regulatory-approved capital structure of 60% long-term debt and 40% equity, distributing any excess net income to its two owners. As of Sept. 30, 2012, Oncor distributed about $155 million to its owners, compared with $80 million during the same period in 2011.

Liquidity

Oncor's liquidity is "strong" under Standard & Poor's liquidity methodology criteria. We base our liquidity assessment on the following factors and assumptions:

- We expect the company's liquidity sources (including FFO and credit facility availability) over the next 12 months to exceed its uses by more than 1.5x.
- Oncor has no long-term debt maturities due until 2015.
- Even if EBITDA decreases by 30%, we believe net sources of liquidity will exceed liquidity requirements.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets.

In our analysis, based on information available as of Sept. 30, 2012, we assumed liquidity of about $2.6 billion over the next 12 months, consisting mainly of FFO and availability under the revolving credit facilities. We estimate the company could use up to $1.4 billion during the same period for capital spending, debt maturities, and shareholder dividends.

Oncor has a $2.4 billion revolving credit facility expiring in October 2016, which had about $1.6 billion available as of Sept. 30, 2012. The credit facility is secured and is pari passu with Oncor's other secured debt obligations.

Oncor's ability to absorb high-impact, low-probability events, its proactive handling of debt maturities and liquidity needs, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management further support our description of liquidity as strong.

Standard & Poor's also expects that Oncor will continue to proactively manage its financing needs to maintain strong levels of liquidity. We view strong liquidity as very important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may make it difficult for Oncor to access the capital markets when it needs to and under favorable terms.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property", published Feb. 14, 2013).

The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories depending on the calculated ratio.

Oncors FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of 1+ and an issue rating two notches above the CCR.

Outlook

The stable rating outlook incorporates Oncor's excellent business risk and aggressive financial risk profiles along with our expectations of generally stable financial performance over the next 12 to 24 months as the company completes its planned capital investment in transmission projects by 2014. Our baseline forecast is for FFO to total debt to be more than 15% and total debt to total capital to remain at about 66%, including short-term debt and excluding from equity an amount that is primarily equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Sept. 30, 2012, this amount was about $3.7 billion. Should FFO to debt decrease to less than 15% on a consistent basis due to the inability to recover invested capital on a timely manner and, should debt leverage exceed 66% to 67%, we would then lower the ratings on Oncor. In addition, any pressure from majority owner EFH to make excess distributions or any compromise of the separateness undertakings currently in place would also trigger a multiple-notch downgrade. Given Oncor's level of debt leverage, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

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S&P Takes Rating Action On 23 U.S. Issuers After Revising Criteria For Recovery Ratings On Utility First Mortgage Bonds

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NEW YORK (Standard & Poor's) Feb. 14, 2013--Standard & Poor's Ratings Services said today it raised issue ratings and revised recovery ratings for 22 U.S. issuers after revising its criteria for rating utility first mortgage bonds (see "Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property," published Feb. 14, 2014). It also lowered ratings on the bonds of three issuers (see list below). Now generically called "secured utility bonds" (SUB) in our criteria to reflect its global scope (the same types of bonds have various names depending on the legal system in each country), we are adapting our methodology for assigning recovery ratings for SUBs to specify the type of issuers, insolvency regimes, and regulatory schemes to which the criteria will apply, how we define the collateral pledged to bondholders, and how we calculate the value of the collateral. (We had previously requested comments on the proposed changes to the criteria; see Request For Comment: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property," published Sept. 26, 2012.)

"In the most significant change, we will now use the amount of SUBs outstanding at the time of the recovery analysis in our calculation of nominal recovery expectations. We previously assumed the maximum amount permitted under the mortgage indenture," said Standard & Poor's credit analyst Todd Shipman.

All investors and issuers who provided comments to Standard & Poor's on the proposed changes supported the revised approach to assigning recovery ratings to utility SUBs. Based on market feedback, the proposal was changed in one minor respect. As now published, the revised SUB criteria results in upgrades to the recovery ratings and issue ratings of the SUBs of 21 issuers in the U.S. Clarifications on the scope of the SUB criteria result in the withdrawal of recovery ratings and ratings downgrades of certain bonds of three issuers because either the issuer is not a utility or the bonds are not SUBs as now defined in the criteria.

RATINGS LIST

Ratings Raised

	To	From
Ameren Illinois Co.		
Senior secured	BBB+	BBB
Recovery Rating	1+	1
CenterPoint Energy Houston Electric LLC		
Senior secured	A	A-
Recovery Rating	1+	1
Central Maine Power Co.		
Senior secured	A	A-
Recovery Rating	1+	1
Cleveland Electric Illuminating Co.		
Senior secured	BBB+	BBB
Recovery Rating	1+	1
Connecticut Light & Power Co.		
Senior secured	A	A-
Recovery Rating	1+	1
Entergy Gulf States Louisiana LLC		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Entergy New Orleans Inc.		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Entergy Texas Inc.		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Indianapolis Power & Light Co.		
Senior secured	BBB+	BBB
Recovery Rating	1+	1
Kansas City Power & Light Co.		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Kansas Gas & Electric Co.		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Laclede Gas Co.		
Senior secured	A+	A
Recovery Rating	1+	1
Nevada Power Co.		
Senior secured	BBB+	BBB

Recovery Rating	1+	1
Northwest Natural Gas Co.		
Senior secured	AA-	A-
Recovery Rating	1+	1
Ohio Edison Co.		
Senior secured	BBB+	BBB
Recovery Rating	1+	1
Oncor Electric Delivery Co. LLC		
Senior secured	A	A-
Recovery Rating	1+	1
Peoples Gas Light & Coke Co. (The)		
Senior secured	A	A-
Recovery Rating	1+	1
Public Service Co. of New Hampshire		
Senior secured	A	A-
Recovery Rating	1+	1
Sierra Pacific Power Co.		
Senior secured	BBB+	BBB
Recovery rating	1+	1
Southwestern Public Service Co.		
Senior secured	A	A-
Recovery Rating	1+	1
System Energy Resources Inc.		
Senior secured	A-	BBB+
Recovery Rating	1+	1
Westar Energy Inc.		
Senior secured	A-	BBB+
Recovery Rating	1+	1

Ratings Lowered

	To	From
Allegheny Energy Supply Co. LLC		
Senior secured	BBB-	BBB
System Energy Resources Inc.		
Senior secured	BBB	BBB+

Rating Lowered; Recovery Rating Withdrawn

	To	From
Kansas Gas & Electric Co.		
Senior secured	BBB	BBB+
Recovery Rating	NR	1

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The report is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to research_request@standardandpoors.com. Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request a copy of this report by contacting the media representative provided.

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Oncor Electric Delivery Co. LLC

Major Rating Factors

Corporate Credit Rating

BBB+/Stable/NR

Strengths:

- Low-operating-risk electricity transmission and distribution operations with no commodity exposure;
- Effective management of regulatory relations, leading to generally constructive rate-case outcomes;
- A large service territory with generally attractive demographics; and
- Strong liquidity and proactive management of debt maturities and liabilities.

Weaknesses:

- Aggressive debt leverage;
- A large, albeit declining, capital spending program primarily for transmission projects; and
- The ongoing need to maintain separateness undertakings from majority owner Energy Future Holdings Corp.

Rationale

The ratings on Oncor Electric Delivery Co. LLC incorporate, in addition to the stand-alone "excellent" business risk profile and "aggressive" financial risk profile, a number of structural, legal, and regulatory provisions that allow Standard & Poor's Ratings Services to view the company separately from its majority owner, Energy Future Holdings Corp. (EFH). These provisions include:

- The sale of 19.75% of Oncor to Texas Transmission Investment LLC, which is a third-party, unaffiliated investor. This investor has sufficient rights and board representation that can prevent EFH from harming Oncor's credit profile. These rights include the ability to veto changes in Oncor's dividend policy, requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, approval over material transactions between Oncor and its non-ring-fenced affiliates, approval over the annual budget if it is reduced by 10% or more from the prior year's amount, and the ability to prevent dividend distributions if it is in Oncor's best interests to retain such amounts for future capital requirements.
- Legal ring-fencing provisions. These include a nonconsolidation opinion and separateness undertakings (such as arm's-length transactions between Oncor and EFH, and the inability of Oncor to extend financial support to or receive financial support from EFH), and six independent directors who are required by law to consider only the interests of Oncor and its creditors when acting or voting on any material action, two of whom are special independent directors.

Oncor's excellent business risk profile reflects the company's electric distribution and transmission business, which has low operating risk, lack of commodity exposure, and serves a large customer base of more than 3.2 million end users with generally attractive demographics. In addition, the excellent business risk profile takes into account the company's efforts to reach regulatory outcomes that are generally supportive of credit quality. These strengths are offset by a large capital spending program to build new transmission projects and the ongoing requirement to maintain the existing separateness undertakings with majority owner EFH. We expect that when the transmission projects are completed by 2014 they will have contributed to a material increase in rate base providing ongoing support to the financial risk profile. Oncor is operating under a base-rate freeze until July 1, 2013. Under the terms of the last rate-case decision, Oncor's base rates increased by $137 million and reflect a 10.25% return on equity (ROE) and a capital structure of 60% debt and 40% equity.

Oncor's financial risk profile is aggressive, reflecting financial measures from our baseline forecast that are in the middle of the category and support current ratings. Our baseline forecast of funds from operations (FFO) to total debt of more than 15% and debt leverage that remains at about 66%, reflect steady economic activity in the company's service territory combined with a moderation in capital spending upon timely completion of transmission projects and their subsequent cost recovery. At the same time, we expect that Oncor will continue to operate within the regulatory-approved capital structure of 60% long-term debt and 40% equity, distributing any excess net income to its two owners. As of June 30, 2012, Oncor distributed about $105 million to its owners, compared with $40 million during the same period in 2011.

Liquidity

Oncor's liquidity is "strong" under Standard & Poor's liquidity methodology criteria. We base our liquidity assessment on the following factors and assumptions:

- We expect the company's liquidity sources (including FFO and credit facility availability) over the next 12 months to exceed its uses by more than 1.5x.
- Oncor has no long-term debt maturities due until 2015.
- Even if EBITDA declines by 30%, we believe net sources of liquidity will exceed liquidity requirements.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets.

In our analysis, based on information available as of June 30, 2012, we assumed liquidity of about $2.6 billion over the next 12 months, consisting mainly of FFO and availability under the revolving credit facilities. We estimate the company could use up to $1.4 billion during the same period for capital spending, debt maturities, and shareholder dividends.

Oncor has a $2.4 billion revolving credit facility expiring in October 2016 which had about $1.5 billion available as of June 30, 2012. The credit facility is secured and is pari passu with Oncor's other secured debt obligations.

Oncor's ability to absorb high-impact, low-probability events, its proactive handling of debt maturities and liquidity needs, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management further support our description of liquidity as strong.

Standard & Poor's also expects that Oncor will continue to proactively manage its financing needs to maintain strong levels of liquidity. We view strong liquidity as very important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may make it difficult for Oncor to access the capital markets when it needs to and under favorable terms.

Recovery analysis

We assign recovery ratings to first-mortgage bonds (FMB) issued by investment-grade U.S. utilities, which can result in our notching issue ratings above a corporate credit rating on a utility depending on the category and the extent of the collateral coverage. We base the investment-grade FMB recovery methodology on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and on our view that the factors that supported those recoveries (limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist.

Under our notching criteria, when assigning issue ratings to utility FMBs, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance. FMB ratings can exceed a corporate credit rating on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

Oncor's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of less than 1.5x supports a recovery rating of '1' and an issue rating one notch above the corporate credit rating.

Outlook

The stable rating outlook incorporates Oncor's excellent business risk and aggressive financial risk profiles along with our expectations of generally stable financial performance over the next 12 to 24 months as the company's planned capital investment in transmission projects completes by early 2014. Our baseline forecast is for FFO to total debt to be above 15% and total debt to total capital that remains at about 66%, including short-term debt and excluding from equity an amount that is primarily equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Dec. 31, 2011, this amount was about $3.7 billion. Should FFO to debt decline below 15% on a consistent basis due to the inability to recover invested capital on a timely manner and should debt leverage exceed 66% to 67% we would then lower the ratings on Oncor. In addition, any pressure from majority owner EFH to make excess distributions or any compromise of the separateness undertakings currently in place would also trigger a multiple-notch ratings downgrade. Given Oncor's level of debt leverage, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Business Description

Oncor Electric Delivery Co. LLC (Oncor) is an electric transmission and distribution (T&D) company operating in north central, eastern, and western Texas, including Dallas.

Oncor Electric Delivery Holdings Co., a wholly owned subsidiary of Energy Future Holdings Corp. (EFH; CCC/Negative/--), owns 80.033% of Oncor, and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service Administration Corp. (acting through its infrastructure investment entity, Borealis Infrastructure Management Inc.), and by the Government of Singapore Investment Corp. (acting through its private-equity and infrastructure arm, GIC Special Investments Pte. Ltd). Ratings on Oncor reflect the company's stand-alone business and financial risk profiles.

Rating Methodology

Oncor is rated separately and on a stand-alone basis from its majority owner, Energy Future Holdings Corp. (EFH) (CCC/Negative/--). The rating incorporates a number of structural, legal, and regulatory provisions that we believe are sufficient to support the de-linking of the ratings on Oncor and EFH. At the most basic level, these provisions include:

- The sale of 19.75% of Oncor to a third-party, unaffiliated investor with sufficient rights and board representation that can prevent EFH from adversely affecting Oncor's credit profile through the appointment of two directors that have veto and voting rights that are disproportionate to Texas Transmission's ownership interest in Oncor.
- Legal ring-fencing, including nonconsolidation opinion and separateness undertakings (arm's-length transactions between Oncor and EFH, and the inability to extend/receive financial support by making loans to EFH or buying any EFH securities).

Business Risk Profile: Stable, Low-Risk Transmission And Distribution Operations With Credit-Supportive Regulation

Oncor's excellent business risk profile reflects fully regulated electric T&D operations, supported by constructive regulatory outcomes.

Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its actual customers consist of more than 75 retail electricity providers (REPs) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC (TCEH), an EFH affiliate, accounted for 33% of Oncor's 2011 revenues, while subsidiaries of a nonaffiliated REP accounted for 12%. Of the remaining REPs, no other entity accounted for more than 10% of Oncor's 2011 revenues.

Oncor relies on these REPs to remit timely payments for distribution services rendered; a default by an REP would cause delays in payment and could pressure Oncor's liquidity. As of June 30, 2012, Oncor's trade-accounts receivable from TCEH were $149 million, or about 9% of revenues for the period. If an REP declares bankruptcy, Oncor can recover the amounts not received by deferring such amounts as a regulatory asset and then requesting recovery through a rate-case filing, though this rule applies only to nonaffiliated REPs and not to TCEH. In case of any default in the payments of accounts receivable by TCEH, Oncor can recover any claims by withholding distributions to the two owners until it is made whole. Additionally, if TCEH were to delay or stop payments, Oncor would have a senior unsecured claim against TCEH. However, our recovery analysis on EFH suggests that recovery on senior unsecured claims against EFH or its affiliates would be very small because EFH and its subsidiaries have large amounts of senior secured debt.

Oncor is in the process of completing 17 transmission projects relating to competitive renewable energy zones (CREZ), which will provide load areas with access to wind-generated electricity. All projects have been approved by the Public Utility Commission of Texas (PUCT) and are estimated to cost about $2 billion. Oncor had spent $1.2 billion on the CREZ projects through June 30, 2012. Effective July 1, 2011, Oncor recovers the cost of wholesale transmission service through a separate rate, the Transmission Cost Recovery Factor (TCRF), and not through base rates. The change does not affect the company's operating income. Separately, Oncor recovers the cost of retail transmission service through a separate rider, the transmission cost of service (TCOS). In June 2012, Oncor filed for an increase in its TCRF which, if approved, will increase revenues by about $129 million effective in September 2012.

Management and strategy

Oncor management has been transparent and has consistently operated within the confines of the regulatory and ring-fencing arrangements that are important to ensure continued separation between Oncor and majority owner, EFH. Management remains focused on expanding rate base through new transmission projects and completing rate cases and cost recovery filings successfully and on a timely basis. In addition, Oncor has effectively managed liquidity risk by proactively refinancing debt maturities and increasing the size of its credit facility to $2.4 billion. We consider all the steps that management has taken to be very important to the company's credit quality in light of majority owner's EFH ongoing financial challenges.

S&P's base-case operating expectations

Standard & Poor's base-case scenario for Oncor is based on the following assumptions:

- Oncor remains a fully regulated transmission and distribution entity with no expansion in any unregulated businesses.
- The economic conditions in Texas continue to improve, albeit moderately, contributing to modest increases in customer usage.
- The regulatory and ring-fencing arrangements between Oncor and majority owner EFH remain intact and are not compromised. In addition, we expect that Oncor will not be pressured to make distributions to EFH such that the 60% long-term debt to 40% equity capital structure limitation is breached. Finally, we expect that Oncor is not dragged into the estate of EFH, in case of a bankruptcy filing by that company.
- Oncor continues to operate under regulatory terms that largely support credit quality and remain generally constructive, including timely recovery of transmission capital projects and ability to earn within the allowed ranges.
- We expect capital expenditures to remain large albeit decline somewhat as the CREZ investments approach completion in early 2014.

Financial Risk Profile: High Leverage Combined With Consistent Cash Flow

We view Oncor's financial risk profile as aggressive. For the 12 months ended June 30, 2012, FFO were $1.19 billion, benefiting from base-rate increases, a modest increase in the number of customers, and a change in bonus depreciation rules that resulted in lower cash taxes for the period. At the same time, total debt was $6.9 billion, excluding $495 million of securitized debt but including $935 million of short-term debt. FFO to total debt was 17.1% and total debt to total capital was 66.5% for the period. In computing debt leverage, Standard & Poor's deducts from equity an amount that is primarily equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Dec. 31, 2011, this amount was about $3.7 billion. In addition, Standard & Poor's computes debt leverage by including both long- and short-term debt, unlike the regulatory computation, which incorporates only long-term debt.

S&P's base-case cash flow and capital structure expectations

Our base-case forecast suggests key credit measures will remain adequate for the aggressive financial risk profile category. We expect credit protection measures to weaken slightly as the benefits of bonus depreciation go away offset by a moderate reduction in capital spending that should help the financial measures stabilize. As a result, we expect that over the next 12 to 24 months, FFO to total debt will be above 15% and net cash flow to capital spending will remain at about 80%. We also expect that debt leverage will remain in the aggressive category at about 66% while debt to EBITDA will be about 4.0x. We derive the base-case forecast financial measures from our assumptions, including:

- EBITDA growth that incorporates our expectation that Oncor will continue to earn close to the allowed ROE and will benefit from timely transmission cost recovery once these projects go into service.
- The capital structure limitation of 60% long-term debt to 40% equity is maintained over the projected period.
- Capital spending will remain high, albeit declining, over the projected period
- Oncor continues to recover on a timely basis costs associated with transmission investments.
- Dividends do not exceed net income.
- Liquidity remains strong and the company continues to have ready access to the capital markets.

