



Control Number: 35767



Item Number: 90

Addendum StartPage: 0



July 7, 2010

Public Utility Commission of Texas
Filing Clerk
1701 N. Congress Avenue
PO Box 13326
Austin, Texas 78711

Re: P.U.C. Subst. R. 25.107(f)(1)&(2), related to financial standards required for customer protection

Filed in: Project No. 35767

Attached please find additional information provided to demonstrate that Pepco Energy Services, Inc., a Retail Electric Provider licensed by the Commission, is in compliance with the Commission's Rules regarding the financial standards required for consumer protection. This information is provided in response to the June 25, 2010 letter PES received from Jeffrey B. Stuart, and a subsequent telephone conversation with Neal Frederick. Mr. Frederick requested a copy of the Guarantee provided to ERCOT by Pepco Holdings, Inc. on behalf of Pepco Energy Services, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read 'Susannah Dryden'.

Susannah Dryden
Project Manager
Pepco Energy Services, Inc.
703-253-1749
sdryden@pepcoenergy.com

Attachments



MARKET PARTICIPANT GUARANTEE AGREEMENT

This GUARANTEE (this "*Guarantee*") is made by the undersigned entity (together with its permitted successors and assigns, the "*Guarantor*") in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (together with its successors and assigns, "*ERCOT*").

Recitals

A. ERCOT has entered into a Standard Form Market Participant Agreement (as the same may be modified through the procedure for modifying ERCOT Protocols described in the ERCOT Protocols, "*Agreement*") with the Market Participant identified on the signature page hereof (together with its permitted successors and permitted assigns, the "*Participant*").

B. Pursuant to the Agreement and the related ERCOT Protocols (as such term is defined in the Agreement), ERCOT may extend credit to Participant from time to time.

C. It is expressly agreed and understood by and among Participant, ERCOT and Guarantor that: (1) the execution and delivery to ERCOT of this Guarantee is a condition precedent to ERCOT entering into the Agreement, the continuation of transactions with Participant pursuant to the Agreement and the extension of credit to Participant pursuant to the Agreement and the related ERCOT Protocols, (2) ERCOT has relied, and will continue to rely, upon this Guarantee in entering into transactions as contemplated by the Agreement and the related ERCOT Protocols, and (3) ERCOT would not enter into the Agreement, or otherwise enter into or continue transactions with Participant, without this Guarantee.

D. The value of the consideration and benefit received and to be received by Guarantor, directly or indirectly, as a result of ERCOT entering into the Agreement and Guarantor executing and delivering this Guarantee, is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and the extension of credit to Participant pursuant to the Agreement has or may reasonably be expected to benefit the Guarantor directly or indirectly.

E. In connection with the foregoing, Guarantor desires to guarantee to ERCOT the prompt and full payment of the Obligations (as defined below) upon the terms and conditions contained in this Guarantee.

Agreements

Section 1. In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the Agreement or the related ERCOT Protocols, Guarantor hereby unconditionally, absolutely and, subject to the express provisions of Sections 9 and 20 hereof, irrevocably guarantees to ERCOT, as a primary obligor and not as a surety, the punctual payment when due (subject to any grace period applicable to the Obligations (as defined below)), whether on a scheduled date, by lapse of time, by acceleration of maturity, or otherwise any and all of the Obligations. As used in this Guarantee, the term "*Obligations*" means, collectively: (a) any and all indebtedness, liabilities and sums of money now or hereafter due or owing to ERCOT pursuant to, or arising under, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, including (without limitation) all scheduling, operating, planning, reliability and settlement policies, rules, guidelines and procedures established from time to time in ERCOT; (b) any and all interest and out-of-pocket expenses (including reasonable attorneys' fees) contemplated to be paid by Participant pursuant to the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, in each instance whether or not allowed under any Debtor Relief Law (including all post-petition interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against Participant, whether or not allowed in such

proceeding), and all other amounts that would be part of the Obligations but for the operation of Debtor Relief Laws; (c) all assessments and other amounts required to be paid by Participant to ERCOT in order to maintain the Agreement and the ability to conduct business with ERCOT notwithstanding the continuing right of Participant to dispute, contest or pursue rights of setoff of such assessments and other amounts pursuant to the alternative dispute resolution provisions of the ERCOT Protocols; and (d) all costs, expenses and fees, including, without limitation, court costs and attorneys' fees, arising in connection with the collection of any or all amounts, indebtedness, obligations and liabilities of Participant to ERCOT described in clauses (a) through (c) of this sentence. For purposes of this Guarantee, the term "*Debtor Relief Laws*" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or other debtor relief, or similar laws affecting the rights of creditors.

