



FORM 10-K

TXU ELECTRIC DELIVERY TRANSITION BOND CO LLC - N/A

Filed: March 03, 2009 (period: December 31, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

— OR —

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 333-91935

Oncor Electric Delivery Transition Bond Company LLC

(Exact name of registrant as specified in its charter)

Delaware
(State of organization)

75-2851358
(I.R.S. Employer Identification No.)

1601 Bryan Street, Dallas, Texas 75201
(Address of principal executive offices)(Zip Code)

(214) 486-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 2, 2009, all outstanding common membership interests in Oncor Electric Delivery Transition Bond Company LLC were held by Oncor Electric Delivery Company LLC.

Oncor Electric Delivery Transition Bond Company LLC meets the conditions set forth in General Instructions (I) (1) (a) and (b) of Form 10-K and is therefore filing this report with the reduced disclosure format.

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Oncor Electric Delivery Transition Bond Company LLC's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are made available to the public, free of charge, on the Oncor Electric Delivery Company LLC website at <http://www.oncor.com>, as soon as reasonably practicable after they have been filed with or furnished to the Securities and Exchange Commission. Oncor Electric Delivery Transition Bond Company LLC will provide copies of current reports not posted on the website upon request. The information on Oncor Electric Delivery Company LLC's website shall not be deemed a part of, or incorporated by reference into, this report on Form 10-K.

GLOSSARY

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

1999 Restructuring Legislation	Texas Electric Choice Plan, the legislation that restructured the electric utility industry in Texas to provide for retail competition
2003 Bonds	Refers collectively to the four series of securitization bonds issued in August 2003. One of these series was retired at maturity in 2007.
2004 Bonds	Refers collectively to the three series of securitization bonds issued in June 2004.
Company	Oncor Electric Delivery Transition Bond Company LLC, a wholly-owned, bankruptcy-remote financing subsidiary of Oncor
EFC Holdings	Refers to Energy Future Competitive Holdings Company, a direct, wholly-owned subsidiary of EFH Corp. and the direct parent of TCEH.
EFH Corp.	Refers to Energy Future Holdings Corp., a holding company, and/or its subsidiaries, depending on context.
ERCOT	Electric Reliability Council of Texas, the independent system operator and the regional coordinator of the various electricity systems within Texas
FASB	Financial Accounting Standards Board, the designated organization in the private sector for establishing standards for financial accounting and reporting
Financing Order	The financing order issued by the PUCT on August 5, 2002 to Oncor, its successors and assignees that provide electricity transmission and distribution service
Fitch	Fitch Ratings, Ltd. (a credit rating agency)
GAAP	generally accepted accounting principles
Indenture	The agreement (dated as of August 21, 2003 as appended) between the Company, as issuer, and the Indenture Trustee, which describes the governing terms of, and secures payment of, the Transition Bonds
Indenture Trustee	The Bank of New York Mellon, a New York banking corporation
Intermediate Holding	Refers to Energy Future Intermediate Holding Company LLC, a direct, wholly-owned subsidiary of EFH Corp. that owns 100% of Oncor Holdings.
Luminant	Refers to wholly-owned subsidiaries of TCEH engaged in competitive market activities consisting of electricity generation, development and construction of new generation facilities, wholesale energy sales and purchases, and commodity risk management and trading activities, all largely in Texas.

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Merger	The transaction referred to in “Merger Agreement” (defined immediately below) that was completed on October 10, 2007.
Merger Agreement	Agreement and Plan of Merger, dated February 25, 2007, under which Texas Holdings agreed to acquire EFH Corp.
Moody’s	Moody’s Investors Services, Inc. (a credit rating agency)
Oncor	Refers to Oncor Electric Delivery Company LLC, a direct subsidiary of Oncor Holdings, and/or its consolidated bankruptcy-remote financing subsidiary, Oncor Electric Delivery Transition Bond Company LLC, depending on context. This Form 10-K and other SEC filings of Oncor and its subsidiaries occasionally make references to Oncor when describing actions, rights or obligations of its subsidiary. These references reflect the fact that the subsidiary is consolidated with Oncor for financial reporting purposes. However, these references should not be interpreted to imply that Oncor is actually undertaking the action or has the rights or obligations of its subsidiary or that the subsidiary company is undertaking an action or has the rights or obligations of its parent company or of any other affiliate.
Oncor Holdings	Refers to Oncor Electric Delivery Holdings Company LLC, a direct, wholly-owned subsidiary of Intermediate Holding and a direct parent of Oncor.
Oncor Ring-Fenced Entities	Refers to Oncor Holdings and its direct and indirect subsidiaries.
PUCT	Public Utility Commission of Texas
Purchase accounting	The purchase method of accounting for a business combination as prescribed by SFAS 141 whereby the cost or “purchase price” of a business combination, including the amount paid for the equity and direct transaction costs are allocated to identifiable assets and liabilities (including intangible assets) based upon their fair values. The excess of the purchase price over the fair values of assets and liabilities is recorded as goodwill.
REP	retail electric provider
S&P	Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc. (a credit rating agency)
SEC	US Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards issued by the FASB
SFAS 71	SFAS No. 71, “Accounting for the Effect of Certain Types of Regulation”
SFAS 141	SFAS No. 141, “Business Combinations”
Sponsor Group	Collectively, the investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., TPG Capital, L.P. and GS Capital Partners, an affiliate of Goldman Sachs & Co. (See Texas Holdings below.)

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TCEH	Refers to Texas Competitive Electric Holdings Company LLC, a direct, wholly-owned subsidiary of EFC Holdings and an indirect, wholly-owned subsidiary of EFH Corp., and/or its subsidiaries, depending on context.
Texas Holdings	Refers to Texas Energy Future Holdings Limited Partnership, a Delaware limited partnership controlled by the Sponsor Group, that is the direct parent of EFH Corp.
Texas Holdings Group	Refers to Texas Holdings and its direct and indirect subsidiaries other than the Oncor Ring-Fenced Entities.
Transition Bonds	Refers collectively to the 2003 Bonds and the 2004 Bonds.
TXU Energy	Refers to TXU Energy Retail Company LLC, a direct, wholly-owned subsidiary of TCEH engaged in the retail sale of electricity to residential and business customers. TXU Energy is a REP in competitive areas of ERCOT.
US	United States of America

Item 1. BUSINESS

See Glossary beginning on page ii for definitions of terms and abbreviations.

Oncor Electric Delivery Transition Bond Company LLC (the Company) is a bankruptcy-remote, special-purpose Delaware limited liability company, wholly-owned by Oncor. Oncor is a regulated electricity transmission and distribution company principally engaged in providing delivery services to REPs, including subsidiaries of TCEH, that sell power in the north-central, eastern and western parts of Texas. Oncor provides the essential service of delivering electricity safely, reliably and economically to end-use consumers through its distribution systems, as well as providing transmission grid connections to merchant generation plants and interconnections to other transmission grids in Texas. Oncor is a direct subsidiary of Oncor Holdings, which is a direct, wholly-owned subsidiary of Intermediate Holding, which is a direct, wholly-owned subsidiary of EFH Corp.

The Company was organized in November 1999 for the limited purposes of issuing Securitization (Transition) Bonds and purchasing and owning transition property (as defined in the 1999 Restructuring Legislation) acquired from Oncor. For legal purposes, the transition property has been sold to the Company by Oncor. The Company had no operations until August 2003. In connection with the acquisition of the transition property, the Company:

- registered and issued the Transition Bonds;
- pledged its interest in the transition property and other Transition Bond collateral to secure the Transition Bonds;
- has agreed to make debt service payments on the Transition Bonds, and
- has agreed to perform other activities that are necessary, suitable or convenient to accomplish these purposes.

The Company is structured and operated in a manner such that in the event of bankruptcy proceedings against Oncor, the assets of the Company will not be consolidated into the bankruptcy estate of Oncor. Oncor is not the owner of the transition property described herein, and the assets of the Company are not available to pay creditors of Oncor or any of its affiliates.

EFH Corp. and Oncor have implemented certain structural and operational “ring-fencing” measures, based on commitments made by Texas Holdings and Oncor to the PUCT, that are intended to further separate Oncor from Texas Holdings and its other subsidiaries. These measures also serve to mitigate Oncor’s credit exposure to those entities and to reduce the risk that the assets and liabilities of Oncor would be substantively consolidated with the assets and liabilities of Texas Holdings or any of its other subsidiaries in the event of a bankruptcy of one or more of those entities. See Note 1 to Financial Statements for additional information concerning these measures.

Legislative Background

In September 1999, the Texas legislature passed the 1999 Restructuring Legislation to restructure the electric utility industry in Texas. The 1999 Restructuring Legislation provided for a transition to competition in the retail and generation markets for electricity beginning in January 2002, and provided for recovery of certain costs previously incurred by electric utilities. These costs consist of generation-related regulatory assets as well as stranded costs, which represent the excess of net book value over market value of generation assets (as such regulatory and generation assets are defined by the 1999 Restructuring Legislation). The 1999 Restructuring Legislation authorized the PUCT to issue a financing order approving the issuance of Transition Bonds to facilitate the recovery of generation-related regulatory assets and stranded costs. The PUCT issued a financing order to Oncor on August 5, 2002. Recovery of the Transition Bonds’ principal, interest and other expenses is provided through irrevocable, nonbypassable charges (transition charges) assessed on substantially all existing and future retail electric customers within Oncor’s certificated service territory as it existed on May 1, 1999.

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Transition Property and Service and Administration Agreements

Transition Property — The 1999 Restructuring Legislation and the Financing Order permitted Oncor to transfer its rights and interests in the Financing Order, including the right to collect transition charges pursuant to the 1999 Restructuring Legislation, to a special purpose entity (the Company) formed by Oncor to issue debt secured by the right to receive revenues arising from the transition charges. The electric utility's right to receive the transition charges and its other rights and interests under the Financing Order constitute transition property transferred to the Company. The transition property represents the irrevocable right to impose, collect and receive transition charges in an amount sufficient to pay the interest, fees, and expenses associated with the Transition Bonds and the aggregate principal amount of the Transition Bonds.

Transition Charges — Oncor and the Company have entered into servicing agreements to support the Transition Bonds. Transition charges are assessed and collected by Oncor as the servicer. The servicer manages, services, bills and collects payments in respect of the transition property under the terms of the servicing agreements. Transition charges are collected by the servicer from REPs that in effect collect transition charges from retail customers as part of their normal collection activities. The REPs must pay these billings to Oncor whether or not they collect them from the retail customers. Transition charges are billed based on a retail customer's actual consumption of electricity, or for certain classes of commercial customers, on the historical demand for electricity by such customers. The PUCT reviews and adjusts transition charges at least once a year. This review is used to adjust any over or under collections during the preceding 12 months and to provide for recovery of amounts sufficient to pay all debt service and other required amounts and charges in connection with the Transition Bonds during the following 12 months.

Servicing Fees — As long as Oncor or its affiliate or agent acts as servicer, the annual aggregate servicing fee will be the greater of \$400,000 for all series of outstanding Transition Bonds or 0.05% per annum of the initial principal amount of all series of outstanding Transition Bonds. If a successor servicer that is not affiliated with Oncor is appointed, it will be entitled to receive a servicing fee not in excess of 0.60% per year of the initial principal amount of outstanding Transition Bonds. The servicing fee will be recovered by the Company through the transition charges. In addition, under the servicing agreements, Oncor, as servicer, must seek interim and nonstandard true-up adjustments when certain conditions are met.

Administration Fees — Oncor and the Company have also entered into an administration agreement, whereby Oncor provides administrative services to the Company, such as accounting, clerical, secretarial and other administrative services, at a fixed fee per year. As long as Oncor or its affiliate or agent, act as administrator, the annual administration fee will be \$50,000, payable in arrears on each payment date. Oncor, as administrator, is limited under the terms of the administration agreement to total compensation in the form of the annual administration fee of \$50,000 plus any fees paid to third parties on behalf of the Company.

Operating Expenses — The Company can recover annual operating expenses, including the annual administration fee to Oncor, of \$185,000 annually through the transition charges.

Table of Contents**Required Reports**

The Company has included in this annual report on Form 10-K or furnished on Oncor's website at www.oncor.com, as indicated, the following information in respect of each series of outstanding Transition Bonds, as required by the terms of the Indenture relating to the Transition Bonds. Exhibits that are filed as a part of this Form 10-K are listed in Item 15.

Required Item	Filed as Exhibit or Furnished on Website
Monthly servicer report (Series 2004-1 for October 2008)	Exhibit 99 (a)(1)
Monthly servicer report (Series 2004-1 for November 2008)	Exhibit 99 (a)(2)
Monthly servicer report (Series 2004-1 for December 2008)	Exhibit 99 (a)(3)
Monthly servicer report (Series 2003-1 for October 2008)	Exhibit 99 (a)(4)
Monthly servicer report (Series 2003-1 for November 2008)	Exhibit 99 (a)(5)
Monthly servicer report (Series 2003-1 for December 2008)	Exhibit 99 (a)(6)
Statement of Collection Account Balances as of December 31, 2008	Exhibit 99 (b)
A quarterly statement affirming that, in all material respects, for each materially significant REP, (a) each REP has been billed in compliance with the requirements outlined in the Financing Order, (b) each REP has made payments in compliance with the requirements outlined in the Financing Order, and (c) each REP satisfies the creditworthiness requirements of the Financing Order.	Exhibit 99 (c)
Statement of Outstanding Bond Balances Series 2003-1	Exhibit 99 (d)(1)
Statement of Outstanding Bond Balances Series 2004-1	Exhibit 99 (d)(2)
Semi-Annual Servicer's Certificate October 2008	Exhibit 99 (e)

Item 1A. RISK FACTORS

Some important factors that investors should consider carefully before deciding whether to purchase Transition Bonds of any series or class include:

Risks Due to the Limited Sources of Payment for the Transition Bonds and Limited Credit Enhancement

Material payment delays or losses on Transition Bonds may be experienced if the assets securing Transition Bonds are insufficient to pay the principal amount of such Transition Bonds and accrued interest on those Transition Bonds in full. The only source of funds for payments of interest on and principal of the Transition Bonds of a particular series is the related collateral for that series. The collateral for a particular series of Transition Bonds is limited to:

- the related transition property, including the irrevocable right to impose, collect and receive the related transition charges from customers and to adjust the transition charges at least annually;
- available funds on deposit in the applicable trust accounts held by the Indenture Trustee;
- contractual rights under the applicable sale agreement, the applicable servicing agreement and other applicable contracts for such series, and
- any other credit enhancements described in the applicable prospectus supplement related to such series of Transition Bonds.

The Transition Bonds are not insured or guaranteed by Oncor, including in its capacity as servicer, by its ultimate parent, EFH Corp. or any of its affiliates (other than the Company), by the Indenture Trustee or by any other person or entity. Thus, reliance for payment of the Transition Bonds must be based upon collections of the related transition charges, available funds on deposit in the applicable trust accounts held by the Indenture Trustee and any other credit enhancement described in the applicable prospectus supplement related to a series of Transition Bonds. The 2003 Bonds and the 2004 Bonds are payable only from collateral that secures each such series and not from transition charges imposed and collected for any other series of Transition Bonds. The organizational documents of the Company restrict the right to acquire other assets unrelated to the transactions described therein.

Judicial, Legislative or Regulatory Actions That May Adversely Affect an Investment in Transition Bonds

Legal Action May Reduce the Value of an Investment in Transition Bonds. The transition property is created pursuant to the 1999 Restructuring Legislation and the Financing Order. Investing in bonds payable from an asset that depends for its existence on legislation with limited history and judicial interpretation is risky.

Because the securitization financing is a creation of statute, any alteration affecting the validity of the relevant underlying legislative provisions could directly impact the Transition Bonds. For example, if the provisions that create transition property were invalidated, the validity of the principal assets securing the Transition Bonds could be eliminated. As another example, if the provisions that allow for the transition charge true-up adjustment process were invalidated, the servicer could be prevented from ensuring that sufficient funds are deposited with the Indenture Trustee for the scheduled payments on the Transition Bonds. If an invalidation of any relevant underlying legislative provision or Financing Order provision occurs, some or all of the investment in the Transition Bonds may be lost or delays may be experienced in recovering the investment. The 1999 Restructuring Legislation or any of its provisions, including the provisions relating to securitization, may be directly contested in courts or otherwise become the subject of litigation.

