

Turnarounds & Workouts

News for People Tracking Distressed Businesses

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Successful Restructurings of 2022

BRAZOS ELECTRIC POWER COOPERATIVE, INC.

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Investment Banker to Debtor: Moelis & Company LLC (Bassam Latif); Collet & Associates, LLC (William A. Collet)

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Counsel to Ad Hoc Group of Member-Owner Distribution Cooperatives: Vinson & Elkins LLP (Harry A. Perrin, Michael A. Garza, Kiran Vakamudi)

Brazos, Texas' largest and oldest electric transmission cooperative, filed for bankruptcy due to unprecedented losses arising from the historic five-day winter snow storm in Texas in February 2021, and in an effort to protect its member cooperatives and consumers from liability for invoices totaling over \$2.1B issued by ERCOT for energy charges during Storm Uri. The case involved a myriad of novel and complex political, cooperative governance and litigation matters, including litigation with ERCOT in which Brazos sought to reduce the ERCOT claim by more than \$1B; members of the Brazos coop; parties to power purchase agreements that asserted rejection damages exceeding \$1B; and other major creditors and parties-in-interest. Brazos' confirmed Plan provided cash distributions of about 90 cents on the dollar to \$1B of non-ERCOT unsecured creditors. The Plan will be funded principally by member cooperatives raising more than \$2.1B by issuing securities payable out of rate surcharges on their customers. The Committee's success in negotiating a 90-cent plan stands in stark contrast to previous electric cooperative bankruptcies, where unsecured creditors received little or nothing. The case also garnered special interest because of the potential far-reaching implications on the interplay between state laws and their governing authority with respect to electric cooperatives, and the application of the absolute priority rule and best interests tests under 11 U.S.C. Section 1129 for a debtor utility coop. Ultimately the major disputes in the case were successfully mediated before Judge Marvin Isgur which served as a foundation for the Plan.

About This Publication:

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