OFFICIAL STATEMENT DATED MARCH 9, 2023

NEW ISSUE – BOOK-ENTRY-ONLY **See "RATINGS" herein**

Interest on the Bonds (as defined herein) is not excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.

$3,521,750,000
TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION
CUSTOMER RATE RELIEF BONDS (WINTER STORM URI), TAXABLE SERIES 2023

Dated Date: Closing Date **Due: April 1 as shown on inside cover page**

The Texas Natural Gas Securitization Finance Corporation (the "**Issuer**"), a Texas non-profit corporation, duly constituted public authority and instrumentality of the State of Texas (the "**State**") created by the Texas Public Finance Authority (the "**Authority**"), is issuing the above-captioned bonds (the "**Bonds**" or "**Customer Rate Relief Bonds**") for the purpose of allowing certain natural gas utilities to recover all or a portion of their respective extraordinary costs incurred to secure natural gas supplies and to provide natural gas service during the North American winter storm that occurred in February 2021 ("**Winter Storm Uri**"). The Bonds will finance the respective Final Aggregated Regulatory Asset Determination Amounts (as defined herein) that certain natural gas utilities (the "**Participating Gas Utilities**") were issued pursuant to an irrevocable financing order adopted and approved by the Railroad Commission of Texas (the "**Commission**") on February 8, 2022 (the "**Financing Order**") in accordance with House Bill No. 1520, 87th Regular Session of the Texas Legislature (the "**Securitization Law**").

The Bonds are limited and special revenue obligations of the Issuer secured by the Customer Rate Relief Bond Collateral (as defined herein) created pursuant to the Financing Order and the Securitization Law. The Customer Rate Relief Bond Collateral includes, among other things, the pledge to the Indenture Trustee (as defined herein) under the Indenture (as defined herein) of the Issuer's rights and interests in and to the Customer Rate Relief Property (as defined herein) created pursuant to the Financing Order.

The Customer Rate Relief Property includes the irrevocable right to impose, bill, collect and receive Nonbypassable (as defined herein) uniform monthly volumetric charges (the "**Customer Rate Relief Charges**"), required under the Financing Order to be paid by all existing and future Customers (as defined and described more fully herein) receiving natural gas sales service within the State from the Participating Gas Utilities, including any Successor Utilities (as defined herein). For each period during which the Customer Rate Relief Charges are in effect pursuant to the Financing Order and the related Customer Rate Relief Rate Schedule or Tariff (each as defined herein) to be approved by the Commission, such charges are to be imposed in an amount expected to be sufficient to recover the aggregate Periodic Payment Requirement (as defined herein) under the Indenture.

The Securitization Law, together with the Financing Order, requires that the Customer Rate Relief Charges are subject to an adjustment, or a "**True-Up Adjustment**" (as defined and described more fully herein), at least annually, and more frequently, if necessary, to correct for any overcollections or undercollections to ensure the expected recovery of amounts sufficient to provide for the timely payment of the principal of and interest on the Bonds and other Financing Costs (as defined and described more fully herein). United Professionals Company, LLC is the central servicer (the "**Central Servicer**") and is required by the Securitization Law, the Financing Order and the Servicing Agreement (defined herein) to set and adjust the Customer Rate Relief Charge pursuant to the True-Up Adjustment based upon projected Normalized Sales Volume (as defined herein) information provided by certain Participating Gas Utilities.

The State, including the Commission and the Authority, has pledged in the Securitization Law, for the benefit and protection of the Financing Parties (as defined herein), including the Holders (as defined herein) of the Bonds, that the State will not take or permit any action that would impair the value of the Customer Rate Relief Property, or, except as permitted by the Securitization Law, reduce, alter, or impair the Customer Rate Relief Charges to be imposed, collected, and remitted to the Financing Parties until the principal, interest and premium, and contracts to be performed in connection with the Bonds and the Financing Costs have been paid and performed in full. For the avoidance of doubt, the True-Up Adjustment is the only alteration of the Customer Rate Relief Charges permitted by the Securitization Law.

Investing in the Bonds involves risks. See "RISK FACTORS" herein.

U.S. Bank Trust Company, National Association, is the indenture trustee (the "Indenture Trustee") and the paying agent (the "Paying Agent") for the Bonds under the Indenture of Trust (the "Indenture"), dated as of March 1, 2023, between the Issuer and the Indenture Trustee. Estrada Hinojosa & Company, Inc. has acted as independent financial advisor to the Issuer in connection with the structuring and pricing of the Bonds.

SCHEDULED FINAL PAYMENT DATES AND FINAL MATURITY DATES, INTEREST RATES, EXPECTED WEIGHTED AVERAGE LIVES, PRICES AND OTHER TERMS FOR THE BONDS
(See Maturity Schedule on inside cover page)

THE BONDS ARE LIMITED AND SPECIAL REVENUE OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT OF THE PARTICIPATING GAS UTILITIES. THE BONDS ARE NOT A DEBT, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT THE STATE OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY OF THE STATE OTHER THAN THE ISSUER AS DESCRIBED HEREIN. THE BONDS ARE PAYABLE BY THE ISSUER SOLELY FROM THE CUSTOMER RATE RELIEF BOND COLLATERAL, INCLUDING REVENUES DERIVED FROM THE CUSTOMER RATE RELIEF CHARGES. THE ISSUANCE OF THE BONDS DOES NOT OBLIGATE THE STATE OR ANY COUNTY, MUNICIPALITY OR OTHER POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY OF THE STATE TO LEVY ANY TAX OR MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Bonds will be issued in denominations of $5,000 or any integral multiple of $1,000 in excess thereof, all to be held in a book-entry only system, registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the Bonds. The Bonds are subject to redemption at the option of the Issuer, in whole or in part, from time to time, on any Business Day on or before April 1, 2026, at a redemption price equal to the Make-Whole Redemption Price (as defined herein) plus accrued and unpaid interest on the Bonds to be redeemed to but not including the redemption date.

The Bonds are offered when, as and if issued and accepted by the underwriters named below (the "**Underwriters**"), and subject to the approval of the Attorney General of the State and the delivery of the opinions of Norton Rose Fulbright US LLP, as Bond Counsel to the Issuer. Certain legal matters for the Issuer will be passed upon by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel to the Issuer. Certain legal matters with respect to the Issuer will be passed upon by Locke Lord LLP, Issuer's Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP. Certain legal matters with respect to the Commission will be passed upon by the Hays Law Firm, Regulatory Counsel to the Commission. It is expected that the Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about March 23, 2023 (the "**Closing Date**").

JEFFERIES

MORGAN STANLEY **HILLTOPSECURITIES**

Barclays **Blaylock Van, LLC** **Loop Capital Markets**

Piper Sandler & Co. **Raymond James** **Siebert Williams Shank & Co., LLC**

Stifel

Maturity Schedule

$3,521,750,000
TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION
CUSTOMER RATE RELIEF BONDS (WINTER STORM URI),
TAXABLE SERIES 2023

Tranche	Principal Amount	Scheduled Final Payment Date (April 1)	Final Maturity Date (April 1)	Interest Rate	Expected Weighted Average Life (years)	Initial Public Offering Price	CUSIP[(a)]	ISIN[(a)]
A-1	$1,814,465,000	2033	2035	5.102%	5.958	100.00	88258MAA3	US88258MAA36
A-2	$1,707,285,000	2039	2041	5.169%	13.424	100.00	88258MAB1	US88258MAB19

[(a)]CUSIP® is a registered trademark of the American Bankers Association (the "**ABA**"). CUSIP and International Securities Identification Number ("**ISIN**") data herein is provided by CUSIP Global Services ("**CGS**"), managed by FactSet Research Systems Inc. on behalf of the ABA. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP and ISIN numbers listed above have been assigned by an independent company not affiliated with the Issuer and are included herein solely for the convenience of the owners of the Bonds only at the time of issuance of the Bonds, and none of the Issuer, the Underwriters or the Financial Advisor make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP and/or ISIN number for a specific Tranche (as defined herein) is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

The Bonds will accrue interest from their Closing Date until the Bonds have been paid in full. Interest is payable on September 1, 2023 and for each calendar year thereafter semi-annually on each April 1 and October 1.

TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION

BOARD OF DIRECTORS

Billy M. Atkinson, Jr., President & Chair
Larry G. Holt, Vice President
Jay A. Riskind, Secretary

CONSULTANTS AND ADVISORS

Financial Advisor……... Estrada Hinojosa & Company, Inc.
Bond Counsel……..……...Norton Rose Fulbright US LLP
Disclosure Counsel……..…McCall, Parkhurst & Horton L.L.P.
Issuer Counsel……..……Locke Lord LLP

FOR ADDITIONAL INFORMATION REGARDING THE ISSUER, PLEASE CONTACT:

Lee Deviney
Treasurer
Texas Natural Gas Securitization Finance Corporation
300 W. 15th Street, Suite 411
Austin, Texas 78701
(512) 463-5544

or

Paul Jack
Senior Managing Director
Estrada Hinojosa & Company, Inc.
3103 Bee Caves Road, Suite 133
Austin, Texas 78746
(512) 605-2444

[THIS PAGE INTENTIONALLY LEFT BLANK]

SALE AND DISTRIBUTION OF THE BONDS

This Official Statement, which includes the cover page, and appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. The information set forth herein concerning The Depository Trust Company, New York, New York ("**DTC**") has been furnished by DTC, and no representation is made by the Issuer or the Underwriters as to the completeness or accuracy of such information.

Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Issuer to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and in no instance may this Official Statement be reproduced or used for any other purpose.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

IN THE SECTIONS HEREOF CAPTIONED "SALE AND DISTRIBUTION OF THE BONDS – INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES," "SUMMARY STATEMENT – LARGE PARTICIPATING GAS UTILITIES" (EXCEPT THE FIRST TWO PARAGRAPHS), "THE AUTHORITY," "THE COMMISSION," "CENTRAL SERVICER," "THE PARTICIPATING GAS UTILITIES – GENERAL," "CERTAIN ERISA CONSIDERATIONS," "RISK FACTORS – OTHER RISK FACTORS – EUROPEAN UNION AND UNITED KINGDOM SECURITIZATION RULES AFFECTING CERTAIN INVESTORS MAY ADVERSELY AFFECT THE PRICE AND LIQUIDITY OF THE BONDS," "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES," AND "APPENDIX I – DTC BOOK-ENTRY-ONLY-SYSTEM AND GLOBAL CLEARANCE PROCEDURES," THE ISSUER TAKES NO RESPONSIBILITY AS SUCH INFORMATION HAS BEEN SUPPLIED OR VERIFIED BY OTHERS AND THE ISSUER MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

Notice to Prospective Investors in the European Economic Area

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY EUROPEAN ECONOMIC AREA ("**EEA**") RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, AN "**EEA RETAIL INVESTOR**" MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "**INSURANCE DISTRIBUTION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE "**EU PROSPECTUS REGULATION**"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS LOCATED WITHIN THE EEA WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "**QUALIFIED INVESTOR**" AS DEFINED IN THE EU PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

SOLELY FOR THE PURPOSES OF EACH MANUFACTURER'S (THE "**MANUFACTURERS**") PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE BONDS IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN MIFID II; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "**DISTRIBUTOR**") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURERS' TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURERS' TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS. NONE OF THE ISSUER, THE UNDERWRITERS, THE INDENTURE TRUSTEE, THE FINANCIAL ADVISOR, OR ANY OTHER PARTY TO THE TRANSACTION MAKES ANY REPRESENTATIONS OR WARRANTIES AS TO A DISTRIBUTOR'S COMPLIANCE WITH MIFID II.

Notice to Prospective Investors in the United Kingdom

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY UK RETAIL INVESTOR

IN THE UK. FOR THESE PURPOSES A "**UK RETAIL INVESTOR**" MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) 2017/565 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED, THE "**EUWA**"); OR (II) A CUSTOMER WITHIN THE MEANING OF PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE "**FSMA**") AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A "**QUALIFIED INVESTOR**" AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (THE "**UK PROSPECTUS REGULATION**"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (AS AMENDED, THE "**UK PRIIPS REGULATION**") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO UK RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS LOCATED WITHIN THE UK WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "**QUALIFIED INVESTOR**" AS DEFINED IN THE UK PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT. POTENTIAL INVESTORS IN THE UK ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UK REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE BONDS AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UK FINANCIAL SERVICES COMPENSATION SCHEME.

THE BONDS MUST NOT BE OFFERED OR SOLD AND THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT IN CONNECTION WITH THE OFFERING AND ISSUANCE OF THE BONDS MUST NOT BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN THE UK EXCEPT TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND QUALIFY AS INVESTMENT PROFESSIONALS UNDER ARTICLE 19 (INVESTMENT PROFESSIONALS) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, (AS AMENDED, THE "**ORDER**") OR ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A)-(D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER OR WHO OTHERWISE FALL WITHIN AN EXEMPTION SET FORTH IN SUCH ORDER SUCH THAT SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER OR ARE PERSONS TO WHOM THIS OFFICIAL STATEMENT OR ANY OTHER SUCH DOCUMENT MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

SOLELY FOR THE PURPOSES OF EACH MANUFACTURER'S (THE "**MANUFACTURERS**") PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE BONDS IS ONLY ELIGIBLE COUNTERPARTIES, AS DEFINED IN THE FCA HANDBOOK CONDUCT OF BUSINESS SOURCEBOOK ("**COBS**"), AND PROFESSIONAL CLIENTS, AS DEFINED IN REGULATION (EU) NO 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("**EUWA**") ("**UK MIFIR**"); AND (II) ALL CHANNELS FOR DISTRIBUTION FOR DISTRIBUTION OF THE BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "**DISTRIBUTOR**") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURERS' TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK (THE "**UK MIFIR PRODUCT GOVERNANCE RULES**") IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURERS' TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS. NONE OF THE ISSUER, THE UNDERWRITERS, THE INDENTURE TRUSTEE, THE FINANCIAL ADVISOR, OR ANY OTHER PARTY

TO THE TRANSACTION MAKES ANY REPRESENTATIONS OR WARRANTIES AS TO A DISTRIBUTOR'S COMPLIANCE WITH UK MIFIR.

Additional Notice to Prospective Investors in the EEA and UK

THIS OFFICIAL STATEMENT DOES NOT COMPRISE A PROSPECTUS WITH REGARD TO THE ISSUER OR THE BONDS FOR THE PURPOSES OF THE EU PROSPECTUS REGULATION IN RESPECT OF THE EAA OR UNDER THE UK PROSPECTUS REGULATION IN RESPECT OF THE UK. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UK OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

EU and UK Securitization Risk Retention

NONE OF THE AUTHORITY, THE ISSUER, THE UNDERWRITERS, THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON WILL RETAIN A MATERIAL NET ECONOMIC INTEREST IN THE SECURITIZATION TRANSACTION CONSTITUTED BY THE ISSUE OF THE BONDS, OR TAKE ANY OTHER ACTION, IN A MANNER PRESCRIBED BY (A) EUROPEAN UNION ("**EU**") REGULATION 2017/2402 (THE "**EU SECURITIZATION REGULATION**") OR (B) REGULATION (EU) 2017/2402, AS IT FORMS PART OF UNITED KINGDOM ("**UK**") DOMESTIC LAW BY VIRTUE OF THE EUWA (AS DEFINED HEREIN), AND AS AMENDED BY THE SECURITIZATION (AMENDMENT) (EU EXIT) REGULATIONS 2019 (THE "**UK SECURITIZATION REGULATION**"). IN PARTICULAR, NO SUCH PARTY WILL TAKE OR REFRAIN FROM TAKING ANY ACTION THAT MAY BE REQUIRED BY ANY PROSPECTIVE INVESTOR OR HOLDER FOR THE PURPOSES OF ITS COMPLIANCE WITH ANY REQUIREMENT OF THE EU SECURITIZATION REGULATION OR THE UK SECURITIZATION REGULATION.

CONSEQUENTLY, THE BONDS MAY NOT BE A SUITABLE INVESTMENT FOR ANY PERSON THAT IS NOW OR MAY IN THE FUTURE BE SUBJECT TO ANY REQUIREMENT OF THE EU SECURITIZATION REGULATION OR THE UK SECURITIZATION REGULATION.

FOR ADDITIONAL INFORMATION REGARDING THE EU SECURITIZATION REGULATION AND THE UK SECURITIZATION REGULATION, SEE "RISK FACTORS – OTHER RISK FACTORS – EUROPEAN UNION AND UNITED KINGDOM SECURITIZATION RULES AFFECTING CERTAIN INVESTORS MAY ADVERSELY AFFECT THE PRICE AND LIQUIDITY OF THE BONDS" IN THIS OFFICIAL STATEMENT.

Notice to Prospective Investors in Canada

THE BONDS MAY BE SOLD IN CANADA ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS (NI 33-105), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITERS' CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

Notice to Prospective Investors in Japan

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF IN JAPAN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE "**FIEA**"). AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA ("**QIIS**"). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

OTHER THAN THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF ABOVE OR PURSUANT TO OTHER EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN, NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, OR TO, OR FOR THE BENEFIT OF, ANY "**RESIDENT**" OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN.

Notice to Prospective Investors in Korea

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKET ACT OF KOREA. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "**FSCMA**"). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF SOUTH KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "**FETL**"). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF INVESTORS (AS CALCULATED PURSUANT TO THE FSCMA) TO WHICH BONDS HAVE BEEN OFFERED IN SOUTH KOREA OR THE NUMBER OF INVESTORS WHO ARE RESIDENTS IN SOUTH KOREA SHALL BE LESS THAN FIFTY AND NO UNIT OF BONDS MAY BE DIVIDED RESULTING IN MORE THAN FORTY-NINE INVESTORS (AS CALCULATED PURSUANT TO THE FSCMA). FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO SOUTH KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

Notice to Prospective Investors in Taiwan

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN (THE "**FSC**") PURSUANT TO APPLICABLE SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE BONDS, INCLUDING ANY COPY OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENTS RELATING TO THE BONDS, MAY NOT BE OFFERED, SOLD,

DELIVERED OR DISTRIBUTED WITHIN TAIWAN (THE REPUBLIC OF CHINA) THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION WITH OR APPROVAL OF THE FSC. NO PERSON OR ENTITY IN TAIWAN (THE REPUBLIC OF CHINA) HAS BEEN AUTHORIZED TO OFFER, SELL, DISTRIBUTE, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS UNLESS THE BONDS OFFERED OR SOLD TO INVESTORS IN TAIWAN ARE OTHERWISE THROUGH TAIWAN LICENSED FINANCIAL INSTITUTIONS TO THE EXTENT PERMITTED UNDER RELEVANT TAIWAN LAWS OR REGULATIONS. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE BONDS SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

Notice to Prospective Investors in Switzerland

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT ("**FINSA**") AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO (I) THE FINSA OR (II) THE LISTING RULES OF THE SIX SWISS EXCHANGE AG OR ANY OTHER REGULATED TRADING VENUE IN SWITZERLAND AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. THIS OFFICIAL STATEMENT WILL NOT BE REVIEWED NOR APPROVED BY A REVIEWING BODY FOR PROSPECTUSES (PRÜFSTELLE).

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER, OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE OFFER OF THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY ("**FINMA**"), AND THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES ("**CISA**"). ACCORDINGLY, INVESTORS DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE INVESTMENT ADVICE. IT MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE BONDS AND MAY NEITHER BE COPIED NOR DIRECTLY OR INDIRECTLY DISTRIBUTED OR MADE AVAILABLE TO OTHER PERSONS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY STATEMENT

The following information is furnished solely to provide limited introductory information regarding the Texas Natural Gas Securitization Finance Corporation (the "**Issuer**"), certain of the Participating Gas Utilities (as defined herein) receiving a portion of the proceeds of the Bonds (as defined herein) pursuant to the Regulatory Asset Determination and the Financing Order (each as defined herein) issued by the Railroad Commission of Texas (the "**Commission**") in connection with the North American winter storm that occurred in February 2021 ("**Winter Storm Uri**"), Collection Agents (as defined herein), United Professionals Company, LLC (the "**Central Servicer**"), the Verification Agent (as defined herein), and the Bonds and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The offering of the Bonds is made only by means of this entire Official Statement, including the Appendices hereto. No person is authorized to make offers to sell, or solicit offers to buy, the Bonds unless this entire Official Statement is delivered in connection therewith (including the Appendices hereto). **Terms not defined elsewhere in this Official Statement are used as defined in APPENDIX A hereto.**

Issuer:	The Texas Natural Gas Securitization Finance Corporation is a Texas non-profit corporation, duly constituted public authority and instrumentality of the State of Texas (the "**State**"), created by the Texas Public Finance Authority (the "**Authority**") pursuant to House Bill No. 1520, 87th Regular Session of the Texas Legislature, and defined as the "**Securitization Law**"). The Issuer has no commercial operations. The Issuer was formed solely to issue bonds which are to be secured by the Customer Rate Relief Bond Collateral created pursuant to a Financing Order of the Commission, including the right to impose, bill, collect and receive Nonbypassable uniform monthly volumetric Customer Rate Relief Charges and to adjust the Customer Rate Relief Charge in an amount sufficient to pay the Bonds and all Ongoing Financing Costs. The Securitization Law prohibits the Issuer, its Board or any public official or organization, entity or other person from (i) winding up or dissolving the operations of the Issuer, (ii) filing a voluntary petition under federal bankruptcy law or (iii) becoming a debtor under federal bankruptcy law before a date that is two years and one day after the date that the Issuer has completed its payment obligations with respect to the Bonds. See "THE ISSUER" and "THE SECURITIZATION LAW" herein.
Bonds:	$3,521,750,000 Texas Natural Gas Securitization Finance Corporation Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023 (the "**Bonds**" or "**Customer Rate Relief Bonds**"). See "THE BONDS," "SECURITY FOR THE BONDS" and "THE INDENTURE" herein.
Purpose of the Transaction:	The issuance of the Bonds by the Issuer will enable the Participating Gas Utilities to recover all or a portion of their respective extraordinary costs approved by the Commission which were incurred to secure gas supplies and to provide natural gas service during Winter Storm Uri, as well as pay the Financing Costs incurred in connection with the issuance of the Bonds. See "THE SECURITIZATION LAW" herein.
Security:	**The Bonds issued under the Indenture are limited and special revenue obligations of the Issuer, payable by the Issuer solely out of the Revenues from the Customer Rate Relief Property created by the Financing Order and the other Customer Rate Relief Bond Collateral.** If and to the extent Revenues derived from the Customer Rate Relief Property and the other Customer Rate Relief Bond Collateral are insufficient to pay all amounts owing with respect to the Bonds, except as expressly provided in the Indenture, the Holders will have no claim in respect of such insufficiency against the Issuer or the Indenture Trustee. Pursuant to the Indenture, by the acceptance of the Bonds, the Holders waive any such claim. See "SECURITY FOR THE BONDS" herein.

The Customer Rate Relief Property includes (i) all rights and interests of the Issuer under the Financing Order, including the right to impose, bill, collect, and receive the Customer Rate Relief Charges authorized in the Financing Order and to obtain periodic adjustments to the Customer Rate Relief Charges pursuant to the Financing Order and (ii) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in (i) above, regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds. See the definition of Customer Rate Relief Bond Collateral in "APPENDIX A – DEFINITIONS" herein. Also see "THE CUSTOMER RATE RELIEF PROPERTY" and "SECURITY FOR THE BONDS" herein.

State Non-Impairment Pledge:

The State, including the Commission and the Authority, has pledged in the Securitization Law, for the benefit and protection of the Financing Parties, which includes the Holders of the Bonds, that the State will not take or permit any action that would impair the value of the Customer Rate Relief Property, or, except as permitted by the Securitization Law, reduce, alter, or impair the Customer Rate Relief Charges to be imposed, collected, and remitted to the Financing Parties until the principal, interest and premium, and contracts to be performed in connection with the Bonds and Financing Costs have been paid and performed in full.

Payment Dates and Interest Accrual:

Interest on the Bonds accrues from the Closing Date and will be payable on September 1, 2023 and for each calendar year thereafter semi-annually on April 1 and October 1, until the Bonds have been paid in full. Interest will be calculated on a 360-day year consisting of twelve 30-day months. If a Payment Date is not a Business Day, then payment will be made on the next Business Day without additional interest. See "THE BONDS" herein.

Scheduled Final Payment Dates and Final Maturity Dates:

The Bonds will be issued in Tranches. A scheduled principal payment amount of the Bonds is payable on each Payment Date, as shown in "THE BONDS" herein. Failure to pay a scheduled principal payment on any Payment Date or the entire outstanding amount of the Bonds of any Tranche by the Scheduled Final Payment Date will not result in a default under the Indenture with respect to that Tranche. The failure to pay the entire outstanding principal balance of the Bonds of any Tranche will result in a default only if such payment has not been made by the Final Maturity Date for such Tranche. See "THE BONDS" herein.

Bond Denominations:

The Bonds will be issued in denominations of $5,000 or any integral multiple of $1,000 in excess thereof, all to be held in a book-entry only system, registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the Bonds. See "APPENDIX I – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" herein.

The Securitization Law:

On May 31, 2021, the Texas Legislature passed the Securitization Law, which, among other things, allows for the reimbursement of certain extraordinary costs of certain gas utilities through the issuance of customer rate relief bonds by the Issuer. The Securitization Law was signed by the Governor of the State on June 16, 2021, and became effective immediately thereafter.

The Securitization Law authorizes securitization financing to provide customers with rate relief by extending the period over which the extraordinary costs related to Winter Storm Uri are recovered. The Securitization Law permits the Commission to adopt the Financing Order which, among other things, authorizes the creation of the Customer Rate Relief Property and the Issuer's issuance of the Bonds, the

proceeds of which will be used to reimburse certain Participating Gas Utilities for their respective portion of the Final Aggregated Regulatory Asset Determination Amounts (as defined herein) approved by the Commission, as well as pay for Financing Costs incurred in connection with the Bonds.

Financing Order:

Pursuant to the Securitization Law, the Financing Order adopted by the Commission, among other things, authorized, approved and ordered the following:

- authorized the Issuer to securitize and to issue the Customer Rate Relief Bonds with a principal amount up to the sum of the Authorized Amount, which consists of the Final Aggregated Regulatory Asset Determination Amounts plus the Up-Front Financing Costs;
- authorized the creation of the Customer Rate Relief Property and the pledge thereof by the Issuer to secure payment on the Bonds;
- ordered each Participating Gas Utility to collect from all existing and future customers receiving natural gas sales service within the State from such Participating Gas Utility, the Customer Rate Relief Charges and to continue to bill and collect the Customer Rate Relief Charges until all Customer Rate Relief Bonds and Ongoing Financing Costs are paid in full;
- ordered the Customer Rate Relief Charges to be nonbypassable and not subject to offset by any credit, and further ordered that any collections from customers who make partial payments to be applied first to any outstanding Customer Rate Relief Charges prior to the satisfaction of any other charges included on such customers' bills;
- approved the "Customer Rate Relief Rate Schedule" to become effective on the Closing Date, which sets out the rate, terms and conditions under which the Customer Rate Relief Charges are billed and collected by the Participating Gas Utilities, and approved such charges, pursuant to the Securitization Law, as uniform monthly volumetric charges, normalized to reflect a standard pressure of fourteen point sixty-five (14.65) pounds per square inch, absolute and a standard temperature of sixty (60) degrees Fahrenheit, and the Financing Order specified the charges be paid by all existing and future customers receiving natural gas sales service within the State from a gas utility that has received the Regulatory Asset Determination pursuant to the Securitization Law, or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier;
- approved the principles of the Servicing Agreement among the Central Servicer, the Issuer and the Commission, including, but not limited to, principles regarding duties of the Central Servicer, responsibilities of the Commission and the Issuer and remedies upon the default of the Central Servicer;
- ordered the Participating Gas Utilities to enter into the Collection and Reporting Agreements to carry out the requirements of the Financing Order and facilitate the issuance of the Customer Rate Relief Bonds;
- approved the principles of the Collection and Reporting Agreements between each Participating Gas Utility and the Central Servicer (which also applies to any Successor Utilities), including, but not limited to, principles regarding billing and collection of the Customer Rate Relief Charges, remittance procedures, reporting requirements and compliance; and
- ordered each Participating Gas Utility, pursuant to the Collection and Reporting Agreements, to bill all existing and future Customers receiving sales service within the State from such Participating Gas Utility, for the Customer Rate Relief Charges in amounts sufficient to recover the principal of, and interest on, the Customer Rate Relief Bonds plus Ongoing Financing Costs.

Under the Securitization Law, the Financing Order, together with the Customer Rate Relief Property and the Customer Rate Relief Charges authorized by the Financing Order, are irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission, except in connection with True-Up Adjustments. For the avoidance of doubt, True-Up Adjustments are the only allowable alterations of the Customer Rate Relief Charge permitted by the Securitization Law and the Financing Order.

In the Financing Order, the Commission guaranteed, for the benefit of the Issuer, the Authority, the Holders of the Customer Rate Relief Bonds, the Indenture Trustee and any other Financing Parties, that it will take all actions in its power to enforce the provisions in the Financing Order to ensure that revenues collected from the Customer Rate Relief Charges are sufficient to pay on a timely basis all scheduled principal and interest on the Customer Rate Relief Bonds and all Ongoing Financing Costs. See "THE FINANCING ORDER" herein.

Participating Gas Utilities:

The Commission, on November 10, 2021, issued a regulatory asset determination order (the "**Regulatory Asset Determination**") for the following natural gas utilities:

- Atmos Energy Corporation ("**Atmos Energy**");
- Rockin M Gas LLC ("**Bluebonnet**");
- CenterPoint Energy Resources Corp. (d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas) ("**CenterPoint**");
- Corix Utilities (Texas) Inc. ("**Corix**");
- EPCOR Gas Texas Inc. ("**EPCOR**");
- SiEnergy, LP ("**SiEnergy**");
- Texas Gas Service, a Division of ONE Gas, Inc. ("**TGS**"); and
- Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.) ("**UniGas**").

Pursuant to the Financing Order, a portion of CenterPoint's Regulatory Asset Determination will be paid to Summit Utilities Arkansas, Inc. ("**Summit**") as a Successor Utility to CenterPoint as result of the purchase and assumption, in its entirety, of CenterPoint's Texarkana, Texas customer base. The abovementioned natural gas utilities (including Summit) are collectively referred to herein as the "**Participating Gas Utilities**." See "THE SECURITIZATION LAW – Background" and "THE PARTICIPATING GAS UTILITIES – General" herein.

Large Participating Gas Utilities:

A Participating Gas Utility whose Normalized Sales Volumes exceeds two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities is designated as a Large Participating Gas Utility. The Large Participating Gas Utilities are Reporting Collection Agents under the Collection and Reporting Agreements – such designation carries more stringent remittance and reporting obligations than a standard Collection Agent – all as further described in this Official Statement. The Large Participating Gas Utilities as of the Closing Date are Atmos Energy, CenterPoint and TGS. Based on calendar year 2021, the Large Participating Gas Utilities account for 98.5% of the total annual sales volume of the Participating Gas Utilities and 98.1% of the number of Customers of the Participating Gas Utilities. See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

The following summary information of the Large Participating Gas Utilities is qualified by a more detailed description provided by the Large Participating Gas Utilities included under "THE PARTICIPATING GAS UTILITIES" and in "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

Atmos Energy: Atmos Energy is headquartered in Dallas, Texas and was incorporated in Texas in 1983. Atmos Energy has two utility divisions in Texas, Mid-Tex and West Texas. These divisions provide natural gas to 2.1 million customers across 630 communities, including approximately 129 Texas Counties. The Mid-Tex Division serves the Dallas and Fort Worth area which has a population of approximately 7.6 million residents. The West Texas Division serves the Lubbock, Amarillo and Permian Basin regions and surrounding areas, which has a population of approximately half a million residents.

CenterPoint: CenterPoint owns and operates natural gas distribution facilities in several states, with operating subsidiaries that own and operate permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies. In Texas, CenterPoint has four utility divisions and delivers natural gas and transportation services to approximately 1.8 million customers across East Texas, South Texas, and the Upper Texas Gulf Coast. The system serves over 257 cities including approximately 75 counties and comprises about 34,000 miles of gas main with 814 custody transfer points (city gate stations). See "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities – Summit*" herein.

TGS: TGS is a division of ONE Gas, Inc., a regulated natural gas distribution utility, headquartered in Tulsa, Oklahoma that provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas, and Texas. TGS's natural gas distribution facilities in the State serve approximately 689,000 residents across West Texas, North Texas, Central Texas, the Texas Gulf Coast and the Rio Grande Valley, including approximately 23 Texas Counties. Pursuant to the Financing Order, TGS's customers excludes persons receiving natural gas sales in West Texas which will result in approximately 405,000 (as of December 31, 2021) of TGS customers being subject to the Customer Rate Relief Charges. See "THE PARTICIPATING GAS UTILITIES" and "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

Collection Agents:

Each Participating Gas Utility is obligated to bill and collect Customer Rate Relief Charges and to remit collected Customer Rate Relief Charges to the Indenture Trustee, as security for the Bonds. In such role, the Participating Gas Utilities are referred to as Collection Agents. Collection Agents are required to adhere to billing and collection procedures that are the same or similar to the functions performed by each of the Collection Agents for themselves with respect to the non-CRR charges assessed to their customers. See "APPENDIX C – FORM OF COLLECTION AGENT PROCEDURES" herein.

For the avoidance of doubt, a Participating Gas Utility is always a Collection Agent, and in such role will be contractually required to bill Customer Rate Relief Charges and remit collected Customer Rate Relief Charges to the Indenture Trustee; however, the frequency of a Collection Agent's remittance of Customer Rate Relief Charges collections to the Indenture Trustee depends on whether such Collection Agent is designated as a Large Participating Gas Utility (*i.e.*, any Participating Gas Utility whose Normalized Sales Volumes exceeds two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities). Additionally, for purposes of providing natural gas usage projections to the Central Servicer necessary to set the Customer Rate Relief Charge, Collection Agents may be designated as Reporting Collection Agents pursuant to the Servicing Agreement in which event they will be obligated to provide such projections on an ongoing basis after such designation. See "THE SERVICING AGREEMENT" herein.

Certain remittance and reporting obligations for the Collection Agent designations are summarized below:

A. Each Collection Agent who is not a Large Participating Gas Utility is required to remit CRRC Payments actually received from or on behalf of Customers of that Collection Agent in the prior month on or before the twenty-fifth (25^{th}) day of each month.
B. Each Large Participating Gas Utility is responsible for, among other responsibilities, remitting either the actual or estimated CRRC Payments on each Business Day, commencing on the Closing Date, to the Indenture Trustee, not later than the second (2^{nd}) Business Day after such payments are actually received or estimated to have been received.
C. Each Reporting Collection Agent (which includes Large Participating Gas Utilities) is responsible for, among other responsibilities, providing certificates to the Central Servicer not later than five (5) days prior to each True-Up Filing Date, or after receipt from the Central Servicer of written notice of a Potential Deficiency Event, consisting of forecasted volumetric consumption (*i.e.*, natural gas usage) for Customers of the Reporting Collection Agent. Such projections are utilized to calculate the necessary amount of the Customer Rate Relief Charges.

See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

Collection and Reporting Agreements: In connection with the Issuer's ownership of the Customer Rate Relief Property and in order to collect the associated Customer Rate Relief Charges on behalf of the Issuer, the Central Servicer has been directed by the Issuer to engage the Collection Agents to carry out certain functions (which functions are the same or similar to functions performed by each of the Collection Agents for themselves with respect to their own charges to their customers), including the collection of Customer Rate Relief Charges and remittance to the Indenture Trustee of the CRRC Collections. See "THE PARTICIPATING GAS UTILITIES," "THE SERVICING AGREEMENT" and "THE COLLECTION AND REPORTING AGREEMENTS."

Indenture Trustee: The Indenture Trustee is U.S. Bank Trust Company, National Association. See "THE INDENTURE TRUSTEE" herein for a description of the Indenture Trustee and its duties and responsibilities under the Indenture.

Central Servicer and Servicing Agreement: The Central Servicer is United Professionals Company, LLC, a member of the New Orleans, Louisiana-based Sisung Group. Pursuant to the Servicing Agreement, the Central Servicer is required, among other duties to (i) calculate the Periodic Payment Requirement using information provided to it by the Indenture Trustee, the Commission, the Issuer and the Reporting Collection Agents, as necessary, (ii) confirm annual compliance reports have been filed by the Participating Gas Utilities as contemplated by the Financing Order and required under the Collection and Reporting Agreements, (iii) take all necessary action to calculate, prepare and file the True-Up Adjustment in connection with the Customer Rate Relief Charges to ensure the timely payment of the Bonds and Ongoing Financing Costs, (iv) track collections of the Customer Rate Relief Charges remitted by the Reporting Collection Agents to the Indenture Trustee and make comparisons to projections provided by the Reporting Collection Agents and (v) maintain records related to the services provided under the terms of the Servicing Agreement for the benefit of the Issuer, the Commission, the Indenture Trustee, and the Holders of the Bonds. See "–True-Up Adjustment Mechanism" below.

Verification Agent: The Issuer may elect, at its sole option, to engage a Verification Agent for the purposes of verifying calculations made by the Central Servicer, and the Issuer may, at any time, cease to engage a Verification Agent. The Issuer has engaged Causey Demgen & Moore P.C. to serve as the Verification Agent. Pursuant to the Verification Agent Agreement, the Verification Agent will calculate and/or verify

the (i) initial Customer Rate Relief Charge, (ii) Periodic Payment Requirement and (iii) True-Up Adjustments. Pursuant to the Servicing Agreement, if a Verification Agent is then engaged by the Issuer, the Verification Agent must be presented with each True-Up Adjustment Letter before such True-Up Adjustment Letter is delivered to the Commission; provided, however, the delay of the Verification Agent to verify the calculations of the Central Servicer within the timelines afforded in the Servicing Agreement will not stop any True-Up Adjustment from being implemented. See "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments*" herein.

True-Up Adjustment Mechanism:

As required by the Securitization Law and the Financing Order, the Customer Rate Relief Charges will be set and adjusted from time to time by the Central Servicer, based upon projected Normalized Sales Volume information provided by the Reporting Collection Agents, Ongoing Financing Costs information provided by the Issuer, the balances in the applicable Accounts provided by the Indenture Trustee, and a percentage of the billed Customer Rate Relief Charge that is projected to prove uncollectible, provided by the Commission. For the avoidance of doubt, only the Normalized Sales Volumes of Reporting Collection Agents will be aggregated in order to calculate the Customer Rate Relief Charges (including True-Up Adjustments) and do not give effect to volumes anticipated from the other Collection Agents (*i.e.*, those who make up, individually, less than two percent (2.0%) of the total Normalized Sales Volumes of all Collection Agents or who have not been designated as Reporting Collection Agents pursuant to the Servicing Agreement).

Under the terms of the Servicing Agreement, beginning September 10, 2023, and each September 10 thereafter, until the day on which the final distribution is made to the Indenture Trustee in respect of the last Outstanding Bond (the "**Retirement of the Bonds**"), the Central Servicer will implement an adjustment to the Customer Rate Relief Charge (a "**Scheduled True-Up Adjustment**"). See "THE SERVICING AGREEMENT" herein.

In addition, the Central Servicer will adjust the Customer Rate Relief Charge under the following circumstances by effectuating an "**Interim True-Up Adjustment**" upon the occurrence of any of the following (each an "**Interim True-Up Adjustment Event**"):

(i) (A) any notice of any draw by the Indenture Trustee from amounts on deposit in the Reserve Subaccount pursuant to the terms of the Indenture is received by the Central Servicer from the Indenture Trustee or (B) any date that is the Business Day following a Payment Date when the Reserve Subaccount remains below the Required Reserve Level (collectively, a "**Deficiency Event**"),

(ii) Notice of a Material Change in Projections is received by the Central Servicer from (x) any Large Participating Gas Utility that delivered 25% or more of Normalized Sales Volumes as set forth in the Reporting Collection Agent Calculation Worksheet most recently delivered to the Commission by the Central Servicer, or (y) two or more Large Participating Gas Utilities during the period elapsed since the previous filing of a True-Up Adjustment Letter with the Commission, or

(iii) a Potential Deficiency Event (as defined herein) has occurred.

Scheduled True-Up Adjustments and Interim True-Up Adjustments are collectively referred to as "**True-Up Adjustments**." Pursuant to the Collection and Reporting Agreements and the Servicing Agreement, True-Up Adjustments must become effective not later than the 15th day after the True-Up Filing Date and any

administrative review of such True-Up Adjustment must be limited to notifying the Central Servicer of mathematical or clerical errors in the calculation. See "THE SERVICING AGREEMENT – True-Up Adjustments" herein.

Nonbypassable Nature of the Customer Rate Relief Charge:

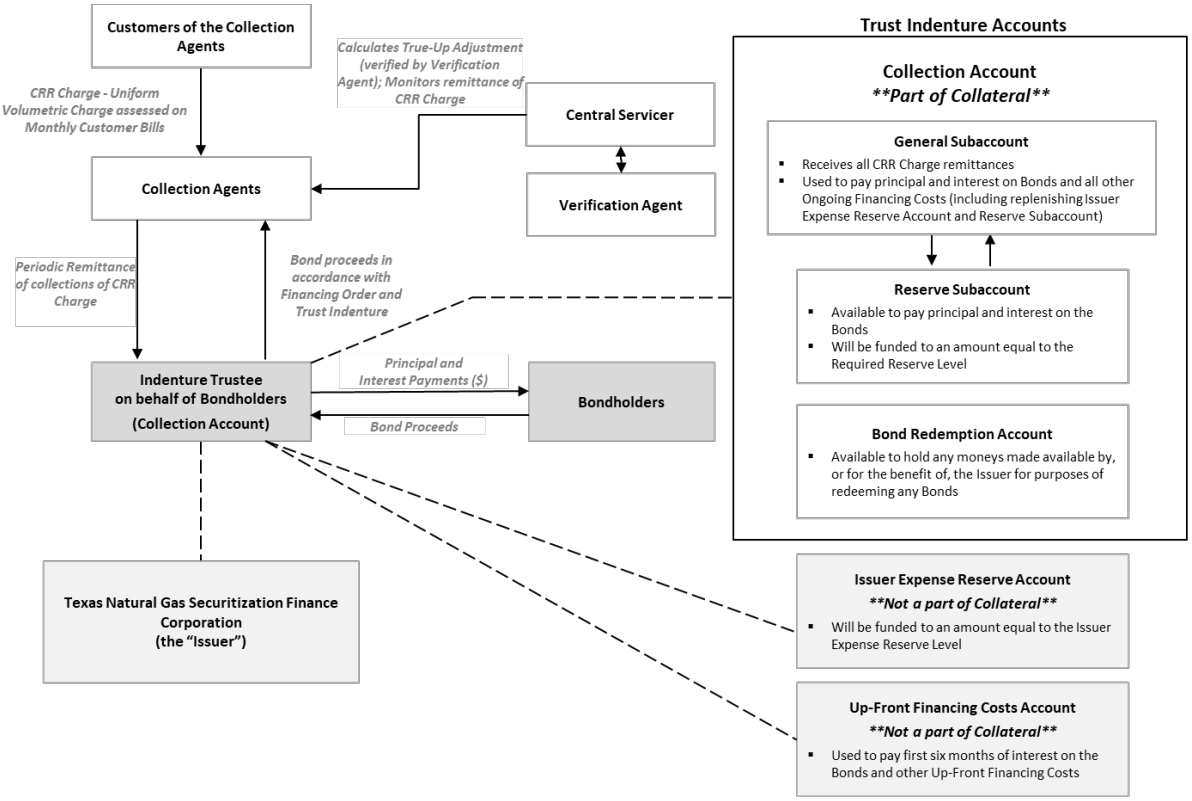
The Securitization Law provides that the Customer Rate Relief Charges are the amounts authorized by the Commission as "**Nonbypassable**" charges, which, pursuant to the Securitization Law and Financing Order, requires the Customer Rate Relief Charges to (i) be paid by all existing and future customers receiving natural gas sales service from a gas utility that has received the Regulatory Asset Determination under the Securitization Law or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier and (ii) not be offset by any credit. The Securitization Law further provides that a gas utility's successor, assignees or replacements must continue to bill and collect Customer Rate Relief Charges from the gas utility's current and future customers until the Bonds and Financing Costs are paid in full. See "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" and "THE FINANCING ORDER" herein.

Customers:

All existing and future customers receiving natural gas sales service within the State from Participating Gas Utilities, other than customers receiving natural gas sales service from TGS or a Successor Utility to TGS in West Texas are referred to herein as "**Customers**." See "APPENDIX A – DEFINITIONS" herein for a complete definition of Customers as used in the Basic Documents.

Flow of Funds:

The following chart represents a general summary of the flow of Bond proceeds and Customer payments:



Use of Proceeds:

The proceeds of the Bonds will be used to (i) reimburse certain Participating Gas Utilities for their respective portion of the Final Aggregated Regulatory Asset Determination Amounts pursuant to the Financing Order; (ii) pay Financing Costs

(which includes 6 months of capitalized interest and 6 months of initial Bond Administrative Expenses); (iii) fund the Reserve Subaccount in an amount necessary to meet the Required Reserve Level; and (iv) fund the Issuer Expense Reserve Account in an amount equal to the Issuer Expense Reserve Level. See "PLAN OF FINANCE AND USE OF PROCEEDS" and "THE SECURITIZATION LAW – Background" herein.

Priority of Payments: The Indenture provides, on each Payment Date (or in the case of clauses (i), (ii), (iii) or (iv) below, on any date directed in writing by the Issuer or the Central Servicer on behalf of the Issuer, or in the case of clause (v) any Special Payment Date), the Indenture Trustee will apply all amounts on deposit in the General Subaccount, including all Investment Earnings thereon, to pay the following amounts, subject to other provisions of the Indenture, in the following priority solely in accordance with the related certificate of the Issuer or the Central Servicer, on behalf of the Issuer, as applicable:

(i) all amounts owed by the Issuer to the Indenture Trustee (including legal fees and expenses and, to the extent permitted by State law, indemnity payments) such expenses and indemnity payments not to exceed $250,000 at this priority level in any calendar year will be paid to the Indenture Trustee as provided by the Indenture; provided, however, that any amounts that are unpaid pursuant to this clause shall remain due and owing to the Indenture Trustee until paid in full; provided further, that such cap shall be disregarded and inapplicable following the occurrence and during the continuation of an Event of Default (subject to the Indenture);

(ii) the Central Servicing Fee for such Payment Date, any Ongoing Financing Costs owed to the Central Servicer for such Payment Date and all unpaid Central Servicing Fees for prior Payment Dates will be paid to the Central Servicer, pursuant to the Indenture, in an amount not to exceed $200,000 at this priority level in any calendar year; provided, however, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Central Servicer until paid in full;

(iii) the Ongoing Financing Costs of the Issuer, including any indemnity, to the extent permissible under applicable law, and including its costs of counsel will be paid to the Issuer; provided that such payment shall not exceed $5,000,000 at this priority level in any calendar year, and, provided further, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Issuer until paid in full;

(iv) the Ongoing Financing Costs of the Commission shall be paid to the Commission; provided that such payment shall not exceed $100,000 at this priority level in any calendar year; provided, however, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Commission until paid in full;

(v) Periodic Interest for such Payment Date, or for any overdue Periodic Interest, Defaulted Interest for such Special Payment Date will be paid to the Holders;

(vi) all other Ongoing Financing Costs not paid under clause (i), (ii), (iii), or (iv), to the parties to which such Ongoing Financing Costs are owed, *pro rata* among such parties;

(vii) principal due and payable on the Customer Rate Relief Bonds on the Final Maturity Date of a Tranche of the Customer Rate Relief Bonds will be paid to the Holders;

(viii) Periodic Principal scheduled to be paid for such Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule,

including any Periodic Principal previously scheduled to be paid on a prior Payment Date and not paid on such Payment Date, will be paid to the Holders of any such Tranche pro rata, provided that if more than one Tranche is scheduled to be paid on such Payment Date then Periodic Principal will be paid sequentially in the numerical order of such Tranches;

(ix) any other unpaid Ongoing Financing Costs or Up-Front Financing Costs will be paid to the parties to which such amounts, if any, are owed;

(x) the amount, if any, by which the Required Reserve Level exceeds the amount in the Reserve Subaccount as of such Payment Date will be allocated to the Reserve Subaccount;

(xi) the amount, if any, by which the Issuer Expense Reserve Level exceeds the amount in the Issuer Expense Reserve Account will be allocated to the Issuer Expense Reserve Account;

(xii) the balance, if any, will be held by the Indenture Trustee in the General Subaccount for subsequent distribution for the purposes and at the times contemplated above; and

(xiii) after principal of and interest on all Bonds are paid in full or such Bonds are no longer Outstanding and all of the other foregoing amounts have been paid in full, including, without limitation, amounts due and payable to the Indenture Trustee under the Indenture, then the Indenture Trustee, as directed by the Issuer in an Issuer Order, will transfer from the Issuer Expense Reserve Account to the Issuer such amounts as the Issuer determines in its sole discretion to be reasonably necessary to wind up its operations, not inconsistent with applicable law, including reasonable reserves for any contingent liabilities or obligations, for a period of not less than two years and one day after the date that the Issuer no longer has any payment obligation with respect to the Bonds. Thereafter, as directed by the Issuer in an Issuer Order delivered to the Indenture Trustee, the balance of the Collection Account, if any, and the balance of the Issuer Expense Reserve Account, if any, will be paid by the Indenture Trustee, at the direction of the Issuer, pursuant to such Issuer Order.

Limited Make-Whole Redemption: The Bonds are subject to redemption at the option of the Issuer, in whole or in part, from time to time, on any Business Day on or before April 1, 2026, at a redemption price equal to the Make-Whole Redemption Price (as defined herein) plus accrued and unpaid interest on the Bonds to be redeemed to but not including the redemption date. The Make-Whole Redemption Price will be calculated by a Designated Financial Advisor (as defined herein) appointed by the Issuer from time to time.

No Additional Bonds: The issuance of the Bonds will exhaust the Issuer's authority to issue customer rate relief bonds under the Securitization Law.

Initial Customer Rate Relief Charge: The initial Customer Rate Relief Charge will be provided to the Participating Gas Utilities pursuant to a Notice of Initial Charge, signed by the Central Servicer, delivered not later than five (5) Business Days after the Closing Date. The Issuer anticipates that a portion of the proceeds of the Customer Rate Relief Bonds to be deposited in the General Subaccount, in the Issuer Expense Reserve Account, and in the Reserve Subaccount held by the Indenture Trustee on the Closing Date will result in an initial Customer Rate Relief Charge of zero dollars ($0.00) per Mcf through September 2023. It is estimated that the Customer Rate Relief Charge starting October 2023 will represent approximately 5.8% of the total bill received by an average residential customer of the Large Participating Gas Utilities. See "PLAN OF FINANCE AND USE OF PROCEEDS" herein.

Ratings:	The Issuer expects the Bonds will receive credit ratings of "Aaa(sf)" by Moody's, "AAAsf" by Fitch and "AAA(sf)" by KBRA. See "RATINGS" herein. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. No person is obligated to maintain the rating on the Bonds, and, accordingly, there can be no assurance that the rating assigned to the Bonds on the Closing Date will not be lowered or withdrawn by Moody's, Fitch or KBRA at any time thereafter. In the event any rating is revised or withdrawn, the liquidity or the market value of the Bonds may be adversely affected. See "RISK FACTORS" herein.
Legality:	The issuance of the Bonds is subject to the approval of the Attorney General of the State and the delivery of the opinion of Norton Rose Fulbright US LLP, Bond Counsel to the Issuer, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See "LEGAL MATTERS" herein.
Tax Treatment:	Interest on the Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS" herein.
Credit Risk Retention:	Bond Counsel has determined that the Bonds are not subject to credit risk retention requirements imposed by the regulation promulgated by certain federal agencies (as adopted by the SEC, the regulations at 17 C.F.R. Part 246 or Regulation RR), as mandated under Section 15G of the Securities Exchange Act of 1934, as amended. For information regarding the requirements of the European Union Securitization Regulation and the UK Securitization Regulation as to risk retention and other matters, please read "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*" herein.
Risk Factors:	Potential investors should carefully consider the risk factors in this Official Statement before investing in the Bonds. See "RISK FACTORS" herein.
Closing Date:	The Closing Date will be on or about March 23, 2023, settling through DTC, Clearstream and Euroclear (each as defined herein).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

$3,521,750,000
TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION
CUSTOMER RATE RELIEF BONDS (WINTER STORM URI),
TAXABLE SERIES 2023

INTRODUCTORY STATEMENT

General

This Official Statement, including the cover page and Appendices hereto, provide certain information regarding the issuance by the Texas Natural Gas Securitization Finance Corporation (the "**Issuer**") of its $3,521,750,000 Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023 (the "**Bonds**" or the "**Customer Rate Relief Bonds**"). Terms not defined elsewhere herein are used as defined in APPENDIX A hereto. The Bonds will be issued pursuant to the Indenture of Trust dated as of March 1, 2023, between the Issuer and U.S. Bank Trust Company, National Association (the "**Indenture**"), the Financing Order and the Securitization Law.

This Official Statement speaks only as of its date. The information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("**EMMA**") system. See "CONTINUING DISCLOSURE UNDERTAKINGS" herein for a description of the Issuer, the Central Servicer and the Participating Gas Utilities' respective undertakings to provide certain information on a continuing basis.

Brief descriptions of the Issuer, the Authority, the Commission, the Central Servicer, the Indenture Trustee, the Participating Gas Utilities, the Securitization Law, the Financing Order, the Bonds, the Servicing Agreement, the Verification Agent, the Collection and Reporting Agreements, the Administrative Services Agreement, the Continuing Disclosure Agreements and the Indenture are included in this Official Statement. These descriptions and summaries do not purport to be comprehensive or definitive. Certain information relating to The Depository Trust Company, New York, New York ("**DTC**") and the book-entry only system has been furnished by DTC. Information regarding the Large Participating Gas Utilities is included in APPENDIX B. The description of the Bonds and other documents herein are summaries and are qualified in their entirety by reference to each such document. Copies of documents relating to the Issuer may be obtained from the Treasurer of the Texas Natural Gas Securitization Finance Corporation, 300 West 15th Street, Suite 411, Austin, Texas 78701.

Security

The Bonds are limited and special revenue obligations of the Issuer secured by the Customer Rate Relief Bond Collateral, created pursuant to the Securitization Law and an irrevocable financing order adopted by the Commission on February 8, 2022 (the "**Financing Order**"). The Customer Rate Relief Bond Collateral includes the irrevocable right to impose, bill, collect and receive Nonbypassable uniform monthly volumetric charges (the "**Customer Rate Relief Charges**"), required under the Financing Order to be paid by all existing and future customers receiving natural gas sales service within the State from Participating Gas Utilities, other than customers receiving natural gas sales service from TGS in West Texas or a Successor Utility to TGS (such existing and future customers, "**Customers**"). See "APPENDIX A – DEFINITIONS" for a complete definition of Customers.

For each period during which a Customer Rate Relief Charge is in effect pursuant to the Financing Order and the related Customer Rate Relief Rate Schedule or Tariff, such charge is to be imposed in an amount expected to be sufficient to recover the aggregate Periodic Payment Requirement under the Indenture.

The Customer Rate Relief Charges are required to be collected by the Participating Gas Utilities as Collection Agents, pursuant to the Collection and Reporting Agreements, who bill and collect the Customer Rate Relief Charges for remittance to the Indenture Trustee. Pursuant to the Securitization Law and Financing Order, the Bonds are being issued to recover the Final Aggregated Regulatory Asset Determination Amounts approved by the Commission, as well as the Financing Costs incurred in connection therewith.

PLAN OF FINANCE AND USE OF PROCEEDS

The proceeds of the Bonds will be used to (i) reimburse certain Participating Gas Utilities for their respective portion of the Final Aggregated Regulatory Asset Determination Amounts pursuant to the Financing Order; (ii) fund the Reserve Subaccount in an amount necessary to meet the Required Reserve Level; (iii) fund the Issuer Expense Reserve Account in an amount equal to the Issuer Expense Reserve Level; and (iv) pay additional Up-Front Financing Costs. See "THE SECURITIZATION LAW – Background" herein.

The proceeds of the Bonds, net of underwriters' discount of $13,523,622.17, net of the deposit to the Up-Front Financing Costs Account of $103,312,860.83 (which includes 6 months of capitalized interest and 6 months of initial Bond Administrative Expenses), net of the deposit to the Issuer Expense Reserve Account in the amount of $2,500,000.00 equal to the Issuer Expense Reserve Level, and net of the deposit to the Reserve Subaccount of $17,608,750.00 equal to the Required Reserve Level, are $3,384,804,767.00, and will be transferred to the Regulatory Asset Account for distribution to the Participating Gas Utilities in amounts equal to the Final Aggregated Regulatory Asset Determination Amounts, as set forth in the Financing Order and in accordance with the calculation of such amounts set forth in a certificate of the Commission's Designated Representative. The Regulatory Asset Account, Issuer Expense Reserve Account and Up-Front Financing Costs Account **do not** constitute part of the Customer Rate Relief Bond Collateral.

In addition, if the actual Up-Front Financing Costs are less than the Up-Front Financing Costs included in the principal amount of the Bonds, the Periodic Billing Requirement for the first Scheduled True-Up Adjustment will be reduced by the amount of such unused funds (together with interest, if any, earned from the investment of such funds) and such unused funds (together with such interest) will be available for payment of debt service on succeeding Payment Dates for the Bonds.

The issuance of the Bonds will exhaust the Issuer's ability to issue customer rate relief bonds under the Securitization Law and the Financing Order.

Texas Legislature Statement of Intent

State appropriations are determined at each session of the Texas Legislature, which meets biennially in every odd-numbered year. The 88th Regular Legislative Session convened January 10, 2023 and will conclude on Monday, May 29, 2023. Thereafter, the Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. Pursuant to Article 3, Section 5, of the Texas Constitution, and subject to other exceptions, bills filed during the 88th Regular Legislative Session are prohibited from being passed by the Texas Legislature during the first 60 days of the 88th Regular Legislative Session unless an exception authorizing earlier passage applies. Article 3, Section 5, of the Texas Constitution authorizes the Governor to declare certain matters as emergency items (each, an "**Emergency Item**") giving the Texas Legislature the opportunity to pass bills that pertain to any such Emergency Item within the first 60 days of the 88th Regular Legislative Session.

On Wednesday, January 18, 2023, the Texas House of Representatives and the Texas Senate introduced House Bill 1 and Senate Bill 1, respectively, as preliminary state budget bills for the 2024-25 biennium (collectively referred to hereinafter as the "**Proposed State Budget**"). The Proposed State Budget includes a statement of intent of the Texas Legislature to provide funding to meet obligations issued by the Issuer pursuant to the Securitization Law or similar legislation passed by the Texas Legislature during the 88th Regular Legislative Session. To date, the Governor has not declared funding necessary to meet obligations issued by the Issuer pursuant to the Securitization Law as an Emergency Item and no assurance can be given that such funding will be declared an Emergency Item. Furthermore, no representation is made by the Issuer or the Underwriters regarding any actions the Texas Legislature may take, including if or how the Texas Legislature may effectuate such statement of intent in the Proposed State Budget, but the Issuer intends to monitor proposed legislation, including the Proposed State Budget, for any developments applicable to the Issuer.

On March 2, 2023, Senate Bill 30 ("**SB 30**") was filed, and on March 7, 2023, House Bill 500 ("**HB 500**") was filed, in the Texas Legislature, each of which would, if enacted, provide a contingent appropriation of general revenue funds to the Authority in an amount necessary to implement the provisions of any legislation relating to the payment of gas rate relief charges imposed for costs related to Winter Storm Uri (estimated to be $3,861,553,084) for the two-year period beginning on the effective date of SB 30 or HB 500, as applicable, for the purpose of making a grant to the Issuer, to be used to pay the aggregate Customer Rate Relief Charges authorized by the Securitization Law, on behalf of Customers in lieu of monthly charges.

Additionally, on March 2, 2023, Senate Bill 1501 ("**SB 1501**") was filed in the Texas Legislature which would, if enacted, amend Section 104.373 of the Texas Utilities Code titled "Repayment of Customer Rate Relief Bonds" by adding a new subsection (f) that authorizes a state agency to provide appropriated money to the Issuer to pay the aggregate Customer Rate Relief Charges authorized by the Securitization Law on behalf of all current and future customers that received service from a gas utility that received a Regulatory Asset Determination.

No representation is made by the Issuer, the Authority or the Underwriters regarding any actions the Texas Legislature may take, including whether or not additional legislation related to the Issuer, the Authority, the Bonds or the Securitization Law will be filed after the date of this Official Statement, or whether any funding mechanics

previously proposed by the Texas Legislature will be modified or enacted, or, if enacted, how any such funding mechanics may be effectuated.

For example, a hearing on SB 30 was held by the Senate Committee on Finance on March 8, 2023, during which members of that committee discussed the objectives of SB 30. The members also discussed, amongst other topics, providing pro rata relief for customers of electric cooperatives and customers of non-participating gas utilities impacted by Winter Storm Uri by utilizing the contingent appropriation of general revenue estimated to be available from SB 30 as described above. The committee was advised that, in order to prorate funds estimated to be available from SB 30 to such customers, SB 30 would likely need to be amended. Later on that date, March 8, 2023, the committee considered and approved a committee substitute for SB 30 ("**CSSB 30**"). Information regarding the 88th Regular Legislative Session can be found at: https://capitol.texas.gov/Home.aspx.

As previously stated, no representation is made by the Issuer, the Authority or the Underwriters regarding any actions the Texas Legislature may take. The Issuer does not intend to provide additional supplements to the Official Statement by reason of future preliminary legislative developments with respect to HB 500, CSSB 30, SB 1501 or any other additional legislation that the Texas Legislature may present during the 88th Regular Legislative Session that addresses possible funding in connection with a potential redemption of the Bonds.

The issuance of the Bonds shall not, directly, indirectly or contingently obligate the State of Texas or any political subdivision thereof to levy taxes or to make appropriation for their payment. Neither the State nor a State agency or political subdivision of the State is obligated to pay the principal of or interest on the Bonds.

THE SECURITIZATION LAW

Background

In February 2021, prolonged frigid temperatures and winter precipitation, along with other weather-related effects of Winter Storm Uri, resulted in a dramatic reduction of natural gas availability and a concurrent surge in energy demand. As a result, gas utilities were forced to pay extraordinarily high prices for natural gas in order to meet demand. To lessen the impact on natural gas customers in the State, on May 31, 2021, the Texas Legislature passed H.B. No. 1520 during the 87th Regular Session (the "**Securitization Law**") to allow for the reimbursement of certain extraordinary costs of certain gas utilities incurred as a result of Winter Strom Uri through the issuance of customer rate relief bonds by the Issuer. On June 16, 2021, the Governor signed the Securitization Law and it became effective immediately thereafter.

On June 17, 2021, the Commission issued a Notice to Gas Utilities, *Procedures for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, Chapter 104, Subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event* ("**Securitization Law Notice**"). The Securitization Law Notice established a procedure for gas utilities desiring to participate in a securitization financing pursuant to the Securitization Law to file an application for a regulatory asset determination.

On July 30, 2021, certain gas utilities filed individual applications for a regulatory asset determination pursuant to the Securitization Law Notice. On August 4, 2021, an administrative law judge consolidated all applications for regulatory asset determination into one proceeding, *OS-21-00007061, Consolidated Application for Customer Rate Relief and Related Regulatory Asset Determination in Connection with the February 2021 Winter Storm* (the "**Consolidated Application**"). On October 29, 2021, after the withdrawal of certain gas utilities, the remaining parties to the Consolidated Application filed a unanimous stipulation and settlement agreement which resolved all issues related to the determination of the regulatory asset amounts, and no such issues related to the determination of the regulatory asset amounts or reasonableness, necessity or prudence of the costs in the regulatory assets were preserved for further litigation.

On November 3, 2021, a proposed regulatory asset determination order was filed and the Commission, on November 10, 2021, issued a regulatory asset determination order (the "**Regulatory Asset Determination**").

On February 8, 2022, the Commission adopted the Financing Order which has become irrevocable, non-appealable to the parties to the Financing Order, and not subject to reduction, impairment or adjustment by further action of the Commission, except for necessary true-ups as required under the Securitization Law and the Financing Order. See "– True-Up Adjustment Mechanism" and "THE FINANCING ORDER" below. Pursuant to the Financing Order, the Commission notified the Issuer and the Authority of the "**Final Aggregated Regulatory Asset Determination Amounts**" identified in the table below following final documentation of actual legal, consulting and professional expenses of each of the following Participating Gas Utilities:

Participating Gas Utilities	Final Aggregated Regulatory Asset Determination Amounts
Atmos Energy	$2,022,233,561
Bluebonnet	$1,962,731
CenterPoint	$1,100,425,051[(a)]
Corix	$294,407
EPCOR	$11,296,221
SiEnergy	$18,795,497
TGS	$197,365,929
UniGas	$32,431,370
Final Aggregated Regulatory Asset Determination Amounts	**$3,384,804,767**

(a) The Financing Order provides that Summit Utilities, Inc., as the purchaser of certain gas distribution assets of CenterPoint after the issuance of the Regulatory Asset Determination, shall be bound by the obligations of a Participating Gas Utility with respect to such acquired gas distribution assets. Upon consummation of the Successor Transaction and the Assignment Transaction on January 10, 2022, Summit, as a wholly owned subsidiary of Summit Utilities, Inc., became and is now the owner of those gas distribution assets of CenterPoint as a new regulated gas distribution utility subject to the Commission's jurisdiction. Pursuant to the Financing Order, the Successor Transaction and the Assignment Transaction, a portion of the amount of the Final Aggregated Regulatory Asset Determination Amount payable to CenterPoint will be paid directly to Summit as a Successor Utility to CenterPoint, as detailed in the joint instruction letter provided to the Issuer. Pursuant to such joint instruction letter, the amount to be paid directly to Summit Utilities, Inc. is $7,489,359 and the amount to be paid directly to CenterPoint is $1,092,935,692. See "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities* – Summit." herein.

The nine gas utilities receiving a portion of the proceeds of the Bonds are the eight gas utilities identified in the table above and Summit, as a Successor Utility to CenterPoint. Such nine gas utilities, together with any Successor Utilities thereto, are collectively referred to herein as the "Participating Gas Utilities." See "APPENDIX A – DEFINITIONS" herein for a complete definition of Participating Gas Utilities. The Financing Order provides that the term Successor Utilities or Successor Utility shall be applied and interpreted broadly to ensure the "nonbypassable nature" of Customer Rate Relief Charges, and references to Participating Gas Utilities shall be deemed to include all such Successor Utilities. A Successor Utility includes any entity that succeeds by any means whatsoever to any interest or obligation of a predecessor Participating Gas Utility, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise, including any entity that acquires, leases or operates all or part of the gas distribution business of a Participating Gas Utility in the State or that replaces a Participating Gas Utility, even if a Customer elects to purchase gas from an alternative gas supplier.

Purpose of Securitization Law

The Securitization Law authorizes the securitization financing by the Issuer to provide customers of gas utilities that received the Regulatory Asset Determination from the Commission with rate relief by extending the period over which the extraordinary costs related to Winter Storm Uri are recovered from customers. The Securitization Law creates a legislative foundation for the Commission to create and vest, *ab initio* in the Issuer, the Customer Rate Relief Property which includes the right to impose the Customer Rate Relief Charges to provide for the payment of the Bonds and related expenses. See "– Customer Rate Relief Property" below. Notwithstanding a municipal regulatory authority's general plenary jurisdiction over the rates, charges, and services rendered by gas utilities in the territory of the municipal regulatory authority, the Securitization Law provides that the Commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property. See "THE COMMISSION – Texas Natural Gas Regulation" below.

Requirements of the Financing Order

As a condition precedent to requesting the Authority to direct the Issuer to issue the Bonds, the Commission, pursuant to the Securitization Law, made the following findings, among others, in the Financing Order:

(i) that the proposed structuring, expected pricing, and the proposed Financing Costs of the Bonds are reasonably expected to provide benefits to Customers by considering (a) Customer affordability, and (b) comparing the estimated monthly costs to Customers resulting from the issuance of the Bonds and the estimated monthly costs to Customers that would result from the application of conventional recovery methods,

(ii) that the use of the securitization financing mechanism is in the public interest and consistent with the purposes the Securitization Law,

(iii) the imposition, collection, and mandatory periodic formulaic adjustment of the Customer Rate Relief Charge in accordance with the Securitization Law by all Participating Gas Utilities pursuant to the Securitization Law to ensure that the Bonds and all related Financing Costs will be paid in full and on a timely basis by Customer Rate Relief Charges, and

(iv) that the Customer Rate Relief Charge is to be collected and allocated among Customers of each Participating Gas Utility through a uniform monthly volumetric charge to be paid by Customers as a component of the Participating Gas Utility's gas cost or in another manner that the Commission determines reasonable.

Customer Rate Relief Property

The Securitization Law authorizes the Commission to create the Customer Rate Relief Property pursuant to the Financing Order.

The Customer Rate Relief Property includes (i) all rights and interests of the Issuer under the Financing Order, including the right to impose, bill, collect, and receive the Customer Rate Relief Charges authorized in the Financing Order and to obtain periodic adjustments to the Customer Rate Relief Charges pursuant to the Financing Order and (ii) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in (i) above, regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds.

The Customer Rate Relief Property constitutes a present property right for the purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of the Customer Rate Relief Charges depend on further acts of the Participating Gas Utilities that have not yet occurred. Customer Rate Relief Property vests *ab initio* in the Issuer. See "SECURITY FOR THE BONDS" herein.

True-Up Adjustment Mechanism

The Securitization Law requires the Commission to include in the Financing Order a formulaic true-up charge adjustment mechanism requiring that the Customer Rate Relief Charges be reviewed and adjusted at least annually, and more frequently as necessary, by the Central Servicer or Successor Servicer to correct any overcollections or undercollections and ensure the expected recovery of amounts sufficient to provide for the timely payment of principal of and interest on the Bonds and other Financing Costs. See "THE SERVICING AGREEMENT – True-Up Adjustments" herein.

Customer Rate Relief Charge is Nonbypassable

The Securitization Law provides that the Customer Rate Relief Charges are the amounts authorized by the Commission as "**Nonbypassable**" charges, which, pursuant to the Securitization Law and Financing Order, requires the Customer Rate Relief Charges are (i) to be paid by all existing and future customers receiving natural gas sales service from a gas utility that has received the Regulatory Asset Determination under the Securitization Law or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier and (ii) to not be offset by any credit. The Securitization Law further provides that a gas utility's successor, assignees or replacements must continue to bill and collect Customer Rate Relief Charges from the gas utility's current and future customers until the Bonds and Financing Costs are paid in full.

The Securitization Law required the Financing Order to include terms ensuring that the imposition and collection of the Customer Rate Relief Charges authorized in the Financing Order are Nonbypassable. The Financing Order orders the Customer Rate Relief Charge to be paid by all existing and future customers receiving gas "sales service" within the State from a Participating Gas Utility or its Successor Utilities, to not be offset by any credit, and further orders any collections from customers who make partial payments to be applied first to any outstanding

Customer Rate Relief Charge prior to the satisfaction of any other charges included on customers' bills. See "THE FINANCING ORDER" herein.

State Non-Impairment Pledge

As a provision of the Securitization Law, the State, including the Commission and the Authority, has pledged for the benefit and protection of the Financing Parties and the Participating Gas Utilities that the State shall not:

(i) take or permit any action that impairs the value of the Customer Rate Relief Property, or

(ii) except as permitted in connection with a true-up adjustment mechanism authorized by the Securitization Law and set forth in Financing Order, reduce, alter, or impair the Customer Rate Relief Charges that are to be imposed, collected, and remitted to Financing Parties, until any and all principal, interest and premium, if any, and all other contracts to be performed in connection with the Bonds and Financing Costs have been paid and performed in full. See "RISK FACTORS – Judicial, Legislative and Regulatory Risks" herein.

Indenture Trustee's Lien on Customer Rate Relief Property is Protected

Pursuant to the Securitization Law, the creation, granting, perfection and enforcement of liens and security interests in the Customer Rate Relief Property that secures the Bonds are governed by Chapter 1208, Texas Government Code, as amended, which provides for the statutory perfection of the Lien created pursuant to the Indenture. The priority of any lien or security interest perfected pursuant to the Securitization Law is not impaired by any application of the True-Up Adjustment under the Financing Order or by the commingling of funds arising from the Customer Rate Relief Charges with other funds. Pursuant to the Securitization Law, any such security interest in any such commingled funds that may apply are terminated when the funds are transferred to a segregated account for the Issuer or a Financing Party. If Customer Rate Relief Property has been transferred to a trustee or another pledgee of the Issuer, any proceeds of that property must be held in trust for the Financing Parties. See "SECURITY FOR THE BONDS – Security Interest in Customer Rate Relief Bond Collateral" herein.

The Servicing Agreement and the Collection and Reporting Agreements constitute a portion of the Customer Rate Relief Bond Collateral. The Issuer, an intended third-party beneficiary of the Collection and Reporting Agreements, and as a party to the Servicing Agreement, has collaterally assigned its rights under such agreements to the Indenture Trustee. The other parties to such agreements have agreed and consented to such collateral assignments. See "RISK FACTORS – Risks Associated with Applicable Remedies and with the Unusual Nature of the Customer Rate Relief Property" herein.

Right of Sequestration and Court-Ordered Payment

The Securitization Law provides that if a default or termination occurs under the Bonds, a State district court of Travis County, Texas, on application by or on behalf of the Financing Parties, shall order the sequestration and payment to the Financing Parties of Revenue arising from the Customer Rate Relief Charges. See "THE COLLECTION AND REPORTING AGREEMENTS – Collection Agent Defaults and Remedies" herein.

Exemption from State Taxation

The Securitization Law provides that the sale or purchase of or revenue derived from services performed in the issuance or transfer of Customer Rate Relief Bonds is exempt from taxation by the State or any political subdivision of the State. The Securitization Law also provides that a gas utility's receipt of Customer Rate Relief Charges is exempt from State and local sales and use taxes and utility gross receipts taxes and assessments, and is excluded from revenue for purposes of State franchise tax, and that any interest on Customer Rate Relief Bonds is not subject to taxation by and may not be included as part of the measurement of a tax by the State or a political subdivision of the State.

THE FINANCING ORDER

On February 8, 2022, the Commission issued the Financing Order which, among other things, authorized, approved and ordered the following:

(i) authorized the Issuer to securitize and to issue the Customer Rate Relief Bonds with a principal amount up to the sum of the Authorized Amount, which will be sufficient to fund the Final Aggregated Regulatory Asset Determination Amounts plus the Up-Front Financing Costs;

(ii) authorized the creation of the Customer Rate Relief Property and the pledge thereof (see "THE CUSTOMER RATE RELIEF PROPERTY" herein);

(iii) approved the "Customer Rate Relief Rate Schedule" to become effective on the Closing Date, which sets out the rate, terms and conditions under which the Customer Rate Relief Charges are billed and collected by the Participating Gas Utilities, and approved such charges, pursuant to the Securitization Law, as uniform monthly volumetric charges, normalized to reflect a standard pressure of fourteen point sixty-five (14.65) pounds per square inch, absolute and a standard temperature of sixty (60) degrees Fahrenheit, and the Financing Order specified the charges to be paid by all existing and future customers receiving natural gas sales service within the State from a gas utility that has received the Regulatory Asset Determination pursuant to the Securitization Law, or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier (see "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" herein);

(iv) approved the "Description of Cash Flow Model" used to calculate the Customer Rate Relief Charge for Customers for any annual or other period that will apply to Customers of Participating Gas Utilities (see "THE SERVICING AGREEMENT" herein);

(v) approved the "Form of True-Up Adjustment Letter" used to file a Scheduled True-Up Adjustment or Interim True-Up Adjustment to the Customer Rate Relief Charges and make such adjustments effective for Customers of the Participating Gas Utilities (see "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein);

(vi) approved the principles of the Collection and Reporting Agreements between each Participating Gas Utility and the Central Servicer, including, but not limited to, principles regarding billing and collection of the Customer Rate Relief Charges, remittance procedures, reporting requirements and compliance (see "THE COLLECTION AND REPORTING AGREEMENTS" herein);

(vii) approved the principles of the Servicing Agreement among the Central Servicer, the Issuer and the Commission, including, but not limited to, principles regarding duties of the Central Servicer, responsibilities of the Commission and the Issuer and remedies upon the default of the Central Servicer (see "THE SERVICING AGREEMENT" herein);

(viii) ordered the Participating Gas Utilities to enter into the Collection and Reporting Agreements to carry out the requirements of the Financing Order and facilitate the issuance of the Customer Rate Relief Bonds;

(ix) ordered each Participating Gas Utility and any Successor Utility, pursuant to the Collection and Reporting Agreements, to bill all existing and future Customers receiving sales service within the State from each Participating Gas Utility or its Successor Utilities, for the Customer Rate Relief Charges in amounts sufficient to recover the principal of, and interest on, the Customer Rate Relief Bonds plus Ongoing Financing Costs;

(x) ordered each Participating Gas Utility and any Successor Utility to collect from all existing and future Customers receiving gas sales service within the State from such Participating Gas Utility, the Customer Rate Relief Charges and to continue to bill and collect the Customer Rate Relief Charges until all Customer Rate Relief Bonds and Ongoing Financing Costs are paid in full (see "THE CUSTOMER RATE RELIEF PROPERTY – Initial and Subsequent Customer Rate Relief Charges" herein);

(xi) ordered the Customer Rate Relief Charges to be nonbypassable and not subject to offset by any credit, and further ordered that any collections from customers who make partial payments to be applied first to any outstanding Customer Rate Relief Charges prior to the satisfaction of any other charges included on such customers' bills (see "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" herein);

(xii) ordered each Large Participating Gas Utility, upon the request of the Central Servicer, to provide the Commission and the Central Servicer updated projections of Normalized Sales Volumes for the succeeding twelve (12) month period no later than the fifteenth (15th) day following such request to allow the Central Servicer to make Interim True-Up Adjustments (see "THE

SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein);

(xiii) ordered the Participating Gas Utilities to file with the Commission no later than forty-five (45) days following the issuance of the Financing Order: (i) updated cost of gas rate schedules that include the Customer Rate Relief Charges as a component of the Participating Gas Utility's gas cost and (ii) the draft Customer Rate Relief Rate Schedule; and

(xiv) provided certain parameters for the issuance of the Customer Rate Relief Bonds, including the maximum interest rate for the Bonds, the maximum scheduled final maturity date, which shall not exceed thirty (30) years from the date of issuance of the Bonds, and the maximum regulatory asset determination to be included in the Bonds (see "THE BONDS" herein).

Notwithstanding the foregoing, TGS will not be treated as a Participating Gas Utility with respect to its customers within its West Texas service area, and customers served within TGS's West Texas service area by means of facilities owned and operated by TGS as of the date of the Financing Order will not become obligated to pay the Customer Rate Relief Charge if those customers in the future come to be served by another Participating Gas Utility. See "INTRODUCTORY STATEMENT – Security" herein.

Certain provisions of the Financing Order related to the security of the Bonds are described in greater detail in this Official Statement. See "SECURITY FOR THE BONDS" herein.

The Financing Order provides that the Financing Order, together with the Customer Rate Relief Charges authorized in it, shall be binding on the Authority, the Issuer, Intervenors, the Participating Gas Utilities and any Successor Utility. The Financing Order became irrevocable, non-appealable to the parties to the Financing Order, and not subject to reduction, impairment, or adjustment on February 23, 2022.

As required by the Securitization Law, in the Financing Order, the Commission guaranteed, for the benefit of the Issuer, the Authority, the Holders of the Customer Rate Relief Bonds, the Indenture Trustee and any other Financing Parties, that the Commission will take all actions in its powers to enforce the provisions in the Financing Order to ensure that revenues collected from the Customer Rate Relief Charges are sufficient to pay on a timely basis all scheduled principal and interest on the Customer Rate Relief Bonds and other components of the Periodic Payment Requirement and other Bond Administrative Expenses.

Designated Representative

Pursuant to the Financing Order, the Commission informed the Authority that the Executive Director of the Commission would serve as the designated representative for the Commission (the "**Designated Representative**"). In such capacity, the Designated Representative will work collaboratively with the Authority during the issuance process for the Bonds in a consultative role and will provide input and advice to the Authority and the Issuer, including providing the amortization methodology to be used to structure the Bonds, adjusting the maximum authorized interest rate, and determining the bond payment periods, all as set forth and further described in the Financing Order. The Designated Representative is authorized to (i) execute, acknowledge and deliver in the name of the Commission and on behalf of the Commission all agreements, instruments, certificates or such other documents and (ii) take other actions on behalf of, and delegated to it by, the Commission as may be necessary or desirable to effectuate the issuance and administration of the Bonds on a basis consistent with the Financing Order.

The Designated Representative may, as designated in writing to the Authority, specify a successor officer or employee of the Commission to serve in the role as Designated Representative, as well as designate other staff, legal counsel, financial advisors and other consultants to (i) assist the Commission in the issuance process for the Bonds and (ii) act as its designee after the Closing Date. Any costs incurred by the Designated Representative in connection with the Bonds, including those of its legal counsel, financial advisors and other consultants, are treated as Financing Costs pursuant to the term of the Financing Order.

THE CUSTOMER RATE RELIEF PROPERTY

Overview

The Bonds are secured by the Customer Rate Relief Bond Collateral, which consists primarily of the Issuer's Customer Rate Relief Property. The Customer Rate Relief Property consists generally of the Issuer's rights and interests under the Securitization Law and the Financing Order, including the right to:

(i) impose, bill, collect and receive, the Customer Rate Relief Charges, and

(ii) obtain periodic adjustments to the Customer Rate Relief Charges, in accordance with the true-up adjustment mechanism provided in the Financing Order and in accordance with the Securitization Law, in an amount sufficient to pay principal and interest on the Bonds and all other Ongoing Financing Costs as provided for in the Financing Order. See "THE SERVICING AGREEMENT – True-Up Adjustments" herein.

