Table 4

Oncor Electric Delivery Co. LLC -- Operating Data (cont.)

*The average number of minutes electric service is interrupted per consumer in a year. ¶The average number of electric service interruptions per consumer in a year. §The average duration in minutes per electric service interruption in a year. N/A -- Not applicable.

Table 5

Oncor Electric Delivery Co. LLC -- Credit Metrics

	2011	2012	2013
With imputed pension debt			
Adjusted debt (mil. $)	$6,676.2	$7,033.9	$7,293.8
FFO/debt (%)	13.4	14	14
FFO interest coverage (x)	3.4	3.5	3.5
Debt/capital (%)	65.8	65.2	64.7
Debt/EBITDA (x)	4.4	4.2	4.1
Without imputed pension debt			
Adjusted debt (mil. $)	$5,696.7	$6,054.3	$6,314.3
FFO/debt (%)	14.5	15.1	15.1
FFO interest coverage (x)	3.6	3.8	3.8
Debt/capital (%)	62.2	61.7	61.3
Debt/EBITDA (x)	4.1	3.8	3.8

Ratings Detail (As Of August 10, 2011)

Oncor Electric Delivery Co. LLC	
Corporate Credit Rating	BBB+/Stable/NR
Senior Secured (11 Issues)	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 (1 Issue)	CC
Energy Future Competitive Holdings Co.	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured (1 Issue)	CC
Senior Unsecured (1 Issue)	CC
Subordinated (2 Issues)	CC
Energy Future Holdings Corp.	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured (2 Issues)	B-
Senior Unsecured (3 Issues)	CC
Senior Unsecured (3 Issues)	D

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Ratings Detail (As Of August 10, 2011) (cont.)	
Energy Future Intermediate Holding Company LLC	
Issuer Credit Rating	CCC/Negative/--
Senior Secured (2 Issues)	B-
Senior Secured (1 Issue)	CC
Texas Competitive Electric Holdings Co. LLC	
Issuer Credit Rating	CCC/Negative/NR
Senior Secured (2 Issues)	CC
Senior Secured (5 Issues)	CCC
Senior Unsecured (22 Issues)	CC
Senior Unsecured (2 Issues)	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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April [illegible] 2011

Credit FAQ:

A Primer On The Relationship Between Oncor Electric And Energy Future Holdings

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Frequently Asked Questions

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Credit FAQ:

A Primer On The Relationship Between Oncor Electric And Energy Future Holdings

On April 4, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on Energy Future Holdings Corp. (EFH; CCC/Watch Neg/--), but did not change the ratings on its majority-owned subsidiary Oncor Electric Delivery Co. LLC (Oncor; BBB+/Stable/--). Since then, market participants have been asking us why our rating on Oncor didn't suffer. Below, we answer some frequently asked questions about the credit implications of Oncor's ownership structure. (For more information on the recent rating actions, see the research update published April 4, 2011.)

Frequently Asked Questions

What is the relationship between Oncor and EFH?

Oncor Electric Delivery Holdings Co. LLC (Oncor Holdings; not rated) owns 80.03% of Oncor. EFH owns 100% of Oncor Holdings, while Texas Transmission Investment LLC owns 19.75% of Oncor. Texas Transmission is an entity that is unaffiliated with EFH and 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.). EFH and Texas Transmission "ring-fenced" Oncor (i.e., when a company creates a legal entity separate from itself to protect certain assets from creditors).

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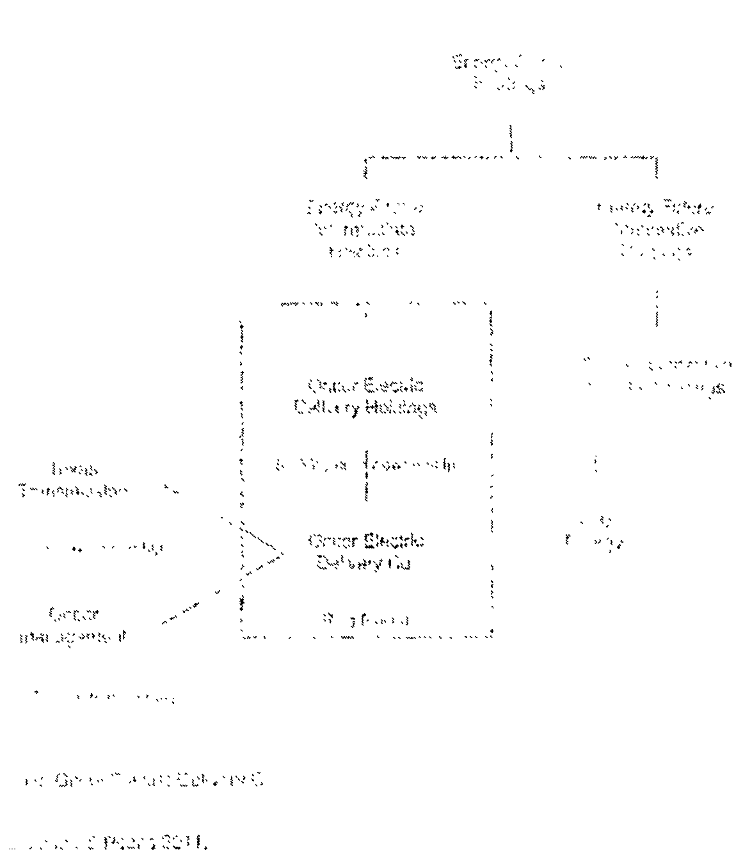

Why does Standard & Poor's have separate ratings on Oncor and EFH?

We have separate ratings on EFH and Oncor because we've concluded that the ring-fencing provisions in place enable us to view as remote a consolidation of Oncor into any EFH insolvency. These provisions include structural, legal, and regulatory attributes. At the most basic level, these structural provisions include substantial ownership in Oncor by a third party, Texas Transmission, that is unaffiliated with EFH, and which has control rights that exceed its 19.75% ownership interest in Oncor. Texas Transmission's consent is required to file Oncor into bankruptcy, if the annual budget is materially different from that of the previous year, for material transactions including transactions with EFH and its subsidiaries, and to make changes to the dividend policy.

Of Oncor's 11-member board of directors, six are independent and two of the six are appointed by Texas Transmission. Additional credit support is found in the requirement that two of the six independent directors meet Standard & Poor's criteria for independence. As long as Texas Transmission owns at least 10% of Oncor, at least one of the two directors that Texas Transmission designates must be present and voting to:

- Consolidate Oncor with or into any of the affiliates that aren't ring-fenced;

- Institute a bankruptcy proceeding to have Oncor be adjudicated bankrupt or consent to a bankruptcy proceeding against Oncor,
- Dissolve Oncor without adequate payment to all creditors, and
- Modify Oncor's dividend policy.

Legal provisions also exist in the form of a non-consolidation opinion and separateness undertakings (e.g., arm's length transactions between Oncor and EFH, and an inability to extend/receive financial support to/from EFH) that distinguish between the two entities.

In addition to the above structural and legal features that are favorable for credit quality, there exist additional regulatory protections, including the agreement with Texas regulators that Oncor's capital structure be limited to 60% debt. Through 2012, there are limitations on distributions to no more than net income (subject to certain adjustment) and after 2012 distributions are still bound to the need to preserve a 60/40 capital structure.

EFH has a strong incentive to maintain Oncor's business and financial integrity given that EFH will seek to monetize its investment in Oncor and will rely on favorable relationships with regulators to effect any sale of its ownership interest to other parties.

What is Oncor's direct financial exposure to EFH?

Despite the existence of the ring-fencing arrangements and the third-party investor, Oncor does have some financial exposure to EFH. Oncor receives payments from TXU Energy Retail Co. LLC (a retail electric provider (REP) in the Electric Reliability Council of Texas region) in lieu of providing electricity distribution services to end-users. TXU Energy is a subsidiary of Texas Competitive Electric Holdings Co. LLC (TCEH), which EFH indirectly owns.

Under Texas regulation, REPs collect payments from retail customers, keep the portion that applies to supplying electricity, and remit the distribution and transmission portion to the distribution companies, including Oncor. As of Dec. 31, 2010, distribution revenues from TXU Energy represented 36% of Oncor's annual revenues. However, as of the same date, Oncor's trade accounts and other receivables from TCEH/TXU Energy were $182 million (the amount was $188 million at year-end 2009). The $182 million in trade accounts and other receivables consist of $143 million of actual accounts receivable and $39 million relating to charges that Oncor makes in relation to securitized debt that the predecessor company issued as part of the electric industry restructuring in Texas and which recovered "stranded" costs. While the actual trade accounts receivable exposure will always exist, the amounts that Oncor receives from TCEH/TXU Energy to pay obligations related to the securitized debt will decline over time and cease to exist by 2016. If TCEH/TXU Energy delay or stop payments, Oncor would have a senior unsecured claim against TCEH/TXU Energy.

The financial impact to Oncor would be the after-tax amount of $143 million, or about $93 million (assuming a 35% tax rate) and Oncor's equity would decline by that amount. Standard & Poor's views the amount as significant but not detrimental to Oncor's credit quality given that 2010 reported funds from operations (which exclude the impact of accounts receivable) were $1.1 billion. In addition to having a senior unsecured claim against TCEH/TXU Energy, Oncor could also recover any claims against TCEH/TXU Energy by withholding all or some of any future planned distributions to the two owners until it is made whole. Unlike other REPs that are not affiliated with Oncor and for which Oncor can collect bad debt expense, Oncor and EFH committed to the Public Utility Commission of Texas in 2007 that they will not seek to recover bad debt expense from ratepayers if a default or bankruptcy by an affiliate REP occurs. However, our recovery analysis on EFH suggests that recovery on senior unsecured claims

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against EFH or its affiliates would be very small, if not zero, due to the presence of large amounts of senior secured debt at EFH and its subsidiaries.

What is Oncor's indirect financial exposure to EFH?

While Standard & Poor's views Oncor's credit quality on a stand-alone basis, we are aware that financial challenges at EFH can spill over to Oncor. For example, Oncor's $2 billion revolving credit facility matures in October 2014, about the same time as EFH's approximately $20 billion debt matures. EFH's inability to effectively refinance these maturities could impair Oncor's ability to renew its own credit facility. TCEH's recent offer to extend the maturity of this debt to 2017, if successful, could help to mitigate the related risk for Oncor. Nevertheless, in response to such potential developments, Oncor has taken steps to improve its liquidity. In the fall of 2010, Oncor issued $475 million 30-year debt and used proceeds to pay the outstanding balance under its revolving credit facility. As of Dec. 31, 2010, Oncor's availability under its revolving credit facility totaled $1.495 billion (excluding $122 million in commitments that a Lehman Brothers Inc. subsidiary provided). In addition, Oncor completed a debt exchange in the fall of 2010 to extend its own debt maturity schedule. As a result of the debt exchange, Oncor's next debt maturity is in 2012 for $376 million, followed by $524 million in 2013 and $500 million in 2015. The company has no debt maturities in 2014.

What happens if either EFH or Energy Future Intermediate Holding Co. LLC (EFIH) sells its interest in Oncor?

EFH effectively owns 80% of Oncor and uses the equity as collateral for certain debt securities that its subsidiary EFIH issues. The security does not include any assets of Oncor Holdings or its subsidiaries. EFH can monetize its ownership interest in Oncor through a sale of Oncor, Oncor Holdings, or EFIH (and EFIH's debt burden). Debt associated with EFIH will "travel" to the new equity investor. Standard & Poor's believes that it is highly unlikely that Oncor can be burdened by any EFIH debt. We base this conclusion on the ring-fencing arrangement currently in place, the regulatory construct that Oncor has agreed to with the Texas regulatory commission noted above, combined with the 19.75% third-party owner and board representation, along with the dividend and capital structure limitations. Nevertheless, if Oncor Holdings is spun off, Standard & Poor's would review any changes to the new ownership structure to assess any effect on Oncor's credit quality.

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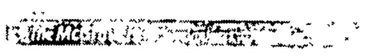

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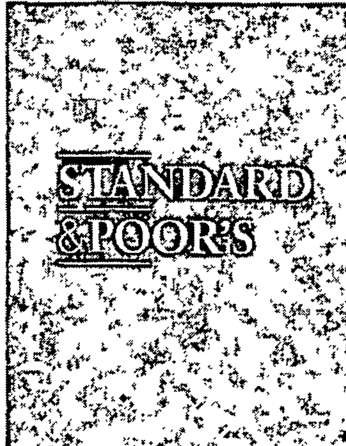

Standard & Poor's Research

March 28, 2011

Summary:

Oncor Electric Delivery Co. LLC

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Summary:

Oncor Electric Delivery Co. LLC

Credit Rating: BBB+/Stable/NR

Rationale

The 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 ring-fenced, wholly owned subsidiary of Energy Future Holdings Corp. [EFH; CC/Negative/--]) owns 80.033% of Oncor and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is an entity indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service (OMERS) 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.).

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

- The sale of 19.75% of Oncor to Texas Transmission, a third-party, unaffiliated investor with 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, the requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, the right to approve material transactions between Oncor and its non-ring-fenced affiliates, the right to approve the annual budget if it is less than 10% from the amount of the prior year, 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 (arm's-length transactions between Oncor and EFH, inability of Oncor to extend financial support to or receive financial support from EFH), six independent directors required by law to consider only the interests of Oncor, including its creditors, when acting or voting on any material action, and two of whom are special independent directors;
- Limitations on distributions (distributions can be up 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.

Oncor's excellent business risk profile accounts for the company's low operating risk electric distribution and transmission business that has 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 generally support credit quality. In Oncor's most recent rate case, the PUCT authorized a base rate increase of about $115 million, reflecting a 10.25% return on equity. In January 2011, Oncor filed with the PUCT requesting a base rate increase of about $353 million and a capital structure of 55% debt and 45% equity

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(compared with the current 60% debt and 40% equity). The commission will resolve the proposed increase in the second half of 2011.

Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of more than 70 retail electricity providers (REP) 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 2010 revenues. Of the remaining REPs, no other entity accounted for more than 10% of Oncor's revenues. Oncor relies on these REPs to remit timely payments for distribution services rendered. As a result, a default by a REP would delay payments and could pressure Oncor's liquidity. As of Dec. 31, 2010, Oncor's trade accounts receivable from TCEH was $133 million, or about 5% of revenues for the period. If a REP declares bankruptcy, Oncor can recover the amounts not received by deferring uncollected 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 January 2009, the PUCT awarded Oncor with a number of transmission projects relating to competitive renewable energy zones (CREZ), which are meant to provide load areas with access to wind-generated electricity. The total cost of these transmission projects is now estimated to be $1.75 billion. As of February 2011, the PUCT had approved 16 of the 17 awarded projects and 13 of the 14 necessary certificates of convenience and necessity. Through Dec. 31, 2010, Oncor had spent $316 million on the CREZ projects, including $202 million during 2010. 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.

Oncor's financial risk profile is aggressive. The company's capital spending program is projected to 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 that the financial profile will weaken from current levels, while still remaining sufficient to support current ratings, but with a reduced cushion. As funding needs increase for the CREZ and other capital spending projects and Oncor reaches the regulatory approved debt leverage limit of 60%, Standard & Poor's expects that distributions to its two owners will decline materially to preserve the stated capital structure and provide some financing flexibility during the peak construction period. For 2010, Oncor distributed $211 million to its joint owners.

For the 12 months ended Dec. 31, 2010, adjusted funds from operations (FFO) were $1 billion, and adjusted total debt was $6.3 billion, excluding $667.3 million of securitized debt. Adjusted FFO interest coverage was 3.6x, adjusted FFO to total debt was 16.2%, and adjusted total debt to total capital was 66%. 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, and which 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 that only incorporates long-term debt. As of Dec. 31, 2010, short-term debt went down to $377 million from $616 million as of Dec. 31, 2009.

Short-term credit factors

Oncor's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Oncor's adequate liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures and projected common dividends, by more than 1.2x over the next 12 months. Oncor has no near-term debt maturities, which contribute to the adequate liquidity characterization.

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Oncor's next debt maturities are in 2012 for $376 million and in 2013 for $524 million. Given majority owner EFH's weak financial condition and speculative-grade rating, prudent management of Oncor's liquidity position, including timely renewal of the revolving credit facility, is a key rating factor for the company and events that may pressure liquidity will pressure current ratings.

Oncor has a $2 billion revolving credit facility maturing in October 2013 ($1.495 billion undrawn as of June 30, 2010). 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.

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 "Criteria: Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007, on Standard & Poor's globalcreditportal.com.)

