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PROJECT NO. 29172
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**INTERIM TRUE-UP FILING OF
ONCOR ELECTRIC DELIVERY
COMPANY**

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**BEFORE THE
PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
OF TEXAS**

**INTERIM TRUE-UP FILING
OF ONCOR ELECTRIC DELIVERY COMPANY**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW Oncor Electric Delivery Company (“Oncor” or “Company”), and files this its Interim True-Up Filing, and would respectfully show the following:

I. Nature of Filing

Oncor is an electric utility as that term is defined in Section 31.002(a) of Public Utility Regulatory Act (“PURA”), Tex. Util. Code Title 2. Oncor is making this Interim True-up Filing as the servicer of Transition Bonds issued pursuant to the Financing Order entered by the Public Utility Commission on August 5, 2002, in Docket No. 25230, *Joint Application for Approval of Stipulation Regarding TXU Electric Company Transition to Competition Issues* (the “Financing Order”). Oncor makes this filing on behalf of (i) Oncor Electric Delivery Transition Bond Company LLC, the Issuer of Transition Bonds pursuant to the Financing Order, (ii) itself, as the current servicer of the Transition Bonds, and (iii) any successor servicer, which may include any successors and assigns that on a future date provide transmission and distribution service directly to customers taking service at facilities, premises or loads located within Oncor’s service area as of May 1, 1999.

II. Authorized Representatives

Oncor’s authorized representatives for this filing are:

Mike Sherburne
Electric Rates Manager
TXU Business Services Company
Energy Plaza
1601 Bryan Street, Suite 32-100
Dallas, Texas 75201
Phone: (214)-812-4981
Facsimile: (214) 812-3201
email: mike.sherburne@txu.com

and

Howard V. Fisher, Esq.
Hunton & Williams LLP
Energy Plaza
1601 Bryan Street, 30th Floor
Dallas, Texas 75201
Phone: (214)-979-3026
Facsimile: (214) 880-0011
email: hfisher@hunton.com

III. Jurisdiction

The Commission has jurisdiction over this Interim True-Up Filing pursuant to PURA §§39.303 and 39.307. This filing is being made pursuant to Findings of Fact Nos. 94, 95 and 100, and Ordering Paragraph No. 11, of the Financing Order. This Interim True-Up Filing will affect amounts billed for energy consumption and demand of retail customers taking retail transmission and/or distribution service from Oncor in the certificated service area of TXU Electric Company, Oncor's predecessor integrated utility company, as of May 1, 1999.

IV. Reason for Filing

On August 5, 2002, the Commission approved the Financing Order, which authorized the issuance of an initial series of Transition Bonds in an amount not to exceed \$500,000,000, and the recovery of costs associated with such series of bonds. Oncor issued \$500,000,000 of Transition Bonds (the "Series 2003-1 Bonds") pursuant to the Financing Order on August 21, 2003, and began billing transition charges for the Series 2003-1 Bonds on August 28, 2003.

The Financing Order provides that retail electric customers must pay the principal, interest and related costs of each series of Transition Bonds through transition charges ("TCs"), pursuant to the form of tariff approved in the Financing Order. The Financing Order establishes how the annual costs permitted to be recovered through TC rates are allocated among the various TC customer classes (as defined in the Financing Order).

Financing Order Finding of Fact No. 94 provides that, in addition to annual true-ups: true-up adjustments may be made by the servicer more frequently at any time during the term of the transition bonds to correct any undercollection or overcollection, as provided for in this Financing Order, based on rating agency and bondholder considerations.

Since the implementation of TCs, Oncor has experienced lower than projected sales. This, of course, has resulted in a lower level of TC collections than had been projected. Oncor has

recently revised its sales projection, and projects that, if the TC rates are not increased, it will barely be able to make its scheduled payment of \$25,892,895 in expenses, interest, and principal due on August 16, 2004. In particular, in addition to the August 16, 2004 payment, Oncor has a payment due on February 16, 2004, of \$18,456,447. In total, Oncor must make payments totaling \$44,349,342 by August 16, 2004. Oncor estimates that by the end of July 2004 it will collect a total of \$41,887,230 in TCs. Pursuant to the terms of the Financing Order, there is \$2.5 million in the Capital Subaccount that can be used to meet shortfalls in TC collections. Thus, Oncor projects that it will have a total of \$44,387,230 available in order to meet total payment obligations of \$44,349,342 through August 16, 2004. *See* Attachment A, page 1. Thus, Oncor projects it will have to use all but \$37,888 of its Capital Subaccount in order to make the August 16, 2004 payment. Considering the likelihood that, as with all forecasts, actual usage will be different than that forecast, should actual usage be lower than that forecast due to mild weather or lower than projected growth, or should actual collections be lower than forecast, then Oncor will be unable to make the August 16, 2004 payment in full, contrary to the expectation of bondholders that all payments will be made in full on a timely basis. Pursuant to the authority granted in Financing Order Finding of Fact No. 94 to make interim true-up filings based upon bondholder considerations, Oncor has made this Interim True-Up Filing to ensure that it will have sufficient funds to make the full payment due on August 16, 2004, and replenish the Capital Subaccount to its required minimum balance.

V. Adjustment to TC Rates

Attachment A, pages 2 and 3 provide the calculation of the new TC rates for each customer class. The total amount to be collected by the revised TC rates was determined by taking the amount of the August 2004 payment, plus the amount of the shortfall that is forecasted, and reducing it by the amount of TCs projected to be collected in February 2004. *See* Attachment A, p. 2. This amount was then increased by the charge-off factor, producing a total amount of \$24,055,578 to be collected to meet the August 2004 payment and replenish the Capital Account to its required minimum balance of \$2.5 million. This total amount was then allocated to the TC regulatory asset recovery classes using the allocators approved in the Financing Order. *See* Attachment A, p. 3. These amounts were then divided by the relevant billing units for each recovery class for the February through June 2004 billing cycles, using the

new forecast data. The new TC rates should provide for collections in an amount that will meet the total February and August 2004 payments and replenish the Capital Subaccount to its required minimum balance of \$2.5 million.

Attachment B consists of the revised tariff sheets containing the increased TC rates to be applied to the various retail customer classes beginning with the February 2004 billing cycle.

Finding of Fact No. 100 of the Financing Order provides that any Interim True-Up adjustment filed with the Commission will be effective immediately upon filing. Finding of Fact No. 100 also provides that the Commission will have 15 days after the date of an Interim True-up filing in which to confirm the mathematical accuracy of the proposed adjustment to the TCs. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment or otherwise, will be made in future true-up adjustment filings.