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The constitutionality of the securitization provisions of the 1999 Restructuring Legislation under the Texas Constitution was challenged in connection with a securitization request made by Central Power and Light Company. The constitutionality of the challenged provisions of the 1999 Restructuring Legislation was affirmed by the Travis County, Texas District Court in July 2000. This judgment was appealed directly to the Texas Supreme Court. On June 6, 2001, the Texas Supreme Court affirmed the judgment of the Travis County, Texas District Court denying this appeal and finding that the securitization provisions are constitutional. The Texas Supreme Court denied rehearing, with a corrected opinion that did not affect the substance of the original ruling, on August 30, 2001. No petition for writ of certiorari was filed with the United States Supreme Court prior to the deadline for such a filing.

If in the future a state or federal court were to determine that the relevant provisions of the 1999 Restructuring Legislation or the Financing Order are unlawful or invalid, that decision could adversely affect the validity of the Transition Bonds or the Company's ability to make payments on the Transition Bonds. In that case, a loss on or delay in recovery of the investment in the Transition Bonds may be experienced. If the 1999 Restructuring Legislation is overturned, the limitation on appealing the Financing Order may also be overturned. The Company cannot assure that another lawsuit challenging the validity of the 1999 Restructuring Legislation will not be filed in the future or that, if filed, such lawsuit would not be successful.

Other states have passed electric utility deregulation laws similar to the 1999 Restructuring Legislation, and some of these laws have been challenged by judicial actions. To date, none of these challenges has succeeded, but future judicial challenges could be made in other states. An unfavorable decision regarding another state's law would not automatically invalidate the 1999 Restructuring Legislation or the Financing Order, but it might provoke a challenge to the 1999 Restructuring Legislation or the Financing Order. In addition, an unfavorable court decision with respect to another state's statute may establish a legal precedent for a successful challenge to the 1999 Restructuring Legislation depending on the similarity of the other statute and the applicability of the legal precedent to the 1999 Restructuring Legislation. Furthermore, legal action in other states could heighten awareness of the political and other risks of the Transition Bonds, and in that way may limit the liquidity and value of the Transition Bonds. Therefore, legal activity in other states may indirectly affect the value of an investment in Transition Bonds.

Neither the Company nor Oncor will indemnify an investor for any changes in the law, including any amendment or repeal of the 1999 Restructuring Legislation that may affect the value of the Transition Bonds. Oncor may have to indemnify the Company, however, if legal action based on law in effect at the time of the issuance of the Transition Bonds invalidates the transition property.

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Further Legislative Action May Reduce the Value of An Investment in Transition Bonds. The value of an investment in Transition Bonds may decline due to legislative action. For example:

- (a) *Future Texas Legislative Action May Invalidate the Transition Bonds or the Transition Property which is the Primary Source of Payments on the Transition Bonds.* Unlike many other states (including California, Massachusetts and Michigan), the citizens of the State of Texas do not have the constitutional right to adopt or revise laws by initiative or referendum. Thus, absent any amendment of the constitution of the State of Texas, the 1999 Restructuring Legislation cannot be amended or repealed by direct action of the electorate. The Texas legislature may repeal the 1999 Restructuring Legislation, or amend the 1999 Restructuring Legislation in a way that limits or alters the transition property so as to reduce its value. However, under the 1999 Restructuring Legislation, the State of Texas has pledged for the benefit and protection of Oncor and all financing parties that it (including the PUCT) will not take or permit any action to be taken that would impair the value of the transition property.

Hunton & Williams LLP rendered its opinion to the Company and Oncor in connection with the issuance of the 2003 Bonds, and rendered a similar opinion to the Company and Oncor in connection with the 2004 Bonds that under the laws of the State of Texas and the United States, holders of the Transition Bonds could successfully challenge under the Federal Contracts Clause and the Texas Contracts Clause the constitutionality of any legislation passed by the State of Texas, including the PUCT, which becomes law that repeals or amends the 1999 Restructuring Legislation in such a manner that substantially impairs the value of the rights of the holders of the Transition Bonds or the transition charges prior to the time that the Transition Bonds are fully paid and discharged, unless it was determined that such repeal or amendment was a legitimate and reasonable exercise of the State of Texas' sovereign powers and reasonable and necessary to serve a significant and legitimate public purpose. Further, Hunton & Williams LLP rendered to the Company and Oncor its opinion that a court would conclude that adverse action by the Texas legislature or the PUCT that repeals the State of Texas' pledge to the holders of the Transition Bonds or otherwise adversely affects the transition property would constitute a compensable "taking" under the Takings Clauses of the United States and Texas Constitutions if the court determines that any such action is an intentional action by the Texas legislature or the PUCT, effects a regulatory taking of the transition property and is for public use. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal and interest on the Transition Bonds.

It may be possible for the Texas legislature to enact legislation that would impair the rights and remedies of bondholders without violating the State's pledge if the legislature acts in order to serve a significant and legitimate public purpose, such as protecting the public health and safety or otherwise acts in the valid exercise of the state's police power. Even if the legislature provides an investor with an amount deemed to be just compensation, it may not be sufficient to fully recover the investment. The Company cannot assure an investor of the likelihood or legal validity of any action of this type by the Texas legislature, or whether the action would be considered a taking. As of the date of this report, the Company is not aware of any pending legislation in the Texas legislature that would affect any provisions of the 1999 Restructuring Legislation related to transition property or transition charges or the provisions of the Financing Order.

The Company cannot assure an investor that a repeal or amendment to the 1999 Restructuring Legislation will not be sought or adopted or that any action by the State of Texas adverse to an investment in the Transition Bonds will not occur. In any such event, costly and time-consuming litigation might ensue. Any litigation of this type might adversely affect the price and liquidity of the Transition Bonds and delay the payment of interest and principal and, accordingly, the weighted average lives of the Transition Bonds.

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- (b) *The 1999 Restructuring Legislation May be Overturned by the Federal Government Without Full Compensation.* The United States Congress or a federal agency may decide that it can preempt the Texas legislature and pass a law or adopt a rule or regulation prohibiting or limiting the collection of transition charges, or otherwise affecting the energy industry. A prohibition of this nature could negate the existence of transition property. As of the date of this report, neither the House nor the Senate committees having primary relevant jurisdiction have considered, or indicated an intent to consider, the prohibition of the recovery of stranded costs or transition charges. The Company cannot predict whether any future bills that prohibit the recovery of stranded costs or regulatory assets, or securitized financing for the recovery of stranded costs, will become law or, if they become law, what their final form or effect will be. The Company can give no assurance that a court would consider the preemption by federal law of the Texas 1999 Restructuring Legislation a taking of property from the Company or from the holders of the Transition Bonds. Moreover, even if this preemption of the 1999 Restructuring Legislation and/or the Financing Order by the federal government were considered a taking under the US Constitution for which the government had to pay the estimated market value of the taken transition property at the time of the taking, the Company can give no assurance that this compensation would be sufficient to pay the full amount of principal of and interest on the Transition Bonds or to pay such amounts on a timely basis.

The Company and Oncor have agreed to take legal or administrative action as may be reasonably necessary to block or overturn any attempts to cause a repeal, modification or amendment to the 1999 Restructuring Legislation, the Financing Order or the transition property.

Neither the Company, Oncor nor any successor seller or servicer will indemnify an investor for any changes in the law that may affect the value of the Transition Bonds. In addition, any action by the US Congress or Texas legislature, even if the action is ultimately determined to be invalid, and even if full compensation is ultimately provided to the holders of Transition bonds, might result in costly and time-consuming litigation. Any litigation of this type might adversely affect the price and liquidity of the Transition Bonds and the dates of payment of interest and principal. Moreover, given the lack of judicial precedent directly on point, and the novelty in Texas of transition property as security for Transition Bonds, the Company cannot predict the outcome of any litigation with certainty. Accordingly, an investor may suffer a loss on or delay in recovery of an investment in the Transition Bonds.

- (c) *The PUCT May Take Future Actions Which May Reduce the Value of an Investment in Transition Bonds.* The 1999 Restructuring Legislation provides that the Financing Order is irrevocable upon issuance and is not subject to reduction, impairment or adjustment by further action of the PUCT, except for the true-up adjustments. The State of Texas (including the PUCT) has pledged that it will not take or permit any action to amend, alter or impair the value of transition property created under the Financing Order, except as permitted in true-up adjustments, until the principal, interest and premium, if any, and any other charges incurred and contracts to be performed in connection with the Transition Bonds have been paid and performed in full. The PUCT guarantees that it will take specific actions pursuant to the Financing Order, as expressly authorized by the 1999 Restructuring Legislation, to ensure that transition charge revenues are sufficient to pay principal and interest on the Transition Bonds. However, the PUCT retains the power to adopt, revise or rescind rules or regulations affecting the seller or a successor utility. The PUCT also retains the power to interpret the Financing Order. Any new or amended regulations or orders by the PUCT, for example, could affect the ability of the servicer to collect the transition charges in full and on a timely basis. The seller of the transition property has agreed to take legal or administrative action to resist any PUCT rule, regulation or decision that would reduce the value of the transition property. The Company cannot assure an investor that the seller would be successful in its efforts. Thus, future PUCT rules, regulations or decisions may adversely affect the rating of the Transition Bonds, their price or the rate of transition charge collections and, accordingly, the amortization of Transition Bonds and their weighted average lives. As a result, an investor could suffer a loss in connection with an investment in Transition Bonds.

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The servicer is required to file with the PUCT, on behalf of the Company, any requested adjustments of the transition charges. The Company cannot assure that the foregoing adjustment procedures and adjustments will not be challenged. Such challenges could result in costly and time-consuming litigation. A shortfall or material delay in transition charge collections due to inaccurate forecasts, delayed implementation of true-up adjustments or the failure to implement a true-up adjustment could result in payments of principal of and interest on the Transition Bonds not being paid according to the expected amortization schedule, lengthening the weighted average life of the Transition Bonds, or in principal and interest not being paid at all. As a result, an investor could suffer a loss in connection with an investment.

Servicing Risks

Inaccurate Forecasting or Unanticipated Delinquencies Could Result in Insufficient Funds to Make Scheduled Payments on the Transition Bonds.

The transition charges are generally assessed based on customer usage, which includes kilowatts of demand and kilowatt-hours of electricity consumed by retail customers in Oncor's service area. Oncor calculates the transition charges for each series of Transition Bonds according to the methodology approved by the Financing Order authorizing those transition charges. In addition, Oncor, as servicer, is required to file with the PUCT periodic adjustment calculations for the transition charges. These adjustments are intended to provide, among other things, for timely payment of the Transition Bonds. However, the frequency of these adjustments is limited to once per year for a standard true-up and no more than semi-annually for an interim true-up, but can be more frequent for a nonstandard true-up. Oncor generally bases its adjustment calculations on any shortfalls or excess in collections from customers during the prior adjustment period and on projections of future electricity use and customers' ability to pay their electric bills. If the servicer inaccurately forecasts electricity consumption or demand or underestimates customer delinquencies or charge-offs when setting or adjusting the transition charges, or if the effectiveness of the adjustments is delayed for any reason, there could be a shortfall or material delay in transition charge collections. A shortfall or material delay in transition charge collections could result in payment of principal of and interest on the Transition Bonds not being made according to the expected amortization schedule, thus lengthening the weighted average life of the Transition Bonds, or in principal and interest not being paid at all.

Inaccurate forecasting of electricity consumption by the servicer could result from, among other things:

- warmer winters or cooler summers, resulting in less electricity consumption than forecasted;
- general economic conditions being worse than expected, causing customers to migrate from Oncor's service territory or reduce their electricity consumption;
- the occurrence of a natural disaster, such as a tornado, or an act of war or terrorism or other catastrophic event unexpectedly disrupting electrical service and reducing usage;
- problems with electricity generation, transmission or distribution resulting from the change in the market structure of the electric industry;
- customers ceasing business or departing Oncor's service territory;
- dramatic changes in electricity prices resulting in decreased consumption;
- customers consuming less electricity because of increased conservation efforts or increased electricity usage efficiency, or
- customers switching to alternative sources of energy, including self-generation of electric power.

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Inaccurate forecasting of delinquencies or charge-offs by the servicer could result from, among other things:

- unexpected deterioration of the economy or the occurrence of a natural disaster, or an act of war or terrorism or other catastrophic event or the declaration of a disconnect moratorium causing greater charge-offs than expected or forcing Oncor or a successor distribution company to grant additional payment relief to more customers;
- a change in law that makes it more difficult for Oncor or a successor distribution company or a REP to terminate service to nonpaying customers, or that requires Oncor or a successor distribution company or REP to apply more lenient credit standards in accepting customers;
- the introduction into the energy markets of REPs who collect payments arising from the transition charges, but who may fail to remit retail customer charges to the servicer in a timely manner, or
- the failure of REPs to submit accurate and timely information to the servicer regarding their collections and charge-offs. See “It May Be Difficult to Collect the Transition Charges from REPs” below.

There are Uncertainties Associated with Collecting the Transition Charges, and There is Unpredictability Associated with a Deregulated Electricity Market. The predictions associated with billing and collecting transition charges are based primarily on historical collection of payments and forecasted energy usage for which Oncor has records available. These usage and collection records, however, may not reflect customers’ payment patterns or energy usage in the competitive market. A shortfall or material delay in collecting transition charges could result in Transition Bond principal not being paid according to the expected amortization schedule, lengthening the weighted average life of the Transition Bonds, or in principal and interest not being paid at all. As a result, an investor could suffer a loss in connection with the investment.

An Investment in Transition Bonds Relies on Oncor or its Successor Acting as Servicer of the Transition Property. Oncor, as servicer, is responsible for billing and collecting transition charges from REPs and for filing with the PUCT to adjust these charges. If Oncor ceases servicing the transition property, it might be hard to find a successor servicer and any transfer of servicing to a successor servicer may adversely affect an investor. Any successor servicer may have less experience than Oncor, may have less capable billing and/or collection systems than Oncor and may experience difficulties in collecting transition charges and determining appropriate adjustments to transition charges. A successor servicer might charge fees that, while permitted under the Financing Order, are higher than the fees paid to Oncor as servicer. If Oncor were to be replaced as servicer, any of these factors and others could delay the timing of payments and may reduce the value of an investment in Transition Bonds. Also, a change in servicer may cause billing and/or payment arrangements to change, which may lead to a period of disruption in which customers continue to remit payments according to the former arrangement, resulting in delays in collection that could result in delays in payment on the Transition Bonds. Under the Oncor servicing agreements, no servicer default may be waived without the written consent of both the PUCT and holders of a majority of the applicable series of outstanding Transition Bonds. The servicing agreements also grant the independent right to the PUCT, in addition to the right of the Indenture Trustee on behalf of the transition bondholders, to require transfer of the servicing to a successor servicer in the event of any such servicer default.

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Upon a default under a servicing agreement based upon the commencement of a case by or against the servicer under the US Bankruptcy Code or similar laws, the Indenture Trustee and the Company may be prevented from effecting a transfer of servicing. The 1999 Restructuring Legislation provides that upon a default under the Transition Bonds, which may result from servicer's failure to make required remittances, the Indenture Trustee would have the right to apply to the PUCT for an order that amounts arising from transition charges be transferred to a separate account, and to apply to the district court of Travis County, Texas for an order for sequestration and payment of revenues arising from the transition charges. However, in the event that the servicer becomes subject to a bankruptcy proceeding, federal bankruptcy law may prevent the PUCT or the Texas court from issuing or enforcing these orders. The Indenture requires the Indenture Trustee to request an order from the bankruptcy court to permit the PUCT or the Texas court to issue and enforce these orders. However, the bankruptcy court may deny the request. The failure of the servicer to make required remittances would likely result in a default under the Indenture.

Under an intercreditor agreement among the Company, Oncor, the Transition Bond parties and the parties to EFH Corp.'s receivables financing program, a replacement servicer would require the agreement of both the Indenture Trustee and the other parties to the intercreditor agreement. If the Indenture Trustee and the other parties are unable to agree on a replacement servicer within 10 business days, Oncor's independent registered public accounting firm (independent auditors) would appoint the replacement servicer.