Section 2. Notwithstanding the foregoing, the maximum amount of the Obligations for which Guarantor shall be liable personally hereunder shall not exceed the sum of the following from time to time: (a) the then-applicable Credit Support Amount (as defined below); plus (b) interest in respect of the Obligations (to the extent permitted by applicable state law, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides) for periods after the date on which written demand is made for payment hereunder by ERCOT; plus (c) Expenses (as defined below). For purposes of this Guarantee, the term "*Credit Support Amount*" shall mean the amount designated as such on the signature page to this Guarantee as the same may be increased or decreased by written agreement between the Guarantor and ERCOT.

Section 3. Guarantor is liable for the full payment of the Obligations, subject to the express limitations provided in Section 2, as a primary obligor. This is a continuing guarantee for payment and not of collection. Guarantor acknowledges and agrees that Guarantor may be required to pay the Obligations in full without assistance or support from Participant or any other person. Guarantor agrees that if all or any part of the Obligations shall not be punctually paid when due, whether on the scheduled payment date, by lapse of time, by acceleration of maturity or otherwise, Guarantor shall pay, at or before 5:00 P.M. Central Prevailing Time on the second Business Day (as such term is defined in the ERCOT Protocols) immediately following the issuance of written demand by ERCOT to Guarantor, the amount due on the Obligations to ERCOT in accordance with the terms hereof. ERCOT may, but shall have no obligation to, make such demand(s) at any time coincident with or after the time for payment of all or part of the Obligations, and such demand(s) may be made from time to time with respect to the same or different items of the Obligations. Such demand(s) may be made, given and received in accordance with the notice provisions hereof; provided, however, the failure to make, give or receive any such demand (or any failure of any such demand to be made in accordance with the notice provisions hereof) shall not relieve, limit or discharge Guarantor in any respect of its obligations under this Guarantee. Guarantor hereby waives any condition or requirement with respect to any such demand under this Guarantee, and Guarantor agrees that Guarantor's obligations hereunder are absolute and immediate without requirement of presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), except as may expressly be required hereunder.

Section 4. If Guarantor is or becomes liable for any indebtedness or obligations owing by Participant to ERCOT other than through this Guarantee, the liability of Guarantor for such other indebtedness shall not in any manner be impaired or affected hereby or the limits contained herein, and the rights of ERCOT hereunder shall be cumulative of any and all other rights that ERCOT may have against Guarantor. If Participant is or becomes indebted to ERCOT for any indebtedness other than the Obligations, any payment received or recovery realized upon any such other indebtedness of Participant

to ERCOT may be applied, in ERCOT's sole discretion, to indebtedness of Participant to ERCOT other than the Obligations, except to the extent paid by the Guarantor specifically in respect of the Obligations or as otherwise required by Law or written agreement of ERCOT to be applied to the Obligations. This Guarantee is independent of, and shall not be limited by, any other guaranty or collateral posted by or on behalf of Guarantor, in each instance whether now existing or hereafter given. Further, Guarantor's liability under this Guarantee is in addition to any and all other liability Guarantor may have in any other capacity, including, without limitation, its capacity as a general partner or managing member of Participant.

