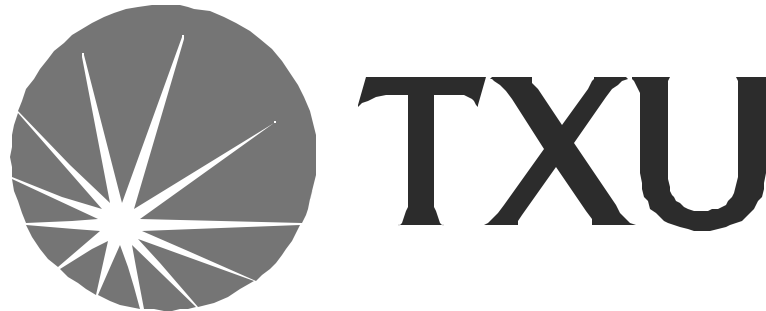


***Turning a Supertanker:  
Commercializing a 120 Year-Old  
Regulated Utility***



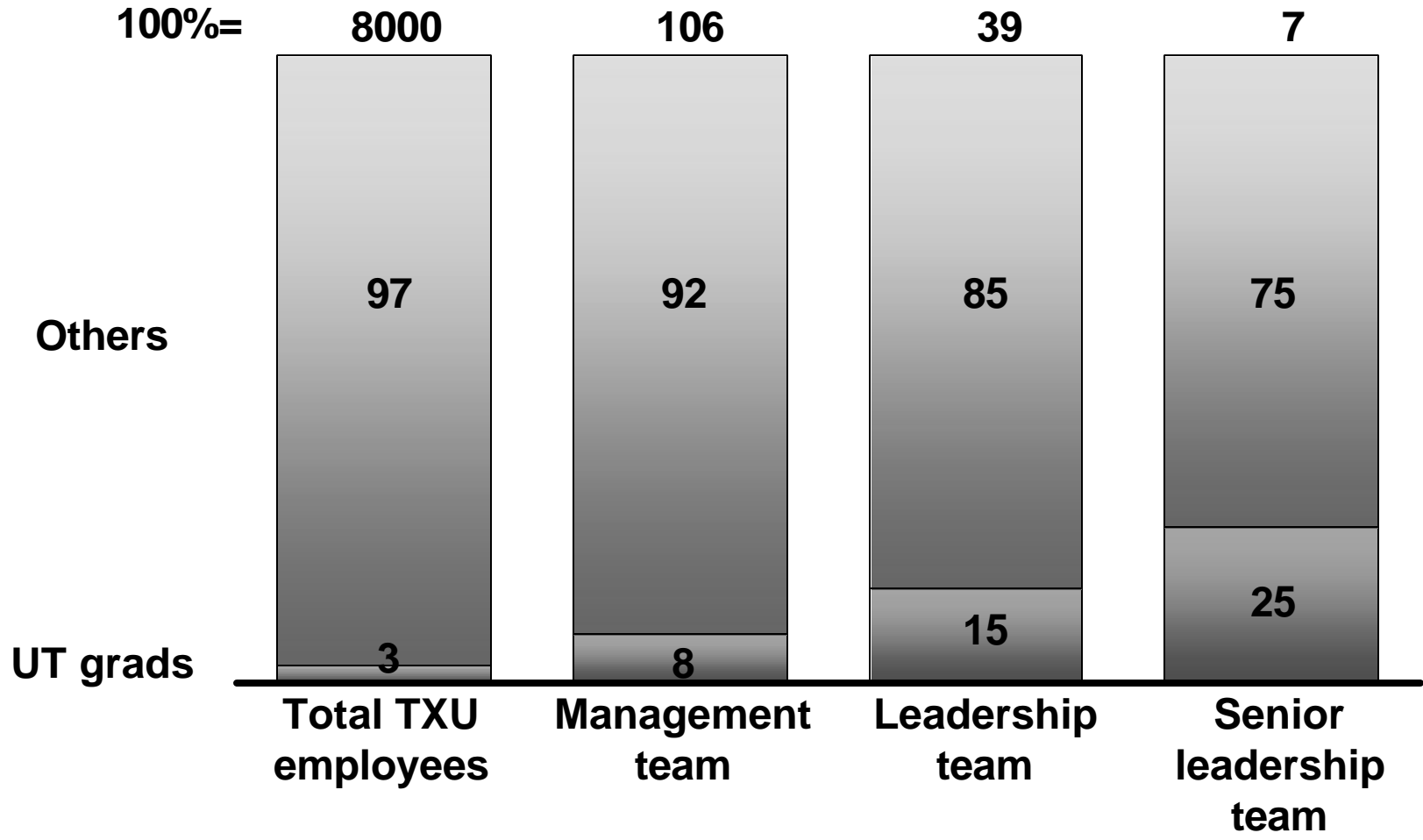
**C. John Wilder**  
**Chief Executive Officer**

**University of Texas**  
**VIP Distinguished Lecture Series**  
**October 14<sup>th</sup>, 2004**

# The University of Texas Has Had A Distinctive Impact On TXU

Lead By Example: Employees with UT degrees

04; Percent



# Safe Harbor Statement & Regulation G

***This presentation contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's SEC filings. In addition to the risks and uncertainties set forth in the company's SEC filings, the forward-looking statements in this presentation could be affected by the ability of the company to implement the initiatives that are part of its restructuring, operational improvement and cost reduction program, and the terms under which the company executes those initiatives.***

## ***Regulation G***

***This presentation includes certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measure is included in the appendix of the September 28<sup>th</sup>, 2004 presentation on the company's website at [www.txucorp.com](http://www.txucorp.com) under Investor Resources/Presentations.***

# Today's Agenda

## TXU Overview

- **Dynamic history**
- **Structurally advantaged business position**

## Industry Fundamentals

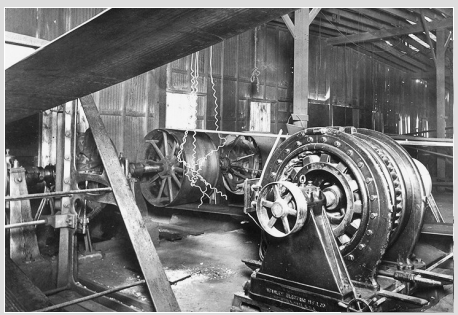
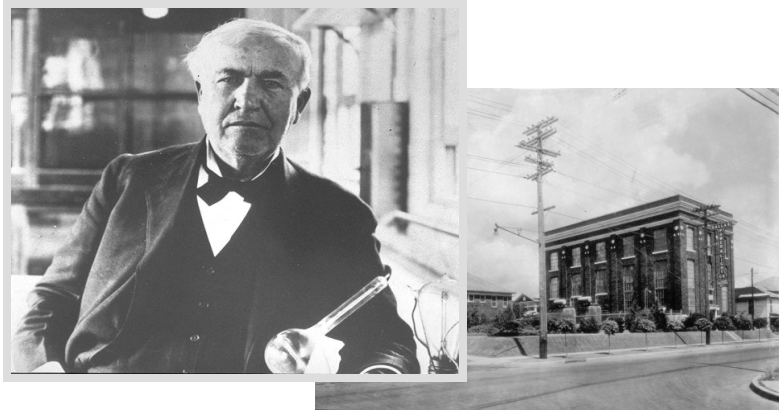
- **Value chain being creatively destroyed**
- **Industry restructuring impact**

## TXU Transformation

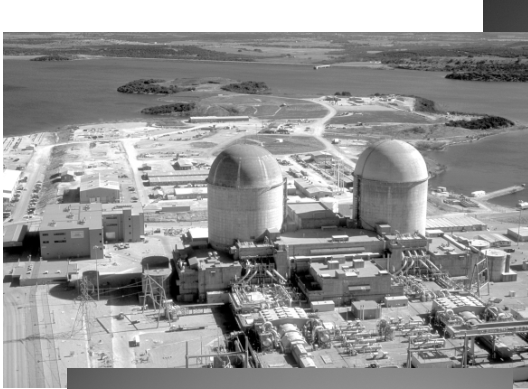
- **TXU day 1**
- **Three phase restructuring**
- **Impact**

# TXU: Dynamic History And Structurally Advantaged Businesses

Yesterday...

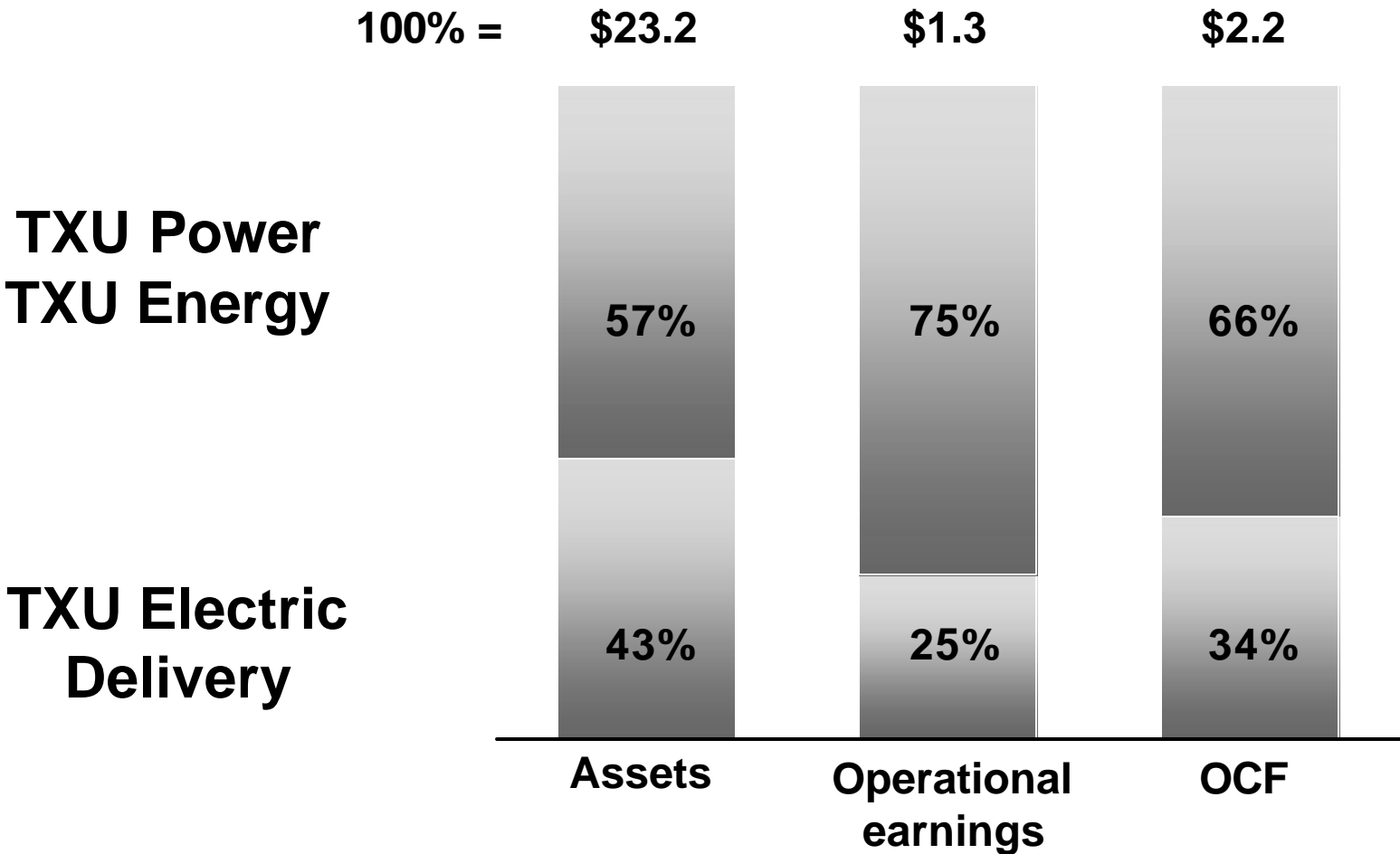


Today...



# TXU Today: Three Core Businesses...

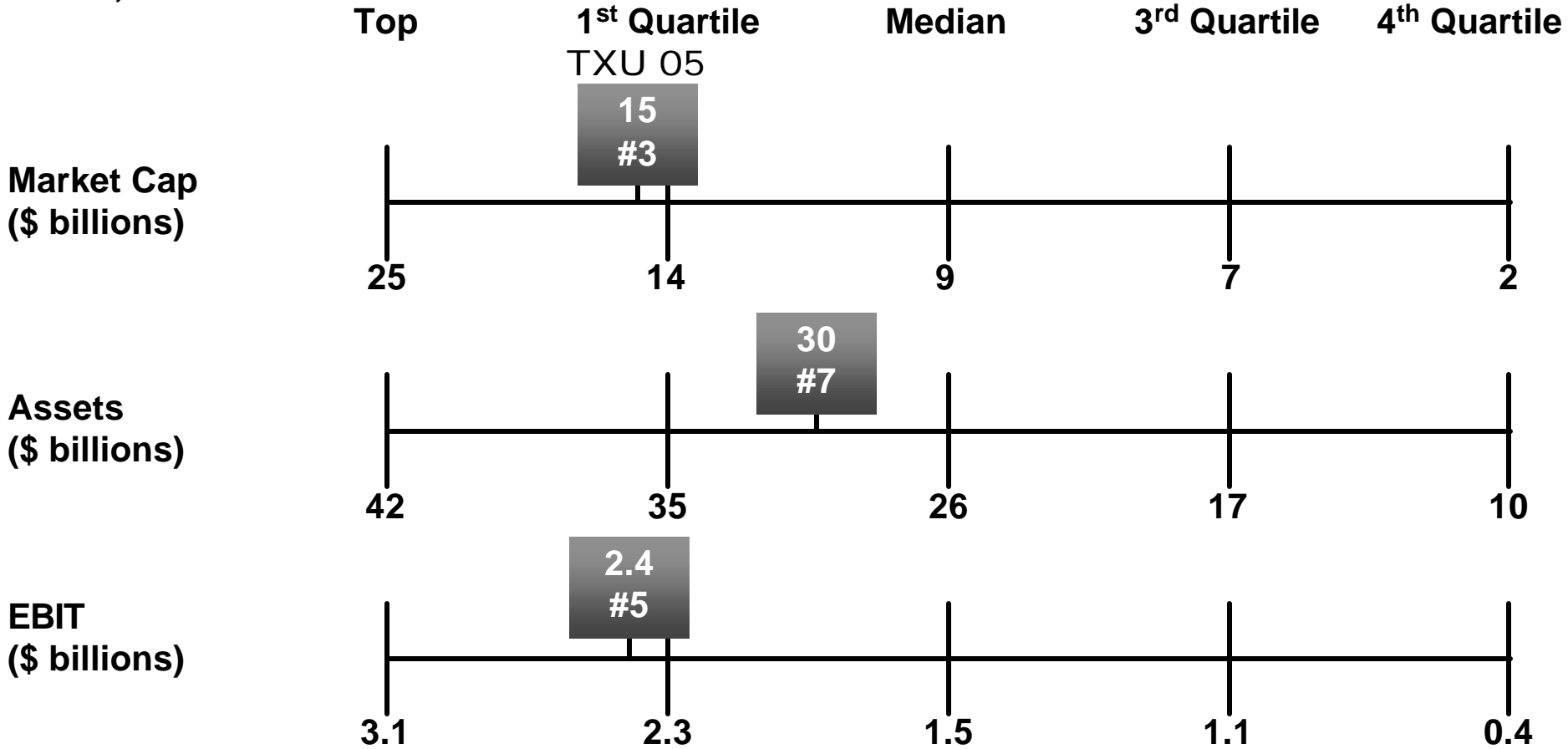
Size and shape of TXU's businesses  
05E; \$ billions and percent



# ...With Advantaged Scope and Scale...

Financial Metrics for SPELEC (n=20)

03-05<sup>1</sup>; various measures



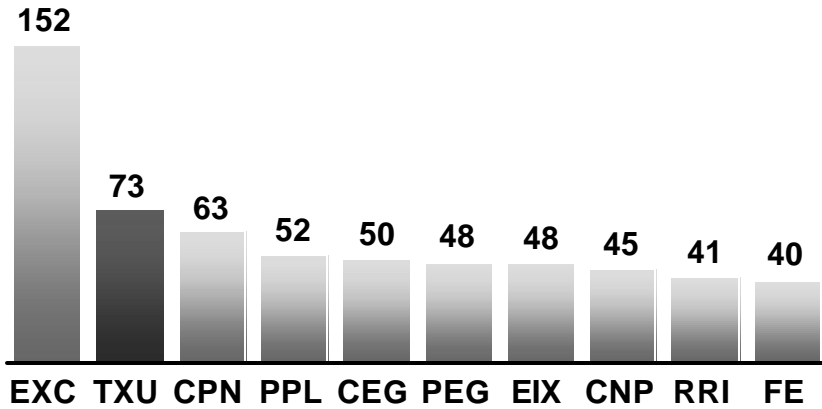
*TXU is ranked 177 in the Fortune 500*

<sup>1</sup> Quartile based on TTM ending June 04; TXU performance based on May 18<sup>th</sup> 05 guidance; updated for balance sheet restructuring through Sep 04

