



Proposed Settlement of ERCOT Adversary Proceeding

In re: Brazos Electric Power Cooperative, Inc.

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September 20/21, 2022

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Logistical Matters

- Dedicated webpage for Brazos/ERCOT settlement has been established on www.ercot.com
 - Available at <https://www.ercot.com/about/legal/brazos>
 - All materials, including audio recording of this presentation, will be posted at the webpage
- Send questions to MPElectionNotice@ercot.com
 - Q&A will be available at the webpage throughout the Election Notice process
- On September 20, 2022, Eligible Market Participants received the following:
 - Election Notice forms uploaded to Requested Information folders on the Market Information System (“MIS”) Certified Area
 - Email notification provided to Authorized Representatives and Backup Authorized Representatives that forms are available on MIS Certified Area
- **DEADLINE TO RETURN ELECTION NOTICE FORM TO ERCOT:**
 - **October 21, 2022: 5:00 pm Central Time (“CT”)**

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Background

Winter Storm Uri Shortfall

- Winter Storm Uri market-wide shortfall \$2.9 billion (“bn”)
 - Brazos: \$1.9bn : *Bankruptcy*
 - Rayburn: \$0.6bn : *S.B. 1580 Securitization*
 - Terminated Entities: \$0.4bn : *H.B. 4492 Subchapter M Securitization*
- Under Protocol Section 9.19.1, market recovery through Default Uplift would have been limited to \$2.5 million (“mm”) per month
 - Using the Default Uplift for full recovery of the \$2.9bn market-wide shortfall would have taken approximately 100 years
 - Recovery of approximately 1% per year (\$30.0mm / \$2.9bn)

Background

PUC Provides Temporary Liquidity for Market-Wide Shortfall

- February 21, 2021: PUC Order allowing ERCOT to temporarily use Congestion Revenue Rights (“CRR”) funds to reduce amounts short-paid to Market Participants
 - To help alleviate Market Participants’ potential liquidity issues during the Winter Storm Uri period, \$800.0mm of CRR funds were temporarily advanced to Market Participants for amounts owed by short-paying entities
 - Allocated to Market Participants on the February 26, 2021, Invoice Payout Date, which included RTM Initial Operating Days February 15-18, 2021
 - \$599.7mm of the \$800.0mm was attributable to short payments from Brazos
 - \$200.3mm of the \$800.0mm was attributable to short payments from Terminated Entities

Background

Brazos Files Chapter 11

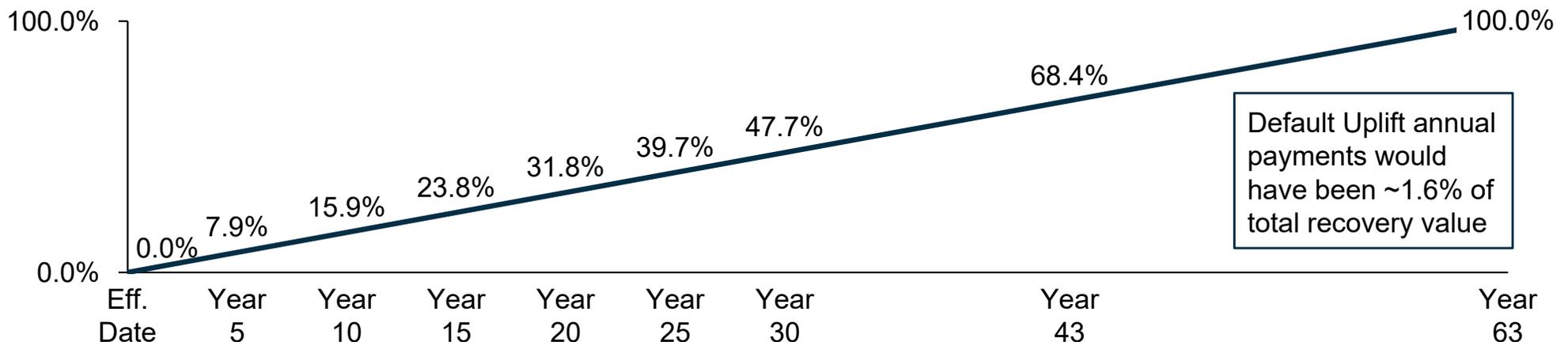
- March 1, 2021: Brazos commenced its bankruptcy case under Chapter 11 of the Bankruptcy Code, which is assigned Case No. 21-30725 (“Bankruptcy Case”)
 - Currently pending before the United States Bankruptcy Court for the Southern District of Texas
- June 14, 2021: ERCOT filed a Proof of Claim in the Bankruptcy Case for charges related to Winter Storm Uri
 - Amended in November 2021 to assert a claim in the amount of \$1,886.6mm (“Brazos Short Pay Claim”)

Background

Default Uplift Would Have Been Protracted

- Under Protocol Section 9.19.1, market recovery through Default Uplift limited to \$2.5mm per month
- Default Uplift would have provided full recovery on \$1,886.6mm Brazos Short Pay Claim over approximately 62 years and 11 months⁽¹⁾
 - Recovery of approximately 1.6% per year (\$30.0mm / \$1,886.6mm)
 - Funded by Market Participants (QSEs and CRR Account Holders)

Recovery Via Default Uplift – Cumulative Nominal Recovery (%)



Background

87th Legislature Acts to Address Market-Wide Shortfall

- May 2021: Legislature passed H.B. 4492 and S.B. 1580
 - H.B. 4492 Subchapter M: \$800.0mm securitization to cover Winter Storm Uri defaults of terminated competitive Market Participants and partially replenish CRR funds temporarily advanced to Market Participants
 - In November 2021, \$800.0mm of Subchapter M bonds (“M Bonds”) were privately placed with the Texas Comptroller and the net proceeds were (1) distributed to Market Participants and (2) used to partially replenish CRR funds
 - Funds recovered and attributable are to be used to pay down M Bonds; ERCOT negotiated pre-payment rights for the first 3 years
 - H.B. 4492 Subchapter N: \$2.1bn securitization for Load Serving Entity (“LSE”) and customer liquidity related to Winter Storm Uri charges
 - Brazos was not eligible and did not receive any of those funds