Respectfully submitted,

Hunton & Williams LLP

Howard V. Fisher
State Bar No. 07051500
Energy Plaza
1601 Bryan Street, 30th Floor
Dallas, Texas 75201-3402
(214) 979-3000
(214) 880-0011 (fax)

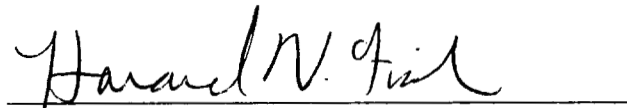
By:



Attorneys For
Oncor Electric Delivery Company

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing has been hand delivered or sent via first class United States mail, postage prepaid, to the Public Utility Commission of Texas and the Office of Public Utility Counsel on this the 15th day of January, 2004.



ATTACHMENT A

ONCOR ELECTRIC DELIVERY COMPANY

**TRANSITION CHARGE
INTERIM TRUE-UP
FEBRUARY 2004 BILLING CYCLE**

	Projected Billed Amounts Sep-Dec (Old Forecast) Jan-Jun (New Forecast) <u>Existing Factors</u>	Actual/ Projected Billed Amount*	Actual/ Projected Collections Amount**
Sep 03	\$5,548,620	\$4,940,568	\$0
Oct	\$4,708,475	\$4,136,454	\$4,094,032
Nov	\$4,063,436	\$3,824,578	\$3,757,376
Dec	\$4,369,233	\$3,975,651	\$4,123,078
Jan 04	\$4,528,610	\$4,528,610	\$3,953,952
Feb	\$4,432,352	\$4,432,352	\$4,428,631
Mar	\$4,266,719	\$4,266,719	\$4,422,096
Apr	\$3,849,997	\$3,849,997	\$4,267,215
May	\$3,930,260	\$3,930,260	\$3,888,423
Jun	\$4,520,719	\$4,520,719	\$3,897,631
Jul			\$4,412,403
Aug			\$642,394
Total	<u>\$44,218,421</u>	<u>\$42,405,908</u>	<u>\$41,887,230</u>
February 16 Payment			\$18,456,447
August 16 Payment			\$25,892,895
Total Undercollected			(\$2,462,112)

*Actual through December 2003. Projections for January 2004 and beyond based on new forecast.

**Actual through December 2003. January 2004 amount based on November and December 2003 Actual Billing. Projections for February 2004 and beyond based on new forecast.

ONCOR ELECTRIC DELIVERY COMPANY

**TRANSITION CHARGE
INTERIM TRUE-UP
FEBRUARY 2004 BILLING CYCLE
WORKSHEET**

\$25,892,895	Amount to be paid as principal, interest, and expenses on August 16, 2004
<u>\$2,462,112</u>	Estimated Amount of Shortfall (see page 1)
\$28,355,007	Total Including Shortfall
<u>(\$4,428,631)</u>	February 2004 TC Collections Outstanding (Billed at current TC rates) (Net of Charge-off)
\$23,926,376	Total to be collected by July 31, 2004
<u>0.54%</u>	Charge-off Factor
<u>\$24,055,578</u>	Revenue Requirement for Rate Calculation

ONCOR ELECTRIC DELIVERY COMPANY

**TRANSITION CHARGE
INTERIM TRUE-UP
FEBRUARY 2004 BILLING CYCLE**

Class	Estimated Billing Units		Charge \$/kW or \$/kWh	\$
	kW	kWh		
Residential		13,963,091,000	0.000712	\$9,941,721
General Service Secondary				10,738,281
Rate GSS		494,136,000	0.000655	323,659
Rate GSL*	55,992,593		0.186	10,414,622
General Service Primary				1,416,073
Rate GPS		11,708,000	0.000442	5,175
Rate GPL*	7,019,393		0.201	1,410,898
Lighting Service		209,475,000	0.000785	164,438
High Voltage*	4,880,838		0.137	668,675
Instantaneous Interruptible*	6,077,369		0.074	449,725
Noticed Interruptible*	5,012,372		0.135	676,670
TOTAL				\$24,055,583 **

*The proposed charge is based on a per kW charge. All other charges are based on a per kWh charge.

**The revenue requirement of \$24,055,578 (from page 2) was allocated to the classes based on the following order:

Docket No. 25230 - Financing Order

Finding of Fact No. 90

Residential	41.27050%
General Service - Secondary	44.73230%
General Service - Primary	5.89820%
High Voltage Service	2.78750%
Lighting Service	0.68360%
Instantaneous Interruptible	1.85680%
Noticed Interruptible	2.77110%
Total	100.00000%

ATTACHMENT B

**Tariff for Retail Delivery Service
Oncor Electric Delivery Company**

6.1.1 Delivery System Charges

Applicable: Excludes Certified Service Area previously served by TXU SESCO

Effective Date: January 28, 2004

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6.1.1.7 - Rider TC - Transition Charge

APPLICATION

Applicable, pursuant to Subchapter G, of Chapter 39 of the Public Utility Regulatory Act (PURA), to all existing or future retail customers taking transmission and/or distribution service from the Company and to the facilities, premises, and loads of those retail customers, within the Company's geographical certificated service area as it existed on May 1, 1999. This schedule also applies to:

1. Retail customers taking service at facilities, premises, or loads located within the Company's geographical service area as it existed on May 1, 1999 who are not presently receiving transmission and/or distribution service from the Company, but whose present facilities, premises, or loads received transmission and/or distribution service from the Company at any time on or after May 1, 1999 when a request to change service to another utility was not pending.
2. Retail customers whose load is served by New On-site Generation (NOSG) as defined by P.U.C. SUBST. R. 25.342(c)(1).
3. Public retail customers located within the service area who purchase power from the General Land Office under PURA § 35.102.

Beginning on the first billing cycle after the issuance of transition bonds issued to recover the Company's regulatory assets and other qualified costs and continuing until the date customer choice begins in the power region in which the Company is located, there is recorded in a separate account, for that purpose, an amount equal to the amount collected by the application of this rate to be used to repay the principal and interest and ongoing fees and expenses on the transition bonds. After customer choice begins in the power region in which the Company is located, the amount calculated pursuant to this rate will be billed to retail electric providers (REP) based on individual retail customer consumption.

METHOD OF CALCULATION

- (a) For all retail customers on each retail rate schedule.