# ...Across All Businesses In A High Growth Market

## TXU Power

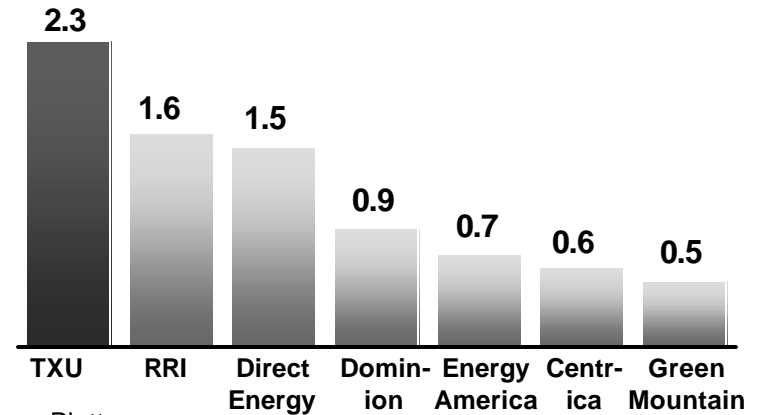
03; TWh of deregulated generation



Source: Platts

## TXU Energy

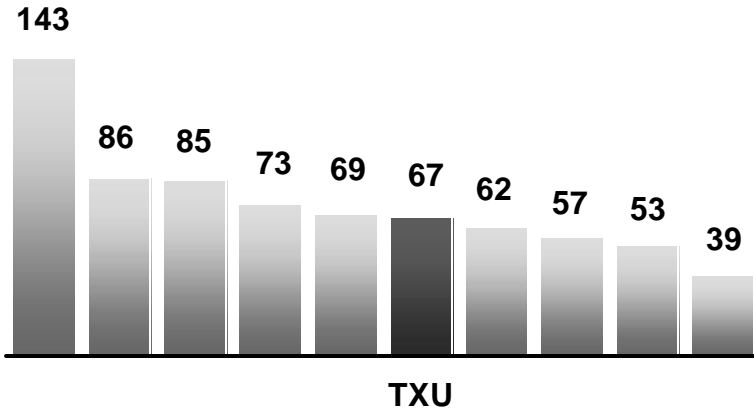
03; Millions of total customers



Source: Platts

## TXU Electric Delivery

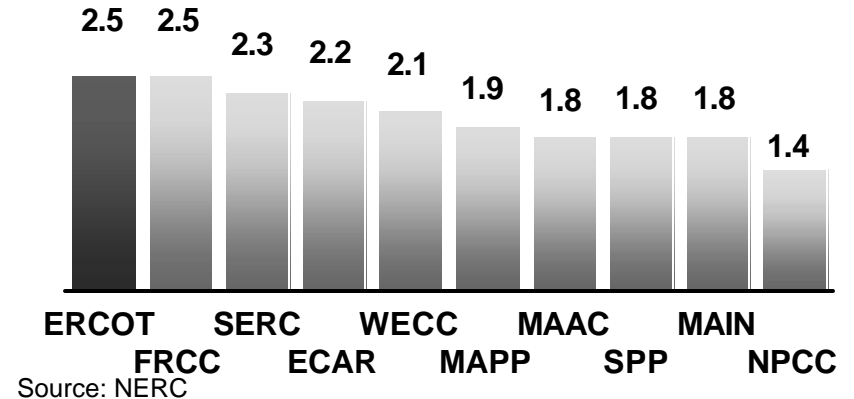
03; Thousands of miles of distribution lines



Source: Proprietary benchmarking study

## High growth

03-12E; Percent annual demand growth



Source: NERC

# Today's Agenda

## TXU Overview

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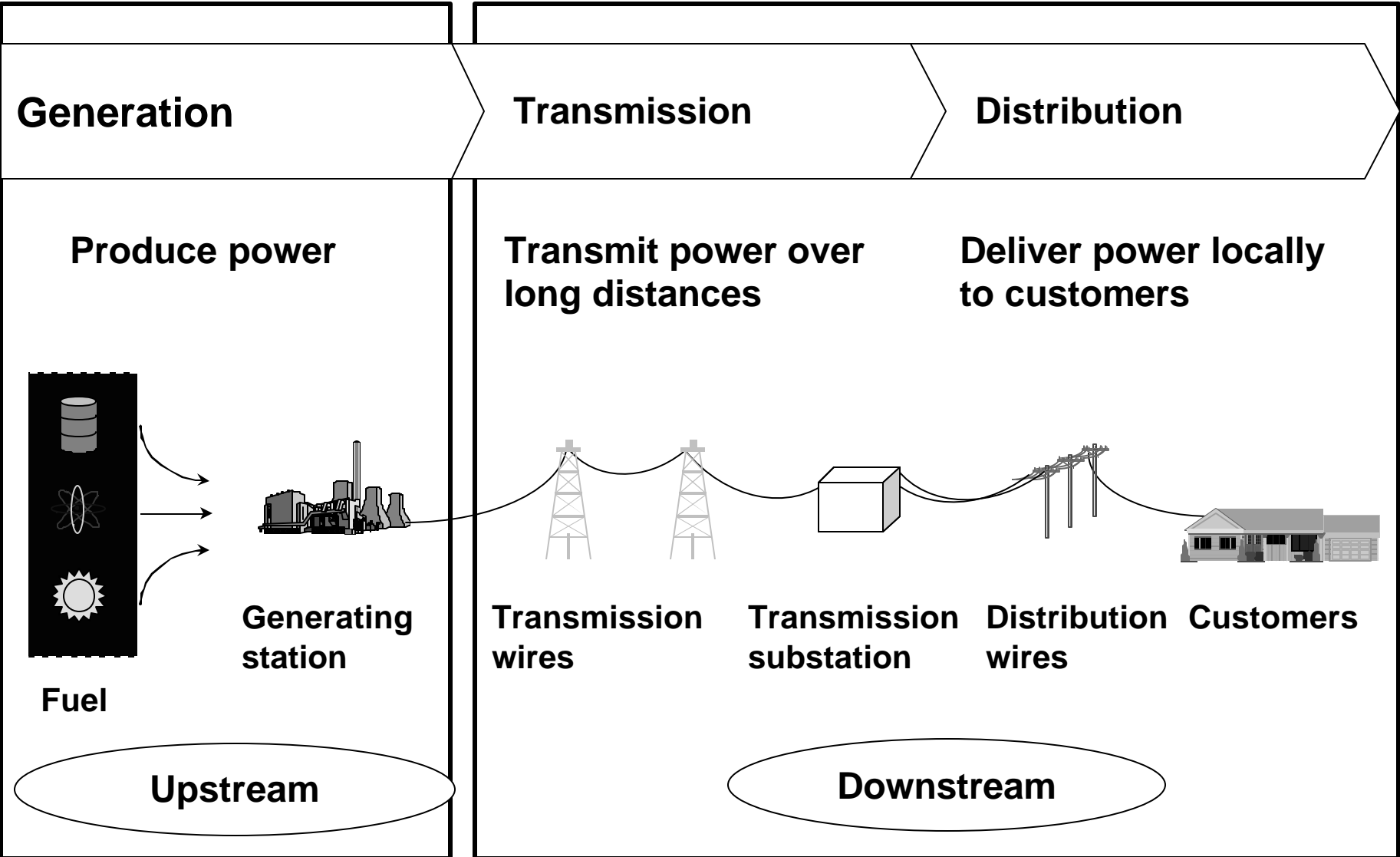
## Industry Fundamentals

- **Value chain being creatively destroyed**
- **Industry restructuring impact**

## TXU Transformation

- **TXU day 1**
- **Three phase restructuring**
- **Impact**

# Utilities Historically Have Been Integrated Monopolies Across Upstream And Downstream Functions In Electric Power



# Utility Restructuring Has “Unbundled” The Electric Power Value Chain And Deregulated Many Activities...

■ New business



- Large regional markets

- Super-regional to national markets

- Regionally franchised

- Franchises with longstanding local service territories

- Mass market, chain, niche, and large commercial/ industrial customer markets

← Increasingly deregulated →

← Continued regulated monopoly →

← Increasing deregulation, but state-by-state →

# ...Causing A Significant Change In The Competitive Landscape

From...

...To

**Investment**

- Regulated rate of return

- Market-based return

**Key Skills**

- Regulatory advocacy
- Accounting
- Reliability-centered operations
- Long-term resource planning

- Operational excellence
- Cost management
- Marketing
- Commercial/trading
- Risk management

**Culture**

- Maintaining the status quo

- Performance management
- Growth oriented

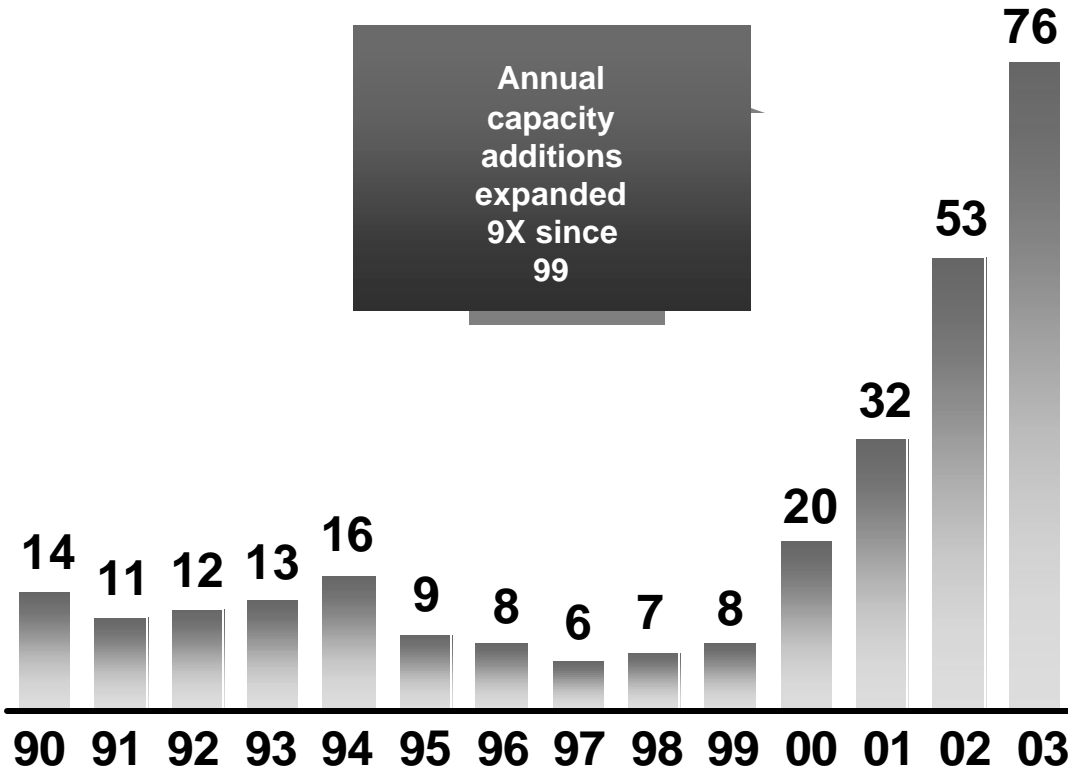
**Risks**

- Limited regulatory (e.g., rate case approval)

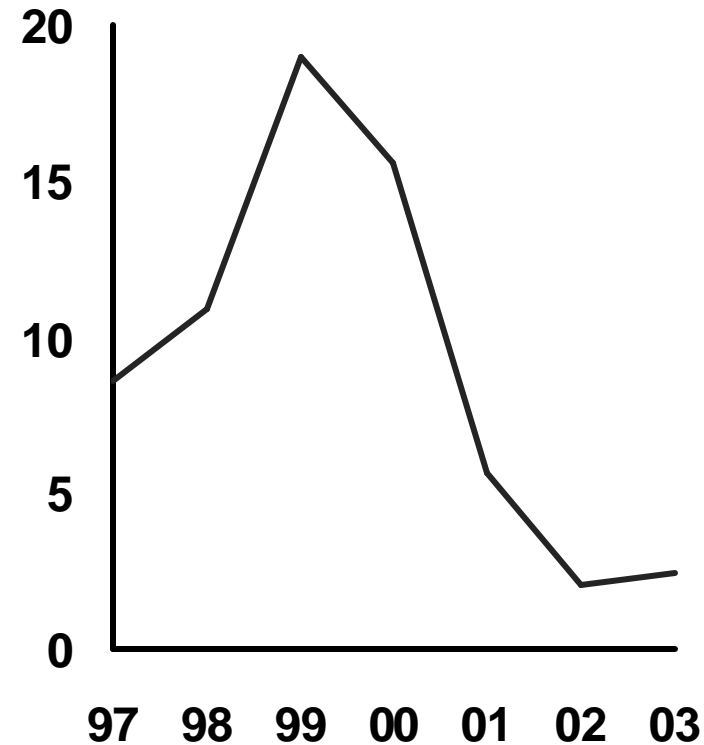
- Commodity exposure (gas price/heat rate)
- Environmental/regulatory
- Operational

# The Industry Has Seen Massive Over-Investment in Generation And A Collapse In Spark Spreads...

Powered Up: Generation additions  
90-03; GW



Bottom Out: ERCOT spark spreads<sup>1</sup>  
97-03; \$/MWh



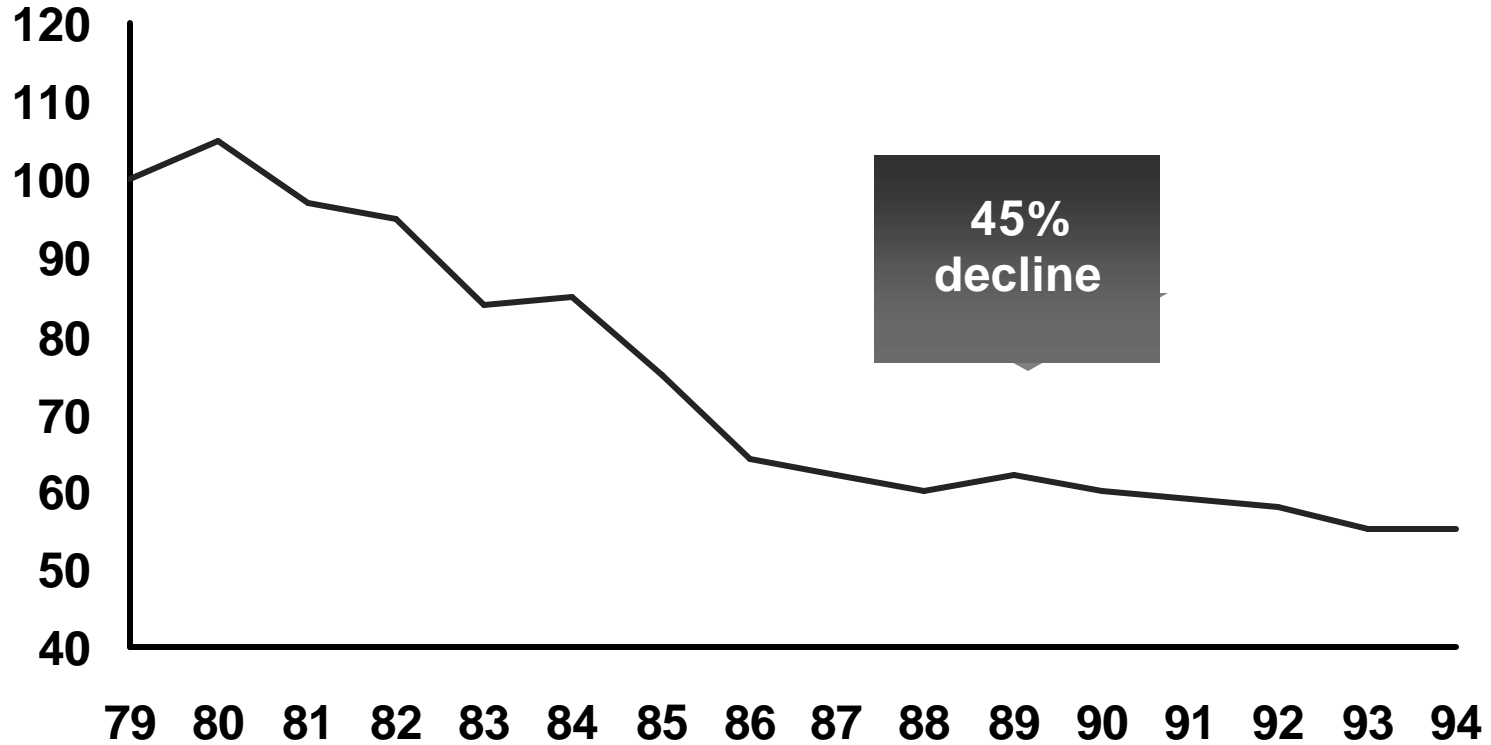
*Recent capacity additions have led to excess reserve margins throughout the U.S.*