Accounting

Standard & Poor's adjusts Oncor's ratios to account for securitized debt, operating leases, and postretirement benefit obligations.

In computing debt leverage, Standard & Poor's deducts from equity an amount that is primarily equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Dec. 31, 2011, this amount was about $3.7 billion.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

Table 1

Oncor Electric Delivery Co. LLC -- Peer Comparison

Industry Sector: Electric

	Oncor Electric Delivery Co. LLC	CenterPoint Energy Inc.	CenterPoint Energy Houston Electric LLC	Northeast Utilities	Consolidated Edison Inc.
Rating as of Aug. 23, 2012	BBB+/Stable/--	BBB+/Stable/A-2	BBB+/Stable/--	A-/Stable/A-2	A-/Stable/A-2
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	2,762.3	8,128.7	1,810.7	4,721.1	13,098.3
EBITDA	1,448.8	1,790.0	769.0	1,200.9	3,064.3

Table 1

Oncor Electric Delivery Co. LLC -- Peer Comparison (cont.)					
Net income from cont. oper.	346.3	528.0	298.7	376.7	981.3
Funds from operations (FFO)	1,064.8	1,312.9	506.2	909.0	2,792.5
Capital expenditures	1,130.8	1,258.7	498.0	971.3	2,076.6
Free operating cash flow	(88.4)	215.2	13.6	(101.1)	917.6
Discretionary cash flow	(297.7)	(95.4)	13.6	(282.9)	271.1
Cash and short-term investments	24.3	737.3	385.7	90.8	415.3
Debt	6,151.6	7,611.3	2,480.6	5,945.8	13,768.1
Equity	3,252.7	3,353.0	2,343.3	3,860.2	11,021.8
Adjusted ratios					
EBITDA margin (%)	52.4	22.0	42.5	25.4	23.4
EBITDA interest coverage (x)	4.0	3.5	4.7	4.6	4.9
EBIT interest coverage (x)	2.7	2.4	3.1	3.4	3.5
Return on capital (%)	8.9	9.0	8.3	7.9	7.3
FFO/debt (%)	17.3	17.2	20.4	15.3	20.3
Free operating cash flow/debt (%)	(1.4)	2.8	0.5	(1.7)	6.7
Debt/EBITDA (x)	4.2	4.3	3.2	5.0	4.5
Total debt/debt plus equity (%)	65.4	69.4	51.4	60.6	55.5

Table 2

Oncor Electric Delivery Co. LLC -- Financial Summary					
Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2011	**2010**	**2009**	**2008**	**2007**
Rating history	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB-/Watch Dev/--
(Mil. $)					
Revenues	2,973.0	2,768 9	2,544.9	2,434.9	2,354.1
EBITDA	1,619.9	1,483.3	1,243.1	1,215.0	1,144.3
Net income from continuing operations	367.0	352.0	320.0	(487.0)	327.0
Funds from operations (FFO)	1,258.8	1,014.3	921.1	790.8	774.4
Capital expenditures	1,359.0	1,022.4	1,010.9	894.1	700 1
Dividends paid	145.0	211.0	272.0	1,583.0	326.0
Debt	6,443.5	6,276.8	5,732.5	5,423.7	4,502.6
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	3,430.0	3,237.0	3,091.0	3,064.9	3,049.1
Debt and equity	9,873.5	9,515.8	8,823.5	8,488.6	7,551.8

Table 2

Oncor Electric Delivery Co. LLC -- Financial Summary (cont.)

Adjusted ratios					
EBITDA margin (%)	54.5	53.6	48.8	49.9	48.6
EBIT interest coverage (x)	2.8	2.7	2.6	3.0	3.0
FFO int. cov. (x)	4.1	3.6	3.6	4.0	3.8
FFO/debt (%)	19.5	16.2	16.1	14.6	17.2
Discretionary cash flow/debt (%)	(3.7)	(3.8)	(7.2)	(31.2)	(8.6)
Net cash flow/capex (%)	82.0	78.6	64.2	(88.6)	64.0
Debt/debt and equity (%)	65.3	66.0	65.0	63.9	59.6
Return on capital (%)	9.2	9.0	8.5	9.2	9.5
Return on common equity (%)	5.1	5.1	4.7	(6.8)	6.0
Common dividend payout ratio (un-adj.) (%)	39.5	59.9	85.0	(67.8)	99.7

Table 3

Reconciliation Of Oncor Electric Delivery Co. LLC Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

--Fiscal year ended Dec. 31, 2011--

Oncor Electric Delivery Co. LLC reported amounts

	Debt	Shareholders' equity	Revenues	EBITDA	Operating income	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	6,030.0	7,181 0	3,118.0	1,621.0	902.0	359.0	1,295.0	1,295.0	145.0	1,362.0
Standard & Poor's adjustments										
Operating leases	24.4	--	--	1.9	1.9	1.9	11.1	11.1	--	--
Postretirement benefit obligations	835.3	--	--	142.0	142.0	51.0	74.8	74.8	--	--
Capitalized interest	--	--	--	--	--	3.0	(3.0)	(3.0)	--	(3.0)
Securitized utility cost recovery	(554.2)	--	(145.0)	(145.0)	(31 9)	(31.9)	(113.1)	(113 1)	--	--
Non-operating income (expense)	--	--	--	--	53.0	--	--	--	--	--
Reverse changes in working-capital	--	--	--	--	--	--	--	(6.0)	--	--
Debt - Accrued interest not included in reported debt	108.0	--	--	--	--	--	--	--	--	--
Equity - Other	--	(3,751.0)	--	--	--	--	--	--	--	--
Total adjustments	413.5	(3,751.0)	(145.0)	(1.1)	165 0	24 0	(30.2)	(36.2)	0.0	(3.0)

Table 3

Reconciliation Of Oncor Electric Delivery Co. LLC Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	6,443.5	3,430.0	2,973.0	1,619.9	1,067.0	383.0	1,264.8	1,258.8	145.0	1,359.0

Ratings Detail (As Of August 27, 2012)*

Oncor Electric Delivery Co. LLC	
Corporate Credit Rating	BBB+/Stable/NR
Senior Secured	A-
Corporate Credit Ratings History	
13-Aug-2008	BBB+/Stable/NR
09-Oct-2007	BBB-/Watch Dev/NR
26-Feb-2007	BBB-/Watch Neg/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
EFIH Finance Inc.	
Senior Secured	B-
Senior Secured	CC
Energy Future Competitive Holdings Co.	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured	CC
Subordinated	CC
Energy Future Holdings Corp.	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured	B-
Senior Unsecured	CC
Senior Unsecured	D
Energy Future Intermediate Holding Co. LLC	
Issuer Credit Rating	CCC/Negative/--
Senior Secured	B-
Senior Secured	CC
Texas Competitive Electric Holdings Co. LLC	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured	CC
Senior Secured	CCC
Senior Unsecured	CC
Senior Unsecured	D

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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FitchRatings

FITCH AFFIRMS ONCOR'S IDR AT 'BBB'; OUTLOOK STABLE

Fitch Ratings-New York-15 August 2012: Fitch Ratings has affirmed Oncor Electric Delivery Company LLC's (Oncor) long-term Issuer Default Rating (IDR) at 'BBB' and short-term IDR at 'F3'. Fitch has also affirmed Oncor's security ratings. (A complete list of rating actions follows at the end of this release.) The Rating Outlook is Stable. More than $6 billion of debt is affected by today's rating actions.

Oncor continues to deliver strong operational and financial performance, which is driven by a rebound in sales volume growth, balanced outcome in the 2011 distribution rate case and strong growth in transmission investments with constructive recovery mechanisms. These factors have led to a steady improvement in key credit metrics. Fitch expects Oncor's profitability and credit metrics to continue to appreciate over the 2012 to 2016 forecast period led by significant transmission build out that is well supported by constructive regulation. Management's recent refinancing initiatives of pushing out debt maturities till 2015 and upsizing the corporate revolver have lowered re-financing risk in light of the concerns surrounding the financial health of its ultimate parent.

Oncor is spending more than $5 billion over 2012 to 2016 in capital expenditure, a majority of which is driven by transmission grid expansion and the Competitive Renewable Energy Zone (CREZ) projects. Various tracker mechanisms allow Oncor to earn a return on transmission related capital investment with minimal regulatory lag. Oncor has been successful in achieving reasonable resolution to its regulatory rate filings, including the most recent distribution rate case in 2011. In addition, following the passage of Senate Bill 1693, the Public Utility Commission of Texas (PUCT) approved the periodic rate adjustment rule in September 2011 that allows utilities to file for recovery of distribution investments between rate reviews.

Oncor's profitability since 4Q'09 has benefited from a rebound in the Texas economy that resulted in a recovery of electricity demand from the large commercial and industrial sector. Even with a modest growth expectation in electric sales, Fitch expects Oncor's Earnings Before Interest, Depreciation and Taxes (EBITDA) to Interest ratio to approach 5.1 times (x) and Debt to EBITDA to be in the 3.3x range, which is strong as compared to Fitch's guideline ratio for a low risk, regulated, 'BBB' issuer. Fitch expects Oncor's Funds Flow from Operations (FFO) metrics to be robust in 2012 driven by bonus depreciation and thereafter decline to 17-18% range for the balance of the forecast period.

Fitch considers the key rating factors for Oncor to be: 1) the stability of existing regulated utility cash flows; (2) relatively strong service territory; (3) strong credit ratios relative to the rating level; (4) effective ring-fencing from a highly leveraged parent company, Energy Future Holdings Corp. (EFH); and (5) potential financial exposure in the event of bankruptcy filing of EFH and/or Texas Competitive Electric Holdings Company LLC (TCEH), EFH's indirect, non-regulated subsidiary.

Fitch continues to believe that strong ring-fenced mechanisms isolate Oncor's credit profile from that of its ultimate parent and is a key driver of the wide ratings differential between Oncor and rest of the EFH group. In March 2012, Fitch downgraded TCEH's IDR to 'CC' from 'CCC' implying that default of some kind appears probable at some point in the future. Due to inter-company linkages, Fitch also downgraded the IDRs of EFH and Energy Future Intermediate Holding Company LLC (EFIH) to 'CC' from 'CCC'.

In the event that EFH/EFIH and TCEH file for bankruptcy, Oncor's financial profile could be affected to the extent of accounts and note receivables outstanding since TCEH accounts for approximately one-thirds of Oncor's revenues. Moreover, Oncor's capital market access could become constrained until bankruptcy proceedings are resolved. Fitch acknowledges that Oncor has begun to take steps to limit these potential ramifications. Last week's amendment to EFH's pension plan significantly reduces the pension exposure for Oncor in case of bankruptcy filing of EFH.

Relative to its peers, Oncor's has limited source of equity funding given the financial health of its parent. Oncor has been severely curtailing the upstream dividends in order to maintain equity to capital within the 40% maximum PUCT-required level given its large capital spending plans. As of June 30, 2012, Oncor's regulatory capital structure was 59% debt and 41% equity.

Recent steps taken by Oncor to redeem its 2013 debt maturities well in advance and upsize its corporate revolving facility to $2.4 billion mitigates concerns regarding capital access should EFH/EFIH file for bankruptcy. As of June 30, 2012, Oncor's corporate revolving facility, due October 2016, had borrowings of $935 million and letter of credits outstanding of $6 million. The drawn balances are large and reflect a heavy capex spend for 2012; Oncor typically draws on its corporate revolver to fund capital work in progress and subsequently replaces the drawn balances with permanent financing. Fitch expects Oncor to access capital markets on a timely basis to repay borrowings under the revolver.

Triggers for Future Rating Actions
Positive rating actions for Oncor are not anticipated at this time. However, negative ratings actions could be triggered by the following factors:

--Texas Regulation: Fitch expects a balanced regulatory environment for Oncor. Any unexpected adverse outcomes in future rate cases could result in credit rating downgrades.

--Change in Ownership: Any potential change in ownership of Oncor would need to be evaluated in context of the potential new ring-fencing arrangements implemented to preserve the credit quality of the company.

--Potential Bankruptcy Filing by EFH/EFIH and TCEH: Negative rating actions by Fitch could result depending upon Oncor's financial exposure to TCEH at the time of the filing. Fitch continues to believe that the ring-fencing measures for Oncor are strong, and the assets of Oncor should not be consolidated in the event of bankruptcy of EFH. Any decision to the contrary during potential bankruptcy proceedings could lead to ratings downgrade for Oncor.

Fitch affirms the following ratings for Oncor:
--Long-term IDR at 'BBB';
--Senior secured debt at 'BBB+';
--Short-term IDR and commercial paper at 'F3'.

The Rating Outlook is Stable.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 8, 2012);
--'Recovery Ratings and Notching Criteria for Non-Financial Corporate Issuers' (Aug. 14, 2012);
--'Parent and Subsidiary Rating Linkage' (Aug. 8, 2012).

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684460
Recovery Ratings and Notching Criteria for Non-Financial Corporate Issuers
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686476
Parent and Subsidiary Rating Linkage
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685552

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Oncor Electric Delivery Company LLC

Global Credit Research - 14 Aug 2012

Dallas, Texas, United States

Ratings

Category	**Moody's Rating**
Outlook	Negative
First Mortgage Bonds	Baa2
Senior Secured	Baa2
Parent: Energy Future Holdings Corp.	
Outlook	Negative
Corporate Family Rating	Caa3
Bkd Senior Secured	Caa3/LGD4
Bkd Senior Unsecured	Ca/LGD6
Speculative Grade Liquidity	SGL-4

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Key Indicators

[1]Oncor Electric Delivery Company LLC

	LTM 6/30/2012	**2011**	**2010**	**2009**
(CFO Pre-W/C + Interest) / Interest Expense	**4.6x**	**4.7x**	**4.0x**	**3.8x**
(CFO Pre-W/C) / Debt	**20%**	**21%**	**17%**	**17%**
(CFO Pre-W/C - Dividends) / Debt	**17%**	**19%**	**14%**	**13%**
Debt / Book Capitalization	**44%**	**42%**	**43%**	**43%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Rate-regulated electric transmission and distribution (T&D) utility serving the business friendly North Texas / Dallas-Fort Worth region

Supportive regulatory environment provdes timely recovery of prudently incurred costs and investments

Significant capital expenditures of approximately $1.0 billion per year

Increasing exposure to contagion risks associated with financially distressed parent and affiliates

Depending on how parent EFH might restructure its balance sheet, Oncor could be the only operating subsidiary with over $8.0 billion of parent company debt

Corporate Profile

Oncor Electric Delivery Company LLC (Oncor) is an electric transmission and distribution utility serving the greater Dallas / Ft. Worth regions. Oncor's revenues are primarily regulated by the Public Utility Commission of Texas (PUCT), a credit positive given the supportive political and regulatory environment in Texas. Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (not rated) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company (EFIH: Caa3 senior secured / negative) which is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH: Caa3 Corporate Family Rating / negative).

SUMMARY RATING RATIONALE

Oncor's Baa2 senior secured rating primarily reflects its lower risk, rate regulated T&D business activities and the regulatory oversight provided by the PUCT and relies heavily on our assessment that the ring-fence type provisions designed to create credit separateness from the financially distressed parent, EFH, and affiliate, TCEH, are sound. Oncor's T&D assets generate stable and predictable revenues and cash flows. Nevertheless, from a credit perspective, we are increasingly viewing the approximately $6 billion of debt that resides at EFH and EFIH, which looks to Oncor's implied equity value, as a form of permanent leverage for Oncor, despite the ring fence.

Recent Events

On August 9, 2012, we downgraded EFH's CFR to Caa3 from Caa2 and we downgraded Oncor's senior secured rating to Baa2 from Baa1. Also on August 9, 2012, EFH sold $850 million of senior secured first lien and second lien notes through EFIH, which are secured by EFIH's equity interest in Oncor Holdings, which owns approximately 80% of Oncor.

The downgrade of Oncor's senior secured debt to Baa2 from Baa1 reflects two primary issues, both of which are beyond Oncor's and its principal regulator, the Public Utility Commission of Texas' (PUCT) control. The first issue is the rising contagion risk exposure that Oncor has with its majority owner-parent, EFH. As the risk of a contentious restructuring increases at EFH and TCEH, Oncor will be exposed, at a minimum, to some level of contagion. Approximately one-third of Oncor's revenues are associated with its affiliate, TXU Energy, and Oncor reports roughly $159 million of receivables from TCEH. In addition, as an 80% owned subsidiary, Oncor remains exposed to various consolidated corporate services, such as EFH's tax systems. That said, we note that EFH's recent decision to terminate its non-union pension fund serves to incrementally insulate Oncor from that specific contagion risk.

The second issue is EFH's indirect leveraging of Oncor's implied equity value, which will approximate $5.8 billion with the recent issuance of new EFIH securities (see below). Despite the ring fence provisions, EFH has utilized its equity in Oncor as a primary source of liquidity over the past few years. We note that this financing structure does not benefit Oncor, but rather benefits EFH and TCEH as it transfers debt originally raised at the EFH and TCEH levels and refinances it at the parent level of Oncor.

As the pledged equity in Oncor approaches the high end of our estimated valuation range, we see EFIH's intermediate parent holding company debt as a source of permanent leverage for Oncor, since Oncor is the only cash flow generating subsidiary of EFIH. Over the next few years, we calculate annual cash flow of roughly $1.5 billion for Oncor. This results in a ratio of cash flow to debt approaching the 10% threshold, by including the debt of EFIH and EFH in the denominator, which is more indicative of a Baa3 senior unsecured rating, after taking into account the lower business risk profile associated with being a transmission and distribution (T&D) utility in a supportive regulatory environment.

DETAILED RATING CONSIDERATIONS

Low-risk business operations within a supportive regulatory jurisdiction

Oncor is a rate-regulated electric transmission and distribution (T&D) utility serving the greater North Texas / Dallas-Fort Worth region. All of Oncor's revenues are regulated by the Public Utility Commission of Texas (PUCT), a credit positive because of the relatively transparent and supportive regulatory framework that tends to provide timely recovery for prudently incurred costs and investments.