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 Oncor incorporates expectations of generally stable, albeit modestly weakening, financial performance stemming in large part from the company's planned investment in the CREZ projects over the next two to three years. We expect the investment in the CREZ projects to peak in 2011 and 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 13%, and adjusted total debt to total capital is less than 65%, including short-term debt. Since we expect credit protection measures to be at the low end of the aggressive category, further weakness in the financial profile will hurt Oncor's credit quality and lead to lower ratings.

Standard & Poor's also expects that Oncor will continue to proactively manage its refinancing needs to maintain its adequate levels of liquidity. Standard & Poor's views adequate liquidity as very important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may challenge Oncor in successfully accessing the capital markets when needed. We would also lower the ratings on

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Oncor if the company fails to effectively manage regulatory risk leading to the inability 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, and if any of the separateness undertakings--currently in place--are compromised. Given Oncor's aggressive financial risk profile and expected level of debt leverage, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Related Criteria And Research

- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Research Update: Energy Future Holdings and Subsidiaries Downgraded to 'CC' Following Distressed Debt Exchange Offer; Outlook Negative, published July 16, 2010.

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Global Power
North America
Full Rating Report

Oncor Electric Delivery Co., LLC

Ratings

Security Class	Current Rating
Long Term IDR	BBB–
Senior Secured	BBB
Short-Term IDR	F3

IDR — Issuer default rating.

Rating Outlook

Stable

Financial Data

Oncor Electric Delivery Company ($ Mil.)	2009	2008
Revenues	2,544	2,437
Gross Margin	2,544	2,437
Cash Flow from Operations	846	729
Operating EBITDA	1,197	1,194
Total Debt	4,945	4,662
Total Capitalization	11,792	11,461
ROE (%)	4.69	(6.76)
Capex/Deprec. (%)	220.3	224.4

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Related Research

Applicable Criteria
- *Corporate Rating Methodology, Nov. 24, 2009*
- *Recovery Ratings and Notching Criteria for Nonfinancial Corporate Issuers, Nov. 24, 2009*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*
- *Fitch's Approach to Rating Competitive Generators, July 24, 2007*

Rating Rationale

- Fitch affirmed the ratings of Oncor Electric Delivery Co., LLC (Oncor) on April 1 2010. The Rating Outlook of Oncor remains Stable.
- 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. Operating cash flow increased in 2009, and credit ratios are consistent with the investment-grade rating, with a funds from operations (FFO) coverage ratio of 3.8x. Fitch anticipates ratios to be relatively unchanged for the next two years.
- Oncor's August 2009 base rate order was balanced, and the utility reached settlements with the Public Utility Commission of Texas (PUCT) for advanced meters surcharges and the Competitive Renewable Energy Zones (CREZ) transmission investments. Fitch expects cash flow to increase as a result of capital investment in advanced meters and new transmission, as well as the full-year impact of the $115 million 2009 base rate order.
- Oncor bears no commodity price risk and has low business risk as a pure T&D utility. The utility will continue to need regulatory support to recover costs of its large capital spending on advanced meters and transmission to maintain its current credit profile.
- While Fitch considers Oncor to be effectively ring-fenced from the rest of the Energy Future Holdings Corp. (EFH) group, Oncor's credit market access or credit spreads could nonetheless become constrained by any deterioration in the financial condition of EFH and affiliates. Importantly, the PUCT recognized Oncor's ring-fencing in the 2009 base rate order by rejecting a proposed consolidated tax savings adjustment.
- Oncor has the largest capital-spending budget in its history planned for the next few years as the utility invests in transmission to connect wind capacity in west Texas to load centers in the eastern part of the state and in advanced meter deployments. The heavy spending will limit dividends to EFH, as Oncor is expected to maintain equity to capital at Oncor at the 40% maximum PUCT permitted level.

Key Rating Drivers

- Continued support from the PUCT for timely recovery of costs.
- Funding strategy.
- Separation from EFH group.
- No commodity exposure or end-use customer credit risk.
- Economic conditions in service territory.

Regulatory Update

Base Rate Case

Oncor filed for a rate review with the PUCT and 204 cities in June 2008, and the PUCT issued a final order with respect to the rate review in August 2009. New rates were implemented upon approval of new tariffs in September 2009. Fitch considered the

Related Research

Other Research
- *Fitch Downgrades Energy Future Holdings & TCEH IDRs to 'B-'; Oncor Affirmed at 'BBB-' April 1, 2010.*
- *Texas Competitive Electric Holdings Co. LLC, April 21, 2010.*
- *Energy Future Holdings Corp., April 21, 2010.*
- *Issuer Default Ratings and Recovery Ratings in the Power and Gas Sector, Nov. 7, 2005*

outcome to be balanced. The return on equity (ROE) was lowered to 10.25% from 11.25%, but the decision will enable recovery of all capital expenditures (capex) in the T&D system and increase annual cash flow.

The final order resulted in a $115 million increase in base rates. Key findings made by the PUCT in the rate review include the following:

- Recognizing and affirming Oncor's corporate ring-fence from EFH and its unregulated affiliates by rejecting a proposed consolidated tax savings adjustment arising out of EFH's ability to offset Oncor's taxable income against losses from other investments;
- Approving the recovery of all capital investment in its transmission and distribution system, including investment in certain automated meters that will be replaced pursuant to the advanced meter deployment plan; and
- Setting the return on equity at 10.25% based on 60% debt/40% equity capitalization.

Oncor's Advanced Meter Deployment Settlement

A settlement was reached with the majority of the parties to the advance meter surcharge filing in 2008. The settlement enables full cost recovery for the deployment of the new meters and is accretive to cash flow. There is a monthly bill surcharge that started on Jan. 1, 2009, and will continue for 11 years. The settlement will add revenues of $1.023 billion over the surcharge period.

Competitive Renewable Energy Zones (CREZ)

The CREZ projects are new transmission lines to support the transmission of electricity from renewable energy sources, principally wind generation facilities from west Texas, to population centers in the eastern part of the state.

The PUCT awarded approximately $1.3 billion of CREZ construction projects to Oncor in January 2009, with spending to be completed by 2013. Oncor invested $114 million in CREZ in 2009 and plans $216 million of CREZ capex for 2010, with bulk of spending to occur in 2011/2012.

Future transmission needs and the amount of additional capex by CREZ transmission providers (beyond the projects that currently appear in Oncor's plan) could be reduced if an ongoing investigation by the PUCT finds there is insufficient financial commitment on the part of the wind developers to support issuance of certificates of public convenience and need for some of the proposed wind projects. A PUCT decision is expected by the end of the second quarter of 2010.

ONCOR Electric Delivery Co. LLC Liquidity Availability
($ Mil., As of Dec. 31, 2009)

Facilities	Maturity Date	Facility Limit	Letters of Credit	Cash Borrowings	Availability
Oncor Revolving Credit Facility	October 2013	2,000	—	616	1,262
Cash	—	—	—	—	28
Total	—	—	—	—	1,290

Source: 2009 10K.

Liquidity

Oncor has adequate liquidity and financial flexibility. The revolving credit facility matures in 2013 and there are no long-term debt maturities until 2012. Oncor's bank

Oncor Annual Long-Term Debt Maturities[a]

($ Mil., As of Dec. 31, 2009)

Company	2010	2011	2012	2013	2014	2015	Thereafter
Oncor	0	0	700	650	0	500	2,500

[a]Excludes transition bond securitization debt of $800 million.
Source: Company reports.

Forecasted Capital Expenditures

($ Mil. As of March 1, 2010)

Company	Actual 2008	Actual 2009	Forecasted 2010
Oncor[a]	882	998	1,000

[a]The 2008 restated number is $919 million as per the 2009 10K.
Source: 10-K.

Oncor Electric Delivery Co. LLC Capital Structure

($Mil.), As of Dec. 31, 2009)

Short-Term Debt	616
Long-Term Debt	4,329
Total Debt	4,945
Total Hybrid Equity	0
Common Equity	6,847
Total Capital	11,792
Total Debt/Total Capital (%)	41.9
Total Hybrid Equity/Total Capital (%)	0.0
Common Equity/Total Capital (%)	58.1

Source: Fitch Model.

facilities are separate from and do not have any cross defaults, covenants, or conditions relating to its parent or affiliates.

Oncor Business

Oncor is the largest T&D utility in Texas. The utility delivers power to more than 3 million customers. Oncor's parent company, EFH (IDR, 'B–'), has an indirect 80.25% equity ownership interest in the utility, and 19.75% of the Oncor equity was sold to infrastructure investment entities of Ontario Municipal Employee Retirement System and the government of Singapore in November 2008 for $1.25 billion. The utility is effectively ring-fenced from the rest of the EFH group.

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Financial Summary — Oncor Electric Delivery Company

($ Mil., Years Ended Dec. 31.)

	2009	2008	2007	2006	2005
Fundamental Ratios					
FFO/Interest Expense (x)	3.8	3.7	3.7	3.4	4.6
CFO/Interest Expense (x)	3.9	3.7	3.5	3.3	4.6
FFO/Debt (%)	17.0	15.8	17.4	15.3	24.8
Operating EBIT/Interest Expense (x)	2.5	3.0	2.8	3.0	3.2
Operating EBITDA/Interest Expense (x)	4.0	4.4	4.2	4.7	4.9
Operating EBITDAR/ (Interest Expense + Rent) (x)	4.0	4.4	4.2	4.7	4.9
Debt/Operating EBITDA (x)	4.1	3.9	3.7	3.4	3.0
Common Dividend Payout (%)	85.0	(67.8)	99.7	98.8	—
Internal Cash/Cap. Ex. (%)	57.5	45.2	45.8	23.1	106.1
Cap. Ex./Depreciation (%)	220.3	224.4	194.0	219.9	205.9
Profitability					
Adjusted Revenues	2,544	2,437	2,354	2,303	2,248
Net Revenues	2,544	2,437	2,354	2,303	2,248
Operating and Maintenance Expense	962	852	849	804	813
Operating EBITDA	1,197	1,194	1,113	1,097	1,048
Depreciation and Amortization Exp.	453	393	365	382	356
Operating EBIT	744	801	748	715	692
Gross Interest Expense	296	270	263	235	214
Net Income for Common	320	(487)	327	344	351
Oper. Maint. Exp. % of Net Revenues	37.8	35.0	36.1	34.9	36.2
Operating EBIT % of Net Revenues	29.2	32.9	31.8	31.0	30.8
Cash Flow					
Cash Flow from Operations	846	729	650	534	778
Change in Working Capital	6	(8)	(64)	(38)	6
Funds from Operations	840	737	714	572	772
Dividends	(272)	(330)	(326)	(340)	—
Capital Expenditures	(998)	(882)	(708)	(840)	(733)
Free Cash Flow	(424)	(483)	(384)	(646)	45
Net Other Investment Cash Flow	16	2	(21)	(42)	6
Net Change in Debt	175	458	287	531	(171)
Net Equity Proceeds	—	—	—	—	—
Capital Structure					
Short-Term Debt	616	337	1,280	697	74
Long-Term Debt	4,329	4,325	2,823	3,034	3,033
Total Debt	4,945	4,662	4,103	3,731	3,107
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	6,847	6,799	7,618	2,975	2,935
Total Capital	11,792	11,461	11,721	6,706	6,042
Total Debt/Total Capital (%)	41.9	40.7	35.0	55.6	51.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	58.1	59.3	65.0	44.4	48.6

Note: Numbers are adjusted to exclude interest, principal payments, and amortization on utility tariff bonds Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

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MOODY'S
INVESTORS SERVICE

Announcement: Moody's assigns Baa1 senior secured rating for Oncor; affirms ratings

Global Credit Research - 08 Sep 2010

Approximately $6.0 billion of debt securities affected

New York, September 08, 2010 -- Moody's Investors Service assigned a Baa1 rating to Oncor Electric Delivery Company LLC's (Oncor) new $475 million senior secured notes, and affirmed the Baa1 rating for all of the company's senior secured debt. Oncor's rating outlook is stable.

Oncor's Baa1 senior secured rating primarily reflects its lower risk T&D business activities, relatively stable financial metrics and the regulatory authority associated with the Public Utilities Commission of Texas (PUCT). Oncor's rating also relies heavily on our assessment of the ring-fence type provisions that create credit separateness from its more risky parent and affiliates.

On Friday, September 3, 2010, Oncor filed an 8-K with the Securities and Exchange Commission related to an indenture modification. Specifically, Oncor has eliminated the "fall-away" provision associated with its secured collateral. Such action has no rating implications for Oncor's secured debt. Moody's notes that we do not maintain a senior unsecured or Issuer Rating for Oncor. However, we incorporate a view that, based upon our default study for secured utility debt published in May 2009, the implied fundamental senior unsecured rating for Oncor would be established at a level that maintains the two-notch rating differential between secured and unsecured debt.

Separately, we view the announcement associated with a debt exchange related to Oncor's $700 million 6.375% senior secured notes due 2012 and the $650 million 5.95% senior secured notes due 2013 as a neutral credit event. The effect of the proposed debt exchange will reduce refinancing risks during that time horizon. We would be concerned if the exchange actions were to result in any regulatory pressure regarding cost of capital for rate setting matters.

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 PUCT. Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (Oncor Holdings) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company (EFIH). EFIH, in turn, is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH: Caa1 Corporate Family Rating (CFR) / negative outlook).Moody's continues to incorporate a view that Oncor's event risks are high, and will continue to rise over the near to intermediate term horizon. Our concerns relate to potential contagion effects associated with Oncor's ultimate parent, EFH, which we consider financially distressed.

Moreover, we could become more concerned with potential contagion effects related to Oncor's intermediate subsidiary parent, EFIH and its ultimate parent, EFH and their near-term liability management strategies. Specifically, our concerns over contagion risks are related to EFH's and EFIH's issuance of approximately $4.0 billion of debt securities which utilize the ownership interests of Oncor Holdings, which in turn, owns 80% of Oncor. We estimate that the value of Oncor Holdings' interest in Oncor is approximately $3.5 billion.

We view the debt at EFH and EFIH which utilizes the Oncor Holdings equity interests in Oncor as collateral as a permanent leveraging of the regulated side of the EFH organization structure, which includes EFIH. When this leveraged is assessed in the presence of recently implemented EFH / EFIH indenture modifications that enhance certain divestiture flexibility related to EFIH and Oncor, we conclude that Oncor could, potentially, be left with a permanent layer of indirect holding company debt, notwithstanding its current ring-fence type provisions.

For more information, please refer to Moody's credit opinion under www.Moodys.com.

The principal methodology used in rating Oncor was Rating Methodology: Regulated Electric and Gas Utilities. Other methodologies and factors may have been considered in the process of the rating this issuer can also be found on Moody's website.

Oncor is a regulated electric transmission and distribution utility headquartered in Dallas, Texas.

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FitchRatings

Fitch Rates Oncor Electric Delivery's $475MM 5.25% Secured Notes 'BBB' Ratings

09 Sep 2010 10:38 AM (EDT)

Fitch Ratings-New York-09 September 2010: Fitch has assigned a rating of 'BBB' to the $475 million 5.25% senior secured notes issued by Oncor Electric Delivery, LLC (Oncor). The new secured notes will mature on Sept. 30, 2040. The notes are secured by a first mortgage lien on Oncor's transmission and distribution assets and rank equally with other senior secured debt of Oncor. Proceeds from the notes are expected to be used to reduce revolving credit facility borrowings and for general corporate purposes.

Key rating factors are the stability of existing regulated utility cash flows, credit ratios commensurate with the rating, and effective ring-fencing from a highly leveraged parent company, Energy Future Holdings Corp (EFH; Fitch IDR of 'CCC', with a Stable Outlook).

Oncor's ratings are supported by a healthy regulated transmission and distribution (T&D) utility business that has steady cash flow with rate-base growth opportunities related to transmission projects to connect West Texas wind power to load centers, the 2009 rate order, and advanced metering investments. Credit ratios are consistent with the investment-grade rating, with a funds from operations (FFO) coverage ratio of 3.9 times (x) for the trailing 12 months (TTM) ended June 30, 2010. Oncor bears no commodity price risk and has low business risk as a pure T&D utility with a relatively strong service territory economy.

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 any deterioration in the financial condition of EFH and non-ring-fenced affiliates. Importantly, the Public Utilities Commission of Texas (PUCT) recognized Oncor's ring-fencing in the 2009 base-rate order by rejecting a proposed consolidated tax savings adjustment. Large capital spending plans are expected to constrain its dividends to EFH as Oncor is expected to maintain equity to capital within the 40% maximum PUCT-required level (excluding bank facility borrowings), and funds external needs with a balanced mix of debt and equity.

Liquidity is satisfactory. Oncor has a $2 billion revolving credit facility due 2013. There were borrowings of $948 million as of June 30, 2010. Bank facility borrowings are expected to be reduced with a portion of the proceeds from the new secured notes. Fitch expects Oncor to begin to pre-fund significant debt maturities in 2012 ($700 million) and 2013 ($650 million) through debt exchange efforts.