The transition charge is calculated for each regulatory asset recovery class by the application of a Transition Charge Factor, determined in accordance with the following formula*:

Transition Charge Factor (TCF) = $[(TC \cdot RAAF) + A] / K$, where:

TC = Total Recovery Amount corresponding to the length of the Recovery Period is an amount necessary to recover the principal and interest and ongoing fees and expenses associated with the bonds, debentures, notes, certificates of participation or of beneficial interest, or other evidence of indebtedness or ownership that are issued by the Company, its successors, or an assignee under a Public Utility Commission of Texas approved financing order.

RAAF = Regulatory Asset Allocation Factor for each class as shown in the table below.

A = True-up amount for each regulatory asset recovery class as contained in a notification filed with the Commission under PURA § 39.003, subject to Commission review within 15 days of filing.

K = The Company's most current estimated kWh or kW sales by regulatory asset recovery class for the length of the Recovery Period as contained in a notification filed with the Commission under PURA § 39.003, subject to Commission review within 15 days of filing.

*For the General Service Secondary and General Service Primary classes, the two-step procedure described in the Financing Order for Docket No. 21527 will be used to calculate a TCF in \$/kWh for non-demand metered customers and a TCF in \$/kW for demand-metered customers.

For the purpose of this formula, Recovery Period means, pursuant to PURA § 39.307, a period not to exceed 12 months.

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- (b) Regulatory Asset Allocation Factors (RAAF) and associated Transition Charge Factors for each regulatory asset recovery class are as follows:

Regulatory Asset Recovery Class	Rate Schedule	Regulatory Asset Allocation Factor (RAAF)	Transition Charge Factors (TCF)
Residential Service	R, RLU, RTU, RTU1, RTU1-M, RRE	0.412705	See Page 7 of 7
General Service Secondary	GS, S-Sec, GSR, MS, MP-Sec GTU-Sec, GTU-M-Sec, RTP-Sec, GC-Sec, and all riders excluding Interruptible	0.447323	See Page 7 of 7
General Service Primary	GP, S-Pri, GPR, MS-Pri, MP-Pri, GTU-Pri, GTU-M-Pri, RTP-Pri, GC-Pri, and all riders excluding interruptible	0.058982	See Page 7 of 7
High Voltage Service	HV, S-Tran, HVR, GTU-Tran GTU-M-Tran, RTP-Tran, GC-Tran, and all riders excluding interruptible	0.027875	See Page 7 of 7
Lighting Service	OL, SL, SL-Pri	0.006836	See Page 7 of 7
Instantaneous Interruptible	GSI, GPI, HVI, SSI, SPI, STI, GSRTPI1, GSRTPI1M, GSRTPID, GPRTP11, GPRTP1M, GPRTPID, HVRI, HVRTPI1M, HVRTPID, and applicable riders	0.018568	See Page 7 of 7
Noticed Interruptible	GSNI, GSNB, GPNI, GPNB, HVNI, NVNB, GTUC-Sec, GTUC-Pri, GTUC-Tran, GTUC-M-Sec, GTUC-M-Pri, GTUC-M-Tran, GSRTPN1, GPRTPN1, HVRTPN1, and applicable riders.	0.027711	See Page 7 of 7

Should any of the Regulatory Asset Recovery Classes cease to have any customers, the Regulatory Asset Allocation Factor will be adjusted proportionately such that the total RAAF equals 1.000.

For Rate S and Rider SI customers, the transition charge will be a pro-rated daily demand charge based on the otherwise applicable non-standby transition charge.

- (a) The Transition Charge Amount for each customer is determined by multiplying the applicable Transition Charge Factor (TCF) by the customer's kWh or kW usage in the billing month. The Transition Charge Amount for each customer is determined to the nearest whole cent.
- (b) Each customer receiving service on or before May 1, 1999 will be assigned to the specific Regulatory Asset Recovery Class associated with the principal rate schedule under which a majority of the customer's service was provided on May 1, 1999, and shall remain in said Regulatory Asset Recovery Class until customer ceases receiving regulated service from TXU Electric, except as provided for in PURA § 39.252(b)(1) and (c).
- (c) Any customer not previously served by TXU Electric and initiating service after May 1, 1999 and prior to January 1, 2002, will be assigned to the specific Regulatory Asset Recovery Class associated with the principal rate schedule under which a majority of the customer's service was initially provided and shall remain in said Regulatory Asset Recovery Class until customer ceases receiving regulated service from TXU Electric, except as provided for in PURA § 39.252(b)(1) and (c).
- (d) Each customer initiating service on or after January 1, 2002, will be assigned to a specific Regulatory Asset Recovery Class on the basis of the principal rate schedule under which the majority of the customer's load would have been served as of May 1, 1999.

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NON-STANDARD TRUE-UP PROCEDURE

In the event that the forecasted billing units for one or more of the Transition Charge customer classes for an upcoming period decreases by more than 10% of the billing units from the 12 months ending April 30, 1999, the Servicer shall make a non-standard true-up filing at least 90 days before the date of the next true-up adjustment. The true-up shall be conducted in the following manner. The Servicer shall:

- (a) allocate the upcoming period's Periodic Billing Requirement based on the Raffs approved in the Financing Order;
- (b) calculate undercollections or overcollections from the preceding period in each class;
- (c) sum the amounts allocated to each customer class in steps (a) and (b) above to determine an adjusted Periodic Billing Requirement for each customer class;
- (d) divide the Periodic Billing Requirement for each customer class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the threshold rate;
- (e) multiply the threshold rate by the forecasted billing units for each class to determine the expected collections under the threshold rate;
- (f) allocate the difference in the adjusted Periodic Billing Requirement and the expected collections calculated in step (e) among the transition charge customer classes using the RAAFs approved in this Financing Order;
- (g) add the amount allocated to each class in step (f) above to the expected collection amount by class calculated in step (e) above to determine the final Periodic Billing Requirement for each class; and
- (h) divide the final Periodic Billing Requirement for each class by the forecasted billing units to determine the transition charge rate by class for the upcoming period. For the General Service Secondary and General Service Primary classes, the two-step procedure described in the Financing Order for Docket No. 21527 will be used to calculate a TCF in \$/kWh for non-demand-metered customers and a TCF in \$/kW for demand-metered customers.