As a stand-alone credit, Oncor is well positioned within the Baa-rating category. Oncor's fundamentals also compare favorably to selected T&D peers, such as CenterPoint Energy Houston Electric (A3 senior secured / stable). Today, we see little evidence indicating that a more contentious regulatory environment is coming, although the uncertainty surrounding event risk deserves monitoring.

Stable financial profile benefitting from accounting and tax policies

Electric T&D utilities are critical infrastructure assets that produce stable and predictable revenues and cash flow. Over the past 5 years, Oncor produced an average ratio of cash from operations before changes in working capital (CFO pre W/C) to debt of approximately 17%. This ratio includes both securitization cash flows and related debt, as well as pension and operating lease adjustments.

Cash flows, adjusted for changes in working capital, have increased to $1.5 billion in 2011 versus $1.2 billion in 2010, and the 5-year average of $1.1 billion. Prospectively, we expect the ratio of Oncor's CFO pre W/C to debt to decline to low to mid-teen's range as the company continues with its capital expenditure programs. However, in 2011, Oncor produced a ratio of CFO pre W/C to debt of roughly 21.4%, higher than what we originally expected. In our opinion, the increase appears to be partly due to the temporary benefits associated with federal tax and accounting policies, including bonus depreciation. Today, we view these benefits as unsustainable over the long term horizon. We estimate that excluding the stimulus benefits could reduce CFO by roughly $200 - $300 million.

We still incorporate a view that the Texas based T&D utilities can endure lower credit metrics for a given rating category. In our opinion, Texas T&Ds have a slightly lower risk profile than the broader T&D peer group as they are not exposed to any provider of last resort risk (POLR) or commodity risks.

Ring fence type provisions appear strong, but not sufficient to fully insulate Oncor from credit deterioration or contagion risk

Today, Oncor represents the most valuable asset within the EFH family, even though its ring fence provisions technically prevent EFH from controlling its subsidiary. Oncor's ring fence-type structures and PUCT regulatory oversight provide strong credit separateness from the financial distress being experienced at its parent and affiliates. But the stress at EFH creates contagion risk for Oncor, since Oncor and TCEH were once part of the same integrated electric utility. For example, as of June 30, 2012, Oncor reported $191 million of trade accounts receivable from TCEH and a $159 million note receivable from TCEH. In addition, approximately 30% of Oncor's revenues are derived from TCEH's retail electric provider business.

Oncor's primary credit risk related to a default at TCEH, EFH and EFIH, is where the EFIH lenders foreclose on their security collateral - the equity interests of Oncor Holdings, which owns 80% of Oncor. Should this scenario emerge, we see risks related to a bankruptcy, where an Oncor divestiture is ordered by the court, through the bankruptcy process, to establish a timely value on the business. Although Oncor's ring fence type structures are strong, they are not a sure thing. Still, we incorporate a view that EFH, along with Oncor and the PUCT, are most interested in avoiding a bankruptcy test of the ring fence structures.

Separateness constrained by legacy vertically integrated business model

Oncor's affiliate, Texas Electric Competitive Holdings (TCEH), is a wholly owned subsidiary of EFH. Both TCEH and EFH are financially distressed companies with untenable capital structures. Despite the ring fence around Oncor, we cannot completely ignore the substantial inter-relationships that exist between Oncor and its affiliate, TCEH, and parent, EFH. These inter-relationships, in our opinion, are primarily derived from the fact that EFH's assets represent the legacy, vertically integrated electric utility, Texas Electric Utilities Company.

There are financial relationships between Oncor and its retail electric provider affiliate, such as a sizeable concentration of revenue roughly 30% - 40% of Oncor's revenues are associated with TXU Energy (Retail), down from 50% - 60% a few years ago. There are also certain interest and tax expense make-whole agreements associated with the collections of certain transition charges that service Oncor's Aaa-rated securitization bonds and other corporate shared services. Oncor's exposure to contagion risks associated with potential restructuring activities at its affiliates and parent, regardless of the legal and other structural ring fencing provisions, place its contagion risk at a much higher level than its utility T&D peer group.

Capital structure limitation and dividend policy need to be monitored carefully

Oncor's June quarterly dividend payment to its parent, EFH brings the annualized upstream dividend to roughly $220 million. That figure, which is materially higher than the $145 million dividend paid in 2011, is credit negative.

The upstream dividend payments exacerbate the contagion risk that Oncor has to majority owner-parent EFH, which is under financial stress and is likely to need some form of restructuring in 2013-14. Although a strong suite of ring fence structures insulate Oncor's creditors from EFH, only a bankruptcy court can determine whether the protections are sufficient, and Oncor, EFH or the Public Utility Commission of Texas (PUCT), its primary regulator, do not want to see that ring fence put to the test.

One of the main provisions of the proposed ring fence for Oncor is a limitation on the debt component to the capital structure. This limitation tracks Oncor's authorized capital structure at 60% maximum debt, but excludes short term debt. We view rising dividend payout ratios negatively from a credit perspective, even for a lower risk T&D utility, but especially for a utility with a large capital investment program. Our concerns with an increasing dividend are also premised on the flexibility that GAAP reporting provides a management team, and we view earnings bolstered by stimulus programs or non-cash items as unstainable over the long term horizon.

Liquidity

Oncor's liquidity appears adequate at this time. Our liquidity assessment for the next four quarters specifically excludes any access by Oncor to the capital markets. For the twelve months ended June 2012, Oncor generated approximately $1.28 billion of cash from operations, incurred approximately $1.54 billion in capital expenditures and made upstream dividend payments to its parent of roughly $210 million, resulting in a modest negative free cash flow position.

In May 2012, Oncor increased its secured revolving credit facility by $400 million to a total of $2.4 billion. The credit facility matures in October 2016 and Oncor has the option of requesting up to two additional one-year extensions subject to certain conditions and lender approval. At June 30, 2012, there were $935 million of borrowing and $6 million of letters of credit outstanding under the facility.

The credit facility has a 65% debt to capitalization financial covenant, which we view as reasonably positive in the sense that it provides the company with some modest cushion from where its debt to capitalization is expected to be maintained as part of the proposed ring fencing and regulatory authorization (60%). But the bank covenant calculation, which currently has a significant amount of headroom cushion, includes roughly $4 billion of goodwill. In contrast, the regulatory capitalization calculation does not incorporate goodwill, but it also excludes short term borrowings under the revolver which were roughly $0.4 billion at year end 2011. We do not view Oncor as having any other meaningful sources of alternate liquidity.

Prospectively, we expect Oncor to produce approximately $1.3 - $1.5 billion in cash flow from operations in the next 12 months and to spend roughly $1 billion in capital expenditures. There are no material debt maturities until January 2015 when $500 million in senior notes will be due.

Rating Outlook

Oncor's negative rating outlook reflects the contagion risks associated with the rising probability that its parent will need to restructure. As EFH's most valuable asset, Oncor will attract a significant amount of attention from various creditor classes. For now, we continue to incorporate a view that Oncor will remain insulated from its parent's financial distress, thanks to its ring fence type provisions and regulatory oversight. We incorporate a view that EFH, Oncor and the PUCT are most interested in avoiding any testing by a bankruptcy court as to the strength of the ring fence's provisions.

Oncor's negative rating outlook will remain in place until EFH's restructuring program is completed and more clarity is available with regards to what that potential restructuring might entail. Today, we think it would be unlikely that Oncor's rating would fall below the investment grade category.

What Could Change the Rating - Up

Ratings are unlikely to be upgraded in the near to medium-term. That said, absent the contagion risk exposure and indirect leveraging of its equity, Oncor is viewed as a fundamentally strong T&D utility, with good growth prospects and a supportive regulatory environment. On a stand-alone basis, Oncor would likely be rated at least A3 senior secured, similar to CenterPoint Energy Houston Electric (A3 senior secured), its most comparable peer.

What Could Change the Rating - Down

Ratings could be downgraded another notch if EFH continues to indirectly leverage its equity ownership interest in Oncor. We note that this financing structure does not benefit Oncor, but rather benefits EFH and TCEH as it transfers debt originally raised at the EFH and TCEH levels and refinances it at the parent level of Oncor.

A more contentious political or regulatory environment, especially where the timeliness of recovering prudently incurred costs and investments was affected or if the Oncor board commenced a more aggressive upstream dividend policy, or other corporate finance policies, that delays financial strengthening at Oncor.

Ratings could be downgraded if CFO pre-w/c to debt ratios declined to the low-teen's range, or below the 10% range when adjusting for the debt at EFIH, which we are now viewing as a form of permanent leverage on Oncor.

Ratings could also fall by multiple notches if Oncor's ring fence structure is breached, or appears to be materially weakening, a scenario which we view as remote at this time.

Rating Factors

Oncor Electric Delivery Company LLC

Regulated Electric and Gas Utilities Industry [1][2]	**LTM 6/30/2012**		**Moody's 12-18 month Forward View* As of August 2012**	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		A		A
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Ba		Ba
b) Generation and Fuel Diversity (0%)				
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.2x	Baa	3.0-4.0	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	18%	Baa	13-20%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	15%	Baa	10-15%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	43%	A	40-45%	A
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 6/30/2012; Source: Moody's Financial Metrics

Moody's
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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades Energy Future Holdings and Oncor Electric Delivery; outlooks remain negative

Global Credit Research - 09 Aug 2012

Approximately $45 billion of debt securities affected.

New York, August 09, 2012 -- Moody's Investors Service today downgraded the Corporate Family Rating (CFR) of Energy Future Holdings Corp (EFH) to Caa3 from Caa2 and affirmed its Caa3 Probability of Default Rating (PDR) and SGL-4 Speculative Grade Liquidity Rating. The rating outlook remains negative. In addition, Moody's downgraded the senior secured rating of Oncor Electric Delivery Company (Oncor) to Baa2 from Baa1. Oncor's rating outlook remains negative.

At the same time, Moody's assigned a Caa3 rating (LGD4 58%) to Energy Future Intermediate Holding Company's (EFIH) new $250 million senior secured notes due 2017 and $500 million senior secured second lien notes due 2022.

The ratings for EFH, its subsidiaries and individual debt instruments are derived from the Caa3 CFR, with the exception of Oncor due to its ring fence type provisions. Individual instrument ratings and Loss Given Default (LGD) assessments are included at the end of this press release.

RATINGS RATIONALE

The downgrade of EFH's CFR to Caa3 from Caa2 reflects the company's financial distress and limited financial flexibility. EFH's capital structure is complex and, in our opinion, untenable which calls into question the sustainability of the business model and expected duration of its liquidity reserves. We expect material balance sheet restructuring within the next 12 to 18 months. For the latest twelve months ended June 2012, EFH's ratio of cash flow to debt is approximately 1% and is expected to remain near this level for the foreseeable future.

EFH's unregulated subsidiary, Texas Competitive Electric Holdings Company LLC (TCEH), is the principal driver behind EFH's cash flows. TCEH's coal fired generation fleet requires a material amount of capital investment to comply with more stringent environmental mandates, and low natural gas prices have displaced a sizeable portion of expected generation volumes. Our estimated valuation of TCEH has fallen to approximately $15 - $20 billion, which suggests sizeable impairments for lenders, including the TCEH senior secured first lien lenders. In our opinion, this level of impairment suggests the potential for a more contentious restructuring process which, in turn, raises the risk of contagion across the entire EFH family, including Oncor.

We see a strong correlation between the default probability of EFH, Energy Future Competitive Holdings (EFCH), EFIH and TCEH. As a result, the primary rating drivers for EFH and EFIH are heavily influenced by TCEH. That said, with the expected elimination of the intercompany note that EFH owes to TCEH, we see a stronger case of credit separateness.

The negative outlook for EFH reflects a sustained period of low natural gas prices which will keep EFH's cash flows depressed and potentially create further large goodwill impairments. We also see declining volumes and an increase in operating costs and capital investment needs. The likelihood of some form of restructuring will continue to increase, absent a shift in market fundamentals.

RATINGS RATIONALE -- ONCOR

The downgrade of Oncor's senior secured debt to Baa2 from Baa1 reflects two primary issues, both of which are beyond Oncor's and its principal regulator, the Public Utility Commission of Texas' (PUCT), control. The first issue is the rising contagion risk exposure that Oncor has with its majority owner-parent, EFH. As the risk of a contentious restructuring increases at EFH and TCEH, Oncor will be exposed, at a minimum, to some level of contagion. Approximately one-third of Oncor's revenues are associated with its affiliate, TXU Energy, and Oncor reports roughly $159 million of receivables from TCEH. In addition, as an 80% owned subsidiary, Oncor remains exposed to various consolidated corporate services, such as EFH's tax systems. That said, we note that EFH's recent decision to terminate its non-union pension fund serves to incrementally insulate Oncor from that specific contagion risk.

The second issue is EFH's indirect leveraging of Oncor's implied equity value, which will approximate $5.8 billion with the recent issuance of new EFIH securities (see below). Despite the ring fence provisions, EFH has utilized its equity in Oncor as a primary source of liquidity over the past few years. We note that this financing structure does not benefit Oncor, but rather benefits EFH and TCEH as it transfers debt originally raised at the EFH and TCEH levels and refinances it at the parent level of Oncor.

As the pledged equity in Oncor approaches the high end of our estimated valuation range, we see EFIH's intermediate parent holding company debt as a source of permanent leverage for Oncor, since Oncor is the only cash flow generating subsidiary of EFIH. Over the next few years, we calculate annual cash flow of roughly $1.5 billion for Oncor. This results in a ratio of cash flow to debt approaching the 10% threshold, by including the debt of EFIH and EFH in the denominator, which is more indicative of a Baa2 senior secured rating, after taking into account the lower business risk profile associated with being a transmission and distribution (T&D) utility in a supportive regulatory environment.

Absent the contagion risk exposure and indirect leveraging of its equity, Oncor is viewed as a fundamentally strong T&D utility, with good growth prospects and a supportive regulatory environment. On a stand-alone basis, Oncor would likely be rated at least A3 senior secured, similar to CenterPoint Energy Houston Electric (A3 senior secured), its most comparable peer.

Oncor's negative rating outlook reflects the contagion risks associated with the rising probability that its parent will need to restructure. As EFH's most valuable asset, Oncor will attract a significant amount of attention from various creditor classes. For now, we continue to incorporate a view that Oncor will remain insulated from its parent's financial distress, thanks to its ring fence type provisions and regulatory oversight. We incorporate a view that EFH, Oncor and the PUCT are most interested in avoiding any testing by a bankruptcy court as to the strength of the ring fence's provisions.

Oncor's negative rating outlook will remain in place until EFH's restructuring program is completed and more clarity is available with regards to what that potential restructuring might entail. Today, we think it would be unlikely that Oncor's senior secured rating would fall below the investment grade category.

EFIH's SENIOR SECURED NOTES DUE 2017 AND SENIOR SECURED SECOND LIEN NOTES DUE 2022

EFIH's senior secured notes due 2017 and senior secured second lien notes due 2022 are assigned a Caa3 (LGD4, 58%) rating. These ratings are primarily derived from EFH's Caa3 CFR and our LGD methodology, but we note that any recovery value, in the event of a default, would ultimately be derived from the value of Oncor although Oncor remains outside of our EFH CFR because of its ring fence type provisions. Depending on how EFH might approach any potential restructuring activity, a new CFR could be assigned which excludes TCEH. Under this hypothetical scenario, EFIH's ratings would likely be upgraded by several notches.

EFIH currently owns approximately $4.5 billion of EFH and TCEH debt securities, comprising roughly one-third of its balance sheet. The other two-thirds of EFIH's balance sheet is comprised of EFIH's ownership interests in Oncor Electric Holdings Company LLC (Oncor Holdings), which owns roughly 80% of Oncor.

EFIH's ownership interest in Oncor Holdings has been pledged as collateral for approximately $5.8 billion (principal amount) in debt securities, which includes today's issuance. Of this total amount, approximately $3.7 billion is secured on a first lien basis, with another approximately $2.1 billion secured on a second lien basis. Today, we estimate the value of Oncor Holdings at approximately $5.5 - $6.0 billion, which implies a total equity value of Oncor, including its 20% minority owners, of approximately $7 - $7.5 billion. In our opinion, this valuation incorporates premium multiples of book value, net income and EBITDA.

If, in a restructuring, the EFIH lenders foreclosed on the collateral, we see reasonably good recovery for both of EFIH's first lien and second lien securities, but we also note that any change of control at Oncor would require the approval of the PUCT. Since the PUCT's approval would undoubtedly consider the public interest, the timing associated with achieving such an approval is uncertain, notwithstanding the PUCT's established guidelines on regulatory decisions. This potential regulatory uncertainty could affect the timing of recovery.

LIQUIDITY

EFH's Speculative Grade Liquidity rating is SGL-4. We expect the company to continue to produce negative free cash flow over the next few years, due to a sustained period of low natural gas and power prices and higher capital expenditures as TCEH brings its coal-fired generation fleet into compliance with new, more stringent environmental regulations.

Liquidity is primarily supported by EFH's cash, which we estimate is approximately $1.1 billion as of June 30, 2012. Liquidity is also supported by TCEH, which has a $2.1 billion revolver ($0.645 billion of which expires in October 2013 and $1.4 billion of which expires in October 2016); a $1.06 billion special LC facility ($1.02 billion of which expires in October 2017) and an unlimited commodity collateral posting facility (expiring in December 2012). All of these liquidity facilities are senior secured and backed by the same collateral package associated with the approximately $20 billion secured first lien term loan facilities.

The revolving credit facilities have roughly $1.9 billion available, which combined with the $1.1 billion in cash equates to $3.0 billion in available liquidity. For the twelve months ended June 2012, cash flow from operations has fallen to roughly $710 million while capital expenditures, which includes nuclear fuel, was $797 million, leaving EFH with negative free cash flow of $87 million. While we see only modest scheduled debt maturities over the next twelve months of roughly $100 million, we do see some liquidity risks with the approximately $1 billion of margin deposits received from counterparties that are included in EFH's cash balance. With respect to over-the-counter transactions, counterparties generally have the right to substitute letters of credit for such cash collateral. In such event, the cash collateral previously posted would be returned to such counterparties thereby reducing liquidity. Additionally, in the event of a reversal of mark to market gains, which would be triggered by an increase in gas prices, these margin deposits would also be returned to counterparties. Despite these risks, collateral deposits are being used for working capital and other corporate purposes including reducing short-term borrowings under credit facilities. EFH has effectively monetized and utilized for liquidity purposes $1 billion of its unrealized commodity gains so EFH's liquidity runway might be shorter than it first appears.

