

Update on Texas Restructuring

NAESB Conference
September 24, 2002
Baltimore, MD
Chairman, Rebecca Klein

OUTLINE

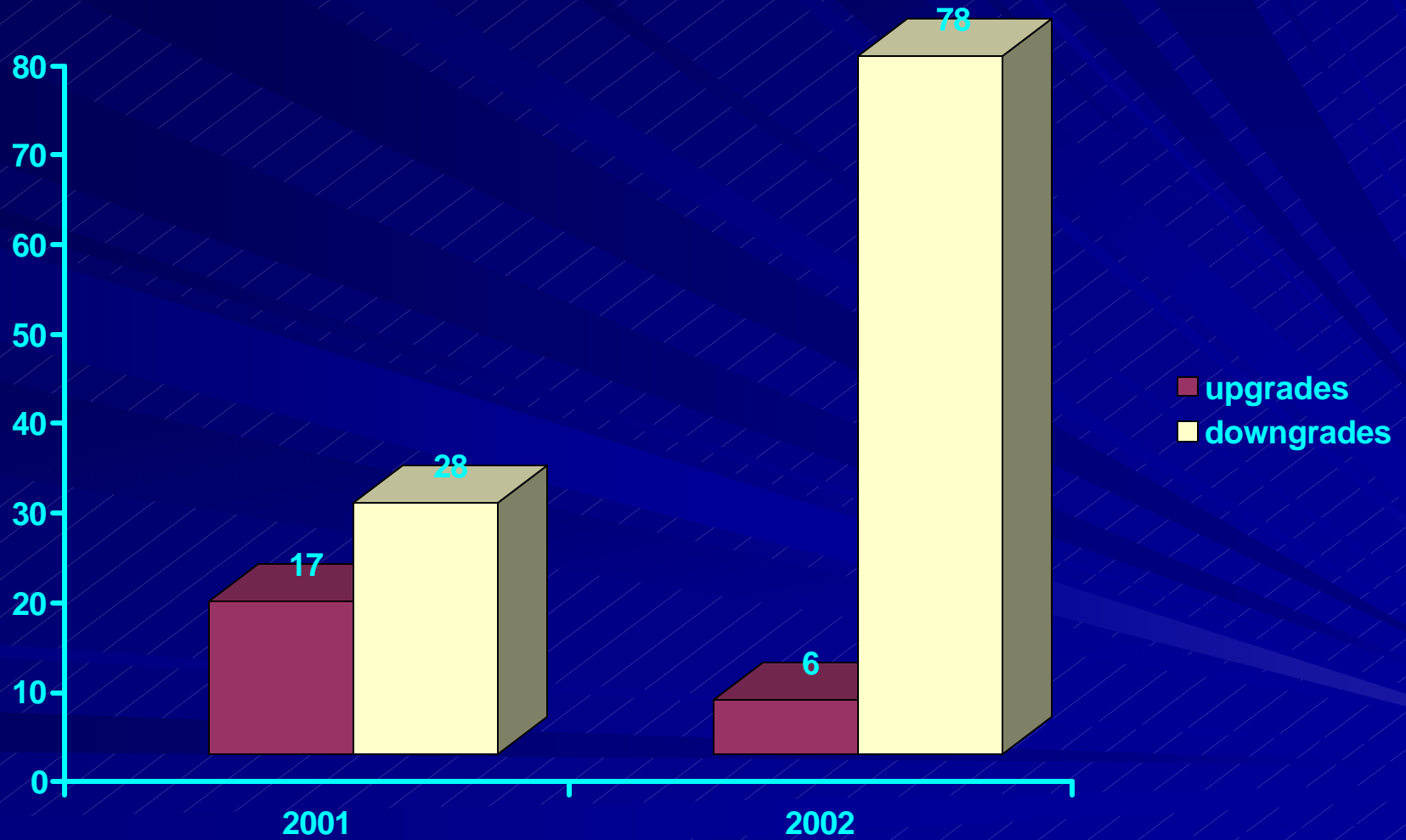
- State of the National Energy/Electric Industry
- State of Texas Electricity Industry
- Status of Competition in Texas
- Current Outstanding Issues

