Update on ERCOT, Inc. Tax Status

Exhibit SB-3

- **ERCOT has been pursuing changes in its tax-exempt status since 2005 with an objective to**
  - Reduce taxes
  - Reduce debt financing costs
  - Preserve recoupment look-back period to 2001

- **Tax benefits are now being realized (via interim step to 501(c)(4))**
  - Recovered to date - $14.4 million
  - Pending - ~$12.0 million
  - 10-year NPV of expected future savings $18 million

- **Recent analysis indicates interest expense savings are achievable by issuing tax-exempt debt**
  - Timing is important but expected interest expense savings range between 20 – 30%
  - Feasibility review of qualification for 501(c)(3) status underway
  - Going forward, debt portfolio structuring will seek to preserve benefits of conversion to tax-exempt status