It May Be Difficult to Collect the Transition Charges from REPs. As part of the restructuring of the Texas electric industry, retail customers in Oncor's service territory began, as of January 1, 2002, purchasing electricity and related services from REPs rather than Oncor. Oncor is no longer permitted to sell electricity directly to retail customers. EFH Corp. currently has an affiliated REP that provides electricity and related services to retail customers in Oncor's service territory. In the future, EFH Corp. may establish additional affiliated REPs or divest itself of one or more affiliated REPs. The 1999 Restructuring Legislation requires Oncor to allow each REP, including EFH Corp.'s affiliated REP, pursuant to a tariff to be filed by Oncor and approved by the PUCT, to issue a single bill to customers purchasing electricity from that REP. This single bill includes all charges related to purchasing electricity from the REP, including delivery services from Oncor and the applicable transition charges. Retail customers will pay transition charges to REPs who supply them with electric power. The REPs will be obligated to remit payments of transition charges to the servicer less a specified percentage allowance for charge-offs or delinquent customer accounts whose service has been terminated, within 35 days of billing from the servicer, even if the REPs do not collect the charges from retail customers. The charge-off percentage will initially be based on the servicer's system-wide charge-off percentage but will then be recalculated annually for each REP in conjunction with the true-up adjustment process. Each REP's recourse for transition charge payments remitted to the servicer but not collected ultimately from customers will be limited to a credit against future transition charge payments unless the REP and the servicer agree to alternative arrangements, but in no event will the REP have recourse to the Company or the Company's funds for such payments. In the event that the REP does not pay the transition charges to the servicer, the servicer will have the right to collect transition charges directly from those retail customers who receive their electricity bills from the REP and have not paid the REP. REPs will bill most retail customers for the transition charges, and as a result the Company will have to rely on a relatively small number of entities for the collection of the bulk of the transition charges. The servicer will not pay any shortfalls resulting from the failure of any REP to forward transition charge collections. This may adversely affect an investment in Transition Bonds because:

- REPs might use more permissive standards in bill collection and credit appraisal with respect to their customers in Oncor's service territory, or might be less effective in billing and collecting. As a result, those REPs may not be as successful in collecting the transition charges as the servicer anticipated when setting the transition charge.

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- If a REP defaults, the REP must either (i) allow the provider of last resort (“POLR”) or another certified REP of the customer’s choosing to assume responsibility for billing and collecting transition charges from the REP’s retail customers, (ii) implement other mutually agreeable arrangements with the servicer or (iii) arrange at the REP’s own expense for all amounts owed by its customers to be paid into a lock box controlled by the servicer. In no event may the servicer directly bill a retail customer for service that was previously billed by the REP and previously paid by that customer to the REP. In addition, if a replacement REP assumes the billing and collecting responsibility during the period of a REP default, billing and collections may be delayed due to the need to convert to such replacement provider’s systems or because such replacement provider may not have adequate or complete information.
- A default by a REP that collects from a large number of customers would have a greater impact than a default by a single customer.
- The bankruptcy of a REP may cause a delay in or prohibition of the enforcement of rights against the REP, including the right to payment to the servicer of transition charges previously collected by the REP, or may cause the REP to fail to comply with financial provisions of the 1999 Restructuring Legislation or other state law.
- Any security deposit or other form of credit support made or deposited by a REP may not be sufficient to cover any shortfalls resulting from a failure of that REP to forward transition charges to Oncor as servicer.

Certain transmission and distribution utilities in Texas have tariffs in place to assure adequate credit worthiness of any REP to support the REP’s obligation to collect securitization bond-related charges (transition charges) on behalf of the utility. REPs who do not have a long-term unsecured credit rating of at least “BBB-” and “Baa3” (or the equivalent from S&P and Moody’s, respectively), will be required to provide (i) a cash deposit, (ii) an affiliate guarantee, surety bond or letter of credit or (iii) some combination of these forms of credit support to the Indenture Trustee. The amount of such credit support will equal two months’ maximum expected collections of transition charges, as determined by the servicer and agreed to by the REP, and any cash deposits will be deposited in a REP security deposit subaccount with the Indenture Trustee.

Under these provisions, as a result of the previous downgrade of TCEH’s credit rating to below investment grade, Oncor’s affiliated REP, TCEH, will be required to post collateral support in an amount equal to estimated transition charges over specified time periods. As of January 30, 2009, TCEH has posted collateral support of approximately \$13 million with Oncor for the benefit of the Company.

Credit support other than cash must be provided by an investment-grade entity. Documents representing any other form of credit support will be held by the Indenture Trustee. Although the Indenture Trustee will maintain the REP security deposit subaccount, it will not have an ownership interest in such subaccount. However, the Indenture Trustee will have a security interest in the Company’s rights with respect to such subaccount and Oncor, as servicer, has agreed to use its reasonable best efforts to obtain a security agreement from each REP with respect to such REP’s security deposit subaccount. In the event that a REP defaults in remitting transition charges, the servicer may direct the Indenture Trustee to withdraw or seek recourse for the amount of the payment default or, if less, withdraw the full amount of that REP’s security deposit from the REP security deposit subaccount or seek full recourse against any other form of credit support provided for deposit into the general subaccount of the applicable series.

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In addition, the 1999 Restructuring Legislation provides for one or more REPs in each designated geographical area to be designated the POLR for such area or for specified classes of customers in such area. The 1999 Restructuring Legislation requires the POLR to offer a standard retail service package of basic electric service to retail customers in its designated area at a fixed, nondiscountable rate approved by the PUCT, regardless of the creditworthiness of the customer. The REP serving as the POLR may face greater difficulty in bill collection than other REPs; therefore, the servicer may face greater difficulty in collecting transition charges from the REP serving as the POLR.

As noted above, REPs issue a single bill to retail customers purchasing electricity from a REP. This single bill includes all charges related to purchasing electricity from the REP, delivery services from the transmission and distribution utility and the applicable transition charges. This may increase the risk that customers who have claims against the REP will attempt to offset those claims against transition charges payable to the servicer or the Company. This also increases the risk that a bankruptcy court in the event of a bankruptcy of a REP would find that the REP has an interest in the transition property and may make it more difficult to terminate a bankrupt REP or collect transition charges from its customers.

Adjustments to transition charges and, in some cases, credit enhancements (other than swap agreements) will be available to compensate for a failure by a REP to pay transition charges over to the servicer. However, the amount of credit enhancement funds may not be sufficient to protect an investment.

Changes to Billing and Collection Practices May Reduce the Value of An Investment in Transition Bonds. The Financing Order issued to Oncor under the 1999 Restructuring Legislation sets forth the methodology for determining the amount of the transition charges the Company may impose on each customer. The servicer cannot change this methodology without approval from the PUCT. However, Oncor, as servicer, may set its own billing and collection arrangements with REPs and with those customers from whom it collects the transition charges directly, provided that these arrangements comply with PUCT customer safeguards. For example, to recover part of an outstanding bill, Oncor may agree to extend a REP's or a customer's payment schedule or to write-off the remaining portion of the bill including transition charges. Also, Oncor, or a successor to Oncor as servicer, may change billing and collection practices. Any change to billing and collection practices may have an adverse or unforeseen impact on the timing and amount of customer payments and may reduce the amount of transition charge collections and thereby limit the Company's ability to make scheduled payments on the Transition Bonds. Separately, the PUCT may require changes to these practices. Any changes in billing and collection regulations might adversely affect the billing terms and the terms of remittances by REPs to the servicer or make it more difficult for the servicer to collect the transition charges. These changes may adversely affect the value of the Transition Bonds and their amortization and, accordingly, their weighted average lives.

Limits on Rights to Terminate Service May Make it More Difficult to Collect Transition Charges. An important element of an electric utility's policies and procedures relating to credit and collections is the right to terminate or disconnect service on account of nonpayment. The Financing Order provides that the sale of transition property by Oncor includes all rights of Oncor to authorize disconnection of electric service for nonpayment of transition charges. The Financing Order provides that, if the servicer is billing customers for transition charges, the servicer shall have the right to terminate service for nonpayment of transition charges pursuant to the PUCT rules. Nonetheless, Texas statutory requirements and the rules and regulations of the PUCT, which may change from time to time, regulate and control the right to terminate service. Oncor's affiliated REP and the other REPs may not terminate service to a customer on (1) a weekend day, (2) a day when the previous day's high temperature did not exceed 32 degrees Fahrenheit and is predicted to remain at or below that level for the next 24 hours or (3) a day for which the National Weather Service issues a heat advisory for any county in the service territory, or when a heat advisory has been issued for either of the two prior calendar days. As a result, REPs must provide service to these customers during this period even if they are not recouping transition charges from these customers. This could cause a REP to go out of business, which may reduce the amount of transition charge collections available for payments on the Transition Bonds, although any associated reduction in payments would be factored into the transition charge true-up adjustments.

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Future Adjustments to Transition Charges by Customer Class May Result in Insufficient Collections. The customers who will be responsible for paying transition charges are divided into customer classes. Transition charges are allocated among customer classes and assessed in accordance with the formula required under the 1999 Restructuring Legislation and specified in the Financing Order. This allocation is based in part upon the existing rate structure of each customer class. Adjustments to the transition charges are also made separately to each customer class. A shortfall in collections of transition charges in one customer class may be corrected by making adjustments to the transition charges payable by that customer class and any other customer class. Some customer classes have a significantly smaller number of customers than other customer classes. If customers in a class fail to pay transition charges, the servicer may have to substantially increase the transition charges for the remaining customers in that customer class and for other customer classes. The servicer may also have to take this action if customers representing a significant percentage of a class cease to be customers. These increases could lead to further failures by the remaining customers to pay transition charges, thereby increasing the risk of a shortfall in funds to pay the Transition Bonds.

The large industrial and the interruptible customer classes consist of a small number of large customers. The failure of the customers in these customer classes to pay transition charges could lead to increases in transition charges to other members of this class as well as other customer classes. Any increase could lead to failures by customers to pay transition charges and could increase the risk of a shortfall in funds to pay the Transition Bonds.

Risks Associated with the Unusual Nature of the Transition Property

Oncor May Not Recover Transition Charges More Than 15 Years from the Original Issue Date of the Series of Transition Bonds Relating to Those Transition Charges. Oncor, or any successor servicer, is prohibited from recovering transition charges after the fifteenth anniversary of the date of issuance of the related Transition Bonds, but the Company may continue to recover transition charges incurred during the applicable 15-year period through the use of judicial process. Amounts collected from transition charges imposed for electricity consumed through the fifteenth anniversary of the date of issuance of the related Transition Bonds, or from credit enhancement funds, may not be sufficient to repay the Transition Bonds in full. If that is the case, no other funds will be available to pay the unpaid balance due on the Transition Bonds.

Foreclosure of the Indenture Trustee's Lien on the Transition Property May Not Be Practical. Under the 1999 Restructuring Legislation and the Indenture, the Indenture Trustee or the bondholders have the right to foreclose or otherwise enforce the lien on transition property securing the Transition Bonds. However, in the event of foreclosure, there is likely to be a limited market, if any, for the transition property. Therefore, foreclosure may not be a realistic or practical remedy, and the value of an investment in Transition Bonds may be materially reduced.

Risks Associated with Potential Bankruptcy Proceedings

The Servicer Will Commingle the Transition Charges with Other Revenues, Which May Obstruct Access to the Transition Charges in Case of the Servicer's Bankruptcy. The servicer does not segregate the transition charges from its general funds. The transition charges are segregated only when the servicer pays them to the Indenture Trustee and the Indenture Trustee deposits them to the applicable collection account. The servicer is permitted to remit collections on a monthly basis if Oncor or a successor to Oncor's electric public utility business remains the servicer, no servicer default has occurred, and if:

- the servicer meets certain credit ratings requirements of the applicable rating agencies, or
- the servicer provides credit enhancement satisfactory to the applicable rating agencies to assure remittance by the servicer to the Indenture Trustee of the transition charges it collects.

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If these conditions are not satisfied, the servicer is required to remit collections to the Indenture Trustee within two business days of receipt. Despite these requirements, the servicer might fail to pay the full amount of the transition charges to the Indenture Trustee or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, could materially reduce the amount of transition charge collections available to make payments on the Transition Bonds.

The 1999 Restructuring Legislation provides that the Company's rights to the transition property are not affected by the commingling of these funds with any other funds of the servicer. In a bankruptcy of the servicer, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the 1999 Restructuring Legislation and does not recognize the Company's right to collections of the transition charges that are commingled with other funds of the servicer as of the date of bankruptcy. If so, the collections of the transition charges held by the servicer as of the date of bankruptcy would not be available to pay amounts owing on the Transition Bonds. In this case, the Company would have only a general unsecured claim against the servicer for those amounts. This decision could cause material delays in payment or losses on the Transition Bonds and could materially reduce the value of an investment in Transition Bonds.

REPs Will Comingle the Transition Charges with Other Revenues, Which May Obstruct Access to the Transition Charges in Case of a REP's Bankruptcy. A REP is not required to segregate the transition charges it collects from its general funds, either on a series basis or otherwise, but will be required to remit to the servicer amounts billed to it for transition charges, less an amount relating to expected customer charge-offs, within 35 days of billing by the servicer. A REP nonetheless might fail to pay the full amount of the transition charges to the servicer or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, could materially reduce the amount of transition charge collections available to make payments on one or more series of Transition Bonds.

The 1999 Restructuring Legislation provides that the Company's rights to the transition property are not affected by the commingling of these funds with other funds. In a bankruptcy of a REP, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the 1999 Restructuring Legislation and does not recognize the Company's right to receive the collected transition charges that are commingled with other funds of a REP as of the date of bankruptcy. If so, the collected transition charges held by a REP prior to or as of the date of bankruptcy would not be available to the Company to pay amounts owing on the Transition Bonds. In this case, the Company would have only a general unsecured claim against that REP for those amounts. This decision could cause material delays in payment or losses on the Transition Bonds and could materially reduce the value of an investment in Transition Bonds, especially with respect to a default by TXU Energy, the largest REP in Oncor's service territory.

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If a REP Enters Bankruptcy Proceedings, Transition Charge Payments Made by that REP to the Servicer May Constitute Preferences, and the Servicer May be Required to Return such Funds to the Bankruptcy Estate of the REP. In the event of a bankruptcy of a REP, a party-in-interest may take the position that the remittance of funds prior to bankruptcy to the servicer, pursuant to the Financing Order, constitutes a preference under bankruptcy law. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to the bankruptcy estate of the REP by the Company or the servicer. To the extent that transition charges have been commingled with the general funds of the REP, the risk that a court would hold that a remittance of funds was a preference would increase. The Company or the servicer may be considered an “insider” with any REP that is affiliated with the Company or the servicer. If the servicer or the Company is considered to be an “insider” of the REP, any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, the Company or the servicer would merely be an unsecured creditor of the REP. If any funds were required to be returned to the bankruptcy estate of the REP, the Company would expect that the amount of any future transition charges would be increased through the true-up mechanism to recover the amount returned.

If the Servicer Enters Bankruptcy Proceedings, the Collections of the Transition Charges Held By the Servicer as of the Date of Bankruptcy May Constitute Preferences, Which Means These Funds Would Be Unavailable to Pay Amounts Owing on the Transition Bonds. In the event of a bankruptcy of the servicer, a party-in-interest may take the position that the remittance of funds prior to bankruptcy of the servicer, pursuant to the Financing Order, constitutes a preference under bankruptcy law. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to the bankruptcy estate of the servicer. To the extent that transition charges have been commingled with the general funds of the servicer, the risk that a court would hold that a remittance of funds was a preference would increase. In such case, the Company would merely be an unsecured creditor of the servicer. If any funds were required to be returned to the bankruptcy estate of the servicer, the Company would expect that the amount of any future transition charges would be increased through the true-up mechanism to recover the amount returned.

Bankruptcy of Oncor or any Successor Seller Could Result in Losses or Delays in Payments on the Transition Bonds. The 1999 Restructuring Legislation and the Financing Order provide that as a matter of Texas state law:

- the rights and interests of a selling utility under a financing order, including the right to impose, collect and receive transition charges, are contract rights of the seller;
- the seller may make a present transfer of its rights under a financing order, including the right to impose, collect and receive future transition charges that retail customers do not yet owe;
- upon the transfer to the Company, the rights will become transition property and transition property constitutes a present property right, even though the imposition and collection of transition charges depend on further acts that have not yet occurred, and
- a transfer of the transition property from the seller, or its affiliate, to the Company is a true sale of the transition property, not a pledge of the transition property to secure a financing by the seller.

These four provisions are important to maintaining payments on the Transition Bonds in accordance with their terms during any bankruptcy of Oncor. In addition, the Company structured the transaction with the objective of keeping the Company legally separate from Oncor and its affiliates in the event of a bankruptcy of Oncor or any such affiliate.

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A bankruptcy court generally follows state property law on issues such as those addressed by the state law provisions described above. However, a bankruptcy court has authority not to follow state law if it determines that the state law is contrary to a paramount federal bankruptcy policy or interest. If a bankruptcy court in an Oncor bankruptcy refused to enforce one or more of the state property law provisions described above for this reason, the effect of this decision on a beneficial owner of Transition Bonds might be similar to the treatment to be received in an Oncor bankruptcy if the Transition Bonds had been issued directly by Oncor.

