DESCRIPTION AND JUSTIFICATION
TXU Communications Telephone Company
Transmittal No. 18
Issued December 16, 2003
Effective January 1, 2004

Description

TXU Communications Telephone Company (TXUC) hereby submits this Description and Justification for proposed revisions to its FCC Tariff No. 1. These revisions include the following:

1) A permanent rate reduction for the 1-year Term Payment Plan for Basic SpeedLink Asymmetrical Digital Subscriber Line (ADSL) Service from $35.00 to $22.00,

2) A permanent waiver of the Nonrecurring Service Order Charge of $34.00 for the 1-year Term Payment Plan for all ADSL Service Customers.

These changes will become on January 1, 2004.

Justification

Rate Reduction: TXUC believes that reduction of the ADSL rate is a necessary step to respond to current market conditions. TXUC also believes that the decline in monthly per unit revenues will be more than offset by an increase in demand that the lower rate will generate. As per FCC requirements, the reduced rate remains above the monthly cost of service which is detailed in the accompanying cost study.

Waiver of Nonrecurring Service Order Charge: TXUC is aware that it is now widespread industry practice for small rural incumbent local exchange carriers to have permanent tariff provisions allowing xDSL nonrecurring charge waivers for customers committing to retain the service for twelve months. For example, the National Exchange Carrier Association (NECA) FCC Tariff No. 5, Section 8.1.5 (E) requires all carriers listed in the xDSL Access Services Availability Section of the tariff to waive the nonrecurring charge for each new ADSL Access Line ordered when the customer commits to retain the ADSL Access Line for a minimum period of twelve months following installation of service. Also, a waiver of all nonrecurring charges will reduce start-up costs for new users and further stimulate demand, improve overall investment utilization, and reduce unit costs for ADSL Services.

Revenue Impact

Rate Reduction: The revenue foregone by lowering the Basic SpeedLink ADSL Service and waiving the Nonrecurring Service Order Charge will have a negligible impact on TXUC's overall special access revenue requirement. Based on anticipated demand for this product, TXUC believes that it will reach the break-even point third quarter of 2004.

Waiver of Nonrecurring Service Order Charge: Based on the difference between the new $22.00 recurring rate and the cost of service study submitted separately with this filing, TXUC will have fully recovered the foregone Nonrecurring Service Order Charge by the third month of service.

Cost Study Methodology

The costs in the accompanying study were developed using an incremental or "bottoms-up" methodology. Under this methodology, costs are determined by adding together all of the necessary equipment and/or labor expenses associated with providing the service on a forward-looking basis. These costs depict the economic unit cost of offering the service.

The investment factor used in the study is a composite of the following items:

? A depreciation factor that identifies the annual depreciation expense based on the estimated life for the specialized equipment used to provide the service
? A required return and income tax factor
? A cost of money factor determined by weighting the company's cost of debt and equity
? An expense factor which incorporates network maintenance, property taxes, power, back-office, and miscellaneous network expenses
? A General and Administrative overhead factor

This factor is then applied to net investment to determine the annual cost for each element. The material and labor investment was determined by consulting company engineers with regard to required network components and configuration, as well as labor costs, and examination of vendor billing invoices to determine component costs.