The Customer Rate Relief Property also includes all revenues, collections, claims, rights to payments, money or proceeds arising from the Issuer's rights to and interests in the Customer Rate Relief Charges and the True-Up Adjustments, regardless of whether the revenues, collections, claims, rights to payments, money or proceeds are imposed, billed, received, collected or maintained together with or commingled with other revenues, collections, claims, rights to payments, money or proceeds.

The Issuer's rights to and interests in the Customer Rate Relief Property arise and vest *ab initio* by operation of the Securitization Law and Financing Order. The collection of the Customer Rate Relief Charges, as such charges may be adjusted pursuant to True-Up Adjustments, will be used to pay principal of and interest on the Bonds and all other Ongoing Financing Costs approved under the Financing Order. The Customer Rate Relief Charges may not be reduced, altered, adjusted or impaired except for periodic adjustments, in accordance with a True-Up Adjustment, to correct for any overcollections or undercollections to ensure the expected recovery of amounts sufficient to timely pay principal of and interest on the Bonds and all other Ongoing Financing Costs. See "SECURITY FOR THE BONDS – Security Interest in Customer Rate Relief Bond Collateral" herein.

Simultaneously with the issuance of the Bonds, the Issuer will grant a security interest in and pledge of the Customer Rate Relief Bond Collateral, which includes the Customer Rate Relief Property, to the Indenture Trustee.

Initial and Subsequent Customer Rate Relief Charges

The initial Customer Rate Relief Charge will be set by the Closing Date by the Central Servicer. All True-Up Adjustments related to the Customer Rate Relief Charges will be adjusted thereafter as necessary to generate revenues required to:

- pay Ongoing Financing Costs related to administering the Customer Rate Relief Bonds, including fees, costs and expenses of the Central Servicer, its advisors, consultants and legal counsel and any advisors or legal counsel hired by the Commission, the Authority or Issuer, related to and incurred during the life of the Bonds, and other costs authorized by the Financing Order;
- pay interest on the Bonds;
- pay principal of each Tranche of such Bonds according to the Expected Amortization Schedule; and
- replenish the Reserve Subaccount to the Required Reserve Level and replenish the Issuer Expense Reserve Account to the Issuer Expense Reserve Level, respectively.

The Issuer anticipates that a portion of the proceeds of the Customer Rate Relief Bonds to be deposited in the General Subaccount, in the Issuer Expense Reserve Account, and in the Reserve Subaccount held by the Indenture Trustee on the Closing Date will result in an initial Customer Rate Relief Charge of zero dollars ($0.00) per Mcf through September 2023. It is estimated that the Customer Rate Relief Charge starting October 2023 will represent approximately 5.8% of the total bill received by an average residential customer of the Large Participating Gas Utilities. See "PLAN OF FINANCE AND USE OF PROCEEDS" herein.

THE BONDS

General

The Bonds will be dated the Closing Date and interest thereon will accrue from the Closing Date and will be payable on September 1, 2023 and for each calendar year thereafter semi-annually on April 1 and October 1, until the Bonds have been paid in full. The initial principal amount offered, Scheduled Final Payment Date, Final Maturity Date and Interest Rate of each Tranche of Bonds is set forth on the inside cover page of this Official Statement.

The Bonds will be issued in denominations of $5,000 and integral multiples of $1,000 in excess thereof, except for one Bond of each Tranche which may be of smaller denomination. DTC will act as the initial securities depository for the Bonds. Each Tranche of the Bonds will be initially issued in the form of a single fully registered Bond registered in the name of Cede & Co., as nominee for DTC, as Registered Owner of the Bonds, and held in the custody of DTC.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to Registered Owners, Bondholders or Holders of the Bonds (and for all purposes of the Indenture, the Bonds and this Official Statement) shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. For purposes of this Official Statement, DTC or its nominee, and its successors, may be referred to as the "securities depository." See "– Securities Depository" below.

U.S. Bank Trust Company, National Association, is the Indenture Trustee (the "**Indenture Trustee**") under the Indenture and also is the initial Bond Registrar, Authenticating Agent and Paying Agent for the Bonds.

Payments on the Bonds will be made to the Registered Owners of the Bonds as of the Record Date (or Special Record Date, as applicable) as established in the Indenture. If any Payment Date (or Special Payment Date, as applicable) is not a Business Day, payments on the Bonds may be made on the next succeeding Business Day, and no additional interest will accrue during such intervening period.

Interest on the Bonds

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the Registered Owners as of the Record Date (or Special Record Date, as applicable), in immediately available funds by wire transfer as long as the Bonds are in book-entry form on each applicable Payment Date (or Special Payment Date, as applicable). If any interest on the Bonds is due on a non-Business Day, it may be made on the next succeeding Business Day, and no additional interest will accrue during such intervening period.

The failure to pay accrued interest on any Payment Date (even if the failure is caused by a shortfall in Customer Rate Relief Charges received) will result in an Event of Default (as defined herein) for the Bonds. Any interest not paid on a Payment Date when due (such overdue interest, "**Defaulted Interest**") at the respective Interest Rate borne by applicable due but unpaid Bonds to the extent lawful, will be payable to the Registered Owners as of a Special Record Date on a Special Payment Date as provided in the Indenture. See "THE INDENTURE – Events of Default" herein. The terms of the Bonds do not include payment of interest on overdue interest.

Interest payments, including partial interest payments, to the Registered Owners will be made to such Registered Owners pro rata based on the respective amounts of interest owed.

Principal of the Bonds

Scheduled payments of principal on each Tranche of the Bonds are reflected on the Expected Amortization Schedule below.

To the extent funds are available in the Collection Account, principal payments will be made on each Payment Date in accordance with the priority of payments set forth below under "SECURITY FOR THE BONDS – Flow of Funds," with principal due and payable being made to the Registered Owners of the Bonds in order of their Final Maturity Dates.

Periodic Principal scheduled to be paid on a Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule, together with any Periodic Principal previously scheduled to be paid on a prior Payment Date, will be paid to the Registered Owners of any such Tranche pro rata, provided that if more than one Tranche is scheduled to be paid on such Payment Date then Periodic Principal will be paid sequentially in the numerical order of such Tranches. The Scheduled Final Payment Date and Final Maturity Date for each Tranche of Bonds will not overlap with the Scheduled Final Payment Date or the Final Maturity Date for any other Tranche of Bonds. Accordingly, no principal payment on any Tranche of Bonds will be made on any Payment Date prior to the payment in full of all of the principal of all Tranches of such Bonds with an earlier Final Maturity Payment Date, and no principal payments on any Tranche of Bonds will be made until interest due on all Bonds on such Payment Date is paid in full. See "SECURITY FOR THE BONDS – Flow of Funds," "THE INDENTURE – Events of Default" and "THE INDENTURE – Remedies; Priorities" herein.

The entire unpaid principal balance of each Tranche of the Bonds will be due and payable on the Final Maturity Date for each such Tranche. It will not constitute an Event of Default if Bonds are not paid earlier in accordance with the Expected Amortization Schedule because money is not available in the Collection Account (assuming all available amounts held under the Indenture are applied in accordance with its provisions), but failure to pay the entire unpaid principal amount of the Bonds of a Tranche upon the Final Maturity Date of the Tranche will constitute an Event of Default. See "THE INDENTURE – Events of Default" herein.

The Indenture Trustee will make each payment, other than the final payment, on the Bonds to the Registered Owners as of the Record Date in immediately available funds by wire transfer as long as the Bonds are in book-entry

form on each applicable Payment Date. The Indenture Trustee will make the final payment for each Tranche of Bonds, however, only upon presentation and surrender of the Bonds of that Tranche at the place specified by the Indenture Trustee. The Indenture Trustee will notify the Registered Owner in whose name a Bond is registered as of the Record Date preceding the Final Maturity Date on which the Issuer expects that the final installment of principal of such Bond will be paid. The Indenture Trustee must mail such notice no later than five days prior to such Final Maturity Date and must specify that such final installment will be payable only upon presentation and surrender of such Customer Rate Relief Bond and must specify the place where such Bond may be presented and surrendered for payment of such installment.

Limited Make-Whole Redemption

The Customer Rate Relief Bonds are subject to redemption at the option of the Issuer, in whole or in part, from time to time, on any Business Day on or before April 1, 2026, at a redemption price equal to the Make-Whole Redemption Price (as defined herein) of the Customer Rate Relief Bonds to be redeemed, plus, in each case, accrued and unpaid interest on such Customer Rate Relief Bond to be redeemed to but not including the redemption date. The Make-Whole Redemption Price will be calculated by a Designated Financial Advisor (as defined below) appointed by the Issuer from time to time.

If less than all of the Customer Rate Relief Bonds are to be redeemed, the particular Tranche(s) or portion of Tranche(s) to be redeemed are to be selected and designated by the Issuer in its sole discretion; provided, however, the Issuer shall not redeem any Bonds or any portion thereof unless the Issuer either (i) satisfies the Rating Agency Condition with respect to such redemption, or (ii) makes such redemption applicable to all Outstanding Tranches of the Bonds on a pro rata basis. If less than all of the Customer Rate Relief Bonds of any Tranche are to be redeemed, any partial redemption of such Tranche shall be applied to such Tranche's Expected Amortization Schedule on a pro rata basis.

For the purpose of any redemption of the Bonds at the option of the Issuer, as described above,

"**Applicable Spread**" means (i) 27 basis points (0.27%) for Tranche A-1 of the Customer Rate Relief Bonds and (ii) 37.5 basis points (0.375%) for Tranche A-2 of the Customer Rate Relief Bonds.

"**Designated Financial Advisor**" means the independent accounting firm, investment bank or financial advisor, appointed by the Issuer from time to time for the purpose of calculating the Make-Whole Redemption Price of any Customer Rate Relief Bond, or portion thereof, to be redeemed.

"**Make-Whole Redemption Price**" means the greater of: (1) 100% of the principal amount of the Customer Rate Relief Bond to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Customer Rate Relief Bond of such Tranche to be redeemed, according to the Expected Amortization Schedule for such Tranche, not including any portion of those payments of interest accrued and unpaid as of the date on which the Customer Rate Relief Bond, or portion thereof, is to be redeemed, discounted on a semi-annual basis to the date on which the Customer Rate Relief Bond of such Tranche is to be redeemed, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate, as determined by the Designated Financial Advisor, plus the Applicable Spread.

"**Treasury Rate**" means, with respect to any redemption date of any Tranche of the Customer Rate Relief Bonds, or portion thereof, the yield to maturity of a United States Treasury security with a constant maturity (excluding inflation indexed securities), as compiled and published in the most recent Federal Reserve Statistical Release H.15 that is publicly available after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System) under the caption "U.S. government securities – Treasury constant maturities – Nominal" (or any successor caption or heading) and relating to the most recent date listed in such Statistical Release, on a Valuation Date (or, if such statistical release is no longer published, any publicly available source of similar market data) that is most nearly equal to the remaining average life of the Customer Rate Relief Bond of the Tranche to be redeemed (as determined based on the Expected Amortization Schedule for such Tranche) on the date the Issuer has determined that such Customer Rate Relief Bond is to be redeemed.

"**Valuation Date**" means any date, as determined by the Issuer, on which the Make-Whole Redemption Price for any Customer Rate Relief Bonds to be redeemed will be calculated, which is at least five (5) Business Days prior to the redemption date for such Customer Rate Relief Bond and at least five (5) Business Days after the date notice of redemption for such Customer Rate Relief Bonds is delivered by the Indenture Trustee to the Registered Holders.

The Indenture Trustee is not responsible for calculating the redemption price of the Customer Rate Relief Bonds. At the option of the Authority, the redemption price of the Customer Rate Relief Bonds to be redeemed may be determined by an independent accounting firm, investment banking firm, financial advisor, municipal advisor or other financial consultant retained by the Authority. The Indenture Trustee and the Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm, financial advisor, municipal advisor or other financial consultant and shall not be liable for such reliance.

Notice of Limited Make-Whole Redemption

In the case of any redemption of Customer Rate Relief Bonds at the direction of the Issuer, the Issuer will give written notice to the Indenture Trustee and the Rating Agencies of its direction so to redeem, of the redemption date, of the Tranche and of the principal amounts of the Customer Rate Relief Bonds of such Tranche, of the Customer Rate Relief Bonds of each interest rate within a Tranche to be redeemed (which Tranche, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Indenture), and of the Valuation Date on which the Make-Whole Redemption Price will be calculated for the Bonds, or portion thereof, to be redeemed. Such notice will be given at least thirty-five (35) days and not more than sixty (60) days before the date the Bonds are to be redeemed. In the event notice of redemption shall have been provided pursuant to the terms of the Indenture, there shall be paid prior to the redemption date to the appropriate Paying Agent an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent, will be sufficient to redeem on the redemption date at the Make-Whole Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Customer Rate Relief Bonds to be redeemed. The Issuer will promptly notify the Indenture Trustee in writing of all such payments by it to a Paying Agent other than the Indenture Trustee. Not later than one (1) Business Day succeeding the Valuation Date, the Issuer shall give written notice to the Indenture Trustee and the Rating Agencies of the Make-Whole Redemption Price for the Bonds.

When the Indenture Trustee receives notice from the Issuer of its election to redeem Customer Rate Relief Bonds pursuant to the paragraph above, the Indenture Trustee shall give notice, in the name of, on behalf of and at the expense of the Issuer, of the redemption of such Customer Rate Relief Bonds, which notice shall specify the Tranche, CUSIP number, if any, maturities and interest rates within maturities, if any, of the Customer Rate Relief Bonds to be redeemed, the related record date, the redemption date, the Valuation Date, and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the Customer Rate Relief Bonds of any like Tranche, maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such Customer Rate Relief Bonds so to be redeemed, and, in the case of Customer Rate Relief Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Customer Rate Relief Bond to be redeemed the Make-Whole Redemption Price thereof, or the Make-Whole Redemption Price of the specified portions of the principal thereof in the case of Customer Rate Relief Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, subject to the provisions set forth herein. Such notice shall be mailed by the Indenture Trustee not more than two (2) Business Days following receipt by the Indenture Trustee of the Issuer's written notice of its election to redeem the Customer Rate Relief Bonds, postage prepaid, to the Registered Holders of any Customer Rate Relief Bonds or portions of Customer Rate Relief Bonds, which are to be redeemed, at their last addresses, if any, appearing upon the Customer Rate Relief Bond Register, subject to the provisions of the Indenture governing notice to Bondholders and the book-entry system. Not more than two (2) Business Days following receipt by the Indenture Trustee of the Issuer's written notice of the Make-Whole Redemption Price of the Bonds to be redeemed, the Indenture Trustee shall mail such notice, postage prepaid, to the Registered Holders of any Customer Rate Relief Bonds or portions of Customer Rate Relief Bonds which are to be redeemed, at their last addresses, if any, appearing upon the Customer Rate Relief Bond Register, subject to the provisions of the Indenture governing notice to Bondholders and the book-entry system.

Any notice of redemption of Customer Rate Relief Bonds at the option of the Issuer shall state that (i) it is conditional in whole or in part upon receipt by the Indenture Trustee, prior to or as of the redemption date, of moneys sufficient to pay the Make-Whole Redemption Price together with accrued interest to the redemption date, and the satisfaction of any other condition stated in such notice, (ii) it may be rescinded upon the occurrence of any other event, and (iii) any conditional notice so given may be rescinded if and to the extent any such condition is not satisfied or other event occurs. Notice of such rescission, failure to fund the Make-Whole Redemption Price or satisfaction of such other condition shall be given by the Indenture Trustee to affected Registered Holders of such Customer Rate Relief Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event, in the same manner as the conditional notice of redemption was given. In the event of the rescission of a called redemption, the Indenture Trustee shall transfer and remit any funds previously transferred to the Bond Redemption Account to the

source of such redemption funds in accordance with an Issuer Order. Failure of the Registered Holder of any Customer Rate Relief Bond which is to be redeemed to receive any notice given pursuant to the Indenture shall not affect the Issuer's rights under the Indenture.

Expected Amortization Schedule

The Expected Amortization Schedule* is set forth below for each Tranche of the Bonds.

Semi-Annual Payment Date†	**Tranche A-1**	**Tranche A-2**
4/1/2024	$54,361,053	-
10/1/2024	78,266,104	-
4/1/2025	80,262,672	-
10/1/2025	82,310,173	-
4/1/2026	84,409,905	-
10/1/2026	86,563,202	-
4/1/2027	88,771,429	-
10/1/2027	91,035,988	-
4/1/2028	93,358,316	-
10/1/2028	95,739,887	-
4/1/2029	98,182,212	-
10/1/2029	100,686,840	-
4/1/2030	103,255,361	-
10/1/2030	105,889,405	-
4/1/2031	108,590,644	-
10/1/2031	111,360,791	-
4/1/2032	114,201,605	-
10/1/2032	117,114,888	-
4/1/2033	120,104,525	-
10/1/2033	-	$123,166,303
4/1/2034	-	126,349,537
10/1/2034	-	129,615,040
4/1/2035	-	132,964,941
10/1/2035	-	136,401,420
4/1/2036	-	139,926,715
10/1/2036	-	143,543,121
4/1/2037	-	147,252,993
10/1/2037	-	151,058,746
4/1/2038	-	154,962,859
10/1/2038	-	158,967,874
4/1/2039	-	163,075,451
Totals	**$1,814,465,000**	**$1,707,285,000**

† If such date is not a Business Day, the next Business Day without additional interest.

*There is no assurance that the principal balance of any Tranche of the Bonds will be reduced at the rate indicated in the table above. The actual reduction in Tranche principal balances may occur more slowly. The actual reduction in Tranche principal balances will not occur more quickly than indicated in the above table. The Bonds will not be in default if principal is not paid as specified in the schedule above unless the principal of any Tranche is not paid in full on or before the Final Maturity Date of that Tranche.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Weighted Average Life

Weighted average life ("**WAL**") refers to the average amount of time from the date of issuance of a Bond until each dollar of principal of the Bond has been repaid to the Holder. The amount of principal payments on each Tranche of the Bonds on each Payment Date, the aggregate amount of interest payments on each Tranche of the Bonds on each Payment Date, and the actual final Payment Date of each Tranche of the Bonds will depend on the timing of the Indenture Trustee's receipt of CRRC Collections from the Collection Agents. Changes in the expected WAL of the Tranches of the Bonds in relation to variances in actual consumption levels (natural gas sales volume) by Customers of Large Participating Gas Utilities from forecast levels are shown below.

Weighted Average Life Sensitivity

		Forecast Error of 5% (5.05 Standard Deviations from the Mean)		Forecast Error of 15% (17.22 Standard Deviations from the Mean)	
Tranche	**Expected WAL (years)**	**Actual WAL (years)**	**Change (days)***	**Actual WAL (years)**	**Change (days)***
A-1	5.958	5.958	0	5.958	0
A-2	13.424	13.424	0	13.424	0

*Number is rounded to whole days.

Assumptions. For the purposes of preparing the above table, the following assumptions, among others, have been made: (i) in relation to the initial forecast by Reporting Collection Agents, the weighted average forecast error stays constant over the life of the Bonds and is equal to an overestimate of gas consumption of 5.0% (5.05 standard deviations from mean) or 15.0% (17.22 standard deviations from mean), (ii) the Central Servicer makes timely and accurate filings to true-up the Customer Rate Relief Charge, (iii) Customer write-off rates are held constant at 1.00% for all Customers, (iv) Participating Gas Utilities remit CRRC Collections 30 days after such charges are billed, (v) gas consumption for the non-Large Participating Gas Utilities is consistent with the 2021 results, (vi) operating expenses are equal to projections, (vi) a permanent loss of all Customers has not occurred, (vii) none of the Bonds are optionally redeemed and (viii) the Bonds are issued on March 23, 2023. There can be no assurance that the WALs of the Bonds will be as shown.

Registration and Transfer of the Bonds

Upon surrender for registration of transfer of any Bond at the designated office of the Bond Registrar or its agent, the Issuer will execute and the Indenture Trustee or its Authenticating Agent will authenticate and deliver in the name of the transferee or transferees, one or more new fully registered Bonds of the same series, Tranche, and of Authorized Denomination for the aggregate principal amount which the Registered Owner is entitled to receive.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of any other Authorized Denomination, of a like aggregate principal amount and accruing interest at the same Interest Rate, upon surrender of the Bonds to be exchanged at the designated office of the Bond Registrar or its agent. Whenever any Bonds are so surrendered for exchange, the Issuer will execute, and the Indenture Trustee or the Authenticating Agent will authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds presented for registration of transfer or exchange must be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Registered Owner or by his attorney duly authorized in writing, and such documentation as the Bond Registrar reasonably requires. No service charge will be made to a Bondholder for any exchange or registration of transfer of Bonds, but the Issuer or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. New Bonds delivered upon any registration of transfer or exchange will be valid obligations of the Issuer, evidencing the same debt as the Bonds surrendered, will be secured by the Indenture and will be entitled to all of the security and benefits of the Indenture to the same extent as the Bonds surrendered.

Securities Depository

The Bonds will be available to investors only in book-entry form. DTC will act as the initial securities depository for the Bonds. See APPENDIX I to this Official Statement for a description of DTC and its book-entry-only system that will apply to the Bonds.

As long as the book-entry system is used for the Bonds, as to Bonds held through DTC, the Indenture Trustee and the Issuer will give any notice required to be given Bondholders only to DTC. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS FOR THE DIRECT PARTICIPANT THROUGH WHOSE DTC ACCOUNT THEIR BENEFICIAL OWNERSHIP INTEREST IS RECORDED TO RECEIVE NOTICES THAT MAY BE CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS. SEE "APPENDIX I – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" HEREIN.

Access of Bondholders

Upon the written request of any Holder or group of Holders, each of whom has held its Bond for at least six months, the Indenture Trustee will afford the Holder or Holders making such request a copy of a current list of Holders of the Bonds, for purposes of communicating with other Holders with respect to their rights under the Indenture. The Indenture Trustee may elect not to afford the requesting Holders access to the list of Holders of the Bonds if it agrees to mail the desired communication or proxy, on behalf and at the expense of the requesting Holders, to all Holders of the Bonds.

SECURITY FOR THE BONDS

General

The Bonds issued under the Indenture are limited and special revenue obligations of the Issuer, payable by the Issuer solely out of the Revenues from the Customer Rate Relief Property created by the Financing Order and the other Customer Rate Relief Bond Collateral. If and to the extent the Revenues derived from the Customer Rate Relief Property and the other Customer Rate Relief Bond Collateral are insufficient to pay all amounts owing with respect to the Bonds, then except as otherwise expressly provided in the Indenture, the Holders will have no claim in respect of such insufficiency against the Issuer or the Indenture Trustee. Pursuant to the Indenture, by the acceptance of the Bonds, the Holders waive any such claim.

Pledge of Customer Rate Relief Bond Collateral

To secure the payment of principal of and interest on the Bonds, the Issuer will pledge to the Indenture Trustee all of its right, title and interest (whether owned at the Closing Date or thereafter acquired, by grant or otherwise, or arising) in and to the following:

(i) the Financing Order and the Customer Rate Relief Property created under and pursuant to the Financing Order, including the Securitization Law, the right to impose, bill, collect and receive Customer Rate Relief Charges, all revenues, collections, claims, rights to payment, payments, money or proceeds of or arising from the Customer Rate Relief Charges and any Tariffs filed pursuant thereto and any contractual rights to collect such Customer Rate Relief Charges from Customers,

(ii) all Customer Rate Relief Charges related to such Customer Rate Relief Property,

(iii) the Collection and Reporting Agreements (except for Unassigned Rights),

(iv) the Servicing Agreement (except for Unassigned Rights),

(v) any subservicing, agency, intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the Customer Rate Relief Property,

(vi) the Collection Account and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto and including all subaccounts thereof and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto,

(vii) all rights to compel the Central Servicer to file for and obtain adjustments to the Customer Rate Relief Charges in accordance with the Securitization Law, the Financing Order or any Tariff filed in connection therewith,

(viii) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Customer Rate Relief Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property,

(ix) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, and

(x) the Revenues and all payments on or under, and all proceeds in respect of, any or all of the foregoing; it being understood that the following do not constitute Customer Rate Relief Bond Collateral: (x) cash that has been released pursuant to section (xiii) under "–Flow of Funds" below, (y) amounts deposited in the Issuer Expense Reserve Account, the Up-Front Financing Costs Account or the Regulatory Asset Account; and (z) the Unassigned Rights.

Security Interest in Customer Rate Relief Bond Collateral

Pursuant to the Securitization Law, the creation, granting, perfection and enforcement of liens and security interests in the Customer Rate Relief Property that secures the Bonds are governed by Chapter 1208, Texas Government Code, as amended. Chapter 1208 of the Texas Government Code provides that a security interest created by the issuer by means of a security agreement (which includes the Indenture) is valid and effective according to the terms of the security agreement as to all property of the issuer stated to be covered by the security agreement whether (a) held at the time the security agreement is entered into or adopted or (b) later acquired or received. The Customer Rate Relief Property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of the Customer Rate Relief Charges depends on further acts of the Participating Gas Utilities that have not yet occurred. See "THE SECURITIZATION LAW – Customer Rate Relief Property" herein.

Simultaneously with the issuance of the Bonds, the Issuer will grant a security interest in and pledge of the Customer Rate Relief Bond Collateral, which includes the Customer Rate Relief Property, to the Indenture Trustee and such Customer Rate Relief Property, pursuant to the Securitization Law, vests *ab initio* in the Issuer.

The Financing Order remains in effect and the Customer Rate Relief Property continues to exist until the principal, interest and premium (if any), and contracts to be performed in connection with the Bonds and all Financing Costs have been paid and performed in full. See "THE SECURITIZATION LAW – State Non-Impairment Pledge" herein.

As required by the Securitization Law and the Financing Order, the Customer Rate Relief Charge will be set and adjusted from time to time by the Central Servicer in accordance with the terms of the Tariff and the Servicing Agreement. See "THE SECURITIZATION LAW – True-Up Adjustment Mechanism" herein. The priority of any lien or security interest perfected pursuant to the Securitization Law is not impaired by any application of the True-Up Adjustment under the Financing Order or by the commingling of funds arising from Customer Rate Relief Charges with other funds. Pursuant to the Securitization Law, any such security interest in any such commingled funds that may apply are terminated when the funds are transferred to a segregated account for the Issuer or a Financing Party. If Customer Rate Relief Property has been transferred to a trustee or another pledgee of the Issuer, any proceeds of that property must be held in trust for the Financing Parties.

The interest of the Issuer or pledgee in Customer Rate Relief Property, including the revenue and collections arising from Customer Rate Relief Charges, is not subject to setoff, counterclaim, surcharge, or defense by the Participating Gas Utilities or any other person or in connection with the bankruptcy of a Participating Gas Utility, the Authority, or any other entity. Furthermore, the Financing Order remains in effect and unabated notwithstanding the bankruptcy of a Participating Gas Utility, the Authority, the Issuer or any successor or assignee of the Participating Gas Utilities, the Authority or the Issuer. See "RISK FACTORS – Bankruptcy-Related Risks" herein.

Other than the security interests granted to the Indenture Trustee pursuant to the Indenture, the Issuer has not pledged, granted, sold, conveyed or otherwise assigned any interests or security interests in the Customer Rate Relief Bond Collateral and no security agreement, financing statement or equivalent security or Lien instrument listing the Issuer as debtor covering all or any part of the Customer Rate Relief Bond Collateral is on file or of record in any jurisdiction, except such as may have been filed, recorded or made by the Issuer in favor of the Indenture Trustee on behalf of the Secured Parties in connection with the Indenture. The Issuer's interest in the Customer Rate Relief Bond Collateral is free and clear of any Lien except as provided in the Indenture for the benefit of the Holders, Adverse Claim or encumbrance of any Person other than the Permitted Lien. The Issuer has not authorized the filing of and is not

aware, after due inquiry, of any financing statements against the Issuer that include a description of the Customer Rate Relief Bond Collateral other than those filed in favor of the Indenture Trustee. The Issuer is not aware of any judgment or tax Lien filings against the Issuer. Except as provided in the Indenture, the Issuer is not aware of any creditor of the Issuer having a claim against the Customer Rate Relief Bond Collateral, and for the avoidance of doubt, including any unsecured creditor with junior priority of the Issuer.

Description of Indenture Accounts

Pursuant to the Indenture, upon the Closing Date, the Indenture Trustee will open or cause to be opened segregated trust accounts in the Indenture Trustee's name for the deposit of CRRC Collections and all other amounts received with respect to the Customer Rate Relief Bond Collateral (the "**Collection Account**"). The Collection Account will initially consist of two subaccounts: a general subaccount (the "**General Subaccount**") and a reserve subaccount (the "**Reserve Subaccount**" and, together with the General Subaccount, the "**Subaccounts**"). In addition, to the extent moneys are made available by or for the benefit of the Issuer for purposes of redeeming any Customer Rate Relief Bonds, the Indenture Trustee will establish a segregated trust account for such purpose to be designated the bond redemption account (the "**Bond Redemption Account**") to be held by the Indenture Trustee in the Collection Account. The Collection Account will constitute a portion of the Customer Rate Relief Bond Collateral.

In addition, the Indenture Trustee will open or cause to be opened the following segregated trust accounts, which are not a part of the Customer Rate Relief Bond Collateral, in the Indenture Trustee's name: an up-front financing costs account (the "**Up-Front Financing Costs Account**"), an issuer expense reserve account (the "**Issuer Expense Reserve Account**") and a regulatory asset account (the "**Regulatory Asset Account**" and, together with the Collection Account, the Up-Front Financing Costs Account, the Issuer Expense Reserve Account and the Bond Redemption Account, the "**Accounts**"). The Up-Front Financing Costs Account and the Regulatory Asset Account will be closed by the Indenture Trustee, after the Closing Date, upon receipt of an Issuer Order directing the accounts to be closed.

All references in this Official Statement to the Collection Account are deemed to include reference to the Subaccounts. For administrative purposes, the Accounts and the Subaccounts may be established by the Indenture Trustee as separate accounts. Funds in the Accounts will not be commingled with any other money. All money deposited from time to time in the Subaccounts of the Collection Account, including all income or other gain from such investments therein, will be held by the Indenture Trustee in the Collection Account as part of the Customer Rate Relief Bond Collateral.

Collection Account (constitutes a portion of the Customer Rate Relief Bond Collateral):

General Subaccount. The General Subaccount will hold all funds held in the Collection Account that are not allocated to any other subaccounts. Prior to the initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Reserve Subaccount, up to the Required Reserve Level) will be allocated to the General Subaccount. Following the Closing Date, all monies received by the Indenture Trustee from the Collection Agents or from any other source in respect of Customer Rate Relief Bond Property will be deposited in the General Subaccount.

Reserve Subaccount. A portion of the proceeds of the Bonds will be deposited in the Reserve Subaccount in an amount equal to the Required Reserve Level. The Indenture Trustee will allocate to the Reserve Subaccount the amount, if any, by which the Required Reserve Level exceeds the amount in the Reserve Subaccount as of any Payment Date. If on any Payment Date, funds on deposit in the General Subaccount are insufficient to the make the payments required under "–Flow of Funds" (i)-(viii) below, the Reserve Subaccount will be drawn on to cover any shortfall. Furthermore, as directed by the Issuer pursuant to an Issuer Order, the Indenture Trustee will apply all funds then remaining in the Reserve Subaccount, and any available amounts on deposit in either the Collection Account or the Issuer Expense Reserve Account (other than amounts determined by the Issuer in its sole discretion to be reasonably necessary to wind up its operations, not inconsistent with applicable law), to the final payment of principal of the Bonds, either upon the earlier of payment upon redemption, payment on the last Scheduled Final Payment Date or payment on the last Final Maturity Date.

Bond Redemption Account. The Bond Redemption Account will hold any moneys made available by, or for the benefit of, the Issuer for purposes of redeeming any Customer Rate Relief Bonds.

Segregated Trust Accounts (not part of the Customer Rate Relief Bond Collateral):

Regulatory Asset Account. A portion of the proceeds of the Bonds will be deposited in the Regulatory Asset Account in an amount equal to the Final Aggregated Regulatory Asset Determination Amounts, as

adjusted by the Commission, pursuant to the terms of the Financing Order. Withdrawals made from the Regulatory Asset Account will be made pursuant to an Issuer Order. The Regulatory Asset Account is not part of the Customer Rate Relief Bond Collateral securing the Bonds.

Issuer Expense Reserve Account. A portion of the proceeds of the Bonds will be deposited in the Issuer Expense Reserve Account in an amount equal to the Issuer Expense Reserve Level. The Indenture Trustee will allocate to the Issuer Expense Reserve Account the amount, if any, by which the Issuer Expense Reserve Level exceeds the amount in the Issuer Expense Reserve Account as of any Payment Date. Withdrawals made from the Issuer Expense Reserve Account will be made pursuant to an Issuer Order for payment of Ongoing Financing Costs. The Issuer Expense Reserve Account is not part of the Customer Rate Relief Bond Collateral securing the Bonds.

Up-Front Financing Costs Account. A portion of the proceeds of the Bonds will be deposited in the Up-Front Financing Costs Account in an amount necessary to pay Up-Front Financing Costs as specified in an Issuer Order and delivered to the Indenture Trustee. Withdrawals made from the Up-Front Financing Costs Account for deposit to the Collection Account and allocation to the General Subaccount therein will be made pursuant to an Issuer Order. The Up-Front Financing Costs Account is not part of the Customer Rate Relief Bond Collateral securing the Bonds.

Flow of Funds

On each Payment Date (or in the case of clauses (i), (ii), (iii) or (iv) below, on any date directed in writing by the Issuer or the Central Servicer on behalf of the Issuer, or in the case of clause (v) any Special Payment Date), the Indenture Trustee will apply all amounts on deposit in the General Subaccount, including all Investment Earnings thereon, to pay the following amounts, subject to other provisions of the Indenture, in the following priority solely in accordance with the related certificate of the Issuer or the Central Servicer, on behalf of the Issuer, as applicable:

(i) all amounts owed by the Issuer to the Indenture Trustee (including legal fees and expenses and, to the extent permitted by State law, indemnity payments) such expenses and indemnity payments not to exceed $250,000 at this priority level in any calendar year will be paid to the Indenture Trustee as provided by the Indenture; provided, however, that any amounts that are unpaid pursuant to this clause shall remain due and owing to the Indenture Trustee until paid in full; provided further, that such cap shall be disregarded and inapplicable following the occurrence and during the continuation of an Event of Default (subject to the Indenture);

(ii) the Central Servicing Fee (as defined herein) for such Payment Date, any Ongoing Financing Costs owed to the Central Servicer and all unpaid Central Servicing Fees for prior Payment Dates will be paid to the Central Servicer for such Payment Date, pursuant to the Indenture, in an amount not to exceed $200,000 at this priority level in any calendar year; provided, however, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Central Servicer until paid in full;

(iii) the Ongoing Financing Costs of the Issuer, including any indemnity, to the extent permissible under applicable law, and including its costs of counsel will be paid to the Issuer; provided that such payment shall not exceed $5,000,000 at this priority level in any calendar year, and, provided further, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Issuer until paid in full;

(iv) the Ongoing Financing Costs of the Commission shall be paid to the Commission; provided that such payment shall not exceed $100,000 at this priority level in any calendar year; provided, however, that any amounts that are unpaid pursuant to this clause will remain due and owing to the Commission paid in full;

(v) Periodic Interest for such Payment Date, or for any overdue Periodic Interest, Defaulted Interest for such Special Payment will be paid to the Holders;

(vi) all other Ongoing Financing Costs not paid under clause (i), (ii), (iii), or (iv), to the parties to which such Ongoing Financing Costs are owed, *pro rata* among such parties;

(vii) principal due and payable on the Customer Rate Relief Bonds on the Final Maturity Date of a Tranche of the Customer Rate Relief Bonds will be paid to the Holders;

(viii) Periodic Principal scheduled to be paid for such Payment Date on a Tranche of Bonds according to the Expected Amortization Schedule, including any Periodic Principal previously scheduled to be paid on a prior Payment Date and not paid on such Payment Date, will be paid to the Holders of any such Tranche pro rata, provided that if more than one Tranche is scheduled to be paid on such Payment Date then Periodic Principal will be paid sequentially in the numerical order of such Tranches;

(ix) any other unpaid Ongoing Financing Costs or Up-Front Financing Costs will be paid to the parties to which such amounts, if any, are owed;

(x) the amount, if any, by which the Required Reserve Level exceeds the amount in the Reserve Subaccount as of such Payment Date will be allocated to the Reserve Subaccount;

(xi) the amount, if any, by which the Issuer Expense Reserve Level exceeds the amount in the Issuer Expense Reserve Account will be allocated to the Issuer Expense Reserve Account;

(xii) the balance, if any, will be held by the Indenture Trustee in the General Subaccount for subsequent distribution for the purposes and at the times contemplated above; and

(xiii) after principal of and interest on all Bonds are paid in full or such Bonds are no longer Outstanding and all of the other foregoing amounts have been paid in full, including, without limitation, amounts due and payable to the Indenture Trustee under the Indenture, then the Indenture Trustee, as directed by the Issuer in an Issuer Order, will transfer from the Issuer Expense Reserve Account to the Issuer such amounts as the Issuer determines in its sole discretion, to be reasonably necessary to wind up its operations, not inconsistent with applicable law, including reasonable reserves for any contingent liabilities or obligations, for a period of not less than two years and one day after the date that the Issuer no longer has any payment obligation with respect to the Bonds. Thereafter, as directed by the Issuer in an Issuer Order delivered to the Indenture Trustee, the balance of the Collection Account, if any, and the balance of the Issuer Expense Reserve Account, if any, will be paid by the Indenture Trustee, at the direction of the Issuer, pursuant to such Issuer Order.

THE ISSUER

Introduction

The Issuer is a nonprofit corporation, duly constituted public authority and instrumentality of the State, created by the Authority pursuant to the Securitization Law. To facilitate the issuance of the Bonds, the Authority caused the Issuer's Certificate of Formation to be filed with the Texas Secretary of State to form the Issuer as a special purpose issuing financing entity for the purpose of issuing the Bonds contemplated under the Securitization Law and approved pursuant to the Financing Order and owning the Customer Rate Relief Property.

The Issuer was formed solely to issue bonds which are to be secured by Customer Rate Relief Bond Collateral, which includes the Customer Rate Relief Property created pursuant to the Financing Order, including the irrevocable right to impose, bill, collect and receive the Customer Rate Relief Charges, and to perform any activity incidental thereto. The Securitization Law prohibits the Issuer, its board or any public official or organization, entity or other person from (i) winding up or dissolving the operations of the Issuer, (ii) filing a voluntary petition under federal bankruptcy law or (iii) becoming a debtor under federal bankruptcy law before a date that is two years and one day after the date that the Issuer has completed its payment obligations with respect to the Bonds. See "THE SECURITIZATION LAW" herein. The Issuer does not have any employees or commercial operations.

The Issuer's assets will primarily consist of the Customer Rate Relief Bond Collateral as follows:

- the Financing Order and the Customer Rate Relief Property created under and pursuant to the Financing Order, and all rights and interests under the documents relating to the Customer Rate Relief Property,
- its rights, title and interest under the Servicing Agreement and any subservicing, agency, intercreditor, administration or collection agreements executed in connection with such Servicing Agreement (except for its Unassigned Rights),
- its rights, title and interest under the Collection and Reporting Agreements (except for its Unassigned Rights),
- the Collection Account and all subaccounts of such Collection Account and all amounts of cash,

instruments, investment property or other assets on deposit therein or credited thereto and all financial assets and securities entitlements carried therein or credited thereto,

- all rights to compel the Central Servicer to file for and obtain adjustments to the Customer Rate Relief Charges in accordance with the Securitization Law, the Financing Order or any Tariff filed in connection to the Customer Rate Relief Charges,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing,
- all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing.

The Indenture provides that the Issuer grants a security interest in and pledge of the Customer Rate Relief Bond Collateral, which includes the Customer Rate Relief Charges, to the Indenture Trustee. Pursuant to the Collection and Reporting Agreements, the total CRRC Payments received by the Collection Agents from or on behalf of the Customers pursuant to each respective Collection and Reporting Agreement are to be remitted to the General Subaccount of the Collection Account and applied by the Indenture Trustee, on each Payment Date, in the priority specified in the Indenture. See "SECURITY FOR THE BONDS – Flow of Funds" herein.

Assets of the Issuer may not be considered part of any State fund and must be held outside the State Treasury. The liabilities of the Issuer may not be considered to be a debt of the State or a pledge of the State's credit. The Issuer is self-funded from the Customer Rate Relief Property and a portion of the proceeds of the Bonds.

Powers

The Issuer, pursuant to the Securitization Law, the Financing Order, the Basic Documents and the Certificate of Formation, has the authority to issue the Bonds and acquire and pledge the Customer Rate Relief Bond Collateral as necessary to effect the purposes of the Securitization Law. See "SECURITY FOR THE BONDS – Security Interest in Customer Rate Relief Bond Collateral" herein. Additionally, the Securitization Law authorizes the Issuer to exercise any powers, rights, and privileges provided for a nonprofit corporation organized under the Texas Business Organizations Code. The foregoing authorities allow the Issuer to intervene as necessary as a party before the Commission or any court in the State in any matter involving the Issuer's powers and duties, to sue or be sued in its corporate name, to negotiate and become a party to contracts as necessary, convenient or desirable to carry out the purposes of the Securitization Law, the Financing Order and applicable financing documents.

The Issuer may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371 of the Texas Government Code, as amended. Additionally, the Securitization Law allows the Issuer to enter into financial arrangements in connection with the issuance or payment the Bonds to the extent such agreements enhance the marketability, security or creditworthiness of the Bonds.

No Personal Liability

PURSUANT TO THE SECURITIZATION LAW, NO DIRECTOR, OFFICER, OR EMPLOYEE OF THE ISSUER OR THE AUTHORITY WILL BE PERSONALLY LIABLE FOR THE EXERCISE OF A DUTY OR RESPONSIBILITY ESTABLISHED UNDER SUBCHAPTER I, CHAPTER 104, OF THE TEXAS UTILITIES CODE OR ANY RESULT THEREOF.

Restrictions and Requirements

The Issuer, pursuant to the Certificate of Formation, is subject to the following requirements and restrictions:

(i) if requested by the Authority, the Issuer must prepare and submit to the Authority for approval an annual operating budget; and an annual report containing the annual operating and financial statements of the Issuer and any other appropriate information,

(ii) the Issuer may not apply proceeds of Bonds or Customer Rate Relief Charges (a) to a purpose not specified in a Financing Order or financing documents, (b) to a purpose in an amount that exceeds the amount allowed for such purpose in the Financing Order or the financing documents, or (c) to a purpose in contravention of the Financing Order or the financing documents,

(iii) the Issuer must have a legal existence as a public corporate body and instrumentality of the State separate and distinct from the State and the Authority, but subject to terms of the Certificate of Formation and the Securitization Law, and

(iv) the Issuer may, before the imposition of the Customer Rate Relief Charges, accept and expend for its operating expenses money that may be received from any source, including financing agreements with the State, a commercial bank, or another entity to: (a) finance the Issuer's obligations until the Issuer receives sufficient regulatory property to cover its operating expenses as Financing Costs; and (b) repay any short-term borrowing under any such financing agreements.

Under the Securitization Law, the Issuer is expressly prohibited from becoming a debtor under federal bankruptcy law before a date that is two years and one day after the date that the Issuer has completed its payment obligations with respect to the Bonds. See "THE ISSUER – Introduction" herein.

Management and Fees

The Issuer's business is managed by a governing board (the "**Board**") consisting of three (3) members appointed by the Authority. The Authority must designate one of the appointed Board members as the presiding officer, who serves as the Chair of the Board. All members of the Board must be residents of Texas. A member of the Board may be a current or former director of the Authority. A member of the Board does not receive any salary or other compensation except for reimbursement for actual and necessary expenses incurred in attending Board meetings.

The Authority will appoint members of the Board to terms of three (3) years. No member will be limited to the numbers of years he or she may serve on the Board. A Board member may be removed from office at any time, with or without cause, by the Authority.

Relationship of the Issuer to the Authority

The Securitization Law requires the Issuer to keep its assets and liabilities separate and distinct from those of any other person, including the Authority and any other public authority or instrumentality of the State, and may not be considered part of any State fund and must be held outside the State Treasury.

The Servicing Agreement

The Central Servicer will, pursuant to a Servicing Agreement, provide services to the Issuer necessary in connection with the issuance of the Bonds and the administration of the Customer Rate Relief Property in order to ensure debt service on the Bonds and all other Financing Costs are paid in accordance with the Financing Order and the Securitization Law. The Central Servicer will receive an annual fee from the Indenture Trustee pursuant to the Indenture (the "**Central Servicing Fee**") in an amount equal to (i) $100,000 adjusted on the last Business Day in each January (commencing in January 2024) such that the amount paid to the Central Servicer reflects the yearly corresponding change in the annual average Consumer Price Index (CPI-U) published by the U.S. Bureau of Labor Statistics for so long as United Professionals is the Central Servicer, and (ii) in all other cases, an amount to be agreed upon by the Successor Servicer and the Issuer, plus, in each case, commercially reasonable and documented costs and expenses of the Central Servicer approved in advance by the Issuer; provided, however, in no event will the Central Servicing Fee payable to a Successor Servicer be in excess of 0.60% of the aggregate initial principal amount of the Bonds unless the Rating Agency Condition has been satisfied by the Issuer with respect to such proposed Central Servicing Fee for a Successor Servicer. See "SECURITY FOR THE BONDS – Flow of Funds," "THE SERVICING AGREEMENT" and "APPENDIX A – DEFINITIONS" for a complete definition of Rating Agency Condition.

Authorizing Resolution

The Bonds, in an amount not to exceed $3,600,000,000, were authorized to be issued by a second amended and restated resolution of the Issuer adopted on February 13, 2023, as directed by a second amended and restated resolution of the Authority adopted on February 13, 2023, which established specified parameters for the sale of the Bonds in accordance with the Financing Order and the Securitization Law finalized by a "**Pricing Resolution**" of the Issuer adopted on March 9, 2023, setting forth the final terms of the Bonds.

THE AUTHORITY

The Authority is a public authority and a body politic and corporate. The Authority's authority under Chapter 1232, Texas Government Code, as it may be amended from time to time, is limited to the financing of (1) the acquisition or construction of buildings, (2) the purchase or lease of equipment, (3) stranded costs of a municipal power agency or (4) Customer Rate Relief Bonds approved by the Commission in accordance with Subchapter I, Chapter 104, Texas Utilities Code, and Section 1232.1072, Texas Government Code, authorizes the Authority to create an issuing financing

entity for the purpose of issuing customer rate relief bonds approved by the Commission in a financing order, as provided by Subchapter I, Chapter 104, Texas Utilities Code.

The Authority will, pursuant to the Administrative Services Agreement between the Authority and the Issuer, provide administrative services to the Issuer, including services relating to the ongoing business of the Issuer and other administrative and support services the Issuer generally requires. In consideration for the services performed by the Authority, the Issuer will pay to the Authority (a) $265,000 for the fiscal year beginning September 1, 2022 and (b) $270,000 for each fiscal year thereafter (the "**Administration Fee**"); provided that, at any time and from time to time, the parties thereto may by mutual agreement adjust such amount for any fiscal year. In addition to the Administration Fee, the Issuer will reimburse the Administrator for expenses it incurs in connection with services it performs under the Administrative Services Agreement. See "ADMINISTRATIVE SERVICES AGREEMENT" herein.

THE COMMISSION

General

The Commission is the State agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the liquefied petroleum-gas industry, and coal and uranium surface mining operations. The Commission exists under provisions of the Texas Constitution and exercises its statutory responsibilities under state and federal laws for regulation and enforcement of the State's energy industries. The Commission also has regulatory and enforcement responsibilities under federal law including the Surface Coal Mining Control and Reclamation Act, Safe Drinking Water Act, Pipeline Safety Acts, Resource Conservation Recovery Act, and Clean Water Act.

Texas Natural Gas Regulation

The Participating Gas Utilities are regulated by the Commission pursuant to the Texas Utilities Code which provides a comprehensive regulatory framework for gas utilities in Texas. The Commission has exclusive original jurisdiction over the rates and services of a gas utility (1) that distributes natural gas or synthetic natural gas in (A) areas outside a municipality and (B) areas inside a municipality that surrenders its jurisdiction to the Commission under the Texas Utilities Code and (2) that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public. Such jurisdiction also extends to the natural gas pipelines that deliver gas to a distribution utility. With certain limited exceptions, the Commission does not have the authority to regulate or supervise rates or services of a municipally-owned gas utility or affect the jurisdiction, power, or duty of a municipality that has elected to regulate and supervise a gas utility in the municipality. However, Texas Utilities Code Section 104.364 gives the Commission exclusive original jurisdiction to issue financing orders that authorize the creation of customer rate relief property, including exclusive original jurisdiction to impose, adjust and enforce collection of customer rate relief charges authorized by such financing orders.

Under the Texas Utilities Code, the Commission and the governing body of certain municipalities are deemed "regulatory authorities" and are empowered to enact rules and regulations as necessary to adequately perform their statutory duties. As such, certain Commission rules generally are not initially applicable to municipalities when municipalities are exercising their original jurisdiction, but become applicable pursuant to the Commission's appellate jurisdiction.

The Commission's exclusive original jurisdiction over natural gas utility rates and services in areas outside of municipalities is broken down into three distinct categories described as "environs areas," "unincorporated areas" and "special rate areas":

(i) environs areas – areas adjacent to a municipality and served by the same distribution system serving the municipality;

(ii) unincorporated areas – areas that are not within a municipality; and

(iii) special rates areas – specified areas whose rates are applicable only to service by a specific gas utility and not specifically keyed to the rates charged in an incorporated area.

A majority of Texas municipalities, as regulatory authorities, grant non-exclusive franchises to natural gas utilities, with the municipality generally maintaining original jurisdiction over the rates, operations and services of the natural gas utilities within such municipality, as outlined above. These franchises generally authorize the franchisee gas utility to provide natural gas service to customers within the municipality subject to the terms of the applicable franchise agreement.

Notwithstanding a municipality's original jurisdiction over the rates, operations and services of gas utilities subject to franchise agreements, the Securitization Law provides that the Commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property. See "THE SECURITIZATION LAW – Purpose of Securitization Law" herein. In addition, the Financing Order provides that Intervenors are bound by the Financing Order together with the Customer Rate Relief Charges authorized by it. See "THE FINANCING ORDER" herein. The Financing Order requires the Customer Rate Relief Charge to be paid by all existing and future customers receiving sales service from a Participating Gas Utility or its Successor Utilities and requires such charge to be paid even if a customer elects to purchase gas from an alternative gas supplier. The Customer Rate Relief Charges extend to Customers of the Participating Gas Utilities, which includes any Customer the Participating Gas Utility serves pursuant to any franchise agreement and the original jurisdiction over whose rates otherwise is maintained by a municipality. See "THE SECURITIZATION LAW – Purpose of Securitization Law" herein.

Future Customers may consist of customers that reside outside of the locations described by the Financing Order for each Participating Gas Utility as of the Closing Date. Customer Rate Relief Charges follow the specific Participating Gas Utility and, with the exception of TGS customers in TGS's West Texas service area, any subsequent expansions by the Participating Gas Utilities from the locations described in the Financing Order will subject those future sales customers to the Customer Rate Relief Charges for any period such charges are in effect pursuant to the Financing Order.

Furthermore, in the event a municipality terminates, modifies or amends a franchise agreement with a Participating Gas Utility in favor of an alternative gas supplier, with the exception of TGS customers in TGS's West Texas service area, the Commission has covenanted to take all actions in its powers to (i) cause the Customer Rate Relief Charge to continue to be imposed, billed, collected and remitted with respect to such Customers in accordance with the terms of the Securitization Law and the Financing Order, (ii) cause any Person subject to the jurisdiction of the Commission or otherwise subject to the Securitization Law (in both cases, as determined by a court of final jurisdiction in the matter) providing service to such Customers to enter into a Collection and Reporting Agreement, as Collection Agent, with the Central Servicer, and (iii) otherwise work with the Central Servicer to enable the Central Servicer to perform its obligations under the terms of the Servicing Agreement. See "THE SERVICING AGREEMENT" and "RISK FACTORS – Risks Related to the Calculation of the Customer Rate Relief Charge and the Central Servicer – *Portions of the Securitization Law and the Financing Order contain provisions that may be subject to interpretation in determining whether the Customer Rate Relief Charge is imposed in certain circumstances*" herein.

If a municipality, as a regulatory authority with respect to Customers of a Participating Gas Utility, were to assert that Customers of a Participating Gas Utility are not obligated to pay Customer Rate Relief Charges, the Participating Gas Utility would be obligated to continue to impose, collect and remit Customer Rate Relief Charges to the Indenture Trustee pending appeal to the Commission, which has pledged that it shall not take or permit any action that impairs the value of the Customer Rate Relief Property and has guaranteed that it will take all actions in its powers to enforce the provisions in the Financing Order to ensure that revenues collected from the Customer Rate Relief Charges are sufficient to pay on a timely basis all scheduled principal and interest on the Customer Rate Relief Bonds and other components of the Periodic Payment Requirement and other Bond Administrative Expenses. See "THE FINANCING ORDER" herein. Furthermore, if a municipality asserts that Customers of a Participating Gas Utility are not obligated to pay Customer Rate Relief Charges while Bonds remain outstanding, in the Collection and Reporting Agreements, the Participating Gas Utilities covenant to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to attempt to prevent any violation of the State Non-Impairment Pledge or any other obligations of the State of Texas or the Commission under the Securitization Law or the Financing Order, including any action by a municipal entity that prevents or seeks to prevent the Collection Agent from imposing, billing, collecting, and remitting Customer Rate Relief Charges. See "THE COLLECTION AND REPORTING AGREEMENTS – Custodial Duties of the Collection Agent – Defending Customer Rate Relief Property Against Claims" herein.

In reliance on the opinion of the Hays Law Firm, Regulatory Counsel to the Commission, Bond Counsel will render its opinion that (i) the Financing Order, among other things, creates and establishes in favor of the Issuer the Customer Rate Relief Property and authorizes the pledge thereof by the Issuer; (ii) the Customer Rate Relief Property includes the right to impose, bill, collect and receive Customer Rate Relief Charges, as well as the right to obtain periodic adjustments of such charges as provided in the Financing Order; (iii) the Customer Rate Relief Charges are nonbypassable as provided in the Securitization Law and the Financing Order; and (iv) ownership of the Customer Rate Relief Property (inclusive of revenues arising from the Customer Rate Relief Charges and all rights and interest of the

Issuer under the Financing Order) is vested *ab initio* in the Issuer. The form of Bond Counsel's Opinion is attached hereto as APPENDIX D.

With respect to the Securitization Law and the Financing Order as described in this Official Statement, the Commission's Regulatory Counsel will deliver an opinion certifying that (i) the Regulatory Asset Determination and the Financing Order have been duly authorized, approved and issued by the Commission in accordance with all applicable State law, (ii) the Financing Order, together with the Customer Rate Relief Charges authorized in and by it, shall be binding on the Commission, the Intervenors, the Participating Gas Utilities and any Successor Utility, (iii) the Financing Order orders that a "successor" is any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise, (iv) the Servicing Agreement has been duly authorized, executed, acknowledged and delivered in the name of the Commission and on behalf of the Commission, by the Designated Representative and is binding and enforceable against the Commission in accordance with its terms (iv) the Commission has all requisite power and authority (a) to execute and deliver the Servicing Agreement and (b) to incur and perform all of its obligations thereunder. The form of the opinion of the Commission's Regulatory Counsel is attached hereto as APPENDIX G.

CENTRAL SERVICER

The Commission and the Issuer have appointed United Professionals Company, LLC (the "**Central Servicer**" or "**United Professionals**") to serve as the Central Servicer for the Bonds. United Professionals is a member of the New Orleans, Louisiana-based Sisung Group, which is comprised of related companies that provide investment banking, asset management, venture capital, and business consulting and development services. United Professionals operates the Sisung Group's non-regulated financial advisory and consulting activities and provides clients operating in the public, private, and non-profit sectors with a broad range of financial services. United Professionals has extensive experience analyzing the operations and records of utility companies, particularly investor-owned utilities, in the representation of states' public service commissions for a number of purposes, including matters related to the issuance and ongoing servicing of regulated utilities' storm securitization bonds.

United Professionals provides clients operating in the public, private, and non-profit sectors with financial advisory and consulting services. Public sector clients include state and federal commissions such as: the Louisiana Public Service Commission, Mississippi Public Service Commission, Georgia Public Service Commission, and the Federal Energy Regulatory Commission. United Professional's team of regulated utility consultants has also worked on the regulated utilities' storm-related and securitization-related dockets for several regulated public utilities. In this capacity, United Professionals has, for various dockets, served as financial advisor securitization consultant, regulated cost of service rate consultant, and investment recovery charge true-up consultant.

United Professional's consultants are experienced applying adjustment mechanisms in connection with rate designs and the procedures associated with securitization transactions. Based on this experience, and pursuant to the Financing Order, United Professionals will serve as agent to the Issuer in coordinating the collection of the Customer Rate Relief Property, on behalf of the Issuer with each of the Participating Gas Utilities, and perform the other services required under the Servicing Agreement.

THE PARTICIPATING GAS UTILITIES

General

This Official Statement describes the involvement of nine Participating Gas Utilities receiving a portion of the proceeds of the Bonds. Each of the Participating Gas Utilities serves as a Collection Agent of the Customer Rate Relief Charges to the Customers of each such Participating Gas Utility, for the benefit of the Issuer pursuant to the terms of the respective Collection and Reporting Agreements signed by the Central Servicer and each Participating Gas Utility. The Customer Rate Relief Charges are required to be collected by the Collection Agents who bill and collect Customer Rate Relief Charges for remittance to the Indenture Trustee.

Any Participating Gas Utility whose Normalized Sales Volumes exceeds two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities is a Large Participating Gas Utility. The Large Participating Gas Utilities as of the Closing Date are Atmos Energy, CenterPoint and TGS. For the avoidance of doubt, Atmos Energy, CenterPoint and TGS will always be designated as Large Participating Gas Utilities while the Bonds are Outstanding, even if the Normalized Sales Volume of any such utility ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities.

Normalized Sales Volumes generally means natural gas volumes billed or projected to be billed during a 12-month period in conjunction with a Participating Gas Utility's gas adjustment, cost of gas clause, or other equivalent tariff established for the collection of natural gas costs. The term "normalized" in this context means the metered volumes of natural gas billed or projected to be billed during a 12-month period, adjusted for variations in temperature and pressure. See "THE FINANCING ORDER," "APPENDIX A – DEFINITIONS – 'Normalized Sales Volumes'" and "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

The following tables provide (i) the number of Customers of each Participating Gas Utility for calendar years 2017 - 2021 and (ii) the annual billed sales volumes of each Participating Gas Utility for calendar years 2017 - 2021:

Number of Customers per Participating Gas Utility (Calendar Year, as of December 31 of the Year Shown Below)[a]

Participating Gas Utility	Category	2021		2020		2019		2018		2017	
Atmos Energy[b]	*Large Participating Gas Utilities*	2,061,614	47.0%	2,025,189	47.1%	1,992,189	47.3%	1,962,495	47.3%	1,939,492	47.4%
CenterPoint[b]		1,838,384	41.9%	1,804,124	41.9%	1,764,108	41.8%	1,735,663	41.8%	1,708,989	41.8%
TGS[b][c]		405,675	9.2%	403,381	9.4%	396,930	9.4%	394,983	9.5%	390,803	9.6%
Subtotal of Large Participating Gas Utilities		4,305,673	98.1%	4,232,694	98.4%	4,153,227	98.5%	4,093,141	98.6%	4,039,284	98.7%
SiEnergy	*Other Participating Gas Utilities*	39,124	0.9%	31,730	0.7%	25,871	0.6%	21,161	0.5%	17,979	0.4%
Summit[d]		14,565	0.3%	14,642	0.3%	14,478	0.3%	14,555	0.3%	14,578	0.4%
UniGas		21,239	0.5%	18,230	0.4%	16,341	0.4%	14,891	0.4%	13,672	0.3%
EPCOR		5,179	0.1%	4,896	0.1%	4,688	0.1%	4,528	0.1%	4,412	0.1%
Bluebonnet		1,761	0.0%	1,175	0.0%	1,154	0.0%	1,157	0.0%	1,167	0.0%
Corix		253	0.0%	261	0.0%	260	0.0%	250	0.0%	251	0.0%
Subtotal of Other Participating Gas Utilities		82,121	1.9%	70,934	1.6%	62,792	1.5%	56,542	1.4%	52,059	1.3%
Total		4,387,794	100.0%	4,303,628	100.0%	4,216,019	100.0%	4,149,683	100.0%	4,091,343	100.0%

(a) Reflects the actual number of Texas Customers for each Participating Gas Utility at year end. The Customer counts reflected above are subject to change and do not represent the specific number of Customers estimated to be responsible for paying the initial Customer Rate Relief Charges and subsequent Customer Rate Relief Charges as a result of True-Up Adjustments.
(b) Represents a Large Participating Gas Utility who will remain a Large Participating Gas Utility even if, in the future, the Normalized Sales Volume of any such utility ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities.
(c) Net of locations served by TGS in West Texas.
(d) Summit assumed in its entirety CenterPoint's Texarkana, Texas customer base. Amounts shown for 2017-2021 represent customers that would have been attributable to CenterPoint but for the Successor Transaction (as defined and described below). See "– *Other Participating Gas Utilities* – Summit" below and "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

Annual Billed Sales Volume per Participating Gas Utility (MMcf, Calendar Year)[a]

Participating Gas Utility	Category	2021		2020		2019		2018		2017	
Atmos Energy[b]	*Large Participating Gas Utilities*	172,175	59.5%	162,166	61.0%	182,807	60.7%	181,924	59.9%	137,139	61.6%
CenterPoint[b]		94,339	32.6%	83,113	31.3%	95,293	31.7%	97,516	32.1%	68,786	30.9%
TGS[b][c]		18,437	6.4%	16,910	6.4%	19,131	6.4%	20,449	6.7%	14,137	6.4%
Subtotal of Large Participating Gas Utilities		284,951	98.5%	262,188	98.6%	297,231	98.7%	299,889	98.8%	220,062	98.9%
SiEnergy	*Other Participating Gas Utilities*	1,617	0.6%	1,241	0.5%	1,171	0.4%	1,040	0.3%	620	0.3%
Summit[d]		1,165	0.4%	994	0.4%	1,116	0.4%	1,153	0.4%	868	0.4%
UniGas		1,061	0.4%	1,075	0.4%	1,086	0.4%	1,015	0.3%	751	0.3%
EPCOR		323	0.1%	292	0.1%	298	0.1%	312	0.1%	226	0.1%
Bluebonnet		97	0.0%	103	0.0%	97	0.0%	90	0.0%	75	0.0%
Corix		10	0.0%	10	0.0%	10	0.0%	10	0.0%	9	0.0%
Subtotal of Other Participating Gas Utilities		4,273	1.5%	3,715	1.4%	3,778	1.3%	3,619	1.2%	2,549	1.1%
Total		289,224	100.0%	265,903	100.0%	301,009	100.0%	303,509	100.0%	222,611	100.0%

(a) Reflects actual billed volumes for the calendar year.
(b) Represents a Large Participating Gas Utility who will remain a Large Participating Gas Utility even if, in the future, the Normalized Sales Volume of any such utility ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities.
(c) Net of TGS's customers in West Texas.
(d) Represents volumes for the former Customers of CenterPoint and are shown herein attributable to Summit as a result of the Successor Transaction and the Assignment Transaction.

Large Participating Gas Utilities

The following provides a general description of the Large Participating Gas Utilities, which are the Participating Gas Utilities whose Normalized Sales Volumes exceeds two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities. Pursuant to the Basic Documents, the following Large Participating Gas Utilities will always be designated as Large Participating Gas Utilities while the Bonds are Outstanding, even if the Normalized Sales Volume of any such utility ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" below.

Atmos Energy

Atmos Energy is headquartered in Dallas, Texas and was incorporated in Texas in 1983. Atmos Energy is engaged in the regulated natural gas distribution and pipeline and storage businesses. Atmos Energy is also incorporated in the state of Virginia and delivers natural gas through sales and transportation arrangements to over three million residential, commercial, public-authority and industrial customers through six regulated distribution divisions in eight states including Colorado, Kansas, Kentucky, Tennessee, Virginia, Louisiana, Texas and Mississippi.

Atmos Energy in Texas has two utility divisions, Mid-Tex and West Texas. These divisions provide natural gas to approximately 2.1 million Customers across 630 communities, including approximately 129 Texas Counties. The Mid-Tex Division serves the Dallas and Fort Worth area, which is the fourth largest metro area in the United States with approximately 7.6 million residents. The West Texas Division serves the Lubbock, Amarillo and Permian Basin regions and surrounding areas, which have a population of approximately half a million residents.

During the period of 2017 through 2021, Atmos Energy's peak actual annual sales volume was 182,807 million cubic feet of natural gas ("**MMcf**"). See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

CenterPoint

CenterPoint owns and operates natural gas distribution facilities in several states, with operating subsidiaries that own and operate permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies.

CenterPoint's distribution systems in the State serve approximately 1.8 million across East Texas, South Texas, and the Upper Texas Gulf Coast. The system serves over 257 cities including approximately 75 Texas Counties and comprises about 34,000 miles of gas main with 814 custody transfer points (city gate stations). During the period of 2017 through 2021, CenterPoint's peak actual annual sales volume was 97,516 MMcf. See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

TGS

TGS is a division of ONE Gas, Inc. ("**ONE Gas**"). ONE Gas is a 100-percent regulated natural gas distribution utility, headquartered in Tulsa, Oklahoma. ONE Gas provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas, and Texas.

TGS's distribution systems in the State serve customers across West Texas, North Texas, Central Texas, the Texas Gulf Coast and the Rio Grande Valley, including approximately 23 Texas Counties. Pursuant to the Financing Order, TGS's service area for purposes of the Bonds and imposition of Customer Rate Relief Charges excludes customers in West Texas. During the period of 2017 through 2021, TGS's peak actual annual sales volume (net of TGS's customers in West Texas) was 20,449 MMcf. See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

The following table provides the breakdown of the annual billed sales volume by customer class of the initial Large Participating Gas Utilities for calendar years 2017 - 2021. According to data from the U.S. Energy Information Administration ("**EIA**"),* Texas natural gas residential consumption totaled 211,133 MMcf in calendar year 2021. As shown in the table below, in calendar year 2021, the Large Participating Gas Utilities delivered 181,889 MMcf of natural gas to residential customers. This represents 86.1% of the total natural gas residential consumption within the State in 2021.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

* *See* https://www.eia.gov/opendata/v1/qb.php?category=458799&sdid=NG.N3010TX2.A

Breakdown of the Large Participating Gas Utilities' Annual Billed Sales Volume by Customer Class (MMcf)

	Residential		Commercial		Industrial		Pub. Auth., Gov. & Others*		Total	
Calendar Year 2021										
Atmos Energy	101,815	56.0%	63,136	71.2%	5,184	44.0%	2,040	79.0%	172,175	60.4%
CenterPoint	68,964	37.9%	18,942	21.4%	6,433	54.6%	-	0.0%	94,339	33.1%
TGS	11,110	6.1%	6,610	7.5%	174	1.5%	543	21.0%	18,437	6.5%
Total	181,889	100.0%	88,688	100.0%	11,791	100.0%	2,583	100.0%	284,951	100.0%
Calendar Year 2020										
Atmos Energy	97,032	58.0%	58,157	72.4%	4,956	41.4%	2,020	81.3%	162,166	61.9%
CenterPoint	59,868	35.8%	16,414	20.4%	6,831	57.1%	-	0.0%	83,113	31.7%
TGS	10,492	6.3%	5,780	7.2%	174	1.5%	465	18.7%	16,910	6.4%
Total	167,392	100.0%	80,351	100.0%	11,961	100.0%	2,485	100.0%	262,188	100.0%
Calendar Year 2019										
Atmos Energy	108,357	57.6%	67,662	72.1%	4,711	37.0%	2,077	76.9%	182,807	61.5%
CenterPoint	68,078	36.2%	19,438	20.7%	7,777	61.1%	-	0.0%	95,293	32.1%
TGS	11,540	6.1%	6,730	7.2%	238	1.9%	623	23.1%	19,131	6.4%
Total	187,975	100.0%	93,830	100.0%	12,726	100.0%	2,700	100.0%	297,231	100.0%
Calendar Year 2018										
Atmos Energy	108,477	56.8%	67,240	71.2%	4,148	35.2%	2,059	74.3%	181,924	60.7%
CenterPoint	69,743	36.5%	20,406	21.6%	7,367	62.6%	-	0.0%	97,516	32.5%
TGS	12,726	6.7%	6,758	7.2%	254	2.2%	710	25.7%	20,449	6.8%
Total	190,946	100.0%	94,405	100.0%	11,769	100.0%	2,769	100.0%	299,889	100.0%
Calendar Year 2017										
Atmos Energy	76,952	59.1%	54,187	71.2%	4,162	36.3%	1,837	82.6%	137,139	62.3%
CenterPoint	45,410	34.8%	16,225	21.3%	7,151	62.4%	-	0.0%	68,786	31.3%
TGS	7,952	6.1%	5,650	7.4%	148	1.3%	387	17.4%	14,137	6.4%
Total	130,315	100.0%	76,062	100.0%	11,461	100.0%	2,224	100.0%	220,062	100.0%

*Refers to Public Authorities, Governmental and other similar entities.

The following table provides the annual forecast variance for the billed volume of natural gas for the initial Large Participating Gas Utilities for calendar years 2017 - 2021.

Large Participating Gas Utilities' Annual Forecast Variance for Billed Volume (MMcf, Calendar Year)

	2021	2020	2019	2018	2017
Atmos Energy					
Forecasted Billed Volume	174,422	174,035	172,688	166,684	164,074
Billed Volume*	175,038	174,458	173,958	166,682	164,940
Variance (%)	0.4%	0.2%	0.7%	0.0%	0.5%
CenterPoint					
Forecasted Billed Volume	92,040	93,695	91,885	95,253	90,170
Billed Volume*	94,854	92,743	92,732	93,612	92,298
Variance (%)	3.1%	-1.0%	0.9%	-1.7%	2.4%
TGS					
Forecasted Billed Volume	19,758	20,257	19,423	19,531	18,684
Billed Volume*	18,680	19,095	19,083	19,913	17,554
Variance (%)	-5.5%	-5.7%	-1.8%	2.0%	-6.0%
Aggregate of Large Participating Gas Utilities					
Forecasted Billed Volume	286,220	287,987	283,996	281,468	272,928
Billed Volume*	288,572	286,296	285,773	280,207	274,792
Variance (%)	0.8%	-0.6%	0.6%	-0.4%	0.7%

**Weather Normalized.*

Other Participating Gas Utilities

The following provides a general description of the Participating Gas Utilities whose Normalized Sales Volumes do not exceed two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" below.

Summit

On April 29, 2021, CenterPoint and the sole owner of Summit Utilities Arkansas, Inc. ("**Summit**"), Southern Col MidCo, LLC ("**SC MidCo**"), entered into an asset purchase agreement pursuant to which, among other things, CenterPoint agreed to sell and SC MidCo agreed to purchase certain of CenterPoint's natural gas utility assets and businesses that serve customers in Arkansas, Oklahoma, and certain areas located in Bowie County, Texas, including

Texarkana, Texas (the "**Successor Transaction**"). Upon consummation of the Successor Transaction on January 10, 2022, SC MidCo assigned to Summit all of the interests, rights and obligations associated with CenterPoint's gas distribution assets and business in Arkansas and Texas that SC MidCo purchased or assumed in the Successor Transaction (the "**Assignment Transaction**"), such that Summit is now the owner thereof as a new regulated gas distribution utility subject to the Commission's jurisdiction. Summit is a recently formed corporation organized and existing under the laws of the State of Colorado. Summit has registered and qualified to do business in the State. As a result of the Successor Transaction and the Assignment Transaction, Summit assumed the assets, liabilities and responsibilities in nearly all respects in connection with the ownership and operation of the assets acquired in Texas.

Summit is indirectly wholly-owned by, Summit Utilities, Inc. ("**Summit Inc.**"), a Colorado corporation with its principal place of business located in Centennial, Colorado. Summit Inc. is a privately-held holding company that owns, in addition to Summit, five local natural gas distribution companies. Following the Successor Transaction and the Assignment Transaction, Summit is a Successor Utility to a portion of CenterPoint's Customers in the State, and as a Successor Utility to a Participating Gas Utility is also a Participating Gas Utility with respect to such acquired gas distribution assets of CenterPoint. Summit serves over 625,000 customers and operates more than 22,063 miles of distribution pipeline and 595.5 miles of transmission pipeline in the states of Texas, Arkansas, Oklahoma, Colorado, Missouri and Maine.

Summit's distribution systems in the State serve approximately 14,500 Customers. Summit's 2021 actual annual sales volume, which represents volumes for the former Customers of CenterPoint as a result of the Successor Transaction and the Assignment Transaction, consisted of approximately 1,165 MMcf. Additional information about Summit and Summit Inc. can be found on its website at https://www.summitutilitiesinc.com.*

Bluebonnet

Bluebonnet Natural Gas LLC was purchased in January 2021 by Rockin M Gas LLC (d/b/a Bluebonnet Natural Gas LLC as of July 30, 2021, the date of Docket No. *OS-21-00007063 Bluebonnet Natural Gas LLC*'s *Application for Customer Rate Relief and Related Regulatory Asset Determination*) and is privately owned by Greg Murdock ("**Bluebonnet**"). On February 28, 2022, Bluebonnet notified the Commission of its purchase of the distribution facilities of Bluebonnet Natural Gas, LLC and Pure Utilities, LC which resulted in Bluebonnet's service areas to include the Texas cities and surrounding areas of Mt. Enterprise, Douglass, Wildwood, Raywood, Devers, Hull, Nome and Livingston. The purchases described above do not change the ownership of the Final Aggregated Regulatory Asset Determination Amount approved pursuant to Bluebonnet Natural Gas LLC's application for regulatory asset determination.

Bluebonnet's distribution systems in the State serve approximately 1,750 Customers and during the period of 2017 through 2021 Bluebonnet's peak actual annual sales volume was 103 MMcf. Additional information about Bluebonnet can be found on its website at https://rockinmgas.com.*

UniGas

UniGas is a local gas distribution company that was founded in 1993 in Magnolia, Texas and is currently headquartered in The Woodlands, Texas. The company primarily serves residential customers located in suburban areas in or near the Texas cities of Houston, Dallas, Fort Worth, San Antonio, New Braunfels and Austin.

UniGas' distribution systems in the State serve approximately 21,200 Customers and during the period of 2017 through 2021 UniGas' peak actual annual sales volume was 1,086 MMcf. Additional information about UniGas can be found on its website at https://www.unigas-tx.com.*

SiEnergy

SiEnergy was established in 1997 to provide local gas distribution services to residential, small commercial, and public authority Customers in three communities in Fort Bend County in south Texas. In 2011, SiEnergy expanded its service area to include communities in north and central Texas. Today, SiEnergy serves retail customers in the Dallas Fort Worth metropolitan area of north Texas, the Austin metropolitan area in central Texas, and the Houston metropolitan area in south Texas.

SiEnergy's distribution systems in the State serve approximately 39,000 Customers. During the period of 2017 through 2021, Si Energy's peak actual annual sales volume was 1,617 MMcf. Additional information about SiEnergy can be found on its website at https://www.sienergy.com.*

* The information contained on (or accessed through) this website is not incorporated herein and should not be construed as part of this Official Statement.

EPCOR

EPCOR is a small local gas distribution company which has operated and maintained its gas system since June 1, 2017, when EPCOR USA Inc. acquired Hughes Gas Resources, Inc., the parent corporation of EPCOR.

EPCOR's distribution systems in the State serve approximately 5,000 Customers in the unincorporated and rural area of Montgomery, Harris, Waller, Grimes, Austin and Colorado Counties, Texas. In addition, EPCOR serves approximately 600 Customers in the incorporated City of Magnolia in Montgomery County, Texas. During the period of 2017 through 2021, EPCOR experienced its peak actual sales volume of 323 MMcf. Additional information about EPCOR can be found on its website at https://www.epcor.com.*

Corix

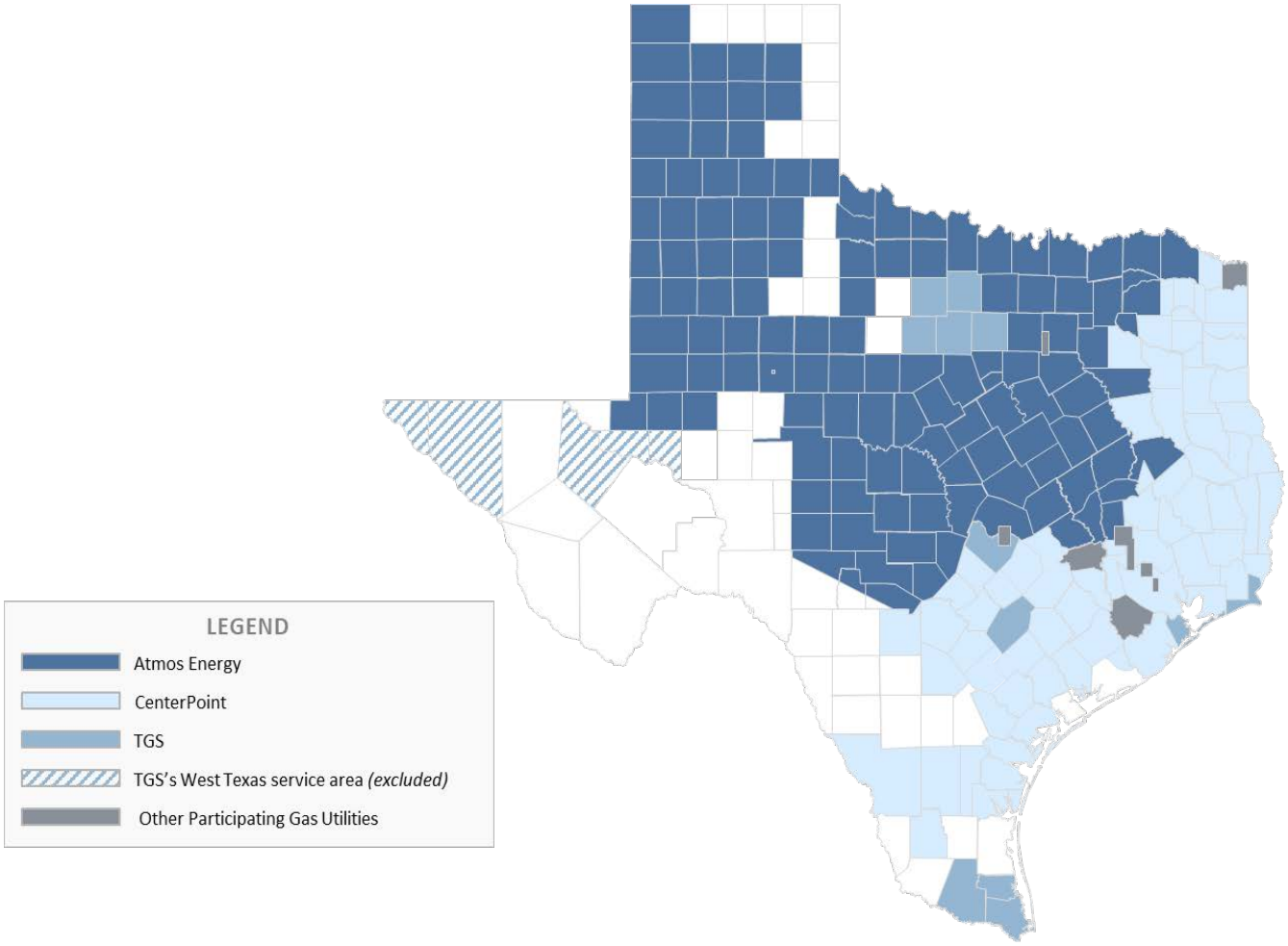
Corix operates a small rural system in Mitchell County, Texas in the environs areas of the City of Westbrook, Texas and Colorado City, Texas. Corix serves primarily residential Customers, a few small commercial Customers, and Westbrook Independent School District, which is its largest Customer.

Corix's distribution systems in the State serve approximately 250 Customers and during the period of 2017 through 2021 Corix's peak actual annual sales volume of 10 MMcf. Additional information about Corix can be found on its website at https://www.myutility.us/corixtexas.*

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

* The information contained on (or accessed through) this website is not incorporated herein and should not be construed as part of this Official Statement.

LOCATIONS OF CURRENT SALES CUSTOMERS OF THE PARTICIPATING GAS UTILITIES*



* Excludes locations served by TGS in West Texas. Approximates the locations where existing Customers are being served by natural gas facilities of the Participating Gas Utilities as of the date of this Official Statement. The locations where existing or future Customers are served is subject to change. See "THE PARTICIPATING GAS UTILITIES," "THE COMMISSION – Texas Natural Gas Regulation" and "RISK FACTORS – Risks Related to the Calculation of the Customer Rate Relief Charge and the Central Servicer" herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Designations of Collection Agents

Calculations of the Central Servicer

After the issuance of the Bonds, the Central Servicer will assist the Commission in determining which of the Collection Agents will be designated as a Reporting Collection Agent and/or a Large Participating Gas Utility using the Historical Normalized Sales Volumes provided by each Collection Agent pursuant to the Collection and Reporting Agreements. All Collection Agents will be required to perform the duties of a Collection Agent as described in "– *Duties of Collection Agents*" below, however, to the extent the Commission determines, in conjunction with the Central Servicer, that a Collection Agent is a Reporting Collection Agent and/or a Large Participating Gas Utility, such Collection Agent will be informed of such new designation and any additional duties from such designation will become effective on January 1 of the next succeeding calendar year as further described in "– *Additional Duties of Reporting Collection Agents*" and "– *Additional Duties of Large Participating Gas Utilities*," as applicable.

