BEFORE THE RESPECTIVE GOVERNING BODIES OF THE SOUTH REGION DISTRIBUTION SYSTEM CITIES

STATEMENT OF INTENT TO CHANGE RESIDENTIAL, COMMERCIAL AND INDUSTRIAL RATES AND TO ELIMINATE THE RATE SCHEDULES FOR PUBLIC FREE SCHOOLS-N AND COMMERCIAL CONTRACT FOR PUBLIC SCHOOL GAS SERVICE

TO THE HONORABLE GOVERNING BODY OF EACH SOUTH REGION DISTRIBUTION SYSTEM CITY:

COMES NOW TXU Gas Distribution, a Division of TXU Gas Company ("TXU Gas"), a gas utility under Subtitles A & B of Title 3 of the Texas Utilities Code (Vernon 1997) ("Utilities Code"), and files this its Statement of Intent to Change Residential, Commercial and Industrial rates and to eliminate the rate schedules for Public Free Schools-N and Commercial Contract for Public School Gas Service in the South Region Distribution System ("South Region System"), pursuant to Utilities Code §104.101 - 104.111. Your city is one of the cities included in the South Region Distribution System, which are listed in Attachment A to this Statement of Intent. Also filed herewith and made a part hereof for all purposes, is the Tariff for Gas Service in the South Region Distribution System ("Tariff") and the supporting Cost of Service Schedules ("Schedules").

I.

PROPOSED TARIFFS AND SCHEDULES

TXU Gas Distribution proposes to change its rates in accordance with the Tariff, which includes Rate Schedules 4300 - Index of Rates and South Region System Cities, 4301 - Residential Service, 4302 - Commercial Service, 4311-4313 - Industrial Sales, 4314 - Industrial Transportation, 4321 - Industrial Sales & Transportation, 4308-1 - Gas Cost Adjustment, 4308-2 Tax Adjustment, 4308-3 Weather Normalization Adjustment, 9001 through 9007 - Miscellaneous Service Charges and Rider 4308-4 - Surcharges.

The Tariff supersedes or amends as set forth therein, all previous tariffs for the services affected by this filing in effect within the city limits of your city.

II.

DETAILS OF PROPOSED INCREASE

Details of each proposed increase are contained in Schedules A through L of the Cost of Service Schedules, which are filed herewith. The effect of the proposed increase on the revenues of the utility is set forth in Schedules L-1 through L-5. All Residential, Commercial, Industrial and Public Authority (if any) customers of TXU Gas Distribution within the city limits of your city and the other South Region System Cities will be affected by this change. The class and number of affected customers is set forth in Schedule J-1 of the herein referenced Cost of Service Schedules.

III.

EFFECT OF PROPOSED CHANGES

Estimated total increase in annual revenue is $12.2 million or 11.2% based upon Current Annual Revenue from Residential, Commercial, Industrial Rates-N and Public Authority Customers (Test Year ended December 31, 2000) of $109.0 million and Estimated Annual Revenue under the proposed rates of $121.2 million.

During the period when the proposed residential and commercial rates are in effect, the proposed Weather Normalization Adjustment Clause may increase or decrease revenues. The clause will assist in eliminating unusually large fluctuations in customers' billings due to weather variations. The clause will also assist in leveling the Company's revenues and the City's franchise payments.

The proposed charges for Mainline Extensions do not directly increase or decrease revenues. Payment by a customer for a gas main extension is accounted for in contributions-in-aid of construction, a deduction from total investment for rating making purposes, that reduces the rate base and ultimately the required rate.

The proposed change will eliminate the rates for Public Free Schools-N and Commercial Contract for Public School Gas Service. Firm gas service will be available to public schools under the Commercial rate proposed herein, upon expiration of the current contract year under

the contract in effect between the school district and TXU Gas Distribution. The proposed change will also eliminate any Cost of Service Adjustment or Plant Investment Cost Adjustment clause in place in your city.

The proposed change will not result in a major change as that term is defined in §104.101 of the Utilities Code.

IV.

EFFECTIVE DATE OF PROPOSED CHANGES

TXU Gas Distribution hereby requests this Honorable Governing Body to approve the said Tariff for application within the corporate limits of your city beginning July 5, 2001.

V.

NOTICE

Service or publication of required notice containing the information relative to this Statement of Intent shall be made in accordance with applicable statutes and rules.

THEREFORE, TXU Gas Distribution requests that your city allow such new rates to become applicable within the corporate limits of each South Region System municipality by operation of law or by ordinance granting it the authority to change rates.

Respectfully submitted,

TXU GAS DISTRIBUTION, a Division
of TXU GAS COMPANY

By Cindy Wan

Title Rates Manager

Date Filed: May 31, 2001

ATTACHMENT A TO
STATEMENT OF INTENT FOR THE
SOUTH REGION DISTRIBUTION SYSTEM CITIES
SERVED BY TXU GAS DISTRIBUTION

AFFECTED CITIES

Abbott
Austin
Bartlett
Bellmead
Belton
Beverly Hills
Bremond
Bruceville-Eddy
Bryan
Buckholts
Buffalo
Caldwell
Calvert
Cameron
Cedar Park
Centerville
Clifton
College Station
Coolidge
Copperas Cove
Crawford
Fairfield
Franklin
Gatesville
Georgetown
Granger
Groesbeck
Harker Heights
Hearne
Hewitt
Holland
Hubbard
Hutto
Jewett
Killeen
Kosse
Lacy-Lakeview
Leander
Leona
Lexington
Little-River Academy
Lorena
Lott
Madisonville
Malone
Manor
Marlin
Mart
McGregor
Mexia
Midway
Moody
Nolanville
Normangee
Oakwood
Oglesby
Penelope
Pflugerville
Riesel
Robinson
Rockdale
Rogers
Rosebud
Ross
Round Rock
Somerville
South Mountain
Streetman
Taylor
Teague
Tehuacana
Temple
Thorndale
Thornton
Thrall
Troy
Valley Mills
Waco
West
Woodway
Wortham