

Question and Answer Session

Presentation on the Master Agreement for the Standard Products RFP

January 25, 2008

- 1. Is it the intent to include both the counterparty's and the counterparty's guarantor's in the determination of the credit rating for the unsecured threshold? That is: can you look to both entities for determining that unsecured credit threshold or do you only look to the counterparty?**

We have a provision where you can select either to use the credit of the counterparty or to use guarantor. What we don't have is a hybrid where you can get a credit for the counterparty and a credit line for the guarantor. That's the intent.

- 2. Can one also provide comments and mark-ups to Schedule 3 to the Collateral Annex, the Mark to Market Value Calculation methodology?**

Yes, you can. Everything posted in here, Schedules 1, 2, and 3, the Collateral Annex, Paragraph 10, are all part of the Master Agreement and you can provide comments on all of them.

- 3. You say that the credit provisions are bilateral, but the Collateral Threshold Amount determination for the Buyer and Seller is different. Does ComEd get a different threshold if they are both below investment grade and in other circumstances as well?**

There are circumstances under which ComEd will get more credit, but those would not extend below investment grade. If either Party is below investment grade, they do not get credit.

For the equivalent credit rating, both the Seller and ComEd get the same percentage of tangible net worth. The only difference is there is a higher threshold cap on ComEd. If ComEd was below investment grade or if the Seller was below investment grade, both get no credit. If ComEd was one notch up and the Seller was one notch up, they would both get the same 6% of tangible net worth but ComEd would have a higher cap than the seller.

- 4. Regarding the guaranty, I know that credit is reciprocal, but will ComEd's parent also be providing a guaranty or will it only be the Supplier supplying a Guaranty?**

The guaranty is envisioned for the Seller. We are not aware of discussions of ComEd having a Guarantor.

January 28, 2008

2008 ComEd RFP
Standard Products RFP

5. Will you take questions regarding the process today?

We are not taking questions about the bidding process today. When the documents are posted, you can use the FAQ process for those questions. Today we take questions concerning the process for commenting on the contract.

6. We have some difficulty with the time duration for holding the bids open. When is that timely to bring up?

While we discussed this on this call, we're taking all that directly from the Act. It's timely to ask now as that is in the contract and confirm how it works; however, this is really a call about contract terms rather than that type of subject. You can bring that up at any time through an FAQ, I will say that I don't know that it's something that we can do much about that because it's specified in the Act.

7. In the Collateral Annex, with respect to eligibility to hold cash, it's not checked off for the Supplier. Is the intent that they could choose the elections there? This is at Section VI.A of Paragraph 10 of the Collateral Annex, page 9?

There are two parts to this question.

First, under eligible collateral section 2 in paragraph 10, we do not give Party B (ComEd) the ability to put up cash because ComEd will not put up cash. We did not see the need to have Party B eligible to hold cash because ComEd won't put up cash.

Second, if you look at the second part, we did not fill in the credit ratings. Party B (that is, ComEd) can hold cash if it is not a defaulting party and has a certain credit rating – and that's left blank. The intent there, given the credit situation and given that suppliers may all have different evaluations of ComEd and different levels of comfort for ComEd to hold cash, the intent there is that rather than fill the blank in with a specific rating, we're going to provide an option for Party A either to let ComEd hold cash, in which case it would get the Fed Funds rate, or to insist that Party B (ComEd) not hold cash but instead use the alternative method to deal with a cash deposit. In conjunction with that, we would also specify if Party A (the Seller) were to elect that option to use an alternative method, then the interest that would be paid is the interest that is paid by whoever the third party that has been asked hold the cash. This means that we provide an option that if the Seller provides cash, the Seller can ask for ComEd not to hold the cash, and then instead of getting the Fed Funds rate, the Seller would get the interest rate paid by the institution that holds cash instead of ComEd.

Thanks for pointing this out. We will put out a clarification on that. (Since this question was answered, we have posted a supplement to the Master Agreement posted [HERE](#)).

**8. Why does the guaranty specify Illinois law, while the EEI specifies New York law?
Can you comment?**

That was carried over from the Supplier Forward Contract. Given that the transaction is in Illinois with an Illinois Company, we thought that Illinois law would be appropriate.

9. What is the reason between the large difference in the threshold cap between Party A and Party B? It seems that Party B's Threshold cap is roughly double Party A's.

That's correct. There are two reasons. One reason is that ComEd (Party B) is a regulated entity in this regard. While we think that reciprocal credit in these circumstances given the size of the RFP and the timing of recent events in Illinois is appropriate, there is some recognition that given the regulated nature of Party B a higher cap is appropriate. The second point is that ComEd really has very little discretion in here over its exposure to any one bidder. It will accept the winning bids, which could be quite concentrated in a bidder. Suppliers on the other hand have quite a bit of discretion on how much they are going to offer and thus how much exposure they would have to ComEd so we thought that a higher cap for ComEd was appropriate.

10. You asked that comments, if provided in redline, be provided on the cover sheet. However, with respect to Paragraph 10 of the Collateral Annex, would it be possible to provide comments directly on Paragraph 10 of the Collateral Annex?

Yes. That would be fine. Paragraph 10 is so distinct that this is fine – for the other comments we would appreciate it if you would not do that.

11. Would ComEd consider alternative forms of guaranty?

We do not have a process for that. Given the tight timeframe, there is no intent to consider alternative forms of guaranty. However, you can comment on the Guaranty included in the Master Agreement.

12. How will you handle that? Do you make available to all the changes accepted for the Guaranty? And do these, to be accepted, have to be acceptable to all bidders?

We would not accept a change for one bidder without making that change available to all other bidders. However, we would not insist that a change apply across the board. If there is a comment that we would accept, it would be made, on an optional basis, available to all bidders.

13. Does the same hold true for the letter of credit that a supplier may hold for ComEd? If so what is the letter of credit that you expect to use?

We have used the standard letter of credit from the EEI and the same would hold true there.

14. When are you looking to providing a timeline for the event?

We will have that by the middle of the next week (i.e., the week of January 28, 2008).

15. For the guaranty, does it mean that there would be a number of optional elections that the supplier could use?

We will receive comments and, to the extent that there are valid comments, some may be incorporated as changes and others may be useful as an alternative. What is important is that if there is a comment that is useful as an alternative, we would not say to one bidder that they have an alternative without making the same alternative available to all bidders.