The TCEH revolving credit facility includes a maintenance covenant, secured debt to adjusted EBITDA of 8.0x, which was reset as part of the April 2011 amend and extend transaction. But based on our projections, we see a rising risk of a covenant breach in the first 6 months of 2013, absent an improvement in market conditions for TCEH. This would represent a material credit negative for EFH because maintaining liquidity is critical for the company's business plan. In addition, the adverse market conditions, sizeable maturity profile beginning in 2014 and the potential for a covenant breach raises questions as to whether EFH will attain a going concern opinion from the auditors in early 2013. With a going concern opinion, EFH would lose access to TCEH's revolving credit facility.

The ratings for EFH, TCEH and EFIH's individual securities were determined using Moody's Loss Given Default (LGD) methodology. Based on EFH's Caa3 CFR and Caa3 PDR, and based strictly on the priority of claims within those entities, the LGD model would suggest a rating of Ca for TCEH's senior secured second lien and EFIH's senior secured and senior secured second lien debt securities. The Caa3 rating assigned to TCEH's senior secured first lien and EFIH's senior secured first and second lien debt securities reflects the fact that the holders of these securities will benefit primarily from their security interests of TCEH's assets and subsidiaries and Oncor Holdings equity in Oncor, respectively.

The methodologies used in this rating were Unregulated Utilities and Power Companies published in August 2009 and Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Ratings affirmed:

EFH's Caa3 Probability of Default Rating

EFH's SGL-4 Speculative Grade Liquidity Rating

Ratings assigned:

EFIH's Caa3 (LGD4 58%) $250 million senior secured notes due 2017

EFIH's Caa3 (LGD4 58%) $500 million senior secured second lien notes due 2022

Ratings downgraded:

Issuer: Energy Future Holdings Corp

Corporate Family Rating: Caa3 from Caa2

Senior secured notes: Caa3 (LGD4 58%) from Caa3 (LGD4 62%)

Senior unsecured guaranteed notes: Ca (LGD6 92%) from Ca, (LGD5, 81%)

Senior unsecured legacy notes: Ca (LGD6 96%) from Ca (LGD5, 85%)

Issuer: Energy Future Intermediate Holding Company LLC

Senior secured notes: Caa3 (LGD4, 58%), from Caa3 (LGD4, 62%)

Senior secured second lien notes: Caa3 (LGD4, 58%), from Caa3 (LGD4, 62%)

Issuer: Texas Competitive Electric Holdings

Senior secured first lien: Caa1 (LGD2, 26%), from B2 (LGD2, 15%)

Senior secured second lien: Caa3 (LGD4, 58%), from Caa3 (LGD3, 44%)

Senior unsecured guaranteed notes: Ca (LGD5, 82%), from Caa3 (LGD4, 62%)

Senior unsecured pollution control legacy notes: Ca (LGD6, 94%), from Ca (LGD4, 62%)

Issuer: Oncor Electric Delivery Company

Senior secured: Baa2, from Baa1

REGULATORY DISCLOSURES

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ISSUER COMMENT

Oncor's Dividend Increase to Parent EFH Is Credit Negative

From Credit Outlook

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On Tuesday, Oncor Electric Delivery Company LLC (Baa1 negative) disclosed in its June quarterly filing a higher dividend payment to its parent, Energy Future Holdings Corp. (EFH, Caa2 CFR negative), which brings Oncor's annualized upstream dividend to $220 million. That figure, which is materially higher than the $145 million dividend paid in 2011, is credit negative.

The upstream dividend payments exacerbate the contagion risk that Oncor has to majority owner-parent EFH, which is under financial stress and is likely to need some form of restructuring in 2013-14. Although a strong suite of ring fence structures insulate Oncor's creditors from EFH, only a bankruptcy court can determine whether the protections are sufficient, and Oncor, EFH or the Public Utility Commission of Texas (PUCT), its primary regulator, do not want to see that ring fence put to the test.

On 27 February, we changed Oncor's rating outlook to negative from stable because of two primary issues that are beyond the control of both Oncor and PUCT. The first issue is the contagion risk to EFH. The second issue is EFH's indirect leveraging of Oncor's implied equity value, which has now risen to over $5 billion and is likely to approach at least $6 billion over the next 12 months.

Despite the ring fence provisions, EFH has used its implied equity value in Oncor as a primary source of liquidity. As EFH pledges more of its equity in Oncor for funding, we start looking through the ring fence protections to assess its credit quality. In addition, we note that EFH's indirect financing structure of using Oncor's equity does not benefit Oncor, and that Oncor is not legally liable for its parent's debt service obligations.

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Published every Monday and Thursday morning, Moody's Credit Outlook informs our research clients of the credit implications of current events.

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FitchRatings

FITCH RATES ONCOR'S NEW SENIOR SECURED NOTES 'BBB+'; OUTLOOK STABLE

Fitch Ratings-New York-21 May 2012: Fitch Ratings has assigned ratings of 'BBB+' to Oncor Electric Delivery Company LLC's (Oncor) issuances of $400 million 4.10% senior secured notes due June 1, 2022 and $500 million 5.30% senior secured notes due June 1, 2042. The Rating Outlook is Stable.

Oncor plans to use the net proceeds from these issues to redeem all or a portion of its $524 million 5.95% senior secured notes due Sept. 1, 2013, repay borrowings under its revolving credit facility and for general corporate purposes.

Oncor's rating reflects the stability of regulated utility cash flows, relatively strong service territory, balanced regulation as demonstrated in the outcomes of the last rate case, and effective ring-fencing from a highly leveraged parent. Oncor's credit metrics for the last 12 months ending March 31, 2012 continue to benefit from the relative strength in the Texas economy and supportive tracker mechanisms that allow the company to earn a return on its transmission investments with minimal regulatory lag. Oncor plans on spending close to $5.2 billion in 2012-16 on capital expenditure, a significant proportion of which is driven by transmission grid expansion and the Competitive Renewable Energy Zone (CREZ) projects.

Fitch expects Oncor's Earnings Before Interest, Depreciation and Taxes (EBITDA) to interest ratio to approach 4.8 times (x) and debt to EBITDA to be in the 3.5x range over the forecast period, which is strong relative to Fitch's guideline ratios for a low risk, regulated 'BBB' issuer. Fitch expects funds from operations (FFO) to debt ratio in 2012 to be in the 22% range before moderating to 17%-18% in 2013 and beyond without bonus depreciation benefits.

Relative to its peers, Oncor exhibits a limited source of equity funding given the poor financial health of its parent. Oncor is already severely curtailing the upstream dividends in order to maintain equity to capital within the 40% minimum Public Utility Commission of Texas (PUCT) required level given its large capital spending plans. As of March 31, 2012, Oncor's regulatory capitalization ratio was 59.5% debt and 40.5% equity.

While Fitch considers Oncor to be effectively ring-fenced from its ultimate parent, Energy Future Holdings Corp. (EFH; Issuer Default Rating 'CC'), its credit market access or credit spreads could nonetheless become constrained by further deterioration in the financial condition of EFH and non-ring-fenced affiliates. In view of this, Oncor's recent step of enhancing the size of its revolving credit facility and plans to redeem 2013 notes ahead of their maturity date lower the re-financing risk. Oncor's next significant debt maturities are in 2015 ($500 million) and 2017 ($324 million).

Oncor has a $2.4 billion revolving credit facility due Oct. 11, 2016; the size of this facility was recently increased from the prior $2 billion on Oncor's request. As of March 31, 2012, there were $738 million of outstanding borrowings and $6 million of outstanding letters of credit under the revolving credit facility. A portion of the borrowings under the facility was used to repay the $376 million 6.375% senior secured notes maturity on May 1, 2012.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 12, 2011);
--'Utilities Sector Notching and Recovery Ratings' (Aug. 12, 2011);
--'Parent and Subsidiary Rating Linkage' (Aug. 12, 2011).

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229
Recovery Ratings and Notching Criteria for Utilities
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=677735
Parent and Subsidiary Rating Linkage
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647210

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Issuer Comment: Oncor's Debt Issuance and Expanded Credit Facility Protect Against Parent Contagion Risk

Global Credit Research - 18 May 2012

On 15 May 2012, Oncor Electric Delivery Company LLC (Oncor: Baa1 Senior Secured, Negative Outlook) announced two senior secured note offerings, a $400 million 4.1% coupon note due June 2022 and a $500 million 5.3% coupon note due June 2042. Separately, Oncor announced that it expanded the borrowing capacity of its senior secured bank credit facility by $400 million to $2.4 billion.

Combined, we view these announcments as a credit positive for Oncor because it eliminates near-term refinanincing risk and bolsters its liquidity sources. However, these actions are not sufficient enough to affect our negative outlook at this time as Oncor is still exposed to the contagion risks of its financially distressed parent, Energy Future Holdings Corp. (EFH, Caa2 Senior Unsecured, Negative Outlook) and affiliate, Texas Competitive Electric Holdings (TCEH, B2 First-Lien Senior Secured, Negative Outlook).

From a timing perspective, unless there is a significant increase in natural gas prices or a sustained expansion in market heat rate, we believe EFH and TCEH will need to engage in more comprehensive restructuring activities before their sizable maturites begin in the 2014/2015 timeframe. As a result, the contagion risks for Oncor, while still low, are rising. Thus, the decision by Oncor to pre-fund its 2013 maturity now is viewed as a proactive step to insulate itself with respect to future borrowing costs that might have been negatively impacted by its parent and TCEH's anticipateded restructuring activities in advance of their scheduled debt maturities.

We still see a strong set of ring-fence type provisions, including extraordinary corporate governance rights provided to minority shareholders, which are designed to protect Oncor from the financial distress at its parent and affiliate. When coupled with the regulatory oversight provided by the Public Utility Commission of Texas (PUCT), we see good credit separateness. But, as TCEH and EFH weaken, the overlapping directorships across Oncor, its affiliates and parent, raise the issue of appropriate fiduciary duties. In our opinion, the key behind Oncor's ring fence is the independence of Oncor's board of directors.

The best case rating outcome for Oncor - if we believed the prospect of Oncor defaulting as a result of an EFH-wide event was near certain, would be a single B rating, most likely a B1, which implies 99-100% recovery. But, this hypothetical rating outcome also assumes a complete failure of the ring fence, a remote probability in our opinion. Therefore, our Baa1 senior secured rating for Oncor balances a strong standalone credit quality with the, as yet, small tail risk of an EFH-triggered default. Our current negative outlook for Oncor suggests that this tail risk is rising but still resides below the 5% range.

The next rating trigger for Oncor is likely to occur at the time that EFH issues more debt at EFIH, all else being equal. EFH's indirect monetization of Oncor's equity is viewed as a credit weakness for Oncor, despite the ring fence provisions, because it is the only cash flow generating subsidiary of its intermediate holding company, EFIH. As the monetization activity continues, we will increasingly look through the ring fence because we do not believe the debt at EFIH will ever return to EFH.

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Oncor Electric Delivery Company LLC

Global Credit Research - 01 Mar 2012

Dallas, Texas, United States

Ratings

Category	Moody's Rating
Outlook	Negative
First Mortgage Bonds	Baa1
Senior Secured	Baa1
Parent: Energy Future Holdings Corp.	
Outlook	Negative
Corporate Family Rating	Caa2
Bkd Senior Secured	Caa3/LGD4
Bkd Senior Unsecured	Ca/LGD5
Speculative Grade Liquidity	SGL-4

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Key Indicators

[1]Oncor Electric Delivery Company LLC

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	4.7x	4.0x	3.8x	3.6x
(CFO Pre-W/C) / Debt	21%	17%	17%	14%
(CFO Pre-W/C - Dividends) / Debt	19%	14%	13%	-12%
Debt / Book Capitalization	42%	43%	43%	42%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Rate-regulated electric transmission and distribution (T&D) utility serving the business friendly North Texas / Dallas-Fort Worth region

Supportive regulatory environment provdes timely recovery of prudently incurred costs and investments

Significant capital expenditures of approximately $1.0 billion per year

Increasing exposure to contagion risks associated with financially distressed parent and affiliates

Corporate Profile

Oncor Electric Delivery Company LLC (Oncor) is an electric transmission and distribution utility serving the greater Dallas / Ft. Worth regions. Oncor's revenues are primarily regulated by the Public Utility Commission of Texas (PUCT), a credit positive given the supportive political and regulatory environment in Texas. Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (not rated) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company (EFIH: Caa3 senior secured / negative) which is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH: Caa2 Corporate Family Rating / negative). In 2011, Oncor reported approximately $3.1 billion in revenue, slightly higher than the $2.9 billion reported in 2010. Oncor is headquartered in Dallas, Texas.

SUMMARY RATING RATIONALE

Oncor's Baa1 senior secured rating primarily reflects its lower risk, rate regulated T&D business activities and the regulatory oversight provided by the PUCT. Oncor's T&D assets generate stable and predictable revenues and cash flows. Oncor's Baa1 senior secured rating relies heavily on our assessment that the ring-fence type provisions designed to create credit separateness from the financially distressed parent, EFH, and affiliate, TCEH, are sound. Nevertheless, from a credit perspective, we are starting to view the approximately $5.1 billion of debt that resides at EFIH, Oncor's intermediate subsidiary holding company, as a form of permanent leverage for Oncor, despite the ring fence. Finally, the rating also reflects an overall assessment of factors outlined in Moody's Rating Methodology for Regulated Electric and Gas Utilities (the Rating Methodology, published in August 2009).

Recent Events

On February 27, 2012, Moody's changed Oncor's rating outlook to negative from stable. The change in rating outlook reflects our expectation that EFH will rely more heavily on Oncor to help meet debt service obligations; a rise in event risk and our perception that the ring fence structure is likely to come under pressure.

On February 24, 2012, EFH completed a two-stage $1.2 billion issuance of new EFIH debt secured by a second lien on EFIH's ownership interest in Oncor Holdings, which in turn, owns 80% of Oncor. As a result of this transaction, the total amount of debt issued and secured by the ownership of Oncor Holdings is now approximately $5.1 billion which we are now viewing as a form of permanent leverage for Oncor.

DETAILED RATING CONSIDERATIONS

Low-risk business operations within a supportive regulatory jurisdiction

Oncor is a rate-regulated electric transmission and distribution (T&D) utility serving the greater North Texas / Dallas- Fort Worth region. All of Oncor's revenues are regulated by the Public Utility Commission of Texas (PUCT), a credit positive because of the relatively transparent and supportive regulatory framework that tends to provide timely recovery for prudently incurred costs and investments.

As a stand-alone credit, Oncor is well positioned within the Baa-rating category. Oncor's fundamentals also compare favorably to selected T&D peers, such as CenterPoint Energy Houston Electric (A3 senior secured / stable); AEP Texas Central (Baa2 senior unsecured / stable); Commonwealth Edison (Baa3 senior unsecured / review for upgrade) and Ohio Edison (Baa2 senior unsecured / stable). Today, we see little evidence indicating that a more contentious regulatory environment is coming, although the uncertainty surrounding event risk deserves monitoring.

Stable financial profile benefitting from accounting and tax policies

Electric T&D utilities are critical infrastructure assets that produce stable and predictable revenues and cash flow. Over the past 5 years, Oncor produced an average ratio of cash from operations before changes in working capital (CFO pre W/C) to debt of approximately 16%. This ratio includes both securitization cash flows and related debt, as well as pension and operating lease adjustments. In 2011, total debt was approximately $6.8 billion compared to the $6.5 billion in 2010.

Cash flows, adjusted for changes in working capital, have increased to $1.5 billion in 2011 versus $1.2 billion in 2010, and the 5-year average of $1.1 billion. Prospectively, we expect the ratio of Oncor's CFO pre W/C to debt to decline to low to mid-teen's range as the company continues with its capital expenditure programs. However, in 2011, Oncor produced a ratio of CFO pre W/C to debt of roughly 21.4%, higher than what we originally expected. In our opinion, the increase appears to be partly due to the temporary benefits associated with federal tax and accounting policies, including bonus depreciation. Today, we view these benefits as unsustainable over the long term horizon. We estimate that excluding the stimulus benefits could reduce CFO by roughly $200 - $300 million.

We still incorporate a view that the Texas based T&D utilities can endure lower credit metrics for a given rating category. In our opinion, Texas T&Ds have a slightly lower risk profile than the broader T&D peer group as they are not exposed to any provider of last resort risk (PCLR) or commodity risks.

Ring fence type provisions appear strong, but not sufficient to fully insulate Oncor from credit deterioration or contagion risk

Today, we still view Oncor's suite of ring-fence type provisions as strong, but under pressure given the increasing issuance of debt at EFIH. Although the ring fence provisions are designed to insulate Oncor from its financially distressed parent and affiliates, especially with respect to an involuntary bankruptcy filing, we see EFH relying more heavily on Oncor for upstream dividends. This reliance raises some questions regarding the independence of the independent board of directors, especially with respect to the approval of significantly higher dividends than previously contemplated.

The mere presence of pressure in the insulation of the ring fence raises considerable credit rating risks for Oncor's ratings, in part due to the financial distress exhibited at both EFH and TCEH.

We continue to highlight the risks associated with both Oncor as well as EFH's SEC disclosures that the ring fence might not work as intended. We are now re-evaluating these disclosures in light of EFH's strategy to transfer and migrate its parent holding company debt, as well as the debt of TCEH, on top of Oncor.

Separateness constrained by legacy vertically integrated business model

Oncor's affiliate, Texas Electric Competitive Holdings (TCEH), is a wholly owned subsidiary of EFH. Both TCEH and EFH are financially distressed companies with untenable capital structures. Despite the ring fence around Oncor, we cannot completely ignore the substantial inter-relationships that exist between Oncor and its affiliate, TCEH, and parent, EFH. These inter-relationships, in our opinion, are primarily derived from the fact that EFH's assets represent the legacy, vertically integrated electric utility, Texas Electric Utilities Company.

There are financial relationships between Oncor and its retail electric provider affiliate, such as a sizeable concentration of revenue roughly 30% - 40% of Oncor's revenues are associated with TXU Energy (Retail), down from 50% - 60% a few years ago. There are also certain interest and tax expense make-whole agreements associated with the collections of certain transition charges that service Oncor's Aaa-rated securitization bonds, joint and severable pension exposures, nuclear decommissioning collection accounts and other corporate shared services. Oncor's exposure to contagion risks associated with potential restructuring activities at its affiliates and parent, regardless of the legal and other structural ring fencing provisions, place its contagion risk at a much higher level than its utility T&D peer group.

Event risk activity increasing

Oncor's event risk profile is also higher than most T&D utility peers. We believe Oncor is likely to experience some merger or acquisition activity in 2012 or 2013, but not before EFH issues another $2.0 billion of debt secured by Oncor's implied equity value.