The Company has taken steps together with Oncor, as the seller of the transition property, to reduce the risk that in the event the seller or an affiliate of the seller were to become the debtor in a bankruptcy case, a court would order that the Company's assets and liabilities be substantively consolidated with those of Oncor or an affiliate. These steps include the fact that the Company is a separate special purpose limited liability company, and the Company's organizational documents prevent the Company from commencing a voluntary bankruptcy case without the unanimous affirmative vote of all the Company's managers, including the managers independent of Oncor. Nonetheless, these steps may not be completely effective, and thus if Oncor or an affiliate of the seller were to become a debtor in a bankruptcy case, a court might order that the Company's assets and liabilities be consolidated with those of Oncor or an affiliate. A decision by the bankruptcy court that, despite the separateness of the Company and Oncor, the two companies should be consolidated, would have a similar effect on a beneficial owner of Transition Bonds. Either decision could cause material delays in payment of, or losses on, the Transition Bonds and could materially reduce the value of an investment in such bonds. For example:

- the Indenture Trustee could be prevented from exercising any remedies against Oncor on an investor's behalf, from recovering funds to repay the Transition Bonds, from using funds in the accounts under the Indenture to make payments on the Transition Bonds or from replacing Oncor as servicer, without permission from the bankruptcy court;
- the bankruptcy court could order the Indenture Trustee to exchange the transition property for other property, which might be of lower value;
- tax or other government liens on Oncor's property that arose after the transfer of the transition property to the Company might nevertheless have priority over the Indenture Trustee's lien and might be paid from transition charge collections before payments on the Transition Bonds;
- the Indenture Trustee's lien might not be properly perfected in transition property collections that were commingled with other funds Oncor collected from its customers or REPs prior to or as of the date of Oncor's bankruptcy or commingled in the general funds of Oncor's affiliated REP as of the date of that REP's bankruptcy, or might not be properly perfected in all of the transition property, and the lien could therefore be set aside in the bankruptcy, with the result that the Transition Bonds would represent only general unsecured claims against Oncor;
- the bankruptcy court might rule that neither the Company's property interest nor the Indenture Trustee's lien extends to transition charges in respect of electricity consumed after the commencement of Oncor's bankruptcy case, with the result that the Transition Bonds would represent only general unsecured claims against Oncor;
- neither Oncor nor the Company may be obligated to make any payments on the Transition Bonds during the pendency of the bankruptcy case and/or pay interest accruing after the commencement of the case;
- Oncor may be able to alter the terms of the Transition Bonds as part of its plan of reorganization;
- the bankruptcy court might rule that the transition charges should be used to pay a portion of the cost of providing electric service, or

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- the bankruptcy court might rule that the remedy provisions of the applicable sale agreement are unenforceable, leaving the Company with a claim of actual damages against Oncor that may be difficult to prove.

Furthermore, if Oncor enters into bankruptcy, it may be permitted to stop acting as servicer, and it may be difficult to find a third party to act as servicer. The failure of a servicer to perform its duties or the inability to find a successor servicer may cause payment delays or losses on an investment in Transition Bonds. Also, the mere fact of a servicer or REP bankruptcy proceeding could have an adverse effect on the resale market for the Transition Bonds and on the value of the Transition Bonds.

The Sale of the Transition Property Could Be Construed as a Financing and Not a Sale in a Case of Oncor's Bankruptcy Which Could Delay or Limit Payment on the Transition Bonds. The 1999 Restructuring Legislation provides that the characterization of a transfer of transition property as a sale or other absolute transfer will not be affected or impaired in any manner by treatment of the transfer as a financing for federal or state tax purposes or financial reporting purposes. The Company and Oncor have treated the transaction as a sale under applicable law, although for financial reporting and federal and state income and franchise tax purposes the transaction has been treated as a financing and not a sale. In the event of a bankruptcy of Oncor, a party-in-interest in the bankruptcy may assert that the sale of the transition property to the Company was a financing transaction and not a sale or other absolute transfer and that the treatment of the transaction for financial reporting and tax purposes as a financing and not a sale lends weight to that position. In a bankruptcy court case involving LTV Steel Company, the debtor obtained an interim emergency motion to use collections from accounts and inventory that it had sold on the grounds that the sales were in fact disguised financings. The circumstances under which the LTV Steel Company ruling would be followed by other courts are not certain. If a court were to adopt reasoning similar to that of the court in the LTV Steel case or were otherwise to characterize the transaction as a financing, the Company would be treated as a secured creditor of Oncor in the bankruptcy proceedings. Although the Company would in that case have a security interest in the transition property, the Company would not likely be entitled to access to the transition charge collections during the bankruptcy and would be subject to the typical risks of a secured creditor in a bankruptcy case, including the possible bankruptcy risks described in the immediately preceding risk factor. As a result, repayment on the Transition Bonds could be significantly delayed, and a plan of reorganization in the bankruptcy might permanently modify the amount and timing of payments to the Company of transition charge collections and, therefore, the amount and timing of funds available to the Company to make payments on the Transition Bonds.

Claims Against Oncor or any Successor Seller May Be Limited in the Event of a Bankruptcy of the Seller. If the seller were to become a debtor in a bankruptcy case, claims, including indemnity claims, by the Company against the seller under the applicable sale agreement and the other documents executed in connection with the applicable sale agreement would be unsecured claims and would be subject to being discharged in the bankruptcy case. In addition, a party-in-interest in the bankruptcy may request that the bankruptcy court estimate any contingent claims that the Company had against the seller. That party may then take the position that these claims should be estimated at zero or at a low amount because the contingency giving rise to these claims is unlikely to occur. If the seller were to become a debtor in a bankruptcy case and the indemnity provisions of the applicable sale agreement were triggered, a party-in-interest in the bankruptcy might challenge the enforceability of the indemnity provisions. If a court were to hold that the indemnity provisions were unenforceable, the Company would be left with a claim for actual damages against the seller based on breach of contract principles. The actual amount of these damages would be subject to estimation and/or calculation by the court. The Company cannot give any assurance as to the result if any of the above-described actions or claims were made. Furthermore, the Company cannot give any assurance as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving the seller.

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A Bankruptcy of Oncor or Any Successor Seller Would Limit the Remedies Available to the Indenture Trustee. Upon an event of default under the Indenture, the 1999 Restructuring Legislation permits the Indenture Trustee to enforce the security interest in the transition property in accordance with the terms of the Indenture. In this capacity, the Indenture Trustee is permitted to request a Travis County, Texas district court to order the sequestration and payment to bondholders of all revenues arising with respect to the transition property. There can be no assurance, however, that the Travis County, Texas district court would issue this order after a seller bankruptcy in light of the automatic stay provisions of Section 362 of the US Bankruptcy Code. In that event, the Indenture Trustee would be required to seek an order from the bankruptcy court lifting the automatic stay to permit this action by the Texas court, and an order requiring an accounting and segregation of the revenues arising from the transition property. There can be no assurance that a court would grant either order.

Other Risks Associated with an Investment in the Transition Bonds

Oncor's Obligation to Indemnify the Company for a Breach of a Representation or Warranty May Not Be Sufficient to Protect an Investor's Investment. If the seller breaches a representation or warranty in the applicable sale agreement, or the servicer (presently Oncor) breaches a representation or warranty under the applicable servicing agreement, it is obligated to indemnify the Company and the Indenture Trustee for any liability, obligation, claim, action, suit or payment resulting from that breach, as well as any reasonable costs and expenses incurred. Oncor will not be obligated to repurchase the transition property in the event of a breach of any representation or warranty regarding the transition property, and neither the Indenture Trustee nor the holders of Transition Bonds will have the right to accelerate payments on the Transition Bonds because of such a breach (absent an event of default under the Indenture). The sale agreements provide that any change in the law by legislative enactment, constitutional amendment or voter initiative that renders any of the representations and warranties untrue would not constitute a breach under each sale agreement. Oncor or any successor entity acting as seller or servicer may not have sufficient funds available to satisfy its indemnification obligations to the Company and to the Indenture Trustee; therefore Oncor may not be able to pay investors amounts owing on the Transition Bonds in full. If Oncor becomes obligated to indemnify holders of Transition Bonds, the ratings on the Transitions Bonds will likely be downgraded since holders of Transition Bonds will be unsecured creditors of Oncor with respect to any of these indemnification amounts. Oncor will not indemnify any person for any liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Transition Bonds.

An Investor Might Receive Principal Payments Later, or Earlier, Than Expected. The amount and the rate of collection of transition charges that Oncor will collect from each customer class will partially depend on actual electricity usage and the amount of collections and write-offs for that customer class. The amount and the rate of collection of transition charges, together with the transition charge adjustments described above, will generally determine whether there is a delay in the scheduled repayments of Transition Bond principal. If Oncor collects transition charges at a slower rate than expected from any customer class or REP, it may have to request adjustments to the transition charges. If those adjustments are not timely and accurate, investors may experience a delay in payments of principal and interest or a material decrease in the value of their investment. If there is an acceleration of the Transition Bonds before maturity, all classes will be paid pro rata and, therefore, some classes may be paid earlier than expected, and some classes may be paid later than expected.

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Technological Change May Make Alternative Energy Sources More Attractive. The continuous process of technological development may result in the introduction for an increasing number of retail consumers of economically attractive alternatives to purchasing electricity through Oncor's distribution facilities. Previously, only the largest industrial and institutional users with large process steam requirements could use cogeneration or self-generation installations cost-effectively. However, manufacturers of self-generation facilities continue to develop smaller-scale, more fuel-efficient generating units which can be cost-effective options for retail consumers with smaller electric energy requirements. If such facilities have rated capacities of 10 megawatts or less, consumers that rely on such facilities do not generally have to pay transition charges under provisions of the 1999 Restructuring Legislation. Consumers may avoid a portion of their overall transition charge bill by installing new on-site generation of over 10 megawatts that reduces consumption through Oncor's transmission and distribution system up to 12.5%. Technological developments may allow greater numbers of retail consumers to avoid transition charges under such provisions, which may reduce the total number of retail consumers from which transition charges will be collected. A reduction in the number of payers of transition charges could result in delays or a failure to make payments of interest on and principal of the Transition Bonds.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company does not own any tangible property, other than books and records. The primary asset of the Company is the transition property described in Item 1. Business.

Item 3. LEGAL PROCEEDINGS

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Not applicable. All outstanding common membership interests in the Company are held by Oncor.

Item 6. SELECTED FINANCIAL DATA

Item 6 is not presented herein as the Company meets the conditions set forth in General Instruction (I) (1) of Form 10-K.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required hereunder for the Company is in its reduced format as allowed for under General Instruction (I) (1) and (2)(a) of Form 10-K. All dollar amounts in the tables in the following discussion and analysis are stated in thousands of US dollars unless otherwise indicated.

BUSINESS

The Company is a bankruptcy-remote, special-purpose Delaware limited liability company, wholly-owned by Oncor. Oncor is a regulated electricity transmission and distribution company principally engaged in providing delivery services to REPs, including subsidiaries of TCEH, that sell power in the north-central, eastern and western parts of Texas. Oncor is a direct subsidiary of Oncor Holdings, which is a direct wholly-owned subsidiary of Intermediate Holding, which is a direct, wholly-owned subsidiary of EFH Corp.

The Company was organized in November 1999 for the limited purposes of issuing Transition Bonds and purchasing and owning transition property (as defined in the 1999 Restructuring Legislation) acquired from Oncor. Transition property represents the irrevocable right to impose, collect and receive transition charges in an amount sufficient to pay the interest, fees, and expenses associated with the Transition Bonds, and the aggregate principal amount of the Transition Bonds. For legal purposes, the transition property has been sold to the Company by Oncor. The Company had no operations until August 2003. In connection with the acquisition of the transition property, the Company:

- registered and issued the Transition Bonds;
- pledged its interest in the transition property and other Transition Bond collateral to secure the Transition Bonds;
- has agreed to make debt service payments on the Transition Bonds, and
- has agreed to perform other activities that are necessary, suitable or convenient to accomplish these purposes.

The Company is structured and operated in a manner such that in the event of bankruptcy proceedings against Oncor, the assets of the Company will not be consolidated into the bankruptcy estate of Oncor. Oncor is not the owner of the transition property described herein, and the assets of the Company are not available to pay creditors of Oncor or any of its affiliates.

With the closing of the Merger on October 10, 2007, EFH Corp. became a subsidiary of Texas Holdings, which is controlled by the Sponsor Group. In connection with the Merger, Oncor was converted from a Texas corporation to a Delaware limited liability company under the laws of the States of Texas and Delaware.

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As part of the Merger, to enhance the separateness between the Oncor Ring-Fenced Entities and the Texas Holdings Group, various legal, financial and contractual provisions were implemented. Such “ring-fencing” measures included, among other things: TXU Electric Delivery Company’s name change to Oncor Electric Delivery Company; the formation of a new special purpose holding company for Oncor, Oncor Holdings, as one of the Oncor Ring-Fenced Entities; the conversion of Oncor from a corporation to a limited liability company named “Oncor Electric Delivery Company LLC”; maintenance of separate books and records for the Oncor Ring-Fenced Entities; changes to Oncor’s corporate governance provisions; appointment of a majority of independent directors to Oncor’s board of directors; physical separation of Oncor’s headquarters from Luminant and TXU Energy; amendments to contracts between the Oncor Ring-Fenced Entities and the Texas Holdings Group, and prohibitions on the Oncor Ring-Fenced Entities’ providing credit support to, or receiving credit support from, any member of the Texas Holdings Group. The assets and liabilities of the Oncor Ring-Fenced Entities are separate and distinct from those of the Texas Holdings Group, including TXU Energy and Luminant, and none of the assets of the Oncor Ring-Fenced Entities are available to satisfy the debt or other obligations of any member of the Texas Holdings Group. Moreover, the cash flows of the Oncor Ring-Fenced Entities and their results of operations are separate from those of the Texas Holdings Group.

Sale of Oncor Minority Interest

On November 5, 2008, Oncor sold a 19.75% minority stake to an investor group. The investor group is led by certain firms from Canada and Singapore and is not affiliated with any member of the Sponsor Group, Texas Holdings or EFH Corp. The investor group paid \$1.254 billion for the minority stake.

Purchase Accounting

For EFH Corp., the Merger was recorded using purchase accounting in accordance with the provisions of SFAS 141, whereby the total purchase price of the transaction was allocated to EFH Corp.’s identifiable tangible and intangible assets acquired and liabilities assumed based on their fair values, and the excess of the purchase price over the fair value of the net assets was recorded as goodwill. A review of the SEC regulations indicated that the Company’s financial statements were not required to use push-down accounting; therefore, the assets and liabilities of the Company were not recorded at their fair values as of the closing date of the Merger.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company’s significant accounting policies are discussed in Note 1 to Financial Statements. The Company follows accounting principles generally accepted in the US. Application of these accounting policies in the preparation of the Company’s financial statements requires management to make estimates and assumptions about future events that affect the reporting of assets and liabilities at the balance sheet dates and revenues and expenses during the periods covered. The following is a summary of the primary critical accounting policy of the Company that is impacted by judgments and uncertainties and under which different amounts might be reported using different assumptions or estimation methodologies.

Revenue Recognition — The Company’s revenue includes an estimate for the transition charges billed to REPs by Oncor, as servicer, from the meter reading date to the end of the period (unbilled revenues). The unbilled revenue is based on actual daily revenues for the most recent metered period, adjusted for weather and other measurable factors that affect consumption, applied to the number of unmetered days through the end of the period. Accrued unbilled revenues totaled \$8,432 thousand, \$8,954 thousand and \$7,930 thousand at December 31, 2008, 2007 and 2006, respectively.

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RESULTS OF OPERATIONS — 2008 compared to 2007 and 2007 compared to 2006

Operating revenues decreased \$7,448 thousand, or 5%, to \$140,711 thousand for the year ended December 31, 2008, and decreased \$5,342 thousand, or 3%, to \$148,159 thousand for the year ended December 31, 2007, as described below:

- Transition charge revenues decreased \$5,326 thousand, or 4%, to \$139,893 thousand for the year ended December 31, 2008 driven by a decrease in the transition charge tariff reflecting annual true-up adjustments (see Note 1 to Financial Statements), partially offset by an increase in volumes delivered. Transition charge revenues decreased \$5,541 thousand, or 4%, to \$145,219 thousand for the year ended December 31, 2007 driven by a decrease in volumes delivered (due in part to the effects of cooler, below normal summer weather in 2007 and hotter than normal weather in 2006) and a decrease in the transition charge tariff reflecting annual true-up adjustments.
- Investment income decreased \$2,122 thousand, or 72%, to \$818 thousand for the year ended December 31, 2008 primarily due to lower interest rates. Investment income increased \$199 thousand, or 7%, to \$2,940 thousand for the year ended December 31, 2007 primarily due to higher investment balances. Investment income represents earnings on restricted cash balances. The restricted cash is invested in short-term US government securities.