Background

87th Legislature Acts to Address Market-Wide Shortfall

- May 2021: Legislature passed H.B. 4492 and S.B. 1580
 - S.B. 1580: Allows cooperatives to securitize to pay ERCOT and cover extraordinary costs from Winter Storm Uri
 - Rayburn utilized S.B. 1580 and paid ERCOT, who then paid the Market Participants in full in February 2022
 - Brazos and its Members are utilizing S.B. 1580 securitization as a source of funds for the Plan distributions

Background

ERCOT Adversary Proceeding

- August 18, 2021: Brazos filed an adversary proceeding against ERCOT (“ERCOT Adversary Proceeding”), alleging, among other things:
 - ERCOT’s \$1,886.6mm claim (Brazos Short Pay Claim) should be disallowed or greatly reduced (by approximately \$1,124.3mm)
 - Brazos Short Pay Claim should be reclassified as a general unsecured, non-priority claim
- Litigation lasted several months
- Market Participants intervened to participate in the ERCOT Adversary Proceeding (“Defendant Intervenors”)

Background

ERCOT Adversary Proceeding Defendant Intervenors

- **Defendant Intervenors included:**
 - South Texas Electric Cooperative, Inc.
 - Golden Spread Electric Cooperative, Inc.
 - Tenaska Power Services, Co.
 - ENGIE Energy Marketing NA, Inc., on behalf of itself and each of its affiliates
 - NextEra Energy Marketing, LLC
 - NRG Energy, Inc., on behalf of itself and each of its affiliates
 - Calpine Corporation, on behalf of itself and each of its affiliates

Background

ERCOT Adversary Proceeding Trial

- February 22, 2022: Trial commenced
- Witnesses at trial included:
 - William Magness: ERCOT former CEO
 - DeAnn Walker: PUC former chairperson during Winter Storm Uri
 - Dwayne Rickerson: ERCOT VP of Grid Planning/Operations during Winter Storm Uri
 - Arthur D'Andrea: PUC former commissioner during Winter Storm Uri
 - Dave Maggio: ERCOT Director of Market Design and Analytics
 - Josh Clevenger: Brazos VP of Power Supply
 - Clifton Karnei: Brazos EVP and General Manager
 - Frank Graves: Calpine expert on power market economics and economic design
 - Kenan Ögelman: ERCOT VP of Commercial Operations
- March 3, 2022: Trial suspended

Background

Mediation

- March 2022 – present: United States Bankruptcy Judge Marvin Isgur mediated the ERCOT Adversary Proceeding and the Plan structure
 - Mediation is occurring under a Court Order that has been extended multiple times
 - Negotiations have spanned several months
 - After months, the various parties could not agree
 - Judge Isgur made a final mediator’s proposal (“Mediator Proposal”) that the parties could either accept or resume litigation
 - Brazos, ERCOT, and other key parties ultimately reached a settlement in principle that is embodied in the Plan (“ERCOT Settlement”) — it is still being finalized but the economics are not changing

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ERCOT Settlement Principles

- **Overall Objectives:**
 - Cognizant of 87th Legislative Session statutory changes regarding defaulting Market Participants (PURA § 39.160)
 - Balance current and future wholesale market integrity with litigation risk (i.e., uncertainty in bankruptcy court and any subsequent appeals)

ERCOT Settlement Principles (Continued)

- **Economic Principles**

- No Default Uplift under ERCOT Protocols to the wholesale market under any scenario
- Recovery Considerations:
 - Full recovery for Eligible Market Participants in less time than Default Uplift process
 - Flexibility for Eligible Market Participants to choose several recovery options
- Immediate recovery of Brazos-attributable CRR funds (\$599.7mm) to fully replenish CRR funds and pay down M Bonds
- Release of reserved and unasserted claims regarding ERCOT prepetition transfers of Brazos collateral (approximately \$350.2mm)

ERCOT Settlement Principles (Continued)

- **Non-Economic Principles**

- Brazos (and any Affiliate) no longer acts as financial Counter-Party (QSE or CRR Account Holder) with ERCOT in the wholesale market
 - Upon transition, will no longer schedule load or generation
 - Upon transition, will never create new financial exposure/risk to the wholesale market
- Appropriate senior management changes for Brazos going forward

Settlement Overview

- Brazos filed its proposed Plan on September 1, 2022 (revised versions filed thereafter), with terms reflecting those outlined in the Mediator Proposal
- Entire ERCOT claim amount of \$1,886.6mm (Brazos Short Pay Claim) to be allowed and ERCOT will avoid further litigation
 - \$599.7mm is owed to replenish Brazos-attributable CRR funds previously advanced to Market Participants
 - \$374.8mm owed to pay down M Bonds
 - \$224.9mm owed to fully replenish CRR funds
 - **The remaining \$1,286.9mm is owed to Market Participants**

Settlement Overview

Material Non-Economic Provisions

- The ERCOT Settlement also includes material non-economic provisions requested by ERCOT including:
 - Brazos will no longer be a financial Counter-Party (QSE and CRR Account Holder)
 - Brazos will stop scheduling load by March 1, 2023
 - Brazos will sell all owned Generation Assets
 - Brazos will stop scheduling its own generation by no later than one year from Effective Date
 - Brazos Retained Agreements must be through a third-party non-Affiliate QSE starting March 1, 2023
 - Certain post-Effective Date changes in Brazos senior management team (as listed on the following page)