Timeline for Designations

On or before September 1 of each year, beginning September 1, 2023, to and including September 1 succeeding the Retirement of the Bonds, the Central Servicer will review the most recent Historical Normalized Sales Volume Certificates provided by each Collection Agent under the terms of the Collection and Reporting Agreements. The Central Servicer will calculate the aggregate Historical Normalized Sales Volume of the Collection Agents in each year pursuant to the worksheet provided in the Servicing Agreement ("**Reporting Collection Agent Calculation Worksheet**") and will provide such Reporting Collection Agent Calculation Worksheets to the Commission so that the Commission may determine which of the Collection Agents meet the definition of a Reporting Collection Agent and/or a Large Participating Gas Utility. See "THE SERVICING AGREEMENT – Collections Tracking" herein.

In addition to the annual calculation described above, the Commission may request that the Central Servicer complete a Reporting Collection Agent Calculation Worksheet at any time to give effect to any merger, acquisition, disposition, divesture, spin-off or other transaction that would impact a Participating Gas Utility's share of the total aggregate Historical Normalized Sales Volumes. Upon receiving such request, the Central Servicer must provide such Reporting Collection Agent Calculation Worksheet to the Commission within two (2) Business Days and, if applicable, the Central Servicer will, at the direction of the Commission, provide a written statement to each Collection Agent, the Commission, the Indenture Trustee and the Issuer, setting forth which, if any, of the impacted Collection Agents are or are no longer Large Participating Gas Utilities or Reporting Collection Agents and are required or are no longer required to comply with the requirements of Reporting Collection Agents under the terms of the Collection and Reporting Agreements, in either case, beginning on January 1 of the succeeding calendar year. See "THE SERVICING AGREEMENT – Collections Tracking" herein. Notwithstanding the calculations of the Central Servicer described above, Atmos Energy, CenterPoint and TGS will always be designated as Large Participating Gas Utilities while the Bonds are Outstanding. See "– *Additional Duties of Large Participating Gas Utilities*" below.

If at any time the calculations performed by the Central Servicer described above indicate that the aggregate Historical Normalized Sales Volume of Reporting Collection Agents constitute less than 90% of aggregate Historical Normalized Sales Volume for all the Collection Agents (a "**Collection Agent Reporting Event**"), the Central Servicer must send written notice of such event to the Issuer, the Commission, the Indenture Trustee and all the Collection Agents stating that any Successor Utilities to any Large Participating Gas Utilities that became Successor Utilities following the issuance of the Bonds will be required to comply with the duties described in "– *Additional Duties of Reporting Collection Agents*" below under the terms of the Collection and Reporting Agreements and such Successor Utilities will thereafter be designated "Reporting Collection Agents" on a going forward basis. See "THE SERVICING AGREEMENT – Collections Tracking – Collection Agent Reporting Event," "– Additional Collection Agent Reporting Events" and "THE COLLECTION AND REPORTING AGREEMENTS" herein.

Furthermore, if, at any time, the calculations of the Central Servicer described above indicate that a Collection Agent Reporting Event has occurred, or is still continuing, even after the designation of additional Collection Agents as "Reporting Collection Agents" pursuant to the paragraph above, then the Central Servicer will send written notice of such additional Collection Agent Reporting Event to the Issuer, the Commission and the Indenture Trustee with a request that the Commission designate additional Collection Agents as "Reporting Collection Agents" such that the aggregate Historical Normalized Sales Volume of all Reporting Collection Agents constitutes no less than 90% of aggregate Historical Normalized Sales Volume for all the Collection Agents. In the event the Commission does not make such designation within fifteen (15) Business Days of the notice of the Collection Agent Reporting Event, then all Collection Agents will be designated as "Reporting Collection Agents" for all purposes under each Collection and Reporting Agreement. See "THE SERVICING AGREEMENT – Collections Tracking – Collection Agent Reporting

Event," "– Additional Collection Agent Reporting Events" and "THE COLLECTION AND REPORTING AGREEMENTS" herein.

Duties of Collection Agents

All Collection Agents are required, pursuant to the respective Collection and Reporting Agreements, to perform the following duties, among others:

(i) each Collection Agent must deliver to the Issuer, Indenture Trustee, the Commission and the Central Servicer, within one (1) Business Day from the execution of the respective Collection and Reporting Agreement by a Collection Agent, and thereafter, annually on or before June 1 of each year, beginning June 1, 2024 to and including June 1 succeeding the Retirement of the Bonds, a certificate of a Responsible Officer of the Collection Agent setting forth the Historical Normalized Sales Volume of the Collection Agent ("**Historical Normalized Sales Volume Certificate**"),

(ii) on or before the twenty-fifth (25^{th}) calendar day of each month (or if such day is not a Business Day, on the immediately preceding Business Day), Collection Agents must prepare and deliver to the Central Servicer a written certificate that includes the following information on a monthly basis regarding the Customer Rate Relief Charges consisting of the following: (A) for Collection Agents remitting on an actual basis, (i) the CRRC in effect and billed and (ii) the CRRC Payment received and remitted to the Trustee, and (B) for Collection Agents remitting on an estimated basis (i) the CRRC in effect and billed, (ii) the estimated CRRC Payment received and remitted to the Trustee, (iii) the actual CRRC Collections and (iv) any Remittance Shortfall, Excess Remittance and the reconciliation to eliminate any Remittance Shortfall or Excess Remittance during the Collection Period (collectively, the "**Monthly Collection Agent's Certificate**"),

(iii) each Collection Agent must deliver to the Issuer, the Indenture Trustee, the Commission and the Central Servicer, annually, on or before March 31 of each year, beginning March 31, 2024 to and including March 31 succeeding the Retirement of the Bonds, a certificate from a Responsible Officer of the Collection Agent stating that: (A) a review of the activities of the Collection Agent during the preceding calendar year (or relevant portion thereof in the case of the first certificate of a Responsible Officer) and of its performance under the Collection and Reporting Agreement has been made under such officer's supervision, and (B) to the best of such officer's knowledge, after reasonable inquiry, based on such review, the Collection Agent has fulfilled all its obligations under the Collection and Reporting Agreement throughout the period or, if there has been a default in the fulfillment of any such obligation, describing each such default and its status (collectively, the "**Collection Agent's Certificate of Compliance**"),

(iv) on or before the twenty-fifth (25^{th}) day of each month, commencing in the first month following the month of the Closing Date, any Collection Agent that is not a Large Participating Gas Utility must remit to the Indenture Trustee for deposit to the Collection Account the total CRRC Payments actually received from or on behalf of Customers in the prior month in accordance with the procedures set forth in APPENDIX C hereto (the "**Monthly Remittance**"), and

(v) at the reasonable request of the Central Servicer, Collection Agents must prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with any Governmental Authority by the Issuer under federal securities or other applicable laws or in accordance with the Basic Documents.

Additional Duties of Reporting Collection Agents

Any Collection Agent that either (a) meets the definition of Large Participating Gas Utility or (b) has been notified by the Central Servicer that it has been designated as a Reporting Collection Agent (collectively, such entities are referred to as Reporting Collection Agents) pursuant to the calculations and designation described in "– Designations of Collection Agents" above must perform the duties of a Reporting Collection Agent at the beginning of the next succeeding calendar year after such designation in addition to the duties listed in "– *Duties of Collection Agents*" above. Such additional Reporting Collection Agent duties include the following duties, among others:

(i) at least fifteen (15) days, but not more than twenty (20) days prior to a Scheduled True-Up Adjustment, and within five (5) Business Days after receipt of an Interim Adjustment Notice (as defined herein), or a functionally equivalent request, such Reporting Collection Agent must provide

to the Central Servicer a certificate of a Responsible Officer of the Collection Agent, setting forth all forecasted volumetric consumption (or natural gas usage) for Customers of such Reporting Collection Agent, in the form provided in the certificate of projections ("**Certificates of Projections**"), for the months included in the Calculation Periods for such True-Up Adjustment, in order to allow the Central Servicer to calculate the Customer Rate Relief Charge,

(ii) not later than one (1) Business Day following the date of the execution of the Collection and Reporting Agreement, a Reporting Collection Agent must deliver a Certificate of Projections to the Issuer, the Commission and the Central Servicer,

(iii) upon written request from the Central Servicer for a Certificate of Projections, a Reporting Collection Agent must deliver no later than five (5) Business Days after receipt of such request, a certificate from a Responsible Officer of the Reporting Collection Agent, setting forth a Certificate of Projections of the Reporting Collection Agent,

(iv) within two (2) Business Days after a Reporting Collection Agent has made a determination that actual annual natural gas volumes sold or projected to be sold to Customers of such Reporting Collection Agent during the full period covered in the most recent Certificate of Projections delivered by the Reporting Collection Agent to the Central Servicer is expected to be 10% or more below the Projected Normalized Sales Volume previously reported by such Reporting Collection Agent in the most recent Certificate of Projections delivered by the Reporting Collection Agent to the Central Servicer, such Reporting Collection Agent must deliver written notice of such determination to the Central Servicer (such notice a "**Notice of a Material Change in Projections**") along with a revised Certificate of Projections which must include a written notice to the Central Servicer and the Commission if the uncollectible factor included in the most recent True-Up Adjustment Letter varies more than 10% from the uncollectible factor derived from actual collections for such Reporting Collection Agent for the trailing 12-month period (such notice to include all relevant information and describe such variance with reasonable detail). In addition, the Reporting Collection Agent must promptly respond to any request for additional information required by the Central Servicer and must provide such requested information to the Central Servicer (see "THE SERVICING AGREEMENT" and "THE COLLECTION AND REPORTING AGREEMENTS"), and

(v) Reporting Collection Agents must comply with the Collection Agent Continuing Disclosure Agreement in order to allow the Central Servicer to prepare the reports necessary for the Issuer to comply with its obligations under the Issuer Continuing Disclosure Agreement (see "CONTINUING DISCLOSURE UNDERTAKINGS" herein).

Additional Duties of Large Participating Gas Utilities

In addition to its duties as a Collection Agent and as a Reporting Collection Agent, Large Participating Gas Utilities are also required, pursuant to the Financing Order and the respective Collection and Reporting Agreements, to perform the following duties, among others:

(i) Large Participating Gas Utilities that elect to remit CRRC Payments on an actual basis, must on each Business Day, commencing on the Closing Date, collect and remit to the Indenture Trustee for deposit to the Collection Account the CRRC Payments which it has received from Customers no later than the second (2nd) Business Day after such payments are received. Large Participating Gas Utilities that elect to remit CRRC Payments on an estimated basis, must on each Business Day, commencing on the Closing Date, remit to the Indenture Trustee for deposit to the Collection Account the total CRRC Payments estimated to have been received by the Collection Agent from or on behalf of its Customers in respect of all previously billed Customer Rate Relief Charges (each a "**Daily Remittance**"). Daily Remittances must be calculated according to the procedures set forth in APPENDIX C hereto and must be remitted as soon as reasonably practicable, but in any event, no later than the second (2nd) Business Day after such payments are estimated to have been received, and

(ii) Large Participating Gas Utilities that elect to remit CRRC Payments on an estimated basis must, on or before June 30 and December 31 of each year (or, if such day is not a Business Day, the immediately preceding Business Day) commencing with December 31, 2023, in coordination with the Central Servicer, calculate the amount of any Remittance Shortfall or Excess Remittance for the Reconciliation Period, to be allocated and remitted as provided in APPENDIX C hereto. The

Collection Agent will allocate such Remittance Shortfall or Excess Remittance as follows: (A) if a Remittance Shortfall exists, the Collection Agent must make a supplemental remittance, for allocation to the General Subaccount of the Collection Account within two (2) Business Days, or (B) if an Excess Remittance exists, the Collection Agent will be entitled to reduce the amount of each Daily Remittance which the Collection Agent subsequently remits to the Indenture Trustee for application to the amount of such Excess Remittance until the balance of such Excess Remittance has been reduced to zero, the amount of such reduction becoming the property of the Collection Agent. If there is a Remittance Shortfall, the amount which the Collection Agent remits to the Indenture Trustee for deposit to the Collection Account and allocation to the General Subaccount therein on the relevant date set forth above will be increased by the amount of such Remittance Shortfall. The Collection Agent may calculate the Excess Remittance or Remittance Shortfall more often than semi-annually in its discretion if the Collection Agent believes such reconciliations are appropriate. The results of any such reconciliation will be reported in the next issued Monthly Collection Agent's Certificate,

(iii) Large Participating Gas Utilities must cause a firm of independent certified public accountants (which such firm may also provide other services to the Large Participating Gas Utilities) to prepare, and the Large Participating Gas Utilities must deliver to the Issuer, the Central Servicer, the Commission and the Indenture Trustee, within 150 days of the end of the Large Participating Gas Utility's fiscal year, beginning with the fiscal year in which the Large Participating Gas Utility entered into the Collection and Reporting Agreement through and including the fiscal year following the Retirement of the Bonds, a report, which may be included as part of the Large Participating Gas Utilities' customary auditing activities, addressed to the respective Large Participating Gas Utility (the "**Annual Accountant's Report**") to the effect that such accounting firm has performed certain procedures in connection with the Large Participating Gas Utility's compliance with its obligation under the Collection and Reporting Agreement during the preceding fiscal year (or, in the case of the first Annual Accountant's Report, the period of time from the Closing Date until the end of the Large Participating Gas Utility's fiscal year), identifying the results of such procedures and including any exceptions noted; provided, further, the Large Participating Gas Utility will require such accounting firm preparing the Annual Accountant's Report to supplementally include in its scope of work an assessment of the compliance requirements provided in the Collection and Reporting Agreement (the "**Collection Agent Compliance Criteria**") and any additional items reasonably requested by the Issuer and such Annual Accountant's Report will reflect the accountant's findings with respect to such Collection Agent Compliance Criteria, including any material non-compliance.

For the avoidance of doubt, Atmos Energy, CenterPoint and TGS will always be designated as Large Participating Gas Utilities while the Bonds are Outstanding, even if the Normalized Sales Volume of any such utility ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities.

THE SERVICING AGREEMENT

In addition to the description of certain provisions of the Servicing Agreement contained elsewhere herein, the following is a brief summary of certain provisions of the Servicing Agreement and does not purport to be comprehensive or definitive. All references herein to the Servicing Agreement are qualified in their entirety by reference to the Servicing Agreement for the detailed provisions thereof.

Duties of Central Servicer

Pursuant to the Servicing Agreement, the Central Servicer has the following duties:

(a) The Central Servicer must:

(i) enter into the Collection and Reporting Agreements with each of the Participating Gas Utilities and any alternative gas supplier or other replacement (as such terms are used in the Securitization Law), and monitor compliance of such entities, and any successor thereto, with the terms of such agreements, including providing written notice of any failures/defaults by a Participating Gas Utility, Successor Utility or alternative or replacement gas supplier to the Indenture Trustee, the Commission, and the Issuer and furnishing periodic reports to the Issuer, the Commission and the Indenture Trustee, as required by the Servicing Agreement;

(ii) calculate the Periodic Payment Requirement in a manner consistent with the Calculation Schedule (as defined under "– True-Up Adjustments – *Process to Implement True-Up Adjustments* –

Calculation of True-Up Adjustments" herein) using information provided to it by the Indenture Trustee, the Commission, the Issuer and the Reporting Collection Agents, as necessary;

(iii) confirm that annual compliance reports have been filed by the Participating Gas Utilities as contemplated by the Financing Order and required under the Collection and Reporting Agreements;

(iv) take all necessary action to calculate, prepare and file the True-Up Adjustments in accordance with "– True-Up Adjustments" below to ensure the timely payment of the Customer Rate Relief Bonds, Bond Administrative Expenses and other Ongoing Financing Costs, as set forth in the Servicing Agreement;

(v) track collections of Customer Rate Relief Charges remitted by the Reporting Collection Agents to the Indenture Trustee and compare such collections with projected collections as reported by the Reporting Collection Agents in accordance with "– Collections Tracking" below;

(vi) maintain records related to the services provided under the terms of the Servicing Agreement for the benefit of the Issuer, the Commission, the Indenture Trustee, and the Holders;

(vii) provide written notice to the Issuer, the Commission and the Indenture Trustee promptly upon (but in no event later than two (2) Business Days after) a Responsible Officer of the Central Servicer becomes aware of any of the following events (each such event, a "**Specified Event**"): (A) any failure by any Collection Agent to remit the CRRC Collections to the Indenture Trustee in accordance with the applicable Collection and Reporting Agreement and the other Basic Documents (see "– True-Up Adjustments – Notices and Implementation of True-Up Adjustments" below), (B) any failure by any Collection Agent to provide any information required under the applicable Collection and Reporting Agreement, (C) upon receipt of notice of failure to implement a True-Up Adjustment Letter by any Collection Agent, or (D) any other Collection Agent Default, and no event which, after notice or lapse of time, or both, would become a Collection Agent Default (as such term is defined in the Collection and Reporting Agreement) by a Collection Agent under the applicable Collection and Reporting Agreement; such written notice must include a reasonably detailed description of the applicable Specified Event;

(viii) upon written request to the Central Servicer by the Issuer, the Commission, or the Indenture Trustee, the Central Servicer will act promptly to enforce the obligations of the Commission under this Servicing Agreement and the obligations of each Collection Agent under the terms of each of the Collection and Reporting Agreements; and

(ix) perform such other duties as may be specified under the Financing Order to be performed by it.

The Central Servicer, in accordance with the Servicing Agreement, is acting solely as the servicing agent and custodian for the Issuer with respect to the Customer Rate Relief Property Records.

True-Up Adjustments

As required by the Securitization Law, the Financing Order and the Servicing Agreement, the Customer Rate Relief Charges will be set and adjusted from time to time by the Central Servicer, based upon projected Normalized Sales Volume information provided by the Reporting Collection Agents, Ongoing Financing Costs information provided by the Issuer, the balances in the applicable Accounts provided by the Indenture Trustee, and a percentage of the billed Customer Rate Relief Charge that is projected to prove uncollectible, provided by the Commission. For the avoidance of doubt, only the Normalized Sales Volumes of Reporting Collection Agents will be aggregated in order to calculate the Customer Rate Relief Charges (including True-Up Adjustments as described below) and do not take into account volumes anticipated from the other Collection Agents (*i.e.*, generally those who make up, individually, less than two percent (2.0%) of the total Normalized Sales Volumes of all Collection Agents or who have not been designated as Reporting Collection Agents pursuant to the Servicing Agreement).

Periodic Payment Requirement

The Central Servicer will calculate the Customer Rate Relief Charge and True-Up Adjustments to ensure that, on each of the applicable Payment Dates, (1) all accrued and unpaid interest on the Bonds then due will have been paid in full, (2) the aggregate principal amount of all Bonds outstanding is equal to the sum as of such Payment Date of the projected outstanding principal amount of each Tranche of Bonds set forth in the Expected Amortization Schedule, (3) the balance on deposit in the Reserve Subaccount equals the Required Reserve Level, (4) the balance on deposit in the Issuer Expense Reserve Account equals the Issuer Expense Reserve Level and (5) all other fees and expenses due and

owing and required or allowed to be paid under the Indenture as of such date are paid (collectively, the result of such calculation is referred to as the "**Periodic Payment Requirement**"). See "SECURITY FOR THE BONDS – Description of Indenture Accounts" and "THE INDENTURE – Flow of Funds" herein.

To the extent there are differences between the Periodic Payment Requirement and the amount of Customer Rate Relief Charge remittances made by all Collection Agents to the Indenture Trustee during the applicable period, the Central Servicer will be authorized to implement True-Up Adjustments to ensure CRRC Collections are sufficient to provide for the timely payment of principal of and interest on the Bonds and other Financing Costs.

Scheduled True-Up Adjustments and Interim True-Up Adjustments

Beginning September 10, 2023, and on each September 10 thereafter, until the day on which the final distribution is made to the Indenture Trustee in respect of the last Outstanding Bond, the Central Servicer will implement an adjustment to the Customer Rate Relief Charge (a "**Scheduled True-Up Adjustment**").

In addition, the Central Servicer will adjust the Customer Rate Relief Charge under the following circumstances by effectuating an "**Interim True-Up Adjustment**" upon the occurrence of any of the following (each an "**Interim True-Up Adjustment Event**"):

(i) (A) any notice of any draw by the Indenture Trustee from amounts on deposit in the Reserve Subaccount pursuant to the terms of the Indenture is received by the Central Servicer from the Indenture Trustee or (B) any date that is the Business Day following a Payment Date when the Reserve Subaccount remains below the Required Reserve Level (collectively, a "**Deficiency Event**"),

(ii) Notice of a Material Change in Projections is received by the Central Servicer from (x) any Large Participating Gas Utility that delivered 25% or more of all natural gas delivered by the Collection Agents as set forth in the Reporting Collection Agent Calculation Worksheet most recently delivered to the Commission by the Central Servicer, or (y) two or more Large Participating Gas Utilities during the period elapsed since the previous filing of a True-Up Adjustment Letter with the Commission, or

(iii) during the required review and calculation required to be performed by the Central Servicer on or before the fifth (5th) Business Day of each month, until the Retirement of the Bonds as described in "– Collections Tracking – Collection Tracking and Notice of Potential Deficiency Event" below, the Central Servicer determines that (A) the CRRC Collections that are expected to be received by the Indenture Trustee from the Collection Agents using the most recent calculation to set the Customer Rate Relief Charge from the Reporting Collection Agents exceed (B) actual amounts remitted to the Indenture Trustee by the Collection Agents by more than 10% (a "**Potential Deficiency Event**").

Scheduled True-Up Adjustments and Interim True-Up Adjustments are collectively referred to as "**True-Up Adjustments**." Pursuant to the Collection and Reporting Agreements and the Servicing Agreement, True-Up Adjustments must become effective not later than the fifteenth (15^{th}) day after the True-Up Filing Date and any administrative review of such True-Up Adjustment must be limited to notifying the Central Servicer of mathematical or clerical errors in the calculation. See "– *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" below.

Process to Implement True-Up Adjustments

From the date of execution of the Servicing Agreement, until the Retirement of the Bonds and the payment of all other Ongoing Financing Costs, the Central Servicer will calculate the initial Customer Rate Relief Charge and all True-Up Adjustments, submit such True-Up Adjustments for review by the Commission and notify the Collection Agents of such True-Up Adjustments as described below:

(i) Initial Customer Rate Relief Charge and Expected Amortization Schedule. The initial Customer Rate Relief Charge and all True-Up Adjustments to the Customer Rate Relief Charge will be calculated by the Central Servicer, in accordance with the terms of the Servicing Agreement, using the Expected Amortization Schedule for the Customer Rate Relief Bonds. To calculate the initial Customer Rate Relief Charge, the Issuer and the Commission will cause the information required in "– Calculation of True-Up Adjustments" below for the period from the Closing Date to September 30, 2023, to be delivered to the Central Servicer promptly following pricing of the Customer Rate Relief Bonds and not later than five (5) Business Days prior to the Closing Date. The Central Servicer will provide the

Collection Agents and the Commission with notice of the initial Customer Rate Relief Charge by delivering a notice of initial charge letter, in the form provided in the Servicing Agreement (the "**Notice of Initial Charge**"), signed and approved by the Central Servicer, delivered no later than five (5) Business Days after to the Closing Date. Prior to submitting the Notice of Initial Charge to the Commission and the Collection Agents, the Central Servicer will present such notice to the verification agent initially engaged by the Issuer, Causey Demgen & Moore P.C. as the initial accounting or other professional services firm retained by the Issuer, from time-to-time, if any, at its sole option, to verify the calculations performed by the Central Servicer under "*– Process to Implement True-Up Adjustments*" ("**Verification Agent**"), with a request that the Verification Agent perform the verification procedures with respect to such Notice of Initial Charge as described in the Verification Agent Agreement and provide written verification to the Central Servicer that it agrees with the calculations set forth in such notice. If the Central Servicer has not received such written confirmation from the Verification Agent within two (2) Business Days, the Central Servicer will proceed to send the Notice of Initial Charge to the Commission and the Collection Agents.

(ii) Calculation of True-Up Adjustments. Each Scheduled True-Up Adjustment must be calculated on September 10, 2023, and thereafter each September 10 of each year prior to the Retirement of the Bonds (provided however, if such date is not a Business Day, then the last Business Day immediately prior to such date), and, after the last Scheduled Final Payment Date, each March 10, June 10, September 10 and December 10 of each year until the Retirement of the Bonds (each a "**Scheduled True-Up Filing Date**"), and each Interim True-Up Adjustment, must be calculated on a the date that is fifteen (15) Business Days following the date the Central Servicer delivers an Interim Adjustment Notice to the Issuer, the Commission, the Collection Agents and the Indenture Trustee in accordance with the terms of the Servicing Agreement (an "**Interim True-Up Filing Date**" and together with the Scheduled True-Up Filing Date, a "**True-Up Filing Date**") in accordance with the calculation methodology set forth in the form of true-up adjustment letter provided in the Servicing Agreement utilized for both Scheduled True-Up Adjustments and Interim True-Up Adjustments (each a "**True-Up Adjustment Letter**"). Each True-Up Adjustment Letter will include the calculation by the Central Servicer of the Periodic Payment Requirement, the Periodic Billing Requirement and the Customer Rate Relief Charge (the "**Calculation Schedule**"). The Customer Rate Relief Charge must be calculated on or before each True-Up Filing Date by the Central Servicer using the information made available by the Indenture Trustee and the information set forth in the following certificates (collectively, the "**Calculation Certificates**") delivered prior to each respective True-Up Filing Date: (a) the Certificate of Projections delivered at least fifteen (15), but not more than twenty (20) days prior to the True-Up Filing Date to the Central Servicer by each Reporting Collection Agent in accordance with each Collection Agent's Collection and Reporting Agreement; (b) the most recently delivered certificate detailing the Ongoing Financing Costs of the Issuer (the "**Certificate of Issuer Expenses**"); (c) the most recently delivered certificate detailing the Ongoing Financing Costs of the Commission (the "**Certificate of Commission Expenses**"), and (d) the invoice form the Indenture Trustee delivered most recently by the Indenture Trustee to the Central Servicer. In addition, the Central Servicer must incorporate any changes to the uncollectible factor (such initial uncollectible factor being 1.0%) used in the Calculation Schedule communicated in writing by the Commission to the Central Servicer at least fifteen (15) days prior to such True-Up Filing Date. The Central Servicer is not obligated to include in any calculation of the Customer Rate Relief Charge calculated on a True-Up Filing Date any information received by the Central Servicer less than fifteen (15) days prior to a True-Up Filing Date. Prior to submitting any True-Up Adjustment Letter to the Commission and the Collection Agents, the Central Servicer must present such True-Up Adjustment Letter to the Verification Agent (if such agent is then engaged by the Issuer) with a request that the Verification Agent perform the verification procedures with respect to such True-Up Adjustment Letter as described in the applicable Verification Agent Agreement and provide written verification to the Central Servicer that it agrees with the calculations set forth in such True-Up Adjustment Letter. If the Central Servicer has not received such written confirmation from the Verification Agent within two (2) Business Days, the Central Servicer must proceed to send the True-Up Adjustment Letter to the Commission and the Collection Agents.

(iii) Notices and Implementation of True-Up Adjustments. To implement each True-Up Adjustment, the Central Servicer must take the following actions:

(a) At least forty (40) days prior to each Scheduled True-Up Filing Date, the Central Servicer must send written notice of a True-Up Adjustment to the Commission, each Reporting Collection Agent, the Issuer, and the Indenture Trustee, requesting that the Issuer, the Commission, each Reporting Collection Agent and the Indenture Trustee file new Calculation Certificates or the updating of any information contained in the most recently filed Calculation Certificates required to calculate the Customer Rate Relief Charge; provided, however, in the case of an Interim True-Up Adjustment, written notice of a True-Up Adjustment is not required to be sent because the delivery of an Interim Adjustment Notice operates as notice to the Commission, the Issuer, the Reporting Collection Agents and the Indenture Trustee, respectively, of the need for updates to the information used to calculate the Customer Rate Relief Charge.

(b) On each True-Up Filing Date, the Central Servicer must calculate the Customer Rate Relief Charge by populating the Calculation Schedule using the information set forth in the Calculation Certificates and completing the mathematical calculations required in the Calculation Schedule.

(c) On the True-Up Filing Date, the Central Servicer must file with the Commission (with a copy to the Issuer, the Collection Agents, the Indenture Trustee and the Rating Agencies) a True-Up Adjustment Letter, setting forth the calculation of the Customer Rate Relief Charge that will go into effect on the Adjustment Date identified in such True-Up Adjustment Letter subject to review and correction by the Commission in accordance with the terms of the Financing Order and the Servicing Agreement. In accordance with the Financing Order, the Commission must promptly review the calculations set forth in the True-Up Adjustment Letter filed on the True-Up Filing Date for mathematical or clerical errors and promptly notify the Central Servicer of any such errors, but by no later than fifteen (15) days following the relevant True-Up Filing Date. If any such errors are identified by the Commission, the Central Servicer must revise the True-Up Adjustment Letter for such Adjustment Date to correct such errors and send such revised letter to the Commission, the Issuer, the Collection Agents, the Indenture Trustee and the Rating Agencies within one (1) Business Day of receiving notice form the Commission of any mathematical or clerical error.

(iv) Interim True-Up Adjustments. If an Interim True-Up Adjustment Event occurs, then the Central Servicer must, within two (2) Business Days of such Interim True-Up Adjustment Event, send notice of an Interim True-Up Adjustment (an "**Interim Adjustment Notice**") to the Commission, the Issuer, the Collection Agents, the Indenture Trustee and the Rating Agencies that an Interim True-Up Adjustment to the Customer Rate Relief Charge will take place and that updated Calculation Certificates are to be delivered to the Central Servicer by the Reporting Collection Agents within five (5) Business Days of receipt of such Interim Adjustment Notice, in accordance with the Collection and Reporting Agreements. The Central Servicer must identify in such Interim Adjustment Notice the date that is fifteen (15) Business Days from the date of such Interim Adjustment Notice as the Interim True-Up Filing Date for such Interim Adjustment Notice.

Verification of Interim True-Up Adjustments

Within three (3) Business Days of receipt of the updated Calculation Certificates from the Reporting Collection Agents, the Central Servicer must calculate the proposed Interim True-Up Adjustment and forward such calculation to the Verification Agent (if such agent is then engaged by the Issuer) with a request that the calculation be verified within two (2) Business Days. If a Verification Agent is then engaged by the Issuer, the Central Servicer will not submit any True-Up Adjustment Letter to the Commission with respect to any Interim True-Up Adjustment prior to receipt of written confirmation from the Verification Agent that it has performed the procedures with respect to such proposed Interim True-Up Adjustment identified in the Verification Agent Agreement; provided, however, that if the Central Servicer has not received such written confirmation from the Verification Agent within (2) Business Days, the Central Servicer must proceed to send the True-Up Adjustment Letter to the Commission, the Collection Agents and the other addressees in such True-Up Adjustment Letter. Otherwise, no later than the next Business Day immediately following receipt of

verification by the Verification Agent, the Central Servicer must make any necessary revisions to the proposed Interim True-Up Adjustment and deliver a True-Up Adjustment Letter to the Commission (and the other addressees thereto) so that the Commission may review the adjustment in accordance with the requirements set forth in "– True-Up Adjustments – Notices and Implementation of True-Up Adjustments" above. The Adjustment Date identified in a True-Up Adjustment Letter delivered with respect to an Interim True-Up Adjustment is the date that is fifteen (15) days from the Interim True-Up Filing Date for such Interim True-Up Adjustment.

(v) Frequency of Adjustments. Notwithstanding any contrary provision in the Servicing Agreement, True-Up Adjustments will occur no more frequently than once per calendar quarter, and an Interim True-Up Adjustment may not occur on any date that is within the ninety (90) days prior to a Scheduled True-Up Adjustment. In the event that an Interim True-Up Adjustment does not take place pursuant to the limitation set forth in the first sentence of this section and the circumstances giving rise to the need to implement an Interim True-Up Adjustment are continuing, the Central Servicer must implement an Interim True-Up Adjustment on the first date that such Interim True-Up Adjustment may occur in accordance with the Servicing Agreement.

(vi) Verification of True-Up Adjustment Billing. Pursuant to the Financing Order, any change to the Customer Rate Relief Charge, as set forth in a True-Up Adjustment Letter, must be incorporated in the Bills sent by each Collection Agent, in accordance with the terms of each respective Collection and Reporting Agreement. Within five (5) Business Days of the date that an adjustment to the Customer Rate Relief Charge is to be included in Bills sent by each Collection Agent pursuant to each Collection and Reporting Agreements, each Collection Agent will provide the Central Servicer a written notice that each Collection Agent has implemented the Customer Rate Relief Charge, or any adjustment thereto, as set forth in a True-Up Adjustment Letter (such written notice, a "**True-Up Implementation Letter**") and the Central Servicer will confirm receipt of such letter. If the Central Servicer has not received a True-Up Implementation Letter with respect to each True-Up Adjustment from each Collection Agent within such five (5) Business Day period, the Central Servicer will promptly send written notice of such Collection Agent's failure to implement the True-Up Adjustment to the Issuer, the Indenture Trustee, the Commission, and each Collection Agent that has not implemented the adjustment to the Customer Rate Relief Charge.

The Central Servicer, the Issuer and the Commission have agreed that, in connection with any True-Up Adjustment, the Central Servicer may rely without any investigation or inquiry upon any information provided to it, whether in writing or orally, by any party in making such adjustment calculation.

Collections Tracking

Under the Servicing Agreement, the Central Servicer has the following duties in connection with the Collection and Reporting Agreements and the respective collection tracking thereunder:

(i) Collection and Reporting Agreements. On the Closing Date, the Central Servicer must execute and deliver a Collection and Reporting Agreement, in the form attached to the Servicing Agreement, with each Participating Gas Utility. The Central Servicer is authorized to appoint each Participating Gas Utility, or successor thereto, as an agent of the Issuer for purposes, and pursuant to the terms of each Collection and Reporting Agreement. The Central Servicer must monitor the performance of each Collection Agent under the Collection and Reporting Agreements and notify the Issuer and the Commission in accordance with the terms of the Collection and Reporting Agreements and the Servicing Agreement of any Specified Event. See "THE SERVICING AGREEMENT – Duties of Central Servicer" herein.

(ii) Collection Tracking and Notice of Potential Deficiency Event. On or before the fifth (5^{th}) Business Day of each month until the Retirement of the Bonds, the Central Servicer will review (a) the information from, or made available by, the Indenture Trustee's report of monthly deposits made to the Collection Account held by the Indenture Trustee and delivered, or made available, to the Central Servicer under the terms of the Indenture (as well as the Monthly Collection Agent Certificate delivered to the Central Servicer by each Collection Agent), and (b) the Certificates of Projections delivered to the Central Servicer by the Reporting Collection Agents under the terms of the applicable Collection and Reporting Agreements. On the date of such review, the Central Servicer must calculate and determine if the amount of all CRRC Collections expected to be received by the Indenture Trustee from the Collection Agents using the most recent calculations to set the Customer

Rate Relief Charge ("**Projected Aggregate Collections**"), exceeded the actual amounts remitted to the Indenture Trustee by the Collection Agents as identified by the Central Servicer based on Collection Account statements from the Indenture Trustee ("**Actual Aggregate Collections**"). If Projected Aggregate Collections during such calculation exceeded Actual Aggregate Collections by more than 10%, the Central Servicer will (x) immediately declare a Potential Deficiency Event to have occurred, (y) promptly (and in no event later than one (1) Business Day) after such declaration, provide written notice of such Potential Deficiency Event to the Issuer, the Indenture Trustee, the Commission and the Collection Agents, and such written notice shall include a reasonably detailed description of the applicable Potential Deficiency Event, and (z) commence the implementation of an Interim True-Up Adjustment in accordance with the terms of the Servicing Agreement. The Central Servicer has no liability for any error made with respect to calculating whether a Potential Deficiency Event has occurred if such calculation by the Central Servicer was made in good faith and without negligence. See "– True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True Up Adjustments*" and "True-Up Adjustments – *Process to Implement True-Up Adjustments* – Notices and Implementation of True-Up Adjustments" herein.

(iii) Determination of Large Participating Gas Utilities or Reporting Collection Agents. On or before September 1 of each year, beginning September 1, 2023, to and including September 1 succeeding the Retirement of the Bonds, the Central Servicer will review the most recent Historical Normalized Sales Volume Certificates provided by each Collection Agent under the terms of the Collection and Reporting Agreements. Using the Reporting Collection Agent Calculation Worksheet provided in the Servicing Agreement, the Central Servicer will calculate the aggregate Historical Normalized Sales Volume of the Collection Agents in each year and provide such calculations to the Commission so that the Commission may determine which of the Collection Agents meet the definition of a Reporting Collection Agent and/or Large Participating Gas Utility. No later than thirty (30) days following the delivery of the Reporting Collection Agent Calculation Worksheet by the Central Servicer to the Commission, the Commission must direct the Central Servicer to provide a written statement to each Collection Agent, the Commission, the Indenture Trustee and the Issuer, setting forth which of the Collection Agents are Reporting Collection Agents and Large Participating Gas Utilities and are required to comply with the requirements of being Reporting Collection Agents and Large Participating Gas Utilities, as applicable, under the terms of the Collection and Reporting Agreements. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

(iv) Calculation upon Request of the Commission. The Commission may request that the Central Servicer complete the Reporting Collection Agent Calculation Worksheet at any time in order to give effect to any merger, acquisition, disposition, divesture, spin-off or other transaction that would impact a Participating Gas Utility's share of the total aggregate Historical Normalized Sales Volumes. Upon receiving such request, the Central Servicer must provide such Reporting Collection Agent Calculation Worksheet to the Commission within two (2) Business Days and, if applicable, the Central Servicer must, at the direction of the Commission, provide a written statement to each Collection Agent, the Commission, the Indenture Trustee and the Issuer, setting forth which, if any, of the impacted Reporting Collection Agents or Large Participating Gas Utilities are or are no longer Reporting Collection Agents or Large Participating Gas Utilities and are required or no longer required to comply with the requirements of Reporting Collection Agents under the terms of the Collection and Reporting Agreements, in either case, beginning on January 1 of the succeeding calendar year. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

(v) Collection Agent Reporting Event. If, at any time, the calculations of the Central Servicer performed pursuant to (iii) and (iv) above (as illustrated in the Reporting Collection Agent Calculation Worksheet) indicate that the aggregate Historical Normalized Sales Volume of the Reporting Collection Agents constitute less than 90% of aggregate Historical Normalized Sales Volume for all the Collection Agents (such event a Collection Agent Reporting Event), the Central Servicer must send written notice of such Collection Agent Reporting Event to the Issuer, the Commission, the Indenture Trustee and all the Collection Agents stating that any Successor Utilities to any Large Participating Gas Utilities that became Successor Utilities following the issuance of the Bonds will be required to comply with the requirements of a Reporting Collection Agent under the terms of the Collection and Reporting Agreements and such Successor Utilities will thereafter be designated as

"Reporting Collection Agents" on a going forward basis. See "– Undertaking of the Commission" and "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

(vi) Additional Collection Agent Reporting Events. If, at any time, the calculations of the Central Servicer performed pursuant to (iii)-(v) above (as illustrated in the Reporting Collection Agent Calculation Worksheet) indicate that a Collection Agent Reporting Event has occurred, or is still occurring, even after the designation of additional Collection Agents as "Reporting Collection Agents" pursuant to (v) above, then the Central Servicer must send written notice of such additional Collection Agent Reporting Event to the Issuer, the Commission and the Indenture Trustee with a request that the Commission designate additional Collection Agents as "Reporting Collection Agents" such that the aggregate Historical Normalized Sales Volume of all Reporting Collection Agents constitutes no less than 90% of aggregate Historical Normalized Sales Volume for all the Collection Agents. In the event the Commission does not make such designation within fifteen (15) Business Days of the notice of the Collection Agent Reporting Event, then all Collection Agents will be designated as "Reporting Collection Agents" for all purposes of the Servicing Agreement and the applicable Collection and Reporting Agreements. See "– Undertaking of the Commission" and "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

(vii) Reports and Notices.

(a) Not later than five (5) Business Days prior to each Payment Date or Special Payment Date, the Central Servicer must deliver to the Indenture Trustee (with copies to the Issuer, the Commission and the Rating Agencies), a "**Central Servicer's Payment Date Certificate**" consisting of the following information in connection with the Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date as applicable: (i) the amount of the payment to the Holders allocable to principal, if any; (ii) the amount of the payment to Holders allocable to interest; (iii) the aggregate Outstanding Amount of the Bonds, before and after giving effect to any payments allocated to principal reported under (i) above; (iv) the difference, if any, between the amount specified in clause (iii) above and the Outstanding Amount specified in the Expected Amortization Schedule; (v) any other transfers and payments to be made on such Payment Date or Special Payment Date, including all Ongoing Financing Costs paid by, or to, the Issuer, to the Indenture Trustee, the Commission, and the Central Servicer; (vi) the amounts on deposit in the Reserve Subaccount, the Issuer Expense Reserve Account, and any other account or subaccount held by the Indenture Trustee under the terms of the Indenture, after giving effect to the foregoing payments and (vii) in providing the foregoing certificate, certificate required by this subsection, the Central Servicer is entitled to rely upon the information provided or made available by the Indenture Trustee to the Central Servicer under the terms of the Indenture.

(b) The Central Servicer will deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies annually, on or before March 31 of each year, beginning March 31, 2024 to and including March 31 succeeding the Retirement of the Bonds, a certificate from a Responsible Officer of the Central Servicer, in the form attached to the Servicing Agreement, stating that: (i) a review of the activities of the Central Servicer during the preceding calendar year (or relevant portion thereof in the case of the first certificate of a Responsible Officer) and of its performance under this Servicing Agreement has been made under such officer's supervision, and (ii) to the best of such officer's knowledge, after reasonable inquiry, based on such review, the Central Servicer has fulfilled all its obligations under this Servicing Agreement throughout the period or, if there has been a default in the fulfillment of any such obligation, describing each such default and its status.

(c) The Central Servicer will deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies annually, on or before March 31 of each year, beginning March 31, 2024 to and including March 31 succeeding the Retirement of the Bonds, a certificate from a Responsible Officer of the Central

Servicer, in the form attached to the Servicing Agreement, setting forth the aggregate CRRC Collections remitted by all of the Collection Agents to the Indenture Trustee for each month of the twelve month period ending on November 30 of the immediately preceding year.

(d) The Central Servicer must forward to the Rating Agencies within five (5) Business Days of receipt of the annual compliance certificates of the Reporting Collection Agents in accordance with the Collection and Reporting Agreements.

(e) In the event a Specified Event of a Reporting Collection Agent has occurred, is continuing and has not been cured within 30 days following the Central Servicer providing written notice thereof to the Issuer, the Commission and the Indenture Trustee in accordance with "– Duties of Central Servicer" above, then the Central Servicer must provide notice of such Specified Event to the Rating Agencies.

(f) Upon receipt of an Officer's Certificate from a Reporting Collection Agent of an Extraordinary Transaction as described in "THE COLLECTION AND REPORTING AGREEMENTS – Binding Effect of Collection Agent Obligations," the Central Servicer must promptly provide notice of such Extraordinary Transaction described in such Officer's Certificate to the Rating Agencies by forwarding such certificate to the Rating Agencies.

Central Servicer Defaults

Under the terms of the Servicing Agreement, if one or more of the following events occurs and is continuing (each a "**Central Servicer Default**"), then, and in each and every case, so long as the Central Servicer Default has not been remedied, either the Commission or the Issuer may, or the Indenture Trustee will, upon the instruction of the Holders evidencing not less than a majority of the aggregate principal amount of all Bonds (or, if the context requires, all Bonds of a Tranche) Outstanding at the date of determination (an "**Outstanding Amount**"), give written notice to the Central Servicer (and to the Rating Agencies and the Commission, Issuer or Indenture Trustee, as applicable) (a "**Central Servicer Termination Notice**"), terminating all the rights and obligations of the Central Servicer under the Servicing Agreement (except for the Central Servicer's obligation to indemnify the Issuer, the Commission, the Indenture Trustee and each of their respective trustees, officers, directors, employees and agents as described in the Servicing Agreement and the obligation continue performing its functions as Central Servicer until a Successor Servicer is appointed):

(i) any failure on the part of the Central Servicer to observe or perform any covenants or agreements of the Central Servicer set forth in the Servicing Agreement, which failure (a) materially and adversely affects the rights of the Holders and (b) continues unremedied for a period of sixty (60) days after the date on which (1) written notice of such failure, requiring the same to be remedied, is given to the Central Servicer by the Issuer, the Commission, or the Indenture Trustee, or (2) written notice of the discovery of such failure by a Responsible Officer for the Central Servicer of any event which with the giving of notice or lapse of time, or both, would become a Central Servicer Default, or (3) such failure is, by its nature, incapable of being remedied (for the avoidance of doubt, nothing in this clause (i) will limit the effect or narrow the application of clause (ii) below);

(ii) any failure by the Central Servicer to duly perform its obligation under "– True-Up Adjustments – *Process to Implement True-Up Adjustments*" or "– Collections Tracking" above in the time and manner set forth therein, which failure continues unremedied for a period of five (5) days after the Central Servicer's receipt of notice thereof from the Commission, the Indenture Trustee or the Issuer, or

(iii) any representation or warranty made by the Central Servicer in the Servicing Agreement or any Basic Document proves to have been incorrect in a material respect when made, which has a material adverse effect on the Issuer, the Commission, or the Holders and which material adverse effect either (a) continues unremedied for a period of sixty (60) days after the date on which (1) written notice thereof, requiring the same to be remedied, is delivered to the Central Servicer (with a copy to the Indenture Trustee) by the Issuer, the Commission or the Indenture Trustee or (2) pursuant to the Servicing Agreement, written notice of the discovery of such failure is discovered by a Responsible Officer of the Central Servicer, or (b) is, by its nature, incapable of being remedied.

Successor Servicer. Upon the Central Servicer's receipt of a Central Servicer Termination Notice or the Central Servicer's resignation or removal in accordance with the terms of the Servicing Agreement, the predecessor Central Servicer must continue to perform its functions as Central Servicer under the Servicing Agreement, and is entitled to receive the requisite portion of the Central Servicing Fee, until such Central Servicer receives notice from the Commission or the Issuer that a Successor Servicer has assumed in writing the obligations of the Central Servicer under the Servicing Agreement.

Upon issuance and/or receipt of a Central Servicer Termination Notice or the Central Servicer's resignation or removal, as applicable, the Commission must promptly identify potential alternate candidates to be appointed to replace the existing Central Servicer and cooperate with the Issuer to appoint a Successor Servicer on terms consistent with the Rating Agency Condition. Any Successor Servicer must assume all obligations under the relevant Collection and Reporting Agreements in accordance with the terms thereof, provided that substitute Collection and Reporting Agreements may be entered into if such replacement Collection and Reporting Agreements are substantially similar to the Collection and Reporting Agreements being replaced and substantially consistent with the Collection and Reporting Principles set forth in Exhibit 4 to the Financing Order. The Issuer must give prompt written notice to the Indenture Trustee of the acceptance by any Successor Servicer of the duties under the Servicing Agreement.

United Professionals has agreed in the Servicing Agreement not to resign from the obligations and duties imposed on it as Central Servicer under the Servicing Agreement until a Successor Servicer has assumed the responsibilities and obligations of United Professionals in accordance with the Servicing Agreement. The Central Servicer will, on an ongoing basis, cooperate with a Successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the Successor Servicer in performing its obligations under the Servicing Agreement.

Waiver of Past Defaults. The Issuer and the Commission may, or upon the instruction of the Holders evidencing not less than a majority of the Outstanding Amount of the Customer Rate Relief Bonds, the Indenture Trustee shall, waive in writing any default by the Central Servicer in the performance of its obligations under the Servicing Agreement and its consequences so long as such waiver does not materially adversely affect such Holders, violate the State Non-Impairment Pledge or create or cause an Event of Default under the Indenture or a Central Servicer Default. Upon any such waiver of a past default, such default will cease to exist, and any Central Servicer Default arising therefrom will be deemed to have been remedied for every purpose under the Servicing Agreement. No such waiver will extend to any subsequent or other default or impair any right consequent thereto. Promptly after the execution of any such waiver, the Central Servicer will furnish copies of such waiver to each of the Rating Agencies.

Notice of Central Servicer Default. The Central Servicer will deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice of any event which with the giving of notice or lapse of time, or both, would become a Central Servicer Default under the Servicing Agreement.

Amendment to Servicing Agreement. The Servicing Agreement may be amended by the Central Servicer, the Issuer and the Commission, subject to the applicable notice requirements under the Servicing Agreement. Promptly after the execution of any such amendment or consent, the Issuer will furnish copies of such amendment or consent to each of the Rating Agencies and the Indenture Trustee. Any amendment affecting the rights, duties, indemnities or immunities of the Indenture Trustee require the prior written consent of the Indenture Trustee.

Limitation on Liability of Central Servicer and Others

Except as otherwise provided under the Servicing Agreement, neither the Central Servicer nor any of the directors, officers, employees or agents of the Central Servicer will be liable to the Indenture Trustee or any other Person for any action taken or for refraining from the taking of any action pursuant to the Servicing Agreement or for good faith errors in judgment; provided, however, the foregoing will not protect the Central Servicer or any such person against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of duties or by reason of reckless disregard of obligations and duties under the Servicing Agreement. The Central Servicer and any director, officer, employee or agent of the Central Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Indenture Trustee and the Issuer or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under the Servicing Agreement.

The Central Servicer will not be under any obligation to appear in, prosecute or defend any legal action relating to the Customer Rate Relief Property that is not directly related to one of the Central Servicer's enumerated duties in the Servicing Agreement, and that in its reasonable opinion may cause it to incur any expense or liability unless it is directed to do so by the Commission, the Issuer or the Indenture Trustee and it is indemnified for any of its costs in

such proceeding, it being understood that the Central Servicer's costs and expenses incurred in connection with any such proceeding will be payable from CRRC Collections (and will not be deemed to constitute a portion of the Central Servicing Fee) in accordance with the Indenture.

Access to Certain Records and Information Regarding Customer Rate Relief Property

The Central Servicer must provide to the Issuer and the Commission access to any and all documents and records, which Collection Agents keep on file, in accordance with their customary procedures, relating to the Customer Rate Relief Property applicable to the Collection Agent's Customers, including copies of the Financing Order, and any Tariffs applicable to the Collection Agent relating to the Financing Order and all documents filed in connection with any True-Up Adjustment and computational records relating thereto (the "**Customer Rate Relief Property Records**") held by the Central Servicer. The Central Servicer must provide to the Indenture Trustee access to the Customer Rate Relief Property Records held by the Central Servicer as is reasonably required for the Indenture Trustee to perform its duties and obligations under the Indenture and the other Basic Documents, and must provide access to such records to the Holders as required by applicable law. Access will be afforded without charge, but only upon reasonable request and during normal business hours at the respective offices of the Central Servicer. Such access will not affect the obligation of the Central Servicer to observe any applicable law prohibiting disclosure of information regarding the Customers, and the failure of the Central Servicer to provide access to such information as a result of such obligation will not constitute a breach of this obligation of the Central Servicer to provide access to the Customer Rate Relief Property held by the Central Servicer.

Undertaking of the Commission

In accordance with its obligations under the Securitization Law, the Financing Order and the Servicing Agreement, the Commission must ensure that the Customer Rate Relief Charge, as adjusted from time to time in accordance with the provisions of the Servicing Agreement and the Financing Order, are imposed, collected, and enforced in an amount sufficient to pay on a timely basis all principal and interest on the Bonds, Financing Costs and Bond Administrative Expenses associated with any issuance of Customer Rate Relief Bonds. Pursuant to such obligation, the Commission agrees to:

(i) In the event of (a) any failure by any Collection Agent to remit the CRRC Collections to the Indenture Trustee in accordance with the applicable Collection and Reporting Agreement, (b) any failure by any Collection Agent to provide any information required under the applicable Collection and Reporting Agreement, (c) upon receipt of notice of failure to implement a True-Up Adjustment Letter by the Central Servicer, or (d) any other material default by a Collection Agent under the applicable Collection and Reporting Agreement, upon written request to the Commission by the Central Servicer, the Issuer or the Indenture Trustee, the Commission will act promptly to enforce the obligations of such Collection Agent under the Financing Order, require such Collection Agent to discharge and comply with its obligations under the terms of such Collection and Reporting Agreement and initiate proceedings to impose all applicable penalties on, or otherwise compel compliance by, such Collection Agent, in each case, consistent with prudent regulatory practice applied in accordance with stated purposes and objectives of the Securitization Law and the Financing Order, including by requesting the Attorney General to bring action in State district court to compel compliance or to enjoin or restrain any violations.

(ii) Comply with its obligations described in "– True-Up Adjustments" and "– Central Servicer Defaults – *Successor Servicer*" above, including (for the avoidance of doubt), informing the Central Servicer of any adjustment to be made to the uncollectible factor.

(iii) The Commission will inform the Central Servicer of any adjustments it requires to be made to the uncollectible factor in calculating the Customer Rate Relief Charge and any adjustment thereto in order to ensure timely payment of debt service on the Customer Rate Relief Bonds and Ongoing Financing Costs.

(iv) In the event of a request to appoint a successor Central Servicer as provided in the Servicing Agreement or a vacancy in the position of Central Servicer, the Commission will promptly identify potential alternate candidates to be appointed to replace the Central Servicer and promptly approve the terms of any successor Servicing Agreement consistent with the Rating Agency Condition, in each case, in accordance with "THE SERVICING AGREEMENT – Central Servicer Defaults – *Successor Servicer*" herein.

(v) The Commission will designate and confirm the appointment of a successor Collection Agent pursuant to the terms of the Financing Order.

(vi) If the Central Servicer defaults on its obligation to file a True-Up Adjustment Letter in accordance with the terms of the Servicing Agreement, the Commission will promptly take all actions necessary to adjust the Customer Rate Relief Charge and take all necessary actions related thereto, in accordance with terms of the Financing Order, which includes, but is not be limited to adjusting the Customer Rate Relief Charge, to ensure the timely payment of scheduled principal and interest on the Customer Rate Relief Bonds and all other Ongoing Financing Costs.

(vii) If a Collection Agent defaults on its obligations under the terms of its respective Collection and Reporting Agreement, the Commission must direct such defaulting entity to comply with its obligations under the terms of the Financing Order and its Collection and Reporting Agreement and take such additional actions that the Commission deems necessary or appropriate to ensure timely payment of scheduled principal and interest on the Customer Rate Relief Bonds and all other Ongoing Financing Costs. Such additional actions may be requested in writing to the Commission by the Central Servicer, the Issuer or the Indenture Trustee, as set forth in (i) above.

(viii) In the event that the Central Servicer provides notice to the Commission of a Collection Agent Reporting Event in accordance with the requirements of "– Collections Tracking – Collection Agent Reporting Event" and "– Additional Collection Agent Reporting Events" above, the Commission must identify the Collection Agents to be treated as Reporting Collection Agents under the terms of the Servicing Agreement and the Collection and Reporting Agreements, and must direct the Central Servicer to provide notice of such determination to the appropriate Collection Agents.

(ix) The Commission acknowledges and affirms the guarantee made in the Financing Order for the benefit of the Issuer, the Indenture Trustee and the Holders, and agrees, that it will take all actions in its powers to enforce the provisions of the Securitization Law and the Financing Order to ensure that CRRC Collections are sufficient to pay on a timely basis scheduled principal and interest on the Customer Rate Relief Bonds and all other Ongoing Financing Costs.

(x) In accordance with the Securitization Law, including Sections 104.362(7)(C), 104.362(14)(A) and 104.373(a) of the Texas Utilities Code, and the Financing Order, if any Customers receiving service from a Participating Gas Utility elect to purchase gas from an alternative gas supplier or replacement gas supplier (including but not limited to any Customers who make such election to receive transportation service from a Participating Gas Utility), then the Commission will take all actions in its power to (A) cause the Customer Rate Relief Charge to continue to be imposed, billed, collected and remitted with respect to such Customers in accordance with the terms of the Securitization Law and the Financing Order, (B) cause any Person subject to the jurisdiction of the Commission or otherwise subject to the Securitization Law (in both cases, as determined by a court of final jurisdiction in the matter) providing service to such Customers to enter into a Collection and Reporting Agreement, as Collection Agent, with the Central Servicer, and (C) otherwise work with the Central Servicer to enable the Central Servicer to perform its obligations under the terms of the Servicing Agreement.

The rights of the Issuer under the Servicing Agreement (other than Unassigned Rights of the Issuer) are pledged and assigned by the Issuer to the Indenture Trustee as a portion of the Customer Rate Relief Bond Collateral under the Indenture. The Commission and the Central Servicer agreed and consented to such collateral assignment. The Central Servicer, the Issuer and the Commission have agreed in the Servicing Agreement that the Indenture Trustee is a third-party beneficiary of the Servicing Agreement and will be entitled to seek enforcement of the terms of the Servicing Agreement as if it were a party to the Servicing Agreement (for itself and for the benefit of the Holders).

THE COLLECTION AND REPORTING AGREEMENTS

In addition to the description of certain provisions of the Collection and Reporting Agreements contained elsewhere herein, the following is a brief summary of certain provisions of the Collection and Reporting Agreements and does not purport to be comprehensive or definitive. All references herein to the Collection and Reporting Agreements are qualified in their entirety by reference to the Collection and Reporting Agreements for the detailed provisions thereof.

General Duties of the Collection Agents

In connection with the Issuer's ownership of the Customer Rate Relief Property and in order to collect the associated Customer Rate Relief Charge for the Issuer, the Central Servicer has been directed by the Issuer to engage the Collection Agents to carry out certain functions (which functions are the same or similar to functions performed by each Collection Agent for themselves with respect to its own charges to its Customers), as described more fully in each Collection and Reporting Agreement. The Indenture Trustee, the Holders, the Commission and the Issuer are each an intended third-party beneficiary of each Collection and Reporting Agreement.

Pursuant to the Collection and Reporting Agreements, the Collection Agent's duties include management, servicing and administration of the portion of the Customer Rate Relief Property which is associated with the Customer Rate Relief Charge to be imposed on Customers of the Collection Agent; obtaining meter reads, calculating usage, providing all necessary information and taking such other actions as reasonably required to allow the Central Servicer to calculate and adjust the Customer Rate Relief Charge on a timely basis to ensure timely payment of the Bonds; billing the Customer Rate Relief Charge to Customers of the Collection Agent as calculated by the Central Servicer, as required by the Financing Order; collecting and posting of all payments of the Customer Rate Relief Charge; responding to inquiries by Customers of the Collection Agent, or any Governmental Authority with respect to the Customer Rate Relief Property applicable to the Collections Agent's Customers; delivering Bills to Customers of the Collection Agent; investigating and handling delinquencies (and furnishing reports with respect to such delinquencies to the Central Servicer, the Commission and the Issuer), processing and depositing collections and making periodic remittances; furnishing periodic reports to the Central Servicer, the Commission, the Issuer, and the Indenture Trustee; and performing such other duties as may be specified under the Financing Order to be performed by it. In each Collection and Reporting Agreement, the Collection Agent agrees that it has, and will comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collections, payment processing and remittance set forth in the Form of Collection Agent Procedures attached hereto as APPENDIX C.

Certain Reporting Functions

Pursuant to the Collection and Reporting Agreements, each Collection Agent is required to provide the following notices, documents and information throughout the term of the Collection and Reporting Agreement:

(i) Notification of Laws and Regulations. Each Collection Agent must immediately notify the Central Servicer, the Issuer, the Indenture Trustee, and the Commission in writing of any Requirements of Law hereafter promulgated that have a material adverse effect on the Collection Agent's ability to perform its duties under the Collection and Reporting Agreement.

(ii) Other Information. Upon any Collection Agent's receipt of the reasonable written request of the Issuer, the Commission, the Indenture Trustee, or the Central Servicer, the Collection Agent must provide to the Issuer, the Indenture Trustee, the Commission, the Central Servicer or any Rating Agency designated by the requesting party, as the case may be, any public financial information in respect of the Collection Agent, or any material information regarding the Customer Rate Relief Property collected and remitted by such Collection Agent to the extent it is reasonably available to such Collection Agent, as may be reasonably necessary and permitted by law to allow the Issuer, the Indenture Trustee, the Commission, or the Central Servicer to monitor the performance by the Collection Agent under the Collection and Reporting Agreement or to comply with any surveillance or other monitoring requirements of the Rating Agencies. In addition, so long as any of the Bonds are outstanding, each Collection Agent must provide the Issuer, the Commission, the Central Servicer and the Indenture Trustee any information available to the Collection Agent or reasonably obtainable by it that has been requested by the Issuer, the Commission, the Central Servicer or the Indenture Trustee and is necessary to calculate or approve the Customer Rate Relief Charge, including any adjustment thereto.

(iii) Preparation of Reports. Each Collection Agent must prepare and deliver such additional reports as specifically required under the Collection and Reporting Agreement, including a copy of the annual Collection Agent's Certificate of Compliance and Historical Normalized Sales Volume Certificate described in "PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents*" above. If the Collection Agent is a Large Participating Gas Utility, such Collection Agent must prepare and deliver the Annual Accountant's Report described in "PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Large Participating Gas Utilities*" above.

(iv) Notice of Proceedings; Notice of Natural Gas Consumption from Alternative Providers. Each Collection Agent must provide notice to the Central Servicer, the Issuer, the Commission and the Indenture Trustee of any threatened suit, claim, litigation or proceeding in which such Collection Agent is involved or aware in respect of the Securitization Law. In addition, if any Collection Agent becomes aware that a historic Customer is consuming natural gas not delivered by any Participating Gas Utility, the Collection Agent must promptly report that development to the Commission, the Issuer and the Central Servicer.

Collection Agent Standards

Pursuant to each Collection and Reporting Agreement, on behalf of the Central Servicer, acting for the benefit of the Issuer and the Commission, the Collection Agent, as agent of the Issuer, must (a) manage, service, administer and make collections in respect of the Customer Rate Relief Charge of the Customer Rate Relief Property collected and remitted by the Collection Agent with reasonable care and in material compliance with applicable Requirements of Law, using the same degree of care and diligence that the Collection Agent exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in Texas, including applicable Commission Regulations, in performing its duties as Collection Agent; (c) use all reasonable efforts, consistent with its customary procedures, to enforce, and maintain the rights of the Issuer in respect of, the Customer Rate Relief Charge of the Customer Rate Relief Property to be collected and remitted by the Collection Agent and to bill and collect the Customer Rate Relief Charge from the Collection Agent's Customers; (d) comply with all Requirements of Law, applicable to and binding on it relating to the Customer Rate Relief Charge of the Customer Rate Relief Property collected and remitted by the Collection Agent; (e) take all action to prevent the creation of, and omit taking any action that creates, any Lien on the Customer Rate Relief Bond Collateral in favor of any Person other than the Issuer or the Indenture Trustee; and (f) take such other action on behalf of the Issuer and the Commission, as reasonably required by the Central Servicer, to ensure that the Lien of the Indenture Trustee on the Customer Rate Relief Bond Collateral remains perfected and of first priority. Unless specified elsewhere in the Collection and Reporting Agreement, the Collection Agent must follow such customary and usual practices and procedures as it deems necessary or advisable in its performance of the services described in the Collection and Reporting Agreement with respect to the Customer Rate Relief Property and the Customer Rate Relief Charges of the Customer Rate Relief Property collected and remitted by the Collection Agent.

Billing and Collection of Adjustments

Each Collection Agent is required to include the Customer Rate Relief Charges on the Bills of its Customers and provide reports to its Customers regarding such Customer Rate Relief Charges as described below:

(i) Commencement of Billing. Beginning in the first billing cycle that is no later than fifteen (15) days following the issuance of the Notice of Initial Charge, until the Collection Agent receives notice from the Central Servicer of the Retirement of the Bonds and the payment of all other Ongoing Financing Costs, each Collection Agent will include the Customer Rate Relief Charge on Bills. The Collection Agent will include on its books a separate rate code for the collection of the Customer Rate Relief Charge and the allocation of receipts thereto. Any change to the Customer Rate Relief Charge, as set forth in a True-Up Adjustment Letter, must be incorporated in the Bills sent by each Collection Agent beginning in the first billing cycle that is no later than five (5) Business Days after the Adjustment Date identified in such True-Up Adjustment Letter if there is a billing cycle within such period and, if there is no billing cycle in such period, in the first billing cycle thereafter; provided, however, in the event the Central Servicer amends a True-Up Adjustment Letter pursuant to corrections requested by the Commission on or after the Adjustment Date identified in such True-Up Adjustment Letter, the Collection Agent must be in compliance with the Collection and Reporting Agreement if it incorporates the changes to the Customer Rate Relief Charge set forth in such amended True-Up Adjustment Letter in the Bills sent by the Collection Agent beginning in the first billing cycle that is no later than five (5) Business Days from either the Adjustment Date identified in such True-Up Adjustment Letter or the date that the Central Servicer issued notice to the Collection Agent of the amendment to such True-Up Letter, or if there is no billing cycle within such period, as applicable, the first billing cycle thereafter. No later than five (5) Business Days after the date that the Customer Rate Relief Charge or an adjustment to the Customer Rate Relief Charge is to be included in Bills sent by the Collection Agent, the Collection Agent will provide the Central Servicer a True-Up Implementation Letter.

(ii) Reports to Customers. After each Adjustment Date, each Collection Agent must, to the extent and in the manner and time frame required by applicable law, if any, cause to be prepared and delivered to Customers any required notices announcing such revised Customer Rate Relief Charge. Each Collection Agent must comply with the requirements of the Financing Order and each Collection and Reporting Agreement with respect to the inclusion of the Customer Rate Relief Charge on Bills. In addition, at least once each year prior to the Retirement of the Bonds, commencing no earlier than October 1, 2023, the Collection Agent will cause to be prepared and delivered to its Customers a notice stating: "the Customer Rate Relief Property and the Customer Rate Relief Charge, which is included as a component of your gas bill, are owned by the Texas Natural Gas Securitization Finance Corporation and not the Utility." Such notice must be included either as an insert to or in the text of the Bills delivered to such Customers of the Collection Agent or will be delivered to Customers by electronic means or such other means as the Collection Agent may from time to time use to communicate with such Customers, subject to any applicable Commission Regulations.

(iii) Obligation to Pay. Each Collection Agent must pay from its own funds all costs of preparation and delivery incurred in connection with clauses (i) and (ii) above, including printing and postage costs as the same may increase or decrease from time to time, and such costs are Collection and Reporting Costs to be reviewed in a rate proceeding of the Commission and subsequently recovered as described in the Financing Order.

(iv) Tariff Filings. In accordance with the Financing Order, within thirty (30) days of the earlier of either (A) the Adjustment Date, and (B) the date the Commission administratively approves in writing the true-up adjustment to the Customer Rate Relief Charge identified in such True-Up Adjustment Letter, the Collection Agent must electronically file an updated Customer Rate Relief tariff that reflects the updated Customer Rate Relief Charge in accordance with 16 Tex. Admin. Code § Part 1, Chapter 7, Rule 7.315.

Limitation of Liability

The Central Servicer and the Collection Agents agree and acknowledge in the Collection and Reporting Agreements that: (i) in connection with the Customer Rate Relief Charge, including any True-Up Adjustment, the Collection Agent is acting solely in its capacity as the collection agent under the Collection and Reporting Agreement and in accordance with its obligations under the Financing Order; and (ii) except to the extent that a Collection Agent breaches a representation described in "– Representations and Warranties of Collection Agent – Reports and Certificates" below, the Collection Agent will have no liability whatsoever relating to the calculation of any revised Customer Rate Relief Charge and the True-Up Adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected volumetric consumption (or natural gas usage) by Customers, Days Sales Outstanding, and write-offs, so long as the Collection Agent has acted in good faith and has not acted in a negligent manner in connection therewith, nor will the Collection Agent have any liability whatsoever as a result of any Person, including the Holders, not receiving any payment, amount or return anticipated or expected or in respect of any Customer Rate Relief Bond generally. Notwithstanding the foregoing, each Collection Agent will not be relieved of liability for any misrepresentation or breach of its other obligations by the Collection Agent consistent with its representations and warranties in the Collection and Reporting Agreement.

Custodial Duties of the Collection Agent

The Collection Agent, in accordance with the terms of the Collection and Reporting Agreement, is acting solely as the collection agent and custodian for the Issuer with respect to the portion of the Customer Rate Relief Property allocable to the Customers of the Collection Agent and the related Customer Rate Relief Property Records. Such custodial duties include, but are not limited to, the following:

(i) Defending Customer Rate Relief Property Against Claims. Each Collection Agent must institute any action or proceeding, and each Collection Agent has agreed to take such legal or administrative actions, including without limitation defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in accordance with the Securitization Law, as may be reasonably necessary in the view of the Collection Agent, or determined by the Central Servicer, the Commission or the Issuer to be reasonably necessary, to block or overturn any attempts to cause a repeal of, or modification of or supplement to the Securitization Law or the Financing Order that would, in the reasonable judgement of the Collection Agent, have a material adverse impact on the Customer Rate Relief Property as security for the Bonds. In addition, each Collection Agent must take such legal or administrative actions, including defending against or instituting and

pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to attempt to prevent any violation of the State Non-Impairment Pledge or any other obligations of the State or the Commission under the Securitization Law or the Financing Order, including any action by a municipal entity that prevents or seeks to prevent the Collection Agent from imposing, billing, collecting, and remitting the Customer Rate Relief Charges or any failure of any municipal entity which succeeds to any part of the gas distribution business of the Participating Gas Utility to impose, bill, collect and remit the Customer Rate Relief Charges.

(ii) Additional Litigation to Defend Customer Rate Relief Property. In addition to the above, each Collection Agent must, at its own expense, institute any action or proceeding necessary, in accordance with the Securitization Law and the Collection Agent standards described in "– Collection Agent Standards" above, to compel performance by any person with any of their respective obligations or duties under the Financing Order with respect to the Customers of the Collection Agent.

Effective Period and Termination

The respective Collection Agent's appointment as collection agent and custodian becomes effective as of the Closing Date and continues in full force and effect until terminated pursuant to this paragraph. If a Collection Agent resigns as Collection Agent in accordance with the provisions of "– Collection Agent Not to Resign as Collection Agent" below, or if all of the rights and obligations of the Collection Agent have been terminated as described in "– Collection Agent Defaults and Remedies" below, the appointment of the Collection Agent as custodian will be terminated effective as of the date on which the termination or resignation of the Collection Agent is effective. Additionally, if not sooner terminated as provided above, the Collection Agent's obligations as collection agent and custodian terminates one year and one day after the date on which no Bonds are Outstanding.

Collection Agent Not to Resign as Collection Agent

Subject to the requirements described in "– Binding Effect of Collection Agent Obligations" below, the respective Collection Agent shall not resign from the obligations and duties imposed on it as Collection Agent under the Collection and Reporting Agreement unless such Collection Agent delivers to the Central Servicer, the Issuer, the Commission and the Indenture Trustee an Opinion of Counsel of external counsel to the effect that such Collection Agent's performance of its duties under the Collection and Reporting Agreement is no longer be permissible under applicable law. No such resignation will become effective until a successor Collection Agent has assumed the responsibilities and obligations of such Collection Agent in accordance with "– Appointment of Successor" described below.

Appointments of Affiliates of Collection Agent

Each Collection Agent may at any time appoint any Person as authorized under the Collection and Reporting Agreement to perform all or any portion of its obligations as Collection Agent other than those listed in "– Remittances" below; provided, however, that, unless such Person is an Affiliate of the Collection Agent, prior to any such appointment the Collection Agent must provide written notice of the proposed appointment to the Central Servicer, the Commission and the Issuer, and the Collection Agent and the Central Servicer must have received written confirmation from the Issuer that the Rating Agency Condition has been satisfied in connection therewith; provided further that the Collection Agent remains obligated and will be liable under the Collection and Reporting Agreement for the servicing and administering of the Customer Rate Relief Property applicable to the Collection Agent's Customers in accordance with the provisions of the Collection and Reporting Agreement without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Collection Agent alone were servicing and administering the Customer Rate Relief Property. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents" herein.

Binding Effect of Collection Agent Obligations

Any Person (a) into which a Collection Agent may be merged, converted or consolidated, (b) that may result from any reorganization, merger (including, but not limited to, merger as defined in Art. 1.02.A.(18) of the Texas Business Corporation Act or in Section 1.002(55) of the Texas Business Organizations Code, as applicable to the Collection Agent, as amended from time to time (including, without limitation, any merger commonly referred to as a "**Merger by Division**")), conversion or consolidation to which the Collection Agent is a party, or (c) that may acquire or succeed to (whether by merger, division, conversion, consolidation, reorganization, sale, transfer, lease, management contract or otherwise) (1) the properties and assets of the Collection Agent substantially as a whole, (2) all or substantially all of the natural gas distribution business of the Collection Agent which is required to provide natural gas

service to the Collection Agent's Customers, or (3) any portion of the natural gas business assets of the Collection Agent necessary to provide natural gas distribution service to Customers and that will cause such Person to provide natural gas service to Customers of the Collection Agent (the transactions described in the foregoing clauses (a), (b), and (c), "**Extraordinary Transactions**"), and which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Collection Agent will be a successor to the Collection Agent under the Collection and Reporting Agreement without further act on the part of any of the parties to the Collection and Reporting Agreement; provided, however, that:

(i) immediately after giving effect to such transaction, no representation, warranty or covenant made by the Collection Agent in the Collection and Reporting Agreement is breached and no Collection Agent Default, and no event which, after notice or lapse of time, or both, would become a Collection Agent Default shall have occurred and are continuing,

(ii) the Collection Agent has delivered to the Central Servicer, the Issuer, the Commission, and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel of the Collection Agent stating that such consolidation, conversion, merger, division, reorganization, sale, transfer, lease, management contract transaction, acquisition or other succession and such agreement of assumption complies with the Collection and Reporting Agreement and that all conditions precedent, if any, provided for in the Collection and Reporting Agreement relating to such transaction have been complied with, and

(iii) the Central Servicer shall have given the Rating Agencies prior written notice of any such transaction with respect to a Reporting Collection Agent in accordance with "THE SERVICING AGREEMENT – Collections Tracking – Reports and Notices" herein.

When any Person (or more than one Person) acquires the properties and assets of a Collection Agent substantially as a whole or otherwise becomes the successor, whether by merger, conversion, consolidation, sale, transfer, lease, management contract or otherwise, to all or substantially all of the natural gas distribution business of a Collection Agent, then upon satisfaction of all of the conditions of (i)-(iii) above, the preceding Collection Agent will automatically and without further notice be released from its obligations under the applicable Collection and Reporting Agreement. A Collection Agent shall not consummate an Extraordinary Transaction unless the appointment of a successor Collection Agent and the conditions of (i)-(iii) above have been satisfied.

Representations and Warranties of Collection Agent

Each Collection Agent makes the following representations and warranties, among others, as of the date of each respective Collection and Reporting Agreement, the Official Statement and as of the Closing Date, and as of such other dates as expressly provided in the Collection and Reporting Agreement. The representations and warranties survive the execution and delivery of the Collection and Reporting Agreement, and the pledge of the Customer Rate Relief Property to the Indenture Trustee pursuant to the Indenture. The Collection Agent agrees that (i) the Issuer may assign the right to enforce the following representations and warranties to the Indenture Trustee and (ii) the representations and warranties inure to the benefit of the Issuer, the Commission and the Indenture Trustee.

- Reports and Certificates. Each report, certificate or information delivered by the Collection Agent with respect to the Customer Rate Relief Charge, including any True-Up Adjustments, will constitute a representation and warranty by the Collection Agent that each such report, certificate or information, as the case may be, is true and correct in all material respects; provided, however, that to the extent any such report, certificate or information is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Collection Agent with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the Collection Agent on the date such report or certificate is delivered).

- The Customer Rate Relief Property.

  (i) Title. Title to the Customer Rate Relief Property vests, *ab initio*, in the Issuer. It is the intention of the parties to each Collection and Reporting Agreement that no interest in, or right or title to, the Customer Rate Relief Property will be part of the Collection Agent's estate in the event of the filing of a bankruptcy petition by or against the Collection Agent under any bankruptcy law. Each Collection Agent has not authorized the filing of and is not aware (after due inquiry) of any financing statement against it that includes a description of collateral including the Customer Rate Relief Property

applicable to the Collection Agent's Customers other than any financing statement filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents.

(ii) Financing Order, Securitization Law and Collection Agent Tariff; Other Approvals. To the knowledge of each Collection Agent, on the Closing Date, under the laws of the State and the United States in effect on the Closing Date, (a) the Financing Order is in full force and effect and is not subject to modification by the Commission except relating to True-Up Adjustments; (b) the process by which the Financing Order was adopted and approved, and the Financing Order complies with all applicable laws, rules and regulations; and (c) no other approval, authorization, consent, order or other action of, or filing with any Governmental Authority is required of the Collection Agent in connection with the creation of the Customer Rate Relief Property applicable to the Collection Agent's Customers, except those that have been obtained or made.

Covenants of the Collection Agent

In the Collection and Reporting Agreements, each Collection Agent has covenanted and agreed, amongst other covenants and agreements, as follows:

- No Liens. Except for the conveyances under the Collection and Reporting Agreement or any Lien under Section 104.371 of the Texas Utilities Code in favor of the Indenture Trustee for the benefit of the Holders and any Lien that may be granted under the Basic Documents, the Collection Agent will not sell, pledge, assign or transfer, or grant, create, incur, assume or suffer to exist any Lien on, any of the Customer Rate Relief Property, or any interest therein, and the Collection Agent will defend the right, title and interest of the Issuer and the Indenture Trustee, on behalf of the Secured Parties, in, to and under the Customer Rate Relief Property applicable to the Collection Agent's Customers against all claims of third parties claiming through or under the Collection Agent. Each Collection Agent, in their capacity as Collection Agent, will not at any time assert any Lien against, or with respect to, any of the Customer Rate Relief Property.

- Delivery of Collections. In the event that the Collection Agent receives any CRRC Collections or other payments in respect of the Customer Rate Relief Charge or the proceeds thereof other than in its capacity as Collection Agent, the Collection Agent agrees to pay to the Indenture Trustee, on behalf of the Issuer, all payments received by it in respect thereof as soon as practicable after receipt thereof. Prior to such remittance to the Indenture Trustee by the Collection Agent, the Collection Agent agrees that such amounts are held by it in trust for the Issuer and the Indenture Trustee. If the Collection Agent becomes a party to any trade receivables purchase and sale arrangement or similar arrangement under which it sells all or any portion of its accounts receivables, the Collection Agent and the other parties to such arrangement must enter into an intercreditor agreement in connection therewith and the terms of the documentation evidencing such trade receivables purchase and sale arrangement or similar arrangement must expressly exclude Customer Rate Relief Charge from any receivables or other assets pledged or sold under such arrangement.

- Notice of Liens. The Collection Agent must notify the Issuer, the Commission and the Indenture Trustee promptly after becoming aware of any Lien on any of the Customer Rate Relief Property applicable to the Collection Agent's Customers, other than any Lien under the Basic Documents or any Lien under Section 104.371 of the Texas Utilities Code created in favor of the Indenture Trustee for the benefit of the Holders.

- Covenants Related to Customer Rate Relief Bonds and Customer Rate Relief Property. So long as any of the Customer Rate Relief Bonds are Outstanding, the Collection Agent will: (i) treat the Customer Rate Relief Property as the Issuer's property for all purposes (including, without limitation, financial reporting, state and federal regulatory and tax purposes); (ii) disclose in its financial statements that the Issuer and not the Collection Agent is the owner of the Customer Rate Relief Property and that the assets of the Issuer are not available to pay creditors of the Collection Agent or its Affiliates; (iii) not own or purchase any Customer Rate Relief Bonds; and (iv) in all proceedings relating directly or indirectly to the Customer Rate Relief Property, (a) affirmatively certify and confirm that it has no ownership interest in and to such property, (b) not make any statement or reference in respect of the Customer Rate Relief Property that is inconsistent with the ownership interest of the Issuer, and (c) not take any action in respect of the Customer Rate Relief Property

except solely in its capacity as the Collection Agent on behalf of the Issuer and the Commission pursuant to the Collection and Reporting Agreement or as otherwise contemplated by the Basic Documents.

- Taxes. So long as any of the Customer Rate Relief Bonds are outstanding, the Collection Agent will, and will cause each of its subsidiaries to, pay all taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Customer Rate Relief Property applicable to the Collection Agent's Customers; provided that no such tax need be paid if the Collection Agent or one of its subsidiaries is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Collection Agent or such subsidiary has established appropriate reserves as are required in conformity with generally accepted accounting principles.

- Tariff. Within one (1) Business Day of receipt of the Notice of Initial Charge, the Collection Agent must electronically file, in accordance with 16 Tex. Admin. Code Part 1, Chapter 7, Rule 7.315, an updated Tariff that reflects the initial Customer Rate Relief Charge set forth in the Notice of Initial Charge. The Collection Agent will make all reasonable efforts to keep its Tariff in full force and effect at all times so long as any Customer Rate Relief Bonds remain Outstanding.

- Notice of Breach. Promptly after obtaining knowledge thereof, in the event of a breach in any material respect of any of the Collection Agent's representations, warranties or covenants contained in the Collection and Reporting Agreement, the Collection Agent will promptly notify the Central Servicer, the Issuer, the Indenture Trustee, and the Commission of such breach. For the avoidance of doubt, any breach which would adversely affect scheduled payments on the Customer Rate Relief Bonds will be deemed to be a material breach for purposes of the foregoing.