The indirect leveraging of Oncor's implied equity value creates some regulatory risks, in our opinion, associated with change of control oversight.

Significant capital expenditures constrain ratings

Oncor plans a large capital investment program of approximately $1.0 per year over the next several years. This expenditures include investments for the Advanced Metering program (AMS) deployment and the Competitive Renewable Energy Zone (CREZ) transmission expansion, which is still expected to be completed by 2013.

Capital structure limitation and dividend policy need to be monitored carefully

One of the main provisions of the proposed ring fence for Oncor is a limitation on the debt component to the capital structure. This limitation tracks Oncor's authorized capital structure at 60% maximum debt, but excludes short term debt. We view a 100% dividend payout ratio negatively from a credit perspective, even for lower risk T&D utility, but especially for a utility with a large capital investment program. Our concerns with an increasing dividend are also premised on the flexibility that GAAP reporting provides a management team, and we view earnings bolstered by stimulus programs or non-cash items as unstainable over the long term horizon.

Liquidity

Oncor's liquidity appears adequate at this time. Our liquidity assessment for the next four quarters specifically excludes any access by Oncor to the capital markets. In 2011, Oncor generated approximately $1.46 billion of cash from operations, incurred approximately $1.37 billion in capital expenditures and made upstream dividend payments to its parent of roughly $145 million, resulting in a modest negative free cash flow position.

In October 2011, Oncor amended and extended its $2.0 billion secured revolving credit facility. The credit facility matures in 2016 and Oncor has the option of requesting up to two additional one-year extensions subject to certain conditions and lender approval. At December 31, 2011, there were $392 million of borrowing and $6 million of letters of credit outstanding under the facility.

The $2.0 billion credit facility has a 65% debt to capitalization financial covenant, which we view as reasonably positive in the sense that it provides the company with some modest cushion from where its debt to capitalization is expected to be maintained as part of the proposed ring fencing and regulatory authorization (60%). But the bank covenant calculation, which currently has a significant amount of headroom cushion, includes roughly $4 billion of goodwill. In contrast, the regulatory capitalization calculation does not incorporate goodwill, but it also excludes short term borrowings under the revolver which were roughly $0.4 billion at year end 2011. We do not view Oncor as having any other meaningful sources of alternate liquidity.

Prospectively, we expect Oncor to produce approximately $1.2 - $1.5 billion in cash flow from operations in the next 12 months and to spend roughly $1 billion in capital expenditures. We believe Oncor will materially increase its upstream dividends in the near-term which was $145 million in 2011. There are no material debt maturities until May 2012 when $376 million in senior notes will be due ($131 million of amortizing transition bond debt is also due in 2012).

Rating Outlook

Oncor's negative rating outlook reflects our belief that EFH will rely more heavily on Oncor to help meet debt service obligations; the issuance of approximately $5.1 billion of EFIH debt secured by Oncor Holding's equity interest in Oncor, which we now view as a form of permanent leverage for Oncor; and our perception that the ring fence structure might not provide a level of credit insulation than we originally expected. The negative outlook also reflects our belief that event risk is high, and rising. We believe a change of control is likely over the next 12 to 18 months, which could trigger a more contentious political or regulatory environment.

What Could Change the Rating - Up

Ratings are unlikely to be upgraded in the near to mid-term. Instead, we see Oncor increasing its leverage, and weakening its cash flow metrics, as it materially increases its upstream dividend obligation. That said, Oncor's event risk is high; However, should Oncor be acquired and recapitalized, rating upgrades could result. The senior secured rating could also be upgraded if Oncor's cash flow from operations, adjusted for changes in working capital (CFO pre-w/c) to debt ratios including debt at EFIH were to improve to the low 20"s range, on a sustainable basis.

What Could Change the Rating - Down

Ratings could be downgraded if CFO pre-w/c to debt ratios declined to the low-teen's range, or below the 10% range when adjusting for the debt at EFIH, which we are now viewing as a form of permanent leverage on Oncor. A more contentious political or regulatory environment, especially where the timeliness of recovering prudently incurred costs and investments was affected or if the Oncor board commenced a more aggressive upstream dividend policy, or other corporate finance policies, that delays financial strengthening at Oncor. Ratings could also fall by multiple notches if Oncor's ring fence structure is breached, or appears to be materially weakening.

Rating Factors

Oncor Electric Delivery Company LLC

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2011		Moody's 12-18 month Forward View* As of February 2012	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		A		A
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Ba		Ba
b) Generation and Fuel Diversity (0%)				
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.2x	Baa	3.0 - 4.0x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	10%	Baa	13 - 20%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	15%	Baa	10 - 15%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	43%	Baa	40 - 45%	Baa
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2011; Source: Moody's Financial Metrics

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Moody's
INVESTORS SERVICE

Announcement: Moody's changes Oncor Electric Delivery Company LLC's rating outlook to negative from stable

Global Credit Research - 27 Feb 2012

Approximately $7 billion of debt securities affected

New York, February 27, 2012 -- Moody's Investors Service changed the rating outlook for Oncor Electric Delivery Company LLC (Oncor) to negative from stable and affirmed the company's senior secured rating at Baa1. The change in outlook is primarily driven by our evolving view of the contagion risk that Oncor is exposed to by its financially distressed affiliate, Texas Competitive Electric Holdings Company LLC (TCEH) and its ultimate parent, Energy Future Holdings Corp (EFH).

In a separate rating action, Moody's affirmed EFH's Caa2 Corporate Family Rating (CFR), Caa3 Probability of Default Rating (PDR) and SGL-4 Speculative Grade Liquidity Rating. We also affirmed the Caa3 (LGD4, 62%) rating for EFIH's 11.75% senior secured second lien notes due 2022. On February 24, 2012, EFH increased the principal amount of this security by $350 million.

Oncor's negative outlook reflects our view that EFH will rely more heavily on Oncor to help fund EFH's sizeable debt service needs and the indirect leveraging of Oncor's implied equity value. EFH has issued approximately $5.0 billion of debt through one of its intermediate, subsidiary holding companies, Energy Future Intermediate Holdings Company LLC (EFIH), wherein EFIH has pledged its interests of Oncor Electric Delivery Holdings Company (Oncor Holdings - unrated), as security collateral.

"EFH will continue to pledge its ownership interests in Oncor Holdings as security collateral for new EFIH debt" said Jim Hempstead, Senior Vice President, "and we are now viewing this debt, which sits outside of the ring fence structure, as a form of permanent leverage for Oncor. As a result, there is an increasing probability Oncor's ratings could be downgraded over the next 12 to 18 months."

RATINGS RATIONALE

Today, Oncor's Baa1 senior secured rating reflects a low risk, rate regulated transmission and distribution utility business, which tends to produce relatively stable financial metrics. Oncor benefits materially from the regulatory oversight authority associated with the Public Utility Commission of Texas (PUCT), which in our opinion, provides a supportive environment for the timely recovery of prudently incurred costs and investments. The rating also relies heavily on our assessment of the ring-fence type provisions designed to create credit separateness between Oncor and its more risky parent and affiliates.

The most important structural benefits are those associated with the special corporate governance rights provided to the independent board of directors at Oncor. Those rights include approval authority over dividend policy, and Oncor's board can prevent the payment of dividends; the approval of material transactions and new transactions with affiliates (such as TCEH); the transfer of assets to non-ring fenced entities and the amendment of certain provisions to Oncor's LLC operating agreement. In addition, Oncor's independent directors must unanimously approve certain material actions, including: mergers and acquisitions, if Oncor is not the surviving entity, or if a transaction involves an EFH entity; the transfer of all or substantially all of Oncor's assets; the institution of insolvency proceedings and any liquidation of Oncor without providing for payment of all Oncor creditors.

"We believe elements of the ring fence are beginning to show signs of pressure," Hempstead added, "as Oncor is placed into a more meaningful role in assisting both EFH and TCEH with their interest and debt service obligations." Aside from the current debt servicing requirements of EFIH's indebtedness, the continued leveraging of Oncor's implied equity value through the issuance of secured EFIH debt could, in our opinion, introduce regulatory risks over change of control oversight authority and a material increase of upstream dividends which calls into question the independence of the independent board.

"To that end," added Hempstead, "securing the equity value at Oncor with incremental debt at EFIH provides no incremental benefit to Oncor and only benefits EFH and TCEH".

Oncor's ring fence provisions are fortified by Oncor Holdings, a Delaware limited liability corporation which is included within the ring fence structure. In our opinion, Oncor Holdings' operating LLC agreement represents a key component to the ring fence structure and is viewed as the principal governing document from a credit perspective. Oncor Holdings owns approximately 80% of Oncor. Oncor Holdings is 100% owned by EFIH, which in turn, is 100% owned by EFH. EFH, and its other primary operating subsidiary, TCEH, are viewed as financially distressed companies with untenable capital structures.

Importantly, our Baa1 senior secured rating factors in the collateral package afforded to first lien creditors, which we view as being quite strong. Typically, Moody's ratings for senior secured debt issued by regulated electric utility companies tend to be two notches higher than the underlying rating or senior unsecured rating assigned to the issuer. In Oncor's case, the company's rated capital structure only includes senior secured debt and the company does not have an Issuer Rating, which is a opinion of its ability to honor long-term senior unsecured financial obligations and contracts. As such, if Oncor did have a rating on an unsecured obligation or an Issuer Rating, it would likely be two notches below the company's Baa1 senior secured debt rating or the equivalent of a low- Baa rating.

Oncor's ratings could be downgraded if sizeable upstream dividends occur without addressing the sizeable balance of its short-term debt outstanding and before the elevated capital expenditure program subsides; if EFH/EFIH issues additional debt secured by Oncor Holdings' 80% ownership interest in Oncor, especially if such debt includes affiliate debt associated with TCEH; or if Oncor's cash flow to debt financial metrics, adjusted for the debt secured by Oncor Holdings, falls below 10%.

Moody's also believes that the possibility of Oncor's senior secured rating falling below the investment grade rating category cannot be ruled out. Both Oncor and EFH continue to disclose the possibility that, under certain conditions, the ring fence type provisions might not work as planned. While today's rating for Oncor continues to acknowledge the benefits of the ring fence, we believe pressure on the ring fence is rising as EFH continues to indirectly leverage its equity ownership in Oncor, and will incrementally rise further as EFH relies more heavily on Oncor for upstream dividends.

EFH's Caa2 CFR and Caa3 PDR reflect a financially distressed company with limited flexibility. EFH's capital structure is complex and, in our opinion, untenable which calls into question the sustainability of the business model and expected duration of the current liquidity reserves.

Prospectively, EFH's ratings are unlikely to be upgraded over the near to intermediate term horizon, largely due to our expectations regarding cash flow and the complexity of the capital structure. Should natural gas commodity prices and market heat rates improve materially, and for a sustained period of time, there could be upward pressure on EFH's ratings. Over the near-term horizon, ratings are more likely to fall, and individual classes of securities have a reasonably high probability of experiencing a limited default, as Moody's defines it, based on our limited default / distressed exchange policies.

The ratings for EFH, its subsidiaries and individual debt instruments are derived from the Caa2 CFR, with the exception of Oncor due to its ring fence type provisions.

The ratings for EFH, TCEH, EFCH and EFIH's individual securities were determined using Moody's Loss Given Default (LGD) methodology. Based on EFH's Caa2 CFR and Caa3 PDR, and based strictly on the priority of claims within those entities, the LGD model would suggest a rating of Ca for EFH's and EFIH's senior secured debt securities. EFIH's Caa3 first and second lien ratings reflect the fact that the holders of these securities also benefit from their security interests of Oncor Holdings equity in Oncor.

The principal methodology used for EFH was Unregulated Utilities and Power Companies published in August 2009. The principal methodology used for Oncor was Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

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This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

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STANDARD & POOR'S

Standard & Poor's Research

February 6, 2012

Summary:
Oncor Electric Delivery Co. LLC

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Summary:
Oncor Electric Delivery Co. LLC

Credit Rating: BBB+/Stable/NR

Rationale

Standard & Poor's Ratings Services' ratings on Oncor Electric Delivery Co. LLC (Oncor) reflect the company's stand-alone business and financial risk profiles. Oncor Electric Delivery Holdings Co., a wholly owned subsidiary of Energy Future Holdings Corp. (EFH; CCC/Negative/--), owns 80.033% of Oncor, and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service Administration Corp. (acting through its infrastructure investment entity, Borealis Infrastructure Management Inc.), and by the Government of Singapore Investment Corp. (acting through its private-equity and infrastructure arm, GIC Special Investments Pte. Ltd).

The ratings on Oncor incorporate, in addition to the stand-alone business and financial risk profiles, a number of structural, legal, and regulatory provisions that allow Standard & Poor's to view the company separately from its majority owner, EFH. These provisions include:

- The sale of 19.75% of Oncor to Texas Transmission, which is a third-party, unaffiliated investor with sufficient rights and board representation to prevent EFH from harming Oncor's credit profile--namely, the ability to veto changes in Oncor's dividend policy, requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, approval over material transactions between Oncor and its non-ring-fenced affiliates, approval over the annual budget if it is reduced by 10% or more from the prior year's amount, and the ability to prevent dividend distributions if it is in the best interests of Oncor to retain such amounts for future capital requirements;
- Legal ring-fencing, including a nonconsolidation opinion and separateness undertakings (such as arm's-length transactions between Oncor and EFH, and the inability of Oncor to extend financial support to or receive financial support from EFH), and six independent directors who are required by law to consider only the interests of Oncor and its creditors when acting or voting on any material action, two of whom are special independent directors;
- Limitations on distributions (equal to net income) combined with a limitation on the capital structure (60% debt and 40% equity); and
- Commitments to the Public Utility Commission of Texas (PUCT) to maintain the 60% debt and 40% equity capital structure, incur a certain amount of capital spending by 2012, and maintain certain reliability standards.

Oncor is an electric transmission and distribution company operating in north central, eastern, and western Texas, including Dallas. Oncor has an "excellent" business risk profile and an "aggressive" financial risk profile (as our criteria define the terms).

Oncor's excellent business risk profile reflects the company's electric distribution and transmission business, which has low operating risk, lack of commodity exposure, and a large service territory with generally attractive demographics. The excellent business risk profile also accounts for the company's efforts to reach regulatory outcomes that are generally supportive of credit quality. In August 2011, the PUCT approved the settlement reached by Oncor and intervenors in its latest rate case filing. The settlement agreement provided for a base rate increase of $137 million ($93 million effective July 2011, with the balance effective January 2012) based on a 10.25% return on equity (ROE) and a capital structure of 60% debt and 40% equity. The company had initially requested a $353 million base rate increase based on an ROE of 10.25% and a capital structure of 55% debt and 45% equity.

Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of more than 75 retail electricity providers (REPs) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC (TCEH), an EFH affiliate, accounted for 36% of Oncor's 2010 revenues, while subsidiaries of a nonaffiliated REP accounted for 12%. Of the remaining REPs, no other entity accounted for more than 10% of Oncor's 2010 revenues. Oncor relies on these REPs to remit timely payments for distribution services rendered; a default by a REP would cause delays in payment and could pressure Oncor's liquidity. As of Sept. 30, 2011, Oncor's trade accounts receivable from TCEH were $168 million, or about 9% of revenues for the period. If a REP declares bankruptcy, Oncor can recover the amounts not received by deferring such amounts as a regulatory asset and then requesting recovery through a rate case filing, although this rule applies only to nonaffiliated REPs and not to TCEH. In case of any default in the payments of accounts receivable by TCEH, Oncor can recover any claims by withholding distributions to the two owners until it is made whole. Additionally, if TCEH were to delay or stop payments, Oncor would have a senior unsecured claim against TCEH. However, our recovery analysis on EFH suggests that recovery on senior unsecured claims against EFH or its affiliates would be very small, if not zero, because EFH and its subsidiaries have large amounts of senior secured debt.

In January 2009, the PUCT awarded Oncor 17 transmission projects relating to competitive renewable energy zones (CREZ), which will provide load areas with access to wind-generated electricity. The total cost of these transmission projects is now estimated to be $2 billion. As of Sept. 30, 2011, the PUCT had approved all 17 projects and had issued 14 Certificate of Convenience and Necessity amendments. Oncor has spent $689 million as cumulative capital expenditures on the CREZ projects through Sept. 30, 2011. Effective July 1, 2011, Oncor recovers the cost of wholesale transmission service through a separate rate, the Transmission Cost Recovery Factor (TCRF), and not through base rates. The change has no impact to the company's operating income. Separately, Oncor recovers the cost of retail transmission service through a separate rider, the transmission cost of service (TCOS).

Oncor's financial risk profile is aggressive. The company projects that its capital spending program will total $3.6 billion from 2011 to 2013, with about $1.4 billion incurred in 2011. Given the large capital spending program, we expect the financial profile to weaken somewhat from current levels, while still remaining sufficient to support current ratings, albeit with a reduced cushion. As the CREZ investments peak in 2012 and funding needs increase, Standard & Poor's expects that Oncor will materially decrease distributions to its two owners to preserve the stated capital structure and provide some financing flexibility during this period. As of Oct. 25, 2011, Oncor distributed about $145 million to its two owners.

For the 12 months ended Sept. 30, 2011, adjusted funds from operations (FFO) were $1.25 billion, benefiting from base rate increases, a modest increase in the number of customers, and a change in bonus depreciation rules that resulted in lower cash taxes for the period. At the same time, adjusted total debt was $6.41 billion, excluding $591 million of securitized debt but including $553 million of short-term debt. Adjusted FFO interest coverage was 4.2x, adjusted FFO to total debt was 19.5%, and adjusted total debt to total capital was 65.2%. In computing debt leverage, Standard & Poor's deducts the entire amount of goodwill contributed to Oncor by EFH as a result of purchase accounting rules; this amount totaled $3.7 billion as of Dec. 31, 2010. In addition, Standard & Poor's computes adjusted debt leverage by including both long- and short-term debt, unlike the regulatory computation, which incorporates only long-term debt.

Liquidity

Oncor has "adequate" liquidity under Standard & Poor's corporate liquidity methodology which categorizes liquidity in five standard descriptors. Adequate liquidity supports our 'BBB+' issuer credit rating on Oncor.

We expect that over the next 12 months the company's projected sources of liquidity, mostly operating cash flow and available bank lines, will exceed its projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Oncor's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, and its solid standing in credit markets further support our assessment of its liquidity as adequate.

Oncor had no debt maturities in 2011, $376 million maturing in 2012, and $524 million maturing in 2013, excluding securitized debt, based on information from the 2010 annual report. We expect that the company will refinance debt as it matures.