Settlement Overview

Changes in Brazos Senior Management Team

- **Clifton Karnei** (Brazos Executive Vice President & General Manager) will cease his employment before the earlier of (i) March 31, 2023, or (ii) the date that is 30 days after the Generation Sale Closing Date
- **Josh Clevenger** (Brazos Vice President of Power Supply) and **Travis “Dean” Thrall** (Brazos Vice President of Generation) shall cease their employment on or before the date that is 30 days after the Generation Sale Closing Date
- **Philip Segrest** (Brazos General Counsel) shall exit his existing role as General Counsel on the date that is 30 days after the Effective Date
- Additionally, no current or former Brazos employee in its power supply or generation functions may become a Principal of Brazos in the future, as defined in ERCOT Protocols

Settlement Overview

Market Participant Settlement Options

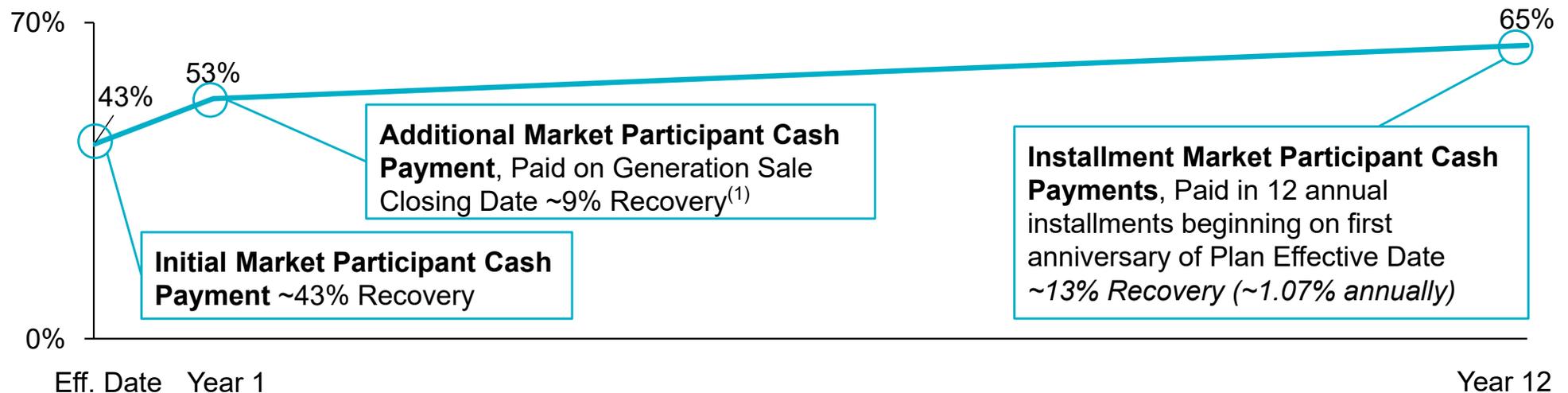
- Settlement payments to Market Participants owed an allocable portion of the Brazos Short Pay Claim (“Eligible Market Participants”) will be made in accordance with Eligible Market Participants respective elections under the following options (detailed on subsequent pages):
 - Option 1: Market Participant Accelerated Cash Recovery (“Accelerated Recovery”)
 - Option 2: Market Participant Deferred Cash Recovery (“Deferred Recovery”)
 - Option 3: Market Participant Convenience Cash Recovery
 - Option 4: Allocation of the Eligible Market Participant share between Option 1 and Option 2

\$1,286.9mm Market Participant Claim Recovery

Option 1: Market Participant Accelerated Cash Recovery

- Market Participant Accelerated Cash Recovery is ~65% nominal recovery received over 12 years (~43% on the Effective Date), on an Eligible Market Participant's allocable portion of the Brazos Short Pay Claim
- Bound by the Settlement Release set forth in Article IV.G.2 of the Plan

Accelerated Recovery – Cumulative Nominal Recovery (%)

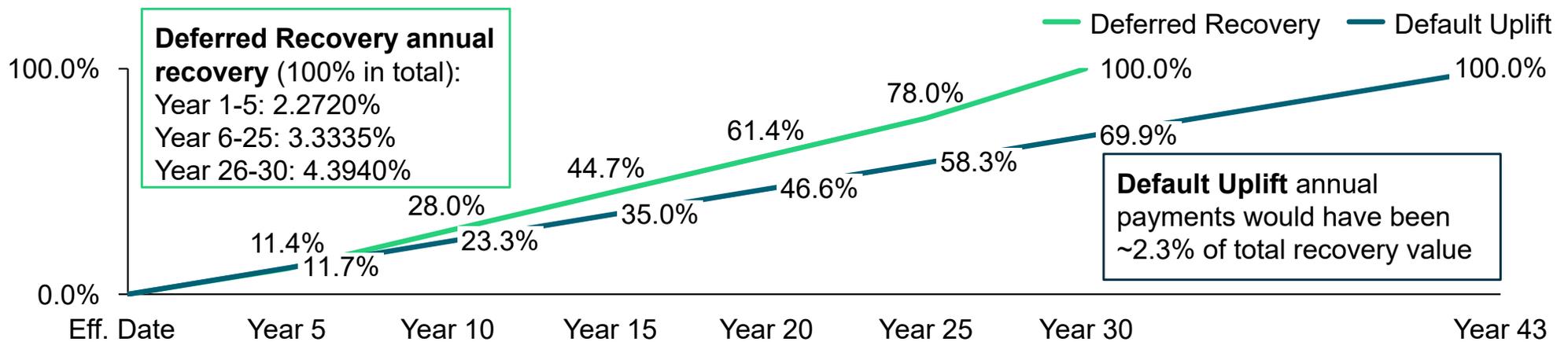


\$1,286.9mm Market Participant Claim Recovery

Option 2: Market Participant Deferred Cash Recovery

- Market Participant Deferred Cash Recovery is 100% nominal recovery received over 30 years, on an Eligible Market Participant's allocable portion of the Brazos Short Pay Claim
 - Deferred Recovery results in 100% nominal recovery approximately 13⁽¹⁾ years faster than the Default Uplift process of \$2.5mm per month
- Option to opt out of the Settlement Release (Article IV.G.2 of the Plan)

