



TXU Electric Delivery
350 Texas Avenue
Round Rock, TX 78664

March 1, 2005

Mr. Frank Salvato
City Manager
City of Taylor
400 Porter Street
Taylor, TX 76574

Dear Mr. Salvato:

TXU Electric Delivery Company and the Steering Committee of Cities have, after extensive negotiations, reached a settlement agreement to resolve issues arising from "show cause" resolutions passed by certain Steering Committee cities. These show cause resolutions would have required Electric Delivery to file information with those cities to show why the Company's transmission and distribution rates should not be reduced. As a result of this settlement, the Cities have agreed to abate or dismiss all pending show cause resolutions and to not initiate similar actions before July 1, 2006. The Company has agreed to a future transmission and distribution rate case filing and as part of that rate filing, will propose and support municipal rates for street lighting and municipal pumping that will be lower than they otherwise would have been. Other key components of the settlement include monetary consideration and commitment to ongoing communication on other issues such as relocations, under-grounding of facilities, and street light inventories and maintenance. This settlement agreement will require review and acceptance by the Steering Committee cities and this effort will be ongoing over the next few months.

Electric Delivery has a long history of providing safe, reliable service to our communities, along with a tradition of treating our cities fairly. In keeping with this tradition and commitment, it is Electric Delivery's intent to offer all cities served by the Company the opportunity to benefit from this settlement agreement. Full details of the offer will be provided for your city's consideration after the Steering Committee cities have accepted the settlement agreement.

Sincerely,

David Bryan
PH: 512-352-4500