As of Sept. 30, 2011, the combined revolving credit facilities totaled $2 billion, with about $1.45 billion still undrawn. The revolving credit facility expires in October 2016.

We base our liquidity assessment of adequate on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) over the next 12 months to exceed uses by more than 1.2x.
- Debt maturities for 2012 and 2013 are manageable.
- Even if EBITDA declines by 15%, we believe that net sources of cash will still exceed net uses.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets.

In our analysis, we have assumed liquidity of about $2.4 billion over the next 12 months, consisting of FFO and availability under the revolving credit facilities. We estimate the company could use about $1.6 billion during the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Standard & Poor's also expects that Oncor will continue to proactively manage its refinancing needs to maintain its adequate levels of liquidity. We view adequate liquidity as very important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may make it difficult for Oncor to access the capital markets when it needs to.

Recovery analysis

We assign recovery ratings to first-mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in higher issue ratings than a corporate credit rating (CCR) on a utility depending on the CCR category and the extent of the collateral coverage. We base the investment-grade FMB recovery methodology on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist in the future.

Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a CCR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

Oncor's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of less than 1.5x supports a recovery rating of '1' and an issue rating one notch above the CCR.

Outlook

The stable outlook on the rating incorporates expectations of generally stable, albeit modestly weakening, financial performance over the next 12 to 24 months stemming in large part from the company's planned investment in the CREZ projects which will peak in 2012. Standard & Poor's base case projections for Oncor incorporate an "aggressive" financial risk profile such that adjusted FFO to total debt is more than 14% and adjusted total debt to total capital remains at about 65%, including short-term debt and excluding the impact of purchase accounting. Should adjusted FFO to debt decline below 14% on a consistent basis due to the inability to recover invested capital on a timely manner and debt leverage exceed 65% we will then lower the ratings on Oncor. In addition, pressure from majority owner EFH to make excess distributions or if any of the separateness undertakings currently in place are compromised will also trigger a ratings downgrade. Given Oncor's level of debt leverage, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Related Criteria And Research

- Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Assessing U.S. Utility Regulatory Environments, Nov. 7, 2007
- Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

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Oncor Electric Delivery Company, LLC

Full Rating Report

Ratings

Security Class	
Long-Term IDR	BBB
Senior Secured Bank Credit Facility	BBB+
Senior Secured Notes	BBB+
Short-Term IDR/CP	F3

Rating Outlook

Stable

IDR – Issuer default rating.

Financial Data

Oncor Electric Delivery Co., LLC

($ Mil.)	LTM 9/30/11	2010
Revenues	2,880	2,769
Total Debt	5,333	5,160
Operating EBITDA	1,449	1,376
FFO	1,122	1,001
Debt/EBITDA (x)	3.7	3.8
FFO/Debt (%)	21.0	19.4
Interest Coverage (x)	4.5	4.6

Related Research

What a Difference a Summer Makes ... in ERCOT, Nov. 18, 2011

U.S. Leveraged Finance Spotlight Series — Energy Future Holdings Corp., Oct. 27, 2011

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Key Rating Drivers

Ratings Upgrade: Fitch Ratings upgraded the issuer default rating (IDR) and security ratings of Oncor Electric Delivery Company, LLC (Oncor) by one notch on Aug. 26, 2011. The upgrade reflects consistent strong performance by the utility over the last two years, driven by a rebound in sales volume growth and balanced outcome in recent rate cases that have led to a steady improvement in key credit metrics. The Rating Outlook is Stable.

Low-Risk Utility Profile: Oncor's ratings are supported by a healthy regulated transmission and distribution (T&D) utility business that provides a stable source of cash flow with rate base growth opportunities related to transmission projects and advanced metering investments.

High Capex: Oncor plans on spending close to $6.6 billion in 2011–2016 on capex, a majority of which is driven by transmission grid expansion and the Competitive Renewable Energy Zone (CREZ) projects. A tracker mechanism allows Oncor to earn a return on transmission-related capital investment with minimal regulatory lag.

Improving Credit Metrics: Fitch expects Oncor's EBITDA-to-interest ratio to approach 4.8x, and debt to EBITDA to be in the 3.5x range, which is strong relative to Fitch's guideline ratios for a low-risk, regulated 'BBB' issuer. Fitch expects Oncor's FFO metrics to be even stronger relative to rating category guidelines over 2011–2012, driven by bonus depreciation. Fitch expects the FFO-to-debt ratio over 2011–2012 to be in the 22% range before moderating to 17%–18% in 2013.

Highly Leveraged Parent: Oncor is an indirect subsidiary of highly leveraged Energy Future Holdings Corp. (EFH, IDR 'CCC'). While Fitch considers Oncor to be effectively ring-fenced from the rest of the EFH group, its credit market access or credit spreads could nonetheless become constrained by further financial deterioration of EFH and non ring-fenced affiliates. Oncor exhibits a limited source of equity funding given the poor financial health of its parent.

Adequate Liquidity: Oncor had borrowings of $553 million and letters of credit outstanding of $6 million in its $2 billion revolving credit facility, as of Sept. 30, 2011. Oncor raised $300 million in long-term debt in November 2011, in part to pay down the revolver borrowings. Oncor recently amended and reinstated its revolving credit facility so that it now matures in October 2016, as compared to October 2013 previously, thus lowering the refinancing risk.

What Could Trigger a Rating Action

Texas Regulation: Fitch expects a balanced regulatory environment for Oncor. Any unexpected adverse outcomes in future rate cases could result in credit rating downgrades.

Change in Ownership: Any potential change in ownership of Oncor would need to be evaluated in context of the potential new ring-fencing arrangements implemented to preserve the credit quality of the company.

Potential Bankruptcy Filing by EFH: Fitch believes that the ring-fencing measures for Oncor are strong, and the assets of Oncor should not be consolidated with EFH's in the event of bankruptcy.

Capital Structure and Financial Strategy

Capital Structure

Fitch is not expecting any change to Oncor's current authorized regulatory structure of 60% debt and 40% equity, which was affirmed in the 2011 rate review. Borrowings under the revolver are not included in the debt calculation. Fitch expects Oncor to manage the upstream dividend payments to its parent holding company within the 60% debt cap. The regulatory capitalization ratio was 58.2% debt and 41.8% equity as of Sept. 30, 2011.

Fitch expects Oncor to finance the large capex requirements for CREZ and advanced metering system (AMS) over 2011–2013 from internally generated cash flow from operations and external debt sources. Retained earnings at Oncor serve to build up the equity that creates room for Oncor to raise debt to finance the capex, within its 60% debt cap.

Capitalization Structure[a]

($ Mil., Pro Forma As of Sept. 30, 2011)	Amount	% of Debt	% of Cap
Senior Secured Notes	4,825.0	100	40
Total Debt	4,825.0		40
Hybrid Equity and Minority Interest	—		0
Common Equity	7,180.0		60
Total Capital	12,005.0		100

[a]Differs from regulatory capital structure due to goodwill and other adjustments
Source: Company reports.

Financial Flexibility

Oncor has taken several steps over the last year or so to provide more financial flexibility, given that it is owned by a highly distressed parent. These steps include extending the debt maturity profile, periodically issuing long-dated notes to reduce credit facility borrowings, and more recently, amending and restating its revolving credit facility.

Oncor amended and restated in its entirety its secured revolving credit facility on Oct. 11, 2011. The $2.0 billion restated credit facility has a five-year term, with an option to seek two additional one-year extensions. Oncor can request increases in the commitments under the facility, up to $500 million. The facility contains a financial covenant of 65% debt to capitalization.

Credit Facilities

($ Mil., Pro Forma As of Sept. 30, 2011)	Maturity Date	Facility Limit	Drawn	Availability
Secured Credit Facility	10/11/16	2,000	559	1,441

Source: Company reports.

Fitch considers Oncor's financial flexibility to be somewhat constrained compared with its peers, given that it currently has a restricted source for equity funding due to the financial health of its parent. Oncor is operating very close to its regulatory debt ratio cap. Since the borrowings under the credit facility are not counted towards the regulatory cap, Oncor has been relying on revolver borrowings to meet a portion of its capex spending and periodically issuing long-dated debt to pay down the revolver borrowings. The size and tenure of the credit facility mitigates

Related Criteria

Corporate Rating Methodology
Aug. 12, 2011

Parent and Subsidiary Rating Linkage Aug. 12, 2011 concern around capital access in the event of further deterioration in the financial condition of EFH and nonring-fenced affiliates.

Oncor's debt maturities (adjusted for transition debt) as of Sept. 30, 2011, can be found in the Scheduled Debt Maturities table

Scheduled Debt Maturities
($ Mil., Pro Forma As of Sept. 30, 2011)

Fiscal Year	Amount	% of Total
2011	—	0
2012	376.0	8
2013	524.0	11
2014	—	0
2015	500.0	10
2016	—	0
Thereafter	3,425.0	71
Total	4,825.0	100

Source: Company reports.

Ring-Fencing

EFH and Oncor have implemented certain structural and operational ring-fencing measures to enhance Oncor's credit quality and reduce the risk that Oncor's assets and liabilities will be substantially consolidated in the case of a bankruptcy proceeding for EFH and other nonring-fenced affiliates. Such measures include the sale of a 19.75% equity interest to Texas Transmission in November 2008; maintenance of separate books and records for the Oncor ring-fenced entities; Oncor's board of directors being composed of a majority of independent directors; and prohibitions on the Oncor ring-fenced entities providing credit support to, or receiving credit support from, any member of the Texas Holdings Group.

Fitch believes that the ring-fencing measures for Oncor are strong, and the assets of Oncor should not be consolidated with EFH's in the event of bankruptcy. However, Oncor could suffer from reduced access and/or higher costs for capital market transactions in the event that its parent files for bankruptcy.

Management Strategy, Operating Environment, and Industry Risk

Management Strategy

Management is investing a significant amount of capital to expand the transmission grid in Texas as part of a Public Utility Commission of Texas (PUCT)-driven push to link the wind rich regions of the state, primarily in West Texas, to the power-consumption centers in the east. Known as the CREZ projects, Oncor's share of the transmission investment is expected to be around $2.0 billion (recently raised from $1.75 billion), and is expected to be completed by 2013. Oncor is also investing in AMS and energy-efficiency initiatives

Oncor's dividend policy is driven by the ring-fencing arrangement in place that limits dividends to cumulative GAAP net income. The dividend amount cannot be such that it forces Oncor's regulatory debt/equity structure above 60/40. Due to the heavy CREZ capex spend over 2011–2013, Oncor is significantly restricting the dividend to the parent holding company. Fitch expects the payout ratio to progressively increase from 2013.

Responding to refinancing risk, management issued $475 million of 5.25% 30-year notes in September 2010, and $300 million of 4.55% 40-year notes in November 2011, using the proceeds to reduce credit facility borrowings and enhance liquidity. Oncor also executed exchange offers in October 2010: $324 million of 6.375% debt due in 2012 was exchanged for new 5.0% debt due in 2017, and $126 million of 5.95% debt due in 2013 was exchanged for new 5.75% debt due in 2020. This has mitigated, to a large extent, the near-term refinancing risk, and lowered the overall cost of debt.

Fitch expects management to appropriately refinance Oncor's 2012–2013 debt maturities to mitigate the risk that capital access becomes restricted should Oncor's ultimate parent file for bankruptcy over that time period.

Operating Environment

Oncor's revenues are fully regulated and driven by T&D operations. Oncor benefits from T&D capital trackers that enable adequate and timely recovery of investments through the regulated rates in addition to surcharge mechanism for its advanced metering investments. Oncor is allowed to request an update to the transmission cost-recovery factor component of its retail delivery rates twice a year. Distribution revenues are correlated with distribution volumes, which have increased at approximately 1.2% over the last few years. Distribution rates can be changed via rate case.

Oncor filed a rate case with PUCT and 203 cities in January 2011, for an annual rate increase of $353 million, based on a 45% equity ratio and a test year ending June 30, 2010.

PUCT issued a final order in August 2011, the terms of which largely mirrored those of Oncor's April settlement with the interveners that provided for a $136.7 million base rate increase, out of which $93 million became effective July 1, 2011 (interim rate increase), and the remainder becomes effective by Jan. 1, 2012. There was no change to the authorized regulatory capital structure of 60% debt and 40% equity, and authorized return on equity of 10.25%. Oncor agreed not to file a general rate case before July 1, 2013. However this restriction does not apply to rate increases through the various trackers that Oncor currently has in place.

Oncor's customers are the retail electricity providers (REPs), who in turn service retail and nonretail customers directly. Oncor has no direct commodity risk since this is borne by the REPs and consumers in Texas.

Oncor is exposed to accounts receivable risk due to any potential defaults by REPs. PUCT has tightened the financial resource standards significantly over the past few years that reduce the loss associated with nonperformance by any REP. The REP certificates granted by PUCT can be suspended and revoked if the REP fails to make timely payment to the T&D utility. PUCT rules allow for the recovery of uncollectible amounts due from nonaffiliated REPs. Oncor is exposed to nonperformance by TXU Energy, its affiliated REP. Oncor had approximately $175 million receivables from Texas Competitive Electric Holdings Company LLC (TCEH) as of Sept. 30, 2011, primarily related to electricity delivery fees.

Capex

Capital Expenditure Forecast

($ Mil.)	2011E	2012E	2013E	2014E	2015E	2016E
CREZ/Voltage Support	[illegible]	555	[illegible]	155	—	-
Transmission Grid Expansion	290	140	135	340	475	[illegible]
Advanced Metering	100	150	—	—	—	—
New Service	180	170	185	200	205	215
IT/Maintenance/General Plant	200	230	240	305	325	305
Total Capex	1,410	1,245	950	1,000	1,005	1,010

E – Estimate.
Source: Company third-quarter 2011 investor presentation.

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Oncor is spending a significant amount of capex as part of the CREZ build-out in Texas. Cost of CREZ investment for Oncor is expected to be around $2.0 billion, out of which $689 million had been spent through Sept. 30, 2011. The majority of CREZ-related capex is expected to be completed by 2013.

Oncor is also deploying 3 million advanced meters for all residential and most nonresidential retail electricity customers in its service area, at an expected cost of $686 million. Oncor had installed more than 2.1 million advanced meters as of Sept. 30, 2011, at a cost of $477 million. The installations are expected to be completed by the end of 2012.

At the time of the leveraged buyout, Oncor made a commitment to PUCT to invest a minimum of $3.6 billion over the five-year period ending Dec. 31, 2012 (this capex excludes CREZ investment).

Industry Risk

Fitch has a Stable Rating Outlook for the investor-owned electric utility sector over the next 12–18 months. The sector benefits from low interest rates, modest inflationary pressures, open capital markets, and low natural gas and power prices. Fitch expects these conditions to persist into 2013.

The favorable funding environment helps offset any stress that would otherwise result during an extended period of high projected capital investment. Capex is expected to remain elevated, increasing 5%–6% over 2011 levels.

Many utilities have reduced regulatory risk by shifting cost recovery from general rate case proceedings to standardized tariffs that provide greater certainty and timeliness of cost recovery. Moreover, utility investment in this construction cycle seems to be aligned with the goals of regulators and policymakers, enhancing prospects for timely and full investment recovery, in Fitch's opinion.

Fitch's outlook for the sector presumes an extended period of cyclically low power and natural gas prices. Electric utilities, particularly T&D utilities, are beneficiaries of low commodity prices. Low prices for fuel commodities provide crucial headroom for utilities to recover anticipated investment in plant and equipment through base rate increases. All else equal, stable to lower natural gas and power prices remove a source of upward pressure on monthly utility bills and reduce potential consumer resistance and political backlash to higher rates. Similarly, a low inflation and interest rate environment would stabilize utilities' costs and rates.

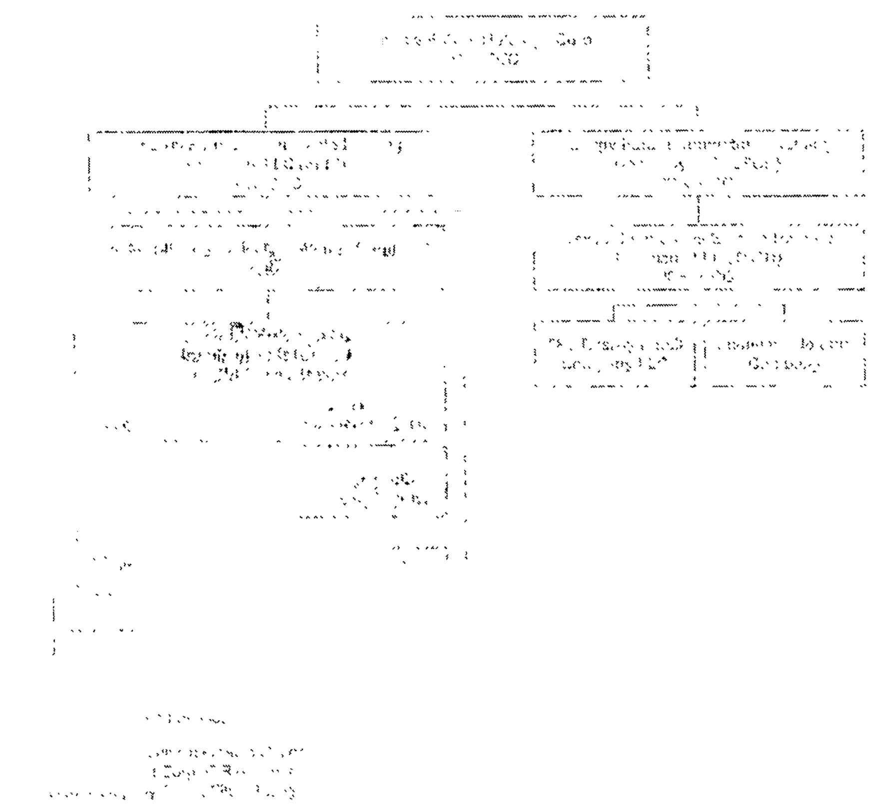
Longer term, risks to the stable outlook become more pronounced as secular and cyclical factors come into play. Sales growth expectations, already modest at 1%–2% per annum, may prove optimistic given the subdued economic growth outlook, and a growing demand for energy efficiency and conservation. The industry faces the double threat of disruptive technologies, such as efficiencies in lighting, refrigeration, and software interface, combined with competitors promoting such products and services. The industry will be challenged to adjust business models to face the new competitive landscape.