A proceeding for the purpose of approving a non-standard true-up should be conducted in the following manner:

- (a) The servicer will make a "non-standard true-up filing" with the Commission at least 90 days before the date of the proposed true-up adjustment. The filing will contain the proposed changes to the transition charge rates, justification for such changes as necessary to specifically address the cause(s) of the proposed non-standard true-up, and a statement of the proposed true-up date.
- (b) Concurrently with the filing of the non-standard true-up with the Commission, the servicer will notify all parties in Docket No. 21527 of the filing of the proposal for a non-standard true-up.
- (c) The servicer will issue appropriate notice and the Commission will conduct a contested case proceeding on the non-standard true-up proposal pursuant to PURA § 39.003.

The scope of the proceeding will be limited to determining whether the proposed adjustment complies with this Financing Order. The Commission will issue a final order by the proposed true-up adjustment date stated in the non-standard true-up filing. In the event that the Commission cannot issue an order by that date, the servicer will be permitted to implement its proposed changes. Any modifications subsequently ordered by the Commission will be made by the servicer in the next true-up filing.

BILLING AND COLLECTION

The billing and collection of TC Rates may differ as set forth in this schedule. The terms and conditions for each party are set forth below:

1) Billing and Collection Prior to Customer Choice

A. Billing by the Servicer to end-use customers:

1. Applicable to consumption of all current retail customers.
2. Payment terms identical to present retail rates.
3. Right to terminate for non-payment pursuant to P.U.C. SUBST. R. 25.28 and 25.29, or any successor rule(s).

B. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

1. Applicable to former retail customers of the Company in multiply-certificated service areas now taking service from other utilities or cooperatives, if the customer did not have a request to switch service pending as of May 1, 1999.

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2. Charges subject to this tariff must be paid in full by the other utility or cooperative to the Servicer 16 days after billing by the Servicer regardless of whether the utility or cooperative collects such charges from the end-use retail customer.

C. Billings by Servicer to Non-eligible Self-generation (NESG):

1. Applicable to end use consumption served by on-site non-eligible self-generation.
2. Payment terms pursuant to the Commission's rules.
3. Right to terminate for non-payment pursuant to P.U.C. SUBST. R. 25.28 and 25.29, or any successor rule(s).

2) Billing and Collection Subsequent to Customer Choice

A. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

1. Applicable to former retail customers of the Company in multiply-certificated service areas now taking service from other utilities or cooperatives.
2. Charges subject to this tariff must be paid in full by the other electric utility or cooperative to the Servicer 35 days after billing by the Servicer regardless of whether the utility or cooperative collects such charges from the end-use retail customer.

B. Billings by Servicer to NESG:

1. Applicable to end-use consumption served by on-site non-eligible self generation.
2. Payment terms pursuant to the Commission's rules.
3. Right to terminate for non-payment pursuant to the Commission's rules.

C. Billings by the REP or its Replacement to End-Use Customers:

1. Applicable to consumption of all retail end-use customers served by the REP for which TCs apply, including applicable former customers and NESG, under the following conditions:
2. REPs shall provide the Servicer with full and timely information necessary to provide proper reporting and for billing and true-up adjustments.
3. Each REP must (1) have a long-term, unsecured credit rating of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively, or (2) provide (A) a deposit of two months' maximum expected Transition Charge collections in the form of cash, (B) an affiliate guarantee, surety bond, or letter of credit providing for payment of such amount of Transition Charge collections in the event that the REP defaults in its payment obligations, or (C) a combination of any of the foregoing. A REP that does not have or maintain the requisite long-term, unsecured credit rating may select which alternate form of deposit, credit support, or combination thereof it will utilize, in its sole discretion. The Indenture Trustee shall be the beneficiary of any affiliate guarantee, surety bond or letter of credit. The provider of any affiliate guarantee, surety bond, or letter of credit must have and maintain a long-term, unsecured credit ratings of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively.
4. If the long-term, unsecured credit rating from either Standard & Poor's or Moody's Investors Service of a REP that did not previously provide the alternate form of deposit, credit support, or combination thereof or of any provider of an affiliate guarantee, surety bond, or letter of credit is suspended, withdrawn, or downgraded below "BBB-" or "Baa3" (or the equivalent), the REP must provide the alternate form of deposit, credit support, or combination thereof, or new forms thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal, or downgrade. A REP failing to make such provision must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable).
5. The computation of the size of a required deposit shall be agreed upon by the Servicer and the REP, and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months' maximum collections. Within 10 business days following such review, (1) the REP shall remit to the Indenture Trustee the amount of any shortfall in such required deposit or (2) the Servicer shall instruct the Indenture Trustee to remit to the REP any amount in excess of such required deposit. A REP failing to so remit any such shortfall must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable). REP cash deposits shall be held by the Indenture Trustee,

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maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the Transition Bonds. Investment earnings on REP cash deposits shall be considered part of such cash deposits so long as they remain on deposit with the Indenture Trustee. At the instruction of the Servicer, cash deposits will be remitted with investment earnings to the REP at the end of the term of the Transition Bonds unless otherwise utilized for the payment of the REP's obligations for Transition Bond payments. Once the deposit is no longer required, the Servicer shall promptly (but not later than 30 calendar days) instruct the Indenture Trustee to remit the amounts in the segregated accounts to the REP.

6. In the event that a REP or the Provider of Last Resort (POLR) is billing customers for TCs, the REP shall have the right to transfer the customer to the POLR (or to another certified REP) or to direct the Servicer to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer pursuant to applicable Commission rules.

D. Billings by the Servicer to the REP or its Replacement (when applicable):

1. Applicable to all consumption subject to REP billing of TCs.
2. Payments of TCs are due 35 calendar days following each billing by the Servicer to the REP, without regard to whether or when the REP receives payment from its retail customers. The Servicer shall accept payment by electronic funds transfer (EFT), wire transfer (WT) and/or check. Payment will be considered received the date the EFT or WT is received by the Servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 calendar days; however, a 10-calendar-day grace period will be allowed before the REP is considered to be in default. A REP in default must comply with the provisions set forth in Paragraph 3 below. The 5% penalty will be a one-time assessment measured against the current amount overdue from the REP to the Servicer. The current amount consists of the total unpaid Transition Charges existing on the 36th calendar day after billing by the Servicer. Any and all such penalty payments will be made to the indenture trustee to be applied against Transition Charge obligations. A REP shall not be obligated to pay the overdue Transition Charges of another REP. If a REP agrees to assume the responsibility for the payment of overdue Transition Charges as a condition of receiving the customers of another REP who has decided to terminate service to those customers for any reason, the new REP shall not be assessed the 5% penalty upon such Transition Charges; however, the prior REP shall not be relieved of the previously assessed penalties.
3. After the 10 calendar-day grace period (the 45th calendar day after the billing date) referred to in Paragraph 2 above, the Servicer shall have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof made by the REP, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid Transition Charges and associated penalties due the Servicer after the application of the REP's deposit or alternate form of credit support. In addition, a REP that is in default with respect to the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section shall select and implement one of the following options:
 - (a) Allow the Provider of Last Resort (POLR) or a qualified REP of the customer's choosing to immediately assume the responsibility for the billing and collection of Transition Charges.
 - (b) Immediately implement other mutually suitable and agreeable arrangements with the Servicer. It is expressly understood that the Servicer's ability to agree to any other arrangements will be limited by the terms of the servicing agreement and requirements of each of the rating agencies that have rated the Transition Bonds necessary to avoid a suspension, withdrawal, or downgrade of the ratings on the Transition Bonds.
 - (c) Arrange that all amounts owed by retail customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by the Servicer with such amounts to be applied first to pay Transition Charges before the remaining amounts are released to the REP. All costs associated with this mechanism will be borne solely by the REP.

