UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2000

— OR—

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Exact Name of Registrant as Specified in its Charter; State of Incorporation; Address of Principle Executive Offices; and Telephone Number	I.R.S. Employer Identification No.
1-11668	**TXU Electric Company** a Texas Corporation Energy Plaza, 1601 Bryan Street Dallas, TX 75201-3411 (214) 812-4600	75-1837355

Securities registered pursuant to Section 12(b) of the Act:

Registrant	*Title of Each Class*	*Name of Each Exchange on Which Registered*
TXU Electric Company	Depositary Shares, Series A, each representing ¼ of a share of $7.50 Cumulative Preferred Stock, without par value	New York Stock Exchange
TXU Electric Company	Depositary Shares, Series B, each representing ¼ of a share of $7.22 Cumulative Preferred Stock, without par value	New York Stock Exchange
TXU Electric Capital I, a subsidiary of TXU Electric	8.25% Trust Originated Preferred Securities	New York Stock Exchange
TXU Electric Capital III, a subsidiary of TXU Electric	8.00% Quarterly Income Preferred Securities	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Preferred Stock of TXU Electric, without par value

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes √ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [√]

Aggregate market value of TXU Electric Common Stock held by non-affiliates: None

Common Stock outstanding at February 28, 2001: TXU Electric – 72,794,600 shares, without par value

DOCUMENTS INCORPORATED BY REFERENCE - None

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PART I

Items 1. and 2. BUSINESS and PROPERTIES

BUSINESS AND PROPERTIES

TXU Electric Company (TXU Electric) is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in the north-central, eastern and western parts of Texas. TXU Electric is a wholly-owned subsidiary of TXU Corp., a Texas corporation. TXU Corp. is a holding company that engages in the generation, purchase, transmission, distribution and sale of electricity; the purchase, transmission, distribution and sale of natural gas; and energy marketing, energy services, telecommunications and other businesses in the United States, Europe and Australia. References herein to TXU Electric include its financing subsidiaries (see Note 6 to Financial Statements). As an integrated electric utility, TXU Electric currently has only one reportable segment. TXU Electric possesses all necessary franchises, licenses and certificates to enable it to conduct its business.

TXU Electric's service area is located in the north-central, eastern and western parts of Texas, with a population in excess of 6 million - about one-third of the population of Texas. Electric service is provided to approximately 2.6 million customers in 92 counties and 370 incorporated municipalities, including the Dallas-Fort Worth metropolitan area. The area is a diversified commercial and industrial center with substantial banking, insurance, telecommunications, electronics, aerospace, petrochemical and specialized steel manufacturing, and automotive and aircraft assembly. The territory served includes major portions of the oil and gas fields in the Permian Basin and East Texas, as well as substantial farming and ranching sections of the State.

At December 31, 2000, TXU Electric had 7,552 full-time employees. Some of these employees provide services to other subsidiaries of TXU Corp., the cost of which is billed to those subsidiaries.

Electric Industry Restructuring — Legislation was passed during the 1999 session of the Texas Legislature that will restructure the electric utility industry in Texas (1999 Restructuring Legislation). Among other matters, the legislation provides that earnings in excess of a regulatory earnings cap, as defined in the 1999 Restructuring Legislation, be used as mitigation (reduction) to the cost of nuclear production assets (see Note 13 to Financial Statements); authorizes competition in the retail and generation markets for electricity beginning January 1, 2002; provides for the recovery of generation-related regulatory assets, generation-related and purchased power-related costs that are in excess of market value (stranded costs); requires reductions in nitrogen oxide (NO_x) and sulfur dioxide (SO_2) emissions; requires a rate freeze, excluding cost of fuel, for all retail customers until January 1, 2002 and certain rate reductions for residential and small commercial customers for up to five years thereafter; and sets certain limits on capacity owned and controlled by power generation companies. By September 1, 2000, each electric utility was required to separate from its regulated activities its customer energy services business activities that are otherwise already widely available in the competitive market. By January 1, 2002, each electric utility must separate (unbundle) its business into the following units: a power generation company, a retail electric provider (REP) and a transmission and distribution (T&D) company or separate T&D companies. A power generation company generates electricity that is intended to be sold at wholesale. In general, a power generation company may not own a transmission or distribution facility and may not have a certificated service area. A REP sells electric energy to retail customers and may not own or operate generation assets. (See Notes 3 and 13 to Financial Statements.)

The 1999 Restructuring Legislation also provides for a Pilot Project (Pilot) to begin limited competition on June 1, 2001. It allows up to five percent of retail electric customers of electric utilities transitioning to competition to choose to participate in the Pilot and select a competing REP. Customers are not required to participate in the Pilot, but will elect to participate through an application process established by the Public Utility Commission of Texas (PUC). The Pilot is scheduled to run until the end of 2001. TXU Electric is currently unable to predict the outcome of the Pilot or determine the number of customers that might switch to other providers during the pilot period.

Generation

Generating Units — At December 31, 2000, TXU Electric owned or leased and operated 80 electric generating units with an aggregate net generating capability of 21,092 megawatts (MW). The generating stations and other important units of property of TXU Electric are located on lands owned primarily in fee simple.

Electricity Peak Load and Generation Capability — TXU Electric's net capability, peak load and reserve, in MW, at the time of peak were as follows during the years indicated:

		Electricity Peak Load (a)			
Year	Net Capability	Amount	Increase Over Prior Year	Firm Peak Load	Reserve (b)
2000	23,608 (c)	22,442	3.2%	21,437	2,171
1999	22,858 (d)	21,748	1.7%	20,724	2,134
1998	22,579 (e)	21,383	5.1%	20,351	2,228

(a) The 2000 peak load occurred on August 31. TXU Electric's peak load includes interruptible load at the time of peak of 1,005 MW in 2000, 1,024 MW in 1999 and 1,032 MW in 1998.
(b) Amount of net capability in excess of firm peak load at the time of peak.
(c) Included in net capability is 2,692 MW of firm purchased capacity.
(d) Included in net capability is 1,778 MW of firm purchased capacity.
(e) Included in net capability is 1,499 MW of firm purchased capacity.

The peak load changes resulted primarily from customer growth and increased usage due to hotter-than-normal weather. TXU Electric expects to continue to purchase capacity in the future from various sources. (See *Fuel Supply and Purchased Power* and Note 14 to Financial Statements.) Firm peak load (excluding interruptible contracts) in 2001 as compared to the actual firm peak demand for 2000 may be effectively offset by the loss of some retail customers due to the retail Pilot and the efforts of the General Land Office of Texas to serve certain retail customers (e.g., schools and state universities) as authorized by the 1999 Restructuring Legislation.

Resource Estimates — Changes in utility regulation and legislation at the federal and state levels, such as the Public Utility Regulatory Policy Act of 1978 (PURPA), the National Energy Policy Act of 1992 (Energy Policy Act) and, most recently, the 1999 Restructuring Legislation for the electric industry in Texas, have significantly changed the way utilities plan for new resources. The 1999 Restructuring Legislation incorporates sweeping changes for electric utilities operating in Texas by opening up the generation and retail portion of the business to competition. Beginning January 1, 2002, REPs in Texas will be able to select their electricity providers. Thus, each REP will be responsible for purchasing electricity for its customers.

TXU Electric expects to continue to purchase some of its energy requirements needed to serve customer loads through resource contracts with third-party suppliers. Thus, for planning purposes, TXU Electric can no longer readily identify the ownership and types of resources needed to serve its customers prior to the actual selection of the resource contracts. TXU Electric will fill some of its resource needs through load management and renewable resources. It does not expect to have difficulty filling the remainder of its requirements from purchased power.

In addition to its own generation, TXU Electric has secured resources for the year 2001 from various suppliers through short-term (two years or less) purchased power contracts. (See *Fuel Supply and Purchased Power*.) Third party projects under construction as well as announced projects should provide adequate power for 2002 and the near future.

Retail competition in Texas will be effective on January 1, 2002 for customers of most investor-owned electric utilities. At that time, by law, TXU Electric's affiliated REPs must lower retail rates charged to residential and small commercial customers in the TXU Electric service area to rates that are 6% lower than the rates that were in effect on January 1, 1999, as adjusted for fuel factor charges. This is known as the "price to beat," meaning that competitors will try to beat this price to attract new customers. This rate is frozen, excluding cost of fuel, for TXU Electric residential and small commercial customers for three years, with respect to each class of service or until 40% of the electric power consumed by customers in that class or segment is supplied by competing REPs. On January 1, 2005, or earlier if such loss of customer load occurs, TXU Electric's affiliated REPs will be able to lower their retail rates to compete directly with other REPs, but must continue to offer the "price to beat" rate through December 31, 2006. Electric retail rates will then be driven by market forces and will no longer be regulated. Commencing in 2002, TXU Electric's affiliated REPs will be able to compete in areas outside of their service territories against other REPs.

Fuel Supply And Purchased Power — Net input during 2000 totaled 112,033 gigawatt hours (GWh) of which 96,868 GWh were generated by TXU Electric. Average fuel and purchased power cost (excluding capacity charges) per kilowatt-hour (kWh) of net input was 2.66 cents for 2000, 1.81 cents for 1999 and 1.77 cents for 1998. The increase in 2000 primarily represents the increase in natural gas prices. A comparison of TXU Electric's resource mix for net kWh input and the unit cost per million British thermal units (Btu) of fuel during the last three years is as follows:

	Mix for Net kWh Input			Unit Cost Per Million Btu		
	2000	1999	1998	2000	1999	1998
Fuel for Electric Generation:						
Gas/Oil (a)	33.4%	34.3%	36.7%	$4.33	$2.59	$2.39
Lignite/Coal (b)	36.6	38.5	36.5	1.11	1.03	1.03
Nuclear	16.5	16.4	16.4	0.51	0.57	0.59
Total/Weighted Average Fuel Cost	86.5	89.2	89.6	$2.27	$1.56	$1.52
Purchased Power (c)	13.5	10.8	10.4			
Total	100.0%	100.0%	100.0%			

(a) Fuel oil was an insignificant component of total fuel and purchased power requirements.
(b) Lignite/coal cost per ton to TXU Electric was $14.82 in 2000, $13.30 in 1999 and $13.47 in 1998.
(c) Excludes power purchased by TXU Electric's affiliate, TXU SESCO Company (TXU SESCO), from TXU Electric: 2000 - 0 GWh; 1999 - 0 GWh; and 1998 - 267 GWh. Includes TXU Electric purchases from TXU SESCO: 2000 – 8.1 GWh; 1999 - 6.1 GWh; and 1998 - 6.3 GWh.

In 2000, TXU Electric purchased a net of 15,165 GWh or approximately 13.5% of its energy requirements. TXU Electric had available 2,692 MW of firm purchased capacity under contract. TXU Electric received energy in 2000 under purchased power contracts for energy from wind turbines equivalent to approximately 41 MW. TXU Electric has entered into several contracts for the purchase of 291 MW of additional wind energy during 2000, from which power is expected to be received beginning in 2001. TXU Electric expects to acquire additional amounts of purchased resources in the future to adequately and reliably accommodate its customers' electrical needs. Such resources will be acquired in accordance with the requirements of the Texas Public Utility Regulatory Act, as amended (PURA), and the PUC Substantive Rules. Beginning January 1, 2002, the acquisition of resources will generally not be subject to regulation by the PUC. (See *Electricity Peak Load and Generation Capability.*)

TXU Electric is unable to predict: (i) whether or not problems may be encountered in the future in obtaining the fuel and purchased power it will require, (ii) the effect upon operations of any difficulty it may experience in protecting rights to fuel and purchased power now under contract, or (iii) the future costs of fuel and purchased power and to what extent they will be recoverable, see (*Regulation and Rates*).

Gas/Oil — Fuel gas for units at eighteen of the principal generating stations of TXU Electric, having an aggregate net gas/oil capability of 12,955 MW, was provided during 2000 by TXU Fuel Company (TXU Fuel), an affiliate of TXU Electric. TXU Fuel supplied approximately 5% of such fuel gas requirements under contracts with producers at the wellhead and 95% under contracts with commercial suppliers.

Fuel oil can be stored at seventeen of the principally gas-fueled generating stations. At December 31, 2000, TXU Electric had fuel oil storage capacity sufficient to accommodate approximately 6.1 million barrels of oil and had approximately 1.6 million barrels of oil in inventory.

TXU Fuel has acquired supplies of natural gas from producers at the wellhead under contracts expiring at intervals through 2008. As natural gas production under these contracts declines and contracts expire, new contracts are expected to be negotiated to replenish or augment such supplies. TXU Fuel has negotiated term gas purchase contracts with a number of commercial suppliers. Additionally, TXU Fuel has entered into a number of short-term gas purchase contracts with other commercial suppliers at spot market prices. In general, these spot gas purchase contracts require both the buyer and seller to purchase and deliver the gas on negotiated terms during the agreed-upon delivery period. In the past, curtailments of gas deliveries have been experienced during periods of winter peak gas demand; however, such curtailments have been of relatively short duration, have had a minimal impact on operations and generally have required utilization of fuel oil and gas storage inventories to replace the gas curtailed. No curtailments were experienced during 2000.

TXU Fuel owns and operates an intrastate natural gas pipeline system that extends from the gas-producing area of the Permian Basin in West Texas to the East Texas gas fields and southward to the Gulf Coast area. This system includes a one-half undivided interest in a 36-inch pipeline that extends approximately 395 miles from the Permian Basin area to a point of termination south of the Dallas-Fort Worth area. Additionally, TXU Fuel owns a 39% undivided interest in another 36-inch pipeline connecting to this pipeline and extending 58 miles eastward to one of TXU Fuel's underground gas storage facilities. TXU Fuel also owns and operates approximately 1,500 miles of various smaller capacity lines that are used to gather and transport natural gas from other gas-producing areas. The pipeline facilities of TXU Fuel form an integrated network through which fuel gas is gathered and transported to certain TXU Electric generating stations for use in the generation of electric energy.

TXU Fuel also owns and operates two underground gas storage facilities with a usable capacity of 14.0 billion cubic feet (Bcf), with approximately 12.0 Bcf of gas in inventory at December 31, 2000. Gas stored in these facilities can be withdrawn for use during periods of peak demand to meet seasonal and other fluctuations or curtailment of deliveries by gas suppliers. Under normal operating conditions, up to 400 million cubic feet can be withdrawn each day for a ten-day period, with withdrawals at lower rates thereafter.

Lignite/Coal — Lignite is used as the primary fuel in two units at the Big Brown generating station (Big Brown), three units at the Monticello generating station (Monticello), three units at the Martin Lake generating station (Martin Lake), and one unit at the Sandow generating station (Sandow), having an aggregate net capability of 5,837 MW. TXU Electric's lignite units have been constructed adjacent to surface minable lignite reserves. TXU Electric owns in fee or has under lease an estimated 448 million tons of proven reserves dedicated to the Big Brown, Monticello and Martin Lake generating stations. TXU Electric also owns in fee or has under lease in excess of 229 million tons of proven reserves not dedicated to specific generating stations. TXU Mining Company (TXU Mining), an affiliate of TXU Electric, operates owned and/or leased equipment to remove the overburden and recover the lignite. One of TXU Electric's lignite units, Sandow Unit 4, is fueled from lignite deposits owned by Alcoa, which furnishes fuel at no cost to TXU Electric for that portion of energy generated from such unit that is equal to the amount of energy delivered to Alcoa.

Lignite production operations at Big Brown, Monticello and Martin Lake are accompanied by an extensive reclamation program that returns the land to productive uses such as wildlife habitats, commercial timberland and pasture land. For information concerning federal and state laws with respect to surface mining, see *Environmental Matters*.

TXU Electric supplements its lignite fuel at Big Brown, Monticello and Martin Lake with western coal from the Powder River Basin (PRB) in Wyoming. The coal is purchased from multiple suppliers under contracts of various lengths and is transported from the PRB to TXU Electric's generating plants by railcar under three contracts that range in length from two to seven years.

Nuclear — TXU Electric owns and operates two nuclear-fueled generating units at the Comanche Peak nuclear powered electric generating station (Comanche Peak), each of which is designed for a net capability of 1,150 MW.

The nuclear fuel cycle requires the mining and milling of uranium ore to provide uranium oxide concentrate (U_3O_8), the conversion of U_3O_8 to uranium hexafluoride (UF_6), the enrichment of the UF_6 and the fabrication of the enriched uranium into fuel assemblies. TXU Electric has on hand, or has contracted for, the raw materials and services it expects to need for its nuclear units through the years indicated: uranium (2001), conversion (2003), enrichment (2014), and fabrication (2011). Although TXU Electric cannot predict the future availability of uranium and nuclear fuel services, TXU Electric does not currently expect to have difficulty obtaining U_3O_8 and the services necessary for its conversion, enrichment and fabrication into nuclear fuel for years later than those shown above.

The Nuclear Waste Policy Act of 1982, as amended (NWPA), provides for the development by the United States Department of Energy (DOE) of interim storage and permanent disposal facilities for spent nuclear fuel and/or high level radioactive waste materials. In January 1998, the DOE did not meet its obligation to begin accepting spent nuclear fuel. The DOE continues to maintain its position that no obligation to begin acceptance of spent nuclear fuel exists despite multiple industry-initiated lawsuits challenging that position and a US Court of Appeals decision that such obligation exists. TXU Electric is unable to predict what impact, if any, the DOE's delay will have on TXU Electric's future operations. Under provisions of the NWPA, funding for the program is provided by a one-mill per kWh fee currently levied on electricity generated and sold from nuclear reactors, including the Comanche Peak units.

TXU Electric's onsite spent nuclear fuel storage capability is sufficient to accommodate the operation of Comanche Peak through the year 2017, while fully maintaining the capability to off-load the core of one of the nuclear-fueled generating units. Additional approval from the Nuclear Regulatory Commission (NRC) will be required to utilize this full storage capability. TXU Electric is currently pursuing options for utilizing a larger portion of the full storage capability, subject to approval by the NRC.

Transmission

In 1995, TXU Electric became the first utility in Texas to functionally unbundle, or separate, its transmission operations into a business unit. The unit operates independently within the larger company and has the flexibility to adapt to changing market and regulatory forces. TXU Electric is a member of the Electric Reliability Council of Texas (ERCOT), an intrastate network of investor-owned entities, cooperatives, public entities, non-utility generators and power marketers. ERCOT is the regional reliability coordinating organization for member electric power systems in Texas, the Independent System Operator (ISO) of the interconnected transmission system of those systems, and is responsible for ensuring equal access to transmission service by all wholesale market participants in the ERCOT region.

The function of the transmission business is to provide non-discriminatory wholesale open access to TXU Electric's transmission facilities through business practices consistent with the standard of conduct rules enacted by the PUC. The transmission system transverses almost 200,000 square miles of Texas and consists of over 13,000 circuit miles of transmission line and over 900 substations.

The transmission business supports the operation of the ERCOT ISO and all ERCOT members, as well as TXU Electric's responsibilities and obligations to its wholesale and retail customers. The transmission business unit has planning, design, construction, operation and maintenance responsibility for the transmission grid and for the load serving substations.

Services are provided under tariffs approved by the PUC and the Federal Energy Regulatory Commission (FERC). Transmission service offers the use of the transmission system for delivery of power over facilities operating at 60,000 volts and above. Transformation service offers the use of substation assets to transform voltage to below 60,000 volts. Other services offered by the transmission business include: static and dynamic scheduling and miscellaneous services such as system impact studies, facilities studies, and maintenance of substations and transmission lines owned by other parties.

The transmission business is participating with the ISO and other ERCOT utilities to plan, design and obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing limitations on the ERCOT transmission grid.

The principal generating facilities of TXU Electric and load centers of TXU Electric and TXU SESCO are connected by 3,996 circuit miles of 345-kilovolt (kV) transmission lines and 9,371 circuit miles of 138- and 69-kV transmission lines. TXU SESCO Company (TXU SESCO), operating in the eastern and central part of Texas, is connected to TXU Electric by three 138-kV lines, ten 69-kV lines and three lines at distribution voltage.

TXU Electric is connected by six 345-kV lines to Reliant Energy Company; by three 345-kV, eight 138-kV and nine 69-kV lines to American Electric Power Company; by two 345-kV and eight 138-kV lines to the Lower Colorado River Authority; by four 345-kV and nine 138-kV lines to the Texas Municipal Power Agency; by one asynchronous High Voltage Direct Current (HVDC) interconnection to American Electric Power Company; and at several points with smaller systems operating wholly within Texas.

Distribution

The TXU Electric distribution system supplies electricity to approximately 2.6 million customers (including approximately 2.3 million residential customers and 310,000 commercial and industrial businesses). On average, TXU Electric has added approximately 47,000 customers to its system each year for the last several years and over 58,000 in 2000. The electric distribution business consists of the ownership, management, construction, maintenance and operation of the distribution network within TXU Electric's certificated service area.

TXU Electric's distribution network receives electricity from the transmission grid through power distribution substations and distributes electricity to end users and wholesale customers through approximately 2,800 distribution feeders.

The TXU Electric distribution network consists of approximately 54,000 miles of overhead primary conductors, 22,000 miles of overhead secondary and street light conductors, 11,500 miles of underground primary conductors and 6,600 miles of underground secondary and street light conductors. The majority of the distribution system operates at 25-kV and 12.5-kV.

The greater portion of the T&D lines of TXU Electric has been constructed over lands of others pursuant to easements or along public highways and streets as permitted by law.

REGULATION AND RATES

The PUC has original jurisdiction over electric rates and service in unincorporated areas and those municipalities that have ceded original jurisdiction to the PUC and has exclusive appellate jurisdiction to review the rate and service orders and ordinances of municipalities. Generally, PURA prohibits the collection of any rates or charges (including charges for fuel) by a public utility that does not have the prior approval of the PUC.

TXU Electric is subject to the jurisdiction of the NRC with respect to nuclear power plants. NRC regulations govern the granting of licenses for the construction and operation of nuclear power plants and subject such plants to continuing review and regulation.

TXU Electric is subject to various federal, state and local regulations. (See discussion below and *Environmental Matters*.) TXU Electric believes that it is not a public utility as defined in the Federal Power Act and has been advised by its counsel that it is not subject to general regulation under such Act.

Docket No. 21527 — In October 1999, TXU Electric filed a petition with the PUC for a financing order (Docket No. 21527) to permit the issuance by a special purpose entity of $1.65 billion of transition bonds secured by payments designed to enable TXU Electric to recover its generation-related regulatory assets and other qualified costs in accordance with the 1999 Restructuring Legislation. The proceeds received by TXU Electric from the issuance of the transition bonds are to be used solely for the purpose of retiring utility debt and equity. On May 1, 2000, the PUC signed a final order rejecting TXU Electric's request for the $1.65 billion and authorized only $363 million. TXU Electric filed an appeal on May 2, 2000 with the Travis County, Texas District Court.

On September 7, 2000, the Travis County, Texas District Court issued a final judgment reversing that part of the PUC's financing order that utilized regulated asset life (up to 40 years) for purposes of present-valuing the benefits of securitization. Instead, the District Court ruled that a present-value period based upon stranded cost and regulatory asset recovery periods authorized under the 1999 Restructuring Legislation should have been used by the PUC. The District Court also ruled that the PUC statements in its financing order concerning the future impact of securitization of loss on reacquired debt were only an advisory opinion. The judgment affirmed other aspects of the PUC's financing order and ordered the case remanded to the PUC for further proceedings consistent with the judgment. TXU Electric and various other parties have appealed this judgment directly to the Texas Supreme Court. TXU Electric expects that any difference between the $1.65 billion and the amount finally authorized will continue to be deferred until recovery of generation related regulatory assets is addressed again by the PUC. TXU Electric is unable to predict the outcome of these proceedings.