A more immediate threat might be a change in the operating environment in 2013 and beyond. Fitch has specific concerns regarding upward pressure on electricity rates, owing to reliance on higher cost, non-emitting renewable and other energy resources, and potentially higher interest rates, inflation, natural gas, and power costs from the current cyclically low levels. The upward pressure on electricity rates in this scenario could lead to political resistance to future rate

[illegible]

Organizational Structure and [illegible]

Organizational Structure
[illegible]



Corporate Governance

Oncor's board consists of 11 members, of which two are from the majority investor group (KKR & Co. L.P.-Texas Pacific Group-Goldman Sachs), two are from the minority investor group, six are New York Stock Exchange independent directors, and one is an Oncor officer (Chairman and CEO Bob Shapard).

The LLC agreement requires that the business of the company be managed under the direction of the board and not by any EFH group member, officer, or employee. Any amendments to the dividend policy requires consent of all minority owner directors and at least a majority of the board of directors present and voting, which must include a majority of the independent directors and all of the non-independent directors. Dividends can be [illegible] by a majority of [illegible] independent directors or any minority owner director.

A unanimous vote is required by the independent directors for amendment of certain provisions of the LLC agreement for any material action that may include a merger, transfer of substantially all assets, or the institution of insolvency proceedings. Minority owner directors are given additional rights that fall away upon an IPO, change of control, or spin-off of Oncor outside the EFH group. Certain specified Oncor actions require EFH consent, including issuing equity, changing the jurisdiction of the company, changing the method for designating directors, and changing the entity classification for tax purposes.

Company Profile

Oncor is a regulated electricity T&D utility that provides electric delivery services to REPs that sell power in the north-central, eastern, and western parts of Texas. Distribution revenues from TCEH represented approximately 34% of the total revenues for the nine months ended Sept. 30, 2011. Oncor Holdings, which is a direct, wholly owned subsidiary of Energy Future Intermediate Holding Company LLC, owns 80.03% of Oncor's membership interests, Texas Transmission owns 19.75%, and certain members of the management team and board of directors indirectly own the remaining membership interests through Oncor Management Investment LLC.

Pension Analysis

Oncor is a participating employer in the EFH retirement plan, which is a defined benefit pension plan sponsored by EFH. Oncor also participates with EFH and certain other subsidiaries of EFH to offer health care and life insurance benefits to retired employees.

If EFH was unable to make required contributions to the pension plan while it was a member of the controlled group within the meaning of Employment Retirement Income Security Act (ERISA), Oncor would potentially be liable under ERISA for pension contributions and any unfunded pension plan liability that EFH is unable to pay. Oncor's pension obligations are approximately 75% of the total EFH pension obligations.

Financial Summary — Oncor Electric Delivery Company

($ Mil., Fiscal Years Ended Dec. 31)	2007	2008	2009	2010	LTM 3/31/11
Fundamental Ratios (x)					
FFO/Interest Expense	3.71	3.73	3.84	4.28	4.48
CFO/Interest Expense	3.47	3.70	3.86	4.25	4.49
FFO/Debt (%)	17.39	16.30	18.66	19.42	21.01
Operating EBIT/Interest Expense	2.84	2.97	2.51	2.66	2.89
Operating EBITDA/Interest Expense	4.23	4.42	4.04	4.51	4.30
Operating EBITDAR/(Interest Expense + Rent)	4.23	4.42	4.04	4.51	4.50
Debt/Operating EBITDA	3.69	3.79	4.13	3.76	3.66
Common Dividend Payout (%)	99.69	(67.76)	85.00	59.94	32.95
Internal Cash/Capital Expenses (%)	43.76	46.24	57.52	76.37	85.12
Capital Expenses/Depreciation (%)	192.97	221.43	220.31	180.53	202.67
Profitability					
Adjusted Revenues	2,354.00	2,437.00	2,544.00	2,709.00	2,880.00
Net Revenues	2,354.00	2,437.00	2,544.00	2,709.00	2,880.00
Operating and Maintenance Expense	849.00	852.00	982.00	1,024.00	1,050.00
Operating EBITDA	1,113.00	1,194.00	1,197.00	1,376.00	1,449.00
Depreciation and Amortization Expense	365.00	393.00	453.00	565.00	584.00
Operating EBIT	748.00	801.00	744.00	811.00	[illegible]
Gross Interest Expense	263.00	270.00	296.00	305.00	322.00
Net Income for Common	327.00	(487.00)	320.00	352.00	349.00
Operating Maintenance Expense as % of Net Revenues	36.07	34.96	[illegible]	[illegible]	36.46
Operating EBIT as % of Net Revenues	31.78	32.87	29.25	29.29	30.03
Cash Flow					
Cash Flow from Operations	650.00	729.00	846.00	990.00	1,122.00
Change in Working Capital	(64.00)	(8.00)	6.00	(11.00)	—
Funds from Operations	714.00	737.00	840.00	1,001.00	1,122.00
Dividends	(326.00)	(330.00)	(272.00)	(211.00)	[illegible]
Capital Expenditures	(704.00)	(862.00)	(998.00)	(1,020.00)	(1,182.00)
FCF	[illegible]	[illegible]	[illegible]	(241.00)	(176.00)
Net Other Investment Cash Flow	(21.00)	2.00	18.00	(12.00)	(1.00)
Net Change in Debt	287.00	458.00	175.00	175.00	13.00
Net Equity Proceeds	—	—	—	—	—
Capital Structure					
Short-Term Debt	1,230.00	337.00	616.00	377.00	553.00
Long-Term Debt	[illegible]	4,225.00	[illegible]	4,783.00	4,786.00
Total Debt	4,103.00	4,562.00	4,945.00	5,160.00	5,339.00
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	7,618.00	6,599.00	6,847.00	6,988.00	7,180.00
Total Capital	11,721.00	11,161.00	11,792.00	12,148.00	12,519.00
Total Debt/Total Capital (%)	35.01	40.88	41.94	42.48	42.65
Total Hybrid Equity and Minority Interest/Total Capital (%)	—		—	—	—
Common Equity/Total Capital (%)	64.99	59.12	58.06	57.52	57.35

Source: Company filings, Fitch Ratings.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Oncor Electric Delivery Company LLC

Global Credit Research - 01 Jun 2011

Dallas, Texas, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Sec Bank Credit Facility	Baa1
First Mortgage Bonds	Baa1
Senior Secured	Baa1
Parent: Energy Future Holdings Corp.	
Outlook	Stable
Corporate Family Rating	Caa2
Bkd Senior Secured	Caa3/LGD4
Bkd Senior Unsecured	Ca/LGD5
Speculative Grade Liquidity	SGL-4
Dallas Power & Light Co	
Preferred Stock	NR

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Key Indicators

[1]Oncor Electric Delivery Company LLC

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.0x	3.8x	3.6x	3.5x
(CFO Pre-W/C) / Debt	17%	17%	14%	15%
(CFO Pre-W/C - Dividends) / Debt	14%	13%	-12%	9%
Debt / Book Capitalization	43%	43%	42%	37%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Rate regulated transmission and distribution utility in Texas

Strong suite of ring fence type provisions designed to insulate Oncor from contagion effects associated with financially distressed parent company

Stable financial metrics projected over long-term horizon with near-term benefits attributed to Federal accounting and tax policies

Event risk is high due to parent contagion issues and increased likelihood for M&A activity

Large capital investment program raises rates

Corporate financial policies, including up-stream dividends, important to monitor

Corporate Profile

Oncor Electric Delivery Company LLC (Oncor) is an electric transmission and distribution utility serving the greater Dallas / Ft. Worth and North Texas regions. Oncor's revenues are primarily regulated by the Public Utility Commission of Texas (PUCT). Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (Oncor HoldCo: not rated) which is a wholly-owned subsidiary of Energy Future

Intermediate Holding Company (EFIH; Caa3 senior secured / stable) which in turn is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH-Caa2 Corporate Family Rating (CFR) / stable). In 2010, Oncor reported approximately $2.9 billion in revenue. Oncor is headquartered in Dallas, Texas.

SUMMARY RATING RATIONALE

Oncor's Baa1 senior secured rating primarily reflects its lower risk, rate regulated T&D business activities and relatively stable financial metrics. We note that Oncor's rating relies heavily on our assessment of the ring-fence type provisions designed to create credit separateness from its more risky parent a/nd affiliates, but that only a bankruptcy judge can assure its effectiveness. Oncor's Baa1 senior secured rating is ten notches higher than EFH's Caa2 Corporate Family Rating. The rating also reflects an overall assessment of factors outlined in Moody's Rating Methodology for Regulated Electric and Gas Utilities (the Rating Methodology, published in August 2009).

Recent Events

On April 14, 2011, Moody's affirmed the Caa2 Corporate Family Rating (CFR) for EFH and changed the rating outlook to stable from negative. EFH's stable rating outlook benefits Oncor because it reflects our view that the near-term probability of an event of default has been reduced. This reduction in near-term default probability is primarily associated with covenant relief related to an affiliate's senior secured borrowings, including its revolver. EFH's Caa2 CFR still reflects our longer-term concerns related to the sustainability of its business model, due to an untenable capital structure.

DETAILED RATING CONSIDERATIONS

Low-risk business operations within a supportive regulatory jurisdiction

As a stand-alone credit, Oncor is well positioned within the Baa-rating category. This reflects Oncor's lower business and operating risks and stable rate-regulated revenue, earnings and cash flow. We view the Public Utility Commission of Texas'(PUCT) as a net credit positive, and often note the relatively transparent regulatory framework.

For example, in 2009, the PUCT approved a $115 million rate increase. Though the increase was less than half of what Oncor asked, it was higher than the ALJ recommendation of $30 million and the PUCT staff's recommendation of a $100 million reduction. The order set an ROE of 10.25% (about average for most US regulated utilities) and a 60% debt capital structure (slightly higher than most US regulated utilities). More recently, we note that Oncor has reached a settlement with interveners related to a rate increase of approximately $137 million, which is subject to the approval by the PUCT.

Oncor's current financial profile benefitting from accounting and tax policies

Over the past 5 years, Oncor produced an average ratio of cash from operations before changes in working capital (CFO pre W/C) to debt of approximately 16%. This ratio includes both securitization cash flows and debt, as well as pension and operating lease adjustments. In 2010, total debt was approximately $6.5 billion.

Prospectively, we expect the ratio of Oncor's CFO pre W/C to debt to decline to low to mid-teen's range as the company continues with its capital expenditure programs. However, in 2010, Oncor produced a ratio of CFO pre W/C to debt of roughly 17%, higher than what we originally expected. In our opinion, this increase is partly due to the near-term benefits associated with federal tax and accounting policies, including bonus depreciation. Today, we view these benefits as unsustainable over the long term horizon.

Moody's still incorporates a view that the Texas based T&D utilities can endure lower credit metrics for a given rating category. In our opinion, Texas T&Ds have a slightly lower risk profile than the broader T&D peer group as they are not exposed to any provider of last resort risk (POLR) or commodity risks.

Ring fence type provisions appear effective for now

We view Oncor's suite of ring-fence type provisions as strong. Combined, these provisions are designed to insulate Oncor from its financially distressed parent, especially with respect to an involuntary bankruptcy filing and substantative consolidation. We continue to view both Oncor's, as well as EFH's, SEC disclosures regarding the intended strength of the current ring fence provisions as a credit negative. Specifically, the disclosure that the ring fence might not work as intended.

Significant capital expenditures constrain ratings

Oncor plans a large capital investment program of approximately $3.6 billion over the next few years. Oncor's capital investment program from 2011 through 2013, excluding CREZ-related capital expenditures, is expected to be over $2.0 billion. This amount includes the Advanced Metering program (AMS) deployment and roughly $2.0 billion (up from $1.3 billion last year) associated with the Competitive Renewable Energy Zone (CREZ) transmission expansion, which is expected to be completed by 2013.

Moody's observes that Oncor's AMS program could create some material derivative benefits for local retail electric providers (REP's), the largest of whom is an affiliate, TXU Energy. In addition, Oncor's CREZ investment opportunity, which is designed to bring renewable energy into the Dallas load center, could have a negative impact for Luminant, also an affiliate.

While longer-term in nature, these investment plans should eventually contribute to long-term stable rate base growth. We generally view rate-base accretive projects positively, however, the large scale of these projects that Oncor is taking on requires extremely prudent financial planning and timely recovery, or Oncor's key credit metrics could face modest downward pressure.

Event risk

Oncor's event risk profile is higher than most T&D utility peers. In our opinion, Oncor is likely to be divested in some fashion over the next few years as it represents a valuable and relatively liquid, but a non-core, asset for EFH. Conceptually, EFH can divest EFIH along with Oncor Holdco and Oncor, thereby eliminating approximately $4.5 billion of debt from EFH's consolidated capital structure. The EFIH debt is secured by the equity collateral in Oncor Holdco, which owns 80% of Oncor. We believe that any divestiture activity would require PUCT approval.

Separately, we continue to question EFH's long-term business model, primarily due to our view regarding an untenable capital structure. As

EFH continues to execute its liability management programs, there could be incremental contagion effects to Oncor's rating, despite the ring fence type provisions. This is primarily due to our views that the debt being layered on top of Oncor (and outside of the ring fence) represents a permanent source of leverage for Oncor, even though Oncor is not legally liable for EFH's debt service. We remain concerned with the prospect that the PUCT may eventually question the use of Oncor Holdco's equity as collateral, due to the perception of a change in control, although we see no evidence at this time.

Liquidity:

Oncor's liquidity appears adequate at this time. Our liquidity assessment for the next four quarters specifically excludes any access by Oncor to the capital markets. In 2010, Oncor generated approximately $1.1 billion of cash from operations, incurred approximately $1billion in capital expenditures and made upstream dividend payments to its parent of roughly $200 million, resulting in a negative free cash flow position of roughly $100 million.

Oncor's $2.0 billion secured revolving credit facility (expiring in October 2013) had about $1.5 billion available at year end 2010.

The $2.0 billion credit facility has a 65% debt to capitalization financial covenant, which we view as reasonably positive in the sense that it provides the company with some modest cushion from where its debt to capitalization is expected to be maintained as part of the proposed ring fencing and regulatory authorization (60%). The bank covenant calculation currently has a significant amount of headroom cushion, largely due to the covenant's calculation which includes roughly $4 billion of goodwill. The regulatory calculation does not incorporate goodwill, but it also excludes short term borrowings under the revolver. Moody's does not view Oncor as having any meaningful sources of alternate liquidity.

Prospectively, we expect Oncor to produce approximately $1.0 billion in cash flow from operations in the next 12 months and to spend about $1 billion in capital expenditures, approximately 20% of which is to be invested in CREZ, 15% in AMS program and 20% in maintenance. We expect Oncor to materially reduce its upstream dividend in the near-term. There are no material debt maturities until 2012 when $376 million senior notes will be due ($131 million of amortizing transition bond debt is also due in 2012).

Rating Outlook:

Oncor's stable rating outlook reflects: a strong suite of ring fence type provisions that were implemented as part of the EFH leveraged buy-out; cash flow to debt related credit metrics in the mid-teen's range, and; a supportive and constructive regulatory environment in Texas. The stable outlook does not reflect any potential event or contagion risks associated with Oncor's parent, EFH (Caa2 CFR stable).

What Could Change the Rating - Up

Ratings are unlikely to be upgraded in the near to mid-term as we expect Oncor to increase leverage to support its sizeable capital spending program. Nevertheless, ratings could be upgraded if the key financial credit ratios, such as the ratio of CFO pre w/c to total debt, stabilize in the high-teen's and CFO pre-w/c interest coverage over 3.5x (excluding the effects of bonus depreciation and other federal tax and accounting stimulus efforts); the continued development in establishing credit separateness with its distressed parent and affiliates; and, evidence of independence among the board of directors and the execution of their fiduciary duties under their corporate governance rights.

What Could Change the Rating - Down

Ratings could be downgraded if the financial profile of the company were to deteriorate meaningfully or where key financial credit metrics, such as the ratio of CFO pre w/c to total debt declined towards the low-teen's range (excluding the effects of bonus depreciation and other federal tax and accounting stimulus efforts); if the regulatory / political environment were to take on a contentious atmosphere (for example, where recoveries are questioned over the costs associated with the CREZ and / or AMS programs); or if the board of directors began to implement corporate strategies which are perceived to be unusual with respect to the best long-term interests of Oncor. Examples of this kind of behavior might include actions regarding dividend policy (i.e., delaying dividend reductions in front of the large capital investment program). Ratings could also be downgraded due to contagion risk factors associated with certain financing activities occurring at the parent company, EFH.

Rating Factors

Oncor Electric Delivery Company LLC

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 12/31//2010		Moody's 12-18 month Forward View* As of June 1, 2011	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		A		A
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Ba		Ba
b) Generation and Fuel Diversity (0%)		NA		NA
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	3.8x	Baa	3.0x - 4.0x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	16%	Baa	15% - 20%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	5%	Ba	10% - 17%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	43%	A	40% - 45%	A

Rating:				
a) Indicated Rating from Grid		Baa2		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010; Source: Moody's Financial Metrics

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FitchRatings

FITCH UPGRADES ONCOR TO 'BBB'; OUTLOOK STABLE

Fitch Ratings-New York-26 August 2011: Fitch Ratings has upgraded Oncor Electric Delivery Company LLC's (Oncor) Long-term Issuer Default Rating (IDR) to 'BBB' from 'BBB-'. The long term security ratings have also been upgraded by one-notch. The short-term IDR is affirmed at F3'. The Rating Outlook is Stable. A full list of ratings actions is provided below.

The upgrade reflects consistent strong performance by the utility over the last two years driven by a rebound in sales volume growth and balanced outcome of recent rate cases that have led to a steady improvement in key credit metrics. Fitch expects profitability and credit metrics to continue to appreciate over the forecast period led by significant transmission build out that is well supported by constructive regulation. Management's refinancing initiatives in the fall of 2010 extended a portion of 2012-13 debt maturities, thus, lowering re-financing risk emanating from the concerns surrounding the financial health of its ultimate parent, Energy Future Holdings Corp. (IDR CCC).

Oncor plans on spending close to $6 billion in 2011-15 on capital expenditure, a majority of which is driven by transmission grid expansion and the Competitive Renewable Energy Zone (CREZ) projects. Various tracker mechanisms allow Oncor to earn a return on transmission related capital investment with minimal regulatory lag. Oncor has been successful in achieving reasonable resolution to its regulatory rate filings, including the most recent rate review for which a settlement has been reached between the utility and the intervenors and a final order is expected shortly from the Public Utility Commission of Texas (PUCT).