If a REP that is in default fails to immediately select and implement one of the foregoing options in (a), (b), or (c) or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then the Servicer shall immediately implement option (a). Upon re-establishment of the

requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section and the payment of all past-due amounts and associated penalties, the REP will no longer be required to comply with this subsection.

4. The initial POLR appointed by the Commission, or any Commission appointed successor to the POLR, will be required to meet the minimum credit rating and/or deposit/credit support requirements described in Paragraph 3 of the preceding section, Billings by the REP or its Replacement to End-Use Customers, in addition to any other standards that may be adopted by the Commission. If the POLR defaults or is not eligible to provide such services, responsibility for billing and collection of transition charges will immediately be transferred to and assumed by the Servicer until a new POLR can be named by the Commission or the customer requests the services of a certified REP. Retail customers may never be re-billed by the successor REP, the POLR, or

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Service for any amount of Transition Charges they have paid their REP (although future TCs shall reflect REP and other system-wide charge-offs). Additionally, if the amount of the penalty detailed in Paragraph 2 of this section is the sole remaining past-due amount after the 45th day, the REP shall not be required to comply with (a), (b), or (c) above, unless the penalty is not paid within an additional 30 calendar days.

5. In the event the Servicer is billing customers for Transition Charges, the Servicer shall have the right to terminate transmission and distribution service for non-payment by end-use customers pursuant to the Commission's rules.
6. Notwithstanding Paragraph 2 of this section, the REPs will be allowed to hold back an allowance for charge-offs in their payments to the Servicer. Such charge-off rate will be recalculated each year in connection with the annual true-up procedure. In the initial year, the REPs will be allowed to remit payments based on the same system-wide charge off percentage then being used by the Servicer to remit payments to the indenture trustee for the holders of Transition Bonds. On an annual basis in connection with the true-up adjustment process, the REP and the Servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the REP and the Servicer, provided that:
 - (a) The REP's right to reconciliation for write-offs will be limited to customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the REP for its own account as well as the portion representing Transition Charges) have been written off.
 - (b) The REP's recourse will be limited to a credit against future TC payments unless the REP and the Servicer agree to alternative arrangements, but in no event will the REP have recourse to the SPE or its funds for such payments.
 - (c) The REP shall provide information on a timely basis to the Servicer so that the Servicer can include the REP's default experience and any subsequent credits into its calculation of the Adjusted Transition Charge Rates for the next TC billing Period and the REP's rights to credits will not take effect until after such Adjusted Transition Charge Rates have been implemented.
7. In the event that a REP disputes any amount of billed Transition Charges, the REP shall pay the disputed amount under protest according to the timelines detailed in Paragraph 2 of this section. The REP and Servicer shall first attempt to informally resolve the dispute, but if failing to do so within 30 calendar days, either party may file a complaint with the Commission. If the REP is successful in the dispute process (informal or formal), the REP shall be entitled to interest on the disputed amount paid to the Servicer at the Commission-approved interest rate. Disputes about the date of receipt of Transition Charge payments (and penalties arising thereof) or the size of a required REP deposit will be handled in a like manner. Any interest paid by the Servicer on disputed amounts shall not be recovered through Transition Charges if it is determined that the Servicer's claim to the funds is clearly unfounded. No interest shall be paid by the Servicer if it is determined that the Servicer has received inaccurate metering data from another entity providing competitive metering services pursuant to PURA § 39.107.
8. If the Servicer is providing the metering, the metering data will be provided to the REP at the same time as the billing. If the Servicer is not providing the metering, the entity providing metering service(s) will be responsible for complying with Commission rules and ensuring that the Servicer and the REP receive timely and accurate metering data in order for the Servicer to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

NOTICE

This rate is subject to the orders of regulatory bodies having jurisdiction and to the provisions of Company's Tariff for Electric Service.

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Transition Charge Factors (TCF)

<u>Effective Date</u>	<u>Residential Service</u>	<u>General Service Secondary</u>	<u>General Service Primary</u>	<u>High Voltage Service</u>	<u>Lighting Service</u>	<u>Instantaneous Interruptible</u>	<u>Noticed Interruptible</u>
Current	0.000712 \$/kWh	0.000655 \$/kWh or 0.186 \$/kW	0.000442 \$/kWh or 0.201 \$/kW	0.137 \$/kW	0.000785 \$/kWh	0.074 \$/kW	0.135 \$/kW
August 28, 2003	0.000599 \$/kWh	0.000577 \$/kWh or 0.158 \$/kW	0.000395 \$/kWh or 0.161 \$/kW	0.197 \$/kW	0.000724 \$/kWh	0.083 \$/kW	0.150 \$/kW

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6.1.1.7 - Rider TC - Transition Charge

APPLICATION

Applicable, pursuant to Subchapter G, of Chapter 39 of the Public Utility Regulatory Act (PURA), to all existing or future retail customers taking transmission and/or distribution service from the Company and to the facilities, premises, and loads of those retail customers, within the Company's geographical certificated service area as it existed on May 1, 1999. This schedule also applies to:

1. Retail customers taking service at facilities, premises, or loads located within the Company's geographical service area as it existed on May 1, 1999 who are not presently receiving transmission and/or distribution service from the Company, but whose present facilities, premises, or loads received transmission and/or distribution service from the Company at any time on or after May 1, 1999 when a request to change service to another utility was not pending.
2. Retail customers whose load is served by New On-site Generation (NOSG) as defined by P.U.C. SUBST. R. 25.342(c)(1).
3. Public retail customers located within the service area who purchase power from the General Land Office under PURA § 35.102.

