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TXU US Holdings Company Dividends Paid in 2005 Will Be Reported as Nontaxable Distributions

Dividends paid on TXU US Holdings Company's (formerly known as TXU Electric Company and Texas Utilities Electric Company) cumulative preferred stock in 2005 will be reported to the Internal Revenue Service (IRS) and to shareholders as nontaxable distributions rather than as ordinary taxable dividends.

Per U.S. federal income tax rules, distributions on stock are "ordinary dividends" if there are current or accumulated earnings and profits¹ (E&P) sufficient to cover them. Distributions in excess of E&P are treated as "returns of capital" and are reported in Box 3 "Nontaxable distributions" on IRS Form 1099-DIV. Shareholders should contact their tax advisors if they have questions about how this impacts their taxes.

Dividends paid in 2005 on the following TXU US Holdings Company's cumulative preferred stock will be reported as nontaxable distributions:

- \$5.08 Preferred Stock - CUSIP 87317Q826
- \$4.84 Preferred Stock - CUSIP 87317Q859
- \$4.80 Preferred Stock - CUSIP 87317Q883
- \$4.76 Preferred Stock - CUSIP 87317Q867
- \$4.64 Preferred Stock - CUSIP 87317Q818
- \$4.56 (Texas Power Series) Preferred Stock - CUSIP 87317Q842
- \$4.56 (Texas Electric Series) Preferred Stock - CUSIP 87317Q792
- \$4.50 Preferred Stock - CUSIP 87317Q206
- \$4.44 Preferred Stock - CUSIP 87317Q875
- \$4.24 Preferred Stock - CUSIP 87317Q305
- \$4.00 (Texas Power Series) Preferred Stock - CUSIP 87317Q834
- \$4.00 (Texas Electric Series) Preferred Stock - CUSIP 87317Q784
- \$4.00 (Dallas Power Series) Preferred Stock - CUSIP 87317Q602

January 12, 2006 – TXU US Holdings Company

¹ E&P is calculated based on IRS rules, which are different from net income under GAAP.