution of the program by:
 - Finalizing definitive agreements with Bechtel Power for the design, engineering, and procurement of the eight reference plants and with Fluor Corp. for the engineering, procurement, and construction of the Oak Grove facilities. The agreements define how the teams will continue to apply the lean concepts of the TXU Operating System to improve unit cost, schedule, and reliability, culminating with fixed-price contracts;
 - Completing a fixed-price engineering, procurement, and construction (EPC) agreement with Bechtel for the construction of the Sandow facility at a price that further demonstrates the success of applying the TXU Operating System to generation construction;
 - Hiring Charles R. Enze, formerly vice president, engineering and projects at Shell International Exploration & Production, Inc., as CEO of TXU Generation Construction to lead TXU's high-performance plan;
 - Creating an operational readiness and planning organization under the leadership of Steve Kopenitz, senior vice president (SVP) of Fossil Operations, to lead preparation for and start-up of operations of the new plants; and
 - Agreeing to purchase eight 858-megawatt² boilers from The Babcock and Wilcox Company. The boiler economics will outperform original estimates, with higher capacity, lower expected heat rates, and no increase in key emissions.

¹ Refers to the eight new power generation units (excluding the Sandow and Oak Grove facilities) that TXU will build with a proprietary standardized "reference plant" design and construction process.

² In this release, capacity amounts for TXU's planned new facilities reflect estimated net capacity unless otherwise noted.

TXU believes the market interest it has received in both the physical power purchases and the TXU DevCo equity is indicative of the broad public policy and financial appeal of TXU's solid-fuel power generation program. Public power entities and electric cooperatives see a viable mechanism to participate in the development of resources that can fulfill the needs of their customers; state legislators and regulators get a reliable and efficient supply infrastructure that can support economic development; customers get lower prices, better reliability, and cleaner air; and investors have an opportunity to participate in a program with potentially favorable returns. As a result, Texas will benefit on multiple fronts by attracting investment capital for its energy infrastructure.

"Across practically every dimension – financing, hedging, engineering design and construction, planning, facility production, talent, timing, and operational cost planning – we have improved on our high expectations for this program," said C. John Wilder, TXU chairman and chief executive officer. "We are off to a great start with the completion of these key milestones, and we expect continued performance improvement as we advance this program to provide our customers with secure, clean, low-cost electricity and our investors with continued added value."

Four Phases for Delivering on TXU's Solid-Fuel Power Generation Program

TXU has identified four major phases of milestones for delivering on its solid-fuel power generation program:

- I. Set the Strategic Direction**
- II. Ensure Operational Execution**
- III. Optimize the Risk/Return Profile**
- IV. Expand to New Markets**

On April 20, 2006, TXU announced its intentions to develop 11 new clean coal technology power generation facilities on an accelerated basis. This initiative will provide nine gigawatts (GW) of capacity in the Electric Reliability Council of Texas (ERCOT), improving reliability by 10 percent, which is enough to serve 6.5 million residents, and providing Texas with adequate supply through 2015. It is also expected to reduce long-term power prices by an estimated \$1.7 billion annually by 2010.

The need for this investment was further reinforced by the ERCOT annual five-year peak demand and energy forecast issued on June 1, 2006. The new forecast reflects a 2.3 percent projected annual demand growth rate, up 28 percent from the 1.8 percent in 2005. The new forecast shows reserve margins dropping to 7.2 percent in 2010, well below the 12.5 percent level deemed reliable. If no new generation is built, old inefficient mothballed gas units will need to operate, reducing overall market efficiency and further raising power prices.

Today, TXU is affirming its commitment to this generation program by announcing completion of major milestones in Phases II and III. TXU has also defined several key milestones for Phase IV. Tables 1-4 in the Appendix outline the key milestones for each phase.

Phase I: Set the Strategic Direction

Texans demand and deserve less volatile and lower energy prices and a cleaner environment. The combination of high and volatile gas prices that have increased by over 175 percent since 2001 and Texas' high reliance on natural gas-fired generation has led to electricity price increases of over 50 percent. In addition, within a decade, six million new residents are expected, increasing the demand for electricity between one and two GW per year. Without new generation, both ERCOT and the Public Utility Commission of Texas forecast that reserve margins will drop below levels deemed reliable. This juncture signals a pending reduction in market efficiency, even higher prices and volatility, and an increased risk of shortages that would put the economic strength of Texas at risk. At the same time, the state, particularly its urban areas, faces significant air quality challenges. This complex situation requires a combination of bold actions to ensure a reliable power supply and a cleaner environment. Conservation must be part of the solution, but it alone cannot curb the growing electricity demand spurred by a robust economy. A large supply of new, clean, low-cost generation that does not rely on imported natural gas is needed, and needed quickly.

During its strategic review last fall, TXU examined ways to meet this challenging energy situation, recognizing that it is well positioned to profitably help solve this problem for all Texans. The key objectives of Phase I are to:

1. **Identify the Best Current Technology:** Identify a set of reliable technological options that will allow TXU to profitably provide for its customers' growing needs with a new low-cost, stable power supply;
2. **Improve the Environment:** Develop a plan to use environmentally progressive generation technology to provide the needed supply additions while simultaneously reducing key emissions;
3. **Identify and Invest in Future Technologies:** Identify and prioritize investment in a set of reliable next-generation technologies; and
4. **Develop a Sustainable Business Model:** Create a distinctive business model that allows TXU to construct and operate power generation facilities at the safest, most reliable, and lowest-cost levels and explore the potential to deploy this business model to multiple markets.

Identify the Best Current Technology: In determining the best current technology to solve Texas' energy problem, TXU considered all potential demand and supply solutions, using a systematic process of balancing the costs, benefits, reliability, and speed to market of each one.

Choosing the right technology is challenging because of volatile commodity prices, uncertain environmental regulations, and inefficient permitting and siting. Renewable energy, even if pursued to its maximum potential, does not have the capacity to meet baseload electric power demand, but it is a part of the solution, and TXU will help grow Texas' renewable portfolio through a new company, TXU Renew. TXU Renew plans to double the company's renewable energy portfolio by 2011, bringing the total to approximately 1,400 megawatts (MW), enough wind energy to power about 275,000 homes. TXU will issue a request for proposal for up to 200 MW of renewable capacity in June 2006, with an expectation of selecting development projects by the end of the summer.

While efficient gas units are a possibility, they will not meet the challenge. The Texas power supply is 72 percent gas capacity, much higher than the national average of 45 percent. The U.S. gas supply is shrinking, and putting Texans even more at the mercy of foreign gas providers is not prudent. The expectations of high and volatile future gas prices eliminated gas-fired generation as a viable option.