National Energy/Electricity Industry: Stock Trends

DJ Utilities Index



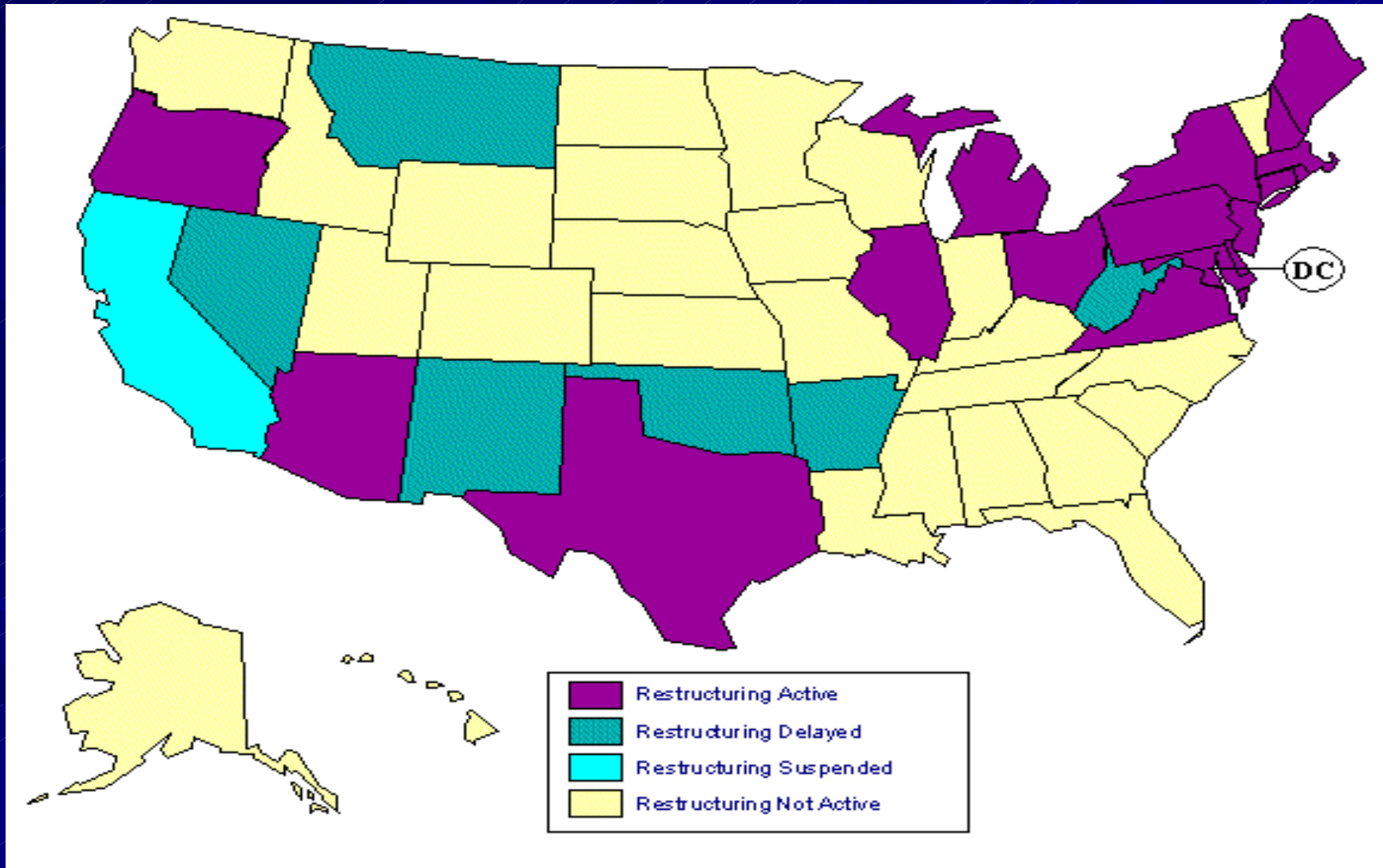
Rating Actions - First Half of the Year



National Energy/Electric Industry: Generation Adequacy

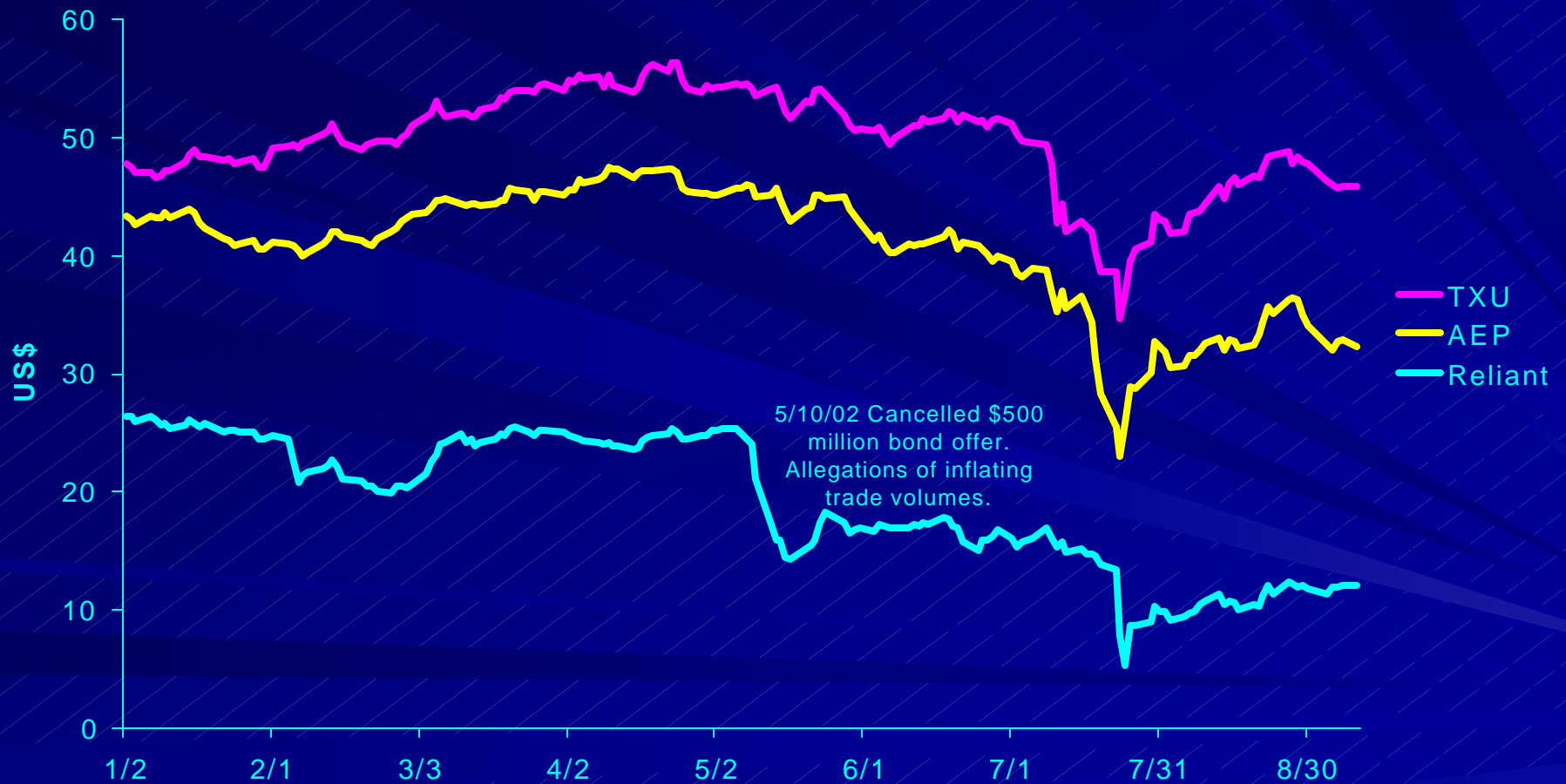
- 48,000MW installed capacity added in N. America in the last year
 - 6% increase over available supplies last summer
- Near term projections – increasing to peak of 20% in 2004
- Resource additions of 138,000MW to 245,000MW expected through 2004