Remittances

Each Collection Agent agrees and acknowledges that it will hold all CRRC Payments collected by it and any other proceeds for the portion of the Customer Rate Relief Bond Collateral received by it for the benefit of the Indenture Trustee and the Holders and that all such amounts will be remitted by the Collection Agent in accordance with the Collection and Reporting Agreement, without any surcharge, fee, offset, charge or other deduction except as described in the Collection and Reporting Agreement for reconciliation of Remittance Shortfalls or Excess Remittance in accordance with the methodology described in clause (ii) of "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Large Participating Gas Utilities*" herein. The Collection Agent further agrees not to make any claim to reduce its obligation to remit all CRRC Payments collected by it in accordance with the Collection and Reporting Agreement except as described in the Collection and Reporting Agreement for reconciliation of Remittance Shortfalls or Excess Remittance for any Reconciliation Period. See "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents*" herein.

Collection Agent Defaults and Remedies

Pursuant to each Collection and Reporting Agreement, each of the following events constitutes a "**Collection Agent Default**":

(i) any failure by the Collection Agent to remit to the Indenture Trustee for deposit to the Collection Account on behalf of the Issuer any required remittance that continues unremedied for a period of two (2) Business Days after (a) written notice of such failure is received by the Collection Agent from the Central Servicer, the Issuer, the Commission or the Indenture Trustee or (b) pursuant to the requirements in "– Notice of Collection Agent Default" below, written notice is delivered to the Central Servicer of the discovery of such failure by an officer of the Collection Agent; or

(ii) any failure on the part of the Collection Agent or an Affiliate thereof duly to observe or to perform in any material respect any covenants or agreements of the Collection Agent set forth in the Collection and Reporting Agreement (other than as provided in clause (i) above), which failure shall (a) materially and adversely affect the rights of the Holders and (b) continue unremedied for a period of sixty (60) days after the date on which (A) written notice of such failure, requiring the same to be remedied, is given to the Collection Agent by the Central Servicer or the Issuer (with a copy to the Indenture Trustee) or to the Collection Agent by the Indenture Trustee or (B) pursuant to the

Collection and Reporting Agreement, written notice of the discovery of such failure is delivered to the Central Servicer by an officer of the Collection Agent; or

(iii) any representation or warranty made by the Collection Agent in Collection and Reporting Agreement proves to have been incorrect when made, which has a material adverse effect on the Holders and which material adverse effect continues unremedied for a period of sixty (60) days after the date on which (a) written notice thereof, requiring the same to be remedied, is delivered to the Collection Agent (with a copy to the Indenture Trustee, the Issuer, and the Commission) by the Central Servicer, the Issuer or the Indenture Trustee or (b) pursuant to the requirements in "– Notice of Collection Agent Default" described below, written notice of the discovery of such failure is delivered to the Central Servicer by an officer of the Collection Agent; or

(iv) an Insolvency Event occurs with respect to the Collection Agent;

and to the extent any of the events (i) through (iv) above occurs and is continuing, then the Central Servicer or the Issuer, and the Indenture Trustee (upon the instruction of the Holders evidencing not less than a majority of the Outstanding Amount of the Customer Rate Relief Bonds) must, take all appropriate action, including without limitation the following:

(A) give notice in writing to the Commission of such Collection Agent Default and make demand upon the Commission to enforce the obligations of the Collection Agent under the terms of the Collection and Reporting Agreement and the Financing Order and, if directed by the Commission, give notice in writing to the Collection Agent (a "**Collection Agent Termination Notice**"), to terminate all the rights and obligations (other than the obligations described under "– Appointment of Successor" to continue performing its functions as Collection Agent until a successor Collection Agent is appointed) of the Collection Agent under the Collection and Reporting Agreement, in which case the Commission will designate the successor Collection Agent; or

(B) apply to the State district court of Travis County, Texas for sequestration and payment of Revenues arising with respect to the Customer Rate Relief Property applicable to the Collection Agent's Customers.

On or after the receipt by the Collection Agent of a Collection Agent Termination Notice, all authority and power of the Collection Agent under the Collection and Reporting Agreement, whether with respect to the Customer Rate Relief Bonds, the Customer Rate Relief Property applicable to the Collection Agent's Customers, the Customer Rate Relief Charge or otherwise, will, without further action, pass to and be vested in such successor Collection Agent as may be appointed pursuant to "– Appointment of Successor" below; and, without limitation, the Central Servicer, acting on behalf of the Issuer, is authorized and empowered to execute and deliver, on behalf of the predecessor Collection Agent, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Collection Agent Termination Notice, whether to complete the transfer of the Customer Rate Relief Property Records and related documents, or otherwise. The predecessor Collection Agent will cooperate with the successor Collection Agent, the Central Servicer, the Issuer, the Commission and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Collection Agent under the Collection and Reporting Agreement, including the transfer to the successor Collection Agent for administration by it of all Customer Rate Relief Property Records and all cash amounts that at the time will be held by the predecessor Collection Agent for remittance, or will thereafter be received by it with respect to the Customer Rate Relief Property applicable to the Collection Agent's Customers or the Customer Rate Relief Charge. As soon as practicable after receipt by the Collection Agent of such Collection Agent Termination Notice, the Collection Agent must deliver the Customer Rate Relief Property Records to the successor Collection Agent. In case a successor Collection Agent is appointed as a result of a Collection Agent Default, all reasonable costs and expenses (including reasonable attorney's fees and expenses) incurred in connection with transferring the Customer Rate Relief Property Records to the successor Collection Agent and amending the Collection and Reporting Agreement to reflect such succession as Collection Agent must be paid by the predecessor Collection Agent upon presentation of reasonable documentation of such costs and expenses.

Notice of Collection Agent Default

Each Collection Agent must deliver to the Central Servicer, the Issuer, the Indenture Trustee, and the Commission, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice of any event which with the giving of notice or lapse of time, or both, would become a Collection Agent Default as described in "– Collection Agent Defaults and Remedies" above.

Maintenance of Operations

Subject to the requirements described in "– Binding Effect of Collection Agent Obligations" and "– Appointment of Successor" herein, each Collection Agent agrees to continue, unless prevented by circumstances beyond its control, to operate and to provide natural gas service to Customers so long as it is acting as the Collection Agent under the Collection and Reporting Agreement.

Appointment of Successor

Upon the Collection Agent's receipt of a Collection Agent Termination Notice as described above in "– Collection Agent Defaults and Remedies," or the Collection Agent's resignation or removal in accordance with the terms of the Collection and Reporting Agreement, the predecessor Collection Agent must continue to perform its functions as Collection Agent under the Collection and Reporting Agreement until a successor Collection Agent has assumed in writing the obligations of the Collection Agent as described in this paragraph. In the event of a Collection Agent's removal or resignation under a Collection and Reporting Agreement, the Commission must appoint a successor Collection Agent, which satisfies the Rating Agency Condition, upon demand given pursuant to "– Collection Agent Defaults and Remedies" above. Any successor Collection Agent must accept its appointment by a written assumption of the Collection and Reporting Agreement in form reasonably acceptable to the Commission and the Issuer. If within thirty (30) days after the delivery of the Collection Agent Termination Notice, a new Collection Agent has not been appointed by the Commission, or the appointment of a successor Collection Agent does not satisfy the Rating Agency Condition, the Central Servicer, the Issuer or the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Collection Agent which satisfies the Rating Agency Condition. The Indenture Trustee's and Central Servicer's expenses incurred in connection with such appointment of a successor will be payable from the Collection Account as an Ongoing Financing Cost as provided in "SECURITY FOR THE BONDS – Flow of Funds" herein. Upon appointment, the successor Collection Agent will be the successor in all respects to the predecessor Collection Agent and will be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Collection Agent.

Cooperation with Successor

Each Collection Agent covenants and agrees with the Central Servicer that it will, on an ongoing basis, cooperate with any successor Collection Agent and provide whatever information is, and take whatever actions are, reasonably necessary to assist any such successor Collection Agent in performing its obligations under the Collection and Reporting Agreement.

Waiver of Past Defaults

The Holders evidencing not less than a majority of the Outstanding Amount of the Bonds, after prior notice to the Commission and the receipt of the Commission's consent, may, on behalf of all Holders, direct the Indenture Trustee to direct the Central Servicer to waive in writing any default by the Collection Agent in the performance of its obligations under a Collection and Reporting Agreement and its consequences, except a default in making any required deposits to the Indenture Trustee for deposit in the Collection Account in accordance with such Collection and Reporting Agreement. Upon any such waiver of a past default, such default ceases to exist, and any Collection Agent Default arising therefrom will be deemed to have been remedied for every purpose of such Collection and Reporting Agreement. No such waiver extends to any subsequent or other default or impair any right consequent thereto.

Third-Party Beneficiaries and Enforcement

Each of the Indenture Trustee, the Holders, the Commission and the Issuer are third-party beneficiaries of each Collection and Reporting Agreement and are entitled to seek enforcement of the terms of each Collection and Reporting Agreement as if each were a party thereto. The Issuer, as a third-party beneficiary of each Collection and Reporting Agreement has collaterally assigned its rights thereunder (other than the Issuer's Unassigned Rights) to the Indenture Trustee as a portion of the Customer Rate Relief Bond Collateral under the Indenture.

THE INDENTURE

In addition to the description of certain provisions of the Indenture contained elsewhere herein, the following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to the Indenture for the detailed provisions thereof.

Reports to Holders

Pursuant to the Indenture, so long as Bonds are Outstanding and the Indenture Trustee is the Bond Registrar and Paying Agent, upon the written request of any Holder or the Issuer, within the prescribed period of time for tax reporting purposes after the end of each calendar year, the Indenture Trustee must deliver to each relevant current or former Holder such information in its possession as may be required to enable such Holder to prepare its federal income and any applicable local or state tax returns. If the Bond Registrar and Paying Agent is other than the Indenture Trustee, such Bond Registrar and Paying Agent, within the prescribed period of time for tax reporting purposes after the end of each calendar year, must deliver to each relevant current or former Holder such information in its possession as may be required to enable such Holder to prepare its federal income and any applicable local or state tax returns.

On or prior to each Payment Date, the Indenture Trustee will make available electronically on its website to each Holder on such Payment Date a statement, as prepared and provided by the Central Servicer, which will include (to the extent applicable) the following information as to the Bonds with respect to such Payment Date or Special Payment Date the period since the previous Payment Date, as applicable:

(i) the amount of the payment to Holders allocable to principal, if any;

(ii) the amount of the payment to Holders allocable to interest;

(iii) the aggregate Outstanding Amount of such Bonds, before and after giving effect to any payments allocated to principal reported under clause (i) above;

(iv) the difference, if any, between the amount specified in clause (iii) above and the Outstanding Amount specified in the related Expected Amortization Schedule;

(v) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Central Servicer; and

(vi) the amounts on deposit in each of the Accounts and Subaccounts held by the Indenture Trustee under the terms of the Indenture, after giving effect to the foregoing payments.

Certain Agreements and Covenants of the Issuer

General Agreements and Covenants. In the Indenture, the Issuer agrees or covenants, among other things, to the following:

- Enforcement of Rights: to cooperate with the Indenture Trustee in enforcing the Issuer's rights to the Customer Rate Relief Property (and protecting the Customer Rate Relief Bond Collateral as described in the Indenture) and not to permit any amendment to the Servicing Agreement or the Collection and Reporting Agreements other than in accordance with the terms of the Indenture and of each such respective agreement; furthermore, so long as no Event of Default under "– Events of Default" has occurred or is continuing, the Issuer may exercise all its rights to the Customer Rate Relief Property, including any of its rights under the Servicing Agreement and the Collection and Reporting Agreements, but the Issuer, or, at any time, the Indenture Trustee on its own and the Issuer's behalf pursuant to the Indenture will do so only for the benefit of the Indenture Trustee and the Bondholders;

- Further Assurances: except to the extent otherwise provided in the Indenture, not to enter into any contract or take any action by which the rights of the Indenture Trustee or the Holders may be materially adversely impaired and, from time to time, to execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture and to receive all amounts necessary from the Customer Rate Relief Property to meet the Issuer's obligations under the terms of the Indenture;

- Administration Expenses: to pay the amounts required to be paid to the Indenture Trustee under the terms of the Indenture from amounts received by the Issuer as legal owner of the Customer Rate Relief Property, subject to the availability of funds under "SECURITY FOR THE BONDS – Flow of Funds" herein; additionally, the Issuer's reasonable actual out-of-pocket expenses, including without limitation the Issuer's Up-Front Financing Costs in connection with the Bonds, will be paid out of money in the Up-Front Financing Costs Account or out of funds available to the Indenture Trustee under "SECURITY FOR THE BONDS – Flow of Funds" herein;

- Money to be Held in Trust: that, (A) except for (i) money deposited with or paid to the Indenture Trustee as described under "– Satisfaction and Discharge of the Indenture; Defeasance" below and (ii) amounts deposited to the Up-Front Financing Costs Account, the Issuer Expense Reserve Account and the Regulatory Asset Account, all money required to be deposited with or paid to the Indenture Trustee or any Paying Agent for deposit into the Collection Account under the Indenture and all money withdrawn from the Collection Account and held by any Paying Agent, must be held by the Indenture Trustee or such Paying Agent in trust and will constitute part of the Customer Rate Relief Bond Collateral and be subject to the Lien of the Indenture and (B) that if the Issuer receives any money pursuant to the Servicing Agreement or the Collection and Reporting Agreements (excluding amounts to the paid to the Indenture Trustee and the Issuer's Up-Front Financing Costs and other reasonable actual out-of-pocket expenses described under "– Administration Expenses" above), it will upon receipt thereof pay such money over to the Indenture Trustee to be held, administered and disbursed in accordance with the provisions of the Indenture; furthermore, if for any reason the Collection and Reporting Agreements cease to be in force and effect while any Bonds are outstanding, the Issuer agrees that if it receives any money derived from the Customer Rate Relief Property, it will upon receipt thereof pay the same over to the Indenture Trustee to be held, administered and disbursed by the Indenture Trustee in accordance with the provisions of the Collection and Reporting Agreements that would be applicable if the Collection and Reporting Agreements were then in force and effect, and if there be no such provisions which would be so applicable, then the Indenture Trustee will hold, administer and disburse such money solely for the discharge of the Issuer's obligations under the Indenture;

- Payment to Obtain Satisfaction and Discharge: that it may at any time, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other lawful purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent will be released from all further liability with respect to such money;

- Protection of Customer Rate Relief Bond Collateral: to execute, deliver and file, or cause the Indenture Trustee on its behalf, to execute, delivery and file, after being notified by the Issuer of the need for such action, from time to time all such supplements and amendments to the Indenture and all filings (including with the Commission pursuant to Financing Order or the Securitization Law) and all financing statements, continuation statements, instruments of further assurance and other instruments, and to take such other action within the time periods provided in the Indenture, necessary or reasonably advisable to: (i) maintain or preserve the Grant, Lien and security interest (and the priority thereof) of the Indenture or carry out more effectively the purposes thereof; (ii) perfect, publish notice of or protect the validity of any Grant made to or to be made by the Indenture; (iii) enforce any of the Customer Rate Relief Bond Collateral; (iv) preserve and defend title to the Customer Rate Relief Bond Collateral and the rights of the Indenture Trustee and the Holders in such Customer Rate Relief Bond Collateral against the Adverse Claims of all Persons and parties (after being indemnified to the Issuer's satisfaction) including, without limitation, the challenge by any party to the validity or enforceability of the Financing Order, any Tariff, the Customer Rate Relief Property or any related proceeding; (v) pay any and all taxes levied or assessed against any Customer Rate Relief Bond Collateral; and (vi) subject to the Securitization Law, institute any action or proceeding necessary to compel performance by the Commission or the State of any of its obligations or duties under the Securitization Law, the State Non-Impairment Pledge, or the Financing Order;

- Performance of Obligations; Servicing: subject to the availability of funds in the Collection Account (see "SECURITY FOR THE BONDS – Flow of Funds" herein) and the Financing Order, to (i) pursue diligently any and all actions to enforce its rights under each instrument or agreement included in the Customer Rate Relief Bond Collateral, (ii) not to take any action and use its best efforts not to permit any action to be taken by others that would release any Person from any such Person's covenants or obligations under any such instrument or agreement (including any Basic Document) or that would result in the amendment, hypothecation, subordination, termination or discharge of, or materially

impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in the Indenture, the Servicing Agreement, the Collection and Reporting Agreements or such other instrument or agreement; (iii) punctually perform and observe all of its obligations and agreements contained in the Basic Documents and in the instruments and agreements included in the Customer Rate Relief Bond Collateral in all material respects; and (iv) promptly following its actual knowledge of a Collection Agent Default under any of the Collection and Reporting Agreements or a Central Servicer Default under the Servicing Agreement, to give written notice thereof to the Indenture Trustee, the Commission and the Rating Agencies, and to specify in such notice the response or action, if any, the Issuer has taken or is taking with respect to such default;

- Notice of Central Servicer or Collection Agent Defaults: if a Central Servicer Default arises from the failure of the Central Servicer to perform any of its duties or obligations under the Servicing Agreement (see "THE SERVICING AGREEMENT – Central Servicer Defaults" herein) or if a Collection Agent Default arises from the failure of the applicable Collection Agent to perform any of its duties or obligations under the applicable Collection and Reporting Agreement (see "THE COLLECTION AND REPORTING AGREEMENTS – Collection Agent Defaults and Remedies" herein), the Issuer must take all reasonable steps available to it to remedy such failure and will request that the Commission enforce the terms of the Financing Order with respect to the Servicing Agreement and the relevant Collection and Reporting Agreements, as the case may be; and

- Commission Failure: if a Central Servicer Default arises from the failure of the Central Servicer to perform any of its duties or obligations under the Servicing Agreement or if a Collection Agent default arises from the failure of the applicable Collection Agent to perform any of its duties or obligations under the applicable Collection and Reporting Agreement, the Issuer will take all reasonable steps available to it to remedy such failure and will request that the Commission enforce the terms of the Financing Order with respect to the Servicing Agreement and the relevant Collection and Reporting Agreements, as the case may be. If the Commission fails to meet its obligations under the Financing Order or the Servicing Agreement, the Issuer will take all reasonable steps to remedy such failure and cause the Commission to meet its obligations under the Financing Order and the Servicing Agreement, as applicable.

Certain Negative Covenants. Pursuant to the Indenture, so long as the Bonds are Outstanding, the Issuer will not:

- except as expressly permitted by the Indenture and the other Basic Documents, sell, transfer, exchange or otherwise Grant or dispose of, or assign any interest in, any of the Customer Rate Relief Bond Collateral (or purport to do so), unless directed to do so by the Indenture Trustee in accordance with the Indenture;

- claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the Bonds (other than amounts properly withheld from such payments under the Code or other laws) or assert any claim against any present or former Holder by reason of the payment of the taxes levied or assessed upon any part of the Customer Rate Relief Bond Collateral or issue or guaranty any debt, swap, hedge or similar financial arrangement or obligation that would directly or by reason of default and judgement allow recourse against the Customer Rate Relief Property by any creditor thereunder;

- permit the validity or effectiveness of the Indenture or the other Basic Documents to be materially impaired, or permit the Lien of the Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any material covenants or obligations with respect to the Bonds under the Indenture except as may be expressly permitted thereby;

- permit any Lien (other than the Lien of the Indenture) to be created on or extend to or otherwise arise upon or burden the Customer Rate Relief Bond Collateral or any part thereof or any interest therein or the proceeds thereof;

- wind up or dissolve its operations, file a voluntary petition under federal bankruptcy law or become a debtor under federal bankruptcy law before the date that is two years and one day after the date the Issuer no longer has any payment obligation with respect to the Bonds; or

- take any action which is subject to a Rating Agency Condition without satisfying the Rating Agency Condition.

Events of Default

Pursuant to the Indenture, any one or more of the following events (each an "**Event of Default**") (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) will constitute an Event of Default thereunder:

(i) default in the payment of any interest on any Bond when the same becomes due and payable (whether such failure to pay interest is caused by a shortfall in Customer Rate Relief Charges received or otherwise);

(ii) default in the payment of the then unpaid principal of any Bond of any Tranche on the Final Maturity Date for such Tranche;

(iii) default in the observance or performance of any covenant or agreement of the Issuer made in the Indenture (other than defaults specified in clauses (i) or (ii) above), and such default continues or is not cured, for a period of 30 days after the earlier of (A) the date that there is given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least 25% of the Outstanding Amount of the Bonds, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture or (B) the date that the Issuer has actual knowledge of the default;

(iv) any representation or warranty of the Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proving to have been incorrect in any material respect as of the time when the same was made, and the circumstance or condition in respect of which such representation or warranty was incorrect has not been eliminated or otherwise cured, within 30 days after the earlier of (A) the date that there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least 25% of the Outstanding Amount of the Bonds, a written notice specifying such incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" thereunder or (B) the date the Issuer has actual knowledge of the default;

(v) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the Customer Rate Relief Bond Collateral in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Customer Rate Relief Bond Collateral, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order remains unstayed and in effect for a period of 90 consecutive days;

(vi) the commencement by the Issuer of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case or proceeding under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Customer Rate Relief Bond Collateral, or the making by the Issuer of any general assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing; or

(vii) any act or failure to act by the State or any of its agencies or instrumentalities (including the Commission, the Authority, or the Issuer), officers or employees which violates or is not in accordance with the Financing Order or the State Non-Impairment Pledge.

Non-Event of Default

Failure to pay principal in accordance with the Expected Amortization Schedule because money is not available pursuant to the Indenture (see "SECURITY FOR THE BONDS – Flow of Funds" herein) to make such payments will not constitute an Event of Default under the Indenture; except that failure to pay the entire unpaid principal amount of the Bonds of a Tranche upon the Final Maturity Date of the Tranche will constitute an Event of Default.

Collection of Indebtedness and Suits for Enforcement by Indenture Trustee

If an Event of Default under clauses (i) or (ii) described in "– Events of Default" above has occurred and is continuing, but subject to the provisions set forth within "– Control of Proceedings by Holders" below, the Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and, subject to the limitations on recourse set forth in the Indenture, may enforce the same against the Issuer or other obligor upon such Bonds and collect in the manner provided by law out of the Customer Rate Relief Bond Collateral and the proceeds thereof, wherever situated the money payable, or the whole amount then due and payable on the Bonds for principal, premium, if any, and interest, with interest upon the overdue principal and premium, if any, and, to the extent payment at such rate of interest is legally enforceable, upon overdue installments of interest, at the respective rate borne by Bonds or the applicable Tranche and in addition thereto such further amount sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

If an Event of Default occurs and is continuing, the Indenture Trustee will, as more particularly provided in "– Remedies; Priorities" below, in its discretion, proceed to protect and enforce its rights and the rights of the Holders, by such appropriate Proceedings as the Indenture Trustee deems most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by the Indenture or by law, including foreclosing or otherwise enforcing the Lien of the Customer Rate Relief Bond Collateral or applying to a court of competent jurisdiction for sequestration of Revenues arising with respect to such Customer Rate Relief Property.

If an Event of Default under clauses (v) or (vi) described in "– Events of Default" above has occurred and is continuing, the Indenture Trustee, irrespective of whether the principal of any Bonds is due and payable as therein expressed or otherwise and irrespective of whether the Indenture Trustee has made any demand in connection with the exercise of remedies pursuant to the Indenture (see "– Remedies; Priorities" below), will be entitled and empowered, by intervention in any Proceedings related to such Event of Default or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Holders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee in bankruptcy, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any money or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Holders and of the Indenture Trustee on their behalf;

(iv) to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Holders allowed in any judicial proceeding relative to the Issuer, its creditors and its property; and

(v) to participate as a member, voting or otherwise, of any official committee of creditors appointed in such matter.

Any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is authorized by each of such Holders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee consents to the

making of payments directly to such Holders, to pay to the Indenture Trustee such amounts sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

Nothing contained in the Indenture will be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Holder in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

All rights of action and of asserting claims under the Indenture or under any of the Bonds, may be enforced by the Indenture Trustee without the possession of any of the Bonds or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Bonds. In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of the Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee will be held to represent all the Holders of the Bonds, and it will not be necessary to make any Holder a party to any such Proceedings.

Remedies; Priorities

If an Event of Default occurs and is continuing, the Indenture Trustee may, and, if so directed in writing by the Holders of a majority of the Outstanding Amount, must do one or more of the following:

(i) institute Proceedings, including without limitation, those described in the Securitization Law, in its own name and as trustee of an express trust for the collection of all amounts then payable on the Bonds or under the Indenture with respect thereto, and enforce any judgment obtained, and collect from the Issuer in accordance with the terms of the Indenture, or any other obligor, moneys adjudged due upon such Bonds;

(ii) institute Proceedings or take non-Proceeding action under the UCC or other applicable law from time to time for the complete or partial foreclosure of the Indenture with respect to the Customer Rate Relief Bond Collateral;

(iii) exercise any other rights or remedies of a secured party under the UCC, the Securitization Law, the Financing Order or any other applicable law and take any other appropriate action to ensure timely payment of debt service on the Bonds or to protect and enforce the rights and remedies of the Indenture Trustee and the Holders of the Bonds;

(iv) exercise all rights, remedies, powers, privileges and claims of the Issuer or the Indenture Trustee as a third-party beneficiary under the Servicing Agreement and the Collection and Reporting Agreements, against the Central Servicer and the Collection Agents, as the case may be, under or in connection with, and pursuant to the terms of, the Servicing Agreement or the Collection and Reporting Agreements;

provided, however, that the Indenture Trustee may not exercise any remedy available under law to sell or otherwise liquidate any portion of the Customer Rate Relief Bond Collateral following such an Event of Default, unless (A) the Holders of all of the Outstanding Amount of the Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Holders are sufficient to discharge in full all amounts then due and unpaid upon such Bonds for principal, premium, if any, and interest after taking into account payment of all amounts due prior thereto pursuant to the priorities set forth in "SECURITY FOR THE BONDS – Flow of Funds" herein (without regard to any amount limitation therein) or (C) the Indenture Trustee determines that the Customer Rate Relief Bond Collateral will not continue to provide sufficient funds for all payments on the Bonds as they become due, and the Indenture Trustee obtains the written consent of Holders of 66-2/3% of the Outstanding Amount. In determining such sufficiency or insufficiency with respect to clauses (B) and (C), the Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Customer Rate Relief Bond Collateral for such purpose.

If an Event of Default under clause (vii) described under "– Events of Default" above occurs and is continuing, the Indenture Trustee, for the benefit of the Secured Parties, will be entitled and empowered to the extent permitted by

applicable law, to institute or participate in Proceedings necessary to compel performance of or to enforce the State Non-Impairment Pledge and to prosecute any such Proceeding to final judgment or decree.

If the Indenture Trustee collects any money pursuant to actions in connection with an Event of Default, it must pay out such money in accordance with the priorities set forth in the Indenture and described under "SECURITY FOR THE BONDS – Flow of Funds" herein (without regard to any amount limitation therein).

Remedies – Limitation of Suits

No Holder of any Bond will have any right to institute any Proceeding, judicial or otherwise, to avail itself of any remedies provided in the Securitization Law or otherwise enforce the Lien and the security interest on the Customer Rate Relief Bond Collateral with respect to the Indenture, or for any other remedy thereunder, unless:

(i) such Holder previously has given written notice to the Indenture Trustee of a continuing Event of Default;

(ii) the Holders of not less than a majority of the Outstanding Amount of the Bonds have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee under the Indenture;

(iii) such Holder or Holders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request;

(iv) the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and

(v) no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the Holders of a majority of the Outstanding Amount of the Bonds;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner therein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders, each representing less than a majority of the Outstanding Amount of the Bonds, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of the Indenture.

Control of Proceedings by Holders

The Holders of not less than a majority of the Outstanding Amount of the Bonds of an affected Tranche shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Bonds of such Tranche or Tranches or exercising any trust or power conferred on the Indenture Trustee with respect to such Tranche or Tranches; provided that:

(i) such direction shall not be in conflict with any rule of law or with the Indenture and shall not cause the Indenture Trustee to incur any expense or be subject to any liability in its personal capacity;

(ii) subject to other conditions specified under "– Remedies; Priorities" above, any direction to the Indenture Trustee to sell or liquidate any Customer Rate Relief Bond Collateral shall be by the Holders representing all of the Outstanding Bonds;

(iii) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction;

(iv) subject to "– Satisfaction and Discharge of the Indenture; Defeasance," "– Conditions to Defeasance" and other provisions of the Indenture relating to satisfaction, discharge and defeasance, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Holders not consenting to such action; and

(v) without limiting the foregoing provisions, the Indenture Trustee will not be required to take any action for which it reasonably believes that it will not be indemnified to its satisfaction against any cost, expense or liabilities.

Waiver of Past Defaults

The Holders representing not less than a majority of the Outstanding Amount of the Bonds of an affected Tranche may, by written notice to the Indenture Trustee, waive any past Default or Event of Default and its consequences except a Default (a) in payment of principal, or premium, if any, or interest on any of the Bonds or (b) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Holder of each Bond of all Tranches affected. In the case of any such waiver, the Issuer, the Indenture Trustee and the Holders will be restored to their former positions and rights thereunder, respectively; but no such waiver extends to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default will cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom will be deemed to have been cured and not to have occurred, for every purpose of the Indenture; but no such waiver extends to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Modifications and Supplements to Indenture that Do Not Require the Consent of the Holders

Without the consent of the Holders of any Bonds but with prior notice to the Rating Agencies, the Issuer and the Indenture Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property, including, without limitation, the Customer Rate Relief Bond Collateral, at any time subject to the Lien of the Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the Lien of the Indenture, or to subject to the Lien of the Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions of the Indenture, of another person to the Issuer, and the assumption by any such successor of the covenants of the Issuer in the Indenture and in the Bonds;

(iii) to add to the covenants of the Issuer, for the benefit of the Secured Parties, or to surrender any right or power conferred in the Indenture upon the Issuer; provided that such action must not, as evidenced by an Opinion of Counsel of Bond Counsel, adversely affect in any material respect the interests of the Holders of the Bonds;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee for the benefit of the Secured Parties;

(v) to cure any ambiguity or manifest error, to correct or supplement any provision in the Indenture or in any supplemental indenture, which may be inconsistent with any other provision therein or in any supplemental indenture, or to make any other provisions with respect to matters or questions arising under the Indenture or in any supplemental indenture; provided that (i) such action must not, as evidenced by an Opinion of Counsel of Bond Counsel, adversely affect in any material respect the interests of the Holders of the Bonds and (ii) the Rating Agency Condition must have been satisfied with respect thereto;

(vi) to evidence and provide for the acceptance of the appointment under the Indenture by a successor Indenture Trustee with respect to the Bonds and to add to or change any of the provisions of the Indenture necessary to facilitate the administration of the trusts thereunder by more than one Indenture Trustee, pursuant to the requirements of the Indenture;

(vii) to qualify the Bonds of any Tranche for listing on a securities exchange or registration with a Clearing Agency;

(viii) to satisfy any Rating Agency requirements or criteria or to maintain, or improve upon, the existing ratings on the Bonds; provided that such action must not, as evidenced by an Opinion of Counsel of Bond Counsel, adversely affect in any material respect the interests of the Holders of the Bonds; or

(ix) to make any amendment to the Indenture or the Bonds relating to the transfer and legending of the Bonds to comply with applicable securities laws.

The Indenture Trustee is authorized under the Indenture to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

The Issuer and the Indenture Trustee, when authorized by an Issuer Order, may, also without the consent of any of the Holders of the Bonds, enter into an indenture or supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Holders of the Bonds under the Indenture; provided, however, that (i) such action must not, as evidenced by an Opinion of Counsel of Bond Counsel, adversely affect in any material respect the interests of any Holder and (ii) the Rating Agency Condition must have been satisfied with respect thereto.

Modifications and Supplements to Indenture that Require the Consent of the Holders

The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with prior notice to the Rating Agencies and with the written consent of the Holders of not less than a majority of the Outstanding Amount of the Bonds of each Tranche to be affected, enter into an indenture or supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Holders of the Bonds under the Indenture; but no such supplemental indenture shall, without the consent of the Holder of each Outstanding Customer Rate Relief Bond of each Tranche affected thereby:

(i) change the date of payment of any installment of principal of or premium, if any, or interest on any Customer Rate Relief Bond of such Tranche, or reduce the principal amount thereof, the interest rate thereon or premium, if any, with respect thereto, change the provisions of the Indenture relating to the application of collections on, or the proceeds of the sale of, the Customer Rate Relief Bond Collateral to payment of principal of or premium, if any, or interest on the Bonds, or change any place of payment where, or the coin or currency in which, any Customer Rate Relief Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of the Indenture requiring the application of funds available therefor in accordance with the Indenture, to the payment of any such amount due on the Bonds on or after the respective due dates thereof;

(ii) reduce the percentage of the Outstanding Amount of the Bonds or of a Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture; or modify the proviso to the definition of "Outstanding";

(iii) reduce the percentage of the Outstanding Amount of the Bonds required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Customer Rate Relief Bond Collateral as described under "– Remedies; Priorities" above;

(iv) modify any provision of "– Modifications and Supplements to Indenture that Require the Consent of the Holders" except to increase any percentage specified herein or to provide that those provisions of the Indenture or the other Basic Documents referenced in "– Modifications and Supplements to Indenture that Require the Consent of the Holders" cannot be modified or waived without the consent of the Holder of each Outstanding Customer Rate Relief Bond affected thereby;

(v) modify any of the provisions of the Indenture in such manner as to affect the calculation of the amount of any payment of interest, principal or premium, if any, due on any Customer Rate Relief Bond on any Payment Date (including the calculation of any of the individual components of such calculation) or change the Expected Amortization Schedules (other than, in the case of the redemption of any portion of any Tranche of Customer Rate Relief Bonds at the option of the Issuer, in accordance with the Indenture) or Final Maturity Dates of any Tranche of Bonds;

(vi) decrease the Required Reserve Level or the Issuer Expense Reserve Level;

(vii) modify the provisions of the Indenture regarding the voting of the Bonds held by the Issuer, any other obligor of the Bonds, or any Affiliate of any of the foregoing Persons;

(viii) decrease the percentage of the aggregate principal amount of Bonds or affected Tranche required to amend the sections of the Indenture which specify applicable percentages of the aggregate principal amount of the Bonds necessary to amend the Indenture;

(ix) permit the creation of any Lien ranking prior to or on a parity with the Lien of the Indenture with respect to any part of the Customer Rate Relief Bond Collateral or, except as otherwise permitted or contemplated in the Indenture, terminate the Lien of the Indenture on any property at any time

subject thereto or deprive the Holder of any Bond of the security provided by the Lien of the Indenture; or

(x) cause any material adverse federal income tax consequence to the Issuer, the Indenture Trustee or the then existing Holders.

It is not necessary for any consent of Holders to approve the form of any proposed supplemental indenture, but it is sufficient if such Holders approve the substance thereof.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture, the Issuer shall mail to the Rating Agencies and the Holders of the Bonds to which such supplemental indenture relates a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

Satisfaction and Discharge of the Indenture; Defeasance

Subject to the provisions set forth in "– Conditions to Defeasance" below, the Indenture will cease to be of further effect with respect to the Bonds and the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer (subject to the availability of funds as provided under "SECURITY FOR THE BONDS – Flow of Funds" and the Financing Order), must execute proper instruments acknowledging satisfaction and discharge of the Indenture with respect to such Bonds (the "**Legal Defeasance Option**"), when:

(i) the payment of the Bonds has been provided for by the Issuer irrevocably depositing Sufficient Assets with the Indenture Trustee, which will be held in trust in a separate escrow account and applied exclusively to the payment of the Bonds as the Bonds become payable in accordance with the terms of the Indenture;

(ii) the Issuer and the Indenture Trustee have received an Opinion of Counsel from Bond Counsel to the effect that: (A) such deposit of Sufficient Assets by the Issuer complies with State Law; and (B) all conditions precedent to such Bonds being deemed discharged have been satisfied;

(iii) the Issuer has paid or caused to be paid all other sums payable under the Indenture by the Issuer; and

(iv) the Indenture Trustee has received such other documentation and assurance as it may reasonably request with respect to the defeasance of such Bonds.

Upon satisfaction of the conditions to the exercise of the Legal Defeasance Option set forth above, the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer, must execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

Conditions to Defeasance

The Issuer may exercise the Legal Defeasance Option if, in addition to the requirements under "– Satisfaction and Discharge of the Indenture; Defeasance" above:

(i) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(ii) the Issuer delivers to the Indenture Trustee a certificate or report from Independent public accountants of national reputation, expressing their opinion that the payments of principal and interest when due and without reinvestment of the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts as will be sufficient to pay in respect of the Bonds (a) principal as it becomes payable in accordance with the terms of the Indenture, (b) interest when due and (c) all other sums payable hereunder by the Issuer with respect to such Bonds;

(iii) the Issuer has delivered to the Indenture Trustee an Opinion of Counsel of Bond Counsel stating that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (b) since the date of execution of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion must confirm that, the Holders of the Bonds will not recognize income, gain or loss for federal tax purposes as a result of such legal defeasance and will be subject to federal and tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred; and

(iv) the Rating Agency Condition has been satisfied.

No Personal Recourse

No recourse will be had for any claim based on the Servicing Agreement, the Collection and Reporting Agreements, the Indenture or the Bonds against any member, officer or employee, past, present or future, of the Issuer or of any successor body as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

THE INDENTURE TRUSTEE

The Indenture Trustee for the Bonds is U.S. Bank Trust Company, National Association. The address of the principal office of the Indenture Trustee is 190 S. LaSalle Street, 7th Floor, Chicago, Illinois 60603.

The Indenture Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Issuer not fewer than sixty (60) days before the date when it is to take effect; provided that notice of such resignation is mailed to the Bondholders not fewer than three (3) weeks prior to the date when the resignation is to take effect, and such resignation will take effect only upon the appointment and acceptance of a successor trustee having certain qualifications set forth in the Indenture. The Indenture Trustee may be removed at any time upon at least 30 days' written notice by an instrument appointing a successor trustee, executed by either (a) the Issuer, if and so long as no Default under the Indenture has occurred and is continuing, or (b) the Registered Owners of a majority in principal amount of the Bonds then Outstanding and filed with the Indenture Trustee and the Issuer. Such removal will take effect only upon the appointment and acceptance of a successor trustee by the Issuer pursuant to the Indenture, which shall mail notice of such appointment to the Bondholders. If a successor trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer, or the Holders of at least 25% in principal amount of the outstanding Bonds may petition a court of competent jurisdiction for the appointment of a successor trustee.

The Indenture Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers or employees, and will be entitled to rely on the advice of Counsel concerning all questions under the Indenture. The Indenture Trustee is not answerable for the default, negligence or misconduct of any attorney or agent selected by it with reasonable care. Except as otherwise provided in the Indenture, the Indenture Trustee is not answerable for the exercise of any discretion or power under the Indenture nor for anything whatsoever in connection with the trust thereunder, except only its own willful misconduct or negligence.

The Indenture Trustee is under no obligation (i) to take any action or exercise any of the rights or powers vested in it by the Indenture or the Basic Documents at the request or direction of any of the Bondholders pursuant to the Indenture or (ii) to institute, conduct or defend any litigation under or pursuant to the Indenture or in relation to the Indenture or under the Indenture or to investigate any matter, at the request, order or direction of any of the Holders pursuant to the provisions of the Indenture or otherwise, unless such Bondholders have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred in compliance with such request or direction. The Indenture Trustee is not responsible for the validity or adequacy of the Indenture or the Bonds, is not accountable for the Issuer's use of the proceeds from the Bonds, and is not responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Bonds or in the Bonds other than the Indenture Trustee's certificate of authentication. The Indenture Trustee is not liable for the default or misconduct of the Issuer, the Commission, or the Central Servicer or any other Person under the Basic Documents or otherwise, and the Indenture Trustee has no obligation or liability to perform the obligations of such Persons.

ADMINISTRATIVE SERVICES AGREEMENT

The Authority and the Issuer have entered into an Administrative Services Agreement to provide administrative and support services necessary for the Issuer to issue and sell the Bonds pursuant to the Financing Order, to perform ongoing responsibilities of the Issuer while the Bonds are outstanding and to otherwise fulfill the Issuer's purpose under the Securitization Law and the Financing Order.

Scope of Services

During the term of the Administrative Services Agreement, the Authority will provide, among others, the following services to the Issuer:

(i) coordinate with the Commission to fulfill the request made pursuant to the Financing Order;

(ii) coordinate with the Central Servicer to fulfill the requirements under the Servicing Agreement and the Continuing Disclosure Agreements;

(iii) provide recommendations on the structure and terms and conditions for the Bonds;

(iv) establish and administer on behalf of the Issuer a SEC Rule 17g-5 compliant data room;

(v) prepare and file on behalf of the Issuer all pre-issuance and post-issuance filing reports required under the documents relating to the Bond financing, including without limitation, the Indenture, Servicing Agreement, Bond Purchase Agreement, Collection and Reporting Agreements, Continuing Disclosure Agreements, rating agency engagement letters and agreement for a SEC Rule 17g-5 compliance data room (collectively, the "**Bond Transaction Documents**");

(vi) assist in all matters incidental to the issuance and administration of the Bonds, including under the Bond Transaction Documents to which the Issuer is a party;

(vii) maintain the Issuer's business and corporate records;

(viii) participate in the preparation and negotiation of contracts for other goods and services as the Issuer determines necessary or advisable; and

(ix) perform any and all other administrative, professional and support services that are requested by the Board.

Term

The Administrative Services Agreement's initial term will begin on November 14, 2022, and will end on August 31, 2023, and will automatically renew for one-year periods beginning on September 1, 2023, and on each September 1 thereafter, unless written notice of non-renewal is given by a party to the other party at least sixty (60) days prior to such renewal date. For so long as the Bonds remain outstanding, no termination of the Administrative Services Agreement will become effective until the Issuer has either (a) hired its own staff to provide the services contemplated under the Administrative Services Agreement or (b) entered into an agreement with another entity to provide such services.

Delegation of Authority

The Issuer has delegated to the Authority's Executive Director the authority to, among other things, (a) establish bank accounts in the name of the Issuer approved by the Board and (b) take any and all administrative action to enter into contract for goods and services on behalf of the Issuer in accordance with the annual budget adopted by the Issuer.

RISK FACTORS

Please carefully consider all the information included in this Official Statement, including the risks described below before deciding to invest in the Bonds.

The Bonds are Limited Obligations

Holders may experience material payment delays or incur a loss on investment in the Bonds because the source of funds for payment is limited.

The Bonds are limited and special revenue obligations of the Issuer and are not a debt of the Participating Gas Utilities. The Bonds are not a debt, general obligation or pledge of the faith and credit of the State or of any county, municipality or any other political subdivision, agency or instrumentality of the State other than the Issuer as described herein. The Bonds are payable solely from the Customer Rate Relief Bond Collateral, including Revenues derived from the Customer Rate Relief Charges. The issuance of the Bonds does not obligate the State or any county, municipality or other political subdivision, agency or instrumentality of the State to levy any tax or make any appropriation for the payment of the Bonds. The Issuer has no taxing power. See "SECURITY FOR THE BONDS – Pledge of Customer Rate Relief Bond Collateral" herein. If the Customer Rate Relief Bond Collateral, including collections from the Customer Rate Relief Charge, is not sufficient to make payments or there are delays in recoveries, Holders may experience material payment delays or incur a loss on investment in the Bonds.

Judicial, Legislative and Regulatory Risks

Future legislative action to change the Securitization Law could reduce the value of the Bonds.

Texas does not have a referendum or initiative process by which the Securitization Law may be challenged. Therefore, the only way for the Securitization Law to be amended would be through a legislative action by the Texas legislature which would be subject to the State Non-Impairment Pledge. Constitutional protections against actions that violate the State Non-Impairment Pledge should, subject to the exception set forth below, apply to legislation that is passed by the Texas legislature and to actions of the Commission in the exercise of its legislative powers. However, to date, no federal or Texas cases addressing the repeal or amendment of securitization provisions such as those contained in the Securitization Law have been decided; consequently, no judicial precedent is directly on point.

There have been cases in which State and federal courts have applied the Contract Clause of the Texas Constitution or United States Constitution to strike down legislation regarding similar or analogous matters, such as legislation reducing or eliminating taxes, public charges or other sources of revenues which support bonds issued by public instrumentalities or private issuers, or which otherwise reduces or eliminates the security for bonds. Based upon this case law, Bond Counsel expects to deliver opinions in connection with the issuance of the Bonds to the effect that the Holders (or the Indenture Trustee acting on their behalf) could successfully challenge, under the Contract Clause of the United States or Texas Constitutions, respectively, the constitutionality of any legislation passed by the Texas legislature or action taken by the Commission that repeals the State Non-Impairment Pledge or limits, alters, impairs or reduces the value of the Customer Rate Relief Property or the Customer Rate Relief Charges so as to cause a substantial impairment of the terms of the Indenture or the Bonds or the rights and remedies of the Holders (or the Indenture Trustee acting on their behalf) prior to the time that the Bonds are fully paid and discharged, unless such action is necessary to further a significant and legitimate public purpose.

It may be possible for the Texas legislature or the Commission to limit, alter, impair or reduce the value of the Customer Rate Relief Property, notwithstanding the State Non-Impairment Pledge, if the Texas legislature or the Commission acts in order to serve a significant and legitimate public purpose, such as protecting the public health and safety or responding to a national or regional catastrophe affecting the area in which the Participating Gas Utilities provide natural gas sales service, or if the Texas legislature otherwise acts in the valid exercise of the State's police power. Any such action, as well as the litigation that likely would ensue, may adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average lives of the Bonds. Moreover, the outcome of any litigation cannot be predicted. Accordingly, the Holders might incur a loss on or delay in recovery of their investment in the Bonds.

In addition, any action of the Texas legislature or of the Commission adversely affecting the Customer Rate Relief Property or the ability to impose, bill, collect or receive Customer Rate Relief Charges may be considered a "taking" under the United States or Texas Constitutions. Bond Counsel expects to render opinions in connection with the issuance of the Bonds to the effect that, under the federal and Texas Constitutions, respectively, assuming the applicable court determines that the Takings Clause and not the Contract Clause applies, and that the Customer Rate Relief Property is property of a type protected by the Takings Clause, the State would be required to pay just compensation to the Holders if the State undertook a repeal or amendment of the Securitization Law or the Financing Order, or took any other action or failed to take any action required by the State Non-Impairment Pledge after the Bonds are issued but before they are fully paid that (i) constituted a permanent appropriation of a substantial property interest of the Holders in the Customer Rate Relief Property or denied all economically beneficial or productive use of the Customer Rate Relief Property, (ii) destroyed the Customer Rate Relief Property, other than in response to so-called emergency conditions, or (iii) substantially reduced, altered or impaired the value of the Customer Rate Relief Property so as to unduly interfere with the reasonable expectations of the Holders arising from their investment in the Bonds. In examining whether action of the Texas legislature or the Commission amounts to a regulatory taking, both federal and Texas courts will consider the character of the governmental action, the economic impact of the governmental action on the Holders, and the extent to which the governmental action interferes with reasonable investment-backed expectations. There can be no assurance, however, that any award of compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.

The Takings Clauses do not preclude any limitation or alteration of the Securitization Law or the Financing Order if just compensation is made for the reduction in value to the Customer Rate Relief Charges collected pursuant to the Financing Order. It is unclear what "just compensation" would be afforded to Holders by the State if such limitation or alteration were attempted. Accordingly, no assurance can be given that any such provision would not adversely affect the market value of the Bonds, or the timing or receipt of payments with respect to the Bonds.

In addition, the enforcement of any rights against the State under the State Non-Impairment Pledge may be subject to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against state and local governmental entities in Texas. These limitations might include, for example, the necessity to exhaust

administrative remedies prior to bringing suit in a court, or limitations on type and locations of courts in which the State may be sued.

The above-described opinions of Bond Counsel will note that issues relating to the Contract Clauses and the Takings Clauses of the United States and Texas Constitutions, respectively, are essentially decided on a case-by-case basis and that the courts' determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case. Accordingly, the above-described opinions of Bond Counsel will be subject to certain qualifications, limitations, and assumptions included therein. The degree of impairment necessary to meet the standards for relief under a Takings Clause analysis or Contract Clause analysis could be substantially in excess of what a Holder would consider material. The forms of such opinions are included as APPENDIX E and APPENDIX F to this Official Statement, and the discussion of such opinions above is qualified in its entirety by reference to such opinions and the qualifications, limitations and assumptions contained therein.

Future judicial action could reduce the value of the Holder's investment in the Bonds.

The Customer Rate Relief Property secures the Bonds pursuant to the Securitization Law and the Financing Order that has been issued by the Commission.

There is uncertainty associated with investing in bonds payable from an asset that depends on legislation for its existence because there is limited judicial or regulatory experience implementing and interpreting such legislation. Because the Customer Rate Relief Property is a creation of the Securitization Law, any judicial or administrative determination affecting the validity of or interpreting the Securitization Law, the Financing Order, the Customer Rate Relief Property or the ability to make payments on the Bonds might have an adverse effect on the Bonds. The Securitization Law might be directly contested in courts or otherwise become the subject of litigation. In addition, the Financing Order or any provision thereof might be directly contested in courts or otherwise become the subject of litigation. In June 2001, the Texas Supreme Court in City of Corpus Christi v. PUC of Texas, 51 S.W.3d 231 (2001) upheld the facial constitutionality of certain statutory provisions with respect to electric utility securitizations that operate similarly to the Securitization Law; however, in City of Corpus Christi, electric transition charges were allocated among and collected from retail electricity customers in a utility's geographical certificated service area as it existed on a particular date whereas the Securitization Law authorizes Customer Rate Relief Charges to be imposed on any Customer receiving natural gas sales service within the State from a Participating Gas Utility which could be applied to areas different from the area in which the Customers of such Participating Gas Utility are receiving natural gas sales service within the State as of the Closing Date. Bond Counsel expects to render an opinion in connection with the issuance of the Bonds to the effect that, following the precedent and reasoning of the City of Corpus Christi case, a court should find that the Securitization Law is not on its face an unconstitutional taking of property, a tax, or a grant of public funds. However, like the court in City of Corpus Christi, such Bond Counsel opinion is expected to express no view as to whether the Securitization Law would result in an unconstitutional taking as applied to a person that can demonstrate that no part of the service that they will receive is being provided by a Participating Gas Utility, including any Successor Utility or is distributed over or through facilities that were owned by a Participating Gas Utility, including any Successor Utility. The form of such opinion of Bond Counsel is included as APPENDIX E to this Official Statement, and the discussion of such opinion above is qualified in its entirety by reference to such opinion and the qualifications, limitations and assumptions contained therein.

Other states have passed laws permitting the securitization of electric and gas utility costs similar to the Securitization Law. Some of these laws have been challenged by judicial actions. To date, none of these challenges has succeeded, but future challenges might be made. An unfavorable decision regarding another state's law would not automatically invalidate the Securitization Law or the Financing Order, but it might provoke a challenge to the Securitization Law, establish a legal precedent for a successful challenge to the Securitization Law or heighten awareness of the political and other risks of the Bonds, and in that way may limit the liquidity and value of the Bonds. Therefore, legal activity in other states may indirectly affect the value of Holders' investment in the Bonds.

If an invalidation of any relevant underlying legislative provision or financing order provision were to result from such litigation, Holders might lose some or all of their investment or experience delays in recovering their investment.

Challenges to the Transaction.

While the time for filing any challenges to the Financing Order expired and no such challenges were filed, it is possible that interested parties may still seek to find some basis to challenge the Securitization Law, the Financing Order, the issuance of the Bonds or specific aspects of the transaction. Though no such claims have been raised to date, any litigation making such assertion could affect the market price of the Bonds.

The Commission might attempt actions that could reduce the value of the Bonds.

The Securitization Law provides that the Financing Order is irrevocable and not subject to reduction, impairment or adjustment by further action of the Commission, except for necessary True-Up Adjustments as permitted by the Securitization Law. True-Up Adjustment procedures may be challenged in the future. Challenges to or delays in the true-up process might adversely affect the market perception and valuation of the Bonds. Also, any litigation arising from a challenge to the True-Up Adjustment procedures, might materially delay collections due to delayed implementation of True-Up Adjustments and might result in missing payments or payment delays and lengthened WAL of the Bonds.

The Commission retains the power to adopt, revise or rescind rules or regulations affecting the Participating Gas Utilities. The Commission also retains the power to interpret the Financing Order, and in that capacity might be called upon to rule on the meanings of provisions of the Financing Order that might need further elaboration. If any new or amended regulations or orders from the Commission might attempt to affect the ability of the Collection Agents to collect the Customer Rate Relief Charges in full and on a timely basis, the rating of the Bonds or their price and, accordingly, the amortization of the Bonds and their WAL, could be negatively impacted.

Collection and Remittance Risks

Prospective investors' investment in the Bonds depends on the Participating Gas Utilities acting as Collection Agents for the Customer Rate Relief Property. Failure of the Collection Agents to perform the billing, collection and remittance functions required by the Financing Order and the Collection and Reporting Agreements could adversely affect the ability of the Issuer to pay debt service on the Bonds.

If any of the Collection Agents, for any reason fails to collect or remit sufficient Customer Rate Relief Charges, payments on the Bonds might be delayed or reduced.

Each Collection Agent under the respective Collection and Reporting Agreements will be responsible for, among other things, billing and collecting the Customer Rate Relief Charges from its Customers, in the same manner as it uses to bill and collect its own charges, and remitting such CRRC Collections to the Indenture Trustee. The Indenture Trustee's receipt of collections in respect of the Customer Rate Relief Charges, which will be used to make payments on the Bonds, will depend in part on the capabilities and diligence of the Collection Agents in performing these functions. None of the Collection Agents have experience imposing or collecting charges like the Customer Rate Relief Charge throughout the State and the systems that the Participating Gas Utilities have put in place for Customer Rate Relief Charge billings and collections may cause the Participating Gas Utilities to experience difficulty in performing their obligations in a timely and completely accurate manner. If the Participating Gas Utilities fail to bill, collect or remit Customer Rate Relief Charges for any reason, then the payments to the Indenture Trustee in respect of the Customer Rate Relief Charges might be delayed or reduced. In that event, the Issuer's payments on the Bonds might be delayed or reduced.

Changes to billing and collection practices may delay the amount of funds available for payments on the Bonds.

The methodology of determining the amount of the Customer Rate Relief Charges billed to each Customer is specified in the Financing Order, the Servicing Agreement and the Collection and Reporting Agreements. The Participating Gas Utilities may not change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Customer may be changed in a manner that delays or reduces the Collection Agents' payments to the Indenture Trustee in respect of the Customer Rate Relief Charges. For example, to recover part of an outstanding natural gas bill, a Collection Agent may agree to extend a Customer's payment schedule or to write off the remaining portion of a Customer's unpaid bill. In that event, collection of Customer Rate Relief Charges may be delayed or reduced until a True-Up Adjustment is made and the underpayment is ultimately recovered. See "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" and "THE COLLECTION AND REPORTING AGREEMENTS – Billing and Collection of Adjustments" herein.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce scheduled payments on the Bonds.

The Customer Rate Relief Charge is calculated based upon Reporting Collection Agents' forecasted Customer volumetric consumption (natural gas usage), as well as assumed uncollected revenues as a result of Customer delinquencies or write-offs. The Reporting Collection Agents generally forecast natural gas consumption in the various locations where they provide natural gas sales service. The amount and the rate of payment and collection of Customer Rate Relief Charges will depend in part on actual natural gas consumption, the lag between billing and collection of

Customer Rate Relief Charges and write-offs. If the Reporting Collection Agents inaccurately forecast natural gas consumption or use an uncollectible factor that does not accurately reflect actual Customer delinquencies or write-off data, there could be a shortfall or material delay in collection and remittance of Customer Rate Relief Charges, which might result in missed or delayed payments of principal and interest and lengthened WAL of the Bonds. See "THE SECURITIZATION LAW – True-Up Adjustment Mechanism" and "THE SERVICING AGREEMENT – True-Up Adjustments" herein.

The Financing Order requires the Commission to provide delinquency and uncollectible assumptions. Until these assumptions are revised by the Commission based upon information provided by Participating Gas Utilities, the calculation of the Customer Rate Relief Charges will assume that all billed amounts, net of a one percent (1.0%) reduction in such amount to reflect uncollectible amounts billed, will be received thirty (30) days after the billing date. Inaccurate delinquency or write-off rates, including unexpected increases, may result from, among other things, unexpected deterioration of the economy, or changes to laws and regulations governing the termination of natural gas service to Customers in the event of extreme weather, or other reasons, which could cause greater delinquencies or write-offs than expected or force the Participating Gas Utilities to grant payment relief to more Customers. Furthermore, other unanticipated changes in law that make it more difficult for the Participating Gas Utilities to terminate service to nonpaying Customers or that require the Participating Gas Utilities to apply more lenient credit standards in accepting Customers could cause greater delinquencies or write-offs than expected. See "THE COLLECTION AND REPORTING AGREEMENTS – Billing and Collection of Adjustments" herein.

Limits on rights to terminate service to Customers might make it more difficult to collect the Customer Rate Relief Charges.

Texas law provides some limitations on the Participating Gas Utilities' right to terminate service to Customers who fail to pay their bills. Historical rates of non-payment are included in the calculations of True-Up Adjustments to the Customer Rate Relief Charges (such uncollectible factor as of the Closing Date being 1.0%), but increases in the rates of non-payment would reduce the payment and collection of Customer Rate Relief Charges until such Customer Rate Relief Charges are adjusted and ultimately collected. See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

Special charges might be imposed to support other financing instruments.

Issuance of the Bonds will exhaust the Issuer's authority to issue customer rate relief bonds under the Securitization Law and the Financing Order. In the future, one or more Participating Gas Utilities might participate in other transactions which involve the imposition of charges on customers for the purpose of providing for the payment of other financing instruments. In such event, the Financing Order provides that any collections from customers who make partial payments will be applied first to any outstanding Customer Rate Relief Charges prior to the satisfaction of any other charges included on such customers' bills. See "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" herein. However, there can be no assurance that the issuance of any such other financing instruments will not cause reductions or delays in payment of the Bonds.

Delinquent or partial payments of Customer bills may make principal payments on the Bonds occur later than expected.

The amount and the rate of collection of the Customer Rate Relief Charges, together with related True-Up Adjustments, will impact whether there is a delay in the scheduled principal repayments of a Tranche of the Bonds. Although collections, including partial collections, of Customer Rate Relief Charges are applied prior to the satisfaction of any other charges included in a Customer's bills, if such charges are collected at a slower rate than expected, the Central Servicer may have to request True-Up Adjustments of the Customer Rate Relief Charges. If those True-Up Adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Bonds. See "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" herein.

Risks Related to Municipalization through Eminent Domain

Texas law may authorize certain municipalities to acquire gas distribution facilities by operation of law through the power of eminent domain for use as municipally-owned utility systems. However, the Securitization Law specifies that customer rate relief charges approved by a Commission financing order must be collected by Participating Gas Utilities, including their successors or assignees. The Financing Order provides that "successor" means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor, by operation of law or otherwise. The Securitization Law further provides that a gas utility's successor, assignees or replacements must continue to bill and collect Customer Rate Relief Charges from the gas utility's existing and future customers until the Bonds and Financing Costs are paid in full. Additionally, in the Financing Order, the Commission guarantees that the Commission

will take all actions in its powers to enforce the provisions of the Financing Order to ensure that Customer Rate Relief Charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the Customer Rate Relief Bonds and all Ongoing Financing Costs. If a municipality seeks to acquire gas distribution facilities owned and operated by Participating Gas Utilities while Bonds remain outstanding, in the Collection and Reporting Agreements, the Participating Gas Utilities covenant to assert in an appropriate forum that the involved municipality must be treated as a successor, assignee or replacement to the Participating Gas Utility under the Securitization Law and the Financing Order and that Customers in such municipalities remain responsible for payment of Customer Rate Relief Charges. However, there is no assurance that Participating Gas Utilities or others will be successful in requiring any such municipality to impose, bill, collect and remit Customer Rate Relief Charges, in which case there could be a shortfall in funds to pay the Bonds and result in additional True-Up Adjustments.

Risks Related to Natural Gas Service Business

Technological change might reduce or eliminate the demand for natural gas service.

The imposition and collection of the Customer Rate Relief Charge requires the use of natural gas service, and widespread adoption of technological alternatives to natural gas service could impair the ability of the Customer Rate Relief Charge to generate collections sufficient to pay debt service on the Bonds. Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing natural gas through the distribution facilities of the Participating Gas Utilities. Manufacturers of electric self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective energy options for a greater number of current gas Customers. Moreover, there may be an increase in electric self-generation power if extreme weather conditions result in shortages of natural gas or if other factors cause natural gas distribution systems to be viewed as less reliable. Technological developments might allow greater numbers of current gas Customers to reduce or even altogether avoid the use of natural gas. This might reduce the number of Customers receiving natural gas by means of the distribution facilities of the Participating Gas Utilities, thereby causing the Customer Rate Relief Charge imposed on the remaining Customers to increase and thereby further incentivize the use of alternatives to natural gas. In addition, public and private efforts to address climate change, such as by legislation, regulation, actions by private interest groups, and litigation, could impact the Participating Gas Utilities' ability to continue operating their natural gas utility businesses as they do today. These initiatives could have a significant impact on the Participating Gas Utilities and their operations as well as on their third-party suppliers, vendors and partners, which could impact the Participating Gas Utilities by, among other things, causing reductions in the amount of natural gas usage by Customers, resulting in a smaller number of billing units and Customers available to pay the Customer Rate Relief Charges.

Access to natural gas supplies and pipeline transmission and storage capacity are essential components of reliable service for the Participating Gas Utilities' Customers.

To the extent Participating Gas Utilities rely on third-party service providers to maintain an adequate supply of natural gas and for available storage and intrastate and interstate pipeline capacity to satisfy their Customers' needs, to the extent Participating Gas Utilities are unable to secure natural gas supplies of their own or through affiliates, or to the extent third-party service providers fail to timely deliver natural gas to meet the Participating Gas Utilities' requirements, the resulting decrease in natural gas supply could have a material adverse effect on operations of Participating Gas Utilities, including the billing and collection of Customer Rate Relief Charges.

Additionally, a significant disruption, whether through reduced intrastate and interstate pipeline transmission or storage capacity or other events affecting natural gas supply, including, but not limited to, operational failures, hurricanes, tornadoes, floods, other severe winter weather conditions (such as those caused by Winter Storm Uri), acts of terrorism or cyberattacks or changes in legislative or regulatory requirements, could also adversely affect the Participating Gas Utilities' natural gas utility businesses. Further, to the extent that the Participating Gas Utilities' natural gas requirements cannot be met through access to or continued use of existing natural gas infrastructure or if additional infrastructure, including onshore and offshore exploration and production facilities, gathering and processing systems and pipeline and storage capacity is not constructed at a rate that satisfies demand, then the Participating Gas Utilities' operations, including the collection of Customer Rate Relief Charges, could be negatively affected.

Failure by any of the Participating Gas Utilities to undertake programs intended to maintain and/or improve their assets could induce the affected Customers to reduce or avoid Customer Rate Relief Charges by seeking alternatives to purchasing natural gas through the Participating Gas Utility, which may reduce the total number of Customers paying the Customer Rate Relief Charges and change the relative amounts of Customer Rate Relief Charges on remaining Customers, all of which would increase the amount of Customer Rate Relief Charges. Such increase may reduce the collectability of the Customer Rate Relief Charges.

The Participating Gas Utilities are subject to fluctuations in notional natural gas prices, which could affect the ability of their suppliers and Customers to meet their obligations or may impact the operations of Participating Gas Utilities which could adversely affect the billing and collection of Customer Rate Relief Charges.

The Participating Gas Utilities are subject to risks associated with changes in the notional price of natural gas. Increases in natural gas prices might affect the ability of Participating Gas Utilities to collect balances due from Customers and could create the potential for uncollectible accounts expense to exceed the recoverable levels built into tariff rates. In addition, a sustained period of high natural gas prices could (i) decrease demand for natural gas in the areas in which the Participating Gas Utilities operate, thereby resulting in decreased volumetric natural gas usage by Customers and (ii) increase the risk that the suppliers or Customers of Participating Gas Utilities fail or are unable to meet their obligations, which could adversely affect the billing and collection of Customer Rate Relief Charges. Additionally, such an occurrence could result in one or more Interim True-Up Adjustments in addition to the failure of Customers to meet their obligations thereby increasing the risk of nonpayment by Customers.

The Participating Gas Utilities must compete with alternate energy sources, which could result in less natural gas delivered and have an adverse impact on their operations and the billing and collection of Customer Rate Relief Charges.

The Participating Gas Utilities compete primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and marketers also compete directly with the Participating Gas Utilities for natural gas sales to end users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass the facilities of Participating Gas Utilities and market, sell and/or transport natural gas directly to commercial and industrial Customers. Any reduction in the amount of natural gas delivered by the Participating Gas Utilities as a result of competition with alternate energy sources may have an adverse impact on their operations and the billing and collection of Customer Rate Relief Charges.

Climate change could adversely impact financial results from the natural gas utility business of Participating Gas Utilities and result in more frequent and more severe weather events that could adversely affect their results of operations, and the billing and collection of Customer Rate Relief Charges.

A changing climate creates uncertainty and could result in broad changes to the business of the Participating Gas Utilities. For example, where natural gas is used to heat homes and businesses, warmer weather might result in less natural gas being used, adversely affecting the Participating Gas Utilities. Another possible result of climate change might be more frequent and more severe weather events, such as hurricanes, tornadoes and severe winter weather conditions (such as those caused by Winter Storm Uri), all of which may adversely impact the operations and ability of Participating Gas Utilities to serve their Customers, including the ability of Participating Gas Utilities to bill, collect and remit Customer Rate Relief Charges.

Cyber-attacks or acts of cyber-terrorism could disrupt the Participating Gas Utilities' and Central Servicer's business operations and information technology systems.

Business operations and information technology systems of Participating Gas Utilities and the Central Servicer may be vulnerable to an attack by individuals or organizations intending to disrupt their business operations and information technology systems, even though the Participating Gas Utilities and the Central Servicer have implemented policies, procedures and controls designed to prevent and detect these activities. The Participating Gas Utilities use their information technology systems to manage their distribution and intrastate pipeline and storage operations and other business processes, including billing, collection and remittance systems. Disruption of those systems could adversely impact their ability to safely deliver natural gas to Customers, operate their pipeline and storage systems or serve Customers timely. Accordingly, if such an attack or act of terrorism were to occur, their operations, which includes the billing, collection and remittance of Customer Rate Relief Charges, could be adversely affected.

The natural gas utility business of Participating Gas Utilities could be adversely affected by strikes or work stoppages by their unionized employees, which may impact their operations, cash flows and earnings.

Employees of certain of the Participating Gas Utilities are represented by collective-bargaining units under collective-bargaining agreements. Certain of the Participating Gas Utilities are involved periodically in discussions with collective-bargaining units representing some of their employees to negotiate or renegotiate labor agreements. The longevity of such collective bargaining agreements or results of any negotiations, as the case may be, including whether any failure to reach new agreements will have a negative effect on their business, financial condition and results of operations or whether they will be able to reach any agreement with the collective-bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending

on the operations and the length of the work stoppage, have a material adverse effect on certain of the Participating Gas Utilities' billing and collection of Customer Rate Relief Charges.

Weather-Related Risks

Potential weather damage to the operations of Participating Gas Utilities and other weather-related events could impair payment of the Bonds.

The locations where Participating Gas Utilities provide natural gas sales service experience seasonal conditions typical of Texas. Summers are usually hot with temperatures frequently in excess of 90°F. Winters include snow and icing conditions that can be damaging to natural gas facilities, e.g., Winter Storm Uri. In addition, such locations experience severe storms, including hurricanes, and related flooding which can be particularly damaging in Texas' coastal areas. Future weather events could have similar or more drastic effects and occur more frequently. Natural gas facilities could be damaged or destroyed and consumption of natural gas could be interrupted temporarily, reducing the payment, collection and remittance of Customer Rate Relief Charges. There could be longer-lasting weather-related adverse effects, such as long-term changes in weather patterns, which may affect residential and commercial development and economic activity among the Customers and reduce their natural gas consumption, which may cause the Customer Rate Relief Charges to be greater than expected as a result of less volumetric natural gas usage during, and as a result of, such weather-related events. Legislative action adverse to the Holders might be taken in response, and such legislation, if challenged as violative of the State Non-Impairment Pledge, might be defended on the basis of public necessity.

Risks Associated with Applicable Remedies and with the Unusual Nature of the Customer Rate Relief Property

Foreclosure of the Indenture Trustee's lien on the Customer Rate Relief Property securing the Bonds might not be practical.

Under the Securitization Law and the Indenture, the Indenture Trustee and the Holders are granted a lien on the Customer Rate Relief Property. Foreclosure or other remedies to enforce the lien on the Customer Rate Relief Property may be limited because of the nature of such property. In the event of foreclosure, there is likely to be a limited market, if any, for the Customer Rate Relief Property and, therefore, foreclosure might not be a realistic or practical remedy. Moreover, under the terms of the Indenture, acceleration of the Bonds before maturity is not available upon the occurrence of an Event of Default, and principal of the Bonds will be paid only as pledged funds become available.

Any remedies relating to the Commission could be subject to sovereign immunity and therefore not actionable against the Commission in a proceeding.

A proceeding to compel the Commission (by mandamus or otherwise) to act on its obligations under the Basic Documents may be subject to sovereign immunity.

Bankruptcy-Related Risks

Bankruptcy relief for the Issuer is limited by the Securitization Law, but the Securitization Law does not limit its availability to Participating Gas Utilities and the Central Servicer.

The Issuer could be found to be a "municipality" under the Bankruptcy Code and only eligible for bankruptcy relief under chapter 9 of the Bankruptcy Code. Among the requirements for a municipality to commence a case under chapter 9 is that the municipality be specifically authorized by state law to be a debtor under chapter 9 of the Bankruptcy Code. Whether or not the Issuer is found to be a "municipality" under the Bankruptcy Code, the Securitization Law prohibits the Issuer from filing a voluntary petition under federal bankruptcy law before the date that is two years and one day after the date the Issuer no longer has any payment obligation with respect to the Bonds. Even if the Issuer is a "municipality" under the Bankruptcy Code, Congress could change the Bankruptcy Code so as to make the Issuer eligible to file. In addition, the State could change the law so as to make the Issuer eligible. While the State has specifically covenanted not to do so (Texas Utilities Code Section 104.374(c)), a breach of this covenant might not violate the Contracts Clause of the federal or State Constitution, particularly if the Issuer has a good faith need to file for bankruptcy.

If the Central Servicer or any of the Collection Agents become a debtor in a bankruptcy proceeding, such party could elect to reject the Servicing Agreement or Collection and Reporting Agreements, respectively, potentially resulting in a delay in the appointment of a replacement or Successor Servicer or successor Collection Agents and a disruption to the collection and remittance of Customer Rate Relief Charges, thus potentially delaying payments on the Bonds.

The initial Participating Gas Utilities and the Central Servicer are for-profit entities eligible to be the subject of a voluntary or involuntary petition in a liquidation case under chapter 7 of the Bankruptcy Code or a reorganization case under chapter 11 of the Bankruptcy Code.

Among the powers given to a debtor in such a bankruptcy case is the right to "assume" or "reject" any unexpired "executory contract." While not defined in the Bankruptcy Code, an "executory contract" is generally said to be a bilateral agreement as to which material performance remains for both parties at the time the bankruptcy case is commenced. The Servicing Agreement and each of the Collection and Reporting Agreements, respectively, would both likely be found to be executory contracts. If the Central Servicer or any of the Collection Agents, as debtors, elected to reject the Servicing Agreement or the applicable Collection and Reporting Agreements, respectively, as permitted under the Bankruptcy Code, the Servicing Agreement or the respective Collection and Reporting Agreements would no longer be enforceable against the Central Servicer or the respective Collection Agents, and the Issuer, or the Indenture Trustee as the Issuer's assignee, would have only general unsecured claims against the Central Servicer or the respective Collection Agents for the damages resulting from such rejection. Such claims would be subject to being discharged in the bankruptcy case, and no assurance can be given as to what percentage of their claims unsecured creditors would receive in the bankruptcy case.

In the event of a bankruptcy of the Central Servicer, the Servicing Agreement provides for the appointment of a Successor Servicer pursuant to the terms of the Servicing Agreement. However, the automatic stay in effect during a Central Servicer bankruptcy might delay or prevent a Successor Servicer's replacement. Even if a Successor Servicer is permitted to be appointed to replace the initial Central Servicer, a successor may be difficult to obtain and may not be capable of performing all of the duties that the initial Central Servicer was capable of performing. Furthermore, should the Central Servicer enter into bankruptcy, it may be permitted to stop acting as Central Servicer. In the event of any such Central Servicer Default, in the Servicing Agreement the Commission agrees promptly take all actions necessary to adjust the Customer Rate Relief Charge and take all necessary actions related thereto, in accordance with the terms of the Financing Order, which shall include, but shall not be limited to, adjusting the Customer Rate Relief Charge, to ensure the timely payment of scheduled principal and interest on the Customer Rate Relief Bonds and all other Ongoing Financing Costs.

Similarly, in the event of a bankruptcy of a Collection Agent, the Collection and Reporting Agreements provide for the appointment of a successor Collection Agent pursuant to the terms of the Collection and Reporting Agreements. However, the automatic stay in effect during a Collection Agent bankruptcy might delay or prevent a replacement of the Collection Agent. Even if a successor Collection Agent is permitted to be appointed to replace an initial Collection Agent, a successor may be difficult to obtain and may not be capable of performing all of the duties that the initial Collection Agent was capable of performing. Furthermore, should a Collection Agent enter into bankruptcy, it may be permitted to stop acting as Collection Agent.

If the Central Servicer or a Collection Agent is in bankruptcy, the parties (including the Issuer and the Indenture Trustee) may be prohibited from taking any action to collect any amount from the bankrupt entity, or to enforce any obligation of the bankrupt entity, unless permission of the bankruptcy court is obtained. The Central Servicer or Collection Agent in bankruptcy may also have the power, with the approval of the bankruptcy court, to assign its rights and obligations as Central Servicer or Collection Agent to a third party, without the consent, and even over the objection, of the Issuer or the Indenture Trustee, and without complying with the requirements of the Securitization Law, the Financing Order and the Basic Documents.

The Collection Agents will commingle the Customer Rate Relief Charges, which may obstruct access to the Customer Rate Relief Charges in the case of a Collection Agent bankruptcy.

The Collection Agents will be required to remit Customer Rate Relief Charges pursuant to the respective Collection and Reporting Agreements. However, the Collection Agents will not segregate the Customer Rate Relief Charges from other funds they collect from Customers or their general funds. In addition, the Collection Agents might fail to remit the full amount of the Customer Rate Relief Charges to the Indenture Trustee or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of collections available to make payments on the Bonds.

Pursuant to the Securitization Law and the Financing Order, the Issuer will grant to the Indenture Trustee a first priority perfected security interest in the Customer Rate Relief Property. The Securitization Law provides that upon a default on the Bonds, a State district court of Travis County, Texas, shall order the sequestration and payment to the Financing Parties of revenue arising from the Customer Rate Relief Charges. In a bankruptcy of any of the Collection Agents, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the Securitization Law and might decline to recognize the Indenture Trustee's right, or the right of other Financing Parties,

to collections of Customer Rate Relief Charges that are commingled with other funds of such Collection Agent as of the date of bankruptcy. If so, the collections of the Customer Rate Relief Charges held by a Collection Agent as of the date of bankruptcy would not be available to pay amounts owing on the Bonds. In this case, the Indenture Trustee or other Financing Parties would have only a general unsecured claim against such Collection Agent for those amounts. This decision could cause material delays in payments of principal or interest on the Bonds and could materially reduce the value of the Bonds.

For purposes of the Bankruptcy Code, Participating Gas Utilities might be considered to have an ownership interest in the Customer Rate Relief Property.

While the Securitization Law provides that Customer Rate Relief Property does not constitute property of any gas utility, a determination of whether specific property is property of a bankruptcy estate involves both state and federal law. As a result, no assurance can be given that, if a Participating Gas Utility goes into bankruptcy, the bankruptcy court would not hold that the Customer Rate Relief Property is property of the bankruptcy estate of the Participating Gas Utility.

The financing structure would present a case of first impression under the Bankruptcy Code.

No reported case has ever considered this type of financing in the context of a petition brought under the Bankruptcy Code. If a Collection Agent were to become a debtor in a bankruptcy case, notwithstanding provisions in the Financing Order which require partial payments to be applied first to any outstanding Customer Rate Relief Charges prior to the satisfaction of any other charges included on customers' bills, a bankruptcy court could conclude that the remittance of CRRC Collections by a Collection Agent to the Indenture Trustee is subordinate or on parity to the payment of certain expenses of such Collection Agent.

The Securitization Law and the Financing Order purport to provide what will happen under certain circumstances should a party to the transactions go into bankruptcy. Such provisions may not be enforceable.

Risks Related to the Calculation of the Customer Rate Relief Charge and the Central Servicer

The failure or inability of the Central Servicer to accurately calculate the Customer Rate Relief Charge could delay payment of the Bonds.

The Central Servicer will be responsible for monitoring portions of the Customer Rate Relief Bond Collateral and taking all necessary action in connection with True-Up Adjustments. If the Central Servicer fails to perform these duties, the Customer Rate Relief Charge might be set at levels insufficient to pay debt service on the Bonds and Financing Costs. In addition, to the extent that information provided to the Central Servicer by Reporting Collection Agents for purposes of forecasting natural gas consumption proves inaccurate, or information provided to the Central Servicer by the Commission concerning delinquencies and uncollectibles prove inaccurate, the ability of the Central Servicer to set the Customer Rate Relief Charge at a level sufficient to pay debt service on the Bonds may be adversely impacted.

Under the terms of the Servicing Agreement, the Central Servicer is not liable for any of its actions absent willful misconduct, bad faith, or negligence. The Central Servicer may be terminated in the event a Central Servicer Default occurs and is not remedied pursuant to the Servicing Agreement. In such event, certain rights and obligations of the Central Servicer under the Servicing Agreement will terminate, but the obligation of the Central Servicer to continue performing its functions as Central Servicer will continue until a Successor Servicer has assumed, in writing, the obligations of the Central Servicer. However, if the Central Servicer ceases or fails to perform its servicing functions, or is terminated pursuant to the terms of the Servicing Agreement, it might be difficult to find a replacement Successor Servicer. Also, any Successor Servicer might have less experience and ability than the Central Servicer and might experience difficulties in confirming remittances of Customer Rate Relief Charges, or in determining appropriate True-Up Adjustments to the Customer Rate Relief Charges, resulting in delays or disruptions in collection and remittance of Customer Rate Relief Charges. A Successor Servicer might charge fees that, while permitted under the Financing Order, are substantially higher than the fees paid to the initial Central Servicer. In the event of the commencement of a bankruptcy case by or against the Central Servicer, the Central Servicer and the Indenture Trustee would be prevented from effecting a transfer of servicing due to operation of the Bankruptcy Code, unless permission of the bankruptcy court is obtained. While the Commission has committed to implement True-Up Adjustments if the Central Servicer fails to perform such action, any of these factors and others might delay the timing of collections and remittances of Customer Rate Relief Charges, might delay payments made on the Bonds and may reduce the value of the Bonds.

If Participating Gas Utilities resign as Collection Agents or if the Central Servicer is terminated as Central Servicer, the Issuer may experience difficulties finding suitable replacements.

Under certain circumstances, the Participating Gas Utilities may resign as Collection Agents under each of the respective Collection and Reporting Agreements. In any such instances, a successor Collection Agent may have less experience in the billing and collecting of Customer Rate Relief Charges than the Participating Gas Utilities, which may delay or reduce the collection of Customer Rate Relief Charges. Moreover, any successor Collection Agent may not have an existing business relationship with Customers of the Participating Gas Utilities, which may make it more difficult for such successor Collection Agent to collect billed Customer Rate Relief Charges. In addition, under certain circumstances, the Central Servicer may be terminated under the Servicing Agreement. See "THE SERVICING AGREEMENT – Duties of the Central Servicer" and "– Central Servicer Defaults" herein. A Successor Servicer might charge fees that are substantially higher than the fees paid to the initial Central Servicer. Further, any Successor Servicer may require time to organize its operations to implement the obligations under the Servicing Agreement, which may make it more difficult for such Successor Servicer to coordinate with the Participating Gas Utilities to determine appropriate adjustments to the Customer Rate Relief Charge and to implement such adjustments.

Future adjustments to the Customer Rate Relief Charges might result in insufficient collections.

A shortfall in collections or remittance of the Customer Rate Relief Charges by one Collection Agent may be addressed by the Central Servicer implementing True-Up Adjustments that increase the Customer Rate Relief Charges for all Customers. These increases could lead to further unanticipated failures by the remaining Customers of that Participating Gas Utility' to pay Customer Rate Relief Charges, thereby increasing the risk of a shortfall in funds to pay the Bonds and continuing True-Up Adjustments.

If the Issuer is subjected to federal income tax, such tax liability may increase Ongoing Financing Costs thereby increasing the Customer Rate Relief Charges applied to Customers.

Bond Counsel expects to deliver an opinion to the Issuer in connection with the issuance of the Bonds to the effect that revenues of the Issuer, including the Customer Rate Relief Charges, will be excludable from gross income for federal income tax purposes pursuant to Section 115(1) of the Code. However, such Bond Counsel opinion is not binding on the Internal Revenue Service, and the Internal Revenue Service might disagree. If the revenues of the Issuer, including the Customer Rate Relief Charges, become subject to federal income taxes, such taxes could result in additional Ongoing Financing Costs that must be paid through True-Up Adjustments which could increase the amount of Customer Rate Relief Charges billed to Customers, thereby increasing the risk of nonpayment by Customers and the risk of a shortfall in funds to pay the Bonds and of continuing True-Up Adjustments.