<sup>1</sup> Spark spread at 8 MMBtu/MWh  
Source: CERA

# ...Similar To The Collapse In Prices Seen In The Airline Industry Post Deregulation

Price compression: Real yield index<sup>1</sup> (1979=100)

79-94; No units



*Competition has significantly benefited the consumer*

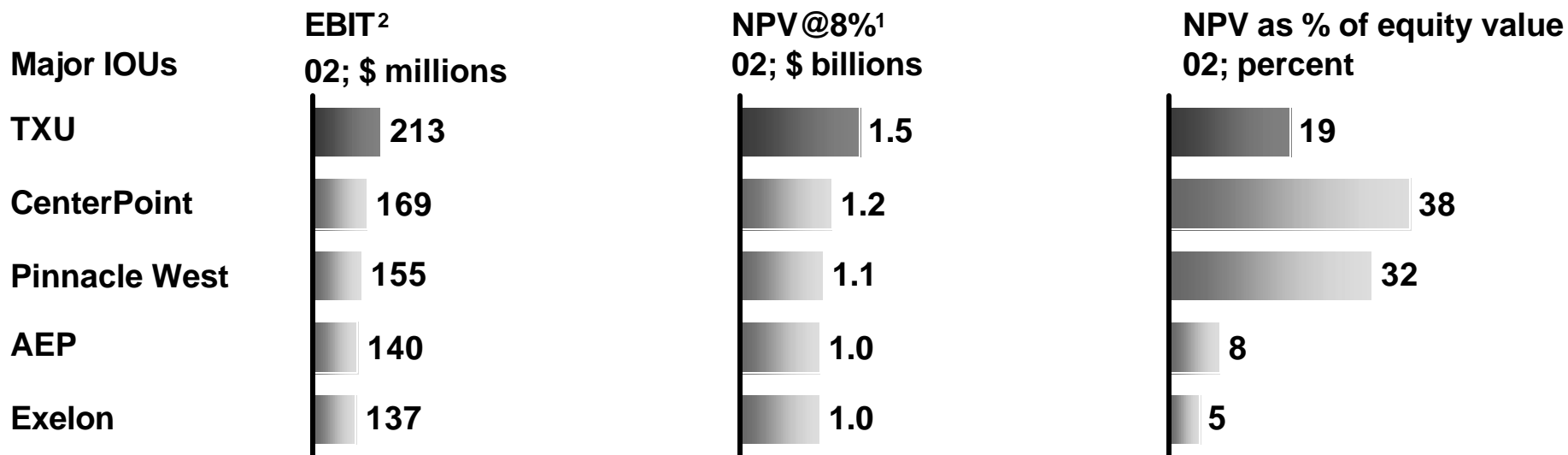
<sup>1</sup> Yield = customer revenue divided by customer miles (normalized to 1979)

Source: O&D survey

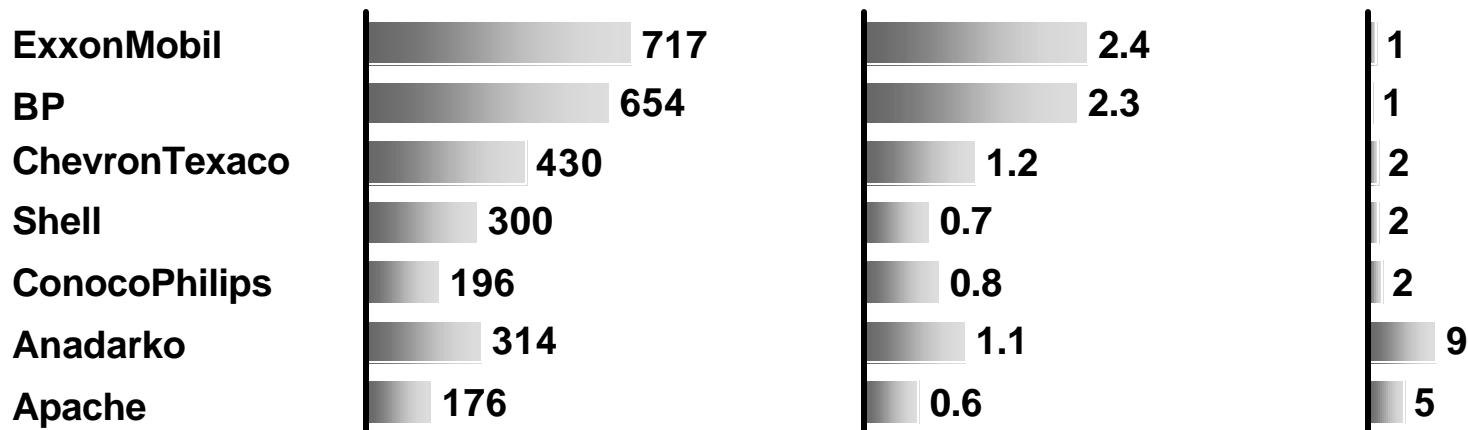
# Many Power Companies Are Levered to Natural Gas Prices

Impact of \$0.50/MMBTU change on North American natural gas positions

02; Mixed measures



Oil And Gas Producers<sup>1</sup>

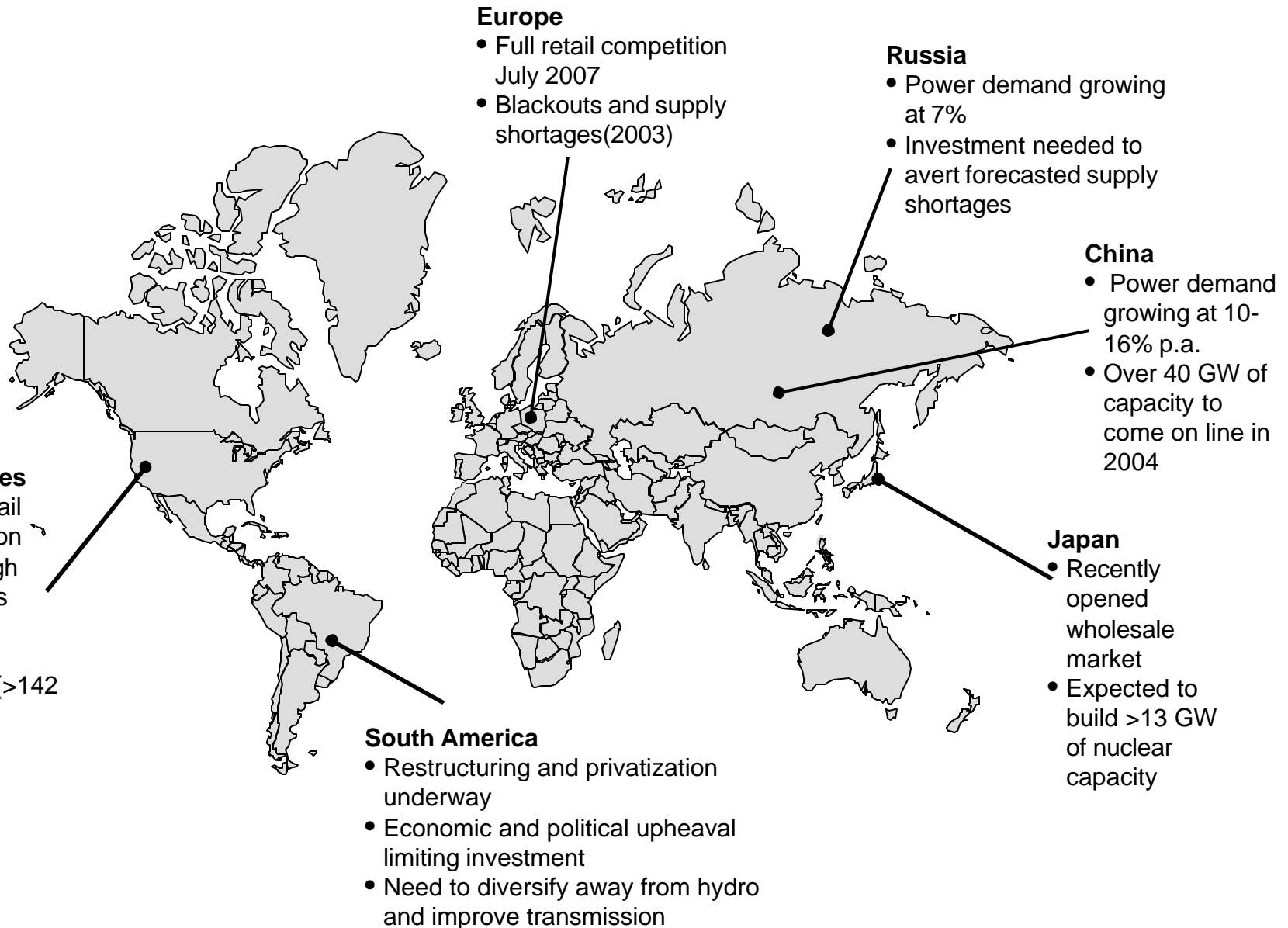


*TXU's equity value is much more highly levered to gas price*

<sup>1</sup> Oil and gas producer NPV calculated using a constant percentage decreasing production profile

<sup>2</sup> Includes only solid fuel positions; does not include impact of possible retail short

# Deregulation Continues Throughout the World



# Today's Agenda

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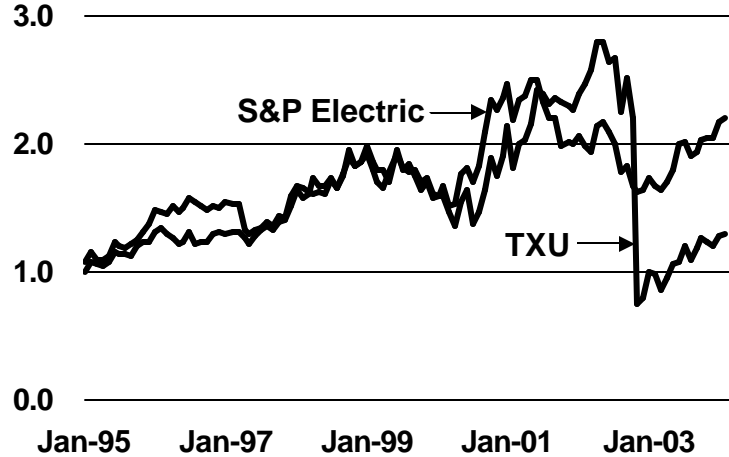
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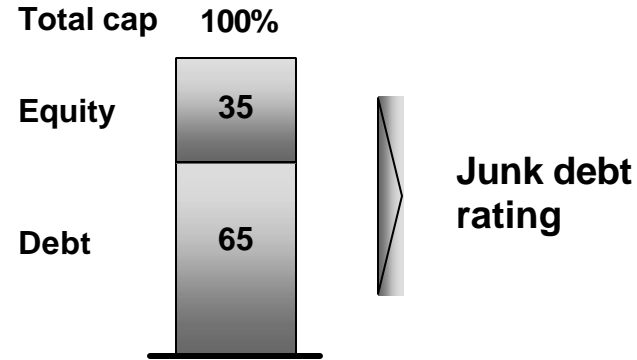
- **TXU day 1**
- **Three phase restructuring**
- **Impact**

# TXU Business Environment – February 2004

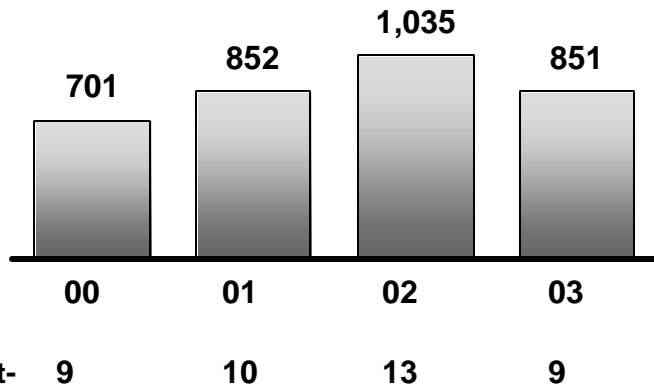
Loss of shareholder value; TSR  
94-04



Heavy debt load; capital structure  
Feb 04; percent



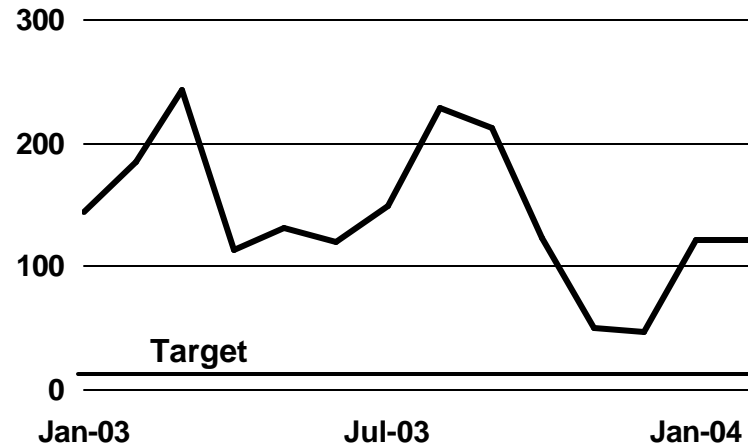
Inefficient cost structure; SG&A  
00-03; \$ millions



Percent-  
age of  
revenues

9      10      13      9





Little focus on customer service; call answer times  
03-04; Seconds



# To Succeed In This New Environment We Looked To Other Industries That Had Deregulated...

Join the Crowd: Many industries have experienced “shocks”

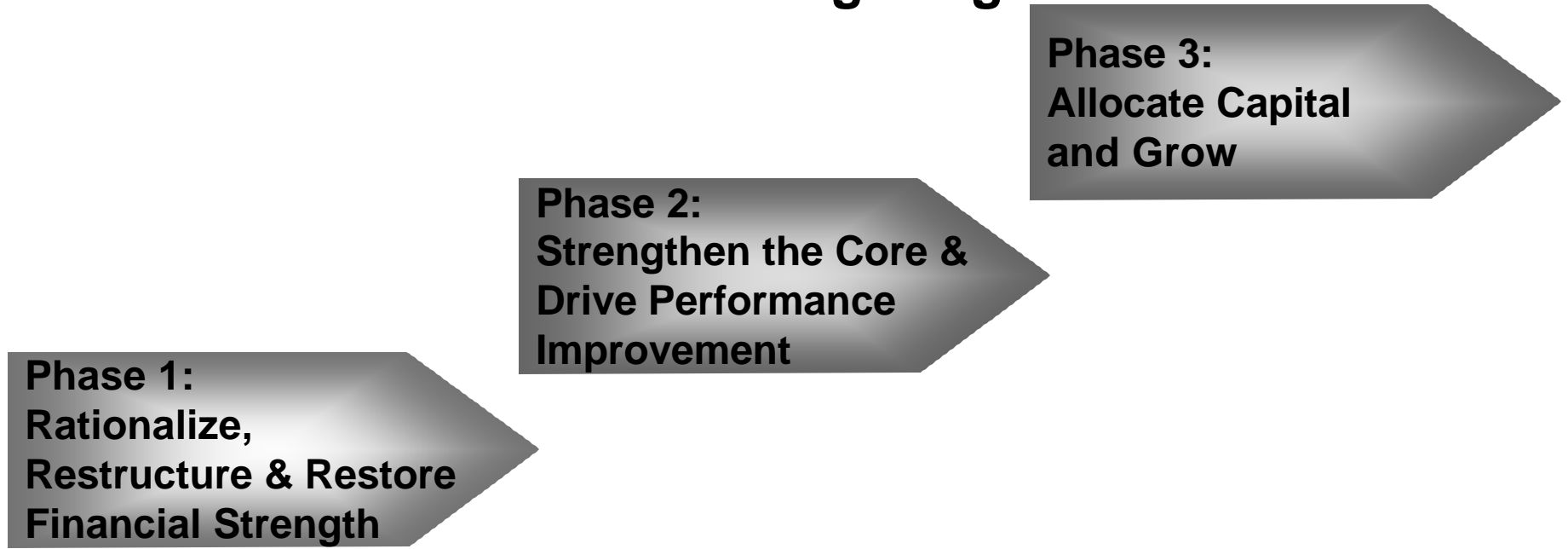
~85-04

Industry	Shocks	Industry Impact	Winners
	<ul style="list-style-type: none"> <li>▪ OPEC/Embargos</li> <li>▪ Gulf wars</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consolidation</li> <li>▪ Technology-enabled operating efficiency</li> </ul>	<ul style="list-style-type: none"> <li>▪ BP</li> <li>▪ ExxonMobil</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Deregulation in 1991</li> <li>▪ Gulf wars and 9/11</li> </ul>	<ul style="list-style-type: none"> <li>▪ Entry of low cost attackers</li> <li>▪ Marginal cost pricing</li> <li>▪ Labor relations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Southwest</li> <li>▪ Jet Blue</li> <li>▪ Ryanair</li> </ul>
	<ul style="list-style-type: none"> <li>▪ AT&amp;T breakup/deregulation</li> <li>▪ New technologies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rapid entry</li> <li>▪ Overbuilding followed by steep price declines</li> <li>▪ Credit crunch and mass shakeout</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Deregulation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consolidation/rollup</li> <li>▪ Convergence of banking, insurance, asset management</li> <li>▪ Product service innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Citigroup</li> <li>▪ Bank of America</li> </ul>