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

Applicable Criteria:
'Credit Rating Guidelines for Regulated Utility Companies' (July 31, 2007);
'Issuer Default Ratings and Recovery Ratings in the Power and Gas Sector' (Nov. 7, 2005);
'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007);

DKT 46238 STAFF RFI Set 1 QN 1-1 [ONCOR] VOL 0000728

'Corporate Rating Methodology' Nov. 24, 2009.

Related Research:
Corporate Rating Methodology
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines
Issuer Default Ratings and Recovery Ratings in the Power and Gas Sector
Credit Rating Guidelines for Regulated Utility Companies

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September 8, 2010

Research Update:

Oncor Electric Delivery Co. LLC's Senior Secured Debt Rating Raised To 'A-' From 'BBB+', '1' Recovery Rating Assigned

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Research Update:

Oncor Electric Delivery Co. LLC's Senior Secured Debt Rating Raised To 'A-' From 'BBB+', '1' Recovery Rating Assigned

Overview

- We are raising the senior secured debt rating on Dallas-based electricity distributor Oncor Electric Delivery Company LLC to 'A-' from 'BBB+' to reflect the elimination of the fall-away lien provision.
- We are assigning a '1' recovery rating to Oncor's existing secured debt obligations.
- We are affirming the 'BBB+' corporate credit rating on Oncor.

Rating Action

On Sept. 8, 2010, Standard & Poor's Ratings Services raised the senior unsecured debt rating on Oncor to 'A-' from 'BBB+' after the company amended the deed of trust and security agreement to eliminate the fall-away lien provision that could occur upon full repayment of its existing revolving credit facility or termination of the revolving credit facility. As a result, the existing long-term debt securities will be fully secured for the duration of the bonds. Oncor can issue new secured bonds in an amount not exceeding 85% of property additions, which lead us to assign a recovery rating of '1'.

At the same time we affirmed the 'BBB+' corporate credit rating on the company. The outlook is stable.

Rationale

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

In addition to the stand-alone business and financial risk profiles, the ratings on Oncor incorporate a number of structural, legal, and regulatory provisions that allow Standard & Poor's to view the company separately and on a stand-alone basis 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 that can prevent EFH from harming Oncor's credit profile (ability to veto

changes in Oncor's dividend policy, requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, approving material transactions between Oncor and its non-ring-fenced affiliates, approving the annual budget if it's less than 10% from the prior year, ability to prevent dividend distributions if it's 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 (arm's-length transactions between Oncor and EFH, Oncor's inability to extend financial support to, or receive financial support from, EFH), six independent directors required to consider only the interests of Oncor, including its creditors, when acting or voting on any material action, and 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.

Oncor's excellent business risk profile accounts for the company's low operating risk electric distribution and transmission business which has 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 Oncor's most recent rate case, the PUCT authorized a base rate increase of about $115 million, reflecting a 10.25% return on equity.

Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of more than 70 retail electricity providers (REP) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC, an EFH affiliate, accounted for 38% of Oncor's 2009 revenues, while subsidiaries of a non-affiliated REP accounted for 14% of 2009 revenues. Of the remaining REPs, no other entity accounted for more than 10% of Oncor's revenues. Oncor relies on these REPs to remit timely payments for distribution services rendered and a default by a REP would cause delays in payment and could pressure Oncor's liquidity. As of June 30, 2010, Oncor's trade accounts receivable from EFH's subsidiary Texas Competitive Electric Holdings Co. LLC (TCEH) was $172 million or about 12% of revenues for the period. In the event of REP's bankruptcy, Oncor can recover the unreceived amounts by deferring uncollected amounts as regulatory assets and then requesting recovery through a rate case filing, although this rule applies only to non-affiliated REPs and not to TCEH.

During 2008, the PUCT awarded Oncor with about $1.3 billion in transmission projects relating to competitive renewable energy zones (CREZ), which are meant to provide load areas with access to wind-generated electricity. In 2010, Oncor expects to invest about $216 million in CREZ

projects. Oncor will recover the related capital costs and return under a transmission cost recovery mechanism once the projects are in service. The transmission cost recovery mechanism adjusts semi-annually.

Oncor's financial risk profile is aggressive. The company's capital spending program is projected to total $3.3 billion from 2010 to 2012, with about $1 billion to be incurred in 2010. The company will use about $1.15 billion to fund the CREZ investments through 2012, and the balance will be for necessary maintenance and growth needs. Given the lag in recovering the related investment, the financial profile will weaken from current levels, but will remain sufficient to support current ratings, albeit with reduced cushion. As funding needs increase for the CREZ and other capital spending projects and Oncor reaches the regulatory approved debt leverage limit of 60%, Standard & Poor's expects that distributions to its two owners will decline materially to preserve the stated capital structure and provide some financing flexibility during the peak construction period. For the six months ended June 30, 2010, Oncor distributed about $176 million to its joint owners.

For the 12 months ended June 30, 2010, adjusted funds from operations (FFO) were $914.7 million, and adjusted total debt was $6.1 billion, excluding $721.5 million of securitized debt. Adjusted FFO interest coverage was 3.6x, adjusted FFO to total debt was 15%, and adjusted total debt to total capital was 66%. 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, which totaled $3.7 billion as of Dec. 31, 2009. In addition, Standard & Poor's computes adjusted debt leverage by including both long- and short-term debt, unlike the regulatory computation which only incorporates long-term debt. As of June 30, 2010, short-term debt had increased materially to $948 million from $616 million as of Dec. 31, 2009.

Short-term credit factors

Oncor's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Oncor's adequate liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures and projected common dividends, by more than 1.2x during the next 12 months. Oncor has no near-term debt maturities, which contribute to the adequate liquidity characterization. Oncor's next debt maturities are in 2012 for $700 million and in 2013 for $650 million. Standard & Poor's assessment of adequate liquidity for Oncor incorporates expectations that the company will address the May 2012 debt maturity for $700 million well in advance of the maturity date. Given the EFH's weak financial condition and speculative-grade rating, prudent management of Oncor's liquidity position is a key rating factor. If Oncor's refinancing needs are not addressed in an appropriate manner, thereby pressuring liquidity, we could lower the ratings.

Oncor has a $2 billion revolving credit facility due October 2013, which had $930 million undrawn as of June 30, 2010. The current availability excludes $122 million in commitments provided by Lehman Brothers Inc.'s subsidiary. The credit facility is secured and is pari passu with Oncor's other secured debt obligations.

Outlook

The stable outlook on Oncor incorporates expectations of generally stable, albeit weakening, financial performance stemming in large part from the company's planned investment in the CREZ projects during the next two to three years. We expect the investment in the CREZ projects to peak in 2011 and 2012, thereby placing considerable pressure on the consolidated financial profile during that time frame. Standard & Poor's base case projections for Oncor incorporate an aggressive financial risk profile during the next 12-24 months such that adjusted FFO to interest coverage consistently exceeds 3x, adjusted FFO to total debt is more than 13%, and adjusted total debt to total capital is less than 65%, including short-term debt. Since the projected credit protection measures are expected to be at the low end of the aggressive category, further weakness in financial profile will lead to deterioration in Oncor's credit quality and to lower ratings.

Standard & Poor's also expects that Oncor will proactively manage its refinancing needs to maintain its adequate levels of liquidity. Given Oncor's next debt maturity in 2012 for $700 million, the inability to maintain adequate liquidity will also result in lower ratings. Standard & Poor's views adequate liquidity as important for Oncor, because despite its stand-alone status, adverse developments at EFH may challenge Oncor in successfully accessing the capital markets when needed. We would also lower the ratings on Oncor if the company fails to effectively manage regulatory risk leading to the inability 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, and if any of the separateness undertakings are compromised. Given Oncor's aggressive financial risk profile and expected level of debt leverage, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Related Criteria And Research

- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- Corporate Criteria: Rating Implications of Exchange Offers and Similar Restructurings, Update, May 12, 2009
- Corporate Criteria: Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007
- Research Update: Energy Future Holdings and Subsidiaries Downgraded to 'CC' Following Distressed Debt Exchange Offer; Outlook Negative, July 16, 2010.

Ratings List

Upgraded; Recovery Rating Assigned

	To	From
Oncor Electric Delivery Co. LLC		
Senior Secured		
US$700 mil 6.375% sr secd nts due 05/01/2012	A-	BBB+
Recovery Rating	1	
US$500 mil 7% sr secd nts due 05/01/2032	A-	BBB+
Recovery Rating	1	
US$800 mil 7% sr unsecd deb due 09/01/2022	A-	BBB+
Recovery Rating	1	
US$500 mil 6.375% sr secd nts due 01/15/2015	A-	BBB+
Recovery Rating	1	
US$350 mil 7.25% sr secd nts due 01/15/2033	A-	BBB+
Recovery Rating	1	
US$650 mil 5.95% sr secd nts due 09/01/2013	A-	BBB+
Recovery Rating	1	
US$550 mil 6.8% sr secd nts due 09/01/2018	A-	BBB+
Recovery Rating	1	
US$300 mil 7.5% sr secd nts due 09/01/2038	A-	BBB+
Recovery Rating	1	

Ratings Affirmed

Oncor Electric Delivery Co. LLC	
Corporate Credit Rating	BBB+/Stable/--

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August 13, 2010

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Oncor Electric Delivery Co. LLC

Major Rating Factors

BBB+/Stable/NR

Strengths:

- Low operating risk electricity transmission and distribution operations with no commodity exposure;
- Effective management of regulatory relations leading to constructive regulatory outcomes; and
- Large service territory with generally attractive demographics.

Weaknesses:

- Aggressive reliance on debt leverage;
- Large capital spending for transmission projects needs timely investment recovery and will pressure the financial profile in the intermediate term; and
- Need to maintain separate undertakings from majority owner, Energy Future Holdings.

Rationale

The 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; CC/Negative/--]) owns 80.033% of Oncor and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is an entity indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service (OMERS) 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.).

In addition to the standalone business and financial risk profiles, the ratings on Oncor incorporate a number of structural, legal, and regulatory provisions that allow Standard & Poor's Ratings Services to view the company separately and on a stand-alone basis 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 that can prevent EFH from harming Oncor's credit profile (ability to veto changes in Oncor's dividend policy, requirement to consent to the institution of bankruptcy or insolvency proceeding against Oncor, approving material transactions between Oncor and its non-ring-fenced affiliates, approving the annual budget if it is less than 10% from the prior year, 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 (arm's-length transactions between Oncor and EFH, inability of Oncor to extend financial support to or receive financial support from EFH), six independent directors required by law to consider only the interests of Oncor, including its creditors, when acting or voting on any material action, and 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.

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Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of more than 70 retail electricity providers (REP) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC, an EFH affiliate, accounted for 38% of Oncor's 2009 revenues, while subsidiaries of a non-affiliated REP accounted for 14% of 2009 revenues. Of the remaining REPs, no other entity accounted for more than 10% of Oncor revenues. Oncor relies on these REPs to remit timely payments for distribution services rendered and a default by a REP would cause delays in payment and could pressure Oncor's liquidity. As of June 30, 2010, Oncor's trade accounts receivable from TCEH was $172 million or about 12% of revenues for the period. In the event of a bankruptcy of a REP, Oncor can recover the amounts not received by deferring uncollected 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.

During 2008, the PUCT awarded Oncor with about $1.3 billion in transmission projects relating to competitive renewable energy zones (CREZ), which are meant to provide load areas with access to wind-generated electricity. In 2010, Oncor anticipates investing about $216 million in CREZ projects. Oncor recover the related capital costs and return under a transmission cost recovery mechanism once the projects are in service. The transmission cost recovery mechanism adjusts semi-annually.

Oncor's financial risk profile is aggressive. The company's capital spending program is projected to total $3.3 billion from 2010 to 2012, with about $1 billion to be incurred in 2010. The company will target about $1.15 billion of the total amount to fund the CREZ investments through 2012 and the balance will be for necessary maintenance and growth needs. Given the lag in recovering the related investment, the financial profile will weaken from current levels, while remaining sufficient to support current ratings, albeit with reduced cushion. As funding needs increase for the CREZ and other capital spending projects and Oncor reaches the regulatory approved debt leverage limit of 60%, Standard & Poor's expects that distributions to its two owners will decline materially to preserve the stated capital structure and provide some financing flexibility during the peak construction period. For the six months ended June 30, 2010, Oncor distributed about $176 million to its joint owners. For the 12 months ended June 30, 2010, adjusted funds from operations were $914.7 million, and adjusted total debt was $6.1 billion, excluding $721.5 million of securitized debt. Adjusted funds from operations (FFO) interest coverage was 3.6x, adjusted FFO to total debt was 15%, and adjusted total debt to total capital was 66%. 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, and which totaled $3.7 billion as of Dec. 31, 2009. In addition, Standard & Poor's computes adjusted debt leverage by including both long- and short-term debt, unlike the regulatory computation which only incorporates long-term debt. As of June 30, 2010, short-term debt had increased materially to $948 million from $616 million as of Dec, 31, 2009.

Short-term credit factors

Oncor's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Oncor's adequate liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures and projected common dividends, by over 1.2x over the next 12 months. Oncor has no near-term debt maturities, which contribute to the adequate liquidity characterization. Oncor's next debt maturities are in 2012 for $700 million and in 2013 for $650 million. Standard & Poor's assessment of adequate liquidity for Oncor incorporates expectations that the company will address the May 2012 debt maturity for $700 million well in advance of the maturity date. Given the majority owner's EFH weak financial condition and sub-investment-grade rating, prudent management of Oncor's liquidity position is a key rating factor for the company. If Oncor's refinancing needs are not addressed in an appropriate manner, thereby pressuring liquidity, the ratings will be susceptible to downward pressure.

Oncor has a $2 billion revolving credit facility maturing in October 2013 and which had $930 million undrawn as of June 30, 2010. The current availability excludes $122 million in commitments provided by a subsidiary of Lehman Brothers Inc. The credit facility is secured and is pari passu with Oncor's other secured debt obligations.

Outlook

The stable outlook on Oncor incorporates expectations of generally stable, albeit weakening, financial performance stemming in large part from the company's planned investment in the CREZ projects over the next two to three years. We expect the investment in the CREZ projects to peak in 2011 and 2012, thereby placing considerable pressure on the consolidated financial profile during that time frame. Standard & Poor's base case projections for Oncor incorporate an aggressive financial risk profile over the next 12-24 months such that adjusted FFO to interest coverage consistently exceeds 3x, adjusted FFO to total debt is more than 13%, and adjusted total debt to total capital is less than 65%, including short-term debt. Since the projected credit protection measures are expected to be at the low end of the aggressive category, further weakness in financial profile will lead to deterioration in Oncor's credit quality and to lower ratings.

Standard & Poor's also expects that Oncor will proactively manage its refinancing needs to maintain its adequate levels of liquidity. Given Oncor's next debt maturity in 2012 for $700 million, the inability to maintain adequate liquidity will also result to lower ratings. Standard & Poor's views adequate liquidity as important for Oncor because, despite the existing separateness undertakings with majority owner EFH, adverse developments at EFH may challenge Oncor in successfully accessing the capital markets when needed. We would also lower the ratings on Oncor if the company fails to effectively manage regulatory risk leading to the inability 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, and if any of the separateness undertakings--currently in place--are compromised. Given Oncor's aggressive financial risk profile and expected level of debt leverage, 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. GAAP standards and are audited by Deloitte & Touche LLP, which provided an unqualified opinion on 2009 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 2009, Standard & Poor's made the following analytical adjustments, and removed:

- $775.1 million of securitized debt from total reported debt;
- $103.2 million of securitization-related principal from revenues and depreciation; and
- $41.9 million of securitization-related interest expense from revenues and interest expense.

Standard & Poor's adjusts Oncor's financial statements for certain off-balance-sheet obligations. For 2009, Standard & Poor's added $671.8 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, Standard & Poor's adds $41.8 million relating to the capitalization of operating leases, and $74 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 LBO of Oncor's majority owner, EFH. As of Dec. 31, 2009, this amount was 3.756 billion.