Nuclear power is a potential long-term answer, but it is currently too expensive to build and too difficult to site in Texas. Technological and regulatory breakthroughs will be required to make nuclear power a real alternative. TXU will continue to investigate this option by exploring the expansion of its Comanche Peak nuclear power facility.

TXU considered investing in integrated gasification combined cycle (IGCC) technology but rejected it in the short-term for its 11 new units because manufacturers would not warrant the technology using the Texas lignite or Powder River Basin (PRB) coal available to Texas. The two experimental IGCC facilities in Indiana and Florida are small scale with higher emission rates than TXU's proposed facilities.

Of all the options TXU examined, supercritical pulverized coal generation emerged as the logical choice to address immediate customer needs. As a fuel, coal is a secure, cheap, plentiful, domestic resource. Estimates show that the U.S. has enough economic coal deposits to supply over 200 years of power generation. Technological advancements have also made it environmentally acceptable. A new supercritical pulverized coal generation facility is 75 percent more environmentally efficient than the average existing U.S. coal facility and is 33 percent more environmentally efficient than the 2015 standard recently adopted by the Environmental Protection Agency's Clean Air Interstate Rules. TXU also looked to other markets like Europe that face even more constraining carbon dioxide (CO₂) regulations. Even confronted with this economic tradeoff, more than 50 percent of the long-term power generation development in Europe is expected to be supercritical pulverized coal. Based on all these factors, TXU made the decision to proceed with supercritical pulverized coal technology for its reference plants and the Oak Grove facilities.

Table 1 lists the 11 proposed new generation facilities in Texas. Since April, performance improvements have increased the estimated total capacity from 8,615 MW to 9,079 MW.

**Table 1: Proposed New Generation Facilities
08E-10E; primary fuel type, MW, location**

Unit	Fuel	Previous Estimate of Net Capacity (MW)	Net Capacity Based on Selected Boilers (MW)	County
Announced in 05:				
Oak Grove 1 & 2	Lignite	1,634	1,634	Robertson
Sandow 5	Lignite	581	581	Milam
Subtotal		2,215	2,215	
Announced April 06:				
Big Brown 3	PRB	800	858	Freestone
Lake Creek 3	PRB	800	858	McLennan
Martin Lake 4	PRB	800	858	Rusk
Monticello 4	PRB	800	858	Titus
Morgan Creek 7	PRB	800	858	Mitchell
Tradinghouse 3 & 4	PRB	1,600	1,716	McLennan
Valley 4	PRB	800	858	Fannin
Subtotal		6,400	6,864	
Total		8,615	9,079	

Improve the Environment: TXU's solution for its customers includes the most significant voluntary emissions reduction program of its kind in the U.S. While TXU will more than double its capacity, it will reduce total key emissions by 20 percent from current levels. This means that even after TXU adds nine GW of new power, its Texas generation fleet will have lower key emissions than today. The emissions intensity of its coal generation will be reduced by almost 70 percent, making TXU the cleanest large-scale coal generation fleet operator in the nation. TXU will achieve this environmental progress through retrofitting existing facilities with state-of-the-art emissions controls, increasing the use of more expensive but cleaner coal in existing facilities, and employing the best available control technology on the new facilities. TXU will spend \$2.5 billion of its over \$10 billion program on environmental controls that will allow TXU to meet this commitment to lower key emissions below today's levels. TXU also will ask the TCEQ to codify TXU's environmental commitment to make it legally enforceable. The principle of more-than-offsetting key emissions would be good public policy for Texas, and TXU believes all builders should be held to that standard.

As shown in Table 2, after the program is complete, the new portfolio will have 20 percent lower total emissions of sulfur dioxide (SO₂), nitrogen oxides (NO_x), and mercury, and almost 70 percent lower emissions rates.

**Table 2: Estimated Key Emissions Rates and Reductions from Coal-Fired Units
From 05; thousands of tons, pounds/MWh, percent**

Component	SO ₂		NO _x		Mercury	
	Tons (000s)	Pounds/MWh	Tons (000s)	Pounds/MWh	Tons (000s)	Pounds/MWh
2005 emissions (nine existing facilities) ³	273.1	11.6	42.1	1.79	0.0025	0.00011
Emissions after new facilities & voluntary reductions ⁴	218.5	3.6	33.7	0.55	0.0020	0.00003
Percent change from 2005 emissions ⁴	(20)	(69)	(20)	(69)	(20)	(69)

Identify and Invest in Future Technologies: TXU believes that true industry leadership requires investment in new technologies that will solve America's future power needs. To respond to this challenge, TXU plans to invest up to \$2 billion in the development and commercialization of the next generation of even cleaner power generation technology. With over 300 GW of installed coal power generation capacity in the U.S., the highest and best use of research and development dollars is finding ways to improve the performance of the nation's current plants. TXU is extremely encouraged on this front. Boiler manufacturers believe that they will eventually be able to add technology to strip out even more SO₂, NO_x, and mercury and up to 50 percent of CO₂ from existing boilers. Future technologies could include ultra-supercritical pulverized coal power generation facilities that could improve efficiency by raising steam temperatures to over 700 degrees Celsius or advanced IGCC technology that could work

³ Data submitted by TXU to the Environmental Protection Agency.

⁴ Assumes all 11 new units are completed as planned.

with the many different types of coal found throughout the U.S. Over the long term, nuclear power is the only non-carbon power generating option that can be confidently deployed on a sufficiently large scale to meet the large gap in 21st-century power requirements. TXU will consider these and other technologies in the allocation of its \$2 billion investment. To put the size of this investment in context, the entire FutureGen⁵ initiative is a \$1 billion project subsidized by the government with private companies investing approximately \$25 million each. The TXU investment will be 80 times the size of the individual company investment in FutureGen.

Develop a Sustainable Business Model: Based on its examination of other major construction programs, TXU learned that scale is necessary to drive down cost and construction time, corresponding directly to customer value. TXU's objective is to develop and implement a sustainable business model to build power generation facilities for less cost and in less time and to operate power generation facilities at superior reliability and cost levels relative to the industry. This model will allow TXU to profitably serve customers throughout the U.S. with the most secure, low-cost and environmentally friendly power possible. TXU believes its model will also provide new markets with economic benefits similar to those projected for Texas. Expected benefits in Texas include a reduction in long-term power prices by \$1.7 billion annually, approximately 40,000 construction and other temporary jobs, 21,000 permanent jobs, and nearly \$14 billion added to the state gross product.⁶ TXU has been encouraged by early discussions with leaders in other markets and expects to announce progress in expanding outside of Texas by the end of the year.