# ...And Observed Recurring Themes For the Winners...

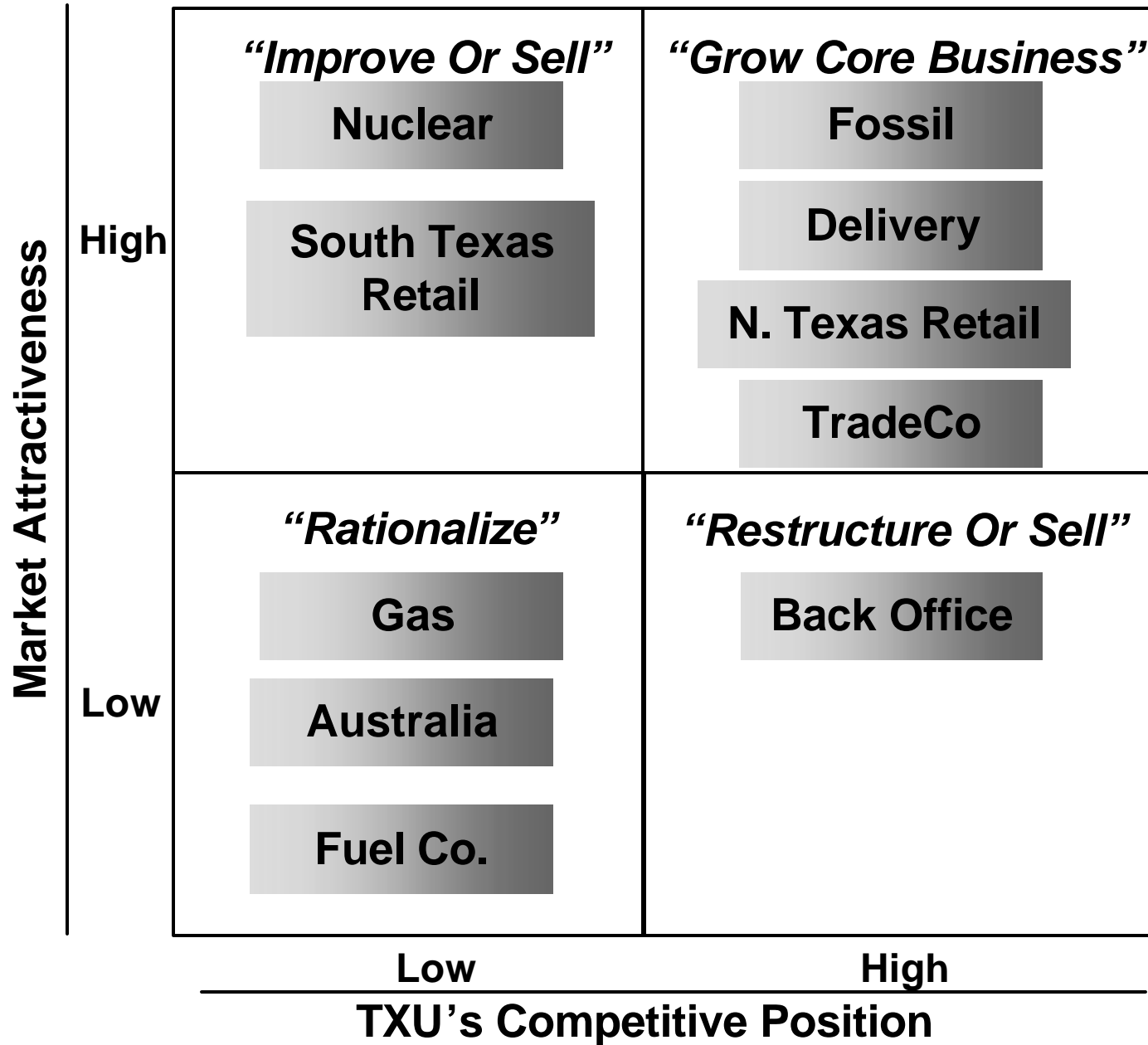


# TXU's Three-Phase Restructuring Program



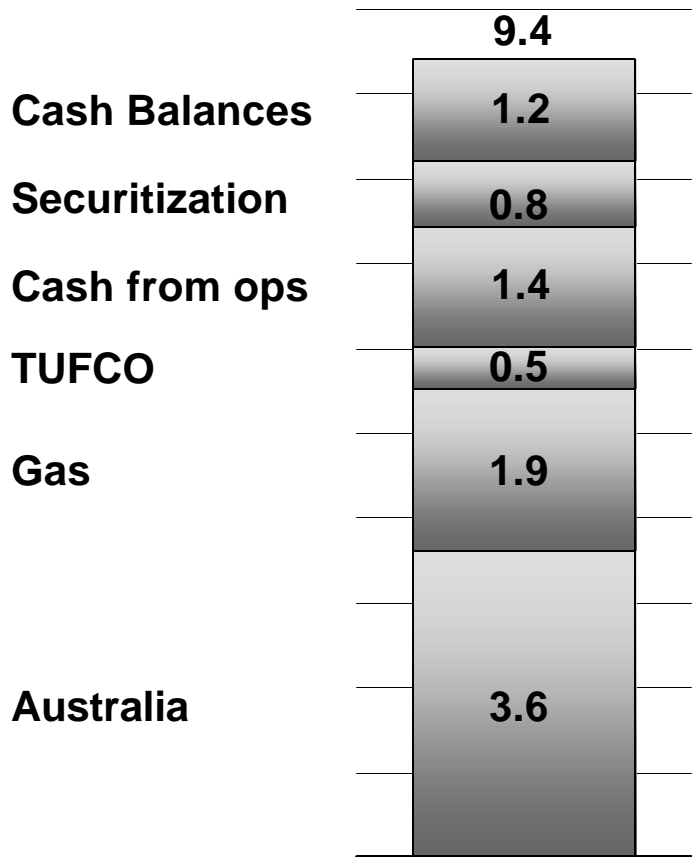
What We Needed To Do	How We Did It/ How We Are Doing It
<ul style="list-style-type: none"> <li>▪ Execute no-regrets transactions</li> <li>▪ Improve financial flexibility</li> <li>▪ Capture “quick-hit” profitability improvements</li> <li>▪ Assess key risks and implement mitigation plans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sold TXU Australia, TXU Gas, and TXU Fuel</li> <li>▪ Deployed proceeds to repair balance sheet</li> <li>▪ Strengthened contribution margins</li> <li>▪ Implemented customer service improvements</li> </ul>

# First Phase Led To Divestiture Of Non-Core Businesses...

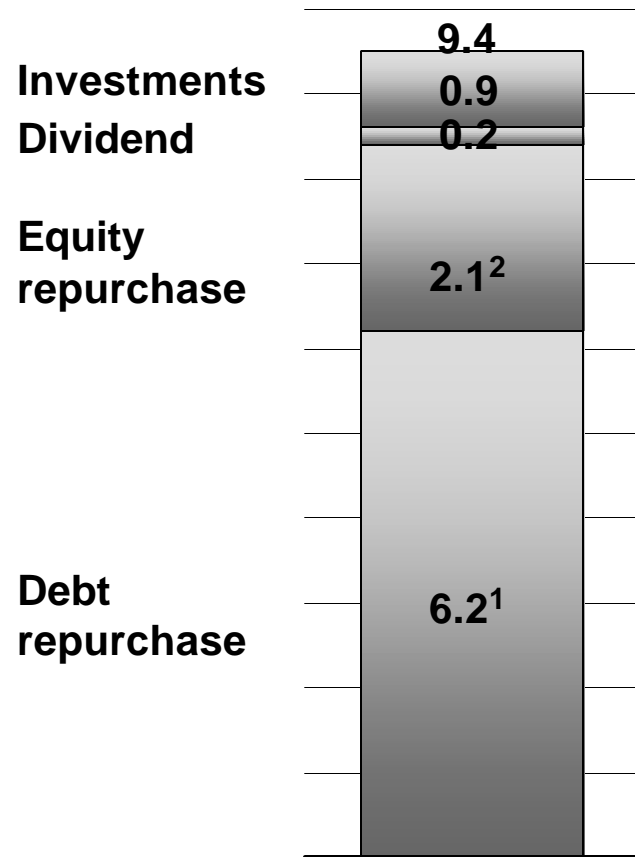


# ...With Proceeds Deployed To Improve Financial Flexibility...

**Phase 1: Sources of cash  
04E; \$ billions**



**Phase 1: Uses of cash  
04E; \$ billions**



<sup>1</sup> Includes debt assumed in asset sales and premiums

<sup>2</sup> Includes equity portion of EPMI repurchase

# ...And Outsourcing To Guarantee Savings For TXU at Superior Service Levels



2.9% ownership



- People and industry knowledge
- Assets (infrastructure, systems, software)
- 3<sup>rd</sup> party service contracts



- Guaranteed savings over 10-year contract period
- World class service for our customers
- Consistent, high-performance service levels for internal

JV



97.1% ownership



- People
- Investment capital
- Low cost delivery capabilities
- Best practices
- Industry scale
- Exclusive channel for ITO/BPO services for the U.S. Utility Industry (gain share for growth)

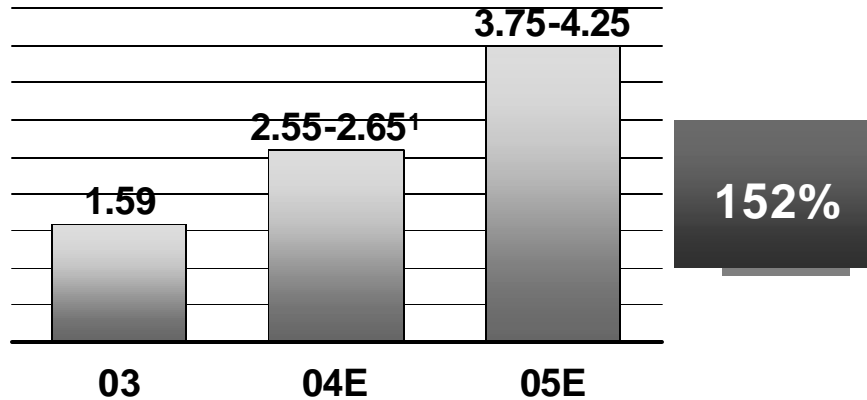


**TXU Governance Model**

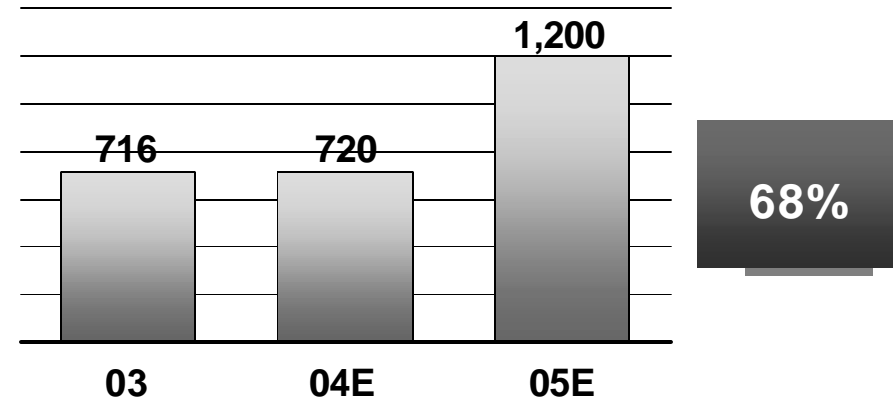
- Senior executive accountability
- Both operating unit and business process expertise
- Governance committees to set strategic oversight priorities

# Phase 1: Generated Substantial Financial Improvement

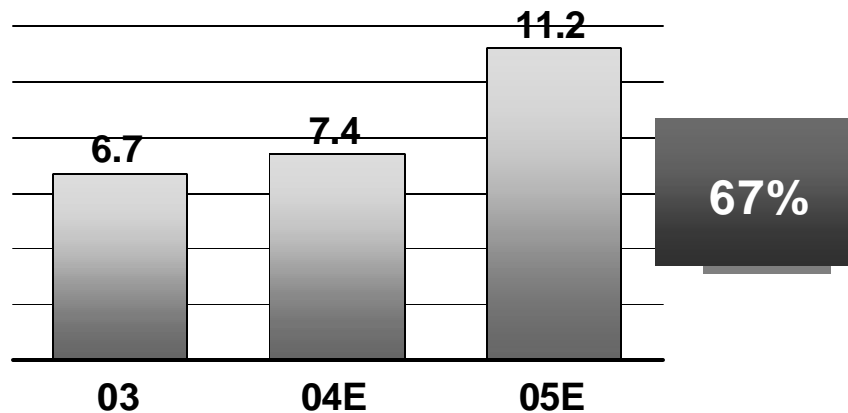
**Operational EPS**  
03-05; \$ per share