Portions of the Securitization Law and the Financing Order contain provisions that may be subject to interpretation in determining whether the Customer Rate Relief Charge is imposed in certain circumstances.

The Securitization Law defines Customer Rate Relief Charges and the term nonbypassable to require such charges to be applied to customers receiving service within the State from a gas utility that received the Regulatory Asset Determination, or such gas utility's successor or assignee (*i.e.*, Successor Utilities). The Securitization Law further provides that a gas utility's successor, assignees or replacements must continue to bill and collect Customer Rate Relief Charges from the gas utility's current and future customers until the Bonds and Financing Costs are paid in full.

In the future, an entity which is not a Participating Gas Utility might come to serve natural gas customers once served by a Participating Gas Utility. For example, this might occur if the entity constructs and installs a parallel gas distribution system, no portion of which previously was owned or operated by any Participating Gas Utility. If that should occur, the entity which installs the parallel gas line might assert that it is neither a "successor," an "assignee" nor a "replacement" with respect to the Participating Gas Utility, and no assurance can be given that Customer Rate Relief Charges will continue to be imposed on those customers, thereby increasing the risk of a shortfall in funds to pay the Bonds and continuing True-Up Adjustments. As a practical matter, in the experience of the Large Participating Gas Utilities, it has not been cost effective for an alternative gas supplier to incur the capital costs to provide a material volume of gas service to customers once served by a Large Participating Gas Utility by installing parallel gas distribution facilities, no portion of which require interconnection to existing gas distribution facilities of Large Participating Gas Utilities. See "APPENDIX B – THE LARGE PARTICIPATING GAS UTILITIES" herein.

If any Customers receiving service from a Participating Gas Utility elect to purchase gas from an alternative gas supplier or replacement gas supplier (including but not limited to any Customers who make such election to receive transportation service from a Participating Gas Utility), in the Servicing Agreement the Commission has covenanted to take all actions in its powers to (i) cause the Customer Rate Relief Charge to continue to be imposed, billed, collected and remitted with respect to such Customers in accordance with the terms of the Securitization Law and the Financing

Order, (ii) cause any Person subject to the jurisdiction of the Commission or otherwise subject to the Securitization Law (in both cases, as determined by a court of final jurisdiction in the matter) providing service to such Customers to enter into a Collection and Reporting Agreement, as Collection Agent, with the Central Servicer, and (iii) otherwise work with the Central Servicer to enable the Central Servicer to perform its obligations under the terms of the Servicing Agreement. See "THE SERVICING AGREEMENT" and "THE COMMISSION – Texas Natural Gas Regulation" herein. However, in the event that the Commission is unable to successfully enforce its covenant, the number of Customers obligated to pay Customer Rate Relief Charges could decrease, which could increase the amount and share of Customer Rate Relief Charges billed to remaining Customers. This could reduce the future collectability of Customer Rate Relief Charges, thereby increasing the risk of a shortfall in funds to pay the Bonds and continuing True-Up Adjustments.

Other Risk Factors

European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds.

Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitization and creating a specific framework for simple, transparent and standardised securitization and amending certain other European Union directives and regulations (as amended by Regulation (EU) 2021/557 and as may be further amended from time to time) (the "**EU Securitization Regulation**") is directly applicable in member states of the European Union (the "**EU**") and will be applicable in any non-EU states of the EEA in which it has been implemented.

Article 5 of the EU Securitization Regulation places certain conditions on investments in a "securitisation" (as defined in the EU Securitization Regulation) (the "**EU Due Diligence Requirements**") by "institutional investors", defined to include (a) a credit institution or an investment firm as defined in and for purposes of Regulation (EU) No 575/2013, as amended, known as the Capital Requirements Regulation (the "**CRR**"), (b) an insurance undertaking or a reinsurance undertaking as defined in Directive 2009/138/EC, as amended, known as Solvency II, (c) an alternative investment fund manager as defined in Directive 2011/61/EU that manages and/or markets alternative investment funds in the EU, (d) an undertaking for collective investment in transferable securities ("**UCITS**") management company, as defined in Directive 2009/65/EC, as amended, known as the UCITS Directive, or an internally managed UCITS, which is an investment company that is authorized in accordance with that Directive and has not designated such a management company for its management, and (e) with certain exceptions, an institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341, or an investment manager or an authorized entity appointed by such an institution for occupational retirement provision as provided in that Directive. Pursuant to Article 14 of the CRR, the EU Due Diligence Requirements also apply to investments by certain consolidated affiliates, wherever established or located, of institutions regulated under the CRR (such affiliates, together with all institutional investors, the "EU Affected Investors").

Prior to investing in (or otherwise holding an exposure to) a "securitisation position" (as defined in the EU Securitization Regulation), an EU Affected Investor, other than the originator, sponsor or original lender (each as defined in the EU Securitization Regulation) must, among other things: (i) verify that, if established in a third country (*i.e.* not within the EU or the EEA), the originator, sponsor or original lender retains, on an ongoing basis, a material net economic interest, which, in any event shall not be less than 5% determined in accordance with Article 6 of the EU Securitization Regulation and discloses the risk retention to EU Affected Investors (the "**EU Risk Retention Requirements**"); (ii) verify that if established in a third country (*i.e.* not within the EU or the EEA), the originator, sponsor or SSPE has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation in accordance with the frequency and modalities provided for in that Article; (iii) verify that, where the originator or original lender is established in a third country (*i.e.* not within the EU or the EEA), the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness, and (iv) carry out a due-diligence assessment which enables the EU Affected Investor to assess the risks involved, considering at least (A) the risk characteristics of the securitisation position and the underlying exposures, and (B) all the structural features of the securitisation that can materially impact the performance of the securitisation position.

The United Kingdom ("**UK**") the EU as of January 31, 2020 and the transition period referred to in the withdrawal agreement between the UK and the EU ended on December 31, 2020. Since January 1, 2021, with respect to the UK, relevant UK-established or UK-regulated persons are subject to the restrictions and obligations of the EU Securitization Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), and as amended by the Securitisation (Amendment) (EU Exit) Regulations 2019 (and as may be further amended, supplemented or replaced, from time to time) (the "**UK Securitization Regulation**", and together with the EU Securitization Regulation, the "**Securitization Regulations**").

Article 5 of the UK Securitization Regulation places certain conditions on investments in a "securitisation" (as defined in the UK Securitization Regulation) (the "**UK Due Diligence Requirements**" and, together with the EU Due Diligence Requirements, the "**Due Diligence Requirements**" (and references in this Official Statement to "**the applicable Due Diligence Requirements**" shall mean such Due Diligence Requirements to which a particular Affected Investor is subject)) by an "institutional investor", defined to include (a) an insurance undertaking as defined in section 417(1) of the Financial Services and Markets Act 2000 (the "**FSMA**"); (b) a reinsurance undertaking as defined in section 417(1) of the FSMA; (c) an occupational pension scheme as defined in section 1(1) of the Pension Schemes Act 1993 that has its main administration in the UK, or a fund manager of such a scheme appointed under section 34(2) of the Pensions Act 1995 that, in respect of activity undertaken pursuant to that appointment is authorized for the purposes of section 31 of the FSMA; (d) an AIFM as defined in regulation 4(1) of the Alternative Investment Fund Managers Regulation 2013 which markets or manages AIFs (as defined in regulation 3 of those Regulations) in the UK; (e) a management company as defined in section 237(2) of the FSMA; (f) a UCITS as defined by section 236A of the FSMA, which is an authorized open ended investment company as defined in section 237(3) of the FSMA; (g) a CRR firm as defined by Article 4(1)(2A) of the EU CRR as it forms part of UK domestic law by virtue of the EUWA and as amended (the "**UK CRR**"); and (h) an FCA investment firm as defined by Article 4(1)(2AB) of the UK CRR. The UK Due Diligence Requirements may also apply to investments by certain consolidated affiliates, wherever established or located (such affiliates, together with all institutional investors, "**UK Affected Investors**" and, together with EU Affected Investors, the "**Affected Investors**").

Prior to investing in (or otherwise holding an exposure to) a "securitisation position" (as defined in the UK Securitization Regulation), a UK Affected Investor, other than the originator, sponsor or original lender (each as defined in the UK Securitization Regulation) must, among other things: (i) verify that, if established in a third country (*i.e.* not the UK), the originator, sponsor or original lender retains on an ongoing basis a material net economic interest which, in any event, shall not be less than 5 %, determined in accordance with Article 6 of the UK Securitization Regulation, and discloses the risk retention to UK Affected Investors; (ii) verify that if established in a third country (*i.e.* not the UK), the originator, sponsor or the SSPE has, where applicable, made available information which is substantially the same as that which an originator, sponsor or SSPE would have made available as required by Article 7 of the UK Securitization Regulation if it had been established in the UK and has done so with such frequency and modalities as are substantially the same as those with which it would have made information available as required by Article 7 of the UK Securitization Regulation if it had been established in the UK; (iii) verify that, where the originator or original lender is established in a third country (*i.e.* not the UK), the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness; and (iv) carry out a due-diligence assessment which enables the UK Affected Investor to assess the risks involved, considering at least (A) the risk characteristics of the securitisation position and the underlying exposures, and (B) all the structural features of the securitisation that can materially impact the performance of the securitisation position.

Neither the Issuer nor any other party to the transactions described in this Official Statement, intend, or are required under the transaction documents, to retain a material net economic interest in respect of such transactions, or to take, or to refrain from taking, any other action, in a manner prescribed or contemplated by the European Securitization Rules or the UK Securitization Rules. In particular, no such person undertakes to take, or to refrain from taking, any action for purposes of compliance by any investor (or any other person) with any requirement of the European Securitization Rules or the UK Securitization Rules to which such investor (or other person) may be subject at any time. However, if a competent authority were to take a contrary view and determine that the transactions described in this Official Statement do constitute a securitisation for purposes of the EU Securitization Regulation or the UK Securitization Regulation, then any failure by an EU Institutional Investor or a UK Institutional Investor (as applicable) to comply with any applicable European Securitization Rules or UK Securitization Rules (as applicable) with respect to an investment in the Bonds may result in the imposition of a penalty regulatory capital charge on that investment or of other regulatory sanctions and remedial measures. Consequently, the Bonds may not be a suitable

investment for EU Institutional Investors or UK Institutional Investors. As a result, the price and liquidity of the Bonds in the secondary market may be adversely affected.

Prospective investors are responsible for analyzing their own legal and regulatory position and are advised to consult with their own advisors and any relevant regulator or other authority regarding the scope, applicability and compliance requirements of the European Securitization Rules and the UK Securitization Rules, and the suitability of the Bonds for investment. Neither the Issuer nor any other party to the transactions described in this Official Statement, make any representation as to any such matter, or have any liability to any investor (or any other person) for any non-compliance by any such person with the European Securitization Rules, the UK Securitization Rules or any other applicable legal, regulatory or other requirements.

The credit ratings are not an indication of the expected rate of payment of principal on the Bonds.

The Bonds are expected to receive credit ratings from three (3) nationally recognized statistical rating organizations ("**NRSROs**"). A rating is not a recommendation to buy, sell or hold the Bonds. The ratings merely analyze the probability that the Issuer will repay the principal amount of the Bonds at each Final Maturity Date (which is later than the related Scheduled Payment Date) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to the Expected Amortization Schedule.

Under Rule 17g-5 of the Securities Exchange Act of 1934, NRSROs providing the sponsor of a security with the requisite certification will have access to all information posted on a website by the sponsor for the purpose of determining the initial rating of such security and monitoring the rating after the issuance date in respect of the Bonds. As a result, an NRSRO other than the NRSRO hired by the sponsor (the "**hired NRSRO**") may issue ratings on the Bonds ("**Unsolicited Ratings**"), which may be lower, and could be significantly lower, than the ratings assigned by the hired NRSROs. The Unsolicited Ratings may be issued prior to, or after, the Closing Date in respect of the Bonds. Issuance of an Unsolicited Rating lower than the ratings assigned by the hired NRSRO on the Bonds might adversely affect the value of the Bonds. Investors in the Bonds should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of a hired NRSRO. None of the Authority, the Issuer, the Underwriters, or any of their affiliates will have any obligation to inform the Holders of any Unsolicited Ratings assigned after the date of this Official Statement. In addition, if the Issuer or the Authority fail to make available to a non-hired NRSRO any information provided to any hired rating agency for the purpose of assigning or monitoring the ratings on the Bonds, a hired NRSRO could withdraw its ratings on the Bonds, which could adversely affect the market value of the Bonds and/or limit the Holder's ability to resell its Bonds.

The absence of a secondary market for the Bonds might limit the ability to resell the Bonds.

The Underwriters for the Bonds might assist in resales of the Bonds, but they are not required to do so. A secondary market for the Bonds might not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow a Holder to resell any of its Bonds.

If the Ratings on the Bonds are withdrawn or revised, the value of the Bonds may be adversely affected.

The ratings on the Bonds may be withdrawn or revised, which may have an adverse effect on the market price of the Bonds. A security rating is not a recommendation to buy, sell or hold the Bonds. The ratings are assessments by the respective Rating Agencies of the likelihood that interest and principal on the Bonds will be paid on a timely basis. Ratings on the Bonds may be lowered, qualified or withdrawn at any time without notice.

UNDERWRITING

The Underwriters listed on the cover page of this Official Statement, for which Jefferies LLC is acting as the book-running senior manager, have agreed, jointly and severally and subject to certain conditions, including satisfaction of the rating agency requirements with respect to the Bonds, to purchase the Bonds from the Issuer at an underwriters' discount of $13,523,622.17. The initial public offering prices of the Bonds may be changed from time to time by the Underwriters.

The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than such public offering prices.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer, the Authority and the Participating Gas Utilities and to persons and entities with relationships with the Issuer, the Authority and the Participating Gas Utilities for which they received or will receive customary fees and expenses.

TAX MATTERS

General

The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and acquire such Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, "**U.S. Holder**" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "**Non-U.S. Holder**" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

Characterization of the Bonds and Taxability of Interest

In the opinion of Norton Rose Fulbright US LLP, the Bonds will constitute indebtedness for U.S. federal income tax purposes. By acquiring a Bond, a Holder agrees to treat the Bond as debt for U.S. federal income tax purposes and the interest as subject to U.S. federal income taxation.

U.S. Holders

Payments of Stated Interest on the Bonds. The stated interest paid on the Bonds will be included in the gross income, as defined in section 61 of the Code, of U.S. Holders and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the U.S. Holders.

Original Issue Discount. If a substantial amount of the Bonds of any stated maturity is purchased at original issuance for a purchase price (the "**Issue Price**") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "**original issue discount**." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the Bonds using the "**constant yield method**" provided in the Treasury Regulations. As

the original issue discount accrues under the constant yield method, U.S. Holders, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to U.S. Holders that exceeds actual cash distributions to the U.S. Holders in a taxable year.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the IRS and to the U.S. Holders. The portion of the original issue discount included in each beneficial owner's gross income while the U.S. Holder holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such U.S. Holder.

Premium. If a U.S. Holder purchases a Bond for an amount that is greater than its stated redemption price at maturity, such U.S. Holder will be considered to have purchased the Bond with "**amortizable bond premium**" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "**modified adjusted gross income**" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). U.S. Holders of the Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Disposition of Bonds and Market Discount. A U.S. Holder will generally recognize gain or loss on the redemption, sale or exchange of a Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the U.S. Holder's adjusted tax basis in the Bonds. Generally, the U.S. Holder's adjusted tax basis in the Bonds will be the U.S. Holder's initial cost, increased by the original issue discount previously included in the U.S. Holder's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the U.S. Holder's holding period for the Bonds.

Under current law, a purchaser of a Bond who did not purchase the Bonds in the initial public offering (a "**subsequent purchaser**") generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "**market discount**." Market discount is the amount by which the price paid for the Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Bonds could have a material effect on the market value of the Bonds.

Legal Defeasance. If the Issuer elects to defease the Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Bonds (a "**legal defeasance**"), under current tax law, a U.S. Holder may be deemed to have sold or exchanged its Bonds. In the event of such a legal defeasance, a U.S. Holder generally would recognize gain or loss in the manner described above. Ownership of the Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each U.S. Holder should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Bonds.

Backup Withholding. Under section 3406 of the Code, a U.S. Holder may, under certain circumstances, be subject to "**backup withholding**" on payments of current or accrued interest on the Bonds. This withholding applies if such U.S. Holder: (i) fails to furnish to payor such U.S. Holder's social security number or other taxpayer identification

number ("**TIN**"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "**reportable payments**" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such U.S. Holder is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain U.S. Holders. U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each U.S. Holder for U.S. federal income tax purposes.

Non U.S. Holders

Effectively Connected Income. If, under the Code, interest on the Bonds is effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations, interest on the Bonds also may be included in the computation of earnings and profits that are subject to a U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the Issuer or its paying agent, if any.

Withholding on Payments to Non-U.S. Holders. Under sections 1441 and 1442 of the Code, Non-U.S. Holders are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the Non-U.S. Holders is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that such Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest is treated as not effectively connected with the Non-U.S. Holder's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such Non-U.S. Holder is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under sections 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to Non-U.S. Holders or intermediaries who have furnished Form W-8BEN, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Disposition of the Bonds. Generally gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer or a deemed retirement due to defeasance of the Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition and certain other conditions are met.

Foreign Account Tax Compliance Act - U.S. Holders and Non-U.S. Holders. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("**FATCA**") imposes a 30% withholding tax on the same types of payments to a non- financial foreign entity unless the entity certifies that it does not have any

substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain restrictions on employee pension and welfare benefit plans subject to ERISA ("**ERISA Plans**") regarding prohibited transactions, and also imposes certain obligations on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 of the Code imposes similar prohibited transaction restrictions on certain plans, including (i) tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code and which are not governmental or church plans as defined herein ("Qualified Retirement Plans"), and (ii) individual retirement accounts ("IRAs") described in Section 408(b) of the Code (the foregoing in clauses (i) and (ii), "**Tax-Favored Plans**"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements or Section 4975 of the Code, but may be subject to requirements or prohibitions under applicable federal, state, local, non-U.S. or other laws or regulations that are, to a material extent, similar to the requirements of ERISA and Section 4975 of the Code ("**Similar Law**").

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, ERISA Plans are subject to prohibited transaction restrictions imposed by Section 406 of ERISA. ERISA Plans and Tax-Favored Plans are also subject to prohibited transaction restrictions imposed by Section 4975 of the Code. These rules generally prohibit a broad range of transactions between (i) ERISA Plans, Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "**Benefit Plans**") and (ii) persons who have certain specified relationships to the Benefit Plans (such persons are referred to as "**Parties in Interest**" or "**Disqualified Persons**"), in each case unless a statutory, regulatory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by those definitions, they include most notably: (1) a fiduciary with respect to a Benefit Plan; (2) a person providing services to a Benefit Plan; (3) an employer or employee organization any of whose employees or members are covered by a Benefit Plan; and (4) an owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a non-exempt prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory, regulatory or administrative exemption is available. Without an exemption, an owner of an IRA may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor at 29 C.F.R. section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Assets Regulation**"), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code if the Benefit Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation are applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation and accordingly the assets of the Issuer should not be treated as the assets of Benefit Plans investing in the Bonds. The debt treatment of the Bonds for ERISA purposes could change subsequent to issuance of the Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Bonds or a characterization of the Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Bonds or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the Bonds are treated as an equity interest for such purposes, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer or the Indenture Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. The fiduciary of a Benefit Plan that proposes to purchase and hold any Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest or a Disqualified Person, (ii) the sale or exchange of any property

between a Benefit Plan and a Party in Interest or a Disqualified Person, or (iii) the transfer to, or use by or for the benefit of, a Party in Interest or a Disqualified Person, of any Benefit Plan assets.

Certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. These are commonly referred to as prohibited transaction class exemptions or "**PTCEs**". Included among these exemptions are:

PTCE 75-1, which exempts certain transactions between a Benefit Plan and certain brokers-dealers, reporting dealers and banks;

PTCE 96-23, which exempts transactions effected at the sole discretion of an "in-house asset manager";

PTCE 90-1, which exempts certain investments by an insurance company pooled separate account;

PTCE 95-60, which exempts certain investments effected on behalf of an "insurance company general account";

PTCE 91-38, which exempts certain investments by bank collective investment funds; and

PTCE 84-14, which exempts certain transactions effected at the sole discretion of a "qualified professional asset manager."

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code, commonly referred to as the "**Service Provider Exemption**." The Service Provider Exemption covers transactions involving "adequate consideration" between Benefit Plans and persons who are Parties in Interest or Disqualified Persons solely by reason of providing services to such Benefit Plans or who are persons affiliated with such service providers, provided generally that such persons are not fiduciaries with respect to "plan assets" of any Benefit Plan involved in the transaction and that certain other conditions are satisfied.

The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the Benefit Plan's fiduciary must consider in determining whether such exemptions apply. There can be no assurance that all the conditions of any such exemptions will be satisfied at the time that the Bonds are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change, or that the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions. Therefore, a Benefit Plan fiduciary considering an investment in the Bond should consult with its counsel prior to making such purchase.

By its acceptance of a Bond (or an interest therein), each purchaser and transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) will be deemed to have represented and warranted that either (i) no "plan assets" of any Benefit Plan or a plan subject to Similar Law have been used to purchase such Bond or (ii) the purchase and holding of such Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory, regulatory or administrative exemption and will not violate Similar Law. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

None of the Issuer, Indenture Trustee, or Underwriters is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the Bonds by any Benefit Plan.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that any Benefit Plan fiduciary or other person considering whether to purchase Bonds on behalf of a Benefit Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any exemption. In addition, persons responsible for considering the purchase of Bonds by a governmental plan, non-electing church plan or non-U.S. plan should consult with their counsel regarding the applicability of any Similar Law to such an investment.

CONTINUING DISCLOSURE UNDERTAKINGS

In accordance with Rule 15c2-12 under the Exchange Act ("**Rule 15c2-12**"), (i) the Issuer, pursuant to a Continuing Disclosure Agreement between the Issuer and the Central Servicer, as designated agent for the Issuer (the "**Issuer Continuing Disclosure Agreement**") executed pursuant to the Servicing Agreement, and (ii) each Participating Gas Utility, pursuant to a Continuing Disclosure Agreement between such Participating Gas Utility and

the Central Servicer (each a "**Collection Agent Continuing Disclosure Agreement**" and together with the Issuer Continuing Disclosure Agreement, the "**Continuing Disclosure Agreements**") executed pursuant to the respective Collection and Reporting Agreement, will covenant for the sole benefit of the Holders to provide the information described in the applicable Continuing Disclosure Agreement in a timely manner, to the Central Servicer, who will provide such information to the Municipal Securities Rulemaking Board ("**MSRB**") through its EMMA system, in the electronic form prescribed by the MSRB. Forms of the Issuer Continuing Disclosure Agreement and the Collection Agent Continuing Disclosure Agreement to be signed by the aforementioned parties are attached hereto as APPENDIX H-1 and APPENDIX H-2, respectively.

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Issuer's only continuing disclosure responsibilities are limited to those described in the Issuer Continuing Disclosure Agreement, the form of which is attached hereto as APPENDIX H-1.

RATINGS

The Bonds are expected to be assigned ratings of "Aaa(sf)" by Moody's, "AAAsf" by Fitch and "AAA(sf)" by KBRA. It is a condition to the issuance of the Bonds that such ratings are received.

The respective ratings by Moody's, Fitch and KBRA of the Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the Rating Agencies with respect thereto should be obtained from the Rating Agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Fitch, Inc., 33 Whitehall Street, New York, New York 10004; and Kroll Bond Rating Agency, LLC., 805 Third Avenue, 29th Floor, New York, NY 10022.

Generally, a Rating Agency bases its rating and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. No person is obligated to maintain the rating on any Bonds and, accordingly, there is no assurance that such ratings for the Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the Rating Agencies, if, in the judgment of such Rating Agency or Agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the liquidity and the market price of the Bonds. In general, ratings address credit risk and do not represent any assessment of any particular rate of principal payments on the Bonds other than the payment in full of each Tranche of the Bonds by the Final Payment Date as well as the timely payment of interest.

In addition to the fees paid by the Issuer to a NRSRO at closing on the Bonds, the Issuer will pay a fee to the NRSRO for ongoing surveillance for so long as the Bonds are outstanding. However, no NRSRO is under any obligation to continue to monitor or provide a rating on the Bonds.

FINANCIAL ADVISOR

Estrada Hinojosa & Company, Inc. ("**Estrada Hinojosa**") serves as the independent financial advisor to the Issuer and the Authority, respectively, in connection with the structuring, marketing and sale of the Bonds, including the timing and conditions of issuance, and other such financial guidance as requested by the Issuer or the Authority. Although Estrada Hinojosa performed an active role in the drafting of this Official Statement and other related transaction documents, Estrada Hinojosa has not independently verified any of the information set forth herein.

VERIFICATION AGENT

The Verification Agent is Causey Demgen & Moore P.C. Pursuant to the Verification Agent Agreement, the Verification Agent will calculate and/or verify (i) the initial Customer Rate Relief Charge, (ii) the Periodic Payment Requirement and (iii) True-Up Adjustments. Pursuant to the Servicing Agreement, if a Verification Agent is then engaged, the Verification Agent must be presented with each True-Up Adjustment Letter before such True-Up Adjustment Letter is delivered to the Commission; provided, however, the delay of the Verification Agent to verify the calculations of the Central Servicer within the timelines afforded in the Servicing Agreement will not stop any True-Up Adjustment from being implemented. The Issuer may, at any time, cease to engage a Verification Agent. See "THE SERVICING AGREEMENT" herein.

ABSENCE OF LITIGATION

The Issuer

There is not now pending, or to the knowledge of the Issuer, threatened, any litigation against the Issuer restraining or enjoining the issuance or delivery of the Bonds or questioning the validity of the Bonds or the Proceedings or authority under which they are issued. Neither the creation, organization or existence, nor the title of the present members and officers of the Issuer to their respective offices, is being challenged or questioned. There is no litigation pending, or to the knowledge of the Issuer, threatened, against the Issuer which in any manner questions the right of the Issuer to enter into the Indenture or the Servicing Agreement or to secure the Bonds in the manner provided in the Indenture or to issue the Bonds in the manner provided in the Indenture and the Securitization Law. There is no action, suit, Proceeding or investigation, at law or in equity, before any court, public body or other body pending, or to its knowledge, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions under the Indenture or the performance of the obligations of the Issuer under the Indenture.

The Central Servicer and Collection Agents

There is not now pending, or to the knowledge of the Central Servicer and the Collection Agents, respectively, threatened, any litigation against the Central Servicer or each of the Collection Agents, respectively, restraining or enjoining the issuance or delivery of the Bonds or questioning the validity of the Bonds or the Proceedings or authority under which they are issued. There is no litigation pending, or to the knowledge of the Central Servicer or Collection Agents threatened, against the Central Servicer or Collection Agents which in any manner questions the right of the Central Servicer or Collection Agents to enter into the Basic Documents and the Continuing Disclosure Agreement to which each is a party. There is no action, suit, Proceeding or investigation, at law or in equity, before any court, public body or other body pending, or to the knowledge of Central Servicer or Collection Agents threatened, against or affecting it wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions under the Basic Documents and the Continuing Disclosure Agreements or the performance of the obligations of the Central Servicer or Collection Agents under the Basic Documents and the Continuing Disclosure Agreements to which each is a party.

LEGAL MATTERS

The delivery of the Bonds is subject to the Issuer furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds and the approval of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Issuer. Certain legal matters relating to the Bonds will be passed on by Norton Rose Fulbright US LLP, Bond Counsel to the Issuer. Certain other legal matters relating to the Bonds will be passed on by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel to the Issuer, by Locke Lord LLP, counsel to the Issuer, by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters, and by the Hays Law Firm, Regulatory Counsel to the Commission.

Certain of the counsels described above periodically serve in other capacities and on other unrelated matters of the Authority and the Participating Gas Utilities. Such counsels have independently determined that such representations do not create any material conflicts.

FORWARD-LOOKING STATEMENTS

This Official Statement includes forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will", "will likely result", "are expected to", "will continue", "is anticipated", "believe", "could", "should", "estimated", "may", "plan", "potential", "projection", "target", "outlook", "is designed to", "intended") are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to important factors to any assumptions and other factors referred to specifically in connection with such forward-looking statements that could have a significant impact on financial results, and could cause actual results to differ materially from those contained in forward-looking statements made by or on behalf of the Issuer or the Participating Gas Utilities, in this Official Statement, in presentations, on websites, in response to questions or otherwise.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Issuer does not undertake any obligation to update any forward-looking statement to reflect events or circumstances, including unanticipated events, after the date on which such statement is made. New factors emerge from time to time and it is

not possible for the Issuer to predict all of such factors, nor can it assess the impact of each such factor on the business of the Participating Gas Utilities or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

MISCELLANEOUS

This Official Statement includes, among other things, descriptions of (i) the Issuer, the Participating Gas Utilities, the Collection Agents, the Central Servicer, the Verification Agent, the Authority, and the Commission and (ii) the terms of the Bonds, the Basic Documents, the Continuing Disclosure Agreements and certain provisions of the Securitization Law. Such descriptions are not complete and all such descriptions and references thereto are qualified by reference to each such document, copies of which may be obtained from the Issuer.

The agreements with the Holders are fully set forth in the Indenture. This Official Statement is not to be construed as a contract with the purchasers of the Bonds or of any other obligations of the Issuer.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12.

This Official Statement has been executed on behalf of the Issuer.

TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION

By: /s/ Billy M. Atkinson, Jr.
President

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

DEFINITIONS

The following capitalized terms not otherwise defined in this Official Statement are used as defined in this APPENDIX A.

"*Account(s)*" means, collectively, the Regulatory Asset Account, the Collection Account, the Up-Front Financing Costs Account, the Issuer Expense Reserve Account and, if established, the Bond Redemption Account.

"*Actual Aggregate Collections*" has the meaning given to such term in "THE SERVICING AGREEMENT – Collections Tracking – Collection Tracking and Notice of Potential Deficiency Event" herein.

"*Actual CRRC Collections*" means the calculation of the collections of the Customer Rate Relief Charges by the Collection Agent made in accordance with the applicable Collection and Reporting Agreement.

"*Adjustment Date*" means the date, as identified in a True-Up Adjustment Letter delivered by the Central Servicer to the Commission and the Collection Agents, that a Scheduled True-Up Adjustment or an Interim True-Up Adjustment is to go into effect.

"*Administration Fee*" has the meaning given to such term in "THE AUTHORITY" herein.

"*Administrative Services Agreement*" means the agreement between the Authority and the Issuer whereby the Authority will provide administrative services to the Issuer, including services relating to the ongoing business of the Issuer and other administrative and support services the Issuer generally requires.

"*Adverse Claim*" or "*Claim*" means and includes a "*claim*" as defined in Section 101(5) of the Bankruptcy Code; any action by the State, the Commission, the Authority or the Issuer inconsistent with their respective obligations under the State Non-Impairment Pledge; or any other claim or action adverse to the Bondholders or to the Indenture Trustee's interest in any of the Customer Rate Relief Bond Collateral.

"*Affected Investors*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*" herein.

"*Affiliate*" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Ancillary Agreement*" means a financial arrangement entered into in connection with the issuance or payment of Customer Rate Relief Bonds that enhances the marketability, security, or creditworthiness of such bonds including a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate or currency swap arrangement, interest rate lock agreement, forward payment conversion agreement, credit agreement, other hedging arrangement, or liquidity or credit support arrangement.

"*Annual Accountant's Report*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Large Participating Gas Utilities*" herein.

"*Applicable MDMA*" means with respect to each Customer, any meter data management agent providing meter reading services for that Customer's account.

"*Applicable Spread*" has the meaning given to such term in "THE BONDS – Limited Make-Whole Redemption" herein.

"*Assignment Transaction*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities* – Summit" herein.

"*Atmos Energy*" means Atmos Energy Corporation.

"*Authenticating Agent*" means the U.S. Bank Trust Company, National Association, and any agent so appointed pursuant to the Indenture.

"*Authority*" means the Texas Public Finance Authority.

"*Authorized Amount*" means the Final Aggregated Regulatory Asset Determination Amount(s) plus the Up-Front Financing Amount.

"*Authorized Denomination*" means, with respect to any Bond, $5,000 and integral multiples of $1,000 in excess thereof, except for one bond of each Tranche which may be of smaller denomination; provided, however, notwithstanding the foregoing restriction, any Bond, or any interest therein, that has originally been properly issued in an amount no less than the Authorized Denomination, may be offered, resold, pledged or otherwise transferred in a denomination less than the Authorized Denomination if such lesser denomination is solely a result of a reduction of principal due to payments made in accordance with the Indenture.

"*Bankruptcy Code*" means Title 11 of the United States Code (11 U.S.C. § 101 et seq.), as amended from time to time.

"*Basic Documents*" means the Indenture, the Collection and Reporting Agreements, the Servicing Agreement, the Customer Rate Relief Bonds, the Administrative Services Agreement, and all other documents and certificates delivered in connection therewith; provided, however, for avoidance of doubt, none of the Continuing Disclosure Agreements are a Basic Document.

"*Billed CRRCs*" means the amount of Customer Rate Relief Charges billed by the Collection Agent.

"*Billing Period*" means the period created by dividing the calendar year into 12 consecutive periods of approximately 21 Business Days.

"*Bills*" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by a Participating Gas Utility, a Successor Utility or an alternative gas supplier or other replacement (as such terms are used in the Securitization Law) in its respective capacity as a Collection Agent under the applicable Collection and Reporting Agreement.

"*Bluebonnet*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities* – Bluebonnet" herein.

"*Board*" means the Board of Directors of the Issuer appointed by the Authority.

"*Bond Administrative Expenses*" has the meaning set forth in the Financing Order, namely all costs and expenses incurred by the Commission, the Authority or the Issuer to evaluate, issue and administer the Customer Rate Relief Bonds, including, but not limited to, fees and expenses of the Central Servicer, any bond administrator, dissemination agent, paying agent, trustee and attorneys, any fees, expenses, costs, damages, judgments, amounts paid in settlement, or awards related to any judicial, administrative, or arbitral proceeding in which the Indenture Trustee, the Central Servicer, the Authority or the Issuer is a party, an intervenor, or otherwise engaged (or is obligated to indemnify for, or contribute to, any such amounts paid by another party) arising out of or in connection with the actions contemplated by the Financing Order, and fees for paying other consulting and professional services necessary to ensure compliance with applicable law and the terms of the Financing Order.

"*Bond Counsel*" means Norton Rose Fulbright US LLP, or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bond law, selected by the Issuer.

"*Bond Purchase Agreement*" means the Bond Purchase Agreement, dated March 9, 2023, among the Issuer and the Underwriters as the same may be amended, supplemented or modified from time to time.

"*Bond Redemption Account*" has the meaning given to such term in "THE BONDS – Description of Indenture Accounts" herein.

"*Bond Registrar*" means initially, U.S. Bank Trust Company, National Association, or the Person or Persons designated by the Issuer to act as Bond Registrar for the Bonds, which Registrar shall be either the Indenture Trustee, the Paying Agent or a Person which meets the requirements for qualification as a successor trustee under the Indenture.

"*Bond Transaction Documents*" has the meaning given to such term in "ADMINISTRATIVE SERVICES AGREEMENT – Scope of Services" herein.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York or Chicago, Illinois are, or DTC is, authorized or obligated by law, regulation or executive order to remain closed.

"*Calculation Certificates*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Calculation Period(s)*" means, with respect to any True-Up Adjustment, both (i) the period beginning on the applicable True-Up Filing Date and ending on the first Payment Date for the Bonds following such True-Up Filing Date; and (ii) the period beginning on the applicable True-Up Filing Date and ending on the Payment Date for the Bonds following such True-Up Filing Date; provided, however, the Calculation Period used for setting the initial Customer Rate Relief Charge shall be the period beginning on the Closing Date and ending on September 30, 2023.

"*Calculation Schedule*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Ccf*" and "*Mcf*" means, for Ccf, one hundred (100) standard cubic feet of gas, where one (1) standard cubic foot of gas is the amount of gas contained in one (1) cubic foot of space at a standard pressure of fourteen point sixty-five (14.65) pounds per square inch, absolute and a standard temperature of sixty (60) degrees Fahrenheit; and for Mcf, 1,000 standard feet of gas.

"*CenterPoint*" means CenterPoint Energy Resources Corp. (d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas).

"*Central Servicer*" means United Professionals Company, LLC.

"*Central Servicer Default*" has the meaning given to such term in "THE SERVICING AGREEMENT – Central Servicer Defaults" herein.

"*Central Servicer Termination Notice*" has the meaning given to such term in "THE SERVICING AGREEMENT – Central Servicer Defaults" herein.

"*Central Servicer's Payment Date Certificate*" has the meaning given to such term in "THE SERVICING AGREEMENT – Collections Tracking – Reports and Notices" herein.

"*Central Servicing Fee*" has the meaning given to such term in "THE ISSUER – The Servicing Agreement" herein.

"*Certificate of Commission Expenses*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Certificate of Formation*" means the Certificate of Formation, as amended, filed with the Texas Secretary of State to form the Issuer as a special purpose issuing financing entity for the purpose of issuing the Bonds.

"*Certificate of Issuer Expenses*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Certificates of Projections*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Reporting Collection Agents*" herein.

"*Chair*" means the Chair of the Issuer, or any member of the Issuer authorized to act as Chair.

"*Clearing Agency*" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"*Clearstream*" has the meaning given to such term in "APPENDIX I – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" herein.

"*Closing Date*" means March 23, 2023.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Collection Account*" has the meaning given to such term in in "SECURITY FOR THE BONDS – Description of Indenture Accounts" herein.

"*Collection Agent(s)*" means each Participating Gas Utility, a Successor Utility or an alternative gas supplier (as such term is used in the Securitization Law) and its successors and assigns, as applicable, under each applicable Collection and Reporting Agreement.

"*Collection Agent Compliance Criteria*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Large Participating Gas Utilities*" herein.

"*Collection Agent Continuing Disclosure Agreement(s)*" has the meaning given to such term in "CONTINUING DISCLOSURE UNDERTAKINGS" herein.

"*Collection Agent Default*" has the meaning given to such term in "THE COLLECTION AND REPORTING AGREEMENTS – Collection Agent Defaults and Remedies" herein.

"*Collection Agent Policies and Practices*" means, with respect to any Collection Agent's duties under its Collection and Reporting Agreement, the policies and practices of the Collection Agent applicable to such duties that the Collection Agent follows with respect to comparable assets that it services for itself and, if applicable, others.

"*Collection Agent Reporting Event*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Timeline for Designations*" herein.

"*Collection Agent Termination Notice*" has the meaning given to such term in "COLLECTION AND REPORTING AGREEMENTS – Collection Agent Defaults and Remedies" herein.

"*Collection Agent's Certificate of Compliance*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents*" herein.

"*Collection and Reporting Agreement*" means any and each of the Customer Rate Relief Property Collection and Reporting Agreements by and between the Central Servicer and each of the Collection Agents, respectively, executed in accordance with the terms of the Financing Order and the Servicing Agreement.

"*Collection and Reporting Costs*" means the commercially reasonable and necessary costs (including, but not limited to legal and consulting costs), associated with (i) negotiating and executing the relevant Collection and Reporting Agreements and (ii) complying with the information disclosure and reporting requirements contemplated in the Financing Order.

"*Collection Period(s)*" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"*Commission*" means the Railroad Commission of Texas.

"*Commission Regulations*" means the regulations, temporary regulations, or proposed regulations published by the Commission, and orders promulgated by the Commission.

"*Consolidated Application*" has the meaning given to such term in "SECURITIZATION LAW – Background" herein.

"*Constitution*" means the Constitution of the State.

"*Continuing Disclosure Agreement*" has the meaning given to such term in "CONTINUING DISCLOSURE UNDERTAKINGS" herein.

"*Corix*" means Corix Utilities (Texas) Inc.

"*CRR*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*" herein.

"*CRR Charge(s)*" means any charges billed to Customers pursuant to an irrevocable and nonbypassable mechanism set forth in a Financing Order authorized under the Securitization Law. The CRR Charge will be a monthly volumetric charge, subject to adjustment in accordance with the Financing Order and the Servicing Agreement, which is initially anticipated to be $1.11/Mcf beginning on October 1, 2023. Participating Gas Utilities may reflect the CRR Charge according to the delivery pressures defined in Participating Gas Utilities' applicable tariffs. Such delivery pressure specific charges shall be equivalent to the CRR Charge as determined below at 14.65 pounds per square inch.

"*CRRC Collections*" or "*CRRC Payments*" means the payments made by Customers to the Collection Agents in respect of the Customer Rate Relief Charges.

"*CSSB 30*" has the meaning given to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*Customer Rate Relief Bond Collateral*" means all of the Issuer's right, title and interest (whether owned at the Closing Date or thereafter acquired, by grant or otherwise, or arising) in and to (a) the Financing Order and the Customer Rate Relief Property created under and pursuant to the Financing Order, including, to the fullest extent permitted by law, including the Securitization Law, the right to impose, bill, collect and receive Customer Rate Relief Charges, all revenues, collections, claims, rights to payment, payments, money or proceeds of or arising from the Customer Rate Relief Charges and any Tariffs filed pursuant thereto and any contractual rights to collect such Customer Rate Relief Charges from Customers, (b) all Customer Rate Relief Charges related to such Customer Rate Relief Property, (c) the Collection and Reporting Agreements, (d) the Servicing Agreement, (e) any subservicing, agency, intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the Customer Rate Relief Property, (f) the Collection Account and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto and including all subaccounts thereof and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto, (g) all rights to compel the Central Servicer to file for and obtain adjustments to the Customer Rate Relief Charges in accordance with the Securitization Law, the Financing Order or any Tariff filed in connection therewith, (h) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Customer Rate Relief Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property, (i) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, (j) any amounts on deposit in the Bond Redemption Account to be used, pursuant to an Issuer Order, to redeem all or any portion of the Bonds; and (k) the Revenues and all payments on or under, and all proceeds

in respect of, any or all of the foregoing; it being understood that the following do not constitute Customer Rate Relief Bond Collateral: (x) funds that have been released and transferred pursuant to clause (xiii) of "SECURITY FOR THE BONDS – Flow of Funds," excess amounts held in the Bond Redemption Account and not used to redeem Bonds pursuant to an Issuer Order or funds held in the Bond Redemption Account in the event any called redemption is rescinded in accordance with the terms of the Indenture; (y) amounts deposited in the Issuer Expense Reserve Account, the Up-Front Financing Costs Account, or the Regulatory Asset Account; and (z) the Unassigned Rights.

"*Customer Rate Relief Bond Register*" or "*Bond Register*" means the register maintained by DTC as described by the Indenture, providing for the registration of the Customer Rate Relief Bonds and transfers and exchanges thereof.

"*Customer Rate Relief Charge(s)*" has the meaning give to such term in "INTRODUCTORY STATEMENT – Security" herein.

"*Customer Rate Relief Property*" means (i) all rights and interests of the Issuer under the Financing Order, including the right to impose, bill, collect, and receive the Customer Rate Relief Charges authorized in the Financing Order and to obtain periodic adjustments to the Customer Rate Relief Charges pursuant to the Financing Order and (ii) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in (i) above, regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds.

"*Customer Rate Relief Property Records*" has the meaning give to such term in "THE SERVICING AGREEMENT – Access to Certain Records and Information Regarding Customer Rate Relief Property" herein.

"*Customer Rate Relief Rate Schedule*" means the schedule filed with the Commission by a Participating Gas Utility after the date of determination of the initial Customer Rate Relief Charge pursuant to the Financing Order and the Texas Administrative Code rules governing the filing of Tariffs by gas utilities.

"*Customer(s)*" means any existing and future customer receiving natural gas sales service within the State from a Participating Gas Utility or a Successor Utility under rate schedules or special contracts approved by the Commission, as well as, to the fullest extent permitted by applicable law, including, without limitation, the Securitization Law and the Financing Order, any existing or future Customer that ceases to receive natural gas sales service from a Participating Gas Utility or a Successor Utility and elects to purchase gas from an alternative gas supplier or replacement gas supplier (including but not limited to any Person who makes such election to receive transportation service from a Participating Gas Utility); and, further provided, that "Customer" excludes any existing or future customer receiving natural gas sales service from TGS within its West Texas service area as such service area existed on the date of the Regulatory Asset Determination.

"*Daily Remittance*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Large Participating Gas Utilities*" herein.

"*Days Sales Outstanding*" means the average number of days a Collection Agent's bills to Customers remain outstanding during the calendar year immediately preceding the calculation thereof, or for such other period specified in an Officer's Certificate of a Collection Agent, pursuant to the Collection and Reporting Agreements.

"*Default*" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default as defined in "THE INDENTURE – Events of Default" herein.

"*Defaulted Interest*" has the meaning given to such term in "THE BONDS – Interest on the Bonds" herein.

"*Deficiency Event*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*Designated Financial Advisor*" has the meaning given to such term in "THE BONDS – Limited Make-Whole Redemption" herein.

"*Designated Representative*" has the meaning given to such term in "THE FINANCING ORDER – Designated Representative" herein.

"*DTC*" means The Depository Trust Company, New York, New York.

"*Due Diligence Requirements*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*" herein.

"*EIA*" means the U.S. Energy Information Administration.

"*Emergency Item*" has the meaning give to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*EMMA*" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"*EPCOR*" means EPCOR Gas Texas Inc.

"*Estimated CRRC Collections*" means the payments in respect of Customer Rate Relief Charges which are deemed to have been received by a Collection Agent, directly or indirectly, from or on behalf of Customers, calculated in accordance with such Collection Agent's Collection and Reporting Agreement.

"*EU*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*" herein.

"*EU Due Diligence Requirements*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds.*"

"*EU Risk Retention Requirements*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds.*"

"*Euroclear*" has the meaning given to such term in "APPENDIX I – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" herein.

"*European Union Securitization Regulation*" or "*EU Securitization Regulation*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*Event of Default*" has the meaning given to such term in "THE INDENTURE – Events of Default" herein.

"*Excess Remittance*" means the amount, if any, calculated for a particular Reconciliation Period, by which all Estimated CRRC Collections remitted to the Collection Account during such Reconciliation Period exceed Actual CRRC Collections received by the Collection Agents during such Reconciliation Period.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Expected Amortization Schedule*" means the expected amortization schedule set forth in Schedule A to Exhibit B to the Indenture.

"*Extraordinary Transaction(s)*" has the meaning given to such term in "THE COLLECTION AND REPORTING AGREEMENTS – Binding Effect of Collection Agent Obligations" herein.

"*Final Aggregated Regulatory Asset Determination Amount(s)*" has the meaning given to such term in "THE SECURITIZATION LAW – Background" herein.

"*Final Maturity Date*" means, with respect to any Tranche of Customer Rate Relief Bonds, the date by which all principal of and interest on that Tranche is required to be paid, as set forth on the inside cover page of this Official Statement.

"*Financing Costs*" has the meaning given to such term in the Financing Order. For the avoidance of doubt, "Financing Costs" includes (without limitation) issuance costs, and any ongoing costs related to supporting, repaying, servicing and refunding the Bonds, including servicing fees and expenses, accounting and auditing fees, Indenture Trustee fees and expenses, legal fees and expenses, consulting fees, administrative fees, printing fees, financial advisor fees and expenses, issuer fees, placement and underwriting fees and expenses, capitalized interest, overcollateralization funding requirements, rating agency fees and expenses, stock exchange listing and compliance fees, any federal, state or local tax imposed on the income or operations of the Issuer (other than withholding taxes imposed in respect of payments to Holders of the Bonds), and filing fees.

"*Financing Order*" has the meaning given to such term in "INTRODUCTORY STATEMENT – Security" herein.

"*Financing Parties*" means a Holder of Customer Rate Relief Bonds, including a trustee, a pledgee, a collateral agent, any party under an Ancillary Agreement, or other person acting for the Holder's benefit.

"*Fitch*" means Fitch Ratings, Inc. or any successor thereto. References to Fitch are effective as long as Fitch is a Rating Agency.

"*FSMA*" has the meaning give to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*General Subaccount*" means the General Subaccount created within the Collection Account.

"*Government Obligations*" means any of the following: (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than the highest long-term or short-term rating issued by such Rating Agency; (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than the highest long-term or short-term rating issued by such Rating Agency; and (4) such other investments now or hereafter authorized by Chapter 1207 of the Government Code for the investment of escrow deposits; provided, however, that investments that meet only the requirements of (4) shall not be Government Obligations unless the Issuer has confirmed that use of such investment as a Government Obligations meets the Rating Agency Condition.

"*Governmental Authority*" means any nation or government, any federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative function of government.

"*Grant*" means assign, mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture, as the context may indicate. A Grant of the Customer Rate Relief Bond Collateral or of any other agreement or instrument included therein shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Customer Rate Relief Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and

options, to bring Proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"*HB 500*" has the meaning given to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*Hired NRSRO*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *The credit ratings are not an indication of the expected rate of payment of principal on the Bonds*" herein.

"*Historical Normalized Sales Volume*" means all natural gas volumes billed in the preceding calendar year in conjunction with the operation of a Participating Gas Utility's or Successor Utility's tariff established for the collection of natural gas costs and normalized according to the methodology utilized in such Participating Gas Utility's or Successor Utility's application filed in Commission Docket No. *OS-21-00007061, Consolidated Applications For Customer Rate Relief and Related Regulatory Asset Determinations In Connection With The February 2021 Winter Storm*, as described in Exhibit 1 to the Financing Order.

"*Historical Normalized Sales Volume Certificate*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents.*"

"*Holder*," "*Bondholder*," "*Registered Holder*" or "*Registered Owner*" means the Person in whose name a Bond is registered on the Customer Rate Relief Bond Register.

"*Indenture*" means the Indenture of Trust, dated as of March 1, 2023, between the Issuer and U.S. Bank Trust Company, National Association.

"*Indenture Trustee*" means U.S. Bank Trust Company, National Association.

"*Independent*" means, when used with respect to any specified Person, that the Person (a) is in fact independent of the Issuer, any other obligor on the Customer Rate Relief Bonds, the Indenture Trustee, the Central Servicer, any Collection Agent and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Central Servicer, any Collection Agent, or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Central Servicer, any Collection Agent, or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"*Insolvency Event*" means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"*Interest Rate*" means the rate at which interest accrues on a Bond, as set forth on the inside cover page of this Official Statement.

"*Interim Adjustment Notice*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Interim True-Up Adjustments" herein.

"*Interim True-Up Adjustment*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*Interim True-Up Adjustment Event*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*Interim True-Up Filing Date*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Internal Revenue Service*" means the Internal Revenue Service of the United States of America.

"*Intervenors*" has the meaning given to such term in the Financing Order.

"*Investment Earnings*" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"*Issuer*" means the Texas Natural Gas Securitization Finance Corporation.

"*Issuer Continuing Disclosure Agreement*" has the meaning given to such term in "CONTINUING DISCLOSURE UNDERTAKINGS" herein.

"*Issuer Expense Reserve Account*" has the meaning given to such term in "SECURITY FOR THE BONDS – Description of Indenture Accounts" herein.

"*Issuer Expense Reserve Level*" means $2,500,000.

"Issuer Order" means a written order or request signed in the name of the Issuer (or the Central Servicer to the extent permitted by the Indenture) by any one of its Responsible Officers and delivered to the Indenture Trustee, or if so contemplated by the Indenture, the Authenticating Agent, the Bond Registrar or a Paying Agent.

"*KBRA*" means Kroll Bond Rating Agency, LLC. or any successor thereto. References to KBRA are effective as long as KBRA is a Rating Agency.

"*Large Participating Gas Utility*" or "*Large Participating Gas Utilities*" has the meaning set forth in the Financing Order, namely each of Atmos Energy, CenterPoint, TGS, and any Participating Gas Utility or Successor Utility whose Normalized Sales Volumes exceed two percent (2.0%) of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities. For the avoidance of doubt, each of Atmos Energy, CenterPoint and TGS will continue to be a Large Participating Gas Utility even if, in the future, its Normalized Sales Volume ceases to exceed two percent (2.0%) of the aggregate Normalized Sales Volumes among all Participating Gas Utilities.

"*Legal Defeasance Option*" has the meaning given to such term in "THE INDENTURE – Satisfaction and Discharge of the Indenture; Defeasance" herein.

"*Lien*" means a security interest, lien, mortgage, charge, pledge, claim, equity or encumbrance of any kind.

"*Make-Whole Redemption Price*" has the meaning given to such term in "THE BONDS – Limited Make-Whole Redemption" herein.

"*Merger by Division*" has the meaning given to such term in "THE COLLECTION AND REPORTING AGREEMENTS – Binding Effect of Collection Agent Obligations" herein.

"*MMcf*" means million cubic feet of natural gas.

"*Monthly Collection Agent's Certificate*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents*" herein.

"*Monthly Remittance*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Duties of Collection Agents*" herein.

"*Moody's*" means Moody's Investors Service, Inc. or any successor thereto. References to Moody's are effective as long as Moody's is a Rating Agency.

"*Nonbypassable*" has the meaning given to such term in "THE SECURITIZATION LAW – Customer Rate Relief Charge is Nonbypassable" herein.

"*Normalized Sales Volumes*" means

(a) for Reporting Collection Agents: all natural gas volumes projected to be billed for the upcoming twelve (12) month period in conjunction with the operation of a Reporting Collection Agent's purchase gas adjustment, cost of gas clause, or other equivalent Tariff established for the collection of natural gas costs. For the avoidance of doubt, only the Normalized Sales Volumes of Reporting Collection Agents shall be aggregated to calculate the Customer Rate Relief Charges.

(b) for other Collection Agents: all natural gas volumes billed in the preceding calendar year in conjunction with the operation of a Collection Agent's purchase gas adjustment, cost of gas clause, or other equivalent Tariff established for the collection of natural gas costs and normalized according to the methodology utilized in each Collection Agent's application filed in Docket No. *OS-21-00007061, Consolidated Applications for Customer Rate Relief and Related Regulatory Asset Determinations in Connection With the February 2021 Winter Storm*. For the avoidance of doubt, only the Normalized Sales Volumes of Reporting Collection Agents will be aggregated in order to calculate the Customer Rate Relief Charges.

"*Notice of a Material Change in Projections*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Additional Duties of Reporting Collection Agents*" herein.

"*Notice of Initial Charge*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Initial Customer Rate Relief Charge and Expected Amortization Schedule" herein.

"*NRSROs*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *The credit ratings are not an indication of the expected rate of payment of principal on the Bonds*" herein.

"*Officer's Certificate*" means a certificate signed by a Responsible Officer of the Issuer, the Central Servicer, a Collection Agent, the Commission, the Authority or such other Person under the circumstances described in, and otherwise complying with, the applicable requirements of the Basic Documents, and delivered to the Indenture Trustee.

"*Official Statement*" means the Preliminary Official Statement of the Issuer, dated February 22, 2023, as supplemented on March 7, 2023 and March 8, 2023, and the Official Statement of the Issuer, dated March 9, 2023, each of which were prepared for and delivered to the Underwriters in connection with the offer and sale of the Customer Rate Relief Bonds.

"*ONE Gas*" means ONE Gas, Inc.

"*Ongoing Financing Costs(s)*" has the meaning providing in the Financing Order namely financing costs and Bond Administrative Expenses payable from revenue collected from the Customer Rate Relief Charges, including, without limitation, related to administering the Customer Rate Relief Bonds, including fees, costs and expenses of the Central Servicer, its advisors, consultants and legal counsel and any advisors or legal counsel hired by the Commission, the Authority or Issuer, related to and incurred during the life of the Customer Rate Relief Bonds, and other costs authorized by the Financing Order.

"*Opinion of Counsel*" means an opinion or opinions in writing, signed by legal counsel who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and which opinion shall be in form and substance reasonably acceptable to such party. As to any factual matters involved in an opinion of counsel, such counsel may rely, to the extent that they deem such reliance proper, upon a certificate or certificates setting forth such matters which have been signed by an official, officer, general partner or authorized representative of a particular governmental authority, corporation, firm or other person or entity.

"*Outstanding*" means, as of the date of determination, all Customer Rate Relief Bonds theretofore authenticated and delivered under the Indenture except:

(a) Customer Rate Relief Bonds theretofore canceled by the Customer Rate Relief Bond Registrar or delivered to the Customer Rate Relief Bond Registrar for cancellation;

(b) Customer Rate Relief Bonds that have been defeased pursuant to Article IV of the Indenture; and

(c) Customer Rate Relief Bonds in exchange for or in lieu of other Customer Rate Relief Bonds which have been issued pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Customer Rate Relief Bonds are held by a Protected Purchaser;

provided that in determining whether the Holders of the requisite Outstanding Amount of the Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or under any Basic Document, Customer Rate Relief Bonds owned by the Issuer, any other obligor of the Customer Rate Relief Bonds, the Central Servicer, the Collection Agents, or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Customer Rate Relief Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. Customer Rate Relief Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Customer Rate Relief Bonds and that the pledgee is not the Issuer, any other obligor upon the Customer Rate Relief Bonds, the Central Servicer, the Collection Agents, or any Affiliate of any of the foregoing Persons.

"*Outstanding Amount*" means the aggregate principal amount of all Bonds or, if the context requires, all Bonds of a Tranche, Outstanding at the date of determination.

"*Participating Gas Utility*" or "*Participating Gas Utilities*" has the meaning set forth in the Financing Order, namely each of Atmos Energy; Bluebonnet; CenterPoint; Corix; EPCOR; SiEnergy; TGS; and UniGas. Summit, as the purchaser of certain gas distribution assets of CenterPoint in the State after the issuance of the Regulatory Asset Determination is deemed a Successor Utility and is bound by the obligations of a Participating Gas Utility with respect to such acquired gas distribution assets. For the avoidance of doubt and in accordance with the Financing Order, "Participating Gas Utility" includes any Successor Utility.

"*Paying Agent*", "*paying agent*", "*Co-Paying Agent*" or "*co-paying agent*" means U.S. Bank Trust Company, National Association, or any successor paying agent or co-paying agent serving as such under the Indenture. If at any time there is no qualified paying agent serving as such, the Indenture Trustee shall act as paying agent under the Indenture.

"*Payment Date*" means, for each Tranche of Customer Rate Relief Bonds, the first payment date of September 1, 2023, and, thereafter, payment dates for each Tranche of the Customer Rate Relief Bonds are April 1 and October 1 of each calendar year or, if such date is not a Business Day, the next succeeding Business Day, commencing on April 1, 2024 and continuing until the earlier of (i) repayment of such Tranche of the Customer Rate Relief Bonds in full and (ii) the Final Maturity Date for such Tranche of the Customer Rate Relief Bonds.

"*Periodic Billing Requirement*" means the aggregate dollar amount of Customer Rate Relief Charges that must be billed during a given period (*i.e.*, semi-annually or such other applicable period) so that the CRRC Collections will be timely and sufficient to meet the Periodic Payment Requirement for that period, based upon: (i) forecast sales data for the period; (ii) forecast uncollectibles for the period; (iii) forecasts lags in collection of billed Customer Rate Relief Charges for the period; and (iv) projected collections of Customer Rate Relief Charges pending the implementation of the True-Up Adjustment.

"*Periodic Interest*" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Indenture.

"*Periodic Payment Requirement(s)*" for any period of time means the total dollar amount of CRRC Collections reasonably calculated by the Central Servicer in accordance with the Servicing Agreement as necessary to be received

during such period (after giving effect to the allocation and distribution of amounts in the General Subaccount on a date of calculation and to any unrecovered shortfalls in Periodic Payment Requirements) to ensure that on each Payment Date occurring in such period, (1) all accrued and unpaid interest on the Bonds then due shall have been paid in full, (2) the Outstanding Amount of the Bonds is equal to the Projected Unrecovered Balance, (3) the balance on deposit in the Reserve Subaccount equals the aggregate Required Reserve Level, (4) the balance on deposit in the Issuer Expense Reserve Account equals the aggregate Issuer Expense Reserve Level and (5) all other fees and expenses due and owing and required or allowed to be paid under "SECURITY FOR THE BONDS – Flow of Funds" as of such date shall have been paid in full; and with respect to any Scheduled True-Up Adjustment or Interim True-Up Adjustment occurring after the last Scheduled Final Payment Date for any Bonds, the Periodic Payment Requirement shall be calculated to ensure that sufficient Customer Rate Relief Charges will be collected to retire such Customer Rate Relief Bonds in full as of the earlier of (x) the Payment Date preceding the next Scheduled True-Up Adjustment Date and (y) the Final Maturity Date for such Bonds.

"*Periodic Principal*" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of the Bonds over the Projected Unrecovered Balance.

"*Permitted Lien*" means the Lien created by the Indenture.

"*Person*" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof, and includes successors permitted by the Basic Documents.

"*Potential Deficiency Event*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*President*" means the President of the Issuer, or any member of the Issuer authorized to act as Chair.

"*Pricing Resolution*" has the meaning given to such term in "THE ISSUER – Authorizing Resolution" herein.

"*Proceeding*" means any suit in equity, action at law or other judicial or administrative proceeding.

"*Projected Aggregate Collections*" has the meaning given to such term in "THE SERVICING AGREEMENT – Collections Tracking – Collection Tracking and Notice of Potential Deficiency Event" herein.

"*Projected Normalized Sales Volume*" means all natural gas volumes projected to be billed for the upcoming twelve (12) month period in conjunction with the operation of a Participating Gas Utility's or Successor Utility's tariff established for the collection of natural gas costs, as described in Exhibit 1 to the Financing Order.

"*Projected Unrecovered Balance*" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of Customer Rate Relief Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"*Proposed State Budget*" has the meaning give to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*Rating Agency*" means, with respect to any Tranche of Customer Rate Relief Bonds, any of Moody's, KBRA and/or Fitch, which provides, at the request of the Issuer, a rating with respect to such Customer Rate Relief Bonds. If no such organization or successor is any longer in existence or is no longer a nationally recognized statistical rating organization, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Central Servicer.

"*Rating Agency Condition*" means, with respect to any action, not less than ten (10) Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each Rating Agency to the Central Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of the Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Issuer that such action has

resulted or would result in the suspension, reduction or withdrawal of the then current rating of any Tranche of the Bonds; provided, that if within such ten (10) Business Day period, KBRA has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then following the expiration of such ten (10) Business Day period, the applicable Rating Agency Condition requirement shall be deemed not to apply to KBRA. If any other Rating Agency has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation and (ii) if such Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five (5) Business Days following such second (2nd) request, the applicable Rating Agency Condition requirement shall be deemed not to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"*Reconciliation Period*" means, with respect to any date of calculation, a period commencing on the second preceding Payment Date through and including the next preceding Payment Date.

"*Record Date*" means, with respect to a Payment Date or any date that the Issuer has selected to redeem Bonds, the close of business on the last day of the calendar month preceding the calendar month in which such Payment Date or redemption date occurs.

"Regulatory Asset Account" has the meaning given to such term in "SECURITY FOR THE BONDS – Description of Indenture Accounts" herein.

"*Regulatory Asset Determination*" has the meaning given to such term in "SECURITIZATION LAW – Background" herein.

"*Remittance Shortfall*" means the amount, if any, calculated for a particular Reconciliation Period, by which Actual CRRC Collections received by the Collection Agents during such Reconciliation Period exceed all Estimated CRRC Collections remitted to the Collection Account during such Reconciliation Period.

"*Reporting Collection Agent(s)*" means a Collection Agent that either (i) meets the definition of Large Participating Gas Utility or (ii) has been notified by the Central Servicer that it has been designated a Reporting Collection Agent pursuant to the Servicing Agreement.

"*Reporting Collection Agent Calculation Worksheet*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – Designations of Collection Agents – *Timeline for Designations*" herein.

"*Required Reserve Level*" means an amount equal to 0.50% of the initial principal amount of Bonds, which amount shall be reduced to zero upon application of the amount on deposit in the Reserve Subaccount to the last principal payment of the Bonds.

"*Reserve Subaccount*" means the Reserve Subaccount created within the Collection Account.

"*Responsible Officer*" means with respect to (a) the Issuer, the President/Chair, Vice President, Secretary or Treasurer or any other duly authorized officer; (b) the Central Servicer, the President, any Vice President, the Treasurer, an Assistant Treasurer or any other duly authorized officer, (c) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, Assistant Vice President, Secretary or Assistant Treasurer, Trust Officer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject); (d) any other corporation, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (e) any partnership, any general partner thereof; and (f) any other Person (other than an individual), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"*Retirement of the Bonds"* the day on which the final distribution is made to the Indenture Trustee in respect of the last Outstanding Bond.

"*Revenues*" means (i) all amounts derived from the Customer Rate Relief Bond Collateral or held or deposited or to be deposited in the Collection Account pursuant to the Indenture or the Collection and Reporting Agreements, including any amounts recovered by the Indenture Trustee pursuant to the Indenture; and (ii) any other moneys legally available to, or for the benefit of, the Issuer and deposited in the Collection Account pursuant to an Issuer Order.

"*SB 30*" has the meaning given to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*SB 1501*" has the meaning given to such term in "PLAN OF FINANCE AND USE OF PROCEEDS – *Texas Legislature Statement of Intent*" herein.

"*SC Midco*" means Southern Col MidCo, LLC.

"*Scheduled Final Payment Date*" means, with respect to each Tranche of Customer Rate Relief Bonds, the date when all interest and principal are scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Indenture. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche.

"*Scheduled Payment Date*" means each Payment Date on which the principal of the Bonds is scheduled to be paid.

"*Scheduled True-Up Adjustment*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*Scheduled True-Up Filing Date*" has the meaning given to such term in THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*Secretary*" means Secretary of the Issuer, or any member of the Issuer authorized to act as Secretary.

"*Secured Parties*" means the Indenture Trustee and the Bondholders.

"*Securitization Law*" means House Bill No. 1520, 87th Regular Session of the Texas Legislature.

"*Securitization Law Notice*" has the meaning given to such term in "SECURITIZATION LAW – Background" herein.

"*Servicer Business Day*" means any day other than a Saturday, Sunday or holiday on which the Central Servicer maintains normal office hours and conducts business.

"*Servicing Agreement*" means the Customer Rate Relief Property Central Servicing Agreement, dated as of March 9, 2023, by and between the Issuer, the Commission, and the Central Servicer, as amended, restated, supplemented or otherwise modified from time to time.

"*SiEnergy* " means SiEnergy, LP.

"*Special Payment Date*" means the date on which a Special Payment is to be made by the Indenture Trustee to the Holders.

"*Special Record Date*" means with respect to any Special Payment Date, such date as may be fixed for the payment of Defaulted Interest in accordance with the Indenture, or if not so fixed, the close of business on the 15th day (whether or not a Business Day) preceding such Special Payment Date.

"*Specified Event*" has the meaning given to such term in "THE SERVICING AGREEMENT – Duties of Central Servicer" herein.

"*State*" means the State of Texas.

"*State Non-Impairment Pledge*" means the non-impairment pledge of the State, set forth in the Securitization Law, which provides, among other things, that (i) the State, including the Commission and the Authority, has pledged for the benefit and protection of the Financing Parties and the Collection Agents that the State will not take or permit any action that would impair the value of Customer Rate Relief Property, or, except as permitted by the Securitization Law, reduce, alter, or impair the Customer Rate Relief Charges to be imposed, collected, and remitted to Financing Parties until the principal, interest and premium, and contracts to be performed in connection with the Customer Rate Relief Bonds and financing costs have been paid and performed in full; (ii) before the date that is two years and one day after the date that the Issuer no longer has any payment obligation with respect to the Bonds, the Issuer may not wind up or dissolve its operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the Issuer nor any public official nor any organization, entity, or other person may authorize the Issuer to be or to become a debtor under federal bankruptcy law during that period, and the State covenants that it will not limit or alter the denial of authority under such subsection of the Securitization Law; and (iii) the Customer Rate Relief Bonds are not a debt or pledge of the faith and credit of the State or a state agency or political subdivision of the State.

"*Subaccounts*" means the General Subaccount and the Reserve Subaccount.

"*Successor Servicer*" means a successor Central Servicer that shall have assumed in writing the obligations of the Central Servicer pursuant to the Servicing Agreement.

"*Successor Transaction*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities – Summit*" herein.

"*Successor Utility*" or "*Successor Utilities*" has the meaning set forth in the Financing Order, namely any entity that is a successor or assignee of a Participating Gas Utility, including any natural gas local distribution company or other entity that acquires, leases or operates all or part of the gas distribution business of a Participating Gas Utility in the State. The term Successor Utilities or Successor Utility shall be applied and interpreted broadly so as to ensure the "nonbypassable nature" of Customer Rate Relief Charges and prevent any avoidance thereof, and references to Participating Gas Utilities shall be deemed to include all such Successor Utilities. For the avoidance of doubt, "Successor Utility" means any entity that succeeds by any means whatsoever to any interest or obligation of a Participating Gas Utility, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise.

"*Sufficient Assets*" means with respect to any Bonds, any combination of the following:

(1) an amount of money sufficient, without investment, to pay all interest on, and principal of, such Bonds when due or when first payable by the Issuer under the terms of the Indenture; and,

(2) Government Obligations that:

(A) are not redeemable prior to maturity; and

(B) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay all interest on, and principal of, such Bonds when due or when payable by the Issuer under the terms of the Indenture.

"*Summit*" has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities – Summit*" herein.

"*Summit Inc*." has the meaning given to such term in "THE PARTICIPATING GAS UTILITIES – General – *Other Participating Gas Utilities – Summit*" herein.

"*Tariff*" means any rate tariff filed by each Participating Gas Utility with the Commission pursuant to the Financing Order to evidence any Customer Rate Relief Charges, including any amendment thereto that is in accordance with the requirements of the Financing Order.

"*TGS*" means Texas Gas Service, a division of ONE Gas.

"*Tranche(s)*" means any one of the groupings of Customer Rate Relief Bonds identified on the inside cover page of this Official Statement.

"*Treasurer*" means Treasurer of the Issuer, or any member of the Issuer authorized to act as Treasurer.

"*Treasury Rate*" has the meaning given to such term in "THE BONDS – Limited Make-Whole Redemption" herein.

"*Treasury Regulation*" means the regulations, including proposed or temporary regulations, promulgated under the Code. References to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

"*True-Up Adjustment Letter*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*True-Up Adjustments"* has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Scheduled True-Up Adjustments and Interim True-Up Adjustments*" herein.

"*True-Up Filing Date"* has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Calculation of True-Up Adjustments" herein.

"*True-Up Implementation Letter*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Verification of True-Up Adjustment Billing" herein.

"*UCC*" means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the State, as amended from time to time.

"*UCITS*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*UK*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*UK Affected Investors*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*UK Due Diligence Requirements*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*UK Securitization Regulation*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *European Union and United Kingdom Securitization Rules affecting certain investors may adversely affect the price and liquidity of the Bonds*."

"*Unassigned Rights*" means the rights of the Issuer to indemnification pursuant to the provisions of the Servicing Agreement and the Collection and Reporting Agreements, respectively.

"*Undertaking*" means the Issuer's continuing disclosure undertaking pursuant to SEC Rule 15c2-12 promulgated under the Exchange Act.

"*Underwriters*" means, collectively, the underwriters identified on the cover page of this Official Statement.

"*UniGas*" means Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.).

"*Unsolicited Ratings*" has the meaning given to such term in "RISK FACTORS – Other Risk Factors – *The credit ratings are not an indication of the expected rate of payment of principal on the Bonds*" herein.

"*Up-Front Financing Costs*" has the meaning set forth in the Financing Order, namely financing costs, Bond Administrative Expenses and other costs authorized by the Financing Order relating to the Customer Rate Relief Bonds payable from the proceeds of the Customer Rate Relief Bonds, including amounts for (i) the cost of original issue discount, credit enhancements, reserves established under the Indenture or Ancillary Agreements, capitalized interest accruing on the Bonds and Bond Administrative Expenses accruing or payable up to six (6) months following the Closing Date and other arrangements to enhance marketability of the Customer Rate Relief Bonds as discussed in the Financing Order; (ii) the cost of the Authority's, the Issuer's and the Commission's financial advisors and legal counsel; and (iii) any costs incurred by the Commission, the Authority or the Issuer if the Financing Order is appealed or if a bond validation proceeding under Tex. Gov't Code Chapter 1205 is required to issue the Customer Rate Relief Bonds.

"*Up-Front Financing Costs Account*" has the meaning given to such term in "SECURITY FOR THE BONDS – Description of Indenture Accounts" herein.

"*Valuation Date*" has the meaning given to such term in "THE BONDS – Limited Make-Whole Redemption" herein.

"*Verification Agent*" has the meaning given to such term in "THE SERVICING AGREEMENT – True-Up Adjustments – *Process to Implement True-Up Adjustments* – Initial Customer Rate Relief Charge and Expected Amortization Schedule" herein.

"*Verification Agent Agreement*" means an agreement entered into between a Verification Agent and the Issuer whereby the Verification Agent agrees to perform certain confirming calculations and procedures with respect to the True-Up Adjustments submitted to it by the Central Servicer.

"*Vice President*" means the Vice President of the Issuer, or any member of the Issuer authorized to act as Vice President.

"*WAL*" means weighted average life.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE LARGE PARTICIPATING GAS UTILITIES

THE VALUATION OF THE CUSTOMER RATE RELIEF CHARGE IS DEPENDENT ON THE VIABILITY OF NATURAL GAS AS AN ONGOING SOURCE FOR EXISTING AND FUTURE CUSTOMERS OF THE PARTICIPATING GAS UTILITIES. NEITHER THE ISSUER NOR THE AUTHORITY HAS EXPERTISE WITH REGARD TO NATURAL GAS SALES SERVICE, THE NATURAL GAS INDUSTRY OR THE REGULATION THEREOF, OR THE VIABILITY OF NATURAL GAS AS AN ONGOING FUEL SOURCE. THE FOLLOWING INFORMATION HAS BEEN DERIVED COLLECTIVELY AND INDIVIDUALLY FROM EACH OF THE LARGE PARTICIPATING GAS UTILITIES, AND THE ISSUER HAS NOT UNDERTAKEN TO INDEPENDENTLY VERIFY THE FOLLOWING INFORMATION.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

INFORMATION REGARDING ATMOS ENERGY CORPORATION

Atmos Energy is a regulated natural gas utility that distributes and sells natural gas to over three million customers through six regulated distribution divisions in Texas, Colorado, Kansas, Kentucky, Tennessee, Virginia, Louisiana, and Mississippi. Atmos Energy is headquartered in Dallas, Texas and was incorporated in Texas in 1983. Atmos Energy is a publicly traded company on the New York Stock Exchange and currently ranks as the country's largest natural gas only distributor based on number of customers. In addition to the distribution business, Atmos Energy also owns and operates two intrastate pipelines and related storage operations in Texas and Louisiana. The Bonds do not constitute a debt, liability or other legal obligation of Atmos Energy or any of its affiliates.

In Texas, Atmos Energy has two divisions, Mid-Tex and West Texas, which serve 630 communities statewide. The Mid-Tex Division serves the Dallas-Fort Worth area – the fourth largest metro area in the United States with approximately 7.6 million residents. In addition to being home to Atmos Energy's corporate headquarters, the Dallas-Fort Worth area also has 22 Fortune 500 companies and 45 Fortune 1000 companies headquartered there. The West Texas Division serves the Lubbock, Amarillo and Permian Basin regions and surrounding areas, which has a population of approximately half a million residents. As of September 30, 2021, Atmos Energy had approximately 40,000 miles of distribution pipeline in Texas.

In Texas, as of December 31, 2021, Atmos Energy served 2,061,614 customers across a mix of residential, commercial, industrial, and public authority/governmental. During the twelve months ending December 31, 2021, Atmos Energy's billed sales volume totaled 172,175 MMcf. Some notable large customers include: Dallas Fort Worth International Airport, AT&T Stadium, the Fort Hood military base, Southern Methodist University, Baylor University, Texas A&M University, Texas Tech University, along with large agriculture and livestock businesses.

Customer Base and Natural Gas Consumption

The following tables show the Atmos Energy natural gas sales volumes billed to customers, billed sales revenues, and the number of customers by type (i.e., residential, commercial, industrial, and public authority, governmental and others) for the preceding six years in Texas.

Atmos Energy's Gas Accounting and Rate Administration ("GARA") department is responsible for collecting such information. GARA is a department within Atmos Energy's Corporate Accounting team and rolls up into the Shared Services Unit. The information below is recorded and monitored by Atmos Energy on a monthly basis. There can be no assurances that the Atmos Energy natural gas sales volumes, sales revenues, and number of customers or the composition of any of the foregoing will remain at or near levels reflected in the following tables.

Table 1 – Annual Billed Sales Volume (MMcf, Calendar Year)

Customer Class	2022	2021	2020	2019	2018	2017
Residential	101,117 58.6%	101,815 59.1%	97,032 59.8%	108,357 59.3%	108,477 59.6%	76,952 56.1%
Commercial	63,911 37.0%	63,136 36.7%	58,157 35.9%	67,662 37.0%	67,240 37.0%	54,187 39.5%
Industrial	5,497 3.2%	5,184 3.0%	4,956 3.1%	4,711 2.6%	4,148 2.3%	4,162 3.0%
Public Authority, Governmental and Others	2,003 1.2%	2,040 1.2%	2,020 1.2%	2,077 1.1%	2,059 1.1%	1,837 1.3%
Total	172,528 100.0%	172,175 100.0%	162,166 100.0%	182,807 100.0%	181,924 100.0%	137,139 100.0%

Table 2 – Billed Sales Revenues ($000, Calendar Year)*

Customer Class	2022	2021	2020	2019	2018	2017
Residential	1,791,740 68.4%	1,448,472 70.5%	1,128,200 73.4%	1,098,725 71.6%	1,268,364 70.8%	1,094,710 69.7%
Commercial	765,751 29.2%	563,525 27.4%	382,719 24.9%	410,549 26.8%	493,954 27.6%	442,244 28.2%
Industrial	41,607 1.6%	26,344 1.3%	14,334 0.9%	14,307 0.9%	17,262 1.0%	18,595 1.2%
Public Authority, Governmental and Others	20,753 0.8%	16,101 0.8%	11,260 0.7%	10,562 0.7%	12,772 0.7%	14,378 0.9%
Total	2,619,852 100.0%	2,054,443 100.0%	1,536,512 100.0%	1,534,143 100.0%	1,792,351 100.0%	1,569,927 100.0%

**Revenues associated with sales customers, excludes irrigation and transportation revenues.*

Table 3 – Number of Customers (Calendar Year, as of December 31)

Customer Class	2022		2021		2020		2019		2018		2017	
Residential	1,929,958	92.7%	1,908,076	92.6%	1,873,722	92.5%	1,839,115	92.3%	1,811,667	92.3%	1,790,453	92.3%
Commercial	149,887	7.2%	151,161	7.3%	149,103	7.4%	150,822	7.6%	148,529	7.6%	146,710	7.6%
Industrial	303	0.0%	273	0.0%	263	0.0%	264	0.0%	267	0.0%	278	0.0%
Public Authority, Governmental and Others	2,056	0.1%	2,104	0.1%	2,101	0.1%	1,988	0.1%	2,032	0.1%	2,051	0.1%
Total	2,082,204	100.0%	2,061,614	100.0%	2,025,189	100.0%	1,992,189	100.0%	1,962,495	100.0%	1,939,492	100.0%

Franchise Agreements

Texas is a home rule state and as such, municipalities retain original jurisdiction over gas rates and services of a gas utility in incorporated areas. The Railroad Commission of Texas ("Commission"), on the other hand, has original jurisdiction over the rates and services of a gas utility in unincorporated areas and in municipalities that have surrendered their jurisdiction to the Commission under the Texas Utilities Code. Municipalities grant non-exclusive franchise agreements to natural gas utilities which generally authorize the franchisee gas utility to provide natural gas service to customers within the municipality subject to certain terms and conditions. The essential purpose of a franchise agreement is to provide a municipality with compensation for use of its rights-of-way, along with protections for the condition of the right-of-way and indemnification against any damage or injury that could be caused by the utility's operations in the right-of-way. Atmos Energy currently has 528 franchise agreements in place, with terms varying from 5 years to 25 years, which cover approximately 95% of Atmos Energy's customers. These agreements are renewed on an ongoing basis. In Atmos Energy's experience, the substantive focus of amendments to franchise agreements has typically been the compensation piece of the agreement. Atmos Energy is not aware of any instance in which a municipality has exercised a termination clause or made other efforts to end a franchise agreement.

Table 4 – Top 5 Franchise Agreements by Volume (Calendar Year 2021)

City	Total Volume Subject to Agreement (MMcf)	Execution Date	Term
Dallas	24,820	1/13/2010	15 years
Fort Worth	13,569	11/5/1990	25 years
Lubbock	7,044	3/12/2019	15 years
Plano	6,405	1/14/2019	25 years
Arlington	4,632	12/15/2015	10 years

Gas Forecasting Process & Methodology

Atmos Energy's Forecast & Design Day Methodology for each distribution division is reviewed on an annual basis. Atmos Energy's standard methodology is to use the weather conditions with a probability of occurrence of once in 30 years. Atmos Energy uses Marquette Energy Analytics' GasDay Lab to provide inputs for the 40 weather stations used in all Atmos Energy territories for design day calculations. Marquette Energy Analytics has been providing load forecasting models and design day calculations to the natural gas industry since 1999.

The objective of the forecasting process is to accurately forecast the volumetric natural gas requirements of Atmos Energy's customers and secure the appropriate pipeline transportation and storage needed in providing reliable service to such customers in the most cost-effective manner. Atmos Energy's Forecast & Design Day Methodology is continually improved, with updates made as needed to meet the above objective.