Deferred Recovery vs Default Uplift – Cumulative Nominal Recovery (%)

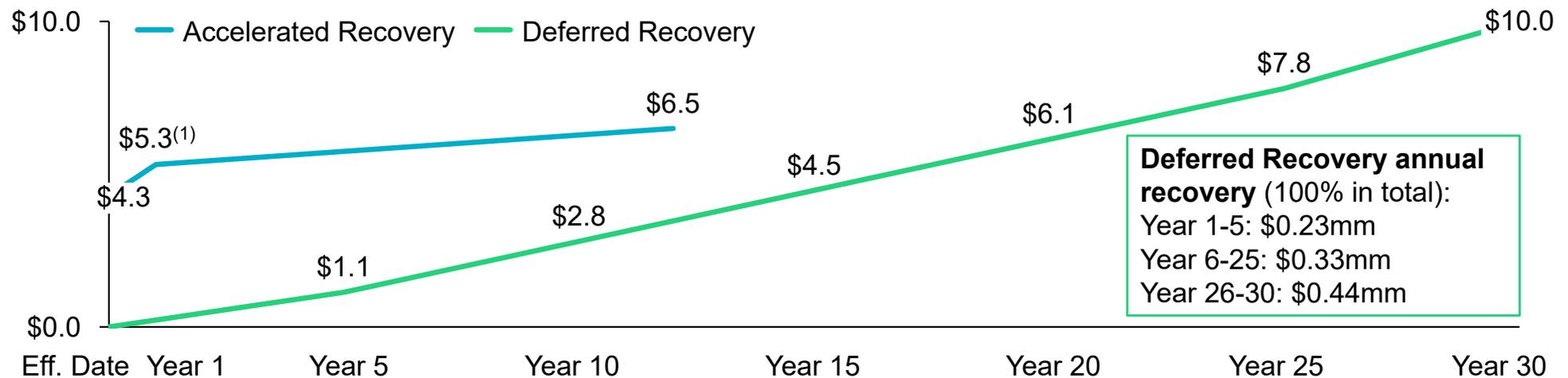


\$1,286.9mm Market Participant Claim Recovery

Examples: Assuming \$10.0mm Claim for Option 1 & Option 2

- Option 1 offers recovery of \$4.3mm on Effective Date, \$0.9mm upon Generation Asset sale, and annual payments for 12 years of \$0.1mm per year for total recovery of \$6.5mm
- Option 2 offers 100% total recovery of \$10.0mm over 30 years

Example Comparison between Recovery Option 1 and Option 2 – Cumulative Nominal Recovery (\$mm)



1) \$5.3mm nominal recovery in Year 1 includes the Year 1 Installment Market Participant Cash Payment (\$0.1mm)

\$1,286.9mm Market Participant Claim Recovery

Option 3: Market Participant Convenience Cash Recovery

- Market Participant Convenience Cash Recovery provides the right to receive a **one-time cash payment** on the Effective Date of the Plan in an amount equal to 63% of the **lesser** of (i) such Eligible Market Participant's allocable share of the Brazos Short Pay Claim, and (ii) \$10,000.00
 - 387 Eligible Market Participants have an allocable share of Brazos Short Pay Claim that is less than or equal to \$10,000.00
- Bound by the Settlement Release set forth in Article IV.G.2 of the Plan

Claim Value	Market Participant Cash on Effective Date
$\geq \$10,000.00$	\$6,300.00
$< \$10,000.00$	63% of claim

\$1,286.9mm Market Participant Claim Recovery

Option 4: Allocation Between Option 1 & Option 2

- Option for Eligible Market Participant to receive part of its allocable share of Brazos Short Pay Claim as Market Participant Accelerated Cash Recovery and the remainder as Market Participant Deferred Cash Recovery
- Option to opt out of the Settlement Release set forth in Article IV.G.2 of the Plan **solely** relating to the portion of the allocable share of the Brazos Short Pay Claim electing **Market Participant Deferred Cash Recovery**

\$1,286.9mm Market Participant Claim Recovery

Examples: Assuming \$10.0mm Claim for Option 4

Allocation % Option 1:Option 2	Total Claim Amount	Option 1 (Accelerated) Claim Amount / Nominal Recovery (65% of Claim)	Option 2 (Deferred) Claim Amount / Nominal Recovery (100% of Claim)	Total Nominal Recovery (30 Yrs) ⁽¹⁾
Example 1 (50%:50%)	\$10.0mm	\$5.0mm / \$3.2mm	\$5.0mm / \$5.0mm	\$8.2mm
Example 2 (75%:25%)	\$10.0mm	\$7.5mm / \$4.9mm	\$2.5mm / \$2.5mm	\$7.4mm
Example 3 (25%:75%)	\$10.0mm	\$2.5mm / \$1.6mm	\$7.5mm / \$7.5mm	\$9.1mm

Option 4 Recovery Examples – Cumulative Nominal Recovery (\$mm)



1) Total Nominal Recovery (30 Yrs) is equal to (Option 1 Claim Amount x 65%) + (Option 2 Claim Amount x 100%)

\$1,886.6mm Brazos Short Pay Claim Recovery

Option 1 & Option 2 Illustration

- Nominal recovery on \$1,886.6mm full Brazos Short Pay Claim is 76% under Accelerated Recovery and 100% under Deferred Recovery
- Nominal 65% recovery under Accelerated Recovery does not include \$599.7mm payment on Effective Date to replenish CRR funds and pay down M Bonds⁽¹⁾, which is additional value to Market Participants

