

Schedule R

36-Month Gas Purchase Prudence Review Procedure Filing Procedure

TXU Gas Company shall file a detailed Gas Purchase Report with the Gas Services Division of the Railroad Commission. The review period will be defined as three years starting November 1 and ending October 31. The filing is due on or before May 1 following each triennial October 31 period.

The Gas Purchase Report period shall include a gas contract index, contract summaries, schedule of monthly gas purchases, a statement of gas hedging procedures, and, if applicable, a schedule of hedging activities. Each requirement is described below. In addition to the hard-copy filed with the Gas Services Division an electronic copy in Excel format is also required.

The gas contract index shall include the contract number, effective date, type of contract, Mcf purchased, MMBtu purchased, purchase amount, and \$/MMBtu.

The contract summary shall include the following information: Contract number, date, type of purchase (i.e., baseload, swing, peak, etc), terms, cancellation date, penalty provisions (both imbalance and payment or any other penalty provisions), pricing, minimum and maximum daily quantities, and seasonal minimum and maximum quantities.

Monthly gas purchase schedules shall include a schedule of gas purchases by month, by contract (affiliates must be identified), purchase price, average BTU content per month, Mcf purchased each month, and MMBtu purchased each month.

The statement of gas hedging procedures, if applicable, will be a written statement of hedging policies and procedures. The hedging schedule shall include a listing any loss/gain amounts applied to sales customers via CGA and/or any other credit/surcharge mechanism.

Commission Review

The Commission will accept each filing. Once a thorough review has been completed, the Commission may order a refund as appropriate.

Municipality Procedure

The above prudence review reports (contract index, contract summary, monthly gas purchase schedules, hedging information) shall be filed with each municipality. The review period will be the same triennial period ended October 31 as described for the Railroad Commission of Texas' review period above. The Gas Purchase Report is due on or before December 31 following each triennial October 31 period. The governing body of a municipality has exclusive original jurisdiction over the rates, operations, and services of a gas utility within the municipality unless the municipality surrenders its jurisdiction to the Railroad Commission. TEX. UTIL. CODE ANN. §103.001 (Vernon 1998 and Supp. 2004)