The table below shows the annual forecast variance for billed volume for the preceding six years in Texas. Variance between actual sales, net of weather variance, and forecasted sales are shown below.

Table 5 – Annual Forecast Variance for Billed Volume (MMcf, Calendar Year)*

	2022	2021	2020	2019	2018	2017
Forecasted Billed Volume	174,536	174,422	174,035	172,688	166,684	164,074
Billed Volume*	175,905	175,038	174,458	173,958	166,682	164,940
Variance (%)	0.8%	0.4%	0.2%	0.7%	0.0%	0.5%

**Weather Normalized.*

Credit Policy

Atmos Energy is generally required to provide service to all qualified customers within its service territory. To minimize credit risk, Atmos Energy assesses the credit worthiness of new customers, requires deposits where necessary, assesses late fees, pursues collection activities and disconnects service for non-payments. Rather than pulling credit scores for new service, Atmos Energy utilizes the RiskView product from LexisNexis to provide a RiskView score for new customers. If the score is less than 600, a deposit is required. A customer can be charged a new or additional deposit if their service was disconnected for non-payment and they are reconnecting.

Billing Process

In Texas, Atmos Energy reads meters and bills customers on a monthly cycle basis. In calendar year 2021, Atmos Energy generated an average of approximately 67,000 bills daily, based on 19 cycles each month. Customers are considered delinquent if payment is not received by the due date. Exception cases are created when usage readings are outside of normal thresholds. There is a review of each individual exception case to determine the next steps such as, create a re-read order, contact the customer, or contact the service technician. The exception cases are reviewed extensively against billing processes and procedures prior to releasing the bill.

Customer Rate Relief Charge Billing Adjustment Process

The Financing Order authorizes Atmos Energy to adjust the CRR Charge to reflect the delivery pressure identified in Atmos Energy's applicable Tariff. The CRR Charge is calculated on a per Ccf/Mcf basis where the pressure is normalized to 14.65 pounds per square inch ("psi"). While Atmos Energy delivers gas to customers at a range of pressures, the most common pressure base for each customer class is 14.65 psi.

Collection, Disconnection of Service, and Write-off Policies

Atmos Energy customers have a variety of payment options, including autopay, website/phone, online banking, mailing in checks, and third-party vendors (i.e., kiosks and pay stations). Payments at kiosks and pay stations operated by third-party vendors are tallied at the end of each business day. All payments are remitted daily and if/when there are insufficient funds, settlement can take up to 2-3 business days for a chargeback. Payments at third-party vendors accounted for approximately 13.3% of all customer payments for the 9 months ending September 2022.

Customers are sent a bill which is due 15 days after issuance. For customers with excellent credit, a term notice is sent 18 days after the due date while for customers with non-excellent credit, a term notice is sent 3 days after the due date. The term notice is followed by a pre-disconnection courtesy call 7 days later. A disconnect service order is created the following day and may take up to 5 business days to complete. When service is disconnected for non-payment, a final bill is issued after 25 days, with payment due 10 days thereafter. Final billed accounts with an unpaid balance greater than $10 are placed with a primary third-party collection agency 30 business days after the final bill due date. Accounts are charged-off 90 business days after the final bill due date.

In addition to the various payment options, Atmos Energy also offers several payment plans to help customers manage their monthly gas bills. For example, the Budget Billing Plan allows customers to spread out their gas utility payments over the entire year, smoothing out seasonal highs and lows and providing a more predictable amount due every month. Budget Billing is based on a rolling, 12-month average of a customer's bill and uses a "levelized process" to adjust for monthly changes in gas consumption and gas costs.

Atmos Energy may change its credit, billing, collections and disconnection of service policies and procedures from time to time. It is anticipated that such changes would be designed to enhance Atmos Energy's ability to bill and collect from its customers on a timely basis.

Cybersecurity Efforts Related to Billing and Collection Systems

Atmos Energy is vigilant in assessing the risk of cyber threats and utilizes a number of leading cyber security technology solutions in the Atmos Energy computing infrastructure. Atmos Energy has a continued cycle of process improvement to help it respond to the changing cybersecurity threat landscape. Atmos Energy's cybersecurity program is based on the widely utilized National Institute of Standards and Technology Cybersecurity Framework

and utilizes a collection of technologies, processes, and threat information sources that represent best practices as promoted by experts from both the public and private sectors.

Weather Rules

Texas statutory requirements and the rules and regulations of the Commission regulate the right to disconnect service. Albeit rare, these guidelines may change from time to time. The Commission enforces certain weather rules on Atmos Energy in extreme weather emergencies. Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, a natural gas utility is prohibited from disconnecting a delinquent residential customer on a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service. To the extent such customers do not pay for their natural gas sales service, Atmos Energy will also not be able to collect the Customer Rate Relief Charges. These cold weather rules do not materially impact the Company's billings or collections.

Days Sales Outstanding

The table below shows Atmos Energy's average days sales outstanding for the preceding six years in Texas. Average days sales outstanding is a measure of the average number of days that Atmos Energy takes to collect its revenue.

Table 6 – Annual Average Days Sales Outstanding (Calendar Year)*

2022	2021	2020	2019	2018	2017
25	25	20	19	19	19

**Based on aggregate Accounts Receivable balance. See Write-offs and Delinquencies tables regarding the inputs into the average days outstanding calculation.*

Write-off and Delinquency Experience

The tables below show Atmos Energy's write-off and delinquency experience for the preceding six years in Texas. Such historical information is presented because Atmos Energy's actual experience with respect to write-offs and delinquencies may affect the timing of the CRRC Collections. Atmos Energy does not expect, but by no means can assure, that the write-off and delinquency experience with respect to the CRRC Collections will differ substantially from the rates indicated. Write-off and delinquency data is affected by various factors, including the overall economy, weather, and changes in collection practices. The net write-off and delinquency experience is expected, but by no means can be assured, to be similar to Atmos Energy's historical experience.

Table 7 – Write-offs as a Percentage of Revenues ($000s, Calendar Year)

	2022	2021	2020	2019	2018	2017
Total Billed Revenues*	2,680,456	2,109,970	1,586,833	1,582,062	1,841,993	1,614,423
Gross Write-offs	30,277	11,677	9,477	13,401	13,498	12,140
as % of Total Billed Revenues	*1.13%*	*0.55%*	*0.60%*	*0.85%*	*0.73%*	*0.75%*
Recoveries	(1,491)	(1,396)	(1,116)	(1,591)	(1,621)	(1,770)
Net Write-offs	28,786	10,281	8,361	11,809	11,877	10,370
as % of Total Billed Revenues	*1.07%*	*0.49%*	*0.53%*	*0.75%*	*0.64%*	*0.64%*

**Revenues and write-offs inclusive of sales, irrigaton and transportation customers as Atmos is unable to bifurcate by customer class.*

Table 8 – Customer Delinquencies as a % of Total Billed Revenues (Calendar Year)

	2022	2021	2020	2019	2018	2017
31-60 days	0.44%	0.46%	0.33%	0.26%	0.24%	0.25%
61-90 days	0.32%	0.32%	0.19%	0.13%	0.12%	0.11%
91+ days	1.36%	1.32%	0.37%	0.22%	0.20%	0.05%
Total	2.12%	2.10%	0.90%	0.61%	0.56%	0.41%

** Accounts receivables includes Mid-Tex Division transportation customers as Mid-Tex Division industrial and transport customers are combined in the aging report.*

Alternatives to Gas as an Energy Source for Atmos Energy Customers

Natural gas is a major industry in the State, supporting a wide range of jobs and economic sectors, with Texas being both the largest producer and the largest consumer of natural gas. In 2021, the Texas Legislature passed House Bill 17, 87th Regular Legislative Session, which prevents a regulatory authority or political subdivision from adopting or enforcing any measure that would ban, limit, discriminate against, or prohibit the connection of a utility service based on the type or source of energy to be delivered to the end-use customer. Essentially, the purpose of the legislation is to curtail the ability of local leaders to promote electric-only, rather than to offer consumers a choice.

Natural gas continues to be a cost-competitive, efficient alternative to electricity, oil, and propane for customers in Texas. Based on a 2021 analysis by the American Gas Association, a natural gas home requires about one-quarter less total energy on a full fuel-cycle basis than is required for a comparable all-electric home for the same appliances in a typical residential application. This energy efficiency advantage of natural gas-based homes stems from the fact that less than 10% of the natural gas energy produced is used or lost from the point of production to the residence. In contrast, almost 63% of the energy produced to satisfy the electricity needs of consumers is used or lost in the process of energy production, conversion, transmission, and distribution.

Furthermore, according to the EIA's December 2022 Monthly Energy Review, the cost for residential natural gas in September 2022 was $7.98 per million British thermal units ("MMBtu") versus $16.12 per MMBtu for residential electricity – this represents a more than 2 to 1 cost advantage for natural gas over electricity. Using 2022 rates, Atmos Energy's analysis indicates that it maintains a cost advantage of 2.2 times compared to electricity in Texas. Additionally, switching energy sources also entails significant upfront costs. Based on Atmos Energy's experience, the average cost of converting an all-gas home to all-electric can range from approximately $12,000 to $20,000+, depending on a number of factors, including the number of gas appliances in the home, electrical work needed to complete the conversion, and the quality of appliances chosen. Given the significant cost advantage compared to electricity along with the high switching costs, Atmos Energy expects that the risk of customers switching from gas to an alternative energy source is low.

Experience with Alternative Gas Suppliers

In the experience of Atmos Energy, as a practical matter, it has not been cost effective for an alternative gas supplier to incur the capital costs to provide a material volume of gas service to customers once served by Atmos Energy by installing parallel gas distribution facilities, no portion of which require interconnection to existing gas distribution facilities of Atmos Energy.

Additional Natural Gas Utility Considerations

An objective of Atmos Energy's supply-sourcing strategy is to provide value to its customers through reliable, competitively priced and flexible natural gas supply and transportation from multiple production areas and suppliers. This strategy is designed to mitigate the impact on Atmos Energy's supply from physical interruption, financial difficulties of a single supplier, natural disasters and other unforeseen force majeure events, as well as to ensure that adequate supply is available to meet the variations of customer demand.

Atmos Energy does not anticipate problems with securing natural gas supply to satisfy customer demand; however, if supply shortages were to occur, Atmos Energy has curtailment provisions in Atmos Energy 's tariffs that allow Atmos Energy to reduce or discontinue natural gas service to large industrial users and to request that residential and commercial customers reduce their natural gas requirements to an amount essential for public health and safety. In addition, during times of critical supply disruptions, curtailments of deliveries to customers with firm contracts may be made by Atmos Energy in accordance with guidelines established by appropriate federal, state and local regulatory agencies.

December 2022 Localized Disruption of Service

Atmos Energy takes seriously its responsibility to provide safe and reliable natural gas services across 630 communities that are served by the Mid-Tex and West Texas Divisions. That responsibility includes working and communicating with regulators, communities, and customers while taking the necessary operational planning and preparation to provide safe and reliable service every day of the year. Despite Atmos Energy’s planning and

preparations for Winter Storm Elliott, 2,306 of the more than 2.1 million residential and commercial customers across the Mid-Tex and West Texas Divisions (approximately 0.11%) reported service interruptions primarily in localized areas where demand exceeded the contingency planning. Atmos Energy worked to restore service as quickly and safely as possible. The Commission established Case No. 00012215 entitled "Investigation into Atmos Energy Corporation's Texas Distribution System Performance During 2023 Winter Storm Elliott" and issued two sets of requests for information in that case. Atmos Energy submitted responses to both sets on January 13, 2023, which are made available through the Commission's website at https://rrctx.force.com/s/case/5008z000004fMmdAAE/detail. There are no assurances regarding the final outcome of this investigation, as it is still ongoing.

Where to Find Information about Atmos Energy

Atmos Energy files periodic reports with the SEC as required by the Exchange Act. Atmos Energy's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms filed with or furnished to the SEC at their website, www.sec.gov, are also available free of charge at Atmos Energy's website, www.atmosenergy.com, under "Publications & SEC Filings" under the "Investors" heading under "Our Company."[1]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[1] The websites referenced in this paragraph are provided for reference only. Information and documents accessible at such websites is not incorporated herein by reference into this Official Statement, either expressly or by implication, and does not form part of this Official Statement.

INFORMATION REGARDING CENTERPOINT

CenterPoint Energy Resources Corp. ("CERC"), d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint"), an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc., is a regulated natural gas utility that owns and operates natural gas distribution facilities in Texas. CenterPoint Energy, Inc. is a public holding company traded on the New York Stock Exchange whose subsidiaries own and operate natural gas distribution facilities and electric transmission, distribution and generation facilities, and provide energy performance contracting and sustainable infrastructure services. CenterPoint Energy, Inc. is headquartered in Houston, Texas, and along with its predecessor companies, has been in business for more than 150 years. CenterPoint Energy, Inc. serves more than 7 million metered customers in Texas, Indiana, Louisiana, Minnesota, Mississippi, and Ohio. The Bonds do not constitute a debt, liability or other legal obligation of CenterPoint or any of its affiliates.

In Texas, CenterPoint has four utility divisions and delivers natural gas and transportation services to approximately 1.8 million customers across East Texas, South Texas, and the Upper Texas Gulf Coast. The system serves over 257 cities including approximately 75 counties and comprises about 34,000 miles of gas main with 814 custody transfer points (city gate stations).

As described in the Financing Order and herein, CenterPoint sold its Texarkana, Texas assets to an affiliate of Summit Utilities, Inc. ("Summit") in January 2022. Excluding Texarkana, as of December 31, 2021, in Texas, CenterPoint served 1,838,384 customers across a mix of residential, commercial, and industrial. During the twelve months ending December 31, 2021, CenterPoint's billed sales volume in Texas totaled 94,339 MMcf. The largest metropolitan area served by CenterPoint is Houston, Texas. Some notable large customers include: Walmart, Kroger, the City of Houston, and H-E-B.

Customer Base and Natural Gas Consumption

The following tables show the CenterPoint natural gas sales volumes billed to customers, billed sales revenues, and the number of customers by type (i.e., residential, commercial, and industrial) for the preceding five years in Texas. The tables below exclude data specific to the Texarkana service area as data specific to those customers is reported under "THE PARTICIPATING GAS UTILITIES – General" herein.

CenterPoint Energy Inc.'s Gas General Accounting and Finance departments are responsible for collecting such information. These departments are part of CenterPoint Energy Service Company, LLC, an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc., which performs shared services for CenterPoint Energy, Inc. and its subsidiaries, including CenterPoint. The customer information below is recorded and monitored by CenterPoint Energy Service Company, LLC on a monthly basis. There can be no assurances that the CenterPoint natural gas sales volumes, sales revenues, and number of customers or the composition of any of the foregoing will remain at or near, or materially similar to, levels reflected in the following tables.

Table 1 – Annual Billed Sales Volume (MMcf, Calendar Year)

Customer Class	2021		2020		2019		2018		2017	
Residential	68,964	73.1%	59,868	72.0%	68,078	71.4%	69,743	71.5%	45,410	66.0%
Commercial	18,942	20.1%	16,414	19.7%	19,438	20.4%	20,406	20.9%	16,225	23.6%
Industrial	6,433	6.8%	6,831	8.2%	7,777	8.2%	7,367	7.6%	7,151	10.4%
Public Authority, Governmental and Others	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	94,339	100.0%	83,113	100.0%	95,293	100.0%	97,516	100.0%	68,786	100.0%

Through September 30, 2022, CenterPoint's 2022 billed sales volume totaled 75,543 MMcf (excluding Texarkana), which represents 97% of the billed sales volume over the same time period in 2021. Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated billed sales volume for calendar year 2022 represents a 2.3% increase compared to billed sales volume for calendar year 2021 (excluding Texarkana).

Table 2 – Billed Sales Revenues ($000, Calendar Year)*

Customer Class	2021		2020		2019		2018		2017	
Residential	850,665	80.9%	731,816	81.1%	801,564	79.5%	800,084	79.1%	641,404	77.5%
Commercial	154,694	14.7%	124,866	13.8%	152,293	15.1%	159,167	15.7%	133,183	16.1%
Industrial	46,504	4.4%	45,964	5.1%	54,617	5.4%	52,234	5.2%	52,655	6.4%
Public Authority, Governmental and Others	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	1,051,864	100.0%	902,646	100.0%	1,008,474	100.0%	1,011,484	100.0%	827,241	100.0%

**Revenues associated with sales customers, excludes irrigation and transportation revenues.*

Through September 30, 2022, CenterPoint's 2022 billed sales revenues totaled $1,009,175,000 (excluding Texarkana), which represents 123% of the billed sales revenues over the same time period in 2021. Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated billed sales revenue for calendar year 2022 totals $1.4 billion which represents an increase of 32.7% compared to billed sales revenue for calendar year 2021 (excluding Texarkana).

Table 3 – Number of Customers (Calendar Year, as of December 31)

Customer Class	2021		2020		2019		2018		2017	
Residential	1,736,874	94.5%	1,707,252	94.6%	1,666,334	94.5%	1,637,467	94.3%	1,612,969	94.4%
Commercial	99,535	5.4%	94,216	5.2%	95,100	5.4%	95,961	5.5%	93,504	5.5%
Industrial	1,975	0.1%	2,656	0.1%	2,674	0.2%	2,235	0.1%	2,516	0.1%
Public Authority, Governmental and Others	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	1,838,384	100.0%	1,804,124	100.0%	1,764,108	100.0%	1,735,663	100.0%	1,708,989	100.0%

As of September 30, 2022, CenterPoint served 1,857,735 customers (excluding Texarkana). Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimate of the number of customers for calendar year 2022 represents an increase of 2.1% compared to the number of customers for calendar year 2021 (excluding Texarkana).

Franchise Agreements

Texas is a home rule state and as such, municipalities retain original jurisdiction over gas rates and services of a gas utility in incorporated areas. The Commission, on the other hand, has original jurisdiction over the rates and services of a gas utility in unincorporated areas and in municipalities that have surrendered their jurisdiction to the Commission under the Texas Utilities Code. Municipalities grant non-exclusive franchise agreements to natural gas utilities which generally authorize the franchisee gas utility to provide natural gas service to customers within the municipality subject to certain terms and conditions. The essential purpose of a franchise agreement is to provide a municipality with compensation for use of its rights-of-way, along with protections for the condition of the right-of-way and indemnification against any damage or injury that could be caused by the utility's operations in the right-of-way. CenterPoint in Texas currently has approximately 257 franchise agreements in place, with terms varying from 5 to 30 years, which cover approximately 60% of CenterPoint's customers. These agreements are renewed on an ongoing basis. In CenterPoint's experience, principal focus when amending a franchise agreement has generally been the compensation portion of the agreement. CenterPoint is unaware of any instance in which a municipality in Texas has made efforts to terminate a franchise agreement.

Table 4 – Top 5 Franchise Agreements by Volume (Calendar Year 2021)

City	Total Volume Subject to Agreement (MMcf)	Execution Date	Term
Houston	430,687	5/2/2007	30 years
Pasadena	31,138	10/7/2022	5 years
Tyler*	30,544	8/15/2012	10 years
Sugar Land	29,910	3/11/2010	30 years
Beaumont	25,027	10/5/2009	25 years

**Tyler franchise is currently in a 5-year evergreen period.*

Gas Forecasting Process & Methodology

CenterPoint's forecasting methodology is reviewed on an annual basis. For the purpose of annual gas supply planning, CenterPoint segregates residential sales from small commercial and industrial sales and forecasts each separately. The purpose in doing this is to account for the difference in usage patterns between these two groups of customers. Namely, residential customers may use gas for cooking, water heating and space heating, every day of the week, while a commercial or industrial customer may only use gas for water heating and space heating and for only five days each week. CenterPoint uses 10 years of historic data on customer count, usage per customer, heating degree days, and gas prices to develop the econometric models used in the forecasting process.

The table below shows the CenterPoint annual forecast variance for billed volume for the preceding five years in Texas. Variance between actual sales and forecasted sales can be caused by a number of factors, including unexpected changes in customer growth and usage from economic factors or appliance efficiency improvements. The table below excludes data specific to the Texarkana service area as data specific to those customers is reported under Summit herein.

Table 5 – Annual Forecast Variance for Billed Volume (MMcf, Calendar Year)*

	2021	2020	2019	2018	2017
Forecasted Billed Volume	92,040	93,695	91,885	95,253	90,170
Billed Volume*	94,854	92,743	92,732	93,612	92,298
Variance (%)	3.1%	-1.0%	0.9%	-1.7%	2.4%

**Weather Normalized.*

Through September 30, 2022, CenterPoint's 2022 weather normalized forecast variance for billed volume was -2.8% (excluding Texarkana). Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated forecast variance for billed volume for calendar year 2022 is -2.2% compared to 3.1% forecast variance for billed volume for calendar year 2021 (excluding Texarkana).

Credit Policy

CenterPoint provides gas service to customers within its service territories. To start new service, customers can contact CenterPoint by phone or through the website and provide the necessary information. To minimize credit risk, CenterPoint assesses the credit worthiness of new customers, requires deposits where necessary, assesses late fees, pursues collection activities and disconnects service for non-payments. For new service, CenterPoint pulls Experian credit scores for new customers at the time of move-in. If the score is less than 700, a deposit is required. Additional deposits may be required when a customer has unfavorable credit history, has been disconnected for non-payment, or at the discretion of the credit department.

Billing Process

CenterPoint Energy reads meters and bills customers on a monthly cycle basis. In calendar year 2021, CenterPoint generated an average of 87,350 bills daily, based on 21 cycles each month. Customers are considered delinquent if payment is not received by the due date. The nightly invoicing process has checks to identify possible billing errors to be flagged for manual review at three levels: the meter read load, the billing document creation, and the invoicing document creation. CenterPoint employees follow a well-defined series of steps to review and correct or release the flagged documents.

Customer Rate Relief Charge Billing Adjustment Process

The Financing Order authorizes CenterPoint to adjust the CRR Charge to reflect the delivery pressure identified in CenterPoint's applicable Tariff. The CRR Charge is calculated on a per Ccf/Mcf basis where the pressure is normalized to 14.65 pounds per square inch ("psi"). While CenterPoint delivers gas to customers at a range of pressures, a majority of gas is delivered to customers at 14.95 psi base. Consequently, the CRR Charge to be reflected on a majority of CenterPoint customer bills will be approximately 2% greater than had the same metered volume of gas been delivered at 14.65 psi.

Collection, Disconnection of Service, and Write-off Policies

CenterPoint customers have a variety of payment options, including autopay, website/phone, online banking, mailing in checks, and third-party vendors (i.e., kiosks and pay stations). Payments at kiosks and pay stations operated by third-party vendors are tallied at the end of each business day and remitted daily. Payments at third-party vendors accounted for approximately 33% of all customer payments in 2021.

Customers are sent a bill which is due 15 days after the mail date. A disconnection notice is then issued after the due date of the regular bill has passed, with an automated reminder call 3 days post the due date. A subsequent automated outbound dialer occurs 8 days after the disconnection notice is issued and a disconnection order is created 3 days later. The disconnection order is sent to the field the following day and must be completed within 15 days. When service is disconnected for non-payment, a final bill is issued 10 days after disconnection, past due charges are due immediately and current gas charges are due in 15 days thereafter. Final billed accounts with an unpaid balance greater than $25 are placed with a primary third-party collection agency 25 days after the final bill due date. Accounts are charged-off 75 days after the final bill due date.

In addition to the various payment options, CenterPoint also offers several payment plans to help customers manage their monthly gas bills. For example, Average Monthly Billing is a Balanced Billing Program that allows customers to have their gas bill averaged on a monthly basis (based on the last 12 months), reducing the volatility of seasonal energy expenses by spreading the cost throughout the year.

CenterPoint may change its credit, billing, collections and disconnection of service policies and procedures from time to time. It is anticipated that such changes would be designed to enhance CenterPoint's ability to bill and collect from its customers on a timely basis.

Cybersecurity Efforts Related to Billing and Collection Systems

CenterPoint Energy Inc. employs multiple layers of defense (Defense-in-Depth), not only to protect billing and collection systems, but all back-office systems. The first layer of defense starts with end users who are trained and tested on Cyber Security Awareness — this helps reduce the risk of end users succumbing to phishing attempts which are the most common methods malicious actors use to gain access to systems. Other layers include perimeter security (advanced firewalls, intrusion detection and intrusion protection). Network segmentation helps prevent widespread data theft or damage to systems in the event that a malicious actor is initially successful. Endpoint Detection and Response provides advanced detection and blocking capabilities on workstations, servers and mobile devices. Application security measures include Identity and Access Management, password hygiene, and secure coding practices. Additionally, at the actual database layer, all data is protected by Data Loss Prevention, a Data Classification Program, Database Backup and Data Encryption. All threat and anomalous data is analyzed in CenterPoint Energy Inc.'s Cyber Security Operations Center using Security Incident and Event Monitoring software. Events require response undergo additional analysis via digital forensics.

Weather Rules

Texas statutory requirements and the rules and regulations of the Commission regulate the right to disconnect service. These guidelines may change from time to time. The Commission enforces certain weather rules on CenterPoint in extreme weather emergencies. Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, a natural gas utility is prohibited from disconnecting a delinquent residential customer on a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the Customer takes service. To the extent such customers do not pay for their natural gas sales service, CenterPoint will also not be able to collect the Customer Rate Relief Charges. In calendar year 2021 due to Winter Storm Uri, there were approximately 100 days of weather moratoriums in CenterPoint's Texas service area. There were no weather moratoriums during the period January 2022 through September 2022.

Days Sales Outstanding

The table below shows CenterPoint's average days sales outstanding for the preceding five years in Texas. Average days sales outstanding is a measure of the average number of days that CenterPoint takes to collect its revenue. The table below excludes data specific to the Texarkana service area as data specific to those customers is reported under Summit herein.

Table 6 – Annual Average Days Sales Outstanding (Calendar Year)*

2021	2020	2019	2018	2017
14	15	15	16	15

**Based on aggregate Accounts Receivable balance.*

Through September 30, 2022, CenterPoint's 2022 average days sales outstanding was 17 days (excluding Texarkana). Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated average day sales outstanding for calendar year 2022 represents an increase of 14% compared to the average day sales outstanding for calendar year 2021 (excluding Texarkana).

Write-off and Delinquency Experience

The tables below show CenterPoint's write-off and delinquency experience for the preceding five years in Texas. Such historical information is presented because CenterPoint's actual experience with respect to write-offs and delinquencies may affect the timing of the CRRC Collections. CenterPoint does not expect, but by no means can assure, that the write-off and delinquency experience with respect to the CRRC Collections will differ substantially from the rates indicated (and may be materially different than CenterPoint's historical experience). Write-off and delinquency data is affected by various factors, including the overall economy, weather, and changes in collection practices. The net write-off and delinquency experience is expected, but by no means can be assured, to be similar to CenterPoint's historical experience (and may be materially different than CenterPoint's historical experience). The tables below exclude data specific to the Texarkana service area as data specific to those customers is reported under Summit herein.

Table 7 – Write-offs as a Percentage of Revenues ($000s, Calendar Year)

	2021	2020	2019	2018	2017
Total Billed Revenues*	1,121,476	967,626	1,079,822	1,079,918	890,047
Gross Write-offs	6,172	2,812	4,687	5,178	3,464
as % of Total Billed Revenues	*0.55%*	*0.29%*	*0.43%*	*0.48%*	*0.39%*
Recoveries	(1,224)	(1,000)	(1,169)	(1,017)	(944)
Net Write-offs	4,948	1,812	3,518	4,160	2,520
as % of Total Billed Revenues	*0.44%*	*0.19%*	*0.33%*	*0.39%*	*0.28%*

**Revenue inclusive of sales and transportation customers.*

Through September 30, 2022, CenterPoint's 2022 net write-offs were 0.37% of total billed revenues (excluding Texarkana). Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated net write-offs for calendar year 2022 are approximately the same as the net write-offs for calendar year 2021 (excluding Texarkana).

Table 8 – Customer Delinquencies as a % of Revenues (Calendar Year)

	2021	2020	2019	2018	2017
31-60 days	0.20%	0.26%	0.14%	0.16%	0.18%
61-90 days	0.09%	0.14%	0.05%	0.06%	0.06%
91+ days	0.14%	0.28%	0.05%	0.06%	0.06%
Total	0.43%	0.67%	0.24%	0.28%	0.30%

Through September 30, 2022, CenterPoint's 2022 total customer delinquencies were 0.54% (excluding Texarkana). Projecting for October 1, 2022 through December 31, 2022, CenterPoint's estimated customer delinquencies for calendar year 2022 represents a decrease of 12% compared to the customer delinquencies for calendar year 2021 (excluding Texarkana).

Alternatives to Gas as an Energy Source for CenterPoint Customers

Natural gas is a major industry in the State, supporting a wide range of jobs and economic sectors, with Texas being both the largest producer and the largest consumer of natural gas. In 2021, the Texas Legislature passed House Bill 17, 87th Regular Legislative Session, which prevents a regulatory authority or political subdivision from adopting or enforcing any measure that would ban, limit, discriminate against, or prohibit the connection of a utility service based on the type or source of energy to be delivered to the end-use customer. Essentially, the purpose of the legislation is to curtail the ability of local leaders to promote electric-only, rather than to offer consumers a choice.

CenterPoint believes that natural gas continues to be a cost-competitive, efficient alternative to electricity, oil, and propane for customers in Texas. Based on a 2021 analysis by the American Gas Association, a natural gas home requires about one-quarter less total energy on a full fuel-cycle basis than is required for a comparable all-electric home for the same appliances in a typical residential application. This energy efficiency advantage of natural gas-based homes stems from the fact that less than 10% of the natural gas energy produced is used or lost from the point of production to the residence. In contrast, almost 63% of the energy produced to satisfy the electricity needs of consumers is used or lost in the process of energy production, conversion, transmission, and distribution.

Furthermore, according to the EIA's December 2022 Monthly Energy Review, the cost for residential natural gas in September 2022 was $7.98 per million British thermal units ("MMBtu") versus $16.12 per MMBtu for residential electricity – this represents a more than 2 to 1 cost advantage for natural gas over electricity. Using 2021 rates, CenterPoint's analysis indicates that it maintains a cost advantage of 2 times compared to electricity in Texas. Additionally, switching energy sources also entails significant upfront costs. Based on CenterPoint's experience, the average cost of converting an all-gas home to all-electric can range from approximately $8,000 to $20,000+, depending on a number of factors, including the number of gas appliances in the home, electrical work needed to complete the conversion, and the quality of appliances chosen. Given the significant cost advantage compared to electricity along with the high switching costs, CenterPoint expects that the risk of customers switching from gas to an alternative energy source is low.

Experience with Alternative Gas Suppliers

In the experience of CenterPoint, as a practical matter, it has not been cost effective for an alternative gas supplier to incur the capital costs to provide a material volume of gas service to customers once served by CenterPoint by installing parallel gas distribution facilities, no portion of which require interconnection to existing gas distribution facilities of CenterPoint.

Additional Natural Gas Utility Considerations

CenterPoint's objective in development of its gas procurement plans is to provide a diversified gas supply portfolio consisting of an appropriate combination of gas supply contracts, storage and hedging instruments that yield a balance of reliability, reduced price volatility (and, correspondingly, greater stability of the gas supply rate billed to its customers) and reasonable price. CenterPoint purchases gas supplies pursuant to long-term, seasonal, and spot gas supplies under firm service contracts. CenterPoint intends to meet its firm sales obligations on high usage days first by utilizing its base load supplies and storage withdrawal, then by utilizing peaking supply - a combination of 24-hour call gas supplies under contract, daily spot gas, and on-system peak shaving facilities depending on market and weather conditions. In the unlikely event of a gas supply shortage, CenterPoint has written gas curtailment plans for all of its jurisdictions that it would implement as a last resort if conditions warranted.

Where to Find Information about CenterPoint

CenterPoint Energy, Inc. and CenterPoint each files periodic reports with the SEC as required by the Exchange Act. Reports filed with the SEC are available for inspection without charge at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, DC 20549. Copies of periodic reports and exhibits thereto may be obtained at the above location at prescribed rates. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330. Information filed with the SEC can also be inspected at

the SEC site on the World Wide Web at http://www.sec.gov. You may access a copy of CenterPoint Energy Inc.'s filings at: https://investors.centerpointenergy.com/sec-filings.[2]

[2] The websites referenced in this paragraph are provided for reference only. Information and documents accessible at such websites is not incorporated herein by reference into this Official Statement, either expressly or by implication, and does not form part of this Official Statement.

INFORMATION REGARDING TEXAS GAS SERVICE

TGS is a 100% regulated local distribution company that distributes and sells natural gas in Texas. TGS is a division of ONE Gas, Inc. ("ONE Gas"), a publicly traded company on the New York Stock Exchange and one of the largest publicly traded natural gas distribution companies in the United States, providing distribution services to more than 2 million customers in Texas, Oklahoma, and Kansas. The Bonds do not constitute a debt, liability or other legal obligation of TGS, ONE Gas or any of their affiliates or divisions.

TGS is the third largest natural gas distributor in Texas and as of December 31, 2021 serves approximately 689,000 customers in approximately 100 communities throughout the State, including residential, commercial, industrial, public authority and other customers. TGS has been providing safe and reliable natural gas service in Texas since 1906. The TGS distribution system is divided into five regulatory service areas (Central-Gulf, Rio Grande Valley, Borger-Skellytown, North Texas, and West Texas), comprised of approximately 10,700 miles of distribution mains and 300 miles of transmission mains. TGS's filed rate schedules provide the incorporated municipalities and unincorporated areas served by the company within the five regulatory service areas.

Pursuant to the Financing Order, TGS customers located in the West Texas regulatory service area are excluded from the Customer Rate Relief Charges. Excluding West Texas, as of December 31, 2021, TGS served 405,675 customers across a mix of residential, commercial, industrial, and public authority/governmental. During the twelve months ending December 31, 2021, TGS's billed sales volume totaled 18,437 MMcf, excluding the West Texas service area. The largest metropolitan area served by TGS is Austin, Texas. Some notable large customers include Fifth Generation Inc., Weatherford Aerospace, 7-Eleven, and Weatherford Regional Medical Center.

Customer Base and Natural Gas Consumption

The following tables show the TGS natural gas sales volumes billed to customers, billed sales revenues, and the number of customers by type (i.e., residential, commercial, industrial, and public authority, governmental and others) for the preceding five years in Texas. The tables below exclude data specific to TGS's West Texas service area as those customers are not subject to the Customer Rate Relief Charges.

The TGS Division Accounting department ("TGS Accounting") is responsible for collecting such information. TGS Accounting is a department within ONE Gas' accounting and budget analysis organization and as such, the information below is recorded and monitored by ONE Gas on a monthly basis. There can be no assurances that the TGS future natural gas sales volumes, sales revenues, and number of customers will resemble past performance.

Table 1 – Annual Billed Sales Volume (MMcf, Calendar Year)

Customer Class	2021		2020		2019		2018		2017	
Residential	11,110	60.3%	10,492	62.0%	11,540	60.3%	12,726	62.2%	7,952	56.2%
Commercial	6,610	35.9%	5,780	34.2%	6,730	35.2%	6,758	33.0%	5,650	40.0%
Industrial	174	0.9%	174	1.0%	238	1.2%	254	1.2%	148	1.0%
Public Authority, Governmental and Others	543	2.9%	465	2.7%	623	3.3%	710	3.5%	387	2.7%
Total	18,437	100.0%	16,910	100.0%	19,131	100.0%	20,449	100.0%	14,137	100.0%

Through September 30, 2022, TGS's 2022 billed sales volume totaled 12,574 MMcf (excluding West Texas), which represents a 3% decrease of the billed sales volume over the same time period in 2021. Projecting for October 1, 2022 through December 31, 2022, TGS estimated billed sales volume for calendar year 2022 represents a 4.1% increase of billed sales volume for calendar year 2021 (excluding West Texas).

Table 2 – Billed Sales Revenues ($000, Calendar Year)*

Customer Class	2021		2020		2019		2018		2017	
Residential	181,075	70.3%	147,663	72.5%	150,229	70.3%	159,169	70.2%	135,748	69.8%
Commercial	65,958	25.6%	48,436	23.8%	54,688	25.6%	58,463	25.8%	52,068	26.8%
Industrial	2,147	0.8%	1,652	0.8%	1,982	0.9%	2,353	1.0%	1,250	0.6%
Public Authority, Governmental and Others	8,261	3.2%	6,014	3.0%	6,760	3.2%	6,912	3.0%	5,546	2.8%
Total	257,441	100.0%	203,766	100.0%	213,659	100.0%	226,897	100.0%	194,613	100.0%

**Revenues associated with sales customers, excludes irrigation and transportation revenues.*

Through September 30, 2022, TGS's 2022 billed sales revenues totaled $246,800,000 (excluding West Texas), which represents a 39% increase of the billed sales revenues over the same time period in 2021 due predominately to increases in gas costs. Projecting for October 1, 2022 through December 31, 2022, TGS estimated billed sales revenue for calendar year 2022 totals $385 million which represents an increase of 35.6% compared to billed sale revenue for calendar year 2021 (excluding West Texas).

Table 3 – Number of Customers (Calendar Year, as of December 31)

Customer Class	2021		2020		2019		2018		2017	
Residential	384,423	94.8%	382,145	94.7%	374,452	94.3%	372,458	94.3%	368,424	94.3%
Commercial	19,548	4.8%	19,549	4.8%	20,787	5.2%	20,798	5.3%	20,595	5.3%
Industrial	66	0.0%	69	0.0%	79	0.0%	79	0.0%	81	0.0%
Public Authority, Governmental and Others	1,638	0.4%	1,618	0.4%	1,612	0.4%	1,648	0.4%	1,703	0.4%
Total	405,675	100.0%	403,381	100.0%	396,930	100.0%	394,983	100.0%	390,803	100.0%

As of September 30, 2022, TGS served 407,591 customers (excluding West Texas). Projecting for October 1, 2022 through December 31, 2022, TGS's estimate of the number of customers for calendar year 2022 represents an increase of 0.85% compared to the number of customers for calendar year 2021 (excluding West Texas).

Franchise Agreements

Texas is a home rule state and as such, municipalities retain original jurisdiction over gas rates and services of a gas utility in incorporated areas. The Commission, has original jurisdiction over the rates and services of a gas utility in unincorporated areas and in municipalities that have surrendered their jurisdiction to the Commission under the Texas Utilities Code, as well as appellate jurisdiction. Municipalities grant non-exclusive franchise agreements to natural gas utilities to enter the public ways of a municipality to install, operate and maintain its distribution system for the transportation, distribution and/or sale of natural gas to customers and the public generally in the municipality. The franchise agreement is a contract between a municipality and natural gas utility that needs to use the public rights-of-way to provide service within a city. The franchises are for a defined term and include compensation to municipalities for use of its rights-of-way, along with protections for the condition of the right-of-way and indemnification against any damage or injury that could be caused by the utility's operations in the right-of-way. Excluding the West Texas service area, TGS currently has 74 franchise agreements in place, with terms varying from 10 years to 50 years, which cover approximately 91% of TGS's customers. These agreements are regularly renewed pursuant to the term of the franchise. In TGS's experience, one of the most common amendment to a franchise agreement is the franchise fee rate to compensate municipalities. These franchise agreements provide a level of assurance that TGS can operate and maintain its distribution system infrastructure within a municipality for a defined period of time under contractual terms and conditions. TGS is not aware of any instance in which a municipality has exercised a termination clause or made other efforts to end a franchise agreement. Although natural gas providers are not granted certificates of convenience and necessity as done with other public utilities in Texas, TGS's franchise agreements and rate schedules define the areas TGS serves and can provide natural gas service.

Table 4 – Top 5 Franchise Agreements by Volume (Calendar Year 2021)

City	Total Volume Subject to Agreement (MMcf)	Execution Date	Term
Austin	10,833	11/1/2006	20 years
Galveston	715	11/28/1989	50 years
Port Arthur	639	11/11/2014	25 years
Brownsville	584	12/1/2010	25 years
McAllen	557	7/9/2013	10 years

Gas Forecasting Process & Methodology

TGS calculates plan base revenues based on (1) actual customers adjusted for growth or attrition, (2) normal heating degree days approved in the most recent rate case for each area, (3) the usage per customer per heating degree day approved in the most recent rate case for each area, which can be found in the Weather Normalization Adjustment Clause (Rate Schedule WNA) for each area, and (4) the applicable rates.

TGS's goal is to have reliable supplies of firm gas under contracts that are flexible enough to meet the needs of its customers' demands with varying load conditions to meet unusually warm or severely cold weather. TGS uses GASDAY from Marquette Energy Analytics to forecast demand daily in each of its operating areas. The knowledge

gained from the GASDAY forecasts allows for daily adjustments to contracted supply and storage to meet customer usage demands.

The table below shows the TGS annual forecast variance for billed volume for the preceding five years in Texas. Variance between actual sales and forecasted sales can be caused by a number of factors, including: weather and customer growth. The table below excludes data specific to TGS's West Texas service area as those customers are not subject to the Customer Rate Relief Charges.

Table 5 – Annual Forecast Variance for Billed Volume (MMcf, Calendar Year)*

	2021	2020	2019	2018	2017
Forecasted Billed Volume	19,758	20,257	19,423	19,531	18,684
Billed Volume*	18,680	19,095	19,083	19,913	17,554
Variance (%)	-5.5%	-5.7%	-1.8%	2.0%	-6.0%

**Weather Normalized.*

Through September 30, 2022, TGS's 2022 weather normalized forecast variance for billed volume was 11.2% (excluding West Texas). Projecting for October 1, 2022 through December 31, 2022, TGS's estimated forecast variance for billed volume for calendar year 2022 represents an increase of 3.9% compared to forecast variance for billed volume for calendar year 2021 (excluding West Texas).

Credit Policy

TGS is required to service all applicants in its service territory, subject to certain exceptions outlined by the Commission. Reasons for refusing service include, but are not limited to, unpaid accounts, refusal to pay deposit, or when providing service would create an unsafe condition.

TGS's current business practice is to gather and enter residential and non-residential customer information into the ONE Gas Customer Service System. The system is searched for matching bad debt that can be collected via payment in full or payment arrangement before service is established. Customers are assessed a deposit based on internal guidelines. A deposit for new services may be waived if the customer has positive payment history in the last 2 years with TGS, the applicant is evidenced to be a victim of family violence, or letters of credit are supplied for non-residential applicants. A deposit for current services may be assessed when a customer is delinquent on more than one occasion in a consecutive 12-month period.

Billing Process

TGS reads meters and bills customers on a monthly cycle basis. In calendar year 2021, TGS generated an average of 32,672 bills daily, based on 21 cycles each month. For accounts with potential billing error exceptions, reports are generated for manual review. This review examines accounts that have abnormally high or low bills, potential meter-reading errors, possible meter malfunctions, and/or unbilled accounts. The Customer Service department is responsible for clearing and monitoring any meter read exceptions. They either estimate consumption or issue a service order to a field technician in that area to research and resolve the issue.

Customer Rate Relief Charge Billing Adjustment Process

The Financing Order authorizes TGS to adjust the CRR Charge to reflect the delivery pressure identified in TGS's applicable Tariff. The CRR Charge is calculated on a per Ccf/Mcf basis where the pressure is normalized to 14.65 pounds per square inch ("psi"). While TGS delivers gas to customers at a range of pressures, the most common pressure base for each customer class is 14.65 psi.

Collection, Disconnection of Service, and Write-off Policies

TGS customers have a variety of payment options, including autopay, website/phone, online banking, mailing in checks, and third-party vendors (i.e., kiosks and pay stations). Payments at kiosks and pay stations operated by third-party vendors are tallied at the end of each business day and transmitted to TGS via a secure file transfer protocol for posting. The corresponding funds are transferred daily to a designated TGS bank account. Payments at

third-party vendors accounted for approximately 8% of all customer payments from January 1, 2022 to September 30, 2022 (inclusive of TGS West Texas service area customers).

Customers are sent a bill which is due 12 business days after mailing. Customers are considered delinquent if payment is not received by the due date. A disconnection notice is then issued 9 business days after the due date of the regular bill. A reminder bill, along with a 48-hour pre-disconnection courtesy call, are issued 17 business days after the due date of the regular bill. When service is disconnected for non-payment, a final bill is issued after 7 days, with payment due 12 business days thereafter. A post-disconnect final letter is issued 2 business days after the final bill for residential customers with a balance of $49 or greater. Automated reminder calls begin 5 business days after the post-disconnect final letter is mailed and continue weekly until charge-off. Unpaid final bills are charged-off 49-55 days after the final bill due date. Following charge-off, accounts are turned over to third-party collection agencies.

In addition to the various payment options, TGS also offers several payment plans to help customers manage their monthly gas bills. For example, the Average Bill Calculation Plan allows customers to pay an average amount each month for their natural gas service and thereby reduces the volatility of seasonal energy expenses by spreading the cost throughout the year.

TGS may change its credit, billing, collections and disconnection of service policies and procedures from time to time. It is anticipated that such changes would be designed to enhance TGS's ability to bill and collect from its customers on a timely basis.

Cybersecurity Efforts Related to Billing and Collection Systems

ONE Gas, on behalf of all of its divisions, continually assesses the risk of cyber threats and utilizes several leading cyber security technology solutions in its technology infrastructure. The ONE Gas cybersecurity program is based on the National Institute of Standards and Technology Cybersecurity Framework and utilizes various technologies, processes, and threat information sources following industry best practices.

Weather Rules

Texas statutory requirements and the rules and regulations of the Commission regulate the right to disconnect service. These guidelines may change from time to time. The Commission enforces certain weather rules on TGS in extreme weather emergencies. A natural gas utility is prohibited from disconnecting a delinquent residential customer on a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service. To the extent such customers do not pay for their natural gas sales service, TGS will also not be able to collect and remit the Customer Rate Relief Charges. In calendar year 2021, there were approximately 10 days of weather moratoriums in some portion of TGS's service area. From January 1, 2022 to September 30, 2022 there were approximately 7 days of weather moratoriums.

Days Sales Outstanding

The table below shows TGS's average days sales outstanding for the preceding five years in Texas. Average days sales outstanding is a measure of the average number of days that TGS takes to collect its revenue. The table excludes data specific to TGS's West Texas service area as those customers are not subject to the Customer Rate Relief Charges.

Table 6 – Annual Average Day Sales Outstanding (Calendar Year)*

2021	2020	2019	2018	2017
31	32	28	33	29

**Based on aggregate Accounts Receivable balance.*

Through September 30, 2022, TGS's 2022 average days sales outstanding was 27 days (excluding West Texas). Projecting for October 1, 2022 through December 31, 2022, TGS's estimated average day sales outstanding for calendar year 2022 represents an increase of 6% compared to average day sales outstanding for calendar year 2021 (excluding West Texas).

Write-off and Delinquency Experience

The tables below show TGS's write-off and delinquency experience for the preceding five years in Texas. Such historical information is presented because TGS's actual experience with respect to write-offs and delinquencies may affect the timing of the CRRC Collections. TGS does not expect, but by no means can assure, that the write-off and delinquency experience with respect to the CRRC Collections will differ substantially from the rates indicated. Write-off and delinquency data is affected by various factors, including the overall economy, weather, and changes in collection practices. The net write-off and delinquency experience is expected, but by no means can be assured, to be similar to TGS's historical experience. The tables below exclude data specific to TGS's West Texas service area as those customers are not subject to the Customer Rate Relief Charges.

Table 7 – Write-offs as a Percentage of Revenues ($000s, Calendar Year)

	2021	2020	2019	2018	2017
Billed Sales Revenues*	280,206	221,797	234,045	248,595	213,132
Gross Write-offs	1,986	1,148	1,357	1,925	1,355
as % of Billed Sales Revenues	*0.71%*	*0.52%*	*0.58%*	*0.77%*	*0.64%*
Recoveries	(668)	(445)	(597)	(830)	(656)
Net Write-offs	1,318	703	761	1,095	700
as % of Billed Sales Revenues	*0.47%*	*0.32%*	*0.33%*	*0.44%*	*0.33%*

**Revenues associated with sales customers only, gross of taxes.*

Through September 30, 2022, TGS's 2022 net write-offs were 0.49% of total billed revenues (excluding West Texas). Projecting for October 1, 2022 through December 31, 2022, TGS estimated net write-offs for calendar year 2022 represents an increase of 16% compared to net write-offs for calendar year 2021 (excluding West Texas).

Table 8 – Customer Delinquencies as a % of Revenues (Calendar Year)

	2021	2020	2019	2018	2017
31-60 days	0.35%	0.45%	0.33%	0.33%	0.38%
61-90 days	0.21%	0.27%	0.19%	0.17%	0.19%
91+ days	0.40%	0.86%	0.29%	0.15%	0.33%
Total	0.97%	1.59%	0.81%	0.65%	0.90%

Through September 30, 2022, TGS's 2022 total customer delinquencies were 0.88% (excluding West Texas). Projecting for October 1, 2022 through December 31, 2022, TGS's estimated customer delinquencies for calendar year 2022 represents an increase of 11% compared to customer delinquencies for calendar year 2021 (excluding West Texas).

Alternatives to Gas as an Energy Source for TGS Customers

Natural gas is a major industry in the State, supporting a wide range of jobs and economic sectors, with Texas being both the largest producer and the largest consumer of natural gas. In 2021, the Texas Legislature passed House Bill 17, 87th Regular Legislative Session, which prevents a regulatory authority or political subdivision from adopting or enforcing any measure that would ban, limit, discriminate against, or prohibit the connection of a utility service based on the type or source of energy to be delivered to the end-use customer. Essentially, the purpose of the legislation is to curtail the ability of local leaders to promote electric-only, rather than to offer consumers a choice.

Natural gas continues to be a cost-competitive, efficient alternative to electricity, oil, and propane for customers in Texas. Based on a 2021 analysis by the American Gas Association, a natural gas home requires about one-quarter less total energy on a full fuel-cycle basis than is required for a comparable all-electric home for the same appliances in a typical residential application. This energy efficiency advantage of natural gas-based homes stems from the fact that less than ten percent of the natural gas energy produced is used or lost from the point of production to the residence. In contrast, almost 63 percent of the energy produced to satisfy the electricity needs of consumers is used or lost in the process of energy production, conversion, transmission, and distribution.

Furthermore, according to the EIA's December 2022 Monthly Energy Review, the cost for residential natural gas in September 2022 was $7.98 per million British thermal units ("MMBtu") versus $16.12 per MMBtu for residential electricity – this represents a more than 2 to 1 cost advantage for natural gas over electricity. Using 2022

rates, TGS's analysis indicates that it maintains a cost advantage of 2.1 times compared to electricity in Texas. Additionally, switching energy sources also entails significant upfront costs. Based on TGS's experience and in accordance with various sources, the average cost of converting an all-gas home to all-electric can range from approximately $4,000 to $12,000+, depending on a number of factors, including the number of gas appliances in the home, electrical work needed to complete the conversion, and the quality of appliances chosen. Given the significant cost advantage compared to electricity along with the high switching costs, TGS expects that the risk of customers switching from gas to an alternative energy source is low.

Experience with Alternative Gas Suppliers

In the experience of TGS, as a practical matter, it has not been cost effective for an alternative gas supplier to incur the capital costs to provide a material volume of gas service to customers once served by TGS by installing parallel gas distribution facilities, no portion of which require interconnection to existing gas distribution facilities of TGS.

Additional Natural Gas Utility Considerations

TGS strives to provide safe, reliable natural gas services to all its customers, and offers a diverse mix of supplies. Every customer expects to receive natural gas service to meet their usage needs, particularly during extremely cold weather, and TGS's primary focus is to deliver this service in a safe and reliable fashion. To meet these varying demands, TGS maintains a diverse portfolio of gas supplies, storage, and pipeline capacity. TGS is served by 16 different upstream pipelines, along with 7 storage providers, and receives gas supply from over 25 different suppliers. Gas supply services are obtained via a competitive bid process in advance of the winter season. The objective is to provide value to sales customers through reliable, competitively priced, and flexible gas supply and transportation purchases. With low baseload usage during the summer and the potential for extremely high usage during critical peak day demands throughout the winter heating season, it is important for TGS to ensure that its gas supply, storage, and transportation requirements are reliable and flexible to meet these variations of customer demands. For gas supply, this process means a cost for purchased gas that, when compared to a market index, is consistent with the reliability and flexibility needed to meet customers' usage requirements.

TGS's curtailment of gas service will be done in accordance with Texas Administrative Code Title 16, Part 1, Chapter 7, Subchapter D, Rule §7.455 Curtailment Standards.

Where to Find Information about TGS

ONE Gas files periodic reports, inclusive of TGS information, with the SEC as required by the Exchange Act. ONE Gas's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms filed with or furnished to the SEC at their website, www.sec.gov, are also available free of charge at ONE Gas's website, www.onegas.com, under "Financial and Filings" under the "Investors" tab.[3]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[3] The websites referenced in this paragraph are provided for reference only. Information and documents accessible at such websites is not incorporated herein by reference into this Official Statement, either expressly or by implication, and does not form part of this Official Statement.

APPENDIX C

FORM OF COLLECTION AGENT PROCEDURES

The Collection Agent agrees to comply with the following servicing procedures:

SECTION 1. DEFINITIONS.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in APPENDIX A to the Official Statement.

SECTION 2. DATA ACQUISITION.

(a) Installation and Maintenance of Meters. The Collection Agent shall cause to be installed, replaced and maintained meters in such places and in such condition as will enable the Collection Agent to obtain usage measurements for each Customer at least once every Billing Period.

(b) Meter Reading. At least once each Billing Period, the Collection Agent shall obtain usage measurements for each Customer, either directly or if applicable, from the Applicable MDMA; provided, however, that the Collection Agent may estimate any Customer's usage.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the routine metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters.

SECTION 3. USAGE AND BILL CALCULATION.

The Collection Agent (a) shall obtain a calculation of each Customer's usage (which may be based on data obtained from such Customer's meter read or on usage estimates determined in accordance with standard practices) at least once each Billing Period; and (b) shall determine therefrom each Customer's individual Customer Rate Relief Charge to be included on Bills issued by it to such Customer.

SECTION 4 BILLING.

The Collection Agent shall implement the Customer Rate Relief Charge in accordance with the terms of the Collection and Reporting Agreement and shall thereafter bill each Customer for the respective Customer's outstanding current and past due Customer Rate Relief Charge accruing through the date on which such Customer Rate Relief Charge may no longer be billed under the terms of the Financing Order, all in accordance with the following:

(a) Frequency of Bills; Billing Practices. In accordance with the Collection Agent's then-existing Collection Agent Policies and Practices for its own charges, as such Collection Agent Policies and Practices may be modified from time to time, the Collection Agent shall generate and issue a Bill to each Customer for such Customers' Customer Rate Relief Charge once every applicable Billing Period, at the same time, with the same frequency and on the same Bill as that containing the Collection Agent's own charges to such Customers, as the case may be. In the event that the Collection Agent makes any material modification to these practices, it shall notify the Central Servicer, Issuer, the Indenture Trustee, the Commission, and the Central Servicer shall provide such notice to the Rating Agencies prior to the effectiveness of any such modification; provided, however, that the Collection Agent may not make any modification that will materially adversely affect the Holders unless the Collection Agent and the Central Servicer have received written notice from the Issuer that the Rating Agency Condition with respect to such modification has been satisfied.

(b) Format.

(i) Each Bill issued by the Collection Agent shall contain the charge corresponding to the respective Customer Rate Relief Charge owed by such Customer for the applicable Billing Period. The Customer Rate Relief Charge shall be separately identified if required by and in accordance with the terms of the Financing Order.

The Collection Agent shall provide Customers with the annual notice described in "THE COLLECTION AND REPORTING AGREEMENT – Billing and Collection of Adjustments."

(ii) The Collection Agent shall conform to such requirements in respect of the format, structure and text of Bills delivered to its Customers in accordance with, if applicable, the Financing Order. To the extent that Bill format, structure and text are not prescribed by the Texas Utilities Code, the Collection Agent shall, subject to clauses (i) above, determine the format, structure and text of all Bills in accordance with its reasonable business judgment, its Collection Agent Policies and Practices with respect to its own charges and prevailing industry standards.

(c) Delivery. The Collection Agent shall deliver all Bills issued by it (i) by United States mail in such class or classes as are consistent with the Collection Agent Policies and Practices followed by the Collection Agent with respect to its own charges to its Customers or (ii) by any other means, whether electronic or otherwise, that the Collection Agent may from time to time use to present its own charges to its Customers. The Collection Agent shall pay from its own funds all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. CUSTOMER SERVICE FUNCTIONS.

The Collection Agent shall handle all Customer inquiries and other Customer service matters according to the same procedures it uses to service Customers with respect to its own charges.

SECTION 6. COLLECTIONS; PAYMENT PROCESSING; TRUE-UP ADJUSTMENT DATA; REMITTANCE.

(a) Collection Efforts, Policies, Procedures.

(i) The Collection Agent shall use reasonable efforts to collect all Billed CRRCs from Customers as and when the same become due and shall follow such collection procedures as it follows with respect to comparable assets that it services for itself or others, including with respect to the following:

A. The Collection Agent shall prepare and deliver overdue notices to Customers in accordance with Collection Agent Policies and Practices.

B. The Collection Agent shall apply late payment charges to outstanding Customer balances in accordance with its Collection Agent Policies and Practices.

C. The Collection Agent shall deliver verbal and written final notices of delinquency and possible disconnection in accordance with Collection Agent Policies and Practices.

D. The Collection Agent shall apply Customer deposits to the payment of delinquent accounts in accordance with Collection Agent Policies and Practices and according to the priorities set forth in Section 6(b) of this Form of Collection Agent Procedures.

(ii) The Collection Agent shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action: (A) would be in accordance with the Collection Agent's customary practices or those of any successor Collection Agent with respect to comparable assets that it services for itself and for others; (B) would not materially adversely affect the rights of the Holders as evidenced by an Officer's Certificate of the Central Servicer; and (C) would comply with applicable law; provided, however, that notwithstanding anything in the Collection and Reporting Agreement or this Form of Collection Agent Procedures to the contrary, the Collection Agent is authorized to write off any Billed CRRCs that have remained outstanding for one hundred eighty (180) days or more, or in accordance with its Collection Agent Policies and Practices.

(iii) The Collection Agent shall accept payment from Customers in respect of Billed CRRCs in such forms and methods and at such times and places as it accepts for payment of its own charges.

(b) Payment Processing; Allocation; Priority of Payments.

(i) The Collection Agent shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than three (3) Business Days after receipt.

(ii) Any amounts collected by the Collection Agent that represent partial payments of the total Bill to a Customer shall be applied by the Collection Agent first to the payment of Customer Rate Relief Charges included on the Bill.

(iii) The Collection Agent shall hold all over-payments for the benefit of the Issuer and Participating Gas Utility/Successor Utility/alternative gas supplier, as applicable, and shall apply such funds to future Bill charges in accordance with clause (ii) as such charges become due and thereafter any remaining amounts would be treated consistent with the Collection Agent's normal course of business.

(c) Accounts; Records.

The Collection Agent shall maintain accounts and records as to the portion of the Customer Rate Relief Property applicable to its Customers accurately and in accordance with its standard accounting procedures and in sufficient detail (i) to permit reconciliation between payments or recoveries with respect to the portion of the Customer Rate Relief Property applicable to its Customers and the amounts from time to time remitted to the Collection Account in respect of the portion of the Customer Rate Relief Property applicable to its Customers and (ii) to permit the CRRC Collections held by the Collection Agent to be accounted for separately, so that the dollar amounts of CRRC Collections may be properly identified and traced.

(d) Update of Data for Remittance Estimates.

If the Collection Agent is a Large Participating Gas Utility:

(i) For purposes of calculating the Daily Remittance, (a) all Billed CRRCs shall be estimated to be collected the same number of days after billing as is equal to the Days Sales Outstanding then in effect (or on the next Business Day) and (b) the Collection Agent will, as required under the Collection and Reporting Agreement, remit to the Indenture Trustee for deposit in the Collection Account an amount equal to the product of the applicable Billed CRRCs multiplied by one hundred percent less the then-current uncollectible factor used by the Central Servicer to calculate the most recent Periodic Billing Requirement. Such product shall constitute the amount of Estimated CRRC Collections for such Business Day. For convenience of administration, the Estimated CRRC Collections can be calculated as a percentage of the Bill sent to each Customer.

(ii) Commencing no later than June 30 of each year, the Collection Agent shall calculate and report in the next succeeding Monthly Collection Agent's Certificate the amount of Actual CRRC Collections for all completed Collection Periods during the Reconciliation Period as compared to the Estimated CRRC Collections forwarded to the Collection Account in respect of such Reconciliation Period.

(iii) On or before the beginning of the first billing cycle in November of each year the Collection Agent shall, update the Days Sales Outstanding in order to calculate any change in the Daily Remittances, as applicable.

(iv) In accordance with the Collection and Reporting Agreement, the Collection Agent and the Central Servicer acknowledge that the Collection Agent may make certain changes to its current computerized customer information system, which changes, when functional, would affect the Collection Agent's method of calculating the CRRC Payments estimated to have been received by the Collection Agent during each Collection Period as set forth in this Form of Collection Agent Procedures. In the event the Collection Agent plans to make changes to the computerized customer information system and such changes will become functional during the term of the Collection and Reporting Agreement, then the Collection Agent must provide prior written notice to the Central Servicer and the Central Servicer and the Collection Agent shall review the procedures used to calculate the CRRC Payments estimated to have been received in light of the capabilities of such new system and shall amend this Form of Collection Agent Procedures in writing to make

such modifications and/or substitutions to such procedures as may be appropriate in the interests of efficiency, accuracy, cost and/or system capabilities; provided, however, that any such amendment shall not be effective until the Collection Agent provides an Opinion of Counsel of external counsel of the Collection Agent, to the Central Servicer, the Commission and the Issuer, that any such amendment shall not have a material adverse effect on the Holders. As soon as practicable, and in no event later than sixty (60) Business Days after the date on which all Customer accounts are being billed under such new system, the Collection Agent must notify the Central Servicer, the Issuer, the Indenture Trustee, and the Commission of the same, and the Central Servicer must send such notice to the Rating Agencies.

(v) All calculations of collections, each update of the Days Sales Outstanding, and any changes in procedures used to calculate the estimated CRRC Payments pursuant to this Section 6(d) shall be made in good faith and in cooperation with the Central Servicer, and in the case of any update pursuant to clause (ii) above or any change in procedures pursuant to clause (iii) above, in a manner reasonably intended to provide estimates and calculations that are at least as accurate as those that would be provided on the Closing Date utilizing the initial procedures.

(e) Remittances.

(i) The Collection Agent shall make remittances to the Indenture Trustee for deposit in the Collection Account in accordance with the Collection and Reporting Agreement.

(ii) In the event of any change of account or change of institution affecting the Collection Account, the Central Servicer shall provide written notice thereof to the Collection Agent, the Issuer, the Commission, and the Rating Agencies not later than five (5) Business Days from the effective date of such change.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

March 23, 2023

TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION

$3,521,750,000
Texas Natural Gas Securitization Finance Corporation
Customer Rate Relief Bonds (Winter Storm Uri)
Taxable Series 2023

IN REGARD to the authorization and issuance of the captioned bonds, dated March 23, 2023 (the "Bonds"), we have examined into their issuance by the Texas Natural Gas Securitization Finance Corporation (the "Corporation"), solely to express legal opinions as to the validity of the Bonds. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Corporation, the disclosure of any financial or statistical information or data pertaining to the Corporation and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are authorized and issued pursuant to the provisions of (i) the Utilities Code and the Government Code added by Texas House Bill 1520, 87th Regular Session, relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and authorizing the Customer Rate Relief Charge and the issuance of Customer Rate Relief Bonds (the "Securitization Law"); (ii) a Financing Order, dated approved and issued by the Railroad Commission of the State of Texas (the "Commission") on February 8, 2022, pursuant to the Securitization Law, in Docket No. OS-21-00007061 (the "Financing Order"); (iii) a second amended and restated resolution of the Texas Public Finance Authority (the "Authority"), dated February 13, 2023 (the "TPFA Resolution"); (iv) a second amended and restated resolution of the Corporation, adopted on February 13, 2023, and a Pricing Resolution of the Corporation adopted on March 9, 2023, (collectively, the "Issuer Resolution"; the Securitization Law, the Financing Order, the TPFA Resolution, and the Issuer Resolution are collectively referred to herein as the "Authorizing Documents"); and (vi) the Indenture of Trust (the "Indenture"), dated as of March 1,

2023, between the Corporation and U.S. Bank Trust Company, National Association (the "Indenture Trustee"). The Bonds are issued in fully registered form only, and are in denominations of $5,000 or any integral multiple of $1,000 in excess thereof, except for one bond of each Tranche which may be of smaller denomination (within a maturity). The Bonds mature on the dates and years specified in the Indenture, unless redeemed prior to their respective legal maturities, in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Indenture. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Indenture.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Corporation, the Authority, and the Commission, in connection with the issuance of the Bonds, including (a) the Authorizing Documents, and (b) the Indenture; (ii) certifications and opinions of officers of the Corporation, the Authority, and the Commission relating to the expected use of proceeds of the sale of the Bonds and to certain other facts within the knowledge and control of, respectively, the Corporation, the Authority, and the Commission; and (iii) such other documentation, including an examination of the Bonds executed and delivered initially by the Corporation (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates. In addition, we have relied, with your consent, upon the opinion of the Hays Law Firm, regulatory counsel to the Commission, as to the due authorization, approval and issuance of the Financing Order by the Commission.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas, in force and effect on the date hereof:

1. The Securitization Law is valid with respect to all provisions thereof material to the subject matter of this opinion letter.

2. The Corporation is duly created and is validly existing as a nonprofit public corporation and instrumentality of the State of Texas, including the Securitization Law.

3. The Financing Order, among other things, creates and establishes, in favor of the Corporation, the Customer Rate Relief Property and authorizes the pledge thereof by the Corporation.

4. Under the Financing Order, (i) the Customer Rate Relief Property includes the right to impose, bill, collect and receive Customer Rate Relief Charges, as well as the right to obtain periodic adjustments of such charges as provided in the Financing Order; (ii) the Customer Rate Relief Charges are nonbypassable, as provided in the Securitization Law and the Financing Order; and (iii) ownership of the Customer Rate Relief Property (inclusive of revenues arising from the Customer Rate Relief Charges and all rights and interests of the Corporation under the Financing Order) is vested *ab initio* in the Corporation.

5. The TPFA Resolution has been duly adopted by the Authority.

6. The Issuer Resolution has been duly adopted by the Corporation.

7. The Bonds have been duly authorized by the Corporation and are valid, legally binding and enforceable special obligations of the Corporation, payable solely from the sources provided therefor in the Indenture.

8. The Bonds are payable from and secured solely by a lien on and pledge of the Customer Rate Relief Bond Collateral as set forth in the Indenture.

9. The Bonds constitute indebtedness for federal income tax purposes.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL
RELATING TO TEXAS CONSTITUTIONAL MATTERS

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

March 23, 2023

(Texas Constitutional Law)

To Each Person Listed on
the Attached Schedule I

Re: Texas Natural Gas Securitization Finance Corporation Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023

Ladies and Gentlemen:

We have served as bond counsel to Texas Natural Gas Securitization Finance Corporation, a nonprofit public corporation and instrumentality of the State of Texas (the "Issuer"), in connection with the issuance and sale on the date hereof of $3,521,750,000 aggregate principal amount of the Issuer's Customer Rate Relief Bonds (Winter Storm Uri) Taxable Series 2023 (the "Bonds"), which are more fully described in the Official Statement, dated March 9, 2023 and delivered by the Issuer in connection with the issuance of the Bonds (the "Official Statement"). The Bonds are being issued pursuant to the provisions of the Indenture of Trust dated as of March 1, 2023 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, N.A., as indenture trustee (the "Indenture Trustee"). This opinion is being delivered pursuant to Section 7(f)(iii) of the Bond Purchase Agreement, dated March 9, 2023, between the Issuer and Jefferies LLC for itself and as representative of the underwriters named therein (the "Underwriters"). Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Indenture, including Appendix A thereto.

I. BACKGROUND

In February 2021, the North American winter storm known as Winter Storm Uri occurred. Prolonged frigid temperatures and winter precipitation, along with other weather-related effects of the storm, resulted in a dramatic reduction of natural gas availability and a concurrent surge in energy demand by homes, businesses, electric generation plants and electric utilities. In response to the unprecedented market conditions caused by these supply side and demand side shocks, natural gas local distribution companies ("LDCs") were required to pay extraordinarily high prices for natural gas in order to meet human needs and customer demand, replace interrupted supply and maintain the integrity of the natural gas system. In accordance with existing tariffs and other applicable regulatory approvals authorized by the Railroad Commission of Texas (the "Commission"), LDCs are required to pass through the cost of natural gas directly to customers without markup or profit.[1] The Commission is the Texas state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, and coal and uranium surface

[1] Financing Order, pages 1-2.

mining operations. To mitigate the effect of the extraordinarily high gas costs on customers, the Texas Legislature (the "Legislature") passed and the Governor signed Texas House Bill 1520, 87th Regular Session (the "Securitization Law"), which authorizes securitization financing to provide certain LDC customers with rate relief by extending the period over which the extraordinarily high gas costs related to Winter Storm Uri will be paid for by customers.

On July 30, 2021, certain LDCs filed individual applications for a regulatory asset determination pursuant to the Securitization Law. Various parties intervened. The Administrative Law Judge assigned to hear such determinations consolidated all applications and intervenors into a Phase 1 regulatory asset determination proceeding (the "Phase 1 proceeding"), took testimony and conducted hearings. On October 29, 2021, all parties to the Phase 1 proceeding filed a Unanimous Stipulation and Settlement Agreement and accompanying documents, which resolved all issues related to the determination of the regulatory asset amounts to be recovered by Participating Gas Utilities[2] as contemplated by the Securitization Law. A Regulatory Asset Determination Order was issued by the Commission on November 10, 2021, approving the maximum regulatory asset determination amounts for each Participating Gas Utility and certain related costs of financing those assets.

In accordance with the Securitization Law, the Commission issued a financing order on February 8, 2022, in Docket No. OS-21-00007061 (the "Financing Order"), which created Customer Rate Relief Property in favor of the Issuer. The Customer Rate Relief Property includes the right to impose, collect and receive the "nonbypassable" Customer Rate Relief Charge described in the Financing Order (the "Customer Rate Relief Charge"), pursuant to the Securitization Law. The Customer Rate Relief Charge will be imposed upon each Customer of a Participating Gas Utility by the Issuer pursuant to the Financing Order and collected in accordance with the terms of the Customer Rate Relief Property Collection and Reporting Agreements, each dated as of March 9, 2023, and between a Participating Gas Utility and United Professionals Company, LLC, as Central Servicer (the "Central Servicer") under the terms of the Customer Rate Relief Property Central Servicing Agreement, dated March 9, 2023 (the "Central Servicing Agreement"), among the Issuer, the Commission and the Central Servicer. Collections of the Customer Rate Relief Charge will be remitted by the Collection Agents to the Indenture Trustee. The Customer Rate Relief Charge is required to be periodically adjusted, in accordance with the Securitization Law, in the manner authorized in the Financing Order and as set forth in the Central Servicing Agreement, in order to enhance the probability that the revenues remitted to the Indenture Trustee from the Customer Rate Relief Charge are sufficient to (i) pay principal of the Bonds pursuant to the amortization schedule to be followed in accordance with the provisions of the Indenture, (ii) pay interest thereon and related Ongoing Financing Costs and (iii) maintain the required reserves for the payment of the Bonds, all in accordance with the terms of the Indenture.

The proceeds of the Bonds, after payment of Upfront Financing Costs, will be distributed to the Participating Gas Utilities in accordance with the Financing Order. The Regulatory Asset

[2] "Participating Gas Utility" has the meaning set forth in the Financing Order and includes any Successor Utility.

Determination Order and the Financing Order were duly authorized and issued by the Commission and are final and non-appealable.[3]

The Securitization Law provides in Section 104.374 of Subchapter I of Chapter 104, Texas Utilities Code:

> (a) customer rate relief bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.
>
> (b) Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. Each issuing financing entity shall include this pledge in any documentation relating to customer rate relief bonds.
>
> (c) Before the date that is two years and one day after the date that an issuing financing entity no longer has any payment obligation with respect to customer rate relief bonds, the issuing financing entity may not wind up or dissolve the financing entity's operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the issuing financing entity nor any public official nor any organization, entity, or other person may authorize the issuing financing entity to be or to become a debtor under federal bankruptcy law during that period. The state covenants that it will not limit or alter the denial of authority under this subsection, and the provisions of this subsection are hereby made a part of the contractual obligation that is subject to the state pledge made in this section.

The pledge stated in such Section 104.374 of Subchapter I of the Texas Utilities Code is referred to herein as the "State Non-Impairment Pledge." As authorized therein and in the Financing Order, the language of the State Non-Impairment Pledge has been included in the Indenture and in the Bonds.

[3] As to these matters of Texas law, we refer you to the opinion of The Hays Law Firm, Special Regulatory Counsel to the Commission, of even date herewith on which we have relied.

II. QUESTIONS PRESENTED

You have requested our opinion as to:

1. whether Texas courts would uphold the validity of the Securitization Law and the State Non-Impairment Pledge;

2. whether the Texas Constitution permits the Securitization Law to be amended or repealed by citizen initiative or referendum;

3. (a) whether the Bondholders, or the Indenture Trustee acting on their behalf, could challenge successfully under the Texas Contract Clause (as defined below) the constitutionality of any legislation passed by the Legislature which becomes law that repeals the State Non-Impairment Pledge or alters, impairs, or reduces the value of the Customer Rate Relief Property or Customer Rate Relief Charges so as to cause a substantial impairment of the terms of the Indenture or the Bonds or the rights and remedies of the Bondholders (or the Indenture Trustee acting on their behalf) prior to the time that the Bonds are fully paid and discharged ("State Impairment Legislation");

(b) whether Texas courts would conclude that action by the Commission that alters, impairs, or reduces the value of the Customer Rate Relief Property or Customer Rate Relief Charges so as to cause a substantial impairment of the terms of the Indenture or the Bonds or the rights and remedies of the Bondholders (or the Indenture Trustee acting on their behalf) prior to the time that the Bonds are fully paid and discharged ("Commission Impairment Action") would be treated in the same manner as State Impairment Legislation under the Texas Contract Clause; and

(c) whether preliminary or permanent injunctive relief would be available under Texas law to the Bondholders (or the Indenture Trustee acting on their behalf) to delay or enjoin implementation of State Impairment Legislation or Commission Impairment Action; and

4. whether a court applying Texas law would find a compensable taking under the Texas Takings Clause (as described below) if the State, including the Commission and the State's other agencies and instrumentalities, takes action in violation of the State Non-Impairment Pledge that, without paying just compensation to the Bondholders, (i) permanently appropriates the Customer Rate Relief Property or denies all economically productive use of the Customer Rate Relief Property; (ii) destroys the Customer Rate Relief Property, other than in response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the Customer Rate Relief Property, if the action unduly interferes with the Bondholders' reasonable investment-backed expectations.

III. OPINIONS

Based upon our review of relevant judicial authority as set forth herein, and for the reasons, but subject to the qualifications, limitations and assumptions, set forth in this opinion, it is our opinion that a court of ultimate jurisdiction would, in a properly prepared and presented case:

1. uphold the validity of the Securitization Law on its face and the State Non-Impairment Pledge;

2. conclude that the Texas Constitution does not provide for the amendment or repeal of the Securitization Law by citizen initiative or referendum;

3. (a) conclude that the Bondholders (or the Indenture Trustee acting on their behalf) could successfully challenge under the Texas Contract Clause the constitutionality of State Impairment Legislation (other than a law passed by the Legislature in the valid exercise of the State's police power necessary to safeguard the public safety and welfare);

   (b) conclude that Commission Impairment Action would be treated in the same manner as State Impairment Legislation under the Texas Contract Clause; and

   (c) conclude that Bondholders are entitled to permanent injunctive relief under state law to prevent implementation of State Impairment Legislation or Commission Impairment Action hereafter passed or taken in violation of the Texas Contract Clause; and that although sound and substantial arguments would support the granting of preliminary injunctive relief, the decision to do so would be in the discretion of the court requested to take such action, which should be exercised on the basis of the considerations discussed in subpart (C)(5) of Part IV below; and

4. find a compensable taking under the Texas Takings Clause if (a) it concludes that the Customer Rate Relief Property is property of a type protected by the Texas Takings Clause and (b) the State takes action that, without paying just compensation to the Bondholders, (i) permanently appropriates the Customer Rate Relief Property or denies all economically productive use of the Customer Rate Relief Property; (ii) destroys the Customer Rate Relief Property, other than in response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the Customer Rate Relief Property, and such action unduly interferes with the Bondholders' reasonable investment-backed expectations; provided that, the court's conclusion that a compensable taking had occurred would depend upon its resolution of the issues discussed in Part II below.

Based upon our review of relevant judicial authority and subject to the same qualifications, limitations and assumptions, it is also our opinion that it is more likely than not that a Texas court

of ultimate jurisdiction, in a properly prepared and presented case, would conclude that the Customer Rate Relief Property is protected property under the Texas Takings Clause.

We are not aware of any reported controlling judicial precedents that are directly on point with respect to the questions raised above. Accordingly, our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. Moreover, the application of equitable principles (including the availability of injunctive relief or the issuance of a stay pending appeal) is subject to the discretion of the court that is asked to apply them. We cannot predict the facts and circumstances that will be present in the future and may be relevant to the exercise of such discretion. Consequently, there can be no assurance that a court will follow our reasoning or reach the conclusions that we believe current judicial precedent supports.

This opinion is limited to the laws of the State of Texas, and we express no opinion and make no statement as to the laws, rules or regulations of any other jurisdiction. Further, our opinions in the immediately preceding paragraphs 1, 2, 3 and 4 and in our discussion below are based upon our evaluation of existing judicial decisions and arguments related to the factual circumstances likely to exist at the time of a Texas Contract Clause or Texas Takings Clause challenge to State Impairment Legislation, or to Commission Impairment Action. Our opinions are intended to express our belief as to the result that should be obtainable through the proper application of existing judicial decisions in a properly prepared and presented case. Such precedents and such circumstances could change materially from those discussed below in this opinion before any such case is brought.

The opinions set forth above are given as of the date hereof and we disavow any undertaking or obligation to advise you of any changes in law or any facts or circumstances that may hereafter occur or come to our attention that could affect such opinions. None of the foregoing opinions is intended to be a guaranty as to what a particular court would actually hold; rather each such opinion is only an expression as to the decision a court ought to reach if the issue were properly prepared and presented to it and the court followed what we believe to be applicable legal principles under existing judicial precedent. The recipients of this letter should take these considerations into account in analyzing the risks associated with the subject transaction.

In addition, our opinion assumes that any State Impairment Legislation or Commission Impairment Action effects a substantial impairment of (i) the terms of the Indenture or the Bonds or (ii) the rights and remedies of the Bondholders (or the Indenture Trustee acting on their behalf) prior to the time that the Bonds are fully paid and discharged (or such payment is duly provided for), if it prevents payment of the Bonds or significantly affects the security for the Bonds. The determination of whether particular legislative action constitutes a substantial impairment of a particular contract is a fact-specific analysis, and nothing in this opinion expresses any opinion as to how a court would resolve the issue of "substantial impairment" with respect to the Financing Order, the Customer Rate Relief Charges, the Customer Rate Relief Property, the Indenture or the Bonds vis-a-vis a particular legislative action of the Legislature or the Commission.

IV. DISCUSSION

A. Validity of the Securitization Law and the State Non-Impairment Pledge

While the Texas Supreme Court has upheld the constitutionality of legislation similar to the Securitization Law,[4] we are not aware of any case law ruling on the validity of the Securitization Law generally, including the vesting, creation or transfer of the Customer Rate Relief Property, or the State Non-Impairment Pledge specifically. However, we note that in *City of Corpus Christi v. Public Utility Commission*, the Texas Supreme Court analyzed issues related to a similar electric utility securitization statute.

(1) *Securitization Law.*

In *City of Corpus Christi*, the Texas Supreme Court upheld Subchapter G of Chapter 39, Texas Utilities Code (the "Public Utility Regulatory Act" or "PURA"), which established the requirements and procedures under Texas law for electric utilities to recover and securitize certain "regulatory assets," including their "stranded costs." PURA contains language almost identical to the State Non-Impairment Pledge.[5] Appellants argued that PURA violated Article I, Section 17 of the Texas Constitution (the "Texas Takings Clause"), Article III, Section 51 of the Texas Constitution (prohibiting grants of public money to individuals) and Article VIII, Section 3 of the Texas Constitution (authorizing taxes only for public purposes).

In addressing the Texas Takings Clause challenge, the Supreme Court noted that utility rates established by regulation are not a taking if they fall within a zone of reasonableness:

> In balancing the competing interests of consumers and a utility's investors, there is a zone of reasonableness within which a regulatory authority may set rates. The Constitution does not prohibit the regulator from permitting recovery, as long as the rates consumers are required to pay are not excessive, unjust, or unreasonable.[6]

---

4 *City of Corpus Christi v. Public Utility Commission,* 51 S.W.3d 231 (Tex. 2001).

5 "Transition bonds are not a debt or obligation of the state and are not a charge on its full faith and credit or taxing power. The state pledges, however, for the benefit and protection of financing parties and the electric utility, that it will not take or permit any action that would impair the value of transition property, or, except as permitted by Section 39.07, reduce, alter, or impair the transition charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related transition bonds have been paid and performed in full. Any party issuing transition bonds is authorized to include this pledge in any documentation relating to those bonds. Transition bonds are not a debt or obligation of the state and are not a charge on its full faith and credit or taxing power. The state pledges, however, for the benefit and protection of financing parties and the electric utility, that it will not take or permit any action that would impair the value of transition property, or, except as permitted by Section 39.307, reduce, alter, or impair the transition charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related transition bonds have been paid and performed in full. Any party issuing transition bonds is authorized to include this pledge in any documentation relating to those bonds." TEX UTIL. CODE Section 39.310.

