UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report
(Date of earliest event reported): March 9, 2018

SEMPRA ENERGY

(Exact name of registrant as specified in its charter)

CALIFORNIA	1-14201	33-0732627
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

488 8th AVENUE, SAN DIEGO, CALIFORNIA	92101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (619) 696-2000

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

FORM 8-K/A

INTRODUCTORY NOTE

As previously reported in a Current Report on Form 8-K filed March 9, 2018 (the "Initial Filing"), on March 9, 2018, the merger (the "Merger") contemplated by the Agreement and Plan of Merger dated as of August 21, 2017, by and among Energy Future Holdings Corp. ("EFH"), renamed Sempra Texas Holdings Corp., Energy Future Intermediate Holding Company LLC ("EFIH"), renamed Sempra Texas Intermediate Holding Company LLC, Sempra Energy ("Sempra"), and Sempra Texas Merger Sub I, Inc., an indirect wholly owned subsidiary of Sempra, was completed and Sempra became the indirect owner of 100 percent of the membership interests of Oncor Electric Delivery Holdings Company LLC ("Oncor Holdings"), which owns an 80.25 percent interest in Oncor Electric Delivery Company LLC ("Oncor"). This Amendment No. 1 amends the Initial Filing to include the historical financial statements of EFH, Oncor Holdings and the pro forma financial information required by Item 9.01 of Form 8-K.

Cautionary Note Regarding Forward-Looking Statements

This current report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "target," "pursue," "outlook," "maintain," or similar expressions or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission ("CPUC"), U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, Public Utility Commission of Texas, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners and counterparties; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; denial of approvals of proposed settlements or modifications of settlements; and delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to amounts associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability, any of which may raise our cost of capital and materially impair our ability to finance our operations; the greater degree and prevalence of wildfires in California in recent years and risk that we may be found liable for damages regardless of fault, such as in cases where inverse condemnation applies, and risk that we may not be able to recover any such costs in rates from customers in California; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures; changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; and the impact on the value of our investments in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services; risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of insurance, to the extent that such insurance is available or not prohibitively expensive; cybersecurity threats to the energy grid, storage and pipeline

infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees; capital markets and economic conditions, including the availability of credit and the liquidity of our investments; and fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations; the impact of recent federal tax reform and uncertainty as to how it may be applied, and our ability to mitigate adverse impacts; actions by credit rating agencies to downgrade our credit ratings or those of our subsidiaries or to place those ratings on negative outlook; changes in foreign and domestic trade policies and laws, including border tariffs, and revisions to international trade agreements, such as the North American Free Trade Agreement, that make us less competitive or impair our ability to resolve trade disputes; the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation, and the potential risk of nonrecovery for stranded assets and contractual obligations; the ability to realize the anticipated benefits from our investment in Oncor Holdings; the ability to obtain additional permanent equity financing for the acquisition of our investment in Oncor Holdings on favorable terms; indebtedness we have incurred to fund the acquisition of our investment in Oncor Holdings, which may make it more difficult for us to repay or refinance our debt or may require us to take other actions that may decrease business flexibility and increase borrowing costs; Oncor's ability to eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its regulatory capital structure, or because any of the three major credit rating agencies rates Oncor's senior secured debt securities below BBB (or the equivalent) or Oncor's independent directors or a minority member director determine it is in the best interest of Oncor to retain such amounts to meet future capital expenditures; and other uncertainties, some of which may be difficult to predict and are beyond our control.

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the U.S. Securities and Exchange Commission ("SEC"). These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses acquired*.

The audited consolidated financial statements of EFH and subsidiaries as of and for the year ended December 31, 2017, and the related Independent Auditors' Report, are attached hereto as Exhibit 99.1.

The audited consolidated financial statements of Oncor Holdings and subsidiary as of and for the year ended December 31, 2017, and the related Independent Auditors' Report, are attached hereto as Exhibit 99.2.

(b) *Pro forma financial information*.

Unaudited pro forma condensed combined financial information of Sempra Energy as of and for the year ended December 31, 2017, giving effect to certain pro forma events relating to Sempra's completed acquisition of EFH, is attached hereto as Exhibit 99.3.

(d) *Exhibits*.

Exhibit 2.1*	Agreement and Plan of Merger, dated as of August 21, 2017, by and among Sempra Energy, Power Play Merger Sub I, Inc. (now known as Sempra Texas Merger Sub I, Inc.), Energy Future Intermediate Holding Company LLC and Energy Future Holdings Corp. (filed as Exhibit 2.1 to Sempra Energy's Current Report on Form 8-K filed on August 25, 2017 and incorporated herein by reference).
Exhibit 2.2*	Waiver Agreement, dated as of October 3, 2017, by and among Sempra Energy, Sempra Texas Merger Sub I, Inc., Energy Future Intermediate Holding Company LLC and Energy Future Holdings Corp. (filed as Exhibit 2.1 to Sempra Energy's Current Report on Form 8-K filed on October 6, 2017 and incorporated herein by reference).
Exhibit 2.3*	Amendment No. 2 to the Agreement and Plan of Merger, dated as of February 15, 2018, by and among Sempra Energy, Sempra Texas Merger Sub I, Inc., Energy Future Intermediate Holding Company LLC and Energy Future Holdings Corp. (filed as Exhibit 2.1.3 to Sempra Energy's Annual Report on Form 10-K filed on February 27, 2018 and incorporated herein by reference).
Exhibit 23.1	Energy Future Holdings Corp. Consent of Deloitte & Touche LLP, independent auditors.
Exhibit 23.2	Oncor Electric Delivery Holdings Company LLC Consent of Deloitte & Touche LLP, independent auditors.
Exhibit 99.1	Audited consolidated financial statements as of and for the year ended December 31, 2017 of Energy Future Holdings Corp. and subsidiaries, and the related Independent Auditors' Report.
Exhibit 99.2	Audited consolidated financial statements of Oncor Electric Delivery Holdings Company LLC and subsidiary as of and for the year ended December 31, 2017, and the related Independent Auditors' Report.
Exhibit 99.3	Unaudited pro forma condensed combined financial information.

*Previously filed as an exhibit to Sempra's Current Report on Form 8-K filed March 9, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SEMPRA ENERGY,
(Registrant)

Date: May 3, 2018

By: /s/ Peter R. Wall

Peter R. Wall
Vice President, Controller and Chief Accounting Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-220257 on Form S-3 and Nos. 333-200828, 333-188526, 333-182225, 333-56161, 333-50806, 333-49732, 333-121073, 333-151184, 333-155191 and 333-129774 on Form S-8 of Sempra Energy of our report dated March 28, 2018 relating to the consolidated financial statements of Energy Future Holdings Corp. and subsidiaries (the “Company”) as of and for the year ended December 31, 2017 (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph regarding the Company’s emergence from bankruptcy and the acquisition of the common stock of the Company by Sempra Energy, both items discussed in Note 14 of the consolidated financial statements) appearing in this Current Report on Form 8-K/A of Sempra Energy dated May 3, 2018.

/s/ Deloitte & Touche LLP

Dallas, TX
May 3, 2018

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-220257 on Form S-3 and Nos. 333-200828, 333-188526, 333-182225, 333-56161, 333-50806, 333-49732, 333-121073, 333-151184, 333-155191 and 333-129774 on Form S-8 of Sempra Energy of our report dated February 22, 2018 relating to the consolidated financial statements of Oncor Electric Delivery Holdings Company LLC and its subsidiary (the "Company") as of and for the year ended December 31, 2017 (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph that describes the ring-fencing measures implemented by the Company) appearing in this Current Report on Form 8-K/A of Sempra Energy dated May 3, 2018.

/s/ Deloitte & Touche LLP

Dallas, TX
May 3, 2018

Exhibit 99.1

ENERGY FUTURE HOLDINGS CORP.

A DEBTOR-IN-POSSESSION (as of December 31, 2017)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

AND

INDEPENDENT AUDITORS' REPORT

GLOSSARY

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

Chapter 11 Cases	Cases being heard in the US Bankruptcy Court for the District of Delaware (Bankruptcy Court) concerning voluntary petitions for relief under Chapter 11 of the US Bankruptcy Code (Bankruptcy Code) filed on April 29, 2014 by the Debtors. On the TCEH Effective Date, the TCEH Debtors (together with the Contributed EFH Debtors) emerged from the Chapter 11 Cases. On the EFH Effective Date, the EFH Debtors emerged from the Chapter 11 Cases.
Competitive Electric Segment	the former EFH Corp. business segment that consisted principally of subsidiaries previously owned directly or indirectly by TCEH that became subsidiaries of Vistra Energy on the TCEH Effective Date
Contributed EFH Debtors	Certain Debtors previously owned directly or indirectly by EFH Corp. that became subsidiaries of Vistra Energy on the TCEH Effective Date. As of the TCEH Effective Date, these debtors held an entity that employs personnel who perform corporate service functions and an entity that leases office space, along with the contribution of liabilities associated with certain employee benefit plans.
Debtors	EFH Corp. and the substantial majority of its direct and indirect subsidiaries, including EFIH, EFCH and TCEH but excluding the Oncor Ring-Fenced Entities. Prior to the TCEH Effective Date, also included the TCEH Debtors and the Contributed EFH Debtors. As of the EFH Effective Date, the EFH Debtors are no longer Debtors.
Disclosure Statement	Disclosure Statement for the EFH Debtors' Joint Plan of Reorganization, approved by the Bankruptcy Court in September 2017.
EFCH	Energy Future Competitive Holdings Company LLC, a direct, wholly owned subsidiary of EFH Corp. and the direct parent of TCEH, and/or its subsidiaries, depending on context
EFH Corp.	Energy Future Holdings Corp., a holding company, and/or its subsidiaries, depending on context, of which Oncor is the major subsidiary
EFH Debtors	EFH Corp. and its subsidiaries that prior to the EFH Effective Date were Debtors in the Chapter 11 Cases, including the EFIH Debtors, but, as of the TCEH Effective Date, excluding the TCEH Debtors and the Contributed EFH Debtors
EFH Effective Date	March 9, 2018, the date the EFH Debtors completed their reorganization under the Bankruptcy Code and emerged from the Chapter 11 Cases
EFIH	Energy Future Intermediate Holding Company LLC, a direct, wholly owned subsidiary of EFH Corp. and the direct parent of Oncor Holdings
EFIH Debtors	EFIH and EFIH Finance
EFIH DIP Facility	Refers to EFIH's debtor-in-possession financing. See Note 8 to the Consolidated Financial Statements.
EFIH Finance	EFIH Finance Inc., a direct, wholly owned subsidiary of EFIH, formed for the sole purpose of serving as co-issuer with EFIH of certain debt securities
EFIH First Lien Notes	EFIH's and EFIH Finance's 6.875% Senior Secured First Lien Notes and 10.000% Senior Secured First Lien Notes, collectively.
EFIH PIK Notes	EFIH's and EFIH Finance's $1.566 billion principal amount of 11.25%/12.25% Senior Toggle Notes
EFIH Second Lien Notes	EFIH's and EFIH Finance's 11% Senior Secured Second Lien Notes and 11.75% Senior Secured Second Lien Notes, collectively.

Federal and State Income Tax Allocation Agreements	EFH Corp. and certain of its subsidiaries (including EFCH, EFIH and TCEH, but not including Oncor Holdings and Oncor) were parties to a Federal and State Income Tax Allocation Agreement, executed on May 15, 2012 but effective as of January 1, 2010. This agreement was rejected by the Debtors on the TCEH Effective Date. EFH Corp., Oncor Holdings, Oncor, Texas Transmission, and Oncor Management Investment LLC are parties to a separate Federal and State Income Tax Allocation Agreement dated November 5, 2008. This agreement was assumed by the Debtors on the TCEH Effective Date. See Note 5 to the Financial Statements.
US GAAP	accounting principles generally accepted in the US
IRS	US Internal Revenue Service
LIBOR	London Interbank Offered Rate, an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.
LSTC	Liabilities subject to compromise
Merger	the transaction referred to in the Agreement and Plan of Merger, dated February 25, 2007, under which Texas Holdings agreed to acquire EFH Corp., which was completed on October 10, 2007
Oncor	Oncor Electric Delivery Company LLC, a direct, majority-owned subsidiary of Oncor Holdings and an indirect subsidiary of EFH Corp. that is engaged in regulated electricity transmission and distribution activities
Oncor Holdings	Oncor Electric Delivery Holdings Company LLC, a direct, wholly owned subsidiary of EFIH and the direct majority owner of Oncor, and/or its subsidiaries, depending on context
Oncor Ring-Fenced Entities	Oncor Holdings and its direct and indirect subsidiaries, including Oncor
Petition Date	April 29, 2014, the date the Debtors made the Bankruptcy Filing
Plan of Reorganization	the joint Plan of Reorganization of the EFH Debtors, pursuant to Chapter 11 of the Bankruptcy Code, which was originally filed with the Bankruptcy Court in July 2017 and was confirmed by the Bankruptcy Court in February 2018
PUCT	Public Utility Commission of Texas
REP	retail electric provider
SEC	US Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Sempra Merger Agreement	Agreement and Plan of Merger entered into on August 21, 2017 by EFH Corp. and EFIH with Sempra Energy and a wholly owned subsidiary of Sempra Energy. See Note 2 to the Consolidated Financial Statements.
Settlement Agreement	Amended and Restated Settlement Agreement among the Debtors, the Sponsor Group, settling TCEH first lien creditors, settling TCEH second lien creditors, settling TCEH unsecured creditors and the official committee of unsecured creditors of TCEH (collectively, the Settling Parties), approved by the Bankruptcy Court in December 2015. See Note 2 to the Financial Statements.
Sponsor Group	Refers, collectively, to certain investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., TPG Global, LLC (together with its affiliates, TPG) and GS Capital Partners, an affiliate of Goldman, Sachs & Co., that have an ownership interest in Texas Holdings.
Tax Reform Act	US Tax Cuts and Jobs Act enacted in 2017
TCEH Effective Date	October 3, 2016, the date the TCEH Debtors and the Contributed EFH Debtors completed their reorganization under the Bankruptcy Code and emerged from the Chapter 11 Cases
TCEH	Texas Competitive Electric Holdings Company LLC, a direct, wholly owned subsidiary of EFCH and an indirect subsidiary of EFH Corp., and/or its subsidiaries, depending on context, that prior to the TCEH Effective Date, were engaged in electricity generation and wholesale and retail energy market activities. Subsequent to the TCEH Effective Date, Vistra Energy continued substantially the same operations as TCEH.
TCEH Debtors	Certain Debtors previously owned directly or indirectly by TCEH that became subsidiaries of Vistra Energy on the TCEH Effective Date

Texas Holdings	Texas Energy Future Holdings Limited Partnership, a limited partnership controlled by the Sponsor Group, that owns substantially all of the common stock of EFH Corp.
Texas Holdings Group	Texas Holdings and its direct and indirect subsidiaries other than the Oncor Ring-Fenced Entities
Texas Transmission	Texas Transmission Investment LLC, a limited liability company that owns a 19.75% equity interest in Oncor and is not affiliated with EFH Corp., any of EFH Corp.'s subsidiaries or any member of the Sponsor Group
US	United States of America
VIE	variable interest entity
Vistra Energy	the entity that emerged after the TCEH Effective Date and which continued substantially the same operations as TCEH and the Contributed EFH Debtors conducted prior to the TCEH Effective Date

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Sempra Texas Holdings Corp.
San Diego, CA

We have audited the accompanying consolidated financial statements of Energy Future Holdings Corp. and subsidiaries (Debtor-in-Possession at December 31, 2017) ("the Company"), which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statement of loss, consolidated comprehensive loss, consolidated statement of equity, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energy Future Holdings Corp. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Emergence from Bankruptcy

As discussed in Note 14 to the consolidated financial statements, on February 27, 2018, the Bankruptcy Court entered an order confirming the Plan of Reorganization which became effective on March 9, 2018. Under the Plan of Reorganization, Sempra Energy acquired all of the common stock of the Company, the DIP facility was repaid, certain prepetition liabilities and accrued interest were repaid and other liabilities and claims were extinguished, as more fully described in Note 14 to these consolidated financial statements. Our opinion is not modified with respect to this matter.

Dallas, Texas
March 28, 2018

ENERGY FUTURE HOLDINGS CORP. AND SUBSIDIARIES, A DEBTOR-IN-POSSESSION
STATEMENT OF CONSOLIDATED LOSS

	Year Ended December 31, 2017
	(millions of dollars)
Selling, general and administrative expenses	$ (13)
Other income (Note 13)	84
Other deductions	(3)
Interest income	5
Interest expense and related charges (Note 6)	(952)
Reorganization items (Note 7)	(99)
Loss from continuing operations before income taxes and equity in earnings of unconsolidated subsidiaries	(978)
Income tax expense (Note 5)	(180)
Equity in earnings of unconsolidated subsidiaries (net of tax) (Note 4)	262
Net loss from continuing operations	(896)
Income from discontinued operations (net of tax) (Note 3)	104
Net loss attributable to EFH Corp.	$ (792)

See Notes to the Consolidated Financial Statements.

STATEMENT OF CONSOLIDATED COMPREHENSIVE LOSS

	Year Ended December 31, 2017
	(millions of dollars)
Components related to continuing operations:	
Net loss from continuing operations	$ (896)
Other comprehensive income, net of tax effects:	
Effects related to pension and other retirement benefit obligations (net of tax)	(2)
Net effects related to Oncor — reported in equity in earnings of unconsolidated subsidiaries (net of tax)	8
Total other comprehensive income	6
Comprehensive loss from continuing operations attributable to EFH Corp.	(890)
Components related to discontinued operations:	
Income from discontinued operations	104
Comprehensive income from discontinued operations attributable to EFH Corp.	104
Comprehensive loss attributable to EFH Corp.	$ (786)

See Notes to the Consolidated Financial Statements.

ENERGY FUTURE HOLDINGS CORP. AND SUBSIDIARIES, A DEBTOR-IN-POSSESSION
STATEMENT OF CONSOLIDATED CASH FLOWS

	Year Ended December 31, 2017
	(millions of dollars)
Cash flows — operating activities:	
Net loss	$ (792)
Adjustments to reconcile net loss to cash used in operating activities:	
Deferred income tax expense, net	110
Make-whole claim charges adjustment (Note 10)	(79)
Fees paid on EFIH DIP Facility (reported as financing activities) (Note 8)	18
Equity in earnings of unconsolidated subsidiaries	(262)
Distributions of earnings from unconsolidated subsidiaries (Note 4)	170
Other, net	1
Changes in operating assets and liabilities:	
Accounts receivable/payable – trade	7
Receivables/payables from/due to unconsolidated subsidiary	(110)
Liabilities subject to compromise make-whole settlement (Note 9)	(410)
Accrued interest on make-whole claims (Note 6)	(112)
Accrued post-petition interest (Note 6)	664
Other operating assets and liabilities	(74)
Cash used in operating activities	(869)
Cash flows — financing activities:	
Borrowings under EFIH DIP Facility (Note 8)	3,348
Repayments/repurchases of debt (Notes 8 and 9)	(2,523)
Fees paid on EFIH DIP Facility (Note 8)	(18)
Cash provided by financing activities	807
Cash flows — investing activities:	
Changes in restricted cash	(10)
Other, net	(3)
Cash used in investing activities	(13)
Net change in cash and cash equivalents	(75)
Cash and cash equivalents — beginning balance	764
Cash and cash equivalents — ending balance	$ 689

See Notes to the Consolidated Financial Statements.

ENERGY FUTURE HOLDINGS CORP. AND SUBSIDIARIES, A DEBTOR-IN-POSSESSION

CONSOLIDATED BALANCE SHEET

		December 31, 2017
		(millions of dollars)
ASSETS		
Current assets:		
Cash and cash equivalents	$	689
Restricted cash		10
Trade accounts receivable — net		2
Net receivables from unconsolidated subsidiary (Note 12)		9
Other current assets		3
Total current assets		713
Investment in unconsolidated subsidiary (Note 4)		6,330
Other investments (Note 13)		29
Accumulated deferred income taxes (Note 5)		874
Other noncurrent assets		3
Total assets	$	7,949
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under debtor-in-possession credit facility (Note 8)	$	6,300
Accrued taxes		6
Accrued interest		3
Other current liabilities		116
Total current liabilities		6,425
Liabilities subject to compromise (Note 9)		5,630
Other noncurrent liabilities and deferred credits (Note 13)		23
Total liabilities		12,078
Commitments and Contingencies (Note 10)		
Equity (Note 11):		
Common stock (shares outstanding — 1,669,861,379)		2
Additional paid-in capital		7,968
Retained deficit		(12,015)
Accumulated other comprehensive loss		(84)
Total equity		(4,129)
Total liabilities and equity	$	7,949

See Notes to the Consolidated Financial Statements.

ENERGY FUTURE HOLDINGS CORP. AND SUBSIDIARIES, A DEBTOR-IN-POSSESSION
STATEMENT OF CONSOLIDATED EQUITY

	Year Ended December 31, 2017
	(millions of dollars)
Common stock stated value of $0.001 effective May 2009 (number of authorized shares — 2,000,000,000):	
Balance at beginning of period	$ 2
Balance at end of period (number of shares outstanding: 1,669,861,379)	2
Additional paid-in capital:	
Balance at beginning of period	7,968
Balance at end of period	7,968
Retained deficit:	
Balance at beginning of period	(11,223)
Net loss attributable to EFH Corp.	(792)
Balance at end of period	(12,015)
Accumulated other comprehensive loss, net of tax effects:	
Pension and other postretirement employee benefit liability adjustments:	
Balance at beginning of period	(74)
Change in unrecognized gains related to pension and OPEB plans	5
Balance at end of period	(69)
Amounts related to de-designated cash flow hedges:	
Balance at beginning of period	(16)
Change during the period	1
Balance at end of period	(15)
Total accumulated other comprehensive loss at end of period	(84)
Total equity at end of period	$ (4,129)

See Notes to the Consolidated Financial Statements.

ENERGY FUTURE HOLDINGS CORP. AND SUBSIDIARIES, A DEBTOR-IN-POSSESSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

References in this report to "we," "our," "us" and "the Company" are to EFH Corp. and/or its subsidiaries, as apparent in the context. See *Glossary* for defined terms.

Prior to the EFH Effective Date, EFH Corp., a Texas corporation, was a Dallas-based holding company that conducted its operations principally through its Oncor subsidiary and, prior to the TCEH Effective Date, TCEH subsidiaries. Prior to the EFH Effective Date, EFH Corp. was a subsidiary of Texas Holdings, which was controlled by the Sponsor Group. Following the EFH Effective Date, EFH Corp. became a wholly owned, indirect subsidiary of Sempra Energy and changed its name to Sempra Texas Holdings Corp. See Note 14.

Prior to the TCEH Effective Date, TCEH was a holding company for subsidiaries engaged in competitive electricity market activities largely in Texas, including electricity generation, wholesale energy sales and purchases, commodity risk management and trading activities, and retail electricity operations. On the TCEH Effective Date, the TCEH Debtors and the Contributed EFH Debtors emerged from the Chapter 11 Cases as subsidiaries of a newly formed company, Vistra Energy. On the TCEH Effective Date, Vistra Energy was spun off from EFH Corp. in a tax-free spin-off transaction to the former first lien creditors of TCEH (see Note 2).

Oncor is engaged in regulated electricity transmission and distribution operations in Texas. Oncor provides distribution services to REPs, including subsidiaries of Vistra Energy, which sell electricity to residential, business and other consumers. Oncor Holdings, a holding company that holds an approximate 80% equity interest in Oncor, is a wholly owned subsidiary of EFIH, which is a holding company and a wholly owned subsidiary of EFH Corp. Oncor Holdings and its subsidiaries (the Oncor Ring-Fenced Entities) are not consolidated in EFH Corp.'s financial statements in accordance with consolidation accounting standards related to variable interest entities (VIEs) (see Note 4).

Prior to and following the EFH Effective Date, various ring-fencing measures have been taken to enhance the credit quality of Oncor. Such measures include, among other things: the sale in November 2008 of a 19.75% equity interest in Oncor to Texas Transmission; maintenance of separate books and records for the Oncor Ring-Fenced Entities; Oncor's board of directors being comprised of a majority of independent directors, and prohibitions on the Oncor Ring-Fenced Entities providing credit support to, or receiving credit support from, any member of the Texas Holdings Group or Sempra Energy. Prior to the EFH Effective Date, the assets and liabilities of the Oncor Ring-Fenced Entities were separate and distinct from those of the Texas Holdings Group, and none of the assets of the Oncor Ring-Fenced Entities were available to satisfy the debt or contractual obligations of any member of the Texas Holdings Group. Moreover, prior to the EFH Effective Date, Oncor's operations were conducted, and its cash flows managed, independently from the Texas Holdings Group. Following the EFH Effective Date, the assets and liabilities of the Oncor Ring-Fenced Entities are separate and distinct from those of Sempra Energy, and none of the assets of the Oncor Ring-Fenced Entities are available to satisfy the debt or contractual obligations of Sempra Energy or any affiliate of Sempra Energy. Moreover, following the EFH Effective Date, Oncor's operations are conducted, and its cash flows managed, independently from Sempra Energy and its affiliates.

Consistent with the ring-fencing measures discussed above, the assets and liabilities of the Oncor Ring-Fenced Entities were not substantively consolidated with the assets and liabilities of the Debtors in the Chapter 11 Cases.

Chapter 11 Cases

On April 29, 2014 (the Petition Date), EFH Corp. and the substantial majority of its direct and indirect subsidiaries, including EFIH, EFCH and TCEH but excluding the Oncor Ring-Fenced Entities (collectively, the Debtors), filed voluntary petitions for relief (the Bankruptcy Filing) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court). The Disclosure Statement as to the TCEH Debtors and the Contributed EFH Debtors was approved by the Bankruptcy Court in July 2016, and the Disclosure Statement as to the EFH Debtors was approved by the Bankruptcy Court in September 2017. The entry by EFH Corp. and EFIH into the Sempra Merger Agreement and Sempra Plan Support Agreement (see Note 2) were also approved by the Bankruptcy Court in September 2017.

Following the approval of the Disclosure Statement as to the TCEH Debtors and the Contributed EFH Debtors by the Bankruptcy Court, the Debtors solicited the vote of their required creditors for approval of the plan of reorganization as it relates to the TCEH Debtors and the Contributed EFH Debtors. In July 2016, the required creditors voted to approve the plan of reorganization as it relates to the TCEH Debtors and the Contributed EFH Debtors, and the Bankruptcy Court confirmed the plan of reorganization as it relates to the TCEH Debtors and the Contributed EFH Debtors in August 2016. The TCEH Debtors and the Contributed EFH Debtors emerged from the Chapter 11 Cases in October 2016.

Following the approval of the Disclosure Statement as to the EFH Debtors by the Bankruptcy Court, the EFH Debtors solicited the vote of their required creditors for approval of the Plan of Reorganization as it relates to the EFH Debtors. In October 2017, the required creditors voted to approve the Plan of Reorganization as it relates to the EFH Debtors, and the Bankruptcy Court confirmed the Plan of Reorganization as it relates to the EFH Debtors in February 2018. As part of the order confirming the Plan of Reorganization as it relates to the EFH Debtors, the Bankruptcy Court overruled the objection of certain holders of asbestos claims against certain EFH Debtors and approved the treatment of asbestos claims under the Plan of Reorganization. Pursuant to the Plan of Reorganization, on the EFH Effective Date, all timely and valid filed proofs of claim asserting an alleged asbestos injury were reinstated under the Plan of Reorganization. The asbestos liability totaled approximately $26 million at December 31, 2017 and is reported in the consolidated balance sheet within liabilities subject to compromise. The EFH Debtors emerged from the Chapter 11 Cases in March 2018. See Note 14.

Settlement of Make-Whole Litigation

In February 2017, the EFH Debtors, certain holders of secured claims against the EFIH Debtors, and certain holders of unsecured claims against the EFH Debtors reached agreement on the settlement of the EFIH First Lien Notes and the EFIH Second Lien Notes claims (including, most significantly, the make-whole claims asserted by holders of these claims). Under the terms of the settlement, the make-whole claims of the holders of the EFIH First Lien Notes were to be paid at 95% plus accrued interest and the make-whole claims of the holders of the EFIH Second Lien Notes were to be paid at 87.5% plus accrued interest. The Bankruptcy Court approved the settlement in March 2017. See Note 14 for discussion of payments and other activities pursuant to the EFH Effective Date.

Basis of Presentation, Including Application of Bankruptcy Accounting

The consolidated financial statements have been prepared in accordance with US GAAP. All dollar amounts in the financial statements and tables in the notes are stated in millions of US dollars unless otherwise indicated. The consolidated financial statements have been prepared as if EFH Corp. is a going concern and contemplate the realization of assets and liabilities in the normal course of business. The consolidated financial statements reflect the application of Financial Accounting Standards Board Accounting Standards Codification (ASC) 852, *Reorganizations*. During the pendency of the Chapter 11 Cases, the EFH Debtors operated their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. ASC 852 applies to entities that have filed a petition for bankruptcy under Chapter 11 of the Bankruptcy Code. The guidance requires that transactions and events directly associated with the reorganization be distinguished from the ongoing operations of the business. In addition, the guidance covers the accounting and presentation of liabilities. See Notes 7 and 9 for discussion of these accounting and reporting matters.

Investments in unconsolidated subsidiaries, which are 50% or less owned and/or do not meet accounting standards criteria for consolidation, are accounted for under the equity method (see Note 4). All intercompany items and transactions have been eliminated in consolidation. Subsequent events have been evaluated through March 28, 2018, the date these consolidated financial statements were issued.

We had two reportable segments prior to the TCEH Effective Date: the Regulated Delivery segment, consisting largely of our investment in Oncor, which is now EFH Corp.'s primary investment; and the Competitive Electric Segment, which consisted largely of TCEH and which became subsidiaries of Vistra Energy on the TCEH Effective Date. After the TCEH Effective Date, we no longer have operating segments as our business is comprised solely of our investment in Oncor. See Note 3 for further information concerning the discontinued Competitive Electric Segment.

Discontinued Operations

Discontinued operations comprise those activities that were disposed of during the period and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes.

Because of the emergence (and related spin-off) of the TCEH Debtors and the Contributed EFH Debtors on the TCEH Effective Date, the results of operations of the Competitive Electric Segment and the Contributed EFH Debtors have been classified as discontinued operations in the statement of consolidated loss. EFH Corp. has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. See Note 3 for additional information.

Use of Estimates

Preparation of financial statements requires estimates and assumptions about future events that affect the reporting of assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses, including fair value measurements and estimates of expected allowed claims. 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.

Income Taxes

EFH Corp. will file a consolidated US federal income tax return for 2017 that will include the full year results of EFIH and Oncor Holdings. Oncor is a partnership for US federal income tax purposes and is not a corporate member of the EFH Corp. consolidated group.

Deferred income taxes are provided for temporary differences between the book and tax basis of assets and liabilities as required under accounting rules. See Note 5.

We report interest and penalties related to uncertain tax positions as current income tax expense.

Accounting for Contingencies

Our financial results may be affected by judgments and estimates related to loss contingencies. Accruals for loss contingencies are recorded when management determines that it is probable that an asset has been impaired or a liability has been incurred and that such economic loss can be reasonably estimated. Such determinations are subject to interpretations of current facts and circumstances, forecasts of future events and estimates of the financial impacts of such events. Litigation costs associated with estimated loss contingencies are expensed as incurred. As part of our Chapter 11 Cases we have received numerous prepetition claims, many of which are unsubstantiated or irrelevant to our business operations. Further, at this time, some of those claims might be relevant but are not reasonably estimable. See Notes 2 and 10 for a discussion of contingencies.

2. CHAPTER 11 CASES

On April 29, 2014, EFH Corp. and the substantial majority of its direct and indirect subsidiaries, including EFIH, but excluding the Oncor Ring-Fenced Entities, filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court. The TCEH Debtors and the Contributed EFH Debtors emerged from the Chapter 11 Cases on the TCEH Effective Date. Only the EFH Debtors remained in the Chapter 11 Cases after the TCEH Effective Date. Pursuant to the Sempra Merger Agreement, on the EFH Effective Date, Sempra Energy acquired the EFH Debtors (as reorganized) in an all cash transaction. During the pendency of the Chapter 11 Cases, the EFH Debtors continued to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

Settlement Agreement

Various parties entered into a settlement agreement (the Settlement Agreement) in August 2015 (as amended in September 2015) to compromise and settle, among other things (a) intercompany claims among the Debtors, (b) claims and causes of actions against holders of first lien claims against TCEH and the agents under the TCEH senior secured facilities, (c) claims and causes of action against holders of interests in EFH Corp. and certain related entities and (d) claims and causes of action against each of the Debtors' current and former directors, the Sponsor Group, managers and officers and other related entities. Under the terms of the Settlement Agreement, the TCEH first lien creditors were granted a $700 million unsecured claim against EFH Corp. (see Note 9). As of the EFH Effective Date, this claim was subject to treatment under the Plan of Reorganization as it relates to the EFH Debtors. The Bankruptcy Court approved the Settlement Agreement in December 2015.