The constitutionality of the securitization provisions of the 1999 Restructuring Legislation under the Texas constitution has been challenged in connection with a securitization request made by Central Power and Light Company. In July 2000, the Travis County, Texas District Court issued its judgment denying this appeal and finding that the securitization provisions are constitutional. This judgment has been appealed directly to the Texas Supreme Court. TXU Electric is unable to predict the outcome of such proceedings.

Docket No. 22350 — As required by the 1999 Restructuring Legislation, in January 2000, TXU Electric filed its business separation plan with the PUC. In March 2000, TXU Electric filed its application for approval of its unbundled cost of service rates with the PUC. This plan and application lay the foundation for TXU Electric to take part in retail competition to begin in the Texas electricity market. Under the business separation plan, the generation business unit and the retail business unit of TXU Electric will become unregulated entities and will be allowed to compete for customers. The T&D business units of TXU Electric will be separated into regulated entities and will together represent the regulated part of the business. In addition to the actual T&D charges for delivering electricity, these rates include nuclear decommissioning fund charges, system benefit fund charges and stranded cost recovery charges. In the March 2000 filing, TXU Electric's stranded costs were estimated to be approximately $3.7 billion, including the regulatory assets that were part of the Docket No. 21527 proceedings and amounts related to the remand of Docket No. 9300, addressed below. TXU Electric filed an updated stranded cost estimate on August 28, 2000 to reflect various PUC decisions made since Docket No. 22350 was filed. In the August 28, 2000 filing, TXU Electric's stranded costs were estimated to be $2.8 billion. Subsequent to the August 2000 filing, the PUC has required TXU Electric to revise the stranded cost estimate to remove amounts related to regulatory assets, certain environmental expenditures, and the remand of Docket No. 9300, which resulted in a revised estimate of $14 million, including displaced worker costs. TXU Electric has appealed certain of the PUC's decisions related to this matter to the Travis County, Texas District Court. Various parties to Docket No. 22350 have presented stranded cost estimates ranging from negative $1.5 billion to negative $3.5 billion along with recommendations that these amounts be returned to customers beginning in 2002. The estimate established in Docket No. 22350 is subject to a future market-based "true-up" in 2004. TXU Electric is unable to predict the outcome of these proceedings.

Docket No. 9300/Docket No. 22652 — The PUC's final order (Order) in connection with TXU Electric's January 1990 rate increase request (Docket No. 9300) was ultimately reviewed by the Texas Supreme Court. As a result, an aggregate of $909 million of disallowances with respect to TXU Electric's reacquisitions of minority owners' interests in Comanche Peak, which had previously been recorded as a charge to TXU Electric's earnings, was remanded to the District Court with instructions that it be remanded to the PUC for reconsideration on the basis of a prudent investment standard. On remand, the PUC also was required to reevaluate the appropriate level of TXU Electric's construction work in progress included in rate base in light of its financial condition at the time of the initial hearing. In connection with the settlement of Docket No. 18490, proceedings in the remand of Docket No. 9300 had been stayed through December 31, 1999. In April 2000, TXU Electric requested that the District Court enter an order remanding Docket No. 9300 to the PUC. On June 9, 2000, the District Court's order of remand was filed with the PUC, and the PUC has assigned the remand proceeding Docket No. 22652. Pursuant to an order entered on August 31, 2000, this docket will be held in abeyance until March 20, 2001. TXU Electric cannot predict the outcome of the reconsideration of the Order on remand by the PUC.

Docket No. 22344 — In a generic issues docket held in August 2000, the PUC issued orders that impacted TXU Electric's recovery of restructuring expenses and certain other regulatory assets. Accordingly, in September 2000, such unrecovered regulatory assets totaling $52 million were written off. This reduced earnings in excess of the earnings cap by an equal amount. As a result, there was no impact to net income.

Fuel Cost Recovery Rule — Pursuant to a PUC rule, the recovery of TXU Electric's eligible fuel costs is provided through fixed fuel factors. The rule allows a utility's fuel factor to be revised upward or downward every six months, according to a specified schedule. A utility is required to petition to make either surcharges or refunds to ratepayers, together with interest based on a twelve-month average of prime commercial rates, for any material cumulative under- or over-recovery of fuel costs. If the cumulative difference of the under- or over-recovery, plus interest, exceeds 4% of the annual estimated fuel costs most recently approved by the PUC, it will be deemed to be material.

Final reconciliation of fuel costs must be made either in a reconciliation proceeding or in a general rate case. In a final reconciliation, a utility has the burden of proving that fuel costs under review were reasonable and necessary to provide reliable electric service, that it has properly accounted for its fuel-related revenues, and that fuel prices charged to the utility by an affiliate were reasonable and necessary and not higher than prices charged for similar items by such affiliate to other affiliates or nonaffiliates. For generating utilities like TXU Electric, through August 31, 1999, the rule provided for recovery of purchased power capacity costs through a power cost recovery factor with respect to purchases from qualifying facilities, to the extent such costs were not otherwise included in base rates. Pursuant to the 1999 Restructuring Legislation, the power cost recovery factor will be frozen between September 1, 1999 and January 1, 2002. The energy-related costs of such purchases continue to be included in the fixed fuel factor. TXU Electric is required to file in 2002 with the PUC for final reconciliation of its eligible fuel costs. This final reconciliation will cover the period July 1998 through December 2001.

Docket No. 22880/Docket No. 23153 — Because natural gas prices recently have exceeded those in the base fuel factor, on August 4, 2000, TXU Electric filed a request with the PUC in Docket No. 22880 to surcharge the cumulative under-collection of fuel cost revenues that existed as of June 30, 2000, together with interest through November 2000, in the amount of $167 million, and to increase its current fuel factors by 27.6%. On August 31, 2000, the Administrative Law Judge entered an Interim Order, implementing an agreement of the parties, providing for an interim increase in fuel factors of 13.8%, effective September 6, 2000, and a surcharge of TXU Electric's cumulative under-recovery of fuel cost revenues that existed as of July 31, 2000, together with the interest through November 2000, in the amount of $315 million to be collected over the fourteen-month period beginning November 2000. On October 13, 2000, TXU Electric filed a Supplemental Application with the PUC requesting its initial 27.6% fuel factor increase instead of the interim increase. Also on October 13, 2000, TXU Electric filed a request with the PUC in Docket No. 23153 for a surcharge to recover a $231 million under-collection of fuel cost revenues for the months of August and September 2000. The proposed surcharge would be collected from January 2001 through December 2001. Docket No. 23153 was subsequently consolidated into Docket No. 22880. On January 11, 2001, the PUC approved TXU Electric's requests in Docket No. 22880 and Docket No. 23153. In addition, on January 11, 2001, the PUC approved the requested fuel factor increase, effective that date. The PUC also approved the surcharge request filed in Docket No. 23153, effective January 11, 2001 through December 31, 2001.

Docket No. 23640 — In February 2001, TXU Electric filed with the PUC a request for a surcharge to recover under-collected fuel cost revenues for the months of October 2000 through December 2000, plus estimated under-recoveries for the period January 2001 through March 2001 totaling $591 million, and to increase its current fuel factor by 26.4% over the increase approved in Docket 22880. The proposed fuel factor increase would be effective March 5, 2001 and the proposed surcharge would be collected from April 2001 through December 2001. TXU Electric cannot predict the outcome of this proceeding.

COMPETITION

General — The Energy Policy Act addresses a wide range of energy issues and is intended to increase competition in electric generation and broaden access to electric transmission systems. In addition, PURA impacts the PUC and its regulatory practices and encourages increased competition in the wholesale electric utility industry in Texas. Although TXU Electric is unable to predict the ultimate impact of these and any other related regulations or legislation on its operations, it believes that such actions are consistent with the trend toward increased competition in the energy industry.

The 1999 Restructuring Legislation will restructure the electric utility industry in Texas. Among other matters, the 1999 Restructuring Legislation authorizes competition in the retail and generation markets for electricity beginning January 1, 2002; provides for the recovery of generation-related and purchased power related stranded costs and generation-related regulatory assets; requires reductions in NO_x and SO_2 emissions; requires a rate freeze, excluding cost of fuel, for all customers until January 1, 2002 and certain rate reductions for residential and small commercial customers for up to five years thereafter; and sets certain limits on capacity owned and controlled by power generation companies. Project teams have been established to prepare TXU Electric for a competitive environment. These teams are comprised of resources from all facets of TXU Corp.'s business. These teams continue to formulate short- and long-term strategies to address implementation of the 1999 Restructuring Legislation.

As legislative, regulatory, economic and technological changes occur, the energy and utility industries are faced with increasing pressure to become more competitive while adhering to regulatory requirements. The level of competition is affected by a number of variables, including price, reliability of service, the cost of energy alternatives, new technologies and governmental regulations.

As a result of the shift in emphasis toward greater competition, large and small industry participants are offering energy services and energy-related products that are both economically and environmentally attractive to customers. In Texas, aggressive marketing of competitive prices by rural electric cooperatives, municipally-owned electric systems, and other energy providers not subject to the traditional governmental regulation experienced by the utility industry has intensified competition within the state's wholesale markets, in multi-certificated areas, and retail customer markets.

Furthermore, there is increasing pressure on utilities to reduce costs, including the cost of power, and tailor energy services to the specific needs of customers. Such competitive pressures among electric utility and non-utility power producers could result in the loss of some retail energy services customers. TXU Electric is aggressively managing its operating costs and capital expenditures through streamlined business processes and operating practices and is developing and implementing strategies to address an increasingly competitive environment.

Wholesale Competition — Federal legislation such as the PURPA and the Energy Policy Act, as well as initiatives in various states, encourage wholesale competition among electric utility and non-utility power producers. Together with increasing customer demand for lower-priced electricity and other energy services, these measures have accelerated the industry's movement toward a more competitive pricing and cost structure.

Amendments to PURA made during the 1995 session of the Texas Legislature allow for wholesale pricing flexibility. While wholesale rates for electric utilities are not deregulated, wholesale tariffs or contracts with charges less than approved rates but greater than the utility's marginal cost may be approved by the regulatory authority upon application by the utility. In the wholesale power market, TXU Electric competes with a variety of utilities and other suppliers, some of which are willing and able to sell at rates below TXU Electric's standard wholesale power service rate as approved by the PUC. As directed by the 1999 Restructuring Legislation (see Note 3 to Financial Statements), beginning in January 2002, wholesale rates will no longer be regulated. TXU Electric is unable to predict the extent of future competitive developments in the wholesale market or what impact, if any, such developments may have on its operations.

Open-Access Transmission — At the federal level, the FERC issued Order No. 888 in April 1996, which requires all FERC-jurisdictional electric public utilities to offer third parties wholesale transmission services under an open-access tariff. In May 1997, TXU Electric filed with the FERC a modification of its tariff governing service to, from and over certain HVDC interconnections between ERCOT and the Southwest Power Pool, which, in October 1997, was accepted by the FERC with minor modifications.

In August 1999, a Texas Court of Appeals issued a judgment declaring invalid PUC rules governing open-access wholesale transmission service. These rules, adopted in February 1996, guaranteed open-access wholesale transmission service by electric utilities in ERCOT to other utilities and non-utility power suppliers, and established a rate formula to determine access charges for the transmission of wholesale electricity. In its decision, the court concluded that the PUC lacks the statutory authority to establish transmission access rates, and therefore rendered the transmission rules invalid. Several interested parties and the PUC filed motions for rehearing with the Court of Appeals, asking the court to reverse its decision and to recognize the PUC's authority to set wholesale transmission rates in ERCOT. In January 2000, a judgment was rendered on the motions for rehearing by the Texas Court of Appeals, declaring that certain subsections of the open-access rules are invalid, while still concluding that the PUC lacks statutory authority to establish transmission access rates. Petitions for review were filed with the Supreme Court of Texas by the PUC and other interested parties urging the Supreme Court to reverse the judgment of the Court of Appeals. TXU Electric is unable to predict the impact of this judgment on open-access transmission rates at this time.

Customers — There are no individually significant customers upon which TXU Electric's business or results of operations are highly dependent.

COMPETITIVE STRATEGY

As a result of the provisions of the 1999 Restructuring Legislation, TXU Electric plans to implement a portfolio management/merchant trading strategy with affiliates in conjunction with its upstream (generation and fuel supply) and downstream (retail customers) positions to effectively serve its customers, minimize risks and maximize margins available in the Texas markets. This strategy has been effectively implemented by affiliates in Europe and Australia.

ENVIRONMENTAL MATTERS

TXU Electric is subject to various federal, state and local regulations dealing with air and water quality and related environmental matters. (See Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Air — Under the Texas Clean Air Act, the Texas Natural Resource Conservation Commission (TNRCC) has jurisdiction over the permissible level of air contaminant emissions from generating facilities located within the State of Texas. In addition, the new source performance standards of the Environmental Protection Agency (EPA) promulgated under the Federal Clean Air Act, as amended (Clean Air Act), which have also been adopted by the TNRCC, are applicable to certain generating units. TXU Electric's generating units have been built to operate in compliance with applicable regulations and emission standards promulgated pursuant to these Acts; however, due to variations in the quality of the lignite fuel, operation of certain of the lignite-fueled generating units at reduced loads is necessary from time to time in order for TXU Electric to maintain compliance with these standards at these units. With these occasional reduced loads, TXU Electric has achieved and continues to achieve material compliance with the Clean Air Act's emission standards.

The Clean Air Act includes provisions which, among other things, place limits on the SO_2 emissions produced by generating units. In addition to the new source performance standards applicable to SO_2, the Clean Air Act required that fossil-fueled plants meet certain SO_2 emission allowances by 2000. TXU Electric's generating units currently meet the SO_2 allowance requirements.

To meet these SO_2 requirements, the Clean Air Act provides for the annual allocation of SO_2 emission allowances to utilities. Under the Clean Air Act, utilities are permitted to transfer allowances within their own systems and to buy or sell allowances from or to other utilities. The EPA grants a maximum number of allowances annually to TXU Electric based on the amount of emissions from units in operation during the period 1985 through 1987. TXU Electric intends to utilize internal allocation of emission allowances within its system and, if cost effective, may purchase additional emission allowances to enable future electric generating units to meet the requirements of the Clean Air Act. TXU Electric may also sell excess emission allowances. TXU Electric is unable to predict the extent to which it may generate excess allowances or will be able to acquire allowances from others if needed but does not anticipate any significant problems in keeping emissions within its allotted allowances.

TXU Electric's generating units meet the NO_x limits currently required by the Clean Air Act. The TNRCC and the EPA have proposed rules that will require NO_x emission reductions at TXU Electric's generating units in the Dallas-Fort Worth area. Additionally, in 1996, TXU Electric elected for an early opt-in under Phase I related to NO_x limits for its coal-fired generating units. This election locks in NO_x limits for these generating units for a ten-year period. The Clean Air Act also requires studies, which began in 1991, by the EPA to assess the potential for toxic emissions from utility boilers. In December 2000, the EPA published a notice that it intends to regulate the emissions of hazardous air pollutants, including mercury, from fossil fuel-fired power plants in the future. Regulations on mercury will be proposed by 2003 to be issued by 2004. TXU Electric is unable to predict the effects of these regulations. Recently, the EPA promulgated rules for regional haze; the impact of these rules, is unknown at this time because the TNRCC must implement the regional haze requirements.

In December 1997, the Conference of the Parties of the United Nations Framework Convention on Climate Change adopted the Kyoto Protocol, which specifies targets and timetables for certain countries to reduce greenhouse gas emissions. TXU Electric is unable to predict whether the Kyoto Protocol will be ratified by the United States Senate and to what extent, if any, such protocol might impact TXU Electric.

In 1997, the TNRCC required some companies to submit Title V Operating Permit applications for many of their facilities, including TXU Electric's generating facilities. All required Title V Operating Permit applications have been filed and TXU Electric has received Title V Operating Permits for most of its facilities. TXU Electric anticipates the approval of all pending permit applications.

Major air pollution control provisions of the 1999 Restructuring Legislation require a 50% reduction in NO_x emissions from "grandfathered" electric utility generating units and a 25% reduction in SO_2 emissions from "grandfathered" electric utility generating units. This legislation also provides for an "opt-in" of permitted units as an alternative for achieving the same reductions and recovery of reasonable environmental improvement costs as stranded costs upon approval by the PUC.

The TNRCC has also adopted revisions to its State Implementation Plan (SIP) rules that require a 89% reduction in NO_x emissions from electric utility units in the Dallas-Fort Worth ozone non-attainment area, and a 51% reduction in NO_x emissions from electric utility units in East and Central Texas. The costs of SIP reductions are eligible for recovery as stranded costs provided they satisfy the standards for recovery of environmental improvement costs established by the 1999 Restructuring Legislation provisions. The cost of compliance will be reduced due to emission trading provisions in the rules.

Additional Clean Air Act regulations have been proposed and others are not yet finalized by the EPA. TXU Electric believes that the requirements necessary to be in compliance with additional EPA regulatory provisions probably can be met as they are developed. Estimates for the capital requirements related to the Clean Air Act are included in TXU Electric's estimated construction expenditures. TXU Electric currently believes that if the rules and regulations under the Clean Air Act are adopted as proposed, operating costs that will be incurred under operating permits, new permit fee structures, capital expenditures associated with equipment modifications to reduce emissions, or any expenditures on monitoring equipment, in the aggregate, will not have a materially adverse effect on TXU Electric's financial position, results of operations or cash flows.

Water — The TNRCC, the EPA and the Railroad Commission of Texas (RRC) have jurisdiction over water discharges (including storm water) from all domestic facilities. TXU Electric's facilities are presently in compliance with applicable state and federal requirements relating to discharge of pollutants into the water. TXU Electric has obtained all required waste water discharge permits from the TNRCC, the EPA and the RRC for facilities in operation and has applied for or obtained necessary permits for facilities under construction. TXU Electric believes it can satisfy the requirements necessary to obtain any required permits or renewals.

Other — Diversion, impoundment and withdrawal of water for cooling and other purposes are subject to the jurisdiction of the TNRCC. TXU Electric possesses all necessary permits for these activities from the TNRCC for its present operations.

Treatment, storage and disposal of solid and hazardous waste are regulated at the state level under the Texas Solid Waste Disposal Act (Texas Act) and at the federal level under the Resource Conservation and Recovery Act of 1976, as amended, (RCRA) and the Toxic Substances Control Act (TSCA). The EPA has issued regulations under the RCRA and TSCA, and the TNRCC and the RRC have issued regulations under the Texas Act applicable to TXU Electric's facilities. TXU Electric has registered solid waste disposal sites and has obtained or applied for such permits as are required by such regulations.

Under the federal Low-Level Radioactive Waste Policy Act of 1980, as amended, the State of Texas is required to provide, either on its own or jointly with other states in a compact, for the disposal of all low-level radioactive waste generated within the state. The State of Texas has agreed to a compact with the States of Maine and Vermont for a disposal facility that would be located in Texas. That compact was ratified by Congress and signed by the President in 1998. The State of Texas had proposed to license a disposal site in Hudspeth County, Texas, but in October 1998 the TNRCC denied that license application. No appeal was taken from the denial of the license application, and that denial is now final. The nature and extent of future efforts by the State of Texas to provide for a disposal site are presently uncertain. TXU Electric will continue to ship low-level waste material off-site for as long as an alternative disposal site is available. Should existing off-site disposal become unavailable, the low-level waste material will be stored on-site. TXU Electric's on-site storage capacity is expected to be adequate until other off-site facilities become available.

Item 3. LEGAL PROCEEDINGS

TXU Electric is party to lawsuits arising in the ordinary course of its business. TXU Electric believes, based on its current knowledge and the advice of counsel, that the ultimate resolution of all such lawsuits and resulting claims would not have a material adverse effect on its financial position, results of operations or cash flows.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

All of TXU Electric's common stock is owned by TXU Corp. Reference is made to Note 8 to Financial Statements regarding limitations upon payment of dividends on common stock of TXU Electric.

Item 6. SELECTED FINANCIAL DATA

The information required hereunder for TXU Electric is set forth under Selected Financial Data included in Appendix A to this report.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required hereunder for TXU Electric is set forth under Management's Discussion and Analysis of Financial Condition and Results of Operations included in Appendix A to this report.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required hereunder for TXU Electric is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Appendix A to this report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required hereunder for TXU Electric is set forth under Statement of Responsibility, Independent Auditors' Report, Statements of Consolidated Income, Statements of Consolidated Comprehensive Income, Statements of Consolidated Cash Flows, Consolidated Balance Sheets, Statements of Consolidated Common Stock Equity and Notes to Financial Statements included in Appendix A to this report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Identification of Directors, business experience and other directorships:

Name of Director	Age	Other Positions and Offices Presently Held With TXU Electric (Current Term Expires in May, 2001)	Date First Elected as Director (Current Term Expires in May, 2001)	Present Principal Occupation or Employment and Principal Business (Preceding Five Years), Other Directorships
T. L. Baker	55	President	February 20, 1987	President of TXU Electric, TXU Gas and TXU SESCO; prior thereto, President, Electric Service Division, of TXU Electric and TXU Gas Distribution; prior thereto, Executive Vice President of TXU Electric; prior thereto, Senior Vice President of TXU Electric.
David W. Biegler	54	Group President	August 29, 1997	President of TXU Corp., Group President of TXU Electric and TXU Gas; prior thereto, President and Chief Operating Officer of TXU Corp., TXU Electric and TXU Gas; prior thereto, Chairman, President and Chief Executive Officer of TXU Gas; other directorships: TXU Gas, J.P. Morgan Chase Texas Bank and Trinity Industries, Inc. (railcars, construction materials and industrial equipment).
Barbara B. Curry	46	None	August 29, 1997	Executive Vice President of TXU Corp.; prior thereto, Executive Vice President of TXU Business Services; prior thereto, Vice President of TXU Business Services; prior thereto, Assistant to the Chairman of TXU Corp.; other directorship: TXU Gas.
H. Jarrell Gibbs	63	None	May 12, 2000	Vice Chairman of the Board of TXU Corp. and TXU Gas; prior thereto, President of TXU Electric; prior thereto, Vice President and Principal Financial Officer of TXU Corp.; other directorships: TXU Gas and TXU Europe Limited.
M. S. Greene	55	President, Transmission Division	May 27, 1997	President, TXU Lone Star Pipeline and Transmission Division of TXU Electric; prior thereto, Executive Vice President of TXU Fuel and TXU Mining.
Michael J. McNally	46	None	February 16, 1996	Executive Vice President and Chief Financial Officer of TXU Corp.; prior thereto, President, Transmission Division of TXU Electric; prior thereto, Principal of Enron Development Corporation; prior thereto, Managing Director of Enron Capital and Trade Resources; other directorships: TXU Gas and TXU Europe Limited.
Erle Nye	63	Chairman of the Board and Chief Executive	September 17, 1982	Chairman of the Board and Chief Executive of TXU Corp., TXU Electric and TXU Gas; prior thereto, President and Chief Executive of TXU Corp. and Chairman of the Board and Chief Executive of TXU Electric; other directorships: TXU Corp., TXU Gas and TXU Europe Limited.

