

LOWER COLORADO RIVER AUTHORITY

Voluntary Disclosure Statement dated March 2, 2021

This disclosure statement is made voluntarily by the Lower Colorado River Authority ("LCRA") without a current intention to provide any updates to this disclosure statement or its subject matter or make similar voluntary filings in the future. Any obligation to do so now or in the future is expressly disclaimed.

Capitalized terms used in this disclosure statement, not otherwise defined herein, shall have the meanings given to them in the Official Statement of the Lower Colorado River Authority ("LCRA") dated November 13, 2019, relating to LCRA's Refunding Revenue Bonds, Series 2020 (the "2020 Official Statement") filed with the Municipal Securities Rule Making Board's Electronic Municipal Market Access system at www.emma.msrb.org ("EMMA"). This disclosure statement is being provided by LCRA with respect to all Parity Debt that is currently Outstanding under the Master Resolution and payable from Pledged Revenues.

This disclosure statement speaks only as of its date. This disclosure statement is not made in connection with a purchase or sale of securities and accordingly is not intended to contain all information material to a decision to purchase or sell obligations of LCRA secured by Pledged Revenues. In providing this disclosure statement LCRA makes no representation with respect to the materiality of the information herein to any investor.

This disclosure statement has been linked to all 6-digit base numbers included in the CUSIP numbers assigned to Outstanding Parity Debt. No implication is made that the information contained or referenced herein is relevant to an investment in any securities payable from sources other than Pledged Revenues.

February 2021 Winter Weather Event in Texas

From February 14, 2021 through February 19, 2021, the State of Texas (the "State") experienced a historically severe winter storm in terms of scope and duration statewide with record breaking below freezing temperatures over prolonged periods of time (the "Weather Event"). On February 12, 2021, in anticipation of the storm, the Governor of the State declared a state of disaster for all counties in the State.

Beginning February 12, 2021, and continuing over the next several days, the natural gas market experienced extreme price volatility due to the restriction of supply and increasing demand precipitated by the Weather Event. Natural gas spot prices increased from an average of less than \$3 per million British thermal unit ("MMBtu") to as high as \$500 per MMBtu. Additionally, the price per megawatt hour ("MWh") of electricity in the ERCOT electric market reached the market cap of \$9,000/MWh on February 14, 2021, again on February 15, 2021, and then again on February 16, 2021 (where it remained through February 18, 2021), in contrast to settlement on February 10, 2021 at \$30/MWh.

ERCOT mandated reductions in electric load across the State and prolonged power outages began in the early morning hours of Monday, February 15, 2021, and continued throughout the week. ERCOT reported that it had lost 46,000 MW of generation, comprised of 28,000 MW of natural gas and coal generation and 18,000 MW of wind and solar. ERCOT also reported that approximately 185 generating units had been tripped offline for one reason or another related to the Weather Event. On February 19, 2021, ERCOT returned to normal operating conditions.

Continuing Market Disruption in ERCOT

The Weather Event has caused unprecedented disruptions in ERCOT's typical settlement functions. ERCOT typically settles transactions between purchasers and suppliers of electric power daily. As a result of the Weather Event, ERCOT suspended and modified settlements for a short period of time after the Weather Event. Then, on February 26, 2021, ERCOT announced that Qualified Scheduling Entities (each a "QSE") that are owed monies from ERCOT for payout on February 26, 2021 would receive an amount of funds less than balance payable because some ERCOT electric power purchasers failed to make full payments for settlement. ERCOT reported that it used \$800 million of other funds held by ERCOT to partially make up the shortfall and still disclosed a \$1.3 billion deficiency. LCRA and other electric power suppliers within ERCOT are currently experiencing short payments as the market disruption continues within ERCOT settlement function. For a discussion of LCRA's current experience with settlements in ERCOT, see "Financial Implications of the Weather Event and Continuing Market Disruption to LCRA" below.