Termination of NEE Merger Agreement

In July 2016, EFH Corp. and EFIH entered into an Agreement and Plan of Merger (NEE Merger Agreement) with NextEra Energy, Inc. (NEE) and a wholly owned subsidiary of NEE. Pursuant to the NEE Merger Agreement, NEE would have acquired the EFH Debtors (as reorganized). The NEE Merger Agreement was approved by the Bankruptcy Court in September 2016 and was subject to a number of closing conditions, including the consent of the PUCT.

In October 2016, NEE and Oncor filed a joint merger approval application with the PUCT. In April 2017, the PUCT issued an order that determined that the transactions proposed by the NEE Merger Agreement were not in the public interest. In May 2017, NEE filed a motion for rehearing with the PUCT with respect to the order. Following this motion, in June 2017, the PUCT re-issued its order with certain clarifications and re-affirmed its earlier determination that the transactions proposed by the NEE Merger Agreement were not in the public interest. In June 2017, NEE filed a second motion for rehearing with the PUCT and in late June 2017, the PUCT again denied the motion.

In July 2017, EFH Corp. and EFIH terminated the NEE Merger Agreement. In July 2017, (a) NEE filed an application for payment of a $275 million termination fee pursuant to the terms of the NEE Merger Agreement as an administrative claim with the Bankruptcy Court and (b) certain creditors of EFIH filed a motion with the Bankruptcy Court for reconsideration of the Bankruptcy Court's prior order approving the termination fee. In August 2017, the EFH Debtors filed an adversary proceeding in the Bankruptcy Court seeking a declaratory judgment that the termination fee was not payable and a motion to consolidate the application and a motion described above in the adversary proceeding. In September 2017, the Bankruptcy Court entered an order finding that the termination fee did not meet the standard for approval, thereby effectively finding that NEE was not currently entitled to the termination fee. As a result of this ruling, the parties agreed to stay the adversary proceeding. In November 2017, NEE filed an appeal of the Bankruptcy Court's September 2017 ruling. The US Court of Appeals for the Third Circuit has agreed to hear this appeal and has scheduled oral argument in April 2018. The post-emergence estates of the EFH Debtors intend to vigorously defend their position under the NEE Merger Agreement. The outcome of this litigation is uncertain. In connection with confirmation of the Plan of Reorganization and as approved by the Bankruptcy Court, the EFH Debtors agreed to set aside a $275 million escrow for the benefit of NEE in the event it obtains a final, non-appealable order in its favor with respect to the reconsideration appeal and the EFH Debtor's adversary proceeding. In the event such termination fee becomes payable, it will be payable from such escrow. The allocation of such escrow between the post emergence EFH Corp. and EFIH estates is subject to a separate order of the Bankruptcy Court.

Entry into and Termination of Berkshire Merger Agreement

Immediately following termination of the NEE Merger Agreement, on July 7, 2017, EFH and EFIH entered into a merger agreement with Berkshire Hathaway Energy Company (BHE) and filed a related plan of reorganization and disclosure statement.

On August 21, 2017, and in connection with the execution of the transactions described below with Sempra Energy, EFH Corp. and EFIH terminated the BHE merger agreement. No termination fee was due as a result of the termination of the BHE merger agreement.

Sempra Merger Agreement (and related Sempra Plan Support Agreement)

On August 21, 2017, following termination of the BHE merger agreement, EFH Corp. and EFIH entered into an Agreement and Plan of Merger (Sempra Merger Agreement) with Sempra Energy and a wholly owned subsidiary of Sempra Energy. Pursuant to the Sempra Merger Agreement, on the EFH Effective Date, Sempra Energy acquired the EFH Debtors (as reorganized) in a cash transaction. (See Note 14)

In October 2017, Sempra Energy and Oncor filed a joint change of control application with the PUCT as contemplated by the Sempra Merger Agreement. The PUCT approved the application on March 8, 2018.

In connection with the execution of the Sempra Merger Agreement, EFH Corp., EFIH, and Sempra Energy entered into a plan support agreement with Elliott Capital Management (Elliott), a large creditor of each of EFH Corp. and EFIH, pursuant to which Elliott agreed to vote its claims in favor of a plan of reorganization reflecting the transaction contemplated by the Sempra Merger Agreement (Sempra Plan Support Agreement). The EFH Debtors also filed a revised form of the Plan of Reorganization and Disclosure Statement, reflecting the transactions contemplated by the Sempra Merger Agreement.

In September 2017, the Bankruptcy Court approved (a) entry by EFH Corp. and EFIH into the Sempra Merger Agreement; (b) entry by EFH Corp. and EFIH into the Sempra Plan Support Agreement; and (c) the Disclosure Statement reflecting the Sempra Merger Agreement.

Oncor Dividend and Tax Settlement (Sempra Settlement Agreement)

In February 2018, EFH Corp., EFIH and certain other EFH Debtors entered into a settlement agreement (Sempra Settlement Agreement) with Sempra Energy to resolve certain issues regarding Oncor’s and Oncor Holdings’ dividends and the tax sharing agreement among EFH Corp., Oncor Holdings, Oncor and Oncor’s minority investors discussed in Note 5. The agreement was filed with and approved by the Bankruptcy Court in February 2018. Pursuant to this agreement, among other things:

- Oncor and Oncor Holdings did not pay dividends to EFH Corp. or EFIH after August 1, 2017 and prior to the EFH Effective Date;
- EFH Corp. paid a tax sharing agreement cure payment to Oncor totaling approximately $19 million in March 2018; and
- Sempra Energy paid $27.25 million to EFIH and $3.75 million to EFH Corp. on the EFH Effective Date.

Tax Matters

In July 2016, EFH Corp. received a private letter ruling (the Private Letter Ruling) from the IRS in connection with Vistra Energy's emergence from bankruptcy, which provides, among other things, for certain rulings regarding the qualification of (a) the transfer of certain assets and ordinary course operating liabilities to Vistra Energy and (b) the distribution of the equity of Vistra Energy, the cash proceeds from Vistra Energy debt, the cash proceeds from the sale of preferred stock in a newly formed subsidiary of Vistra Energy, and the right to receive payments under a tax receivables agreement, to holders of TCEH first lien claims, as a reorganization qualifying for tax-free treatment.

The Sempra Merger Agreement provided that a closing condition to the Sempra merger was the receipt of a supplemental private letter ruling (the Supplemental Ruling) from the IRS regarding the impact of the Sempra merger on certain rulings received in the Private Letter Ruling. We received the Supplemental Ruling from the IRS in November 2017.

Operations during the Chapter 11 Cases

In general, the Debtors received final Bankruptcy Court orders with respect to first day motions and other operating motions that allow the Debtors to operate their businesses in the ordinary course, including, among others, providing for the payment of certain prepetition employee and retiree expenses and benefits, the use of the Debtors' existing cash management system, the segregation of certain cash balances which require further order of the Bankruptcy Court for distribution, the payment of certain prepetition amounts to certain critical vendors and the ability to pay certain prepetition taxes and regulatory fees. In addition, the Bankruptcy Court has issued orders approving the EFIH DIP Facility discussed in Note 8.

Pursuant to the Bankruptcy Code, the Debtors were required to comply with all applicable regulatory requirements during the pendency of the Chapter 11 Cases. Further, the Debtors were required to comply with various reporting obligations from the Bankruptcy Court during the pendency of the Chapter 11 Cases. Moreover, to the extent the Debtors either maintained insurance policies or self-insured their regulatory compliance obligations, the Debtors were required to continue such insurance policies or self-insurance in the ordinary course of business.

Prepetition Claims

Holders of the substantial majority of prepetition claims against the Debtors were required to file proofs of claims by the bar date established by the Bankruptcy Court. A bar date is the date by which certain claims against the Debtors must be filed if the claimants wish to receive any distribution in the Chapter 11 Cases. The Bankruptcy Court established a bar date of October 27, 2014 for the substantial majority of claims. In addition, in July 2015, the Bankruptcy Court entered an order establishing December 14, 2015 as the bar date for certain asbestos claims that arose or are deemed to have arisen before the Petition Date, except for certain specifically exempt claims.

Since the Petition Date and prior to the applicable bar dates (which have expired), we have received approximately 41,400 filed prepetition claims, including approximately 30,900 filed asbestos claims. The Debtors have completed the process of reconciling non-asbestos claims that were filed and have recorded such claims at the expected allowed amount. As of March 8, 2018, most of those claims had been settled, withdrawn or expunged.

Certain claims filed or reflected in the Debtors' schedules of assets and liabilities were resolved on the TCEH Effective Date, including certain claims filed by holders of funded debt and contract counterparties. Claims that remain unresolved or unreconciled through the filing of this report have been estimated based upon management's best estimate of the likely claim amounts that the Bankruptcy Court will ultimately allow.

On the TCEH Effective Date, the TCEH Debtors (together with the Contributed EFH Debtors) emerged from the Chapter 11 Cases and discharged approximately $33.8 billion in liabilities subject to compromise (LSTC). Distributions for the settled claims related to the funded debt of the TCEH Debtors commenced subsequent to the TCEH Effective Date.

See Note 14 for discussion of the discharge of certain LSTC of the EFH Debtors on the EFH Effective Date.

Separation of the EFH Debtors from the TCEH Debtors and the Contributed EFH Debtors

On the TCEH Effective Date, the EFH Debtors and the TCEH Debtors (together with the Contributed EFH Debtors) were separated and are no longer affiliated companies. In addition to the plan of reorganization, the separation was effectuated, in part, pursuant to the terms of a separation agreement, a transition services agreement and a tax matters agreement, each of which was approved by the Bankruptcy Court.

Separation Agreement

On the TCEH Effective Date, EFH Corp., Vistra Energy and a subsidiary of Vistra Energy entered into a separation agreement that provides for, among other things, the transfer of certain assets and liabilities by EFH Corp., EFCH and TCEH to Vistra Energy. Among other things, EFH Corp., EFCH and/or TCEH, as applicable, (a) transferred the TCEH Debtors and certain contracts and assets (and related liabilities) primarily related to the business of the TCEH Debtors to Vistra Energy, (b) transferred sponsorship of certain employee benefit plans (including related assets), programs and policies to a subsidiary of Vistra Energy and (c) assigned certain employment agreements from EFH Corp. and certain of the Contributed EFH Debtors to a subsidiary of Vistra Energy.

Transition Services Agreement

On the TCEH Effective Date, EFH Corp. and a subsidiary of Vistra Energy entered into a transition services agreement that provides for, among other things, (a) the applicable subsidiaries of Vistra Energy to provide certain services to the EFH Debtors, including business services administration, accounting, corporate secretary, tax, human resources, information technology, internal audit, physical facilities and corporate security, treasury and legal services and (b) EFH Corp. to pay such subsidiary of Vistra Energy all reasonable and documented fees, costs and expenses (including employee-related overhead and general and administrative expenses) incurred by Vistra Energy and its subsidiaries related directly to these services. The transition services agreement terminated in accordance with its terms on December 31, 2017.

Tax Matters Agreement

On the TCEH Effective Date, Vistra Energy and EFH Corp. entered into a tax matters agreement (the Tax Matters Agreement), which provides for the allocation of certain taxes among the parties and for certain rights and obligations related to, among other things, the filing of tax returns, resolutions of tax audits and preserving the tax-free nature of the spin-off. See Note 5 for further information about the Tax Matters Agreement.

3. DISCONTINUED OPERATIONS

On the TCEH Effective Date, a plan of reorganization with respect to the TCEH Debtors and Contributed EFH Debtors became effective, and the TCEH Debtors and Contributed EFH Debtors consummated their reorganization under the Bankruptcy Code and emerged from the Chapter 11 Cases.

As a result of the emergence of the TCEH Debtors and Contributed EFH Debtors from the Chapter 11 Cases, the competitive businesses previously owned by EFH Corp. are no longer indirect wholly owned subsidiaries of EFH Corp., and EFH Corp. is no longer the parent holding company of the competitive businesses.

Income on Discontinued Operations

The emergence of the TCEH Debtors and the Contributed EFH Debtors from the Chapter 11 Cases as subsidiaries of Vistra Energy represented a strategic shift in our business. For this reason, our competitive businesses' results are classified as discontinued operations. Income on discontinued operations for the year ended December 31, 2017 totaled $104 million, representing an income tax benefit, primarily due to a change in estimate related to the tax impacts of the 2016 separation of Vistra Energy as reported in EFH Corp.'s tax return for 2016.

Discontinued Other Postretirement Employee Benefits (OPEB)

EFH Corp. offered other postretirement employee benefits in the form of health care and life insurance to eligible employees of its subsidiaries and their eligible dependents upon the retirement of such employees. As of December 31, 2017, Vistra Energy was the sponsor of an OPEB plan that EFH Corp. participated in. EFH Corp. accounts for its interest in the Vistra Energy OPEB plan as a multiple employer plan, and has a liability in other noncurrent liabilities and deferred credits at December 31, 2017 and 2016 (see Note 13). As of January 1, 2018, the portion of that plan for which EFH Corp. was responsible was separated into a separate plan, and on the EFH Effective Date, the sponsorship of the separated plan was transferred by Vistra Energy to Reorganized EFH Corp. (see Note 14).

4. VARIABLE INTEREST ENTITIES

A variable interest entity (VIE) is an entity with which we have a relationship or arrangement that indicates some level of control over the entity or results in economic risks to us. Accounting standards require consolidation of a VIE if we have (a) the power to direct the significant activities of the VIE and (b) the right or obligation to absorb profit and loss from the VIE (i.e., we are the primary beneficiary of the VIE). In determining the appropriateness of consolidation of a VIE, we evaluate its purpose, governance structure, decision making processes and risks that are passed on to its interest holders. We also examine the nature of any related party relationships among the interest holders of the VIE and the nature of any special rights granted to the interest holders of the VIE.

Oncor Holdings, an indirect wholly owned subsidiary of EFH Corp. that holds an approximate 80% interest in Oncor, is a VIE that is not consolidated in EFH Corp.'s financial statements, and instead is accounted for as an equity method investment, because of the structural and operational ring-fencing measures in place that prevent us from having the power to direct the significant activities of Oncor Holdings or Oncor. In accordance with accounting standards, we account for our investment in Oncor Holdings under the equity method, as opposed to the cost method, based on our level of influence over its activities. See below for additional information about our equity method investment in Oncor Holdings. There are no other material investments accounted for under the equity or cost method. The maximum exposure to loss from our interests in VIEs does not exceed our carrying value.

Non-Consolidation of Oncor and Oncor Holdings

Our investment in unconsolidated subsidiary as presented in the consolidated balance sheet totaled $6.330 billion at December 31, 2017, and consists of our interest in Oncor Holdings, which we account for under the equity method as described above.

Distributions from Oncor Holdings and Related Considerations — Oncor Holdings' distributions of earnings to us totaled $170 million for the year ended December 31, 2017. Distributions may not be paid except to the extent Oncor maintains a required regulatory capital structure as discussed below. The boards of directors of each of Oncor and Oncor Holdings can withhold distributions to the extent the applicable board determines in good faith that it is necessary to retain such amounts to meet expected future requirements of Oncor and/or Oncor Holdings. In October 2017, Oncor’s board of directors declared a contingent cash distribution of $32 million to be paid to its members within one business day after an additional equity contribution was made to Oncor from its members totaling approximately $250 million. In the event the additional equity contribution was not received by Oncor on or before the date of the closing of the Sempra Merger Agreement, no distribution would be payable.

In October 2017, Oncor Holdings' board of directors declared a contingent cash distribution of $32 million to be paid to EFIH upon Oncor Holdings' receipt of their portion of the contingent Oncor distribution described above, in an amount equal to the amount received from Oncor minus Oncor Holdings' expected tax liability to EFH Corp. for the quarter ended September 30, 2017 under the tax sharing agreement discussed in Note 5. No distribution is payable to EFIH in the event the Oncor distribution is not received. Neither the Oncor distribution discussed in the paragraph above nor this Oncor Holdings’ distribution was paid. See discussion of Oncor Dividend and Tax Settlement in Note 2.

Oncor's distributions are limited by its regulatory capital structure, which is required to be at or below the assumed debt-to-equity ratio established periodically by the PUCT for ratemaking purposes. At December 31, 2017, Oncor's regulatory capitalization ratio was 59.4% debt to 40.6% equity. Effective November 27, 2017, subject to certain conditions, the PUCT has approved a change in Oncor’s regulatory capitalization ratio for ratemaking purposes to 57.5% debt and 42.5% equity. Oncor’s previous PUCT authorized capitalization ratio was 60% debt to 40% equity. Until Oncor’s regulatory equity reaches 42.5%, distributions may not be paid to Oncor’s members, of which approximately 80% relates to our ownership interest. For purposes of this ratio, debt is calculated as long-term debt plus unamortized gains on reacquired debt less unamortized issuance expenses, premiums and losses on reacquired debt. Equity is calculated as membership interests determined in accordance with US GAAP, excluding the effects of accounting for the Merger (which included recording the initial goodwill and fair value adjustments and the subsequent related impairments and amortization).

EFH Corp., Oncor Holdings, Oncor and Texas Transmission are parties to a Federal and State Income Tax Allocation Agreement. Additional income tax amounts receivable or payable may arise in the normal course under that agreement.

Oncor Holdings Consolidated Financial Statements — A condensed statement of consolidated income of Oncor Holdings and its subsidiaries for the year ended December 31, 2017 is presented below:

	Year Ended December 31, 2017
	(millions of dollars)
Operating revenues	$ 3,958
Operation and maintenance expenses	(1,691)
Depreciation and amortization	(762)
Taxes other than income taxes	(462)
Other deductions — net	(15)
Interest expense and related charges	(342)
Income before income taxes	686
Income tax expense	(340)
Net income	346
Net income attributable to noncontrolling interests	(84)
Net income attributable to Oncor Holdings	$ 262

Assets and liabilities of Oncor Holdings and its subsidiaries at December 31, 2017 are presented below:

	December 31, 2017
	(millions of dollars)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 21
Trade accounts receivable — net	635
Income taxes receivable from EFH Corp.	12
Inventories	91
Prepayments and other current assets	88
Total current assets	847
Other investments	113
Property, plant and equipment — net	14,879
Goodwill	4,064
Regulatory assets	2,180
Other noncurrent assets	23
Total assets	$ 22,106
LIABILITIES	
Current liabilities:	
Short-term borrowings	$ 950
Long-term debt due currently	550
Trade accounts payable — non-affiliates	242
Income taxes payable to EFH Corp.	21
Accrued taxes other than income	190
Accrued interest	83
Other current liabilities	188
Total current liabilities	2,224
Accumulated deferred income taxes	1,125
Long-term debt, less amounts due currently	5,567
Regulatory liabilities	2,807
Other noncurrent liabilities and deferred credits	2,231
Total liabilities	$ 13,954

5. INCOME TAXES

Income Taxes

EFH Corp. filed a US federal income tax return that included the results of EFIH, Oncor Holdings, EFCH and TCEH. EFH Corp. is the corporate member of the EFH Corp. consolidated group, while each of EFIH, Oncor Holdings, EFCH and TCEH is classified as a disregarded entity for US federal income tax purposes. Oncor is a partnership for US federal income tax purposes and is not a corporate member of the EFH Corp. consolidated group. Pursuant to applicable US Treasury regulations and published guidance of the IRS, corporations that are members of a consolidated group have joint and several liability for the taxes of such group. Subsequent to the TCEH Effective Date, the TCEH Debtors and the Contributed EFH Debtors are no longer included in the consolidated income tax return and will be included in an income tax return with Vistra Energy.

Upon the TCEH Effective Date, Vistra Energy separated from EFH Corp. pursuant to a tax-free spin-off transaction that was part of a series of transactions that included a taxable component. In addition to the plan of reorganization, the separation was effectuated, in part, pursuant to the terms of a separation agreement, a transition services agreement and a tax matters agreement. The taxable portion of the transaction generated a taxable gain that resulted in no regular tax liability due to available net operating loss carryforwards of EFH Corp. The transaction resulted in an alternative minimum tax liability initially estimated to be approximately $14 million payable by EFH Corp. to the IRS, which was recorded in 2016. Pursuant to the tax matters agreement between EFH Corp. and Vistra Energy, Vistra Energy had an obligation to reimburse EFH Corp. 50% of the estimated alternative minimum tax, and Vistra paid approximately $7 million to EFH Corp. in the year ended December 31, 2017.

In October 2017, the 2016 federal tax return that included the results of EFCH, EFIH, Oncor Holdings and TCEH was filed with the IRS and resulted in a $3 million obligation by EFH Corp. to reimburse Vistra Energy. In November 2017, the 2016 Texas margin tax return that included the results of EFIH, Oncor Holdings, EFCH and TCEH was filed with the State of Texas and resulted in a $4.5 million obligation for EFH Corp. to reimburse Vistra Energy.

In December 2017, the Tax Reform Act was enacted. The legislation significantly changes US income tax law. Changes relevant to EFH Corp. include, but are not limited to, the lowering of the corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017, the repeal of the alternative minimum tax (AMT) system, the limitations of deductions for interest expense (beginning in the 2018 tax year) and changes regarding the carryforward and utilization of net operating losses (beginning in the 2018 tax year). EFH Corp. has recorded $485 million of income tax expense in the year ended December 31, 2017 due to the Tax Reform Act. This charge resulted primarily from net operating loss deferred tax assets now being calculated at a 21% tax rate instead of a 35% tax rate under the previous law.

In December 2017, Staff Accounting Bulletin No. 118 (SAB 118) was issued to address the application of US GAAP in situations when a company does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. Any subsequent adjustments to these provisional amounts will be recorded to income tax expense in 2018 when the analysis is complete. The Financial Accounting Standards Board has accepted SAB 118. Events and information that may result in adjustments to our provisional estimates include interpretations or rulings by the U.S. Department of the Treasury and the filing of our 2017 income tax return.

Prior to the TCEH Effective Date, EFH Corp. and certain of its subsidiaries (including EFCH, EFIH and TCEH, but not including Oncor Holdings and Oncor) were parties to a Federal and State Income Tax Allocation Agreement, which provided, among other things, that any corporate member or disregarded entity in the EFH Corp. group was required to make payments to EFH Corp. in an amount calculated to approximate the amount of tax liability such entity would have owed if it filed a separate corporate tax return. Pursuant to the plan of reorganization related to the TCEH Debtors and the Contributed EFH Debtors approved by the Bankruptcy Court in August 2016 (and which went effective in October 2016), the TCEH Debtors and the Contributed EFH Debtors rejected this agreement on the TCEH Effective Date. Additionally, since the date of the Settlement Agreement, no further cash payments among the Debtors were made in respect of federal income taxes.

EFH Corp., Oncor Holdings, Oncor and Oncor's minority investors are parties to a separate Federal and State Income Tax Allocation Agreement, which governs the computation of federal income tax and certain state tax liability among such parties, and similarly provides, among other things, that each of Oncor Holdings and Oncor will pay EFH Corp. its share of an amount calculated to approximate the amount of tax liability such entity would have owed if it filed a separate corporate tax return. The Settlement Agreement had no impact on the tax sharing agreement among EFH Corp., Oncor Holdings and Oncor. In March 2017, the Bankruptcy Court approved EFH Corp.'s assumption of the Oncor Tax Sharing Agreement, and as a result, EFH Corp. made a tax payment to Oncor totaling $135 million in March 2017.

The components of our income tax expense (benefit) on continuing operations are as follows:

	Year Ended December 31, 2017	
Current - US Federal	$	(32)
Deferred - US Federal		212
Total	$	180

Reconciliation of income taxes computed at the US federal statutory rate to income tax expense recorded on continuing operations is as follows:

	Year Ended December 31, 2017	
Loss from continuing operations, before income taxes and equity in earnings of unconsolidated subsidiaries	$	(978)
Income taxes at the US Federal statutory rate of 35%	$	(342)
Nondeductible debt restructuring costs		33
Impact of US corporate tax rate reduction from the Tax Reform Act		485
Other		4
Income tax expense	$	180
Effective tax rate		(18.4)%

Deferred Income Tax Balances

Deferred income taxes provided for temporary differences based on tax laws in effect at December 31, 2017 is as follows:

	Year Ended December 31, 2017
Deferred Income Tax Assets:	
Net operating loss carryforwards	$ 725
Debt - impacts of make-whole charges (Note 10)	188
Alternative minimum tax credit carryforwards	109
Tax credit carryforwards	37
Employee benefit obligations	28
Debt fair value discounts	7
Commodity contracts and interest rate swaps	2
Other	30
Total	1,126
Deferred Income Tax Liabilities:	
Accrued interest	252
Total	252
Net Accumulated Deferred Income Tax Asset	$ 874

At December 31, 2017, we had $3.456 billion in NOL carryforwards for federal income tax purposes that will begin to expire in 2034. The NOL carryforwards can be used to offset future taxable income. After analyzing our forecasted tax position at December 31, 2017, we currently expect to utilize all of our NOL carryforwards prior to their expiration dates.

At December 31, 2017, we had $109 million in AMT credit carryforwards available which may, in certain limited circumstances, be used to offset future tax payments. The AMT credit carryforwards have no expiration date, and due to the Tax Reform Act, they will be refundable over the next four years to the extent not utilized to offset liabilities.

The income tax effects of the components included in accumulated other comprehensive loss at December 31, 2017 totaled a net deferred tax asset of $45 million.

Accounting for Uncertainty in Income Taxes

In September 2016, EFH Corp. entered into a settlement agreement with the Texas Comptroller of Public Accounts (Comptroller) whereby the Comptroller agreed to release all claims and liabilities related to the EFH Corp. consolidated group's state taxes, including sales tax, gross receipts utility tax, franchise tax and direct pay tax, through the agreement date, in exchange for a release of all refund claims and a one-time payment of $12 million. This settlement was entered and approved by the Bankruptcy Court in September 2016.

Examinations of income tax returns filed by EFH Corp. and any of its subsidiaries for the years ending prior to January 1, 2015 are complete, and we effectively settled all remaining open federal income tax uncertainties. The IRS chose not to audit the tax return filed by EFH Corp. for the 2015 tax year. We have recorded a $71 million payable to the IRS in connection with the conclusion of these tax years. In October 2017, EFH Corp. filed a request for prompt determination of its 2016 tax return with the IRS, and such return was accepted for expedited review in December 2017. As a result, the IRS audit of EFH Corp.'s 2016 tax return is currently in progress and is expected to conclude in April 2018. There were no additional uncertain tax positions related to 2016 or 2017 tax years.

Tax Matters Agreement

On the TCEH Effective Date, we entered into a Tax Matters Agreement (the Tax Matters Agreement) with Vistra Energy whereby the parties have agreed to take certain actions and refrain from taking certain actions in order to preserve the intended tax treatment of the Spin-Off (as defined in the Tax Matters Agreement) and to indemnify the other parties to the extent a breach of such agreement results in additional taxes to the other parties.

Among other things, the Tax Matters Agreement allocates the responsibility for taxes for periods prior to the Spin-Off between EFH Corp. and Vistra Energy. For periods prior to the Spin-Off: (a) Vistra Energy is generally required to reimburse EFH Corp. with respect to any taxes paid by EFH Corp. that are attributable to Vistra Energy and (b) EFH Corp. is generally required to reimburse Vistra Energy with respect to any taxes paid by Vistra Energy that are attributable to EFH Corp.

Vistra Energy is also required to indemnify EFH Corp. against taxes, under certain circumstance, if the IRS or another taxing authority successfully challenges the amount of gain relating to a Vistra Energy subsidiary's preferred stock sale or the amount or allowance of EFH Corp.'s net operating loss deductions.

Subject to certain exceptions, the Tax Matters Agreement prohibits Vistra Energy from taking certain actions that could reasonably be expected to undermine the intended tax treatment of the Spin-Off or to jeopardize the conclusions of the Private Letter Ruling Vistra Energy obtained from the IRS or opinions of counsel received by Vistra Energy or EFH Corp., in each case, in connection with the Spin-Off. Certain of these restrictions apply for two years after the Spin-Off.

Under the Tax Matters Agreement, Vistra Energy may engage in an otherwise restricted action if (a) Vistra Energy obtains written consent from EFH Corp., (b) such action or transaction is described in or otherwise consistent with the facts in the private letter ruling Vistra Energy obtained from the IRS in connection with the Spin-Off, (c) Vistra Energy obtains a supplemental private letter ruling from the IRS, or (d) Vistra Energy obtains an unqualified opinion of a nationally recognized law or accounting firm that is reasonably acceptable to EFH Corp. that the action will not affect the intended tax treatment of the Spin-Off.

6. INTEREST EXPENSE AND RELATED CHARGES

	Year Ended December 31, 2017
Interest paid/accrued on debtor-in-possession financing	$ 253
Post-petition interest on EFIH Second Lien Notes (a)	664
Make-whole interest on EFIH First Lien Notes and EFIH Second Lien Notes (b)	35
Total interest expense and related charges	$ 952

(a) In March 2017, the Bankruptcy Court ruled that post-petition interest and make-whole interest be allowed claims for the EFIH First and Second Lien Notes, with make-whole premiums and interest allowed at 95% and 87.5% of par, respectively. Amount represents post-petition interest related to the EFIH Second Lien Notes (see Note 10).

(b) Amount includes $12 million in make-whole interest on the EFIH Second Lien Notes and $23 million in make-whole interest on the EFIH First Lien Notes.

The Bankruptcy Code generally restricts payment of interest on prepetition debt, subject to certain exceptions. Other than amounts ordered or approved by the Bankruptcy Court, effective on the Petition Date, we discontinued recording interest expense on outstanding prepetition debt classified as LSTC. The table below shows contractual interest amounts, which are amounts due under the contractual terms of the outstanding debt, including debt classified as LSTC. Interest expense reported in the statement of consolidated loss does not include contractual interest on prepetition debt classified as LSTC totaling $244 million for the year ended December 31, 2017, which has been stayed by the Bankruptcy Court effective on the Petition Date.

	Year December 31, 2017		
Entity:	Contractual Interest on Debt Classified as LSTC	Approved Interest Accrued (a)	Contractual Interest on Debt Classified as LSTC Not Paid/Accrued
EFH Corp.	$ 44	$ —	$ 44
EFIH	497	(297)	200
Total	$ 541	$ (297)	$ 244

(a) Represents portion of interest related to the EFIH Second Lien Notes that was accrued based on the approval of the Bankruptcy Court; however, excludes $402 million of post-petition interest accrued that contractually related to March 2015 to December 2016 (see Note 9).

7. REORGANIZATION ITEMS

Expenses and income directly associated with the Chapter 11 Cases are reported separately in the statement of consolidated loss as reorganization items as required by ASC 852, *Reorganizations*. Reorganization items also include adjustments to reflect the carrying value of LSTC at their estimated allowed claim amounts, as such adjustments are determined. The following table presents reorganization items incurred in the year ended December 31, 2017 as reported in the statement of consolidated loss:

	Year Ended December 31, 2017
Expenses related to legal advisory and representation services	$ 54
Expenses related to other professional consulting and advisory services	20
Fees associated with extension of EFIH DIP Facility (Note 8)	18
Other	7
Total reorganization items	$ 99

8. EFIH DEBTOR-IN-POSSESSION FACILITY

In June 2017, with the Bankruptcy Court's approval, the existing EFIH debtor-in-possession credit facility was refinanced. The new EFIH debtor-in-possession credit facility (EFIH DIP Facility) consisted of $5.475 billion of Term Loan Commitments plus up to $825 million of Delayed Draw Term Loans. On the refinancing date, EFIH borrowed $6.075 billion under the EFIH DIP Facility. Approximately $5.475 billion was used to pay the outstanding principal balance under the existing EFIH DIP Facility and approximately $600 million was used to repay outstanding amounts related to the EFIH First Lien Notes claims that were allowed by the Bankruptcy Court in March 2017. With cash on hand, the EFH Debtors paid fees and expenses of approximately $17 million in connection with the refinancing. The new EFIH DIP Facility lenders repaid the outstanding balance of the old EFIH DIP Facility directly to the old EFIH DIP Facility lenders; as a result, the repayment has been presented as a noncash financing transaction in our statement of consolidated cash flows. In September 2017, EFIH borrowed the remaining capacity under the Incremental Term Loan facility of $225 million. With cash on hand, the EFH Debtors paid fees and expenses of approximately $1 million in connection with the additional borrowing. See Note 14 for discussion of repayment of the EFIH DIP Facility on the EFH Effective Date.