Brazos Short Pay Claim Recovery – Cumulative Nominal Recovery (%)

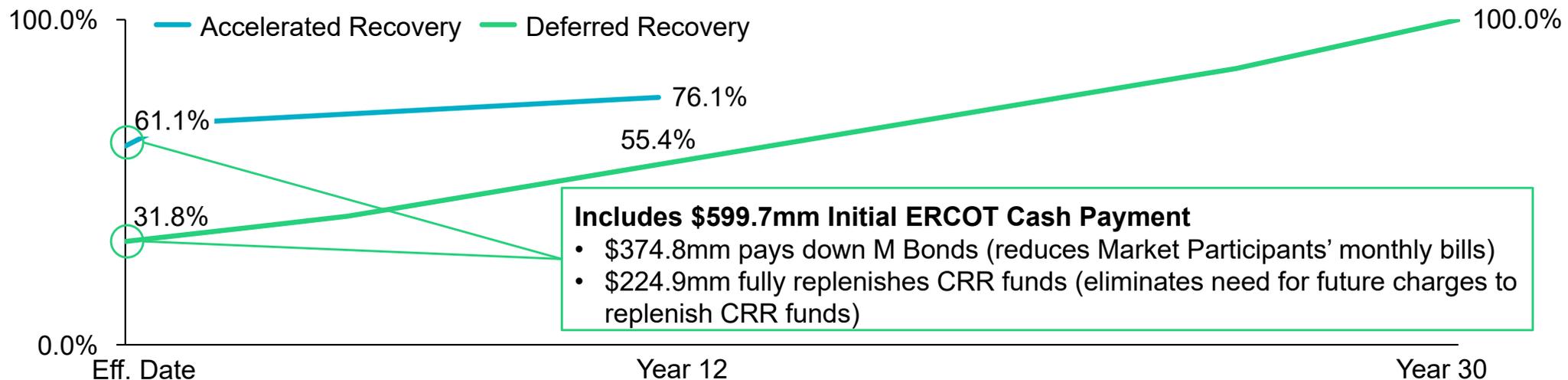


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Primary Funding Sources for Brazos Short Pay Claim Recovery

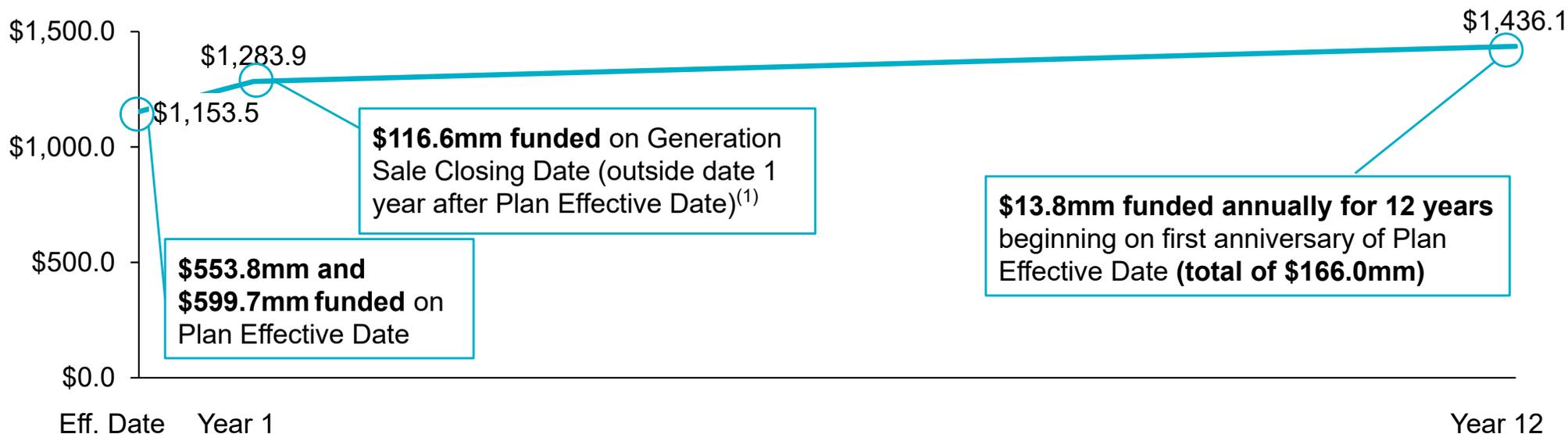
- Brazos has estimated the following funding requirement for payments
 - \$1,153.5mm on Effective Date
 - \$116.6mm on Generation Asset Sale Date
 - \$166.0mm over 12 years funded from Transmission & Distribution (“T&D”) operations
- \$599.7mm paid on Effective Date replenishes CRR funds and pays down M Bonds
- Remaining allocable portion of these amounts will be:
 - Paid to ERCOT (who will subsequently pay Eligible Market Participants) on the relevant dates for Accelerated Recovery and Market Participant Convenience Cash Recovery
 - Funded into a designated escrow account⁽¹⁾ for Deferred Recovery



Primary Funding Sources for Brazos Short Pay Claim Recovery (Continued)

- Brazos has assumed its funding requirement is the same irrespective of which option Eligible Market Participants select
 - Assumes 3% annualized return on amounts funded into a designated escrow account (any shortfall would require additional funding from Brazos)

Brazos Funding Requirement for Brazos Short Pay Claim (\$mm)



Effective Date Payment

Securitizations / Repayment of TAA Balances

- Primary source of funds for \$1,153.5mm payment on Effective Date to ERCOT is the repayment of Brazos Member Temporary Affordability Allowance (“TAA”) Balances (outstanding amounts due from Brazos Members to Brazos)
- 15 of 16 Members owe TAA Balances
 - Four separate securitizations
 - 13 Members securitizing a “non-bypassable charge” as allowed by S.B. 1580
 - Two Members will contribute cash from balance sheet
 - Members required to deposit respective TAA Balances in cash to Brazos by Effective Date (or the Member will be a Defaulting Member)
- 1 of 16 Members does not owe a TAA Balance