Beginning on the first billing cycle after the issuance of transition bonds issued to recover the Company's regulatory assets and other qualified costs and continuing until the date customer choice begins in the power region in which the Company is located, there is recorded in a separate account, for that purpose, an amount equal to the amount collected by the application of this rate to be used to repay the principal and interest and ongoing fees and expenses on the transition bonds. After customer choice begins in the power region in which the Company is located, the amount calculated pursuant to this rate will be billed to retail electric providers (REP) based on individual retail customer consumption.

METHOD OF CALCULATION

- (a) For all retail customers on each retail rate schedule.

The transition charge is calculated for each regulatory asset recovery class by the application of a Transition Charge Factor, determined in accordance with the following formula*:

Transition Charge Factor (TCF) = $[(TC \cdot RAAF) + A] / K$, where:

TC = Total Recovery Amount corresponding to the length of the Recovery Period is an amount necessary to recover the principal and interest and ongoing fees and expenses associated with the bonds, debentures, notes, certificates of participation or of beneficial interest, or other evidence of indebtedness or ownership that are issued by the Company, its successors, or an assignee under a Public Utility Commission of Texas approved financing order.

RAAF = Regulatory Asset Allocation Factor for each class as shown in the table below.

A = True-up amount for each regulatory asset recovery class as contained in a notification filed with the Commission under PURA § 39.003, subject to Commission review within 15 days of filing.

K = The Company's most current estimated kWh or kW sales by regulatory asset recovery class for the length of the Recovery Period as contained in a notification filed with the Commission under PURA § 39.003, subject to Commission review within 15 days of filing.

*For the General Service Secondary and General Service Primary classes, the two-step procedure described in the Financing Order for Docket No. 21527 will be used to calculate a TCF in \$/kWh for non-demand metered customers and a TCF in \$/kW for demand-metered customers.

For the purpose of this formula, Recovery Period means, pursuant to PURA § 39.307, a period not to exceed 12 months.

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- (b) Regulatory Asset Allocation Factors (RAAF) and associated Transition Charge Factors for each regulatory asset recovery class are as follows:

Regulatory Asset Recovery Class	Rate Schedule	Regulatory Asset Allocation Factor (RAAF)	Transition Charge Factors (TCF)
Residential Service	R, RLU, RTU, RTU1, RTU1-M, RRE	0.412705	See Page 7 of 7
General Service Secondary	GS, S-Sec, GSR, MS, MP-Sec GTU-Sec, GTU-M-Sec, RTP-Sec, GC-Sec, and all riders excluding Interruptible	0.447323	See Page 7 of 7
General Service Primary	GP, S-Pri, GPR, MS-Pri, MP-Pri, GTU-Pri, GTU-M-Pri, RTP-Pri, GC-Pri, and all riders excluding interruptible	0.058982	See Page 7 of 7
High Voltage Service	HV, S-Tran, HVR, GTU-Tran GTU-M-Tran, RTP-Tran, GC-Tran, and all riders excluding interruptible	0.027875	See Page 7 of 7
Lighting Service	OL, SL, SL-Pri	0.006836	See Page 7 of 7
Instantaneous Interruptible	GSI, GPI, HVI, SSI, SPI, STI, GSRTPI1, GSRTPI1M, GSRTPID, GPRTPI1, GPRTPI1M, GPRTPID, HVRI, HVRTPI1M, HVRTPID, and applicable riders	0.018568	See Page 7 of 7
Noticed Interruptible	GSNI, GSNB, GPNI, GPNB, HVNI, NVNB, GTUC-Sec, GTUC-Pri, GTUC-Tran, GTUC-M-Sec, GTUC-M-Pri, GTUC-M-Tran, GSRTPI1, GPRTPI1, HVRTPI1, and applicable riders.	0.027711	See Page 7 of 7

Should any of the Regulatory Asset Recovery Classes cease to have any customers, the Regulatory Asset Allocation Factor will be adjusted proportionately such that the total RAAF equals 1.000.

For Rate S and Rider SI customers, the transition charge will be a pro-rated daily demand charge based on the otherwise applicable non-standby transition charge.

- (a) The Transition Charge Amount for each customer is determined by multiplying the applicable Transition Charge Factor (TCF) by the customer's kWh or kW usage in the billing month. The Transition Charge Amount for each customer is determined to the nearest whole cent.
- (b) Each customer receiving service on or before May 1, 1999 will be assigned to the specific Regulatory Asset Recovery Class associated with the principal rate schedule under which a majority of the customer's service was provided on May 1, 1999, and shall remain in said Regulatory Asset Recovery Class until customer ceases receiving regulated service from TXU Electric, except as provided for in PURA § 39.252(b)(1) and (c).
- (c) Any customer not previously served by TXU Electric and initiating service after May 1, 1999 and prior to January 1, 2002, will be assigned to the specific Regulatory Asset Recovery Class associated with the principal rate schedule under which a majority of the customer's service was initially provided and shall remain in said Regulatory Asset Recovery Class until customer ceases receiving regulated service from TXU Electric, except as provided for in PURA § 39.252(b)(1) and (c).
- (d) Each customer initiating service on or after January 1, 2002, will be assigned to a specific Regulatory Asset Recovery Class on the basis of the principal rate schedule under which the majority of the customer's load would have been served as of May 1, 1999.

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NON-STANDARD TRUE-UP PROCEDURE

In the event that the forecasted billing units for one or more of the Transition Charge customer classes for an upcoming period decreases by more than 10% of the billing units from the 12 months ending April 30, 1999, the Servicer shall make a non-standard true-up filing at least 90 days before the date of the next true-up adjustment. The true-up shall be conducted in the following manner. The Servicer shall:

- (a) allocate the upcoming period's Periodic Billing Requirement based on the Raffs approved in the Financing Order;
- (b) calculate undercollections or overcollections from the preceding period in each class;
- (c) sum the amounts allocated to each customer class in steps (a) and (b) above to determine an *adjusted Periodic Billing Requirement for each customer class*;
- (d) divide the Periodic Billing Requirement for each customer class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the threshold rate;
- (e) multiply the threshold rate by the forecasted billing units for each class to determine the expected collections under the threshold rate;
- (f) allocate the difference in the adjusted Periodic Billing Requirement and the expected collections calculated in step (e) among the transition charge customer classes using the RAAFs approved in this Financing Order;
- (g) add the amount allocated to each class in step (f) above to the expected collection amount by class calculated in step (e) above to determine the final Periodic Billing Requirement for each class; and
- (h) divide the final Periodic Billing Requirement for each class by the forecasted billing units to determine the transition charge rate by class for the upcoming period. For the General Service Secondary and General Service Primary classes, the two-step procedure described in the Financing Order for Docket No. 21527 will be used to calculate a TCF in \$/kWh for non-demand-metered customers and a TCF in \$/kW for demand-metered customers.