Name of Director	Age	Other Positions and Offices Presently Held With TXU Electric (Current Term Expires in May, 2001)	Date First Elected as Director (Current Term Expires in May, 2001)	Present Principal Occupation or Employment and Principal Business (Preceding Five Years), Other Directorships
W. M. Taylor	58	President, Generation Division	May 20, 1986	President, Generation Division of TXU Electric and Executive Vice President of TXU Mining; prior thereto, Executive Vice President of TXU Electric.

Directors of TXU Electric receive no compensation in their capacity as Directors.

Identification of Executive Officers and business experience:

Name of Officer	Age	Positions and Offices Presently Held (Current Term Expires in May, 2001)	Date First Elected to Present Offices (Current Term Expires in May, 2001)	Business Experience (Preceding Five Years)
Erle Nye	63	Chairman of the Board and Chief Executive	February 20, 1987	Chairman of the Board and Chief Executive of TXU Corp., TXU Electric and TXU Gas; prior thereto, President and Chief Executive of TXU Corp. and Chairman of the Board and Chief Executive of TXU Electric.
David W. Biegler	54	Group President	May 12, 2000	President of TXU Corp. and Group President of TXU Electric and TXU Gas; prior thereto, President and Chief Operating Officer of TXU Corp., TXU Electric and TXU Gas; prior thereto, Chairman, President and Chief Executive Officer of TXU Gas.
T. L. Baker	55	President	May 12, 2000	President of TXU Electric, TXU Gas and TXU SESCO; prior thereto, President, Electric Service Division, of TXU Electric and TXU Gas Distribution; prior thereto, Executive Vice President of TXU Electric; prior thereto, Senior Vice President of TXU Electric.
W. M. Taylor	58	President, Generation Division	February 16, 1996	President, Generation Division of TXU Electric and Executive Vice President of TXU Mining; prior thereto, Executive Vice President of TXU Electric.
M. S. Greene	55	President, Transmission Division	May 27, 1997	President, TXU Lone Star Pipeline and Transmission Division of TXU Electric; prior thereto, Executive Vice President of TXU Fuel and TXU Mining.

There is no family relationship between any of the above-named Directors and Executive Officers.

Item 11. EXECUTIVE COMPENSATION

TXU Electric and its affiliates have paid or awarded compensation during the last three calendar years to the following Executive Officers for services in all capacities:

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($) (4)	Other Annual Compen-sation ($)	Restricted Stock Awards ($) (5)	Securities Underlying Options/ SARs (#)	LTIP Payouts ($) (6)	All Other Compen-sation ($) (7)
Erle Nye, (1) (8).............	2000	950,000	380,000	---	593,750	---	399,793	218,101
Chairman of the Board	1999	908,333	475,000	---	688,750	---	61,016	184,892
and Chief Executive of	1998	818,750	350,000	---	541,250	---	19,674	156,906
the Company								
David W. Biegler, (2).....	2000	650,000	162,500	---	308,750	---	0	96,924
Group President of the	1999	641,667	164,000	---	310,250	---	0	81,509
Company	1998	617,500	102,500	---	244,250	---	0	174,208
T. L. Baker (3) (8)..........	2000	399,167	125,000	---	219,500	---	93,968	84,152
President of the	1999	355,833	116,000	---	199,250	---	23,467	71,675
Company	1998	323,083	60,000	---	135,600	---	8,212	62,011
W. M. Taylor (8)............	2000	409,167	112,500	---	209,250	---	77,387	82,501
President, Generation	1999	375,000	98,500	---	184,000	---	24,969	70,720
Division	1998	360,500	75,000	---	157,800	---	7,733	63,421
M. S. Greene (8)...........	2000	283,333	75,000	---	142,500	---	6,021	59,487
President, Transmission	1999	255,833	63,500	---	122,000	---	18,304	51,454
Division	1998	245,833	50,000	---	106,250	---	5,645	45,875

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(1) Compensation amounts represent compensation paid by TXU Corp.

(2) Mr. Biegler was elected Group President of TXU Electric effective May 12, 2000; prior thereto, he was President and Chief Operating Officer. Compensation amounts represent compensation paid by TXU Corp.

(3) Mr. Baker was elected President of TXU Electric effective May 12, 2000; prior thereto, he was President, Electric Service Division.

(4) Amounts reported as Bonus in the Summary Compensation Table are attributable to the named officer's participation in the Annual Incentive Plan (AIP). Elected corporate officers of TXU Corp. and its participating subsidiaries with a title of Vice President or above are eligible to participate in the AIP. Under the terms of the AIP, target incentive awards ranging from 40% to 75% of base salary, and a maximum award of 100% of base salary, are established. The percentage of the target or the maximum actually awarded, if any, is dependent upon the attainment of per share net income goals established in advance by the TXU Corp. Organization and Compensation Committee (Committee) as well as the Committee's evaluation of the participant's and TXU Corp.'s performance. One-half of each award is paid in cash and is reflected as Bonus in the Summary Compensation Table. Payment of the remainder of the award is deferred and invested under the Deferred and Incentive Compensation Plan (DICP) discussed hereinafter in footnote (5).

(5) Amounts reported as Restricted Stock Awards in the Summary Compensation Table are attributable to the named officer's participation in the Deferred and Incentive Compensation Plan (DICP). Elected corporate officers of TXU Corp. and its participating subsidiaries with the title of Vice President or above are eligible to participate in the DICP. Participants in the DICP may defer a percentage of their

base salary not to exceed a maximum percentage determined by the Committee for each Plan year and in any event not to exceed 15% of the participant's base salary. Salary deferred under the DICP is included in amounts reported as Salary in the Summary Compensation Table. TXU Corp. makes a matching award (Matching Award) equal to 150% of the participant's deferred salary. In addition, one-half of any AIP award (Incentive Award) is deferred and invested under the DICP. The Matching Awards and Incentive Awards are subject to forfeiture under certain circumstances. Under the DICP, a trustee purchases TXU Corp. common stock with an amount of cash equal to each participant's deferred salary, Matching Award and Incentive Award, and accounts are established for each participant containing performance units (Units) equal to such number of common shares. DICP investments, including reinvested dividends, are restricted to TXU Corp. common stock, and the value of each unit credited to participants' accounts equals the value of a share of TXU Corp. common stock. On the expiration of the applicable maturity period (three years for Incentive Awards and five years for deferred salary and Matching Awards), the values of the participant's accounts are paid in cash based upon the then current value of the Units; provided, however, that in no event will a participant's account be deemed to have a cash value which is less than the sum of such participant's deferred salary together with 6% per annum interest compounded annually. The maturity period is waived if the participant dies or becomes totally and permanently disabled and may be extended under certain circumstances.

Incentive Awards and Matching Awards that have been made under the DICP are included under Restricted Stock Awards in the Summary Compensation Table for each of the last three years. As a result of these awards, undistributed Incentive Awards and Matching Awards made under the Plan in prior years, and dividends reinvested thereon, the number and market value at December 31, 2000 of such Units (each of which is equal to one share of common stock) held in the DICP accounts for Messrs. Nye, Biegler, Baker, Taylor and Greene were 62,925 ($2,788,364), 24,705 ($1,094,740), 20,236 ($896,708), 20,772 ($920,459) and 14,064 ($623,211), respectively.

(6) Amounts reported as LTIP payouts in the Summary Compensation Table are attributable to the vesting and distribution of performance based restricted stock awards under the Long-Term Incentive Compensation Plan (LTICP) and the distribution during the year of earnings on salaries previously deferred under the DICP.

The LTICP is a comprehensive, stock-based incentive compensation plan providing for discretionary grants of common stock-based awards, including restricted stock. Outstanding awards to named executive officers vest at the end of a three year performance period and provide for an ultimate award of from 0% to 200% of the number of shares initially awarded based on TXU Corp.'s total return to shareholders over the three year period compared to the total return provided by the companies comprising the Standard & Poor's Electric Utility Index. Dividends on the restricted stock are reinvested in TXU Corp. common stock and are paid in cash upon release of the restricted shares. Based on TXU Corp.'s total return to shareholders over the three year period ending March 31, 2000 compared to the returns provided by the companies comprising the Standard & Poor's Electric Utility Index, Messrs. Nye, Baker and Taylor each received 50% of the restricted shares awarded in May of 1997, which stock was valued at $380,188, $86,406 and $69,125, respectively.

Amounts reported also include earnings distributed during the year on salaries previously deferred under the DICP for Messrs. Nye, Baker, Taylor and Greene of $19,605, $7,561, $8,262 and $6,021, respectively.

As a result of restricted stock awards under the LTICP, and reinvested dividends thereon, the number of shares of restricted stock and the value of such shares at December 31, 2000 held for Messrs. Nye, Biegler, Baker, Taylor and Greene were 147,396 ($6,531,485), 29,539 ($1,308,947), 28,120 ($1,246,067), 22,735 ($1,007,445) and 8,490 ($376,213), respectively.

As noted, salaries deferred under the DICP are included in amounts reported as Salary in the Summary Compensation Table. Amounts shown in the table below represent the number of shares purchased under the DICP with these deferred salaries for 2000 and the number of shares awarded under the LTICP:

LONG-TERM INCENTIVE PLANS – AWARDS IN LAST FISCAL YEAR

	Deferred and Incentive Compensation Plan (DICP)		Long-Term Incentive Compensation Plan (LTICP)			
					Estimated Future Payouts	
Name	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Minimum (#)	Maximum (#)
Erle Nye..................	4,503	5 Years	75,000	3 Years	0	150,000
David W. Biegler.....	3,081	5 Years	10,000	3 Years	0	20,000
T. L. Baker	1,990	5 Years	12,000	3 Years	0	24,000
W. M. Taylor..........	2,038	5 Years	10,000	3 Years	0	20,000
M. S. Greene...........	1,422	5 Years	5,000	3 Years	0	10,000

(7) Amounts reported as All Other Compensation in the Summary Compensation Table are attributable to the named officer's participation in certain plans and as otherwise described hereinafter in this footnote.

Under the TXU Thrift Plan (Thrift Plan) all eligible employees of TXU Corp. and any of its participating subsidiaries may invest up to 16% of their regular salary or wages in common stock of TXU Corp., or in a variety of selected mutual funds. Under the Thrift Plan, TXU Corp. and its participating subsidiaries match a portion of an employee's contributions in an amount equal to 40%, 50% or 60% (depending on the employee's length of service) of the first 6% of such employee's contributions. All matching amounts are invested in common stock of TXU Corp. The amounts reported under All Other Compensation in the Summary Compensation Table include these matching amounts which, for Messrs. Nye, Biegler, Baker, Taylor and Greene were $6,120, $6,120, $6,120, $6,120 and $6,120, respectively, during 2000.

TXU Corp. has a Salary Deferral Program (Program) under which each employee of TXU Corp. and its participating subsidiaries whose annual salary is equal to or greater than an amount established under the Program ($100,550 for the Program Year beginning April 1, 2000) may elect to defer a percentage of annual base salary, or any bonus or other special cash compensation for a period of seven years, for a period ending with the retirement of such employee, or for a combination thereof. Such deferrals may be up to a maximum of 50% of the employee's annual salary and/or 100% of the employee's bonus or other special cash compensation. TXU Corp. makes a matching award, subject to forfeiture under certain circumstances, equal to 100% of up to the first 8% of salary deferred under the Program. Salary and bonuses deferred under the Program are included in amounts reported under Salary and Bonus, respectively, in the Summary Compensation Table. Deferrals are credited with earnings or losses based on the performance of investment alternatives selected by each participant. At the end of the applicable maturity period, the trustee for the Program distributes the deferrals and the applicable earnings in cash. The distribution is in a lump sum if the applicable maturity period is seven years. If the retirement option is elected, the distribution is made in twenty annual installments. TXU Corp. is financing the retirement option portion of the Program through the purchase of corporate-owned life insurance on the lives of participants. The proceeds from such insurance are expected to allow TXU Corp. to fully recover the cost of the retirement option. During 2000, matching awards, which are included under All Other Compensation in the Summary Compensation Table, were made for Messrs. Nye, Biegler, Baker, Taylor and Greene in the amounts of $76,000, $52,000, $31,933, $32,733 and $28,333, respectively.

Under TXU Corp.'s Split-Dollar Life Insurance Program (Insurance Program), split-dollar life insurance policies are purchased for elected corporate officers of TXU Corp. and its participating subsidiaries with a title of Vice President or above, with a death benefit equal to four times their annual Insurance Program compensation. New participants vest in the policies issued under the Insurance Program over a six year period. TXU Corp. pays the premiums for these policies and has received a collateral assignment of the policies equal in value to the sum of all of its insurance premium payments. Although the Insurance Program is terminable at any time, it is designed so that if it is continued, TXU

Corp. will fully recover all of the insurance premium payments it has made either upon the death of the participant or, if the assumptions made as to policy yield are realized, upon the later of fifteen years of participation or the participant's attainment of age sixty-five. During 2000, the economic benefit derived by Messrs. Nye, Biegler, Baker, Taylor and Greene from the term insurance coverage provided and the interest foregone on the remainder of the insurance premiums paid by TXU Corp. amounted to $135,981, $38,804, $46,698, $43,647 and $25,034, respectively.

(8) TXU Corp. has entered into employment agreements with Messrs. Nye, Baker, Taylor and Greene as hereinafter described in this footnote.

Effective June 1, 2000, TXU Corp. entered into an employment agreement with Mr. Nye. The agreement provides for Mr. Nye's continued service, through June 1, 2004 (Term), as TXU Corp.'s Chairman of the Board and Chief Executive. Under the terms of the agreement, Mr. Nye will, during the Term, be entitled to a minimum annual base salary of $950,000, eligibility for an annual bonus under the terms of the AIP, and minimum annual restricted stock awards of 40,000 shares under the LTICP. The agreement also provides for the funding of the retirement benefit to which Mr. Nye will be entitled under TXU Corp.'s supplemental retirement plan in an amount determined in accordance with the standard formula under such plan. Additionally, the agreement entitles Mr. Nye to certain severance benefits in the event he is terminated without cause during the Term, including a payment equal to the greater of his annualized base salary and target bonus, or the total amount of base salary and bonuses he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; and health care benefits. The agreement also provides for compensation and benefits under certain circumstances following a change-in-control of TXU Corp. during the Term, including a payment equal to the greater of three times his annualized base salary and target bonus, or the total base salary and bonus he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; health care benefits and a tax gross-up payment to offset any excise tax which may result from such change-in-control payments.

TXU Corp. entered into an employment agreement with Mr. Baker effective July 1, 2000. The employment agreement provides for the continued service by Mr. Baker through June 30, 2003 (Term). Under the terms of the agreement, Mr. Baker will, during the Term, be entitled to a minimum annual base salary of $420,000, eligibility for an annual bonus under the terms of the AIP, and minimum restricted stock awards of 12,000 shares under the LTICP. Additionally, the agreement entitles Mr. Baker to certain severance benefits in the event he is terminated without cause during the Term, including a payment equal to the greater of his annualized base salary and target bonus, or the total amount of base salary and bonuses he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; and health care benefits. The agreement also provides for compensation and benefits under certain circumstances following a change-in-control of TXU Corp. during the Term, including a payment equal to the greater of three times his annual base salary and target bonus, or the total base salary and bonus he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; health care benefits and a tax gross-up payment to offset any excise tax which may result from such change-in-control payment.

TXU Corp. entered into an employment agreement with Mr. Taylor effective July 1, 2000. The employment agreement provides for the continued service by Mr. Taylor through June 30, 2003 (Term). Under the terms of the agreement, Mr. Taylor will, during the Term, be entitled to a minimum annual base salary of $430,000, eligibility for an annual bonus under the terms of the AIP, and minimum restricted stock awards of 10,000 shares under the LTICP. Additionally, the agreement entitles Mr. Taylor to certain severance benefits in the event he is terminated without cause during the Term, including a payment equal to the greater of his annualized base salary and target bonus, or the total amount of base salary and bonuses he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; and health care benefits. The agreement also provides for compensation and benefits under certain circumstances following a change-in-control of TXU Corp. during the Term, including a payment equal to the greater of three times his annual base salary and target bonus, or the total base salary and bonus he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation;

health care benefits and a tax gross-up payment to offset any excise tax which may result from such change-in-control payment.

TXU Corp. entered into an employment agreement with Mr. Greene effective July 1, 2000. The employment agreement provides for the continued service by Mr. Greene through June 30, 2003 (Term). Under the terms of the agreement, Mr. Greene will, during the Term, be entitled to a minimum annual base salary of $300,000, eligibility for an annual bonus under the terms of the AIP, and minimum restricted stock awards of 5,000 shares under the LTICP. Additionally, the agreement entitles Mr. Greene to certain severance benefits in the event he is terminated without cause during the Term, including a payment equal to the greater of his annualized base salary and target bonus, or the total amount of base salary and bonuses he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; and health care benefits. The agreement also provides for compensation and benefits under certain circumstances following a change-in-control of TXU Corp. during the Term, including a payment equal to the greater of three times his annual base salary and target bonus, or the total base salary and bonus he would have received for the remainder of the Term; a payment in lieu of foregone and forfeited incentive compensation; health care benefits and a tax gross-up payment to offset any excise tax which may result from such change-in-control payment.

As a part of the acquisition of TXU Gas, options to purchase the common stock of TXU Gas which had been granted to various employees of TXU Gas were converted into options to acquire common shares of TXU Corp. The table below shows, for each of the named officers, the information specified with respect to exercised, exercisable and unexercisable options under all existing stock option plans, converted into shares of TXU Corp.'s common stock into which such options became exercisable at the time of the TXU Gas acquisition.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number Of Securities Underlying Unexercised Options at December 31, 2000 (#)		Value of Unexercised In-the-Money Options at December 31, 2000 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Erle Nye	0	0	0	0	0	0
David W. Biegler	0	0	129,778	0	2,598,889	0
T. L. Baker	0	0	0	0	0	0
W. M. Taylor	0	0	0	0	0	0
M. S. Greene	0	0	0	0	0	0

TXU Corp. and its subsidiaries maintain retirement plans (TXU Retirement Plan) which are qualified under applicable provisions of the Internal Revenue Code of 1986, as amended (Code). Annual retirement benefits under the traditional defined benefit formula of the TXU Retirement Plan, which applied to each of the named officers, are computed as follows: for each year of accredited service up to a total of 40 years, 1.3% of the first $7,800, plus 1.5% of the excess over $7,800, of the participant's average annual earnings during his or her three years of highest earnings. Amounts reported under Salary for the named officers in the Summary Compensation Table approximate earnings as defined by the TXU Retirement Plan without regard to any limitations imposed by the Code. Benefits paid under the TXU Retirement Plan are not subject to any reduction for Social Security payments but are limited by provisions of the Code. As of February 28, 2001, years of accredited service under the TXU Retirement Plan for Messrs. Nye, Biegler, Baker, Taylor and Greene were 38, 3, 30, 33 and 30, respectively.

TXU PENSION PLAN TABLE

Remuneration	Years of Service 20	25	30	35	40
$ 50,000	$ 14,688	$ 18,360	$ 22,032	$ 25,704	$ 29,376
100,000	29,688	37,110	44,532	51,954	59,376
200,000	59,688	74,610	89,532	104,454	119,376
400,000	119,688	149,610	179,532	209,454	239,376
800,000	239,688	299,610	359,532	419,454	479,376
1,000,000	299,688	374,610	449,532	524,454	599,376
1,400,000	419,688	524,610	629,532	734,454	839,376
1,800,000	539,688	674,610	809,532	944,454	1,079,376
2,000,000	599,688	749,610	899,532	1,049,454	1,199,376

Before the TXU Gas acquisition, Mr. Biegler earned retirement benefits under the Retirement and Death Benefit Program of 1969 of ENSERCH Corporation and Participating Subsidiary Companies (ENSERCH Retirement Plan) which was merged into, and became a part of, the TXU Retirement Plan effective December 31, 1997. In connection with this plan merger, the TXU Retirement Plan was amended to provide that the retirement benefit of certain TXU Gas employees will equal the sum of (1) their accrued benefit under the ENSERCH Retirement Plan through the last pay period of 1997 and (2) their accrued benefit under the TXU Retirement Plan beginning with the first pay period of 1998; provided that the aggregate retirement benefit earned under the traditional defined benefit plan formula of the plans can be no less than the retirement benefit which would have been earned had all service under the traditional defined benefit formula been under the ENSERCH Retirement Plan. Mr. Biegler, whose employment with TXU Corp. began August 5, 1997, is treated in a similar manner. Amounts reported for Mr. Biegler under Salary and Bonus in the Summary Compensation Table approximate earnings as defined by the ENSERCH Retirement Plan without regard to any limitations imposed by the Code. Benefits paid under the ENSERCH Retirement Plan are not subject to any reduction for Social Security payments but are limited by provisions of the Code. As of February 28, 2001, Mr. Biegler had 29 years of accredited service under the ENSERCH Retirement Plan and, as noted, 3 years of accredited service under the TXU Retirement Plan.

ENSERCH PENSION PLAN TABLE

Remuneration	Years of Service 20	25	30	35	40	45
$ 50,000	$ 12,500	$ 15,625	$ 18,750	$ 21,875	$ 23,125	$ 24,375
100,000	29,735	37,169	44,603	52,036	54,536	57,036
200,000	64,735	80,919	97,103	113,286	118,286	123,286
400,000	134,735	168,419	202,103	235,786	245,786	255,786
800,000	274,735	343,419	412,103	480,786	500,786	520,786
1,000,000	344,735	430,919	517,103	603,286	628,286	653,286
1,400,000	484,735	605,919	727,103	848,286	883,286	918,286
1,800,000	624,735	780,919	937,103	1,093,286	1,138,286	1,183,286
2,000,000	694,735	868,419	1,042,103	1,215,786	1,265,786	1,315,786

TXU Corp.'s supplemental retirement plans (Supplemental Plan) provide for the payment of retirement benefits which would otherwise be limited by the Code or the definition of earnings in the TXU Retirement Plan or the ENSERCH Retirement Plan, as applicable. Under the Supplemental Plan, retirement benefits are calculated in accordance with the same formula used under the applicable qualified plan, except that, with respect to calculating the portion of the Supplemental Plan benefit attributable to service under the TXU Retirement Plan, earnings also include AIP awards (50% of the AIP award is reported under Bonus for the named officers in the Summary Compensation Table). The tables set forth above illustrate the total annual benefit payable at retirement under the TXU Retirement Plan and the ENSERCH Retirement Plan, respectively, inclusive of benefits payable under the Supplemental Plan, prior to any reduction for a contingent beneficiary option which may be selected by participants.

The following report and performance graph are presented herein for information purposes only. This information is not required to be included herein and shall not be deemed to form a part of this report to be "filed" with the Securities and Exchange Commission. The report set forth hereinafter is the report of the Organization and Compensation Committee of the Board of Directors of TXU Corp. and is illustrative of the methodology utilized in establishing the compensation of executive officers of TXU Electric. References in the report to the "Company" are references to TXU Corp. and references to “this proxy statement” are references to TXU Corp.’s proxy statement in connection with TXU Corp.’s 2001 annual meeting of shareholders.