LCRA's Participation in the ERCOT Electric Market and Recovery of Electric Power and Fuel Purchases Generally

LCRA meets its wholesale electric customers' requirements under the Wholesale Power Agreements by selling the output from its electric generation units and contracted purchased power into the ERCOT electric market and by purchasing power in the ERCOT electric market.

LCRA is the QSE for its (and GenTex Power Corporation) electric generation facilities and for the electric distribution load served by LCRA's wholesale electric customers. Acting as the QSE, LCRA is responsible to financially settle for all power purchases made in the ERCOT real-time and day ahead electric market on behalf of its wholesale electric customers. LCRA subsequently recovers the net settlement amounts from the fuel component of its wholesale electric rates paid by LCRA's wholesale electric customers. Similarly, LCRA recovers the costs of natural gas and coal needed to run its electric generation facilities and the costs incurred by LCRA to purchase power in the ERCOT electric market in the rates it charges its wholesale electric customers.

For more information regarding the Wholesale Power Agreements, LCRA's wholesale electric customers, and LCRA's operations in the ERCOT electric market generally, see the 2020 Official Statement and the subsequent continuing disclosure filings for LCRA's Parity Debt available on EMMA.

Financial Implications of the Weather Event and Continuing Market Disruption to LCRA

During the Weather Event, LCRA incurred significant costs for the purchase of electric power from the ERCOT market at prices established by ERCOT. While there were periods of time LCRA was a net seller of power in the ERCOT market, there were also periods of time when LCRA purchased more electric power than what LCRA's electric generation facilities were producing over the relevant time period. As a result of the Weather Event and the continuing market disruption, LCRA currently estimates that it has incurred unbudgeted purchased power costs totaling approximately \$200 million, net of payments LCRA is entitled to receive from its sale of electric power. Such cost estimate is preliminary and is subject to revision.

On February 26, 2021, LCRA received approximately \$200,000 less than it expected from ERCOT on such date. On March 1, 2021, LCRA expected to receive \$1.4 million from ERCOT but did not receive any payments. Based on ERCOT's announcement on February 26th and payments received from ERCOT on February 26th and March 1st, LCRA does not currently have an estimate of the potential amount and duration of the short-pay settlements within ERCOT and can provide no assurances on the ability of LCRA to recover the amounts due. Based on the continuing short payments by ERCOT, LCRA cannot give any assurances as to when ERCOT's settlement function will return to normal.

Additionally, due to the extreme natural gas price increases discussed above, LCRA also currently estimates that it incurred approximately \$180 million for natural gas purchases during the Weather Event for its gas-fired electric generation facilities. Such amount exceeded LCRA's monthly budgeted amount by approximately \$170 million.

As discussed above, the costs incurred by LCRA for purchasing electric power and fuel for its generation facilities are passed through to its wholesale electric customers in the fuel component of the rates LCRA charges such customers. LCRA may structure the recovery of such costs over a period of time. LCRA is in discussions with its customers and no assurances can be given currently as to the amounts or the period of time over which such recovery will ultimately occur. For a discussion regarding the creation of a regulatory asset for the recovery of such costs over a longer period of time, see "LCRA's Liquidity and Short-Term and Long-Term Financing Resources" below.

LCRA's Liquidity and Short-Term and Long-Term Financing Resources

As of January 31, 2021, LCRA had approximately \$374 million of cash on hand, composed of unrestricted cash and cash equivalents and investments of LCRA (unconsolidated), including LCRA's liquidity and operating reserves (excluding debt service reserves) of approximately \$96 million.

Additionally, LCRA has a number of short-term note programs (the "Note Programs") which are available to be used to finance certain of LCRA's ongoing expenditures, including natural gas and

electric power purchases, including its Commercial Paper Notes, Series B program, its Revenue Revolving Notes, Series C program, its Revenue Revolving Notes, Series D program and its Revenue Revolving Notes, Series E program. The various notes authorized by the Note Programs and the related credit agreements may be outstanding in an aggregate outstanding principal amount not to exceed approximately \$372.6 million. As of March 1, 2021, approximately \$335.4 million in principal amount of such notes is outstanding, leaving unutilized capacity of approximately \$37.2 million.