Interest expense decreased \$3,634 thousand, or 7%, to \$45,689 thousand for the year ended December 31, 2008 and \$3,171 thousand, or 6%, to \$49,323 thousand for the year ended December 31, 2007. The changes reflect scheduled principal payments on the Transition Bonds.

Amortization of transition property increased \$2,741 thousand, or 3%, to \$100,145 thousand for the year ended December 31, 2008 and \$3,743 thousand, or 4%, to \$97,404 thousand for the year ended December 31, 2007 reflecting increased principal payments on the Transition Bonds. See discussion under “Amortization” in Note 1 to the Financial Statements.

The Company recorded a reduction of expenses for the under-recovery of transition charges of \$6,205 thousand and \$157 thousand for the years ended December 31, 2008 and 2007, respectively, and expenses for the over-recovery of transition charges of \$5,887 thousand for the year ended December 31, 2006. See discussion under “Over/Under-Recovery of Transition Charges” in Note 1 to the Financial Statements.

Net income totaled \$252 thousand, \$759 thousand and \$629 thousand for the years ended December 31, 2008, 2007 and 2006, respectively. Net income includes interest earned on the Indenture Trustee reserve account and capital subaccounts, which the Company expects to periodically distribute to Oncor as released by the Indenture Trustee. See Note 4 to the Financial Statements.

FINANCIAL CONDITION

Cash Flows — Cash flows provided by operating activities decreased \$5,099 thousand, or 5%, to \$93,958 thousand for the year ended December 31, 2008. The decrease reflected:

- lower transition charge revenues of \$5,326 thousand somewhat offset by a relative decrease in transition charge receivables of \$1,049 thousand, reflecting annual true-up adjustments;
- a decrease of \$2,122 thousand in investment income primarily due to lower interest rates, and
- the receipt of \$2,251 thousand more net customer deposits (reported in other current liabilities on the balance sheet) in the 2007 period, partially offset by a \$3,552 thousand decrease in cash interest payments as a result of principal payments on the Transition Bonds.

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Cash flows provided by operating activities decreased \$7,288 thousand, or 7%, to \$99,057 thousand for the year ended December 31, 2007. The decrease reflected:

- lower transition charge revenue of \$5,541 thousand and relative change in transition charge receivables, which decreased \$766 thousand, driven by lower delivered volumes due in part to the effects of cooler, below normal summer weather in 2007 and hotter than normal weather in 2006 and a decrease in the transition charge tariff reflecting the May 2007 and August 2007 annual true-up adjustments. The adjustments reduced the transition charge tariff to a more normal level as compared to the tariffs in late 2005 and early 2006, and
- an unfavorable change of \$4,108 thousand in customer deposits reflecting a REP replacing its letter of credit held as collateral with cash in 2006, partially offset by lower interest payments of \$2,956 thousand in 2007 as a result of scheduled principal payments on the Transition Bonds.

Financing activities used cash flows of \$99,938 thousand, \$97,122 thousand and \$93,714 thousand in 2008, 2007 and 2006, respectively. Financing activities for each period are presented in the table below:

	Year Ended December 31,		
	2008	2007	2006
Cash used in financing activities:			
Semiannual payments on the 2003 Bonds	\$ (39,024)	\$ (37,514)	\$ (36,577)
Semiannual payments on the 2004 Bonds	(60,409)	(59,034)	(56,520)
Distributions to parent of interest income earned on the Indenture Trustee reserve account	(505)	(574)	(617)
Total cash used in financing activities	<u>\$ (99,938)</u>	<u>\$ (97,122)</u>	<u>\$ (93,714)</u>

Cash flows provided by investing activities totaled \$5,784 thousand in 2008. Cash flows used in investing activities totaled \$1,739 thousand and \$12,630 thousand in 2007 and 2006, respectively. The investing activity represents changes in the balances of restricted cash accounts.

As discussed in Note 1 to the Financial Statements, Oncor, as servicer, files for increases or decreases (true-ups) in transition charges with the PUCT to ensure sufficient funds will be collected during the following period to meet scheduled payments on the Transition Bonds and to maintain the capital and over-collateralization subaccounts at the required levels. The latest filings of the annual true-ups for the Transition Bonds were in August and May 2008. Based on the approved transition charges and current forecast of customer usage, the Company expects that revenues collected will be sufficient to make the scheduled payments.

As of December 31, 2008, restricted cash included the balance in the capital subaccount of \$2,508 thousand compared to the required level of \$2,500 thousand for the 2003 Bonds and \$3,950 thousand compared to the required level of \$3,949 thousand for the 2004 Bonds. Additionally, as of December 31, 2008, the balance in the over-collateralization subaccount for the 2003 Bonds was \$1,044 thousand, compared to the required level of \$1,042 thousand, and for the 2004 Bonds was \$476 thousand, compared to the required level of \$1,481 thousand. There are no penalties as a result of being above or below the required levels in the capital and over-collateralization subaccounts. Any future shortfalls in the subaccounts for either series of Transition Bonds would be addressed in future true-up filings.

Member's Interest — The Company receives interest income with respect to its Indenture Trustee reserve account and capital subaccounts. The Company intends to periodically distribute to Oncor interest income in the Indenture Trustee reserve account and the capital subaccounts as released by the Indenture Trustee. Interest income totaling \$505 thousand, \$574 thousand and \$617 thousand was distributed to Oncor in 2008, 2007 and 2006, respectively. The distributions were recorded as a reduction in member's interest.

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FINANCING ACTIVITIES

The Company's financing needs are limited to issuance of the Transition Bonds. There is no provision to allow for any other borrowings.

Financial Covenants, Credit Rating Provisions and Cross Default Provisions — The terms of the Indenture contain financial covenants that require maintenance of specified collateral deposits in proportion to the aggregate principal amount of the Transition Bonds outstanding. As of December 31, 2008, the Company was in compliance with such covenants.

On November 5, 2008, Oncor, the current servicer, sold a 19.75% minority stake to an investor group to further enhance the servicer's separation from Texas Holdings, EFH Corp. and EFH Corp.'s other subsidiaries. In connection with the servicer's execution of the agreement, S&P upgraded the servicer's issuer credit rating and the servicer's long-term debt ratings by two notches from BBB- to BBB+, and Moody's upgraded the servicer's long-term debt ratings by one notch from Ba1 to Baa3. Simultaneous with the Moody's upgrade, Moody's withdrew its issuer credit rating of Ba1 previously assigned to the servicer. As a matter of practice, Moody's does not assign issuer credit ratings for investment grade utility companies. S&P, Moody's and Fitch have all placed the ratings for the servicer on "stable outlook".

FORWARD-LOOKING STATEMENTS

This report and other presentations made by the Company contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Although the Company believes that in making any such statement its expectations are based on reasonable assumptions, any such statement involves uncertainties and is qualified in its entirety by reference to the risks discussed under "Risk Factors" and the following important factors, among others, that could cause the actual results of the Company to differ materially from those projected in such forward-looking statements:

- state or federal legislative or regulatory developments or judicial actions;
- national or regional economic conditions;
- the accuracy of the servicer's estimates of market demand and prices for electricity;
- the accuracy of the servicer's estimates of industrial, commercial and residential growth in Oncor's service territory, including related estimates of conservation and electricity usage efficiency;
- weather conditions and other natural phenomena affecting retail customer electricity usage;
- acts of sabotage, terrorist activities or other catastrophic events;
- the speed, degree and effect of continued electricity industry restructuring;
- the operating performance of Oncor's facilities and third-party suppliers of electricity in Oncor's service territory;
- the accuracy of the servicer's estimates of the payment patterns of retail electricity customers, including the rate of delinquencies and any collections curves, and
- the operational and financial ability of REPs to bill and collect transition charges and make timely payments of amounts billed by the servicer to the REPs for transition charges.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for the Company to predict all of such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of
Oncor Electric Delivery Transition Bond Company LLC:

We have audited the accompanying balance sheets of Oncor Electric Delivery Transition Bond Company LLC (the "Company") as of December 31, 2008 and 2007, and the related statements of income, cash flows and member's interest for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Dallas, Texas
March 2, 2009

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ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC
STATEMENTS OF INCOME
(thousands of dollars)

	Year Ended December 31,		
	2008	2007	2006
Operating revenues:			
Transition charge revenue	\$ 139,893	\$ 145,219	\$ 150,760
Investment income	818	2,940	2,741
Total operating revenues	<u>140,711</u>	<u>148,159</u>	<u>153,501</u>
Operating expenses:			
Interest expense	45,689	49,323	52,494
Amortization of transition property	100,145	97,404	93,661
Over/(under) recovery of transition charges	(6,205)	(157)	5,887
Servicing fees, administrative and general expenses	830	830	830
Total operating expenses	<u>140,459</u>	<u>147,400</u>	<u>152,872</u>
Net income	<u>\$ 252</u>	<u>\$ 759</u>	<u>\$ 629</u>

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC
STATEMENTS OF CASH FLOWS
(thousands of dollars)

	Year Ended December 31,		
	2008	2007	2006
Cash flows—operating activities:			
Net income	\$ 252	\$ 759	\$ 629
Adjustments to reconcile net income to cash provided by operating activities:			
Amortization of transition property	100,145	97,404	93,661
Over/(under) recovery of transition charges	(6,205)	(157)	5,887
Changes in operating assets	1,349	300	1,095
Changes in operating liabilities	(1,583)	751	5,072
Cash provided by operating activities	<u>93,958</u>	<u>99,057</u>	<u>106,344</u>
Cash flows—financing activities:			
Repayment of debt	(99,433)	(96,548)	(93,097)
Distribution paid to parent	(505)	(574)	(617)
Cash used in financing activities	<u>(99,938)</u>	<u>(97,122)</u>	<u>(93,714)</u>
Cash flows—investing activities:			
Change in restricted funds	5,784	(1,739)	(12,630)
Cash provided by (used in) investing activities	<u>5,784</u>	<u>(1,739)</u>	<u>(12,630)</u>
Net increase in cash and cash equivalents	(196)	196	—
Cash and cash equivalents, beginning of period	197	1	1
Cash and cash equivalents, end of period	<u>\$ 1</u>	<u>\$ 197</u>	<u>\$ 1</u>
Supplemental cash flow disclosures:			
Cash paid for interest	\$ 46,544	\$ 50,096	\$ 53,052

See Notes to Financial Statements.

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ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC
BALANCE SHEETS
(thousands of dollars)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1	\$ 197
Restricted cash (Note 5)	50,698	56,394
Transition charge receivable:		
Affiliates	8,239	9,565
All other	11,411	11,434
Total current assets	<u>70,349</u>	<u>77,590</u>
Investments:		
Restricted funds held in trust (Note 5)	16,458	16,546
Transition property, net of accumulated amortization of \$435,758 and \$335,613	854,019	954,164
Total assets	<u>\$ 940,826</u>	<u>\$ 1,048,300</u>
LIABILITIES AND MEMBER'S INTEREST		
Current liabilities:		
Long-term debt due currently	\$ 103,244	\$ 99,433
Accounts payable—affiliate	265	265
Accrued interest	9,587	10,442
Other current liabilities	8,613	9,341
Total current liabilities	121,709	119,481
Transition bonds (Note 3)	775,109	878,353
Regulatory liability	27,585	33,790
Total liabilities	924,403	1,031,624
Member's interest (Note 4)	16,423	16,676
Total liabilities and member's interest	<u>\$ 940,826</u>	<u>\$ 1,048,300</u>

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC
STATEMENTS OF MEMBER'S INTEREST
(thousands of dollars)

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Member's interest:			
Balance at beginning of year	\$ 16,676	\$ 16,491	\$ 16,479
Distributions paid to parent	(505)	(574)	(617)
Net income	252	759	629
Total member's interest at end of year	<u>\$ 16,423</u>	<u>\$ 16,676</u>	<u>\$ 16,491</u>

See Notes to Financial Statements.

**ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC
NOTES TO FINANCIAL STATEMENTS**

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Company is a bankruptcy-remote, special-purpose Delaware limited liability company, wholly-owned by Oncor. Oncor is a regulated electricity transmission and distribution company principally engaged in providing delivery services to REPs, including subsidiaries of TCEH, that sell power in the north-central, eastern and western parts of Texas. Oncor is a direct subsidiary of Oncor Holdings, which is a direct wholly-owned subsidiary of Intermediate Holding, which is a direct, wholly-owned subsidiary of EFH Corp.

The Company was organized in November 1999 for the limited purposes of issuing Transition Bonds and purchasing and owning transition property (as defined in the 1999 Restructuring Legislation) acquired from Oncor. Transition property represents the irrevocable right to impose, collect and receive transition charges in an amount sufficient to pay the interest, fees, and expenses associated with the Transition Bonds, and the aggregate principal amount of the Transition Bonds. For legal purposes, the transition property has been sold to the Company by Oncor. The Company had no operations until August 2003. In connection with the acquisition of the transition property, the Company:

- registered and issued the Transition Bonds;
- pledged its interest in the transition property and other Transition Bond collateral to secure the Transition Bonds;
- has agreed to make debt service payments on the Transition Bonds, and
- has agreed to perform other activities that are necessary, suitable or convenient to accomplish these purposes.

The Company is structured and operated in a manner such that in the event of bankruptcy proceedings against Oncor, the assets of the Company will not be consolidated into the bankruptcy estate of Oncor. Oncor is not the owner of the transition property described herein, and the assets of the Company are not available to pay creditors of Oncor or any of its affiliates.

As part of the Merger, to enhance the separateness between the Oncor Ring-Fenced Entities and the Texas Holdings Group, various legal, financial and contractual provisions were implemented. Such "ring-fencing" measures included, among other things: TXU Electric Delivery Company's name change to Oncor Electric Delivery Company; the formation of a new special purpose holding company for Oncor, Oncor Holdings, as one of the Oncor Ring-Fenced Entities; the conversion of Oncor from a corporation to a limited liability company named "Oncor Electric Delivery Company LLC"; maintenance of separate books and records for the Oncor Ring-Fenced Entities; changes to Oncor's corporate governance provisions; appointment of a majority of independent directors to Oncor's board of directors; physical separation of Oncor's headquarters from Luminant and TXU Energy; amendments to contracts between the Oncor Ring-Fenced Entities and the Texas Holdings Group, and prohibitions on the Oncor Ring-Fenced Entities' providing credit support to, or receiving credit support from, any member of the Texas Holdings Group. The assets and liabilities of the Oncor Ring-Fenced Entities are separate and distinct from those of the Texas Holdings Group, including TXU Energy and Luminant, and none of the assets of the Oncor Ring-Fenced Entities are available to satisfy the debt or other obligations of any member of the Texas Holdings Group. Moreover, the cash flows of the Oncor Ring-Fenced Entities and their results of operations are separate from those of the Texas Holdings Group.

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Basis of Presentation

The financial statements of the Company have been prepared in accordance with US GAAP and on the same basis as the audited financial statements included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2007. All dollar amounts in the financial statements and tables in the notes are stated in thousands of US dollars unless otherwise indicated.

For EFH Corp., the Merger was recorded using purchase accounting in accordance with the provisions of SFAS 141, whereby the total purchase price of the transaction was allocated to EFH Corp.'s identifiable tangible and intangible assets acquired and liabilities assumed based on their fair values, and the excess of the purchase price over the fair value of the net assets was recorded as goodwill. A review of the SEC regulations indicated that the Company's financial statements were not required to use push-down accounting; therefore, the assets and liabilities of the Company were not recorded at their fair values as of the closing date of the Merger.

Use of Estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions about future events that affect the reporting and disclosure of assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. No material adjustments, other than those disclosed elsewhere herein, were made to previous estimates or assumptions during the current year.

Regulatory Assets and Liabilities

The Company's business meets the applicability criteria of SFAS 71. This accounting standard recognizes the cost-based rate-making process, which may result in differences in the application of generally accepted accounting principles between regulated and non-regulated entities. The regulatory liability balances of \$27,585 thousand and \$33,790 thousand at December 31, 2008 and 2007, respectively, consist of over-recovery of transition charges as discussed below.