Oncor's profitability since 4Q'09 has benefited from a rebound in Texas economy that has resulted in a recovery of electricity demand from the large commercial and industrial sector. Weather-adjusted residential sales are also expanding, albeit the trend is still muted. Even with a modest growth expectation in electric sales, Fitch expects Oncor's Earnings Before Interest, Depreciation and Taxes (EBITDA) to Interest ratio to approach 4.8 times (x) and Debt to EBITDA to be in the 3.5x range, which is strong relative to Fitch's guideline ratios for a low risk, regulated, 'BBB' issuer. Fitch expects Oncor's Funds Flow from Operations (FFO) metrics to be even stronger relative to rating category guidelines over 2011-12 driven by bonus depreciation. Fitch expects FFO to Debt ratio over 2011-12 be in the 22% range before moderating to 17-18% in 2013 and beyond without bonus depreciation benefits.

Fitch considers the key rating factors for Oncor to be: 1) the stability of existing regulated utility cash flows; (2) relatively strong service territory; (3) credit ratios commensurate with the new rating level; and (4) effective ring-fencing from a highly leveraged parent.

While Fitch considers Oncor to be effectively ring-fenced from the rest of the EFH group, its credit market access or credit spreads could nonetheless become constrained by further deterioration in the financial condition of EFH and non-ring-fenced affiliates. Relative to its peers, Oncor exhibits a limited source of equity funding given the poor financial health of its parent. Oncor is already severely curtailing the upstream dividends in order to maintain equity to capital within the 40% minimum PUCT-required level given its large capital spending plans.

Liquidity is satisfactory. Oncor has a $2 billion revolving credit facility due October 2013. There were borrowings of $580 million as of June 30, 2011 and letters of credit outstanding of $6 million. Fitch expects Oncor to refinance remaining debt maturities in 2012 ($375 million) and 2013 ($525 million) as well as address the revolver maturity well ahead of its expiration date.

Fitch has taken the following rating actions on Oncor:

--Long-term IDR upgraded to 'BBB' from 'BBB-';
--Senior secured debt upgraded to 'BBB+' from 'BBB';

--Short-term IDR and commercial paper affirmed at 'F3'.

The Rating Outlook is Stable.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology', Aug. 16, 2010;
--'Rating North American Utilities, Power, Gas and Water Companies', May 16, 2011;
--'Parent and Subsidiary Rating Linkage', July 14, 2010.

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229
Rating North American Utilities, Power, Gas, and Water Companies
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=625129
Parent and Subsidiary Rating Linkage
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647210

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August 10, 2011

Oncor Electric Delivery Co. LLC

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Oncor Electric Delivery Co. LLC

Major Rating Factors

Corporate Credit Rating
BBB+/Stable/NR

Strengths:
- Low-operating-risk electricity transmission and distribution operations with no commodity exposure;
- Effective management of regulatory relations, leading to generally constructive regulatory outcomes;
- A large service territory with generally attractive demographics; and
- Adequate liquidity and proactive management of debt maturities.

Weaknesses:
- Aggressive debt leverage;
- A large capital spending program for transmission projects; and
- The ongoing need to maintain separateness undertakings from majority owner Energy Future Holdings Corp.

Rationale

Standard & Poor's Ratings Services' ratings on Oncor Electric Delivery Co. LLC reflect the company's stand-alone business and financial risk profiles. Oncor Electric Delivery Holdings Co., a wholly owned subsidiary of Energy Future Holdings Corp. (EFH; CCC/Negative/--), owns 80.033% of Oncor, and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service Administration Corp., acting through its infrastructure investment entity, Borealis Infrastructure Management Inc.; and by the Government of Singapore Investment Corp., acting through its private-equity and infrastructure arm, GIC Special Investments Pte. Ltd.

The ratings on Oncor incorporate, in addition to the stand-alone business and financial risk profiles, a number of structural, legal, and regulatory provisions that allow Standard & Poor's to view the company separately from its majority owner, EFH. These provisions include:

- The sale of 19.75% of Oncor to Texas Transmission, which is a third-party, unaffiliated investor with sufficient rights and board representation to prevent EFH from harming Oncor's credit profile--namely, the ability to veto changes in Oncor's dividend policy, requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, approval over material transactions between Oncor and its non-ring-fenced affiliates, approval over the annual budget if it is reduced by 10% or more from the prior year's amount, and the ability to prevent dividend distributions if it is in the best interests of Oncor to retain such amounts for future capital requirements;
- Legal ring-fencing, including a non-consolidation opinion and separateness undertakings (such as arm's-length transactions between Oncor and EFH, and the inability of Oncor to extend financial support to or receive financial support from EFH), and six independent directors who are required by law to consider only the interests of Oncor and its creditors when acting or voting on any material action, two of whom are special independent directors;
- Limitations on distributions (equal to net income) combined with a limitation on the capital structure (60% debt

and 40% equity); and

- Commitments to the Public Utility Commission of Texas (PUCT) to maintain the 60% debt and 40% equity capital structure, incur a certain amount of capital spending by 2012, and maintain certain reliability standards.

Oncor is an electric transmission and distribution company operating in north central, eastern, and western Texas, including Dallas. Oncor has an excellent business risk profile and an aggressive financial risk profile. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published May 27, 2009, on RatingsDirect on the Global Credit Portal.)

Oncor's excellent business risk profile reflects the company's electric distribution and transmission business, which has low operating risk, no commodity exposure, and a large service territory with generally attractive demographics. The excellent business risk profile also accounts for the company's efforts to reach regulatory outcomes that are generally supportive of credit quality. In May 2011, Oncor reached a settlement in the rate case it filed in January 2011, which requested a $353 million base rate increase based on a return on equity (ROE) of 10.25% and a capital structure of 55% debt and 45% equity. The settlement, which awaits final approval from the PUCT, provides for a base rate increase of $137 million ($93 million effective July 2011, with the balance effective from January 2012) based on a 10.25% ROE and a capital structure of 60% debt and 40% equity.

Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of more than 75 retail electricity providers (REPs) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC (TCEH), an EFH affiliate, accounted for 36% of Oncor's 2010 revenues, while subsidiaries of a non-affiliated REP accounted for 12%. Of the remaining REPs, no other entity accounted for more than 10% of Oncor's 2010 revenues. Oncor relies on these REPs to remit timely payments for distribution services rendered; a default by a REP would cause delays in payment and could pressure Oncor's liquidity. As of June 30, 2011, Oncor's trade accounts receivable from TCEH were $168 million, or about 11% of revenues for the period. If a REP declares bankruptcy, Oncor can recover the amounts not received by deferring such amounts as a regulatory assets and then requesting recovery through a rate case filing, although this rule applies only to non-affiliated REPs and not to TCEH. In case of any default in the payments of accounts receivable by TCEH, Oncor can recover any claims by withholding distributions to the two owners until it is made whole. Additionally, if TCEH were to delay or stop payments, Oncor would have a senior unsecured claim against TCEH. However, our recovery analysis on EFH suggests that recovery on senior unsecured claims against EFH or its affiliates would be very small, if not zero, because EFH and its subsidiaries have large amounts of senior secured debt.

In January 2009, the PUCT awarded Oncor 17 transmission projects relating to competitive renewable energy zones (CREZ), which will provide load areas with access to wind-generated electricity. The total cost of these transmission projects is now estimated to be $2 billion. At June 30, 2011, the PUCT had approved all 17 projects and had issued 14 Certificate of Convenience and Necessity amendments. Oncor has spent $538 million as cumulative capital expenditures on the CREZ projects and expects to incur capital expenditures of about $600 million in 2011 (out of which, $222 million had been incurred during the six months ended June 30, 2011). Oncor recovers the related capital costs and return under a transmission cost recovery mechanism once the projects are in service. The transmission cost recovery mechanism adjusts semiannually. In June 2011, Oncor filed for an increase in its transmission cost recovery factor, which the company expects will increase revenues by about $48 million, effective in September 2011.

Oncor's financial risk profile is aggressive. The company projects that its capital spending program will total $3.6 billion from 2011 to 2013, with about $1.4 billion incurred in 2011. Given the lag in recovering the related investment, we expect the financial profile to weaken from current levels, while still remaining sufficient to support current ratings, but with a reduced cushion. As CREZ investments peak in 2012 and funding needs increase, Standard & Poor's expects that Oncor will materially decrease distributions to its two owners to preserve the stated capital structure and provide some financing flexibility during this period. For the six months ended June 30, 2011, Oncor distributed about $40 million to its owners, compared to $108 million last year during the same period.

For the 12 months ended June 30, 2011, adjusted funds from operations (FFO) were $972.9 million, and adjusted total debt was $6.48 billion, excluding $611 million of securitized debt. Adjusted FFO interest coverage was 3.5x, adjusted FFO to total debt was 15.0%, and adjusted total debt to total capital was 66%. Oncor's cash flow generation benefited from a change in bonus depreciation rules that resulted in lower cash taxes for the six months ended June 30, 2011. In computing debt leverage, Standard & Poor's deducts the entire amount of goodwill contributed to Oncor by EFH as a result of purchase accounting rules; this totaled $3.7 billion as of Dec. 31, 2010. In addition, Standard & Poor's computes adjusted debt leverage by including both long- and short-term debt, unlike the regulatory computation, which incorporates only long-term debt. As of June 30, 2011, short-term debt increased to $580 million, as compared to $377 million as of Dec. 31, 2010.

Liquidity

Oncor has adequate liquidity to cover its needs over the next 12 months, even if FFO declines. (For more on liquidity, see "Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers," published July 2, 2010.) We base our liquidity assessment on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) over the next 12 to 18 months to exceed its uses by more than 1.2x.
- Even if FFO declines by 15%, we believe sources of cash would still exceed uses by more than 1.2x.
- Oncor has no debt maturities in 2011 and has a $376 million debt maturity in 2012 followed by a $524 million maturity in 2012.

In our analysis, we have assumed liquidity of about $2.5 billion over the next 12 months, primarily consisting of cash on hand, FFO, and availability under the revolving credit facilities. We estimate the company will use about $1.5 billion over the same period, mainly for capital spending, debt maturities, working-capital needs, and distributions to the two owners.

Oncor has a $2 billion revolving credit facility that matures in October 2013 and had $1.292 billion undrawn as of June 30, 2011. The current availability excludes $122 million in commitments that a subsidiary of Lehman Brothers Inc. provides. The credit facility is secured and is pari passu with Oncor's other secured debt obligations.

The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets, having successfully issued debt in late 2010 and effectively managed the debt maturity schedule during the same time.

Given majority owner EFH's weak financial condition and speculative-grade rating, a key rating factor for the company is prudent management of Oncor's liquidity position, including timely renewal of the revolving credit facility, because events that may pressure liquidity will pressure the current ratings.

Recovery analysis

We assign recovery ratings to first-mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in higher issue ratings than a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. We base the investment-grade FMB recovery methodology on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist in the future.

Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007.)

Oncor's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of less than 1.5x supports a recovery rating of '1' and an issue rating one notch above the CCR.

Outlook

The stable outlook on the rating incorporates expectations of generally stable, albeit modestly weakening, financial performance over the next 12 to 24 months stemming in large part from the company's planned investment in the CREZ projects. We expect that the CREZ investments will peak in 2012, thereby placing pressure on the consolidated financial profile during that time. Standard & Poor's base case projections for Oncor incorporate an aggressive financial risk profile over the next 12 to 24 months such that adjusted FFO to interest coverage consistently exceeds 3x, adjusted FFO to total debt is more than 14%, and adjusted total debt to total capital is less than 65%, including short-term debt and excluding the impact of purchase accounting. Absent such credit protection measures over the next few years, Oncor's credit quality will deteriorate and we will lower the ratings on Oncor.

Standard & Poor's also expects that Oncor will continue to proactively manage its refinancing needs to maintain its adequate levels of liquidity. We view adequate liquidity as very important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may make it difficult for Oncor to access the capital markets when it needs to. We would also lower the ratings on Oncor if the company fails to effectively manage regulatory risk and is unable to recover its investments in a timely manner, if there is pressure from majority owner EFH to make excess distributions that would weaken Oncor's credit profile, or if any of the separateness undertakings currently in place are compromised. Given Oncor's aggressive financial risk profile and the level of debt leverage we expect, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Financial Risk Profile

Accounting

Oncor's financial statements are prepared in accordance with U.S. generally accepted accounting principles and are audited by Deloitte & Touche LLP, which provided an unqualified opinion on 2010 results.

Oncor securitized stranded costs relating to its generation assets. Because this debt is nonrecourse to the company and the bondholders have a claim only on the transition charges collected through rates, in 2010, Standard & Poor's made analytical adjustments to remove the following:

- $667.3 million of securitized debt from total reported debt;
- $107.8 million of securitization-related principal from revenues and depreciation; and
- $37.3 million of securitization-related interest expense from revenues and interest expense.

Standard & Poor's also adjusts Oncor's financial statements for certain off-balance-sheet obligations. For 2010, Standard & Poor's added $979.6 million as a debt-like obligation for the pension-funding shortfall that relates to Oncor's portion of EFH's total pension obligations. In addition, we added $35.6 million relating to the capitalization of operating leases and $108 million in accrued interest not reported as debt.

In computing debt leverage, Standard & Poor's reduces the amount of equity on the balance sheet by an amount that is primarily equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Dec. 31, 2010, this amount was $3.78 billion.

Related Criteria And Research

- Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

Table 1

Oncor Electric Delivery Co. LLC -- Peer Comparison

Industry Sector: Electric

	Oncor Electric Delivery Co. LLC	CenterPoint Energy Inc.	NSTAR	Consolidated Edison Inc.
Rating as of Aug. 10, 2011	BBB+/Stable/--	BBB/Positive/A-2	A+/Watch Neg/A-1	A-/Stable/A-2
	--Average of the past three fiscal years--			
(Mil. $)				
Revenues	2,582.9	9,124.3	2,953.9	13,313.3
EBITDA	1,313.8	1,730.8	806.8	2,729.0
Net income from continuing operations	61.7	420.3	239.2	934.7
Funds from operations (FFO)	908.7	1,207.1	552.6	2,093.1
Capital expenditures	975.8	1,202.0	397.8	2,189.1
Free operating cash flow	(94.1)	(39.9)	137.6	(202.7)
Discretionary cash flow	(782.7)	(320.2)	(22.1)	(820.6)

Table 1

Oncor Electric Delivery Co. LLC -- Peer Comparison (cont.)				
Cash and short-term investments	62.0	663.7	59.5	224.0
Debt	5,811.7	8,025.9	3,198.0	13,471.0
Equity	3,131.0	2,624.7	1,886.6	10,442.5
Adjusted ratios				
EBITDA margin (%)	50.9	19.0	27 3	20.5
EBITDA interest coverage (x)	4.0	3.4	5.3	4.4
EBIT interest coverage (x)	2.8	2.3	3.9	3.2
Return on capital (%)	8.9	9.1	9.7	7.0
FFO/debt (%)	15.6	15.0	17.3	15.5
Free operating cash flow/debt (%)	(1.6)	(0.5)	4.3	(1.5)
Debt/EBITDA (x)	4.4	4.6	4.0	4.9
Total debt/debt plus equity (%)	65.0	75.4	62.9	56.3

Table 2

Oncor Electric Delivery Co. LLC -- Financial Summary					
Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2010	**2009**	**2008**	**2007**	**2006**
Rating history	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB-/Watch Dev/--	BBB-/Negative/--
(Mil. $)					
Revenues	2768.9	2544.9	2434.9	2354.1	2305.1
EBITDA	1483.3	1243.1	1215	1144.3	1104 9
Net income from continuing operations	352	320	(487)	327	344
Funds from operations (FFO)	1014.3	921.1	790.8	774.4	753.2
Capital expenditures	1022.4	1010.9	894.1	700.1	835.8
Dividends paid	211	272	1583	326	340
Debt	6278.8	5732.5	5423.7	4502.6	3732.7
Preferred stock	0	0	0	0	0
Equity	3237	3091	3064.9	3049.1	2975
Debt and equity	9515.8	8823.5	8488.6	7551.8	6707.7
Adjusted ratios					
EBITDA margin (%)	53.6	48.8	49.9	48.6	47.9
EBIT interest coverage (x)	2.7	2.6	3	3	3
FFO interest coverage (x)	3.6	3.6	4	3.8	4.1
FFO/debt (%)	16.2	16.1	14.6	17.2	20.2
Discretionary cash flow/debt (%)	(3.8)	(7.2)	(31.2)	(8.6)	(17.2)
Net cash flow/capital expenditures (%)	73.6	64.2	(88.6)	64	49.4
Debt/debt and equity (%)	66	65	63.9	59.6	55.6
Return on capital (%)	9	8.5	9.2	9 5	9.4
Return on common equity (%)	5.1	4.7	(6.8)	6	11.4
Common dividend payout ratio (unadjusted) (%)	59.9	85	(67.8)	99.7	98.8

Table 3

Reconciliation Of Oncor Electric Delivery Co. LLC Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

--Fiscal year ended Dec. 31, 2010--

Oncor Electric Delivery Co. LLC reported amounts

	Debt	Shareholders' equity	Revenues	EBITDA	Operating income	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	5,823.0	6,988.0	2,914.0	1,521.0	848.0	347.0	1,098.0	1,098.0	211.0	1,020.0
Standard & Poor's adjustments										
Operating leases	35.6	--	--	2.3	2.3	2.3	10.7	10.7	--	4.4
Postretirement benefit obligations	979.6	--	--	105.0	105.0	46.0	(6.5)	(6.5)	--	--
Capitalized interest	--	--	--	--	--	2.0	(2.0)	(2.0)	--	(2.0)
Securitized utility cost recovery	(667.3)	--	(145.1)	(145.1)	(37.3)	(37.3)	(107.8)	(107.8)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	66.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	22.0	--	--
Accrued interest not included in reported debt	108.0	--	--	--	--	--	--	--	--	--
Equity -- other	--	(3,751.0)	--	--	--	--	--	--	--	--
Total adjustments	455.8	(3,751.0)	(145.1)	(37.7)	136.1	13.1	(105.7)	(83.7)	--	2.4

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	6,278.8	3,237.0	2,768.9	1,483.3	984.1	360.1	992.3	1,014.3	211.0	1,022.4

Table 4

Oncor Electric Delivery Co. LLC -- Operating Data

	2011 (Q1)	2010	2009	2008	2007
Electric energy billed volumes (gigawatt-hour)	26,717	109,323	103,376	107,828	105,429
Change from prior period	N/A	5.8%	(4.1%)	2.3%	N/A
Electricity distribution points of delivery	3,181	3,171	3,145	3,123	3,093
Change from prior period	1.1%	0.8%	0.7%	1.0%	N/A
System average interruption duration index*	92.9	96.6	84.5	85.4	77.9
System average interruption frequency index¶	1.2	1.1	1.1	1.1	1.1
Customer average interruption duration index§	80.9	77.2	77.2	74.7	70.6