Section 5. Guarantor hereby expressly waives: (a) any right to revoke this Guarantee with respect to the Obligations except set forth in Section 9 below; (b) any right relating to the timing, manner or conduct of ERCOT's enforcement of rights against Participant's assets or any collateral from time to time pledged by, or on behalf of, Participant to secure the Obligations; (c) if Guarantor and Participant (or any other person) have each pledged assets to secure the Obligations, any right to require ERCOT to proceed first against collateral pledged by Participant (or any other person) before proceeding against the collateral pledged by Guarantor; (d) promptness, diligence, notice of any default, notice of nonpayment or nonperformance, notice of acceleration or intent to accelerate, acceptance or notice of acceptance of this Guarantee, presentment, protest, notice of protest, notice of dishonor, notice of the incurring by Participant of additional indebtedness, notice of any suit or other action by ERCOT against Participant or any other person, any notice to any person liable for the obligation which is the subject of the suit or action, and all other notices and demands with respect to the Obligations and this Guarantee; (e) any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times; and (f) any defense due to the Guarantor's failure to review the activities of Participant or any changes in the Agreement, the ERCOT Protocols or the related ERCOT market and operating guides (it being acknowledged and agreed that Guarantor bears all responsibility for monitoring the activities of the Participant in the ERCOT markets). In furtherance of the foregoing, Guarantor agrees that (i) it is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy available to ERCOT with respect to the Obligations and (ii) any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice to, or further assent from, Guarantor.

Section 6. The obligations of Guarantor hereunder are absolute and unconditional irrespective of: (a) the invalidity or unenforceability of the Agreement, (b) the bankruptcy or insolvency of, or the effect of application of any Debtor Relief Laws to, the Participant, (c) any claim for setoff or any defense which Participant could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (d) any substitution, release or exchange of any other guaranty or security for any of the Obligations, (e) the existence or terms of any other agreements between Guarantor and any party, including Participant, and (f) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

Section 7. All rights of Guarantor to proceed against Participant in respect of payment hereunder, by subrogation or otherwise (a) are hereby subordinated and deferred to and until the full and

final payment and discharge of the Obligations and (b) Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations then due and payable have been fully and finally paid. Subject to the subordination herein provided, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of Participant under the Agreement and the ERCOT Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have after full and final payment of the then due and unpaid Obligations.

Section 8. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Section 9. The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising or committed to prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term. Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, made by Participant or Guarantor to ERCOT during the term of this Guarantee with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of application of any Debtor Relief Laws or otherwise.

Section 10. Guarantor hereby represents and warrants to ERCOT, which representations shall be deemed repeated continually during the term hereof that:

(a) this Guarantee is duly authorized and valid, and is binding upon and enforceable against Guarantor (subject, in each instance, to the effect of applicable Debtor Relief Laws);

(b) the execution and delivery of, and the performance by Guarantor of its obligations under this Guarantee do not contravene (i) any provision of the Guarantor's organizational, constituent or governing documents, or (ii) any law, regulation, decree, order, judgment, resolution or any contractual restriction binding on Guarantor or its assets that could affect, in a materially adverse manner, the ability of the Guarantor to perform any of its obligations hereunder;

(c) Guarantor (i) is duly organized, validly existing, and in good standing under the laws of the state of its organization and (ii) and has full power and authority to enter into, and to perform its obligations under, this Guarantee;

(d) there is no litigation pending or, to the knowledge of Guarantor, threatened, before or by any tribunal against or affecting Guarantor which seeks to limit, prevent, enjoin or delay the Guarantor's performance of its obligations under this Guarantee, except as may be disclosed in the Guarantor's filing with the Securities and Exchange Commission;

(e) no bankruptcy or insolvency proceedings are pending or contemplated by or against Guarantor under any Debtor Relief Laws;

(f) **NEITHER ERCOT NOR ANY AFFILIATE OF ERCOT HAS MADE ANY REPRESENTATION, WARRANTY OR STATEMENT TO GUARANTOR IN ORDER TO INDUCE GUARANTOR TO EXECUTE THIS GUARANTEE, AND GUARANTOR HEREBY EXPRESSLY WAIVES ANY CLAIM OF FRAUDULENT INDUCEMENT TO EXECUTE THIS GUARANTEE AND FURTHER DISCLAIMS ANY RELIANCE ON STATEMENTS OR REPRESENTATIONS OF ERCOT OR ANY AFFILIATE OF ERCOT IN WAIVING SUCH A CLAIM;** and

(g) Guarantor has, independently and without reliance upon ERCOT, and based upon such documents and information as Guarantor has deemed appropriate, made its own analysis and decision to enter into this Guarantee.