National Energy/Electric Industry: State Positions on Competition



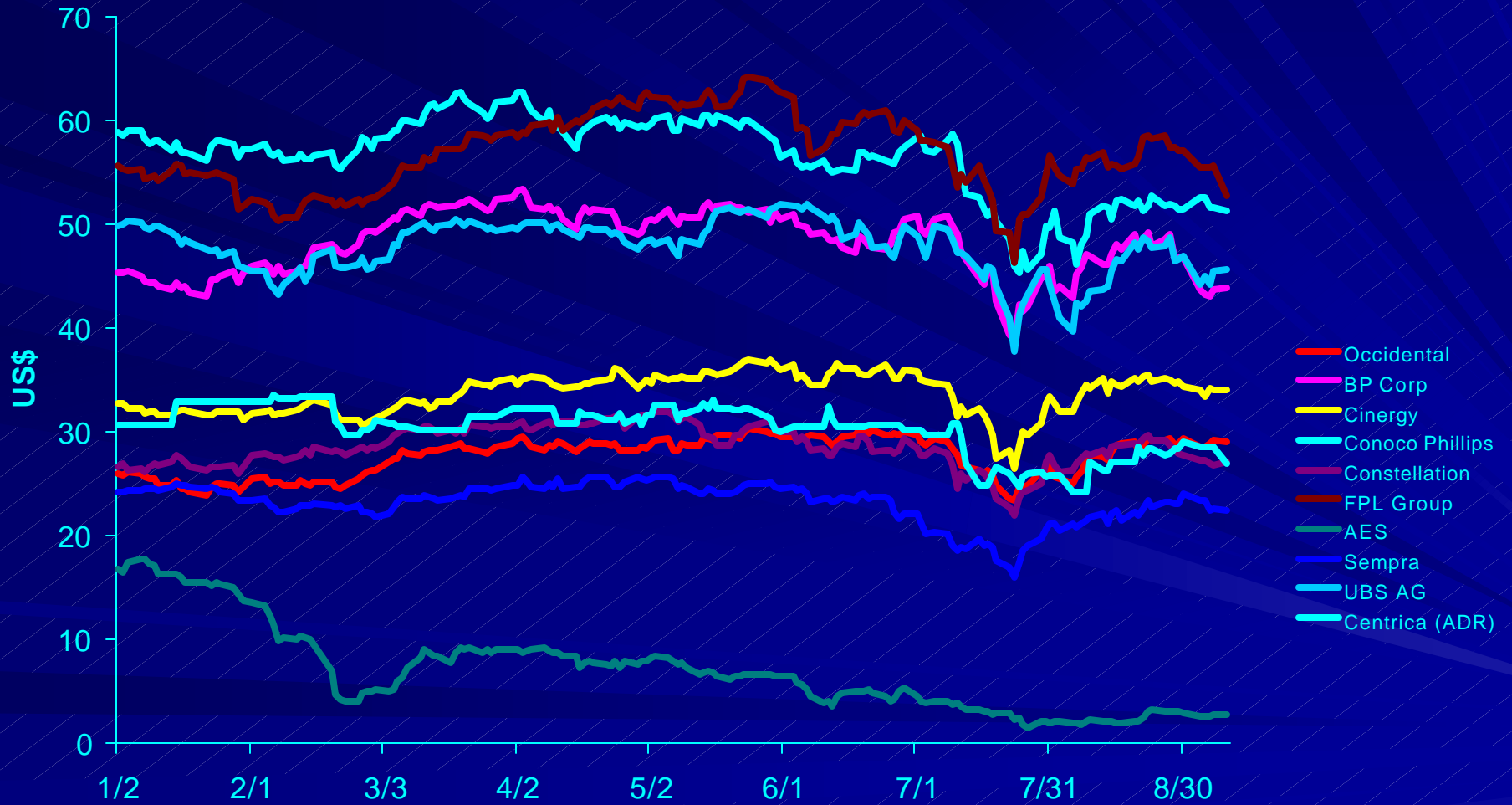
Texas Electricity Industry: Stock Market Trends

