

ADDENDUM 1

RFP 473-22-00001

REQUEST FOR PROPOSALS TO PROVIDE CONSULTING SERVICES WITH RESPECT TO THE STRUCTURE AND PRICING OF SECURITIES RELATED TO SECURITIZED FINANCING OF WINTER STORM URI UPLIFT FINANCING

Introductory Note:

The Public Utility Commission of Texas (PUCT) issues this request for proposals (RFP) to provide consulting services regarding ERCOT securitization financing for Winter Storm Uri Uplift Financing. This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 39.151, 39.651 and 39.652.

The issuance of securitized bonds involves highly specialized expertise and experience in capital market conditions and debt financing, and the proposed consulting contract will procure services that enable the Commission to fulfill the statutory requirement of PURA §39.39.651, which states that "The commission shall ensure that the structuring and pricing of the debt obligations results in the lowest uplift charges consistent with market conditions and the terms of the order issued under this subchapter."

The term of the contract resulting from this RFP is anticipated to be January 1, 2022 to June 1, 2023, or when the transaction has been finalized.

Questions and Answers (RED):

1. Will the advisor be asked to have a fiduciary duty to the Commission?

Answer

No.

2. Will the advisor if a broker dealer be allowed to participate in the sale and trading of the bonds after the bonds are issued?

Answer

The contract with the advisor is not expected to expressly address this issue.

3. Will the advisor be permitted to advise, underwrite, sell or trade bonds of any entity involved with ERCOT and affected by the bonds?

Answer

The contract with the advisor is not expected to expressly address this issue.

4. On September 30, Commissioner Glotfelty stated "I wish I could say that I know what these processes are going to look like, but I've never done it before Having somebody that had would give me huge amounts of comfort as we go forward that we are protecting the public interest and we're protecting the public from costs, from issues that may arise that we wouldn't otherwise note without a financial advisor."

How much weight will be given to having advised Commissions on previous utility securitization transactions before especially bonds with longer maturities like ERCOT is proposing 15 years to 28 years?

Answer

Section 4.C of the RFP states the relative weights of the evaluation criteria.

5. Will the advisor review and audit all relevant information provided by ERCOT in advance as is the right of the Commission concerning various Qualified Costs (including costs of initial issuance and on-going servicing costs) and other financeable costs not fixed in the Debt Obligation Order and ensure those are appropriate and least cost available?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

6. Will the advisor review and verify for accuracy and whether the it produces the lowest uplift charges possible so as to ensure the Commission has a basis to approve:
 - a. the cash flow models designed to calculate Uplift Charges and Uplift Bond Payments and true-up adjustments;
 - b. "stress test" cash flow analyses;
 - c. business issues related to legal opinions; and
 - d. the resolution of other rating agency issues, including required capital contributions, overcollateralization, and other credit enhancement levels to achieve triple-A ratings or otherwise ensure that the lowest uplift charges have been obtained?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

7. Standard utility securitization bond underwriting agreements have the following clause in them since 2005 such as this one taken from the most recent PUCT approved Saber Partners, LLC Questions concerning RFP 473-22-00001 securitization financing order for AEP in 2019:

"Absence of Fiduciary Relationship. Each of the Issuer and AEP Texas acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and AEP Texas with respect to the offering of the Bonds contemplated hereby (including in connection with determining the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or AEP Texas. Additionally, none of the Underwriters is advising the Issuer or AEP Texas

as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and AEP Texas shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or AEP Texas with respect thereto. Any review by the Underwriters of the Issuer or AEP Texas, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or AEP Texas." See

<https://www.sec.gov/Archives/edgar/data/1721781/000114036119016637/nt10002760x10 ex1-1.htm>

We expect ERCOT/and or BondCo to enter into a similar agreement. Given the statement that "Any review by the Underwriters of the Issuer or AEP Texas, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or AEP Texas." If such similar language is agreed to by ERCOT will the Advisor be expected to verify all information and analyses provided by the Underwriters from the perspective of the Commission and the consumer ?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

8. Will the advisor be asked to participate in and advise the Commission's Designate Representative on all aspects of the Commission's decision-making role that is ,according to the Debt Obligation Orders in Dockets 52321 and 52322, "co-equal" to ERCOT with respect to structuring, marketing and pricing of the Debt Obligation Bonds, including the selection of the underwriting syndicate so as to ensure the Commission has a basis to approve?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

9. Will the advisor be asked to review drafts and recommend approval or changes to, in advance, all transaction documents on behalf of ratepayers, giving particular attention to covenants, representations, and warranties to be given by the ERCOT and by the Bond Co and to remedies and the measure of damages that will apply in the event of

any breach of covenant, representation or warranty by ERCOT or by the Bond Co so as to ensure the Commission has a basis to approve such transaction documents?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

10. Will the advisor be permitted to review and comment on all drafts, in advance, and assist the Commission's designee who is not familiar with SEC related developments, no action letters and other rules and regulations, as to whether to approve all SEC registration statements and any written correspondence with SEC staff and to participate actively in any discussions with SEC staff so as to ensure the Commission has a basis to approve such documents?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

11. Will the advisor be allowed to participate fully and in advance on all plans and

Saber Partners, LLC Questions concerning RFP 473-22-00001 decisions related to the structuring, marketing and pricing of the Debt Obligation Bonds in order to advise the Commission on whether the facts and circumstance of the transaction meet the requirements of the Debt Obligation Orders so as to ensure the Commission has a basis to approve such plans and decisions?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

12. Will the advisor be permitted to review legal opinions given to rating agencies to ensure the Commission has a basis to accept such opinion and they will not have an adverse effect on the pricing of the bonds and result in the lowest Uplift Charges possible?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

13. Will the advisor be permitted to review any Internal Revenue Service private letter ruling requests and letter rulings?