As of December 31, 2017, remaining cash on hand from borrowings under the EFIH DIP Facility, net of fees, totaled approximately $344 million, which was held as cash and cash equivalents. In the consolidated balance sheet, the borrowings under the EFIH DIP Facility are reported as current liabilities.

The principal amounts outstanding under the EFIH DIP Facility bore interest based on applicable LIBOR rates, subject to a 1% floor, plus 3.00%. At December 31, 2017, outstanding borrowings under the EFIH DIP Facility totaled $6.3 billion at an annual interest rate of 4.57%. The EFIH DIP Facility was a non-amortizing loan that, subject to certain limitations, could have been voluntarily prepaid by the EFIH Debtors, in whole or in part, without any premium or penalty.

EFIH's obligations under the EFIH DIP Facility were secured by a first lien covering substantially all of EFIH's assets, rights and properties, subject to certain exceptions set forth in the EFIH DIP Facility. The EFIH DIP Facility provided that all obligations thereunder constituted administrative expenses in the Chapter 11 Cases, with administrative priority and senior secured status under the Bankruptcy Code and, subject to certain exceptions set forth in the EFIH DIP Facility, had priority over any and all administrative expense claims, unsecured claims and costs and expenses in the Chapter 11 Cases.

The EFIH DIP Facility provided for affirmative and negative covenants applicable to EFIH and EFIH Finance, including affirmative covenants requiring EFIH and EFIH Finance to provide financial information, budgets and other information to the agents under the EFIH DIP Facility, and negative covenants restricting EFIH's and EFIH Finance's ability to incur additional indebtedness, grant liens, dispose of assets, pay dividends or take certain other actions, in each case except as permitted in the EFIH DIP Facility. The EFIH DIP Facility also included a minimum liquidity covenant pursuant to which EFIH could not allow the amount of its unrestricted cash (as defined in the EFIH DIP Facility) to be less than $100 million. As of December 31, 2017, EFIH was in compliance with this minimum liquidity covenant. The Oncor Ring-Fenced Entities were not restricted subsidiaries for purposes of the EFIH DIP Facility.

9. LIABILITIES SUBJECT TO COMPROMISE (LSTC)

The amounts classified as LSTC reflect the Company's estimate of prepetition liabilities and other expected allowed claims to be addressed in the Chapter 11 Cases and may be subject to future adjustment as the Chapter 11 Cases proceed. Due to the separation of TCEH from EFH Corp. on the TCEH Effective Date, a claim that was granted as part of the Settlement Agreement, the proceeds of which are due to the TCEH first lien creditors from EFH Corp., is recognized on EFH Corp.'s consolidated balance sheet since it is no longer eliminated due to TCEH’s separation. The following table presents LSTC as reported in the consolidated balance sheet at December 31, 2017:

	December 31, 2017
Notes, loans and other debt per the following table	$ 4,063
Claim owed to the TCEH first lien creditors under the Settlement Agreement	700
Accrued interest on notes, loans and other debt	802
Trade accounts payable and other expected allowed claims	65
Total liabilities subject to compromise	$ 5,630

Prepetition Notes, Loans and Other Debt Reported as LSTC

Amounts presented below represent principal amounts of prepetition notes, loans and other debt reported as LSTC.

	December 31, 2017
EFH Corp. (parent entity)	
9.75% Fixed Senior Notes due October 15, 2019	$ 2
10% Fixed Senior Notes due January 15, 2020	3
10.875% Fixed Senior Notes due November 1, 2017	33
11.25% / 12.00% Senior Toggle Notes due November 1, 2017	27
5.55% Fixed Series P Senior Notes due November 15, 2014	89
6.50% Fixed Series Q Senior Notes due November 15, 2024	198
6.55% Fixed Series R Senior Notes due November 15, 2034	288
Total EFH Corp.	640
EFIH	
6.875% Fixed Senior Secured First Lien Notes due August 15, 2017 (a)	—
10% Fixed Senior Secured First Lien Notes due December 1, 2020 (a) (b)	—
11% Fixed Senior Secured Second Lien Notes due October 1, 2021 (b)	345
11.75% Fixed Senior Secured Second Lien Notes due March 1, 2022 (b)	1,546
11.25% / 12.25% Senior Toggle Notes due December 1, 2018	1,530
9.75% Fixed Senior Notes due October 15, 2019	2
Total EFIH	3,423
Total EFH Corp. consolidated notes, loans and other debt	$ 4,063

(a) In June 2017, $1 million of the 6.875% Senior Secured Notes and $409 million of the 10% Senior Secured Notes related to the EFIH First Lien claims were repaid.

(b) For the year ended December 31, 2017, $79 million in reductions were recorded for make-whole adjustments, excluding interest, relating to the EFIH First Lien Notes and EFIH Second Lien Notes.

Information Regarding Significant Prepetition Debt

See Note 14 for discussion of the disposition on or subsequent to the EFH Effective Date of claims made with respect to certain prepetition debt of EFH Corp. and EFIH.

EFIH 6.875% Senior Secured First Lien Notes — In June 2017, all make-whole claims that were due and allowed under the EFIH 6.875% Notes were repaid as discussed below. The notes bore interest at a fixed rate of 6.875% per annum. The EFIH 6.875% Notes were secured on a first-priority basis by EFIH's pledge of its 100% ownership of the membership interests in Oncor Holdings (the EFIH Collateral) on an equal and ratable basis with the EFIH 10% Notes.

EFIH 10% Senior Secured First Lien Notes — In June 2017, all make-whole claims that were due and allowed under the EFIH 10% Notes were repaid as discussed below. The notes bore interest at a fixed rate of 10% per annum. The notes were secured by the EFIH Collateral on an equal and ratable basis with the EFIH 6.875% Notes.

EFIH 11% Senior Secured Second Lien Notes — At December 31, 2017, the principal amount of the EFIH 11% Notes totals $345 million, including $23 million of make-whole claims with interest at a fixed rate of 11% per annum. The EFIH 11% Notes are secured on a second-priority basis by the EFIH Collateral on an equal and ratable basis with the EFIH 11.75% Notes.

The EFIH 11% Notes are senior obligations of EFIH and EFIH Finance and rank equally in right of payment with all senior indebtedness of EFIH and are effectively senior in right of payment to all existing or future unsecured debt of EFIH to the extent of the value of the EFIH Collateral. The notes have substantially the same terms as the EFIH 11.75% Notes discussed below, and the holders of the EFIH 11% Notes will generally vote as a single class with the holders of the EFIH 11.75% Notes.

EFIH 11.75% Senior Secured Second Lien Notes — At December 31, 2017, the principal amount of the EFIH 11.75% Notes totals $1.546 billion, including $157 million of make-whole claims with interest at a fixed rate of 11.75% per annum. The EFIH 11.75% Notes are secured on a second-priority basis by the EFIH Collateral on an equal and ratable basis with the EFIH 11% Notes. The EFIH 11.75% Notes have substantially the same covenants as the EFIH 11% Notes, and the holders of the EFIH 11.75% Notes will generally vote as a single class with the holders of the EFIH 11% Notes.

The EFIH 11.75% Notes were issued in private placements and are not registered under the Securities Act. EFIH had agreed to use its commercially reasonable efforts to register with the SEC notes having substantially identical terms as the EFIH 11.75% Notes (except for provisions relating to transfer restrictions and payment of additional interest) as part of an offer to exchange freely tradable notes for the EFIH 11.75% Notes. Because the exchange offer was not completed, the annual interest rate on the EFIH 11.75% Notes increased by 25 basis points (to 12.00%) in February 2013 and by an additional 25 basis points (to 12.25%) in May 2013.

EFIH 11.25%/12.25% Senior Toggle Notes — At December 31, 2017, the principal amount of the EFIH PIK Notes totals $1.530 billion with interest at a fixed rate of 11.25% per annum for cash interest and 12.25% per annum for PIK Interest. The terms of the EFIH PIK Notes include an election by EFIH, for any interest period until June 1, 2016, to pay interest on the EFIH PIK Notes (i) entirely in cash; (ii) by increasing the principal amount of the notes or by issuing new EFIH PIK Notes (PIK Interest); or (iii) 50% in cash and 50% in PIK Interest. EFIH made its prepetition interest payments on the EFIH PIK Notes by using the PIK feature of those notes.

The EFIH PIK Notes were issued in private placements and are not registered under the Securities Act. EFIH had agreed to use its commercially reasonable efforts to register with the SEC notes having substantially identical terms as the EFIH PIK Notes (except for provisions relating to transfer restrictions and payment of additional interest) as part of an offer to exchange freely tradable notes for the EFIH PIK Notes. Because the exchange offer was not completed, the annual interest rate on the EFIH PIK Notes increased by 25 basis points (to 11.50%) in December 2013 and by an additional 25 basis points (to 11.75%) in March 2014.

EFH Corp. 10.875% Senior Notes and 11.25%/12.00% Senior Toggle Notes — At December 31, 2017, the collective principal amount of these notes totals $60 million. The notes are fully and unconditionally guaranteed on a senior unsecured basis by EFIH. The notes bore interest at a fixed rate for the 10.875% Notes of 10.875% per annum and at a fixed rate for the Toggle Notes of 11.25% per annum.

EFIH Collateral Trust Agreement — EFIH entered into a Collateral Trust Agreement among EFIH, Delaware Trust Company, as First Lien Successor Trustee, the other Secured Debt Representatives named therein and the Collateral Trustee. The Collateral Trust Agreement governing the pledge of collateral generally provides that the holders of a majority of the debt secured by a first priority lien on the collateral, including the notes and other future debt incurred by EFH Corp. or EFIH secured by the collateral equally and ratably, have, subject to certain limited exceptions, the exclusive right to manage, perform and enforce the terms of the security documents securing the rights of secured debt holders in the collateral, and to exercise and enforce all privileges, rights and remedies thereunder.

Repayment of EFIH First Lien Notes Claims

In June 2017, with the approval of the Bankruptcy Court, EFIH used cash on hand to repay (the Repayment) $556 million of claims (primarily make-whole claims based on the settlement described above), including interest at contractual rates, in amounts outstanding under EFIH's prepetition 6.875% Fixed Senior Secured First Lien Notes due August 15, 2017 (6.875% Notes) and 10% Fixed Senior Secured First Lien Notes due December 1, 2020 (10.00% Notes) and $39 million in certain fees and expenses related thereto. The Repayment resulted in a $1 million reduction in the principal amount of the 6.875% Notes, a $409 million reduction in the principal amount of the 10.00% Notes and the payment of $146 million of accrued pre-petition interest at contractual rates. The principal amounts represented make-whole premiums previously recorded (see Note 10).

10. COMMITMENTS AND CONTINGENCIES

Guarantees

See Notes 8 and 9 for discussion of guarantees and security of our post-petition and prepetition debt.

Legal Proceedings

From time to time, we may be involved in various legal and administrative proceedings in the normal course of business, the ultimate resolutions of which, in the opinion of management, should not have a material effect on its financial condition, results of operations or liquidity.

Make-Whole Claims — In May 2014, the indenture trustee for the EFIH First Lien Notes initiated litigation in the Bankruptcy Court seeking, among other things, a declaratory judgment that EFIH is obligated to pay a make-whole premium in connection with the cash repayment of the EFIH First Lien Notes and that such make-whole premium is an allowed secured claim, or in the alternative, an allowed secured or unsecured claim for breach of contract (EFIH First Lien Make-Whole Claims). In separate rulings in March and July 2015, the Bankruptcy Court found that no make-whole premium is due with respect to the EFIH First Lien Notes. In February 2016, the US District Court for the District of Delaware affirmed the Bankruptcy Court's rulings. In November 2016, the Third Circuit Court of Appeals reversed lower court rulings disallowing the claims of EFIH's noteholders for make-whole premiums allegedly due under their indentures. Due to that ruling we recorded a charge in the amount of $432 million, excluding accrued interest, related to the EFIH First Lien Make-Whole Claims in November 2016. These claims were settled as described below in February 2017, approved by the Bankruptcy Court in March 2017 and repaid in June 2017. See Note 9.

In June 2014, the indenture trustee for the EFIH Second Lien Notes initiated litigation in the Bankruptcy Court seeking similar relief as the trustee of the EFIH First Lien Notes with respect to the EFIH Second Lien Notes, including among other things, that EFIH is obligated to pay a make-whole premium in connection with any repayment of the EFIH Second Lien Notes and that such make-whole premium would be an allowed secured claim, or in the alternative, an allowed secured or unsecured claim for breach of contract (the EFIH Second Lien Make-Whole Claims). In October 2015, the Bankruptcy Court issued a finding that no make-whole premium is due with respect to the EFIH Second Lien Notes. In April 2016, the US District Court for the District of Delaware issued a ruling and order affirming the Bankruptcy Court's decision. In November 2016, the Third Circuit Court of Appeals reversed lower court rulings disallowing the claims of EFIH's noteholders for make-whole premiums allegedly due under their indentures. Due to that ruling we recorded a charge in the amount of $237 million, excluding accrued interest, related to the EFIH Second Lien Make-Whole Claims in November 2016. These claims were settled as described below in February 2017, approved by the Bankruptcy Court in March 2017, and repaid on the EFH Effective Date. See Note 14.

In July 2015, the EFIH Debtors filed a claim objection with the Bankruptcy Court regarding the EFIH PIK noteholders' claims for a redemption or make-whole premium and post-petition interest at the contract rate under the EFIH PIK Notes. In October 2015, the Bankruptcy Court issued opinions in favor of the EFIH Debtors. One opinion found that no make-whole premium is due with respect to the EFIH PIK Notes. The second opinion found that the EFIH PIK noteholders' allowed claim does not, as a matter of law, include post-petition interest whether at the contract rate or the Federal Judgment Rate. This opinion did find, however, that, in connection with the confirmation of a plan of reorganization, the Bankruptcy Court could, at its discretion, grant post-petition interest as part of the EFIH PIK noteholders' allowed claim under general principals of equity and that such grant could be at the contract rate, the Federal Judgment Rate or any other amount that the Bankruptcy Court determines to be equitable. The EFIH PIK noteholders have appealed both rulings to the US District Court for the District of Delaware. The US District Court for the District of Delaware has not scheduled oral arguments or otherwise issued a ruling regarding the make-whole opinion. A status report on the Third Circuit’s opinion regarding the EFIH First Lien Make-Whole Claims and EFIH Second Lien Make-Whole Claims was filed in late January 2017 with periodic updates. The appeal of the post-petition interest ruling has been stayed by the US District Court for the District of Delaware. Pursuant to the terms of the Plan of Reorganization, the EFIH PIK noteholders’ claims described above were disallowed in full.

In February 2017, the EFH Debtors, certain holders of first lien and second lien secured claims against the EFIH Debtors, and certain EFIH PIK noteholders reached agreement on the settlement of EFIH First Lien Notes and EFIH Second Lien Notes claims (including, most significantly, the make-whole claims asserted by those holders). Under the terms of the settlement, the make-whole claims of the holders of the EFIH First Lien Notes were paid at 95% plus accrued interest and the make-whole claims of the holders of the EFIH Second Lien Notes were paid at 87.5% plus accrued interest. The Bankruptcy Court approved the settlement in March 2017. The make-whole claims of the EFIH First Lien Notes were paid in June 2017, and the make-whole claims of the EFIH Second Lien Notes were paid on the EFH Effective Date. The Plan of Reorganization disallowed make-whole or redemption premiums asserted by all other creditors. As a result of the Bankruptcy Court's approval of the make-whole settlement in March 2017, we recorded a reduction in LSTC of $79 million with the offset to other income in our financial statements.

Earnings and Profits Tax Dispute —In October 2017, EFH Corp. filed an adversary complaint in the Bankruptcy Court against Vistra Energy arising out of a dispute over the Tax Matters Agreement between EFH Corp. and Vistra Energy that was executed at the TCEH Effective Date. The dispute involves the allocation of earnings and profits (E&P) of EFH Corp. that arose prior to the TCEH Effective Date. In addition to the adversary complaint, EFH Corp. sought a temporary restraining order and preliminary injunction to prevent Vistra Energy from filing its 2016 tax return in a manner that would have allocated no E&P to Vistra Energy. Following these filings, EFH Corp. and Vistra Energy negotiated a stipulation and order, providing for the selection of an independent professor to determine the proper E&P allocation, and the Bankruptcy Court has approved the stipulation and order. In February 2018, the independent professor ruled in favor of Vistra Energy. Following such ruling and pursuant to the order, EFH Corp. dismissed, without prejudice, its action against Vistra Energy with respect to the tax matters agreement dispute.

Post-Petition Interest on EFIH Second Lien Note Claim — Based on the approval of the Bankruptcy Court, EFH Corp. recorded $664 million in post-petition interest for the year ended December 31, 2017 that contractually related to March 2015 to December 2017.

11. EQUITY

Equity Issuances and Repurchases

Common stock shares outstanding of approximately 1,670 million have remained unchanged at December 31, 2017. See Note 14 for a description of the actions related to the common stock of EFH Corp. on the EFH Effective Date.

Dividend Restrictions

EFH Corp. has not declared or paid any dividends since the Merger. The agreement governing the EFIH DIP Facility generally restricted EFIH's ability to make distributions or loans to any of its parent companies or their subsidiaries unless such distributions or loans are expressly permitted under the agreement governing such facility.

Under applicable law, we are prohibited from paying any dividend to the extent that immediately following payment of such dividend, there would be no statutory surplus or we would be insolvent.

Noncontrolling Interests

At December 31, 2017, ownership of Oncor's membership interests was as follows: 80.03% held indirectly by EFH Corp., 0.22% held indirectly by certain existing and previous members of Oncor's management and board of directors and 19.75% held by Texas Transmission.

Accumulated Other Comprehensive Loss

The following table presents the changes to accumulated other comprehensive loss for the year ended December 31, 2017.

	De-designated Cash Flow Hedges – Interest Rate Swaps	Pension and Other Postretirement Employee Benefit Liabilities Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	$ (16)	$ (74)	$ (90)
Amounts reclassified from accumulated other comprehensive income and reported in:			
Other income	—	(3)	(3)
Income tax benefit	—	1	1
Equity in earnings of unconsolidated subsidiaries (net of tax)	1	7	8
Total amount reclassified from accumulated other comprehensive income during the period	1	5	6
Balance at December 31, 2017	$ (15)	$ (69)	$ (84)

Substantially all the accumulated other comprehensive loss at December 31, 2017 relates to our interest in Oncor Holdings.

12. RELATED PARTY TRANSACTIONS

The following represent our significant related-party transactions. As of the TCEH Effective Date, pursuant to the plan of reorganization as it relates to the TCEH Debtors, EFH Corp., EFIH, Oncor Holdings and Oncor ceased being affiliates of the TCEH Debtors, the Contributed EFH Debtors and Vistra Energy.

- We file a consolidated federal income tax return that includes Oncor Holdings' results. Oncor is not a member of our consolidated tax group, but our consolidated federal income tax return includes our portion of Oncor's results due to our equity ownership in Oncor. We also file a consolidated Texas state margin tax return that includes all of Oncor Holdings' and Oncor's results. However, under a Federal and State Income Tax Allocation Agreement, Oncor Holdings' and Oncor's federal income tax and Texas margin tax expense and related balance sheet amounts, including our income taxes receivable from or payable to Oncor Holdings and Oncor, are recorded as if Oncor Holdings and Oncor file their own corporate income tax returns.

At December 31, 2017, our net current amount receivable from Oncor Holdings related to federal and state income taxes (reported in net receivables due from unconsolidated subsidiary) totaled $9 million, including a net zero amount due from Oncor. The net zero amount due from Oncor included a $21 million federal income tax payable and a $21 million state margin tax receivable. In March 2017, the Bankruptcy Court approved EFH Corp.'s assumption of the Oncor Tax Sharing Agreement, and as a result, EFH Corp. made a tax payment to Oncor for $135 million in March 2017.

For the year ended December 31, 2017, EFH Corp. made net income tax payments to Oncor Holdings and Oncor totaling $63 million, including a net $19 million received from Oncor Holdings and a net $82 million paid to Oncor.

- Affiliates of the Sponsor Group have sold or acquired, and in the future may sell or acquire, debt or debt securities issued by us in open market transactions or through loan syndications.

- In December 2012, Oncor became the sponsor of a new pension plan (the Oncor Plan), the participants in which consist of all of Oncor's active employees and all retirees and terminated vested participants of EFH Corp. and its subsidiaries (including discontinued businesses). Oncor had previously agreed to assume responsibility for pension liabilities that are recoverable by Oncor under regulatory rate-setting provisions. As part of the pension plan actions, EFH Corp. fully funded the non-recoverable pension liabilities under the Oncor Plan. After the pension plan actions, participants remaining in the EFH Corp. pension plan consist of active employees under collective bargaining agreements (union employees). After the TCEH Effective Date, the EFH Corp. pension plan was transferred and assigned to Vistra Energy. Oncor continues to be responsible for the recoverable portion of pension obligations to these union employees.

13. SUPPLEMENTARY FINANCIAL INFORMATION

Other Income

	Year Ended December 31, 2017	
Make-whole charges settlement for EFIH First and Second Lien Notes (See Note 10)	$	79
Other		5
Total other income	$	84

Other Investments

	December 31, 2017	
Assets related to employee benefit plans, including savings programs, net of distributions	$	29
Total other investments	$	29

Other Noncurrent Liabilities and Deferred Credits

	December 31, 2017	
Other postretirement and employee benefit obligations	$	22
Other		1
Total other noncurrent liabilities and deferred credits	$	23

Fair Value of Debt

Debt:	December 31, 2017	
	Carrying Amount	Fair Value
Borrowings under debtor-in-possession credit facility (Note 8)	$ 6,300	$ 6,308

We determine fair value in accordance with accounting standards, and at December 31, 2017, our debt fair value represents Level 2 valuations. We obtain security pricing from an independent party who uses broker quotes and third-party pricing services to determine fair values. Where relevant, these prices are validated through subscription services such as Bloomberg. The fair value estimates of our prepetition notes, loans and other debt reported as liabilities subject to compromise have been excluded from the table above. As a result of our ongoing Chapter 11 Cases, obtaining the fair value estimates of our prepetition debt subject to compromise as of December 31, 2017 is impractical, and the fair values will ultimately be decided through the Chapter 11 Cases.

Supplemental Cash Flow Information

	December 31, 2017
Cash payments related to:	
Interest paid	$ 437
Income taxes	$ 68
Reorganization items (a)	$ 76
Non-cash financing activities:	
Portion of EFIH DIP Facility repaid by new EFIH DIP Facility lenders (Note 8)	$ 2,952

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(a) Represents cash payments for legal and other consulting services.

14. SUBSEQUENT EVENTS

In February 2018, the Bankruptcy Court confirmed the Plan of Reorganization with respect to the EFH Debtors pursuant to the Bankruptcy Code, and the EFH Effective Date occurred on March 9, 2018.

The Plan of Reorganization, provides for, among other things, the merger contemplated by the Agreement and Plan of Merger dated as of August 21, 2017 (Sempra Merger Agreement) among EFH Corp., EFIH, and Sempra Energy and an indirect, wholly owned subsidiary of Sempra Energy (Merger Sub). On the EFH Effective Date, the merger was completed, merging Merger Sub with and into EFH Corp., with Merger Sub (as the Reorganized EFH Corp.) continuing as the surviving company as an indirect, wholly owned subsidiary of Sempra Energy. Accordingly, the previously outstanding common shares of EFH Corp. were cancelled. Reorganized EFH Corp. (renamed Sempra Texas Holdings Corp. on the EFH Effective Date) owns 100% of the membership interest of EFIH (renamed Sempra Texas Intermediate Holding Company LLC on the EFH Effective Date) which in turn owns 100% of the membership interest of Oncor Holdings, which owns 80.25% of the outstanding membership interest of Oncor (following the acquisition described below). Under the terms of the Sempra Merger Agreement, Sempra Energy paid approximately $9.45 billion in cash to acquire the outstanding equity interest in EFH Corp. Sempra Energy also paid $31 million pursuant to the Sempra Settlement Agreement described in Note 2. In addition, on the EFH Effective Date, Sempra Energy, through its interest in Oncor Holdings, acquired 0.22% of the outstanding membership interests in Oncor for approximately $26 million in cash from the current and former members of Oncor’s management.

The $9.45 billion of cash paid by Sempra Energy to acquire the equity interest in EFH Corp. was used to, among other things:

- Repay $6.302 billion of outstanding borrowings and accrued interest under the EFIH DIP Facility;
- Pay $2.636 billion of allowed claims (including principal, accrued interest, make-whole premiums and fees) of the EFIH Second Lien Notes; and
- Provide funds to the post-emergence plan administration trust contemplated by the Plan of Reorganization (the Plan Administration Trust).

On the EFH Effective Date and pursuant to the Plan of Reorganization, EFH Corp. and EFIH established the Plan Administration Trust with the primary purpose of making cash disbursements contemplated and authorized by the Plan of Reorganization and liquidating or otherwise resolving pre-emergence claims asserted against the EFH Debtors. The Plan Administration Trust was funded on the EFH Effective Date with a portion of the proceeds from the acquisition of Reorganized EFH Corp. and with the then remaining cash on hand at EFH Corp. and EFIH. The Plan Administration Trust will be administered by a trustee solely for the benefit of holders of allowed claims under the Plan of Reorganization asserted against the estates of EFH Corp. and EFIH.

Summary

Following the EFH Effective Date, Reorganized EFH Corp. is a holding company whose significant assets are its investment in Oncor Holdings and certain deferred income taxes, including NOL carryforwards. Substantially all of its liabilities were eliminated pursuant to the Plan of Reorganization, with the exception of certain asbestos claims liabilities as discussed in Note 1 and certain employee benefits-related liabilities, primarily a plan that provides other postretirement benefits to previous employees (see Note 3).

Exhibit 99.2

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC

AN ENERGY FUTURE HOLDINGS CORP. ENTERPRISE

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
AND

INDEPENDENT AUDITOR’S REPORT

Financial Statements

Statements of Income —Years Ended December 31, 2017, 2016 and 2015

Statements of Comprehensive Income — Years Ended December 31, 2017, 2016 and 2015

Statements of Cash Flows — Years Ended December 31, 2017, 2016 and 2015

Balance Sheets — December 31, 2017 and 2016

Statements of Membership Interests **-** Years Ended December 31, 2017, 2016 and 2015

GLOSSARY

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

acquisition accounting	The acquisition method of accounting for a business combination as prescribed by GAAP, whereby the cost or "acquisition 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.
AMS	advanced metering system
Bondco	Refers to Oncor Electric Delivery Transition Bond Company LLC, a former wholly-owned consolidated bankruptcy-remote financing subsidiary of Oncor that had issued securitization (transition) bonds to recover certain regulatory assets and other costs. Bondco was dissolved effective December 29, 2016.
Contributed EFH Debtors	Certain EFH Debtors that became subsidiaries of Vistra and emerged from Chapter 11 at the time of the Vistra Spin-Off.
Debtors	EFH Corp. and the majority of its direct and indirect subsidiaries, including EFIH, EFCH and TCEH but excluding the Oncor Ring-Fenced Entities. Prior to the Vistra Spin-Off, also included the TCEH Debtors.
Deed of Trust	Deed of Trust, Security Agreement and Fixture Filing, dated as of May 15, 2008, made by Oncor to and for the benefit of The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon, formerly The Bank of New York), as collateral agent, as amended
EFCH	Refers to Energy Future Competitive Holdings Company LLC, a direct, wholly-owned subsidiary of EFH Corp. and, prior to the Vistra Spin-Off, the parent of TCEH, and/or its subsidiaries, depending on context.
EFH Bankruptcy Proceedings	Refers to voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code filed in U.S. Bankruptcy Court for the District of Delaware on April 29, 2014 (EFH Petition Date) by EFH Corp. and the substantial majority of its direct and indirect subsidiaries, including EFIH, EFCH and TCEH. The Oncor Ring-Fenced Entities are not parties to the EFH Bankruptcy Proceedings.
EFH Corp.	Refers to Energy Future Holdings Corp., a holding company, and/or its subsidiaries, depending on context. Its major subsidiaries include Oncor and TCEH.
EFH Debtors	EFH Corp. and its subsidiaries that are Debtors in the EFH Bankruptcy Proceedings, excluding the TCEH Debtors
EFH Petition Date	April 29, 2014. See EFH Bankruptcy Proceedings above.
EFIH	Refers to Energy Future Intermediate Holding Company LLC, a direct, wholly-owned subsidiary of EFH Corp. and the direct parent of Oncor Holdings.
GAAP	generally accepted accounting principles of the U.S.
Investment LLC	Refers to Oncor Management Investment LLC, a limited liability company and minority membership interest owner (approximately 0.22%) of Oncor, whose managing member is Oncor and whose Class B Interests are owned by certain members of the management team and independent directors of Oncor.
LIBOR	London Interbank Offered Rate, an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market
Luminant	Refers to subsidiaries of Vistra (which, prior to the Vistra Spin-Off, were subsidiaries of TCEH) engaged in competitive market activities consisting of electricity generation and wholesale energy sales and purchases as well as commodity risk management and trading activities, all largely in Texas.

NEE	NextEra Energy, Inc.
Oncor	Refers to Oncor Electric Delivery Company LLC, a direct, majority-owned subsidiary of Oncor Holdings, and/or its former wholly-owned consolidated bankruptcy-remote financing subsidiary, Bondco, depending on context.
Oncor Holdings	Refers to Oncor Electric Delivery Holdings Company LLC, a direct, wholly-owned subsidiary of EFIH and the direct majority owner (approximately 80.03%) of Oncor, and/or its subsidiaries, depending on context.
Oncor OPEB Plan	Refers to plans sponsored by Oncor that offer certain postretirement health care and life insurance benefits to eligible current and former Oncor employees, certain eligible current and former EFH Corp./Vistra employees, and their eligible dependents.
Oncor Retirement Plan	Refers to a defined benefit pension plan sponsored by Oncor.
Oncor Ring-Fenced Entities	Refers to Oncor Holdings and its direct and indirect subsidiaries, including Oncor.
OPEB	other postretirement employee benefits
PUCT	Public Utility Commission of Texas
REP	retail electric provider
Sempra	Sempra Energy
Sempra Acquisition	Refers to the transactions contemplated by that certain Agreement and Plan of Merger, dated as of August 21, 2017, by and between EFH Corp., EFIH, Sempra and one of Sempra's wholly-owned subsidiaries, pursuant to which Sempra would acquire the 80.03% of Oncor's membership interests owned indirectly by EFH Corp. and EFIH.
Sharyland Agreement	Refers to that certain Agreement and Plan of Merger, dated as of July 21, 2017, by and among the Sharyland Entities, Oncor, and Oncor AssetCo LLC, a wholly owned subsidiary of Oncor.
Sharyland Asset Exchange	Refers to the asset swap consummated on November 9, 2017 pursuant to the Sharyland Agreement and PUCT Docket No. 47469, pursuant to which Oncor received substantially all of the distribution assets of the Sharyland Entities and certain of their transmission assets in exchange for certain of Oncor's transmission assets and cash.
Sharyland Entities	Refers to Sharyland Distribution & Transmission Services, L.L.C., ("SDTS") Sharyland Utilities, L.P. ("SU"), SU AssetCo, L.L.C., a wholly owned subsidiary of SU, and SDTS AssetCo, L.L.C., a wholly owned subsidiary of SDTS, each of which was a party to the Sharyland Agreement
Sponsor Group	Refers collectively to certain investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., TPG Global, LLC (together with its affiliates, TPG) and GS Capital Partners, an affiliate of Goldman, Sachs & Co., that have an ownership interest in Texas Holdings.
SDTS	Sharyland Distribution & Transmission Services, L.L.C., a Texas limited liability company.
SU	Sharyland Utilities, L.P., a Texas limited partnership.
TCEH	Refers to Texas Competitive Electric Holdings Company LLC, a direct, wholly-owned subsidiary of EFCH and, prior to the Vistra Spin-Off, the parent company of the TCEH Debtors (other than the Contributed EFH Debtors), depending on the context, that were engaged in electricity generation and wholesale and retail energy market activities, and whose major subsidiaries included Luminant and TXU Energy. Subsequent to the Vistra Spin-Off, Vistra continued substantially the same operations as TCEH.
TCEH Debtors	Refers to the subsidiaries of TCEH that were Debtors in the EFH Bankruptcy Proceedings (including Luminant and TXU Energy) and the Contributed EFH Debtors.
TCJA	"Tax Cuts and Jobs Act," enacted on December 22, 2017

Texas Holdings	Refers to Texas Energy Future Holdings Limited Partnership, a limited partnership controlled by the Sponsor Group that owns substantially all of the common stock of EFH Corp.
Texas Holdings Group	Refers to Texas Holdings and its direct and indirect subsidiaries other than the Oncor Ring-Fenced Entities.
Texas margin tax	A privilege tax imposed on taxable entities chartered/organized or doing business in the State of Texas that, for accounting purposes, is reported as an income tax.
Texas Transmission	Refers to Texas Transmission Investment LLC, a limited liability company that owns a 19.75% equity interest in Oncor. Texas Transmission is an entity indirectly owned by a private investment group led by OMERS Administration Corporation, acting through its infrastructure investment entity, OMERS Infrastructure Management Inc. (formerly Borealis Infrastructure Management Inc.), and the Government of Singapore Investment Corporation, acting through its private equity and infrastructure arm, GIC Special Investments Pte Ltd. Texas Transmission is not affiliated with EFH Corp., any of EFH Corp.'s subsidiaries or any member of the Sponsor Group.
TXU Energy	Refers to TXU Energy Retail Company LLC, a direct, wholly-owned subsidiary of Vistra (and, prior to the Vistra Spin-Off, a direct 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.
U.S.	United States of America
VIE	variable interest entity
Vistra	Refers to Vistra Energy Corp. (formerly TCEH Corp.), and/or its subsidiaries, depending on context. On October 3, 2016, the TCEH Debtors emerged from bankruptcy and became subsidiaries of TCEH Corp. Subsequent to the Vistra Spin-Off, Vistra continued substantially the same operations as TCEH.
Vistra Retirement Plan	Vistra Retirement Plan (formerly EFH Retirement Plan) refers to a defined benefit pension plan sponsored by an affiliate of Vistra, in which Oncor participates.
Vistra Spin-Off	Refers to the completion of the TCEH Debtors' reorganization under the Bankruptcy Code and emergence from the EFH Bankruptcy Proceedings effective October 3, 2016. Following the Vistra Spin-Off, the TCEH Debtors ceased to be affiliates of Oncor.