Daily Closing Stock Prices
Texas Incumbent Utilities



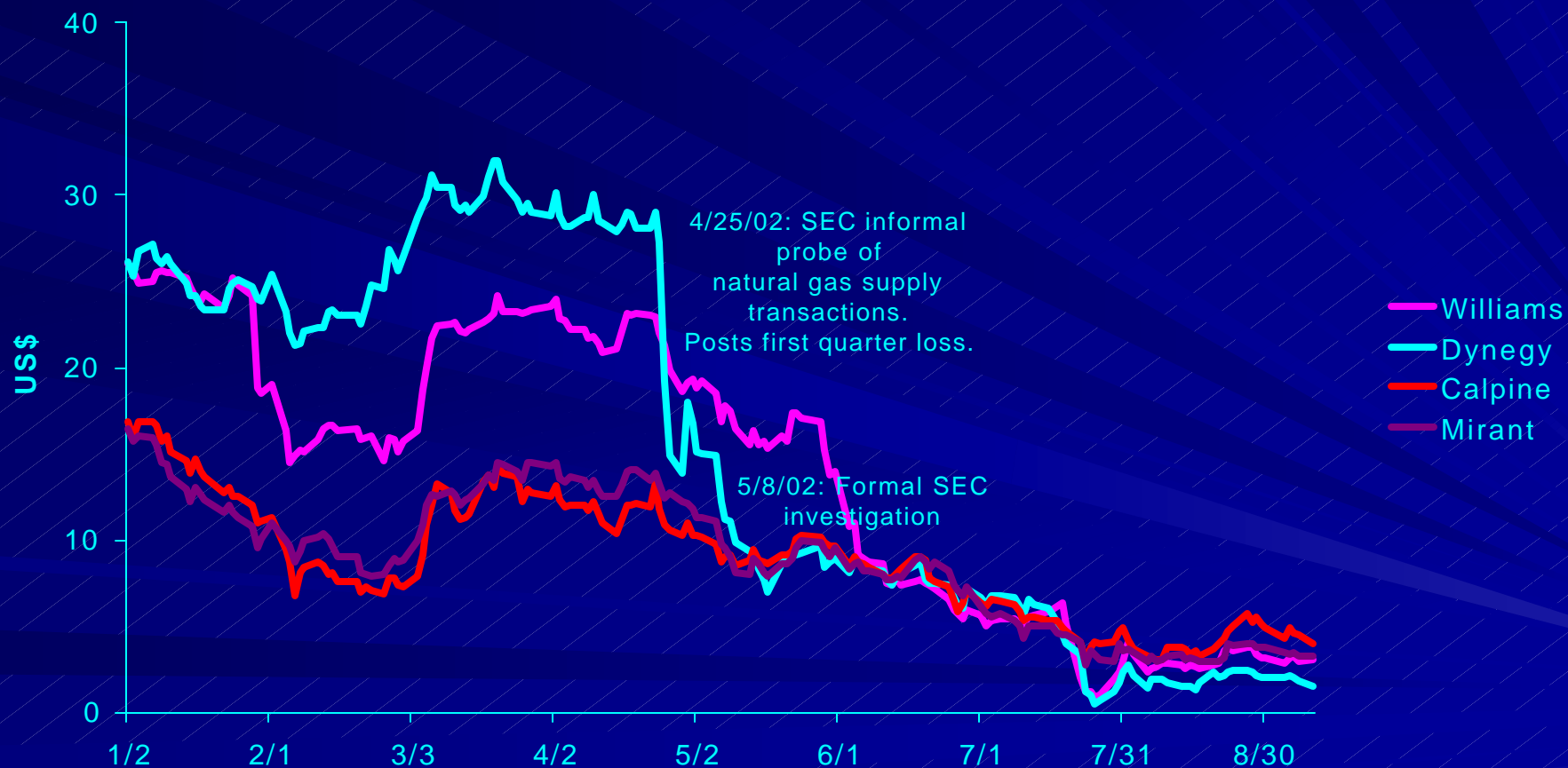
Stock Trends: Texas REPs

Daily Closing Stock Prices
Texas Retail Electric Providers



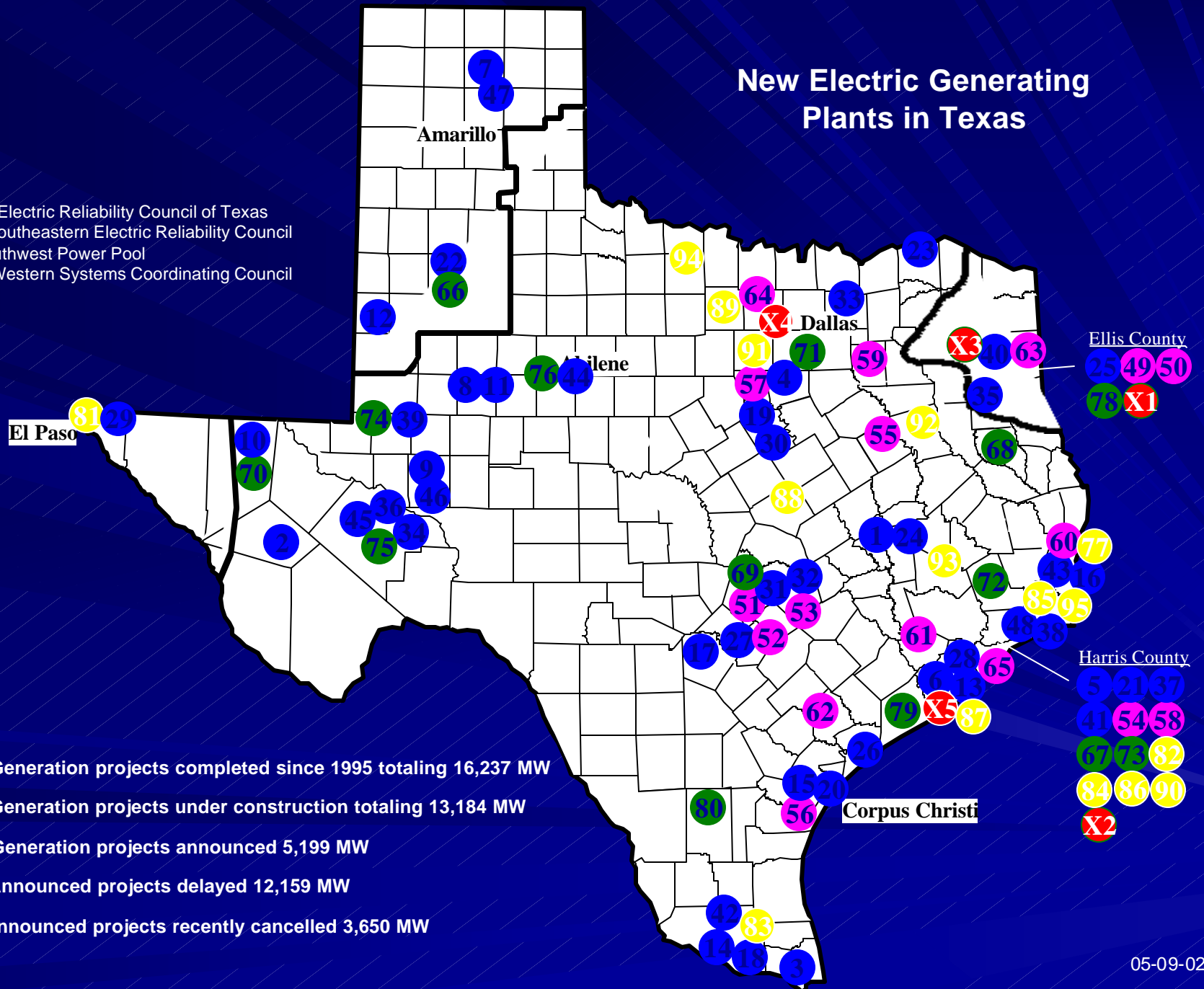
Stock Trends: Power Marketers Doing Business in Texas

Daily Closing Stock Prices
Power Marketers



New Electric Generating Plants in Texas

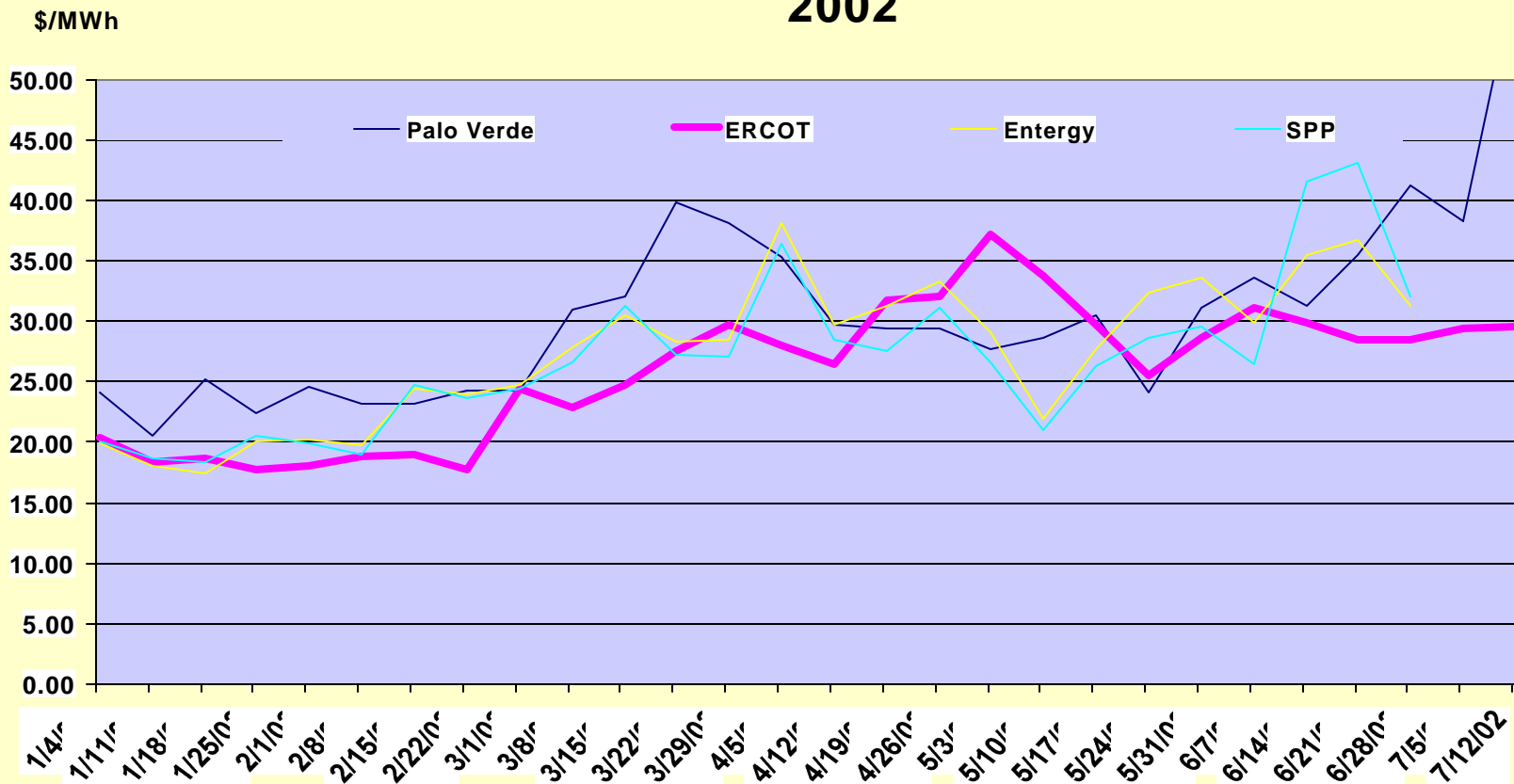
ERCOT - Electric Reliability Council of Texas
 SERC - Southeastern Electric Reliability Council
 SPP - Southwest Power Pool
 WSCC - Western Systems Coordinating Council