Table 1

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

	--Fiscal year ended Dec. 31, 2009--									
Oncor Electric Delivery Co. LLC reported amounts										
	Debt	Shareholders' equity	Revenues	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	5,720.0	6,847.0	2,690.0	1,343.0	1,343.0	786.0	346.0	950.0	950.0	998.0
Standard & Poor's adjustments										
Operating leases	41.8	--	--	10.0	2.4	2.4	2.4	7.6	7.6	14.9
Postretirement benefit obligations	671.8	--	--	42.9	42.9	42.9	26.7	17.7	17.7	--
Accrued interest not included in reported debt	74.0	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	2.0	(2.0)	(2.0)	(2.0)
Securitized utility cost recovery	(775.1)	--	(145.1)	(145.1)	(145.1)	(41.9)	(41.9)	(103.2)	(103.2)	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	80.0	--	--	--	--

Table 1

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

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	51.0	--
Other	--	(3,756.0)	--	--	--	--	--	--	--	--
Total adjustments	12.5	(3,756.0)	(145.1)	(92.2)	(99.9)	83.4	(10.9)	(79.9)	(28.9)	12.9

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	5,732.5	3,091.0	2,544.9	1,250.8	1,243.1	869.4	335.1	870.1	921.1	1,010.9

*Oncor Electric Delivery Co. LLC reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Related Criteria And Research

- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Research Update: Energy Future Holdings and Subsidiaries Downgraded to 'CC' Following Distressed Debt Exchange Offer; Outlook Negative, published July 16, 2010.

Table 2

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 July 29, 2010	BBB+/Stable/--	BBB/Stable/A-2	A+/Stable/A-1	A-/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	2,444.6	9,440.6	3,037.7	13,245.0
Net income from cont. oper.	53.3	406.0	234.4	908.7
Funds from operations (FFO)	828.8	1,125.3	533.2	1,635.7
Capital expenditures	868.4	1,092.3	393.8	2,148.9
Cash and short-term investments	58.3	637.0	66.5	181.3
Debt	5,219.6	8,192.1	3,055.6	12,424.2
Preferred stock	0.0	0.0	21.5	106.5
Equity	3,068.3	2,162.0	1,809.7	9,591.9
Debt and equity	8,288.0	10,354.1	4,865.3	22,016.2
Adjusted ratios				
EBIT interest coverage (x)	2.9	2.2	3.6	3.1

Table 2

Oncor Electric Delivery Co. LLC -- Peer Comparison* (cont.)				
FFO int. cov. (X)	3.8	3.1	4.3	3 6
FFO/debt (%)	15.9	13.7	17.5	13.2
Discretionary cash flow/debt (%)	(15.9)	(3.7)	(3.2)	(8.9)
Net cash flow / capex (%)	11.7	80.4	97.5	48.3
Total debt/debt plus equity (%)	63.0	79.1	62 8	56.4
Return on common equity (%)	0.7	19.9	13.3	9.5
Common dividend payout ratio (un-adj.) (%)	580.0	60.7	65.1	69.2

*Fully adjusted (including postretirement obligations).

Table 3

Oncor Electric Delivery Co. LLC -- Financial Summary			
Industry Sector: Electric			
	--Fiscal year ended Dec. 31--		
	2009	**2008**	**2007**
Rating history	BBB+/Stable/--	BBB+/Stable/--	BBB-/Watch Dev/--
(Mil. $)			
Revenues	2,544.9	2,434.9	2,354.1
Net income from continuing operations	320.0	(487.0)	327.0
Funds from operations (FFO)	921.1	790.8	774.4
Capital expenditures	1,010.9	894.1	700.1
Cash and short-term investments	28.0	125.0	22.0
Debt	5,732.5	5,423.7	4,502.6
Preferred stock	0.0	0.0	0.0
Equity	3,091.0	3,064.9	3,049.1
Debt and equity	8,823.5	8,488.6	7,551.8
Adjusted ratios			
EBIT interest coverage (x)	2.6	3.0	3.0
FFO int. cov. (x)	3.6	4 0	3.8
FFO/debt (%)	16.1	14.6	17.2
Discretionary cash flow/debt (%)	(7.2)	(31.2)	(8.6)
Net Cash Flow / Capex (%)	64.2	(88.6)	64.0
Debt/debt and equity (%)	65.0	63.9	59.6
Return on common equity (%)	4.7	(6.8)	6.0
Common dividend payout ratio (un-adj.) (%)	85.0	(67.8)	99.7

*Fully adjusted (including postretirement obligations).

Ratings Detail (As Of August 3, 2010)	
Oncor Electric Delivery Co. LLC	
Corporate Credit Rating	BBB+/Stable/NR
Senior Secured (8 Issues)	BBB+
Corporate Credit Ratings History	
13-Aug-2008	BBB+/Stable/NR

Ratings Detail (As Of August 13, 2010)* (cont.)	
09-Oct-2007	BBB-/Watch Dev/NR
26-Feb-2007	BBB-/Watch Neg/NR
15-Jun-2006	BBB-/Negative/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Energy Future Competitive Holdings Co.	
Issuer Credit Rating	CC/Negative/NR
Senior Secured (1 Issue)	CCC
Senior Unsecured (1 Issue)	CCC
Subordinated (2 Issues)	CCC
Energy Future Holdings Corp.	
Issuer Credit Rating	CC/Negative/NR
Senior Secured (2 Issues)	B+
Senior Unsecured (1 Issue)	B-/Negative
Senior Unsecured (2 Issues)	CC
Senior Unsecured (3 Issues)	CCC
Energy Future Intermediate Holding Company LLC	
Issuer Credit Rating	CC/Negative/--
Senior Secured (1 Issue)	B+
Texas Competitive Electric Holdings Co. LLC	
Issuer Credit Rating	B-/Negative/NR
Senior Secured (4 Issues)	B+
Senior Secured (1 Issue)	CCC
Senior Unsecured (25 Issues)	CCC

*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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The McGraw-Hill Companies

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Credit Opinion: Oncor Electric Delivery Company

Global Credit Research - 29 Apr 2010

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	Negative
Corporate Family Rating	Caa1
Bkd Senior Secured	Caa3/LGD5
Speculative Grade Liquidity	SGL-3
Dallas Power & Light Co	
Preferred Stock	NR

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Key Indicators

[1]Oncor Electric Delivery Company

	2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	3.7x	3.5x	3.5x	3.2x
(CFO Pre-W/C) / Debt	16.4%	14.4%	15.4%	13.0%
(CFO Pre-W/C - Dividends) / Debt	12.1%	-11.7%	9.3%	6.5%
Debt / Book Capitalization	43.1%	42.4%	37.2%	53.9%

[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

Low risk T&D only business operations within a supportive regulatory jurisdiction

Financial profile expected to remain stable

Large capital expenditure program and up-stream dividend policy a modest rating constraint

Ring fencing provisions appear effective at this time

Potential for event / contagion risk associated with distressed parent, EFH

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), and Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (Oncor HoldCo) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company which in turn is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH-Caa1 Corporate Family Rating (CFR) / negative outlook)). In 2009, Oncor reported approximately $2.7 billion in revenue. Oncor is headquartered in Dallas, Texas.

SUMMARY RATING RATIONALE

Oncor's Baa1 senior secured rating primarily reflects its lower risk T&D business activities and relatively stable financial metrics. 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). We note that Oncor's Baa1 senior secured rating also relies heavily on our assessment of the ring-fence type provisions that create credit separateness from its more risky parent and affiliates. Oncor's Baa1 senior secured rating is nine notches higher than EFH's Caa1 Corporate Family Rating, reflecting the strong ring fence type provisions that have been structured into the corporate governance provisions and the additional special governance rights associated with the new minority investors.

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 the lower business and operating risks at a T&D only utility and stable rate-regulated revenue, earnings and cash flow. We view the Public Utility Commission of Texas'(PUCT) favorably, and often note the relatively transparent decisions and rate case procedures. We also incorporate a view that Oncor will maintain a reasonably constructive relationship with the PUCT and that the PUCT would otherwise prefer to regulate financially healthy utilities.

The 2009 rate case order approved a $115 million rate increase. Though it is less than half of what Oncor requested, it was higher than the ALJ recommendation of $30 million and the PUCT staff recommendation of a $100 million reduction. The order also set a fairly reasonable ROE of 10.25% and approved the recovery of all of Oncor's capital investments in its transmission and distribution system, including investment in certain automated meters. Furthermore, in 2009, PUCT finalized a new rule increasing the requirement for credit worthiness and financial reporting for the retail electric providers (REPs) operating within the state in 2009. Under the new rule, Oncor is able to defer the uncollected revenues from non-affiliated REPs (which represent approximately 60% of Oncor's revenue) as a regulatory asset for future recovery in rate case proceedings. Oncor is also allowed to request an update on its transmission cost recovery factor (TCRF) twice a year to recover any increase in transmission rates including fees paid to other transmission providers. The approved recovery of the investment in advanced metering system is also another example of the supportiveness of the PUCT. In addition, Oncor's transmission related capital investments are benefited by certain accelerated recovery mechanisms through trackers, and it has an authorized capital structure with 40% equity / 60% debt.

Oncor's financial profile positions company within Baa-rating category

Oncor produced an average ratio of cash from operations before changes in working capital (CFO pre W/C) to debt of approximately 16% over the past 5 years. This ratio includes securitization cash flows of approximately $100 million per year related to roughly $800 million in Aaa-rated securitizations bonds. Our ratios also reflect Moody's standard pension and operating lease adjustments. The total debt is approximately $6.4 billion. As a result, Oncor's cash flow to debt related credit metrics are expected to remain in the mid-teen's range. Excluding the securitization debt and related cash flows would increase 2009 credit metrics by approximately 100 basis points.

This mid-teen's cash flow to debt range is viewed as appropriate for the rating category when compared to a peer group of other Texas-based electric T&D utilities. These peers include AEP Texas Central (Baa2 senior unsecured / stable outlook), AEP Texas North (Baa2 senior unsecured / stable outlook), CenterPoint Energy Houston Electric (Baa3 Long-Term Issuer Rating / stable outlook) and Texas New Mexico Power (Baa3 senior unsecured / stable outlook). These peers produced an average ratio of CFO pre-w/c to debt of approximately 13% over the past five years (where applicable, the securitization debt and related cash flows were included in our standard adjustments).

A peer group of Texas based vertically integrated electric utilities, including El Paso Electric Company (Baa2 senior unsecured / stable outlook), Southwestern Electric Power Company (Baa3 senior unsecured / stable outlook) and Southwestern Public Service Company (Baa1 senior unsecured / stable outlook) produced a ratio of CFO pre-w/c to debt of approximately 19% over the same five year period while a broader peer group of electric T&D utilities generated a ratio of almost 19%.

Going forward, we expect Oncor's CFO pre W/C to debt to decline to the low to mid-teen's range as the company takes on major capital expenditure programs in the next few years (see discussion below). Nevertheless, Moody's incorporates a view that the Texas based T&D utilities can endure lower credit metrics for the 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.

Oncor's approximately $16.2 billion of total consolidated assets ranks the utility as one of the larger electric T&D companies in the sector. However, this includes the goodwill associated with EFH's 2007 leveraged buyout purchase accounting adjustments. Oncor's rate base is approximately $8 billion.

Ring fencing provisions effective for now

The sale of the minority stake that occurred at Oncor provides the investors with two (out of an expanded total of eleven) board seats. This is only at the Oncor T&D entity, not at the Oncor HoldCo level. These board members hold special governance rights which include veto rights regarding: changes in dividend policy and an ability to block distributions; certain budget revisions in capital expenditures and O&M; certain acquisitions; and certain material transactions. In our opinion, these special governance rights strengthen an already strong set of governance provisions associated with Oncor's existing independent directors, which include a unanimous vote of the independent directors regarding amendments of certain provisions of the Oncor LLC agreement (e.g., purpose and powers of the company, certain provisions relating to the Board, most "separateness undertakings") and material actions (e.g., mergers and substantial asset transfers, initiation of insolvency proceedings, liquidation without providing for payment of all creditors).

Significant capital expenditures constrain ratings

Oncor maintains a capital investment program of $3.3 billion from 2010 through 2012. In a stipulation to the PUCT, Oncor committed to spend a minimum of $3.6 billion from 2008 through 2012. Approximately 50% of this committed capex has been spent through 2009. Oncor's capital investment program from 2010 through 2012, excluding CREZ-related capital expenditures, is expected to be over $1.9 billion. This amount includes $500 million required to deploy the Advanced Metering program (AMS). Oncor was awarded $1.3 billion of the Competitive Renewable Energy Zone (CREZ) transmission expansion, 80% of which will occur in 2010 through 2012. 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; while the CREZ investment opportunity, which is designed to bring renewable energy into the load center could have a negative impact for Luminant, also an affiliate.

PUCT has approved the collection of an AMS surcharge over the 11 year period beginning January 2009. The CREZ project, as one of the top renewable energy priorities of the State of Texas, if completed without substantially exceeding budget, is expected to be recoverable in a timely manner. 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 require extremely prudent financial planning and timely recovery, or Oncor's key credit metrics could face modest downward pressure.

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 2009, the company generated approximately $950 million of cash from operations, incurred approximately $1billion in capital expenditures and made upstream dividend payments to its parent of roughly $272 million, resulting in a negative free cash flow position of roughly $ 320 million. Oncor's $2.0 billion secured revolving credit facility (expiring in October 2013) had $1.28 billion available at year end 2009.

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%). In addition, the bank covenant calculation currently has a significant amount of headroom cushion, largely due to the covenant's calculation definition, which includes roughly $4 billion of goodwill in the formula. The regulatory calculation does not incorporate goodwill. Moody's does not view Oncor as having any meaningful sources of alternate liquidity.

Prospectively, we expect Oncor to produce approximately $900 million 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 the AMS program and 20% in maintenance. We expect Oncor to modestly reduce its upstream dividends in the next few years to $200 million per year. There are no material debt maturities until 2012 when $700 million in senior notes will be due. We expect Oncor to meet the estimated $300 million cash shortfall in 2010 through debt financing.

Rating Outlook:

Oncor's stable rating outlook reflects the continued evidence that the ring fence type provisions that were implemented as part of the EFH buy-out are working properly; that Oncor will continue to produce cash flow related credit metrics in relation to its debt in the low to mid-teen's and that the regulatory environment in Texas will remain reasonably supportive to the sector's longer term credit quality. The stable outlook does not reflect any potential event or contagion risks associated with Oncor's parent, EFH.

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 in the next few years 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, stabilizes in the high-teen's with CFO pre-w/c interest coverage over 3.5x; the continued development in establishing credit separateness with its parent and affiliates with respect to shared services; 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 10% range; 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 or behave in a manner which is perceived to be unusual with respect to the best long-term interests of Oncor. Examples of this kind of behavior might include actions regarding the dividends policy (i.e., delaying dividend reductions in front of the large capital investment program).

Rating Factors

Oncor Electric Delivery Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)			X			
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (10%)					X	
b) Generation and Fuel Diversity (0%)						
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)					X	
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Secured Rating				Baa2		
b) Actual Senior Secured Rating				Baa1		

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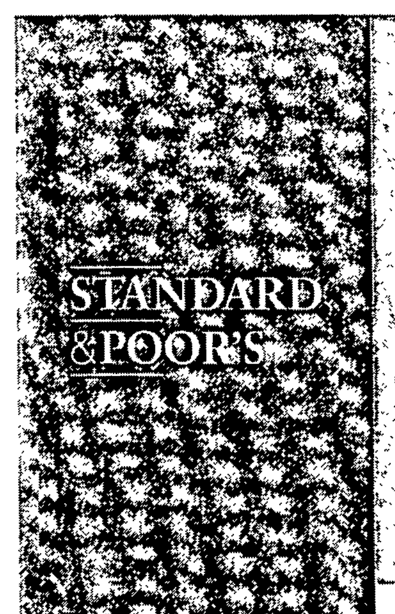

RatingsDirect®

August 20, 2009

Oncor Electric Delivery Co. LLC

Primary Credit Analyst:
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Major Rating Factors

Rationale

Outlook

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Oncor Electric Delivery Co. LLC

Major Rating Factors

Strengths:
- Low-risk T&D operations with no commodity exposure,
- Company's ability to effectively manage regulatory relations, and
- Large service territory with generally attractive demographics.

Corporate Credit Rating
BBB+/Stable/NR

Weaknesses:
- Aggressive financial risk profile,
- Large capital spending for transmission projects need timely investment recovery and will pressure the financial profile in the intermediate term, and
- Need to maintain separateness undertakings from majority owner, Energy Future Holdings.

Rationale

The 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; B-/Stable/--]) owns 80.033% of Oncor and Texas Transmission Investment LLC owns 19.75%. Texas Transmission is an entity indirectly owned by a private investment group led by the Ontario Municipal Employees Retirement Service (OMERS) Administration Corporation, acting through its infrastructure investment entity (Borealis Infrastructure Management Inc.), and by the Government of Singapore Investment Corporation, acting through its private equity and infrastructure arm (GIC Special Investments Pte Ltd).