These consolidated financial statements occasionally make references to Oncor Holdings or Oncor when describing actions, rights or obligations of their respective subsidiaries. References to "we," "our," "us" and "the company" are to Oncor Holdings and/or its direct or indirect subsidiaries as apparent in the context. These references reflect the fact that the subsidiaries are consolidated with their respective parent companies for financial reporting purposes. However, these references should not be interpreted to imply that the parent company is actually undertaking the action or has the rights or obligations of the relevant subsidiary company or that the subsidiary company is undertaking an action or has the rights or obligations of its parent company or any other affiliate.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of
Oncor Electric Delivery Holdings Company LLC
Dallas, Texas

We have audited the accompanying consolidated financial statements of Oncor Electric Delivery Holdings Company LLC and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, membership interests, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oncor Electric Delivery Holdings Company LLC and its subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the consolidated financial statements, the Company has implemented certain ring-fencing measures which management believes mitigate the Company's potential exposure to the EFH Bankruptcy Proceedings. Our opinion is not modified with respect to this matter.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 22, 2018

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
STATEMENTS OF CONSOLIDATED INCOME
(millions of dollars)

	Year Ended December 31,		
	2017	**2016**	**2015**
Operating revenues:			
Nonaffiliates	$ 3,958	$ 3,205	$ 2,923
Affiliates	-	715	955
Total operating revenues	3,958	3,920	3,878
Operating expenses:			
Wholesale transmission service	929	894	802
Operation and maintenance (Note 13)	762	754	724
Depreciation and amortization	762	785	863
Income taxes (Note 1, 4, 13)	255	259	260
Taxes other than amounts related to income taxes	462	451	450
Total operating expenses	3,170	3,143	3,099
Operating income	788	777	779
Other income and (deductions) - net (Note 14)	(15)	(15)	(22)
Nonoperating income taxes	85	8	4
Interest expense and related charges (Note 14)	342	336	333
Net income	346	418	420
Net income attributable to noncontrolling interests	(84)	(86)	(86)
Net income attributable to Oncor Holdings	$ 262	$ 332	$ 334

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	**2016**	**2015**
Net income	$ 346	$ 418	$ 420
Other comprehensive income:			
Cash flow hedges – derivative value net loss recognized in net income (net of tax expense of $1, $1, and $1) (Note 1)	2	2	2
Defined benefit pension plans (net of tax benefit of $4, $-, and $4) (Note 11)	8	-	(8)
Total other comprehensive income	10	2	(6)
Comprehensive income	356	420	414
Comprehensive income attributable to noncontrolling interests	(86)	(86)	(85)
Comprehensive income attributable to Oncor Holdings	$ 270	$ 334	$ 329

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(millions of dollars)		
Cash flows — operating activities:			
Net income	$ 346	$ 418	$ 420
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	815	833	908
Deferred income taxes – net	360	169	29
Other – net	(2)	(5)	(4)
Changes in operating assets and liabilities:			
Accounts receivable — trade (including affiliates)	(76)	(34)	12
Inventories	(1)	(7)	(8)
Accounts payable — trade (including affiliates)	(11)	14	(20)
Regulatory accounts related to reconcilable tariffs (Note 5)	29	(55)	11
Other — assets	57	40	18
Other — liabilities	(77)	33	(31)
Cash provided by operating activities	1,440	1,406	1,335
Cash flows — financing activities:			
Issuances of long-term debt (Note 7)	600	175	725
Repayments of long-term debt (Note 7)	(324)	(41)	(639)
Net (decrease) increase in short-term borrowings (Note 6)	161	(51)	129
Distributions to parent (Note 9)	(171)	(162)	(322)
Distributions to noncontrolling interests	(47)	(46)	(87)
Debt discount, premium, financing and reacquisition costs – net	(10)	10	(13)
Cash provided by (used in) financing activities	209	(115)	(207)
Cash flows — investing activities:			
Capital expenditures (Note 13)	(1,631)	(1,352)	(1,154)
Business acquistion (Note 15)	(25)	-	-
Other – net	12	51	47
Cash used in investing activities	(1,644)	(1,301)	(1,107)
Net change in cash and cash equivalents	5	(10)	21
Cash and cash equivalents — beginning balance	16	26	5
Cash and cash equivalents — ending balance	$ 21	$ 16	$ 26

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
CONSOLIDATED BALANCE SHEETS

	At December 31, 2017	At December 31, 2016
	(millions of dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21	$ 16
Trade accounts receivable – net (Note 14)	635	545
Income taxes receivable from EFH Corp. (Note 13)	12	57
Materials and supplies inventories — at average cost	91	89
Prepayments and other current assets	88	100
Total current assets	847	807
Investments and other property (Note 14)	113	100
Property, plant and equipment – net (Note 14)	14,879	13,829
Goodwill (Note 1 and 14)	4,064	4,064
Regulatory assets (Note 5)	2,180	1,974
Other noncurrent assets	23	14
Total assets	$ 22,106	$ 20,788
LIABILITIES AND MEMBERSHIP INTERESTS		
Current liabilities:		
Short-term borrowings (Note 6)	$ 950	$ 789
Long-term debt due currently (Note 7)	550	324
Trade accounts payable (Note 13)	242	231
Income taxes payable to EFH Corp. (Note 13)	21	20
Accrued taxes other than income taxes	190	182
Accrued interest	83	83
Other current liabilities	188	144
Total current liabilities	2,224	1,773
Long-term debt, less amounts due currently (Note 7)	5,567	5,515
Accumulated deferred income taxes (Note 1, 4, 13)	1,125	2,102
Regulatory liabilities (Note 5)	2,807	856
Employee benefit obligations and other (Notes 13 and 14)	2,231	2,399
Total liabilities	13,954	12,645
Commitments and contingencies (Note 8)		
Membership interests (Note 9):		
Capital account	6,411	6,320
Accumulated other comprehensive loss	(81)	(89)
Oncor Holdings membership interest	6,330	6,231
Noncontrolling interests in subsidiary	1,822	1,912
Total membership interests	8,152	8,143
Total liabilities and membership interests	$ 22,106	$ 20,788

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
STATEMENTS OF CONSOLIDATED MEMBERSHIP INTERESTS

	Year Ended December 31,		
	2017	2016	2015
	(millions of dollars)		
Capital account:			
Balance at beginning of period	$ 6,320	$ 6,150	$ 6,136
Net income attributable to Oncor Holdings	262	332	334
Distributions to parent	(171)	(162)	(322)
Capital contributions	-	-	2
Balance at end of period	6,411	6,320	6,150
Accumulated other comprehensive income (loss), net of tax effects:			
Balance at beginning of period	(89)	(91)	(86)
Net effects of cash flow hedges (net of tax expense of $1, $1 and $-)	2	2	1
Defined benefit pension plans (net of tax (expense)/benefit of ($3), $- and $3)	6	-	(6)
Balance at end of period	(81)	(89)	(91)
Oncor Holdings membership interests at end of period	$ 6,330	$ 6,231	$ 6,059
Noncontrolling interests in subsidiary (Note 10):			
Balance at beginning of period	1,912	1,803	1,771
Net income attributable to noncontrolling interests	84	86	86
Distributions to noncontrolling interests	(47)	(46)	(87)
Change related to future tax distributions from Oncor	(128)	69	34
Defined benefit pension plans (net of tax expense of $1, $- and $-)	1	-	(1)
Noncontrolling interests in subsidiary at end of period	1,822	1,912	1,803
Total membership interests at end of period	$ 8,152	$ 8,143	$ 7,862

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

References in this report to "we," "our," "us" and "the company" are to Oncor Holdings and/or its direct or indirect subsidiaries as apparent in the context. The financial statements are comprised almost entirely of the operations of Oncor; consequently, there are no separate reportable business segments. See "Glossary" for definition of terms and abbreviations.

We are a Dallas, Texas-based holding company whose financial statements are comprised almost entirely of the operations of our direct, majority (approximately 80%) owned subsidiary, Oncor. Oncor is a regulated electricity transmission and distribution company principally engaged in providing delivery services to REPs that sell power in the north-central, eastern and western parts of Texas. Revenues from REP subsidiaries of Vistra (formerly subsidiaries of TCEH) represented 22%, 23% and 25% of our total operating revenues for the years ended December 31, 2017, 2016 and 2015, respectively. We are a direct, wholly-owned subsidiary of EFIH, a direct, wholly-owned subsidiary of EFH Corp. EFH Corp. is a subsidiary of Texas Holdings, which is controlled by the Sponsor Group.

Our consolidated financial statements include our former indirect, bankruptcy-remote financing subsidiary, Bondco, a variable interest entity through December 29, 2016, at which time it was dissolved. This financing subsidiary was organized for the limited purpose of issuing certain transition bonds to recover generation-related regulatory asset stranded costs and other qualified costs under an order issued by the PUCT in 2002. Bondco issued an aggregate $1.3 billion principal amount of transition bonds during 2003 and 2004. The 2003 Series transition bonds matured and were paid in full in 2015 and the 2004 Series transition bonds matured and were paid in full in May 2016. Final true-up proceedings and refunds of over-collected transition charges for the transition bonds were conducted by Oncor and the PUCT during 2016 and had no material net income impact.

Various "ring-fencing" measures have been taken to enhance the separateness between the Oncor Ring-Fenced Entities and the Texas Holdings Group and our credit quality. These measures serve to mitigate our and Oncor's credit exposure to the Texas Holdings Group and to reduce the risk that our assets and liabilities or those of Oncor would be substantively consolidated with the assets and liabilities of the Texas Holdings Group in connection with a bankruptcy of one or more of those entities. Such measures include, among other things: Oncor's sale of a 19.75% equity interest to Texas Transmission in November 2008; maintenance of separate books and records for the Oncor Ring-Fenced Entities; our board of directors and Oncor's board of directors being comprised of a majority of independent directors; 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. None of the assets of the Oncor Ring-Fenced Entities are available to satisfy the debt or contractual obligations of any member of the Texas Holdings Group. We and Oncor do not bear any liability for debt or contractual obligations of the Texas Holdings Group, and vice versa. Accordingly, our operations are conducted, and our cash flows are managed, independently from the Texas Holdings Group.

In the PUCT proceedings requesting approval of the Sempra Acquisition (PUCT Docket No. 47675), Sempra has committed to certain ring-fencing measures that will be in effect upon closing of the Sempra Acquisition. For more information on the Sempra Acquisition and the related PUCT proceedings, see Note 2.

EFH Corp. Bankruptcy Proceedings

On the EFH Petition Date, the Debtors commenced the EFH Bankruptcy Proceedings. The Oncor Ring-Fenced Entities are not parties to the EFH Bankruptcy Proceedings. We believe the "ring-fencing" measures

discussed above mitigate our and Oncor's potential exposure to the EFH Bankruptcy Proceedings. See Note 2 for a discussion of the potential impacts of the EFH Bankruptcy Proceedings on our financial statements.

Basis of Presentation

Our consolidated financial statements have been prepared in accordance with GAAP. All dollar amounts in the financial statements and tables in the notes are stated in millions of U.S. dollars unless otherwise indicated. Subsequent events have been evaluated through the date these consolidated financial statements were issued.

Use of Estimates

Preparation of our 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 the reported amounts of revenue and expense, including fair value measurements. 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 were made to previous estimates or assumptions during the current year.

Revenue Recognition

General

Oncor's revenue is billed under tariffs approved by the PUCT and the majority of revenues are related to providing electric delivery service to consumers. Tariff rates are designed to recover the cost of providing electric delivery service including a reasonable rate of return on invested capital. Revenues are generally recognized when the underlying service has been provided in an amount prescribed by the related tariff.

Reconcilable Tariffs

The PUCT has designated certain tariffs (TCRF, EECRF surcharges, AMS surcharges and charges related to transition bonds) as reconcilable, which means the differences between amounts billed under these tariffs and the related incurred costs are deferred as either regulatory assets or regulatory liabilities. Accordingly, at prescribed intervals, future tariffs are adjusted to either repay regulatory liabilities or collect regulatory assets. See "Regulatory Assets and Liabilities" below.

Impairment of Long-Lived Assets and Goodwill

We evaluate long-lived assets (including intangible assets with finite lives) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

We also evaluate goodwill for impairment annually (at December 1) and whenever events or changes in circumstances indicate that an impairment may exist. The determination of the existence of these and other indications of impairment involves judgments that are subjective in nature and may require the use of estimates in forecasting future results and cash flows.

If at the assessment date our carrying value exceeds our estimated fair value (enterprise value), then the estimated enterprise value is compared to the estimated fair values of our operating assets (including identifiable intangible assets) and liabilities at the assessment date. The resultant implied goodwill amount is compared to the recorded goodwill amount. Any excess of the recorded goodwill amount over the implied goodwill amount is written off as an impairment charge.

The goodwill impairment tests performed in 2017, 2016 and 2015 were based on a qualitative assessment in which we considered macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relative factors. Based on tests results, no impairments were recognized in 2017, 2016 or 2015.

Income Taxes

Effective with the November 2008 sale of equity interests in Oncor, Oncor became a partnership for US federal income tax purposes, and subsequently only EFH Corp.'s share of partnership income is included in its consolidated federal income tax return. Our tax sharing agreement with Oncor and EFH Corp. was amended in November 2008 to include Texas Transmission and Investment LLC. The tax sharing agreement provides for the calculation of tax liability substantially as if we and Oncor file our own income tax returns, and requires tax payments to members determined on that basis (without duplication for any income taxes paid by our subsidiaries). Deferred income taxes are provided for temporary differences between our book and tax bases of assets and liabilities.

Amounts of deferred income tax assets and liabilities, as well as current and noncurrent accruals, are determined in accordance with the provisions of accounting guidance for income taxes and for uncertainty in income taxes. The accounting guidance for rate-regulated enterprises requires the recognition of regulatory assets or liabilities if it is probable such deferred tax amounts will be recovered from, or returned to customers in future rates. Investment tax credits are amortized to income over the estimated lives of the related properties.

We classify interest and penalties expense related to uncertain tax positions as current income taxes as discussed in Note 4.

Defined Benefit Pension Plans and OPEB Plans

Oncor has liabilities under pension plans that offer benefits based on either a traditional defined benefit formula or a cash balance formula and an OPEB plan that offers certain health care and life insurance benefits to eligible employees and their eligible dependents upon the retirement of such employees from the company. Costs of pension and OPEB plans are dependent upon numerous factors, assumptions and estimates. See Note 11 for additional information regarding pension and OPEB plans.

Contingencies

We evaluate and account for contingencies using the best information available. A loss contingency is accrued and disclosed when it is probable that an asset has been impaired or a liability incurred and the amount of the loss can be reasonably estimated. If a range of probable loss is established, the minimum amount in the range is accrued, unless some other amount within the range appears to be a better estimate. If the probable loss cannot be reasonably estimated, no accrual is recorded, but the loss contingency is disclosed to the effect that the probable loss cannot be reasonably estimated. A loss contingency will be disclosed when it is reasonably possible that an asset has been impaired or a liability incurred. If the likelihood that an impairment or incurrence is remote, the contingency is neither accrued nor disclosed. Gain contingencies are recognized upon realization.

System of Accounts

Our accounting records have been maintained in accordance with the US Federal Energy Regulatory Commission Uniform System of Accounts as adopted by the PUCT.

Property, Plant and Equipment

Properties are stated at original cost. The cost of self-constructed property additions includes materials and both direct and indirect labor and applicable overhead and an allowance for funds used during construction.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated service lives of the properties based on depreciation rates approved by the PUCT. As is common in the industry, depreciation expense is recorded using composite depreciation rates that reflect blended estimates of the lives of major asset groups as compared to depreciation expense calculated on a component asset-by-asset basis. Depreciation rates include plant removal costs as a component of depreciation expense, consistent with regulatory

treatment. Actual removal costs incurred are charged to accumulated depreciation. When accrued removal costs exceed incurred removal costs, the difference is reclassified as a regulatory liability to retire assets in the future.

Regulatory Assets and Liabilities

Oncor is subject to rate regulation and our financial statements reflect regulatory assets and liabilities in accordance with accounting standards related to the effect of certain types of regulation. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process based on PURA and/or the PUCT's orders, precedents or substantive rules. Rate regulation is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital subject to PUCT review for reasonableness and prudence and possible disallowance. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. See Note 5 for more information regarding regulatory assets and liabilities.

Franchise Taxes

Franchise taxes are assessed to Oncor by local governmental bodies, based on kilowatt-hours delivered and are a principal component of taxes other than income taxes as reported in the income statement. Franchise taxes are not a "pass through" item. Rates charged to customers by Oncor are intended to recover the franchise taxes, but Oncor is not acting as an agent to collect the taxes from customers.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a regulatory cost accounting procedure whereby both interest charges on borrowed funds and a return on equity capital used to finance construction are included in the recorded cost of utility plant and equipment being constructed. AFUDC is capitalized on all projects involving construction periods lasting greater than thirty days. The equity portion, if any, of capitalized AFUDC is accounted for as other income. See Note 14 for detail of amounts charged to interest expense.

Cash and Cash Equivalents

For purposes of reporting cash and cash equivalents, temporary cash investments purchased with a remaining maturity of three months or less are considered to be cash equivalents.

Fair Value of Nonderivative Financial Instruments

The carrying amounts for financial assets classified as current assets and the carrying amounts for financial liabilities classified as current liabilities approximate fair value due to the short maturity of such instruments. The fair values of other financial instruments, for which carrying amounts and fair values have not been presented, are not materially different than their related carrying amounts. The following discussion of fair value accounting standards applies primarily to our determination of the fair value of assets in the pension and OPEB plans trusts (see Note 11) and long-term debt (see Note 7).

Accounting standards related to the determination of fair value define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use a "mid-market" valuation convention (the mid-point price between bid and ask prices) as a practical expedient to measure fair value for the majority of our assets and liabilities subject to fair value measurement on a recurring basis. We primarily use the market approach for recurring fair value measurements and use valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs.

We categorize our assets and liabilities recorded at fair value based upon the following fair value hierarchy:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 valuations use inputs that, in the absence of actively quoted market prices, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves observable at commonly quoted intervals and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Our Level 2 valuations utilize over-the-counter broker quotes, quoted prices for similar assets or liabilities that are corroborated by correlations or other mathematical means and other valuation inputs.

- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. We use the most meaningful information available from the market combined with internally developed valuation methodologies to develop our best estimate of fair value.

We utilize several different valuation techniques to measure the fair value of assets and liabilities, relying primarily on the market approach of using prices and other market information for identical and/or comparable assets and liabilities for those items that are measured on a recurring basis.

The fair value of certain investments is measured using the net asset value (NAV) per share as a practical expedient. Such investments measured at NAV are not required to be categorized within the fair value hierarchy. See “Changes in Accounting Standards” below.

Consolidation of Variable Interest Entities

A VIE is an entity with which we have a relationship or arrangement that indicates some level of control over the entity or results in economic risks to us. We consolidate a VIE if we have: a) the power to direct the significant activities of the VIE and b) the right or obligation to absorb profit and loss from the VIE (primary beneficiary).

Derivative Instruments and Mark-to-Market Accounting

Oncor has from time-to-time entered into derivative instruments to hedge interest rate risk. If the instrument meets the definition of a derivative under accounting standards related to derivative instruments and hedging activities, the fair value of each derivative is recognized on the balance sheet as a derivative asset or liability and changes in the fair value are recognized in net income, unless criteria for certain exceptions are met. This recognition is referred to as “mark-to-market” accounting.

Changes in Accounting Standards

Since May 2014, the Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* along with other supplemental guidance (together, Topic 606). Topic 606 introduces new, increased requirements for disclosure of revenue in financial statements and guidance that are intended to eliminate inconsistencies in the recognition of revenue. We will add a revenue-related note to the financial statements to satisfy the new disclosure requirements of Topic 606. Topic 606 also requires the separate presentation of “alternative revenue program” revenues on the income statement. We anticipate less than $20 million annually in alternative revenue program revenues related to Oncor’s energy efficiency program and will disclose such activity in the notes to financial statements. We are required to adopt Topic 606 effective January 1, 2018. We will adopt using the modified retrospective approach and will elect certain practical expedients available under the guidance. Oncor’s revenues from customers are tariff-based and are designed to recover the cost of providing electric delivery service to customers including a reasonable rate of return on invested capital. Revenues are generally recognized when the underlying service has been provided in an amount prescribed by the related

tariff. The new guidance does not change this pattern of recognition and therefore the adoption will not have an effect on our reported results of operations, financial position or cash flows.

In February 2016, the FASB issued ASU 2016-02 which created FASB Topic 842, *Leases* (Topic 842). Topic 842 amends previous GAAP to require the balance sheet recognition of lease assets and liabilities for operating leases. Operating lease liabilities will not be classified as debt for GAAP purposes under Topic 842 and will not be treated as debt for regulatory purposes. At this time, all of Oncor's existing leases meet the definition of an operating lease liability. Under the new rules, the recognition of any finance leases (currently known as capital leases) on the balance sheet would be classified as debt for GAAP purposes and are expected to be defined as debt for our regulatory capital structure purposes (see Note 9 for details) similar to the current capital lease treatment. Oncor is required to adopt Topic 842 by January 1, 2019 and expects to adopt at that time using certain practical expedients available under the transition guidance including a practical expedient to not assess whether existing land easements that were not previously accounted for as leases are or contain a lease under Topic 842. The initial adoption of Topic 842 will affect our balance sheet, as leased buildings and vehicles are recognized as operating lease liabilities. Subsequent to adoption, to the extent Oncor enters into finance leases, its credit facility covenants and capitalization ratios could be impacted. Oncor continues to compile a population of contracts for assessment and evaluate the potential impact of Topic 842 on the financial statements.

In March 2017, the FASB issued ASU 2017-07 *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, an amendment to Topic 715, *Compensation – Retirement Benefits* (Topic 715). Topic 715, as amended, will require the non-service cost components of net retirement benefit plan costs be presented as non-operating in the income statement. In addition, only the service cost component of net retirement benefit plan cost will be eligible for capitalization as part of inventory or property, plant and equipment. Oncor is required to adopt the amendment effective January 1, 2018. The income statement presentation requirement must be applied on a retrospective basis while the capitalization eligibility requirement is applied on a prospective basis. The guidance allows a practical expedient that permits use of previously disclosed service costs and non-service costs from the Pension and OPEB Plans note in the comparative periods as appropriate estimates when retrospectively changing the presentation of these costs in the income statements. Oncor will elect this practical expedient. For cash flow purposes on a prospective basis, non-service costs will be reflected as a reduction to operating cash flows, offset by lower cash used in investing activities (lower capital expenditures). We do not expect the new guidance to have a material effect on Oncor's rate-making process, results of operations, financial position or net change in total cash flows but continue to evaluate for potential impacts.

2. EFH BANKRUPTCY PROCEEDINGS

On the EFH Petition Date, EFH Corp. and the substantial majority of its direct and indirect subsidiaries at the time, including EFIH, EFCH and TCEH, commenced proceedings under Chapter 11 of the U.S. Bankruptcy Code. The Oncor Ring-Fenced Entities are not parties to the EFH Bankruptcy Proceedings. We believe the "ring-fencing" measures discussed above mitigate our potential exposure to the EFH Bankruptcy Proceedings. See Note 1 and below for further information regarding the EFH Bankruptcy Proceedings and the proposed change in control of our indirect majority owner in connection with such proceedings.

The U.S. Bankruptcy Code automatically enjoined, or stayed, us from judicial or administrative proceedings or filing of other actions against our affiliates or their property to recover, collect or secure our claims arising prior to the EFH Petition Date. Following the EFH Petition Date, EFH Corp. received approval from the bankruptcy court to pay or otherwise honor certain prepetition obligations generally designed to stabilize its operations. Included in the approval were the obligations owed to Oncor representing their prepetition electricity delivery fees. As of December 31, 2017, Oncor had collected their prepetition receivables from the Texas Holdings Group of approximately $129 million.

In May 2016, the Debtors filed a joint Plan of Reorganization (2016 Plan of Reorganization) pursuant to Chapter 11 of the U.S. Bankruptcy Code and a related disclosure statement with the bankruptcy court. The 2016 Plan of Reorganization provided that the confirmation and effective date of the 2016 Plan of Reorganization with respect to the TCEH Debtors may occur separate from, and independent of, the confirmation and effective date of

the 2016 Plan of Reorganization with respect to the EFH Debtors. In this regard, the bankruptcy court confirmed the 2016 Plan of Reorganization with respect to the TCEH Debtors in August 2016, and it became effective by its terms, and the spin-off of the TCEH Debtors from EFH Corp. (Vistra Spin-Off) occurred, effective October 3, 2016. As a result of the Vistra Spin-Off, Vistra and its subsidiaries, including Luminant and TXU Energy, ceased to be affiliates of ours as of October 3, 2016.

The EFH Bankruptcy Proceedings continue to be a complex litigation matter and the full extent of potential impacts on us remain unknown. Bankruptcy courts have broad equitable powers, and as a result, outcomes in bankruptcy proceedings are inherently difficult to predict. We will continue to evaluate our affiliate transactions and contingencies throughout the EFH Bankruptcy Proceedings to determine any risks and resulting impacts on our results of operations, financial statements and cash flows.

See Note 12 for details of Oncor’s related-party transactions with members of the Texas Holdings Group.

Potential Change in Indirect Ownership of Oncor

During the course of the EFH Bankruptcy Proceedings, certain plans of reorganization have been filed that contemplate the transfer of the ownership interests in Oncor that are indirectly held by EFH Corp. Below is a summary of certain matters relating to the potential change in indirect ownership of Oncor that have been proposed in the EFH Bankruptcy Proceedings.

Prior Merger Agreements

The following merger agreements relating to a potential change in indirect ownership of Oncor were entered into in connection with the EFH Bankruptcy Proceedings. Each of these prior merger agreements has been terminated in accordance with its respective terms.

- In August 2015, the EFH Debtors entered into a merger and purchase agreement (Hunt Merger Agreement) with an investor group consisting of certain unsecured creditors of TCEH and an affiliate of Hunt Consolidated, Inc., as well as certain other investors designated by Hunt Consolidated, Inc. (collectively, the Hunt Investor Group), that would have led to a significant change in the indirect equity ownership of Oncor. In August 2015, at the request of and with the consent of EFH Corp. and EFIH, Oncor and Oncor Holdings entered into a letter agreement (Hunt Letter Agreement) with the purchasers party to the Hunt Merger Agreement that described certain corporate actions Oncor and Oncor Holdings would take in connection with the merger contemplated by the Hunt Merger Agreement as well as conditions to Oncor’s and Oncor Holdings’ obligations to take those actions. In September 2015, Oncor and the Hunt Investor Group filed a joint application with the PUCT seeking certain regulatory approvals with respect to the transactions contemplated by the Hunt Merger Agreement. The PUCT issued an order conditionally approving the joint application in March 2016 and in April 2016 the Hunt Investor Group and certain intervenors filed motions for rehearing. As discussed under “PUCT Matters Related to the EFH Bankruptcy Proceedings – Hunt PUCT Proceedings” below, in May 2016, the PUCT denied the motions for rehearing in PUCT Docket No. 45188 and the Hunt Merger Agreement was terminated. The Hunt Letter Agreement was also terminated pursuant to its terms. In June 2016 the Hunt Investor Group filed a petition with the Travis County District Court seeking review of the PUCT order. We cannot predict the results of the review or the ultimate disposition of PUCT Docket No. 45188, particularly in light of the termination of the Hunt Merger Agreement.

- Following the termination of the Hunt Merger Agreement, in July 2016 EFH Corp. and EFIH entered into an Agreement and Plan of Merger (NEE Merger Agreement) with NextEra Energy, Inc. (NEE) and EFH Merger Co., LLC, a wholly-owned subsidiary of NEE, that provided for NEE’s acquisition of the equity interests in Oncor indirectly owned by EFH Corp. and EFIH. In addition, at the request of and with the consent of EFH Corp. and EFIH, on August 4, 2016, Oncor and Oncor Holdings entered into a letter agreement (NEE Letter Agreement) with NEE and EFH Merger Co., LLC that described certain corporate

actions Oncor and Oncor Holdings would take in connection with the merger contemplated by the NEE Merger Agreement as well as conditions to Oncor's and Oncor Holdings' obligations to take those actions. Additionally, in October 2016, an affiliate of NEE entered into an Agreement and Plan of Merger (the TTI Merger Agreement) with Texas Transmission Holdings Corporation (TTHC), the parent of Texas Transmission, and certain of its affiliates to purchase Texas Transmission's 19.75% equity interest in Oncor for approximately $2.4 billion. The bankruptcy court approved EFH Corp. and EFIH's entry into the NEE Merger Agreement and related plan support agreement in September 2016 and confirmed an amended plan of reorganization in February 2017 (NEE Plan). The consummation of the transactions contemplated by the NEE Merger Agreement and related plan of reorganization and the TTI Merger Agreement was subject to various conditions precedent, including the approval of the PUCT. Oncor and NEE filed a joint application seeking certain regulatory approvals with respect to the NEE Merger Agreement and the TTI Merger Agreement in October 2016. The PUCT denied the application on April 13, 2017, issued an order on rehearing on June 7, 2017 re-affirming its decision that the proposed transaction was not in the public interest and denied NEE's second motion for rehearing on June 29, 2017. Following these developments, on July 6, 2017, EFH and EFIH delivered a notice terminating the NEE Merger Agreement, which caused the NEE Plan to be null and void. The NEE Letter Agreement also terminated pursuant to its terms. As discussed under "PUCT Matters Related to the EFH Bankruptcy Proceedings" below, on July 13, 2017, NEE filed a petition with the Travis County District Court seeking review of the PUCT order (PUCT NEE Plan Order). We cannot assess the impact of the termination of the NEE Merger Agreement on the results of the review or ultimate disposition of the PUCT NEE Plan Order, or any associated impacts of such termination and matters relating to the PUCT NEE Plan Order on the TTI Merger Agreement and the transactions contemplated thereby. For more information regarding the TTI Merger Agreement and its related regulatory proceedings, see under "PUCT Matters Related to the EFH Bankruptcy Proceedings –NEE PUCT Proceedings" below.