- 48 Generation projects completed since 1995 totaling 16,237 MW
- 17 Generation projects under construction totaling 13,184 MW
- 14 Generation projects announced 5,199 MW
- 16 Announced projects delayed 12,159 MW
- 5 Announced projects recently cancelled 3,650 MW

Status of Competition: Wholesale

Week Price Index for ERCOT, Palo Verde, Entergy and SPP 2002



Status of Retail Competition: REP Participation & Service Offerings

Customers have meaningful choices with multiple REPs/products in all areas.

TDSP	# of REPs (inc. AREP)	# of products (inc. PTB)	Renewable Products
Oncor	9	10	2
Reliant	9	10	2
TNMP	5	6	2
CPL	5	6	2
WTU	3	3	0

Estimated Price to Beat Savings- Calendar Year 2002

Estimated Savings (in millions)
Jan.-Aug. Sept.-Dec. Sept.-Dec.
(after adjust.) (before adjust.)

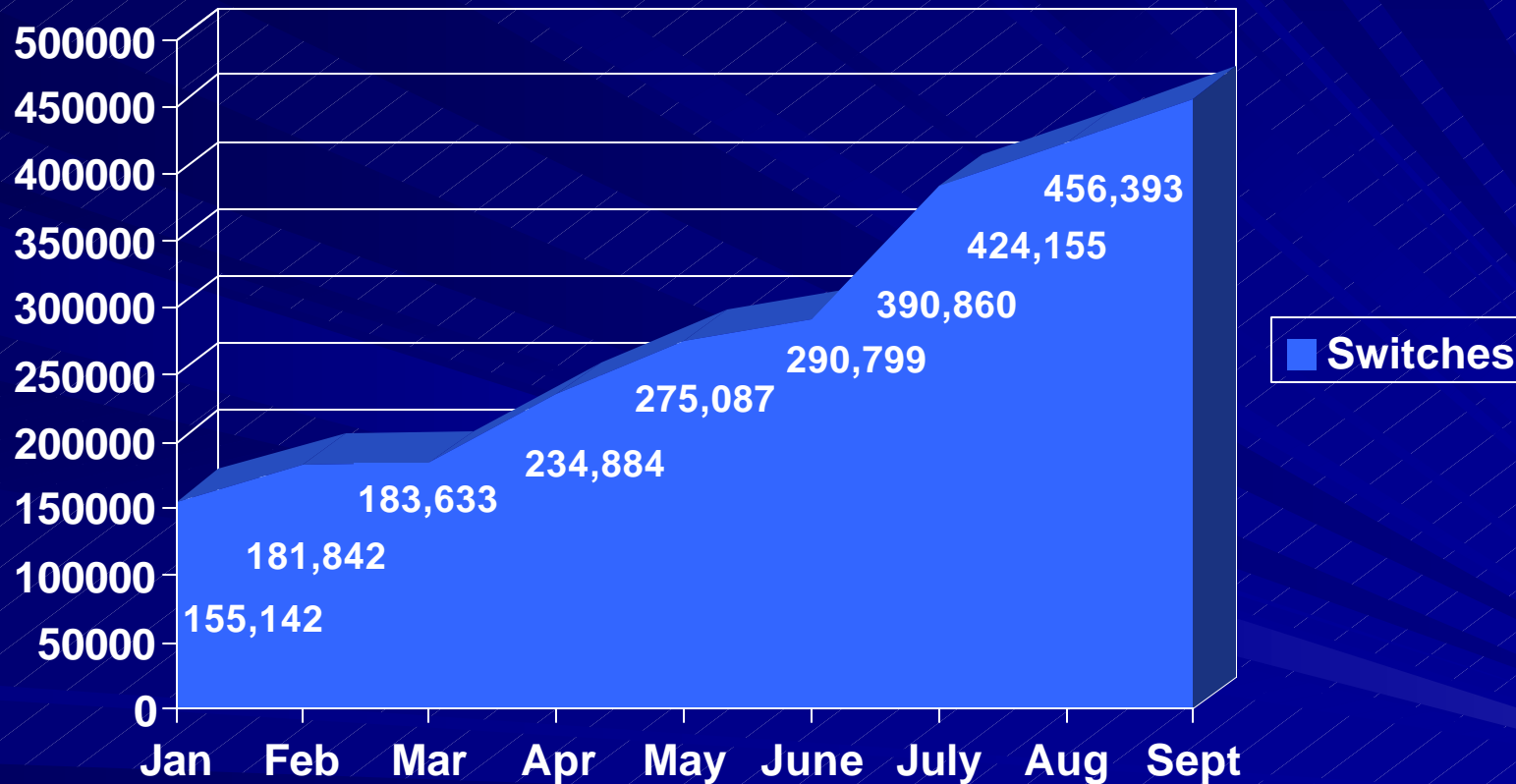
TDSP

CPL	\$41	\$2	\$21
Oncor	\$349	\$124	\$173
Reliant	\$257	\$99	\$139
TNMP	\$30	\$11	\$15
WTU	\$13	\$2	\$7