Revenue Recognition

The Company records revenue for transition charges under the accrual method of accounting. Revenues are recognized when transition charges are billed by Oncor, as servicer, to REPs for their connected customers on the basis of periodic cycle meter readings. The Company's revenue includes an estimate for the transition charges that will be billed to REPs by Oncor, as servicer, from the meter reading date to the end of the period (unbilled revenues). The unbilled revenue is based on actual daily revenues for the most recent metered period, adjusted for weather and other measurable factors that affect consumption, applied to the number of unmetered days through the end of the period.

Over/Under-Recovery of Transition Charges

The Company accounts for the difference between transition charge revenues and the total of interest expense, amortization of the transition property and other fees and expenses as an over/under-recovery of transition charges. To the extent revenues exceed expenses, the Company records an increase to expense with a corresponding increase to a regulatory liability. To the extent revenues are less than expenses, the Company records a decrease to expense with a corresponding decrease to the regulatory liability.

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Annual and Interim True-Up Adjustments

Variations in customer usage impact transition charge revenues resulting in temporary over/under-recovery of transition charges. In such instances where sufficient funds are not collected through transition charges, the over-collateralization and the capital subaccounts are drawn down to make scheduled payments on the Transition Bonds. Oncor files, on behalf of the Company, an annual true-up adjustment with the PUCT with respect to each series of Transition Bonds. The annual true-up adjustments for the 2003 Bonds and the 2004 Bonds are filed in August and May, respectively. In the filing, Oncor requests the PUCT to increase or decrease the authorized transition charges such that, based on the then current forecast of customer usage, sufficient funds will be collected during the following period to meet the scheduled debt service payments and replenish the over-collateralization and capital subaccounts to their required levels. The Company also has the right, under certain circumstances, to file interim true-up adjustment requests semi-annually, if needed, to make scheduled payments.

Amortization

The transition property acquired from Oncor, which totaled \$1.290 billion at acquisition date, is amortized over the life of the Transition Bonds in an amount equal to the scheduled principal payments of the original debt amounts.

Investment Income

The Company earns investment income on funds held by the Indenture Trustee, including the Indenture Trustee reserve account established to cover any future trustee fees and expenses associated with the Transition Bonds. These funds held by the Indenture Trustee are invested as allowed by the Indenture. Investment income on transition charge collections is recognized as earned.

Income and Other Taxes

The Company is organized as a single-member limited liability company and will not be subject to US federal income tax as an entity separate from Oncor. In addition, the Company's receipt of transition property, transition charges and short-term earnings from investments of the transition charges will not be subject to state and local tax. Accordingly, there is no provision for federal, state or local taxes.

Comprehensive Income

There are no other components of comprehensive income besides net income.

2. RELATED PARTY TRANSACTIONS

Pursuant to administration and servicing agreements between the Company and Oncor, Oncor furnishes to the Company, at a fixed fee per year, billing, payment processing, collection, accounting, clerical, secretarial and other administrative services, which are classified as administrative and general expenses in the income statement. The Company's expense for servicing and administration activities performed by Oncor totaled \$826 thousand, \$826 thousand and \$931 thousand for the years ended December 31, 2008, 2007 and 2006, respectively.

Transition charges billed to the REP subsidiaries of TCEH, which are included in operating revenues, totaled \$57,822 thousand, \$63,859 thousand and \$71,088 thousand for the years ended December 31, 2008, 2007 and 2006, respectively. The balance of the transition charge receivable due from the REP subsidiaries of TCEH totaled \$8,239 thousand and \$9,565 thousand at December 31, 2008 and 2007, respectively.

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Oncor, as servicer of the Transition Bonds, collects security deposits from REPs for payment of the REPs' transition charges and remits these amounts to the Company as they are collected. No amounts were outstanding from Oncor at December 31, 2008 and 2007. Oncor reviews the security amount for the REPs quarterly and requests increases when required.

Also see discussion in Note 4 regarding cash distributions.

3. FINANCING ARRANGEMENTS

Long-Term Debt

At December 31, 2008 and 2007, the Company's long-term debt consisted of the following:

	December 31,	
	2008	2007
4.030% Fixed Series 2003 Bonds due in semiannual installments through February 15, 2010	\$ 53,582	\$ 92,606
4.950% Fixed Series 2003 Bonds due in semiannual installments through February 15, 2013	130,000	130,000
5.420% Fixed Series 2003 Bonds due in semiannual installments through August 15, 2015	145,000	145,000
3.520% Fixed Series 2004 Bonds due in semiannual installments through November 15, 2009	38,994	99,403
4.810% Fixed Series 2004 Bonds due in semiannual installments through November 15, 2012	221,000	221,000
5.290% Fixed Series 2004 Bonds due in semiannual installments through May 15, 2016	<u>289,777</u>	<u>289,777</u>
Total	878,353	977,786
Less amount due currently	<u>(103,244)</u>	<u>(99,433)</u>
Total long-term debt	<u>\$ 775,109</u>	<u>\$ 878,353</u>

The transition property sold to the Company, as well as restricted cash of \$6,458 thousand in the capital subaccount at December 31, 2008, are pledged as collateral for the Transition Bonds. Collections of transition charges will be used to pay the principal, interest and associated costs of the Transition Bonds. The Company is required to maintain restricted cash pledged as collateral for the Transition Bonds in an amount equal to 0.50% of the initial aggregate principal amount of Transition Bonds outstanding. Should the transition charges collected through the specified payment dates listed above not provide adequate funds to make the scheduled payments of principal, the transition charges can continue to be collected for approximately two years before the Transition Bonds go into default for nonpayment of principal.

Maturities for the years 2009 through 2013 and thereafter of long-term debt instruments outstanding at December 31, 2008, are as follows:

Year	
2009	\$103,244
2010	107,825
2011	113,085
2012	118,609
2013	124,647
Thereafter	<u>310,943</u>
Total	<u>\$878,353</u>

The fair value of the outstanding Transition Bonds was approximately \$886,823 thousand and \$949,909 thousand as of December 31, 2008 and 2007, respectively. The fair values are estimated based upon market value as determined by quoted market prices.

Financial Covenants — The terms of the Indenture contain financial covenants that require maintenance of specified collateral deposits in proportion to the aggregate principal amount of the Transition Bonds outstanding. As of December 31, 2008, the Company was in compliance with such covenants.

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4. MEMBER'S INTEREST

The Company receives interest income with respect to its Indenture Trustee reserve account and capital subaccounts. Cash distributions to Oncor, the amounts of which represent interest income released by the Indenture Trustee, totaled \$505 thousand, \$574 thousand and \$617 thousand in the years ended December 31, 2008, 2007 and 2006, respectively. The distributions are recorded as a reduction in member's interest.

5. RESTRICTED CASH

The Company has established collection accounts with the Indenture Trustee for each series of Transition Bonds. Transition charge collection and payment amounts are applied or withdrawn, as required by the Indenture, from one of the following four subaccounts:

- *General* — holds funds to pay allocated Company expenses and make payments and transfers including principal, interest and other amounts as required;
- *Over-collateralization* — holds funds to cover any shortfall in transition charge collections. Required funds in the subaccount will be collected, as scheduled, by the servicer over the expected life of the Transition Bonds and are scheduled to ultimately equal 0.50% of the initial principal amount of the Transition Bonds;
- *Reserve* — holds funds in excess of the amount necessary to make payments specified from the general subaccount described above;
- *Capital* — contains the initial capital contribution of 0.50% of the principal amount of each series of Transition Bonds. Funds in this subaccount are available to the Indenture Trustee to make payments in the event the other three subaccounts are not sufficient. Any funds used from this account are replenished by the Indenture Trustee from subsequent excess transition charge collections. Required funds in the subaccount are equal to 0.50% of the initial principal amount of the Transition Bonds that remain outstanding.

The Company has also established an Indenture Trustee reserve account with the Indenture Trustee to provide for the payment of fees incurred by the Indenture Trustee associated with the Transition Bonds in excess of the annual operating expenses allowed to be collected through the transition charges.

	Balance Sheet Classification			
	At December 31, 2008		At December 31, 2007	
	Current Assets	Investment	Current Assets	Investment
Collections related to Transition Bonds used only to service debt and pay expenses (includes over-collateralization subaccount of \$1,521, —, \$2,006 and —)	\$ 50,698	\$ —	\$ 56,394	\$ —
Funds for payment of fees associated with Transition Bonds (Indenture Trustee reserve account)	—	10,000	—	10,030
Reserve for shortfalls of Transition Bond charges (capital subaccount)	—	6,458	—	6,516
Total	<u>\$ 50,698</u>	<u>\$ 16,458</u>	<u>\$ 56,394</u>	<u>\$ 16,546</u>

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A(T). CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures in effect as of December 31, 2008. Based on the evaluation performed, the Company's management, including the principal executive officer and principal financial officer, concluded that the disclosure controls and procedures were effective.

There have been no changes in the Company's internal controls over financial reporting that have occurred during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Item 10 is not presented herein as the Company meets the conditions set forth in General Instruction (I) (1) of Form 10-K.

Item 11. EXECUTIVE COMPENSATION

Item 11 is not presented herein as the Company meets the conditions set forth in General Instruction (I) (1) of Form 10-K.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Item 12 is not presented herein as the Company meets the conditions set forth in General Instruction (I) (1) of Form 10-K.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Item 13 is not presented herein as the Company meets the conditions set forth in General Instruction (I) (1) of Form 10-K.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP has been the independent auditor for Oncor since the Merger as well as prior to the Merger as a subsidiary of EFH Corp.

The Company has no Audit Committee of its own, but relies on the Audit Committee of Oncor.

The board of directors of Oncor established an Audit Committee in December 2007 and appointed the Committee members in February 2008. Accordingly, during 2007 the Oncor board of directors had no operational Audit Committee of its own, but relied upon the Audit Committee of the board of directors of EFH Corp. In February 2008, the Oncor Audit Committee adopted a policy relating to the engagement of its independent auditor. This policy is substantially the same policy followed by the EFH Corp. Audit Committee with the exception of the standards of conduct that were added to ensure a common understanding regarding pertinent "separateness undertakings" included in Oncor's Limited Liability Company Agreement.

The policy provides that in addition to the audit of the financial statements, related quarterly reviews and other audit services, and providing services necessary to complete SEC filings, Oncor's independent auditor may be engaged to provide non-audit services as described herein. Prior to engagement, all services to be rendered by the independent auditor must be authorized by the Audit Committee in accordance with pre-approval procedures which are defined in the policy. The preapproval procedures require:

1. the annual review and preapproval by the Audit Committee of all anticipated audit and non-audit services, and
2. the quarterly preapproval by the Audit Committee of services, if any, not previously approved and the review of the status of previously approved services.

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The Audit Committee may also approve certain on-going non-audit services not previously approved in the limited circumstances provided for in the SEC rules. All services performed in 2008 by Deloitte & Touche LLP, the member firms of Deloitte & Touche Tohmatsu and their respective affiliates (Deloitte & Touche) were preapproved.

The policy defines those non-audit services which Oncor's independent auditor may also be engaged to provide as follows:

1. Audit related services, including:
 - (a) due diligence, accounting consultations and audits related to mergers, acquisitions and divestitures;
 - (b) employee benefit plan and political action plan audits;
 - (c) accounting and financial reporting standards consultation;
 - (d) internal control reviews, and
 - (e) attest services, including agreed upon procedures reports that are not required by statute or regulation.

2. Tax related services, including:
 - (a) tax compliance;
 - (b) general tax consultation and planning;
 - (c) tax advice related to mergers, acquisitions, and divestitures, and
 - (d) communications with and request for rulings from tax authorities.

3. Other services, including:
 - (a) process improvement, review and assurance;
 - (b) litigation and rate case assistance;
 - (c) forensic and investigative services, and
 - (d) training services.

The policy prohibits Oncor from engaging its independent auditor to provide:

1. bookkeeping or other services related to Oncor's accounting records or financial statements;
2. financial information systems design and implementation services;
3. appraisal or valuation services, fairness opinions, or contribution in-kind reports;
4. actuarial services;
5. internal audit outsourcing services;
6. management or human resources functions;
7. broker-dealer, investment advisor, or investment banking services;
8. legal and expert services unrelated to the audit, and
9. any other service that the Public Company Accounting Oversight Board determines, by regulation, to be impermissible.

In addition, the policy prohibits Oncor's independent auditor from providing tax or financial planning advice to any officer of Oncor.

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The policy also contains the following standard of conduct for Oncor's independent auditor related to staffing and conducting its annual audit:

1. no member performing the audit of Oncor's financial statements will be under the direction of the lead member of such firm conducting the financial statement audit work for EFH Corp.;
2. the audit team will reach its own conclusions as to the sufficiency and adequacy of the audit procedures necessary to conduct the audit;
3. the audit team accepts the sole responsibility for the opinion on Oncor's financial statements;
4. the audit team may use other EFH Corp. auditors as a service provider;
5. the audit team may consider the Sarbanes-Oxley Act compliance audit team as a service provider;
6. the audit team may consider the tax compliance audit team as a service provider;
7. the audit team is not prohibited from sharing the results of its audit procedures or conclusions with the EFH Corp. audit team so that an opinion on the consolidated financial statements can be rendered;
8. Oncor's independent auditor shall be bound by the professional standards and the *Rules for the Accounting Profession* of the Texas State Board of Public Accountancy regarding confidentiality of client information;
9. the audit team will have a separate engagement letter with the Audit Committee and will render separate billings for audit work pursuant to such contract directly to a designated Oncor employee, and
10. the audit team will address its reports to Oncor's Audit Committee, board of directors and/or management as appropriate.

Compliance with the Audit Committee's policy relating to the engagement of Deloitte & Touche is monitored on behalf of the Audit Committee by Oncor's chief internal audit executive. Reports from Deloitte & Touche and the chief internal audit executive describing the services provided by the firm and fees for such services are provided to the Audit Committee no less often than quarterly.

For the years ended December 31, 2008 and 2007, fees billed (in US dollars) to the Company by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates were as follows:

	<u>2008</u>	<u>2007</u>
Audit Fees. Fees for services necessary to perform the annual audit, review SEC filings, fulfill statutory and other attest service requirements and provide comfort letters and consents	\$ 175,000	\$ 158,000
Audit-Related Fees. Fees for services including employee benefit plan audits, due diligence related to mergers, acquisitions and divestitures, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards	50,000	—
Tax Fees. Fees for tax compliance, tax planning, and tax advice related to mergers and acquisitions, divestitures, and communications with and requests for rulings from taxing authorities	—	—
All Other Fees. Fees for services including process improvement reviews, forensic accounting reviews, litigation and rate case assistance	—	—
Total	<u>\$ 225,000</u>	<u>\$ 158,000</u>

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The financial statements' schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

Oncor Electric Delivery Transition Bond Company LLC Exhibits to 2008 Form 10-K

<u>Exhibits</u>	<u>Previously Filed* With File Number</u>	<u>As Exhibit</u>	
3(i)	Articles of Incorporation.		
3(a)	333-91935 (Form 8-K filed August 28, 2003)	4(b)	— Amended and Restated Certificate of Formation dated as of August 11, 2003.
3(ii)	By-laws		
3(b)	333-91935 (Form 8-K filed August 28, 2003)	4(a)	— Amended and Restated Limited Liability Company Agreement dated as of August 21, 2003.
4	Instruments defining the rights of security holders.		
4(a)	333-91935 (Form 8-K filed August 28, 2003)	4(c)	— Indenture dated as of August 21, 2003.
4(b)	333-91935 (Form 8-K filed August 28, 2003)	4(d)	— Series 2003-1 Supplement dated as of August 21, 2003.
4(c)	333-91935 (Form 8-K filed June 14, 2004)	4	— Series 2004-1 Supplement dated as of June 7, 2004.
10	Material Contracts.		
10(a)	333-91935 (Form 8-K filed August 28, 2003)	10(a)	— Series 2003-1 Transition Property Purchase and Sale Agreement dated as of August 21, 2003.
10(b)	333-91935 (Form 8-K filed August 28, 2003)	10(b)	— Series 2003-1 Transition Property Servicing Agreement dated as of August 21, 2003.
10(c)	333-91935 (Form 8-K filed June 14, 2004)	10(a)	— Series 2004-1 Transition Property Purchase and Sale Agreement dated as of June 7, 2004.
10(d)	333-91935 (Form 8-K filed June 14, 2004)	10(b)	— Series 2004-1 Transition Property Servicing Agreement dated as of June 7, 2004.
10(e)	333-91935 (Form 8-K filed August 28, 2003)	10(c)	— Administration Agreement dated as of August 21, 2003.
10(f)	333-91935 (Form 8-K filed August 28, 2003)	10(d)	— Intercreditor Agreement dated as of August 21, 2003.