Section 11. Guarantor hereby further covenants and agrees to ERCOT that:

(a) Guarantor will keep itself fully apprised of Participant's financial and business condition, and Guarantor shall be responsible, to the extent deemed necessary or advisable by Guarantor, for obtaining for itself information regarding Participant, the Agreement, the ERCOT Protocols and the ERCOT market and operating guides, and Guarantor acknowledges and agrees that ERCOT shall have no duty at any time to notify Guarantor of any information which ERCOT may have or acquire concerning Participant or to investigate or inform Guarantor of the financial or business condition or affairs of Participant or any change therein; and

(b) Guarantor's representations, warranties, covenants, waivers and agreements set forth in this Guarantee are a material inducement to ERCOT to enter into the Agreement and extend credit to Participant and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting Participant, Guarantor, any other person, or any security for all or any part of the Obligations.

Section 12. This Guarantee is executed and delivered as an incident to transaction negotiated and consummated in Travis County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, other than the conflicts of laws principles thereof. Guarantor, for itself and its successors and assigns, hereby irrevocably (i) submits to the non-exclusive jurisdiction of the state and federal courts in the State of Texas, (ii) waives, to the fullest extent permitted by Law, any objection that may now or in the future have as to the venue of any action, proceeding or litigation arising out of or in connection with this Guarantee brought in the District Court of Travis County, Texas, or in the United States District Court for the Western District of Texas, Austin Division, and (iii) agrees that any legal action or proceeding against Guarantor arising out of or in connection with this Guarantee may be brought in any one of the foregoing courts. Guarantor hereby agrees that service of process upon Guarantor may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of ERCOT to serve process in any other manner permitted by law or shall limit the right of ERCOT to bring any action or proceeding against Guarantor or with respect to any of Guarantor's property in courts in other jurisdictions. Any action or proceeding by Guarantor against ERCOT shall be brought only in a court located in Travis County, Texas. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Guarantor acknowledges that these waivers are a material inducement to

ERCOT's agreement to enter into the Agreement, that ERCOT has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in Section 12 are irrevocable on the part of both ERCOT and Guarantor and may not be modified without the agreement of both ERCOT and Guarantor in writing as required pursuant to Section 23 below; these waivers apply to any future renewals, extensions, amendments, modifications, replacements or renewals of this Guarantee.

Section 13. If any provision of this Guarantee or the application thereof to any person or circumstance shall, for any reason and to any extent, be judicially declared to be invalid or unenforceable, then neither the remaining provisions of this Guarantee nor the application of such provision to any other person or circumstance shall be affected thereby, and the remaining provisions of this Guarantee, or the applicability of such provision to other persons or circumstances, as the case may be, rather shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

Section 14. From time to time, at the reasonable request of ERCOT, Guarantor will (a) promptly correct any ministerial or administrative defect, error or omission which may be discovered in the contents of this Guarantee; (b) execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) such further documents and instruments and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in ERCOT's opinion, (i) to carry out more effectively the purposes of this Guarantee and the transactions contemplated hereunder, or (ii) to confirm the continuation of the rights created under this Guarantee for the benefit of ERCOT, including reaffirmation of the obligations hereunder from time to time upon the renewal hereof and the applicability of any changes in the Credit Support Amount.

Section 15. Time is of the essence in this Guarantee with respect to all of Guarantor's obligations hereunder.

Section 16. The recitals and introductory paragraphs hereof are a part hereof, form a basis for this Guarantee and shall be considered *prima facie* evidence of the facts and documents referred to therein.

Section 17. The Article, Section and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Articles, Sections or Subsections or any provisions hereof.

Section 18. All sums payable under this Guarantee shall be by wire transfer of immediately available funds, without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender for the payment of public and private debts. All payments shall be remitted to ERCOT's bank account as designated by written notice to Guarantor, whether through demand for payment or otherwise.