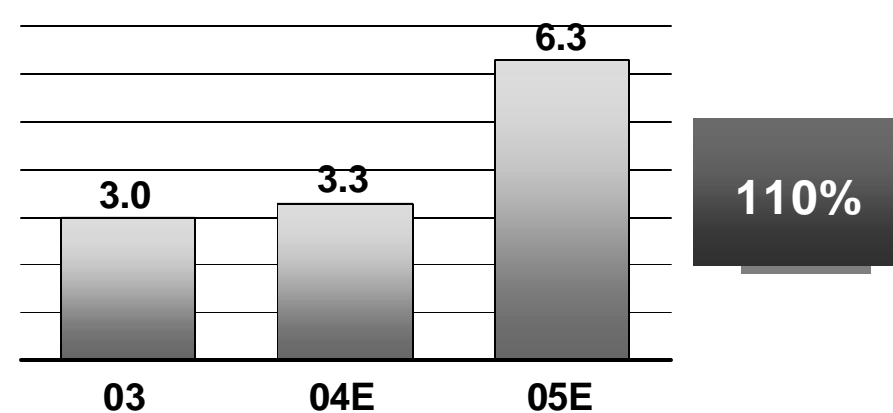
**Free cash flow**  
03-05; \$ millions



**ROIC**  
03-05; Percent

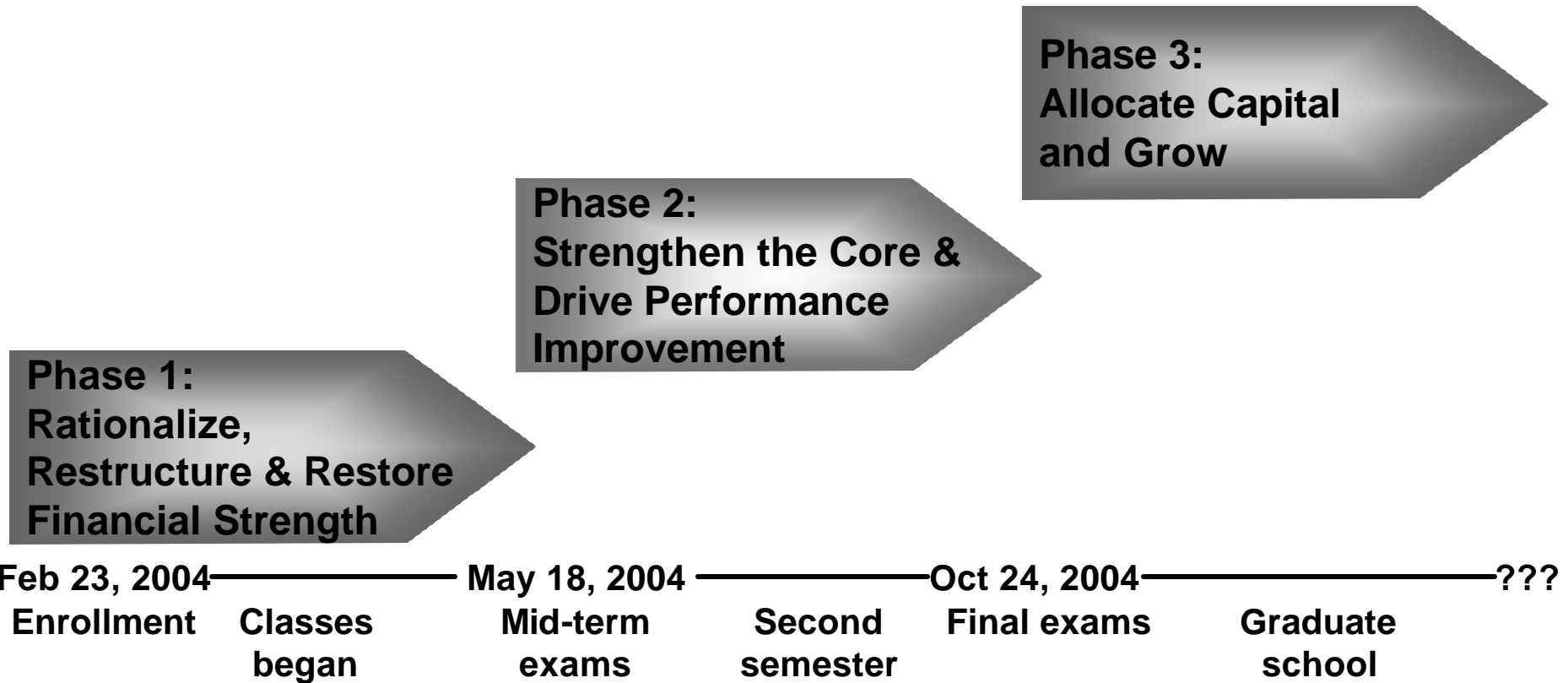


**Gross interest coverage**  
03-05; Ratio



<sup>1</sup> Updated for Q2 earnings release

# The Second Phase ...



What We Needed To Do	How We Did It/ How We Are Doing It
<ul style="list-style-type: none"> <li>▪ Undertake comprehensive review of business performance</li> <li>▪ Identify profitability improvements based on detailed assessments</li> <li>▪ Embed profitability improvement targets in business plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Launched &gt; 25 teams to develop improvement plans</li> <li>▪ Link initiative targets to the financial plan and incentive compensation</li> </ul>

# ...Is Focused On Achieving A Clear Set Of Objectives



**TXU Power**



**TXU Energy**



**TXU Electric Delivery**

Strategy	Objectives	Implementation
<ul style="list-style-type: none"> <li>• <b>Cost leadership</b></li> <li>• <b>Operational excellence</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Top decile cost performance</b></li> <li>• <b>Top decile production performance</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>TXU operating system(lean)</b></li> <li>• <b>Strategic sourcing</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Market leadership</b></li> <li>• <b>Commercial excellence</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Excellent customer service</b></li> <li>• <b>Retain and grow profitable customer base</b></li> <li>• <b>Top decile purchased power performance</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Customer experience</b></li> <li>• <b>Customer segmentation</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Operational excellence</b></li> <li>• <b>Cost leadership</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Achieve industry leading safety performance</b></li> <li>• <b>Top decile reliability</b></li> <li>• <b>Top decile cost performance</b></li> <li>• <b>Earn allowable return</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>TXU operating system(lean)</b></li> <li>• <b>Strategic sourcing</b></li> <li>• <b>Technological innovation</b></li> </ul>

# Initial View Of Performance Improvements Will Come From Many Bottom-Up Initiatives

	<u>Initiatives</u>	<u>Annual EBIT improvement opportunity</u>
<b>Operational Excellence</b>	<ul style="list-style-type: none"><li>▪ Baseload capacity and utilization</li><li>▪ Plant heat rate</li><li>▪ Overtime reduction</li></ul>	~\$175 m
<b>Cost Leadership</b>	<ul style="list-style-type: none"><li>▪ Baseload plant O&amp;M costs</li><li>▪ SG&amp;A costs</li><li>▪ Supply chain costs</li><li>▪ Bad debt costs</li><li>▪ Real estate costs</li></ul>	~\$275 m
<b>Commercial Excellence</b>	<ul style="list-style-type: none"><li>▪ Gas fleet utilization and purchased power</li><li>▪ Large business contribution margin</li></ul>	~\$75 m
<b>Market Leadership</b>	<ul style="list-style-type: none"><li>▪ Customer retention</li><li>▪ Bad debt expense</li><li>▪ South Texas contribution margin</li></ul>	~\$75 m

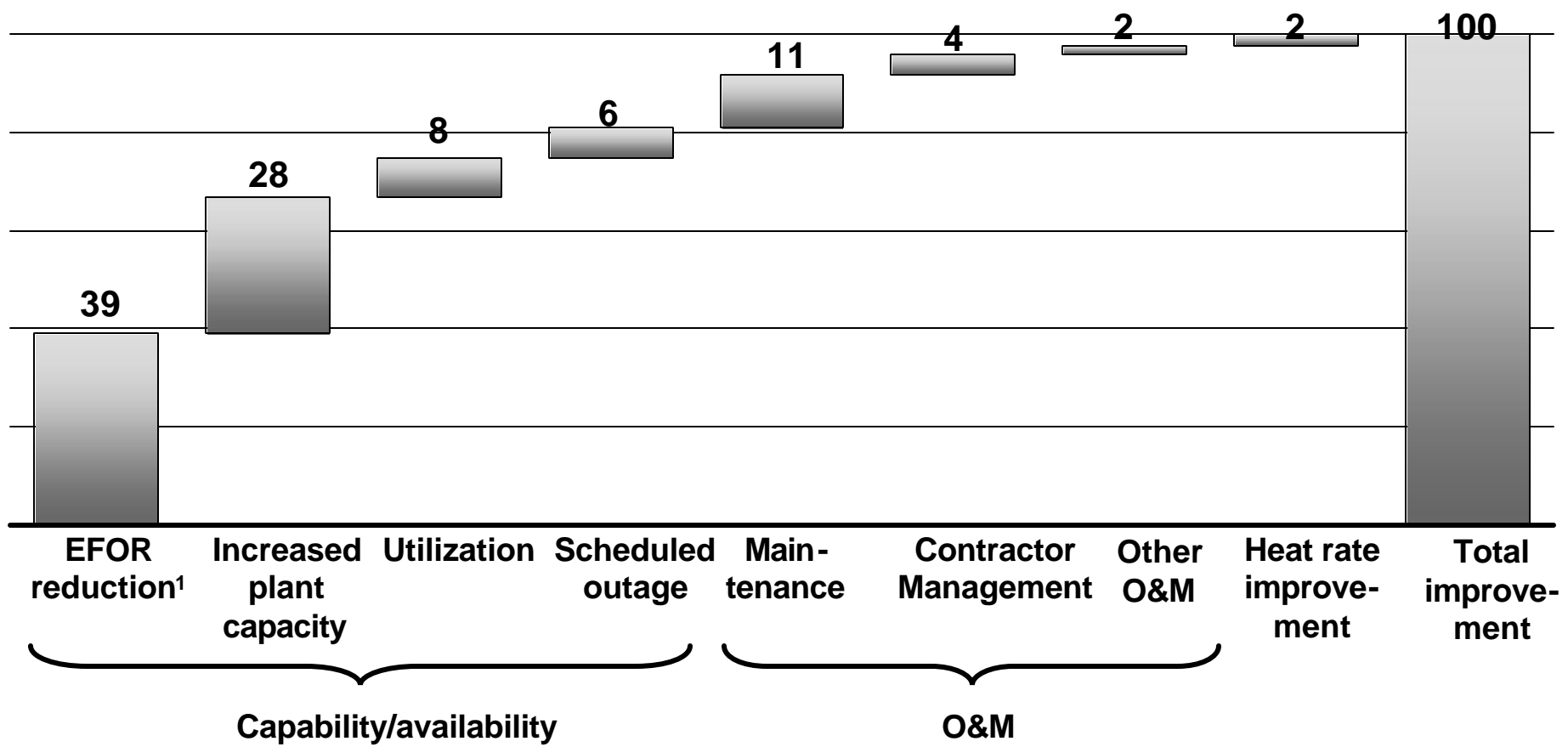
# TXU Is Learning From The Pioneers Of Productivity...

Profile	Toyota	Boeing	GE	Alcoa	Sandvik
Date started	1950's	1980's	Late 1980's	1996	Early 2000's
Original themes	Lean manufacturing methods and techniques	Redefinition of slow rate, highly complex assembly process	Improve operations, enhance quality and lower cost	Applying lean manufacturing to process industry	<ul style="list-style-type: none"> <li>▪ Lead-time reduction</li> <li>▪ Productivity</li> <li>▪ Quality</li> </ul>
Additional themes	Benchmark in cost, quality and delivery in automotive manufacturing	Consolidation and mergers with other large aerospace organizations	<ul style="list-style-type: none"> <li>▪ Sharing knowledge</li> <li>▪ Fewer defects</li> </ul>	<ul style="list-style-type: none"> <li>▪ Productivity</li> <li>▪ Rates</li> <li>▪ Cost</li> <li>▪ Quality</li> </ul>	Lean manufacturing transformation on the shop floor
Capability building system	Special training and coaching tailored to the change groups	Boeing Leadership Center with incorporated lean enterprise training	"Crotonville"	"Alcoa University" developed by APS corporate group	"Academy" – responsible for buildup and management of production system
Scope	<ul style="list-style-type: none"> <li>• All plants</li> <li>• Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Plants</li> <li>• Also used in M&amp;A</li> </ul>	All divisions/sites	<ul style="list-style-type: none"> <li>• All plants</li> <li>• Also used in M&amp;A</li> </ul>	All divisions/sites

*Other potential facility visits include in-process transformations: Georgia Pacific, Greif, Airbus, and Barrick*

# ...To Transform Its Power Plants Into Lean Industrial Complexes...

Estimated long-term EBIT improvement  
04; Percent



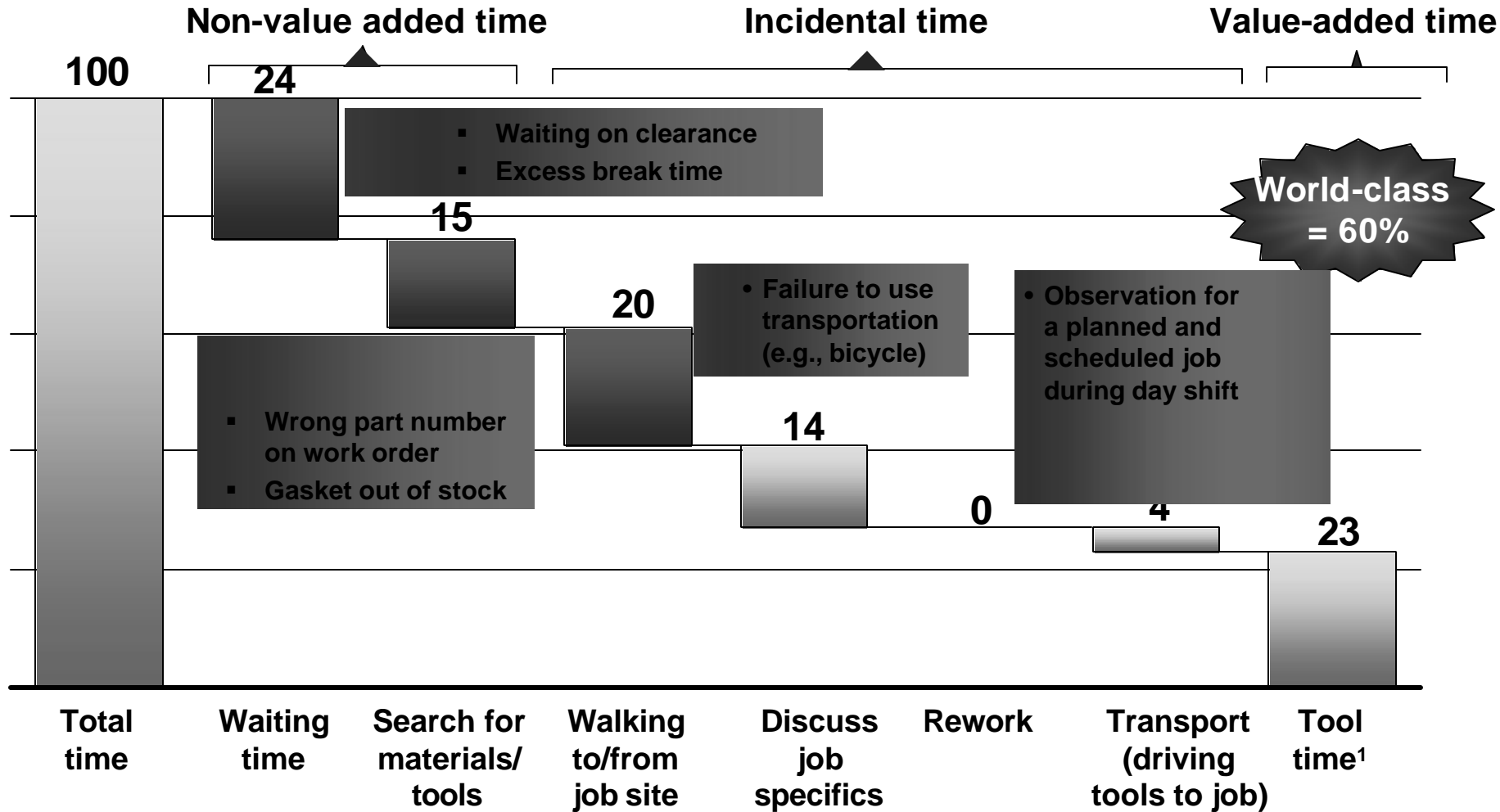
*Capturing similar opportunities across the network can be a \$140 m EBIT opportunity*

<sup>1</sup> EFOR-Equivalent Forced Outage Rate

# ...Based On Detailed Analysis Of Plant Maintenance...

Tool time

04; Percent of total time

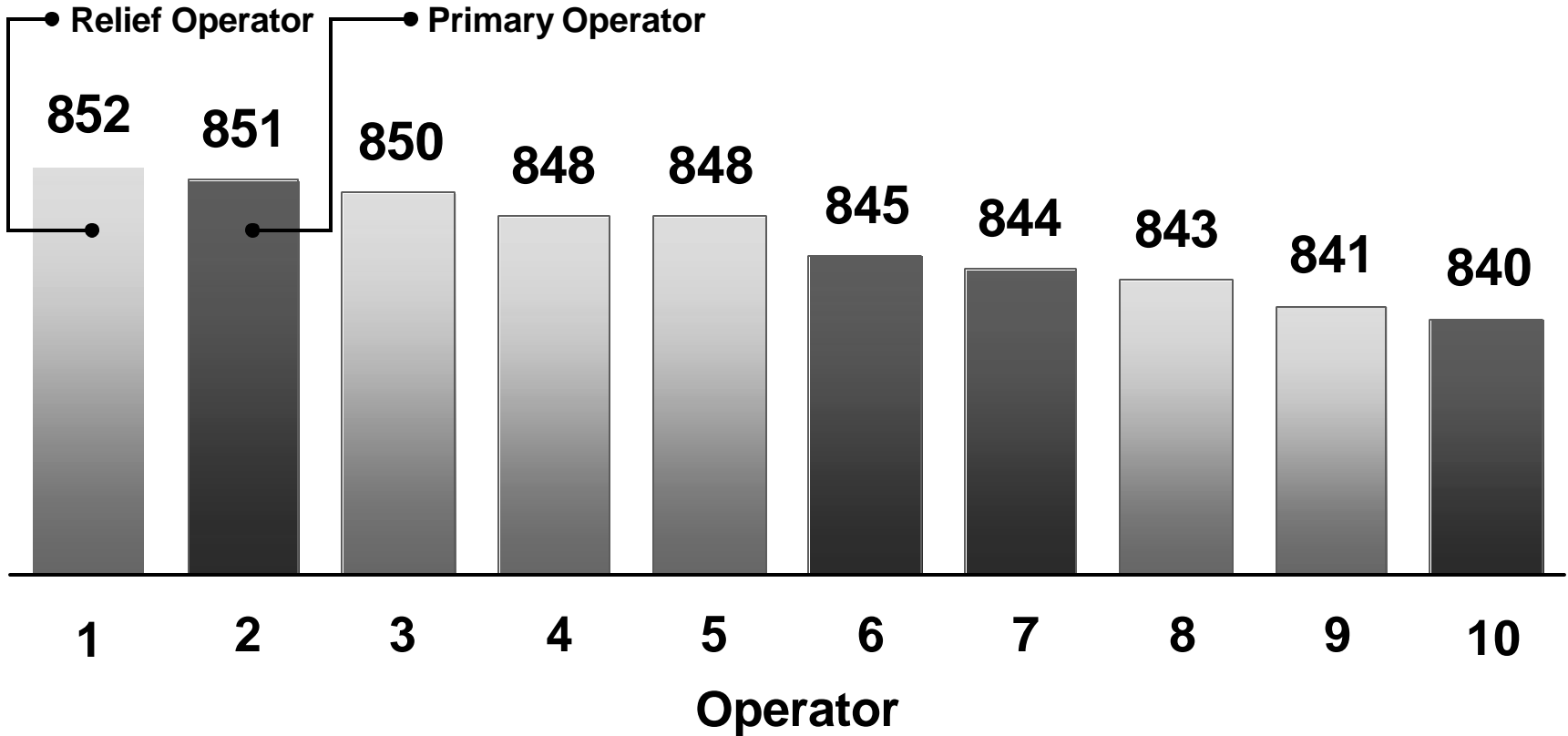


*Maintenance efficiency can be a \$15 m EBIT opportunity*

<sup>1</sup> Tool time defined as value-added portion of activity (i.e., on tools fixing it right the first time)

