

American Federation of Labor and Congress of Industrial Organizations



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August 20, 2007

Re: September 7th Shareholder Vote on Proposed TXU Buyout by TPG and KKR

Dear Investor:

The AFL-CIO has concluded that the best option for TXU shareholders is to vote to accept the \$69.25/share bid that has been offered by the investor group led by TPG and KKR. Union-sponsored pension plans hold approximately \$400 billion in assets, and union members participate in benefit plans with over \$5 trillion in assets. The AFL-CIO therefore is keenly interested in large transactions such as the proposed buyout of TXU by TPG and KKR.

In light of the recent turmoil in the equity and debt markets, it seems highly unlikely that shareholder opposition to this offer will elicit improved transaction terms; instead, shareholder opposition creates the risk that the transaction will not close, leaving shareholders with inferior alternatives. The premium embedded in the bid price represents robust and fair compensation, and the risk-adjusted returns to shareholders from this transaction will be substantially superior to alternative scenarios in which the transaction does not close. In recognition of these facts, the AFL-CIO endorses the Board of Directors' unanimous recommendation that shareholders vote in favor of the proposed merger agreement.

There are several reasons shareholders can be confident that the price they are being asked to accept is fair. These include:

- A price of \$69.25 provides a 25% premium over the average pre-announcement share price calculated over the 20-day period prior to the public becoming aware of the transaction. This premium is in line with historical premiums in other large transactions and is superior to the premiums obtained in several recent energy transactions.
- The stock market valuations of TXU's peer group further validate the fairness of the investor group offer. Compared to the Enterprise Value / EBITDA ratio of TXU's peer group (a conventional valuation methodology in the power industry), the transaction

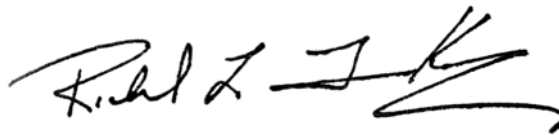
offers TXU shareholders a premium of 26 – 38% over what the Company would be worth in the public markets, as determined by the valuations of the Company’s most comparable peers.

- TXU shares are currently trading well below \$69.25 (closing at \$63.50 on August 17th) implying that the market is factoring in the possibility that this buyout transaction may not be completed and the stock price may decline substantially as a result.

- No other potential buyers offered better terms than \$69.25/share. TXU management engaged Lazard to conduct a thorough 50-day search for superior bids from potential strategic and financial buyers.

The AFL-CIO serves the pension funds and other retirement investments of its 10 million members by being a vocal advocate of maximizing long-term shareholder value and also by monitoring significant corporate transactions. In this capacity, it has evaluated the terms of this offer and believes that it is in the best interest of all TXU shareholders to approve this transaction at the September 7th meeting.

Sincerely,



Richard L. Trumka
Secretary-Treasurer, AFL-CIO

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WHO WE ARE: The AFL-CIO is a federation of U.S. labor unions. Union-sponsored pension funds are significant shareholders of TXU common stock. For more information, please contact the AFL-CIO Office of Investment at (202) 637-3900.

This is not a proxy solicitation. Please DO NOT send your proxy card to the AFL-CIO.

The AFL-CIO will not accept proxy cards, and any proxy cards received will be returned.

RLT: jmk