Total **\$690** **\$238** **\$355**

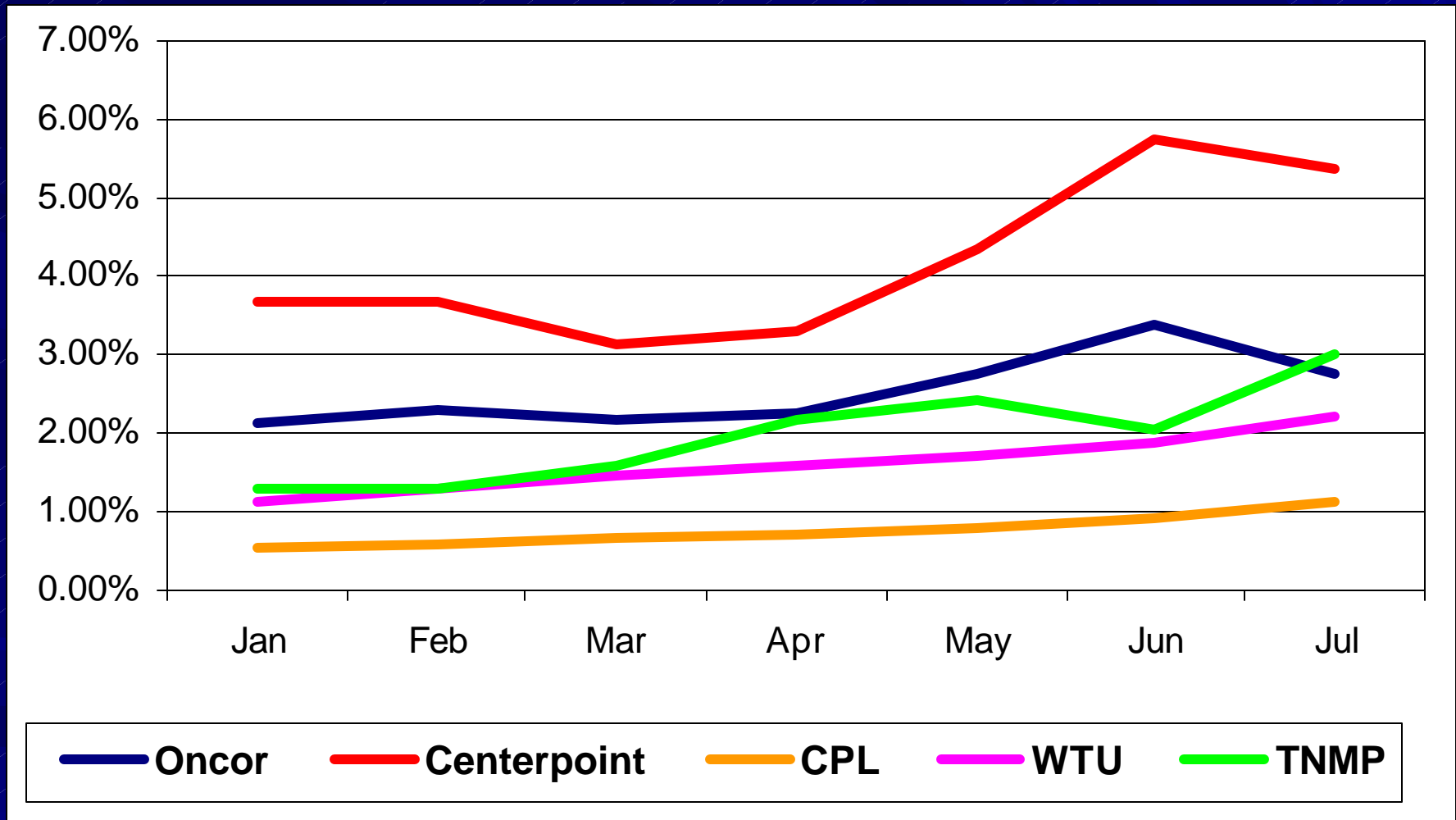
Source: Public Utility Commission of Texas

Retail Switch Transactions



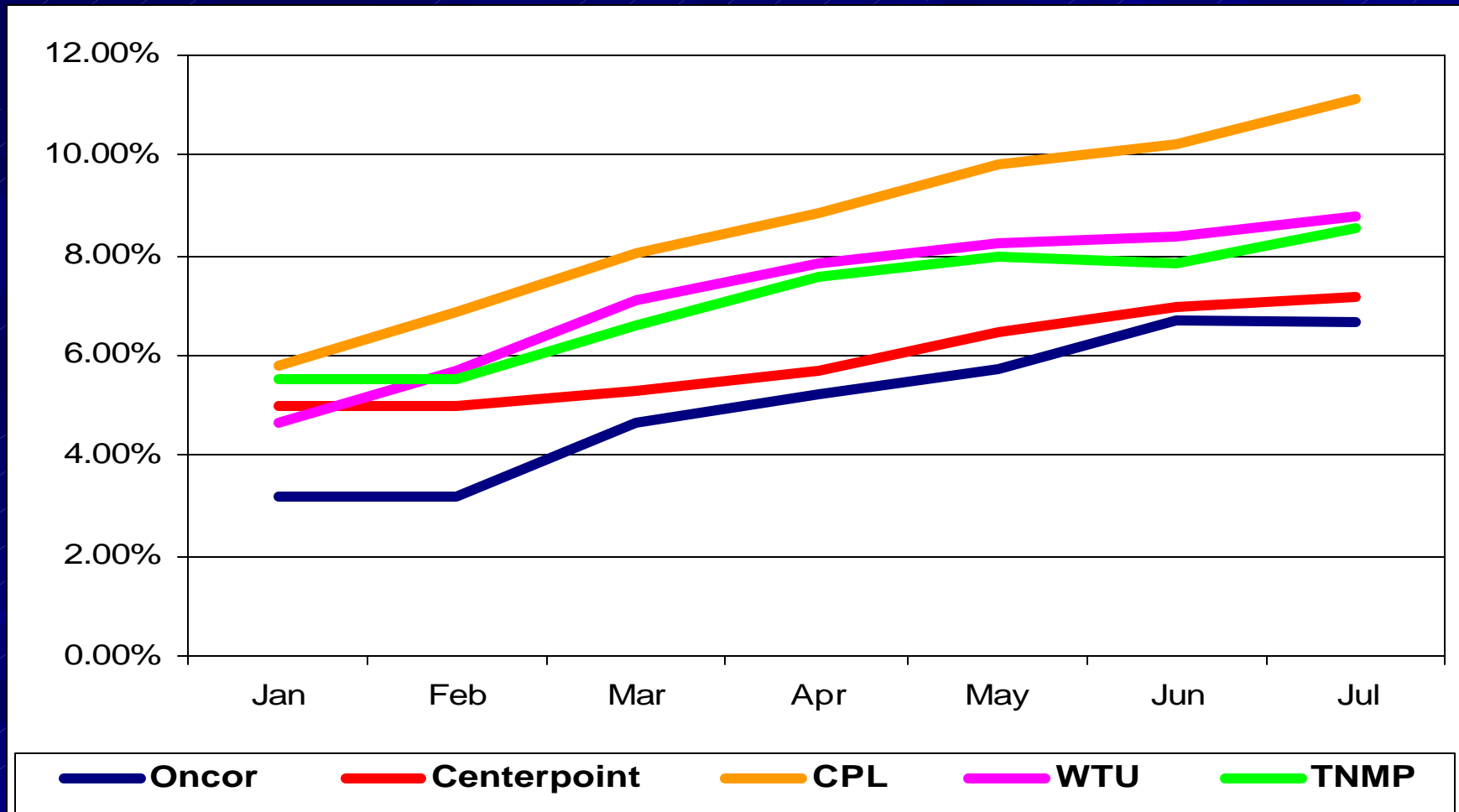
Includes all complete, scheduled, and in review switches as of the 15th of each month.