# ...And Capacity Utilization

Operator performance  
04; Average MW achieved



*Consistent operator high performance can be a \$2 m EBIT opportunity*

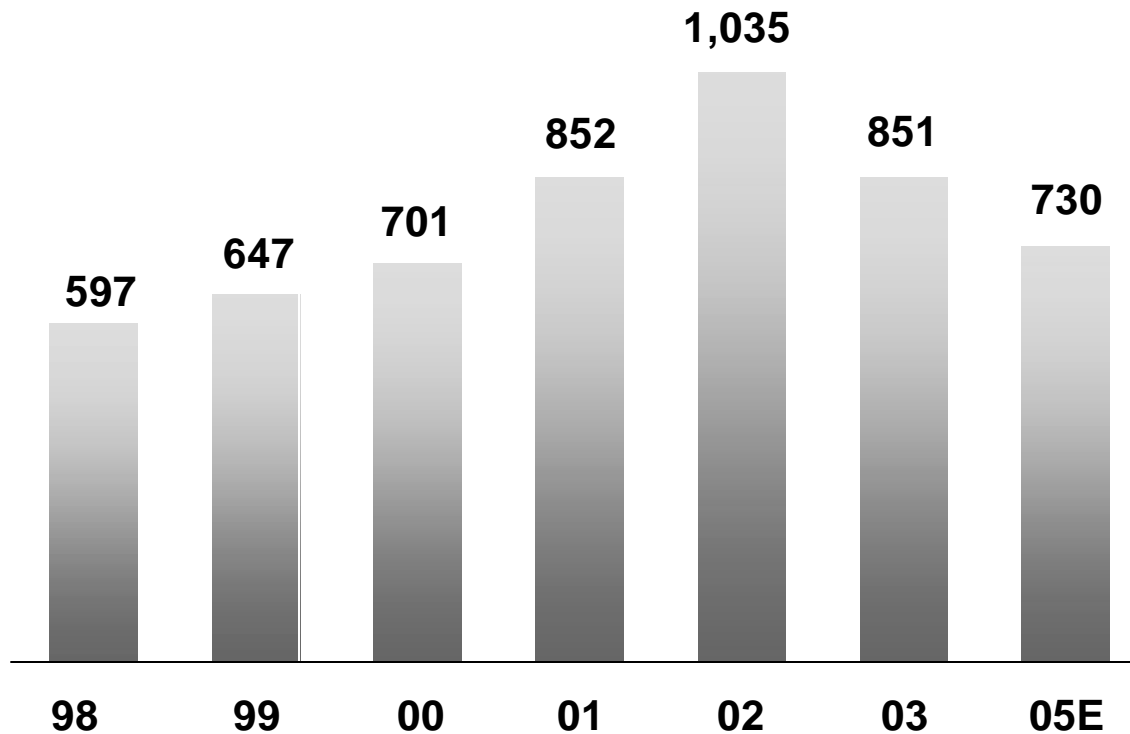
<sup>1</sup> Excludes all conditions out of the operators control (e.g., equipment failures, low Btu fuel)

# Initial View Of Performance Improvements Will Come From Many Bottom-Up Initiatives

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# We Are Attacking the SG&A Spend Categories That Have Increased Over Time...

SG&A costs from continuing operations  
98-05E; \$ million

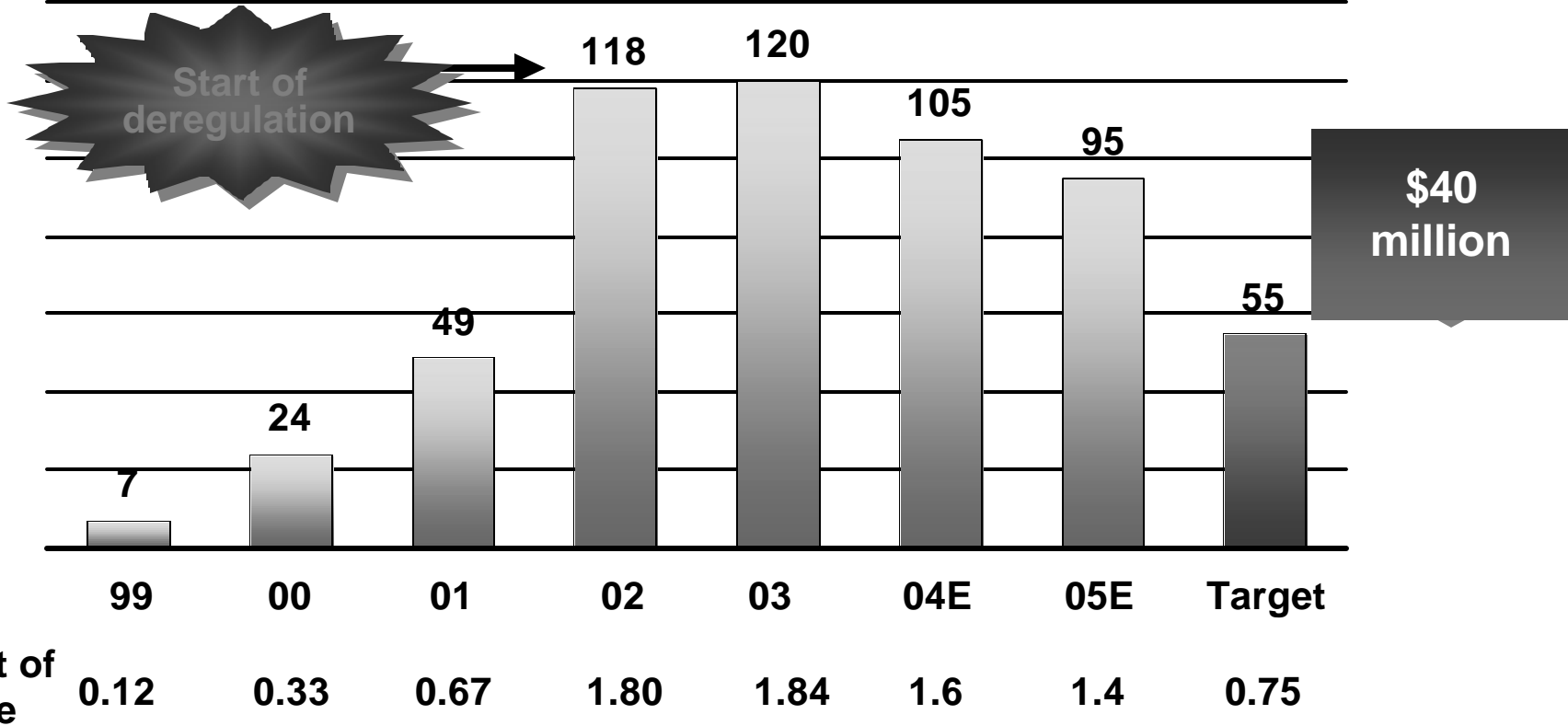


- *Initiative teams are systematically reviewing drivers of increase*
  - *Headcount and salaries*
  - *Insurance*
  - *Bad debt*
  - *3<sup>rd</sup>-party professional spending*

*Achieving 98 SG&A cost levels with industrial company productivity gains can be a \$130 m EBIT opportunity*

# ...And Attacking a Bad Debt Problem That Has Grown Out of Deregulation

TXU retail bad debt expense  
99-04; \$ millions



## Key drivers of bad debt:

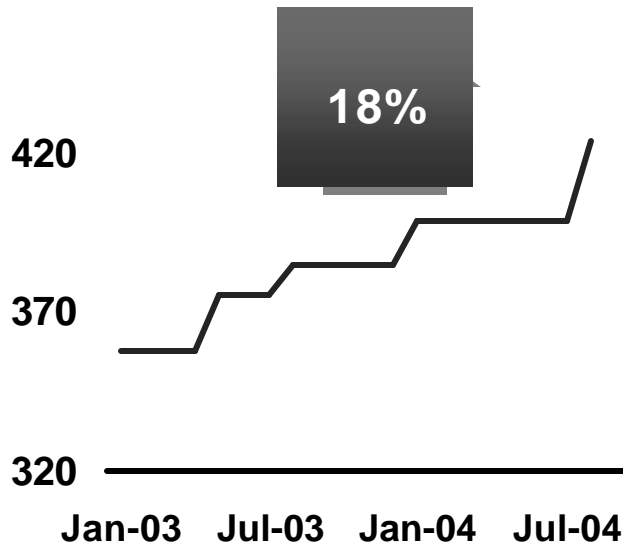
- *Disconnect option was unavailable for non-paying customers in native market until September 2002*
- *Ability of customers to change power providers to avoid loss of service*

# Initial View Of Performance Improvements Will Come From Many Bottom-Up Initiatives

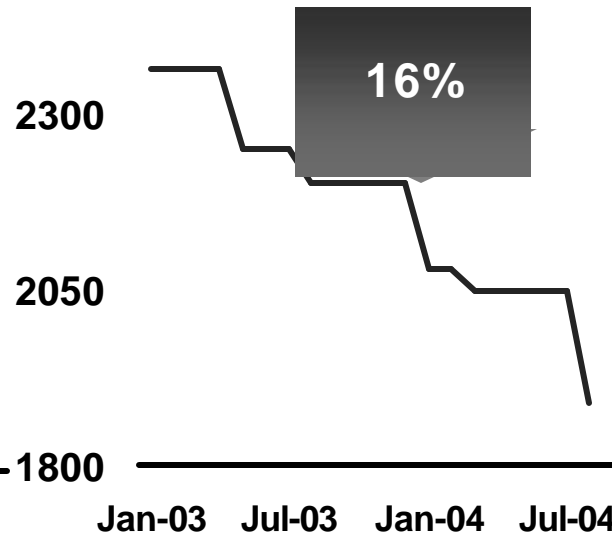
	<u>Initiatives</u>	<u>Annual EBIT improvement opportunity</u>
<b>Operational Excellence</b>	<ul style="list-style-type: none"><li>▪ Baseload capacity and utilization</li><li>▪ Plant heat rate</li><li>▪ Overtime reduction</li></ul>	~\$175 m
<b>Cost Leadership</b>	<ul style="list-style-type: none"><li>▪ Baseload plant O&amp;M costs</li><li>▪ SG&amp;A costs</li><li>▪ Supply chain costs</li><li>▪ Bad debt costs</li><li>▪ Real estate costs</li></ul>	~\$275 m
<b>Commercial Excellence</b>	<ul style="list-style-type: none"><li>▪ Gas fleet utilization and purchased power</li><li>▪ Large business contribution margin</li></ul>	~\$75 m
<b>Market Leadership</b>	<ul style="list-style-type: none"><li>▪ Customer retention</li><li>▪ Bad debt expense</li><li>▪ South Texas contribution margin</li></ul>	~\$75 m

# TXU Has Focused On Improving The Flexibility Of Its Gas Fleet...

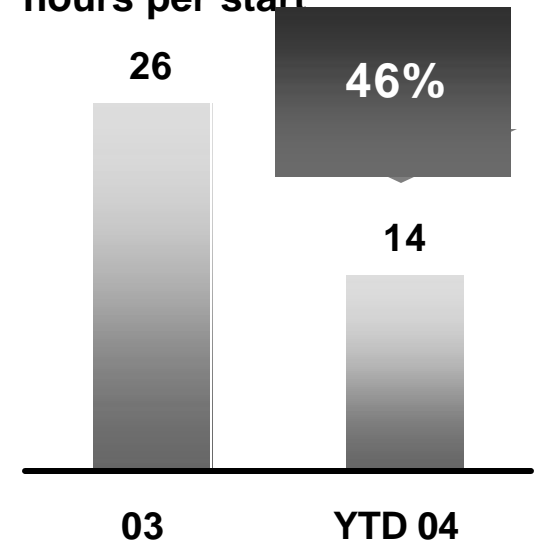
Increased fleet ramp rates...  
03-04; MW/Min



Reduced plant minimums...  
03-04; MW



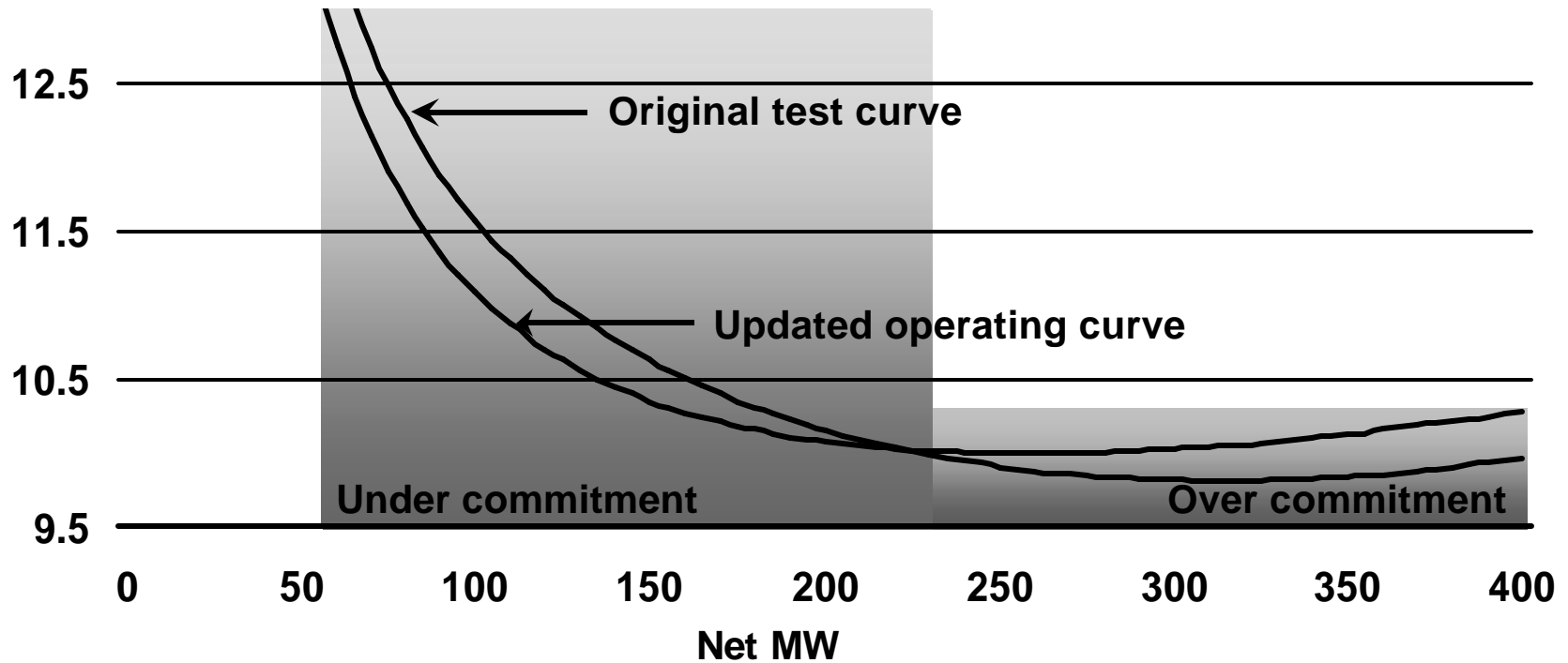
...More effective cycling  
03-04; Average run time  
hours per start



- *Increased flexibility has allowed TXU to supply its ancillary service and shaping needs with fewer assets*

