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DENISE L. NAPIER

NEWS

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Shareholders, Including Connecticut, Challenge TXU on New Coal Plants and Energy Efficiency

Leading institutional investors, including the Connecticut pension fund, this week filed shareholder resolutions with the TXU Corp. regarding the company's plan to build 11 new pulverized coal-burning power plants in Texas at an estimated cost of \$10 billion.

Noting that the new coal plants would more than double the company's carbon dioxide emissions, the shareholder resolutions request reports on how TXU is responding to rising regulatory pressure to significantly reduce carbon dioxide emissions from power plants and how enhanced energy efficiency programs in Texas could impact the company's ability to sell its new power. The two resolutions were filed by five New York Pension Funds and the Connecticut Retirement Plans and Trust Funds (CRPTF), which collectively own more than 1.7 million shares of TXU stock.

A third resolution, filed by the Benedictine Sisters of Boerne, Texas, requests that the company's board of directors adopt specific goals to reduce its CO₂ emissions below 2004 levels and reduce mercury emissions to levels that are achievable using best available control technologies.

"Investors are concerned that TXU is charting a course into a potential perfect storm of increased greenhouse gas regulation, enhanced energy efficiency and unprecedented growth in clean energy," said Mindy S. Lubber, president of Ceres, an investor coalition that helped coordinate the shareholder resolution filings.

Texas-based TXU plans to build 9,100 megawatts of new coal plant capacity – all without any controls for capturing greenhouse gas emissions. The new plants would boost the company's emissions from 55 million tons in 2004 to 133 million tons in 2011.

CO₂ is currently not regulated in Texas or federally, but momentum favoring regulation is growing. While Congressional support is increasing to require greenhouse gas emission reductions nationally, California and seven Northeastern states have already adopted plans to reduce CO₂ emissions. Pulverized coal plants are especially vulnerable to regulations because they emit substantially more CO₂ than other forms of power generation. Wall Street investment firms, Citigroup and Sanford C. Bernstein Research, have both issued reports this year raising concerns about TXU's significant financial exposure to future greenhouse gas regulations.

"At a time when other major utility companies are seeking to reduce their contribution to global warming and are proposing cleaner plants that would release less CO₂ and provide for greater control over emissions, such as gasification, TXU is building 11 big power plants

that will be fueled with pulverized coal,” said New York City Comptroller William C. Thompson Jr. “Given the anticipated focus on federal regulations of CO₂ emissions in the new Congress, TXU’s strategic thinking seems glaringly short-sighted and unsustainable.”

TXU’s plans come amid growing efforts for stronger energy efficiency programs in the U.S., which could reduce the need for many of the new power plants. A dozen leading power companies, for example, are participating in the National Action Plan for Energy Efficiency, which has presented numerous recommendations for boosting energy efficiency programs across the U.S. TXU, however, is not part of that effort.

The resolution filed by the Connecticut State Treasurer’s Office requests that the company analyze potential energy savings, which could be generated if recommendations from the National Action Plan for Energy Efficiency were implemented, and outline plans to advance policies that will reward TXU and its shareholders for efforts to reduce demand and increase energy efficiency.

“Shareholders are aware that the impending regulation of carbon emissions will have a significant impact on the electric utility industry and its customers. In addition, new technology is creating opportunities to conserve energy, and there is a growing interest by electric customers – both industrial and residential – to reduce electric usage and lower costs through energy efficiency,” said Connecticut State Treasurer Denise L. Nappier. “As TXU shareholders, we need to know whether and how the company is taking these factors into account as it moves forward with plans to invest \$10 billion in new power generation capacity.”

The new coal plants, if they are built, would make TXU the third largest CO₂ emitter in the U.S. compared to its current ranking as 10th largest emitter. Three of TXU’s existing plants also rank in the top 10 nationwide for total mercury emissions.

“As religious shareholders, we have a long history of interactions with TXU. We are hopeful that the company will respond to the questions we are asking,” said Sr. Susan Mika of the Benedictine Sisters, which filed a resolution seeking reductions in CO₂ and mercury emissions. “We have been instrumental in pushing TXU to consider many environmental questions in the past. As we look forward to the next decades, it will be important to consider questions that are being raised by our resolution.”

The Benedictine Sisters are part of the Interfaith Center on Corporate Responsibility (ICCR), an association of 275 faith-based institutional investors, many of which are actively involved in filing global warming shareholder resolutions. For more information, visit <http://www.iccr.org/>

Ceres is a national coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as global climate change. Ceres also directs the Investor Network on Climate Risk, a group of more than 50 leading U.S. investors whose collective assets total \$3.7 trillion. For more information, visit www.ceres.org

The five New York Pension Funds filing one of the three resolutions are the New York City Employees’ Retirement System, the Teachers’ Retirement System of New York City, the New York City Police Department Pension Fund, the New York City Fire Department Pension Fund, and the New York City Board of Education Retirement System.

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