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<u>Exhibits</u>	<u>Previously Filed* With File Number</u>	<u>As Exhibit</u>
(23)	Consent of Experts.	
23		— Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm for Oncor Electric Delivery Transition Bond Company LLC.
(31)	Rule 13a – 14(a)/15d – 14(d) Certifications.	
31		— Certification of David M. Davis, principal financial officer of Oncor Electric Delivery Transition Bond Company LLC, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(99)	Additional Exhibits.	
99(a)(1)		— Monthly Servicer Report (Series 2004-1 for October 2008)
99(a)(2)		— Monthly Servicer Report (Series 2004-1 for November 2008)
99(a)(3)		— Monthly Servicer Report (Series 2004-1 for December 2008)
99(a)(4)		— Monthly Servicer Report (Series 2003-1 for October 2008)
99(a)(5)		— Monthly Servicer Report (Series 2003-1 for November 2008)
99(a)(6)		— Monthly Servicer Report (Series 2003-1 for December 2008)
99(b)		— Statement of Collection Account Balances as of December 31, 2008
99(c)		— A quarterly statement affirming that, in all material respects, for each materially significant REP, (a) each REP has been billed in compliance with the requirements outlined in the Financing Order, (b) each REP has made payments in compliance with the requirements outlined in the Financing Order, and (c) each REP satisfies the creditworthiness requirements of the Financing Order.
99(d)(1)		— Statement of Outstanding Bond Balances Series 2003-1
99(d)(2)		— Statement of Outstanding Bond Balances Series 2004-1
99(e)		— Semi-Annual Servicer’s Certificate (Series 2004-1 for October 2008)
99(f)		Independent Accountant’s Report – Attestation with Management’s Assertion Attached (Servicer)

* Incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Oncor Electric Delivery Transition Bond Company LLC has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ONCOR ELECTRIC DELIVERY
TRANSITION BOND COMPANY LLC

Date: March 2, 2009

By /s/ ROBERT S. SHAPARD
(Robert S. Shapard, as Chairman and Chief Executive
of Oncor Electric Delivery Company LLC, the Servicer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Oncor Electric Delivery Transition Bond Company LLC and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT S. SHAPARD</u> (Robert S. Shapard, Manager, Chairman of the Board and Chief Executive)	Principal Executive Officer and Manager	March 2, 2009
<u>/s/ DAVID M. DAVIS</u> (David M. Davis, Manager, Vice President and Chief Financial Officer)	Principal Financial Officer and Manager	March 2, 2009
<u>/s/ RICHARD C. HAYS</u> (Richard C. Hays, Controller)	Principal Accounting Officer	March 2, 2009
<u>/s/ DON J. CLEVINGER</u> (Don J. Clevenger, Manager, Vice President, Secretary and Chief Legal Officer)	Manager	March 2, 2009
<u>(Richard F. Klumpp, Manager)</u>	Manager	March 2, 2009
<u>(Amy Stengel, Manager)</u>	Manager	March 2, 2009

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-91935 on Form S-3 of our report dated March 2, 2009, relating to the financial statements of Oncor Electric Delivery Transition Bond Company LLC, appearing in this Annual Report on Form 10-K of Oncor Electric Delivery Transition Bond Company LLC for the year ended December 31, 2008.

/s/ Deloitte & Touche LLP

Dallas, Texas
March 2, 2009

CERTIFICATION

I, David M. Davis, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2008 and all other reports containing distribution or servicing reports filed in respect of periods included in the year covered by this annual report, of Oncor Electric Delivery Transition Bond Company LLC;
2. Based on my knowledge, the information in these reports, taken as a whole, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading as of the last day of the period covered by this annual report;
3. Based on my knowledge, the distribution or servicing information required to be provided to the trustee by the servicer under the transition property servicing agreement for inclusion in these reports is included in these reports;
4. I am responsible for reviewing the activities performed by the servicer under the transition property servicing agreement and based upon my knowledge and the annual compliance review required under the transition property servicing agreement, and except as disclosed in the reports, the servicer has fulfilled its obligations under that agreement; and
5. The reports disclose all significant deficiencies relating to the servicer's compliance with the minimum servicing standards based upon the report provided by an independent public accountant, after conducting a review in compliance with the Uniform Single Attestation Program for Mortgage Bankers or similar procedure, as set forth in the transition property servicing agreement, that is included in these reports.

Date: March 2, 2009

/s/ DAVID M. DAVIS

(David M. Davis, Vice President and
Chief Financial Officer of Oncor
Electric Delivery Company LLC)

MONTHLY SERVICER'S CERTIFICATE
(TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
OF THE SERIES 2004-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
Series 2004-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2004-1 Transition Property Servicing Agreement dated as of June 7, 2004 (the "Series 2004-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2004-1 COLLECTION PERIOD: October 2008

<u>Customer Class</u>	a. Series 2004-1 Transition Charges in Effect	b. Series 2004-1 Transition Charges Billed	c. Actual Series 2004-1 Transition Charge Payments Received	d. Series 2004-1 Transition Charge Remittances Made to Trustee
Residential Service	\$ 0.000948 / kWh	\$ 2,669,514.17	\$ 3,657,013.67	\$ 3,657,013.67
General Service Secondary		\$ 3,129,121.26	\$ 3,024,953.07	\$ 3,024,953.07
Non-demand	\$ 0.000179 / kWh			
Demand	\$ 0.266 / kW			
General Service Primary		\$ 438,086.57	\$ 436,184.58	\$ 436,184.58
Non-demand	\$ 0.000390 / kWh			
Demand	\$ 0.280 / kW			
High Voltage Service	\$ 0.077 / kW	\$ 113,832.59	\$ 103,326.29	\$ 103,326.29
Lighting Service	\$ 0.001219 / kWh	\$ 49,174.78	\$ 35,734.10	\$ 35,734.10
Instantaneous Interruptible	\$ 0.142 / kW	\$ 130,556.77	\$ 135,006.04	\$ 135,006.04
Noticed Interruptible	\$ 0.234 / kW	\$ 197,105.17	\$ 225,274.42	\$ 225,274.42
Total		\$ 6,727,391.31	\$ 7,617,492.17	\$ 7,617,492.17

Capitalized terms used herein have their respective meanings set forth in the Series 2004-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 7th day of November, 2008.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

MONTHLY SERVICER'S CERTIFICATE
 (TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
 OF THE SERIES 2004-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
 Series 2004-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2004-1 Transition Property Servicing Agreement dated as of June 7, 2004 (the "Series 2004-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2004-1 COLLECTION PERIOD: November 2008

<u>Customer Class</u>	a. Series 2004-1 Transition Charges in Effect	b. Series 2004-1 Transition Charges Billed	c. Actual Series 2004-1 Transition Charge Payments Received	d. Series 2004-1 Transition Charge Remittances Made to Trustee
Residential Service	\$ 0.000948 / kWh	\$ 2,003,231.90	\$ 2,849,324.63	\$ 2,849,324.63
General Service Secondary		\$ 3,016,577.32	\$ 3,251,995.81	\$ 3,251,995.81
Non-demand	\$ 0.000179 / kWh			
Demand	\$ 0.266 / kW			
General Service Primary		\$ 430,540.77	\$ 455,425.78	\$ 455,425.78
Non-demand	\$ 0.000390 / kWh			
Demand	\$ 0.280 / kW			
High Voltage Service	\$ 0.077 / kW	\$ 108,248.11	\$ 151,112.63	\$ 151,112.63
Lighting Service	\$ 0.001219 / kWh	\$ 49,339.60	\$ 55,147.21	\$ 55,147.21
Instantaneous Interruptible	\$ 0.142 / kW	\$ 133,898.12	\$ 131,730.17	\$ 131,730.17
Noticed Interruptible	\$ 0.234 / kW	\$ 195,124.82	\$ 196,148.82	\$ 196,148.82
Total		\$ 5,936,960.64	\$ 7,090,885.05	\$ 7,090,885.05

Capitalized terms used herein have their respective meanings set forth in the Series 2004-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 9th day of December, 2008.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

MONTHLY SERVICER'S CERTIFICATE
 (TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
 OF THE SERIES 2004-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
 Series 2004-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2004-1 Transition Property Servicing Agreement dated as of June 7, 2004 (the "Series 2004-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2004-1 COLLECTION PERIOD: December 2008

Customer Class	a. Series 2004-1 Transition Charges in Effect	b. Series 2004-1 Transition Charges Billed	c. Actual Series 2004-1 Transition Charge Payments Received	d. Series 2004-1 Transition Charge Remittances Made to Trustee
Residential Service	\$ 0.000948 / kWh	\$ 2,620,278.60	\$ 2,424,219.70	\$ 2,424,219.70
General Service Secondary		\$ 3,045,330.34	\$ 3,495,412.64	\$ 3,495,412.64
Non-demand	\$ 0.000179 / kWh			
Demand	\$ 0.266 / kW			
General Service Primary		\$ 421,374.51	\$ 466,230.76	\$ 466,230.76
Non-demand	\$ 0.000390 / kWh			
Demand	\$ 0.280 / kW			
High Voltage Service	\$ 0.077 / kW	\$ 111,356.53	\$ 105,079.56	\$ 105,079.56
Lighting Service	\$ 0.001219 / kWh	\$ 50,862.00	\$ 66,731.53	\$ 66,731.53
Instantaneous Interruptible	\$ 0.142 / kW	\$ 132,153.86	\$ 143,188.44	\$ 143,188.44
Noticed Interruptible	\$ 0.234 / kW	\$ 190,148.61	\$ 203,161.11	\$ 203,161.11
Total		\$ 6,571,504.45	\$ 6,904,023.74	\$ 6,904,023.74

Capitalized terms used herein have their respective meanings set forth in the Series 2004-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 8th day of January, 2009.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

MONTHLY SERVICER'S CERTIFICATE
(TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
OF THE SERIES 2003-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
Series 2003-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2003-1 Transition Property Servicing Agreement dated as of August 21, 2003 (the "Series 2003-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2003-1 COLLECTION PERIOD: October 2008

<u>Customer Class</u>	<u>a. Series 2003-1 Transition Charges in Effect</u>	<u>b. Series 2003-1 Transition Charges Billed</u>	<u>c. Actual Series 2003-1 Transition Charge Payments Received</u>	<u>d. Series 2003-1 Transition Charge Remittances Made to Trustee</u>
Residential Service	\$ 0.000558 / kWh	\$ 1,572,188.62	\$ 2,211,358.18	\$ 2,211,358.18
General Service Secondary		\$ 2,042,897.46	\$ 1,969,290.59	\$ 1,969,290.59
Non-demand	0.000242 / kWh			
Demand	\$ 0.171 / kW			
General Service Primary		\$ 275,254.88	\$ 270,183.44	\$ 270,183.44
Non-demand	0.000228 / kWh			
Demand	\$ 0.176 / kW			
High Voltage Service	\$ 0.065 / kW	\$ 95,937.27	\$ 88,058.94	\$ 88,058.94
Lighting Service	0.000771 / kWh	\$ 30,883.95	\$ 22,303.76	\$ 22,303.76
Instantaneous Interruptible	\$ 0.093 / kW	\$ 85,505.50	\$ 88,265.03	\$ 88,265.03
Noticed Interruptible	\$ 0.155 / kW	\$ 130,561.52	\$ 147,977.69	\$ 147,977.69
Total		\$ 4,233,229.20	\$ 4,797,437.63	\$ 4,797,437.63

Capitalized terms used herein have their respective meanings set forth in the Series 2003-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 7th day of November, 2008.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

MONTHLY SERVICER'S CERTIFICATE
(TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
OF THE SERIES 2003-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
Series 2003-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2003-1 Transition Property Servicing Agreement dated as of August 21, 2003 (the "Series 2003-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2003-1 COLLECTION PERIOD: November 2008

<u>Customer Class</u>	<u>a. Series 2003-1 Transition Charges in Effect</u>	<u>b. Series 2003-1 Transition Charges Billed</u>	<u>c. Actual Series 2003-1 Transition Charge Payments Received</u>	<u>d. Series 2003-1 Transition Charge Remittances Made to Trustee</u>
Residential Service	\$ 0.000558 / kWh	\$ 1,180,743.41	\$ 1,678,170.10	\$ 1,678,170.10
General Service Secondary		\$ 1,964,739.72	\$ 2,122,099.40	\$ 2,122,099.40
Non-demand	\$ 0.000242 / kWh			
Demand	\$ 0.171 / kW			
General Service Primary		\$ 270,487.72	\$ 286,018.23	\$ 286,018.23
Non-demand	\$ 0.000228 / kWh			
Demand	\$ 0.176 / kW			
High Voltage Service	\$ 0.065 / kW	\$ 91,378.44	\$ 133,582.90	\$ 133,582.90
Lighting Service	\$ 0.000771 / kWh	\$ 30,989.34	\$ 34,657.60	\$ 34,657.60
Instantaneous Interruptible	\$ 0.093 / kW	\$ 87,693.93	\$ 86,267.93	\$ 86,267.93
Noticed Interruptible	\$ 0.155 / kW	\$ 129,253.75	\$ 129,919.30	\$ 129,919.30
Total		\$ 3,755,286.31	\$ 4,470,715.46	\$ 4,470,715.46

Capitalized terms used herein have their respective meanings set forth in the Series 2003-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 9th day of December, 2008.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

MONTHLY SERVICER'S CERTIFICATE
(TO BE DELIVERED EACH MONTH PURSUANT TO SECTION 3.01(b)(i)
OF THE SERIES 2003-1 TRANSITION PROPERTY SERVICING AGREEMENT)

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,
Series 2003-1 Bonds

Oncor Electric Delivery Company LLC, as Servicer

Pursuant to the Series 2003-1 Transition Property Servicing Agreement dated as of August 21, 2003 (the "Series 2003-1 Transition Property Servicing Agreement") between Oncor Electric Delivery Company LLC, as Servicer, and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

SERIES 2003-1 COLLECTION PERIOD: December 2008

<u>Customer Class</u>	<u>a. Series 2003-1 Transition Charges in Effect</u>	<u>b. Series 2003-1 Transition Charges Billed</u>	<u>c. Actual Series 2003-1 Transition Charge Payments Received</u>	<u>d. Series 2003-1 Transition Charge Remittances Made to Trustee</u>
Residential Service	\$ 0.000558 / kWh	1,543,500.58	1,428,987.73	1,428,987.73
General Service Secondary		1,987,577.80	2,280,234.32	2,280,234.32
Non-demand	\$ 0.000242 / kWh			
Demand	\$ 0.171 / kW			
General Service Primary		264,704.58	\$ 292,894.48	\$ 292,894.48
Non-demand	\$ 0.000228 / kWh			
Demand	\$ 0.176 / kW			
High Voltage Service	\$ 0.065 / kW	93,742.37	88,315.10	88,315.10
Lighting Service	\$ 0.000771 / kWh	31,960.81	41,947.46	41,947.46
Instantaneous Interruptible	\$ 0.093 / kW	86,551.53	93,835.38	93,835.38
Noticed Interruptible	\$ 0.155 / kW	125,953.57	134,576.96	134,576.96
Total		4,133,991.24	4,360,791.43	4,360,791.43

Capitalized terms used herein have their respective meanings set forth in the Series 2003-1 Transition Property Servicing Agreement.

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate this 8th day of January, 2008.

ONCOR ELECTRIC DELIVERY COMPANY LLC,
as Servicer

By: /s/ John M. Casey
Name: John M. Casey
Title: Treasurer

Oncor Electric Delivery Transition Bond Company LLC
Statement of Collection Account Balances as of
December 31, 2008

The balances in the sub-accounts on deposit with the trustee as of the above date were:

	Series 2003-1	Series 2004-1
General Sub-Account	\$ 25,063,412.48	\$ 14,232,955.03
Capital Sub-Account	\$ 2,507,491.30	\$ 3,949,474.11
Overcollateralization Sub-Account	\$ 1,044,100.76	\$ 476,412.03
Reserve Sub-Account	\$ 1,268,644.55	\$ 72.16

REP Deposit Account* \$8,610,395.61

* REP deposits are held in one account with a sub-ledger outlining the respective amount of each REP's deposit attributable to each series of bonds.