ORGANIZATION AND COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Organization and Compensation Committee of the Board of Directors (Committee) is responsible for reviewing and establishing the compensation of the executive officers of the Company. The Committee consists of all of the nonemployee directors of the Company and is chaired by James A. Middleton. The Committee has directed the preparation of this report and has approved its content and submission to the shareholders.

As a matter of policy, the Committee believes that levels of executive compensation should be based upon an evaluation of the performance of the Company and its officers generally, as well as in comparison to persons with comparable responsibilities in similar business enterprises. Compensation plans should align executive compensation with returns to shareholders with due consideration accorded to balancing both long-term and short-term objectives. The overall compensation program should provide for an appropriate and competitive balance between base salaries and performance-based annual and long-term incentives. The Committee has determined that, as a matter of policy to be implemented over time, the base salaries of the officers will be established around the median, or 50th percentile, of the top ten electric utilities in the United States, or other relevant market, and that opportunities for total direct compensation (defined as the sum of base salaries, annual incentives and long-term incentives) to reach the 75th percentile, or above, of such market or markets will be provided through performance-based incentive compensation plans. Such compensation principles and practices have allowed, and should continue to allow, the Company to attract, retain and motivate its key executives.

In furtherance of these policies, a nationally recognized compensation consultant has been retained since 1994 to assist the Committee in its periodic reviews of compensation and benefits provided to officers. The consultant's evaluations include comparisons to the largest utilities as well as to general industry with respect both to the level and composition of officers' compensation. The consultant's recommendations including the Annual Incentive Plan, the Long-Term Incentive Compensation Plan and certain benefit plans have generally been implemented. The Annual Incentive Plan, which was first approved by the shareholders in 1995 and reapproved in 2000, is generally referred to as the AIP and is described in this report and in footnote 1 on page 9 of this proxy statement. The Long-Term Incentive Compensation Plan, referred to as the Long-Term Plan or LTICP, was approved by the shareholders in 1997 and is described in this report as well as in footnote 3 on pages 10 and 11 of this proxy statement.

The compensation of the officers of the Company consists principally of base salaries, the opportunity to earn an incentive award under the AIP, awards of performance-based restricted shares under the Long-Term Plan and the opportunity to participate in the Deferred and Incentive Compensation Plan (referred to as the DICP and described in footnote 2 on pages 9 and 10 of this proxy statement). The value of future payments under the DICP, as well as the value of the deferred portion of any award under the AIP and the value of any awards of performance-based restricted shares under the Long-Term Plan, are directly related to the future performance of the Company's common stock. It is anticipated that performance-based incentive awards under the AIP and the Long-Term Plan, will, in future years, continue to constitute a substantial percentage of the officers' total compensation.

Certain of the Company's business units have developed separate annual and long-term incentive compensation plans. Those plans focus on the results achieved by those individual business units and the compensation opportunities provided by those plans are considered to be competitive in the markets in which those units compete. Generally, officers may not participate in both the traditional incentive compensation plans as discussed herein and the business unit plans. None of the named officers participate in the individual business unit plans.

The AIP is administered by the Committee and provides an objective framework within which annual Company and individual performance can be evaluated by the Committee. Depending on the results of such performance evaluations, and the attainment of the per share net income goals established in advance, the Committee may provide annual incentive compensation awards to eligible officers. The evaluation of each individual participant's performance is based upon the attainment of individual and business unit objectives.

The Company's performance is evaluated, compared to the ten largest electric utilities and/or the electric utility industry, based upon its total return to shareholders and return on invested capital, as well as other measures relating to competitiveness, service quality and employee safety. The combination of individual and Company performance results, together with the Committee's evaluation of the competitive level of compensation which is appropriate for such results, determines the amount, if any, actually awarded.

The Long-Term Plan, which is also administered by the Committee, is a comprehensive stock-based incentive compensation plan under which all awards are made in, or based on the value of, the Company's common stock. The Long-Term Plan provides that, in the discretion of the Committee, awards may be in the form of stock options, stock appreciation rights, performance and/or restricted stock or stock units or in any other stock-based form. The purpose of the Long-Term Plan is to provide performance-related incentives linked to long-term performance goals. Such performance goals may be based on individual performance and/or may include criteria such as absolute or relative levels of total shareholder return, revenues, sales, net income or net worth of the Company, any of its subsidiaries, business units or other areas, all as the Committee may determine. Awards under the Long-Term Plan constitute the principal long-term component of officers' compensation.

In establishing levels of executive compensation at its May 2000 meeting, the Committee reviewed various performance and compensation data, including the performance measures under the AIP and the report of its compensation consultant. Information was also gathered from industry sources and other published and private materials which provided a basis for comparing the largest electric and gas utilities and other survey groups representing a large variety of business organizations. Included in the data considered were the comparative returns provided by the largest electric and gas utilities as represented by the returns of the Standard & Poor's Electric Utility Index which are reflected in the graph on page 22. Compensation amounts were established by the Committee based upon its consideration of the above comparative data and its subjective evaluation of Company and individual performance at levels consistent with the Committee's policy relating to total direct compensation.

At its meeting in May 2000, the Committee provided awards of performance-based restricted shares under the Long-Term Plan to certain officers, including the Chief Executive. Information relating to awards made to the named executive officers is contained in the Table on page 11 of this proxy statement. The ultimate value of those awards will be determined by the Company's total return to shareholders over a three year period compared to the total return for that period of the companies comprising the Standard & Poor's Electric Utility Index. Depending upon the Company's relative total return for such period, the officers may earn from 0% to 200% of the original award and their compensation is, thereby, directly related to shareholder value. Awards granted in May 2000 contemplate that 200% of the original award will be provided if the Company's total return is in the 81st percentile or above of the returns of the companies comprising the Standard & Poor's Electric Utility Index and that such percentage of the original award will be reduced as the Company's return compared to the Index declines so that 0% of the original award will be provided if the Company's return is in the 40th percentile or below of returns provided by the companies comprising the Index. These awards, and any awards that may be made in the future, are based upon the Committee's evaluation of the appropriate level of long-term compensation consistent with its policy relating to total direct compensation.

Additionally with respect to the Long-Term Plan, the Committee, at its meeting in May 2000, considered the restricted stock awards provided to certain officers in May of 1997. Based upon its review and comparison of the results of the Company's total return to the returns provided by the companies comprising the Standard & Poor's Electric Utility Index, the Committee determined that the Company's performance during the three year performance period ending in March of 2000 permitted the payment of 50% of such 1997 awards. Payment of these awards were made in the form of the Company's stock and cash, and, for Messrs. Nye, Gibbs and McNally, the value of the stock at the date of distribution is included in the LTIP Payouts column of the Summary Compensation Table on page 9 of this proxy statement.

During the year the Committee and the Board of Directors determined that it was in the best interests of the Company to enter into employment agreements with certain officers, including the Chief Executive. Accordingly, the Committee recommended, and the Board of Directors subsequently approved, an employment agreement with Mr. Nye which contemplates his continued service through June 1, 2004 as Chairman of the Board and Chief Executive. The agreement provides, among other things, for a minimum annual base salary, *eligibility for an annual bonus under the terms of the AIP, minimum restricted stock awards under the Long-Term Plan, certain severance benefits upon termination of employment without cause and compensation and benefits under certain circumstances following a change in control of the Company. Additionally, the Committee ratified and approved employment contracts with certain other officers of the Company and its subsidiaries including agreements with Messrs. Dickie and McNally, named executive officers. The agreements with Messrs. Nye, Dickie and McNally are described in footnote 6 on pages 13 and 14 of this proxy statement.*

Mr. Nye's base salary as Chief Executive was not increased in 2000. Based upon the Committee's evaluation of individual and Company performance, as called for by the AIP, the Committee provided Mr. Nye with an AIP award of $760,000 compared to the prior year's award of $950,000. The Committee also awarded 75,000 shares of performance-based restricted stock to Mr. Nye. Under the terms of the award, Mr. Nye can earn from 0% to 200% of the award depending on the Company's total return to shareholders over a three-year period (April 1, 2000 through March 31, 2003) compared to the total return provided by the companies comprising the Standard & Poor's Electric Utility Index. This level of compensation was established based upon the Committee's subjective evaluation of the information described in this report. In addition, as previously noted in this report, the Committee approved the payment of 50% of the 1997 restricted stock awards under the Long-Term Plan, which for Mr. Nye was 11,000 shares.

In discharging its responsibilities with respect to establishing executive compensation, the Committee normally considers such matters at its May meeting held in conjunction with the Annual Meeting of Shareholders. Although Company management may be present during Committee discussions of officers' compensation, Committee decisions with respect to the compensation of the Chief Executive are reached in private session without the presence of any member of Company management.

Section 162(m) of the Code limits the deductibility of compensation which a publicly traded corporation provides to its most highly compensated officers. As a general policy, the Company does not intend to provide compensation which is not deductible for federal income tax purposes. Awards under the AIP in 1996 and subsequent years have been, and are expected to continue to be, fully deductible. Awards under the Long-Term Plan are expected to be fully deductible, and the DICP and the Salary Deferral Program have been amended to require the deferral of distributions of amounts maturing in years subsequent to 1995 until the time when such amounts would be deductible.

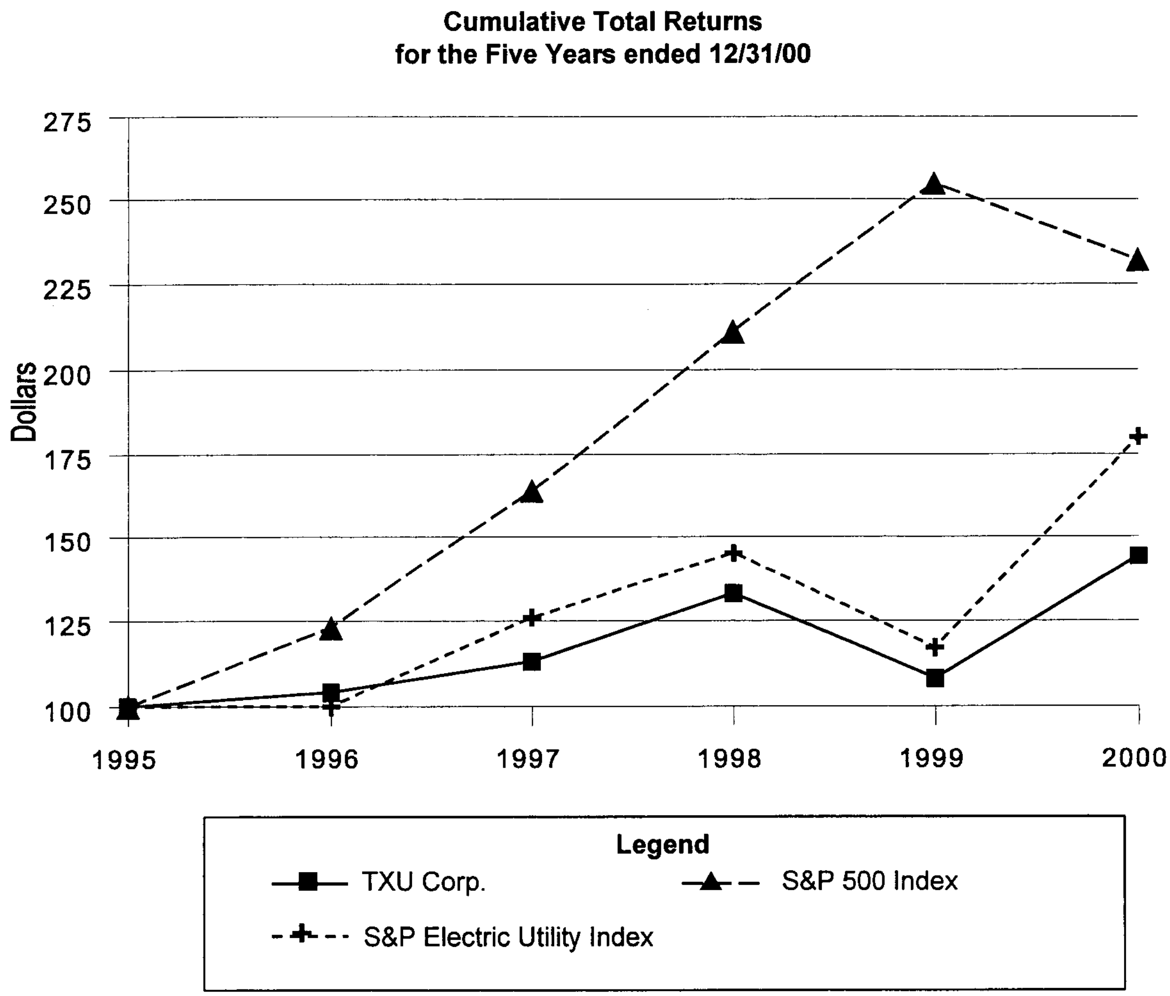
Shareholder comments to the Committee are welcomed and should be addressed to the Secretary of the Company at the Company's offices.

Organization and Compensation Committee

James A. Middleton, Chair	*Margaret N. Maxey*
Derek C. Bonham	*J. E. Oesterreicher*
William M. Griffin	*Charles R. Perry*
Kerney Laday	*Herbert H. Richardson*

PERFORMANCE GRAPH

The following graph compares the performance of TXU Corp.'s common stock to the S&P 500 Index and S&P Electric Utility Index for the last five years. The graph assumes the investment of $100 at December 31, 1995 and that all dividends were reinvested. The amount of the investment at the end of each year is shown in the graph and in the table which follows.



	1995	1996	1997	1998	1999	2000
TXU Corp.	100	104	113	133	108	144
S&P 500 Index	100	123	164	211	255	232
S&P Electric Utility Index.................	100	100	126	145	117	180

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain beneficial owners at February 22, 2001:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common stock, without par value, of TXU Electric	TXU Corp. Energy Plaza 1601 Bryan Street Dallas, Texas 75201	72,794,600 shares sole voting and investment power	100.0%

Security ownership of management at February 22, 2001:

The following lists the common stock of TXU Corp. owned by the Directors and Executive Officers of TXU Electric. The named individuals have sole voting and investment power for the shares of common stock reported. Ownership of such common stock by the Directors and Executive Officers, individually and as a group, constituted less than 1% of the outstanding shares at February 22, 2001. None of the named individuals own any of the preferred stock of TXU Electric or the preferred securities of any subsidiaries of TXU Electric.

	Number of Shares		
Name	**Beneficially Owned**	**Deferred Plan (1)**	**Total**
T. L. Baker	34,922	28,315	63,237
David W. Biegler	152,623 (2)	33,416	186,039
Barbara B. Curry	10,756	13,736	24,492
H. Jarrell Gibbs	48,361	37,486	85,847
M. S. Greene	11,510	20,084	31,594
Michael J. McNally	67,699	32,373	100,072
Erle Nye	188,568	83,190	271,758
W. M. Taylor	38,862	29,522	68,384
All Directors and Executive Officers as a group (8)	553,301	278,122	831,423

(1) Share units held in deferred compensation accounts under the Deferred and Incentive Compensation Plan. Although this plan allows such units to be paid only in the form of cash, investments in such units create essentially the same investment stake in the performance of TXU Corp.'s common stock as do investments in actual shares of common stock.

(2) Shares reported include 106,451 shares subject to stock options exercisable within sixty days.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

<u>Page</u>

(a) Documents filed as part of this Report:

Financial Statements (included in Appendix A to this report):

The consolidated financial statement schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(b) Reports on Form 8-K:

Reports on Form 8-K filed since September 30, 2000, are as follows:

Date of Report	Item Reported
December 14, 2000	Item 7. Financial Statements, Pro Forma Financial Information and Exhibits – Independent Auditor's Consent of KPMG LLP.

(c) Exhibits:

Included in Appendix B to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, TXU Electric Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TXU ELECTRIC COMPANY

Date: March 8, 2001

By: /s/ ERLE NYE

(Erle Nye, Chairman of the Board and Chief Executive)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of TXU Electric Company and in the capacities and on the date indicated.

Signature	Title	Date
/s/ ERLE NYE (Erle Nye, Chairman of the Board and Chief Executive)	Principal Executive Officer	
/s/ KIRK R. OLIVER (Kirk R. Oliver, Treasurer and Assistant Secretary)	Principal Financial Officer	
/s/ BIGGS C. PORTER (Biggs C. Porter, Vice President)	Principal Accounting Officer	
/s/ T. L. BAKER (T. L. Baker)	Director	
/s/ DAVID W. BIEGLER (David W. Biegler)	Director	
/s/ BARBARA B. CURRY (Barbara B. Curry)	Director	March 8, 2001
/s/ H. JARRELL GIBBS (H. Jarrell Gibbs)	Director	
/s/ M. S. GREENE (M. S. Greene)	Director	
/s/ MICHAEL J. McNALLY (Michael J. McNally)	Director	
/s/ W. M. TAYLOR (W. M. Taylor)	Director	

TXU ELECTRIC COMPANY AND SUBSIDIARIES

INDEX TO FINANCIAL INFORMATION
December 31, 2000

TXU ELECTRIC COMPANY AND SUBSIDIARIES
SELECTED FINANCIAL DATA
CONSOLIDATED FINANCIAL STATISTICS

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(Millions of Dollars, except ratios)				
Total assets — end of year	$18,816	$18,108	$18,405	$18,824	$18,795
Property, plant and equipment – net — end of year	$15,324	$15,243	$15,409	$15,720	$15,865
Capital expenditures	689	554	496	443	376
Capitalization — end of year					
Long-term debt, less amounts due currently	$ 5,039	$ 4,684	$ 5,208	$ 5,476	$ 6,311
TXU Electric Company obligated, mandatorily redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric Company (trust securities)	829	824	823	875	381
Preferred stock:					
Subject to mandatory redemption	21	21	21	21	238
Not subject to mandatory redemption	115	115	115	129	465
Common stock equity	6,764	6,671	6,495	6,298	6,106
Total	$12,768	$12,315	$12,662	$12,799	$13,501
Capitalization ratios — end of year					
Long-term debt, less amounts due currently	39.4%	38.0%	41.1%	42.8%	46.8%
Trust securities	6.5	6.7	6.5	6.8	2.8
Preferred stock	1.1	1.1	1.1	1.2	5.2
Common stock equity	53.0	54.2	51.3	49.2	45.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Embedded interest cost on long-term debt — end of year	7.5%	7.4%	8.3%	8.3%	8.3%
Embedded distribution cost on trust securities — end of year	8.3%	8.4%	8.4%	8.3%	8.7%
Embedded dividend cost on preferred stock— end of year*	8.1%	11.0%	13.5%	14.1%	7.5%
Net income available for common stock	$885	$769	$785	$745	$809
Dividends declared on common stock	—	—	—	137	503
Common stock repurchased and retired	802	593	578	416	—
Ratio of earnings to fixed charges	3.7	3.2	3.3	2.9	3.0
Ratio of earnings to combined fixed charges and preferred dividends	3.6	3.1	3.1	2.7	2.6
Return on average common stock equity	13.2%	11.7%	12.3%	12.0%	13.6%

*Includes the unamortized balance of the loss on reacquired preferred stock and associated amortization. The embedded dividend cost, excluding the effects of the loss on reacquired preferred stock, is 6.7% for 2000, 1999 and 1998, 6.9% for 1997 and 6.8% for 1996.

Certain previously reported financial statistics have been reclassified to conform to current classifications.

TXU ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED OPERATING STATISTICS

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Electric energy generated and purchased (gigawatt hours - GWh)					
Generated — net station output	96,868	94,575	97,574	91,298	88,130
Purchased and net interchange	15,165	11,464	11,271	11,443	12,418
Total generated and purchased	112,033	106,039	108,845	102,741	100,548
Company use, losses and unaccounted for	6,487	6,554	6,484	6,161	5,805
Total electric energy sales	105,546	99,485	102,361	96,580	94,743
Electric energy sales (GWh)					
Residential	38,191	35,155	36,830	33,530	33,039
Commercial	32,020	29,736	29,332	27,323	26,456
Industrial	25,099	24,715	25,125	24,609	24,215
Government and municipal	6,987	6,515	6,525	6,039	5,929
Total general business	102,297	96,121	97,812	91,501	89,639
Other electric utilities	3,249	3,364	4,549	5,079	5,104
Total electric energy sales	105,546	99,485	102,361	96,580	94,743
Operating revenues (millions of dollars)					
Base rate revenues					
Residential	$2,198	$2,042	$2,157	$1,991	$1,994
Commercial	1,420	1,336	1,307	1,235	1,227
Industrial	604	577	583	582	590
Government and municipal	332	318	317	293	291
Total general business	4,554	4,273	4,364	4,101	4,102
Other electric utilities	125	105	138	164	166
Total base rate business	4,679	4,378	4,502	4,265	4,268
Fuel (including over/under-recovered)	2,771	1,701	1,798	1,707	1,679
Transmission service	168	148	126	114	—
Other	91	72	62	49	83
Subtotal	7,709	6,299	6,488	6,135	6,030
Earnings in excess of earnings cap	(305)	(92)	—	—	—
Total operating revenues	$ 7,404	$ 6,207	$ 6,488	$ 6,135	$ 6,030
Degree days (% of normal)					
Cooling	119	114	130	94	115
Heating	95	70	89	106	94
Electric customers (end of year — in thousands)					
Residential	2,318	2,266	2,206	2,152	2,110
Commercial	258	251	244	237	230
Industrial	20	21	21	21	21
Government and municipal	32	32	31	31	30
Total electric customers	2,628	2,570	2,502	2,441	2,391
Residential statistics (excludes master-metered customers, kilowatt hour (kWh) sales, and revenues)					
Average annual kWh per customer	15,845	14,875	16,170	15,026	15,100
Average revenue per kWh	7.69¢	7.59¢	7.83¢	7.85¢	7.91¢
Industrial classification includes service to Alcoa-Sandow:					
Electric energy sales (GWh)	2,926	3,845	3,779	3,820	3,842
Operating revenues (millions of dollars)	$46	$41	$40	$47	$47

Certain previously reported operating statistics have been reclassified to conform to current classifications.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS

TXU Electric Company (TXU Electric) is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in the north-central, eastern and western parts of Texas. TXU Electric is a wholly-owned subsidiary of TXU Corp., a Texas corporation. TXU Corp. is a holding company that engages in the generation, purchase, transmission, distribution and sale of electricity; the purchase, transmission, distribution and sale of natural gas; and energy marketing, energy services, telecommunications and other businesses in the United States, Europe and Australia. As an integrated electric utility, TXU Electric currently has only one reportable segment. TXU Electric possesses all necessary franchises, licenses and certificates to enable it to conduct its business.

RESULTS OF OPERATIONS

	2000	1999	1998
	(Millions of Dollars)		
Impact of Earnings Cap:			
Reduction of revenues	$ 305	$ 92	$ —
Additional nuclear depreciation	—	52	170
Tax benefit	(107)	(54)	(27)
Net earnings reduction	$198	$ 90	$ 143

2000 versus 1999

Net income of $895 million for the year ended 2000 was 15% higher than 1999. Comparisons of net income were affected by gains in 2000 from asset sales of $18 million after-tax and from the favorable resolution of certain regulatory matters, higher rate base, lower interest expense and by a fuel reconciliation settlement that reduced 1999 net income by $31 million.