Answer

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14. Will the advisor participate actively in reviewing and recommend approval or disapproval to the Commission, in writing, in advance all aspects of interactions with the rating agencies to ensure the Commission has a basis for evaluating ERCOT's efforts to achieve the lowest uplift charges possible?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

15. Will the advisor be allowed to review and approve in advance all written marketing materials to ensure the Commission has a basis to approve materials and that they will result in Commission having a basis for that they will result in the lowest Uplift Charges possible under market conditions at the time?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

16. Will the advisor be allowed to review and recommend approval or disapproval to the Commission in writing, in advance, the underwriters' plans for marketing the series of Debt Obligation Bonds, including their: (a) strategy to market the bonds to all relevant domestic and international debt market segments, including potential buyers from the corporate bond market; (b) marketing materials in both written and electronic form (e.g., sales point memoranda, road shows, and other investor education materials) so as to ensure the Commission has a basis to approve such plans given the anticipated

disclaimers in the underwriting agreement concerning such plans and the need for the Commission to make an independent arms-length decision?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

17. Will the advisor be allowed to review and approve in advance the underwriters' list of targeted investors to whom the underwriters propose to offer the series of Debt Obligation Bonds to ensure the broadest possible competition to ensure the Commission has a basis to approve such list?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

18. Will the advisor be allowed to participate actively in written or oral presentations by any underwriter or group of underwriters to investors, including discussions relating to structure or price of Debt Obligation Bonds?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

19. Will the advisor be asked to analyze and recommend approval or disapproval of any proposed credit enhancement, hedging or swap agreements designed to promote the credit quality and marketability of the Debt Obligation Bonds or to mitigate the risk of future interest rate increases?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

20. Will the advisor be asked to coordinate price talks with underwriters and approve preliminary pricing indications prior to release to the marketplace?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

21. Will the advisor have open access to the bookrunning manager's book and all orders with respect to the series of Debt Obligation Bonds?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the

proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

22. Will the advisor be asked to affirmatively approve the proposed pricing of the series of Debt Obligation Bonds; if there is an oversubscription, recommend whether the oversubscribed Debt Obligation Bonds should be re-priced to ensure the Commission has a basis to approve or disapprove such pricing?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

23. Will the advisor be allowed to obtain written certification, to be approved by the Advisor, from the bookrunning underwriter(s) that the structuring, marketing and pricing of the Debt Obligation Bonds resulted in the lowest cost of funds and uplift bond charges consistent with market conditions and the terms of the Debt Obligation Order?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

24. Will the advisor be asked to ensure that the transaction protects the competitiveness of the retail and wholesale market in Texas by bringing to the attention of PUCT Staff any transaction structure issues that might result in a reduction in headroom (i.e., higher Uplift Charges)?

Answer

No.

25. Will the advisor be asked to participate actively in the underwriters' due diligence efforts?

Answer

Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

26. Will the advisor allowed to evaluate and verify the issuance advice letter submitted by ERCOT in each Subchapter M or N financing such as the issuance advice letter recently submitted by ERCOT regarding Subchapter M financing in Docket 52321 and Compliance Docket?

Answer

No. Section 1—Introduction of the RFP states that "The Public Utility Commission of Texas (PUCT) issues this request for proposals (RFP) to provide consulting services regarding ERCOT securitization financing for Winter Storm Uri Uplift Financing . This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 36.401-36.403, 39.301, and 39.651." Thus, this RFP does not apply to the subchapter M financing addressed in Docket No. 52321

27. Will the advisor be allowed to conduct such other due diligence that in its professional judgement may be necessary to support the Advisor's recommendations to the Commission ensuring they have a basis to approve the transaction and Final Report?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

28. Will the advisor be asked to notify the Commission if the Advisor becomes aware that any material aspect of the transaction has been performed in a manner that is not legal or

ethical or that any decisions made in the transaction have not been appropriately documented, including documentation of any difficulties, anomalies, or unusual circumstances encountered in the transaction and their resolution?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

29. Will the advisor be asked to provide prior to closing of each transaction, a Certification letter addressed to the Commission and signed by the Advisor's most senior executive giving the Advisor's opinion without any material qualification that supports the notification required in the Debt Obligation Order that "The Commission's designated representative shall notify ERCOT and the Commission no later than 12:00 p.m. on the business day after the Commission's receipt of the issuance advice letter for each series of Subchapter N Bonds whether the structuring, marketing, and pricing of that series of Subchapter N Bonds comply with the criteria established in this Debt Obligation Order" ?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