Percent of Residential Customers Served by Non-Affiliated Retail Electric Providers



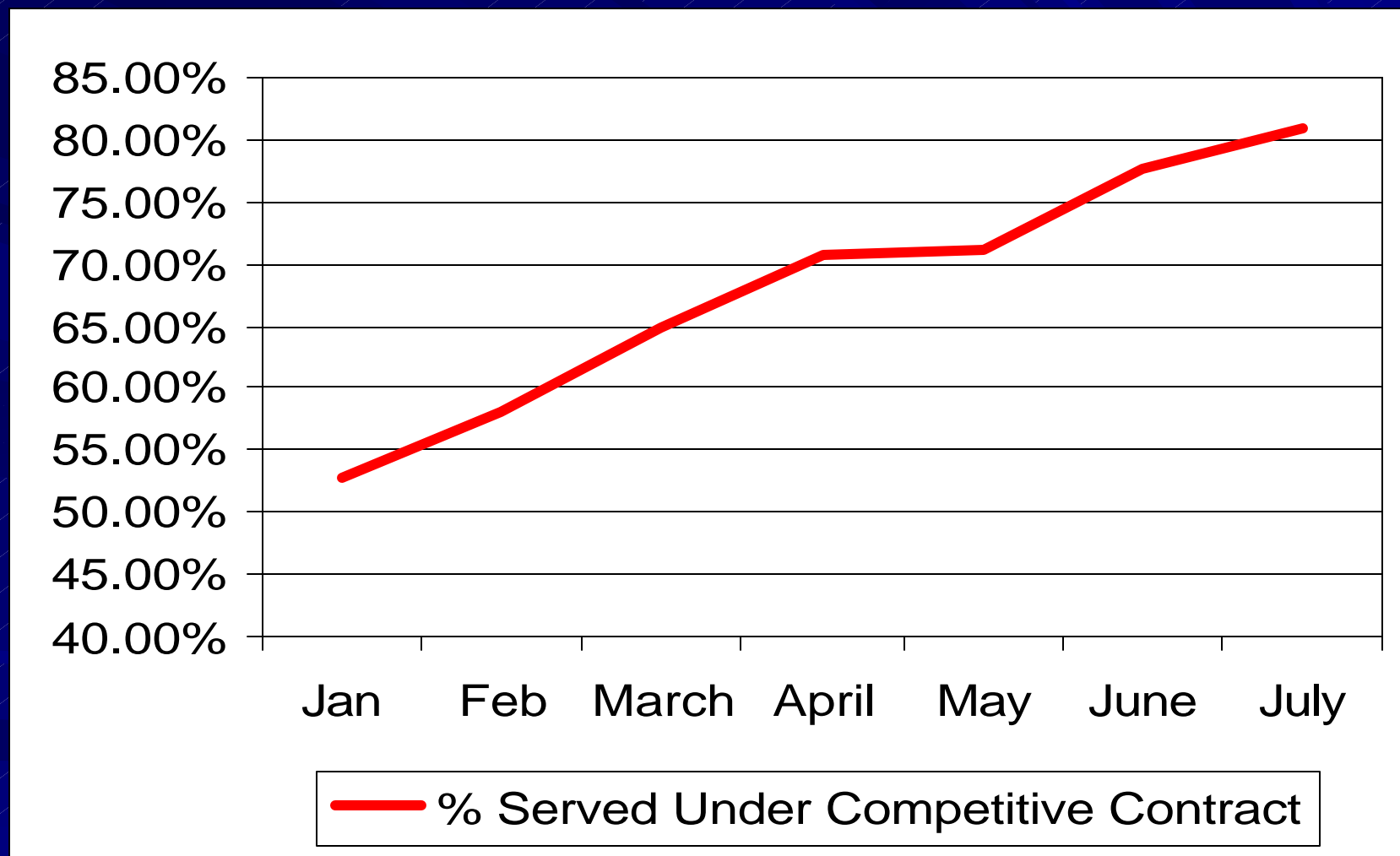
Source: Public Utility Commission of Texas

Percent of Small Commercial Customers Served by Non-Affiliated Retail Electric Providers