See Notes 3 and 13 to financial statements for a discussion of the 1999 Texas electric industry restructuring legislation (1999 Restructuring Legislation). Following the 1999 Restructuring Legislation, earnings in excess of the regulatory earnings cap have been recorded as a reduction of revenues, with a corresponding regulatory liability recorded. Application of the earnings cap reduced net income by $198 million in 2000 and $90 million in 1999. TXU Electric's earnings in excess of the earnings cap were reduced by $45 million ($29 million after-tax) in 2000 reflecting the favorable resolution of regulatory matters relating to the 1999 calculation.

In addition, as a result of the 1999 Restructuring Legislation, transmission and distribution (T&D) depreciation expense was no longer transferred to nuclear production assets; instead an amount equivalent to T&D depreciation was recorded as a regulatory asset, with a corresponding amount recorded as a regulatory liability. The regulatory asset will be amortized as it is recovered through the Distribution portion of the business, while the regulatory liabilities will be applied as mitigation (reduction) of stranded generation assets. Additional mitigation in 2000 was $509 million, including $305 million to reduce earnings to the earnings cap and $204 million from the establishment of a regulatory asset in the amount of T&D depreciation. Since January 1998, TXU Electric has recorded more than $2 billion of nuclear depreciation and mitigation, which reduces stranded costs.

Excluding the reduction of revenues as a result of the earnings cap and the fuel reconciliation settlement, operating revenues for 2000 were 21% higher than 1999. Revenues in 2000 were $1.4 billion more than in 1999 due to the increase in fuel revenue, growth and customer demand, including hotter than normal summer weather and an extremely cold fourth quarter 2000. Cooling degree days in 2000 were 119% of normal compared to 114% of normal in 1999. Heating degree days in 2000 were 95% of normal compared to 70% of normal in 1999. Electric energy sales volumes for 2000 were 6% higher than in 1999. Fuel revenues for 2000 were $1.1 billion higher than in 1999, primarily as a result of higher energy sales and increased fuel prices.

Operation and maintenance expenses for 2000 were 7% higher than 1999 primarily as a result of a $52 million writeoff of certain restructuring expenses and other regulatory assets and increased regulated third-party transmission rates. Excluding these items, operation and maintenance expenses were up less than 1%. Depreciation and amortization expense was $32 million lower in 2000 compared to 1999, which included mitigation depreciation of $52 million, partially offset by higher T&D depreciation.

Interest expense and other charges of $442 million for 2000 were 9% lower than 1999 due to the reacquisition of long-term debt and remarketing of certain debt to lower interest rates.

The effective income tax rate for TXU Electric for 2000 and 1999 was 31%.

1999 versus 1998

Net income of $779 million for 1999 was 2.4% lower than 1998. Comparisons of net income were impacted by both a fuel reconciliation settlement that reduced 1999 net income by $31 million and a rate settlement agreement that became effective in January 1998 and was modified by the 1999 Restructuring Legislation, which reduced customer rates and introduced an earnings cap.

Excluding the reduction of revenues as a result of the earnings cap and fuel reconciliation disallowance, operating revenues for 1999 were 2.1% lower than 1998. Revenues in 1999 were $160 million less than 1998 due to the impact of the exceptionally hot summer weather in 1998. Cooling degree days in 1999 were 114% of normal compared to 130% of normal in 1998. Heating degree days in 1999 were 70% of normal compared to 89% of normal in 1998. An additional reduction in rates effective January 1, 1999 due to the 1998 rate settlement agreement was somewhat offset by continued strong core retail sales and revenue growth. Electric energy sales volumes for 1999 were 2.8% lower than 1998. Fuel revenues for 1999 were slightly lower than in 1998, primarily as a result of lower energy sales.

Operation and maintenance expenses for 1999 were 4% higher than 1998 largely as a result of increased transmission expenses due to increased regulated third party transmission rates. Depreciation and amortization expense was $108 million lower in 1999 versus 1998. Earnings in excess of the earnings cap recorded as additional nuclear depreciation in 1999 was $52 million versus $170 million in 1998.

The net decrease of $52 million in interest expense and other charges for 1999 compared to 1998 is primarily due to the reacquisition of long-term debt and remarketing of certain debt to lower interest rates.

The effective income tax rate for TXU Electric was lower in 1999 compared to 1998 due primarily to the discontinuation of amortization of prior period flow-through amounts and other tax-related regulatory assets and liabilities resulting from the impact of the 1999 Restructuring Legislation.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flows provided by operating activities before changes in operating assets and liabilities for 2000 were $1.9 billion compared with $1.7 billion and $1.8 billion for 1999 and 1998, respectively. The year-to-year comparisons reflect revenue changes discussed above in Results of Operations. Changes in operating assets and liabilities in 2000 used $330 million and $85 million in 1999 and provided $2 million of cash in 1998. The increase in cash requirements in 2000 compared to 1999 and 1998 is primarily due to the $650 million after-tax increase in under-recovered fuel revenues partially offset by an increase in accounts payable, both of which are a result of the increase in natural gas prices. TXU Electric expects to recover fuel revenues through surcharges and increases in the fuel factor on customer bills (See Note 13 to Financial Statements).

Cash flows used in financing activities were $.8 billion, $1.0 billion and $1.2 billion for the years 2000, 1999 and 1998, respectively. Major financing activities in 2000 included the retirement of $577 million of long-term debt, the repurchase of $802 million of common stock and the issuance of $65 million in Pollution Control Revenue Bonds and $575 million of First Mortgage Bonds.

Financing transactions during the year ended December 31, 2000, were as follows:

	Issuances	Retirements
	(Millions of Dollars)	
Long-term Debt:		
Pollution Control Revenue Bonds	$ 65	$ 65
First Mortgage Bonds	575	159
Other	—	353
Total	$640	$577

Cash flows used in investing activities for 2000 totaled $786 million versus $605 million for 1999 and $580 million for 1998. Capital expenditures were $689 million, $554 million and $496 million for 2000, 1999 and 1998, respectively, and are estimated at $690 million for 2001.

The capitalization ratios of TXU Electric at December 31, 2000 consisted of approximately 39% long-term debt, 7% trust securities, 1% preferred stock and 53% common stock equity, compared to 1999 capitalization ratios of approximately 38% long-term debt, 7% trust securities, 1% preferred stock and 54% common stock equity.

See Notes to Financial Statements for further details concerning long-term debt, trust securities and preferred stock. Early redemptions of preferred stock and long-term debt may occur from time to time in amounts presently undetermined. TXU Electric may issue additional debt and equity securities as needed, including the possible future sale of up to $25 million of its Cumulative Preferred Stock and an aggregate of $924 million of debt securities, including cumulative preferred stock, first mortgage bonds, debt securities and/or preferred securities of subsidiary trusts all, of which are currently registered with the Securities and Exchange Commission for offering pursuant to Rule 415 under the Securities Act of 1933.

The 1999 Restructuring Legislation requires each electric utility to separate its business by January 1, 2002 into the following units: a power generation company, a retail electric provider and a transmission and distribution company or separate transmission and distribution companies. In January 2000, TXU Electric filed with the PUC its proposed business separation plan which has not yet been approved by the PUC. TXU Electric continues to analyze alternatives to determine the most efficient way to accomplish the business separation objectives of the 1999 Restructuring Legislation. TXU Electric anticipates that, in connection with the business separation plan, it will refinance certain outstanding securities in the capital markets in order to properly capitalize the separated businesses.

At December 31, 2000, TXU Corp., TXU Electric and TXU Gas Company had joint US dollar-denominated lines of credit under revolving credit facility agreements (US Credit Agreements) with a group of banking institutions. At December 31, 2000, TXU Electric had no borrowings outstanding under these facilities. The US Credit Agreements were amended in February 2001 and have two facilities. Facility A provides for short-term borrowings aggregating up to $1.4 billion outstanding at any one time at variable interest rates and terminates in February 2002. Facility B provides for borrowings aggregating up to $1.4 billion outstanding at any one time at variable interest rates and terminates in February 2005. Facility B also provides for the issuance of up to $500 million of letters of credit. TXU Electric's borrowings under both facilities are limited to an aggregate of $2 billion outstanding at any one time of which $224 million was outstanding at December 31, 2000.

At December 31, 2000, accounts receivable of TXU Electric were reduced by $500 million to reflect the sales of receivables.

TXU Electric has filed a petition with the PUC for a financing order to permit the issuance of transition bonds secured by payments designed to enable TXU Electric to recover its generation-related regulatory assets and other qualified costs in accordance with the 1999 Restructuring Legislation. The proceeds received by TXU Electric from the issuance of the transition bonds are to be used solely for the purpose of retiring utility debt and equity. For more information concerning securitization of regulatory assets, see Note 13 to Financial Statements.

Quantitative and Qualitative Disclosure About Market Risk

TXU Electric's participation in derivative transactions is designated for hedging purposes, and such derivative transactions are not entered into for trading purposes.

ENERGY PRICE RISK — As a result of continued regulation, TXU Electric has minimal exposure to energy price risk, therefore, its use of derivative instruments is limited.

INTEREST RATE RISK — TXU Electric manages its exposure to interest rate risk primarily through its balance of fixed and variable rate instruments. The table below provides information concerning TXU Electric's financial instruments as of December 31, 2000 that are sensitive to changes in interest rates, which include debt obligations, trust securities, preferred stock subject to mandatory redemption and interest rate swaps. TXU Electric has entered into an interest rate swap under which it has agreed to exchange the difference between fixed-rate and variable-rate interest amounts calculated with reference to a specified notional principal amounts at dates that generally coincide with interest payments. Weighted average variable rates are based on rates in effect at the reporting date.

	Expected Maturity Date (Millions of Dollars)									
	2001	2002	2003	2004	2005	There-After	2000 Total	2000 Fair Value	1999 Total	1999 Fair Value
Long-term Debt (including current maturities)										
Fixed Rate	$ 220	$ 374	$ 308	$ 225	$ 97	$2,672	$3,896	$3,947	$4,405	$4,398
Average interest rate	7.49%	8.23%	6.91%	7.19%	6.87%	7.20%	7.28%	—	7.14%	—
Variable Rate	—	$ 575	—	—	—	$ 788	$1,363	$1,363	$ 788	$ 788
Average interest rate	—	7.13%	—	—	—	5.16%	5.99%	—	5.16%	—
TXU Electric obligated, mandatorily Redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric										
Fixed Rate	—	—	—	—	—	$ 731	$ 731	$ 734	$ 727	$ 645
Average interest rate	—	—	—	—	—	8.14%	8.14%	—	8.14%	—
Variable Rate	—	—	—	—	—	$ 98	$ 98	$ 98	$ 97	$ 97
Average interest rate	—	—	—	—	—	7.55%	7.55%	—	7.01%	—
Preferred stock subject to mandatory redemption										
Fixed rate	—	—	$ 10	$ 10	$ 1	—	$ 21	$ 17	$ 21	$ 21
Average dividend rate	—	—	6.68%	6.68%	6.98%	—	6.69%	—	6.69%	—
Interest Rate Swaps (notional amounts)										
Variable to Fixed	—	$ 100	—	—	—	—	$ 100	$ (1)	$ 100	$ 1
Pay rate	—	7.18%	—	—	—	—	7.18%	—	7.18%	—
Receive rate	—	7.55%	—	—	—	—	7.55%	—	7.01%	—

NUCLEAR DECOMMISSIONING AND DISPOSAL OF SPENT FUEL TRUST — TXU Electric has established an external trust to provide for nuclear decommissioning and disposal of spent fuel. The trust's assets are invested in marketable fixed income debt and equity securities. The market value of the debt and equity securities was $117 million and $150 million, respectively, at December 31, 2000. At December 31, 1999, the market value of the debt and equity securities was $94 million and $150 million, respectively. A hypothetical 10% increase in interest rates and 10% decrease in equity prices would result in a $19 million reduction in the fair value of the trust assets. However, adjustments to market value result in a corresponding adjustment to related liability accounts based on current regulatory treatment.

Regulation and Rates

Electric Industry Restructuring— Project teams have been established to prepare TXU Electric for a competitive environment. These teams are comprised of resources from all facets of TXU Corp.'s business and formulate short- and long-term strategy to address the implementation of the 1999 Restructuring Legislation.

Fuel Cost Recovery Rule — Pursuant to a PUC rule, the recovery of TXU Electric's eligible fuel costs is provided through fixed fuel factors. The rule allows a utility's fuel factor to be revised upward or downward every six months, according to a specified schedule. A utility is required to petition to make either surcharges or refunds to ratepayers, together with interest based on a twelve-month average of prime commercial rates, for any material cumulative under- or over-recovery of fuel costs. If the cumulative difference of the under- or over-recovery, plus interest, exceeds 4% of the annual estimated fuel costs most recently approved by the PUC, it will be deemed to be material.

Final reconciliation of fuel costs must be made either in a reconciliation proceeding or in a general rate case. In a final reconciliation, a utility has the burden of proving that fuel costs under review were reasonable and necessary to provide reliable electric service, that it has properly accounted for its fuel-related revenues, and that fuel prices charged to the utility by an affiliate were reasonable and necessary and not higher than prices charged for similar items by such affiliate to other affiliates or nonaffiliates. For generating utilities like TXU Electric, through August 31, 1999, the rule provided for recovery of purchased power capacity costs through a power cost recovery factor with respect to purchases from qualifying facilities, to the extent such costs were not otherwise included in base rates. Pursuant to the 1999 Restructuring Legislation, the power cost recovery factor will be frozen between September 1, 1999 and January 1, 2002. The energy-related costs of such purchases continue to be included in the fixed fuel factor. TXU Electric is required to file in 2002 with the PUC for final reconciliation of its eligible fuel costs. This final reconciliation will cover the period from July 1998 through December 2001. See Note 13 to Financial Statements.

TXU Electric has several rate requests pending or on appeal, see Note 13 to Financial Statements.

The State of Texas is transitioning to deregulation with adequate generation capability and sound enabling legislation. The State of California, however, has for several months suffered from transition to deregulation in an environment of insufficient energy supply compounded by escalating natural gas costs. This situation has financially distressed California utilities. The effects the California situation may have on legislation and the capital markets cannot be predicted.

CHANGES IN ACCOUNTING STANDARDS

Changes in Accounting Standards — Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as extended by SFAS No. 137 (June 1999) and amended by SFAS No. 138 (June 2000), is effective for TXU Electric beginning January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires the recognition of derivatives in the balance sheet and the measurement of those instruments at fair value.

All derivatives within TXU Electric have been identified pursuant to SFAS No. 133 requirements. TXU Electric has designated, documented and assessed hedging relationships, which resulted in cash-flow hedges that require TXU Electric to record the derivative assets or liabilities at their fair value on its balance sheet with an offset in other comprehensive income. Future hedge ineffectiveness will be recorded in earnings.

Adoption of this accounting standard as of January 1, 2001 resulted in the recognition of $.6 million of derivative liabilities with a cumulative effect of $.4 million after-tax as a decrease to other comprehensive income. There are a number of issues pending before the Derivatives Implementation Group that may have an impact on the application of this statement. Management is unable to predict the outcome of these issues.

SFAS No. 140, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities", is effective for TXU Electric for transfers on or after April 1, 2001. SFAS No. 140 replaces SFAS No. 125. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires disclosures, but carries over most of SFAS No. 125's provisions without reconsideration. TXU Electric does not expect SFAS No. 140 to have a material impact on the sale of receivables program. SFAS No. 140 requires TXU Electric to provide certain disclosures about securitizations in the financial statements at December 31, 2000. These disclosures have been included in Note 15 to Financial Statements.

FORWARD-LOOKING STATEMENTS

This report and other presentations made by TXU Electric contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Although TXU Electric believes that in making any such statement its expectations are based on reasonable assumptions, any such statement involves uncertainties and is qualified in its entirety by reference to the following important factors, among others, that could cause the actual results of TXU Electric to differ materially from those projected in such forward-looking statements: (i) prevailing governmental policies and regulatory actions, including those of the FERC, PUC and NRC, with respect to allowed rates of return, industry and rate structure, purchased power and investment recovery, operations of nuclear generating facilities, acquisitions and disposal of assets and facilities, operation and construction of plant facilities, decommissioning costs, present or prospective wholesale and retail competition, changes in tax laws and policies and changes in and compliance with environmental and safety laws and policies, (ii) weather conditions and other natural phenomena, (iii) unanticipated population growth or decline, and changes in market demand and demographic patterns, (iv) competition for retail and wholesale customers, (v) pricing and transportation of crude oil, natural gas and other commodities, (vi) unanticipated changes in interest rates or rates of inflation, (vii) unanticipated changes in operating expenses and capital expenditures, (viii) capital market conditions, (ix) competition for new energy development opportunities, (x) legal and administrative proceedings and settlements, (xi) inability of the various counterparties to meet their obligations with respect to TXU Electric's financial instruments, (xii) changes in technology used and services offered by TXU Electric, and (xiii) significant changes in TXU Electric's relationship with its employees and the potential adverse effects if labor disputes or grievances were to occur.

Any forward-looking statement speaks only as of the date on which such statement is made, and TXU Electric undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for TXU Electric to predict all of such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

TXU ELECTRIC COMPANY AND SUBSIDIARIES

STATEMENT OF RESPONSIBILITY

The management of TXU Electric Company (TXU Electric) is responsible for the preparation, integrity and objectivity of the consolidated financial statements of TXU Electric and its subsidiaries and other information included in this report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. As appropriate, the statements include amounts based on informed estimates and judgments of management.

The management of TXU Electric has established and maintains a system of internal control designed to provide reasonable assurance, on a cost-effective basis, that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing consolidated financial statements. Management believes that the system of control provides reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected within a timely period. Key elements in this system include the effective communication of established written policies and procedures, selection and training of qualified personnel and organizational arrangements that provide an appropriate division of responsibility. This system of control is augmented by an ongoing internal audit program designed to evaluate its adequacy and effectiveness. Management considers the recommendations of the internal auditors and independent auditors concerning TXU Electric's system of internal control and takes appropriate actions which are cost-effective in the circumstances. Management believes that, as of December 31, 2000, TXU Electric's system of internal control was adequate to accomplish the objectives discussed herein.

The independent auditing firm of Deloitte & Touche LLP is engaged to audit, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of TXU Electric and its subsidiaries and to issue their report thereon.

/s/ ERLE NYE
Erle Nye, Chairman of the Board
and Chief Executive

/s/ D. W. BIEGLER
D. W. Biegler, Group President

/s/ THOMAS L. BAKER
Thomas L. Baker, President

/s/ KIRK OLIVER
Kirk Oliver, Vice President and
Principal Financial Officer

/s/ BIGGS C. PORTER
Biggs C. Porter, Vice President and
Principal Accounting Officer

INDEPENDENT AUDITORS' REPORT

TXU Electric Company:

We have audited the accompanying consolidated balance sheets of TXU Electric Company (TXU Electric), and subsidiaries as of December 31, 2000 and 1999, and the related statements of consolidated income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of TXU Electric management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of TXU Electric and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Dallas, Texas
February 1, 2001

TXU ELECTRIC COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2000	1999	1998
		Millions of Dollars	
Operating revenues	$7,404	$6,207	$6,488
Operating expenses			
Energy purchased for resale and fuel consumed	3,110	2,081	2,102
Operation and maintenance	1,429	1,333	1,281
Depreciation and amortization	609	641	749
Income taxes	383	362	490
Taxes other than income	550	541	533
Total operating expenses	6,081	4,958	5,155
Operating income	1,323	1,249	1,333
Other income (deductions)			
Allowance for equity funds used during construction	8	8	6
Other income (deductions) — net	14	(3)	(12)
Income tax benefit (expense)	(10)	6	4
Total other income (deductions)	12	11	(2)
Income before interest and other charges	1,335	1,260	1,331
Interest income	2	3	3
Interest expense and other charges			
Interest	382	425	476
Distributions on TXU Electric Company obligated, mandatorily redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric Company	69	68	68
Allowance for borrowed funds used during construction and capitalized interest	(9)	(9)	(8)
Total interest expense and other charges	442	484	536
Net income	895	779	798
Preferred stock dividends	10	10	13
Net income available for common stock	$ 885	$ 769	$ 785

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2000	1999	1998
		Millions of Dollars	
Net income	$ 895	$ 779	$ 798
Other comprehensive income (loss) —			
Net change during period in minimum pension liability adjustment	—	1	(1)
Total	—	1	(1)
Comprehensive income	$ 895	$ 780	$ 797

See Notes to Financial Statements.

TXU ELECTRIC COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2000	1999	1998
	Millions of Dollars		
Cash flows — operating activities			
Net income	$ 895	$ 779	$ 798
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	770	781	905
Deferred income taxes and investment tax credits — net	(21)	72	106
Gains from sale of assets	(30)	—	—
Allowance for equity funds used during construction	(8)	(8)	(6)
Reduction of revenues for earnings in excess of earnings cap	305	92	—
Changes in operating assets and liabilities:			
Accounts receivable	(134)	43	153
Inventories	25	23	(2)
Accounts payable	293	(39)	(169)
Interest and taxes accrued	41	(50)	(6)
Other working capital	33	11	(25)
Over/(under) - recovered fuel revenue — net of deferred taxes	(650)	(59)	26
Other — net	62	(14)	25
Cash provided by operating activities	1,581	1,631	1,805
Cash flows — financing activities			
Issuances of long-term debt	640	177	429
Retirements/repurchases of securities:			
Long-term debt	(577)	(731)	(924)
Preferred stock	—	—	(14)
TXU Electric Company obligated, mandatorily redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric Company	—	—	(47)
Common stock	(802)	(593)	(578)
Change in notes payable — affiliates	(19)	158	(20)
Preferred stock dividends paid	(10)	(9)	(14)
Debt premium, discount, financing and reacquisition expenses	(10)	(29)	(64)
Cash used in financing activities	(778)	(1,027)	(1,232)
Cash flows — investing activities			
Capital expenditures	(689)	(554)	(496)
Nuclear fuel	(87)	(54)	(51)
Other investments	(10)	3	(33)
Cash used in investing activities	(786)	(605)	(580)
Net change in cash and cash equivalents	17	(1)	(7)
Cash and cash equivalents — beginning balance	4	5	12
Cash and cash equivalents — ending balance	$ 21	$ 4	$ 5

See Notes to Financial Statements.

TXU ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2000	December 31, 1999
	Millions of Dollars	
Current assets:		
Cash and cash equivalents	$ 21	$ 4
Accounts receivable	287	162
Inventories — at average cost	217	242
Other current assets	38	59
Total current assets	563	467
Investments	662	612
Property, plant and equipment — net	15,324	15,243
Regulatory assets	2,206	1,719
Deferred debits and other assets	61	67
Total assets	$18,816	$18,108

LIABILITIES AND SHAREHOLDERS' EQUITY

	2000	1999
Current liabilities:		
Notes payable — affiliates	$ 302	$ 321
Long-term debt due currently	220	509
Accounts payable:		
Affiliates	278	116
Trade	256	119
Customers' deposits	79	79
Taxes accrued	189	139
Interest accrued	104	113
Deferred income taxes	268	—
Other current liabilities	161	130
Total current liabilities	1,857	1,526
Accumulated deferred income taxes	3,237	3,340
Investment tax credits	493	515
Other deferred credits and noncurrent liabilities	461	412
Long-term debt, less amounts due currently	5,039	4,684
TXU Electric Company obligated, mandatorily redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric Company	829	824
Preferred stock subject to mandatory redemption	21	21
Contingencies (Note 14)		
Shareholders' equity (See page A-17)	6,879	6,786
Total liabilities and shareholders' equity	$18,816	$18,108

See Notes to Financial Statements.