- Following the termination of the NEE Merger Agreement, on July 7, 2017, EFH Corp. and EFIH executed a merger agreement (BHE Merger Agreement) with Berkshire Hathaway Energy Company (BHE) and certain of its subsidiaries. The BHE Merger Agreement provided for the acquisition by BHE of the 80.03% of Oncor's membership interests owned indirectly by EFH Corp. and EFIH. In connection with the execution of the BHE Merger Agreement, on July 7, 2017, the EFH Debtors filed a joint plan of reorganization (BHE Plan) and a related disclosure statement. In addition, at the request of and with the consent of EFH Corp. and EFIH, on July 7, 2017, Oncor and Oncor Holdings entered into a letter agreement (BHE Letter Agreement) with BHE and its subsidiaries that were party to the BHE Merger Agreement that described certain corporate actions Oncor and Oncor Holdings would take in connection with the merger contemplated by the BHE Merger Agreement as well as conditions to Oncor's and Oncor Holdings' obligations to take those actions. The EFH Debtors terminated the BHE Merger Agreement on August 21, 2017 in connection with their entry into the Sempra Merger Agreement (as defined and discussed below), which caused the BHE Plan to become null and void. The BHE Letter Agreement also terminated pursuant to its terms. Further, by order dated September 7, 2017, the bankruptcy court ordered that the BHE Merger Agreement was terminated and not approved.

Sempra Merger Agreement

On August 15, 2017, the EFH Debtors received an alternative proposal from Sempra Energy (Sempra) that largely followed the structure of the BHE Plan. Following negotiations, on August 21, 2017, EFH Corp. and EFIH entered into an Agreement and Plan of Merger (Sempra Merger Agreement) with Sempra and one of its wholly-owned subsidiaries (collectively, the Sempra Parties). Pursuant to the Sempra Merger Agreement, EFH Corp. will be merged with an indirect subsidiary of Sempra, with EFH Corp. continuing as the surviving company and an indirect, wholly-owned subsidiary of Sempra. The Sempra Merger Agreement does not impose any conditions on the EFH Debtors regarding TTI's minority interest in Oncor. Accordingly, the Sempra Merger Agreement provides for the acquisition by Sempra of the 80.03% of Oncor's membership interests owned indirectly by EFH Corp. and EFIH (Sempra Acquisition).

Following the execution and delivery of the Sempra Merger Agreement, EFIH requested, pursuant to the Sempra Merger Agreement, that Oncor Holdings and Oncor enter into a letter agreement (Sempra Letter Agreement) with the Sempra Parties. The Sempra Letter Agreement was executed on August 25, 2017 and sets forth certain rights and obligations of the Oncor Ring-Fenced Entities and the Sempra Parties to cooperate in the manner set forth therein with respect to initial steps to be taken in connection with the acquisition of Reorganized EFH and the other transactions described in the Sempra Merger Agreement. Pursuant to the terms of the Sempra Letter Agreement, the Oncor Ring-Fenced Entities are to conduct, in all material respects, their businesses in the ordinary course of business and materially consistent with the plan for 2017 and 2018 contained in Oncor's long-range business plan. The Sempra Letter Agreement also provides that the Oncor Ring-Fenced Entities will cooperate with the Sempra Parties to prepare and file all necessary applications for governmental approvals of the transactions contemplated by the Sempra Merger Agreement, including PUCT and FERC approvals. The Sempra Letter Agreement is not intended to give the Sempra Parties, directly or indirectly, the right to control or direct the operations of any of the Oncor Ring-Fenced Entities.

Closing Conditions to the Sempra Merger Agreement

The Sempra Merger Agreement is subject to customary closing conditions, including the approval of the bankruptcy court in the EFH Bankruptcy Proceedings, Federal Communications Commission and the PUCT. Certain conditions, such as approval from FERC, the Vermont Department of Financial Regulation and receipt of a private letter ruling from the IRS have already been satisfied.

In connection with the execution of the Sempra Merger Agreement, on September 5, 2017, the EFH Debtors filed an amended joint plan of reorganization (Sempra Plan) and a related disclosure statement (Sempra Disclosure Statement). On September 6, 2017, the bankruptcy court authorized the EFH Debtors' entry into the Sempra Merger Agreement, approved the Sempra Disclosure Statement and authorized the EFH Debtors to solicit votes on the Sempra Plan. By declaration submitted on November 1, 2017, the EFH Debtors certified that they had received sufficient votes to confirm the Sempra Plan. The hearing on confirmation of the Sempra Plan is scheduled to begin on February 26, 2018 in the bankruptcy court.

Pursuant to the terms of the Sempra Merger Agreement, Oncor and Sempra filed a joint application with the PUCT seeking certain regulatory approvals with respect to the transactions contemplated by the Sempra Plan on October 5, 2017 in PUCT Docket No. 47675. On December 14, 2017, Oncor and Sempra entered into a stipulation with the Staff of the PUCT, the Office of Public Utility Counsel, the Steering Committee of Cities Served by Oncor and the Texas Industrial Energy Consumers reflecting the parties' settlement of all issues in the PUCT proceeding regarding the joint application. On January 5, 2018, Oncor, Sempra and the Staff of the PUCT made a joint filing with the PUCT requesting that the PUCT approve the acquisition, consistent with the governance, regulatory and operating commitments in a revised stipulation joined by two additional parties. On January 23, 2018, Oncor and Sempra filed an additional revision to the revised stipulation (Sempra Settlement Stipulation) and announced that two more parties had joined in the Sempra Settlement Stipulation. On February 2, 2018, Oncor and Sempra announced that all of the intervenors in PUCT Docket No. 47675 had signed on to the Sempra Settlement Stipulation. At its February 15, 2018 open meeting, the PUCT directed PUCT Staff to prepare an order based on the Sempra Settlement Stipulation for consideration by the PUCT at its open meeting on March 8, 2018. We cannot predict what the form of any final order will be or the ultimate disposition in the PUCT docket. For more information regarding the Sempra Settlement Stipulation and the proceedings in PUCT Docket No. 47675, see "PUCT Matters Relating to EFH Bankruptcy Proceedings – Sempra PUCT Proceedings" below.

We cannot predict the ultimate outcome of the EFH Bankruptcy Proceedings, including whether the Sempra Acquisition will (or when it will) close. There remain conditions and uncertainties relating to the confirmation of the Sempra Plan and it becoming effective and the consummation of the transactions contemplated by the Sempra Merger Agreement, including, without limitation, the ability to obtain required bankruptcy court approvals as well as the required regulatory approvals from the PUCT, as described below under “PUCT Matters Related to EFH Bankruptcy Proceedings.” As a result, we remain unable to predict how any reorganization of the EFH Debtors and the related matters ultimately will impact Oncor or what form any change in indirect ownership of Oncor may take. Assuming that all approvals are received, we currently expect that the Sempra Acquisition will close in the first half of 2018, although there can be no assurance that the Sempra Acquisition will be completed on that timetable, or at all.

PUCT Matters Related to EFH Bankruptcy Proceedings

Hunt Investor Group PUCT Proceedings

In September 2015, Oncor and the Hunt Investor Group filed in PUCT Docket No. 45188 a joint application with the PUCT seeking certain regulatory approvals with respect to the transactions contemplated by a plan of reorganization in the EFH Bankruptcy Proceedings. In March 2016, the PUCT issued an order conditionally approving the joint application. In April 2016, the Hunt Investor Group and certain intervenors in PUCT Docket No. 45188 filed motions for rehearing and in May 2016, the PUCT denied such motions and the order became final. In May 2016, the plan of reorganization and the Hunt Merger Agreement that contemplated the transactions in PUCT Docket No. 45188 were terminated. The Hunt Investor Group filed a petition with the Travis County District Court in June 2016 seeking review of the order. We cannot predict the results of the review or the ultimate disposition of PUCT Docket No. 45188, particularly in light of the termination of the Hunt Merger Agreement.

In connection with PUCT Docket No. 45188, certain cities that have retained original jurisdiction over electric utility rates passed resolutions directing Oncor to file rate review proceedings. Oncor made a rate filing with the PUCT and original jurisdiction cities to comply with their resolutions on March 17, 2017 in PUCT Docket No. 46957. In July 2017, we and certain parties to Oncor’s rate review agreed to a settlement of that rate review, and on August 2, 2017 a settlement agreement was filed that settled all issues in the docket. On October 13, 2017, the PUCT issued an order approving the settlement agreement, and on November 26, 2017, the new rates took effect. For more information, see Note 3 – “2017 Rate Review (PUCT Docket No. 46957).”

NEE PUCT Proceedings

The NEE Merger Agreement contemplated that Oncor and NEE file a joint application with the PUCT seeking certain regulatory approvals with respect to the transactions contemplated by the NEE Merger Agreement. Oncor and NEE filed that joint application in PUCT Docket No. 46238 in October 2016. The PUCT denied the application on April 13, 2017. The PUCT issued an order on rehearing on June 7, 2017 and denied NEE’s second motion for rehearing on June 29, 2017. On July 13, 2017, NEE filed a petition with the Travis County District Court seeking review of the PUCT order. We cannot predict the results of the review or the ultimate disposition of PUCT Docket No. 46238, particularly in light of the termination of the NEE Merger Agreement.

On July 28, 2017, TTHC and NEE filed in PUCT Docket No. 47453 a joint application with the PUCT seeking certain regulatory approvals with respect to NEE’s proposed acquisition of the 19.75% minority interest in Oncor that is indirectly held by TTHC. The application requested that the PUCT issue an order disclaiming jurisdiction over the transaction or finding that the transaction is in the public interest and approved. On September 14, 2017, Oncor filed a motion to intervene as a party, but not as an applicant, in PUCT Docket No. 47453. On October 26, 2017, the PUCT voted to dismiss the application without prejudice on jurisdictional grounds and ordered that any future filing of the application must include the affected utility (in this case Oncor) as an applicant. The PUCT further ordered that in any such filing Oncor is not required to seek approval of the application or any other specific relief. On October 31, 2017, TTHC notified the PUCT that it had terminated the TTI Merger Agreement with NEE. NEE filed a motion for rehearing on November 20, 2017, which was not granted. On January 9, 2018, NEE filed a petition with the Travis County District Court seeking review of the PUCT order of dismissal. We cannot predict the

results of the review or the ultimate disposition of PUCT Docket No. 47453, particularly in light of TTHC's termination of the TTI Merger Agreement
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Sempra PUCT Proceedings

Oncor and Sempra filed a joint application with the PUCT seeking certain regulatory approvals with respect to the transactions contemplated by the Sempra Plan on October 5, 2017 in PUCT Docket No. 47675. On December 14, 2017, Oncor and Sempra entered into a stipulation with the Staff of the PUCT, the Office of Public Utility Counsel, the Steering Committee of Cities Served by Oncor and the Texas Industrial Energy Consumers reflecting the parties' settlement of all issues in the PUCT proceeding regarding the joint application. On January 5, 2018, Oncor, Sempra and the Staff of the PUCT made a joint filing with the PUCT requesting that the PUCT approve the acquisition, consistent with the governance, regulatory and operating commitments in a revised stipulation joined by two additional parties. On January 23, 2018, Oncor and Sempra filed an additional revision to the revised stipulation (Sempra Settlement Stipulation) and announced that two more parties had joined in the Sempra Settlement Stipulation. On February 2, 2018, Oncor and Sempra announced that all of the intervenors in PUCT Docket No. 47675 had signed on to the Sempra Settlement Stipulation. At its February 15, 2018 open meeting, the PUCT directed PUCT Staff to prepare an order based on the Sempra Settlement Stipulation for consideration by the PUCT at its open meeting on March 8, 2018. We cannot predict what the form of any final order will be or the ultimate disposition in the PUCT docket.

The parties to the Sempra Settlement Stipulation have agreed that Sempra's acquisition of EFH Corp. is in the public interest and will bring substantial benefits. The Sempra Settlement Stipulation requests that the PUCT approve the Sempra Acquisition. Previously, EFH Corp. and Oncor implemented various ring-fencing measures to enhance Oncor's separateness from its owners and to mitigate the risk that Oncor would be negatively impacted in the event of a bankruptcy or other adverse financial developments affecting EFH Corp. or EFH Corp.'s subsidiaries or owners. The existing ring-fencing measures are designed to create both legal and financial separation between the Oncor Ring-Fenced Entities, on the one hand, and EFH Corp. and its other affiliates and subsidiaries, on the other hand. The joint application filed with the PUCT and the Sempra Settlement Stipulation outline certain ring-fencing measures, governance mechanisms and restrictions that will apply after the Sempra Acquisition. As a result of these ring-fencing measures, Sempra will not control Oncor and the ring-fencing measures limit Sempra's ability to direct the management, policies and operations of Oncor, including the deployment or disposition of Oncor's assets, declarations of dividends, strategic planning and other important corporate issues and actions. These limitations include limited representation on the board of directors of Oncor.

Pursuant to the Sempra Settlement Stipulation, if the Sempra Acquisition is consummated, the board of directors of Oncor is expected to consist of thirteen members and be constituted as follows:

- seven members, which we refer to as disinterested directors, will be (i) independent directors in all material respects under the rules of the New York Stock Exchange in relation to Sempra and its subsidiaries and affiliated entities and any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, and (ii) will have no material relationship with Sempra or its affiliates or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings at the time of the Sempra Acquisition or within the previous ten years;
- two members will be designated by Sempra;
- two members will be appointed by Texas Transmission; and
- two members will be current or former officers of Oncor (the Oncor Officer Directors), initially Robert S. Shapard and E. Allen Nye, Jr., who no later than the closing of the Sempra Acquisition will be the chair of the Oncor board and chief executive officer of Oncor, respectively.

In order for a current or former officer of Oncor to be eligible to serve as an Oncor Officer Director, such officer cannot have worked for Sempra or any of its affiliates (excluding Oncor Holdings and Oncor) or any other entity with a direct or indirect ownership interest in Oncor or Oncor Holdings in the ten year period prior to such officer being employed by Oncor. Oncor Holdings, at the direction of EFIH (a subsidiary of EFH, which will be a wholly owned indirect subsidiary of, and controlled by, Sempra following the Sempra Acquisition), will have the right to nominate and/or seek the removal of the Oncor Officer Directors, with such nomination or removal subject to approval by a majority of the Oncor board of directors.

In addition, the Sempra Settlement Stipulation provides that Oncor's board cannot be overruled by the board of Sempra or any of its subsidiaries on dividend policy, the issuance of dividends or other distributions (except for contractual tax payments), debt issuance, capital expenditures, operation and maintenance expenditures, management and service fees, and appointment or removal of board members, provided that certain actions may also require the additional approval of the Oncor Holdings board of directors. The Sempra Settlement Stipulation also provides that any changes to the size, composition, structure or rights of the board must first be approved by the PUCT. In addition, if Sempra acquires Texas Transmission's interest in Oncor, the Sempra Settlement Agreement provides that the two board positions on Oncor's board of directors that Texas Transmission is entitled to appoint shall be eliminated and the size of Oncor's board of directors will be reduced by two.

Additional regulatory commitments, governance mechanisms and restrictions provided in the Sempra Settlement Stipulation include, among others:

- A majority of the disinterested directors of Oncor must approve any annual or multi-year budget if the aggregate amount of capital expenditures or operating and maintenance expenditures in such budget is more than a 10% increase or decrease from the corresponding amounts of such expenditures in the budget for the preceding fiscal year or multi-year period, as applicable;

- Oncor will make minimum aggregate capital expenditures equal to at least $7.5 billion over the period from January 1, 2018 through December 31, 2022 (subject to certain possible adjustments);

- Sempra has agreed to make, within 60 days after the Sempra Acquisition, its proportionate share of the aggregate equity investment in Oncor in an amount necessary for Oncor to achieve a capital structure consisting of 57.5% long-term debt to 42.5% equity, as calculated for regulatory purposes (until recently, Oncor's regulatory capital structure required 40% equity, with the remaining 60% as debt);

- Oncor may not pay any dividends or make any other distributions (except for contractual tax payments) if a majority of its disinterested directors determines that it is in the best interests of Oncor to retain such amounts to meet expected future requirements;

- At all times, Oncor will remain in compliance with the debt-to-equity ratio established by the PUCT from time to time for ratemaking purposes, and Oncor will not pay dividends or other distributions (except for contractual tax payments), if that payment would cause its debt-to-equity ratio to exceed the debt-to-equity ratio approved by the PUCT;

- Sempra will ensure that, as of the closing of the Sempra Acquisition, Oncor's credit rating by all three major rating agencies will be at or above Oncor's credit ratings as of June 30, 2017;

- If the credit rating on Oncor's senior secured debt by any of the three major rating agencies falls below BBB (or the equivalent), Oncor will suspend dividends and other distributions (except for contractual tax payments), unless otherwise allowed by the PUCT;

- Without the prior approval of the PUCT, neither Sempra nor any of its affiliates (excluding Oncor) will incur, guaranty or pledge assets in respect of any indebtedness that is dependent on the revenues of Oncor

in more than a proportionate degree than the other revenues of Sempra or on the stock of Oncor, and there will be no debt at EFH Corp. or EFIH at any time following the closing of the Sempra Acquisition;

- Neither Oncor nor Oncor Holdings will lend money to or borrow money from Sempra or any of its affiliates (other than Oncor subsidiaries), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, and neither Oncor nor Oncor Holdings will share credit facilities with Sempra or any of its affiliates (other than Oncor subsidiaries), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings;

- Oncor will not seek recovery in rates of any expenses or liabilities related to EFH Corp.'s bankruptcy, or (1) any tax liabilities resulting from the Vistra Spin-Off, (2) any asbestos claims relating to non-Oncor operations of EFH Corp. or (3) any make-whole claims by holders of debt securities issued by EFH Corp. or EFIH, and Sempra must file with the PUCT a plan providing for the extinguishment of the liabilities described in items (1) through (3) above, which protects Oncor from any harm;

- There must be maintained certain "separateness measures" that reinforce the financial separation of Oncor from EFH Corp. and EFH Corp.'s owners, including a requirement that dealings between Oncor, Oncor Holdings and their subsidiaries with Sempra, any of Sempra's other affiliates or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, must be on an arm's-length basis, limitations on affiliate transactions, separate recordkeeping requirements and a prohibition on pledging Oncor assets or stock for any entity other than Oncor;

- No transaction costs or transition costs related to the Sempra Acquisition (excluding Oncor employee time) will be borne by Oncor's customers nor included in Oncor's rates;

- Sempra will continue to hold indirectly at least 51% of the ownership interests in Oncor and Oncor Holdings for at least five years following the closing of the Sempra Acquisition, unless otherwise specifically authorized by the PUCT; and

- Oncor will provide bill credits to electric delivery rates for ultimate credits to customers in an amount equal to 90% of any interest rate savings achieved due to any improvement in its credit ratings or market spreads compared to those as of June 30, 2017 until final rates are set in the next Oncor base rate case filed after PUCT Docket No. 46957 (except that savings will not be included in credits if already realized in rates); and one year after the Sempra Acquisition, Oncor will provide bill credits to electric delivery rates for inclusion in customer bills equal to 90% of any synergy savings until final rates are set in the next Oncor base rate proceeding after PUCT Docket No. 46957, at which time any total synergy savings shall be reflected in Oncor's rates.

If the PUCT does not accept the Sempra Settlement Stipulation as presented, or issues an order inconsistent with the terms of the stipulation, the parties have agreed that any party adversely affected by the alteration has the right to withdraw from the stipulation and to exercise all rights available to such party under the law.

We cannot predict the results of the review or the ultimate disposition of PUCT Docket No. 47675.

EFH Bankruptcy Proceedings Settlement Agreement

In connection with the EFH Bankruptcy Proceedings, the EFH Debtors and various creditor parties entered into a settlement agreement (the Settlement Agreement) in August 2015 (as amended in September 2015) to compromise and settle, among other things (a) intercompany claims among the EFH Debtors, (b) claims and causes of actions against holders of first lien claims against TCEH and the agents under TCEH's senior secured facilities, (c) claims and causes of action against holders of interests in EFH Corp. and certain related entities and (d) claims and causes of action against each of the EFH Debtors' current and former directors, the Sponsor Group, managers and officers and other related entities. The Settlement Agreement contemplates a release of such claims upon approval of the

Settlement Agreement by the bankruptcy court, which approval was obtained in December 2015. The Settlement Agreement settles substantially all inter-debtor claims through the effective date of the Settlement Agreement. These settled claims include potentially contentious inter-debtor claims, including various potential avoidance actions and claims arising under numerous debt agreements, tax sharing agreements, and contested property transfers. The release provisions of the Settlement Agreement took effect immediately upon the entry of the bankruptcy court order approving the Settlement Agreement. In this regard, substantially all of the potential affiliate claims, derivative claims and other types of disputes among affiliates (including claims against Oncor) have been resolved by bankruptcy court order. Accordingly, we believe the Settlement Agreement resolves all affiliate claims against Oncor and its assets existing as of the effective date of the Settlement Agreement.

3. REGULATORY MATTERS

Change in Control Reviews

See “PUCT Matters Related to EFH Bankruptcy Proceedings” in Note 2.

2017 Rate Review (PUCT Docket No. 46957)

In July 2017, Oncor and certain parties to the rate review agreed to a settlement of that rate review, and on August 2, 2017 a settlement agreement was filed with the PUCT that settled all issues in the docket. On October 13, 2017, the PUCT issued an order approving the settlement of the rate review, subject to closing of the Sharyland Asset Exchange, which closed on November 9, 2017. As a result of the Sharyland Asset Exchange closing on November 9, 2017, the contingency in the PUCT order in PUCT Docket No. 46957 was met and Oncor’s new rates as set forth in that order took effect on November 27, 2017. As a result of the PUCT order, Oncor’s annual distribution and transmission base rate revenues, net of eliminations, are expected to increase approximately $65 million excluding the impacts of the Sharyland Asset Exchange and the TCJA. The order also requires Oncor to record as a regulatory liability, instead of revenue, the amount that Oncor collects through their approved tariffs for federal income taxes that is above the new corporate federal income rate. Oncor estimates that incorporating the new corporate federal income tax rate in their approved rate settlement agreement would have reduced annual revenues and tax expense by approximately $125 million. Other significant findings include a change in Oncor’s authorized return on equity to 9.80% and a change in their authorized regulatory capital structure to 57.5% debt to 42.5% equity. Oncor’s previous authorized return on equity was 10.25% and their previous authorized regulatory capital structure was 60% debt to 40% equity. The PUCT order in PUCT Docket No. 46957 requires Oncor to record a regulatory liability until the new authorized regulatory capital structure is met to reflect their actual capitalization prior to achieving the authorized capital structure. Once the authorized capital structure is attained, the regulatory liability will be returned to customers through the capital structure refund mechanism approved in the PUCT docket. Oncor implemented the regulatory liability as of November 27, 2017.

Sharyland Asset Exchange (PUCT Docket No. 47469)

On July 21, 2017, Oncor entered into the Sharyland Agreement with the Sharyland Entities. The Sharyland Agreement provided that Oncor exchange certain of their transmission assets and cash certain of the Sharyland Entities’ distribution assets (constituting substantially all of their electricity distribution business) and certain of their transmission assets. The transaction for assets between Oncor and SDTS was structured to qualify, in part, as a simultaneous tax deferred like kind exchange of assets to the extent that the assets exchanged are of “like kind” (within the meaning of Section 1031 of the Internal Revenue Code).

On August 4, 2017, Oncor, SDTS and SU filed a joint application for sale, transfer, or merger in PUCT Docket No. 47469 requesting PUCT approvals of the Sharyland Asset Exchange, and on October 13, 2017, the PUCT issued an order approving the transactions. On November 9, 2017, the parties consummated the transactions. Oncor exchanged approximately $383 million of its transmission assets, consisting of 517 circuit miles of 345 kV transmission lines, and approximately $25 million in cash for approximately $408 million of the Sharyland Entities’ distribution assets (constituting substantially all of their electricity distribution business) and certain of their transmission assets. We do not expect the Sharyland transaction will have a material effect on our results of

operations, financial position or cash flows. For more information on the Sharyland Agreement and the Sharyland Asset Exchange, see Note 15 to Financial Statements.

2008 Rate Review (PUCT Docket No. 35717)

In August 2009, the PUCT issued a final order with respect to Oncor's June 2008 rate review filing with the PUCT and 204 cities based on a test year ended December 31, 2007 (PUCT Docket No. 35717), and new rates were implemented in September 2009. Oncor and four other parties appealed various portions of the rate review final order to a state district court. In January 2011, the district court signed its judgment reversing the PUCT with respect to two issues: the PUCT's disallowance of certain franchise fees and the PUCT's decision that PURA no longer requires imposition of a rate discount for state colleges and universities. Oncor filed an appeal with the Texas Third Court of Appeals (Austin Court of Appeals) in February 2011 with respect to the issues Oncor appealed to the district court and did not prevail upon, as well as the district court's decision to reverse the PUCT with respect to discounts for state colleges and universities. In early August 2014, the Austin Court of Appeals reversed the district court and affirmed the PUCT with respect to the PUCT's disallowance of certain franchise fees and the PUCT's decision that PURA no longer requires imposition of a rate discount for state colleges and universities. The Austin Court of Appeals also reversed the PUCT and district court's rejection of a proposed consolidated tax savings adjustment arising out of EFH Corp.'s ability to offset our taxable income against losses from other investments and remanded the issue to the PUCT to determine the amount of the consolidated tax savings adjustment. In late August 2014, Oncor filed a motion on rehearing with the Austin Court of Appeals with respect to certain appeal issues on which Oncor was not successful, including the consolidated tax savings adjustment. In December 2014, the Austin Court of Appeals issued its opinion, clarifying that it was rendering judgment on the rate discount for state colleges and universities issue (affirming that PURA no longer requires imposition of the rate discount) rather than remanding it to the PUCT, and dismissing the motions for rehearing regarding the franchise fee issue and the consolidated tax savings adjustment. Oncor filed a petition for review with the Texas Supreme Court in February 2015. The Texas Supreme Court granted the petition for review and heard oral arguments in September 2016. On January 6, 2017, the Texas Supreme Court issued its opinion, unanimously ruling as follows on the three issues before it:

- Consolidated tax savings adjustment - The Supreme Court reversed the Court of Appeals and upheld the PUCT's decision not to make a consolidated tax savings adjustment, concluding that the PUCT had properly applied PURA Section 36.060 and that Oncor no longer met the statutory criteria for imposition of such an adjustment.

- State colleges and universities rate discount - The Supreme Court upheld the Court of Appeals' and the PUCT's decisions that no such discount was proper, concluding that PURA Section 36.351 requires a discount only for the provision of electric service and that, upon the start of retail competition, electric service is provided to end-use customers by REPs and not TDUs.

- Municipal franchise fees - The Supreme Court reversed the Court of Appeals' and the PUCT's disallowance of certain franchise fees, ruling that the relevant PURA provision did not limit negotiated franchise fees to a one-time opportunity upon the expiration of a franchise that was in effect on September 1, 1999, but that such renegotiations may take place at any time.

The Texas Supreme Court issued its mandate on February 16, 2017. On February 17, 2017, Oncor filed a tariff modification with the PUCT to immediately remove the state colleges and universities discount rider, and on February 23, 2017, the PUCT opened Docket No. 46884 to consider the remand from the Texas Supreme Court. The Docket No. 46957 rate review order granted the recovery of the municipal franchise fees through a surcharge over approximately nine months beginning November 27, 2017.

Oncor is involved in various other regulatory proceedings in the normal course of business, the ultimate resolution of which, in the opinion of management, should not have a material effect upon our financial position, results of operations or cash flows.

4. INCOME TAXES

Tax Cuts and Jobs Act (TCJA)

On December 22, 2017, President Trump signed the TCJA into law. Substantially all of the provisions of the TCJA are effective for Oncor's taxable years beginning January 1, 2018. The TCJA includes significant changes to the Internal Revenue Code of 1986 (as amended, the Code), including amendments which significantly change the taxation of business entities and includes specific provisions related to regulated public utilities such as Oncor. The most significant TCJA change that impacts us is the reduction in the corporate federal income tax rate from 35% to 21%. The specific provisions related to regulated public utilities in the TCJA applicable to us include the continued deductibility of interest expense, the elimination of bonus depreciation on certain property acquired after September 27, 2017 and certain rate normalization requirements for accelerated depreciation benefits.

Changes in the Code from the TCJA had a material impact on our financial statements in 2017. Under GAAP, specifically ASC Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized when the law is enacted, or December 22, 2017 for the TCJA. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Based on this, our deferred income taxes were re-measured at the date of enactment using the new tax rate.

We have completed the measurement and accounting for the effects of the TCJA which have been reflected in our December 31, 2017 financial statements. The re-measurement of our deferred income taxes related to our non-regulated operations resulted in a $21 million charge to the nonoperating provision for tax expense for the year ending December 31, 2017. The re-measurement of our deferred income taxes related to regulated operations resulted in a $1.6 billion decrease in deferred income taxes at December 22, 2017 and a corresponding increase in regulatory liabilities.

The increase in regulatory liabilities reflects Oncor's obligation, as required by PUCT order in Docket No. 46957, to refund to utility customers any excess deferred tax balances created by the reduction in the corporate federal income tax rate. The TCJA includes provisions that stipulate how quickly certain of these excess deferred tax balances may be refunded to customers through reductions in future rates. These adjustments had no impact on 2017 cash flows.

Also, beginning January 1, 2018, Oncor will record as a regulatory liability the amount that Oncor collects through its approved tariffs for federal income taxes that is above the new corporate federal income tax rate in compliance with PUCT Docket No. 46957. Oncor estimates that incorporating the new corporate federal income tax rate in their approved rate settlement agreement would have reduced annual revenues and tax expense by approximately $125 million.

Components of Deferred Income Taxes

The components of our deferred income taxes are provided in the table below.

	At Ended December 31,	
	2017	2016
Deferred Tax Assets:		
Section 704c income	$ 173	$ 267
Other	2	3
Total	175	270
Deferred Tax Liabilities:		
Partnership outside basis difference	85	141
Basis difference in partnership	1,215	2,231
Total	1,300	2,372
Deferred tax liability - net	$ 1,125	$ 2,102

The components of our income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2017	2016	2015
Reported in operating expenses:			
Current:			
U.S. federal	$ (55)	$ 60	$ 189
State	20	20	32
Deferred:			
U.S. federal	292	181	55
State	-	-	(13)
Amortization of investment tax credits	(2)	(2)	(3)
Total reported in operating expenses	255	259	260
Reported in other income and deductions:			
Current:			
U.S. federal	17	20	16
State	-	-	-
Deferred federal	68	(12)	(12)
Total reported in other income and deductions	85	8	4
Total provision for income taxes	$ 340	$ 267	$ 264

Reconciliation of income taxes computed at the U.S. federal statutory rate to income taxes:

	Year Ended December 31,		
	2017	2016	2015
Income before income taxes	$ 686	$ 685	$ 684
Income taxes at the U.S. federal statutory rate of 35%	$ 240	$ 239	$ 239
Amortization of investment tax credits – net of deferred tax effect	(2)	(2)	(3)
Amortization (under regulatory accounting) of statutory tax rate changes	(1)	(1)	(1)
Impact of federal statutory rate change from 35% to 21%	81	-	-
Texas margin tax, net of federal tax benefit	13	13	13
Nontaxable gains on benefit plan investments	(4)	-	-
Other, including audit settlements	13	18	16
Income tax expense	$ 340	$ 267	$ 264
Effective rate	49.6%	39.0%	38.6%

At December 31, 2017 and 2016, net amounts of $1.1 and $2.1 billion, respectively, were reported in the balance sheets as accumulated deferred income taxes. These amounts include $1.2 billion and $2.2 billion, respectively, related to our investment in the Oncor partnership. Additionally, at December 31, 2017 and 2016, we have net deferred tax assets of $88 million and $126 million, respectively, related to our outside basis differences in the partnership and $2 million and $3 million, respectively, related to our other temporary differences.