Generation Asset Sale Date Payment

Generation Asset Sale Proceeds

- Primary source of funds for \$116.6mm payment on Generation Asset Sale Date is proceeds from the Generation Assets
- 3 Generation Assets to be sold
 - Jack County: 1,210 MW
 - R.W. Miller: 596 MW
 - Johnson County: 269 MW
- Rural Utility Service (“RUS”) Contingency Exit Note assumed to cover any potential shortfall from sale proceeds
- Investment bank has been selected to lead the process
 - Generation Sale Outside Date is 12 months post Effective Date

Installment Payments

Funding from T&D Operations

- \$13.8mm to be funded each year over 12 years from Brazos cash on balance sheet to cover ERCOT installment payments, totaling \$166.0mm
 - Brazos will be selling its Generation Assets; as such, funding is assumed to be provided by T&D operations
- 12-year financial projections provided by Brazos accounted for full payment of these fixed payments
 - The following pages discuss the implications of a failure to pay

Plan Default

- The Plan Default provisions discussed on the following pages are based upon current negotiations and subject to change
- Failure by Brazos to timely pay any portion of the payments to ERCOT shall constitute a “Plan Default”
- ERCOT has certain remedies for payments not received in the first year after the Effective Date⁽¹⁾ and payments not received thereafter⁽²⁾
- ERCOT will **not** use the Default Uplift process to pay amounts to Market Participants if Brazos fails to make a payment

1) Year 1 Payments include Additional Market Participant Cash Payment, first installment of the Installment Market Participant Cash Payments and first installment of the Market Participant Deferred Cash Recovery payments

2) After Year 1 Payments include Installment Market Participant Cash Payments and Market Participant Deferred Cash Recovery payments (other than the first installments made in Year 1)

Plan Default

Year 1 Payments

- If Brazos is unable to make any payment in Year 1, Brazos shall provide written notice to ERCOT of such default (“Plan Default Cure Notice”) seven days before the payment due date, and:
 - Confirm that Brazos’ Board has authorized Brazos to (a) sell a portion of its T&D Assets or (b) obtain other financing reasonably likely to result in sale proceeds or financing proceeds sufficient to cure the Plan Default; and
 - The anticipated timing of any transaction
- After the delivery of the Plan Default Cure Notice:
 - Brazos shall use commercially reasonable efforts to promptly market and sell the applicable T&D Assets or otherwise obtain financing; and
 - Provide reasonable access to non-privileged documents and information concerning the foregoing

Plan Default

Year 1 Payments (Continued)

- Unpaid portion of Year 1 Payments⁽¹⁾ accrues interest at a rate of:
 - 6.0% per annum from and including the Effective Date through the Interim Distribution Deadline (one year after Effective Date); and
 - 8.0% per annum thereafter if not paid by the Interim Distribution Deadline
- ERCOT may file an Enforcement Motion with the Bankruptcy Court
 - No hearing on an Enforcement Motion shall be scheduled to occur until after the 90th day following the occurrence of the applicable Plan Default⁽²⁾
- ERCOT is otherwise prohibited from taking any action during the 90 days following such Plan Default⁽²⁾

1) Excludes first installment of (x) the Installment Market Participant Cash Payments and (y) the Market Participant Deferred Cash Recovery payments which only receive 8% per annum interest from the Plan Default Date

2) If Brazos has delivered a Plan Default Cure Notice

Plan Default

After Year 1 Payments

- If Brazos is unable to make any payment after Year 1, Brazos shall provide a Plan Default Cure Notice seven days before the payment due date, and:
 - Confirm that Brazos' Board has authorized Brazos to (a) sell a portion of its T&D Assets or (b) obtain other financing reasonably likely to result in sale proceeds or financing proceeds sufficient to cure the Plan Default; and
 - The anticipated timing of any transaction
- After the delivery of the Plan Default Cure Notice:
 - Brazos shall use commercially reasonable efforts to promptly market and sell the applicable T&D Assets or otherwise obtain financing; and
 - Provide reasonable access to non-privileged documents and information concerning the foregoing

Plan Default

After Year 1 Payments (Continued)

- Interest on missed payments will accrue at a rate of 8% per annum from and after the date of such Plan Default⁽¹⁾
- ERCOT may file an Enforcement Motion with the Bankruptcy Court
 - No hearing on such an Enforcement Motion shall be scheduled to occur until after the 30th day following the occurrence of the applicable Plan Default
- ERCOT is otherwise prohibited from taking any action or enforcing any remedy against Brazos in respect of such Plan Default during the 60 days following receipt of written notice of such default from Brazos

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ERCOT Settlement Summary

- ✓ Balances current integrity of the wholesale market; provides stability and clarity to current and future investors in the wholesale market
- ✓ ERCOT's settlement principles will be achieved by the Plan
 - ✓ Economic principles
 - ✓ Non-economic principles
- ✓ Brazos will emerge from Chapter 11 as only a pure-play T&D cooperative with full cost pass-through
 - ✓ Financial projections provided by Brazos forecast sufficient liquidity to make Plan payments and Brazos anticipates it will continue to receive substantial financial support from RUS
 - ✓ Brazos T&D is expected to reflect the level of risk applicable to a pure-play T&D cooperative in the State of Texas

ERCOT Settlement Summary (Continued)

