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Joe, please use this version (instead of the one sent at 5 pm) as we revised cc savings per year (excluded tranches past 10 years) and added a paragraph on methodology used.

-----Original Message-----

Joe,

As discussed, we've revised our analysis to use actual coupons (instead of implied coupons) as a discount rate. I also wanted to note that we used average life (instead of duration) when calculating savings per year. Finally, we included both savings against other RRBs and against credit cards in the attached file (both including and excluding WMECO and PSNH).

In our methodology, we looked at the average spread to swaps for all transition bonds other than Texas deals in different average life buckets. The savings for each Texas deals are based on the difference between the average spread to swap and the Texas deal's spread to swap. The bps savings was then used to increase the coupon of the Texas bonds ("implied coupon") and calculate a new set of interest payments. The difference between the new interest payments and the original interest payments yield the dollar savings. These savings were then PV'ed back using the actual coupon as the discount rate.

The analysis looking at credit card differentials used the same methodology. Except, instead of looking at the average spread to swap, we looked at the average difference in spread to credit cards.

To summarize, the difference in total savings vs other transition bonds (excludes WMECO and PSNH) are as follows:

Reliant: \$3,773,775 or 6.5 bps/yr (nominal), \$2,955,295 or 5.1 bps/yr (PV)

CPL: \$12,951,663 or 20.3 bps/yr (nominal), \$9,748,976 or 15.3 bps/yr (PV)
Oncor: \$6,629,694 or 19.4 bps/yr (nominal), \$5,278,669 or 15.4 bps/yr (PV)
Total: 23,355,132 (nominal), 17,982,941 (PV)

The difference in total savings vs CC differentials were (excluding any tranches over 10 years):

Reliant: \$2,009,392 or 10.8 bps/yr (nominal), \$1,717,547 or 9.2 bps/yr (PV)
CPL: \$5,167,226 or 13.2 bps/yr (nominal), \$4,133,597 or 10.6 bps/yr (PV)
Oncor: \$2,018,929 or 10.9 bps/yr (nominal), \$1,725,982 or 9.3 bps/yr (PV)
Total: 9,195,546 (nominal), 7,577,127 (PV)

The savings, using credit card methodology, are comparable to the savings on the transition bonds as calculated using the average spread to swaps for all transition bonds for the tranches 10 yr and under.

Attached is an updated version of our analysis.

Please let us know if you have any additional questions.

Thank you.

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