Accounting For Uncertainty in Income Taxes

EFH Corp. and its subsidiaries file or have filed income tax returns in US federal, state and foreign jurisdictions and are subject to examinations by the IRS and other taxing authorities. The examination and appeals process of EFH Corp. and its subsidiaries' federal income tax returns for the years ending prior to January 1, 2016 are complete. Texas margin tax returns are open for examination for tax years beginning after 2014.

In the first quarter of 2017, EFH Corp. settled all open tax claims with the IRS. As a result, we reduced the liability for uncertain tax positions by $3 million. This reduction is reported as a decrease in provision for income taxes. There were no changes to the uncertain tax positions, reported in other noncurrent liabilities in our consolidated balance sheet, during the year ended December 31, 2016. Noncurrent liabilities included no accrued interest related to uncertain tax positions at December 31, 2017 and there were no amounts recorded related to interest and penalties in the year ended December 31, 2017. Federal income tax benefits on interest accrued on uncertain tax positions, if any, is recorded as accumulated deferred income taxes.

The following table summarizes the changes to the uncertain tax positions, reported in other noncurrent liabilities in our consolidated balance sheet, during the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Balance at January 1, excluding interest and penalties	$ 3	$ 3	$ 2
Additions based on tax positions related to prior years	-	-	-
Reductions based on tax positions related to prior years	(3)	-	-
Settlements with taxing authorities	-	-	1
Balance at December 31, excluding interest and penalties	$ -	$ 3	$ 3

Of the balances at both December 31, 2016 and 2015, $3 million represents tax positions for which the uncertainty relates to the timing of recognition for tax purposes. The disallowance of such positions would not affect the effective tax rate, but would accelerate the payment of cash under the tax sharing agreement to an earlier period. In the first quarter 2017, EFH Corp. settled all open tax claims with the IRS. As a result, we reduced the liability for uncertain tax positions by $3 million. This reduction is reported as a decrease in income taxes in 2017.

Noncurrent liabilities included no accrued interest related to uncertain tax positions at December 31, 2017 and 2016. There were no amounts recorded related to interest and penalties in the years ended December 31, 2017, 2016 and 2015. The federal income tax benefit on the interest accrued on uncertain tax positions is recorded as accumulated deferred income taxes.

5. REGULATORY ASSETS AND LIABILITIES

Recognition of regulatory assets and liabilities and the periods which they are to be recovered or refunded through rate regulation are determined by the PUCT. Components of Oncor's regulatory assets and liabilities and the remaining periods as of December 31, 2017 are provided in the table below. Amounts not earning a return through rate regulation are noted.

	Remaining Rate Recovery/Amortization Period at	Carrying Amount At	
	December 31, 2017	December 31, 2017	December 31, 2016
Regulatory assets:			
Employee retirement costs being amortized	10 years	$ 331	$ 23
Unrecovered employee retirement costs incurred since the last rate review period (b)	To be determined	30	327
Employee retirement liability (a)(b)(c)	To be determined	854	849
Self-insurance reserve (primarily storm recovery costs) being amortized	10 years	394	64
Unrecovered self-insurance reserve incurred since the last rate review period (b)	To be determined	49	367
Securities reacquisition costs (post-industry restructure)	Lives of related debt	12	13
Deferred conventional meter and metering facilities depreciation	3 years	57	78
Under-recovered AMS costs	10 years	206	209
Unprotected excess deferred taxes	Various	197	-
Energy efficiency performance bonus (a)	1 year or less	12	10
Other regulatory assets	Various	38	34
Total regulatory assets		2,180	1,974
Regulatory liabilities:			
Estimated net removal costs	Lives of related assets	954	819
Protected excess deferred taxes	Various	1,595	3
Unprotected excess deferred taxes	Various	194	-
Over-recovered wholesale transmission service expense (a)	1 year or less	47	10
Other regulatory liabilities	Various	17	24
Total regulatory liabilities		2,807	856
Net regulatory assets (liabilities)		$ (627)	$ 1,118

(a) Not earning a return in the regulatory rate-setting process.
(b) Recovery is specifically authorized by statute or by the PUCT, subject to reasonableness review.
(c) Represents unfunded liabilities recorded in accordance with pension and OPEB accounting standards.

The excess deferred tax related balances at December 31, 2017 are primarily the result of the TCJA corporate federal income tax rate reduction from 35% to 21%. These regulatory assets and liabilities reflects Oncor's

obligation, as required by PUCT order in Docket No. 46957, to refund to utility customers any excess deferred tax related balances created by the reduction in the corporate federal income tax rate. The TCJA includes provisions that stipulate how quickly certain of these excess deferred tax related balances, labeled “Protected excess deferred taxes”, may be refunded to customers through reductions in future rates. These adjustments had no impact on 2017 cash flows.

In October 2017, the PUCT issued a final order in Oncor’s rate review filed in March 2017. The rate review included a determination of the recoverability of regulatory assets at December 31, 2016, including the recoverability period of those assets deemed allowable by the PUCT. The rate review resulted in significant amounts being reclassified to “Employee retirement costs being amortized” and “Self-insurance reserve being amortized” as reflected in the table above.

In September 2008, the PUCT approved a settlement for Oncor to recover their estimated future investment for advanced metering deployment. Oncor began billing the AMS surcharge in the January 2009 billing month cycle. The surcharge was expected to total $1.023 billion over the 11-year recovery period and includes a cost recovery factor of $2.19 per month per residential retail customer and $2.39 to $5.15 per month for non-residential retail customers. Oncor accounted for the difference between the surcharge billings for advanced metering facilities and the allowable revenues under the surcharge provisions, which were based on expenditures and an allowed return, as a regulatory asset or liability. Such differences arose principally as a result of timing of expenditures or cost increases. In accordance with the PUCT Docket No 46957 rate review final order, effective November 27, 2017, the AMS surcharge ceased and ongoing AMS costs are being recovered through base rates which include the recovery of the AMS regulatory asset over a 10-year period.

6. SHORT-TERM BORROWINGS

On November 17, 2017, Oncor entered into a new $2.0 billion unsecured revolving credit facility (2017 Credit Facility) to be used for working capital and general corporate purposes, issuances of letters of credit and support for any commercial paper issuances. Oncor may request increases in borrowing capacity in increments of not less than $100 million, not to exceed $400 million in the aggregate, provided certain conditions are met, including lender approvals. The 2017 Credit Facility has a five-year term expiring in November 2022 and gives Oncor the option of requesting up to two one-year extensions, with such extensions subject to certain conditions and lender approvals. The 2017 Credit Facility replaced Oncor’s previous $2.0 billion secured revolving credit facility (previous credit facility), which was terminated in connection with their entrance into the 2017 Credit Facility. Borrowings under Oncor’s previous credit facility were secured with the lien of the Deed of Trust discussed in Note 7 below. Borrowings are classified as short-term on the balance sheet.

At December 31, 2017, Oncor had outstanding borrowings under the 2017 Credit Facility totaling $950 million with an interest rate of 2.62% per annum and outstanding letters of credit totaling $9 million. At December 31, 2016, Oncor had outstanding borrowings under the previous credit facility totaling $789 million with an interest rate of 1.72% and outstanding letters of credit totaling $7 million.

Borrowings under the 2017 Credit Facility bear interest at per annum rates equal to, at Oncor’s option, (i) adjusted LIBOR plus a spread ranging from 0.875% to 1.50% depending on credit ratings assigned to their senior secured non-credit enhanced long-term debt or (ii) an alternate base rate (the highest of (1) the prime rate of JPMorgan Chase, (2) the federal funds effective rate plus 0.50%, and (3) adjusted LIBOR plus 1.00%) plus a spread ranging from 0.00% to 0.50% depending on credit ratings assigned to Oncor’s senior secured non-credit enhanced long-term debt. At December 31, 2017, all outstanding borrowings bore interest at LIBOR plus 1.125%. Amounts borrowed under the 2017 Credit Facility, once repaid, can be borrowed again from time to time.

An unused commitment fee is payable quarterly in arrears and upon termination or commitment reduction at a rate equal to 0.075% to 0.225% (such spread depending on certain credit ratings assigned to Oncor’s senior secured debt) of the daily unused commitments under the 2017 Credit Facility. Letter of credit fees on the stated amount of letters of credit issued under the 2017 Credit Facility are payable to the lenders quarterly in arrears and upon termination at a rate per annum equal to the spread over adjusted LIBOR. Customary fronting and administrative

fees are also payable to letter of credit fronting banks. At December 31, 2017, letters of credit bore interest at 1.325%, and a commitment fee (at a rate of 0.125% per annum) was payable on the unfunded commitments under the 2017 Credit Facility, each based on Oncor's current credit ratings.

Under the terms of the 2017 Credit Facility, the commitments of the lenders to make loans to Oncor are several and not joint. Accordingly, if any lender fails to make loans to us, Oncor's available liquidity could be reduced by an amount up to the aggregate amount of such lender's commitments under the facility.

Subject to the limitations described below, borrowing capacity available under the 2017 Credit Facility at December 31, 2017 was $1.041 billion, and borrowing capacity under the previous credit facility at December 31, 2016 was $1.204 billion and could be fully drawn.

The 2017 Credit Facility contains customary covenants for facilities of this type, restricting, subject to certain exceptions, Oncor and its subsidiaries from, among other things: incurring certain additional liens (not including liens relating to obligations secured pursuant to Oncor's Deed of Trust, which are permitted); entering into mergers and consolidations; sales of substantial assets and acquisitions and investments in subsidiaries. In addition, the 2017 Credit Facility requires that Oncor maintain a consolidated senior debt-to-capitalization ratio of no greater than 0.65 to 1.00 and observe certain customary reporting requirements and other affirmative covenants. For purposes of the ratio, debt is calculated as indebtedness defined in the 2017 Credit Facility (principally, the sum of long-term debt, any capital leases, short-term debt and debt due currently in accordance with GAAP). Capitalization is calculated as membership interests determined in accordance with GAAP plus indebtedness described above. At December 31, 2017, Oncor was in compliance with this and all other covenants.

7. LONG-TERM DEBT

Senior notes are secured by a first priority lien on certain transmission and distribution assets equally and ratably with all of Oncor's other secured indebtedness. See "Deed of Trust" below for additional information. According to our organizational documents, Oncor Holdings (parent) is prohibited from directly incurring indebtedness for borrowed money. At December 31, 2017 and 2016, long-term debt consisted of the following:

	December 31,	
	2017	2016
Secured:		
5.000% Fixed Senior Notes due September 30, 2017	$ -	$ 324
6.800% Fixed Senior Notes due September 1, 2018	550	550
2.150% Fixed Senior Notes due June 1, 2019	250	250
5.750% Fixed Senior Notes due September 30, 2020	126	126
4.100% Fixed Senior Notes due June 1, 2022	400	400
7.000% Fixed Debentures due September 1, 2022	800	800
2.950% Fixed Senior Notes due April 1, 2025	350	350
7.000% Fixed Senior Notes due May 1, 2032	500	500
7.250% Fixed Senior Notes due January 15, 2033	350	350
7.500% Fixed Senior Notes due September 1, 2038	300	300
5.250% Fixed Senior Notes due September 30, 2040	475	475
4.550% Fixed Senior Notes due December 1, 2041	400	400
5.300% Fixed Senior Notes due June 1, 2042	500	500
3.750% Fixed Senior Notes due April 1, 2045	550	550
3.800% Fixed Senior Notes due September 30, 2047	325	-
Secured long-term debt	5,876	5,875
Unsecured:		
Term loan credit agreement due no later than March 26, 2019	275	-
Total long-term debt	6,151	5,875
Unamortized discount and debt issuance costs	(34)	(36)
Less amount due currently	(550)	(324)
Long-term debt, less amounts due currently	$ 5,567	$ 5,515

Debt-Related Activity in 2017

Debt Repayments

Repayments of long-term debt in 2017 consisted of $324 million aggregate principal amount of 5.00% senior secured notes due September 30, 2017 (2017 Notes) that Oncor redeemed on September 29, 2017.

Issuance of Senior Secured Notes

In September 2017, Oncor issued $325 million aggregate principal amount of 3.80% senior secured notes due September 30, 2047 (2047 Notes). Oncor used the proceeds (net of the initial purchasers' discount, fees and expenses) of $321 million from the sale of the 2047 Notes for general corporate purposes, including repayment of borrowings under the revolving credit facility and payment of a portion of the redemption price for the 2017 Notes.

The 2047 Notes are secured by a first priority lien, and are secured equally and ratably with all of Oncor's other secured indebtedness.

Interest on the 2047 Notes is payable in cash semiannually on March 30 and September 30 of each year, beginning on March 30, 2018. Prior to March 30, 2047, Oncor may at its option at any time redeem all or part of the 2047 Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a make-whole premium. On and after March 30, 2047, Oncor may redeem the 2047 Notes at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of such 2047 Notes, plus accrued and unpaid interest. The 2047 Notes also contain customary events of default, including failure to pay principal or interest on the Notes when due.

The 2047 Notes were issued in a private placement and were not registered under the Securities Act. Oncor has agreed, subject to certain exceptions, to register with the SEC notes having substantially identical terms as the 2047 Notes (except for provisions relating to the transfer restriction and payment of additional interest) as part of an offer to exchange freely tradable exchange notes for the 2047 Notes. Oncor has agreed to use commercially reasonable efforts to cause the exchange offer to be completed within 315 days after the issue date of the 2047 Notes. If a registration statement for the exchange offer is not declared effective by the SEC within 270 days after the issue date of the 2047 Notes or the exchange offer is not completed within 315 days after the issue date of the 2047 Notes (an exchange default), then the annual interest rate on the 2047 Notes will increase 50 basis points per annum until the earlier of the expiration of the exchange default or the second anniversary of the issue date of the 2047 Notes.

Term Loan Credit Agreement

On September 26, 2017, Oncor entered into an unsecured term loan credit agreement in an aggregate principal amount of $275 million. Oncor used the proceeds (net of the fees and expenses) for general corporate purposes, including repayment of borrowings under the revolving credit facility and to pay a portion of the redemption price for the 2017 Notes. The term loan credit agreement has an 18 month term maturing on March 26, 2019, and contains optional prepayment provisions as well as mandatory prepayment provisions that require prepayment in the event of certain specified debt issuances or certain specified asset dispositions.

At December 31, 2017, Oncor had outstanding borrowings of $275 million under the term loan credit agreement bearing interest at a rate per annum of 2.452%.

Loans under the term loan credit agreement bear interest at per annum rates equal to, at Oncor's option, (i) LIBOR plus 0.90%, or (ii) an alternate base rate (the highest of (1) the prime rate of Wells Fargo Bank, National Association, (2) the federal funds effective rate plus 0.50%, and (3) daily one-month LIBOR plus 1.00%).

The term loan credit agreement contains customary covenants for facilities of this type, restricting, subject to certain exceptions, us and our subsidiaries from, among other things, incurring additional liens, entering into mergers and consolidations, and sales of substantial assets. In addition, the term loan credit agreement requires that Oncor maintain a consolidated senior debt to capitalization ratio of no greater than 0.65 to 1.00 and observe certain customary reporting requirements and other affirmative covenants. At December 31, 2017, Oncor was in compliance with the covenants under their term loan credit agreement.

The term loan credit agreement also contains customary events of default for facilities of this type the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments, including certain changes in control of Oncor that are not permitted transactions under the term loan credit agreement, cross-default provisions in the event Oncor or any of its subsidiaries defaults on indebtedness in a principal amount in excess of $100 million or receives judgments for the payment of money in excess of $50 million that are not discharged within 60 days.

Debt-Related Activity in 2016

Debt Repayments

Repayments of long-term debt in 2016 totaled $41 million, representing the final transition bond principal payment at the scheduled maturity date.

Issuance of Senior Secured Notes

In August 2016, Oncor completed the sale of $175 million aggregate principal amount of 3.75% senior secured notes maturing in April 2045 (Additional 2045 Notes). The Additional 2045 Notes were an additional issuance of Oncor's 3.75% senior secured notes maturing in April 2045, $375 million aggregate principal amount of which were previously issued in March 2015 (2045 Notes). The Additional 2045 Notes were issued as part of the same series as the 2045 Notes. Oncor used the net proceeds of approximately $185 million from the sale of the Additional 2045 Notes to repay borrowings under Oncor's revolving credit facility and for general corporate purposes. The Additional 2045 Notes and 2045 Notes are secured by the first priority lien and are secured equally and ratably with all of Oncor's other secured indebtedness as discussed below.

Interest on the Additional 2045 Notes is payable in cash semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2016. Oncor may at its option redeem the Additional 2045 Notes, in whole or in part, at any time, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and, until October 1, 2044, a make-whole premium. The Additional 2045 Notes also contain customary events of default, including failure to pay principal or interest on the Additional 2045 Notes when due.

The Additional 2045 Notes were issued in a private placement. In January 2017, Oncor completed an offering with the holders of the Additional 2045 Notes to exchange their respective Additional 2045 Notes for notes that have terms identical in all material respects to the Additional 2045 Notes (Exchange Notes), except that the Exchange Notes do not contain terms with respect to transfer restrictions, registration rights and payment of additional interest for failure to observe certain obligations in a certain registration rights agreement. The Exchange Notes were registered on a Form S-4, which was declared effective in December 2016.

Deed of Trust

Oncor's secured indebtedness is secured equally and ratably by a first priority lien on property Oncor acquired or constructed for the transmission and distribution of electricity. The property is mortgaged under the Deed of Trust. The Deed of Trust permits Oncor to secure indebtedness (excluding borrowings under the 2017 Credit Facility and term loan credit agreement) with the lien of the Deed of Trust up to the aggregate of (i) the amount of available bond credits, and (ii) 85% of the lower of the fair value or cost of certain property additions that could be certified to the Deed of Trust collateral agent. At December 31, 2017, the amount of available bond credits was approximately $3.038 billion and the amount of future debt Oncor could secure with property additions, subject to those property additions being certified to the Deed of Trust collateral agent, was $2.458 billion.

Maturities

Long-term debt maturities at December 31, 2017, are as follows:

Year		Amount
2018	$	550
2019		525
2020		126
2021		-
2022		1,200
Thereafter		3,750
Unamortized discount and debt issuance costs		(34)
Total	$	6,117

Fair Value of Long-Term Debt

At December 31, 2017 and 2016, the estimated fair value of Oncor's long-term debt (including current maturities) totaled $7.153 billion and $6.751 billion, respectively, and the carrying amount totaled $6.117 billion and $5.839 billion, respectively. The fair value is estimated using observable market data, representing Level 2 valuations under accounting standards related to the determination of fair value.

8. COMMITMENTS AND CONTINGENCIES

EFH Bankruptcy Proceedings

On the EFH Petition Date, the Debtors commenced the EFH Bankruptcy Proceedings. The Oncor Ring-Fenced Entities are not parties to the EFH Bankruptcy Proceedings. See Notes 2 and 13 for a discussion of the potential impacts on us as a result of the EFH Bankruptcy Proceedings and our related-party transactions involving members of the Texas Holdings Group, respectively.

Leases

At December 31, 2017, future minimum lease payments under operating leases (with initial or remaining noncancelable lease terms in excess of one year) were as follows:

Year		Amount
2018	$	32
2019		21
2020		14
2021		11
2022		10
Thereafter		1
Total future minimum lease payments	$	89

Rent charged to operation and maintenance expense totaled $27 million, $9 million and $8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Efficiency Spending

Oncor is required to annually invest in programs designed to improve customer electricity demand efficiencies to satisfy ongoing regulatory requirements. The 2018 requirement is $50 million which is recoverable in rates.

Legal/Regulatory Proceedings

We are involved in various legal and administrative proceedings in the normal course of business, the ultimate resolution of which, in the opinion of management, should not have a material effect upon our financial position, results of operations or cash flows. See Note 3 for additional information regarding contingencies.

Labor Contracts

At December 31, 2017, approximately 19% of Oncor's full time employees were represented by a labor union and are covered by a collective bargaining agreement with an expiration date of October 25, 2018.

Environmental Contingencies

Oncor must comply with environmental laws and regulations applicable to the handling and disposal of hazardous waste. Oncor is in compliance with all current laws and regulations; however, the impact, if any, of changes to existing regulations or the implementation of new regulations is not determinable. The costs to comply with environmental regulations can be significantly affected by the following external events or conditions:

- changes to existing state or federal regulation by governmental authorities having jurisdiction over control of toxic substances and hazardous and solid wastes, and other environmental matters, and
- the identification of additional sites requiring clean-up or the filing of other complaints in which Oncor may be asserted to be a potential responsible party.

9. MEMBERSHIP INTERESTS

While there are no direct restrictions on our ability to distribute our net income that are currently material, substantially all of our net income is derived from Oncor. Our board of directors and Oncor's board of directors, which are composed of a majority of independent directors, can withhold distributions to the extent such board determines that it is necessary to retain such amounts to meet the respective company's expected future requirements.

Oncor's distributions are limited by its required regulatory capital structure to be at or below the assumed debt-to-equity ratio established periodically by the PUCT for ratemaking purposes. The PUCT has the authority to determine what types of debt and equity are included in a utility's debt-to-equity ratio. For purposes of this ratio, debt is calculated as long-term debt including capital leases plus unamortized gains on reacquired debt less unamortized issuance expenses, premiums and losses on reacquired debt. Equity is calculated as membership interests determined in accordance with GAAP, excluding the effects of acquisition accounting (which included recording the initial goodwill and fair value adjustments and subsequent related impairments and amortization).

At December 31, 2017, Oncor's regulatory capitalization ratio was 59.4% debt to 40.6% equity. Effective November 27, 2017, based on the PUCT order issued in PUCT Docket No. 46957 (see Note 3 for more details), Oncor's authorized capital structure is 57.5% debt to 42.5% equity. Oncor's previous PUCT authorized capital structure was 60% debt to 40% equity. The order in PUCT Docket No. 46957 provides for the use of a regulatory liability and bill credit mechanism until the new authorized regulatory capital structure is met following the effective date for new rates to reflect Oncor's actual capitalization prior to achieving the authorized capital structure. Until Oncor's regulatory equity reaches 42.5%, distributions may not be paid to Oncor's members, of which approximately 80% relates to our ownership interest.

On October 25, 2017, Oncor's board of directors declared a contingent cash distribution of $32 million to be paid to its members as of October 25, 2017 within one business day after an additional equity contribution is made to Oncor from members totaling approximately $250 million. In the event the additional equity contribution is not made on or before the date of the closing of the Sempra Merger Agreement, no distribution shall be payable. As of February 22, 2018 the distribution had not been made. For more information on the Sempra Merger Agreement, see Note 2.

On October 25, 2017, our board of directors declared a contingent cash distribution to be paid to EFIH upon receipt of our portion of the contingent Oncor distribution described above, in an amount equal to the amount received from Oncor minus our expected tax liability to EFH Corp. for the quarter ended December 31, 2017 under the tax sharing agreement discussed in Note 13. No distribution is payable in the event the Oncor distribution is not received.

During 2017, our board of directors declared, and we paid the following cash distributions to EFIH:

Declaration Date	Payment Date	Amount	
July 26, 2017	August 1, 2017	$	46
April 26, 2017	April 27, 2017	$	62
March 22, 2017	March 24, 2017	$	62

During 2016, our board of directors declared, and we paid the following cash distributions to EFIH:

Declaration Date	Payment Date	Amount	
October 26, 2016	October 27, 2016	$	28
July 27, 2016	August 11, 2016	$	49
April 27, 2016	May 11, 2016	$	46
February 24, 2016	February 25, 2016	$	40

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes to accumulated other comprehensive income (loss) for the years ended December 31, 2017 and 2016:

	Cash Flow Hedges – Interest Rate Swap		Defined Benefit Pension and OPEB Plans		Accumulated Other Comprehensive Income (Loss)	
Balance at December 31, 2015	$	(18)	$	(73)	$	(91)
Defined benefit pension plans (net of tax)		-		-		-
Amounts reclassified from accumulated other comprehensive income (loss) and reported in interest expense and related charges		2		-		2
Balance at December 31, 2016	$	(16)	$	(73)	$	(89)
Defined benefit pension plans (net of tax)		-		6		6
Amounts reclassified from accumulated other comprehensive income (loss) and reported in interest expense and related charges		2		-		2
Balance at December 31, 2017	$	(14)	$	(67)	$	(81)

10. NONCONTROLLING INTERESTS

At December 31, 2017, Oncor’s ownership was as follows: 80.03% held by us, 19.75% held by Texas Transmission and 0.22% held indirectly by certain current and former members of Oncor’s management team and board of directors. The book value of the noncontrolling interests exceeds its ownership percentage due to the portion of Oncor’s deferred taxes not attributable to the noncontrolling interests.

11. PENSION AND OPEB PLANS

Regulatory Recovery of Pension and OPEB Costs

PURA provides for Oncor’s recovery of pension and OPEB costs applicable to services of its active and retired employees, as well as services of other EFH Corp./Vistra active and retired employees prior to the deregulation and disaggregation of EFH Corp.’s electric utility businesses effective January 1, 2002 (recoverable service). Accordingly, Oncor entered into an agreement with a predecessor of EFH Corp. whereby it assumed responsibility for applicable pension and OPEB costs related to those personnel’s recoverable service. Oncor subsequently entered into agreements with EFH Corp. and a Vistra affiliate regarding provision of these benefits. Pursuant to the agreement with the Vistra affiliate, Oncor now sponsors an OPEB plan that provides certain retirement healthcare and life insurance benefits to eligible former Oncor, EFH Corp. and Vistra employees for whom both Oncor and Vistra bear a portion of the benefit responsibility. See “Oncor OPEB Plan” below for more information.

Oncor is authorized to establish a regulatory asset or liability for the difference between the amounts of pension and OPEB costs approved in current billing rates and the actual amounts that would otherwise have been recorded as charges or credits to earnings related to recoverable service. Amounts deferred are ultimately subject to regulatory approval. At December 31, 2017 and 2016, Oncor had recorded regulatory assets totaling $1.215 billion and $1.199 billion, respectively, related to pension and OPEB costs, including amounts related to deferred expenses as well as amounts related to unfunded liabilities that otherwise would be recorded as other comprehensive income.

Oncor has also assumed primary responsibility for pension benefits of a closed group of retired and terminated vested plan participants not related to our regulated utility business (non-recoverable service) in a 2012 transaction. Any retirement costs associated with non-recoverable service is not recoverable through rates.

Pension Plans

Oncor sponsors the Oncor Retirement Plan and also has liabilities under the Vistra Retirement Plan (formerly EFH Retirement Plan), both of which are qualified pension plans under Section 401(a) of the Internal Revenue Code of 1986, as amended (Code), and are subject to the provisions of ERISA. Employees do not contribute to either plan. These pension plans provide benefits to participants under one of two formulas: (i) a Cash Balance Formula under which participants earn monthly contribution credits based on their compensation and a combination of their age and years of service, plus monthly interest credits or (ii) a Traditional Retirement Plan Formula based on years of service and the average earnings of the three years of highest earnings. The interest component of the Cash Balance Formula is variable and is determined using the yield on 30-year Treasury bonds. Under the Cash Balance Formula, future increases in earnings will not apply to prior service costs.

All eligible employees hired after January 1, 2001 participate under the Cash Balance Formula. Certain employees, who, prior to January 1, 2002, participated under the Traditional Retirement Plan Formula, continue their participation under that formula. It is sponsors’ policy to fund the plans on a current basis to the extent required under existing federal tax and ERISA regulations.

Oncor also has the Oncor Supplemental Retirement Plan for certain employees whose retirement benefits cannot be fully earned under the qualified retirement plan. Oncor Supplemental Retirement Plan amounts are included in the reported pension amounts below.

Oncor OPEB Plan

The Oncor OPEB Plan covers its eligible current and future retirees. Pursuant to Oncor's agreement with a Vistra affiliate, Oncor sponsors an OPEB plan that covers certain eligible retirees of Oncor, EFH Corp./Vistra and their affiliates whose employment service was assigned to both Oncor (or a predecessor regulated electric business) and a non-regulated business of EFH Corp. Vistra is solely responsible for its portion of the liability for retiree benefits related to those retirees. As we or Oncor are not responsible for Vistra's portion of the Oncor OPEB Plan's unfunded liability totaling $111 million as of December 31, 2017, that amount is not reported on the balance sheet.

OPEB plan contributions are generally required to be made at least annually based on OPEB expense included in rates. Contributions are placed in an irrevocable external trust fund dedicated to the payment of OPEB expenses.

For employees retiring on or after January 1, 2002, the retiree contributions required for such coverage vary based on a formula depending on the retiree's age and years of service.

Pension and OPEB Costs Recognized as Expense

Pension and OPEB amounts provided herein include amounts related only to Oncor's portion of the various plans based on actuarial computations and reflect Oncor's employee and retiree demographics as described above. Oncor's net costs related to pension and OPEB plans for the years ended December 31, 2017, 2016 and 2015 were comprised of the following:

	Year Ended December 31,		
	2017	**2016**	**2015**
Pension costs	$ 85	$ 76	$ 104
OPEB costs	58	62	53
Total benefit costs	143	138	157
Less amounts recognized principally as property or a regulatory asset	(98)	(100)	(113)
Net amounts recognized as expense	$ 45	$ 38	$ 44

The calculated value method is used to determine the market-related value of the assets held in the trust for purposes of calculating pension costs. Realized and unrealized gains or losses in the market-related value of assets are included over a rolling four-year period. Each year, 25% of such gains and losses for the current year and for each of the preceding three years is included in the market-related value. Each year, the market-related value of assets is increased for contributions to the plan and investment income and is decreased for benefit payments and expenses for that year.

The fair value method is used to determine the market-related value of the assets held in the trust for purposes of calculating OPEB cost.

Detailed Information Regarding Pension and OPEB Benefits

The following pension and OPEB information is based on December 31, 2017, 2016 and 2015 measurement dates:

	Pension Plans			OPEB Plan		
	Year Ended December 31,			Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Assumptions Used to Determine Net Periodic Pension and OPEB Costs:						
Discount rate	4.05%	4.30%	3.96%	4.35%	4.60%	4.23%
Expected return on plan assets	5.17%	5.54%	5.26%	6.10%	6.30%	6.65%
Rate of compensation increase	3.33%	3.29%	3.29%	-	-	-
Components of Net Pension and OPEB Costs:						
Service cost	$ 24	$ 23	$ 25	$ 7	$ 7	$ 7
Interest cost	131	134	131	47	49	43
Expected return on assets	(115)	(122)	(115)	(8)	(9)	(10)
Amortization of prior service cost (credit)	-	-	-	(20)	(20)	(20)
Amortization of net loss	45	41	63	32	35	33
Net periodic pension and OPEB costs	$ 85	$ 76	$ 104	$ 58	$ 62	$ 53
Other Changes in Plan Assets and Benefit Obligations Recognized as Regulatory Assets or in Other Comprehensive Income:						
Net loss (gain)	$ (11)	$ 41	$ 37	$ 139	$ 10	$ 39
Amortization of net loss	(45)	(41)	(63)	(32)	(35)	(33)
Plan amendments	-	-	-	(78)	-	-
Amortization of prior service (cost) credit	-	-	-	20	20	20
Total recognized as regulatory assets or other comprehensive income	(56)	-	(26)	49	(5)	26
Total recognized in net periodic pension and OPEB costs and as regulatory assets or other comprehensive income	$ 29	$ 76	$ 78	$ 107	$ 57	$ 79

	Pension Plans			OPEB Plan		
	Year Ended December 31,			Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Assumptions Used to Determine Benefit Obligations at Period End:						
Discount rate	3.54%	4.05%	4.30%	3.73%	4.35%	4.60%
Rate of compensation increase	4.46%	3.33%	3.29%	-	-	-

	Pension Plans		OPEB Plan	
	Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Change in Projected Benefit Obligation:				
Projected benefit obligation at beginning of year	$ 3,307	$ 3,201	$ 1,116	$ 1,088
Service cost	24	23	7	7
Interest cost	131	134	47	49
Participant contributions	-	-	19	17
Assumption of liabilities	-	-	-	7
Plan amendments	-	-	(78)	-
Actuarial (gain) loss	201	106	154	10
Benefits paid	(163)	(157)	(67)	(62)
Projected benefit obligation at end of year	$ 3,500	$ 3,307	$ 1,198	$ 1,116
Accumulated benefit obligation at end of year	$ 3,387	$ 3,213	$ -	$ -
Change in Plan Assets:				
Fair value of assets at beginning of year	$ 2,287	$ 2,252	$ 143	$ 141
Actual return (loss) on assets	327	188	23	9
Employer contributions	149	4	31	31
Assets related to assumed liabilities	-	-	-	7
Participant contributions	-	-	19	17
Benefits paid	(163)	(157)	(67)	(62)
Fair value of assets at end of year	$ 2,600	$ 2,287	$ 149	$ 143
Funded Status:				
Projected benefit obligation at end of year	$ (3,500)	$ (3,307)	$ (1,198)	$ (1,116)
Fair value of assets at end of year	2,600	2,287	149	143
Funded status at end of year	$ (900)	$ (1,020)	$ (1,049)	$ (973)

	Pension Plans				OPEB Plan			
	Year Ended December 31,				Year Ended December 31,			
	2017		2016		2017		2016	
Amounts Recognized in the Balance Sheet Consist of:								
Liabilities:								
Other current liabilities	$	(4)	$	(4)	$	(12)	$	-
Other noncurrent liabilities		(896)		(1,016)		(1,037)		(973)
Net liability recognized	$	(900)	$	(1,020)	$	(1,049)	$	(973)
Regulatory assets:								
Net loss	$	538	$	583	$	402	$	296
Prior service cost (credit)		-		-		(86)		(30)
Net regulatory asset recognized	$	538	$	583	$	316	$	266
Accumulated other comprehensive net loss	$	124	$	136	$	3	$	4

The following tables provide information regarding the assumed health care cost trend rates.