TXU ELECTRIC COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	Year Ended December 31,		
	2000	1999	1998
		Millions of Dollars	
Preferred stock — not subject to mandatory redemption:			
Balance at beginning of year	$ 115	$ 115	$ 129
Preferred stock repurchased and retired (1998 — 146,501 shares)	—	—	(14)
Balance at end of year (2000, 1999 and 1998 — 1,169,062 shares)	115	115	115
Common stock without par value — authorized shares — 180,000,000:			
Balance at beginning of year	3,145	3,738	4,316
Common stock repurchased and retired (2000 — 24,125,100 shares; 1999 — 19,786,000 shares; and 1998 — 19,270,300 shares)	(724)	(593)	(578)
Balance at end of year (2000 — 79,749,600 shares; 1999 — 103,874,700 shares; and 1998 — 123,660,700 shares)	2,421	3,145	3,738
Stock of parent held for long-term incentive plan trust:			
Balance at beginning of year	(10)	(9)	—
Change during the year	10	(1)	(9)
Balance at end of year	—	(10)	(9)
Retained earnings:			
Balance at beginning of year	3,536	2,767	1,982
Net income	895	779	798
Common stock repurchased and retired	(78)	—	—
Dividends declared on preferred stock	(10)	(10)	(13)
Balance at end of year	4,343	3,536	2,767
Accumulated other comprehensive income (loss):			
Balance at beginning of year	—	(1)	—
Change during the year	—	1	(1)
Balance at end of year	—	—	(1)
Total common stock equity	6,764	6,671	6,495
Shareholders' equity	$6,879	$6,786	$6,610

See Notes to Financial Statements.

TXU ELECTRIC COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS

TXU Electric Company (TXU Electric) is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in the north-central, eastern and western parts of Texas. As an integrated electric utility, TXU Electric has only one reportable segment. TXU Electric is a wholly-owned subsidiary of TXU Corp., a Texas corporation. TXU Corp. is a holding company that engages in the generation, purchase, transmission, distribution and sale of electricity; the purchase, transmission, distribution and sale of natural gas; and energy marketing, energy services, telecommunications and other businesses in the United States, Europe and Australia.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation — The consolidated financial statements of TXU Electric include all of its business trusts. Certain previously reported amounts have been reclassified to conform to current classifications. All dollar amounts in the financial statements and notes to financial statements are stated in millions of dollars unless otherwise indicated.

Use of Estimates — The preparation of TXU Electric's consolidated financial statements requires management to make estimates and assumptions about future events that affect the reporting and disclosure of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the periods. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. No material adjustments, other than those disclosed elsewhere herein, were made to previous estimates during the current year.

System of Accounts — The accounting records of TXU Electric are maintained in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts as adopted by the Public Utility Commission of Texas (PUC).

Property, Plant and Equipment — Electric utility plant is stated at original cost less certain regulatory disallowances. The cost of transmission and distribution property additions to electric utility plant (and generation prior to July 1, 1999) includes labor and materials, applicable overhead and payroll-related costs and an allowance for funds used during construction (AFUDC). Other property is stated at cost.

Interest Capitalized and Allowance For Funds Used During Construction — AFUDC is a cost accounting procedure whereby amounts based upon interest charges on borrowed funds and a return on equity capital used to finance construction are added to utility plant.

Prior to July 1, 1999, TXU Electric capitalized AFUDC for all of its expenditures for ongoing construction work in progress and nuclear fuel in process not otherwise allowed in rate base by regulatory authorities. As a result of the 1999 Restructuring Legislation, effective July 1, 1999, TXU Electric began recording AFUDC only on transmission and distribution (T&D) construction work in progress, and capitalizing interest during construction of generation assets. For 2000, 1999 and 1998, TXU Electric used AFUDC rates of 9.0%, 9.0% and 8.0%, respectively.

Valuation of Long-lived Assets — TXU Electric evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of long-lived assets would be considered impaired when the projected undiscounted cash flows are less than carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily by available market valuations or, if applicable, discounted cash flows.

Regulatory Assets and Liabilities — The financial statements of TXU Electric reflect regulatory assets and liabilities under cost-based rate regulation in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." As a result of the 1999 Restructuring Legislation, the electricity generation portion of TXU Electric's business no longer meets the criteria to apply SFAS No. 71. (See Notes 3 and 13.)

Derivative Instruments — TXU Electric does not enter into derivative financial instruments for trading purposes. TXU Electric enters into interest rate swaps to reduce exposure to interest rate fluctuations. Amounts paid or received under interest rate swap agreements are accrued as interest rates change and are recognized over the life of the agreements as adjustments to interest expense. See *Changes in Accounting Standards* below for the change in accounting for derivatives effective January 1, 2001.

Revenues — Electric sales revenues are recognized when services are provided to customers on the basis of periodic cycle meter readings and include an estimated accrual for the value of electricity provided from the meter reading date to the end of the month. Electric revenues include billings under approved rates and adjustments under various mechanisms to recover or refund the cost of fuel and purchased power costs that are above or below the level included in base rates. (See Note 13 for a discussion of *Regulation and Rates*.)

Depreciation of Property, Plant and Equipment — Depreciation of electric utility plant is generally based upon an amortization of the original cost of depreciable properties (net of regulatory disallowances) on a straight-line basis over the estimated service lives of the properties. Depreciation also includes an amount for decommissioning costs for TXU Electric's nuclear powered electric generating station (Comanche Peak) which is being accrued over the lives of the units. Depreciation of all other plant and equipment generally is determined by the straight-line method over the estimated useful life of the asset. Depreciation as a percent of average depreciable property for TXU Electric approximated 2.7% for 2000, 2.9% for 1999 and 3.0% for 1998.

Amortization of Nuclear Fuel — The amortization of nuclear fuel in the reactors (net of regulatory disallowances) is calculated on the units-of-production method and is included in nuclear fuel expense.

Income Taxes —TXU Electric is included in the consolidated federal income tax return of TXU Corp. and subsidiary companies, and federal income taxes are allocated to subsidiaries based upon their respective taxable income or loss. Investment tax credits are amortized to income over the estimated service lives of the properties. Deferred income taxes are provided for temporary differences between the book and tax basis of assets and liabilities. Certain provisions of SFAS No. 109 provide that regulated enterprises are permitted to recognize such adjustments as regulatory tax assets or tax liabilities if it is probable that such amounts will be recovered from, or returned to, customers in future rates.

Consolidated Cash Flows — For purposes of reporting cash and cash equivalents, temporary cash investments purchased with a remaining maturity of three months or less are considered to be cash equivalents.

Changes in Accounting Standards — SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as extended by SFAS No. 137 (June 1999) and amended by SFAS No. 138 (June 2000), is effective for TXU Electric beginning January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recognition of derivatives in the balance sheet and the measurement of those instruments at fair value.

All derivatives within TXU Electric have been identified pursuant to SFAS No. 133 requirements. TXU Electric has designated, documented and assessed hedging relationships which resulted in cash-flow hedges that require TXU Electric to record the derivative assets or liabilities at their fair value on its balance sheet with an offset in other comprehensive income. Future hedge ineffectiveness will be recorded in earnings.

Adoption of this accounting standard as of January 1, 2001 resulted in the recognition of $.6 million of derivative liabilities with a cumulative effect of $.4 million after-tax as a decrease to other comprehensive income. There are a number of other issues pending before the Derivatives Implementation Group that may have an impact on the application of this statement. Management is unable to predict the outcome of these issues.

SFAS No. 140, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities", is effective for TXU Electric for transfers on or after April 1, 2001. SFAS No. 140 replaces SFAS No. 125. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires disclosures, but carries over most of SFAS No. 125's provisions without reconsideration. TXU Electric does not expect SFAS No. 140 to have a material impact on the sale of receivables program. SFAS No. 140 requires TXU Electric to provide certain disclosures about securitizations in the financial statements at December 31, 2000. These disclosures have been incorporated.

3. ACCOUNTING IMPACT OF THE RESTRUCTURING OF THE ELECTRIC UTILITY INDUSTRY IN TEXAS

Electric Industry Restructuring — Legislation was passed during the 1999 session of the Texas Legislature that will restructure the electric utility industry in Texas (1999 Restructuring Legislation). Among other matters, the 1999 Restructuring Legislation provides that earnings in excess of a regulatory earnings cap, as defined, be used as mitigation (reduction) to the cost of nuclear production assets (see Note 13); authorizes competition in the retail and generation markets for electricity beginning January 1, 2002; provides for the recovery of generation-related regulatory assets, generation-related and purchased power-related costs that are in excess of market value (stranded costs); requires reductions in nitrogen oxide (NO_x) and sulfur dioxide (SO_2) emissions; requires a rate freeze, excluding cost of fuel, for all retail customers until January 1, 2002 and certain rate reductions for residential and small commercial customers for up to five years thereafter; and sets certain limits on capacity owned and controlled by power generation companies. By September 1, 2000, each electric utility was required to separate from its regulated activities its customer energy services business activities that are otherwise already widely available in the competitive market. By January 1, 2002, each electric utility must separate (unbundle) its business into the following units: a power generation company, a retail electric provider (REP) and a T&D company or separate T&D companies. A power generation company generates electricity that is intended to be sold at wholesale. In general, a power generation company may not own a transmission or distribution facility and may not have a certificated service area. A REP sells electric energy to retail customers and may not own or operate generation assets. (See Note 13.)

Accounting Impact of the Restructuring — <u>Regulatory Assets and Liabilities</u> — The financial statements of TXU Electric reflect regulatory assets and liabilities under cost-based rate regulation in accordance with SFAS No. 71. As a result of the 1999 Restructuring Legislation, the electricity generation portion of TXU Electric's business no longer meets the criteria to apply regulatory accounting principles. Accordingly, application of SFAS No. 71 to the generation portion of TXU Electric's business was discontinued as of June 30, 1999. TXU Electric's T&D operations continue to meet the criteria for recognition of regulatory assets and liabilities. The 1999 Restructuring Legislation provides for the recovery of net generation-related regulatory assets existing at December 31, 1998. Such generation-related regulatory assets will be amortized as recovered through the distribution portion of the business. (See Note 13) In addition, fuel costs will be fully recoverable, subject to regulatory review, during the transition period that extends to January 1, 2002. As a result, management believes the economic benefit of all net regulatory assets related to the generation business will be recovered.

<u>Generation Production Assets</u> — TXU Electric anticipates that a portion of the cost of its generation production assets and power purchase contracts may be identified as stranded costs under the 1999 Restructuring Legislation and become subject to a future quantification of the economic value of such assets in 2004. The 1999 Restructuring Legislation provides that 100% of such stranded costs will be recovered from customers. In 1999, TXU Electric performed an impairment analysis of generation assets under the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires a company to forecast future net cash flows from operating the asset, on an undiscounted basis excluding carrying costs, and to compare the sum of those cash flows with the net carrying value of the asset. Under this test, if the undiscounted net cash flows exceeded the net carrying value, no impairment exists for accounting purposes. TXU Electric forecasted the net cash flows of its generating assets and determined that the undiscounted net cash flows exceeded the net carrying value of those plants. Accordingly, for accounting purposes, there is no impairment. Generation-related plant assets at December 31, 2000 were approximately $9.5 billion, net of accumulated depreciation. See Notes 13 and 15 for further details concerning mitigation impacts.

<u>Investment Tax Credits</u> — TXU Electric has unamortized deferred investment tax credits (ITCs) of approximately $410 million applicable to its generation business. The unamortized ITCs are temporary differences for which a deferred income tax asset and a related regulatory liability have been recorded. It is uncertain under applicable regulations whether, and to what extent, the customers will ultimately benefit from

the unamortized ITCs and/or the related regulatory liability. Upon final determination by the PUC, TXU Electric expects that the amount of unamortized ITCs not applicable to customers will be amortized over the remaining life of the generation plants. Also, upon final determination by the PUC, TXU Electric expects that the regulatory liability related to the ITCs that is not applicable to customers will be written off as an extraordinary credit to income.

4. SHORT-TERM FINANCING

At December 31, 2000, TXU Electric had $302 million of borrowings from affiliates outstanding. Average borrowings outstanding from affiliates were $261 million and $161 million during 2000 and 1999. Weighted average interest rates on these borrowings were 7.36% and 6.24% at December 31, 2000 and 1999, respectively.

At December 31, 2000, TXU Corp., TXU Electric and TXU Gas Company have joint US dollar-denominated lines of credit under revolving credit facility agreements (US Credit Agreements) with a group of banking institutions. At December 31, 2000, TXU Electric had no borrowings outstanding under these facilities. The US Credit Agreements have two facilities and were amended in February 2001. Facility A provides for short-term borrowings aggregating up to $1.4 billion outstanding at any one time at variable interest rates and terminates in February 2002. Facility B provides for borrowings aggregating up to $1.4 billion outstanding at any one time at variable interest rates and terminates in February 2005. Facility B also provides for the issuance of up to $500 million of letters of credit. Letters of credit outstanding under the agreement total $224 million at December 31, 2000. TXU Electric's borrowings under both facilities are limited to an aggregate of $2 billion outstanding at any one time.

5. LONG-TERM DEBT

	December 31, 2000	December 31, 1999
First mortgage bonds:		
Fixed rate (6.25% to 9.75% due 2001 to 2025)	$2,251	$2,254
Variable rate (6.686% to 7.286% due 2002)	575	—
Pollution control series:		
Brazos River Authority:		
Fixed rate (3.7% to 7.875% due 2021 to 2033)	863	863
Taxable series (6.517% due 2023) (a)	89	89
Variable rate (4.2% to 5.3% due 2022 to 2034) (b) (c)	467	466
Sabine River Authority of Texas:		
Fixed rate (5.55% to 6.55% due 2021 to 2022)	199	199
Variable rate (4.8% to 5.3% due 2022 to 2030) (c)	181	182
Trinity River Authority of Texas:		
Variable rate (4.9% to 5.1% due 2022 to 2028) (c)	51	51
Secured medium-term notes, fixed rate (6.41% to 9.7% due 2001 to 2003)	159	315
Debt assumed for purchase of utility plant (d)	148	151
TXU Electric floating rate debentures due 2000	—	350
TXU Electric 7.17% senior debentures due 2007	300	300
Unamortized premium and discount	(24)	(27)
Total long-term debt	5,259	5,193
Less: Amounts due currently	220	509
Total long-term debt, less amounts due currently	$5,039	$4,684

(a) Interest rates in effect at December 31, 2000 are presented. Taxable pollution control series are in a flexible rate mode. Series 1993 bonds due 2023 will be remarketed for periods of less than 270 days and are secured by an irrevocable letter of credit with a maturity in excess of one year.

(b) Interest rates in effect at December 31, 2000 are presented. These series are in a flexible mode with varying interest rates and, while in such mode, will be remarketed for periods of less than 270 days and are secured by irrevocable letters of credit with maturities in excess of one year.

(c) Interest rates in effect at December 31, 2000 are presented. These series are in a daily or multiannual mode with varying interest rates and are supported by either municipal bond insurance policies and standby bond purchase agreements or are secured by irrevocable letters of credit with maturities in excess of one year.

(d) In 1990, TXU Electric purchased the ownership interest in Comanche Peak of Tex-La Electric Cooperative of Texas, Inc. (Tex-La) and assumed debt of Tex-La payable over approximately 32 years. The assumption is secured by a mortgage on the acquired interest. TXU Corp. has guaranteed these payments.

Certain variable rate debt of TXU Electric requires periodic remarketing. Because TXU Electric intends to remarket these obligations, and has the ability and intent to refinance if necessary, they have been classified as long-term debt.

On December 20, 2000, TXU Electric issued $575 million aggregate principal amount of Floating Rate First Mortgage Bonds due December 20, 2002 in two series: $150 million in Series A and $425 million in Series B. The interest rate on both series is based on LIBOR plus a margin and will be reset quarterly. The initial rate on series A is 6.686% and on Series B is 7.286%. On or after June 20, 2001, TXU Electric may redeem the securities, at its option, on the 20th day of any calendar month prior to the maturity of these securities, at a redemption price equal to 100% of the principal amount of these securities plus accrued and unpaid interest. TXU Electric's first mortgage bonds are secured by a mortgage and deed of trust with a major financial institution. Electric plant of TXU Electric is generally subject to the lien of its mortgage.

Sinking fund and maturity requirements for the years 2001 through 2005 under long-term debt instruments outstanding at December 31, 2000, were as follows:

Year	
2001	$220
2002	$949
2003	$308
2004	$225
2005	$ 97

6. TXU ELECTRIC OBLIGATED, MANDATORILY REDEEMABLE, PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF TXU ELECTRIC (TRUST SECURITIES)

Statutory business trusts have been established as wholly-owned financing subsidiaries (Trusts) of TXU Electric for the purpose of issuing trust securities and holding Junior Subordinated Debentures issued by TXU Electric (Debentures). TXU Electric Capital I and III Trust Securities have a liquidation preference of $25 per unit, and TXU Electric Capital IV and V Trust Securities have a liquidation preference of $1,000 per unit. The only assets of each Trust are Debentures of TXU Electric having a principal amount set forth under "Trust Assets" in the table below. The interest on Trust assets matches the distributions on the Trust Securities. Each Trust will use interest payments received on the Debentures it holds to make cash distributions on the Trust Securities it has issued.

The Trust Securities are subject to mandatory redemption upon payment of the Debentures at maturity or upon redemption. The Debentures are subject to redemption, in whole or in part at the option of TXU Electric, at 100% of their principal amount plus accrued interest, after an initial period during which they may not be redeemed and at any time upon the occurrence of certain events. The carrying value of the Trust Securities is being increased periodically to equal the redemption amounts at the mandatory redemption dates with a corresponding increase in Trust Securities distributions.

The statutory business trust subsidiaries of TXU Electric had Trust Securities outstanding and Trust Assets as follows at December 31:

	Trust Securities						Trust Assets			Maturity
	Units (000's)			Amount			Amount			
	2000	1999	1998	2000	1999	1998	2000	1999	1998	
TXU Electric Capital I (8.25% Series)	5,871	5,871	5,871	$ 141	$ 141	$ 141	$ 155	$ 155	$ 155	2030
TXU Electric Capital III (8.00% Series)	8,000	8,000	8,000	194	194	194	206	206	206	2035
TXU Electric Capital IV (Floating Rate Trust Securities) (a)	100	100	100	98	97	96	103	103	103	2037
TXU Electric Capital V (8.175% Series)	400	400	400	396	392	392	412	412	412	2037
Total	14,371	14,371	14,371	$ 829	$ 824	$ 823	$ 876	$ 876	$ 876	

(a) Floating rate is determined quarterly based on LIBOR. A related interest rate swap, expiring 2002, effectively fixes the rate on the TXU Electric Capital IV securities at 7.183%.

TXU Electric owns the common trust securities issued by its subsidiary trusts and has effectively issued a full and unconditional guarantee of such trusts' securities.

7. PREFERRED STOCK

Dividend Rate	Shares Outstanding December 31, 2000	1999	Amount December 31, 2000	1999	Redemption Price Per Share (Before Adding Accumulated Dividends) December 31, 2000
	Thousands of Shares				
Not Subject to Mandatory Redemption (a):					
$4.00 to $5.08 series	379	379	$ 38	$ 38	$101.79 to $112.00
7.98 series	261	261	26	26	(c)
7.50 series (b)	308	308	30	30	(c)
7.22 series (b)	221	221	21	21	(c)
Total			$ 115	$ 115	
Subject to Mandatory Redemption (a) (d):					
$6.98 series	107	107	$ 11	$ 11	(c)
6.375 series	100	100	10	10	(c)
Total			$ 21	$ 21	

(a) Cumulative, without par value, entitled upon liquidation to $100 a share; total authorized shares of preferred stock 17,000,000.
(b) The preferred stock series is the underlying preferred stock for depositary shares that were issued to the public. Each depositary share represents one quarter of a share of underlying preferred stock.
(c) Preferred stock series is not redeemable at December 31, 2000.
(d) TXU Electric is required to redeem at a price of $100 per share plus accumulated dividends a specified minimum number of shares annually or semi-annually on the initial/next dates shown below. These redeemable shares may be called, purchased or otherwise acquired. Certain issues may not be redeemed at the option of TXU Electric prior to 2003. TXU Electric may annually call for redemption, at its option, an aggregate of up to twice the number of shares shown below for each series at a price of $100 per share plus accumulated dividends.

Series	Minimum Redeemable Shares	Initial/Next Date of Mandatory Redemption
$6.98	50,000 annually	July 1, 2003
6.375	50,000 annually	October 1, 2003

The carrying value of preferred stock subject to mandatory redemption is being increased periodically to equal the redemption amounts at the mandatory redemption dates with a corresponding increase in preferred stock dividends.

8. COMMON STOCK EQUITY

During 2000, 1999 and 1998, TXU Electric purchased and retired a total of 24.1 million, 19.8 million and 19.3 million shares, respectively, of its issued and outstanding common stock from TXU Corp. at a total cost of $802 million, $593 million and $578 million, respectively. In February 2001, TXU Electric purchased and retired approximately 7.0 million shares of its issued and outstanding common stock at a cost of $209 million. The cost of the repurchased shares, to the extent it exceeded the average contributed capital per share, has been charged to retained earnings totaling $78 million in 2000.

No shares of TXU Electric's common stock are held by or for its own account, nor are any shares of such capital stock reserved for its officers and employees or for options, warrants, conversions and other rights in connection therewith.

The articles of incorporation, the mortgage of substantially all of TXU Electric's property and certain other debt instruments of TXU Electric contain provisions which, under certain conditions, restrict distributions on or acquisitions of common stock. At December 31, 2000, $13 million of retained earnings of TXU Electric were restricted as a result of such provisions.