The ratings on Oncor incorporate a number of structural, legal and regulatory provisions that allow it to be viewed separately and on a standalone basis 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 that can prevent EFH from harming Oncor's credit profile (ability to veto changes in Oncor's dividend policy, consenting to the institution of bankruptcy or insolvency proceeding against Oncor, approving material transactions between Oncor and its non-ring-fenced affiliates, approving the annual budget if it's less than 10% from the prior year, ability to prevent dividend distributions if it's 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 (arm's length transactions between Oncor and EFH, inability of Oncor to make loans to EFH or buy any EFH securities), six independent directors who are required by law to consider only the interests of Oncor, including its creditors, when acting or voting on any material action, and 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 parts of

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Texas, including Dallas. Oncor has an excellent business risk profile and an aggressive financial risk profile.

Oncor's excellent business risk profile accounts for the company's low-operating risk electric distribution and transmission business which has no commodity exposure, a large service territory with generally attractive demographics, and some demonstrated improvement in a variety of reliability measures. The excellent business risk profile also accounts for the company's efforts to reach regulatory outcomes that are generally supportive of credit quality. In Oncor's most recent rate case, the PUCT authorized a base rate increase of about $115 million reflecting a 10.25% return on equity (compared to Oncor's request in 2008 of $253.5 million base rate increase based on an ROE of 10.75%). Although Oncor owns the transmission and distribution systems that deliver electricity to retail and commercial users, its customers actually consist of 65 retail electricity providers (REP) that operate within its service territory. Of these REPs, Texas Competitive Energy Holdings Co. LLC, an EFH affiliate, accounted for 39% of Oncor's 2008 revenues, while two Reliant Energy Inc. subsidiaries accounted for 16% of 2008 revenues. The remaining REPs contributed about 45% of Oncor's revenues, with no other REP accounting for more than 10%. Oncor relies on these REPs to remit timely payments for distribution services rendered and any delays in payment or defaults of the REPs could impair the company's liquidity. During 2008, the PUCT awarded Oncor with about $1.3 billion in transmission projects relating to competitive renewable energy zones (CREZ), which are meant to provide load areas with access to wind-generated electricity. Oncor will recover the related capital costs and return under a transmission cost recovery mechanism once the projects are in service.

Oncor's financial risk profile is aggressive. The company's capital spending program will increase materially during the next three years in large part to fund the CREZ investment and necessary maintenance and growth needs. Given the lag in recovering the related investment, the financial profile will weaken from current levels, while still remaining sufficient to support current ratings, albeit with reduced cushion. As funding needs increase for the CREZ and other capital spending projects, Standard & Poor's expects that Oncor's distributions to the two owners will decline materially in order to preserve the stated capital structure and provide some financing flexibility. For the six months ended June 30, 2009, Oncor distributed about $75 million to its joint owners. For the 12 months ended June 30, 2009, adjusted funds from operations were $804.5 million, and adjusted total debt was $5.6 billion, excluding $721.5 million of securitized debt. Adjusted funds from operations (FFO) interest coverage was 3.7x, adjusted FFO to total debt was 14.3%, and adjusted total debt to total capital was 64.3%. In computing debt leverage, Standard & Poor's deducts the entire amount of goodwill that was contributed to Oncor by EFH, which totaled $3.7 billion as of June 30, 2009.

Liquidity

Oncor's liquidity is strong, with a $2 billion secured revolving credit facility that matures in October 2013 and which had about $1.336 billion undrawn as of June 30, 2009. The credit facility is secured on a pari-pasu basis with Oncor's other debt obligations, and the security is eligible to fall away when the credit facility is retired. There are no debt maturities until 2012.

Outlook

The stable outlook on Oncor reflects the company's excellent business risk profile and aggressive financial risk profile. The stable outlook also incorporates expectations of generally stable, albeit weakening, financial performance and timely investment recovery, such that over the intermediate term adjusted FFO to interest coverage exceeds 3.2x, adjusted FFO to total debt is more than 13%, and adjusted total debt to total capital is less than 65%.

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We'll revise the outlook to negative and lower ratings if credit-protection measures weaken more than expected, if the company fails to effectively manage regulatory risk or if there is undue pressure from EFH that could lead to a deterioration of Oncor's credit quality, despite the existence of various separateness undertakings. Given Oncor's aggressive financial risk profile, we do not contemplate a higher rating, despite the company's excellent business risk profile.

Accounting

Oncor's financial statements are prepared in accordance with U.S. GAAP standards and are audited by Deloitte & Touche, LLP, which provided an unqualified opinion on 2008 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 2008, Standard & Poor's made the following analytical adjustments, and removed:

- $878.4 million of securitized debt from total reported debt,
- $99.4 million of securitization-related principal from revenues and depreciation, and
- $45.7 million of securitization related interest expense from revenues and interest expense.

Standard & Poor's adjusts Oncor's financial statements for certain off-balance-sheet obligations. For 2008, Standard & Poor's added $623.6 million as a debt-like obligation for the pension funding shortfall that relates to Oncor's portion EFH's total pension obligations, $34.5 million relating to operating leases, and $103 million in accrued interest not reported as debt.

In the fourth quarter of 2008, Oncor Electric Delivery announced a goodwill impairment of about $860 million (about 5% of Oncor's total assets). The goodwill impairment is the result of larger impairments occurring at EFH, which flow to Oncor due to purchase accounting. The impairment did not have any impact on the company's credit metrics.

In computing debt leverage, Standard & Poor's reduces the amount of equity on the balance by an amount that is equal to the goodwill resulting from the leveraged buyout of Oncor's majority owner, EFH. As of Dec. 31, 2008, this amount was 3.73 billion.

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 July 17, 2009	BBB+/Stable/--	BBB/Negative/A-3	A+/Stable/A-1	A-/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	2,364.7	9,810.2	3,206.9	12,946.7
Net income from cont. oper.	61.3	426.0	221.9	861.7
Funds from operations (FFO)	756.9	1,054.7	525.1	1,404.6
Capital expenditures	810.0	1,040.4	405.8	2,032.3
Debt	4,219.1	7,925.7	2,794.1	11,194.6
Equity	2,811.3	1,801.0	1,720.2	8,697.6

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Table 1

Oncor Electric Delivery Co. LLC -- Peer Comparison* (cont.)

Adjusted ratios				
Oper. income (bef. D&A)/revenues (%)	48.3	15.9	22.8	18.0
EBIT interest coverage (x)	3.0	2.2	3.6	2.9
EBITDA interest coverage (x)	4.4	3.1	5.2	4.0
Return on capital (%)	9.6	9.5	9.3	7.4
FFO/debt (%)	17.9	13.3	18.8	12.5
Debt/EBITDA (x)	3.7	5.1	3.8	4.8

*Fully adjusted (including postretirement obligations).

Table 2

Oncor Electric Delivery Co. LLC -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	BBB+/Stable/--	BBB-/Watch Dev/--	BBB-/Negative/--	BBB-/Stable/--	BBB/Negative/--
(Mil. $)					
Revenues	2,434.9	2,354.1	2,305.1	2,248.4	2,152.5
Net income from continuing operations	(487.0)	327.0	344.0	351.0	255.0
Funds from operations (FFO)	735.4	782.0	753.2	679.9	685.0
Capital expenditures	894.1	700.1	835.8	729.8	593.4
Cash and short-term investments	125.0	22.0	1.0	15.0	-
Debt	4,800.2	4,124.5	3,732.7	3,132.0	3,277.8
Preferred stock	-	-	-	-	-
Equity	2,735.0	2,724.0	2,975.0	2,935.0	2,687.0
Debt and equity	7,535.2	6,848.5	6,707.7	6,067.0	5,964.8
Adjusted ratios					
EBIT interest coverage (x)	3.1	3.0	3.0	3.3	2.6
FFO int. cov. (x)	4.0	3.9	4.1	4.0	3.8
FFO/debt (%)	15.3	19.0	20.2	21.7	20.9
Discretionary cash flow/debt (%)	(36.5)	(9.2)	(17.2)	1.5	2.0
Net cash flow/capex (%)	(94.8)	65.1	49.4	93.2	115.4
Debt/debt and equity (%)	63.7	60.2	55.6	51.6	55.0
Return on common equity (%)	(6.8)	6.0	11.4	12.2	8.9
Common dividend payout ratio (un-adj.) (%)	(67.8)	99.7	98.8	-	-

*Fully adjusted.

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Table 3

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

--Fiscal year ended Dec. 31, 2008--

Oncor Electric Delivery Co. LLC reported amounts

	Debt	Shareholders' equity	Revenues	Operating income (bef. D&A)	Operating income (bef. D&A)	Operating Income (aft. D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital Expenditures
Reported	5,541.0	6,799.0	2,580.0	1,337.0	1,337.0	845.0	308.0	828.0	828.0	882.0
Standard & Poor's adjustments										
Operating leases	34.5	--	--	6.5	1.6	1.6	1.6	4.9	4.9	18.1
Accrued interest	103.0	--	--	--	--	--	--	--	--	--
Capitalized interest							6.0	(6.0)	(6.0)	(6.0)
Share-based compensation expense	--	--	--	--	3.0	--	--	--	--	--
Securitized utility cost recovery	(878.4)		(145.1)	(145.1)	(145.1)	(45.7)	(45.7)	(99.4)	(99.4)	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	44.0	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	8.0	--
Other	--	(4,064.0)	--	--	--	--	--	--	--	--
Total adjustments	(740.9)	(4,064.0)	(145.1)	(138.6)	(143.5)	0	(38.0)	(100.6)	(92.6)	12.1

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	4,800.2	2,735.0	2,434.9	1,198.4	1,193.5	845.0	270.0	727.4	735.4	894.1

*Oncor Electric Delivery Co. LLC reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of August 20, 2009)*

Oncor Electric Delivery Co. LLC	
Corporate Credit Rating	BBB+/Stable/NR
Senior Secured (8 Issues)	BBB+
Corporate Credit Ratings History	
13-Aug-2008	BBB+/Stable/NR
09-Oct-2007	BBB-/Watch Dev/NR

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Ratings Detail (As Of August 20, 2009) (cont.)	
26-Feb-2007	BBB-/Watch Neg/NR
15-Jun-2006	BBB-/Negative/NR
14-Jun-2005	BBB-/Stable/NR
06-May-2005	BBB/Watch Neg/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Energy Future Competitive Holdings Co.	
Issuer Credit Rating	B-/Stable/NR
Senior Secured (1 Issue)	CCC
Senior Unsecured (1 Issue)	CCC
Subordinated (2 Issues)	CCC
Energy Future Holdings Corp.	
Issuer Credit Rating	B-/Stable/NR
Senior Unsecured (2 Issues)	B-
Senior Unsecured (4 Issues)	CCC
Texas Competitive Electric Holdings Co. LLC	
Issuer Credit Rating	B-/Stable/NR
Senior Secured (4 Issues)	B+
Senior Secured (1 Issue)	CCC
Senior Unsecured (25 Issues)	CCC

*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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Credit Opinion: Oncor Electric Delivery Company

Oncor Electric Delivery Company

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	Negative
Corporate Family Rating	B3
Bkd Senior Unsecured	Caa2/LGD6
Speculative Grade Liquidity	SGL-3
Dallas Power & Light Co	
Preferred Stock	NR

Contacts

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Key Indicators

[1]
Oncor Electric Delivery Company

	LTM (3/09)	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	3.3x	3.5x	3.5x	3.2x
(CFO Pre-W/C) / Debt	14%	14%	15%	13%
(CFO Pre-W/C - Dividends) / Debt	-12%	-12%	9%	6%
(CFO Pre-W/C - Dividends) / Capex	-73%	-77%	66%	38%
Debt / Book Capitalization	42%	42%	37%	54%
EBITA Margin %	1%	2%	33%	34%

[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

Low risk business operations within a supportive regulatory jurisdiction

Financial profile well positioned in the rating category and among peers

Ring fencing provisions appear effective

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), and Oncor is a majority-owned subsidiary of Oncor Electric Delivery Holdings Company LLC (Oncor HoldCo) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company which is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH-B3 Corporate Family Rating (CFR) / negative outlook). In 2008, Oncor reported approximately $2.6 billion in revenue. Oncor is headquartered in Dallas, Texas.

SUMMARY RATING RATIONALE

Oncor's Baa1 senior secured rating reflects an overall assessment of factors outlined in Moody's Rating Methodology for Global Electric Utilities (the Rating Methodology, published in March 2005) and, more importantly, incorporates our assessment of the ring-fence type structures that create credit separateness from its more risky affiliates. Oncor's Baa1 senior secured rating is eight notches higher than EFH's B3 Corporate Family Rating, reflecting the strong ring fence type provisions that have been structured into the corporate governance provisions and the additional special governance rights associated with the new minority investors.

DETAILED RATING CONSIDERATIONS

Low-risk business operations within a supportive regulatory jurisdiction

Oncor is positioned well within the Baa-rating category based on its inherently low business and operating risks and its rate-regulated revenue, earnings and cash flow. We view the Public Utility Commission of Texas' (PUCT) relatively transparent decisions and rate case procedures favorably, and we incorporate a view that Oncor will maintain a reasonably constructive relationship with the PUCT and that the PUCT would prefer to regulate a financially healthy utility.

For example, in April 2009, the PUCT finalized a new rule increasing the requirement for credit worthiness and financial reporting for the retail electric providers (REPs) operating with in the state. Under the new rule, Oncor will be able to defer the uncollected revenues from non-affiliated REPs (which represent approximately 60% of Oncor's revenue) as a regulatory asset for future recovery in rate case proceedings. Oncor is also allowed to request an update on its transmission cost recovery factor (TCRF) twice a year to recover any increase in transmission rates including fees paid to other transmission providers. The approved recovery of the investment in advanced metering system is also another example of the supportiveness of the PUCT. In addition, Oncor's transmission related capital investments are benefited by certain accelerated recovery mechanisms (through trackers), and it has an authorized capital structure with 40% equity / 60% debt.

Oncor's financial profile positions company within Baa-rating category

Oncor produced ratios of cash from operations before changes in working capital (CFO pre W/C) to adjusted debt of 15.7% on average over the past 5 years. These ratios include the cash flows of approximately $100 million per year related to the roughly $900 million in Aaa-rated securitizations bonds and Moody's standard pension and operating lease adjustments, resulting in approximately $6 billion of total adjusted debt. As a result, Oncor's cash flow to debt related credit metrics tend to hover in the mid-teen's range, which positions the company well within the Baa-rating category. The exclusion of the securitization debt and related cash flows would increase 2008 credit metrics by approximately 100 basis points.

This mid-teen-range cash flow credit metric is generally in-line with a peer group of other comparable Texas-based electric T&D utilities (including AEP Texas Central (Baa2 senior unsecured / stable outlook), AEP Texas North (Baa2 senior unsecured / stable outlook), CenterPoint Energy Houston Electric (Baa3 Long-Term Issuer Rating / stable outlook) and Texas New Mexico Power (Baa3 senior unsecured / negative outlook)). These peer comparables produced an average CFO pre-w/c to total adjusted debt ratio of approximately 13.4% over the past five years (where applicable, the securitization debt and related cash flows were included in our standard adjustments). A peer group of Texas based vertically integrated electric utilities (including El Paso Electric Company (Baa2 senior unsecured / stable outlook), Southwestern Electric Power Company (Baa1 senior unsecured / RUR - down), Southwestern Public Service Company (Baa1 senior unsecured / stable outlook) and Entergy Gulf States (Baa3 First Mortgage Bond / positive outlook)) have produced a ratio of CFO pre-w/c to adjusted total debt of approximately 18.9% over the same five years while a much broader peer group of electric T&D utilities generated a ratio of 21.1% over the same time frame. Moody's incorporates a view that the Texas based T&D utilities can endure lower credit metrics for the given rating category as they have a slightly lower risk profile than the broader T&D peer group because Texas T&Ds don't have provider of last resort risk (POLR). Similarly, they have a lower business risk than the integrated utilities because they are not exposed to any commodity risks.

Oncor's approximately $15.7 billion of total consolidated assets ranks the utility as one of the larger electric T&D companies in the sector, including the goodwill associated with EFH's 2007 leveraged buyout purchase accounting adjustments. Oncor's rate base is approximately $8 billion.

Ring fencing provisions effective and appear to strengthen further with special governance rights of minority investors

The sale of the minority stake that occurred at the utility Oncor, not Oncor HoldCo and the investors are given two (out of an expanded total of eleven) board seats at the Oncor level, but not at the Oncor HoldCo level. These board members hold special governance rights on the Oncor board which include veto rights regarding: changes in dividend policy and an ability to block distributions; certain budget revisions in capital expenditures and O&M; certain acquisitions; and certain material transactions. In our opinion, these special governance rights strengthen an already strong set of governance provisions associated with Oncor's existing independent directors, which include a unanimous vote of the independent directors regarding amendments of certain provisions of the Oncor LLC agreement (e.g., purpose and powers of the company, certain provisions relating to the Board, most "separateness undertakings") and material actions (e.g., mergers and substantial asset transfers, initiation of insolvency proceedings, liquidation without providing for payment of all creditors).