A proceeding for the purpose of approving a non-standard true-up should be conducted in the following manner:

- (a) The servicer will make a "non-standard true-up filing" with the Commission at least 90 days before the date of the proposed true-up adjustment. The filing will contain the proposed changes to the transition charge rates, justification for such changes as necessary to specifically address the cause(s) of the proposed non-standard true-up, and a statement of the proposed true-up date.
- (b) Concurrently with the filing of the non-standard true-up with the Commission, the servicer will notify all parties in Docket No. 21527 of the filing of the proposal for a non-standard true-up.
- (c) The servicer will issue appropriate notice and the Commission will conduct a contested case proceeding on the non-standard true-up proposal pursuant to PURA § 39.003.

The scope of the proceeding will be limited to determining whether the proposed adjustment complies with this Financing Order. The Commission will issue a final order by the proposed true-up adjustment date stated in the non-standard true-up filing. In the event that the Commission cannot issue an order by that date, the servicer will be permitted to implement its proposed changes. Any modifications subsequently ordered by the Commission will be made by the servicer in the next true-up filing.

BILLING AND COLLECTION

The billing and collection of TC Rates may differ as set forth in this schedule. The terms and conditions for each party are set forth below:

1) Billing and Collection Prior to Customer Choice

A. Billing by the Servicer to end-use customers:

1. Applicable to consumption of all current retail customers.
2. Payment terms identical to present retail rates.
3. Right to terminate for non-payment pursuant to P.U.C. SUBST. R. 25.28 and 25.29, or any successor rule(s).

B. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

1. Applicable to former retail customers of the Company in multiply-certificated service areas now taking service from other utilities or cooperatives, if the customer did not have a request to switch service pending as of May 1, 1999.

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2. Charges subject to this tariff must be paid in full by the other utility or cooperative to the Servicer 16 days after billing by the Servicer regardless of whether the utility or cooperative collects such charges from the end-use retail customer.

C. Billings by Servicer to Non-eligible Self-generation (NESG):

1. Applicable to end use consumption served by on-site non-eligible self-generation.
2. Payment terms pursuant to the Commission's rules.
3. Right to terminate for non-payment pursuant to P.U.C. SUBST. R. 25.28 and 25.29, or any successor rule(s).

2) Billing and Collection Subsequent to Customer Choice

A. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

1. Applicable to former retail customers of the Company in multiply-certificated service areas now taking service from other utilities or cooperatives.
2. Charges subject to this tariff must be paid in full by the other electric utility or cooperative to the Servicer 35 days after billing by the Servicer regardless of whether the utility or cooperative collects such charges from the end-use retail customer.

B. Billings by Servicer to NESG:

1. Applicable to end-use consumption served by on-site non-eligible self generation.
2. Payment terms pursuant to the Commission's rules.
3. Right to terminate for non-payment pursuant to the Commission's rules.

C. Billings by the REP or its Replacement to End-Use Customers:

1. Applicable to consumption of all retail end-use customers served by the REP for which TCs apply, including applicable former customers and NESG, under the following conditions:
2. REPs shall provide the Servicer with full and timely information necessary to provide proper reporting and for billing and true-up adjustments.
3. Each REP must (1) have a long-term, unsecured credit rating of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively, or (2) provide (A) a deposit of two months' maximum expected Transition Charge collections in the form of cash, (B) an affiliate guarantee, surety bond, or letter of credit providing for payment of such amount of Transition Charge collections in the event that the REP defaults in its payment obligations, or (C) a combination of any of the foregoing. A REP that does not have or maintain the requisite long-term, unsecured credit rating may select which alternate form of deposit, credit support, or combination thereof it will utilize, in its sole discretion. The Indenture Trustee shall be the beneficiary of any affiliate guarantee, surety bond or letter of credit. The provider of any affiliate guarantee, surety bond, or letter of credit must have and maintain a long-term, unsecured credit ratings of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively.
4. If the long-term, unsecured credit rating from either Standard & Poor's or Moody's Investors Service of a REP that did not previously provide the alternate form of deposit, credit support, or combination thereof or of any provider of an affiliate guarantee, surety bond, or letter of credit is suspended, withdrawn, or downgraded below "BBB-" or "Baa3" (or the equivalent), the REP must provide the alternate form of deposit, credit support, or combination thereof, or new forms thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal, or downgrade. A REP failing to make such provision must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable).
5. The computation of the size of a required deposit shall be agreed upon by the Servicer and the REP, and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months' maximum collections. Within 10 business days following such review, (1) the REP shall remit to the Indenture Trustee the amount of any shortfall in such required deposit or (2) the Servicer shall instruct the Indenture Trustee to remit to the REP any amount in excess of such required deposit. A REP failing to so remit any such shortfall must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable). REP cash deposits shall be held by the Indenture Trustee,

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maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the Transition Bonds. Investment earnings on REP cash deposits shall be considered part of such cash deposits so long as they remain on deposit with the Indenture Trustee. At the instruction of the Servicer, cash deposits will be remitted with investment earnings to the REP at the end of the term of the Transition Bonds unless otherwise utilized for the payment of the REP's obligations for Transition Bond payments. Once the deposit is no longer required, the Servicer shall promptly (but not later than 30 calendar days) instruct the Indenture Trustee to remit the amounts in the segregated accounts to the REP.

6. In the event that a REP or the Provider of Last Resort (POLR) is billing customers for TCs, the REP shall have the right to transfer the customer to the POLR (or to another certified REP) or to direct the Servicer to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer pursuant to applicable Commission rules.