Phase II: Ensure Operational Execution

Once the sustainable business model was designed, TXU transitioned to Phase II. The focus of Phase II is the tactical execution of the solid-fuel power generation program including the design, equipment purchasing, construction, and management of the process and the development of a world-class supply chain. The key objectives of this phase are to:

1. **Partner Exclusively with the Best Engineering and Construction Firms:** Ensure that the world's best resources are dedicated to the program's success;
2. **Build an Industry-Leading Construction and Operations Management Team:** Recruit and/or develop a construction team to execute the program on time and on target, and an operational readiness and planning team to operate the facilities at leading reliability and cost levels; and
3. **Work with Partners to Remove Waste⁷ Using the TXU Operating System:** Develop the lowest-cost, highest-value design, construction, and operations plans for the reference plants, including a highly reliable supply chain that creates the lowest total cost of ownership and delivery.

Partner Exclusively with the Best Engineering and Construction Firms: TXU has developed exclusive partnerships in Texas with Bechtel and Fluor to construct the 11 proposed new generation facilities in Texas. They are outstanding engineering and construction firms, having constructed more than 80 percent of the world's competitive coal power generation facilities over the last 15 years. TXU has achieved the following milestones:

Definitive Agreement for the Reference Plant Completed: TXU has completed a definitive agreement with Bechtel for the design, engineering, and procurement of the reference plants. The final agreement governing the entire EPC program is anticipated to be completed by the end of June. The two companies are engaged in applying the TXU Operating System in a collaborative process to optimize performance, cost, and schedule to construct the new facilities. Work will continue through the summer as outlined in Appendix 5 to systematically review and optimize each plant component and phase of construction. Once this work is complete and high-performance site-specific plans are developed for each plant, TXU and Bechtel will convert the contracts to fixed-price agreements for project delivery, each reflecting high-performance plans.

⁵ FutureGen is the U.S. Department of Energy's program to design and build a large-scale prototype plant to produce electricity and hydrogen from coal with no carbon or other emissions.

⁶ Dr. Ray Perryman, "The Economic Impact of Recent and Planned Investments by TXU on Business Activity in Texas," April 2006, available on the internet at www.reliabletexaspower.com.

⁷ Refers to "muda", a Japanese term for anything that uses resources and doesn't add value (specifically human activity), and a key part of the lean operating practices included in the TXU Operating System.

“We are pleased to be working in an exclusive agreement in Texas with a firm as competitive and committed to driving an efficient and productive process as TXU,” said Scott Ogilvie, president of Bechtel Power Corp. “I’m confident that together we can further improve the process before we finalize a fixed-price contract for each plant.”

Definitive Agreement for Oak Grove Finalized: TXU has finalized a definitive agreement with Fluor to provide engineering, procurement, and construction services for the Oak Grove plant. Similar to the reference plant structure, this contract is based on applying the TXU Operating System in a collaborative design process – currently underway – and completing a definitive fixed-price agreement by late summer. The parties are finalizing all major components of the procurement phase, including purchase of the air quality control system. TXU has already made substantial progress and will continue to work with Fluor to identify additional opportunities. TXU expects Unit 1 to be online by April 2009 and Unit 2 by October 2009, although both units are expected to be producing power during start-up and commissioning months earlier.

“This is yet another example of how Fluor and TXU are setting industry standards in our exclusive Texas relationship,” said Alan Boeckmann, chairman and CEO of Fluor. “We are fully committed to achieving the costs and online targets for the Oak Grove facilities and hope to further improve the process as we complete the collaborative design review and continue to optimize the facilities.”

Fixed-Price EPC Agreement for Sandow Unit 5 Completed: TXU has completed a definitive agreement with Bechtel for the design, engineering, procurement, and construction of Sandow Unit 5. This agreement defines a fixed price for the engineering, procurement, and construction of this circulating fluidized bed (CFB) facility and represents another success for the TXU Operating System. TXU believes this unit will be built at a cost well below that of the supercritical pulverized coal plants under construction by other firms. This facility is expected to be online by March 2009.

Build an Industry-Leading Construction and Operations Management Team: TXU is making significant progress in building a construction and operations management team that will work with key construction partners to build the plants on time and on target and will be responsible for operating them at top reliability and cost levels.

High-Performance Construction Leader Hired: Effective June 12, Charles R. Enze will join TXU as CEO of TXU Generation Construction. Enze will have full responsibility for leading the construction phase of TXU’s program, including the retrofits of existing facilities to meet TXU’s environmental commitment. He joins TXU from Shell International Exploration & Production, Inc., where he was vice president, engineering and projects. He has 30 years of experience leading major projects from concept through execution to start-up and steady-state operations. His relevant experience from leading Shell’s global deepwater development program over the last 20 years includes:

- Managing a \$20 billion portfolio of global projects ranging from five global deepwater oil developments to liquefied natural gas re-gasification terminals;
- Project managing the successful completion of 11 major projects, ranging in size from \$1 billion to \$4 billion, in the U.S., Africa, Russia, and the Far East;
- Meeting or beating plans for all but one major project;
- Project managing Shell’s first deepwater project (Auger), which received the ASCE Outstanding Civil Engineering Project Award; and
- Building and leading high-performing teams and creating innovative, risk-sharing relationships with contractors that led to significant improvements in the domestic deepwater program. These efforts leveraged standardization, scale, and continuous improvement to deliver 50 percent improvement in capital cost per unit of production, 20 percent improvement in delivery time, and 15 percent improvement in uptime reliability.

“We are pleased to have Chuck join TXU in this critical role. His hiring is the result of our worldwide search for a top construction executive with a proven track record in complex energy infrastructure projects,” said Wilder. “Chuck brings an extremely successful background in managing construction programs that requires coordination of multiple infrastructure projects. This will be important to the success of TXU’s program, which will require effective coordination of multiple construction work processes, such as rail connections, roads, bridge spans of wetlands, site preparation, and off-site fabrication. He will bring a wealth of knowledge in building high-performing teams with strategic contractors and suppliers to deliver continuous improvement in cost, performance, and scheduling across the supply chain.”

Start-up and Operations Organization Created: Also effective June 12, Steve Kopenitz will become SVP, operational readiness and planning. He will have full responsibility for establishing the operating model, performance culture and organization for the new plants. Kopenitz will lead the planning for their start-up, including the hiring and training of a workforce recruited from the most competitive talent channels, and for the post-construction operation of the units.