30. If the advisor believes there is basis for the Commission to stop the transaction as in past PUCT securitization transactions in Dockets 21528, 21530, 21665, 30485, will the advisor be required affirmatively state the following:
- 1) the structuring, marketing and pricing of the transaction resulted in the lowest uplift bond charges consistent with market conditions and the terms of the Debt Obligation Order;
 - 2) the Advisor performed all duties required under the terms of its contract and/or

the Debt Obligation Order to be performed prior to delivery of the “no veto” letter; and

3) the Advisor performed such due diligence sufficient to ensure that all material decisions made in the transaction by the Advisor and ERCOT have been appropriately documented, and that any difficulties, anomalies, or unusual circumstances encountered in the transaction have been reported to the PUCT Staff and will be documented in a Final Report as described below. The letter shall explain in detail the reasons why the Advisor recommends that the transaction should not go forward, and any circumstances or remedies that the Advisor believes must occur for the transaction to go forward.

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of providing the services required; the Commission’s designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract’s scope of services.

31. Specifically, will the Advisor be asked to provide a certification that:

- a. the structure, marketing and pricing of the transaction resulted in the lowest uplift bond charges given market conditions and the terms of the Debt Obligation Order, along with similar certifications signed by the bookrunning underwriters and provided to the Advisor and a brief narrative explaining the basis for the Advisor’s Certification; and
- b. a description of the actions taken by the Advisor to fulfill its duties under the contract including the Advisor’s due diligence efforts;
- c. a description of any difficulties, anomalies, or unusual circumstances encountered by the Advisor during the transaction including when these matters were communicated to the PUCT and how they were resolved to the Advisor’s satisfaction;
- d. recommendations for improving the process for the next transaction, if any?

Answer

Section 3, Statement of Work in the RFP states the scope of services to be provided by the advisor. Proposers are free to propose specific tasks they believe could be part of

providing the services required; the Commission's designee will make the determination whether the proposed specific tasks are necessary or whether they are beyond the contract's scope of services.

32. Regarding Subchapter M, will the advisor assist Commission staff in current and subsequent docketed cases related to ERCOT applications for Debt Obligation Orders including reviewing testimony and briefs such as was recently submitted by NRG in Docket 52321 concerning the \$50 million set-aside for debt retirement, frequency of true up, interaction with Brazos and the cooperatives etc.?

Answer

No. Section 1—Introduction of the RFP states that “The Public Utility Commission of Texas (PUCT) issues this request for proposals (RFP) to provide consulting services regarding ERCOT securitization financing for Winter Storm Uri Uplift Financing . This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 36.401-36.403, 39.301, and 39.651.” Thus, this RFP does not apply to the subchapter M financing addressed in Docket No. 52321

33. Will the advisor be required to prepare and respond to interrogatories, and presenting or preparing witnesses to testify for subsequent Debt Obligation Orders for the anticipated refinancing Subchapter M bonds to lower Uplift Charges?

Answer

No. Section 1—Introduction of the RFP states that “The Public Utility Commission of Texas (PUCT) issues this request for proposals (RFP) to provide consulting services regarding ERCOT securitization financing for Winter Storm Uri Uplift Financing . This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 36.401-36.403, 39.301, and 39.651.” Thus, this RFP does not apply to the subchapter M financing addressed in Docket No. 52321

34. Will the advisor be asked to assist PUCT staff in preparing proposed forms of Debt Obligation Orders, if any, proposed after the advisor's selection, for the anticipated refinancing of Subchapter M bonds to achieve the lowest Uplift Charges?

Answer

No. Section 1—Introduction of the RFP states that “The Public Utility Commission of Texas (PUCT) issues this request for proposals (RFP) to provide consulting services regarding ERCOT securitization financing for Winter Storm Uri Uplift Financing . This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 36.401-36.403, 39.301, and 39.651.” Thus, this RFP does not apply to the subchapter M financing addressed in Docket No. 52321

35. Will any type of investment banking indemnification be provided for any advice provided by the advisor during the term of the contract?

Answer

No.

36. Will the advisor be required to disclose if any member of the Advisor's team has had had investigations, allegations or charges brought against him or her by any regulatory agency such as the Securities & Exchange Commission?

Answer

No. However, Section 19.9 of our standard contract terms and conditions requires the contractor to agree to the following:

“Contractor represents and warrants that neither Contractor, nor any of its employees, agents, or representatives, including any subcontractors and employees, agents or representatives of such subcontractors, has been convicted of a felony criminal offense or that if such a conviction has occurred Contractor has fully advised of the facts and circumstances surrounding the conviction.”

37. The RFP indicates that the financial capability of the proposer is a factor in determining the advisor's capabilities to perform under the contract. What specific financial commitments or other issues relating to the financial capability are expected or necessary to conduct and implement the proposed Scope of Work?

Answer

Consideration of an applicant's financial capability is a standard element of state contracts and requires the proposer to demonstrate the financial wherewithal to perform the required services.

38. Would the Commission consider and accept performance based fee above some minimum, for the advisor based on how much but for the advisor analysis, advice or recommendations saved consumers?

Answer

No.