D. Billings by the Servicer to the REP or its Replacement (when applicable):

1. Applicable to all consumption subject to REP billing of TCs.
2. Payments of TCs are due 35 calendar days following each billing by the Servicer to the REP, without regard to whether or when the REP receives payment from its retail customers. The Servicer shall accept payment by electronic funds transfer (EFT), wire transfer (WT) and/or check. Payment will be considered received the date the EFT or WT is received by the Servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 calendar days; however, a 10-calendar-day grace period will be allowed before the REP is considered to be in default. A REP in default must comply with the provisions set forth in Paragraph 3 below. The 5% penalty will be a one-time assessment measured against the current amount overdue from the REP to the Servicer. The current amount consists of the total unpaid Transition Charges existing on the 36th calendar day after billing by the Servicer. Any and all such penalty payments will be made to the indenture trustee to be applied against Transition Charge obligations. A REP shall not be obligated to pay the overdue Transition Charges of another REP. If a REP agrees to assume the responsibility for the payment of overdue Transition Charges as a condition of receiving the customers of another REP who has decided to terminate service to those customers for any reason, the new REP shall not be assessed the 5% penalty upon such Transition Charges; however, the prior REP shall not be relieved of the previously assessed penalties.
3. After the 10 calendar-day grace period (the 45th calendar day after the billing date) referred to in Paragraph 2 above, the Servicer shall have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof made by the REP, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid Transition Charges and associated penalties due the Servicer after the application of the REP's deposit or alternate form of credit support. In addition, a REP that is in default with respect to the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section shall select and implement one of the following options:
 - (a) Allow the Provider of Last Resort (POLR) or a qualified REP of the customer's choosing to immediately assume the responsibility for the billing and collection of Transition Charges.
 - (b) Immediately implement other mutually suitable and agreeable arrangements with the Servicer. It is expressly understood that the Servicer's ability to agree to any other arrangements will be limited by the terms of the servicing agreement and requirements of each of the rating agencies that have rated the Transition Bonds necessary to avoid a suspension, withdrawal, or downgrade of the ratings on the Transition Bonds.
 - (c) Arrange that all amounts owed by retail customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by the Servicer with such amounts to be applied first to pay Transition Charges before the remaining amounts are released to the REP. All costs associated with this mechanism will be borne solely by the REP.

If a REP that is in default fails to immediately select and implement one of the foregoing options in (a), (b), or (c) or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then the Servicer shall immediately implement option (a). Upon re-establishment of the

requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section and the payment of all past-due amounts and associated penalties, the REP will no longer be required to comply with this subsection.

4. The initial POLR appointed by the Commission, or any Commission appointed successor to the POLR, will be required to meet the minimum credit rating and/or deposit/credit support requirements described in Paragraph 3 of the preceding section, Billings by the REP or its Replacement to End-Use Customers, in addition to any other standards that may be adopted by the Commission. If the POLR defaults or is not eligible to provide such services, responsibility for billing and collection of transition charges will immediately be transferred to and assumed by the Servicer until a new POLR can be named by the Commission or the customer requests the services of a certified REP. Retail customers may never be re-billed by the successor REP, the POLR, or

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- Service for any amount of Transition Charges they have paid their REP (although future TCs shall reflect REP and other system-wide charge-offs). Additionally, if the amount of the penalty detailed in Paragraph 2 of this section is the sole remaining past-due amount after the 45th day, the REP shall not be required to comply with (a), (b), or (c) above, unless the penalty is not paid within an additional 30 calendar days.
5. In the event the Servicer is billing customers for Transition Charges, the Servicer shall have the right to terminate transmission and distribution service for non-payment by end-use customers pursuant to the Commission's rules.
 6. Notwithstanding Paragraph 2 of this section, the REPs will be allowed to hold back an allowance for charge-offs in their payments to the Servicer. Such charge-off rate will be recalculated each year in connection with the annual true-up procedure. In the initial year, the REPs will be allowed to remit payments based on the same system-wide charge off percentage then being used by the Servicer to remit payments to the indenture trustee for the holders of Transition Bonds. On an annual basis in connection with the true-up adjustment process, the REP and the Servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the REP and the Servicer, provided that:
 - (a) The REP's right to reconciliation for write-offs will be limited to customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the REP for its own account as well as the portion representing Transition Charges) have been written off.
 - (b) The REP's recourse will be limited to a credit against future TC payments unless the REP and the Servicer agree to alternative arrangements, but in no event will the REP have recourse to the SPE or its funds for such payments.
 - (c) The REP shall provide information on a timely basis to the Servicer so that the Servicer can include the REP's default experience and any subsequent credits into its calculation of the Adjusted Transition Charge Rates for the next TC billing Period and the REP's rights to credits will not take effect until after such Adjusted Transition Charge Rates have been implemented.
 7. In the event that a REP disputes any amount of billed Transition Charges, the REP shall pay the disputed amount under protest according to the timelines detailed in Paragraph 2 of this section. The REP and Servicer shall first attempt to informally resolve the dispute, but if failing to do so within 30 calendar days, either party may file a complaint with the Commission. If the REP is successful in the dispute process (informal or formal), the REP shall be entitled to interest on the disputed amount paid to the Servicer at the Commission-approved interest rate. Disputes about the date of receipt of Transition Charge payments (and penalties arising thereof) or the size of a required REP deposit will be handled in a like manner. Any interest paid by the Servicer on disputed amounts shall not be recovered through Transition Charges if it is determined that the Servicer's claim to the funds is clearly unfounded. No interest shall be paid by the Servicer if it is determined that the Servicer has received inaccurate metering data from another entity providing competitive metering services pursuant to PURA § 39.107.
 8. If the Servicer is providing the metering, the metering data will be provided to the REP at the same time as the billing. If the Servicer is not providing the metering, the entity providing metering service(s) will be responsible for complying with Commission rules and ensuring that the Servicer and the REP receive timely and accurate metering data in order for the Servicer to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

NOTICE

This rate is subject to the orders of regulatory bodies having jurisdiction and to the provisions of Company's Tariff for Electric Service.

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Transition Charge Factors (TCF)

<u>Effective Date</u>	<u>Residential Service</u>	<u>General Service Secondary</u>	<u>General Service Primary</u>	<u>High Voltage Service</u>	<u>Lighting Service</u>	<u>Instantaneous Interruptible</u>	<u>Noticed Interruptible</u>
Current	0.000712 \$/kWh	0.000655 \$/kWh or 0.186 \$/kW	0.000442 \$/kWh or 0.201 \$/kW	0.137 \$/kW	0.000785 \$/kWh	0.074 \$/kW	0.135 \$/kW
August 28, 2003	0.000599 \$/kWh	0.000577 \$/kWh or 0.158 \$/kW	0.000395 \$/kWh or 0.161 \$/kW	0.197 \$/kW	0.000724 \$/kWh	0.083 \$/kW	0.150 \$/kW