“We are fortunate to have a person of Steve’s caliber leading the operations planning for this important solid-fuel power generation program,” said Wilder. “Steve will extend the principles of the TXU Operating System, which have led to record output in TXU’s current generation, to ensure cost and output leadership in the new generation fleet. He and his team will rethink each element of the operation – production, maintenance, capital planning, outage management, incentives, talent management, and organization design – and identify where we can better leverage our partners and the pivotal roles where we need the best talent. Few people have Steve’s experience as a leader in both mining and power generation operations. Even fewer have his track record in labor relations, talent management, and as one of our core leaders in the development of the TXU Operating System.”

Over the last several months, Kopenitz has applied his experience and knowledge of the TXU Operating System to the design of the reference plants. He will work closely with Enze to complete the collaborative process with TXU’s partners. This process will continue to focus on driving out inefficiencies from the design and developing a construction program that will ensure smooth start-up and delivery of performance at expected levels.

Work with Partners to Remove Waste Using the TXU Operating System: Over the past two years, the TXU Operating System has helped TXU increase its solid-fuel power generation capacity factors to record levels while simultaneously lowering its unit costs. At the core of the TXU Operating System is a rigorous focus on the elimination of waste to improve productivity. These same principles will be applied across key activities and processes in the program, including creating a proprietary reference plant to facilitate standardization and purchase economies; applying value-engineering frameworks and lean principles to eliminate material waste in design and construction; and optimizing total supply chain activities to improve cycle times, increase throughput, and lower the total cost of ownership and delivery. TXU’s objective is to monitor, evaluate, and adjust each component of the process to provide the most aggressive and successful construction process.

Larger, More Efficient Boilers Purchased: TXU’s combined construction and operations team is working collaboratively with Bechtel to apply these techniques to define a proprietary standardized reference plant design. The boiler selection represents a major success of this process. TXU and Bechtel used an intensive supplier selection process to arrive at a very attractive collaboration with The Babcock & Wilcox Company, a subsidiary of McDermott International. This approach has significantly improved the operating characteristics of the reference plants. Production capacity has increased from 800 to 858 MW per plant and the expected heat rate has improved nine percent from 10,000 to approximately 9,130 Btu per kWh. The actual heat rate for the plant will be determined with the final selection of the steam turbine supplier. This more efficient boiler selection will allow TXU to deliver seven percent more power output than originally announced without additional emissions. With the purchase of the eight boilers, TXU has locked in over 15 percent of the cost of each plant. Coincident with the boiler selection, TXU is in negotiations with a number of suppliers who can meet the requirements and engineer turbines to match the high-performance boilers. TXU expects to conclude with one or more suppliers no later than June 30. The scale purchase of this long-lead-time equipment will reduce lead time from 22-24 months to 14-16 months. By placing these equipment orders prior to permitting, TXU expects to compress its construction schedule, with boilers and other equipment arriving to coincide with their need in the compressed construction schedule.

The joint Bechtel and TXU team will continue its work over the course of the summer to systematically review and optimize each component of the plants and phases of construction. Appendix Table 5 outlines the status of this collaborative effort. The team is approximately 25 percent complete with its exhaustive review of all major elements of the plant design and construction process. To date, the team has developed a reference plant that TXU expects can be constructed at approximately \$1,100 per kilowatt (kW), including dual rail access. The average time to complete the eight reference plants is expected to be 29 to 30 months per facility, with every reference plant producing power by first quarter 2010. This represents a 25 percent reduction in cost and a 35 to 40 percent reduction in time relative to similar facilities being constructed. These comparable coal power generation facilities range from \$1,430 to \$1,600 per kW and are estimated to take 40 to 59 months to come online.

TXU is building mobilization plans to allow the start of construction on each facility immediately following issuance of the air permits. By ordering critical equipment and completing engineering in parallel with the permitting process, TXU expects to have Oak Grove Units 1 and 2 online and generating substantial revenues by April and October 2009, respectively. Similarly, TXU believes its lean reference plant schedule will allow the first units to be online in fall 2009 with subsequent units online in sequence through mid-2010.

Phase III: Optimize the Risk/Return Profile

In parallel with Phase II, TXU has focused on Phase III, optimizing the risk/return profile of the solid-fuel power generation program. A cornerstone of TXU's philosophy is disciplined capital allocation and maximization of capital productivity. TXU believes that the strong financial profile of the program can be further enhanced through risk management and optimal capitalization. The key objectives of this phase are to:

1. **Develop a Superior Investment Thesis:** Develop an investment profile that is economically sound in a wide variety of industry conditions;
2. **Manage Commodity Risk:** Access the forward commodity markets for short-term risk management and sell long-term power to municipalities, cooperatives, retail electric providers, and large businesses to secure long-term stable revenues;
3. **Maximize Capital Productivity:** Secure 100 percent non-recourse capital; and
4. **Secure Partners:** Identify partners that would like to participate in this investment, particularly partners that are willing to swap assets in other markets or partners that have other assets, such as fuel, that would benefit the program.

Develop a Superior Investment Thesis: TXU will contribute to TXU DevCo TXU's sites, water rights, lignite near Oak Grove, permits, and other key related infrastructure assets for the solid-fuel power generation program. TXU DevCo will be responsible for the construction and operation of the new facilities, and TXU will provide operations and maintenance and other administrative services. Progress in operational execution, particularly the purchase of the boilers, has driven the improvements in indicative pro-forma EBIT shown in Tables 3 and 4. This easily meets TXU's investment thresholds and has a present value of cash flows divided by present value of investment (PV/I) of 1.6, with almost 50 percent of its cash being returned in the first five years.

Table 3: Indicative Reference Plant Pro Forma⁸
10E; \$/MWh, \$ millions

Component	May 2 \$/MWh	Current \$/MWh	May 2 \$ Millions	Current \$ Millions
Revenue	63	63	400	445
Fuel and variable emissions expense	17	15	110	105
Other operating expenses	6	6	40	45
EBITDA	40	42	250	295
Depreciation ⁹	3	3	20	20
EBIT	37	39	230	275

Table 4 provides the indicative net income for the 11-plant program in ERCOT. It includes the estimated effects of the natural gas hedge transactions described below and an assumed 1.5 GW of levelized priced purchase power agreements (PPAs), likely 20-25 year PPAs. The actual amount of PPAs is projected to be between 1 and 2 GW, which would result in estimated dilution to 2010 revenues of \$100 million to \$150 million, based upon expected levelized PPA prices and current forward curves. The indicative earnings before interest and taxes (EBIT) for the overall program have improved materially since May 2, largely due to the increase in the expected size and efficiency of the boilers. Related to these boilers, TXU will incur approximately \$700 million of additional capital expenditures and forego up to \$2 billion of supplier financing in order to attain the 464 MW of additional capacity

⁸ Assumes full year of operation in 2010; does not include hedging; projected net capacity of the reference plant unit on 5/2/06 was 800 MW and is currently 858 MW.