9. INCOME TAXES

The components of the provision for income taxes are as follows:

	Year Ended December 31,		
	2000	1999	1998
Charged (credited) to operating expenses			
Current:			
Federal	$ 245	$ 274	$ 404
State	11	16	29
Total	256	290	433
Deferred:			
Federal:			
Depreciation differences and capitalized construction costs	(25)	84	109
Over/under-recovered fuel revenue	282	46	(14)
Other	(87)	(52)	(17)
Total	170	78	78
State	(22)	15	—
Investment tax credits	(21)	(21)	(21)
Total to operating expenses	383	362	490
Charged (credited) to other income			
Current:			
Federal	(4)	(36)	(37)
State	—	(2)	(2)
Total	(4)	(38)	(39)
Deferred:			
Federal:			
Regulatory disallowance	14	31	32
Other	(2)	(1)	3
Total	12	30	35
State	2	2	—
Total to other income	10	(6)	(4)
Total	$ 393	$ 356	$ 486

Reconciliation of income taxes computed at the federal statutory rate to provision for income taxes:

	Year Ended December 31,		
	2000	1999	1998
Income before income taxes	$1,288	$1,135	$1,284
Income taxes at the federal statutory rate of 35%	$ 451	$ 397	$ 449
Depletion allowance	(24)	(25)	(24)
Amortization of investment tax credits	(21)	(21)	(21)
Amortization of tax rate differences	(9)	(7)	(4)
Amortization of prior flow-through amounts	5	2	66
State income taxes, net of federal tax benefit	(6)	20	18
Other	(3)	(10)	2
Provision for income taxes	$ 393	$ 356	$ 486
Effective tax rate	31%	31%	38%

The components of TXU Electric's deferred tax assets and deferred tax liabilities are as follows:

	December 31,					
	2000			1999		
	Total	Current	Noncurrent	Total	Current	Noncurrent
Deferred Tax Assets						
Unbilled revenues	$ 45	$ 45	$ —	$ 30	$ 30	$ —
Unamortized investment tax credits	265	—	265	277	—	277
Impairment of assets	71	—	71	72	—	72
Regulatory disallowance	107	—	107	120	—	120
Alternative minimum tax	394	—	394	424	—	424
Tax rate differences	66	—	66	71	—	71
Employee benefits	100	—	100	111	—	111
Mitigation and redirected depreciation	244	—	244	66	—	66
Deferred benefits of state income taxes	184	4	180	189	4	185
Other	14	—	14	13	—	13
Deferred state income taxes	66	—	66	58	2	56
Total deferred tax assets	1,556	49	1,507	1,431	36	1,395
Deferred Tax Liabilities						
Depreciation differences and capitalized construction costs	4,042	—	4,042	4,072	—	4,072
Over/(under)-recovered fuel revenue	295	295	—	14	14	—
Redemption of long-term debt	133	—	133	135	—	135
Recoverable redirected depreciation	123	—	123	51	—	51
Deferred charges for state income taxes	17	—	17	23	—	23
Other	97	1	96	104	1	103
Deferred state income taxes	354	21	333	351	—	351
Total deferred tax liability	5,061	317	4,744	4,750	15	4,735
Net Deferred Tax Liability (Asset)	$3,505	$268	$3,237	$3,319	$ (21)	$3,340

At December 31, 2000, TXU Electric had approximately $394 million of alternative minimum tax credit carryforwards available to offset future tax payments.

TXU Electric's income tax returns are subject to audit by applicable tax authorities. In management's opinion, an adequate provision has been made for any future taxes that may be owed as a result of any audits.

10. RETIREMENT PLAN AND OTHER POSTRETIREMENT BENEFITS

Most employees are eligible for voluntary participation in the Thrift Plan. The plan is participant-directed defined contribution combination employee stock ownership and profit sharing plan under Section 401(k) and 401(m) of the Internal Revenue Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under the plan, a participant may invest, through pre-tax salary deferrals or after-tax payroll deductions, a specified amount ranging from 1% to 16% of regular salary or wages. Employer matching contributions as a percentage of participant contributions, up to 6% of base pay, are at a rate of 40%, 50% or 60% depending on length of service. Contributions to the Thrift Plan aggregated $13 million for 2000, 1999 and 1998.

TXU Electric employees are covered by a defined benefit pension plan that provides benefits based on years of service and average earnings. The projected benefit obligations for the pension plans with projected benefit obligations in excess of plan assets were $6 million as of December 31, 2000 and 1999. During 1999 certain TXU Electric employees were offered and accepted early retirement and settlement options resulting in curtailment losses and settlement gains. As these costs are recoverable, an offsetting regulatory asset was recorded.

	2000	1999	1998
Weighted-average assumptions:			
Discount rate	8.00%	8.25%	7.00%
Expected return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase	4.30%	4.30%	4.30%

	Year Ended December 31,		
	2000	1999	1998
Components of Net Pension Costs:			
Service cost	$ 21	$ 26	$ 22
Interest cost	63	64	60
Expected return on assets	(90)	(89)	(77)
Amortization of unrecognized prior service cost	3	4	4
Amortization of net gain	(20)	(7)	(5)
Recognized settlement gains	—	(39)	—
Recognized termination benefits loss	—	35	—
Net periodic pension cost	$(23)	$ (6)	$ 4

	Year Ended December 31,	
	2000	1999
Change in Pension Obligation:		
Pension obligation at beginning of year	$ 781	$ 927
Service cost	21	26
Interest cost	63	64
Plan amendments	16	—
Actuarial (gain)/loss	32	(128)
Benefits paid	(44)	(43)
Curtailments	—	8
Settlements	—	(108)
Special termination benefits	—	35
Pension obligation at end of year	$ 869	$ 781
Change in Plan Assets:		
Fair value of assets at beginning of year	$1,174	$1,226
Actual return on assets	30	97
Benefits paid	(44)	(43)
Settlements	—	(106)
Fair value of assets at end of year	$1,160	$1,174
Funded Status:		
Pension obligation	$ (869)	$ (781)
Fair value of assets	1,160	1,174
Unrecognized net transition asset	(1)	(2)
Unrecognized prior service cost	41	29
Unrecognized net gain	(387)	(499)
Accrued pension cost	$ (56)	$ (79)

In addition to the retirement plans, TXU Electric offers certain health care and life insurance benefits to substantially all of its employees and their eligible dependents at retirement. Benefits received vary in level depending on years of service and retirement dates.

	2000	1999	1998
Weighted-average assumptions:			
Discount rate	8.00%	8.25%	7.00%
Expected return on plan assets	8.49%	8.49%	8.13%

	Year Ended December 31,		
	2000	1999	1998
Components of Net Periodic Postretirement Benefit Costs:			
Service cost	$ 12	$ 14	$ 10
Interest cost	32	31	26
Expected return on assets	(12)	(9)	(8)
Amortization of unrecognized net transition obligation	9	9	14
Amortization of net loss	—	5	1
Recognized curtailment loss	—	17	—
Net postretirement benefit cost	$ 41	$ 67	$ 43

	2000	1999
Change in Postretirement Benefit Obligation:		
Benefit obligation at beginning of year	$ 396	$ 454
Service cost	12	14
Interest cost	32	31
Participant contributions	2	3
Actuarial (gain)/loss	42	(93)
Benefits paid	(34)	(25)
Curtailments	—	12
Benefit obligation at end of year	$ 450	$ 396
Change in Plan Assets:		
Fair value of assets at beginning of year	$ 137	$ 104
Actual return on assets	(1)	24
Employer contributions	27	31
Participant contributions	2	3
Benefits paid	(34)	(25)
Fair value of assets at end of year	$ 131	$ 137
Funded Status:		
Benefit obligation	$(450)	$(396)
Fair value of assets	131	137
Unrecognized transition obligation	106	115
Unrecognized net loss	56	1
Accrued postretirement benefit cost	$(157)	$(143)

The expected increase in costs of future benefits covered by the postretirement benefit plans is projected using a health care cost trend rate of 5% in 2001 and thereafter. A one percentage point increase in the assumed health care cost trend rate in each future year would increase the accumulated postretirement benefit obligation at December 31, 2000 by approximately $49 million, and other postretirement benefits cost for 2000 by approximately $5.7 million.

11. DERIVATIVE INSTRUMENTS

TXU Electric enters into derivative instruments, primarily swaps, for hedging purposes only. Gains and losses on derivative instruments effective as hedges are deferred and recorded as a component of the underlying transaction when settled. See Note 2 for the change in accounting for derivatives effective January 1, 2001.

Interest Rate Risk Management — TXU Electric is exposed to the market risk inherent in fixed rate debt securities and the cash flow risk inherent in variable rate securities. TXU Electric manages its exposure to interest rate risk primarily through its balance of fixed and variable rate instruments. In addition, TXU Electric has an interest rate swap outstanding at December 31, 2000 the terms of which are discussed in Note 6.

Energy Price Risk Management — As a result of continued regulation, TXU Electric has minimal exposure to energy price risk, therefore, its use of derivative instruments is limited.

Credit Risk — Credit risk relates to the risk of loss that TXU Electric would incur as a result of nonperformance by counterparties to their respective derivative instruments. TXU Electric maintains credit policies with regard to its counterparties that enable management to manage overall credit risk. TXU Electric generally does not obtain collateral to support the agreements but establishes credit limits, monitors the financial viability of counterparties and seeks guarantees when appropriate. In the event a counterparty's credit rating declines, TXU Electric may apply certain remedies, if considered necessary. TXU Electric believes that it has established adequate reserves in regard to the risk of nonperformance by counterparties.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and related estimated fair values of TXU Electric's significant financial instruments are as follows:

	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
On balance sheet assets (liabilities)				
Long-term debt (including current maturities)	$(5,259)	$(5,310)	$(5,193)	$(5,186)
TXU Electric obligated, mandatorily redeemable, preferred securities of subsidiary trusts holding solely junior subordinated debentures of TXU Electric	(829)	(832)	(824)	(742)
Preferred stock subject to mandatory redemption	(21)	(17)	(21)	(21)
Off balance sheet assets (liabilities)				
Financial guarantees	—	(65)	—	(78)
Interest rate swap	—	(1)	—	1

The fair values of long-term debt and preferred stock subject to mandatory redemption are estimated at the lesser of either the call price or the market value as determined by quoted market prices, where available, or, where not available, at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risk. The fair value of Trust Securities is based on quoted market prices. The carrying amounts for financial assets classified as current assets and the carrying amounts for financial liabilities classified as current liabilities approximate fair value due to the short maturity of such instruments.

Other investments primarily include deposits in an external trust fund for nuclear decommissioning of Comanche Peak, which is carried at market value. The trust fund is invested primarily in fixed income debt and equity securities, which are considered as available-for-sale. Any unrealized gains or losses are treated as regulatory assets or regulatory liabilities, respectively.

The fair value of the financial guarantees has been determined using the full notional amount of the guarantee. Fair values for interest rate swaps are based either on quotes or the cost to terminate the agreements. The fair values of other financial instruments for which carrying amounts and fair values have not been presented are not materially different than their related carrying amounts.

13. REGULATION AND RATES

Docket No. 21527 — In October 1999, TXU Electric filed a petition with the Public Utility Commission of Texas (PUC) for a financing order (Docket No. 21527) to permit the issuance by a special purpose entity of $1.65 billion of transition bonds secured by payments designed to enable TXU Electric to recover its generation-related regulatory assets and other qualified costs in accordance with the 1999 Restructuring Legislation. The proceeds received by TXU Electric from the issuance of the transition bonds are to be used solely for the purpose of retiring utility debt and equity. On May 1, 2000, the PUC signed a final order rejecting TXU Electric's request for the $1.65 billion and authorized only $363 million. TXU Electric filed an appeal on May 2, 2000 with the Travis County, Texas District Court.

On September 7, 2000, the Travis County, Texas District Court issued a final judgment reversing that part of the PUC's financing order that utilized regulated asset life (up to 40 years) for purposes of present-valuing the benefits of securitization. Instead, the District Court ruled that a present-value period based upon stranded cost and regulatory asset recovery periods authorized under the 1999 Restructuring Legislation should have been used by the PUC. The District Court also ruled that the PUC statements in its financing order concerning the future impact of securitization of loss on reacquired debt were only an advisory opinion. The judgment affirmed other aspects of the PUC's financing order and ordered the case remanded to the PUC for further proceedings consistent with the judgment. TXU Electric and various other parties have appealed this judgment directly to the Texas Supreme Court. TXU Electric expects that any difference between the $1.65 billion and the amount finally authorized will continue to be deferred until recovery of generated related regulatory assets is addressed again by the PUC. TXU Electric is unable to predict the outcome of these proceedings.

As noted above, the principal and interest on the transition bonds would be secured by payments from retail customers designed to enable TXU Electric to recover its generation-related regulatory assets and other qualified costs. These regulatory assets have a carrying value of $1.86 billion. Once transition bonds are issued, the full amount of the regulatory assets will be amortized to expense over the life of the transition bonds. Distribution rates will increase to reflect these payments. Consolidated revenues of TXU Electric will not necessarily increase, however, during 2001 and the "price to beat" period. If these payments from retail customers commence in 2001, they will be excluded from revenue for purposes of determining whether earnings have exceeded the earnings cap. There is no earnings cap after 2001.

The constitutionality of the securitization provisions of the 1999 Restructuring Legislation under the Texas constitution has been challenged in connection with a securitization request made by Central Power and Light Company. In July 2000, the Travis County, Texas District Court issued its judgment denying this appeal and finding that the securitization provisions are constitutional. This judgment has been appealed directly to the Texas Supreme Court. TXU Electric is unable to predict the outcome of such proceedings.

From January 1, 1998 through June 30, 1999, earnings in excess of TXU Electric's earnings cap were recorded as additional depreciation of nuclear production assets. Effective July 1, 1999, following the 1999 Restructuring Legislation, earnings in excess of the earnings cap were recorded as a reduction of revenues, with a corresponding regulatory liability recorded. Additionally, from January 1, 1998 through June 30, 1999, depreciation expense was reclassified from T&D to nuclear production assets. Effective July 1, 1999, following the 1999 Restructuring Legislation, T&D depreciation expense was no longer transferred to nuclear production assets; instead an amount equivalent to T&D depreciation was recorded as a regulatory asset, with a corresponding amount recorded as a regulatory liability. The regulatory asset will be amortized as it is recovered through the distribution portion of the business, while the regulatory liability will be applied against stranded generation assets.

Docket No. 22350 — As required by the 1999 Restructuring Legislation, in January 2000, TXU Electric filed its business separation plan with the PUC. In March 2000, TXU Electric filed its application for approval of its unbundled cost of service rates with the PUC. This plan and application lay the foundation for retail competition to begin in the Texas electricity market. Under the business separation plan, the generation business unit and the retail business unit of TXU Electric will become unregulated entities and will be allowed to compete for customers. The T&D business units of TXU Electric will be separated into regulated entities and will together represent the regulated part of the business. In addition to the actual T&D charges for delivering electricity, these rates include nuclear decommissioning fund charges, system benefit fund charges and stranded cost recovery charges. In the March 2000 filing, TXU Electric's stranded costs were estimated to be approximately \$3.7 billion, including the regulatory assets that were part of the Docket No. 21527 proceedings and amounts related to the remand of Docket No. 9300, addressed below. TXU Electric filed an updated stranded cost estimate on August 28, 2000 to reflect various PUC decisions made since Docket No. 22350 was filed. In the August 28, 2000 filing, TXU Electric's stranded costs were estimated to be \$2.8 billion. Subsequent to the August 2000 filing, the PUC has required TXU Electric to revise the stranded cost estimate to remove amounts related to regulatory assets, certain environmental expenditures, and the remand of Docket No. 9300, which resulted in a revised estimate of \$14 million, including displaced worker costs. TXU Electric has appealed certain of the PUC's decisions related to this matter to the Travis County, Texas District Court. Various parties to Docket No. 22350 have presented stranded cost estimates ranging from negative \$1.5 billion to negative \$3.5 billion along with recommendations that these amounts be returned to customers beginning in 2002. The estimate established in Docket No. 22350 is subject to a future market-based "true-up" in 2004. TXU Electric is unable to predict the outcome of these proceedings.

Docket No. 9300/Docket No. 22652 — The PUC's final order (Order) in connection with TXU Electric's January 1990 rate increase request (Docket No. 9300) was ultimately reviewed by the Texas Supreme Court. As a result, an aggregate of \$909 million of disallowances with respect to TXU Electric's reacquisitions of minority owners' interests in Comanche Peak, which had previously been recorded as a charge to TXU Electric's earnings, was remanded to the District Court with instructions that it be remanded to the PUC for reconsideration on the basis of a prudent investment standard. On remand, the PUC also was required to reevaluate the appropriate level of TXU Electric's construction work in progress included in rate base in light of its financial condition at the time of the initial hearing. In connection with the settlement of Docket No. 18490, proceedings in the remand of Docket No. 9300 had been stayed through December 31, 1999. In April 2000, TXU Electric requested that the District Court enter an order remanding Docket No. 9300 to the PUC. On June 9, 2000, the District Court's order of remand was filed with the PUC, and the PUC has assigned the remand proceeding Docket No. 22652. Pursuant to an order entered on August 31, 2000, this docket will be held in abeyance until March 20, 2001. TXU Electric cannot predict the outcome of the reconsideration of the Order on remand by the PUC.

Docket No. 22344 — In a generic issues docket held in August 2000, the PUC issued orders that impacted TXU Electric's recovery of restructuring expenses and certain other regulatory assets. Accordingly, in September 2000, such unrecovered regulatory assets totaling \$52 million were written off. This reduced earnings in excess of the earnings cap by an equal amount. As a result, there was no impact to net income.

Fuel Cost Recovery Rule — Pursuant to a PUC rule, the recovery of TXU Electric's eligible fuel costs is provided through fixed fuel factors. The rule allows a utility's fuel factor to be revised upward or downward every six months, according to a specified schedule. A utility is required to petition to make either surcharges or refunds to ratepayers, together with interest based on a twelve-month average of prime commercial rates, for any material cumulative under- or over-recovery of fuel costs. If the cumulative difference of the under- or over-recovery, plus interest, exceeds 4% of the annual estimated fuel costs most recently approved by the PUC, it will be deemed to be material.

Final reconciliation of fuel costs must be made either in a reconciliation proceeding or in a general rate case. In a final reconciliation, a utility has the burden of proving that fuel costs under review were reasonable and necessary to provide reliable electric service, that it has properly accounted for its fuel-related revenues, and that fuel prices charged to the utility by an affiliate were reasonable and necessary and not higher than prices charged for similar items by such affiliate to other affiliates or nonaffiliates. For generating utilities like TXU Electric, through August 31, 1999, the rule provided for recovery of purchased power capacity costs through a power cost recovery factor with respect to purchases from qualifying facilities, to the extent such costs were not otherwise included in base rates. Pursuant to the 1999 Restructuring Legislation, the power cost recovery factor will be frozen between September 1, 1999 and January 1, 2002. The energy-related costs of such purchases continue to be included in the fixed fuel factor. TXU Electric is required to file in 2002 with the PUC for final reconciliation of its eligible fuel costs. This final reconciliation will cover the period July 1998 through December 2001.

Docket No. 22880/Docket No. 23153 — Because natural gas prices recently have exceeded those in the base fuel factor, on August 4, 2000, TXU Electric filed a request with the PUC in Docket No. 22880 to surcharge the cumulative under-collection of fuel cost revenues that existed as of June 30, 2000, together with interest through November 2000, in the amount of $167 million, and to increase its current fuel factors by 27.6%. On August 31, 2000, the Administrative Law Judge entered an Interim Order, implementing an agreement of the parties, providing for an interim increase in fuel factors of 13.8%, effective September 6, 2000, and a surcharge of TXU Electric's cumulative under-recovery of fuel cost revenues that existed as of July 31, 2000, together with interest through November 2000, in the amount of $315 million to be collected over the fourteen-month period beginning November 2000. On October 13, 2000, TXU Electric filed a Supplemental Application with the PUC requesting its initial 27.6% fuel factor increase instead of the interim increase. In addition, on January 11, 2001, the PUC approved the requested fuel factor increase, effective that date. Also on October 13, 2000, TXU Electric filed a request with the PUC in Docket No. 23153 for a surcharge to recover a $231 million under-collection of fuel cost revenues for the months of August and September 2000. The proposed surcharge would be collected from January 2001 through December 2001. Docket No. 23153 was subsequently consolidated into Docket No. 22880. On January 11, 2001, the PUC approved TXU Electric's requests in Docket No. 22880 and Docket No. 23153. The PUC also approved the surcharge request filed in Docket No. 23153, effective January 11, 2001 through December 31, 2001.

Docket No. 23640 — In February 2001, TXU Electric filed with the PUC a request for a surcharge to recover under-collected fuel cost revenues for the months of October 2000 through December 2000, plus estimated under-recoveries for the period January 2001 through March 2001 totaling $591 million, and to increase its current fuel factor by 26.4% over the increase approved in Docket 22880. The proposed fuel factor increase would be effective March 5, 2001 and the proposed surcharge would be collected from April 2001 through December 2001. TXU Electric cannot predict the outcome of this proceeding.

14. COMMITMENTS AND CONTINGENCIES

Clean Air Act — The Federal Clean Air Act, as amended (Clean Air Act) includes provisions which, among other things, place limits on SO_2 and NO_x emissions produced by generating units. TXU Electric's capital requirements have not been significantly affected by the requirements of the Clean Air Act.

Purchased Power Contracts —TXU Electric has entered into contracts to purchase power through the year 2005. These contracts provide for capacity payments subject to performance standards and energy payments based on the actual power taken under contract. Capacity payments under these contracts for the years ended December 31, 2000, 1999 and 1998 were $186 million, $227 million and $243 million, respectively.

Assuming operating standards are achieved, future capacity payments under the agreements are estimated as follows:

Year	
2001	$203
2002	123
2003	70
2004	38
2005	29
Thereafter	—
Total capacity payments	$463

Leases — TXU Electric has entered into operating leases covering various facilities and properties including generating plants, combustion turbines, transportation, mining equipment, data processing equipment and office space. Certain of these leases contain renewal and purchase options and residual value guarantees. Lease costs charged to operating expense for the years ended December 31, 2000, 1999 and 1998 were $62 million, $89 million and $68 million, respectively.

Future minimum lease commitments under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2000, are as follows:

Year	
2001	$45
2002	39
2003	30
2004	29
2005	34
Thereafter	372
Total future minimum lease payments	$549

Coal Transportation Contracts — TXU Electric supplements its lignite fuel with western coal. The coal is transported to TXU Electric's generating plants under three contracts. The annual commitment under these contracts is $53 million for 2001, $34 million for 2002 and 2003 and $17 million thereafter.

Financial Guarantees — TXU Electric has entered into contracts with public agencies to purchase cooling water for use in the generation of electric energy and has agreed, in effect, to guarantee the principal, $22 million at December 31, 2000, and interest on bonds issued to finance the reservoirs from which the water is supplied. The bonds mature at various dates through 2011 and have interest rates ranging from 5-1/2% to 7%. TXU Electric is required to make periodic payments equal to such principal and interest, including amounts assumed by a third party and reimbursed to TXU Electric, of $4 million annually for 2001 through 2003, $7 million for 2004 and $1 million for 2005. Annual payments made by TXU Electric, net of amounts assumed by a third party under such contracts, for 2000, 1999 and 1998 were $4 million each year. In addition, TXU Electric is obligated to pay certain variable costs of operating and maintaining the reservoirs. TXU Electric has assigned to a municipality all contract rights and obligations of TXU Electric in connection with $42 million remaining principal amount of bonds at December 31, 2000, issued for similar purposes which had previously been guaranteed by TXU Electric. TXU Electric is, however, contingently liable in the unlikely event of default by the municipality.

Nuclear Insurance — With regard to liability coverage, the Price-Anderson Act (Act) provides financial protection for the public in the event of a significant nuclear power plant incident. The Act sets the statutory limit of public liability for a single nuclear incident currently at $9.5 billion and requires nuclear power plant operators to provide financial protection for this amount. As required, TXU Electric provides this financial protection for a nuclear incident at Comanche Peak resulting in public bodily injury and property damage through a combination of private insurance and industry-wide retrospective payment plans. As the first layer of financial protection, TXU Electric has purchased $200 million of liability insurance from American Nuclear Insurers (ANI), which provides such insurance on behalf of a major stock insurance company pool, Nuclear Energy Liability Insurance Association. The second layer of financial protection is provided under an industry-wide retrospective payment program called Secondary Financial Protection (SFP).