- ✓ Eligible Market Participants have the benefit of several key protections:
 - ✓ Effective Date Payments: Successful securitization process and sufficient cash to make the Effective Date Plan distributions will be required for Brazos to emerge from Chapter 11 under the current proposed Plan
 - ✓ Similar securitization structure to Rayburn, which received a Moody's AAA rating
 - ✓ Brazos will not enter into an amended All Requirements Contract with any Member that does not pay its outstanding TAA Balance on the Effective Date
 - ✓ Post-Effective Date Payments: Payment default backstop in place
 - ✓ Brazos must market and sell the applicable T&D Assets or otherwise obtain financing to cure the payment default
 - ✓ Escrow Account: Brazos must place all funding sources not used to pay Accelerated Recovery and Market Participant Convenience Cash Recovery options in an escrow account to fund Deferred Recovery option

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Eligible Market Participant Election Notice Overview

- An Eligible Market Participant Election Notice (“Election Notice”) has been sent to all Eligible Market Participants owed an allocable portion of the Brazos Short Pay Claim
 - Your response to the Election Notice will indicate to ERCOT the payment option you elect
- **The Election Notice must be completed, executed and returned electronically so as to be actually received by ERCOT by no later than 5:00 pm CT on October 21, 2022**
 - Election Notices must be submitted via email directed to MP ElectionNotice@ercot.com

Eligible Market Participant Election Notice Overview (Continued)

- Election Notice has been uploaded to the MIS Certified Area
- Email notification has been sent to the Eligible Market Participant's designated Authorized Representative and Backup Authorized Representative on file with ERCOT
 - **It is the responsibility of the Eligible Market Participant to have correct information on file at ERCOT**

Eligible Market Participant Election Notice

Options and Default Treatment

- Failure to elect any of the following four options, or selecting more than one option, will result in an Eligible Market Participant automatically being deemed to have elected Option 2
- As previously described, Eligible Market Participants may elect among the following four options with regard to treatment of their allocable portion of the Brazos Short Pay Claim
 - Option 1: Market Participant Accelerated Cash Recovery
 - Option 2: Market Participant Deferred Cash Recovery
 - Option 3: Market Participant Convenience Cash Recovery
 - Option 4: Allocation of the Eligible Market Participant share between

Option 1 and Option 2



Eligible Market Participant Election Notice Instructions

Illustrative Selection of Option 1 – Election Notice page 6

Option 1: Market Participant Accelerated Cash Recovery

By checking the box below for this Option, the undersigned Eligible Market Participant elects to receive the Market Participant Accelerated Cash Recovery on the full amount of its allocable portion of the Brazos Short Pay Claim and be bound by the Settlement Release set forth in Article IV.G.2 of the Plan and incorporated into this Election Notice.

Generally speaking, the Market Participant Accelerated Cash Recovery is an approximate 65% nominal recovery on an Eligible Market Participant's allocable portion of the Brazos Short Pay Claim with an approximate 43% nominal recovery on the Effective Date of the Plan. Payment details are shown below.

Payment Description	Payment Timing	Approximate Percent Recovery
Initial Market Participant Cash Payment	Paid to ERCOT on Effective Date of the Plan	43%
Additional Market Participant Cash Payment	Paid to ERCOT on the Generation Sale Closing Date (maximum of 1 year after Effective Date of the Plan)	9%
Installment Market Participant Cash Payments	Paid to ERCOT in 12 annual installments beginning on first anniversary of Effective Date of the Plan	13%
Total		65%

Accept Option 1

When electing Option 1, Eligible Market Participant is bound by the Settlement Release contained in Article IV.G.2 of the Plan



Eligible Market Participant Election Notice Instructions (Continued)

Illustrative Selection of Option 2 – Election Notice page 7

Payment Numbers	Approximate Percent Recovery per Payment	Approximate Percent Recovery for all Payments
1-5	2.2720%	11.3600%
6-25	3.3335%	66.6700%
26-30	4.3940%	21.9700%
Total		100.0000%

Accept Option 2

By accepting Option 2, you will be bound by the Settlement Release set forth in Article IV.G.2 of the Plan and incorporated herein, as set forth above unless you check the opt-out box below. It is your decision whether to participate in the Settlement Release or to opt out and not be bound by the Settlement Release. By opting out of the Settlement Release, you will forgo the benefit of obtaining the Settlement Release and will not be an ERCOT Settlement Release Party as defined in the Plan and this Election Notice.

OPTIONAL RELEASE ELECTION. YOU MAY ELECT TO OPT OUT OF THE SETTLEMENT RELEASE CONTAINED IN ARTICLE IV.G.2 OF THE PLAN AND INCORPORATED HEREIN IF YOU CHECK THE BOX BELOW:

The undersigned elects to OPT OUT of the Settlement Release.

When electing Option 2, there is an additional optional release election to opt out of the Settlement Release contained in Article IV.G.2 of the Plan

Eligible Market Participant Election Notice Instructions (Continued)

Illustrative Selection of Option 3 – Election Notice page 8

Option 3: Market Participant Convenience Cash Recovery

By checking the box below for this Option, the undersigned Eligible Market Participant elects to receive the Market Participant Convenience Cash Recovery and be bound by the Settlement Release set forth in Article IV.G.2 of the Plan and incorporated herein.

This Option may only be elected by Eligible Market Participants whose allocable portion of the Brazos Short Pay Claim (at an account level with ERCOT) is (i) less than \$10,000.00 or (ii) greater than \$10,000.00 and irrevocably elects to reduce such claim to \$10,000.00.

Market Participant Convenience Cash Recovery means with respect to the applicable Eligible Market Participants, the right to receive a one-time Cash payment from ERCOT on the Effective Date of the Plan in an amount equal to 63% of the lesser of (i) such Eligible Market Participant's allocable share of the Brazos Short Pay Claim, and (ii) \$10,000.00.