⁹ Depreciation excludes impacts of interest capitalized during construction.

and approximately nine percent better efficiency from a supplier that guaranteed stronger delivery schedules and assembly times. The boiler selection also resulted in an increase in the target size of TXU DevCo's non-recourse financing by \$1 billion.

While the impact of the increased capital and interest expense during construction tends to neutralize the benefits of the improved performance on 2010 indicative earnings, based on current forward curves, over the first ten years of operations it increases indicative EBIT by approximately \$1.7 billion and increases the net present value of the program by 20 percent. Accordingly, indicative pro-forma 2010 EBITDA for the program has risen by \$220 million, including the dilutive near-term impact of potential long-term PPAs, while interest expense has increased by \$175 million. The increase in EBITDA is attributable to boiler size and efficiency. The rise in interest expense is attributable to higher overall 2010 debt levels and upward shifts in interest rates.

Table 4: Indicative Net Income for Solid-Fuel Power Generation Program Pro Forma – All Facilities¹⁰
10E; \$ millions

Component	May 2	Current	Change	% Change
Revenue ¹¹	4,250	4,445	195	5
Fuel and variable emissions expense	1,040	990	(50)	(5)
Other operating expenses	440	465	25	6
EBITDA	2,770	2,990	220	8
Depreciation and amortization ¹²	185	215	30	16
Interest expense	660	835	175	27
Tax expense	680	695	15	2
Net income	1,245	1,245	0	0

Manage Commodity Risk: Since natural gas-fired facilities are expected to be predominantly on the margin in Texas for the foreseeable future, a baseload plant acts like a perpetual gas field. While the financials based upon current forward commodity prices are very strong, the volatility of the commodity market results in a wide distribution of outcomes, and the company has implemented a comprehensive plan to manage this exposure.

As previously disclosed, TXU has entered into transactions to manage its commodity price exposure, specifically to movements in natural gas and power prices, as part of its risk management program. As of June 7, 2006, TXU has hedged an aggregate of approximately 1.25 billion MMBtu for the period from 2007 through 2012. Following the forward sales of power and the equity interest sale or swap process described below, and in conjunction with the credit review prior to financing close, TXU will assign the appropriate portion of hedge contracts from TXU to TXU DevCo to support the target credit rating.

Hedging transactions typically require each party to provide collateral to support its future payment obligations in the event of changes in commodity prices. In the past, TXU Energy Holdings has used cash and letters of credit to satisfy its collateral posting obligations. Due to the scale of TXU's hedging program and to reduce the use of cash and letters of credit when collateral must be posted for the hedging transactions, TXU will grant a first-lien security interest in its existing Big Brown power generation plant to secure obligations under some of its hedging transactions. In advance of the first-lien interest being secured, TXU will issue a \$500 million letter of credit to support a portion of the hedging transactions. If the first lien is not secured to collateralize those hedges, TXU is obligated to provide a first lien of alternative physical collateral of equivalent value or post letters of credit of increasing size (with a maximum of \$2 billion if the requisite first lien is not in place by June 2007). Following the issuance of sufficient permits and initial funding under the facilities described below, the natural gas hedge transactions that are assigned to TXU DevCo will be supported by a second lien on the assets and new generation facilities of TXU DevCo.

TXU views its overall natural gas position as having asymmetric upside. If gas prices fall, the value of the hedges increases, while the value of generation production decreases. If gas prices increase, the value of the hedges

¹⁰ Indicative pro forma for 2010, including Oak Grove, Sandow, and eight additional units. The indicative pro forma will change as hedging, equity sell-down, and other key terms are finalized and the permitting and construction process unfolds. Reflects forward natural gas and power curves as of 6/2/06.

¹¹ Reflects the effects of natural gas hedges described below and an assumed 1.5 GW of levelized-price long-term PPAs.

¹² Includes the impact of interest capitalized during construction.

decreases, while the value of generation production increases. However, in a higher commodity environment, TXU can increase value by building more generation capacity.

Table 5 outlines TXU's estimated pro-forma natural gas exposure through 2010 as a result of these hedges and expected forward power sales that are discussed further below and Table 6 summarizes the average price levels for the natural gas hedges.

**Table 5: Pro-Forma Natural Gas Equivalent Exposure¹³
07E-10E; million MMBtu**

Component	07E	08E	09E	10E
Baseload generation	470	465	495	495
Retail sales/other transactions ¹⁴	(365)	(325)	(320)	(335)
TXU DevCo exposure	0	5	215	585
Current natural gas hedges	(110)	(150)	(260)	(395)
Planned forward power sales ¹⁵	-	-	(30) to (60)	(80) to (120)
TXU base business and TXU DevCo net exposure	(5) to 5	(5) to 5	70 to 100	230 to 270

**Table 6: Average Sales Price of Natural Gas Hedges
07-10; \$/MMBtu**

Component	07	08	09	10
Natural gas hedge transactions	~9.70	~8.40	~8.35	~7.95

TXU is also in advanced discussions with multiple customers and potential partners interested in purchasing physical power from TXU DevCo. In a market like ERCOT where volatile natural gas prices make wholesale power prices high and volatile, many load-serving entities, such as municipal utilities, electric cooperatives, and retail electric providers, and many large industrial customers view the development of nine GW of low-cost, coal-fired baseload capacity as a welcome event. Many of these entities serve some of the fastest-growing areas of Texas and need additional power supply in the near-term. The ability of TXU DevCo to bring a large amount of low-cost power online quickly is attractive to them. TXU is also in a unique position to offer power from existing facilities in the near term and power from TXU DevCo in the long term, helping wholesale purchasers provide immediate relief to customers and provide flexibility to lock in price certainty over time.

TXU will be working with these customers and potential partners to determine the arrangements that best suit their long-term needs, which will likely include 20- to 30-year PPAs and equity positions, with or without upfront capacity payments. There is strong interest in these long-term PPAs with the option to convert to equity. Table 7 describes the estimated power needs of the targeted customers and potential partners in ERCOT and their estimated generation by class of entity.