Significant capital expenditures yet rate base accretive

Oncor maintains a capital investment program of at least $2.7 billion from 2009 through 2012, which includes the advanced meter system (AMS) deployment program (approximately $700 million estimated). Additionally, Oncor is investing in the Competitive Renewable Energy Zone (CREZ) transmission expansion program (approximately $1.3 billion awarded). From 2009 through 2012, Oncor is expected to spend the majority of AMS investments and the $1.3 billion of CREZ investments. 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; while the CREZ investment opportunity, which is designed to bring renewable energy into the load centers could have a negative impact for Luminant.

PUCT has approved the collection of an AMS surcharge over the next 11 years beginning January 2009. The CREZ project, as one of the top renewable energy priorities of the State of Texas, if completed without substantially exceeding budget, is also expected to be recoverable in a timely manner. While longer-term in nature, these investment plans should eventually contribute to long-term stable rate base growth.

2008 PUCT rate case underway

As a condition to Oncor's 14.101 regulatory approvals associated with the EFH leveraged buyout, Oncor agreed to file a system-wide rate case with the PUCT and the cities that have regulatory jurisdiction. Oncor requested a $253 million (adjusted from $275 million in initial filing) rate increase based on a December 2007 test year. The hearing on the merits concluded in February 2009. A final order is expected in the summer of 2009.

On June 2, 2009, the ALJ in the rate case provided its proposal for decision (PFD). At a high level, the PFD recommends an overall rate increase of roughly $30 million, a material deviation from the company's request for an increase of roughly $253 million (down from the original estimate of roughly $275 million), but still higher than some intevenor recommendations of a decrease of $175 million. We observe that the PUCT staff recommended a decrease of approximately $100 million. From a credit perspective, these preliminary recommendations are viewed as interesting observation points, but are not primary factors in our ratings evaluation since they do not impact projected cash flows. The PUCT is expected to reach a final decision by the fall of 2009. We continue to incorporate a view that the PUCT provides a supportive regulatory environment.

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 the last twelve months ended March 31, 2009, the company generated approximately $869 million of cash from operations, incurred approximately $926 million in capital expenditures and made upstream dividend payments to its parent of roughly $298 million, resulting in a negative free cash flow position of roughly $355 million. Oncor's $2.0 billion secured revolving credit facility (expiring in October 2013) had $1.45 billion available as of March 31, 2009 (excluding Lehman Brother's commitment), after it issued $1.5 billion of long term debt in September 2008. In April 2009, a portion of Lehman's commitment of $154 was purchased by another entity thus increasing total credit facility availability.

On a prospective basis, we expect Oncor to produce approximately $800 million in cash flow from operations in 2009 and to spend about $950 million in capital expenditure, approximately 20% of which is to be invested in the AMS program with another 25% in maintenance. The majority of the CREZ projects will be spent in 2011 and 2012. In 2009, only $90 million is expected to be invested on CREZ. We expect Oncor to continue to distribute approximately $300 million in dividends in 2009. There are no material debt maturities except for approximately $100 million securitization bond amortization in the next twelve months. The next debt maturity other than the securitization is $700 million due in 2012. We expect Oncor to meet the approximately $500 million shortfall in cash needs through debt financing.

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%). In addition, the bank covenant calculation currently has a significant amount of headroom cushion, largely due to the covenant's calculation definition, which includes roughly $4 billion of goodwill in the formula. The regulatory calculation does not incorporate goodwill. Moody's does not view Oncor as having any meaningful sources of alternate liquidity.

Rating Outlook:

Oncor's stable rating outlook reflects the continued evidence that the ring fence type provisions that were implemented as part of the EFH buy-out are working properly; that Oncor will continue to produce cash flow related credit metrics in relation to its debt in the mid-teen's and that the regulatory environment in Texas will remain reasonably supportive to the sector's longer term credit quality..

What Could Change the Rating - Up

Ratings could be upgraded with the continued production of key financial credit ratios, such as the ratio of CFO pre w/c to total adjusted debt in the high-teen's and CFO pre-w/c interest coverage over 3.5x; the continued development in establishing credit separateness with its parent and affiliates with respect to shared services; 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 adjusted debt declined towards the low's teen's range; 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 or behave in a manner which is perceived to be unusual with respect to the best long-term interests of Oncor. Examples of this kind of behavior might include actions regarding the dividends policy (ie., delaying dividend reductions in front of the large capital investment program).

Rating Factors

Oncor Electric Delivery Company

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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Moody's Investors Service

Rating Action: Oncor Electric Delivery Company

Moody's upgrades Oncor's senior secured rating to Baa1

Approximately $6.0 billion of bank facilities and debt securities affected

New York, June 01, 2009 -- Moody's Investors Service upgraded Oncor Electric Delivery Company LLC's (Oncor) senior secured rating to Baa1 from Baa3. The rating outlook is stable.

The rating upgrade reflects the relatively low business and operating risk that Oncor enjoys as a rate regulated electric transmission and distribution utility in Texas; the large and diversified service territory; the relatively strong market position of its affiliated REPs; the reasonably supportive regulatory jurisdiction with respect to the company's long-term credit quality; solid financial credit metrics which appear sustainable; adequate sources of near-term liquidity and the continued evidence of strong corporate independence from its ultimate parent, Energy Future Holdings Corp. (B3 Corporate Family rating / negative outlook).

"Oncor's financial profile continues to exhibit good resilience in a challenging market environment" said Jim Hempstead, Senior Vice President "and we incorporate a view that the current rate proceeding will ultimately be resolved in a manner that is viewed as neutral to slightly positive from a credit perspective."

The ratings upgrade incorporates our expectation that the ultimate resolution of Oncor's regulatory current proceeding (and ALJ decision is expected over the near-term) will not harm the utility's longer-term over-all credit profile at the Baa1 senior secured ratings category. In addition, we believe Oncor's sizeable capital investment plans, including the investments in the Competitive Renewable Energy Zone (CREZ) transmission expansion projects and smart grid deployment which provides rate base growth potential, and our expectations behind the financing of those investments, will justify the Baa1 senior secured ratings category on a sustainable basis.

"Our assessment of Oncor's ring fence type provisions continues to indicate a strong set of independent governance mechanisms" Hempstead added "and the aggressive pursuit of the CREZ transmission expansion is viewed as evidence of this independence since it could negatively impact the market fundamentals for Oncor's affiliate, Texas Competitive Electric Holdings."

Moody's last rating action for Oncor occurred on August 28, 2008, when the ratings were upgraded to Baa3 senior secured from Ba1 senior secured, due in part to the sale of a 20% minority interest to a group of outside investors and the implementation of additional corporate governance and ring fencing measures.

The principal methodology used in rating the utilities was the Rating Methodology: Global Regulated Electric Utilities. It can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

Oncor Electric Delivery Company LLC is headquartered in Dallas, Texas.

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Global Power
U.S.
Credit Update

Oncor Electric Delivery Company

Ratings

Security Class	Current Rating
Issuer Default Rating	BBB-
Senior Secured Debt	BBB
Short Term	F3

Outlook

Stable

Financial Data

Oncor Electric Delivery Company*
($ Mil.)

	2008	2007
Revenues	2,437	2,354
Net Revenues	2,437	2,354
Cash from Operations	729	650
Operating EBITDA	1,194	1,113
Total Debt	4,662	4,103

*Adjusted for securitization.

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Related Research

- *Energy Future Holdings Corp., April 27, 2009*

Rating Rationale

- Fitch Ratings affirmed the ratings of Oncor Electric Delivery, LLC (Oncor) on March 13, 2009. The Rating Outlook remains Stable.
- Oncor's ratings are supported by regulated transmission and distribution (T&D) cash flows in a large and well-diversified service area. Oncor has rate base growth opportunities in transmission projects and advanced metering capital spending that will provide future growth in cash flow from a stable source. Recovery trackers enable timely recovery of a significant share of capital investments. Credit ratios remain consistent with the investment-grade rating, with the debt-to-capital ratio at 58.2% at year-end 2008. As per an agreement with the Public Utility Commission of Texas (PUCT), Oncor may not pay upstream dividends if its debt-to-capital ratio exceeds 60%, and dividends are limited to net income through 2012.
- Fitch considers Oncor to be effectively ring-fenced from its highly leveraged 80% parent Energy Future Holdings Corp. (EFH, rated 'B' with a Negative Outlook) and affiliates, and its 20% owner, a private investment company.

Key Rating Drivers

- Low business risk, no commodity price risk.
- Effective ring fencing eliminates any constraint on Oncor's rating.
- Balanced outcome to rate case and other regulatory filings.

Regulatory Update

Oncor's authorized return on equity (ROE) is currently 11.25%. There is a rate case pending at the PUCT that requests $253 million rate increase and an 11.50% ROE. A decision is expected late in the second quarter of 2009. This filing was required as part of the leveraged buyout (LBO) merger settlement with the PUCT.

The advanced metering deployment plan was approved by the PUCT in August 2008. The plan permits Oncor to charge residential customers $2.21/month, and rates varying from $2.42/month to $5.21/month for non-residential customers, as a surcharge that started in the January 2009 billing month cycle and eliminates lag. Oncor plans to spend approximately $690 million to deploy approximately 3.4 million advanced meters by 2012, which would be recovered over 11 years through the surcharge.

Oncor has been assigned approximately $1.3 billion of Competitive Renewable Energy Zones (CREZ) transmission construction projects by the PUCT. A written order reflecting the PUCT's assignment was entered in March 2009. The assignment calls for construction to be completed by the end of 2013. Oncor expects most of the capital expenditures to occur in 2011 and 2012.

Liquidity and Debt Structure

Fitch considers Oncor's liquidity position to be good and maturities to be manageable. There was $1.5 billion available under the $2 billion credit facility due 2013 and $125 million of cash on hand as of Dec. 31, 2008. Oncor has no long-term debt maturities through 2011, and $700 million and $650 million due in 2012 and 2013, respectively (excluding securitization debt).

DKT 46238 STAFF RFI Set 1 QN 1-1 [ONCOR] VOL

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Financial Summary — Oncor Electric Delivery Company[a]

($ Mil., Fiscal Years Ended Dec. 31)

	2008	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations FFO/Interest Expense	3.7	3.7	3.4	4.6	3.7	3.1
Cash Flow from Operations (CFO)/Interest Expense	3.7	3.5	3.3	4.6	3.7	3.2
Debt/FFO	6.3	5.8	6.5	4.0	4.9	6.2
Operating EBIT/Interest Expense	3.0	2.8	3.0	3.2	2.5	2.1
Operating EBITDA/Interest Expense	4.4	4.2	4.7	4.9	4.0	3.1
Debt/Operating EBITDA	3.9	3.7	3.4	3.0	3.4	4.1
Common Dividend Payout (%)	(67.8)	99.7	98.8	—	—	—
Internal Cash/Capital Expenditures (%)	45.2	45.8	23.1	106.1	107.3	118.6
Capital Expenditures/Depreciation (%)	224.4	194.0	219.9	205.9	176.0	186.6
Profitability						
Adjusted Revenues	2,437	2,354	2,303	2,248	2,137	2,073
Net Revenues	2,437	2,354	2,303	2,248	2,137	2,073
Operating and Maintenance Expense	852	849	804	813	815	786
Operating EBITDA	1,194	1,113	1,097	1,048	942	911
Depreciation and Amortization Expense	393	365	382	356	341	291
Operating EBIT	801	748	715	692	601	620
Gross Interest Expense	270	263	235	214	238	292
Net Income for Common	(487)	327	344	351	273	258
Operating Maintenance Expense % of Net Revenues	35.0	36.1	34.9	36.2	38.1	37.9
Operating EBIT % of Net Revenues	32.9	31.8	31.1	30.8	28.1	29.9
Cash Flow						
Cash Flow from Operations	729	650	534	778	644	644
Change in Working Capital	(8)	(64)	(38)	6	(7)	34
Funds from Operations	737	714	572	772	651	610
Dividends	(330)	(326)	(340)	—	—	—
Capital Expenditures	(882)	(708)	(840)	(733)	(600)	(543)
Free Cash Flow	(483)	(384)	(646)	45	44	101
Net Other Investment Cash Flow	2	(21)	(42)	6	(51)	(35)
Net Change in Debt	458	287	531	(171)	183	(211)
Net Change in Equity	—	—	—	—	(450)	(50)
Capital Structure						
Short-Term Debt	337	1,280	697	74	63	25
Long-Term Debt	4,325	2,823	3,034	3,033	3,123	3,726
Total Debt	4,662	4,103	3,731	3,107	3,186	3,751
Hybrid Equity	—	—	—	—	—	—
Common Equity	6,799	7,618	2,975	2,935	2,687	2,856
Total Capital	11,461	11,721	6,706	6,042	5,873	6,607
Total Debt/Total Capital (%)	40.7	35.0	55.6	51.4	54.3	56.8
Hybrid Equity/Total Capital (%)	—	—	—	—	—	—
Common Equity/Total Capital (%)	59.3	65.0	44.4	48.6	45.8	43.2

[a]Numbers are adjusted to exclude interest, principal payments and amortization on utility tariff bonds. LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

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Global Credit Research
Rating Action
24 FEB 2009

Rating Action: Oncor Electric Delivery Company

Moody's places B2 Corporate Family Rating of Energy Future Holdings Corp on review for possible downgrade

Approximately $40 billion of debt affected

New York, February 24, 2009 -- Moody's Investors Service placed the ratings for Energy Future Holdings Corp (EFH) on review for possible downgrade, including the B2 Corporate Family Rating, B3 senior (guaranteed) unsecured and Caa1 senior unsecured ratings. In addition, the ratings for EFH's primary operating subsidiary, Texas Competitive Electric Holdings (TCEH) were also placed on review for possible downgrade, including the Ba3 senior secured first lien, B3 senior (guaranteed) unsecured and Caa1 senior unsecured ratings.

EFH's speculative grade liquidity rating (SGL) remains SGL-3, indicating an adequate liquidity profile over the near-term.

EFH's transmission and distribution utility subsidiary, Oncor Electric Delivery Company LLC's Baa3 senior secured rating and stable rating outlook were affirmed, primarily due to our interpretation of the ring-fence type provisions associated with that entity.

The review for possible downgrade primarily reflects the material decline in natural gas commodity prices, market heat rates and declining hedge effectiveness due to increased basis risk over the past several months, which in Moody's opinion, are negatively impacting the cash flow generating ability of TCEH, and ultimately, EFH. The current material degradation in macro economic factors combined with the declining fundamentals associated with weaker commodity prices, increases the risks associated with servicing over $40 billion of debt.

"We believe the current environment with respect to the economy and Texas market fundamentals were not anticipated by EFH's sponsors when they originally structured their leveraged buyout transaction," said Jim Hempstead, Senior Vice President. "With over $40 billion of total consolidated debt outstanding, we continue to incorporate a view that EFH does not have a lot of cushion or financial flexibility to meet unexpected challenges."

The review for possible downgrade will focus on an examination of EFH's disclosure in its pending 10K filing; the operating performance of its base load coal and nuclear generation fleet and the expectations for maintaining those operating levels over the near to intermediate term horizon; the weaknesses in a sizeable hedging program associated with market heat rates in North Texas and widening basis differential risks between the NYMEX natural gas price index and local natural gas hubs, both of which represent un-hedged risks; the construction status and likelihood for the timely start-up and operation of approximately 2 GW's of new lignite fired plants in Texas; and the implications associated with materially lower recovery prospects given the general estimated valuation declines experienced in the market (and most recently evidenced by EFH's $9 billion goodwill impairment charge).

"The severity of any rating downgrade will depend on a review of EFH's long term solvency and debt servicing prospects as a going concern" Hempstead added. "While a payment default may appear remote at this time given EFH's over-all current liquidity profile, we believe the likelihood of a distressed exchange has materially increased."

Moody's last rating action for EFH occurred on November 3, 2008, when the rating outlook was changed to negative from stable.

EFH's ratings were assigned by evaluating factors believed to be relevant to its credit profile, such as i) the business risk and competitive position of EFH versus others within its industry or sector, ii) the capital structure and financial risk of EFH, iii) the projected performance of EFH over the near to intermediate term, and iv) EFH's history of achieving consistent operating performance and meeting financial plan goals. These attributes were compared against other issuers both within and outside of EFH's core peer group and EFH's ratings are believed to be comparable to ratings assigned to other issuers of similar credit risk.

EFH is a large merchant generation company and retail electric provider operating in Texas. EFH is headquartered in Dallas, Texas.