Accept Option 3

When electing Option 3, Eligible Market Participant is bound by the Settlement Release contained in Article IV.G.2 of the Plan

Eligible Market Participant Election Notice Instructions (Continued)

Illustrative Selection of Option 4: \$10.0mm Claim; \$5.0mm Market Participant Accelerated and \$5.0mm Market Participant Deferred – Election Notice pages 9 and 10

If the amounts below are less than the Eligible Market Participant's allocable share of the Brazos Short Pay Claim, the difference will be added to Option 4.2: Market Participant Deferred Cash Recovery. If the amounts below are greater than the Eligible Market Participant's allocable share of the Brazos Short Pay Claim, the difference will be deducted from Option 4.1: Market Participant Accelerated Cash Recovery.

\$ 5,000,000.00 Option 4.1—Market Participant Accelerated Cash Recovery

\$ 5,000,000.00 Option 4.2—Market Participant Deferred Cash Recovery

OPTIONAL SETTLEMENT RELEASE ELECTION. YOU MAY ELECT TO OPT OUT OF THE SETTLEMENT RELEASE CONTAINED IN ARTICLE IV.G.2 OF THE PLAN AND INCORPORATED HEREIN IF YOU CHECK THE BOX BELOW AND PROVIDE THE DOLLAR AMOUNT OF MARKET PARTICIPANT DEFERRED CASH RECOVERY OPTING OUT OF THE RELEASE:

The undersigned elects to OPT OUT of the Settlement Release solely in respect of the portion of the allocable share of the Brazos Short Pay Claim electing Option 4.2—Market Participant Deferred Cash Recovery

\$ Allocable share of the Brazos Short Pay Claim that elected Option 4.2 above that elects to OPT OUT of the Settlement Release. The allocable share of the Brazos Short Pay Claim opting out of the Settlement Release may not exceed the amount the Eligible Market Participant elects to receive under Option 4.2—Market Participant Deferred Cash Recovery above.

Option to opt out of the Settlement Release set forth in Article IV.G.2 of the Plan **solely** relating to the portion of the allocable share of the Brazos Short Pay Claim electing **Market Participant Deferred Cash Recovery**

Eligible Market Participant Election Notice Instructions (Continued)

Illustrative Selection of Option 4: Additional Instructions

- If the amounts indicated are less than the Eligible Market Participant's allocable share of the Brazos Short Pay Claim, the difference will be added to Option 4.2. If the amounts are greater than the Eligible Market Participant's allocable share of the Brazos Short Pay Claim, the difference will be deducted from Option 4.1
- If an Eligible Market Participant elects Option 4, such Eligible Market Participant shall maintain and provide to ERCOT at its request all documentation it has supporting the direction delivered to it by a QSE Customer

Eligible Market Participant Election Notice Instructions (Continued)

- Ensure the form is signed and complete contact information is included with the submission – Election Notice page 11

Name of Eligible Market Participant:

Signature:

Print Name:

Title:

Telephone Number:

Date Completed:

Eligible Market Participant Election Notice Instructions (Continued)

- Complete all fields and submit the entire form (pages 1-11 of Election Notice)
 - Fields can be populated by hand or electronically
 - Digital or wet signatures acceptable
 - Individual executing must have full power and authority to execute the Election Notice
- Submit entire form by email to MP ElectionNotice@ercot.com
- If more than one timely, properly completed Election Notice is received by ERCOT, then the last properly executed Election Notice received will be deemed to reflect the Eligible Market Participant's intent and will supersede and revoke any prior Election Notice

Eligible Market Participant Election Notice Instructions (Continued)

- ERCOT will send a reply email confirming receipt
- All ERCOT email communications related to the Election Notice will come from [MPElectionNotice@ercot.com](mailto:MP ElectionNotice@ercot.com)
- The ERCOT Recovery Appendix will document all Eligible Market Participants' final treatment and future payment distributions to such Eligible Market Participants
 - Filed prior to Brazos Combined Confirmation & Final Disclosure Statement Hearing on November 14, 2022

ERCOT Distribution Mechanics

- Brazos will wire funds to ERCOT for all payments due to Eligible Market Participants in accordance with the payment schedule (up to 30 years)
- ERCOT plans to process funds to Eligible Market Participants through the Miscellaneous Invoice process within 5 business days of receiving the money from Brazos
 - Funds will be sent in accordance with the payment instructions on file with ERCOT
 - Any updates to banking instructions must be completed through the Notice of Change of Banking Information (NCBI)
 - The updated banking instructions will be used for all payments from ERCOT including STL payments, collateral returns, and CRR payments
- It is the responsibility of the Eligible Market Participant to update banking instructions if they exit the market
- Any money that is returned to ERCOT or rejected will be escheated to Unclaimed Property at the appropriate time

Table of Contents

- Background
- Settlement Overview
- Primary Funding Sources for Brazos Short Pay Claim Recovery
- ERCOT Settlement Summary
- Eligible Market Participant Election Notice
- **Next Steps**

Next Steps

- ERCOT will continue to use Market Notices to keep Market Participants informed of changes to the Plan
 - Economics are not changing
- ERCOT will continue to provide information on the dedicated webpage at <https://www.ercot.com/about/legal/brazos>
- **Eligible Market Participants deadline to return Election Notice form to ERCOT: October 21, 2022: 5:00 pm CT**
- ERCOT will vote by the Plan Voting Deadline: October 28, 2022
- ERCOT will attend Brazos Combined Confirmation & Final Disclosure Statement Hearing: November 14, 2022
 - ERCOT will file the ERCOT Recovery Appendix prior to this date

Calendar of Key Plan Dates

September 2022						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October 2022						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November 2022						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			



Plan-related Events



Market Participant Events

Event	Date
ERCOT Market Participants Meeting	Sept. 20 th and 21 st , 2022
Election Notice Submission Deadline	Oct. 21, 2022, at 5:00 p.m. (CT)
Deadline to File Plan Supplement	Oct. 24, 2022
Objection Deadline	Oct. 28, 2022
Voting Deadline	Oct. 28, 2022
Combined Confirmation & Final Disclosure Statement Hearing	Nov. 14, 2022, at 9:30 a.m. (CT)