**Table 7: Estimated Power Positions of Targeted Customer Classes in ERCOT
05E; GW per year**

Targeted Customer Class	Estimated Load	Owned Generation	Native Short Position
Municipal & cooperative power companies	17.0	13.5	3.5
Large commercial/industrial companies	2.2	N/A	N/A

TXU is targeting one to two GW per year of forward physical power sales or equivalent transactions from TXU DevCo or its affiliates at long-term levelized prices. This is an important risk management technique for the portfolio as TXU believes that well-structured power sales can lock in additional long-term value with a secure cash flow profile, backed by good credit, with only modest tradeoffs for potential TXU DevCo earnings in the early years (e.g., 2010-2015). TXU is targeting completion of these forward sales of power by fall 2006, consistent with the anticipated issuance of final permits from the TCEQ for the Oak Grove facilities, the closing of the financing for the program, and the indicative pricing of sales of TXU DevCo equity interests.

¹³ As of 6/7/06.

¹⁴ Assumes native market retail position acts as a short position while net margin remains at or below sustainable range.

¹⁵ Assumes 1.5 GW of forward power sales are converted at an 8 MMBtu/MWh heat rate. These forward power sales will only be executed if TXU receives the majority of the draft permits to construct the new facilities.

As a result of the commodity risk management program, TXU's cash flows are estimated to have roughly the same absolute level of sensitivity to commodity market exposure as they did before the addition of the solid-fuel power generation new production. However, by 2010 these cash flows will now be based on more than twice the production of the base generation fleet today. Table 8 outlines the sensitivity of TXU's EBITDA to changes in natural gas prices and market heat rates including TXU DevCo.

Table 8: Cumulative 5-Year EBITDA Sensitivities to Changes in Natural Gas Prices and Heat Rates¹⁶ 06E-10E; percent

Natural Gas Prices (\$/MMBtu)	Heat Rates (MMBtu/MWh)		
	-0.25 Structural Move	Projected Base Case	+0.25 Structural Move
-\$1.00 structural move in entire curve	(7)	(5)	(2)
Current forward curve (base case)	(2)	0	2
+\$1.00 structural move in entire curve	0	2	3

Maximize Capital Productivity: TXU has secured a \$11 billion financing commitment to provide the capital necessary for TXU DevCo to cover all of the development and construction costs of the program in ERCOT at target drawn rates. TXU expects to syndicate and close this financing in fall 2006. The financing will include a mix of both first- and second-lien facilities that will be secured by TXU DevCo's assets.

TXU's estimates assume an average drawn interest rate of between 7.95 and 8.25 percent based on the financing commitment and current forward interest rate curves. This credit pricing reflects the quality of the assets contributed to the entity, the strength of the solid-fuel power generation program, and the significant risk management program that TXU has undertaken.

The TXU DevCo structure and capitalization strategy provides important benefits to TXU. Under the terms of the financing commitment, TXU DevCo's debt will be non-recourse to TXU Corp., the parent company. TXU DevCo will be able to draw on this capital as required to finance the construction, with funding for each facility contingent on the issuance of a site air permit by the TCEQ and other typical conditions. TXU DevCo's borrowings will include amounts to repay TXU Corp. for funding pre-permit capital expenditures. Such pre-permit expenditures not drawn on the project financing are currently estimated to be approximately \$800 million through the end of 2006, an increase of approximately \$310 million from the expenditures previously projected, as a result of the value-enhancing selection of alternative boiler equipment that was explained on pages 7 and 8. Total capital expenditures for the program in 2006 are expected to be approximately \$1.2 billion, including approximately \$400 million expected to be drawn on the project financing, with the remainder being drawn in 2007.

The financing structure provides a highly-efficient vehicle for this type of power generation development because it allows other equity partners to participate without having to arrange their own financing. This financing structure also provides market yields for the debt investor with explicit claims on the specific assets. Table 9 demonstrates the impact of the investment on TXU equity for different commodity environments for the baseline case. In Case 1, the lack of hedging and project financing exposes TXU equity to the full volatility of gas price (and related power price) changes. A 30 percent downward shift in the entire forward curve would cause TXU's equity investment to breakeven and any additional reduction would result in value destruction. In Case 2, the hedges help reduce the volatility and provide protection down to a 38 percent downward shift in the forward curve. Since the hedges come with a cost, the net present value (NPV) of Case 2 is lower than in Case 1 at the current forward curve (0 percent shift in the natural gas curve). Finally, in Case 3, which represents the current baseline pro forma, the combination of hedging and project financing allow TXU to keep the majority of the upside and limit any value loss.

¹⁶ Base case reflects forward curves for natural gas prices and heat rates as of 6/2/06.

Table 9: Indicative Sensitivity of TXU DevCo NPV to TXU Relative to Natural Gas Price Percent¹⁷

Shift in the Natural Gas Curve (\$/MMBtu)	Case 1	Case 2	Case 3
	No Hedging/ No Project Financing	Hedging/ No Project Financing	Hedging/ Project Financing
+20 percent	167	152	152
0 percent (as of June 2)	100%	99%	99%
-20 percent	33	47	47
-30 percent	0	20	20
-38 percent	(27)	0	0
-50 percent	(67)	(32)	0

Secure Partners: TXU has received substantial interest from investors who want access to the return profile of the project, and the company is especially interested in equity partners who are attracted to the long-term prospects for the asset class and have access to low-cost capital. Recent transactions in the market and indicative pricing signals indicate such partners exist. TXU will also investigate options for swapping interests in TXU DevCo for valuable strategic positions or to create partnerships with key companies in the value chain. For example, TXU will evaluate swaps for existing generation sites or assets in other power markets, other generation technology, long-term fuel positions, market load positions, or TXU common stock. These swaps would provide TXU with an important strategic tool for its efforts to grow in new markets and for solidifying partnerships with key parts of the coal supply chain.

With the commitment for project financing in place, TXU will work with Morgan Stanley and Citigroup, as its financial advisors, to lead a structured process to evaluate alternatives for the sale or swap of equity interests in TXU DevCo. The amount of TXU DevCo equity to be sold, if any, will be determined by the results of this process.