On Review for Possible Downgrade:

..Issuer: Brazos River Authority, TX

....Revenue Bonds, Placed on Review for Possible Downgrade, currently Caa1

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD5, 86%

..Issuer: Energy Future Holdings Corp.

....Probability of Default Rating, Placed on Review for Possible Downgrade, currently B2

....Corporate Family Rating, Placed on Review for Possible Downgrade, currently B2

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of B3, LGD4, 69%

..Issuer: Sabine River Authority, TX

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD5, 86%

..Issuer: TXU Corp. (Old)

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD6, 95%

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD6, 95%

..Issuer: TXU US Holdings Company

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD6, 91%

..Issuer: Texas Competitive Electric Holdings Co LLC

....Senior Secured Bank Credit Facility, Placed on Review for Possible Downgrade, currently a range of Ba3, LGD2, 29%

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of B3, LGD5, 76%

....Senior Unsecured Sec. Lease Oblig. Bond, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD6, 91%

..Issuer: Trinity River Authority, TX

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Downgrade, currently a range of Caa1, LGD5, 86%

Outlook Actions:

..Issuer: Energy Future Holdings Corp.

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Texas Competitive Electric Holdings Co LLC

....Outlook, Changed To Rating Under Review From Negative

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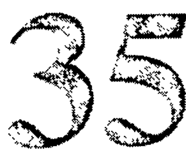

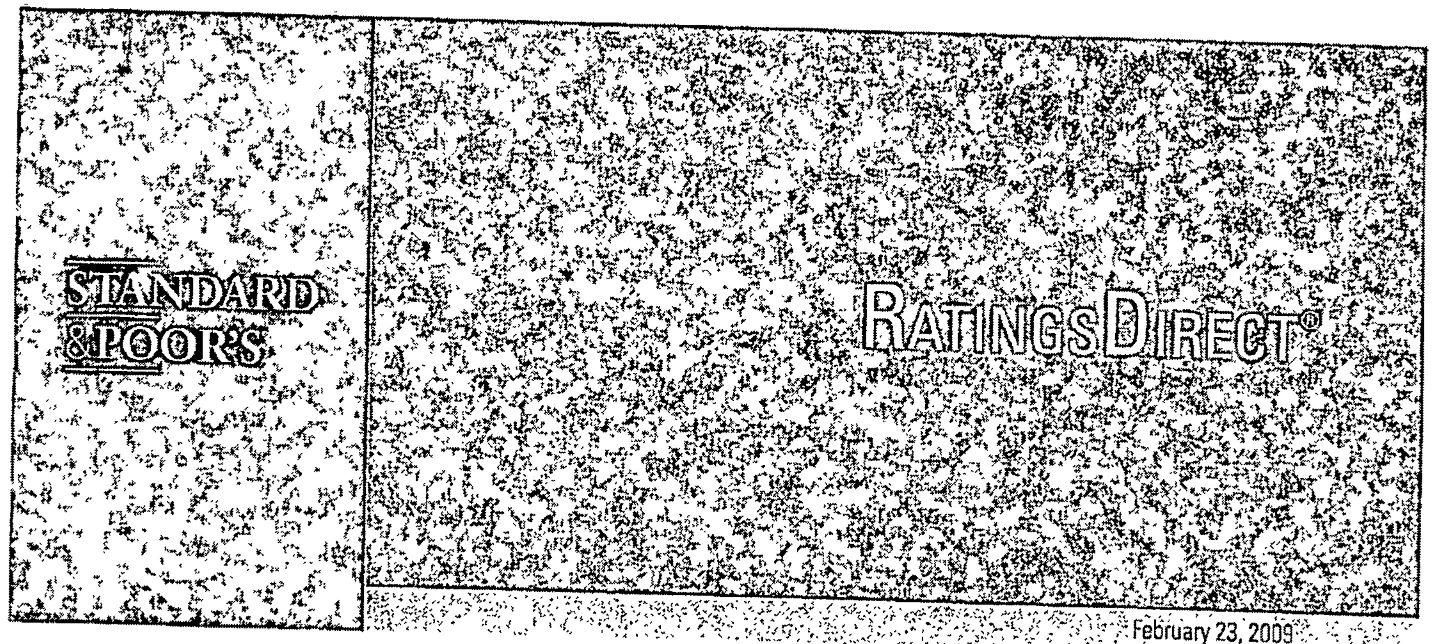

February 23, 2009

Bulletin:

Oncor Electric Delivery's $900 Mil. Goodwill Impairment Will Not Affect Ratings

Primary Credit Analyst:
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NEW YORK (Standard & Poor's) Feb. 23, 2009--Standard & Poor's Ratings Services said today that Oncor Electric Delivery Co. LLC's (BBB+/Stable/--) announced goodwill impairment of about $900 million (about 5% of Oncor's total assets) does not affect its current ratings. In computing credit metrics, Standard & Poor's backs out the entire amount of goodwill of $4.8 billion that was created upon Oncor's inception in October 2007. The goodwill impairment is the result of larger impairments occurring at Oncor's majority shareholder, Energy Future Holdings Corp., and which flow to Oncor due to purchase accounting. The impairment affects only goodwill and does not affect any of Oncor's operating assets, indicating that future cash flows should not be affected. Importantly, the impairment still leaves sufficient headroom under the debt covenant in the company's revolving credit facility, ensuring continued availability.

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Fitch Rates Oncor's Expected Sr. Secured Notes 'BBB; Outlook Stable

02 Sep 2008 4:29 PM (EDT)

Fitch Ratings-New York-02 September 2008: Fitch Ratings has assigned a 'BBB' rating to Oncor Electric Delivery Company, LLC's (Oncor) expected issuance of senior secured notes. The notes will be senior secured obligations of Oncor and rank pari passu with other secured debt. Oncor's obligations under the notes will be secured by a lien on all property acquired or constructed by Oncor for the transmission and distribution of electric energy, mortgaged under Oncor's deed of trust dated as of May 15, 2008. The lien may be released (fall-away) if all borrowings under Oncor's $2 billion secured revolving credit facility are repaid, the revolving credit facility is terminated, and there are no events of default under the indentures that govern Oncor's debt securities. Oncor's Rating Outlook is Stable.

The senior secured notes offering is expected to be split among 5-, 10- and 30-year tranches. The proceeds will be used to reduce revolving credit facility borrowings and for general corporate purposes. Oncor had $1.655 billion of revolving credit facility borrowings as of June 30, 2008. This is Oncor's first bond offering since the company was acquired by a private investor group in October 2007.

Oncor is an indirect wholly-owned subsidiary of Energy Future Holdings Corp. (formerly TXU). Oncor provides transmission services to other electricity distribution companies, cooperatives and municipalities and provides distribution services to retail electric providers (REPs) that sell power to retail customers in the north-central, eastern and western parts of Texas. For additional information, see Fitch's press release 'Oncor and Energy Future Holdings Ratings Unaffected on 20% Ownership Stake Sale' dated Aug. 13, 2008, or Fitch Credit Analysis on Oncor Electric dated Jan. 28, 2008, available on the Fitch Ratings web site at 'www.fitchratings.com.'.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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Global Credit Research
Credit Opinion
29 AUG 2008

Credit Opinion: Oncor Electric Delivery Company

Oncor Electric Delivery Company

Texas, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Sec Bank Credit Facility	Baa3
Senior Secured	Baa3
Parent: Energy Future Holding Corp.	
Outlook	Stable
Corporate Family Rating	B2
Bkd Senior Unsecured	Caa1/LGD6
Speculative Grade Liquidity	SGL-3
Dallas Power & Light Co	
Preferred Stock	NR

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Key Indicators

[1]
Oncor Electric Delivery Company

	LTM 2Q08	2007	2006	2005
(CFO Pre-W/C + Interest) / Interest Expense	3.7	3.5	3.2	3.9
(CFO Pre-W/C) / Debt	16%	15%	13%	19%
(CFO Pre-W/C - Dividends) / Debt	11%	9%	6%	19%
(CFO Pre-W/C - Dividends) / Capex	72%	66%	38%	111%
Debt / Book Capitalization	38%	37%	54%	52%
EBITA Margin %	37%	33%	34%	33%

[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

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), and Oncor is a wholly-owned subsidiary of Oncor Electric Delivery Holding Company LLC (Oncor HoldCo) which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company which is a wholly-owned subsidiary of Energy Future Holdings Corp. (EFH - B2 Corporate Family Rating (CFR) / stable outlook). For the latest twelve months ended June 2008, Oncor reported approximately $2.5 billion in revenue. Oncor is headquartered in Dallas, Texas.

Recent Developments:

On August 28, 2008, Moody's upgraded Oncor's senior secured rating to Baa3 from Ba1. The upgrade of Oncor's ratings was prompted by the recent announcement that EFH has agreed to sell an approximate 20% minority ownership stake in Oncor to an investor group led by Borealis Infrastructure Management (Borealis), an investment arm of the OMERS pension plan and GIC Special Investments (GIC). Moody's incorporates a view that the additional economic and corporate governance provisions that are expected to be incorporated into the ring-fence type structures of Oncor's existing operating agreement creates an incremental level of credit separation from its parent and affiliates beyond an already strong set of ring-fence type provisions.

Rating Rationale:

Oncor's Baa3 senior secured rating reflects an overall assessment of factors outlined in Moody's Rating Methodology for Global Electric Utilities (the Rating Methodology, published in March 2005) and, more importantly, incorporates our assessment of the ring-fence type structures that create credit separateness from its more risky parent and affiliates.

Oncor's Baa3 senior secured rating is five notches higher than its parent company's B2 CFR, reflecting the strong ring fence type provisions that have been structured into the corporate governance provisions and the additional special governance rights associated with the new minority investors.

The most important drivers of Oncor's Baa3 senior secured rating and stable outlook are as follows:

Low business and operating risk within a supportive regulatory environment

Oncor is positioned well within the Baa-rating category based on its relatively low business and operating risks and its rate-regulated revenue, earnings and cash flow. We view the Public Utility Commission of Texas' (PUCT) relatively transparent decisions and rate case procedures favorably, and we incorporate a view that Oncor will maintain a reasonably constructive relationship with the PUCT and that the PUCT would prefer to regulate a financially healthy utility. In addition, Oncor's transmission related capital investments are benefited by certain accelerated recovery mechanisms (through trackers), and it has an authorized capital structure with 40% equity / 60% debt.

Oncor's financial profile positions company within Baa-rating category

With respect to Oncor's financial profile, we note that Oncor has produced, on average, CFO of approximately $0.7 billion per year over the past 5-years which represented approximately 14% and 16% of Oncor's consolidated adjusted total debt, respectively. The adjusted total debt balances include the Aaa-rated securitization debt that was issued in 2004 as well as the other standard adjustments that Moody's applies to the reported financial statements. Over the next 3-years, Moody's believes Oncor will likely produce CFO as a percentage of adjusted total debt of approximately 15%, which will continue to position the company well within the investment grade Baa ratings category.

Ring fencing provisions are strong and will be strengthened further with special governance rights of minority investors

The sale of the minority stake is occurring at the utility Oncor, not Oncor HoldCo, and the investors will be given two (out of an expanded total of eleven) board seats at the Oncor level, but not at the Oncor HoldCo level. These board members will be provided special governance rights on the Oncor board which will be incorporated into the Oncor LLC agreement and include veto rights regarding: changes in dividend policy and an ability to block distributions; certain budget revisions in capital expenditures and O&M; certain acquisitions, and; material transactions with any EFH affiliate. In our opinion, these special governance rights strengthen an already strong set of governance provisions associated with Oncor's existing independent directors, which include a unanimous vote of the independent directors regarding amendments of certain provisions of the Oncor LLC agreement (e.g., purpose and powers of the company, certain provisions relating to the Board, most "separateness undertakings") and material actions (e.g., mergers and substantial asset transfers, initiation of insolvency proceedings, liquidation without providing for payment of all creditors).

Significant capital expenditures planned over next few years

Oncor maintains a reasonably large capital investment plan over the next few years, which includes an automatic meter reading (AMR) deployment plan (approximately $700 million estimated) and the Competitive Renewable Energy Zone (CREZ) transmission expansion plans. Moody's observes that Oncor's AMR program could create some material derivative benefits for local retail electric providers (REP's), the largest of whom is an affiliate, TXU Energy; while the CREZ investment opportunity, which is designed to bring renewable energy into the load centers could have a negative impact for Luminant. While longer-term in nature, these investment plans should eventually contribute to long-term rate base growth.

2008 PUCT rate case underway

As a condition to Oncor's 14.101 regulatory approvals associated with the EFH leveraged buyout, Oncor agreed to

file a system-wide rate case with the PUCT and the cities that have regulatory jurisdiction. Oncor has requested a $275 million rate increase based on a December 2007 test year. The rate case proceeding is currently in the discovery phase, where roughly 15 parties have filed for intervention. According to the PUCT's procedural schedule, the intervener testimony is due November 26th 2008 and hearings are expected to begin on January 13th 2009. Moody's expects a resolution of the rate case in the first half of 2009 (or sooner, if the rate case is settled). From a credit perspective, the resolution of the rate case could have some modest impact on the over-all credit profile, depending on how the expected cash flow generation of Oncor is ultimately impacted.

Corporate Governance:

Minority investors viewed as independent despite potential inter-relationships with EFH Sponsor Group

As a condition precedent to closing, Borealis cannot have a direct or indirect interest in EFH. This provision does not pertain to GIC. In addition, under the Oncor LLC Agreement, the investment vehicle's parent entity which appoints the two new board members cannot have any direct or indirect interest in EFH. However, the new minority investors also have the right to appoint one non-voting board "observer" who may participate in meetings, and appointment of the non-voting board "observer" is not restricted to a parent entity in the investment vehicle that does not have a direct or indirect interest in EFH. Given the size of the Borealis and GIC funds, Moody's believes that these investors maintain some inter-relationships with EFH's primary Sponsors and we observe that the nature and extent of those potential relationships will be difficult to ascertain. Nevertheless, from a credit perspective, Moody's will consider these board seats as independent.

Some inter-relationships remain between Oncor and affiliates

Moody's observes that, in most corporate ring fence type structures, the ring-fenced entity typically is a completely different business from the primary activities of the family. In the case of Oncor, the transmission and distribution business activities are core elements, in our opinion, to the generation and retail supply business activities of its affiliates.

There will be some existing and on-going financial relationships between Oncor and its affiliates, such as a sizeable concentration of revenue (roughly 40% - 50% of Oncor's revenues are associated with TXU Energy (Retail) but we observe these percentages have been falling). There are interest and tax expense make-whole agreements associated with the collections of transition charges to service the Aaa-rated securitization bonds, joint and severable pension exposures, nuclear decommissioning collection accounts and other corporate shared services (for example, financial reporting, consolidated tax, insurance and some human resources services). However, Moody's understands that these shared services have been steadily reduced from the services provided in the past and are currently pared down to the bare essentials. For example, Oncor has implemented its own internal audit, accounting and treasury functions.

Oncor Electric Delivery Holdings Company LLC is the most important entity when evaluating the ring fence provisions

Oncor's immediate parent, Oncor Electric Delivery Holding Company LLC (Oncor HoldCo), is the most important entity to evaluate when assessing the strength of the proposed ring fencing provisions. Oncor HoldCo is a single member LLC established under Delaware law, a significant positive for our credit separateness assessment.

Liquidity:

Oncor's liquidity appears inadequate at this time. Our liquidity assessment for the next four quarters specifically precludes any access by Oncor to the capital markets. Over the latest twelve months ended June 2008, the company generated approximately $716 million of cash from operations, incurred approximately $832 million in capital expenditures and made upstream dividend payments to its parent of roughly $285 million, resulting in a negative free cash flow position of roughly $400 million. Oncor's $2.0 billion secured revolving credit facility (expiring in October 2013) has only $350 million available as of June 2008.

As noted in prior company conference calls, Oncor is expected to enter the capital markets with proceeds used to reduce its short-term debt under the revolving credit facility. Upon the successful completion of that financing, Moody's would expect Oncor's liquidity profile to become sufficient.

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%). In addition, the bank covenant calculation currently has a significant amount of headroom cushion, largely due to the covenant's calculation definition, which includes roughly $4.5 billion of goodwill in the formula. The regulatory calculation does not incorporate goodwill. Moody's does not view Oncor as having any meaningful sources of alternate liquidity.

Financial Profile

Oncor's financial profile is reasonably typical of a lower risk electric T&D utility. Over the past several years,

revenues have slowly but steadily increased, from $2.1 billion in 2003 to $2.5 billion in 2007. Cash flow from operations (CFO) has averaged slightly more than $700 million over the past five years (2003 - 2007), was approximately $750 million in 2007 and was $716 million for the latest twelve months ended June 2008. CFO before changes in working capital (CFO pre-w/c) averaged $765 million over the past five years (2003 - 2008), was approximately $818 million in 2007 and was roughly $885 million for the latest twelve months ended June 2008.