# ...And Increasing The Accuracy Of Its Dispatch Models...

Gas plant heat rate (single plant example)  
03-04; MMBtu/MWh

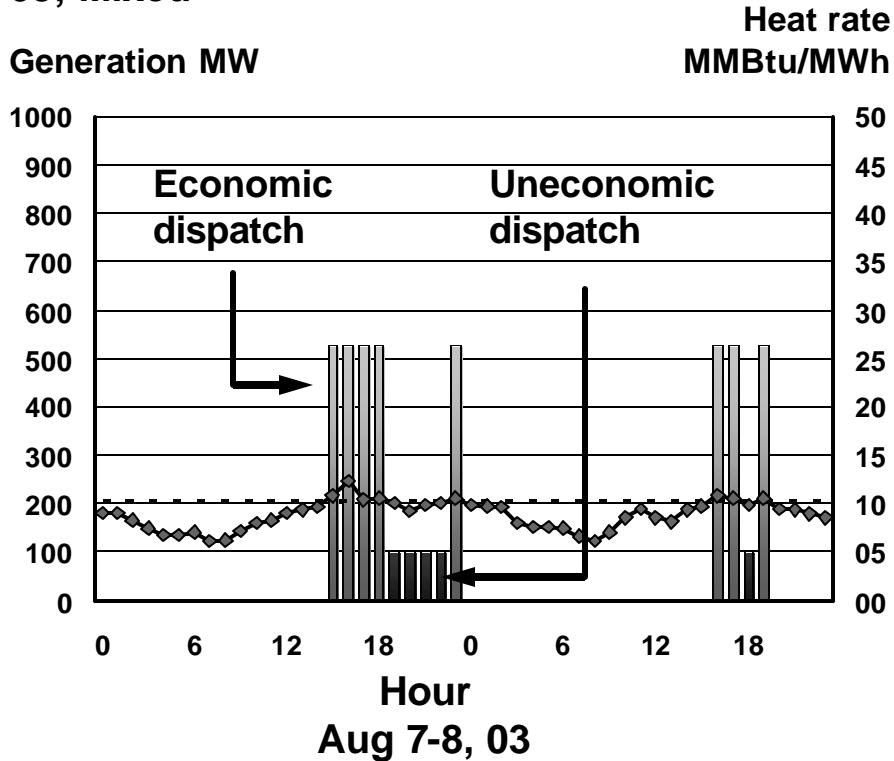


- *Since the gas plants were not being operated at test conditions, observed heat rates did not match test heat rates*
- *Inaccurate heat rates led to both over commitment and under commitment of TXU's gas fleet and higher purchased power costs*
- *TXU has developed a system to update heat rate based on actual operations*

# ...To Improve The Make vs Buy Decision

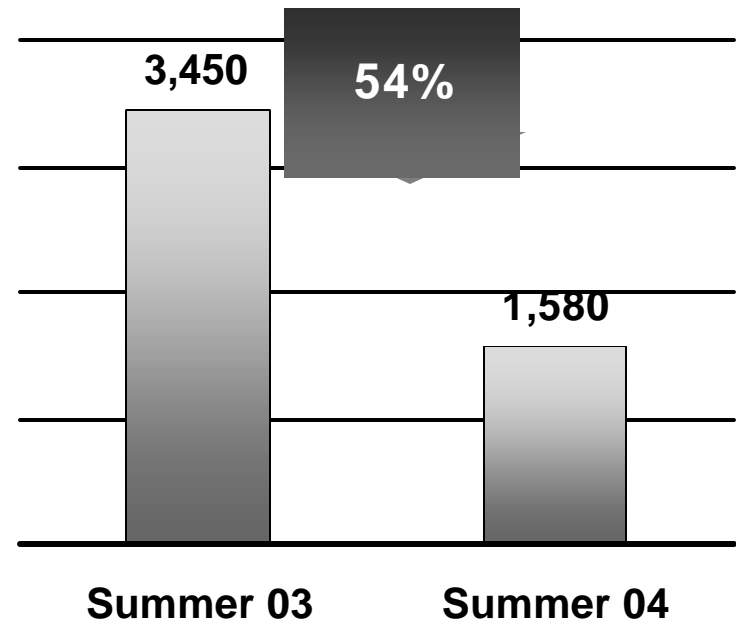
Although the make vs buy decision is complicated by market volatility and limited liquidity...

Gas plant dispatch (single plant example)  
03; Mixed



...TXU has significantly reduced its uneconomic generation

Uneconomic gas plant generation  
03-04; GWh



- *Improved make vs buy decisions have led to an estimated \$50 m improvement from 03 to 04*
- *Future improvements could lead to an additional \$20-\$30 m improvement*

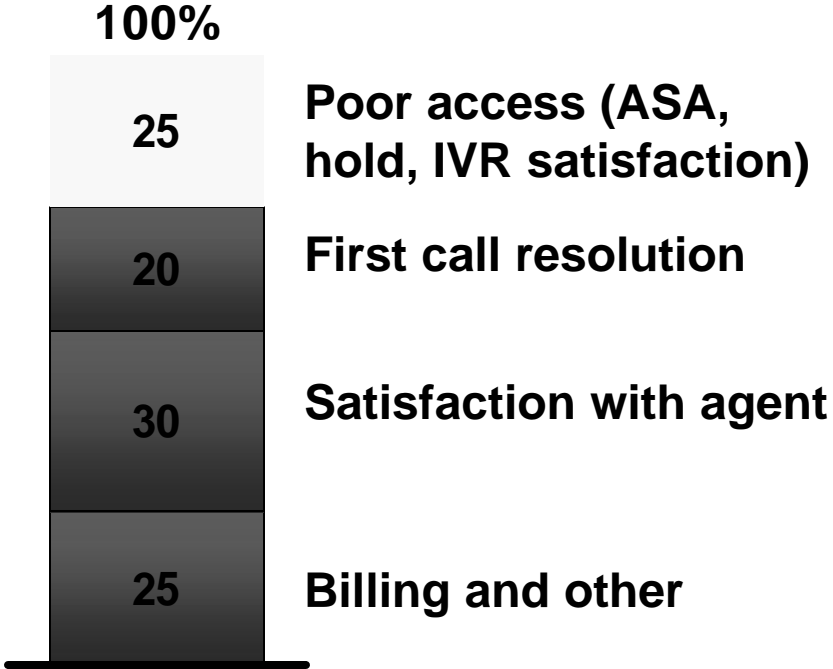
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# World Class Marketing Requires An Understanding Of the Customer Base To Reduce Residential Churn

*Customer research indicates that 20 – 40% of customer switch due to a poor “customer experience”*

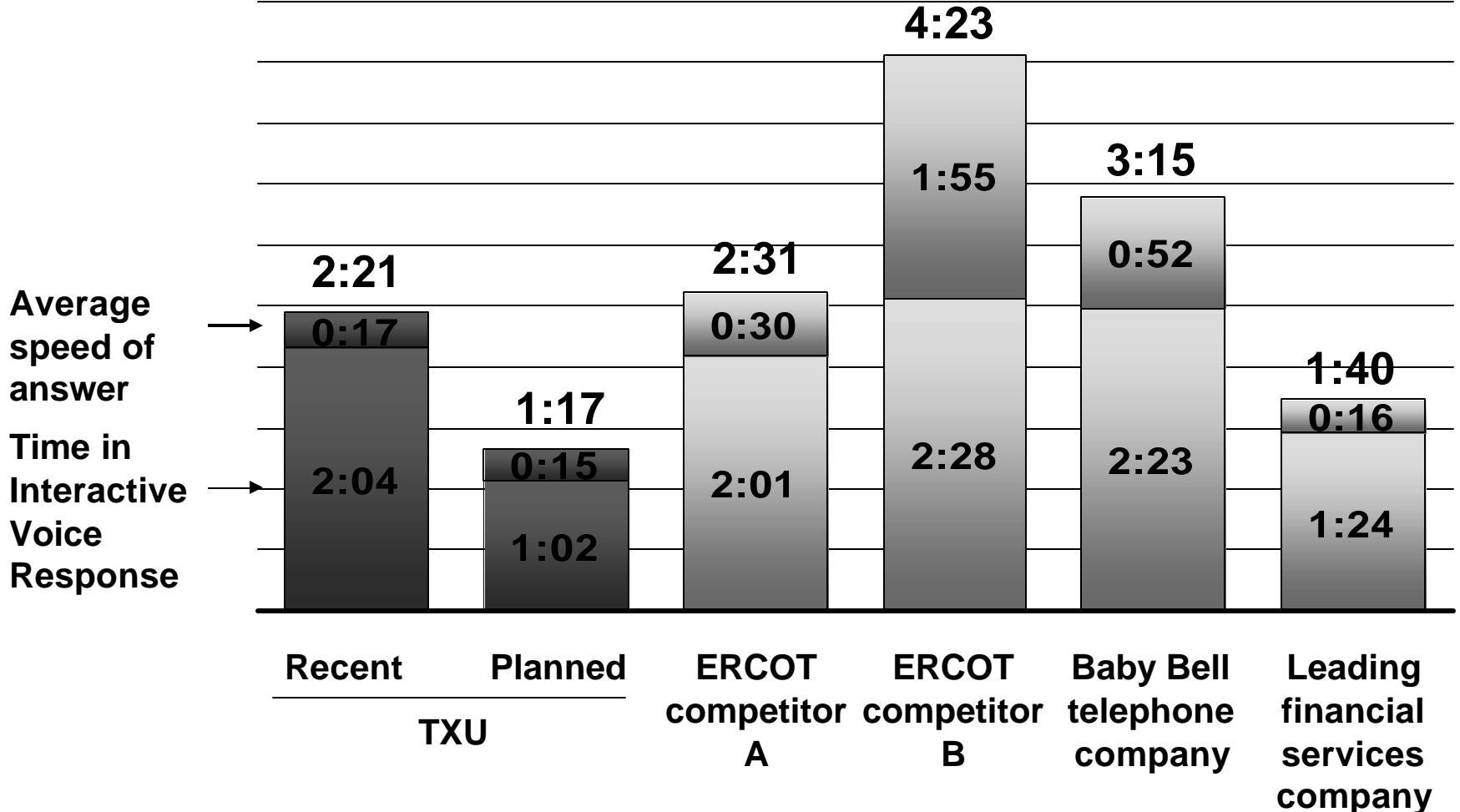
Reason for poor experience  
04; Percent



*A full year 1% reduction in customer churn can be a \$7.5 m EBIT opportunity*

# Step One: Deliver An Exceptional Customer Access Experience

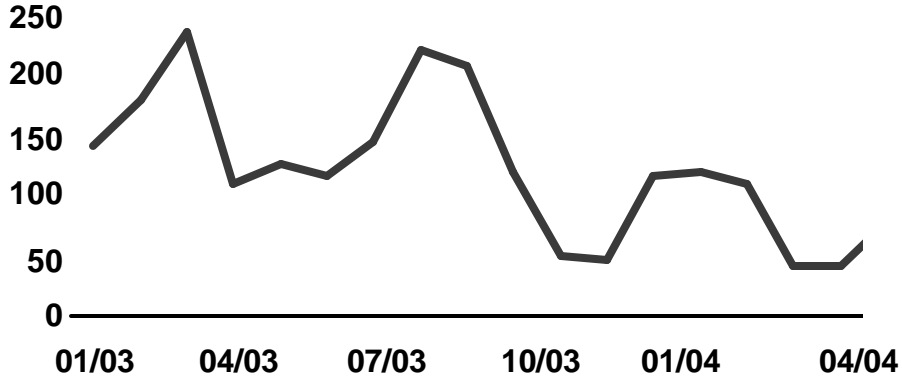
Average time to reach call representative  
 04; Minutes: seconds



# The Impact Has Already Been Felt

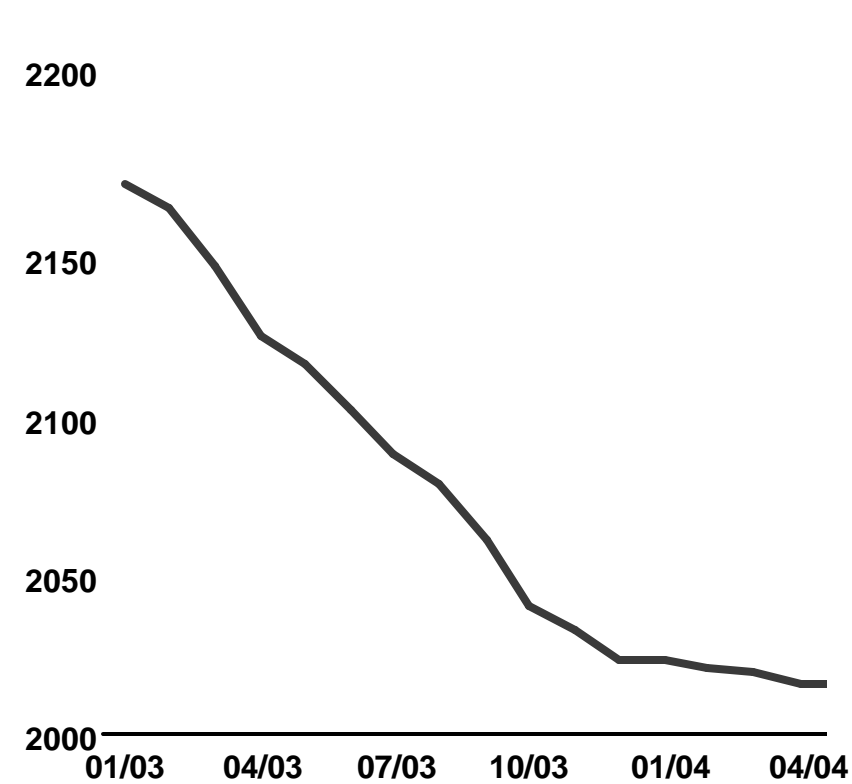
Improved Call Answer Time: Average Speed of Answer