	Year Ended December 31,	
	2017	2016
Assumed Health Care Cost Trend Rates – Not Medicare Eligible:		
Health care cost trend rate assumed for next year (a)	8.00%	5.80%
Rate to which the cost trend is expected to decline (the ultimate trend rate)	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	2026	2024
Assumed Health Care Cost Trend Rates – Medicare Eligible:		
Health care cost trend rate assumed for next year (b)	9.40%	5.70%
Rate to which the cost trend is expected to decline (the ultimate trend rate)	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	2026	2024

(a) 2017 trend rates include weighting for prescription drugs. Comparable rate for 2016 is 6.80%.

(b) 2017 trend rates include weighting for prescription drugs. Comparable rate for 2016 is 8.40%.

	1-Percentage Point Increase		1-Percentage Point Decrease	
Sensitivity Analysis of Assumed Health Care Cost Trend Rates:				
Effect on accumulated postretirement obligation	$	158	$	(131)
Effect on postretirement benefits cost		8		(6)

The following table provides information regarding pension plans with projected benefit obligations (PBO) and accumulated benefit obligations (ABO) in excess of the fair value of plan assets.

	At December 31,	
	2017	2016
Pension Plan with PBO and ABO in Excess of Plan Assets:		
Projected benefit obligations	$ 3,316	$ 3,137
Accumulated benefit obligations	3,207	3,051
Plan assets	2,409	2,112

Pension and OPEB Plans Investment Strategy and Asset Allocations

Oncor's investment objective for the retirement plans is to invest in a suitable mix of assets to meet the future benefit obligations at an acceptable level of risk, while minimizing the volatility of contributions. Equity securities are held to achieve returns in excess of passive indexes by participating in a wide range of investment opportunities. International equity, real estate securities and credit strategies (high yield bonds, emerging market debt and bank loans) are used to further diversify the equity portfolio. International equity securities may include investments in both developed and emerging international markets. Fixed income securities include primarily corporate bonds from a diversified range of companies, U.S.Treasuries and agency securities and money market instruments. The investment strategy for fixed income investments is to maintain a high grade portfolio of securities, which assists Oncor in managing the volatility and magnitude of plan contributions and expense while maintaining sufficient cash and short-term investments to pay near-term benefits and expenses.

The Oncor Retirement Plan's investments are managed in two pools: one pool associated with the recoverable service portion of plan obligations related to Oncor's regulated utility business, and a second pool associated with the non-recoverable service portion of plan obligations not related to Oncor's regulated utility business. Each pool is invested in a broadly diversified portfolio as shown below. The second pool represents about 31% of total investments at December 31, 2017.

The target asset allocation ranges of the pension plans investments by asset category are as follows:

	Target Allocation Ranges	
Asset Category	**Recoverable**	**Non-recoverable**
International equities	13% - 21%	5% - 9%
U.S. equities	16% - 24%	6% - 10%
Real estate	3% - 6%	-
Credit strategies	5% - 9%	4% - 6%
Fixed income	45% - 57%	76% - 84%

The investment objective for the OPEB plan primarily follows the objectives of the pension plans discussed above, while maintaining sufficient cash and short-term investments to pay near-term benefits and expenses. The actual amounts at December 31, 2017 provided below are consistent with the asset allocation targets.

Fair Value Measurement of Pension Plans Assets

At December 31, 2017 and 2016, pension plans assets measured at fair value on a recurring basis consisted of the following:

	At December 31, 2017			
	Level 1	Level 2	Level 3	Total
Asset Category				
Interest-bearing cash	$ -	$ 11	$ -	$ 11
Equity securities:				
U.S.	235	2	-	237
International	271	-	-	271
Fixed income securities:				
Corporate bonds (a)	-	1,081	-	1,081
U.S. Treasuries	-	251	-	251
Other (b)	-	44	-	44
Real estate	-	-	3	3
Total assets in the fair value hierarchy	$ 506	$ 1,389	$ 3	1,898
Total assets measured at net asset value (c)				702
Total fair value of plan assets				$ 2,600

	At December 31, 2016			
	Level 1	Level 2	Level 3	Total
Asset Category				
Interest-bearing cash	$ -	$ 14	$ -	$ 14
Equity securities:				
U.S.	193	3	-	196
International	225	-	-	225
Fixed income securities:				
Corporate bonds (a)	-	1,089	-	1,089
U.S. Treasuries	-	223	-	223
Other (b)	-	40	-	40
Real estate	-	-	5	5
Total assets in the fair value hierarchy	$ 418	$ 1,369	$ 5	$ 1,792
Total assets measured at net asset value (c)				495
Total fair value of plan assets				$ 2,287

(a) Substantially all corporate bonds are rated investment grade by a major ratings agency such as Moody's.
(b) Other consists primarily of municipal bonds, emerging market debt, bank loans and fixed income derivative instruments.
(c) Fair value was measured using the net asset value (NAV) per share as a practical expedient as the investments did not have a readily determinable fair value and are not required to be classified in the fair value hierarchy. The NAV fair value amounts presented here are intended to permit a reconciliation to the total fair value of plan assets.

The decrease in the fair value of the Level 3 assets was due to the sale of a portion of the investments.

Fair Value Measurement of OPEB Plan Assets

At December 31, 2017 and 2016, OPEB plan assets measured at fair value on a recurring basis consisted of the following:

	At December 31, 2017			
	Level 1	Level 2	Level 3	Total
Asset Category				
Interest-bearing cash	$ 1	$ 1	$ -	$ 2
Equity securities:				
U.S.	35	-	-	35
International	33	-	-	33
Fixed income securities:				
Corporate bonds (a)	-	30	-	30
U.S. Treasuries	-	3	-	3
Other (b)	28	1	-	29
Total assets in the fair value hierarchy	$ 97	$ 35	$ -	132
Total assets measured at net asset value (c)				17
Total fair value of plan assets				$ 149

	At December 31, 2016			
	Level 1	Level 2	Level 3	Total
Asset Category				
Interest-bearing cash	$ 2	$ -	$ -	$ 2
Equity securities:				
U.S.	41	-	-	41
International	28	-	-	28
Fixed income securities:				
Corporate bonds (a)	-	28	-	28
U.S. Treasuries	-	2	-	2
Other (b)	28	-	-	28
Total assets in the fair value hierarchy	$ 99	$ 30	$ -	129
Total assets measured at net asset value (c)				14
Total fair value of plan assets				$ 143

(a) Substantially all corporate bonds are rated investment grade by a major ratings agency such as Moody's.
(b) Other consists primarily of diversified bond mutual funds.
(c) Fair value was measured using the net asset value (NAV) per share as a practical expedient as the investments did not have a readily determinable fair value and are not required to be classified in the fair value hierarchy. The NAV fair value amounts presented here are intended to permit a reconciliation to the total fair value of plan assets.

Expected Long-Term Rate of Return on Assets Assumption

The retirement plans' strategic asset allocation is determined in conjunction with the plans' advisors and utilizes a comprehensive Asset-Liability modeling approach to evaluate potential long-term outcomes of various investment strategies. The modeling incorporates long-term rate of return assumptions for each asset class based on historical and future expected asset class returns, current market conditions, rate of inflation, current prospects for economic growth, and taking into account the diversification benefits of investing in multiple asset classes and potential benefits of employing active investment management.

Pension Plans		OPEB Plan	
Asset Class	**Expected Long-Term Rate of Return**	**Asset Class**	**Expected Long-Term Rate of Return**
International equity securities	7.33%	401(h) accounts	6.51%
U.S. equity securities	6.40%	Life insurance VEBA	6.13%
Real estate	5.60%	Union VEBA	6.13%
Credit strategies	5.03%	Non-union VEBA	2.60%
Fixed income securities	4.20%	Weighted average	6.20%
Weighted average (a)	5.48%		

(a) The 2018 expected long-term rate of return for the nonregulated portion of the Oncor Retirement Plan is 4.36% and 4.78% for Oncor's portion of the Vistra Retirement Plan.

Significant Concentrations of Risk

The plans' investments are exposed to risks such as interest rate, capital market and credit risks. Oncor seeks to optimize return on investment consistent with levels of liquidity and investment risk which are prudent and reasonable, given prevailing capital market conditions and other factors specific to participating employers. While Oncor recognizes the importance of return, investments will be diversified in order to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so. There are also various restrictions and guidelines in place including limitations on types of investments allowed and portfolio weightings for certain investment securities to assist in the mitigation of the risk of large losses.

Assumed Discount Rate

For the Oncor retirement plans at December 31, 2017, Oncor selected the assumed discount rate using the Aon Hewitt AA-AAA Bond Universe yield curve, which is based on corporate bond yields and at December 31, 2017 consisted of 1,029 corporate bonds with an average rating of AA and AAA using Moody's, S&P and Fitch ratings. For the Oncor OPEB Plan at December 31, 2017, Oncor selected the assumed discount rate using the Aon Hewitt AA Above Median yield curve, which is based on corporate bond yields and at December 31, 2017 consisted of 391 corporate bonds with an average rating of AA using Moody's, S&P and Fitch ratings.

Amortization in 2018

In 2018, amortization of the net actuarial loss for the defined benefit pension plans from regulatory assets and other comprehensive income into net periodic benefit cost is expected to be $45 million and $4 million, respectively. No amortization of prior service credit is expected in 2018 for the defined benefit pension plans. Amortization of the net actuarial loss for the OPEB plan from regulatory assets and other comprehensive income into net periodic benefit cost is expected to be $56 million and $1 million, respectively. Amortization of prior service credit for the OPEB plan from regulatory assets and other comprehensive income into net periodic benefit cost is expected to be $30 million and zero, respectively.

Pension and OPEB Plans Cash Contributions

Oncor's contributions to the benefit plans were as follows:

	Year Ended December 31,		
	2017	2016	2015
Pension plans contributions	$ 149	$ 4	$ 54
OPEB plan contributions	31	31	25
Total contributions	$ 180	$ 35	$ 79

Oncor's funding for the pension plans and the Oncor OPEB Plan is expected to total $82 million and $35 million, respectively in 2018 and approximately $556 million and $178 million, respectively, in the 2018 to 2022 period.

Future Benefit Payments

Estimated future benefit payments to participants are as follows:

	2018	2019	2020	2021	2022	2023-27
Pension plans	$ 186	$ 187	$ 192	$ 197	$ 200	$ 1,050
OPEB plan	$ 56	$ 59	$ 62	$ 65	$ 68	$ 351

Thrift Plan

Oncor employees are eligible to participate in a qualified savings plan, a participant-directed defined contribution plan intended to qualify under Section 401(a) of the Code, and is subject to the provisions of ERISA. Under the plan, employees may contribute, through pre-tax salary deferrals and/or after-tax applicable payroll deductions, a portion of their regular salary or wages as permitted under law. Employer matching contributions are made in an amount equal to 100% of the first 6% of employee contributions for employees who are covered under the Cash Balance Formula of the Oncor Retirement Plan, and 75% of the first 6% of employee contributions for employees who are covered under the Traditional Retirement Plan Formula of the Oncor Retirement Plan. Employer matching contributions are made in cash and may be allocated by participants to any of the plan's investment options. Oncor's contributions to the Thrift Plan totaled $17 million, $15 million and $14 million for the year ended December 31, 2017, 2016 and 2015, respectively.

12. STOCK-BASED COMPENSATION

Oncor currently does not offer stock-based compensation to its employees or directors. In 2008, Oncor established the SARs Plan under which certain of its executive officers and key employees were granted stock appreciation rights payable in cash, or in some circumstances, Oncor membership interests. In February 2009, Oncor established the Oncor Electric Delivery Company LLC Director Stock Appreciation Rights Plan (the Director SARs Plan) under which certain non-employee members of its board of directors and other persons having a relationship with Oncor were granted SARs payable in cash, or in some circumstances, Oncor membership interests.

In November 2012, Oncor accepted the early exercise of all outstanding SARs (both vested and unvested) issued to date pursuant to both SARs Plans. As part of the 2012 early exercise of SARs Oncor began accruing interest on dividends declared with respect to the SARs. Under both SARs plans, dividends that were paid in respect

of Oncor membership interests while the SARs were outstanding were credited to the SARs holder's account as if the SARs were units, payable upon the earliest to occur of death, disability, separation from service, unforeseeable emergency, a change in control, or the occurrence of an event triggering SAR exercisability pursuant to Section 5(c)(ii) of the SARs Plan. As a result, at December 31, 2017, Oncor have recorded a liability of approximately $11 million relating to SARS dividend accruals. For accounting purposes, the liability is discounted based on an employee's or director's expected retirement date. Oncor recognized approximately $1 million in accretion and interest with respect to such dividends in each of the years 2017, 2016 and 2015.

13. RELATED-PARTY TRANSACTIONS

The following represent our significant related-party transactions and related matters. See Note 2 for additional information regarding related-party contingencies resulting from the EFH Bankruptcy Proceedings and information regarding the Vistra Spin-Off. As a result of the Vistra Spin-Off, Vistra and its subsidiaries, including Luminant and TXU Energy, ceased to be related parties as of October 3, 2016.

- Oncor recorded revenue from TCEH, principally for electricity delivery fees, which totaled $715 million for the period January 1, 2016 through October 2, 2016 and $955 million for the year ended December 31, 2015. The fees are based on rates regulated by the PUCT that apply to all REPs.

- EFH Corp. subsidiaries charged Oncor for certain administrative services at cost. Oncor's payments to EFH Corp. subsidiaries for administrative services, which are primarily reported in operation and maintenance expenses, totaled $1 million and $17 million for the years 2016 and 2015, respectively. Oncor and EFH Corp. also charge each other for shared facilities at cost. Oncor's payments to EFH Corp. subsidiaries for shared facilities totaled $3 million and $4 million for each of the years ended December 31, 2016 and 2015, respectively. Payments Oncor received from EFH Corp. subsidiaries related to shared facilities totaled $1 million and $2 million for the years 2016 and 2015, respectively.

- We are a member of EFH Corp.'s consolidated tax group, though Oncor is not, and EFH Corp.'s consolidated federal income tax return includes our results. Under the terms of a tax sharing agreement, we are obligated to make payments to EFH Corp. in an aggregate amount that is substantially equal to the amount of federal income taxes that we would have been required to pay if we were filing our own corporate income tax return. Also under the terms of the tax sharing agreement, Oncor makes similar payments to Texas Transmission and Investment LLC, pro rata in accordance with their respective membership interests in Oncor, in an aggregate amount that is substantially equal to the amount of federal income taxes that Oncor would have been required to pay if it were filing its own corporate income tax return. EFH Corp. also includes Oncor's results in its consolidated Texas state margin tax return, and consistent with the tax sharing agreement, Oncor remits to EFH Corp. Texas margin tax payments, which are accounted for as income taxes and calculated as if Oncor was filing its own return. Our results are also included in the consolidated Texas state margin tax return filed by EFH Corp. See discussion in Note 1 to Financial Statements under "Income Taxes."

  Amounts payable to (receivable from) EFH Corp. related to income taxes under the agreement and reported on our balance sheet consisted of the following:

	At December 31, 2017	At December 31, 2016
Federal income taxes payable (receivable)	$ (12)	$ (57)
Texas margin taxes payable	21	20
Total payable (receivable)	$ 9	$ (37)

Cash payments made to (received from) EFH Corp. related to income taxes consisted of the following:

	Year Ended December 31,	
	2017	2016
Federal income taxes	$ (83)	$ 21
Texas margin taxes	20	20
Total payments (receipts)	$ (63)	$ 41

- Related parties of the Sponsor Group have (1) sold, acquired or participated in the offerings of Oncor's debt or debt securities in open market transactions or through loan syndications, and (2) performed various financial advisory, dealer, commercial banking and investment banking services for us and certain of our affiliates for which they have received or will receive customary fees and expenses, and may from time to time in the future participate in any of the items in (1) and (2) above. Also, as of December 31, 2017, approximately 16% of the equity in an existing vendor of the company was owned acquired by a member of the Sponsor Group. During 2017 and 2016, this vendor and/or its subsidiaries performed transmission and distribution system construction and maintenance services for us. Cash payments were made for such services to this vendor and/or its subsidiaries totaling $219 million for 2017, of which approximately $210 million was capitalized and $9 million recorded as an operation and maintenance expense, and $188 million for 2016, of which approximately $180 million was capitalized and $8 million recorded as an operation and maintenance expense. At December 31, 2017 and 2016, Oncor had outstanding trade payables to this vendor and/or its subsidiaries of $7 million and $5 million, respectively.

See Notes 8 and 9 for information regarding distributions to EFIH and noncontrolling interests and Oncor's participation in previous EFH Corp. pension and OPEB plans, respectively.

14. SUPPLEMENTARY FINANCIAL INFORMATION

Variable Interest Entities

Through December 29, 2016, Oncor was the primary beneficiary and consolidated a former wholly-owned VIE, Bondco, which was organized for the limited purpose of issuing specific transition bonds and purchasing and owning transition property acquired from Oncor that is pledged as collateral to secure the bonds. Oncor acted as the servicer for this entity to collect transition charges authorized by the PUCT. These funds were remitted to the trustee and used for interest and principal payments on the transition bonds and related costs. Bondco was dissolved effective December 29, 2016.

Bondco had issued an aggregate $1.3 billion principal amount of transition bonds during 2003 and 2004. The 2003 Series transition bonds matured and were paid in full in 2015 and the 2004 Series transition bonds matured and were paid in full in May 2016. We and Oncor did not provide any financial support to Bondco during the year ended December 31, 2016.

Major Customers

Revenues from subsidiaries of Vistra (formerly subsidiaries of TCEH) represented 22%, 23% and 25% of our total operating revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Revenues from REP subsidiaries of another nonaffiliated entity, collectively represented 18%, 17% and 17% of total operating revenues for the years ended December 31, 2017, 2016 and 2015, respectively. No other customer represented 10% or more of our total operating revenues.

Other Income and Deductions

	Year Ended December 31,		
	2017	2016	2015
Accretion of fair value adjustment (discount) to regulatory assets due to acquisition accounting	$ -	$ 1	$ 5
Professional fees	(15)	(15)	(19)
Non-recoverable pension and OPEB (Note 9)	(5)	(2)	(9)
Interest income	6	2	-
Other	(1)	(1)	1
Total other income and (deductions) - net	$ (15)	$ (15)	$ (22)

Interest Expense and Related Charges

	Year Ended December 31,		
	2017	2016	2015
Interest	$ 351	$ 341	$ 335
Amortization of debt issuance costs and discounts	3	3	3
Less allowance for funds used during construction – capitalized interest portion	(12)	(8)	(5)
Total interest expense and related charges	$ 342	$ 336	$ 333

Trade Accounts and Other Receivables

Trade accounts and other receivables reported on our balance sheet consisted of the following:

	At December 31,	
	2017	2016
Gross trade accounts and other receivables	$ 638	$ 548
Allowance for uncollectible accounts	(3)	(3)
Trade accounts receivable – net	$ 635	$ 545

At December 31, 2017, REP subsidiaries of two of our largest counterparties collectively represented approximately 12% and 10% of the trade accounts receivable balance and at December 31, 2016, represented approximately 15% and 12% of the trade accounts receivable balance.

Under a PUCT rule relating to the Certification of Retail Electric Providers, write-offs of uncollectible amounts owed by nonaffiliated REPs are deferred as a regulatory asset.

Investments and Other Property

Investments and other property reported on our balance sheet consist of the following:

	At December 31,	
	2017	**2016**
Assets related to employee benefit plans, including employee savings programs	$ 111	$ 98
Land	2	2
Total investments and other property	$ 113	$ 100

The majority of these assets represent cash surrender values of life insurance policies that are purchased to fund liabilities under deferred compensation plans. At December 31, 2017 and 2016, the face amount of these policies totaled $162 million and $153 million, respectively, and the net cash surrender values (determined using a Level 2 valuation technique) totaled $84 million and $76 million for the years ended December 31, 2017 and 2016, respectively. Changes in cash surrender value are netted against premiums paid. Other investment assets held to satisfy deferred compensation liabilities are recorded at market value.

Property, Plant and Equipment

Property, plant and equipment reported on our balance sheet consisted of the following:

	Composite Depreciation Rate/	At December 31,	
	Avg. Life at December 31, 2017	**2017**	**2016**
Assets in service:			
Distribution	2.9% / 34.3 years	$ 12,467	$ 11,369
Transmission	2.9% / 34.7 years	7,870	7,734
Other assets	7.1% / 14.1 years	1,380	1,131
Total		21,717	20,234
Less accumulated depreciation		7,255	6,836
Net of accumulated depreciation		14,462	13,398
Construction work in progress		402	416
Held for future use		15	15
Property, plant and equipment – net		$ 14,879	$ 13,829

Depreciation expense as a percent of average depreciable property approximated 3.4%, 3.5% and 3.6% for the years ended December 31, 2017, 2016 and 2015, respectively.

Intangible Assets

Intangible assets (other than goodwill) reported on our balance sheet as part of property, plant and equipment consist of the following:

	At December 31, 2017			At December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Identifiable intangible assets subject to amortization:						
Land easements	$ 453	$ 96	$ 357	$ 491	$ 94	$ 397
Capitalized software	679	339	340	470	326	144
Total	$ 1,132	$ 435	$ 697	$ 961	$ 420	$ 541

Aggregate amortization expense for intangible assets totaled $57 million, $61 million and $64 million for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, the weighted average remaining useful lives of capitalized land easements and software were 82 years and 8 years, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is as follows:

Year	Amortization Expense
2018	$ 47
2019	44
2020	43
2021	43
2022	43

At both December 31, 2017 and 2016, goodwill totaling $4.1 billion was reported on our balance sheet. None of this goodwill is being deducted for tax purposes. See Note 1 regarding goodwill impairment assessment and testing.

Employee Benefit Obligations and Other

Employee benefit obligations and other reported on our balance sheet consisted of the following:

	At December 31,	
	2017	2016
Retirement plans and other employee benefits	$ 2,035	$ 2,092
Liabilities related to subsidiary tax sharing agreement (a)	130	229
Uncertain tax positions (including accrued interest)	-	3
Investment tax credits	10	12
Other	56	63
Total employee benefit obligations and other	$ 2,231	$ 2,399

(a) Includes an $86 million re-measurement impact due to the TCJA.

Supplemental Cash Flow Information

	Year Ended December 31,		
	2017	2016	2015
Cash payments related to:			
Interest	$ 345	$ 336	$ 346
Less capitalized interest	(12)	(8)	(5)
Interest payments (net of amounts capitalized)	$ 333	$ 328	$ 341
Income taxes:			
Federal	$ (95)	$ 21	$ 161
State	20	20	43
Total payments (refunds) of income taxes	$ (75)	$ 41	$ 204
Noncash Sharyland Asset Exchange costs	$ 383	$ -	$ -
Noncash construction expenditures (a)	$ 129	$ 122	$ 56

(a) Represents end-of-period accruals.

15. SHARYLAND ASSET EXCHANGE

On July 21, 2017, Oncor entered into the Sharyland Agreement with the Sharyland Entities. The Sharyland Agreement provided that Oncor exchange certain of their transmission assets and cash for certain of the Sharyland Entities' distribution assets (constituting substantially all of their electricity distribution business) and certain of their transmission assets. The transaction for assets between Oncor and SDTS was structured to qualify, in part, as a simultaneous tax deferred like kind exchange of assets to the extent that the assets exchanged are of "like kind" (within the meaning of Section 1031 of the Internal Revenue Code).

On August 4, 2017, Oncor, SDTS and SU filed a joint application for sale, transfer, or merger in PUCT Docket No. 47469 requesting PUCT approval of the Sharyland Asset Exchange, and on October 13, 2017, the PUCT issued an order approving the transactions. On November 9, 2017, the parties consummated the transactions. Oncor exchanged approximately $383 million of their transmission assets, consisting of approximately 258 miles (517 circuit miles) of 345 kV transmission lines, and approximately $25 million in cash for approximately $408 million of the Sharyland Entities' distribution assets and certain of their transmission assets.

The transaction expanded Oncor's customer base in west Texas and provides some potential growth opportunities of the distribution network. As part of the transaction, Oncor acquired approximately 55,000 customers. The acquisition did not result in the recognition of goodwill as the assets' regulatory book value approximates their fair value.

Distribution revenues following the November 9, 2017 Sharyland Asset Exchange included in our 2017 consolidated results are $12 million. Earnings of the Sharyland distribution assets Oncor acquired are largely offset by a reduction in earnings attributable to the transfer of transmission assets. The Sharyland Asset Exchange did not have a material effect on our results of operations, financial position or cash flows for the year ended December 31, 2017. Had the Sharyland Asset Exchange occurred at the beginning of the 2017 annual reporting period, the revenue and earnings of the combined entity for the current reporting period would not have been significantly different.

16. CONDENSED FINANCIAL INFORMATION

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC (Parent Co.)
PARENT ONLY FINANCIAL INFORMATION
(millions of dollars)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	2016	2015
Income tax expense	$ (73)	$ (12)	$ (12)
Equity in earnings of subsidiary	335	344	346
Net Income	262	332	334
Other comprehensive income (net of tax benefit of $4, $1 and $3)	8	2	(5)
Comprehensive income	$ 270	$ 334	$ 329

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
Cash provided by operating activities	$ 171	$ 162	$ 321
Cash used in financing activities - distributions paid to parent	(171)	(162)	(322)
Net change in cash and cash equivalents	-	-	(1)
Cash and cash equivalents - beginning balance	-	-	1
Cash and cash equivalents - ending balance	$ -	$ -	$ -

CONDENSED BALANCE SHEETS

	At December 31, 2017	At December 31, 2016
ASSETS		
Cash and cash equivalents	$ -	$ -
Investments - noncurrent	6,378	6,340
Accumulated deferred income taxes	90	129
Total assets	$ 6,468	$ 6,469
LIABILITIES AND MEMBERSHIP INTERESTS		
Income taxes payable to EFH Corp. - current	$ 8	$ 8
Other noncurrent liabilities and deferred credits	130	230
Total liabilities	138	238
Membership interests	6,330	6,231
Total liabilities and membership interests	$ 6,468	$ 6,469

See Notes to Financial Statements.

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC (Parent Co.)
CONDENSED FINANCIAL INFORMATION
NOTES TO CONDENSED FINANCIAL STATEMENTS

Basis of Presentation

References herein to “we,” “our,” “us” and “the company” are to Oncor Holdings (Parent Co.) and/or its direct or indirect subsidiaries as apparent in the context.

The accompanying condensed balance sheets are presented at December 31, 2017 and 2016, and the accompanying condensed statements of income and cash flows are presented for the years ended December 31, 2017, 2016 and 2015. We are a Delaware limited liability company wholly-owned by EFIH, which is a wholly owned subsidiary of EFH Corp. As of December 31, 2017, we own approximately 80% of the membership interests in Oncor. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been omitted pursuant to the rules of the US Securities and Exchange Commission. Because the condensed financial statements do not include all of the information and footnotes required by US GAAP, they should be read in conjunction with the consolidated financial statements and Notes 1 through 14. Our subsidiary has been accounted for under the equity method. All dollar amounts in the financial statements are stated in millions of US dollars unless otherwise indicated.

Distribution Restrictions

While there are no direct restrictions on our ability to distribute our net income that are currently material, substantially all of our net income is derived from Oncor. Our board of directors and Oncor’s board of directors, which are composed of a majority of independent directors, can withhold distributions to the extent the boards determine that it is necessary to retain such amounts to meet our expected future requirements. The PUCT has the authority to determine what types of debt and equity are included in a utility’s debt-to-equity ratio. For purposes of this ratio, debt is calculated as long-term debt including capital leases plus unamortized gains on reacquired debt less unamortized issuance expenses, premiums and losses on reacquired debt. The debt calculation excludes any transition bonds issued by Bondco. Equity is calculated as membership interests determined in accordance with GAAP, excluding the effects of acquisition accounting (which included recording the initial goodwill and fair value adjustments and the subsequent related impairments and amortization).

Oncor’s distributions are limited by its required regulatory capital structure to be at or below the assumed debt-to-equity ratio established periodically by the PUCT for ratemaking purposes, which is currently set at 57.5% debt to 42.5% equity. At December 31, 2017, Oncor’s regulatory capitalization ratio was 59.4% debt to 40.6% equity effectively restricting Oncor’s ability to make cash distributions to us.

During 2017, 2016 and 2015, Oncor’s board of directors declared, and Oncor paid to us the following cash distributions:

	Year Ended December 31,		
	2017	**2016**	**2015**
	(millions of dollars)		
Distributions received subsequently paid to EFH Corp. as federal income taxes recognized as operating activities	$ 19	$ 21	$ 26
Distributions received subsequently paid to EFIH recognized as financing activities	171	162	322
Total distributions from Oncor	$ 190	$ 183	$ 348

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Information

The Unaudited Pro Forma Condensed Combined Financial Information of Sempra Energy has been derived from the historical consolidated financial statements of Sempra Energy and its subsidiaries ("Sempra Energy," "we," "our," or "us") and Energy Future Holdings Corp. and its subsidiaries ("EFH"). The unaudited pro forma condensed combined financial information should be read in conjunction with the:

- accompanying notes herein;
- audited consolidated financial statements of Sempra Energy as of and for the year ended December 31, 2017, included in Sempra Energy's Annual Report on Form 10-K for the year ended December 31, 2017 ("Annual Report"); and
- audited consolidated financial statements of EFH as of and for the year ended December 31, 2017, included as an exhibit to this Current Report on Form 8-K/A.

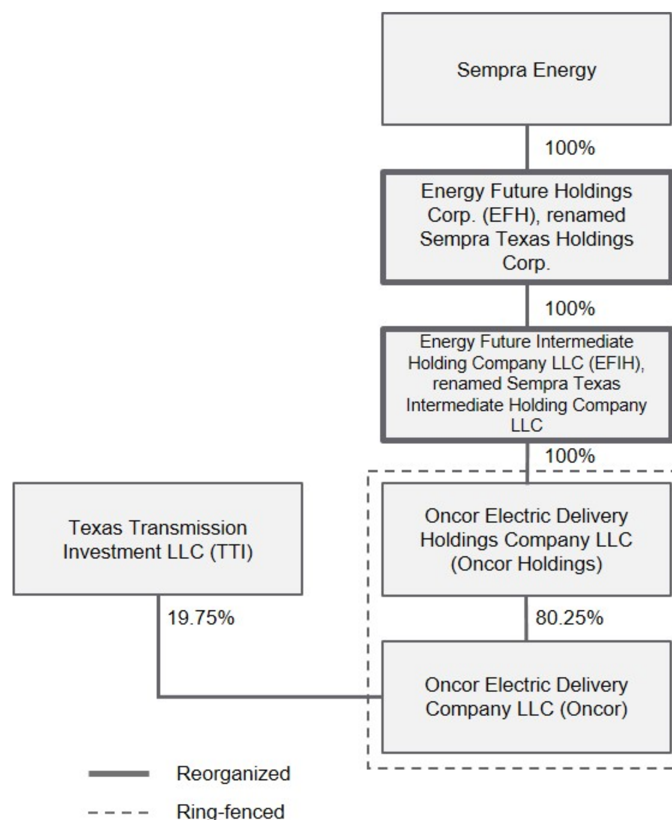
As the consolidated financial statements of EFH include its equity method investment in Oncor Electric Delivery Holdings Company LLC ("Oncor Holdings") and the associated equity method earnings, the unaudited pro forma condensed combined financial information should also be read in conjunction with Oncor Holdings' audited consolidated financial statements as of and for the year ended December 31, 2017, included as an exhibit to this Current Report on Form 8-K/A.