These cash flows, which include the cash flows related to approximately $900 million of Aaa-rated securitizations bonds, support approximately $5.3 billion of total adjusted debt (which also includes the Aaa-rated securitization bonds as well as pension and operating lease adjustments). As a result, Oncor's cash flow to debt related credit metrics tend to hover in the mid-teen's range, which positions the company well within the Baa-rating category. The exclusion of the securitization debt and related cash flows would increase the credit metrics by approximately 200 basis points.

These mid-teen's cash flow credit metrics are generally in-line with a peer group of comparable Texas-based electric T&D utilities (including AEP Texas Central (Baa2 senior unsecured / negative outlook), AEP Texas North (Baa1 senior unsecured / stable outlook), CenterPoint Energy Houston Electric (Baa3 Long-Term Issuer Rating / stable outlook) and Texas New Mexico Power (Baa3 senior unsecured / negative outlook)). These peer comparables produced an average CFO pre-w/c to total adjusted debt ratio of approximately 14% over the past five years (where applicable, the securitization debt and related cash flows are included in our standard adjustments). A peer group of Texas based vertically integrated electric utilities (including El Paso Electric Company (Baa2 senior unsecured / stable outlook), Southwestern Electric Power Company (Baa1 senior unsecured / negative outlook), Southwestern Public Service Company (Baa1 senior unsecured / stable outlook) and Entergy Gulf States (Baa3 First Mortgage Bond / positive outlook)) have produced a ratio of CFO pre-w/c to adjusted total debt of approximately 20% over the past five years; while a much broader peer group of electric T&D utilities have produced 22% over the same time frame. Moody's incorporates a view that the Texas based T&D utilities have a slightly lower risk profile than the broader T&D peer group, in part because Texas T&D utilities are not exposed to any commodity or provider of last resort risk.

Oncor's approximately $15.5 billion of total consolidated assets ranks the utility as one of the larger electric T&D companies in the sector, but we observe that the assets increased by roughly $4.6 billion in 2007, primarily as a result of the goodwill associated with EFH's leveraged buyout purchase accounting adjustments. Oncor's rate base is approaching $8 billion.

Rating Outlook:

The stable rating outlook reflects the strong business and operating position of Oncor as a rate-regulated T&D utility in Texas and its ability to generate cash flow credit metrics of approximately 3.0x interest and mid-to high teen's as a ratio of adjusted total debt. The outlook also incorporates our view that Oncor's independent directors and new minority investors will act in the best interests of Oncor and that the minority sale will close over the near-term.

What Could Change the Rating - Up

Ratings could be upgraded with the continued production of key financial credit ratios, such as the ratio of CFO pre w/c to total adjusted debt in the mid to high-teen's and CFO pre-w/c interest coverage over 3.5x; the continued development in establishing credit separateness with its parent and affiliates with respect to shared services; 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 agreement to sell a minority stake to Borealis and GIC fell through; 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 adjusted debt declined to around 10% for an extended period; if the regulatory / political environment were to take on a contentious atmosphere, or if the board of director's began to implement corporate strategies or behave in a manner which is perceived to be counter to the best long-term interests of Oncor.

Rating Factors

Oncor Electric Delivery Company

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	Medium	Low	Medium	Low	Medium	Low	Medium	Low
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-	2.7-5.0	2-4.0	<2.5	<2

				5.7				
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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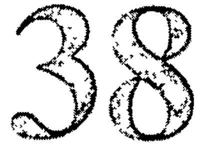

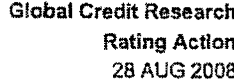

Global Credit Research
Rating Action
28 AUG 2008

Rating Action: Oncor Electric Delivery Company

Moody's upgrades Oncor's debt ratings

Approximately $5.0 billion of debt securities affected

New York, August 28, 2008 -- Moody's Investors Service upgraded the senior secured debt ratings of Oncor Electric Delivery LLC (Oncor) to Baa3 from Ba1. The rating outlook remains stable. The Ba1 Corporate Family Rating, Ba2 Probability of Default rating and SGL-2 Speculative Grade Liquidity rating have been withdrawn. Oncor is a wholly owned subsidiary of Energy Future Holdings Corp. (EFH, B2 Corporate Family Rating / stable outlook).

The upgrade of Oncor's ratings is prompted by the recent announcement that EFH has agreed to sell an approximate 20% minority ownership stake in Oncor to an investor group led by Borealis Infrastructure Management (Borealis), an investment arm of the OMERS pension plan and GIC Special Investments (GIC). Moody's incorporates a view that the additional economic and corporate governance provisions that are expected to be incorporated into the ring-fence type structures of Oncor's existing operating agreement creates an incremental level of credit separation from its parent and affiliates beyond an already strong set of ring-fence type provisions. The transaction is expected to close in the fourth quarter 2008.

Ratings upgraded include:

Oncor's senior secured debt; to Baa3 from Ba1.

Concurrently, Moody's has withdrawn the following ratings for Oncor:

Corporate Family Rating of Ba1;

Probability-of-Default Rating of Ba2;

Speculative Grade Liquidity rating of SGL-2.

In addition, all of Oncor's Loss-Given-Default (LGD) assessments have been withdrawn.

Oncor Electric Delivery Company LLC is a regulated electric transmission and distribution utility company headquartered in Dallas, Texas and is a wholly-owned subsidiary of Energy Future Holdings Corp.

Upgrades:

..Issuer: Oncor Electric Delivery Company

....Senior Secured Bank Credit Facility, Upgraded to Baa3 from Ba1

....Senior Secured Regular Bond/Debenture, Upgraded to Baa3 from Ba1

Withdrawals:

..Issuer: Oncor Electric Delivery Company

....Probability of Default Rating, Withdrawn, previously rated Ba2

....Speculative Grade Liquidity Rating, Withdrawn, previously rated SGL-2

....Corporate Family Rating, Withdrawn, previously rated Ba1

....Senior Secured Bank Credit Facility, Withdrawn, previously rated 34 - LGD3

....Senior Secured Regular Bond/Debenture, Withdrawn, previously rated 34 - LGD3

....Senior Unsecured Sec. Lease Oblig. Bond, Withdrawn, previously rated 91 - LGD6

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FITCH: ONCOR & ENERGY FUTURE HOLDING RATINGS UNAFFECTED ON 20% OWNERSHIP STAKE SALE

Fitch Ratings-New York-13 August 2008: Energy Future Holding's (EFH) announcement that it has agreed to sell an approximate 20% ownership interest in Oncor Electric Delivery Co., LLC (Oncor) will not affect the ratings or Rating Outlook of Oncor or EFH, according to Fitch Ratings.

Fitch currently rates the following entities with a Stable Outlook:

Oncor
--IDR 'BBB-'.

EFH (formerly TXU Corp.)
--IDR 'B'.

The announced transaction price is approximately $1.254 billion for an approximate 19.75% minority interest. The buyer is an investment group led by Borealis Infrastructure Management that includes large Canadian pension plans, the Singapore government investment company, and others. Closing the transaction is subject to review by the Committee on Foreign Investment in the United States; in the unlikely case the transaction fails to close, there would be no impact on Fitch's ratings.

Fitch's existing ratings of Oncor already reflect ring-fencing mechanisms put in place in connection with the leveraged buy-out (LBO) of TXU Corporation by private investors on Oct. 10, 2007, which insulate Oncor effectively from the lower credit of its highly levered parent, EFH. In Fitch's view, effective ring fences combine meaningful regulatory orders, contractual limits in financing arrangements, and appropriate management policies, and Oncor's arrangements already included mechanisms of all three types.

The Public Utility Commission of Texas (PUCT) required Oncor to limit its dividends payments to amounts no greater than net income through 2012 in addition to Oncor's previous voluntary commitment to pay no common dividends if its ratio of long-term debt-to-capital exceeds its authorized ratio (currently 60%) as calculated for regulatory purposes, or if Oncor's board of directors determined the dividend payment would not be in Oncor's best interest. Oncor also agreed to appoint independent directors and implement other separation mechanisms, such as maintaining separate books, records and corporate identity and to limit upstream dividends to cumulative net income since the 2007 transaction date. Contractual ring-fencing provisions include a maximum 65% total debt-to-capital covenant in Oncor's $2 billion, six-year revolving credit facility.

While the Oncor ring fencing is sufficient in Fitch's view to retain low investment-grade ratings, it is imperfect; rating linkage stems from shared tax filings, pension and operational linkage with the leveraged EFH group which will continue not withstanding the sale of a minority ownership interest. If the credit quality of EFH or affiliated energy provider Texas Competitive Electric Holding were to deteriorate, the operating and financial rating linkages could result in reduced or less favorable capital market access for Oncor, leading to potential adverse changes in Oncor's ratings.

Oncor did not take on debt to finance the LBO, and standalone credit metrics at Oncor remain consistent with investment-grade ratings for a utility with low business risk. Fitch upgraded Oncor's senior notes and debentures to 'BBB' from 'BBB-' on May 12, 2008 when they were elevated to secured status with a perfected lien upon Oncor's physical assets.

Assuming that the majority of the cash proceeds from the transaction will be retained by EFH to finance growth and capital investments in other EFH businesses or reduce short-term debt, the credit implications for EFH are neutral.

EFH is a diversified energy holding company with a portfolio of competitive and regulated energy businesses in Texas. Oncor, an 80%-owned entity within the EFH group, is the largest regulated transmission and distribution utility in Texas. The company delivers electricity to approximately three million delivery points in and around Dallas-Fort Worth.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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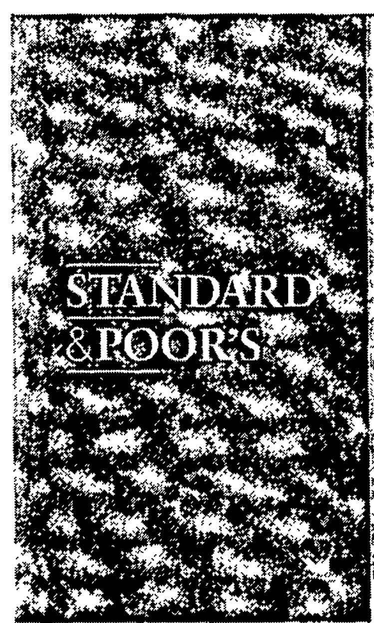

RATINGSDIRECT®

August 13, 2008

Research Update:

Oncor Electric Delivery Upgraded To 'BBB+', Off Watch On Planned Sale Of Company's 20% Share

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Research Update:

Oncor Electric Delivery Upgraded To 'BBB+', Off Watch On Planned Sale Of Company's 20% Share

Rationale

On Aug. 13, 2008, Standard & Poor's Ratings Services raised the corporate credit rating on Oncor Electric Delivery Company LLC to 'BBB+' from 'BBB-' and removed the rating from CreditWatch with developing implications were it was placed on Oct. 9, 2007. The outlook is stable. Standard & Poor's also raised Oncor's senior secured debt ratings to 'BBB+' from 'BBB-'.

The rating actions reflect the decision of Energy Future Holdings Corp. (EFH; B-/Stable/--), the indirect parent of Oncor, to sell approximately 20% of Oncor to third parties. The sale is to be accomplished under certain terms that would give the new equity owners sufficient rights to protect Oncor against an EFH bankruptcy or EFH actions that could hurt Oncor's credit quality. As a result, the ratings on Oncor are determined on a standalone basis and reflect that EFH will not be able to adversely influence Oncor, despite its majority ownership. Additional commitments such as Oncor's agreement with the regulators to maintain a specific financial profile of 60% debt and 40% equity and a limitation on distributions enable Standard & Poor's to de-link Oncor's ratings from EFH's.

Under the proposed ownership structure, Oncor will be owned 80.03% by Oncor Electric Delivery Holdings Co LLC, a ring-fenced, indirectly wholly owned subsidiary of EFH, and 19.75% by a consortium of investors including primarily OMERS Administration Corporation, acting through its infrastructure investment arm, Borealis Infrastructure Management Inc., and the Government of Singapore Investment Corporation Pte Ltd, acting through its private equity arm, GIC Special Investments Pte Ltd. The balance will be owned by certain members of Oncor's management team.

Oncor will be managed by an 11-member board: with two directors appointed by EFH, two appointed by the new equity owner that will not have any direct or indirect equity ownership interest in EFH or its parent as of the close of the transaction, one director who will be an officer of the company, and six independent directors. All of the independent directors meet New York Stock Exchange independence requirements with at least two required to meet Standard & Poor's independence requirements. Currently, all six independent directors meet Standard & Poor's requirements.

Standard & Poor's views the Oncor ownership structure as supporting credit quality, given the right of the new equity investors to prevent actions by EFH that could harm Oncor. Most decisions require a majority vote by the board of directors with certain undertakings also requiring the consent of the new equity owners, as long as the equity investors own at least 10% of the equity of Oncor, including:

- Consolidating/merging Oncor into EFH or its non-ring-fenced subsidiaries,

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or into an entity where Oncor is not the surviving entity,

- Sale of all, or substantially all, of Oncor assets without adequate provision for payment of all creditors,
- Institution or consent to bankruptcy proceedings,
- Dissolution or liquidation of Oncor without adequate payment of all creditors,
- Amendment or modification of the current dividend policy,
- Amendment of certain provisions in the LLC agreement, including changes in the nature of the business, governance structure, existing agreements between Oncor and EFH, and bankruptcy remoteness provisions,
- Approval of the budget if it declines more than 10% from the prior year,
- Approval of all material agreements with EFH, its subsidiaries, and its equity sponsors,
- Approval of material acquisitions or investments by Oncor whose value exceeds $1.5 billion outside the state of Texas,
- Ability to prevent Oncor from making any distribution if it is determined that it is in the best interests of Oncor to retain such funds for future corporate use.

The conditions listed before are supplemented by the following rights that require the consent of all the directors present and voting at a board meeting as well as the consent of all the independent directors:

- Consolidating/merging Oncor into EFH or its non-ring-fenced subsidiaries, or into an entity where Oncor is not the surviving entity,
- Sale of all or substantially all of Oncor assets without adequate provision for payment of all creditors,
- Instituting or consenting to bankruptcy proceedings,
- Dissolving or liquidating Oncor without adequate payment of creditors.

Oncor has an excellent business risk profile characterized by low operating risk regulated electric transmission and distribution operations, serving customers in north-central, eastern and western parts of Texas. The company only delivers electricity and has no commodity exposure. In June 2008, Oncor filed a new rate case requesting an increase in base rates of $275 million. The filing was in connection with Public Utility Commission of Texas (PUCT) review of the acquisition of the predecessor company, TXU, by the group of private investors. As of March 31, 2008, Oncor had $4.265 billion of debt outstanding, excluding any securitized debt. Oncor's financial risk profile is aggressive, characterized with adjusted funds from operations (FFO) interest coverage of 3.7x, adjusted FFO to total debt of 16.8% and adjusted debt leverage of 60.8% as of March 31, 2008. The financial risk profile may come under pressure if capital spending is not recovered on a timely basis.

Liquidity

Oncor's liquidity needs are met through internal cash flow generation and a secured $2 billion revolving credit which had unused capacity of $580 million as of March 31, 2008, with amounts outstanding largely supporting debt maturities and capital expenditures. The revolving credit facility is secured on a pari passu basis with the company's existing debt obligations that total $2.85 billion and exclude any securitized debt. The security is eligible to fall away if the credit facility is retired. The company's current rate case,

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filed in June 2008, could result in lower cash flow if the outcome is unfavorable.

Outlook

The stable outlook reflects Oncor's focus on electric transmission and distribution operations that should generate cash flow with little volatility, the company's attractive service territory and generally favorable regulatory provisions that should provide for timely recovery of investments. Oncor is expected to participate in the planned investment in the Competitive Renewable Energy Zone transmission program recently approved by the PUCT. Should Oncor experience financial stress as a result of lower customer growth and demand or the adoption of a rapid capital spending program that prevents timely cost recovery causing adjusted FFO interest coverage to decline to below 3.0x, adjusted FFO to total debt to decline to below 15% and debt leverage to materially exceed 60%, the outlook could be revised to negative and/or ratings lowered. A higher rating is currently not under consideration given the company's proposed capitalization and significant capital spending needs.

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
Oncor Electric Delivery Co. LLC		
Corporate Credit Rating	BBB+/Stable/--	BBB-/Watch Dev/--
Senior Secured (5 issues)	BBB+	BBB-/Watch Dev
Senior Unsecured (1 issue)	BBB+	BBB-/Watch Dev

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