Under the SFP, each operating licensed reactor in the United States is subject to an assessment of up to $88 million, subject to increases for inflation every five years, in the event of a nuclear incident at any nuclear plant in the United States. Assessments are limited to $10 million per operating licensed reactor per year per incident. All assessments under the SFP are subject to a 3% insurance premium tax which is not included in the amounts above.

With respect to nuclear decontamination and property damage insurance, Nuclear Regulatory Commission (NRC) regulations require that nuclear plant license-holders maintain not less than $1.1 billion of such insurance and require the proceeds thereof to be used to place a plant in a safe and stable condition, to decontaminate it pursuant to a plan submitted to and approved by the NRC before the proceeds can be used for plant repair or restoration or to provide for premature decommissioning. TXU Electric maintains nuclear decontamination and property damage insurance for Comanche Peak in the amount of $3.8 billion, above which TXU Electric is self-insured. The primary layer of coverage of $500 million is provided by Nuclear Electric Insurance Limited (NEIL), a nuclear electric utility industry mutual insurance company. The remaining coverage includes premature decommissioning coverage and is provided by ANI in the amount of $500, additional insurance from NEIL in the amount of $2.25 billion and $580 million from Lloyds of London, other insurance markets and foreign nuclear insurance pools. TXU Electric is subject to a maximum annual assessment from NEIL of $12.3 million in the event NEIL's losses under this type of insurance for major incidents at nuclear plants participating in these programs exceed the mutual's accumulated funds and reinsurance.

TXU Electric maintains Extra Expense Insurance through NEIL to cover the additional costs of obtaining replacement power from another source if one or both of the units at Comanche Peak are out of service for more than twelve weeks as a result of covered direct physical damage. The coverage provides for weekly payments of $3.5 million for the first fifty-two weeks and $2.8 million for the next 110 weeks for each outage, respectively, after the initial twelve-week period. The total maximum coverage is $490 million per unit. The coverage amounts applicable to each unit will be reduced to 80% if both units are out of service at the same time as a result of the same accident. Under this coverage, TXU Electric is subject to a maximum annual assessment of $4.1 million per year.

Nuclear Decommissioning and Disposal of Spent Fuel — TXU Electric has established a reserve, charged to depreciation expense and included in accumulated depreciation, for the decommissioning of Comanche Peak, whereby decommissioning costs are being recovered from customers over the life of the plant and deposited in external trust funds (included in other investments). At December 31, 2000, such reserve totaled $192 million, which includes an accrual of $18 million for the year ended December 31, 2000. As of December 31, 2000, the market value of deposits in the external trust for decommissioning of Comanche Peak was $267 million, including unrealized gains of $75 million. Any difference between the market value of the external trust fund and the decommissioning reserve, that represents unrealized gains or losses of the trust fund, is treated as a regulatory asset or a regulatory liability. Realized earnings on funds deposited in the external trust are recognized in the reserve. Based on a site-specific study completed during 1997 using the prompt dismantlement method and 1997 dollars, decommissioning costs for Comanche Peak Unit 1 and for Unit 2 and common facilities were estimated to be $271 million and $404 million, respectively. This estimate is subject to change in the future.

Decommissioning activities are projected to begin in 2030 for Comanche Peak Unit 1 and 2033 for Unit 2 and common facilities. TXU Electric is recovering decommissioning costs based upon a 1992 site-specific study through rates placed in effect under its January 1993 rate increase request.

General — In addition to the above, TXU Electric is involved in various other legal and administrative proceedings which the ultimate resolution, in the opinion of management, should not have a material effect upon its financial position, results of operations or cash flows.

15. SUPPLEMENTARY FINANCIAL INFORMATION

Sale of Receivables and Other Receivable Financing — TXU Electric has facilities with financial institutions whereby it is entitled to sell and such financial institutions may purchase, on an ongoing basis, undivided interests in customer accounts receivable representing up to an aggregate of $500 million. Additional receivables are continually sold to replace those collected. At December 31, 2000 and 1999, accounts receivable of TXU Electric was reduced by $500 million to reflect the sales of such receivables to financial institutions under such agreements.

Significant regulatory assets and liabilities are as follows:

	December 31, 2000	December 31, 1999
Regulatory Assets		
Securities reacquisition costs	$ 423	$ 431
Recoverable redirected depreciation	351	146
Rate case costs	59	55
Litigation and settlement costs	73	73
Voluntary retirement/severance program	50	94
Recoverable deferred income taxes — net	1,566	1,558
Under-recovered fuel revenue	852	39
Other regulatory assets	53	63
Total regulatory assets	3,427	2,459
Regulatory Liabilities		
Liability to be applied to stranded generation assets	698	189
ITC and protected excess deferred taxes	364	389
Other regulatory liabilities	86	89
Reserve for regulatory disallowances	73	73
Total regulatory liabilities	1,221	740
Net regulatory assets	$2,206	$1,719

Affiliates — TXU Corp. provides common stock capital and a part of short-term financing requirements to TXU Electric and other subsidiaries. TXU Corp. has other subsidiaries that perform specialized services for TXU Electric and other subsidiaries: TXU Business Services Company, which provides financial, accounting, information technology, environmental, customer, procurement, personnel, shareholder and other administrative services at cost; TXU Fuel Company (TXU Fuel), which owns a natural gas pipeline system, acquires, stores and delivers fuel gas and provides other fuel services at cost for the generation of electric energy by TXU Electric; and TXU Mining Company (TXU Mining), which owns, leases and operates fuel production facilities for the surface mining and recovery of lignite at cost for use at TXU Electric's generating stations. TXU Electric provides services such as energy sales, wheeling and scheduling to TXU SESCO Company, an electric utility subsidiary of TXU Corp. operating in the eastern and central part of Texas.

TXU Electric has entered into agreements with TXU Fuel for the procurement of certain fuels and related services and with TXU Mining for the procurement and production of lignite. Payments are at cost for the services received and are required by the agreements to be "at least equivalent in the aggregate to the annual charge to income on the books" of TXU Fuel and of TXU Mining.

The schedule below details TXU Electric's significant billings to and from affiliates for services rendered and interest on short-term financings:

	Year Ended December 31,		
	2000	1999	1998
Billings from:			
TXU Business Services	$ 306	$ 252	$ 248
TXU Fuel	1,723	997	1,019
TXU Mining	346	358	360
TXU SESCO	1	1	1
Billings to:			
TXU Gas	72	92	107
TXU SESCO	3	3	23

Cash Payments —The schedule below details TXU Electric's supplemental cash flow information:

	Year Ended December 31,		
	2000	1999	1998
Interest (net of amounts capitalized)	$438	$464	$508
Income taxes	156	324	374

Accounts Receivable — Accounts receivable are stated net of uncollectible accounts of $7 million in 2000 and $4 million in 1999.

Inventories by major category —

	December 31,	
	2000	1999
Materials and supplies	$147	$158
Fuel stock	70	84
Total inventories	$217	$242

Property, Plant and Equipment —

	December 31,	
	2000	1999
In service		
Production	$15,658	$15,533
Transmission	1,760	1,681
Distribution	5,723	5,390
General	506	498
Total	23,647	23,102
Less accumulated depreciation	7,958	7,409
Net of accumulated depreciation	15,689	15,693
Construction work in progress	271	191
Nuclear fuel (net of accumulated amortization: 2000 — $716; 1999 — $635)	178	171
Held for future use	22	24
Reserve for regulatory disallowances	(836)	(836)
Net property, plant and equipment	$15,324	$15,243

Quarterly Information (unaudited) — In the opinion of TXU Electric, the information below includes all adjustments (constituting only normal recurring accruals) necessary for a fair statement of such amounts. Quarterly results are not necessarily indicative of expectations for a full year's operations because of seasonal and other factors.

	Operating Revenues		Operating Income		Consolidated Net Income	
Quarter Ended	2000	1999	2000	1999	2000	1999
March 31	$1,351	$1,285	$ 262	$ 233	$ 147	$ 106
June 30	1,684	1,503	298	290	188	162
September 30	2,444	2,059	509	543	395	434
December 31	1,925	1,360	254	183	165 (1)	77
	$7,404	$6,207	$1,323	$1,249	$ 895	$ 779

(1) Fourth quarter 2000 net income includes $29 million after-tax from the favorable resolution of regulatory matters and after-tax gains of $18 million from asset sales.

TXU ELECTRIC EXHIBITS FOR 2000 FORM 10-K

Appendix B

Exhibits	Previously Filed* With File Number	As Exhibit		
3(a)	0-11442 Form 10-Q (Quarter ended June 30, 1999)	4	—	Articles of Amendment, effective June 14, 1999 to the Articles of Incorporation of TXU Electric.
3(b)	0-11442 Form 10-Q (Quarter ended June 30, 1999)		—	Bylaws of TXU Electric, as restated August 1, 1999.
4(a)	2-90185	4(a)	—	Mortgage and Deed of Trust, dated as of December 1, 1983, between TXU Electric and Irving Trust Company (now The Bank of New York), Trustee.
4(a)(1)			—	Supplemental Indentures to Mortgage and Deed of Trust:

File Number	As Exhibit	Number	Dated
2-90185	4(b)	First	April 1, 1984
2-92738	4(a)-1	Second	September 1, 1984
2-97185	4(a)-1	Third	April 1, 1985
2-99940	4(a)-1	Fourth	August 1, 1985
2-99940	4(a)-2	Fifth	September 1, 1985
33-01774	4(a)-2	Sixth	December 1, 1985
33-9583	4(a)-1	Seventh	March 1, 1986
33-9583	4(a)-2	Eighth	May 1, 1986
33-11376	4(a)-1	Ninth	October 1, 1986
33-11376	4(a)-2	Tenth	December 1, 1986
33-11376	4(a)-3	Eleventh	December 1, 1986
33-14584	4(a)-1	Twelfth	February 1, 1987
33-14584	4(a)-2	Thirteenth	March 1, 1987
33-14584	4(a)-3	Fourteenth	April 1, 1987
33-24089	4(a)-1	Fifteenth	July 1, 1987
33-24089	4(a)-2	Sixteenth	September 1, 1987
33-24089	4(a)-3	Seventeenth	October 1, 1987
33-24089	4(a)-4	Eighteenth	March 1, 1988
33-24089	4(a)-5	Nineteenth	May 1, 1988
33-30141	4(a)-1	Twentieth	September 1, 1988
33-30141	4(a)-2	Twenty-first	November 1, 1988
33-30141	4(a)-3	Twenty-second	January 1, 1989
33-35614	4(a)-1	Twenty-third	August 1, 1989
33-35614	4(a)-2	Twenty-fourth	November 1, 1989
33-35614	4(a)-3	Twenty-fifth	December 1, 1989
33-35614	4(a)-4	Twenty-six	February 1, 1990
33-39493	4(a)-1	Twenty-seventh	September 1, 1990
33-39493	4(a)-2	Twenty-eighth	October 1, 1990
33-39493	4(a)-3	Twenty-ninth	October 1, 1990
33-39493	4(a)-4	Thirtieth	March 1, 1991
33-45104	4(a)-1	Thirty-first	May 1, 1991
33-45104	4(a)-2	Thirty-second	July 1, 1991
33-46293	4(a)-1	Thirty-third	February 1, 1992

Exhibits	Previously Filed* With File Number	As Exhibit	Number	Dated
	33-49710	4(a)-1	Thirty-fourth	April 1, 1992
	33-49710	4(a)-2	Thirty-fifth	April 1, 1992
	33-49710	4(a)-3	Thirty-sixth	June 1, 1992
	33-49710	4(a)-4	Thirty-seventh	June 1, 1992
	33-57576	4(a)-1	Thirty-eighth	August 1, 1992
	33-57576	4(a)-2	Thirty-ninth	October 1, 1992
	33-57576	4(a)-3	Fortieth	November 1, 1992
	33-57576	4(a)-4	Forty-first	December 1, 1992
	33-60528	4(a)-1	Forty-second	March 1, 1993
	33-64692	4(a)-1	Forty-third	April 1, 1993
	33-64692	4(a)-2	Forty-fourth	April 1, 1993
	33-64692	4(a)-3	Forty-fifth	May 1, 1993
	33-68100	4(a)-1	Forty-sixth	July 1, 1993
	33-68100	4(a)-3	Forty-seventh	October 1, 1993
	33-68100	4(a)-4	Forty-eighth	November 1, 1993
	33-68100	4(a)-5	Forty-ninth	May 1, 1994
	33-68100	4(a)-6	Fiftieth	May 1, 1994
	33-68100	4(a)-7	Fifty-first	August 1, 1994
	0-11442 Form 10-Q (Quarter ended March 31, 1995)	99	Fifty-second	April 1, 1995
	0-11442 Form 10-Q (Quarter ended June 30, 1995)	99	Fifty-third	June 1, 1995
	0-11442 Form 8-K (Dated September 26, 1995)	4	Fifty-fourth	October 1, 1995
	0-11442 Form 10-Q (Quarter ended March 31, 1996)	4(a)	Fifty-fifth	March 1, 1996
	0-11442 Form 10-Q (Quarter ended September 30, 1996)	4(a)	Fifty-sixth	September 1, 1996
	33-83976	4(g)	Fifty-seventh	February 1, 1997
	0-11442 Form 10-Q (Quarter ended June 30, 1997)	4(b)	Fifty -eighth	July 1, 1997
	333-53296 333-53296-01 333-53296-02 333-53296-03	4(f)	Fifty-ninth	March 1, 1999
	333-53296 333-53296-01 333-53296-02 333-53296-03	4(g)	Sixtieth	December 1, 1999

Exhibits	Previously Filed* With File Number	As Exhibit		Number	Dated
4(a)-2				--Sixty-first	February 1, 2001
4(b)			–	Agreement to furnish certain debt instruments.	
4(c)	33-68104	4(b)-17	–	Deposit Agreement between TXU Electric and Chemical Bank, dated as of August 4, 1993.	
4(d)	0-11442 Form 10-K (1993)	4(e)	–	Deposit Agreement between TXU Electric and Chemical Bank, dated as of October 14, 1993.	
4(e)	0-11442 Form 10-K (1995)	4(f)	–	Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities), dated as of December 1, 1995, between TXU Electric and The Bank of New York, as Trustee.	
4(f)	0-11442 Form 10-K (1995)	4(g)	–	Amended and Restated Trust Agreement, dated as of December 12, 1995 between TXU Electric, as Depositor, and The Bank of New York, The Bank of New York (Delaware) and the Administrative Trustees thereunder as trustees for TXU TXU Electric Capital I.	
4(g)	0-11442 Form 10-K (1995)	4(h)	–	Guarantee Agreement with respect to TXU Electric Capital I, dated as of December 12, 1995, between TU Electric, as Guarantor, and The Bank of New York, as Trustee.	
4(h)	0-11442 Form 10-K (1995)	4(i)	–	Agreement as to Expenses and Liabilities, dated as of December 12, 1995, between TXU Electric and TXU Electric Capital I.	
4(i)	0-11442 Form 10-K (1996)	4(j)	–	Officer's Certificate, dated as of December 12, 1995, establishing the terms of the Junior Subordinated Debentures issued in connection with the preferred securities of TU Electric Capital I.	
4(j)	0-11442 Form 10-K (1995)	4(m)	–	Amended and Restated Trust Agreement, dated as of December 13, 1995, between TXU Electric, as Depositor, and The Bank of New York, The Bank of New York (Delaware), and the Administrative Trustees thereunder, as Trustees for TXU Electric Capital III.	
4(k)	0-11442 Form 10-K (1995)	4(n)	–	Guarantee Agreement with respect to TXU Electric Capital III, dated as of December 13, 1995, between TU Electric, as Guarantor, and The Bank of New York, as Trustee.	
4(l)	0-11442 Form 10-K (1995)	4(o)	–	Agreement as to Expenses and Liabilities, dated as of December 13, 1995, between TU Electric and TXU Electric Capital III.	
4(m)	0-11442 Form 10-K (1996)	4(r)	–	Officer's Certificate, dated as of December 13, 1995, establishing the terms of the Junior Subordinated Debentures issued in connection with the preferred securities of TXU Electric Capital III.	
4(n)	0-11442 Form 10-K (1996)	4(s)	–	Amended and Restated Trust Agreement, dated as of January 30, 1997, between TXU Electric, as Depositor, and The Bank of New York (Delaware), and the Administrative Trustee as thereunder, as Trustees for TXU Electric Capital IV.	
4(o)	0-11442 Form 10-K (1996)	4(t)	–	Guarantee Agreement with respect to TXU Electric Capital IV, dated as of January 30, 1997, between TXU Electric, as Guarantor and The Bank of New York, as Trustee.	
4(p)	0-11442 Form 10-K (1996)	4(u)	–	Agreement as to Expenses and Liabilities, dated as of January 30, 1997, between TXU Electric and TXU Electric Capital IV.	

Exhibits	Previously Filed* With File Number	As Exhibit		
4(q)	0-11442 Form 10-K (1996)	4(v)	–	Officer's Certificate, dated as of January 30, 1997, establishing the terms of the Junior Subordinated Debentures issued in connection with the preferred securities of TXU Electric Capital IV.
4(r)	0-11442 Form 10-K (1996)	4(w)	–	Amended and Restated Trust Agreement, dated as of January 30, 1997, between TXU Electric, as Depositor, and The Bank of New York (Delaware), and the Administrative Trustee thereunder, as Trustees for TXU Electric Capital V.
4(s)	0-11442 Form 10-K (1996)	4(x)	–	Guarantee Agreement with respect to TXU Electric Capital V, dated as of January 30, 1997, between TXU Electric, as Guarantor, and The Bank of New York, as Trustee.
4(t)	0-11442 Form 10-K (1996)	4(y)	–	Agreement as to Expenses and Liabilities, dated as of January 30, 1997, between TXU Electric and TXU Electric Capital V.
4(u)	0-11442 Form 10-K (1996)	4(z)	–	Officer's Certificate, dated as of January 30, 1997, establishing the terms of the Junior Subordinated Debentures issued in connection with the preferred securities of TXU Electric Capital V.
4(v)	0-11442 Form 10-Q (Quarter ended Sept. 30, 1997)	4(a)	–	Indenture (For Unsecured Debt Securities), dated as of August 1, 1997, between TXU Electric and The Bank of New York.
4(w)	0-11442 Form 10-Q (Quarter ended Sept. 30, 1997)	4(b)	–	Officer's Certificate establishing the TXU Electric 7.17% Debentures due August 1, 2007.
4(x)	0-11422 Form 10-Q (Quarter ended March 31, 1998)	99(a)	–	Officer's certificate establishing TXU Electric's Floating Rate debentures due April 24, 2000.
10(a)			–	364 Day Competitive Advance and Revolving Credit Facility Agreement, dated as of February 23, 2001 among TXU Corp., TXU Electric, TXU Gas Company, Chase Manhattan Bank, as Administrative Agent and certain banks listed therein and The Chase Manhattan Bank, as Competitive Advance Facility Agent (US Facility A).
10(b)	0-11442 Form 10-K (1999)	10(b)	–	Five Year Second Amended and Restated Competitive Advance and Revolving Credit Facility Agreement dated as of February 25, 2000 among Texas Utilities Company, TXU Electric, TXU Gas, The Chase Manhattan Bank, as Competitive Advance Facility Agent and Chase Bank of Texas, National Association, as Administrative Agent and certain banks listed therein (US Facility B).
10(c)			_	Amendment to US Facility B, dated February 23, 2001.
12			–	Computation of Ratio of Earnings to Fixed Charges and to Fixed Charges and Preferred Dividends for TXU Electric.
23(a)			–	Consent of Deloitte & Touche LLP Independent Auditors' for TXU Electric.

Exhibits	Previously Filed* With File Number	As Exhibit		
99(a)	1-3591 Form 10-K (1987)	28(b)	–	Agreement, dated as of February 12, 1988, between TXU Electric and Texas Municipal Power Agency.
99(b)	33-55408	99(a)	–	Agreement, dated as of July 5, 1988, between TXU Electric and Electric and Tex-La Electric Cooperative of Texas, Inc.
99(c)	33-23532	4(c)(i)	–	Trust Indenture, Security Agreement and Mortgage, dated as of December 1, 1987, as supplemented by Supplement No. 1 thereto dated as of May 1, 1988 among the Lessor, TXU Electric and the Trustee.
99(d)	33-24089	4(c)-1	–	Supplement No. 2 to Trust Indenture, Security Agreement and Mortgage, dated as of August 1, 1988.
99(e)	33-24089	4(e)-1	–	Supplement No. 3 to Trust Indenture, Security Agreement and Mortgage, dated as of August 1, 1988.
99(f)	0-11442 Form 10-Q (Quarter ended June 30, 1993)	99(c)	–	Supplement No. 4 to Trust Indenture, Security Agreement and Mortgage, including form of Secured Facility Bond, 1993 Series.
99(g)	33-23532	4(d)	–	Lease Agreement, dated as of December 1, 1987 between the Lessor and TXU Electric as supplemented by Supplement No. 1 thereto dated as of May 20, 1988 between the Lessor and TXU Electric.
99(h)	33-24089	4(f)	–	Lease Agreement Supplement No. 2, dated as of August 18, 1988.
99(i)	33-24089	4(f)-1	–	Lease Agreement Supplement No. 3, dated as of August 25, 1988.
99(j)	33-63434	4(d)(iv)	–	Lease Agreement Supplement No. 4, dated as of December 1, 1988.
99(k)	33-63434	4(d)(v)	–	Lease Agreement Supplement No. 5, dated as of June 1, 1989.
99(l)	0-11442 Form 10-Q (Quarter ended June 30, 1993)	99(d)	–	Lease Agreement Supplement No. 6, dated as of July 1, 1993.
99(m)	33-23532	4(e)	–	Participation Agreement dated as of December 1, 1987, as amended by a Consent to Amendment of the Participation Agreement, dated as of May 20, 1988, each among the Lessor, the Trustee, the Owner Participant, certain banking institutions, Capcorp, Inc. and TXU Electric.
99(n)	33-24089	4(g)	–	Consent to Amendment of the Participation Agreement, dated as of August 18, 1988.
99(o)	33-24089	4(g)-1	–	Supplement No. 1 to the Participation Agreement, dated as of August 18, 1988.
99(p)	33-24089	4(g)-2	–	Supplement No. 2 to the Participation Agreement, dated as of August 18, 1988.
99(q)	33-63434	4(e)(v)	–	Supplement No. 3 to the Participation Agreement, dated as of December 1, 1988.

Exhibits	Previously Filed* With File Number	As Exhibit		
99(r)	0-11442 Form 10-Q (Quarter ended June 30, 1993)	99(e)	–	Supplement No. 4 to the Participation Agreement, dated as of June 17, 1993.
99(s)	0-11442 Form 10-Q (Quarter ended March 31, 1996)	4(b)	–	Supplement No. 1, dated October 25, 1995, to Trust Indenture, Security Agreement and Mortgage, dated as of December 1, 1989, among the Owner Trustee, TXU Electric and the Indenture Trustee.
99(t)	0-11442 Form 10-Q (Quarter ended March 31, 1996)	4(c)	–	Supplement No. 1, dated October 19, 1995, to Amended and Restated Participation Agreement, dated as of November 28, 1989, among the Owner Trustee, The First National Bank of Chicago, As Original Indenture Trustee, the Indenture Trustee, the Owner Participant, Mesquite Power Corporation and TXU Electric.

* Incorporated herein by reference.