03-04; Seconds



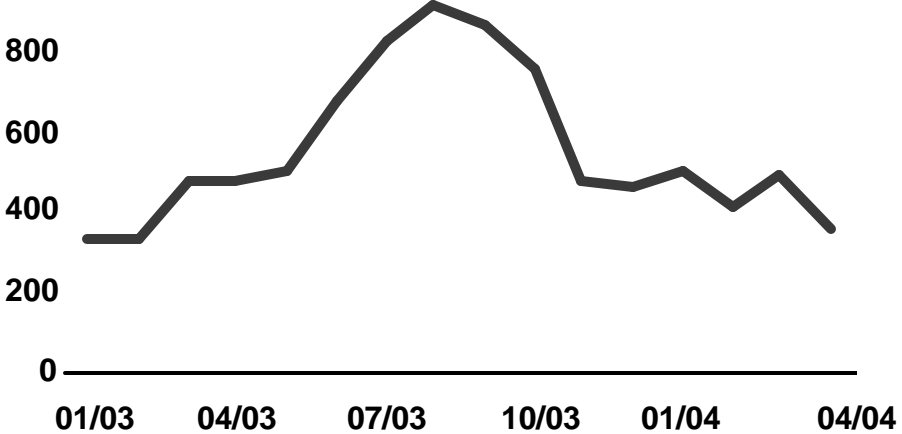
Stabilizing Residential Market Share

02-04; Millions of Customers



Reduced PUC Complaints

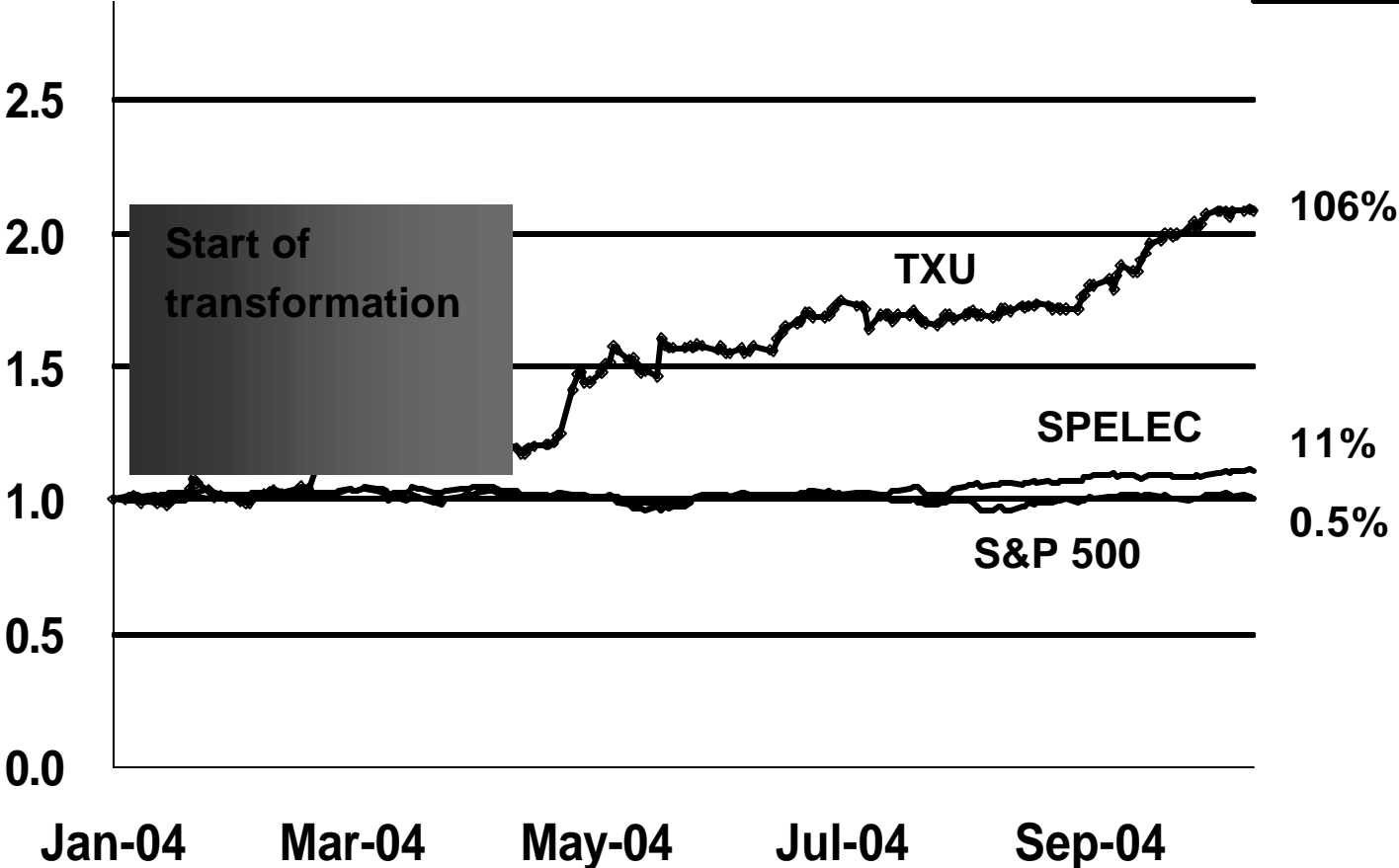
03-04; Number



# The Market Has Responded Positively To The Transformation...

Stock price normalized to January 1<sup>st</sup>, 04  
04; Ratio

YTD increase



# ...Placing TXU At The Top Of The S&P 500 For 04 Total Returns

<HELP> for explanation, <MENU> for similar functions. N208 Index MRR  
 Screen Printed Page 1/26  
 Ranked Price Returns: Index Members

Ret Period	IO	Base Curr	USD	Adjust?	N	Total Return?	N
<b>Best Performing Members</b>							
	1)	TXU CORP				105.99	
	2)	APPLE COMPUTER				103.60	
	3)	AUTODESK INC				93.25	
	4)	AT&T WIRELESS SE				85.23	
	5)	VALERO ENERGY				78.03	
	6)	AMERADA HESS CP				66.26	
	7)	BIOGEN IDEC INC				58.35	
	8)	NUCOR CORP				57.96	
	9)	QUALCOMM INC				55.57	
	10)	SYMANTEC CORP				55.21	
<b>Worst Performing Members</b>							
	11)	VERITAS SOFTWARE				-44.38	
	12)	QLOGIC CORP				-45.89	
	13)	APPLIED MICRO CI				-47.13	
	14)	TERADYNE INC				-47.39	
	15)	CALPINE CORP				-50.73	
	16)	LSI LOGIC CORP				-50.85	
	17)	PMC-SIERRA INC				-55.98	
	18)	WINN-DIXIE STORE				-62.11	
	19)	DELTA AIR LINES				-64.86	
	20)	CIENA CORP				-67.79	

Index: SPX  
 Total: 500 Members  
 Return: .19  
 Start Date: 12/31/03 - End Date: 10/14/04

868123 EFE 10:21 Frutos encabezará delegación PCE que asistirá al FSE en Londres  
 868083 RNS 10:21 Banco Sntndr Central BNC Rule 8 -Banco Santander-Amend  
 868074 EDG 10:21 Icy Splash Food & Beverage Inc : 4 8/18/2004



# The Third Phase Will Establish TXU's Capital Allocation And Growth Strategy...

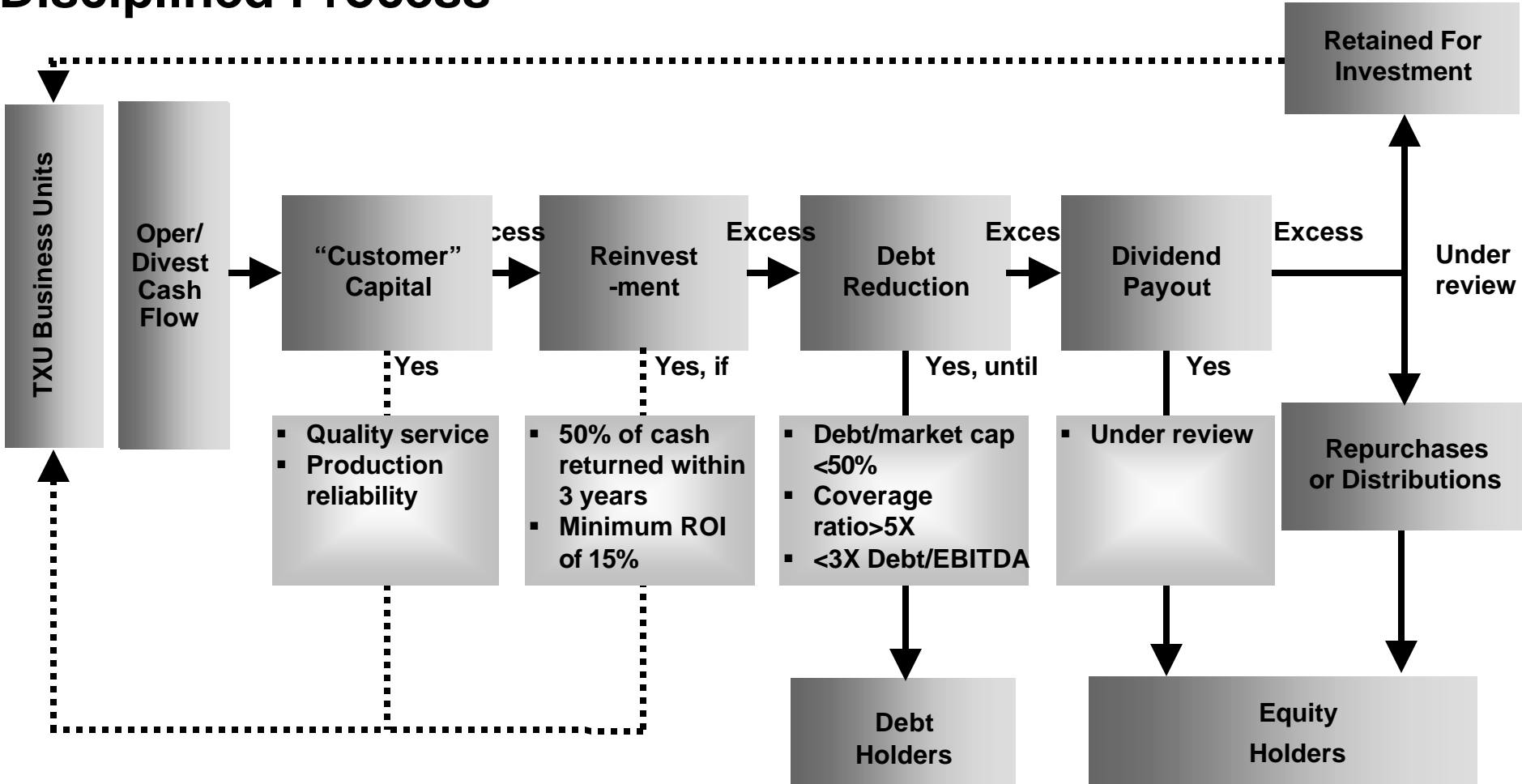


Feb 23, 2004 ————— May 18, 2004 ————— Oct 24, 2004 ————— ???

Enrollment      Classes began      Mid-term exams      Second semester      Final exams      Graduate school

What We Needed To Do	How We Did It/ How We Are Doing It
<ul style="list-style-type: none"> <li>▪ Develop rigorous cash stewardship and capital allocation philosophy</li> <li>▪ Leverage distinctive capabilities to grow</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement capital allocation philosophy</li> <li>▪ Pursue value-creating growth opportunities</li> </ul>

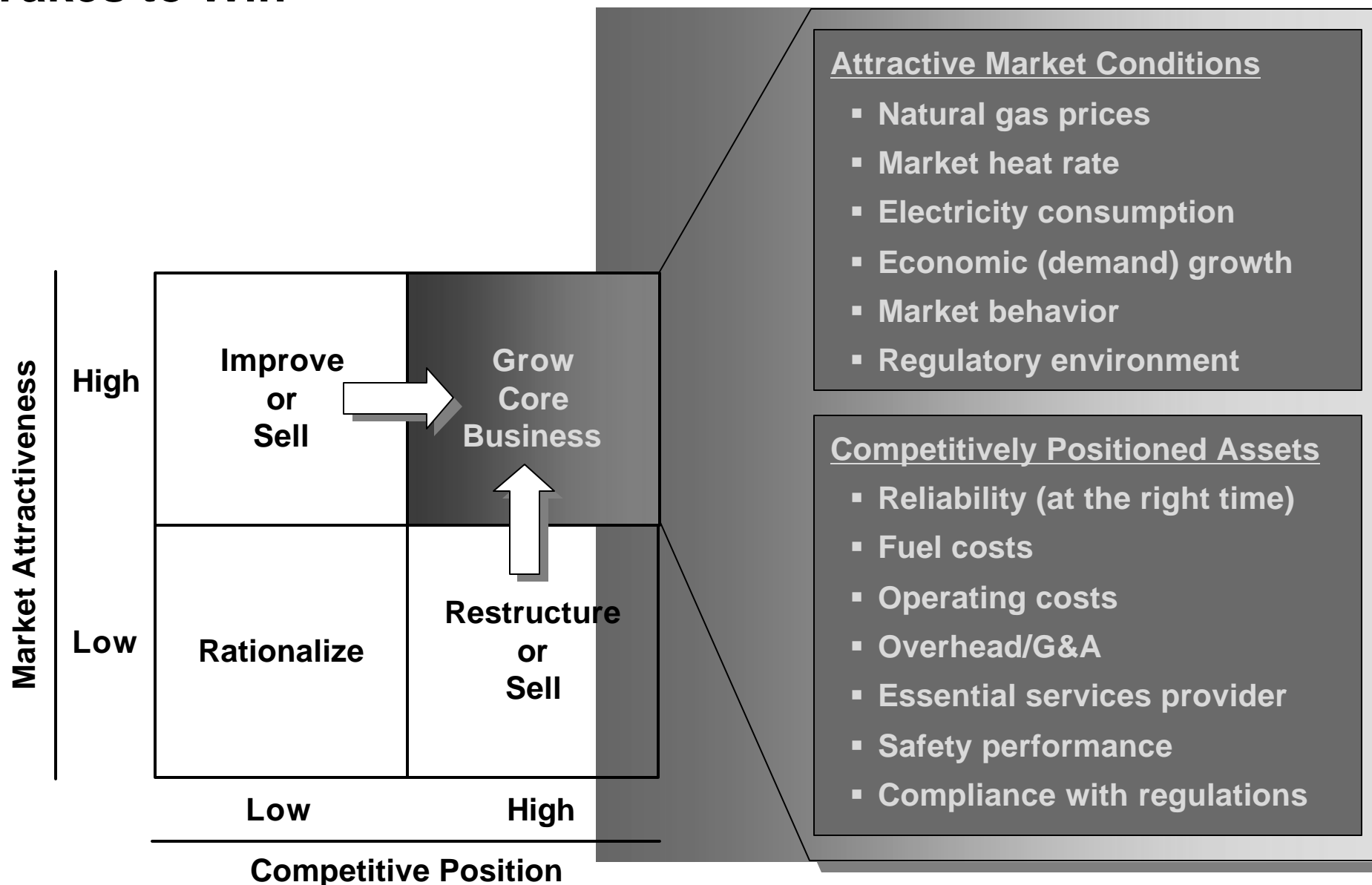
# ...With Our Capital Allocation Following A Rigorous And Disciplined Process



*Given cash flow expectations, we must determine our long-term capital allocation policy:*

- How much cash should we re-invest?*
- What are the big growth opportunities that can provide excess return over our cost of capital?*
- How much cash should we return to our shareholders?*

# ... And Earning the Right to Grow by Understanding What it Takes to Win

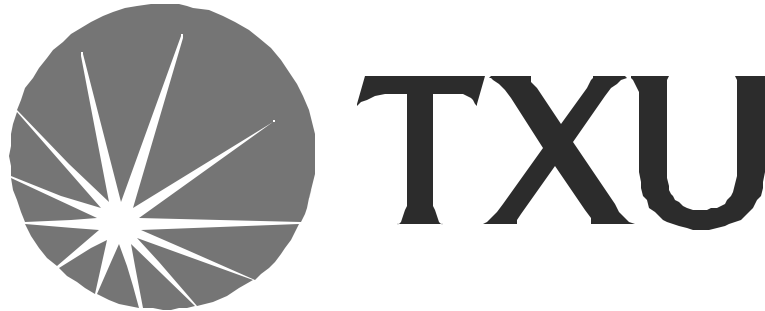


# TXU: Transformation In Progress

**Success in our dynamic, challenging industry depends on:**

- **“Achieving industry leadership” – Driving toward top decile operations and service in our core businesses**
  - **“Cultivating innovation and initiative” – Building a high performance culture focused on continuous improvement**
  - **“Earning the right to grow” – Maintaining financial discipline and enhancing core capabilities to capitalize on future value creating opportunities**
- 
- **Key opportunities going forward**
    - **Implementing lean manufacturing principles in solid fuel plants**
    - **Developing world class marketing capabilities**
    - **Managing large and complex commodity risk positions**
    - **Developing a profitable growth strategy outside of the core business**

## Regulation G Reconciliations



***TXU management is currently unable to accurately estimate the impact of special items or changes in accounting principles or policies on free cash flow, return on invested capital, total debt to total capitalization or gross interest coverage. TXU is therefore currently unable to provide the most directly comparable GAAP measure to these items.***

# Financial Measures

Measure	Definition
<b>CAPEX</b>	Capital expenditures and nuclear fuel from the statement of cash flows
<b>Contribution margin/Gross margin</b>	Operating revenues – cost of energy sold and delivery fees
<b>EBIT</b>	Net income before gross interest and income tax expense
<b>EBITDA/Interest</b>	Net income before gross interest, income tax expense and depreciation and amortization / gross interest
<b>Free cash flow (non-GAAP)</b>	Cash provided by operating activities – changes in assets and liabilities – capital expenditures (including nuclear fuel)
<b>Gross interest</b>	Interest and related charges from the income statement
<b>Gross interest coverage</b>	(Income from continuing operations before gross interest and income tax expense + depreciation and amortization) / gross interest
<b>Income from continuing operations</b>	Income from continuing operations before extraordinary items and cumulative effect of changes in accounting principles from the income statement
<b>Total market capitalization</b>	Value of a corporation as determined by the market price of its issued outstanding common stock + value of its debt
<b>O&amp;M</b>	Operation and maintenance expenses are shown as “operating costs” on TXU Corp and segment income statements.
<b>OCF/CAPEX + Div</b>	Operating cash flow / CAPEX + common and preference stock
<b>Operating cash flow (OCF)</b>	Cash provided by operating activities – changes in assets and liabilities
<b>Operational earnings per share (non-GAAP)</b>	Income from continuing operations less preference share dividends and excluding special items / weighted average diluted common shares outstanding
<b>Return on invested capital (non-GAAP)</b>	(Operational earnings + preference stock dividends + after-tax gross interest expense) / average total capitalization
<b>Shareholders' equity</b>	From balance sheet
<b>Special items</b>	Unusual non-recurring charges or gains, primarily related to implementation of the 4+4 performance improvement program. Management excludes these in determining operational earnings for budget and performance management purposes
<b>Total capitalization (non-GAAP)</b>	Total debt + shareholders' equity
<b>Total debt (non-GAAP)</b>	Long-term debt (including current portion) + bank loans and commercial paper + long term debt held by subsidiary trusts + preferred securities of subsidiaries & exchangeable preferred member interests – securitization bonds