Phase IV: Expand to New Markets

Phase IV will move in parallel with the work in Texas and focuses on expansion into new markets, building a national company with the most efficient and newest technology in order to provide customers with low-cost and secure power. Customers in other markets face rapidly rising power prices as high as 70 percent in some states. Many believe the answer is to simply pass on these high prices to the customer. TXU believes the long-term answer requires increasing supply with the most efficient technologies. The U.S. Energy Information Administration estimates that over the next 20 years the U.S. will need over 200 GW of new capacity, of which 100 GW will be baseload. The commodity, technology and environmental risks associated with building this new capacity are enormous. For a company to lead this effort, it will need superior financial flexibility, risk management capability, technology, and geographic diversity. TXU is refining a sustainable business model that will help it win in this environment. The key objectives of Phase IV are to:

1. **Build a National Business:** Immediately begin building a business outside of Texas by filing for environmental permits for three to five GW of new solid-fuel power generation capacity in PJM and the Northeast power markets before the end of 2006;
2. **Expand Technologies:** Develop the options for multiple technologies by translating the supercritical pulverized coal facility model into other technologies including nuclear and IGCC; and
3. **Expand Management Capabilities:** Develop the same quality management and operational expertise in other markets that TXU has developed in Texas.

¹⁷ Percent of Case 1 using current forward curve.

Key Risks and Challenges

TXU has made considerable progress against key milestones. As with any major construction program, significant challenges remain, including obtaining necessary air and other environmental permits for the eight reference plants and Oak Grove facilities. Some, if not all are likely to be opposed, like the Oak Grove permit application, which is scheduled for a contested case hearing beginning June 13, 2006. In addition, while there is an existing air permit for the Sandow Unit 5 project, it was issued pursuant to a consent decree issued by a federal court that requires certain modifications. TXU is currently working with Alcoa, its counterparty on the project, to obtain the necessary modifications; however, there is no assurance they will be approved by the federal court. If the necessary environmental permits are not obtained and all 11 power generation facilities are cancelled, given the strategy of conducting engineering and ordering of major equipment in parallel with the permitting process, TXU would have exposure to a number of different engineering and equipment cancellation costs by the end of 2006. TXU currently estimates such cancellation costs, net of estimated salvage, could range from \$450 million to \$550 million.

Further, assuming the necessary air permits are obtained for Oak Grove and the reference plants and the Sandow Unit 5 consent decree is revised as necessary, construction of the facilities will require the acquisition of a number of critical components, including boilers, turbines, air quality control equipment, and high-pressure piping, in time to prevent delays in the construction and planned operational dates of the facilities. TXU has made significant progress acquiring commitments for such materials and equipment; however, timely delivery of all the required governmental approvals will be key to the success of the program.

* * * *

TXU Corp., a Dallas-based energy company, manages a portfolio of competitive and regulated energy businesses primarily in Texas. In the competitive TXU Energy Holdings segment (comprised of electricity generation, wholesale marketing and retailing), TXU Energy provides electricity and related services to 2.3 million competitive electricity customers in Texas, more customers than any other retail electric provider in the state. TXU Power has over 18,300 megawatts of generation in Texas, including 2,300 MW of nuclear and 5,837 MW of lignite/coal-fired generation capacity. The company is also one of the largest purchasers of wind-generated electricity in Texas and North America. TXU Wholesale optimizes the purchases and sales of energy for TXU Energy and TXU Power and provides related services to other market participants. TXU Corp.'s regulated segment, TXU Electric Delivery, is an electric distribution and transmission business that complements the competitive operations, using superior asset management skills to provide reliable electricity delivery to consumers. TXU Electric Delivery operates the largest distribution and transmission system in Texas, providing power to three million electric delivery points over more than 100,000 miles of distribution and 14,000 miles of transmission lines. Visit www.txucorp.com for more information about TXU Corp.

This release contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's SEC filings. In addition to the risks and uncertainties set forth in the company's SEC filings, the forward-looking statements in this release could be affected by, among other things, the company's ability to fund the investments described herein, the credit ratings obtained by TXU DevCo, changes in the project financing capital markets, delays in approval of, or failure to obtain, air and other environmental permits, changes in competitive market rules, changes in environmental laws or regulations, changes in electric generation and emissions control technologies, changes in projected demand for electricity in Texas, the ability of the company to attract and retain skilled labor for planning and building the facilities, changes in wholesale electricity prices or energy commodity prices, changes in the cost and availability of materials necessary for the developments, the ability of the company to manage the significant construction program to a timely conclusion with limited cost overruns, and the terms under which the company executes these initiatives.

-END-

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Phase I - Set the Strategic Direction Key Milestones

Evaluate several strategic and current and future technology alternatives for generation investment programs in ERCOT and other markets where market fundamentals require additional baseload power to deliver consumers less expensive, more reliable and cleaner power. Design and launch a sustainable business model in ERCOT and explore the potential to deploy this business model to multiple markets.

#	Milestone	Date ¹⁸	Status
1	Hire CEO of Development (Mike Childers)	05/05	Completed
2	Complete Oak Grove air permit application filing	07/05	Completed
3	Build inventory of generation sites in ERCOT	07/05	Completed
4	Assess water rights and other infrastructure assets and rail connectivity at ERCOT sites	07/05	Completed
5	Complete detailed assessment of major power markets (ERCOT plus others)	09/05	Completed
6	Evaluate customer demand growth and forecasted ERCOT reserve margins	09/05	Completed
7	Evaluate transmission connectivity and impact in ERCOT	09/05	Completed
8	Evaluate alternative innovative retail products	10/05	Completed
9	Develop comprehensive growth strategy and strategic options	10/05	Completed
10	Start development plans for Oak Grove and Sandow Unit 5	12/05	Completed
11	Complete detailed assessment of generation technology alternatives	02/06	Completed
12	Complete TXU site assessment and selection	02/06	Completed
13	Develop high performance construction model using the TXU Operating System	02/06	Completed
14	Evaluate potential EPC contractors to assess capability for building a reference plant	03/06	Completed
15	Develop target for 20 percent reduction in total emissions, while doubling solid-fuel capacity	04/06	Completed
16	Assess economic impact of TXU DevCo facilities on Texas	04/06	Completed
17	Evaluate workforce requirements and internal skills relative to requirements	04/06	Completed
18	Meet with key local and state officials to describe program and impact	04/06	Completed
19	Complete reference plant air permit application filings with TCEQ	04/06	Completed
20	Prioritize next generation technologies for retrofit and new capacity	Ongoing	In progress

¹⁸ Dates are projected or target dates, except where status is "Completed". This is especially important as it relates to projected dates for obtaining environmental permits, for which there is a defined process but it is not controlled by TXU.

Phase II - Ensure Operational Execution Key Milestones

Partner exclusively with the best EPC firms. Build an industry-leading construction and operations management team to execute the program on time and on target and operate the facilities at world-class reliability and cost levels. Work with partners to remove waste and apply the TXU Operating System to drive the lowest-cost and highest-value design, construction, and operations plans for the reference plants.