Oncor Electric Delivery Transition Bond Company LLC
Series 2003-1 Transition Bonds
Statement of Outstanding Balances
as of December 31, 2008
(reflects actual payments made)

Payment Date	Scheduled Principal Payment	Actual Principal Payment	Outstanding Balance
08/21/03			\$ 500,000,000
02/15/04	\$ 7,693,695	\$ 7,693,695	\$ 492,306,305
08/15/04	\$ 14,849,544	\$ 14,849,544	\$ 477,456,761
02/15/05	\$ 20,514,532	\$ 20,514,532	\$ 456,942,229
08/15/05	\$ 15,245,936	\$ 15,245,936	\$ 441,696,293
02/15/06	\$ 20,936,802	\$ 20,936,802	\$ 420,759,491
08/15/06	\$ 15,639,784	\$ 15,639,784	\$ 405,119,707
02/15/07	\$ 21,333,128	\$ 21,333,128	\$ 383,786,579
08/15/07	\$ 16,180,886	\$ 16,180,886	\$ 367,605,693
02/15/08	\$ 22,152,926	\$ 22,152,926	\$ 345,452,767
08/15/08	\$ 16,870,815	\$ 16,870,816	\$ 328,581,951
02/15/09	\$ 22,887,407		
08/15/09	\$ 17,675,575		
02/15/10	\$ 23,697,230		
08/15/10	\$ 18,564,598		
02/15/11	\$ 24,689,884		
08/15/11	\$ 19,632,748		
02/15/12	\$ 25,779,810		
08/15/12	\$ 20,760,586		
02/15/13	\$ 26,919,355		
08/15/13	\$ 21,990,463		
02/15/14	\$ 28,222,131		
08/15/14	\$ 23,354,481		
02/15/15	\$ 29,612,944		
08/15/15	\$ 24,794,740		

Oncor Electric Delivery Transition Bond Company LLC
Series 2004-1 Transition Bonds
Statement of Outstanding Balances
as of December 31, 2008
(reflects actual payments made)

Payment Date	Scheduled Principal Payment	Actual Principal Payment	Outstanding Balance
06/07/04			\$ 789,777,000
11/15/04	\$ 9,497,122	\$ 9,497,122	\$ 780,279,878
05/15/05	\$ 24,931,710	\$ 24,931,710	\$ 755,348,168
11/15/05	\$ 29,612,875	\$ 29,612,875	\$ 725,735,293
05/15/06	\$ 26,001,686	\$ 26,001,686	\$ 699,733,607
11/15/06	\$ 30,518,702	\$ 30,518,702	\$ 669,214,905
05/15/07	\$ 27,068,916	\$ 27,068,916	\$ 642,145,989
11/15/07	\$ 31,965,647	\$ 31,965,647	\$ 610,180,342
05/15/08	\$ 28,029,697	\$ 28,029,697	\$ 582,150,645
11/15/08	\$ 32,379,952	\$ 32,379,952	\$ 549,770,693
05/15/09	\$ 28,670,797		
11/15/09	\$ 34,010,045		
05/15/10	\$ 29,909,541		
11/15/10	\$ 35,653,605		
05/15/11	\$ 31,484,179		
11/15/11	\$ 37,278,430		
05/15/12	\$ 33,135,283		
11/15/12	\$ 38,933,171		
05/15/13	\$ 34,894,486		
11/15/13	\$ 40,843,190		
05/15/14	\$ 36,895,349		
11/15/14	\$ 42,915,221		
05/15/15	\$ 39,006,143		
11/15/15	\$ 45,007,615		
05/15/16	\$ 41,133,638		

SEMI-ANNUAL SERVICER'S CERTIFICATE

ONCOR ELECTRIC DELIVERY TRANSITION BOND COMPANY LLC,

\$789,777,000 Transition Bonds, Series 2004-1

Oncor Electric Delivery Company, as Servicer.

Pursuant to Section 4.01(c)(ii) of the Series 2004-1 Transition Property Servicing Agreement dated as of June 7, 2004 (the "Agreement") between Oncor Electric Delivery Company, as Servicer and Oncor Electric Delivery Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

Capitalized terms used herein have the respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections of the Agreement.

Collection Periods: May 2008 to October 2008

Payment Date: November 14, 2008

Today's Date: November 7, 2008

I. COLLECTIONS ALLOCABLE AND AGGREGATE AMOUNTS AVAILABLE FOR THE CURRENT PAYMENT DATE:	
i. Remittances for the May 2008 Series 2004.-1 Collection Period	\$6,681,895.72
ii. Remittances for the June 2008 Series 2004.-1 Collection Period	\$5,596,385.63
iii. Remittances for the July 2008 Series 2004.-1 Collection Period	\$7,350,666.57
iv. Remittances for the August 2008 Series 2004.-1 Collection Period	\$8,025,112.73
v. Remittances for the September 2008 Series 2004.-1 Collection Period	\$8,982,642.71
vi. Remittances for the October 2008 Series 2004.-1 Collection Period	\$7,617,492.17
vii. Remittances for the Series 2004-1 Collection Period after (use 6 prior periods only)	\$
viii. Remittances for the Series 2004-1 Collection Period after (use 6 prior periods only)	\$
ix. Remittances for the Series 2004-1 Collection Period after (use 6 prior periods only)	\$
x. Remittances for the Series 2004-1 Collection Period	\$
xi. Remittances for the Series 2004-1 Collection Period	\$
xii. Investment Earnings on Series 2004-1 Collection Account:	\$ 0.00
xiii. Investment Earnings on Series 2004-1 Capital Subaccount	\$ 26,824.79
xiv. Investment Earnings on Series 2004-1 Overcollateralization Subaccount	\$ 8,194.62
xv. Investment Earnings on Series 2004-1 Reserve Subaccount:	\$ 9,720.78
xvi. Investment Earnings on Series 2004-1 General Subaccount	\$ <u>130,478.89</u>

xvii. Series 2004-1 General Subaccount Balance (sum of i through xvi above):	\$ 44,429,414.61
xviii. Series 2004-1 Reserve Subaccount Balance as of Prior Series 2004-1 Payment Date	\$ 1,531,268.73
xix. Series 2004-1 Overcollateralization Subaccount Balance as of Prior Series 2004-1 Payment Date	\$ 1,316,296.00
xx. Series 2004-1 Capital Subaccount Balance as of Prior Series 2004-1 Payment Date	\$ 3,948,885.00
xxi. Series 2004-1 Collection Account Balance (sum of xvii. through xx above)	\$ 51,225,864.34

2. OUTSTANDING AMOUNTS AS OF PRIOR SERIES 2004-1 PAYMENT DATE:

i. Class A-1 Outstanding Amount	\$ 71,373,645.00
ii. Class A-2 Outstanding Amount	\$221,000,000.00
iii. Class A-3 Outstanding Amount	\$289,777,000.00
iv.	\$
v. Aggregate Outstanding Amount of All Series 2004-1 Bonds	\$582,150,645.00

3. REQUIRED FUNDING/PAYMENTS AS OF CURRENT PAYMENT DATE:

SERIES 2004-1 PRINCIPAL	PRINCIPAL DUE
i. Class A-1	\$ 32,379,952.00
ii. Class A-2	\$ 0.00
iii. Class A-3	\$ 0.00
iv.	
v. For all Series 2004-1 Bonds	32,379,952.00

SERIES 2004-1	BOND INTEREST RATE	DAYS IN INTEREST PERIOD(1)	PRINCIPAL BALANCE	INTEREST DUE
vi. Class A-1	3.52%	180	\$ 71,373,645.00	\$ 1,256,176.15
vii. Class A-2	4.81%	180	\$ 221,000,000.00	\$ 5,315,050.00
viii. Class A-3	5.29%	180	\$ 289,777,000.00	\$ 7,664,601.65
ix.				
x. For All Series 2004-1 Bonds			\$ 582,150,645.00	\$ 14,235,827.80

	REQUIRED LEVEL	FUNDING REQUIRED
xi. Series 2004-1 Overcollateralization Subaccount	\$ 1,480,833.00	\$ 164,537.00
xii. Series 2004-1 Capital Subaccount	\$ 3,948,885.00	\$ 0.00

(1)	On 30/360 day basis for initial payment date; otherwise use one-half of annual rate.	
4.	ALLOCATION OF REMITTANCES AS OF CURRENT PAYMENT DATE PURSUANT TO §8.02(d) OF INDENTURE	
i.	Trustee Fees and Expenses (subject to cap-see 8.02(e)(i) of the Indenture):	\$ 0.00
ii.	Indenture Manager Fees (subject to cap-see 8.02(e)(i) of the Indenture):	\$ 0.00
iii.	Series 2004-1 Servicing Fee:	\$ 122,444.25
iv.	Operating Expenses (subject to cap-see 8.02(e)(iii) of the Indenture):	
	Trust Operating Expense:	\$ 0.00
	Trust Accounting Expense:	\$ 0.00
	Rating Agency Fees (reimburse Servicer):	\$ 10,000.00
	Administration Fee:	\$ 0.00
	Audit Fee (reimburse Administrator - Sec 3 of Agrmt)	\$ 25,577.00
	Total Fees and Expenses (I through iv.)	\$ 158,021.25
v.	Semi-Annual Interest -including any past-due for prior period(s)	
	SERIES 2004-1	
	1. Class A-1 Interest Payment	\$ 1,256,176.15
	2. Class A-2 Interest Payment	\$ 5,315,050.00
	3. Class A-3 Interest Payment	\$ 7,664,601.65
vi.	Principal Due and Payable as a Result of Event of Default or on Final Maturity Date	
	SERIES 2004-1	
	1. Class A-1 Principal Payment	\$ 0.00
	2. Class A-2 Principal Payment	\$ 0.00
	3. Class A-3 Principal Payment	\$ 0.00
vii.	Semi-Annual Principal	
	SERIES 2004-1	
	1. Class A-1 Principal Payment	\$32,379,952.00
	2. Class A-2 Principal Payment	\$ 0.00
	3. Class A-3 Principal Payment	\$ 0.00

4. ALLOCATION OF REMITTANCES AS OF CURRENT PAYMENT DATE PURSUANT TO §8.02(d) OF INDENTURE (CONTINUED)	
viii. Funding of Series 2004-1 Capital Subaccount (to required level)	\$ 0.00
ix. Funding of Series 2004-1 Overcollateralization Subaccount (to required level)	\$ 164,537.00
x. Investment Earnings on Series 2004-1 Capital Subaccount Released to Issuer	\$ 26,824.79
xi. Deposit to Series 2004-1 Reserve Subaccount	\$ 0.00
xii. Released to Issuer upon Retirement of all Bonds	\$ 0.00
xiii. AGGREGATE REMITTANCES AS OF CURRENT PAYMENT DATE	<u>\$ 46,965,162.84</u>
5. OUTSTANDING AMOUNT AND SERIES 2004-1 COLLECTION ACCOUNT BALANCE AS OF CURRENT PAYMENT DATE (AFTER GIVING EFFECT TO PAYMENTS TO BE MADE ON SUCH PAYMENT DATE):	
SERIES 2004-1	
i. Class A-1 Outstanding Amount	\$ 38,993,693.00
ii. Class A-2 Outstanding Amount	\$221,000,000.00
iii. Class A-3 Outstanding Amount	<u>\$289,777,000.00</u>
iv.	
v. AGGREGATE OUTSTANDING AMOUNT OF ALL SERIES 2004-1 BONDS	<u>\$549,770,693.00</u>
vi. Series 2004-1 Reserve Subaccount Balance	\$ 0.00
vii. Series 2004-1 Overcollateralization Subaccount Balance	\$ 476,353.50
viii. Series 2004-1 Capital Subaccount Balance	<u>\$ 3,948,885.00</u>
ix. AGGREGATE SERIES 2004-1 COLLECTION ACCOUNT BALANCE	<u>\$ 4,425,238.50</u>
6. SUBACCOUNT WITHDRAWALS AS OF CURRENT PAYMENT DATE (IF APPLICABLE, PURSUANT TO SECTION 8.02(e) OF INDENTURE):	
i. Series 2004-1 Reserve Subaccount	\$ 1,531,268.73
ii. Series 2004-1 Overcollateralization Subaccount	\$ 1,004,479.50
iii. Series 2004-1 Capital Subaccount	\$ 0.00
iv. TOTAL WITHDRAWALS	<u>\$ 2,535,748.23</u>

INDEPENDENT ACCOUNTANTS' REPORT

The Audit Committee of
Oncor Electric Delivery Company LLC
Energy Plaza
1601 Bryan Street
Dallas, TX 75201

We have examined management's assertion that Oncor Electric Delivery Company LLC (the "Company") has complied in all material respects, as of and for the year ended December 31, 2008, with the established minimum servicing standards for the Series 2003-1 Transition Property Servicing Agreement dated August 21, 2003 and the Series 2004-1 Transition Property Servicing Agreement dated June 7, 2004 described in the accompanying Management's Assertion of Compliance with Servicing Standards dated March 2, 2009, including Appendix I thereto. Management is responsible for the Company's compliance with those minimum servicing standards. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included examining, on a test basis, evidence about the Company's compliance with its minimum servicing standards and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with its minimum servicing standards.

In our opinion, management's assertion that the Company complied, in all material respects, with the aforementioned minimum servicing standards as of and for the year ended December 31, 2008, is fairly stated, in all material respects based on the standards set forth in Appendix I.

/s/ Deloitte & Touche LLP

Dallas, Texas
March 2, 2009

ONCOR ELECTRIC DELIVERY COMPANY LLC'S MINIMUM SERVICING STANDARDS

I. GENERAL SERVICING AND ADMINISTRATION

1. Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the Series 2003-1 Transition Property Servicing Agreement dated August 21, 2003 and the Series 2004-1 Transition Property Servicing Agreement dated June 7, 2004, both agreements between Oncor Electric Delivery Transition Bond Company LLC, as Issuer, and Oncor Electric Delivery Company LLC, as Servicer, (collectively, the "Servicing Agreements").

2. Collateral or security on the transition bonds is maintained as required by the Financing Order of the Public Utility Commission of Texas ("PUCT") under Docket No. 25230 ("Financing Order").

II. CUSTODIAL BANK ACCOUNTS

1. Reconciliations shall be prepared on a monthly basis for all custodial bank accounts and related bank clearing accounts. These reconciliations shall:

- Be mathematically accurate
- Be prepared within thirty (30) calendar days after the bank statement cutoff date
- Be reviewed and approved by someone other than the person who prepared the reconciliation
- Document explanations for reconciling items. These reconciling items shall be resolved within ninety (90) calendar days of their original identification.

2. Each custodial account shall be maintained at a federally insured depository institution in trust as set forth in the Financing Order.

3. Related cash accounts, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained as set forth in the Financing Order.

4. Deposits held in trust for a retail electric provider ("REP") shall be returned to the REP within thirty (30) calendar days of a reduction in activity qualifying for a deposit reduction as set forth in the Financing Order.

5. Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the Financing Order.

III. PAYMENTS

1. Payments made by the REPs in accordance with the PUCT rules shall be deposited into the custodial bank accounts and related bank clearing accounts within two business days of receipt.
2. Payments made by the REPs in accordance with the PUCT rules shall be posted to the applicable receivable records within three business days of receipt.

IV. DISBURSEMENTS

1. Disbursements made via wire transfer on behalf of Oncor Electric Delivery Transition Bond Company LLC shall be made only by authorized personnel.
2. Disbursements made on behalf of a REP shall be posted within two business days to the accounting records maintained by the servicing entity.
3. Amounts remitted to investors per the servicer's investor reports shall agree with cancelled checks, or other form of payment, or custodial bank statements.
4. Amounts due to investors are allocated and remitted on February 15 and August 15 for Tranche I Transition Bonds and May 15 and November 15 for Tranche II Transition Bonds per the Servicing Agreement.

V. INVESTOR ACCOUNTING AND REPORTING

1. Monthly and Semi-Annual Servicer's Certificates are prepared in the timeframe set forth in and delivered to the parties required under the Servicing Agreements.
2. Monthly and Semi-Annual Servicer's Certificates provide the information as calculated in accordance with the terms of, and shown in the predetermined format as specified in, the Servicing Agreements.

VI. TRANSITION PROPERTY ACCOUNTING

1. Adjustments in amount of collections billed shall be computed based on the related PUCT order.
2. Deposit amounts shall be analyzed, in accordance with the PUCT rules no more frequently than quarterly to ensure that any deposits for REPs required under the Financing Order accurately reflect two months' maximum collections.

3. Interest on deposit accounts shall be paid, or credited, to REPs in accordance with the PUCT rules as set forth in the Financing Order.

VII. DELINQUENCIES

1. Records documenting collection efforts shall be maintained during the period a REP is in default and shall be updated at least monthly. Such records shall describe the entity's activities in monitoring delinquent contracts including, for example, phone calls, letters, and payment rescheduling plans in cases where the delinquency is deemed temporary.

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