On March 1, 2021, the LCRA Board approved resolutions increasing (i) the Revenue Revolving Notes, Series C program maximum borrowing capacity from \$60 million to \$160 million and (ii) the Revenue Revolving Notes, Series E program maximum borrowing capacity from \$75 million to \$225 million. LCRA is currently negotiating with the respective banks associated with these two note programs to increase their respective purchase commitments to the maximum limits.

Additionally, to meet a portion of ERCOT's credit requirements for LCRA to act as a QSE, LCRA currently provides ERCOT two letters of credit issued by two banks which allows ERCOT to draw up to a total of \$90 million in the event of a payment or settlement deficiency by LCRA. LCRA would issue notes from its two electric nodal market revenue note programs to the respective banks in the event of an ERCOT draw on the letters of credit. To date, ERCOT has never drawn against the letters of credit related to any of LCRA's current or previous electric nodal market revenue note programs.

LCRA's extraordinary natural gas and electric power purchases during the Weather Event will be addressed through short-term financing vehicles of LCRA, including the Commercial Paper Notes, the Revolving Note Programs, including proceeds of recently issued notes, and available cash, while maintaining necessary funds for operating and capital needs. LCRA is also monitoring federal and state actions to determine if there would be opportunities to mitigate a portion of these costs. LCRA believes it has sufficient liquidity and short-term financing options to manage the impact of the Weather Event and meet current operating and capital needs.

LCRA also has the ability to finance its extraordinary natural gas and electric power purchases during the Weather Event through the issuance long-term Parity Debt of LCRA, including the refinancing of any Commercial Paper Notes and notes of the Revolving Note Programs. In such a case, LCRA could also pursue the establishment of a rate-supported regulatory asset for the extraordinary natural gas and electric power purchases. The costs recorded in a regulatory asset would be amortized over a period of years through fuel component of LCRA's wholesale electric rates. The revenue associated with the regulatory asset would be available for the debt service on the long-term Parity Debt if issued to finance or refinance LCRA's extraordinary costs of the Weather Event.

Rating Agency Actions for Parity Debt

On February 24, 2021, Fitch Ratings, Inc. placed all long-term Parity Debt of LCRA currently Outstanding under the Master Resolution and payable from Pledged Revenues on Rating Watch negative.

On February 24, 2021, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, placed all long-term Parity Debt of LCRA currently Outstanding under the Master Resolution and payable from Pledged Revenues on CreditWatch with negative implications.

For more information regarding such rating agency actions, please contact the applicable rating agency.

Other Market Impacts Related to the Weather Event

On March 1, 2021, it was reported in the financial news that Brazos Electric Cooperative, Inc. ("Brazos"), a wholesale electric provider for its 16 retail electric cooperative members and an electric power generator and purchaser within ERCOT, filed for Chapter 11 bankruptcy with an unpayable \$1.8 billion bill from ERCOT resulting from the Weather Event. While LCRA has entered into a number of transactions with Brazos, LCRA believes the Brazos bankruptcy will not have a material adverse impact on the operations and finances of LCRA.

Forward Looking Statements

The statements contained in or referenced by this disclosure statement that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included herein are based on information available on the date hereof, and LCRA assumes no obligation to update any such forward-looking statements. It is important to note that actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate.

The cost estimates that LCRA has provided in this notice related to the impact of the Weather Event are preliminary in nature and represent only current expectations as of the date hereof. The recency of the Weather Event, its dynamic nature, expansive scope and uniqueness in the State complicate LCRA's ability to provide more precise data and more complete information regarding the impacts of the Weather Event and LCRA's anticipated responses thereto at this time.