#	Milestone	Date ¹⁵	Status
1	Name SVP for operational readiness and planning	05/06	Completed
2	Have TCEQ deem reference plant permit applications administratively complete	05/06	Completed
3	Hire CEO of TXU Generation Construction	06/06	Completed
4	Begin Sandow Unit 5 construction	06/06	
5	Complete comprehensive workforce assessment to meet operating requirements	08/06	In progress
6	Implement performance management and continuous improvement processes	08/06	
7	Build construction organization and key management processes	09/06	
8	Analyze future state staffing needs by skill, quantity, and facility	09/06	In progress
9	Obtain Oak Grove air permit	09/06	
10	Obtain draft reference plant air permits from TCEQ	09/06	
11	Begin Oak Grove construction (after air permit receipt)	10/06	
12	Develop work rules/procedures that promote empowerment and productivity	11/06	
14	Finalize and launch comprehensive talent sourcing plan	12/06	
15	Develop and initiate the "TXU Academy" for training and developing employees	02/07	
16	Obtain first reference plant air permit(s)	04/07	
17	Launch first reference plant construction (after air permit receipt)	04/07	
18	Begin integration of employees into operations and commissioning of new facilities	Fall 08	
19	Complete construction on dual rail connectivity for each site	10/08	
20	Achieve online status of Sandow Unit 5	03/09	
21	Achieve online status of Oak Grove Unit 1	04/09	
22	Achieve online status of Oak Grove Unit 2	10/09	
23	Achieve online status of first reference plant	Fall 09	

Phase III – Optimize The Risk/Return Profile Key Milestones

Develop an investment profile that is economically sound in a variety of industry conditions, effectively manage commodity risk, secure 100 percent non-recourse capital, and identify and secure investment partners that would benefit the solid-fuel power generation program.

#	Milestone	Date¹⁵	Status
1	Complete Sandow Unit 5 firm-price EPC contract	05/06	Completed
2	Secure financing commitment for TXU DevCo	06/06	Completed
3	Complete definitive design, engineering and procurement agreement with Bechtel for reference facilities	06/06	Completed
4	Complete EPC definitive agreement with Fluor for Oak Grove	06/06	Completed
5	Select suppliers and enter agreement for power blocks (boilers and turbines)	06/06	In progress
6	Define rail and train set acquisition strategy	07/06	In progress
7	Divest or restructure elements of gas facility portfolio	07/06	In progress
8	Complete collaborative process phase for Oak Grove facilities with Fluor; complete firm price contract	08/06	In progress
9	Complete initial natural gas hedging program	09/06	In progress
10	Complete collaborative process phase of reference plant design with Bechtel	09/06	In progress
11	Evaluate strategic alternatives for sourcing fuel	09/06	In progress
12	Complete first reference plant firm price EPC contract	09/06	In progress
13	Complete forward sales of physical power	Fall 06	In progress
14	Complete initial rail transportation provider agreement	09/06	In progress
15	Syndicate TXU DevCo financing	Fall 06	In progress
16	Evaluate integration of operational and asset management partners into the operating model	10/06	In progress
17	Design operating model for high-performance O&M costs and capacity factors at new facilities	10/06	In progress
18	Complete evaluation of sales of equity interests in TXU DevCo	Fall 06	In progress

Phase IV - Expand to New Markets Key Milestones

Identify and acquire key sites in new markets where TXU can expand its solid-fuel power generation program, Develop the options for multiple technologies by applying the solid-fuel power generation program model to other technologies and the same quality management and operational expertise in other markets.

#	Milestone	Date¹⁵	Status
1	Develop detailed power market analysis of PJM and Northeast markets	05/06	Completed
2	Establish Northeast office	06/06	In progress
3	Engage key advisors for technical diligence (transmission, siting, air modeling)	07/06	
4	Analyze impact of new generation on supply, transmission, and demand	07/06	In progress
5	Complete generation technology review based on sites, markets, fuels and regulation	08/06	
6	Complete economic evaluation of investment opportunity and investment prioritization	08/06	
7	Identify target sites with highest return potential	09/06	In progress
8	Conduct detailed diligence on each site (transmission, visibility, emissions, water, rail)	10/06	
9	Prioritize and acquire target sites	10/06	
10	Complete fuel supply and rail/transportation analysis	10/06	
11	Define reference plant for new market expansion (modifying existing reference plant design)	10/06	
12	Launch ISO interconnection application	10/06	
13	Meetings with key stakeholders (regulators, governors, agencies)	11/06	In progress
14	File applications for air/site permits	12/06	

Status of Reference Plant Collaborative Process

Development	Component	Ideas Identified	Under Evaluation	Analysis Complete/ Decisions Made
Site selection:	Water rights	Yes	Yes	Yes
	Rail access	Yes	Yes	Yes
	Transportation	Yes	Yes	Yes
	Property rights	Yes	Yes	Yes
Plant configuration:	Capacity	Yes	Yes	Yes
	Fuel type	Yes	Yes	Yes
	Size	Yes	Yes	Yes
	Technical aspects	Yes	Yes	Yes
Physical plant layout:	Power block	Yes	Yes	Yes
	Fuel yard and rail loop	Yes	Yes	Yes
	By-product distribution	Yes	Yes	Yes
	Relocation of existing structures	Yes	Yes	Yes
Permit application:	Plant and site data gathered/analyzed	Yes	Yes	Yes
	Documents prepared	Yes	Yes	Yes
	Submitted to proper agency	Yes	Yes	Yes
Rail and fuel:	Sites access strategies	Yes	In progress	
	Fuel supply agreement	Yes	In progress	
	Permitting and routing	Yes	In progress	
	Construction	Planned		
	Rail cars	Planned		
Procurement:	Boiler	Yes	Yes	Yes
	Turbine generator	Yes	Yes	Yes
	Critical piping, pumps and valves	Yes	In progress	
	Air quality control system	Yes	In progress	
Plant components:	Foundations/site prep	Planned		
	Boiler structural steel	Planned		
	Boiler erection	Planned		
	Critical piping	Planned		
	Critical valves	Planned		
	Feed and condensate system	Yes	In progress	
	Condensate chemistry controls	Yes	In progress	
	Plant structural steel	Planned		
	Chimney	Planned		
	Coal handling	Yes	In progress	
	Cooling towers	Planned		
	Electrical controls/distributive control systems	Yes	In progress	
	Raceway and cable	Yes		
	Transformer	Planned		
	Processes:	Start up and commissioning	Yes	In progress
Labor strategy		Planned		
Modularization		Planned		
Scope optimization		Yes	In progress	