

Paul Hudson
Chairman



W. Lane Lanford
Executive Director

Public Utility Commission of Texas

January 27, 2004

Re: Letter of Reference for Saber Partners, LLC.

The Public Utility Commission of Texas (PUCT or the Commission) engaged the services of Saber Partners, LLC (Saber Partners) in 2001 as a financial advisor regarding the issuance of transition bonds by electric utilities in Texas. We have completed three transactions to date, and have a fourth transaction pending.¹ The primary purpose of the financial advisor is to discharge the Commission's mandate to ensure that the structure and pricing of the transition bonds results in the lowest transition bond charges consistent with market conditions and the terms of the Commission's financing orders which authorize the issuance of the transition bonds.² Saber Partners provides a binding certificate to the Commission to this effect after each transaction. The Commission's financing orders provide that the financial advisor have a co-equal role with the issuing utility in the structuring, marketing, and pricing of the bonds, and obligates the financial advisor to veto any transaction not consistent with the terms of the applicable order.

Saber Partners has been an aggressive advocate for ratepayers to ensure the lowest cost bond transactions possible given market conditions. Each transaction has resulted in tighter pricing than the previous one, when comparing the spread achieved above a certain benchmark interest rate. In addition to achieving record-setting pricing levels through aggressive marketing, Saber, through its bond counsel, ensured that ratepayers' interests were met in the documents of each transaction through the inclusion of significant ratepayer protections in the covenants, representations and warranties given by the utility to the special purpose entity issuing the bonds. The PUCT has been very pleased with the results of the transactions in which Saber Partners has participated. The transactions have received favorable commentary in the trade press on their respective pricing levels and other unique aspects such as performance-based underwriter compensation.

Please call me at (512) 936-7425 if you would like further information regarding the transactions or Saber Partner's role.

Yours very truly,

Martha Elvey
Director of Financial Review

cc Lane Lanford

¹Transactions to-date include: approximately \$749 million for Reliant Energy (now CenterPoint Energy) issued October, 2001; approximately \$797 million for Central Power & Light Company (now AEP Texas Central) issued January 2002; \$500 million for Oncor issued August, 2003.

²PURA 39.303.