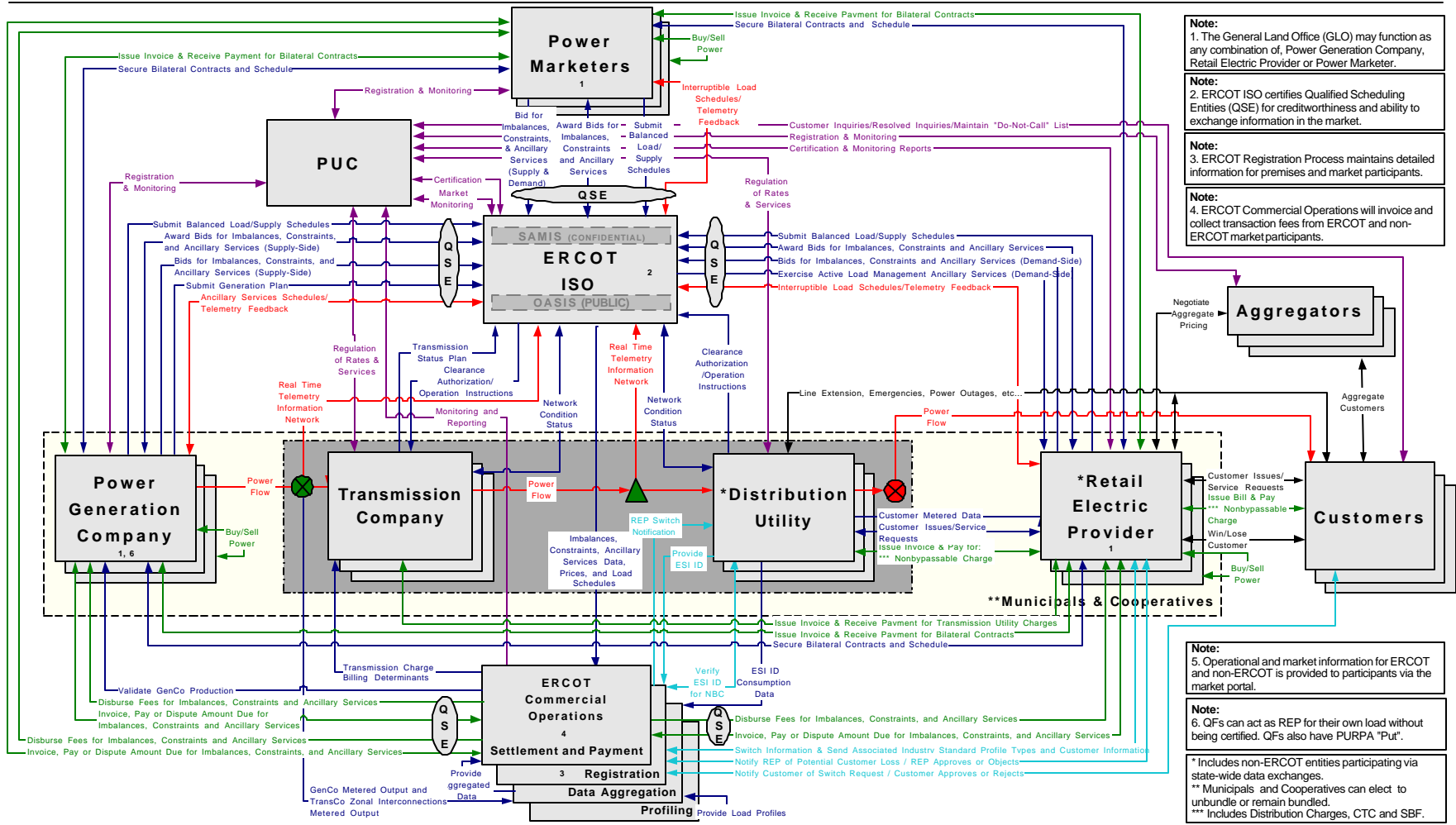


Source: Public Utility Commission of Texas

Percent of Non-Price to Beat Customers Served Under a Competitive Contract



Source: Public Utility Commission of Texas



Note:
1. The General Land Office (GLO) may function as any combination of, Power Generation Company, Retail Electric Provider or Power Marketer.

Note:
2. ERCOT ISO certifies Qualified Scheduling Entities (QSE) for creditworthiness and ability to exchange information in the market.

Note:
3. ERCOT Registration Process maintains detailed information for premises and market participants.

Note:
4. ERCOT Commercial Operations will invoice and collect transaction fees from ERCOT and non-ERCOT market participants.

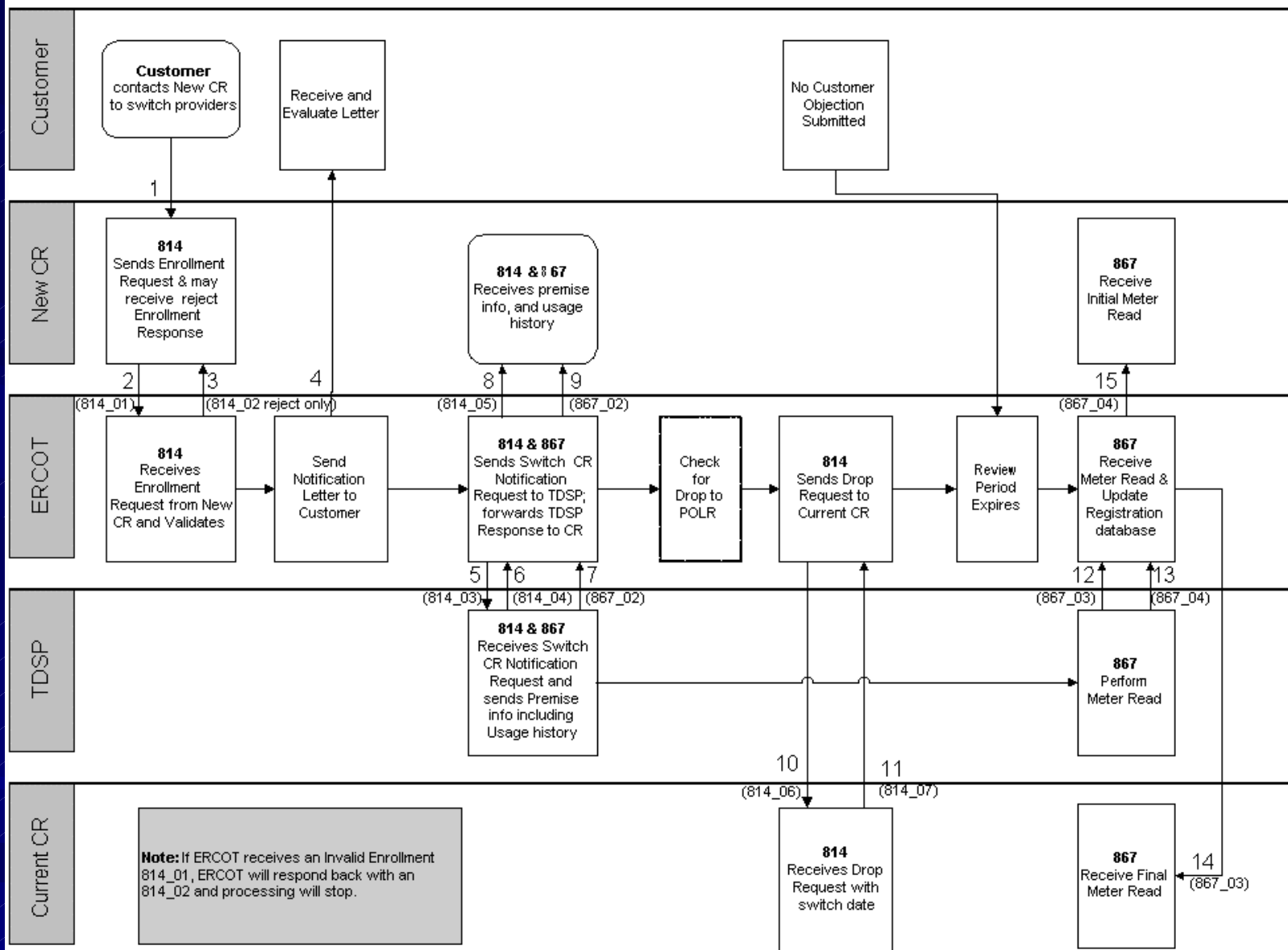
Note:
5. Operational and market information for ERCOT and non-ERCOT is provided to participants via the market portal.

Note:
6. QFs can act as REP for their own load without being certified. QFs also have PURPA "Put".

* Includes non-ERCOT entities participating via state-wide data exchanges.
** Municipals and Cooperatives can elect to unbundle or remain bundled.
*** Includes Distribution Charges, CTC and SBF.

Key:	█ Real Time Operations	█ Customer Interactions	█ ERCOT Data Exchanges	█ State-wide Data Exchanges	█ Financial Flows	█ Regulatory Interactions			
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Scenario A1 - Customer Switch, No Customer Objection



Outstanding Items

- Operational Issues at ERCOT
 - Billing
 - Move-in/Move-out
 - IDR meter reads
- ISO Oversight
 - Board Structure
 - Criteria for Board Eligibility
 - Report Filings to PUC
 - Compliance with PUC Rules & Orders
- Market Design Issues
 - DA of Local Congestion
 - Generation Adequacy
 - Market Transparency & Bilateral Contracts
 - Wholesale Participants Code of Conduct
 - Relaxed Balanced Schedule

QUESTIONS??