6 *City of Corpus Christi, supra* n. 4,. at 244.

The Court had previously decided that an electric utility's rates may recovery regulatory costs related to generating assets. It noted that the transition cost charges under PURA were essentially a conversion from one form of rate recovery to another.[7] In its decision, the Court reserved, however, as to whether the PURA securitization provisions would be an unconstitutional taking if applied to a customer that did not receive service by means of pre-transition assets or from a company that had incurred stranded or regulatory costs, since such a challenge could only be brought in a challenge to the securitization provisions as applied, rather than on their face.

In its decision, the Supreme Court stated that "spreading the recovery of costs incurred in the past over a period of years is not a concept unique to regulation of utilities in Texas" and cite several cases, including a decision by the United States Court of Appeals for the District of Columbia Circuit in its review of an order of the Federal Energy Regulatory Commission. That decision stated that "regulatory assets" are "nonrecurring costs approved by regulators that, in order to avoid rate increases, were recovered over a period of years instead of at the time the expenditures were made."[8]

Finally, in upholding PURA against the takings claim, the Supreme Court stated:

> In sum, a regulatory authority, and certainly the Legislature, may conclude that it is appropriate to spread *recovery* of a utility's costs over time. The fact that a particular consumer does not derive a direct benefit from the past use of particular assets does not render rates that include costs associated with those assets confiscatory.
>
> ***
>
> It is not unjust or unreasonable, and therefore it is not confiscatory, to charge rates to present and future retail consumers in a utility's service area that will allow a utility to recoup regulatory assets and stranded costs associated with these outlays of capital.[9]

In addressing the claim that the securitization provisions imposed an unconstitutional tax or authorized an unconstitutional grant of funds for a private purpose, the Court noted that securitization charges were merely a different form of rates for electric utility service:

> If the PURA had not been amended to restructure the electric industry, CPL would have had the opportunity to recover stranded costs and regulatory assets through its rates. Existing and future customers served by CPL would have paid these costs over time, even though the actual expenditures or investments were made by CPL a number of years ago. The fact that rate recovery of these same costs will now be through transition charges does

---

7 *Id.* at 244.

8 *Id*. at 245 *citing Transmission Access Policy Study Group v. Federal Energy Regulatory Comm'n*, 225 F. 3d 667 (D.C. Cir. 2000). The Texas Supreme Court also cited a ruling by the Supreme Court of New Hampshire rejecting arguments that " that stranded cost recovery was unconstitutional because it allowed recovery of past investment in generation assets."

9 *Id.* at 246-247.

> not convert the nature of these charges from utility rates to taxes. As we explained in more detail above, transition charges under the PURA are essentially a conversion from one form of recovering the same costs in rates to another.[10]

The Court noted that the securitization charges were not revisions of rates to allow utilities to recover past losses in contravention of the "filed rate" doctrine, but rather were rates charged for future service. Finally, the Court noted that the charges were to be paid to utilities, not the State, to pay for costs incurred by the utilities, not the State. Consequently, the Court concluded that the charges were neither a tax nor public funds.

Under Texas law prior to enactment of the Securitization Law, the Commission was authorized to approve any rate for service from a gas utility so long as the rate is just and reasonable, is not unreasonably preferential, prejudicial, or discriminatory, and is sufficient, equitable, and consistent in application to each class of consumer.[11] In its Regulatory Asset Determination Order, the Commission found that the regulatory asset amount identified for each of the Participating Gas Utilities is reasonable, necessary, prudently incurred, and approved for recovery,[12] that the maximum regulatory asset amounts of the Participating Gas Utilities should be approved for recovery through the issuance of Customer Rate Relief Bonds,[13] and that the Customer Rate Relief Bonds are the most cost-effective method of funding the regulatory asset reimbursement for the Participating Gas Utilities.[14] In addition, like the securitization charges in *City of Corpus Christi,* the Customer Rate Relief Charges are imposed only on customers who take future gas service, and no proceeds of the Customer Rate Relief Charges or the Bonds will be paid or inure to the benefit of the State. Accordingly, despite the above-described differences from the securitization law addressed in *City of Corpus Christi*, following the precedent and reasoning of that case, we believe a court should find that the Securitization Law is not on its face an unconstitutional taking of property, a tax, or a grant of public funds.[15]

(2) State Non-Impairment Pledge.

The Texas Supreme Court upheld the validity of a pledge similar to a portion of the State Non-Impairment Pledge in *Lower Colorado River Authority v. McCraw*.[16] The court rejected several challenges directed at the constitutionality of legislation creating the Lower Colorado River Authority (the "LCRA"), and it also rejected a claim that the Legislature's pledge not to impair

---

10 *Id.* at 250.

11 TEX. UTIL CODE § 104.003(a).

12 Regulatory Asset Determination Order Finding of Fact No. 69.

13 Regulatory Asset Determination Order Finding of Fact No. 36. The findings, inferences, conclusions and decisions of an administrative agency are presumed to be supported by substantial evidence, and findings of fact by an agency will be upheld if they are supported by "more than a mere scintilla" of evidence. *Texas Health Facilities Comm'n v. Charter Med.-Dallas, Inc*., 665 S.W.2d 446, 452-453 (Tex. 1984).

14 Regulatory Asset Determination Order Finding of Fact No. 76.

15 Like the court in *City of Corpus Christi,* we express no view as to whether the Securitization Law would result in an unconstitutional taking as applied to a person that can demonstrate that no part of the service that they will receive is being provided by a Participating Gas Utility or a Successor Utility or is distributed over or through facilities that were owned by a Participating Gas Utility or a Successor Utility. We note, however, that no such fact should adversely affect the application of the Securitization Law to all other persons.

16 *Lower Colo. River Auth. v. McCraw,* 125 Tex. 268, 83 S.W.2d 629 (1935).

the LCRA's ability to recover revenue sufficient to pay the bondholders was an unconstitutional delegation of legislative authority. The provision at issue stated, in pertinent part:

> Nothing herein shall be construed as depriving the State of Texas of its power to regulate and control fees and/or charges to be collected for the use of water, water connections, power, electric energy, or other service *provided that the State of Texas does hereby pledge to and agree with the purchasers and successive holders of the bonds issued hereunder that the State will not limit or alter the power hereby vested in the District to establish and collect such fees and charges as will produce revenues sufficient to pay the items specified in subparagraphs (a), (b), (c) and (d) of this Section 8, or in any way to impair the rights or remedies of the holders of the bonds, or of any person in their behalf, until the bonds, together with the interest thereon, with interest on unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders and all other obligations of the District in connection with such bonds are fully met and discharged*.[17]

The court found that the Legislature had the authority to confer on the LCRA the right to establish rates for its services and "had the power to guarantee the continuation of such rates as long as the lawful obligations of the district are outstanding."[18] As the court observed, "[i]f this were not so, bonds of the district, based on income, would be idle and vain things."[19]

In a more recent case concerning the scope of a city's regulatory authority over the LCRA, the Texas Supreme Court reaffirmed its holding in *McCraw* concerning the validity and efficacy of the State's pledge to not impair the rights of bondholders to full recovery.[20] The court stated:

> In our opinion the statute means precisely what it says, i.e., that the LCRA Board will establish rates and charges in the first instance, that its action in that respect is subject at all times to the power of regulation reserved to the State, and that this reserved power will not be exercised in a manner that will prejudice bondholders or prevent the collection of revenues required for the purposes designated in the four subparagraphs.[21]

Based on these authorities, we believe that courts applying Texas law would uphold the validity of the State Non-Impairment Pledge in the Securitization Law.

B. Amendment or Repeal of Legislation by Citizen Initiative or Referendum

---

17 *Id.*, 83 S.W.2d at 637 (emphasis added).
18 *Id*. at 638.
19 *Id*.
20 *Lower Colo. River Auth. v. City of San Marcos*, 523 S.W.2d 641 (Tex. 1975).
21 *Id*. at 645.

The Texas Constitution does not provide for citizen initiative or proposal of statewide legislation leading to a popular referendum to adopt or repeal legislation.[22] The Legislature has not provided for citizen initiative and referendum in the Securitization Law with respect to the matters governed therein.[23]

The Texas Constitution provides that: "The Legislative power of this State shall be vested in a Senate and House of Representatives, which together shall be styled 'The Legislature of the State of Texas.'"[24] With the exception of the specific delegations of authority noted in the footnotes,[25] the Legislature exercises exclusive authority in the field of legislation in Texas. In addition, only the Legislature may initiate proceedings to amend the Texas Constitution and the sole legislative authority of the Legislature.[26]

We are of the opinion that Texas courts would conclude that Texas law does not provide for citizen initiative or referendum with respect to the Securitization Law.

C. Legislative or Regulatory Impairment of Bondholders' Rights

It is our opinion that Bondholders, or the Indenture Trustee on their behalf, could successfully challenge under Article I, Section 16 of the Texas Constitution (the "Texas Contract Clause") the constitutionality of any legislation passed by the Texas Legislature or action taken by the Commission that repeals the State Non-Impairment Pledge or alters, impairs, or reduces the value of the Customer Rate Relief Property, unless the law at issue was passed by the Legislature in the valid exercise of the State's police power and is necessary to safeguard the public safety and welfare.

(1) State Impairment Legislation

The Texas Contract Clause states, in pertinent part: "No . . . law impairing the obligation of contracts, shall be made." In *City of Aransas Pass v. Keeling,*[27] the City of Aransas Pass sued to compel the Texas Attorney General to approve bonds that had been issued by the city pursuant to legislation that donated to the city for twenty years eight-ninths of the net amount of the state ad valorem taxes due upon property in San Patricio County, authorized the issuance of bonds by the city to procure money to be used exclusively to construct and maintain sea walls, breakwaters,

---

22 The Constitution does provide for popular referendum in certain specific circumstances: (1) it authorizes elections on local option laws regarding the sale of alcoholic beverages, TEX. CONST. art. XVI, § 20; (2) it requires submission to the voters of salary recommendations for certain elected officials, TEX. CONST. art. III, § 24; and (3) it requires that constitutional amendments be adopted by popular referendum, TEX CONST. art. XVII, § 1;.

23 The Legislature has previously made popular referendum, but not citizen initiative, part of the adoption of certain local option laws in other instances, including: local adoption by popular referendum is required for the property tax exemption for organizations primarily engaged in charitable activities, TEX. TAX CODE § 11.184 (which has since been repealed), and local adoption by popular referendum is required to impose municipal sales and use taxes, TEX. TAX CODE § 321.101.

24 TEX. CONST. art. III, § 1.

25 *See supra* notes 20 and 21.

26 *See* TEX. CONST. art. XVII, § 1.

27 *City of Aransas Pass v. Keeling,* 112 Tex. 339, 247 S.W. 818 (1923).

and shore protections, and declared that the eight-ninths of the state taxes donated to the city should be held in trust and applied to create a sinking fund for the redemption of the bonds and to pay the interest thereon. The Attorney General argued, among other things, "that reasonable provision is wanting to redeem the bonds because the Legislature, after the sale of the bonds, can repeal the donation of state taxes for 20 years."[28] The Texas Supreme Court rejected this argument, stating:

> State and federal authorities are uniform that, when an act of a state legislature, authorizing a bond issue, creates, or authorizes the creation of, a certain fund for the bond's payment, such provision of the act enters into the contract between the debtor and the holders of the bonds, so that it cannot be repealed by subsequent legislation without the substitution of something of equal efficacy. The subsequent legislation would impair the obligation of the contract, and therefore come under constitutional condemnation.[29]

In *City of Austin v. Cahill*,[30] the Texas Supreme Court had previously drawn the same conclusion under the contract clause of the U.S. Constitution. In that case, the City of Austin argued that the Legislature had amended the Charter of the City of Austin by withdrawing its taxing power to repay certain previously issued and unrefunded bonds. The court held that the adversely affected bondholders had a contractual right to compel by mandamus a tax levy which related back to the time when such taxes should have been levied in order for the city to be able to meet its financial obligations under the bonds. The court stated:

> Much strength is also imparted to this view by the consideration that the Legislature must be presumed to have known that it was not within its constitutional power to impair the contract with the holders of the unrefunded bonds by withdrawing the taxing power which was a part of the obligation of the contract.[31]

These precedents, while quite old, have continuing vitality with respect to the principle that, when the state makes provision for and assurances of a revenue source for the repayment of bonds, such assurances become a part of the contract with the bondholders and cannot later be impaired by legislative action.

In a different context, the Texas Supreme Court ruled that a moratorium law enacted during the 1930s Great Depression to forestall suits to foreclose liens on real property deprived lienholders "of the rights and remedies for which [they] contracted."[32] The court rejected the argument that the state's police power authorized the moratorium legislation. Though it noted the similarities between the contract clauses in the Texas Constitution and the United States

---

28 *Id.,* 247 S.W. at 821 (1923).

29 *Id*. (citing *City of Austin v. Cahill*, 99 Tex. 172, 88 S.W. 542 (1905); *Bassett v. City of El Paso*, 88 Tex. 168, 30 S.W. 893 (1895); *Morris & Cummings v. State*, 62 Tex. 745 (1884); *Fletcher v. Peck*, 10 U.S. 87 (1810); and *Seibert v. United States*, 122 U.S. 284 (1887)).

30 *City of Austin v. Cahill,* 99 Tex. 172, 88 S.W. 542 (1905).

31 *Id*., 88 S.W. at 546 (citing U.S. CONST art. 1, § 10).

32 *Travelers' Ins. Co. v. Marshall,* 124 Tex. 45, 76 S.W.2d 1007, 1009 (1934).

Constitution,[33] the court reasoned that Section 29 of the Texas Constitution's Bill of Rights, which excepts from the general powers of government all rights guaranteed by the Bill of Rights, "is an express limitation on the police power which . . . plainly prohibits the enactment of legislation the effect of which is to impair the obligation of contracts."[34]

More recently, Texas courts have begun to develop a more flexible approach to this analysis. In *Edgewood Independent School District v. Meno*, the Texas Supreme Court affirmed the vitality of the holding in *Keeling* that, when the Legislature provides for the creation of a certain fund for the payment of a bond issue, the provision "cannot be repealed by subsequent legislation without the substitution of something of equal efficacy," but found that the rule "does not prohibit every act affecting a bond-issuing entity's ability to repay its obligations; rather, it proscribes the unmitigated *repeal* of a funding source."[35] In the *Edgewood* case, plaintiffs challenged the school funding legislation that came to be known as the "Robin Hood law." Under that law, when a property-rich district failed to reduce its taxable property to $280,000 per student, the Commissioner of Education was required to detach property from the district and annex it to another district. The school districts that challenged the law argued that "the threat of this procedure creates a danger that insufficient funds will be available to meet the district's outstanding bonded indebtedness. . . . [and] impairs the district's ability to repay its obligations, in violation of the Texas and United States Constitutions." Citing two earlier decisions of the Texas Commission on Appeals, the court stated:

> As long as the entity is clearly able to repay its obligations within statutory and constitutional limitations, legislation reducing the entity's tax base does not impair the obligation of contracts.[36]

The court also noted that, in *Determan v. City of Irving*, the court of appeals had struck down "a six-percent limitation on a city's annual tax increases, because such a limitation increased the likelihood that the city's tax rate would be insufficient to meet its debt service requirements."[37] The court disapproved any suggestion in *Determan* inconsistent with its holding.

---

33 In *Travelers' Ins. Co. v. Marshall,* the Texas Supreme Court noted that the contract clause in the Texas Constitution adopted in 1876 was "derived from" the contract clause in the U.S. Constitution, which is nearly identical in wording. *Id.* at 1012. The court reasoned that the interpretation of the Federal Contract Clause by the federal courts is of critical importance in understanding the meaning of the Texas Contract Clause at the time it was adopted. Thus, in considering challenges to State legislation or action which impairs an existing contract, Texas courts have traditionally looked to and applied federal law developed under the Federal Contract Clause, as well as applying their own analyses of the Texas Contract Clause. *Lester v. First Am. Bank, Bryan, Tex.*, 866 S.W.2d 361, 365-66 (Tex. App.—Waco 1993, writ denied).

34 *Travelers' Ins. Co.*, 76 S.W.2d at 1011.

35 *Edgewood Indep. Sch. Dist v. Meno*, 917 S.W.2d 717, 742 (Tex. 1995) (emphasis in original) (quoting *City of Aransas Pass v. Keeling*, 112 Tex. 339, 347-48, 247 S.W. 818, 821 (1923)).

36 *Id.* (citing *Lyford Indep. Sch. Dist. v. Willamar Indep. Sch. Dist.,* 34 S.W.2d 854, 856 (Tex. Comm'n App. 1931, judgm't adopted) and *El Dorado Indep. Sch. Dist. v. Tisdale,* 3 S.W.2d 420, 422 (Tex. Comm'n App. 1928, judgm't adopted)).

37 *Id*. at 742 (citing *Determan v. City of Irving, Tex*, 609 S.W.2d 565, 570 (Tex. Civ. App.—Dallas 1980, no writ)).

The following year, in *Barshop v. Medina County Underground Water Conservation District*,[38] the Texas Supreme Court considered a facial challenge to the constitutionality of the Edwards Aquifer Act. The Edwards Aquifer Act created the Edwards Aquifer Authority to regulate groundwater withdrawals by well from the aquifer. It placed certain limitations on withdrawals and, thus, clashed with the common law rule of capture that a landowner's "right to withdraw underground percolating water is not correlative, 'but is absolute.'"[39] The plaintiffs who brought the case, two county underground water conservation districts and three private landowners, claimed that the Act, among other constitutional violations, unconstitutionally impaired the obligation of contract.

Noting that it had not considered the scope of the contract clause since its opinion in *Travelers' Ins. Co. v. Marshall*, where it determined that the state's police power could never be used to justify an impairment of contract, the court summarized developments in federal and Texas case law inconsistent with the rule in *Travelers'*. The court observed that two years after the *Travelers'* decision, the United States Supreme Court ruled that *Travelers'* "only applied to statutes specifically directed against the terms of a contract."[40] The United States Supreme Court had concluded that, under Texas law, police power regulations dealing with physical things such as land or natural resources could have incidental effects on contracts if the power was exercised in the interest of the public welfare.[41] The Texas Supreme Court also cited several Texas cases that "have likewise concluded that the contract clause may yield to statutes which are necessary to safeguard the public safety and welfare."[42] Based on these authorities, the court departed from the rule of *Travelers'* and upheld the Edwards Aquifer Act and the restrictions it placed on groundwater withdrawals from the aquifer, stating:

> Accordingly, we determine that the Act is not invalid under the contract clause because it is a valid exercise of the police power necessary to safeguard the public safety and welfare.[43]

There are a number of earlier Texas court of appeals decisions finding that the Legislature was justified in impairing contractual rights when it exercised the police power to protect the public safety and welfare. However, none of the cases involved bondholders.[44]

---

38 *Barshop v. Medina County Underground Water Conservation District,* 925 S.W.2d 618 (Tex. 1996).

39 *Id.* at 625 (quoting *Houston & T.C. Ry. Co. v. East,* 98 Tex. 146, 81 S.W. 279 (1904)).

40 *Id.* at 634 (citing *Henderson Co. v. Thompson,* 300 U.S. 258 (1937)).

41 *Henderson Co. v Thompson,* 300 U.S. at 266 (1937).

42 *Barshop, supra* n. 36, at 635.

43 *Id*.

44 *See*, *e.g.*, *Trail Enters., Inc*. *v*. *City of Houston*, 957 S.W.2d 625 (Tex. App.—Houston [14th Dist.] 1997, pet. denied) (drilling restrictions); *Tex. State Teachers Ass'n v. State*, 711 S.W.2d 421, 425 (Tex. App.—Austin 1986, writ ref'd n.r.e.) (teacher testing); *State Bd. of Registration for Prof'l Eng'rs v. Wichita Eng'g Co*., 504 S.W.2d 606, 608 (Tex. Civ. App.—Fort Worth 1973, writ ref'd n.r.e.) (restricting use of the term "engineering" in name of Co.); *Dovalina v. Albert*, 409 S.W.2d 616, 619 (Tex. Civ. App.—Amarillo 1966, writ ref'd n.r.e.) (test for licensing of polygraph operators); *Biddle v. Bd. of Adjustment*, 316 S.W.2d 437, 440-441 (Tex. Civ. App.—Houston 1958, writ ref'd n.r.e.) (zoning ordinance).

Both *Texas State Teachers Association v. State,* and *Dovalina v. Albert,* involved claims that legislation instituting testing requirements for teacher certification, in the former, and polygraph examiner licensing, in the latter, violated the Texas Contract Clause. In *Texas State Teachers Association v. State,* the court registered its doubt "that teachers' certificates are the type of protected rights that fall within the meaning of Article I, Section 16" of the Texas Constitution but assumed that they did for purposes of the opinion.[45] After examining the legislative duty to regulate public schools, the court upheld the statute, reasoning as follows:

> Because regulation of the teaching profession and of the public education system is a valid exercise of the police power, this Court has concluded that any impairment of appellants' rights which has occurred is justified as an incident to the valid exercise of the police power.[46]

In *Dovalina v. Albert,* an individual who failed a newly enacted minimum standards test required for all operators of polygraph equipment argued that the Act instituting the testing requirement violated the Texas Contract Clause. The court rejected the claim, noting that "[h]ere as in *Henderson* [*v. Thompson*] the statute challenged is not directed against any term of any contract and its effect upon contracts is only incidental."[47]

Under these authorities, we are of the opinion that in a properly presented and argued challenge by the Bondholders (or the Indenture Trustee acting on their behalf), a reviewing court would rule that State Impairment Legislation violates the Texas Contract Clause, unless the State could show that the impairment was justified on the basis of a legitimate exercise of its police powers necessary to safeguard the public safety and welfare. Legislation that repealed or significantly modified the State Non-Impairment Pledge in the Securitization Law or directly altered, impaired, or reduced the value of the Customer Rate Relief Property or the charges at issue would not be considered "incidental," and would be held to be an unconstitutional violation of the Texas Contract Clause unless the State could show that the impairment was justified on the basis of a legitimate exercise of its police powers necessary to safeguard the public safety and welfare.

(2) Impairment by Commission

The Texas Contract Clause states that "No bill of attainder, ex post facto *law*, retroactive *law*, or any *law* impairing the obligations of contracts, shall be made [emphasis added]." The Texas cases cited above have addressed impairments of contractual obligations by the Legislature or a local governmental body. Nevertheless, if the Commission were to take action that alters, impairs, or reduces the value of the Customer Rate Relief Property or the Customer Rate Relief Charges, the Bondholders could also challenge that action under the Texas Contract Clause. Ratemaking by a regulatory agency, such as the Commission, has been characterized as being a

---

45 *Tex. State Teachers Ass'n v. State*, *supra* n. 42, at 424.

46 *Id*. at 425.

47 *Dovalina v. Albert, supra n. 42,* at 619; *see also Biddle v. Bd. of Adjustment*, *supra* n. 42, at 440-441 (concluding that although the zoning ordinance at issue may have incidentally affected appellants' contract, it did not unconstitutionally impair its obligation).

legislative activity.[48] In the *Houston Natural Gas* case, the court stated that the Commission's review of rates is legislative action exercising a power delegated to it by the Legislature.[49] As the Legislature, through the State Non-Impairment Pledge, has withheld its own right to take any action which alters, impairs, or reduces the value of the Customer Rate Relief Property or the Customer Rate Relief Charges, it may not authorize the Commission, and the Commission should have no power, to do the same. In addition, in reviewing regulatory actions by the Commission, Texas courts have applied the constitutional prohibitions against ex post facto laws and retroactive laws.[50] These prohibitions, like the constitutional prohibition on impairment of contracts, are found in Article I, § 16 of the Texas Constitution.

Thus, if the Commission were to exercise ratemaking that substantially impaired the Customer Rate Relief Property or Customer Rate Relief Charges created under the Financing Order, such action would give rise to state claims, similar to those that could be made against actions of the Legislature taken in derogation of the State Non-Impairment Pledge. The Securitization Law provides: "The financing order shall remain in effect and the property shall continue to exist for the same period as the pledge of the state described in Section 104.374 [the State Non-Impairment Pledge]."[51] This statutory provision support the conclusion that a reviewing Texas state court likely would treat action by the Commission repudiating the Commission's pledge in the Financing Order not to impair the Customer Rate Relief Charges in a manner similar to a repeal of the State Non-Impairment Pledge by the Legislature.[52] Texas state courts have enjoined unconstitutional action by members of a state agency, as discussed below.[53]

The Securitization Law also contains language prohibiting the Commission from impairing the Financing Order and the Customer Rate Relief Charges. The Securitization Law provides:

> The financing order becomes effective in accordance with its terms. The financing order, together with the customer rate relief property and the customer rate relief charges authorized by the financing order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as provided under Subsection (j) and authorized by Section 104.370 [relating to the true-up mechanism].

In addition, the Financing Order states:

> The Commission guarantees, for the benefit of the Issuer Entity, the holders of the Customer Rate Relief Bonds, the Trustee and any other financing parties, that it will take all actions in its powers to enforce the provisions in this Financing Order to

---

48 *R.R. Comm'n v. Houston Natural Gas Corp*., 289 S.W.2d 559, 562 (Tex. 1956); *Cent. Power and Light Co. v. Pub. Util. Comm'n of Tex.*, 36 S.W.3d 547, 554 (Tex. App.—Austin 2001, pet. denied).

49 *R.R. Comm'n v. Houston Natural Gas Corp*., *supra* n. 46, at 562.

50 *Southwestern Bell Tel. Co.v. Pub. Util. Comm'n*, 615 S.W.2d 947, 956-57 (Tex. Civ. App.—Austin 1981), *writ ref. n.r.e. per curiam* 622 S.W.2d 82 (Tex. 1981); *Cent. Power and Light*, 36 S.W.3d at 554.

51 Tex. Util. Code § 104.367.

52 *See, e.g., Lower Colo. River Auth. v. McCraw*, *supra* n. 14.

53 *State Bd. of Ins. v. Prof'l & Bus. Men's Ins. Co.,* 359 S.W.2d 312, 315 (Tex. Civ. App.—Austin 1962, writ ref'd n.r.e.).

> ensure that revenues collected from Customer Rate Relief Charges are sufficient to pay on a timely basis all scheduled principal and interest on the Customer Rate Relief Bonds and other components of the Periodic Payment Requirement and other Bond Administrative Expenses, as provided in Tex. Util. Code § 104.366(p).
> .

Therefore, we are of the opinion that in a properly presented and argued challenge by the Bondholders (or the Indenture Trustee acting on their behalf), a reviewing court applying Texas law would treat a Commission Impairment Action in the same manner, and subject to the same qualifications, as State Impairment Legislation.

(3) Declaratory Relief

Texas law provides that "a person . . . whose rights . . . are affected by a statute . . . may have determined any question of construction or validity arising under the . . . statute . . . and obtain a declaration of rights . . . thereunder."[54] The constitutionality of legislation is a suitable matter for declaratory relief.[55] If a statute is alleged to be unconstitutional, the attorney general of the State must also be served with a copy of the proceeding and is entitled to be heard.[56]

A declaration that legislation impairing the obligation of contract is unconstitutional will depend on the matters discussed previously in this opinion. To receive such a declaration, it would have to be established that such legislation caused a substantive impairment that significantly affects the security for the Bonds or prevents payments of the Bonds and that such impairment could not be justified by the State on the basis of a legitimate exercise of its police powers to safeguard the public safety and welfare.

(4) Permanent Injunctive Relief

Texas law provides that a "writ of injunction may be granted if: (1) the applicant is entitled to the relief demanded and all or part of the relief requires the restraint of some act prejudicial to the applicant . . . (3) the applicant is entitled to a writ of injunction under the principles of equity and the statutes of this state relating to injunctions . . . or (5) irreparable injury to real or personal property is threatened, irrespective of any remedy at law."[57] Generally, a party requesting

---

54 TEX. CIV. PRAC. & REM. CODE § 37.004(a).
55 *Dodgen v. Depuglio,* 146 Tex. 538, 209 S.W.2d 588, 592 (1948).
56 TEX. CIV. PRAC. & REM. CODE § 37.006(b).
57 TEX. CIV. PRAC. & REM. CODE § 65.011.

injunctive relief must show "the existence of a wrongful act, the existence of imminent harm, the existence of irreparable injury, and the absence of an adequate remedy at law."[58]

If legislation were found to unconstitutionally impair the obligation of contracts, then the Bondholders would likely be entitled to obtain an injunction prohibiting state officials from enforcing such legislation.[59] This would also likely be the case if the Commission were to take action found to impair the obligation of contracts in a manner inconsistent with the statutory authorization of the Securitization Law. Texas courts will grant injunctive relief when a government official acts in a way that exceeds constitutional or statutory authority.[60] "[A]n entity or person whose rights have been violated by the unlawful action of a State official, may bring suit to remedy the violation or prevent its occurrence, and such suit is not a suit against the State requiring legislative or statutory authorization."[61]

(a) Existence of wrongful act

---

58 *See Tex. Health Care Info. Council v. Seton Health Plan, Inc.,* 94 S.W.3d 841, 853 (Tex. App.—Austin 2002, pet. denied). Additionally, courts generally balance equities to determine whether granting an injunction is proper. Thus, if the public interest is involved, courts will determine whether granting a writ will cause harm to the public disproportionate to the harm to the private litigant seeking protection of the injunction. *Storey v. Cent. Hide & Rendering Co*., 148 Tex. 509, 226 S.W.2d 615 (1950); *Hooks Tel. Co. v. Leafy,* 352 S.W.2d 755 (Tex. Civ. App.—Texarkana 1961, no writ). If damage to private individuals outweighs the benefit accruing to the public, the injunction will be granted. *Mitchell v. City of Temple,* 152 S.W.2d 1116, 1117 (Tex. Civ. App.—Austin 1941, writ ref'd w.o.m.) (discussing a temporary injunction). Here, for the state officials to claim that the legislative or administrative action is warranted, they will most likely argue that there is a public interest to be protected by such action. In *Mitchell*, for example, the court held that the harm to the 15,000 residents of Temple by enjoining the operation of a sewage plant outweighed the harm to individual citizens claiming injury from continued operation of the plant. Conversely, in *Burrow v. Davis,* 226 S.W.2d 199 (Tex. Civ. App.—Amarillo 1949, writ ref'd n.r.e.), the court refused to enjoin completion of construction of a building or require that structure to be torn down even though it slightly inconvenienced the public because it encroached upon two public streets, since on balancing the equities, the harm to the individual owners of destroying their property was greater than the harm to the adjacent property owners.

59 *City of Beaumont v. Bouillion*, 896 S.W.2d 143, 148-149 (Tex. 1995) (equitable relief, such as injunction, is available as remedy for violation of constitutional right guaranteed in article I of the Texas Constitution.); *State v. Ferguson*, 133 Tex. 60, 125 S.W.2d 272 (1939) ("It is a generally accepted rule that injunctive relief may be granted to prevent the enforcement of an unconstitutional statute when its enforcement will result in irreparable injury to property rights.").

60 *City of El Paso v. Heinrich*, 284 S.W.3d 366, 368-69 (Tex. 2009) (governmental immunity does not preclude prospective injunctive remedies in official-capacity suits against government actors who violate statutory or constitutional provisions).

61 *Dir. of Dept. of Agriculture and Env't v. Printing Indus. Ass'n of Am.,* 600 S.W.2d 264, 265-266 (Tex. 1980) (citing *Tex. Highway Comm'n v. Tex. Ass'n of Steel Importers, Inc.*, 372 S.W.2d 525 (Tex. 1963); *Cobb v. Harrington*, 144 Tex. 360, 190 S.W.2d 709 (1945); *W. D. Haden Co. v. Dodgen,* 158 Tex. 74, 308 S.W.2d 838 (1958); *State v. Epperson*, 121 Tex. 80, 42 S.W.2d 228 (1931)); *see also Marshall,* 76 S.W.2d at 1008 (enjoining the enforcement of an unconstitutional Moratorium Law passed during the Great Depression); *Tex. Workers' Comp. Comm'n v. Horton*, 187 S.W.3d 282, 285 (Tex. App.—Beaumont 2006, no pet.) ("[A] suit for injunctive relief against a state agency is maintainable only if the pleadings, together with the relevant evidence, show that the agency's activity is unlawful because it lacks statutory authorization.").

Texas courts would likely find that unconstitutional legislation or governmental action that exceeds constitutional or statutory authority would satisfy the requirement that a party seeking injunctive relief demonstrate the existence of a wrongful act.[62]

(b) Existence of imminent harm

Imminent harm is a prerequisite to injunctive relief.[63] The harm at issue here is the probable and immediate adverse impact that Bondholders could show would result from the passage of unconstitutional legislation repealing the State Non-Impairment Pledge or unconstitutional legislation or Commission action reducing or eliminating the recovery of Customer Rate Relief Property or Customer Rate Relief Charges. Such impacts could include delayed or suspended payments, reduction in the market price of the Bonds, or even a default by the Issuer of the Bonds. If Bondholders can make this showing through competent evidence, Texas courts would likely find that such actions that exceed constitutional or statutory authority, including the threat of such actions, would satisfy the requirement that a party seeking injunctive relief demonstrate the existence of imminent harm.[64]

(c) Existence of irreparable harm

A showing of irreparable harm is a prerequisite for one seeking injunctive relief.[65] "An injury is irreparable if the injured party cannot be adequately compensated in damages or if the damages cannot be measured by any certain pecuniary standard."[66] There is authority for the contention that harm or injury caused by the violation of a constitutional right is, as a matter of law, irreparable.[67] This proposition was echoed by the court in *Operation Rescue-National v. Planned Parenthood of Houston and Southeast Texas, Inc.,* in which the court recognized that "[u]nder Texas law, a violation of a constitutionally guaranteed right inflicts irreparable injury

---

62 *Edwards Aquifer Auth. v. Chemical Lime, Ltd*., 212 S.W.3d 683, n.12 (Tex. App.—Austin 2006) *rev'd on other grounds,* 291 S.W.3d 392 (Tex. 2009) ("[T]he district court's final judgment declaring the EAA Act unconstitutional . . . placed outside the powers of government (*i.e*., rendered void) its enforcement."); *Printing Indus. Ass'n of Am.,* 600 S.W.2d at 265-266 (finding that printers were able to maintain their suit to enjoin state agencies from engaging in printing activities if such activities were not authorized by the Constitution).

63 *Operation Rescue-National v. Planned Parenthood of Houston and Southeast Texas, Inc.*, 975 S.W.2d 546, 554 (Tex. 1998). "An injunction will not lie to prevent an alleged threatened act, the commission of which is speculative and the injury from which is purely conjectural." *Democracy Coalition v. City of Austin*, 141 S.W.3d 282, 296 (Tex.App.-Austin 2004, no pet.). Injunctions are intended to "halt wrongful acts that are threatened or in the course of accomplishment." *Id*.

64 *Mo., K & T. Ry. Co. of Tex. v. Shannon*, 100 Tex. 379, 100 S.W. 138 (1907) ("The principle . . . is that the courts have no power to enjoin the officers of a state from taking action under a statute claimed to be unconstitutional and deemed to be prejudicial to the complainants, unless the officers are about to do some act which, if not authorized by a valid law, constitutes an unlawful interference with their rights."); *State v. Ferguson*, 133 Tex. 60, 125 S.W.2d 272 (1939); *see also* Section 4.(c) herein.

65 *Town of Palm Valley v. Johnson*, 87 S.W.3d 110, 111 (Tex. 2001).

66 *Butnaru v. Ford Motor Co.*, 84 S.W.3d 198 (Tex. 2002).

67 *See S.W. Newspapers Corp. v. Curtis,* 584 S.W.2d 362, 368 (Tex. Civ. App.—Amarillo 1979, no pet.) ("The publisher has plead [sic] and shown by nonconflicting evidence the denial of a constitutionally guaranteed right which, as a matter of law, inflicts an irreparable injury.").

warranting injunctive relief."[68] Of course, various other types of injuries may be deemed irreparable. Disruption of business, for instance, may constitute the type of harm for which an injunction may issue.[69]

Based on these precedents, we are of the opinion that an action by the government—either by (1) legislation repealing the State Non-Impairment Pledge or (2) legislation or Commission action substantially reducing or eliminating the recovery of Customer Rate Relief Property or Customer Rate Relief Charges—would probably cause the type of injury required to support a finding of irreparable harm. This opinion is buttressed by the fact that such action would produce an ongoing injury. The Customer Rate Relief Property at issue is limited in time in that payments are due and payable at specific points in time, and diverted funds may not be replaced because the key feature regarding the value of the Bonds is that they are secured and payable from the Customer Rate Relief Charge, which is adjusted to ensure the Bonds are paid in accordance with their terms. The continued existence or enforcement of legislation or regulation that causes diminution of the Bonds' value is not a one-time occurrence but a persistent threat to the Bondholders' rights. In *State v. Texas Pet Foods, Inc.*,[70] the court held that when a defendant has engaged in a settled course of conduct, a court may assume that the conduct will continue, absent clear proof to the contrary, and exercise its equitable powers to issue an injunction, even if the defendant promises to cease and desist.[71]

(d) No adequate remedy

A party requesting injunctive relief must also show that it has no adequate remedy at law.[72] It is a settled principle that an "injured party is entitled to relief by injunction when there is not

---

68 *Operation Rescue-National v. Planned Parenthood of Houston and Southeast Texas, Inc.,* 937 S.W.2d 60, 77 (Tex. App.—Houston [14th Dist] 1996), *aff'd as modified on other grounds*, 975 S.W.2d 546 (Tex. 1998) (enjoining the violent protests of anti-abortion advocates).

69 *Liberty Mut. Ins. Co. v. Mustang Tractor & Equip. Co.*, 812 S.W.2d 663, 666 (Tex. App.—Houston [14th Dist.] 1991, no writ).

70 *State v. Texas Pet Foods, Inc.,* 591 S.W.2d 800, 804 (Tex. 1979).

71 An unconstitutional government action negatively affecting the value or payment of Bonds would, in all likelihood, amount to the type of ongoing, irreparable harm necessary to support the issuance of a permanent injunction. In many cases, courts have concluded that injunctive relief was appropriate to prevent the improper expenditure of funds by government officials. For example, courts have held that an injunction is appropriate to enjoin government officials from diverting public funds from a statutorily-required use to an unauthorized use. *See City of Dallas v. Mosely,* 286 S.W. 497, 499 (Tex. Civ. App.—Dallas 1926), *aff'd,* 17 S.W.2d 36 (Tex. Comm'n. App. 1929) ("A writ of injunction will properly issue to restrain the diversion of public funds entrusted to public officers for special use."). Courts have also enjoined the illegal expenditure of public funds. *See Osborne v. Keith*, 142 Tex. 262, 177 S.W.2d 198, 200 (1944) (recognizing the right of courts to enjoin public officials from spending funds pursuant to an illegal contract); *Bexar County v. Wentworth,* 378 S.W.2d 126, 129 (Tex. Civ. App.—San Antonio 1964, writ ref'd. n.r.e.) (upholding the grant of a temporary injunction restraining a government official from spending money on goods for the government under a contract in which he had an interest). Furthermore, as noted by the Texas Supreme Court in *Calvert v. Hull*, 475 S.W.2d 907 (Tex. 1972), private citizens may sue public officials (*i.e.,* the Comptroller) to enjoin the expenditure of appropriated funds. *Id*. at 908.

72 *Tex. Health Care Info. Council v. Seton Health Plan, Inc.*, 94 S.W.3d 841, 853 (Tex. App.—Austin 2002, pet. denied).

clear, full and adequate relief at law."[73] "A party has no adequate remedy at law when damages are incapable of calculation or the party to be enjoined is incapable of responding in damages."[74]

In this instance, it is possible that the Bondholders would be unable to quantify their losses or the diminution in value of the Bonds. In a similar situation, the United States Supreme Court recognized the difficulty in assessing damages to bondholders stemming from a repeal of a statutory pledge in *U.S. Trust Co. of New York v. New Jersey*.[75] In *U.S. Trust Co*., the states of New York and New Jersey entered into a legislative compact with each other and with holders of bonds that were issued by the Port Authority of New York and New Jersey to finance the construction of the World Trade Center and the acquisition of the Hudson & Manhattan Railroad.[76] This compact included a covenant that, so long as any bonds remained outstanding and unpaid, neither the states nor the Port Authority would apply any of the revenues or reserves that were then or would be in the future pledged as security for the bonds to any railroad purposes other than certain enumerated purposes.[77] The governors of both states subsequently signed legislation effectively repealing the covenant, in response to a national energy crisis.[78] The Supreme Court held that the repeals violated the Contract Clause of the United States Constitution, finding that the repeals impaired valid contracts between the states and the bondholders.[79]

The Supreme Court found significant evidence that the market price for the Port Authority Bonds was adversely affected immediately after the covenant was repealed.[80] After establishing that it could not ascertain with certainty that the fluctuations in market price were caused by the repeal of the covenant, the Court simply determined that "*no one can be sure precisely how much financial loss the bondholders suffered*."[81]

Thus, *U.S. Trust Co*., involving the repeal of a covenant analogous to the State Non-Impairment Pledge, illustrates the potential difficulty of ascertaining damages in this case. Even if such damages could be assessed with certainty, the Bondholders may not have an adequate state law vehicle through which to obtain recovery. As a result, and in light of the limited source of payment for the Bonds, there may well be no adequate remedy at law for the Bondholders, and it is therefore likely that a substantial impairment in this case would justify the granting of permanent injunctive relief.

---

73 *Brazos River Conservation & Reclamation Dist. v. Allen*, 141 Tex. 208, 171 S.W.2d 842, 846 (1943).

74 *Montfort v. Trek Res., Inc.*, 198 S.W.3d 344, 353 (Tex. App.—Eastland 2006, no pet.); *Synergy Ctr., Ltd. v. Lone Star Franchising, Inc*., 63 S.W.3d 561, 567 (Tex. App.—Austin 2001, no pet.); *Recon Exploration, Inc. v. Hodges*, 798 S.W.2d 848, 851 (Tex. App.—Dallas 1990, no writ); *see also Wright v. Sport Supply Group, Inc.,* 137 S.W.3d 289, 294 (Tex. App.—Beaumont 2004, no pet.) (citing *Butnaru v. Ford Motor Co.*, 84 S.W.3d 198, 204 (Tex. 2002) (stating that the requirements of "irreparable injury" and "no adequate remedy" are "inextricably intertwined" under Texas law)).

75 *U.S. Trust Co. of New York v. New Jersey,* 431 U.S. 1 (1977).

76 *Id.* at 8-9.

77 *Id*. at 9-10.

78 *Id*. at 10.

79 *Id*. at 28.

80 *Id.* at 19.

81 *Id*. (emphasis added).

(5) Preliminary Injunctive Relief

Preliminary injunctive relief is warranted when an applicant shows that it is entitled to preserve the latest uncontested status quo of the subject matter of the suit pending trial on the merits.[82] A court "may restrain the enforcement of administrative orders of State Boards and agencies for the purpose of preserving the status quo pending trial on the merits of a suit to set aside such order."[83] To be entitled to preliminary injunctive relief, the Bondholders would be required to prove "(1) a cause of action against the defendant; (2) a probable right to the relief sought; and (3) a probable, imminent, and irreparable injury in the interim."[84] In the case of regulation affecting the Bonds, Bondholders may be required to show that available administrative remedies, if any, would be an inadequate means of redress.[85]

The Texas Supreme Court has stated that, to show entitlement to a preliminary or temporary injunction, a litigant must show a "probable right to the relief sought," not prove that he will prevail on the merits.[86] Notwithstanding, courts sometimes refer to this element as requiring a "substantial likelihood of success on the merits"[87] and an evidentiary hearing is usually required, as a "probable right of success on the merits is shown by alleging a cause of action and presenting evidence that tends to sustain it."[88] The requirement to show a probable right to recovery may be satisfied by demonstrating that the legislative or administrative action was likely unconstitutional. The Bondholders would not be required to establish that they would ultimately prevail, only that they are entitled to preservation of the status quo pending trial on the merits.[89]

To satisfy the requirement to show that they will suffer imminent and irreparable harm and an absence of any adequate remedy at law in the interim period, Bondholders would need to establish the probability of harm such as suspended payments, reduction in the market price of the Bonds, or a default by the Issuer of the Bonds. Bondholders could proffer a colorable argument that they would suffer irreparable harm if state legislative or administrative action caused delays in payment and threats of default on the Bonds. For example, if the Customer Rate Relief Charges or payments to the Issuer were halted or reduced, this could result in a downgrade of the Bond's ratings. This downgrade would likely cause a reduction in market value in the Bonds and could

---

82 *Butnaru v. Ford Motor Co.*, 84 S.W.3d 198, 204 (Tex. 2002); *Walling v. Metcalfe,* 863 S.W.2d 56, 57 (Tex. 1993).

83 *State Bd. of Ins. v. Prof'l & Business Men's Ins. Co.,* 359 S.W.2d 312, 315 (Tex. Civ. App.—Austin 1962, writ ref'd n.r.e.) (citing *Tex. R.R. Comm'n v. Shell Oil Co*., 146 Tex. 286, 206 S.W.2d 235, 242 (1947)).

84 *Butnaru*, *supra* n. 80, at 204.

85 *Tex. State Bd. of Pharmacy v. Walgreen Tex. Co.,* 520 S.W.2d 845, 847-48 (Tex. Civ. App.—Austin 1975, writ ref'd n.r.e.).

86 *Sun Oil v. Whitaker*, 424 S.W.2d 216, 218 (Tex. 1968).

87 *See, e.g.*, *Parks v. U.S. Home Corp.*, 652 S.W.2d 479, 485 (Tex. App.—Houston [1st Dist.] 1983, writ dism'd) ("In order to obtain injunctive relief, the applicant must show a substantial likelihood of success on the merits, a substantial threat of irreparable injury, that the threatened injury to the applicant outweighs the threatened harm the injunction may cause to the defendants, and that the granting of the injunction will serve the public interest.")
Tel. Equip. Network, Inc. v. TA/Westchase Place, Ltd., 80 S.W.3d 601, 607 (Tex. App.—Houston [1st Dist.] 2002, no pet.)

89 *Universal Health Servs. v. Thompson*, 24 S.W.3d 570, 576 (Tex. App.—Austin 2000, no pet.); *Walling,* 863 S.W.2d at 58.

cause Bondholders to sell their Bonds at prices lower than they could have sold them prior to the offending legislative or administrative action. Delays in payment or non-payment of interest or principal on the Bonds could also result. Regardless, as noted by the United States Supreme Court in *U.S. Trust Co*., it would be very difficult to place a monetary valuation on any such damages.[90] Further, any monetary loss due the Bondholders because of a ratings downgrade and the resulting decrease in market value of the Bonds could probably not be recovered from the State of Texas in a proceeding at law. "Our State does not recognize a common law cause of action for damages to enforce constitutional rights."[91]

A court's determination of the appropriateness of a temporary injunction in this case will depend on the facts and evidence presented to the court. In addition, as in the case of permanent injunctions, a court considering whether to issue a temporary injunction will balance the equities between the parties to determine whether an injunction should issue. [92] Although sound and substantial arguments support the granting of preliminary injunctive relief, the decision to do so will be in the discretion of the court requested to take such action. As noted above, the Bondholders would not be required to prove that they would prevail. Rather, they would be held to the burden of demonstrating a meritorious, bona fide complaint and entitlement to preservation of the status quo.[93]

(6) Temporary Restraining Order

In most cases, a suit for injunctive relief begins with a request for a temporary restraining order, followed by a request for a preliminary injunction, followed by a permanent injunction that is part of the final judgment in a case. A temporary restraining order may be issued with or without notice to the opposing party, and can remain in effect only a short time (typically up to 28 days absent party agreement for a longer term).[94] In addition to satisfying the standards applicable to preliminary injunctive relief, applicants for a temporary restraining order must also show "that immediate and irreparable injury, loss, or damage will result" before "notice can be served and a hearing had thereon."[95] A court's determination of the appropriateness of a temporary restraining order will depend on the facts and evidence presented to the court at the time such request is made.

D. State Action and the Takings Clause

Alternatively, action to impair the value of the Bonds could also be construed as a compensable taking. The Texas Takings Clause provides that no "person's property shall be taken, damaged or destroyed for or applied to public use without adequate compensation being made." The Texas Takings Clause does "not limit the government's power to take private property for

---

90 *U.S. Trust Co*., 431 U.S. at 19*; Walling v. Metcalfe,* 863 S.W.2d 56, 57 (Tex. 1993) (citing *Roland Mach. Co. v. Dresser Indus.,* 749 F.2d. 380, 386 (7th Cir. 1984), where the Seventh Circuit said that temporary injunctive relief was particularly appropriate when "the nature of the plaintiff's loss may make damages very difficult to calculate").

91 *City of Beaumont v. Bouillion, supra* n. 57, at 150.

92 *Lower Colo. River Auth. v. McCraw*, *supra* n. 14.

93 *Universal Health Servs. v. Thompson*, *supra* n. 87, at 570.

94 Tex. R. Civ. P. 680.

95 *Id.*

public use but instead require[s] that a taking be compensated."[96] Governmental action or restriction that deprives the owner of "all economically viable use of the property totally destroys the value of the property" and is a taking that must be compensated.[97] Texas courts also recognize that, where governmental action falls short of a total taking or complete destruction of the value of property, a claim for a "regulatory taking" can be asserted where the government action has unreasonably interfered with an owner's right to use and enjoy property.[98]

Furthermore, although the Texas Supreme Court has stated that the Texas Takings Clause is "comparable" to the takings clause in the Fifth Amendment of the United States Constitution (the "Federal Takings Clause") and typically interpreted in accordance therewith, it has also interpreted the Texas Takings Clause as providing greater protection to owners of private property than the Federal Takings Clause in certain circumstances because, unlike the language of the Federal Takings Clause that refers only to "taking," the plain text of the Texas Takings Clause applies more broadly to "taking, ... damaging," or "destroying" private property.[99] Thus, the language of the Texas Takings Clause would enable a court to determine that "damage" to the Customer Rate Relief Property, short of a complete taking resulting in non-payment of the Bonds, constituted a violation of the Texas Takings Clause. In *Steele v. City of Houston*,[100] the Texas Supreme Court noted:

> The government's duty to compensate for damaging property for public use after 1876 was not dependent upon the transfer of property rights.... To entitle the party to compensation under our present constitution, it is not necessary that his property shall be destroyed, nor is it necessary that it shall be even taken. It is sufficient to entitle him to compensation that his property has been damaged.

The Texas Supreme Court stated that the purpose of the word "damage" was to prevent a narrow construction of the word "taking."[101] If a reviewing Texas state court were willing to apply the Texas Takings Clause to the Customer Rate Relief Property, governmental action that diminished but did not completely eliminate the value of the Customer Rate Relief Property might also be found to violate the Texas Takings Clause. For example, legislation passed by the Texas Legislature or Commission action that repeals the State Non-Impairment Pledge or alters, impairs, or reduces the value of the Customer Rate Relief Property or Customer Rate Relief Charges and

---

96 *Sheffield Dev. Co. v. City of Glenn Heights*, 140 S.W.3d 660 (Tex. 2004).

97 *Mayhew v. Town of Sunnyvale*, 964 S.W.2d 922, 935 (Tex. 1998); *Sheffield Dev. Co. v. City of Glenn Heights, supra* n. 94, at 669.

98 *See Sheffield Dev. Co. v. City of Glenn Heights*, *supra* n. 94, at 671-79; *Mayhew v. Town of Sunnyvale*, *supra* n. 95, at 933-38.

99 *Jim Olive Photography v. Univ. of Houston Sys*., 624 S.W.3d 764 (Tex. 2021) ("we have also recognized that the Texas Takings Clause provides broader protection in certain areas") (Busby, J., concurring) citing *Steele v. City of Houston*, 603 S.W.2d 786 at 789-91 (Tex. 1980) ("The underlying basis for compensating one whose property is taken or damaged or destroyed for public use may ... be the same but the terms have a scope of operation that is different."); *City of Dallas v. Jennings*, 142 S.W.3d 310, 313 n.2 (Tex. 2004) (noting that "taking" has become a shorthand for "taking," "damaging," and "destroying," but that each verb creates a separate and distinct claim under Article I, Section 17 of the Texas Constitution).

100 *Steele v. City of Houston,* 603 S.W.2d 786, 790 (Tex. 1980) (citing *Gulf, C. & S. F. Ry. Co. v. Eddins*, 60 Tex. 656, 663 (Tex. 1884)).

101 *Id.* (citing *Gulf, C. & S.F. Ry. Co. v. Fuller*, 63 Tex. 467 (Tex. 1885)).

affects the market value of the Bonds might constitute "damaging" of property under the Texas Takings Clause, even if it does not rise to the level of a "taking" under the Federal Takings Clause.

To establish a takings claim under the Texas Takings Clause, the Texas Supreme Court has held that a plaintiff must demonstrate that: (i) the State intentionally performed certain acts (ii) that took, damaged or destroyed protected property (iii) for public use.[102]

1. Intentional Act

The State will be liable to compensate a private party for a taking of property only if the State intended to perform the act that caused the taking.[103] On the other hand, when the taking or damage is merely the unintended result of the government's act, "there is no public benefit," and the property cannot be said to have been "taken or damaged *for public use*."[104] Thus, negligence on the part of the State or its agents that contributes to the destruction of private property cannot support a taking claim and would be subject to a sovereign immunity defense.[105]

The State Non-Impairment Pledge, the related provisions of the Securitization Law, and the Financing Order creating the Customer Rate Relief Property and Customer Rate Relief Charges are intended to protect the Bondholders' interests. The stated purpose of the Securitization Law is to reduce the cost that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after that event, by providing securitization financing for gas utilities to recover those costs. The Legislature intentionally enacted the State Non-Impairment Pledge and the other provisions of the Securitization Law under which the issuance of the Bonds has been authorized.

While it is not possible to anticipate the particular form that State Impairment Legislation or Commission Impairment Action might take, such action would be intentional acts of the State.

---

102 *Gen. Servs. Comm'n v. Little-Tex Insulation Co.*, 39 S.W.3d 591, 598 (Tex. 2001) ("*Little-Tex*").

103 *Little-Tex*, at 598; *State v. Holland,* 161 S.W.3d 227, 232 (Tex. App.—Corpus Christi 2005, no pet.) *rev'd on other grounds,* 221 S.W.3d 639 (2007). The Texas Supreme Court has ruled that the State does not have the requisite intent when money or property is taken or withheld in the context of a contractual dispute with an entity that has contracted to provide a good or service to the State. *Little-Tex*, 39 S.W.3d at 598-99. The Court reasoned that, when the State is acting under colorable contractual rights, it does not have the requisite intent to take property under any eminent domain powers. *Id*. To the extent the State Non-Impairment Pledge, the related provisions of the Securitization Law, and the Financing Order creating the Customer Rate Relief Property and Customer Rate Relief Charges effectively create a contract between the State and the Bondholders, such a "contract" is distinguishable from a typical goods or services contract with the State because the State obtained the goal of the State Non-Impairment Pledge when the Bonds were exchanged for the proceeds of the Bonds and payment on the Bonds is not contingent on future contractual performance by Bondholders. Accordingly, it is not apparent that in enacting State Impairment Legislation or taking Commission Impairment Action, the State would be "acting within a color of right to take or withhold property in a contractual situation" within the meaning of *Little-Tex*. *Id*

104 *City of Dallas v. Jennings*, 142 S.W.3d at 313-14 (emphasis in original) (quoting *Tex. Highway Dept. v. Weber*, 219 S.W.2d 70, 71 (Tex. 1949)).

105 *City of Tyler v. Likes*, 962 S.W.2d 489, 505 (Tex. 1997) (no taking where city action to unclog sewer backup caused a sewage flood that damaged plaintiff's property). .

Therefore, a reviewing Texas state court likely would find the element of intentional action by the State involved in connection with any State Impairment Legislation or Commission Impairment Action.

2. Protected Property Interest

A valid claim under the Texas Takings Clause requires proof of a taking, damage, or destruction of a protected property interest.[106] The Securitization Law provides that the right to impose, collect, and receive Customer Rate Relief Charges is a property right when pledged or assigned in connection with the issuance of Bonds.[107] In this context, the issue is whether the property interest created by the Securitization Law, the State Non-Impairment Pledge, the Financing Order, and/or the Indenture create a protected property interest.

No Texas court has considered whether the Customer Rate Relief Property is protected by the Texas Takings Clause. While a few Texas court of appeals decisions have suggested that the Texas Takings Clause is limited to takings of real property or property attendant thereto,[108] the weight of authority has recognized that the clause is not limited in application to real property.

In a case finding that a municipality's requirement that a developer construct and pay for offsite public improvements as a condition to plat approval for subdivision development constituted a compensable taking under the Texas Constitution, the court stated:

> The Fifth Amendment of the United States Constitution and article I, section 17 of the Texas Constitution prohibit the taking of private property—both real and personal, and including money—for public use without just compensation.[109]

Texas courts have found that a lender's perfected security interest is a protected property interest under the Texas Takings Clause.[110] In *MidFirst Bank*, the Texas Workforce Commission ("TWC") attempted to use a corporation's receivables to satisfy statutory liens arising from the corporation's failure to pay former employees' wage claims and unemployment taxes.[111] However, the Austin Court of Appeals concluded that the TWC's action, which deprived MidFirst Bank of its security interest in the receivables, constituted a taking in violation of the Texas Takings Clause. In so doing, the Austin Court of Appeals expressly rejected TWC's argument

---

106 *Hallco Tex., Inc. v. McMullen County*, 221 S.W. 3d 50, 56 (Tex. 2006) ("Absent a cognizable property interest, a claimant is not entitled to compensation under article I, section 17.").

107 TEX. UTIL. CODE § 104.367.

108 *DeMino v. Sheridan*, 176 S.W.3d 359 (Tex. App.—Houston [lst Dist.] 2004, no pet.); *City of Houston v. North Mun. Util. Dist. No. 1*, 73 S.W.3d 304, 310-11 (Tex. App.—Houston [1st Dist.] 2001, pet. denied); *Bates v. Tex. State Technical Coll.*, 983 S.W.2d 821, 826 (Tex. App.—Waco 1998, pet. denied).

109 *Town of Flower Mound v. Stafford Estates Ltd. P'ship*, 71 S.W.3d 18, 28 (Tex. App.—Fort Worth 2002), *aff'd,* 135 S.W.3d 620 (Tex. 2004); *see also Lone Star Gas Co. v. City of Fort Worth*, 98 S.W.2d 799 (Tex. Comm. App. 1936) (recognizing that where a city acquires a gas distribution system as a going concern through eminent domain, items that enter into arriving at the compensation award include intangible property, such as contract rights).

110 *Tex. Workforce Comm'n v. MidFirst Bank*, 40 S.W.3d 690, 696 (Tex. App.—Austin 2001, pet. denied).

111 *Id.* at 692.

that takings claims under the Texas Constitution are confined to the taking of real property by eminent domain.[112] Similarly, other courts of appeals have extended the protections of the Texas Takings Clause to the rights of secured lienholders in manufactured housing,[113] to the property rights of patent holders,[114] and to the property rights of franchisees.[115]

Based on the foregoing, it is our opinion that it is likely that a Texas court would conclude that the Customer Rate Relief Property, if "taken, damaged or destroyed for or applied to public use" by an act of the Legislature or the Commission, is a "cognizable property interest" entitled to protection under the Texas Takings Clause.

3. Property Taken for Public Use

The Texas Takings Clause provides private citizens with compensation only if property is "taken... for or applied to public use."[116] The State is without authority to take private property except for a public use. A court will enjoin action by governmental officials to take property that benefits only private individuals.[117] The public use requirement serves two objectives: (1) to ensure that, when the State must compensate a private person for a taking, the public has received some benefit; and (2) to distinguish a taking, which is the act of the sovereign, from those actions, such as tortious acts or takings for a private purpose, which are the acts of individuals acting outside of their official capacities.[118]

Texas judicial decisions indicate that a state action that provides a direct benefit to only a select group of persons can nevertheless be related to furtherance of a public purpose.[119] In *MidFirst Bank*, the TWC was seeking to collect, from funds being held at MidFirst Bank, receivables of a health care facility to satisfy tax liens and wage claims against the health care facility. The money recovered for the wage claims would have gone directly to individual

---

112 *Id*. at 697 ("[W]e will not limit takings-clause actions to situations involving eminent domain.").

113 *See County of Burleson v. Gen. Elec. Capital Corp.*, 831 S.W.2d 54, 60 (Tex. App.—Houston [14th Dist.] 1992, writ denied); *Hunt County v. Green Tree Servicing Corp.,* No. 05-0500940-CV, 2006 WL 242349, at *2 (Tex. App.—Dallas Feb. 2, 2006, no. pet.) (mem. op., not designated for publication).

114 *State v. Holland*, 161 S.W.3d 227, 230-32 (Tex. App.—Corpus Christi 2005), *rev'd on other grounds*, 221 S.W.3d 639 (Tex. 2007).

115 *State/Operating Contractors ABS Emissions*, *Inc. v. Operating Contractors/State*, 985 S.W.2d 646, 653 (Tex. App.—Austin 1999, pet. denied) ("[u]nder Texas case law, a franchise impresses its owner with vested rights" and "generally take[s] the form of utilities, or other monopolies, created to further the public interest"); *Brazosport Sav. & Loan Ass'n v. Am. Sav. & Loan Ass'n*, 342 S.W.2d 747, 750 (Tex. 1961) ("[i]n character and nature a franchise is essentially in all respects property, and is governed by the same rules as to its enjoyment and protection and is regarded by the law precisely as other property").

116 *Tarrant Reg'l Water Dist. v. Gragg*, 151 S.W.3d 546, 554-55 (Tex. 2004); *Steele v. City of Houston*, 603 S.W.2d 786, 790 (Tex. 1980).

117 *See Maher v. Lasater,* 354 S.W.2d 923, 924-25 (Tex. 1962) (enjoining county commissioners court from declaring a private road across claimants' property to be a public highway); *Marrs v. R.R. Comm'n*, 142 Tex. 293, 177 S.W.2d 941, 948-49 (1944) (enjoining Railroad Commission proration orders where effect of orders would allow oil from petitioner's land to flow onto and accumulate on neighboring land).

118 *See Sheffield Dev. Co. v. City of Glenn Heights, supra* n. 94, at 669-70; *Tex. Highway Dep't v. Weber*, 219 S.W.2d at 71-72.

119 *See Tex. Workforce Comm'n v. MidFirst Bank*, *supra* n. 108, at 696-697.

claimants.[120] In defending against a takings claim by MidFirst Bank (which held a superior lien on the funds and was attempting to collect the funds for itself), the TWC argued its actions in attempting to collect the wage claims were not subject to the Texas Takings Clause because those actions were not for a public purpose.[121] The Austin Court of Appeals held that the TWC, in enforcing the Texas Labor Code and obtaining funds that were rightfully the property of MidFirst, was "acting in furtherance of a public purpose" for purposes of a takings claim.[122] The Austin Court of Appeals stated "the fact that the benefit inures to a specific group of people does not lessen the importance of enforcement of the labor code to the public at large."[123]

When faced with a takings claim, a reviewing Texas state court is required to analyze whether or not the state action was for a public use. A reviewing Texas state court's analysis of any state action would obviously depend upon the particular facts involved and we cannot predict the facts and circumstances that will be present in the future with respect to such state action.

4. Valid Exercise of Police Power

All private property is held subject to the valid exercise of the state's police power.[124] The government will not be required to make compensation "for losses occasioned by the proper and reasonable exercise of its police power."[125] Nonetheless, the state may not defend its actions merely by labeling them as an exercise of its police power. As the Texas Supreme Court has stated: "Recognizing the illusory nature of the problem, we have previously refused to establish a bright line for distinguishing between an exercise of the police power which does constitute a taking and one which does not."[126]

In order for a governmental action to be a valid exercise of the state's police power and not considered a taking, there are two requirements:

> First, the regulation must be adopted to accomplish a legitimate goal; it must be "substantially related" to the health, safety, or general welfare of the people. Second, the regulation must be reasonable; it cannot be arbitrary.[127]

This analysis, of necessity, is fact-intensive, and each case stands on its own.[128] As the Texas Supreme Court stated in *Sheffield*:

> [W]hether regulation has gone "too far" and become too much like a physical taking for which the constitution requires compensation requires a careful analysis of how

---

120 *Id*. at 696.
121 *Id*.
122 *Id*. at 696-697.
123 *Id*. at 696.
124 *City of College Station v. Turtle Rock Corp*., 680 S.W.2d 802, 803 (Tex. 1984).
125 *Turtle Rock Corp*., *supra* n. 122, at 804.
126 *Id*.
127 *Id*. at 805.
128 *Sheffield Dev. Co. v. City of Glenn Heights*, *supra* n. 126, at 672.

> the regulation affects the balance between the public's interest and that of private landowners.[129]

Factors that are relevant in evaluating this balance between the public's interest and the interest of private citizens are: "(1) 'the economic impact of the regulation on the claimant'; (2) 'the extent to which the regulation has interfered with distinct investment-backed expectations'; and (3) 'the character of the governmental action.' "[130]

A repeal of the State Non-Impairment Pledge or an impairment of the Customer Rate Relief Property that the State has vowed not to impair should trigger close scrutiny by a court of the State's justification for such action under the police power. Moreover, such action, if significant, would negatively impact a substantial investment-backed securitization financing arrangement that has been sanctioned by the Legislature and specifically intended by the Legislature to provide "tangible and quantifiable benefits to customers, greater than would have been achieved absent the issuance of customer rate relief bonds."[131] Moreover, impairment of the Customer Rate Relief Property would harm Bondholders whose investments have, in the Legislature's view, provided "tangible and quantifiable benefits" to the public.

Accordingly, based on the above, we are of the opinion that a reviewing Texas state court would find a compensable taking under the Texas Takings Clause if (a) the court concludes that the Customer Rate Relief Property is property of a type protected by the Texas Takings Clause and (b) the State takes action that, for public use and without paying just compensation to the Bondholders, (i) permanently appropriates the Customer Rate Relief Property or denies all economically productive use of the Customer Rate Relief Property; (ii) destroys the Customer Rate Relief Property, unless such destruction results from a response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the Customer Rate Relief Property, if the action unduly interferes with the Bondholders' reasonable investment-backed expectations. For reasons discussed above, (x) we believe it is likely that a Texas court would conclude that the Customer Rate Relief Property, if "taken, damaged or destroyed for or applied to public use" by an act of the Legislature or the Commission, is a "cognizable property interest" entitled to protection under the Texas Takings Clause and (y) if such State action is not taken for public use, such action may be enjoined and, if not enjoined, constitute a compensable breach of the State Non-Impairment Pledge.

V. QUALIFICATIONS

This opinion letter is subject to the qualifications described above and as further described below.

---

129 *Id.* at 671-672.

130 *Id.* at 672, citing *Connolly v. Pension Benefits Guar. Corp.,* 475 U.S. 211, 225 (1986) (quoting *Penn Cent. Transp. Co. v. City of New York,* 438 U.S. 104, 124 (1978)).

131 TEX. UTIL. CODE § 104.361.

This opinion may not be relied on in any manner or for any purpose by any Person other than the addressees listed on Schedule I hereto nor may this opinion be relied on by you for any purpose other than the transactions described herein. This opinion may not be quoted, published, communicated or otherwise made available in whole or in part to any person (including, without limitation, any person who acquires a Bond or any interest therein from an Underwriter) other than the addressees listed on Schedule I hereto without our specific prior written consent, except that (x) each of the Underwriters may furnish copies of this letter (i) to any of its accountants or attorneys, (ii) in order to comply with any subpoena, order, regulation, ruling or request of any judicial, administrative, governmental, supervisory or legislative body or committee or any self-regulatory body (including any securities or commodities exchange or the Financial Industry Regulatory Authority, Inc.), (iii) to any other person for the purpose of substantiating an Underwriter's due diligence defense and (iv) as otherwise required by law; provided, that none of the foregoing persons is entitled to rely hereon unless an addressee hereof, (y) a copy of this opinion may be posted by or at the direction of the Issuer to an internet website required under Rule 17g-5 promulgated under the Securities Exchange Act of 1934, as amended, and maintained in connection with the ratings on the Bonds solely for the purpose of compliance with such rule or undertakings pursuant thereto made by the Issuer. Such permission to post a copy of this letter to such website shall not be construed to entitle any Person, including any credit rating agency, who is not an addressee hereof to rely on this opinion.

We hereby consent to the inclusion of this letter as an exhibit to the Official Statement, and to all references to our firm included in or made a part of the Official Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the related rules and regulations of the SEC.

This opinion is being given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention with respect to the matters discussed herein, including any changes in applicable law which may hereafter occur.

It is to be understood that the rights of the Bondholders may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

SCHEDULE I

ADDRESSEES

Texas Natural Gas Securitization Finance Corporation

Texas Public Finance Authority

U.S. Bank Trust Company, National Association

Fitch Ratings, Inc.

Moody's Investors Service, Inc.

Kroll Bond Rating Agency, Inc.

For itself and as Representative of the Underwriters of the Bonds:
Jefferies LLC

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL
RELATING TO FEDERAL CONSTITUTIONAL MATTERS

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States of America

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

March 23, 2023

(US Constitutional Law)

To Each Person Listed on
the Attached Schedule I

Re: Texas Natural Gas Securitization Finance Corporation Customer Rate Relief Bonds (Winter Storm Uri) Taxable Series 2023

Ladies and Gentlemen:

We have served as bond counsel to Texas Natural Gas Securitization Finance Corporation, a nonprofit public corporation and instrumentality of the State of Texas (the "Issuer"), in connection with the issuance and sale on the date hereof by the Issuer of $3,521,750,000 aggregate principal amount of the Issuer's Customer Rate Relief Bonds (Winter Storm Uri) Taxable Series 2023 (the "Bonds"), which are more fully described in the Official Statement, dated March 9, 2023 and delivered by the Issuer in connection with the issuance of the Bonds (the "Official Statement"). The Bonds are being issued pursuant to the provisions of the Indenture dated as of March 1, 2023 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, N.A., as indenture trustee (the "Indenture Trustee"). This opinion is being delivered pursuant to Section 7(f)(iv) of the Bond Purchase Agreement, dated March 9, 2023, among the Issuer, the Texas Public Finance Authority (the "Authority"), the Railroad Commission of the State of Texas (the "Commission") and Jefferies LLC, as Representative for the Underwriters. Capitalized terms used herein and not defined herein are defined in the Indenture, including Appendix A thereto.

BACKGROUND

In February 2021, the North American winter storm known as Winter Storm Uri occurred. Prolonged frigid temperatures and winter precipitation, along with other weather-related effects of the storm, resulted in a dramatic reduction of natural gas availability and a concurrent surge in energy demand by homes, businesses, electric generation plants and electric utilities. In response to the unprecedented market conditions caused by these supply side and demand side shocks, natural gas local distribution companies ("LDCs") were required to pay extraordinarily high prices for natural gas in order to meet human needs and customer demand, replace interrupted supply and maintain the integrity of the natural gas system. In accordance with existing tariffs and other applicable regulatory approvals authorized by the Railroad Commission of Texas (the "Commission"), LDCs are required to pass through the cost of natural gas directly to customers without markup or profit.[1] The Commission is the Texas state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, and coal and uranium surface

[1] Financing Order, pages 1-2.

mining operations. To mitigate the effect of the extraordinarily high gas costs on customers, the Texas Legislature (the "Legislature") passed and the Governor signed Texas House Bill 1520, 87th Regular Session (the "Securitization Law"), which authorizes securitization financing to provide certain LDC customers with rate relief by extending the period over which the extraordinarily high gas costs related to Winter Storm Uri will be paid for by customers.

On July 30, 2021, certain LDCs filed individual applications for a regulatory asset determination pursuant to the Securitization Law. Various parties intervened. The Administrative Law Judge assigned to hear such determinations consolidated all applications and intervenors into a Phase 1 regulatory asset determination proceeding (the "Phase 1 proceeding"), took testimony and conducted hearings. On October 29, 2021, all parties to the Phase 1 proceeding filed a Unanimous Stipulation and Settlement Agreement and accompanying documents, which resolved all issues related to the determination of the regulatory asset amounts to be recovered by Participating Gas Utilities[2] as contemplated by the Securitization Law. A Regulatory Asset Determination Order was issued by the Commission on November 10, 2021, approving the maximum regulatory asset determination amounts for each Participating Gas Utility and certain related costs of financing those assets.

In accordance with the Securitization Law, the Commission issued a financing order on February 8, 2022, in Docket No. OS-21-00007061 (the "Financing Order"), which created Customer Rate Relief Property in favor of the Issuer. The Customer Rate Relief Property includes the right to impose, collect and receive the "nonbypassable" Customer Rate Relief Charge described in the Financing Order (the "Customer Rate Relief Charge"), pursuant to the Securitization Law. The Customer Rate Relief Charge will be imposed upon each Customer of a Participating Gas Utility by the Issuer pursuant to the Financing Order and collected in accordance with the terms of the Customer Rate Relief Property Collection and Reporting Agreements, each dated as of March 9, 2023, and between a Participating Gas Utility and United Professionals Company, LLC, as Central Servicer (the "Central Servicer") under the terms of the Customer Rate Relief Property Central Servicing Agreement, dated March 9, 2023 (the "Central Servicing Agreement"), among the Issuer, the Commission and the Central Servicer. Collections of the Customer Rate Relief Charge will be remitted by the Collection Agents to the Indenture Trustee. The Customer Rate Relief Charge is required to be periodically adjusted, in accordance with the Securitization Law, in the manner authorized in the Financing Order and as set forth in the Central Servicing Agreement, in order to enhance the probability that the revenues remitted to the Indenture Trustee from the Customer Rate Relief Charge are sufficient to (i) pay principal of the Bonds pursuant to the amortization schedule to be followed in accordance with the provisions of the Indenture, (ii) pay interest thereon and related Ongoing Financing Costs and (iii) maintain the required reserves for the payment of the Bonds, all in accordance with the terms of the Indenture.

The proceeds of the Bonds, after payment of Upfront Financing Costs, will be distributed to the Participating Gas Utilities in accordance with the Financing Order. The Regulatory Asset

[2] "Participating Gas Utility" has the meaning set forth in the Financing Order and includes any Successor Utility.

Determination Order and the Financing Order were duly authorized and issued by the Commission and are final and non-appealable.[3]

The Securitization Law provides in Section 104.374 of Subchapter I of the Texas Utilities Code:

> (a) customer rate relief bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.
>
> (b) Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. Each issuing financing entity shall include this pledge in any documentation relating to customer rate relief bonds.
>
> (c) Before the date that is two years and one day after the date that an issuing financing entity no longer has any payment obligation with respect to customer rate relief bonds, the issuing financing entity may not wind up or dissolve the financing entity's operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the issuing financing entity nor any public official nor any organization, entity, or other person may authorize the issuing financing entity to be or to become a debtor under federal bankruptcy law during that period. The state covenants that it will not limit or alter the denial of authority under this subsection, and the provisions of this subsection are hereby made a part of the contractual obligation that is subject to the state pledge made in this section.

The pledge stated in such Section 104.374 of Subchapter I of the Texas Utilities Code is referred to herein as the "State Non-Impairment Pledge." As authorized therein and in the Financing Order, the language of the State Non-Impairment Pledge has been included in the Indenture and in the Bonds.

QUESTIONS PRESENTED

You have requested our opinion as to:

[3] As to these matters of Texas law, we refer you to the opinion of The Hays Law Firm, Special Regulatory Counsel to the Commission, of even date herewith on which we have relied.

(a) whether the State Non-Impairment Pledge creates a contractual relationship between the State of Texas (the "State") and the holders of the Bonds (the "Bondholders");

(b) whether the Bondholders could challenge successfully under the "contract clause" of the United States Constitution (Article I, Section 10 (the "Federal Contract Clause")) the constitutionality of any legislation passed by the Texas legislature (the "Legislature") which becomes law or any action of the Commission exercising legislative powers ("Legislative Action") that in either case limits, alters, impairs or reduces the value of the Customer Rate Relief Property or the Customer Rate Relief Charge so as to impair (i) the terms of the Indenture or the Bonds or (ii) the rights and remedies of the Bondholders (or the Indenture Trustee acting on their behalf) (any impairment described in clause (i) or (ii) being referred to herein as an "Impairment") prior to the time that the Bonds are fully paid and discharged;

(c) whether preliminary injunctive relief would be available under federal law to delay implementation of Legislative Action that limits, alters, impairs or reduces the value of the Customer Rate Relief Property or the Customer Rate Relief Charge so as to cause an Impairment pending final adjudication of a claim challenging such Legislative Action in federal court and, assuming a favorable final adjudication of such claim, whether relief would be available to enjoin permanently the implementation of the challenged Legislative Action; and

(d) whether, under the Fifth Amendment to the United States Constitution (made applicable to the State by the Fourteenth Amendment to the United States Constitution), which provides in part "nor shall private property be taken for public use, without just compensation" (the "Federal Takings Clause"), the State could repeal or amend the Securitization Law or take any other action in contravention of the State Non-Impairment Pledge without paying just compensation to the Bondholders, as determined by a court of competent jurisdiction, if doing so (a) constituted a permanent appropriation of a substantial property interest of the Bondholders in the Customer Rate Relief Property or denied all economically productive use of the Customer Rate Relief Property; (b) destroyed the Customer Rate Relief Property other than in response to emergency conditions; or (c) substantially reduced, altered or impaired the value of the Customer Rate Relief Property so as to unduly interfere with the reasonable expectations of the Bondholders arising from their investments in the Bonds (a "Taking").

OPINIONS

Based upon our review of relevant judicial authority, as set forth in this letter, but subject to the qualifications, limitations and assumptions (including the assumption that any Impairment would be "substantial") set forth in this letter, it is our opinion that a reviewing court of competent jurisdiction, in a properly prepared and presented case:

(i) would conclude that the State Non-Impairment Pledge constitutes a contractual relationship between the Bondholders and the State;

(ii) would conclude that, absent a demonstration by the State that an Impairment is necessary to further a significant and legitimate public purpose, the Bondholders (or the Indenture Trustee acting on their behalf) could successfully challenge under the Federal Contract Clause the constitutionality of any Legislative Action determined by such court to limit, alter, impair or reduce the value of the Customer Rate Relief Property or the Customer Rate Relief Charge so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged;

(iii) with respect to the questions presented above in (c), sound and substantial arguments support the granting of preliminary injunctive relief (though the decision to do so will be in the discretion of the federal court requested to take such action, which will be exercised on the basis of the considerations discussed in Part A(ii) below) and a federal court should conclude that permanent injunctive relief is available under federal law to prevent implementation of Legislative Action hereafter taken and determined by such court to limit, alter, impair or reduce the value of the Customer Rate Relief Property or the Customer Rate Relief Charge so as to cause an Impairment in violation of the Federal Contract Clause; and

(iv) would conclude under the Federal Takings Clause that the State would be required to pay just compensation to Bondholders if the State's repeal or amendment of the Securitization Law or taking of any other action in contravention of the State Non-Impairment Pledge constituted a Taking.

We note, with respect to our opinion in the immediately preceding paragraph (ii) regarding Impairment, that existing case law indicates that the State would have to establish that any Impairment is necessary and reasonably tailored to address a significant public purpose, such as remedying or providing relief for a broad, widespread economic or social problem. The cases also indicate that the State's justification would be subjected to a higher degree of scrutiny, and that the State would bear a more substantial burden, if the Legislative Action impairs a contract to which the State is a party (which we believe to be the case here), as contrasted to a contract solely between private parties.

We are not aware of any reported controlling judicial precedents that are directly on point with respect to the questions raised above. Accordingly, our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. Moreover, the application of equitable principles (including the availability of injunctive relief or the issuance of a stay pending appeal) is subject to the discretion of the court that is asked to apply them. We cannot predict the facts and circumstances that will be present in the future and may be relevant to the exercise of such discretion. Consequently, there can be no assurance that a court will follow our reasoning or reach the conclusions that we believe current judicial precedent supports.

This letter is limited to the federal laws of the United States of America. Our opinions are based upon our evaluation of existing judicial decisions and arguments related to the factual circumstances likely to exist at the time of a Federal Contract Clause or Federal Takings Clause challenge to Legislative Action or other State action; such precedents and such circumstances could change materially from those discussed below in this letter. Accordingly, such opinions are intended to express our belief as to the result that should be obtainable through the proper

application of existing judicial decisions in a properly prepared and presented case. It is our and your understanding that none of the foregoing opinions is intended to be a guaranty as to what a particular court would actually hold; rather each such opinion is only an expression as to the decision a court ought to reach if the issue were properly prepared and presented to it and the court followed what we believe to be the applicable legal principles under existing judicial precedent. The recipients of this letter should take these considerations into account in analyzing the risks associated with the subject transaction.

We note that our work in connection with the preparation of this opinion and the issuance of the Bonds did not bring to our attention any reported judicial decision which we believe would provide a basis on which a court would declare the provisions of the Securitization Law to be invalid under the United States Constitution and it is our opinion that the Securitization Law is constitutional in all material respects under the United States Constitution. As discussed in our opinion delivered to you of even date herewith concerning certain bankruptcy matters, however, there is some judicial authority providing a basis for an argument that certain provisions of the Securitization Law with respect to the commingling of funds may be preempted by the United States Bankruptcy Code under the Supremacy Clause (Article VI) of the United States Constitution. Our analysis as to the merits of such an argument is set forth in that other opinion. If such provisions of the Securitization Law were so preempted by the Bankruptcy Code and declared invalid, such preemption would not, in our view, provide a grounds for changing the opinions otherwise set forth herein.