Section 19. EACH OF GUARANTOR AND ERCOT, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH, AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTEE OR ANY CONDUCT, ACT, FAILURE TO ACT OR OMISSION OF OR BY ERCOT OR GUARANTOR, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH ERCOT OR

GUARANTOR, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, OR IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS GUARANTEE. IT IS AGREED AND UNDERSTOOD BY EACH OF GUARANTOR AND ERCOT THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS GUARANTEE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR AND ERCOT, AND EACH OF GUARANTOR AND ERCOT HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH OF GUARANTOR AND ERCOT FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTEE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 20. Guarantor agrees to pay to ERCOT, upon demand, all out-of-pocket costs and expenses, including reasonable third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

Section 21. For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

Section 22. This Guarantee shall bind the successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns pursuant to the terms of the Agreement. The Guarantor may not assign its rights nor delegate its obligations under this Guarantee, in whole or in part, without the prior written consent of ERCOT, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise to the satisfaction of ERCOT in its sole discretion. Upon written acknowledgment of said assumption in accordance with the foregoing to the satisfaction of ERCOT, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

Section 23. No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

Section 24. This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of Participant.

Participant: Pepco Energy Services, Inc.

[Name of Participant]

a Delaware Corporation

[Type of entity/jurisdiction of organization]

Effective Date of Standard Form Market Participant Agreement: January 12, 2006.

CREDIT SUPPORT AMOUNT: \$1,000,000

EXECUTED by GUARANTOR this 27th day of February, 2009:

Pepco Holdings, Inc.
[Name of Guarantor]

Address: Pepco Holdings, Inc.
800 King Street
Wilmington, DE 19899

a Delaware Corporation
[Type of entity/jurisdiction of organization]

Telephone: 302-429-3004

Facsimile: 302-429-3188

By: 

Name: Anthony Kamerick

Title: Vice President & Treasurer

ACCEPTED by ERCOT this 10 day of March, 2009:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: 

Name: Vanessa Spiller

Title: Credit Manager

Telephone: 512.225.7024

Facsimile: 512.225.7020



Date: March 6, 2009
To: Pepco Holdings, Inc.
 %Anthony Kamerick
From: ERCOT
 Vanessa Spells
Re: Market Participant Guarantee Agreement for Pepco Energy Services, Inc.
Provided by: Pepco Holdings, Inc.
Amount: \$1,000,000.00
Expiration Date: March 6, 2010

We have received a Market Participant Guarantee Agreement from Pepco Holdings, Inc. as guarantor for Pepco Energy Services, Inc.

This Guarantee Agreement will remain on our records until March 6, 2010. However, you may terminate this agreement at any time by written notification. Cancellation will be effective thirty (30) days from the date the response is received. You will be notified in writing following receipt of the Notice.

Please feel free to contact me at 512-225-7014, if you have any questions.

Sincerely,

Vanessa Spells
 ERCOT - Credit Manager

February 17, 2010

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive
Austin, TX 78744

Amendment No. 1
To Guaranty Agreement
Dated as of February 27, 2009

Reference is hereby made to the certain Guaranty Agreement dated as of February 27, 2009 (as amended by written agreement prior to the date hereof, the "Guarantor Agreement"), by and between Pepco Holdings, Inc. ("Guarantor") and Electric Reliability Council of Texas, Inc. ("Beneficiary") in accordance with which Guarantor unconditionally guarantees the Obligations of Pepco Energy Services, Inc. ("Purchaser") pursuant to the Agreements as therein set forth and defined. All capitalized terms herein shall have the meanings set forth in the Guaranty Agreement.

In continued consideration of the premises set forth in the Guaranty Agreement and for other good and valuable consideration, the adequacy, sufficiency and receipt of which are hereby acknowledged, effective as of the date hereof, Guarantor hereby agrees to amend the terms and of its Guaranty to Beneficiary set forth therein as continued consideration for the Agreements and as consideration for Beneficiary's continuing to extend credit to Purchaser thereunder, and Beneficiary hereby accepts and agrees to the terms hereof, as follows:

This Guaranty shall expire on March 6, 2011 or thirty (30) days after the date the Beneficiary receives written notice of termination from Guarantor, whichever is sooner.

If this Amendment No. 1 to the Guaranty Agreement (this "Amendment") is acceptable to Beneficiary, please signify your acceptance by causing an authorized officer of the Beneficiary to execute this Amendment in place provided below for signature. Except as specifically amended by the Amendment, the Guaranty Agreement shall not otherwise be deemed modified or amended in any respect.

PEPCO HOLDINGS, INC.



Name: Kevin McGowan
Title: Vice President & Treasurer

Electric Reliability Council of Texas, Inc.
Accepted And Agreed:

BY: Urena Spell

Title: Credit Manager