

ADDENDUM 1

RFP 473-19-00001

REQUEST FOR PROPOSALS TO PROVIDE CONSULTING SERVICES WITH RESPECT TO THE STRUCTURE AND PRICING OF SECURITIES RELATED TO SECURITIZED FINANCING OF SYSTEM RESTORATION COSTS

Introductory Note:

The Public Utility Commission of Texas (PUC) issues this request for proposals (RFP) to provide consulting services regarding American Electric Power Texas' ("AEP Texas") securitization financing for recovery of system restoration costs incurred as a result of Hurricane Harvey. This RFP is issued pursuant to Texas Utilities Code, Sections 14.001, 36.401-36.403 and 39.301.

Questions (in black) and Answers (in red):

We noted that AEP Texas In Project 48577 filed a Stipulation and Settlement Agreement dated November 29, 2018 (<http://interchange.puc.texas.gov/Search/Documents?controlNumber=48577&itemNumber=53>) regarding the amount of its reasonable and necessary system restoration costs in connection with Hurricane Harvey and certain other storms including carrying costs. The attached proposed form of PUC Order to the Stipulation would confirm the Stipulation and Settlement Agreement but would not authorize the issuance of securitized bonds.

a. When is AEP expected to file its application for a financing order authorizing securitization of storm restoration costs covered by the November 29, 2018 Stipulation and Settlement Agreement?

The PUC expects that AEP will file an application for a financing order after the Commission issues an order in Docket No. 48577 establishing the amount of system restoration costs that AEP may recover.

b. Is it correct to say that the current scope of work does not include any review of and input to the financing order; any drafting of, sponsoring of, or reviewing any testimony for the PUC regarding the terms and conditions of the financing order? Or does PUC wish these services?

The scope of work does not include any review of or input on the financing order, nor does it include the drafting, sponsoring, or reviewing of any testimony regarding the terms and conditions of the financing order.

c. Does the PUCT desire securities law or other related legal input as part of the scope of work, and if so, would it be appropriate to include legal services under subcontractors?

No.

The last bullet on page 4 of 34 suggests that the consultant's financial model will be used in final pricing. Can you clarify who will have primary responsibility for the final pricing model, the PUCT consultant or the senior book-running manager? Generally, the utility and senior bookrunning manager has this responsibility, with the commission or its consultant verifying the results with an independent model of their creation. If the general procedure is followed (as the other parts of the scope of work suggests), should the second to last bullet on page 4 of 34 be revised to say "Finalize, *jointly with the senior book-running manager*, the transaction's pricing model..." so as to clarify the final pricing model to be used is the that of the company and the bookrunning manager?

The senior book-running manager will have primary responsibility for the final pricing model.

With regard to the second-to-last bullet point on page 4 of the RFP, the phrase "finalize the transaction's pricing model" is intended to reflect the culmination of the process through which the market terms and conditions have been determined, and to provide feedback to the commission's designated representative.

How will the selection of bookrunning manager and other members of the underwriting syndicate be done as it affects the structure, market and pricing of the bonds? Will the PUCT's representative, with the advice of the consultant, have a decision making say in this selection?

The selection of the book-running manager and other members of the underwriting syndicate will be coordinated between AEP and the Commission's designated representative. The RFP does not expressly include this task in its Statement of Work to be performed by the consultant, although it is possible—depending upon the timing of the overall bond-issuance process—that the Commission's designated representative could solicit the consultant's general thoughts on this issue.

The scope of work states that the consultant is to negotiate with the underwriters "the appropriate market clearing levels; as necessary, analyze alternatives (such as reducing yields) to reduce the amount of oversubscription and recommend whether the oversubscribed bonds should be re-priced." Can the underwriters be required to underwrite any bonds in the negotiation if it helps achieve the lowest charges consistent with market conditions at the time of pricing? In the negotiation, how will the underwriters' compensation be determined? Can the underwriters be paid on performance or will they receive a fixed fee (fixed economics) usually 85-90% of total fees without regard to the results of the negotiation with the consultant on behalf of the commission and utility?

The RFP's Statement of Work does not include provisions that contemplate negotiating requirements for the underwriters to underwrite a portion of the bond issuance, nor does it include provisions contemplating that the underwriters will be paid "on performance."

Can you please confirm that with the current scope of work the consultant will not be required to provide any unqualified opinions or certifications as to the structure and pricing of the securities and is only to provide advice to the Commission's designated representative as described in the RFP?

Confirmed. The RFP does not explicitly require from the consultant an unqualified opinion or certification regarding the structure and pricing of the securities; however, as stated in the first bullet point under *Deliverables* on page 5 of the RFP, the consultant must provide a "post-pricing book memorializing the pre-issuance" process and describing the consultant's assessment of the "actual market for the securities."