DISCUSSION

Discussion of Protections Afforded Against Legislative Actions

Part A(i): Federal Contract Clause Protection

Article I, Section 10 of the United States Constitution, known as the Federal Contract Clause, prohibits any state from impairing the "[o]bligation of [c]ontracts," whether among private parties or among such state and private parties. The general purpose of the Federal Contract Clause is "to encourage trade and credit by promoting confidence in the stability of contractual obligations."[4] The law is well-settled that "the [Federal] Contract Clause limits the power of the States to modify their own contracts as well as to regulate those between private parties."[5] Although the text of the Federal Contract Clause appears to proscribe any impairment, the United States Supreme Court has made it clear that the proscription is not absolute: "Although the language of the Federal Contract Clause appears literally to proscribe "any" impairment, …'the prohibition is not an absolute one and is not to be read with literal exactness like a mathematical formula.'"[6]

[4] See U.S. Tr. Co. v. New Jersey, 431 U.S. 1, 15 (1977).
[5] Id. at 17.
[6] Id. at 21 (quoting Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 428 (1934)).

The United States Supreme Court has applied a three-part analysis to determine whether a particular legislative action violates the Federal Contract Clause:[7]

> (1) whether the legislative action operates as a substantial impairment of a contractual relationship;
>
> (2) assuming such an impairment, whether the legislative action is justified by a significant and legitimate public purpose; and
>
> (3) whether the adjustment of the rights and responsibilities of the contracting parties is reasonable and appropriate given the public purpose behind the legislative action.

This initial inquiry itself has three components: "whether there is a contractual relationship, whether a change in law impairs that contractual relationship, and whether the impairment is substantial."[8] In addition, to succeed with a Federal Contract Clause claim involving a contract with the state itself, a party must show that the contractual relationship is not an invalid attempt by the state under the "reserved powers" doctrine to "surrender[] an essential attribute of its sovereignty."[9]

The following three subparts address: (1) whether a contract exists between the State and the holders of the Bonds; (2) if so, whether such contract violates the "reserved powers" doctrine, which would render such contract unenforceable; and (3) the State's burden in justifying an impairment. The determination of whether particular Legislative Action constitutes a substantial impairment of a particular contract is a fact-specific analysis, and nothing in this letter expresses any opinion as to how a court would resolve the issue of "substantial impairment" with respect to the Financing Order, the Customer Rate Relief Property or the Bonds vis-a-vis a particular Legislative Action. Therefore, we have assumed for purposes of this letter that any Impairment resulting from the Legislative Action being challenged under the Federal Contract Clause would be substantial.

(1) *Existence of a Contractual Relationship*

The courts have recognized the general presumption that, "absent some clear indication that [a] legislature intends to bind itself contractually, . . . 'a law is not intended to create private contractual or vested rights but merely declares a policy to be pursued until the legislature shall ordain otherwise.'"[10] This presumption is based on the fact that the legislature's principal function "is not to make contracts, but to make laws that establish the policy of the state."[11] Thus, a person asserting the creation of a contract with the State must overcome this presumption.

---

[7] Energy Reserves Grp., Inc. v. Kan. Power & Light Co., 459 U.S. 400, 411–13 (1983).
[8] Gen. Motors Corp. v. Romein, 503 U.S. 181, 186 (1992).
[9] See U.S. Tr., 431 U.S. at 23.
[10] Nat'l R.R. Passenger Corp. v. Atchison, Topeka & Santa Fe Ry. Co., 470 U.S. 451, 465–66 (1985) (quoting Dodge v. Bd. of Educ., 302 U.S. 74, 79 (1937)).
[11] See id. at 466 (citing Ind. ex. rel. Anderson v. Brand, 303 U.S. 95, 104–05 (1938)).

This general presumption can be overcome where the language of the statute indicates an intention to create contractual rights. In determining whether a contract has been created by statute, "it is of first importance to examine the language of the statute."[12] The United States Supreme Court has ruled that a statute creates a contractual relationship between a state and private parties if the statutory language contains sufficient words of contractual undertaking.[13] The United States Supreme Court has further stated that a contract is created "when the language and circumstances evince a legislative intent to create private rights of a contractual nature enforceable against the State."[14]

In U.S. Trust Co. v. New Jersey, the United States Supreme Court affirmed the trial court's finding, which was not contested on appeal, that a statutory covenant of two states for the benefit of the holders of certain bonds gave rise to a contractual obligation between such states and the bondholders.[15] The covenant at issue limited the ability of the Port Authority of New York and New Jersey to subsidize rail passenger transportation from revenues and reserves pledged as security for such bonds. In finding the existence of a contract between the states and bondholders, the Court stated "[t]he intent to make a contract is clear from the statutory language: 'The 2 States covenant and agree with each other and with the holders of any affected bonds. . .'"[16] In that case, the statute used the words "covenant and agree with each other and with the holders of any affected bonds."[17] Later, in National Railroad Passenger Corp. v. Atchison, Topeka & Santa Fe Railway Co., the Court discussed the U.S. Trust covenant and noted: "[r]esort need not be had to a dictionary or case law to recognize the language of contract" in such covenant.[18]

Similarly, in Indiana ex. rel. Anderson v. Brand, the United States Supreme Court determined that the Indiana Teachers' Tenure Act created a contract between the state and specified teachers because the statutory language demonstrated a clear legislative intent to contract. The Court based its decision, in part, on the legislature's repeated and intentional use of the word "contract" throughout the statute to describe the legal relationship between the state and such teachers.[19]

Like the language of the covenant considered in U.S. Trust, the language of the State Non-Impairment Pledge plainly manifests the Legislature's intent to bind the State by providing, in pertinent part, that "[t]he State pledges, however, for the benefit and protection of financing parties and the natural gas utility, that it will not take or permit any action that would impair the value of

---

[12] Dodge, 302 U.S. at 78.
[13] See Brand, 303 U.S. at 104–05 (noting "the cardinal inquiry is as to the terms of the statute supposed to create such a contract"); U.S. Tr., 431 U.S. at 17–18, 18 n.14.
[14] U.S. Tr., 431 U.S. at 17 n.14.
[15] Id. at 17–18.
[16] Id. at 18 (quoting 1962 N.J. LAWS, c. 8, § 6; 1962 N.Y. LAWS, c. 209, § 6).
[17] Id. at 9–10.
[18] See Nat'l R.R., 470 U.S. at 470.
[19] Brand, 303 U.S. at 105. However, the mere use of the word "contract" in a statute will not necessarily evince the requisite legislative intent. As the Court cautioned in National Railroad, the use of the word "contract" alone would not signify the existence of a contract with the government. Nat'l R.R., 470 U.S. at 470. In National Railroad, the Court found that use of the word "contract" in the Rail Passenger Service Act defined only the relationship between the newly-created nongovernmental corporation (Amtrak) and the railroads, not the relationship between the United States and the railroads. The Court determined that "[l]egislation outlining the terms on which private parties may execute contracts does not on its own constitute a statutory contract." Brand 303 U.S. at 467.

Customer Rate Relief Property, or, except as permitted by Section 104.370 [regarding True-Up Adjustments], reduce, alter, or impair . . ."[20] Much like the terms, "covenant" and "agree" quoted in U.S. Trust, the term "pledge" evinces a legislative intent to create private rights of a contractual nature enforceable against the State. The provision, also consistent with contract language and similar to the statute quoted in U.S. Trust, names the beneficiaries of the State's pledge. Moreover, it is important to note that the State also authorizes an issuer of customer rate relief bonds to include the State Non-Impairment Pledge in contracts with the holders of customer rate relief bonds (such as the Bonds).[21]

In summary, the language of the State Non-Impairment Pledge supports the conclusion that it constitutes a contractual relationship between the State and the Bondholders. We are not aware of any circumstances surrounding enactment of the Securitization Law that suggests that the Legislature did not intend to bind the State contractually by the State Non-Impairment Pledge.[22]

(2) *Reserved Powers Doctrine*

The "reserved powers" doctrine limits the State's ability to bind itself contractually in a manner which surrenders an essential attribute of its sovereignty.[23] Under this doctrine, if a contract purports to surrender a state's "reserved powers"—powers that cannot be contracted away—such contract is void.[24] Although the scope of the "reserved powers" doctrine has not been precisely defined by the courts, case law has established that a state cannot enter into contracts that forbid future exercises of its police powers or its power of eminent domain.[25] In contrast, the United States Supreme Court has stated that a state's "power to enter into effective financial contracts cannot be questioned."[26]

Under existing case law, the State Non-Impairment Pledge does not, in our view, purport to surrender any "reserved powers" of the State. Although the State's commitment not to, "except as permitted by Section 104.370 [regarding True-Up Adjustments], reduce, alter, or impair the Customer Rate Relief Charge to be imposed, collected, and remitted to financing parties" is broader than the commitment in U.S. Trust that revenues and reserves securing bonds would not be depleted beyond a certain level,[27] we do not believe courts would construe the State Non-Impairment Pledge as purporting to contract away, or forbid future exercises of, the State's power of eminent domain or its police power to protect the public health and safety. Through the

[20] Tex. Util. Code § 104.374(b).
[21] Id.
[22] In addition to the State Non-Impairment Pledge, the Financing Order contains the following language: "The Commission guarantees, for the benefit of the [Issuer], the holders of the Customer Rate Relief Bonds, the [Indenture] Trustee and any other financing parties, that it will take all actions in its powers to enforce the provisions in this Financing Order to ensure that revenues collected from Customer Rate Relief Charges are sufficient to pay on a timely basis all scheduled principal and interest on the Customer Rate Relief Bonds and other components of the Periodic Payment Requirement and other Bond Administrative Expenses, as provided in Tex. Util. Code § 104.366(p)."
[23] U.S. Tr., 431 U.S. at 23.
[24] Id. (quoting Stone v. Mississippi, 101 U. S. 814, 817 (1880)).
[25] U.S. Tr., 431 U.S. at 23–24, 24 nn.20–21 (citing Stone, 101 U.S. at 817 and W. River Bridge Co. v. Dix, 47 U.S. 507, 525–26 (1848)).
[26] U.S. Tr., 431 U.S. at 24. See also Cont'l Ill. Nat'l Bank & Tr. Co. v. Washington, 696 F.2d 692, 699 (9th Cir. 1983) ("Thus, insofar as the purely financial aspects of the agreement are concerned, reservations are not to be lightly inferred.").
[27] U.S. Tr., 431 U.S. at 25.

Financing Order, the State, acting through the Commission, authorized the issuance of the Bonds and pledged not to impair the value of the Customer Rate Relief Property securing the Bonds. In other words, the State Non-Impairment Pledge constitutes an agreement made by the State not to impair the financial security for the Bonds in order to foster the capital markets' acceptance of such bonds, which are expressly authorized and will be issued as part of the State's policy response to mitigate the costs incurred by Participating Gas Utilities as a result of Winter Storm Uri. As such, we believe that the State Non-Impairment Pledge is akin to the type of "financial contract" involved in U.S. Trust, and would not be viewed as an impermissible surrender of an essential attribute of State sovereignty.

(3) *State's Burden to Justify an Impairment*

To survive scrutiny under the Federal Contract Clause, a substantial impairment by a state of a valid state contract must be justified by "a significant and legitimate public purpose . . . such as the remedying of a broad and general social or economic problem,"[28] and the state action causing that impairment must be both "reasonable and necessary to serve" such a public purpose.[29]

The contours of this test are illustrated by several decisions of the United States Supreme Court (the "Court"). In Home Building & Loan Ass'n v. Blaisdell,[30] which the Court has described as "the leading case in the modern era of [Federal] Contract Clause interpretation,"[31] the Court addressed a Contract Clause challenge to a Minnesota law that, in response to economic conditions caused by the Great Depression, (i) authorized county courts to extend the period of redemption from foreclosure sales on mortgages previously made "for such additional time as the court may deem just and equitable," subject to certain limitations, and (ii) limited actions for deficiency judgments.[32] The Court stated that the "reserved powers" doctrine could not be construed to "permit the State to adopt as its policy the repudiation of debts or the destruction of contracts or the denial of means to enforce them."[33] On the other hand, the Court also indicated that the Federal Contract Clause could not be construed

> to prevent limited and temporary interpositions with respect to the enforcement of contracts if made necessary by a great public calamity such as fire, flood, or earthquake. The reservation of state power appropriate to such extraordinary conditions may be deemed to be as much a part of all contracts, as is the reservation of state power to protect the public interest in the other situations to which we have referred. And if state power exists to give temporary relief from the enforcement of contracts in the presence of disasters due to physical causes such as fire, flood

[28] Energy Reserves, 459 U.S. at 411–12.
[29] U.S. Tr., 431 U.S. at 25.
[30] Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398 (1934).
[31] U.S. Tr., 431 U.S. at 15.
[32] The mortgagor was required to continue to pay the reasonable income or rental value of the property, as determined by the court, toward payment of taxes, insurance, interest and principal. The law stated that it was to remain in effect only during the current emergency and no later than May 1, 1935; no redemption period could be extended beyond the expiration of the law. Blaisdell, 290 U.S. at 415–18.
[33] Blaisdell, 290 U.S. at 439.

> or earthquake, that power cannot be said to be non-existent when the urgent public need demanding such relief is produced by other and economic causes.[34]

In upholding the Minnesota law, the Court relied on the following: (1) an economic emergency existed that threatened the loss of homes and lands that furnish those persons in possession with necessary shelter and means of subsistence; (2) the law was not enacted for the benefit of particular individuals but for the protection of a basic interest of society; (3) the relief provided by the law was appropriate to the emergency, and could only be granted upon reasonable conditions; (4) the conditions on which the period of redemption was extended by the law did not appear to be unreasonable; and (5) the law was temporary in operation and limited to the emergency on which it was based.[35] In several contemporaneous cases, the United States Supreme Court struck down other laws passed in response to the economic emergency created by the Great Depression,[36] thus reinforcing the notion that, to be justified, the impairment must be the result of a reasonable, necessary and tailored response to a broad and significant public concern.

The deference to be given by a court to a legislature's determination of the need for a particular impairment depends on whether the contract is purely private or the state is a contracting party. Although courts ordinarily defer to legislative judgment as to the necessity and reasonableness of a particular action,[37] the Supreme Court has noted that such deference "is not appropriate" when a state is a contracting party.[38] In that circumstance, a "stricter standard" of justification should apply.[39] Indeed, in Energy Reserves Group v. Kansas Power & Light Co., the Court noted that "[i]n almost every case, the Court has held a governmental unit to its contractual obligations when it enters financial or other markets."[40]

The leading case addressing impairment of contracts to which the state is a party is U.S. Trust. As noted above, there the state had covenanted that revenues and reserves securing certain bonds would not be depleted below a certain level.[41] The state thereafter repealed that promise in order to finance new mass transit projects, claiming that the repeal was justified by the need to promote, and encourage additional use of, mass transportation in response to energy shortages and environmental concerns.[42] The Court ruled that the state's action was nevertheless invalid under the Federal Contract Clause because repeal of the covenant was "neither necessary to achievement of the plan nor reasonable in light of the circumstances."[43] The Court stated that a modification less drastic than total repeal would have permitted the state to achieve its plan to improve commuter rail service, and, in fact, the state could have achieved that goal without modifying the

---

[34] Id. at 439–40.
[35] Id. at 444–47.
[36] See Treigle v. Acme Homestead Ass'n, 297 U.S. 189 (1936); W.B. Worthen Co. v. Kavanaugh, 295 U.S. 56 (1935); W.B. Worthen Co. v. Thomas, 292 U.S. 426 (1934).
[37] Keystone Bituminous Coal Ass'n v. DeBenedictis, 480 U.S. 470 (1987) (upholding against Federal Contract Clause challenge a law authorizing revocation of a coal mine operator's mining permit as a reasonable and necessary response to the "devastating effects" of subsidence caused by underground mining).
[38] U.S. Tr., 431 U.S. at 25–26.
[39] Energy Reserves, 459 U.S. at 400, 412–13 n.14.
[40] Id.
[41] U.S. Tr., 431 U.S. at 25.
[42] Id. at 28–29.
[43] Id. at 29.

covenant at all.[44] For example, the state "could discourage automobile use through taxes on gasoline or parking . . . and use the revenues to subsidize mass transit projects."[45]

The Court in U.S. Trust contrasted the legislation under consideration with the statute challenged in City of El Paso v. Simmons,[46] which limited to five years the reinstatement rights of defaulting purchasers of land from the state. For many years prior to the enactment of this statute, defaulting purchasers had been allowed to reinstate their claims upon written request and payment of delinquent interest, unless the rights of third parties had intervened. In U.S. Trust, the Court stated that this older (19th century) statute "had effects that were unforeseen and unintended by the legislature when originally adopted," i.e., "speculators were placed in a position to obtain windfall benefits," and therefore adoption of a statute of limitations was reasonable to restrict parties to gains reasonably expected from the contract when the original statute was adopted.[47] In contrast, the need for mass transportation was not a new development and the likelihood that publicly owned commuter railroads would produce substantial deficits was well known when the covenant was adopted.[48] Although, the Court noted, public perception of the importance of mass transit undoubtedly grew between 1962, when the covenant was adopted, and 1974, when it was repealed, "these concerns were not unknown in 1962, and the subsequent changes were of degree and not of kind . . . [and did not] cause[] the covenant to have a substantially different impact in 1974 than when it was adopted in 1962."[49]

The Court in U.S. Trust also distinguished its earlier decision in Faitoute Iron & Steel Co. v. City of Asbury Park,[50] which, according to the Court, was the "only time in this [20th] century that alteration of a municipal bond contract has been sustained."[51] Faitoute involved a state municipal reorganization act under which bankrupt local governments could be placed in receivership by a state agency. Pursuant to that act, the holders of certain municipal revenue bonds received new securities bearing lower interest rates and later maturities. According to the Court in U.S. Trust, the Faitoute decision rejected the dissenting bondholders' Federal Contract Clause claims on the theory that the "old bonds represented only theoretical rights; as a practical matter the city could not raise its taxes enough to pay off its creditors under the old contract terms," and thus the plan "enabled the city to meet its financial obligations more effectively."[52] The Court also quoted Faitoute to the effect that the obligation in that case was "discharged, not impaired" by the plan.[53]

Thus, the relevant case law demonstrates that a state bears a substantial burden when attempting to justify an impairment of a contract to which it is a party. As noted by the Supreme Court, "[i]n almost every case, the Court has held a governmental unit to its contractual obligations

---

[44] Id. at 30.
[45] Id. at 30 n.29.
[46] City of El Paso v. Simmons, 379 U.S. 497 (1965).
[47] U.S. Tr., 431 U.S. at 31.
[48] Id. at 31–32.
[49] Id. at 32.
[50] Faitoute Iron & Steel Co. v. City of Asbury Park, 316 U.S. 502 (1942).
[51] U.S. Tr., 431 U.S. at 27.
[52] Id. at 28.
[53] Id.

when it enters financial or other markets."[54] A mere recitation that the impairment is in the public interest is insufficient. Instead, a state action that impairs contracts to which it is a party must further a significant, legitimate and broad public purpose, not the interests of a narrow group; that public purpose must be served by a reasonable, necessary and carefully tailored measure, because "a State is not free to impose a drastic impairment when an evident and more moderate course would serve its purposes equally well."[55]

Subject to the qualifications, limitations and assumptions set forth in this letter, it is our opinion that a reviewing court of competent jurisdiction, in a properly prepared and presented case, would conclude that the State Non-Impairment Pledge constitutes a contractual relationship between the Bondholders and the State, and that, absent a demonstration by the State that an Impairment is necessary to further a significant and legitimate public purpose, the Bondholders (or the Indenture Trustee acting on their behalf) could successfully challenge under the Federal Contract Clause the constitutionality of any Legislative Action determined by such court to limit, alter, impair or reduce the value of the Customer Rate Relief Property or the Customer Rate Relief Charge so as to cause an Impairment prior to the time that the Bonds are fully paid and discharged.

Part A(ii): Availability of Injunctive Relief in a Federal Court

In a challenge to Legislative Action alleged to cause an Impairment, the remedies the plaintiff would be expected to seek would include an order enjoining State officials from enforcing the provisions of such Legislative Action.[56]

(1) *Availability of Preliminary Injunctive Relief in Federal Court*

Under federal law, a federal court would assess the following matters in determining whether (in its discretion) to grant preliminary injunctive relief: (a) whether the party seeking an injunction is likely to succeed on the merits; (b) whether the party is likely to suffer irreparable harm in the absence of preliminary relief; (c) whether the balance of equities tips in favor of the party seeking the injunction; and (d) whether an injunction is in the public interest.[57]

---

[54] Energy Reserves, 459 U.S. at 412 n.14 (citing U.S. Tr., 431 U.S. at 25–28); Kavanaugh, 295 U.S. 56; and Murray v. Charleston, 96 U.S. 432 (1878). In Kavanaugh, the United States Supreme Court reversed a decision of the Arkansas Supreme Court that had upheld the validity of legislative enactments which, in the words of the former, take "from the mortgage [securing bonds issued by municipal improvement districts pursuant to state law] the quality of an acceptable investment for a rational investor" by making it much more difficult and time consuming to foreclose upon the collateral posted as security for the mortgage. 295 U.S. at 60. In Murray, the United States Supreme Court reversed a judgment of the Supreme Court of South Carolina that had upheld an ordinance of the City of Charleston which permitted the City to withhold, as a tax, a portion of the interest that was otherwise payable with respect to bonds issued by the City. The United States Supreme Court held this "tax" violated the Federal Contract Clause: "no municipality of a State can, by its own ordinances, under the guise of taxation, relieve itself from performing to the letter all that it has expressly promised to its creditors." 96 U.S. at 448.

[55] U.S. Tr., 431 U.S. at 31.

[56] If plaintiffs also seek money damages in federal court, the State defendant(s) could claim immunity. The Eleventh Amendment bars federal courts from granting money damages against a state unless such state has waived that immunity. Cozzo v. Tangipahoa Par. Council—President Gov't, 279 F.3d 273, 280–81 (5th Cir. 2002).

[57] Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 20 (2008). As applied in the 5th Circuit, the movant must carry "its burden of proof for each of the four requirements for a preliminary injunction: substantial likelihood of success

Success on the Merits. For purposes of our opinion regarding the availability of injunctive relief, we have assumed that a reviewing court will find a strong likelihood of success on the merits, i.e. that the Legislative Action is likely an Impairment.[58] Thus, we examine only the three remaining portions of the test.

Irreparable Harm. In considering irreparable harm, courts evaluate whether (1) there is a sufficient causal connection between the alleged injury and the conduct sought to be enjoined;[59] (2) irreparable injury is likely in the absence of an injunction;[60] (3) the threat of harm to plaintiff is immediate;[61] and (4) litigation can offer monetary compensation instead.[62]

> Causation. Bondholders would have to prove that enforcement of the Legislative Action would cause detriment to them, such as loss of expected payments or loss of bond value. Given that a fundamental premise of an Impairment is Legislative Action to the detriment of Bondholders, Bondholders should be able to show causation.
>
> Likelihood. Bondholders would have to prove that harm is likely absent an injunction. Likely harm is a premise that makes the Legislative Action an Impairment in the first place. Thus, we assume Bondholders could prove likely harm absent an injunction.
>
> Immediacy. If scheduled payments are disrupted by Legislative Action before a trial on the merits, immediate harm could be proven. To the extent that depressed bond values may be experienced before trial, that fact could support the immediacy factor, and the fact that diminished credit quality due to the Legislative Action leads to diminished Bond value also should be provable. If, however, a trial on the merits

---

on the merits, substantial threat of irreparable harm absent an injunction, a balance of hardships in [movant's] favor, and no disservice to the public interest." Daniels Health Scis., LLC v. Vascular Health Scis., L.L.C., 710 F.3d 579, 582 (5th Cir. 2013). See Butts v. Aultman, 953 F.3d 353, 361 (5th Cir. 2020) (to obtain preliminary injunction, movant must first establish substantial likelihood of success on merits); Jordan v. Fisher, 823 F.3d 805 (5th Cir. 2016) (movant must "clearly" carry the burden of persuasion as to all four factors); Speaks v. Kruse, 445 F.3d 396, 399–400 (5th Cir. 2006).

[58] Without limiting this assumption, we note some case authority suggests a heightened standard for proving the merits where a preliminary injunction is sought against government action. See Machete Productions, L.L.C. v. Page, 809 F3d 281, 288 (5th Cir. 2015) (especially where government action involved, courts should not intervene unless need for equitable relief clear, not remote or speculative).

[59] Perfect 10, Inc. v. Google, Inc., 653 F.3d 976, 982 (9th Cir. 2011); see Garcia v. Google, Inc., 786 F.3d 733, 745 (9th Cir. 2015); Libertarian Party of Texas v. Fainter United States Court of Appeals, 741 F.2d 728 (5th Cir. 1984) (injunction should not be granted absent a showing of causal nexus with plaintiff's injury).

[60] Winter, 555 U.S. at 22.

[61] D.T. v. Sumner Cnty. Schs., 942 F.3d 324, 327 (6th Cir. 2019); Caribbean Marine Servs. Co. v. Baldrige, 844 F.2d 668, 674 (9th Cir. 1988).

[62] Sampson v. Murray, 415 U.S. 61, 90 (1974); Dennis Melancon, Inc. v. City of New Orleans, 703 F.3d 262, 279–80 (5th Cir. 2012); Bluefield Water Ass'n, Inc. v. City of Starkville, Miss., 577 F.3d 250, 253 (5th Cir. 2009) (preliminary injunction not appropriate where harm suffered between time of suit and time of ultimate decision would not prevent opportunity for full recovery); Idaho v. Coeur d'Alene Tribe, 794 F.3d 1039, 1046 (9th Cir. 2015) (purely economic harms generally not irreparable, as money lost may be recovered later, in ordinary course of litigation).

is possible before any such harm would occur, the harm would not be immediate enough to support a preliminary injunction.[63]

Alternative Remedies. Unless the State waives immunity, the Eleventh Amendment bars federal courts from granting money damages against the State.[64] Absent a State waiver of immunity, money damages would be unavailable to redress the harm to Bondholders from the Legislative Action, supporting the inadequacy of relief available in a federal court.[65]

Balance of Equities. Before issuing a preliminary injunction, a court identifies the harm that a preliminary injunction might cause the defendant and weighs it against plaintiff's threatened injury,[66] and can also consider the equities of nonparties.[67] Here, a court will likely consider the balance of harm in the next stage of the analysis (public interest) because assessing the harm to the opposing party and weighing the public interest merge when the government is the opposing party.[68]

Public Interest. In exercising their discretion, courts of equity "pay particular regard for the public consequences in employing the extraordinary remedy of injunction."[69] And, "[a]ny time a State is enjoined by a court from effectuating statutes enacted by representatives of its people, it suffers a form of irreparable injury."[70] However, there is no "blanket presumption in favor of the

---

[63] Roland Mach. Co. v. Dresser Indus., Inc., 749 F.2d 380, 386 (7th Cir. 1984) (only if plaintiff will suffer irreparable harm in period before final judgment following trial can preliminary injunction issue).

[64] Frew ex rel. Frew v. Hawkins, 540 U.S. 431, 437 (2004) (federal courts may not award retrospective relief, for instance, money damages or its equivalent, if state invokes its immunity); Lipscomb v. Columbus Mun. Separate Sch. Dist., 269 F.3d 494, 500–01 (5th Cir. 2001).

[65] See Entergy Nuclear Vt. Yankee, LLC v. Shumlin, 733 F.3d 393, 423 (2d Cir. 2013) (injunction supported in part because money damages unavailable to movant because of state immunity under Eleventh Amendment); KPMG LLP v. United States, 139 Fed.Cl. 533, 537 (Fed. Cl. 2018) ("[a]s a general principle, where plaintiff has no ability to recoup lost profits against the United States, the harm to the plaintiff is irreparable"); Chamber of Com. of U.S. v. Edmondson, 594 F.3d 742, 756, 770–71 (10th Cir. 2010) (associations' members were likely to suffer irreparable harm from compliance costs related to state law that might total more than $1,000 per business per year because such costs were unrecoverable as damages due to sovereign immunity); E. Bay Sanctuary Covenant v. Biden, 993 F.3d 640, 677 (9th Cir. 2021) (where parties cannot typically recover monetary damages flowing from their injury, economic harm can be considered irreparable); Odebrecht Const., Inc. v. Secretary, Florida Dept. of Transp., 715 F3d 1268, 1289 (11th Cir. 2013); Entergy, Arkansas, Inc. v. Nebraska, 210 F3d 887, 899–900 (8th Cir. 2000) (chances for a preliminary injunction may be "heightened" where relief in the form of money damages is barred by the government's sovereign immunity); but see Black United Fund of N.J., Inc. v. Kean, 763 F.2d 156, 161 (3d Cir. 1985) ("[t]hat the Eleventh Amendment may pose an obstacle to recovery of damages in the federal court does not transform money loss into irreparable injury for equitable purposes").

[66] Scotts Co. v. United Indus. Corp., 315 F.3d 264, 284 (4th Cir. 2002); see Winter, 555 U.S. at 24; Earth Island Inst. v. Carlton, 626 F.3d 462, 475 (9th Cir. 2010) (assignment of weight to particular harms is matter for district courts to decide).

[67] Horwitz v. Southwest Forest Indus., Inc., 604 F. Supp. 1130, 1136 (D Nev. 1985); see Publications Int'l, Ltd. v. Meredith Corp., 88 F.3d 473, 478 (7th Cir. 1996).

[68] Assessing the harm to the opposing party and weighing the public interest "merge when the Government is the opposing party." Nken v. Holder, 556 U.S. 418, 435 (2009); Drakes Bay Oyster Co. v. Jewell, 747 F.3d 1073, 1092 (9th Cir. 2014); Minard Run Oil Co. v. United States Forest Serv., 670 F.3d 236, 256 (3rd Cir. 2011).

[69] Winter, 555 U.S. at 24; Salazar v. Buono, 559 U.S. 700, 714 (2010); Flexible Lifeline Sys., Inc. v. Precision Lift, Inc., 654 F.3d 989, 996–97 (9th Cir. 2011); In re Worldwide Educ. Servs., 494 B.R. 494, 502 (Bankr. C.D. Cal. 2013).

[70] Maryland v. King, 567 U.S. 1301, 1303 (2012) (Roberts, Circuit Justice) (internal quotes omitted); Planned Parenthood of Greater Tex. Surgical Health Servs. v. Abbott, 734 F.3d 406, 419 (5th Cir. 2013).

government in all preliminary injunction cases."[71] The government does not have an interest in enforcing unconstitutional laws.[72] (See "Part A(i): Federal Contract Clause Protection" above.) And financial concerns are not a paramount public interest.[73]

As discussed above, the likely primary harm to Bondholders would come from delinquent Bond payments or diminished Bond value. If the legislation merely targets the State Non-Impairment Pledge, without pursuing some larger public policy goal, a court would more likely view the State as merely seeking to advance its own pecuniary interests (coinciding, likely, with actions prohibited by constitutional restrictions against impairment of contracts) and would likely see little public interest advanced. But if the Legislative Action is part of a larger public policy aim, and the modification or elimination of the State Non-Impairment Pledge is an important and integrated part of the statutory scheme, the court may weigh the public interest advanced by that Legislative Action to disfavor issuing the injunction.

We cannot offer more than the framework above for assessing this element of the test of issuance of an injunction because much will depend on the particulars of the Legislative Action. But we strain to conceive of legislation seeking broad public policy aims that cannot be achieved without modifying or eliminating the State Non-Impairment Pledge favoring Bondholders. Thus, we assume here that the public interest will not prevent a court from issuing an injunction.

Based on the foregoing, the Bondholders likely could satisfy these standards for preliminary injunctive relief, and a preliminary injunction to prevent an unconstitutional Impairment should be an available remedy.[74]

(2) *Availability of Permanent Injunctive Relief in Federal Court*

The requirements for a permanent injunction are essentially the same as for a preliminary injunction, except that the moving party must demonstrate actual success on the merits (prevailing at trial).[75] On that basis, we hold the same views regarding a permanent injunction as those we expressed above for a preliminary injunction.

Discussion of Protections Afforded by Federal Takings Clause

The Takings Clause of the Fifth Amendment of the United States Constitution—"nor shall private property be taken for public use, without just compensation"—is made applicable to state action via the Fourteenth Amendment.[76] The Federal Takings Clause covers both tangible and intangible property.[77] Rights under contracts can be property for purposes of the Federal Takings

[71] Rodriguez v. Robbins, 715 F.3d 1127, 1145–46 (9th Cir. 2013); but see n. 56.
[72] See N. Y. Progress & Prot. PAC v. Walsh, 733 F.3d 483, 488 (2nd Cir. 2013).
[73] Pashby v. Delia, 709 F.3d 307, 331 (4th Cir. 2013) (rejecting state's proffered financial concerns as relevant public interest).
[74] See Lipscomb, 269 F.3d at 500–02; Ingebretsen on Behalf of Ingebretsen v. Jackson Public School Dist., 88 F.3d 274 (5th Cir. 1996) (public interest not disserved by injunction preventing implementation of an unconstitutional school prayer statute).
[75] New York Civil Liberties Union v. New York City Transit Auth., 684 F3d 286, 294 (2nd Cir. 2012); Perfect 10, 653 F.3d at 979–80.
[76] Webb's Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S. 155, 160 (1980).
[77] Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1003–04 (1984).

Clause,[78] but legislation that "disregards or destroys" contract rights does not always constitute a taking.[79] Where intangible property is at issue, state law will determine whether a property right exists. If a court determines that an intangible asset is property, a court will next look to whether the owner of the property interest had a "reasonable investment-backed expectation[]" that the property right would be protected.[80]

The United States Supreme Court has suggested that the Federal Takings Clause may be implicated by a diverse range of government actions, including when the government (a) permanently appropriates or denies all economically productive use of property;[81] (b) destroys property other than in response to emergency conditions;[82] or (c) reduces, alters or impairs the value of property so as to unduly interfere with reasonable investment-backed expectations.[83] In determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with legitimate property interests and distinct investment-backed expectations of Bondholders.

---

[78] Lynch v. United States, 292 U.S. 571, 577 (1934).

[79] Connolly v. Pension Benefit Guar. Corp., 475 U.S. 211, 224 (1986).

[80] 2 Ronald D. Rotunda & John E. Nowak, TREATISE ON CONSTITUTIONAL LAW: SUBSTANCE AND PROCEDURE § 15.12(a)(iii), at 971 (5th ed. 2012).

[81] Connolly, 475 U.S. at 225 (noting that in that case the government did not "permanently appropriate" any of the employer's assets for its own use); Palazzolo v. Rhode Island, 533 U.S. 606, 617 (2001) ("regulation which 'denies all economically beneficial or productive use of land' will require compensation under the Takings Clause" (citing Lucas v. S.C. Coastal Council, 505 U.S. 1003, 1027–28 (1992), which notes that for personal property, however, some regulations that limit use may not be compensable takings given the state's "traditionally high degree of [economic] control over commercial dealings")); United States v. Sec. Indus. Bank, 459 U.S. 70, 77 (1982) ("The total destruction by the government of all [compensable] value of these liens, which constitute compensable property, has every possible element of a Fifth Amendment 'taking' and is not a mere 'consequential incidence' of a valid regulatory measure." (quoting Armstrong v. United States, 364 U.S. 40, 48 (1960)).

[82] The emergency exception to the just compensation requirement of the Federal Takings Clause appears in several Supreme Court decisions. See generally 2 Rotunda & Nowak, *supra* note 79, § 15.12(c), at 1013–15. Several of these decisions involve the government's activities during military hostilities. See, e.g., United States v. Caltex (Phil.), Inc., 344 U.S. 149 (1952) (no compensable taking when Army destroys property to prevent enemy forces from obtaining it); United States v. Cent. Eureka Mining Co., 357 U.S. 155 (1958) (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort); Nat'l Bd. of Young Men's Christian Ass'ns v. United States, 395 U.S. 85 (1969) (no compensable taking where private property destroyed when U.S. troops take shelter there). Compare United States v. Pewee Coal Co., 341 U.S. 114 (1951) (plurality opinion) (compensable taking when occupation is physical rather than regulatory, emergency notwithstanding). The emergency exception is not limited to wartime activities, however. See, e.g., Miller v. Schoene, 276 U.S. 272 (1928) (no compensable taking where trees destroyed to prevent disease from spreading to other trees); Dames & Moore v. Regan, 453 U.S. 654 (1981) (no compensable taking resulting from executive order nullifying attachments on Iranian assets and permitting those assets to be transferred out of the country). The emergency exception is not limited to the physical destruction of property by the government, see Cent. Eureka Mining, 357 U.S. at 168, but the Supreme Court has suggested it does not apply to physical occupation of property; see Pewee, 341 U.S. at 116–17 (plurality opinion), or permanent appropriation, see Lingle v. Chevron U.S.A., Inc., 544 U.S. 528, 538 (2005), both of which constitute a per se taking. Moreover, we believe that a permanent appropriation of property by the government would be generally inconsistent with the concept of an "emergency." See Cent. Eureka Mining, 357 U.S. at 168 (describing wartime restrictions as "temporary in character").

[83] Connolly, 475 U.S. at 224–25 (noting that one point of Federal Takings Clause analysis is "the extent to which the regulation has interfered with distinct investment-backed expectations") (quoting Penn Cent. Transp. Co. v. New York, 438 U.S. 104, 124 (1978)); Cent. Eureka Mining, 357 U.S. 155 (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort).

The Supreme Court has identified two categories where regulatory action constitutes a per se taking—regulations that involve a permanent physical invasion of property and regulations that deprive the owner of all economically beneficial use of the property.[84] Outside of these two narrow categories, challenges to regulations that interfere with protected property interests are governed by the three-part test set forth in Penn Central Transportation Co. v. City of New York.[85] Under that test, a regulation constitutes a taking if it denies a property owner "economically viable use" of that property, which is determined by three factors: (i) the character of the governmental action; (ii) the economic impact of the regulation on the claimant; and (iii) the extent to which the regulation has interfered with distinct investment-backed expectations.[86]

The first factor requires a court to examine "the purpose and importance of the public interest underlying a regulatory imposition."[87]

The second factor incorporates the principle enunciated by Justice Holmes: "Government hardly could go on if to some extent values incident to property could not be diminished without paying for every such change in the general law."[88] Relatedly, "not every destruction or injury to property by governmental action has been held to be a 'taking' in the constitutional sense."[89] Diminution in property value alone, thus, does not constitute a taking; there must be serious economic harm.

Under the third factor, the burden of showing interference with reasonable investment-backed expectations is a heavy one.[90] Thus, a reasonable investment-backed expectation "must be more than a 'unilateral expectation or an abstract need.'"[91] Further, "legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations."[92] "[T]he fact that legislation disregards or destroys existing contractual rights does not always transform the regulation into an illegal taking. This is not to say that contractual rights are never property rights or that the Government may always take them for its own benefit without compensation."[93] In order to sustain a claim under the Federal Takings Clause, the private party must show that it had a "reasonable expectation" at the time the contract was entered that it "would proceed without possible hindrance" arising from changes in government policy.[94]

We are not aware of any case law that addresses the applicability of the Federal Takings Clause in the context of exercise by a state of its police power to abrogate or impair contracts otherwise binding on the state. The outcome of any claim that interference by the State with the value of the Customer Rate Relief Property without compensation is unconstitutional would likely depend on factors such as the State interest furthered by that interference and the extent of financial

---

[84] Lingle, 544 U.S. at 538.
[85] Penn Cent. Transp. Co. v. City of New York, 438 U.S. 104, 124 (1978).
[86] Id.
[87] Maritrans Inc. v. United States, 342 F.3d 1344, 1356 (Fed. Cir. 2003); see also Keystone Bituminous Coal Ass'n, 480 U.S. 470.
[88] Penn. Coal Co. v. Mahon, 260 U.S. 393, 413 (1922).
[89] Armstrong v. United States, 364 U.S. 40, 48 (1960).
[90] DeBenedictis, 480 U.S. at 493.
[91] Monsanto, 467 U.S. at 1005–06 (quoting Webb's Fabulous Pharmacies, 449 U.S. at 161).
[92] Usery v. Turner Elkhorn Mining Co., 428 U.S. 1, 16 (1976).
[93] Connolly, 475 U.S. at 224 (citation omitted).
[94] Chang v. United States, 859 F.2d 893, 897 (Fed. Cir. 1988).

loss to Bondholders caused by that interference, as well as the extent to which courts would consider that Bondholders had a reasonable expectation that changes in government policy and regulation would not interfere with their investment. With respect to the last factor, we note that the Securitization Law expressly provides for the creation of Customer Rate Relief Property in connection with the issuance of the Bonds and further provides that the any related financing order shall remain in effect and the Customer Rate Relief Property shall continue to exist for the same period as the State Non-Impairment Pledge.[95] Moreover, through the State Non-Impairment Pledge, the State "pledges…for the benefit and protection of financing parties and the gas utility, that it will not take or permit any action that would impair the value of the Customer Rate Relief Property."[96] Given the foregoing, we believe it would be hard to dispute that Bondholders have reasonable investment expectations with respect to their investments in the Bonds.

Based on our analysis of relevant judicial authority discussed above, it is our opinion, as set forth above, subject to all of the qualifications, limitations and assumptions set forth in this letter, that, under the Federal Takings Clause, a reviewing court would hold that the State is required to pay just compensation to Bondholders if the State's repeal or amendment of the Securitization Law or taking of any other action by the State in contravention of the State Non-Impairment Pledge constituted a Taking. As noted earlier, in determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with the legitimate property interests and distinct investment-backed expectations of the Bondholders. There can be no assurance, however, that any such award of just compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.[97]

QUALIFICATIONS

This opinion letter may not be relied on in any manner or for any purpose by any Person other than the addressees listed on Schedule I hereto nor may this opinion letter be relied on by you for any purpose other than the transactions described herein. This opinion letter may not be quoted, published, communicated or otherwise made available in whole or in part to any person (including, without limitation, any person who acquires a Bond or any interest therein from an

---

[95] Tex. Util. Code § 104.367(d).

[96] Tex. Util. Code § 104.374(b).

[97] A takings claim is generally not ripe until the government has made a final decision as to how a regulation will be applied to the property at issue. Although federal courts used to find a taking claim not ripe unless the owner had sought and been denied compensation through whatever mechanisms state law provides, the Supreme Court recently overruled that precedent in Knick v. Twp. of Scott, 139 S. Ct. 2162 (2019). The Court held that if a state or local government takes property without compensation, a property owner "*can* bring a federal suit" under 42 U.S.C. § 1983 (emphasis added) "without first bringing any sort of state lawsuit[.]" 139 S. Ct. at 2172–73 (quoting David A. Dana & Thomas W. Merrill, PROPERTY: TAKINGS 262 (2002)). The Court added, however, that if the state has an adequate procedure for obtaining compensation for the taking, there typically will be "no basis to enjoin the government's action effecting a taking," so equitable relief will be "generally unavailable" in federal court in takings cases. 139 S. Ct. at 2172–73. We express no opinion as to whether Texas provides any administrative or judicial procedures for seeking just compensation for a taking of the type of contract rights the Bondholders possess, or whether such procedures are "adequate." To the extent that there is a taking and state procedures for seeking just compensation are inadequate, Bondholders (or the Indenture Trustee on their behalf) or the Issuer could seek to enjoin enforcement of the State action by suing individual officers under Ex Parte Young, 209 U.S. 123, 155–56 (1908) and 42 U.S.C. § 1983.

Underwriter) other than the addressees listed on Schedule I hereto without our specific prior written consent, except that (x) each of the Underwriters may furnish copies of this letter (i) to any of its accountants or attorneys, (ii) in order to comply with any subpoena, order, regulation, ruling or request of any judicial, administrative, governmental, supervisory or legislative body or committee or any self-regulatory body (including any securities or commodities exchange or the Financial Industry Regulatory Authority, Inc.), (iii) to any other person for the purpose of substantiating an Underwriter's due diligence defense and (iv) as otherwise required by law; provided, that none of the foregoing persons is entitled to rely hereon unless an addressee hereof, (y) a copy of this opinion letter may be posted by or at the direction of the Issuer to an internet website required under Rule 17g-5 promulgated under the Securities Exchange Act of 1934, as amended, and maintained in connection with the ratings on the Bonds solely for the purpose of compliance with such rule or undertakings pursuant thereto made by the Issuer. Such permission to post a copy of this letter to such website shall not be construed to entitle any person, including any credit rating agency, who is not an addressee hereof to rely on this opinion letter.

We hereby consent to the inclusion of this letter as an exhibit to the Official Statement, and to all references to our firm included in or made a part of the Official Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the related rules and regulations of the SEC.

This opinion letter is being given as of the date hereof, and we assume no obligation to update or supplement this opinion letter to reflect any facts or circumstances which may hereafter come to our attention with respect to the matters discussed herein, including any changes in applicable law which may hereafter occur.

Very truly yours,

SCHEDULE I

ADDRESSEES

Texas Natural Gas Securitization Finance Corporation

Texas Public Finance Authority

U.S. Bank Trust Company, National Association

Fitch Ratings, Inc.

Moody's Investors Service, Inc.

Kroll Bond Rating Agency, Inc.

For itself and as Representative of the Underwriters of the Bonds:
Jefferies LLC

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

PROPOSED FORM OF OPINION OF REGULATORY COUNSEL RELATING TO REGULATORY MATTERS

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

HAYS LAW FIRM

3305 Northland Drive, Suite 103
Austin, Texas 78731
(512) 472-3993

John R. Hays, Jr.
Attorney-at-Law

Email: john.hays@hayslaw.com

March 23, 2023

To Each Person Listed on
the Attached Schedule I

Re: Regulatory Approvals Associated with Issuance of Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023

Ladies and Gentlemen:

We have been engaged by the Railroad Commission of Texas (the "Commission") to provide certain opinions with respect to (i) the provisions of the Texas Utilities Code and the Texas Government Code added by Texas House Bill 1520, 87th Regular Session, relating to certain extraordinary costs incurred by certain gas utilities in connection with Winter Storm Uri (the "Securitization Law"); (ii) the Regulatory Asset Determination Order issued by the Commission on November 10, 2021 pursuant to the Securitization Law (the "Regulatory Asset Determination Order"); and (iii) the Financing Order issued by the Commission on February 8, 2022 pursuant to the Securitization Law (the "Financing Order"). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Financing Order. This opinion is being given to satisfy the requirement of Section 7(f)(ix) of the Bond Purchase Agreement, dated as of March 9, 2023, between the Texas Natural Gas Securitization Finance Corporation (the "Corporation"), as issuer of its "Customer Rate Relief Bonds (Winter Storm Uri) Taxable Series 2023" (the "Bonds"), and Jefferies LLC (the "Representative"), on behalf of itself and as the Representative of the Underwriters identified in such agreement.

In rendering the opinions set forth herein, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the following:

i) The proceedings of the Commission authorizing, among other things, the Regulatory Asset Determination Order, the Financing Order and the Customer Rate Relief Property Central Servicing Agreement (the "Servicing Agreement"), dated as of March 9, 2023, among the Commission, the Issuer, and United Professionals Company, LLC as initial servicer;

ii) such other documents, certificates, opinions, letters, and other papers, as we have deemed necessary or appropriate in rendering the opinions set forth below; and

iii) the Securitization Law and such other provisions of the Constitution and laws of the State of Texas (the "State") as we believe necessary to enable us to render the opinions set forth below.

iv) The Regulatory Asset Determination Order entered on November 10, 2021, the Financing Order entered on February 8, 2022, and the Servicing Agreement.

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of records of the Commission and agreements, certificates of public officials, certificates of officers or other representatives of the Commission and others, and other documents, certificates and records, as we have deemed necessary or appropriate as a basis for the opinions set forth herein. In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that:

1) The Commission is duly organized and validly existing as an agency of the State under, and pursuant to, the Constitution and laws of the State (including the Securitization Law).

2) To the best of our knowledge, after due inquiry, the validity of the Securitization Law is not the subject of any currently pending appeal or litigation challenging the constitutionality of the Securitization Law under the United States Constitution or the Texas Constitution.

3) The Regulatory Asset Determination Order has been duly authorized, approved and issued by the Commission in accordance with all applicable Texas laws, including the Securitization Law; the Regulatory Asset Determination Order and the notification of final regulatory asset amounts dated March 30, 2022 (the "Notice of Final Amounts") and the process by which each was authorized, approved and issued complies with all applicable Texas laws, including the Securitization Law; and the Regulatory Asset Determination Order and the Notice of Final Amounts are in full force and effect, are not presently being appealed, and are final, non-appealable and irrevocable.

4) The Financing Order has been duly authorized, approved and issued by the Commission in accordance with all applicable Texas laws, including the Securitization Law and the Regulatory Asset Determination Order. The Financing Order and the process by which it was authorized, approved and issued comply with all applicable Texas laws, including the Securitization Law and the Regulatory Asset Determination Order; and the Financing Order is in full force and effect, is not presently being appealed, and is final, non-appealable and irrevocable.

5) The Financing Order provides that the Financing Order, together with the Customer Rate Relief Charges authorized in and by it, shall be binding on the Commission, the Intervenors, the Participating Gas Utilities and any Successor Utility. The Financing Order further orders that a "successor" is any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise.

6) The Commission has all requisite power and authority (a) to execute and deliver the Servicing Agreement, and (b) to incur and perform all of its obligations under the Servicing Agreement.

7) The Servicing Agreement has been duly authorized, executed, acknowledged and delivered in the name of the Commission and on behalf of the Commission, by the Designated Representative and is binding and enforceable against the Commission in accordance with its terms.

8) No consent or authorization of, approval by, notice or filing with, any governmental authority of the State is required to be obtained or made by or on behalf of the Commission as a condition to the execution and delivery of the Servicing Agreement, the effectiveness of the Customer Rate Relief Charge or consummation by the Commission of the transactions contemplated thereby, except for all such consents, approvals, authorizations, filings or orders as have been obtained.

9) For purposes of applying the True-Up Adjustments approved in the Financing Order, Appendix A to the Servicing Agreement interprets the term “Financing Costs” used in the Financing Order to include “any federal, State or local tax imposed on the income or operations of the Issuer (other than withholding taxes imposed in respect of payments to Holders of the Bonds).” This is a reasonable and appropriate interpretation of the term “Financing Costs,” consistent with the Securitization Law and the Financing Order, and is enforceable by the Commission pursuant to the Securitization Law and the Financing Order.

10) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the undersigned, after due inquiry, threatened against the Commission, (a) asserting invalidity of the Securitization Law, the Financing Order, the Regulatory Asset Determination Order, the Notice of Final Amounts, the Bonds or the Servicing Agreement, (b) contesting the valid existence of the Commission or the titles of its officers to their respective offices, (c) seeking to restrain or enjoin the collection of revenues from the Customer Rate Relief Property created pursuant to the Financing Order and other collateral of the Issuer described by the Financing Order pledged or to be pledged to pay the principal of and interest on the Bonds or the issuance and delivery of the Bonds or other transactions contemplated by the Bonds or the Servicing Agreement, (d) contesting or that would adversely affect the validity of the Bonds or the Financing Order, (e) seeking to restrain or enjoin the performance by the Commission of its obligations under the Financing Order or the Servicing Agreement, or (f) contesting in any way the completeness, accuracy, or fairness of the information regarding the Commission contained in the Preliminary Official Statement or the Official Statement, including any supplements or amendments thereto.

11) The information in the Preliminary Official Statement dated February 22, 2023 relating to the Bonds and the resulting final Official Statement dated March 9, 2023 relating to the Bonds, in each case under the captions "SUMMARY STATEMENT – Financing Order," “THE FINANCING ORDER,” “THE COMMISSION” and “THE SERVICING AGREEMENT—Undertaking of the Commission,” is accurate in all material respects and such disclosure did not as of the respective dates of such

Official Statements, and does not as of the date of this opinion, contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. We hereby consent to the inclusion of this opinion as an exhibit to such Official Statements.

Our opinions expressed herein are subject to the following qualifications and limitations:

(i) This opinion is limited to the laws of the State of Texas, and we express no opinion and make no statement as to the laws, rules or regulations of any other jurisdiction.

(ii) The opinions herein are limited to the matters expressly set forth in this letter, and no opinion is implied or may be inferred beyond the matters expressly so stated.

(iii) Our opinions are subject to the following effects:

(A) bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance and other similar laws (or other related judicial doctrines) now or hereafter in effect relating to or affecting creditors' rights or remedies generally;

(B) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses and limits as to the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity; and

(C) the application of any applicable fraudulent conveyance, fraudulent transfer, fraudulent obligation, or preferential transfer law or any law governing the distribution of assets of any person now or hereafter in effect affecting creditors' rights and remedies generally.

(iv) The opinions expressed above are subject to the effect of, and we express no opinions herein as to, the application of state, federal, or foreign securities or blue sky laws or any rules and regulations thereunder.

(v) We express no opinion regarding (A) the effectiveness of (1) any waiver (whether or not stated as such) under the Servicing Agreement, or any consent thereunder relating to, unknown future rights or the rights of any party thereto existing, or duties owing to it, as a matter of law; (2) any waiver (whether or not stated as such) contained in the Servicing Agreement of rights of any party, or duties owing to it, that does not describe the right or duty purportedly waived with reasonable specificity; (3) provisions relating to indemnification, exculpation or contribution, to the extent such provisions may be held unenforceable as contrary to public policy or applicable securities laws or due to the negligence or willful misconduct of the indemnified party; (4) any provision in the Servicing Agreement waiving the right to object to venue in any court; (5) any agreement to submit to the jurisdiction of any federal court; (6) any waiver of the right to jury trial; (7) any provision purporting to establish evidentiary

standards; (8) any provision to the effect that every right or remedy is cumulative and may be exercised in addition to any other right or remedy or that the election of some particular remedy does not preclude recourse to one or more others; (9) providing for rights or obligations that are varied by course of dealing or performance between the parties; or (10) allowing penalties for any reason, or (B) the availability of remedies not specified in the Servicing Agreement in respect of breach of any covenants.

This opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other Person, including any purchaser of any Bonds from you and any subsequent purchaser of any Bonds, without our express written permission, except that (a) each of the Underwriters may furnish copies of this letter (i) to any of its accountants or attorneys, (ii) in order to comply with any subpoena, order, regulation, ruling or request of any judicial, administrative, governmental, supervisory or legislative body or committee or any self-regulatory body (including any securities or commodities exchange or the Financial Industry Regulatory Authority, Inc.), (iii) to any other person for the purpose of substantiating an Underwriter's due diligence defense and (iv) as otherwise required by law; provided, that none of the foregoing persons is entitled to rely hereon unless an addressee hereof, and (b) this opinion may be disclosed for informational purposes only (i) as required by law, or (ii) as required by any valid legal order of any governmental authority or tribunal. A copy of this opinion letter may be posted by or at the direction of the Corporation or the Representative on a website established by the Corporation if necessary to comply with Rule 17g-5 under the Exchange Act of 1934, as amended; provided that no party is entitled to rely hereon unless as addressee hereof.

The opinions expressed herein are as of the date hereof only and are based on laws, orders, contract terms and provisions, and facts as of such date, and we disclaim any obligation to update this opinion letter after such date or to advise you of changes of facts stated or assumed herein or any subsequent changes in law (including, without limitation, any change or amendment to, or repeal of, the Securitization Law after the date hereof).

Sincerely,

SCHEDULE I

ADDRESSEES

Railroad Commission of Texas

Texas Natural Gas Securitization Finance Corporation

Texas Public Finance Authority

United Professionals Company, LLC

Fitch Ratings, Inc.

Moody's Investors Service, Inc.

Kroll Bond Rating Agency, Inc.

Norton Rose Fulbright US LLP

For itself and as Representative of the Underwriters of the Bonds:
Jefferies LLC

APPENDIX H-1

FORM OF ISSUER CONTINUING DISCLOSURE AGREEMENT

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF ISSUER CONTINUING DISCLOSURE AGREEMENT
(ISSUER AND CENTRAL SERVICER)

This Continuing Disclosure Agreement, dated as of March 23, 2023 (the "Continuing Disclosure Agreement"), is made by the Texas Natural Gas Securitization Finance Corporation (the "Issuer") and United Professionals Company, LLC, in its capacity as Central Servicer (the "Servicer"), pursuant to the Customer Rate Relief Property Central Servicing Agreement, dated as of March 9, 2023 (the "Servicing Agreement"), among the Issuer, the Servicer, and the Railroad Commission of Texas, and is being delivered in connection with the issuance and sale by the Issuer of its $3,521,750,000 Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023 (the "Bonds") pursuant to the terms of that certain Indenture of Trust, dated as of March 1, 2023 (as the same may be amended and supplemented from time to time, the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association, as Indenture Trustee (the "Indenture Trustee"). Capitalized terms used but not defined herein shall have the meanings given such terms in the Indenture or, if not defined therein, in the Servicing Agreement.

Article I. Definitions.

(a) "EMMA" means the MSRB's Electronic Municipal Market Access system or its successor.

(b) "Event Notice" means written or electronic notice of a Notice Event.

(c) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Continuing Disclosure Agreement.

(d) "Notice Event" means any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, other than bond calls relating to mandatory sinking fund redemptions, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer[1];

[1] For the purposes of this Notice Event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Indenture Trustee or the change of name of an Indenture Trustee, if material;

(xv) incurrence of a financial obligation[2] of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(e) "Official Statement" means the Official Statement, dated March 9, 2023, relating to the Bonds, including all appendices thereto and any amendment or supplement thereto.

(f) "Opinion of Counsel" means a written opinion of Norton Rose Fulbright US LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the Issuer and the Servicer.

(g) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.

(h) "SEC" means the United States Securities and Exchange Commission.

(i) "Servicer Document" means any True-Up Letter, Servicer's Payment Date Certificate, or other report, certificate, or document, prepared by or on behalf of the Servicer and filed with the Indenture Trustee, if not otherwise previously filed with the MSRB.

(j) "Servicer's Payment Date Certificate" means the Servicer's Payment Date Certificate delivered to the Indenture Trustee pursuant to Section 4.02(a) of the Servicing Agreement.

(k) "Trustee Monthly Collection Report" means the report delivered by the Indenture Trustee to the Servicer pursuant to Section 8.2(d) of the Indenture.

Article II. The Undertakings.

Section 2.01 Purpose. This Continuing Disclosure Agreement is being executed, delivered and made solely to assist the Underwriters of the Bonds in complying with subsection (b)(5) of the Rule. Pursuant to the terms of the Servicing Agreement and the Collection and Reporting Agreements and in connection with issuance of the Bonds, the Servicer is entering into a separate continuing disclosure agreement with each Collection Agent.

Section 2.02 Undertakings

(a) The Issuer shall provide to the Servicer, for the sole benefit of the Bondholders, in the format and including such identifying information as shall be prescribed by the MSRB, in a timely manner not later than seven (7) Business Days after the occurrence of a Notice Event, an Event Notice with respect to such Notice Event.

---

authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer. As provided in the Securitization Law and the Financing Order, the Issuer may not file a voluntary petition under federal bankruptcy law before the date that is two (2) years and one (1) day after the date that the Issuer no longer has any payment obligation with respect to any Bonds.

[2] The term "financial obligation", as defined in the Rule, means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing planned debt obligation; or (iii) guarantee of (i) or (ii).

(b) In accordance with Section 3.02(c) of the Servicing Agreement, the Servicer shall provide to the MSRB through EMMA, as designated agent of the Issuer, for the sole benefit of the Bondholders, in the format and including such identifying information as shall be prescribed by the MSRB, in a timely manner:

(i) not later than five (5) Business Days after delivery thereof by or to the Servicer, as applicable, each Servicer Document and each Trustee Monthly Collection Report; and

(ii) not later than two (2) Business Days after the Servicer receives from the Issuer an Event Notice, such Event Notice.

(c) In order to comply with the provisions of this Section 2.02, the Servicer is entitled to rely on documents provided to the Servicer by (i) the Issuer or (ii) the Indenture Trustee under the terms of the Indenture.

Section 2.03 Limitations on Liability. Neither the Issuer nor the Servicer undertakes to provide any notices with respect to: (x) credit enhancement if the enhancement is added after the primary offering of the Bonds, the Issuer does not apply for or participate in obtaining the enhancement, and the enhancement is not described in the Official Statement; or (y) tax exemption other than pursuant to the Act or the Securitization Law.

Section 2.04 Third Party Beneficiaries; Amendments.

(a) Each of the Holders and the Indenture Trustee are intended third-party beneficiaries of this Continuing Disclosure Agreement and shall be entitled to seek enforcement of the terms hereof as if such Person is a party hereto and in accordance with the terms hereof.

(b) In addition to the Indenture Trustee's and Holders' remedies specified in the Indenture, any Beneficial Owner of the Bonds described in this Section may bring a Proceeding to enforce this Continuing Disclosure Agreement without acting in concert if (1) such owner shall have filed with the Servicer evidence of beneficial ownership and written notice of, and request to cure, the alleged breach, (2) the Servicer shall have failed to comply within a reasonable time, and (3) such Beneficial Owner stipulates that (A) no challenge is made to the adequacy of any information provided in accordance with this Continuing Disclosure Agreement, and (B) no remedy is sought other than substantial performance of this Continuing Disclosure Agreement. To the extent permitted by law, each Beneficial Owner agrees that all such Proceedings shall be instituted only as specified herein.

(c) Any amendment of this Continuing Disclosure Agreement may only be entered into:

(i) if all or any part of the Rule, as interpreted by the staff of the SEC at the date hereof, ceases to be in effect for any reason and the Issuer and the Servicer elect that this Continuing Disclosure Agreement shall be deemed terminated or amended (as the case may be) accordingly, or

(ii) if:

1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the Servicer, as the case may be, or type of business conducted by the Issuer or the Servicer, as the case may be,

2) this Continuing Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

3) the amendment does not materially impair the interests of the Holders of affected Bonds, as determined by parties unaffiliated with the Issuer and the Servicer (such as, but without limitation, counsel to the Issuer or the Servicer) or by Holder consent pursuant to the Indenture.

Section 2.05 Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer or the Servicer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any filing made with the MSRB pursuant to Section 2.02 hereof (any "MSRB Filing"), in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer or the Servicer choose to include any information in any MSRB Filing in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer and the Servicer shall have no obligation under this Continuing Disclosure Agreement to update such additional information or include it in any future MSRB Filing.

Article III. Operating Rules.

Section 3.01 Submission of Information. The Issuer, at its sole discretion, may request the Servicer to provide the Issuer with a copy of any proposed MSRB Filing before such MSRB Filing is made with the MSRB.

Section 3.02 Dissemination Agents. The Servicer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Servicer under this Continuing Disclosure Agreement, and revoke or modify any such designation.

Section 3.03 Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current website address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

Article IV. Effective Date, Successor Servicer, Termination and Execution.

Section 4.01 Effective Date. This Continuing Disclosure Agreement and the provisions hereof shall be effective upon the issuance of the Bonds.

Section 4.02 Successor Servicer. The duties of Servicer under this Continuing Disclosure Agreement shall be performed by any Successor Servicer appointed under the terms of the Servicing Agreement. If at any time there is no Successor Servicer appointed under the terms of the Servicing Agreement, or if the Successor Servicer so appointed is unwilling or unable to perform the duties of the Servicer hereunder, the Issuer shall undertake or assume, or shall cause a designated agent of the Issuer to undertake or assume, the obligations of the Servicer under this Continuing Disclosure Agreement.

Section 4.03 Termination.

(a) The Servicer's obligations under this Continuing Disclosure Agreement shall terminate with respect any Bonds upon the exercise of a Legal Defeasance Option pursuant to Section 4.1 of the Indenture, prior redemption, if any, or payment in full of such Bonds.

(b) This Continuing Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Issuer and the Servicer (1) receives an Opinion of Counsel to the effect that those portions of the Rule which require this Continuing Disclosure Agreement, or such provisions, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) deliver copies of such opinion to the MSRB.

Section 4.04 Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same agreement.

Section 4.05 Iran, Sudan or Foreign Terrorist Organizations. The Servicer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf,
https://comptroller.texas.gov/purchasing/docs/iran-list.pdf,or
https://comptroller.texas.gov/purchasing/docs/fto-list.pdf.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable federal or State law and excludes the Servicer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Servicer understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Servicer and exists to make a profit.

Section 4.06 Exemption from Other Legislative Contracting Requirements. The Issuer and the Servicer hereby certify that this Continuing Disclosure Agreement does not have a value of $100,000 or more and is therefore exempt from (1) Section 2271.002(b), Texas Government Code, as amended, pursuant to Section 2271.002(a)(2), Texas Government Code, as amended, (2) Section 2274.002(b) (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, pursuant to Section 2274.002(a)(2), Texas Government Code, as amended (as added by Senate Bill 13 in the 87th Texas Legislative Session), and (3) Section 2274.002(b) (as added by Senate Bill 19 in the 87th Texas Legislative Session), Texas Government Code, as amended, pursuant to Section 2274.002(a)(2), Texas Government Code, as amended (as added by Senate Bill 19 in the 87th Texas Legislative Session).

[Signature Page to Continuing Disclosure Agreement Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be duly executed by their respective duly authorized representatives as of the day and year first above written.

TEXAS NATURAL GAS SECURITIZATION FINANCE CORPORATION, as Issuer

By: _____
Name: _____
Title: _____

UNITED PROFESSIONALS COMPANY, LLC, as Servicer

By: _____
Name: _____
Title: _____

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H-2

FORM OF COLLECTION AGENT CONTINUING DISCLOSURE AGREEMENT

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF COLLECTION AGENT CONTINUING DISCLOSURE AGREEMENT
(COLLECTION AGENT AND CENTRAL SERVICER)

This Continuing Disclosure Agreement, dated as of March 23, 2023 (the "Continuing Disclosure Agreement"), is made by [PARTICIPATING GAS UTILITY] (the "Collection Agent"), in its capacity as Collection Agent pursuant to the Collection and Reporting Agreement (defined herein), and United Professionals Company, LLC, in its capacity as Central Servicer (the "Servicer") pursuant to the Collection and Reporting Agreement, and is being delivered in connection with the issuance and sale by the Texas Natural Gas Securitization Finance Corporation (the "Issuer") of its $3,521,750,000 Customer Rate Relief Bonds (Winter Storm Uri), Taxable Series 2023 (the "Bonds") pursuant to the terms of that certain Indenture of Trust, dated as of March 1, 2023 (as the same may be amended and supplemented from time to time, the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association, as Indenture Trustee (the "Indenture Trustee"). Capitalized terms used but not defined herein shall have the meanings given such terms in the Indenture or, if not defined therein, in the Collection and Reporting Agreement.

Article I. Definitions.

(a) "Annual Accountant's Report" means the Annual Accountant's Report with respect to the immediately preceding calendar year delivered by the Collection Agent to the Servicer pursuant to Section 3.04(a) of the Collection and Reporting Agreement.

(b) "Annual Collection Agent Information" means, together, the (i) Annual Accountant's Report and (ii) financial information and operating data of the Collection Agent with respect to the immediately preceding calendar year, as determined based on the Collection Agent's designation as of December 31 of the immediately preceding calendar year, of the type included in Table 1, Table 2, Table 3, Table 5, Table 6, Table 7, and Table 8 in Appendix B to the Official Statement.

(c) "Collection and Reporting Agreement" means the Customer Rate Relief Property Collection and Reporting Agreement, dated as of March 9, 2023, by and between the Servicer and the Collection Agent executed in accordance with the terms of the Financing Order and the Servicing Agreement.

(d) "Compliance Certificate" means the Compliance Certificate with respect to the immediately preceding calendar year delivered by the Collection Agent to the Servicer pursuant to Section 3.03(a) of the Collection and Reporting Agreement.

(e) "EMMA" means the MSRB's Electronic Municipal Market Access system or its successor.

(f) "Event Notice" means written or electronic notice of a Notice Event (Collection Agent) or Notice Event (Servicer).

(g) "Historical Normalized Sales Volume Certificate" means the Historical Normalized Sales Volume Certificate with respect to the immediately preceding calendar year delivered by the Collection Agent to the Servicer pursuant to Section 3.03(b) of the Collection and Reporting Agreement.

(h) "Issuer Continuing Disclosure Agreement" means the Continuing Disclosure Agreement (Issuer and Central Servicer), dated as of March 23, 2023, by and between the Issuer and the Servicer, executed and delivered pursuant to the Indenture and the Servicing Agreement and in connection with the issuance and sale of the Bonds.

(i) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Continuing Disclosure Agreement.

(j) "Notice Event (Collection Agent)" means any of the following events with respect to the Bonds:

(i) bankruptcy, insolvency, receivership or similar event of the Collection Agent[1];

(ii) the consummation of a merger, consolidation, or acquisition involving the Collection Agent or the sale of all or substantially all of the assets of the Collection Agent, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iii) incurrence of a financial obligation[2] of the Collection Agent, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Collection Agent, any of which affect security holders, if material; and

(iv) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Collection Agent, any of which reflect financial difficulties.

(k) "Notice Event (Servicer)" means any failure of the Servicer to provide any Annual Collection Agent Information to the MSRB in a timely manner pursuant to Section 2.02(c)(i) of this Continuing Disclosure Agreement.

(l) "Official Statement" means the Official Statement, dated March 9, 2023, relating to the Bonds, including all appendices thereto and any amendment or supplement thereto.

(m) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.

(n) "SEC" means the United States Securities and Exchange Commission.

Article II. The Undertakings.

Section 2.01 Purpose. This Continuing Disclosure Agreement is being executed, delivered and made solely to assist the Underwriters of the Bonds in complying with subsection (b)(5) of the Rule. The Servicer is entering into the separate Issuer Continuing Disclosure Agreement with the Issuer.

Section 2.02 Undertakings

(a) Notwithstanding any other provision of this Continuing Disclosure Agreement to the contrary, if the Collection Agent is not a Reporting Collection Agent as of the date of this Continuing Disclosure Agreement, the Collection Agent's undertakings to provide documents to the Servicer pursuant to Section 2.02(b) hereof is hereby tolled unless and until the Collection Agent receives written notice from the Servicer that the Commission has designated the Collection Agent as a Reporting Collection Agent. For the avoidance of doubt, any Successor Utility shall assume the obligations of the Collection Agent hereunder and comply with the terms of this Continuing Disclosure Agreement, including the Collection Agent's obligations as a Reporting Collection Agent, if applicable.

(b) In accordance with Section 3.01(b)(vi) of the Collection and Reporting Agreement, the Collection Agent shall provide to the Servicer, for the sole benefit of the Bondholders, in the format and including such identifying information as shall be prescribed by the MSRB, in a timely manner:

(i) not later than 120 days following the end of each calendar year, the Annual Collection

[1] For the purposes of this Notice Event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Collection Agent in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Collection Agent, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Collection Agent.

[2] The term "financial obligation", as defined in the Rule, means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing planned debt obligation; or (iii) guarantee of (i) or (ii).

Agent Information, the Compliance Certificate, and the Historical Normalized Sales Volume Certificate; and

(ii) not later than five (5) Business Days after the occurrence of a Notice Event (Collection Agent), an Event Notice with respect to such Notice Event (Collection Agent).

(c) The Servicer shall provide to the MSRB through EMMA, as designated agent of the Collection Agent, for the sole benefit of the Bondholders, in the format and including such identifying information as shall be prescribed by the MSRB, in a timely manner:

(i) not later than 125 days following the end of each calendar year, any Annual Collection Agent Information, Compliance Certificate, or Historical Normalized Sales Volume Certificate with respect to such Collection Agent; provided, if the Collection Agent fails to provide any such information to the Servicer in a timely manner pursuant to Section 2.02(b)(i) of this Continuing Disclosure Agreement, the Servicer shall file such delinquent information not later than two (2) Business Days after receipt thereof from the Collection Agent;

(ii) not later than two (2) Business Days after the Servicer receives from the Collection Agent an Event Notice, such Event Notice; and

(iii) not later than ten (10) Business Days after the occurrence of a Notice Event (Servicer), an Event Notice with respect to such Notice Event (Servicer).

Section 2.03 Third Party Beneficiaries; Amendments.

(a) Each of the Holders, the Issuer, and the Indenture Trustee are intended third-party beneficiaries of this Continuing Disclosure Agreement and shall be entitled to seek enforcement of the terms hereof as if such Person is a party hereto and in accordance with the terms hereof.

(b) In addition to the Issuer's, the Indenture Trustee's and Holders' remedies specified in the Indenture, any Beneficial Owner of the Bonds described in this Section may bring a Proceeding to enforce this Continuing Disclosure Agreement without acting in concert if (1) such owner shall have filed with the Servicer and the Collection Agent evidence of beneficial ownership and written notice of, and request to cure, the alleged breach, (2) the Collection Agent shall have failed to comply within a reasonable time, and (3) such Beneficial Owner stipulates that (A) no challenge is made to the adequacy of any information provided in accordance with this Continuing Disclosure Agreement, and (B) no remedy is sought other than substantial performance of this Continuing Disclosure Agreement. To the extent permitted by law, each Beneficial Owner agrees that all such Proceedings shall be instituted only as specified herein.

(c) Any amendment of this Continuing Disclosure Agreement may only be entered into:

(i) if all or any part of the Rule, as interpreted by the staff of the SEC at the date hereof, ceases to be in effect for any reason and the Collection Agent and the Servicer elect that this Continuing Disclosure Agreement shall be deemed terminated or amended (as the case may be) accordingly, or

(ii) if:

1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Collection Agent or the Servicer, as the case may be, or type of business conducted by the Collection Agent or the Servicer, as the case may be,

2) this Continuing Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

3) the amendment does not materially impair the interests of the Holders of affected Bonds, as determined by parties unaffiliated with the Collection Agent and the Servicer (such as, but without limitation, counsel to the Collection Agent or the Servicer) or by Holder consent pursuant to the Indenture.

Section 2.04 Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Collection Agent or the Servicer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any filing made with the MSRB pursuant to Section 2.02 hereof (any "MSRB Filing"), in addition to that which is required by this Continuing Disclosure Agreement. If the Collection Agent or the Servicer choose to include any information in any MSRB Filing in addition to that which is specifically required by this Continuing Disclosure Agreement, the Collection Agent and the Servicer shall have no obligation under this Continuing Disclosure Agreement to update such additional information or include it in any future MSRB Filing.

Article III. Operating Rules.

Section 3.01 Reference to Other Documents. It shall be sufficient for purposes of Section 2.02 hereof if the Collection Agent or the Servicer provides Annual Collection Agent Information by specific reference to documents (i) available to the public on the MSRB's website (currently, www.emma.msrb.org) or (ii) filed with the SEC.

Section 3.02 Submission of Information. Annual Collection Agent Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 3.03 Dissemination Agents. The Collection Agent may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Collection Agent under this Continuing Disclosure Agreement, and revoke or modify any such designation.

Section 3.04 Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current internet website address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

Article IV. Effective Date, Successor Servicer, Termination and Execution.

Section 4.01 Effective Date. This Continuing Disclosure Agreement and the provisions hereof shall be effective upon the issuance of the Bonds.

Section 4.02 Successor Collection Agent. Subject to Section 2.02(a) of this Continuing Disclosure Agreement, the duties of the Collection Agent under this Continuing Disclosure Agreement shall be performed by any successor Collection Agent appointed under the terms of the Collection and Reporting Agreement. The Collection Agent shall cause any successor to the Collection Agent to assume the Collection Agent's obligations under this Continuing Disclosure Agreement in accordance with Section 3.01(b)(vi) of the Collection and Reporting Agreement.

Section 4.03 Termination. The Collection Agent's obligations under this Continuing Disclosure Agreement shall terminate with respect to any Bonds upon the exercise of a Legal Defeasance Option pursuant to Section 4.1 of the Indenture, prior redemption, if any, or payment in full of such Bonds.

Section 4.04 Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same agreement.

[Signature Page to Continuing Disclosure Agreement Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be duly executed by their respective duly authorized representatives as of the day and year first above written.

[PARTICIPATING GAS UTILITY],
as Collection Agent

By: _____
Name: _____
Title: _____

UNITED PROFESSIONALS COMPANY, LLC, as Servicer

By: _____
Name: _____
Title: _____

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

*The information in this APPENDIX I is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC (as defined below), Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, Luxembourg, S.A. ("**Clearstream**") (DTC, Euroclear and Clearstream collectively, the "**Clearing Systems**") currently in effect, and the Issuer expressly disclaims any responsibility to update this APPENDIX I to reflect any such changes. The information in this APPENDIX I concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Underwriters, the Indenture Trustee or the Financial Advisor take any responsibility for the accuracy, completeness or adequacy of the information herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Underwriters, the Indenture Trustee or the Financial Advisor will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

The Issuer, the Underwriters, the Indenture Trustee and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or notices with respect to the Bonds, to participants of the Clearing Systems (2) participants of the Clearing Systems or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or notices with respect to the Bonds, to the Beneficial Owners (as defined herein), or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants (as defined herein) are on file with DTC.

The Bonds will be available to investors only in book-entry form. Bondholders may hold the Bonds through DTC in the United States, and may hold the Bonds through Clearstream or Euroclear in Europe. A Holder may hold the Bonds directly with one of these Clearing Systems if the Holder is a participant in the DTC Book-Entry Only System or indirectly through organizations that are participants.

The Role of DTC, Clearstream and Euroclear. DTC will act as securities depository for the Bonds. Cede & Co., as nominee for DTC, will hold the Bonds. Euroclear and Clearstream are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream. If investors are participants in Clearstream or Euroclear, or indirectly through organizations that are participants in such Clearing Systems, Clearstream and Euroclear will hold omnibus positions on behalf of the Clearstream participants and Euroclear participants, respectively, through participants' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries. These depositaries will, in turn, hold these positions in participants' securities accounts in the depositaries' names on the books of DTC. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream.

The Issuer will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

DTC Book-Entry Only System. Below is a description of how ownership of the Bonds is to be transferred and how the principal and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the DTC Book-Entry-Only System has been provided by DTC for use in disclosure documents such as the Official Statement.

The Depository Trust Company, New York, New York ("**DTC**"), the world's largest securities depository, is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York banking law, and is a member of the Federal Reserve System. DTC is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S.

equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with the Direct Participants, the "Participants"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the DTC Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Indenture Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Indenture Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuer, or the Indenture Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Indenture Trustee, disbursement of such payments to

Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Indenture Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Indenture.

In reading this Official Statement it should be understood that while the Bonds are in the DTC Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the DTC Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

The Function of Clearstream. Clearstream is incorporated under the laws of Luxembourg and is an indirect wholly-owned subsidiary of Deutsche Borse AG. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of securities. Transactions may be settled by Clearstream in any of various currencies, including United States dollars. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing and collateral management. Clearstream also deals with domestic securities markets in various countries through established depositary and custodial relationships. Clearstream is registered as a bank in Luxembourg and, therefore, is subject to regulation by the Commission de Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream's participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, among others, and may include the Underwriters of the Bonds. Clearstream's United States participants are limited to securities brokers and dealers and banks. Clearstream has participants located in various countries. Indirect access to Clearstream is also available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., as the operator of Euroclear, in Brussels to facilitate settlement of trades between Clearstream and Euroclear.

The Function of Euroclear. Euroclear was created in 1968 to hold securities for Euroclear participants and to facilitate the clearance and settlement of securities between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Such transactions may be settled in any of various currencies, including United States dollars. Euroclear includes various other services, credit custody, including securities lending and borrowing, tri-party collateral management and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below. Euroclear is operated by Euroclear Bank SA/NV. Euroclear participants include central banks and other banks, securities brokers and dealers and other professional intermediaries and may include the Underwriters of any Bonds. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is operated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Terms and Conditions of Euroclear. Securities clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear and applicable Belgian law. These terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. Euroclear acts under these terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

The Rules for Transfers Among DTC, Clearstream or Euroclear Participants. Transfers between DTC participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international Clearing System by its depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international Clearing System by the counterparty in that system in accordance with its rules and procedures and within its established deadlines, which will be based on European time. The relevant European international Clearing System will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving the Bonds in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to Clearstream's and Euroclear's depositaries.

Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participants or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

DTC Will Be the Holder of the Bonds. Holders that are not participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of, or other interest in, Bonds may do so only through participants and indirect participants of DTC. In addition, Holders will receive all distributions of principal of and interest on the Bonds from the Indenture Trustee through the participants, who in turn will receive them from DTC. Under a book-entry format, Holders may experience some delay in their receipt of payments because payments will be forwarded by the Indenture Trustee to Cede & Co., as nominee for DTC. DTC will forward those payments to its participants, who thereafter will forward them to indirect participants or Holders. It is anticipated that the only "**Holder**" will be Cede & Co., as nominee of DTC. The Indenture Trustee will not recognize any other person as Bondholders, as that term is used in the Indenture, and Holders will be permitted to exercise the rights of Holders only indirectly through the participants, who in turn will exercise the rights of Holders through DTC.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers among participants on whose behalf it acts with respect to the Bonds and is required to receive and transmit distributions of principal and interest on the Bonds. Participants and indirect participants with whom Holders have accounts with respect to the Bonds similarly are required to make book-entry transfers and receive and transmit those payments on behalf of their respective Holders. Accordingly, although Holders will not possess the Bonds, Holders will receive payments and will be able to transfer their interests.

Because DTC can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a Holder to pledge Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those Bonds, may be limited due to the lack of a physical certificate for those Bonds.

DTC has advised it will take any action permitted to be taken by a Bondholder under the Indenture only at the direction of one or more participants to whose account with DTC the Bonds are credited. Additionally, DTC has advised it will take those actions with respect to specified percentages of the Outstanding Amount of the Bonds or any Tranche thereof only at the direction of and on behalf of participants whose holdings include interests that satisfy those specified percentages. DTC may take conflicting actions with respect to other interests to the extent that those actions are taken on behalf of participants whose holdings include those interests.

How Bond Payments Will Be Credited by Clearstream and Euroclear. Distributions with respect to the Bonds held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Please read "TAX MATTERS" in this Official Statement. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a Holder under the Indenture on behalf of a Clearstream participant or Euroclear participant only in accordance with its relevant rules and procedures and subject to its depositary's ability to effect those actions on its behalf through DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the Bonds among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Printed by: ImageMaster, LLC
www.imagemaster.com