Acquisition of Energy Future Holdings Corp.

On March 9, 2018 (the "Closing Date"), the merger (the "Merger") contemplated by the Agreement and Plan of Merger dated as of August 21, 2017 as supplemented by a Waiver Agreement dated October 3, 2017 and an amendment dated February 15, 2018 (the "Merger Agreement"), by and among EFH, Energy Future Intermediate Holding Company LLC ("EFIH"), Sempra Energy, and Sempra Texas Merger Sub I, Inc., an indirect wholly owned subsidiary of Sempra Energy ("Merger Sub"), was completed, merging Merger Sub with and into the reorganized EFH, with reorganized EFH continuing as the surviving company and an indirect, wholly owned subsidiary of Sempra Energy. Reorganized EFH (renamed Sempra Texas Holdings Corp.) owns 100 percent of the membership interests of EFIH (renamed Sempra Texas Intermediate Holding Company LLC), which in turn owns 100 percent of the membership interests of Oncor Holdings, which owned 80.03 percent of the outstanding membership interests of Oncor Electric Delivery Company LLC ("Oncor"). Under the Merger Agreement, Sempra Energy paid cash consideration of $9.45 billion (the "Merger Consideration") and an additional $31 million representing an adjustment for dividends and payments pursuant to a tax sharing agreement with Oncor and Oncor Holdings. Also on March 9, 2018, in a separate transaction, Sempra Energy, through its interest in Oncor Holdings, acquired an additional 0.22 percent of the outstanding membership interests in Oncor for approximately $26 million in cash, bringing Oncor Holdings' current ownership of the outstanding membership interests in Oncor to 80.25 percent. The membership interests were previously held by Oncor Management Investment LLC (the "OMI Interests").

Texas Transmission Investment LLC ("TTI"), an investment vehicle indirectly owned by third parties unaffiliated with EFH or Sempra Energy, owns the remaining 19.75 percent of Oncor's outstanding membership interests. Also, as discussed in our Annual Report, Oncor Holdings and Oncor are subject to certain "ring-fencing" measures, governance mechanisms and restrictions intended to enhance Oncor Holdings' and Oncor's separateness from their owners.

Below is a simplified ownership structure after completion of the Merger and purchase of the OMI membership interests. It does not present all the subsidiaries of, or other equity interests owned by, these entities.



Financing

In anticipation of the Merger, in January 2018, we completed registered public offerings of our common stock (including shares offered pursuant to forward sale agreements and shares sold and issued directly to underwriters), mandatory convertible preferred stock and long-term debt, as we discuss in Note 18 of the Notes to Consolidated Financial Statements in our Annual Report. These offerings provided total initial net proceeds of approximately $7.0 billion for partial funding of the Merger Consideration, of which approximately $800 million was used to pay down commercial paper pending the closing of the Merger.

On March 8, 2018, to fund a portion of the Merger Consideration, we received approximately $900 million of net proceeds (after underwriting discounts) from the settlement of forward sales under the forward sale agreements entered into in connection with the public offering of common stock in January 2018 by delivery of 8,556,630 shares of newly issued Sempra Energy common stock. As of May 3, 2018, a total of 14,807,856 shares of Sempra Energy's common stock remain subject to future settlement under the forward sale agreements, which may be settled by physical delivery of shares (or by cash or net share settlement at Sempra Energy's election, subject to certain conditions), on one or more dates specified by us occurring no later than December 15, 2019, which is the final settlement date under the agreements. We expect to elect to settle the remaining portion of the forward sale agreements by the physical delivery of shares of our common stock in exchange for cash proceeds. However, if we were to elect cash settlement or net share settlement, the amount of cash proceeds we receive upon settlement would differ, perhaps substantially, from the amount we have assumed for purposes of this unaudited pro forma condensed combined financial information, or we may not receive any cash proceeds or we may deliver cash (in an amount which could be significant) or shares of our common stock to the forward purchasers.

On February 23, 2018, we started issuing commercial paper to fund the remaining portion of the Merger Consideration and by the Closing Date, we had issued approximately $2.6 billion of commercial paper under this program, with a weighted-average maturity of 47 days and a weighted-average interest rate of 2.2 percent per annum.

At the Closing Date, our funding of the Merger Consideration and the additional $31 million paid pursuant to the Merger Agreement, the approximately $26 million paid for the OMI Interests, and $59 million of associated transaction costs included in the basis of our investment in Oncor Holdings (the "total purchase price") was comprised of approximately 31 percent equity and 69 percent debt. We intend to ultimately finance the total purchase price with approximately 65 percent equity and approximately 35 percent debt, including the net proceeds from the offerings in January 2018 and forward equity sale settlements in March 2018. Some of the equity

financing subsequent to the completion of the Merger (including proceeds we expect to receive from the settlement of the remaining portion of our forward sale agreements and from other sales of our common stock) may be used to repay indebtedness incurred to finance a portion of the total purchase price. We may also use cash from operations and proceeds from asset sales or monetizations in place of some equity financing.

The unaudited pro forma condensed combined financial information gives effect (as of January 1 or December 31, 2017, as applicable) to the following, including the impacts of the financing transactions discussed above that were completed prior to the Closing Date and those estimated to occur after the Closing Date:

- Merger Consideration of $9.45 billion, plus an additional $31 million representing an adjustment for dividends and payments pursuant to a tax sharing agreement with Oncor and Oncor Holdings;
- $26 million for the purchase of the OMI Interests;
- $212 million of transaction costs associated with the Merger and financing of the Merger Consideration, which costs were (i) $85 million of equity issuance costs and discounts and $68 million of debt issuance costs and discounts charged against related gross proceeds of equity and debt financings, respectively; and (ii) $59 million of other fees and expenses included in the basis of our investment in Oncor Holdings ((i) and (ii) collectively, “transaction costs”);
- the repayment and cancellation through EFH’s Chapter 11 bankruptcy proceedings of the indebtedness of EFH and EFIH immediately prior to the consummation of the Merger, including liabilities subject to compromise and debtor-in-possession (“DIP”) financing, and the cancellation of the existing common equity of EFH and related historical statements of operations impacts that would not continue post-Merger; and
- our receipt of net proceeds from and related impacts based on the following actual financing transactions completed to fund the total purchase price:
  - the sale of a total of 23,364,486 shares of our common stock pursuant to forward sale agreements, net of underwriting discounts of $45 million, including $900 million of net proceeds from the physical settlement of 8,556,630 of these shares (we discuss our assumptions regarding the remaining shares subject to the forward sale agreements below);
  - proceeds of $367 million, net of underwriting discounts and other issuance costs of $8 million, from the sale of 3,504,672 shares of our common stock directly to underwriters as a result of the underwriters fully exercising their option to purchase shares from us solely to cover overallotments;
  - proceeds of approximately $1,693 million from the issuance and sale of 17,250,000 shares of our 6% Mandatory Convertible Preferred Stock, Series A (the “mandatory convertible preferred stock”), net of underwriting discounts and other issuance costs of $32 million, with a liquidation preference of $100 per share and dividend rate of 6 percent per annum;
  - proceeds of $4,932 million from the issuance and sale of Sempra Energy’s long-term debt securities (the “long-term debt”), net of discounts and other issuance costs of $68 million, as follows:

NOTES ISSUED IN LONG-TERM DEBT OFFERING

(Dollars in millions)

Title of each class of securities	Aggregate principal amount	Maturity	Interest payments
Floating Rate[1] Notes due 2019	$ 500	July 15, 2019	Quarterly
Floating Rate[2] Notes due 2021	700	January 15, 2021	Quarterly
2.400% Senior Notes due 2020	500	February 1, 2020	Semi-annually
2.900% Senior Notes due 2023	500	February 1, 2023	Semi-annually
3.400% Senior Notes due 2028	1,000	February 1, 2028	Semi-annually
3.800% Senior Notes due 2038	1,000	February 1, 2038	Semi-annually
4.000% Senior Notes due 2048	800	February 1, 2048	Semi-annually

(1) Bears interest at a rate per annum equal to the 3-month LIBOR rate, plus 25 basis points.

(2) Bears interest at a rate per annum equal to the 3-month LIBOR rate, plus 50 basis points.

We have used the stated interest rate as indicated in the table above for the fixed-rate debt and a rate of 2.0 percent and 2.2 percent for the floating rate notes due in 2019 and 2021, respectively. The rates assumed for the floating rate notes are based on LIBOR rates on January 10, 2018, which determine the interest rates for the next quarterly interest payment on April 15, 2018 under the terms of the long-term debt instruments. The actual interest rates on the floating rate notes may differ, perhaps substantially, from the rates we have assumed for purposes of this unaudited pro forma condensed combined financial information;

  - proceeds of $1,703 million from the issuance and sale of our commercial paper supported by our revolving credit facilities (the “short-term debt”) at a weighted-average interest rate of 2.2 percent per annum based on the weighted-average rate of actual issuances in late February and early March 2018, as discussed above. The actual interest rate on the short-term debt may differ, perhaps substantially, from the rate we have assumed for purposes of this unaudited pro forma condensed combined financial information; and

- immediately after completion of the Merger, the assumed receipt of net proceeds of $1,555 million from the physical settlement of the remaining 14,807,856 of our common shares sold pursuant to forward sale agreements, and the assumed application of the proceeds to retire commercial paper issued and sold to finance the total purchase price (as noted above, we have not yet settled the remaining 14,807,856 of our common shares pursuant to the forward sale agreements, which we can do on one or more dates occurring no later than December 15, 2019).

For purposes of this unaudited pro forma condensed combined financial information, we sometimes refer to the issuance and sale of our common stock (including pursuant to forward sale agreements), mandatory convertible preferred stock, long-term debt and short-term debt as described in the preceding paragraph as, collectively, the “Financing Transactions” and we sometimes refer to the Merger, the Financing Transactions and the payment of associated transaction costs as the “Transactions.”

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017 assumes that the Transactions occurred on January 1, 2017. The unaudited pro forma condensed combined balance sheet as of December 31, 2017 assumes that the Transactions occurred on December 31, 2017. To the extent applicable, our assumptions include the actual terms of the Financing Transactions described above that occurred prior to the Closing Date. The actual size and terms of, and amounts of proceeds we receive from, the Financing Transactions that have not yet occurred, such as settlement of the remaining forward sale agreements, will depend on, among other things, market conditions at the time of those transactions and such other factors as we deem relevant and may differ, perhaps substantially, from the size, terms and amounts we have assumed for purposes of this unaudited pro forma condensed combined financial information.

We assume for this pro forma condensed combined financial information that contemporaneously with the closing of the Merger, EFH and EFIH emerge from Chapter 11 bankruptcy and their existing indebtedness is settled using (i) the proceeds from the Merger Consideration and the additional $31 million paid pursuant to the Merger Agreement; and (ii) the EFH and EFIH assets that are not being acquired by us in the Merger. The unaudited pro forma condensed combined financial information removes assets and liabilities of EFH and EFIH that would be settled as a result of the Merger, other than those acquired or assumed in the Merger, as described below in Note 2, “Purchase Price Allocation.” Additionally, the unaudited pro forma condensed combined financial information removes income and expenses of EFH and EFIH that are not expected to continue post-Merger. As EFH and EFIH were reorganized upon the consummation of the Merger and their ongoing activities will be related primarily to their investment in Oncor Holdings, the removal of assets and liabilities other than those described below in Note 2 and related income or expenses of EFH or EFIH that will not continue post-Merger is indicative of the business had the Transactions been consummated as of December 31, 2017 for purposes of the unaudited pro forma condensed combined balance sheet and as of January 1, 2017 for purposes of the unaudited pro forma condensed combined statement of operations.

The total purchase price will be allocated to the identifiable assets acquired and liabilities assumed. The equity method investment in Oncor Holdings represents substantially all of the fair value of the gross assets acquired. The fair value of the equity method investment in Oncor Holdings is primarily attributable to Oncor’s business. Therefore, we considered the underlying assets and liabilities of Oncor when determining the fair value of our equity method investment. As a regulated entity, Oncor’s rates are set and approved by the Public Utility Commission of Texas, and are designed to recover the cost of providing service and the opportunity to earn a reasonable return on its investments. Accordingly, Oncor applies the guidance under the provisions of accounting principles generally accepted in the United States of America (“U.S. GAAP”) governing rate-regulated operations. Under U.S. GAAP, regulation is viewed as being a characteristic (restriction) of a regulated entity’s assets and liabilities, and the impact of regulation is considered a fundamental input to measuring the fair value of Oncor’s assets and liabilities. Under this premise, we concluded that the carrying values of all recoverable assets and liabilities are representative of their fair values. We do not expect the difference between the allocation of total purchase price assumed in this unaudited pro forma condensed combined financial information using historical amounts as of December 31, 2017 and the amounts ultimately recorded as of the Closing Date to be material.

We provide this unaudited pro forma condensed combined financial information for informational purposes only. This unaudited pro forma condensed combined financial information is based on numerous assumptions and estimates and is subject to other uncertainties. Among other things, this unaudited pro forma condensed combined financial information has been prepared based on the assumptions reflected above and in the following Notes to Unaudited Pro Forma Condensed Combined Financial Information. Any changes in these assumptions (including, without limitation, any changes in the actual sizes or terms of the Financing Transactions, primarily assumptions related to Financing Transactions assumed to occur immediately after the Merger and how any proceeds from such transactions are applied, the assumed interest rates on long-term (floating-rate) debt and short-term debt we have issued and may issue, the number of shares of common stock we ultimately issue, the settlement prices and dates for, and manner in which we settle, the forward sale agreements, and the amounts of net proceeds we receive) would result in a change in the unaudited pro forma condensed combined financial information, which could be material. We have also assumed that EFH’s and EFIH’s Chapter 11 bankruptcy proceedings will be concluded on the terms currently contemplated, including, without limitation, the settlement of EFH’s and EFIH’s liabilities and creditor and other claims in accordance with those contemplated terms. Accordingly, the unaudited pro forma condensed combined financial information does not purport to reflect what our results of operations or financial condition

would have been had the Transactions actually occurred on the assumed dates, nor does it purport to project our future financial condition or results of operations.

Unaudited Pro Forma Condensed Combined Balance Sheet
as of December 31, 2017
(dollars in millions)

	Sempra Energy, as Reported	Financing and Other (Note 4)		EFH, as Reported (Note 1)	Merger/ Bankruptcy Adjustments (Note 4)		Sempra Energy Pro Forma
ASSETS							
Current assets:							
Cash and cash equivalents	$ 288	$ 9,566	(a)	$ 689	$ (10,243)	(f)	$ 300
Restricted cash	62	—		10	(10)	(f)	62
Other current assets	2,991	—		14	(5)	(k)	3,000
Total current assets	3,341	9,566		713	(10,258)		3,362
Other assets:							
Investments	2,527	—		6,330	2,776	(f)(g)(h)(k)	11,633
Deferred income taxes	170	—		874	(346)	(i)	698
Other noncurrent assets	7,913	—		32	(73)	(g)(k)	7,872
Total other assets	10,610	—		7,236	2,357		20,203
Property, plant and equipment:							
Property, plant and equipment	48,108	—		—	—		48,108
Less accumulated depreciation and amortization	(11,605)	—		—	—		(11,605)
Property, plant and equipment, net ($321 related to VIE)	36,503	—		—	—		36,503
Total assets	$ 50,454	$ 9,566		$ 7,949	$ (7,901)		$ 60,068
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt	$ 1,540	$ 119	(b)(e)	$ —	$ —		$ 1,659
Borrowings under debtor-in-possession credit facilities	—	—		6,300	(6,300)	(j)	—
Accounts payable – trade and other	1,523	—		—	(31)	(g)	1,492
Due to unconsolidated affiliates	7	—		—	—		7
Dividends and interest payable	342	—		3	(3)	(k)	342
Current portion of long-term debt	1,427	—		—	—		1,427
Other current liabilities	1,796	—		122	(116)	(k)	1,802
Total current liabilities	6,635	119		6,425	(6,450)		6,729
Liabilities subject to compromise	—	—		5,630	(5,630)	(j)(k)	—
Long-term debt ($284 related to VIE)	16,445	4,932	(b)	—	—		21,377
Deferred credits and other liabilities	12,234	—		23	50	(j)(k)	12,307
Commitments and contingencies							
Equity:							
Preferred stock:							
6% mandatory convertible preferred stock, series A	—	1,693	(c)	—	—		1,693
Common stock	3,149	2,822	(d)(e)	7,970	(7,970)	(l)	5,971
Retained earnings (deficit)	10,147	—		(12,015)	12,015	(l)	10,147
Accumulated other comprehensive income (loss)	(626)	—		(84)	84	(l)	(626)
Total shareholders' equity	12,670	4,515		(4,129)	4,129		17,185
Preferred stock of subsidiary	20	—		—	—		20
Other noncontrolling interests	2,450	—		—	—		2,450
Total equity	15,140	4,515		(4,129)	4,129		19,655
Total liabilities and equity	$ 50,454	$ 9,566		$ 7,949	$ (7,901)		$ 60,068

See Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Unaudited Pro Forma Condensed Combined Statement of Operations
for the Year Ended December 31, 2017
(dollars in millions, except per share amounts)

	Sempra Energy, as Reported	Financing and Other (Note 5)		EFH, as Reported (Note 1)	Merger/ Bankruptcy Adjustments (Note 5)		Sempra Energy Pro Forma	
REVENUES								
Utilities	$ 9,776	$ —		$ —	$ —		$ 9,776	
Energy-related businesses	1,431	—		—	—		1,431	
Total revenues	11,207	—		—	—		11,207	
EXPENSES AND OTHER INCOME								
Utilities:								
Cost of electric fuel and purchased power	(2,281)	—		—	—		(2,281)	
Cost of natural gas	(1,190)	—		—	—		(1,190)	
Energy-related businesses:								
Cost of natural gas, electric fuel and purchased power	(339)	—		—	—		(339)	
Other cost of sales	(24)	—		—	—		(24)	
Operation and maintenance	(3,117)	—		(13)	11	(o)	(3,119)	
Depreciation and amortization	(1,490)	—		—	—		(1,490)	
Franchise fees and other taxes	(436)	—		—	—		(436)	
Write-off of wildfire regulatory asset	(351)	—		—	—		(351)	
Impairment losses	(72)	—		—	—		(72)	
Gain on sale of assets	3	—		—	—		3	
Equity earnings, before income tax	34	—		—	—		34	
Other income (expense), net	254	—		81	(81)	(p)	254	
Interest income	46	—		5	(5)	(q)	46	
Interest expense	(659)	(166)	(m)	(952)	952	(r)	(825)	
Reorganization items	—	—		(99)	99	(s)	—	
Income (losses) before income taxes and equity earnings of certain unconsolidated subsidiaries	1,585	(166)		(978)	976		1,417	
Income tax (expense) benefit	(1,276)	67	(n)	(180)	181	(n)	(1,208)	
Equity earnings, net of income tax	42	—		262	—		304	
Net income (loss)	351	(99)		(896)	1,157		513	
Earnings attributable to noncontrolling interests	(94)	—		—	—		(94)	
Preferred dividends of subsidiary	(1)	—		—	—		(1)	
Mandatory convertible preferred stock dividends	—	(104)	(t)	—	—		(104)	
Earnings (loss) attributable to common shares	$ 256	$ (203)		$ (896)	$ 1,157		$ 314	(u)
Basic earnings per common share	$ 1.02						$ 1.13	(u)
Weighted-average number of shares outstanding, basic (thousands)	251,545						278,414	(u)
Diluted earnings per common share	$ 1.01						$ 1.12	(u)(v)
Weighted-average number of shares outstanding, diluted (thousands)	252,300						279,169	(u)

See Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of Presentation

EFH's historical results are derived from EFH's audited Condensed Consolidated Balance Sheet as of December 31, 2017, and audited Statement of Consolidated Loss for the year ended December 31, 2017, which are prepared in accordance with U.S. GAAP and are included in this Current Report on Form 8-K/A. EFH's results of operations presented herein exclude amounts from discontinued operations.

The unaudited pro forma condensed combined financial information reflects adjustments to give effect to pro forma events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information included herein as of and for the year ended December 31, 2017 is derived from Sempra Energy's historical financial statements and those of EFH and is based on actual transactions occurring before the Closing Date and certain assumptions that we believe to be reasonable, which are described below.

The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of what the combined company's financial position or results of operations actually would have been had the Transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

2. Purchase Price Allocation

The following table sets forth an allocation of the total purchase price of $9,566 million, including $59 million of transaction costs to be included in the basis of our investment in Oncor Holdings, to the identifiable assets acquired and liabilities assumed from EFH based on EFH's December 31, 2017 balance sheet:

(Dollars in millions)		
Purchase Price and Purchase Price Allocation for the Merger		
Assets acquired:		
Investments[1]	$	9,106
Deferred income tax assets[2]		528
Due from unconsolidated affiliates		9
Other assets		2
Total assets acquired		9,645
Liabilities assumed:		
Accrued taxes		6
Deferred credits and other		73
Total liabilities assumed		79
Net assets acquired		9,566
Total purchase price[1]	$	9,566

(1) Includes $59 million of transaction costs.

(2) Deferred income tax assets assumed to be acquired are based on the facts and circumstances that existed as of the acquisition date related to the resolution of claims in EFH's emergence from Chapter 11 bankruptcy. Should the final resolution of these claims result in a change in deferred income tax assets allocated to us, an adjustment would be made to the purchase price allocation.

The Merger will be accounted for as an asset acquisition, as substantially all of the fair value of the gross assets acquired is attributable to the basis in our investment in Oncor Holdings.

3. Funding Sources and Uses

The unaudited pro forma condensed combined financial information reflects the following sources and uses of funds to complete the Merger and pay associated transaction costs:

(Dollars in millions)

Sources of funds[1]:				**Uses of funds:**		
Long-term debt	$	5,000		Merger Consideration	$	9,450
Short-term debt		1,703	[2]	Adjustment to purchase price		31
Mandatory convertible preferred stock		1,725		Purchase of OMI Interests		26
Physical settlement of common stock				Transaction costs		212
pursuant to forward sale agreements		916				
Common stock issued		375				
Total sources of funds	$	9,719		Total uses of funds	$	9,719

(1) Before deducting transaction costs related to the financings.

(2) See (e) in Note 4 below for assumptions regarding additional financing assumed immediately after the Merger.

The sources and uses of funds in the table above reflect the actual amounts at the Closing Date. Although we may elect settlement of our common shares sold pursuant to forward sale agreements in one or more settlements no later than December 15, 2019, for purposes of this unaudited pro forma condensed financial information we have assumed the remaining $1,584 million of shares sold pursuant to forward sale agreements not included in the table above was settled immediately after the closing of the Merger, at January 1 or December 31, 2017 as applicable, as we discuss in (e) in Note 4 below.

For purposes of determining pro forma interest expense on variable rate instruments, we have assumed the following:

- for the floating rate notes maturing 2019, 2.0 percent
- for the floating rate notes maturing 2021, 2.2 percent
- for the short-term debt, 2.2 percent

The actual interest rates on variable rate instruments may differ, perhaps substantially, from the rates we have assumed for purposes of this unaudited pro forma condensed combined financial information. In addition, to the extent we subsequently incur additional short-term debt to refinance short-term debt as it comes due, that new short-term debt will be issued at then current market interest rates, which may be higher or lower than the rate we have assumed for purposes of this unaudited pro forma condensed combined financial information.

4. Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

a) Total net proceeds from the Financing Transactions reflect the following assumptions:

(Dollars in millions)	As of December 31, 2017	Note 4 Reference
Financing assumed at Merger (based on actual completed transactions):		
Proceeds from issuance of common stock and		
physical settlement of common stock pursuant to forward sale agreements	$ 1,291	(d)
Proceeds from issuance of mandatory convertible preferred stock	1,725	(c)
Proceeds from long-term debt	5,000	(b)
Proceeds from short-term debt	1,674	(b)
Discounts and fees from issuance of common stock	(24)	(d)
Discounts and fees from issuance of mandatory convertible preferred stock	(32)	(c)
Discounts and fees from issuance of long-term debt	(68)	(b)
Total net proceeds from financing	9,566	
Additional financing assumed immediately after Merger:		
Proceeds from issuance of common stock from		
full physical settlement pursuant to forward sale agreements	1,584	(e)
Discounts from issuance of common stock	(29)	(e)
Pay-down of short-term debt	(1,555)	(e)
	$ 9,566	

b) Reflects the following:

- Issuance of long-term debt of $4,932 million, net of issuance costs and discounts of $68 million; and
- Short-term debt of $1,674 million, consisting of commercial paper supported by our revolving credit facility.

c) Reflects $1,693 million of mandatory convertible preferred stock issued, net of estimated issuance costs and discounts of $32 million.

d) Reflects the sale of $2,500 million of common stock pursuant to forward sale agreements and proceeds of $1,267 million of common stock issued, including the full physical settlement of $900 million (net of underwriting discounts of $16 million) pursuant to forward sale agreements, and the sale of $367 million of common shares (net of underwriting and other issuance costs of $8 million) directly to underwriters.

e) Reflects the assumption of an additional $1,555 million of proceeds, net of underwriting discounts of $29 million, from the full physical settlement pursuant to the remaining forward equity sale agreements, the proceeds of which are assumed to be used to pay down short-term debt.

f) Reflects the following:

- Assumed $10,180 million of cash and restricted cash to fully settle existing indebtedness of EFH and EFIH that is assumed to be settled upon emergence from Chapter 11 bankruptcy;
- Approximately $26 million to fund the purchase of the OMI Interests; and
- Payment of transaction costs of $47 million, which are included as a component of our investment in Oncor Holdings, the predominant asset acquired in connection with the Merger.

g) Reflects the reclassification of $43 million of transaction costs incurred by Sempra Energy and recorded in Sundry through December 31, 2017 to include as a component of our investment in Oncor Holdings, $12 million of which had been paid and $31 million of which had been accrued at December 31, 2017.

h) Reflects the step-up in fair value of the basis in our investment in Oncor Holdings.

i) Reflects the assumed reduction of the estimated deferred income tax asset associated with a $1,766 million gain recognized by EFH from the settlement of EFH and EFIH indebtedness described in footnote (j) below and other deferred income tax asset components that are not part of the Merger. The ultimate gain recognized by EFH will reflect changes in bankruptcy claims and interest accrued on those claims between December 31, 2017 and the actual close of the Merger and the final resolution of claims in EFH's emergence from bankruptcy, which will have a corresponding impact on the ultimate deferred tax amount eliminated.

j) Reflects the settlement of $11,946 million of existing EFH and EFIH indebtedness consisting of liabilities subject to compromise, the EFIH DIP facility and other outstanding liabilities resulting in a pretax gain of $1,766 million related to the forgiveness of remaining outstanding borrowings associated with the emergence of EFH and EFIH from Chapter 11 bankruptcy as of the assumed closing date. We have not included this gain in the unaudited pro forma condensed combined statements of operations, as it is associated with the emergence of EFH and EFIH from Chapter 11 bankruptcy contemporaneous with the closing of the Merger.

k) Reflects the removal of miscellaneous assets and liabilities assumed to be settled upon EFH's emergence from Chapter 11 bankruptcy, and reclassification of $50 million of asbestos liabilities (which includes a step-up in fair value) and $21 million of other postretirement benefit plan liabilities that Sempra Energy assumed in connection with the Merger.

l) Reflects the elimination of EFH equity accounts.

5. Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations

m) Reflects the interest expense and amortization of deferred financing costs resulting from our new long-term debt issuances and assumed new short-term debt. For purposes of estimating the pro forma interest expense, we have used the stated interest rate on fixed rate long-term debt issued, and we have assumed a weighted-average interest rate of 2.0 percent and 2.2 percent per annum on the floating rate notes maturing 2019 and 2021, respectively, and a weighted-average interest rate of 2.2 percent per annum on the short-term debt. We have assumed that long-term debt financing costs of $68 million are amortized over 12 years, or the weighted-average term of the long-term debt.

A 12.5 basis point increase or decrease in the assumed interest rate on the floating rate notes would increase or decrease, respectively, interest expense in the unaudited pro forma condensed combined statements of operations by approximately $1.5 million, with a negligible impact on diluted earnings per common share, for the year ended December 31, 2017.

A 12.5 basis point increase or decrease in the assumed interest rate on our assumed new short-term debt would increase or decrease, respectively, interest expense in the unaudited pro forma condensed combined statements of operations by a negligible amount for the year ended December 31, 2017, with a negligible impact on diluted earnings per common share.

n) Reflects the tax impact of related pro forma adjustments at a statutory tax rate of 40.2% for the benefit related to incremental financing costs at Sempra Energy. EFH pretax income assumed remaining after Merger/bankruptcy adjustments was taxed at EFH's statutory rate of 35%.

o) Reflects the removal of $11 million of operation and maintenance expense recorded for the year ended December 31, 2017 that would not continue post-Merger.

p) Reflects the elimination of $79 million related to make-whole charges in connection with EFIH First and Second Lien Notes, which notes are assumed to be repaid contemporaneously with the closing of the Merger through EFH's emergence from Chapter 11 bankruptcy and $2 million of other costs not expected to continue for the year ended December 31, 2017.

q) Reflects the removal of interest income earned in connection with EFH cash balances assumed to be used as of January 1, 2017 to repay EFH indebtedness contemporaneously with the closing of the Merger through EFH's emergence from Chapter 11 bankruptcy.

r) Reflects the removal of historical interest expense related to EFH debt assumed to be repaid as of January 1, 2017 contemporaneously with the closing of the Merger through EFH's emergence from Chapter 11 bankruptcy.

s) Reflects the elimination of reorganization expense directly associated with EFH's Chapter 11 bankruptcy proceedings that would not have occurred had the Merger been completed on January 1, 2017.

t) Reflects cash dividends at 6 percent per annum on the $1,725 million aggregate liquidation amount of mandatory convertible preferred stock issued, which would result in an aggregate cash dividend of $104 million for the year ended December 31, 2017. The foregoing amounts of dividends assume that we pay dividends on the mandatory convertible preferred stock in cash. However, we have the right to pay those dividends in shares of our common stock.

u) The following table provides the pro forma weighted-average number of basic and diluted common shares outstanding for the year ended December 31, 2017. Diluted shares outstanding include the potential dilution of common stock equivalent shares that may occur if securities or other contracts to issue common stock were exercised or converted into common stock.

(Shares in thousands)		
	Year ended December 31, 2017	
Earnings attributable to common shares (in millions)	$	314
Basic:		
Weighted-average common shares outstanding as reported		251,545
Common shares assumed issued to fund a portion of the Merger Consideration and immediately thereafter to pay down short-term debt		26,869
Pro forma weighted-average common shares outstanding		278,414
Diluted:		
Weighted-average common shares outstanding as reported		252,300
Common shares assumed issued to fund a portion of the Merger Consideration and immediately thereafter to pay down short-term debt		26,869
Pro forma weighted-average common shares outstanding		279,169
EPS:		
Pro forma earnings per common share–basic	$	1.13
Pro forma earnings per common share–diluted	$	1.12

We have assumed that the conversion of the mandatory convertible preferred stock would result in the issuance of approximately 16.0 million shares of our common stock, subject to possible adjustment pursuant to the terms of the mandatory convertible preferred stock, based on the last reported sale price of our common stock on the New York Stock Exchange (NYSE) on December 27, 2017, which was $107.83 per share; however, no adjustment for the shares issuable on conversion is reflected in our computation of the unaudited pro forma diluted earnings per common share because the issuance of those shares would be anti-dilutive.

v) As discussed under “Financing” above, we may issue additional common stock to ultimately finance the Merger, the proceeds of which we assume would be used to pay down short-term debt.

A $100 million increase in the assumed gross proceeds from the sale of shares of our common stock and a corresponding $100 million decrease in the assumed gross proceeds from the issuance of short-term debt would increase our pro forma earnings attributable to common shares by approximately $1 million for the year ended December 31, 2017 and would increase our pro forma diluted earnings per share by a negligible amount for the year ended December 31, 2017, assuming a sales price of $107.83 per share of common stock based on the last reported sale price of our common stock on the NYSE on December 27, 2017, and no changes in the respective amounts of gross proceeds from the other Financing Transactions.