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PUC DOCKET NO. 52709

**COMPLIANCE FILING FOR DOCKET § PUBLIC UTILITY COMMISSION
NO. 52321 (APPLICATION OF §
ELECTRIC RELIABILITY COUNCIL §
OF TEXAS, INC. FOR A DEBT § OF TEXAS
OBLIGATION ORDER PURSUANT TO §
CHAPTER 39, SUBCHAPTER M, OF §
THE PUBLIC UTILITY §
REGULATORY ACT) §**

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.'S
SIX-MONTH INITIAL INTERIM TRUE-UP COMPLIANCE
FILING, REPORT OF RECOVERIES, AND NOTICE OF
DEFAULT CHARGE ADJUSTMENT**

MAY 12, 2022

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PUC DOCKET NO. 52709

**6 MONTH INTERIM TRUE-UP
COMPLIANCE FILING FOR TEXAS
STABILIZATION M BONDS,
SERIES 2021 – DEFAULT CHARGES** § **PUBLIC UTILITY COMMISSION**
 § **OF TEXAS**
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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S
SIX-MONTH INITIAL TRUE-UP COMPLIANCE FILING,
REPORT OF RECOVERIES, AND NOTICE OF DEFAULT
CHARGE ADJUSTMENT**

Pursuant to the Debt Obligation Order adopted by the Public Utility Commission of Texas (the Commission) in Docket No. 52321¹ (hereinafter, the Debt Obligation Order), Electric Reliability Council of Texas, Inc. (ERCOT), as the servicer of the bonds issued under Subchapter M of Chapter 39 of the Public Utility Regulatory Act (the Servicer), hereby submits its initial six-month interim true-up filing and notice of default charge adjustment (True-Up Filing). In support of this True-Up Filing, the Servicer respectfully shows as follows:

I. Background

On July 16, 2021, ERCOT filed an application for a debt obligation order under Subchapter M of Chapter 39 of the Public Utility Regulatory Act (PURA) to securitize extraordinary costs incurred due to Winter Storm Uri. That proceeding was assigned Docket No. 52321. On November 14, 2021, the Commission issued a Debt Obligation Order that authorized the issuance of the debt obligations in an aggregate amount of up to \$800 million (the Uplift Balance) and approved the assessment of default charges to all wholesale market participants (except those expressly exempted by PURA) in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in

¹ *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter M, of the Public Utility Regulatory Act, Docket No. 52321, Final Debt Obligation Order, Findings of Fact Nos. 67-71 and 74 and Ordering Paragraphs Nos. 15 and 15A (Nov. 14, 2021) [hereinafter Final Order].*

connection with the issuance of the debt obligations. In accordance with the Debt Obligation Order, Texas Electric Market Stabilization M Funding LLC (the Issuer) issued on November 12, 2021, the Texas Stabilization M Bonds, Series 2021 (the Stabilization M Bonds) in an aggregate principal amount of \$800 million. The Servicer began billing default charges, consistent with the requirements of the Debt Obligation Order, in January 2022. As Servicer for the Issuer, ERCOT bills, collects, receives, and adjusts the default charges imposed pursuant to the Default Property Servicing Agreement (the Servicing Agreement) that was entered into between the Issuer and the Servicer, dated November 12, 2021. The Servicer remits default charges received to the Indenture Trustee to repay the Stabilization M Bonds. The Debt Obligation Order, ERCOT Protocols, and the Servicing Agreement set out the terms and conditions under which the default charges will be billed and collected with respect to the Stabilization M Bonds.

The Debt Obligation Order requires the Servicer to review and adjust default charges to correct for any under-collections or over-collections and to ensure the expected recovery of amounts sufficient to produce substantially level annual debt service over the expected interest and amortization periods of the Stabilization M Bonds to timely provide all payments of debt service.² True-up adjustments are based on cumulative differences, regardless of the reason, between the periodic payment requirements and the amount of default charge remittances made to the Indenture Trustee by the Servicer. In accordance with the Debt Obligation Order, the Servicer is providing this initial Six-Month Calculation and notice of adjustment.³

This True-Up Filing reflects a need to increase default charges. Up-front costs in excess of those estimated were incurred in connection with the initial issuance of the Stabilization M Bonds.

² *Id.*

³ *Id.* at Finding of Fact No. 67 and Ordering Paragraphs Nos. 15 and 15A.

As more fully detailed in ERCOT's Final Accounting of Up-Front Costs – Subchapter M⁴ after netting saving against increased cost, net issuance cost were in excess of estimates by \$195,000.

Any capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Debt Obligation Order.

II. Recoveries

The Debt Obligation Order also requires the Servicer to periodically report on amounts repaid by, or recovered from, market participants whose unpaid obligations from the period of emergency were included in the Stabilization M Bonds so that, consistent with PURA Section 39.603(c), amounts repaid or recovered *can* be used to pay portions of the default charges over the remaining term of the Stabilization M Bonds.⁵

See the Recovery Report, attached as Attachment 1 reflecting that to date there has been a recovery of unpaid obligations in the total amount of \$1,113,935.

III. Right to Redeem the Stabilization M Bonds in Whole or in Part

The Servicer has the option to use any excess collections to prepay the Stabilization M Bonds if prepayment does not involve penalties, but to the extent that prepayment involves penalties or refinancing is impossible, the Servicer is not required to prepay the Stabilization M Bonds.⁶ In negotiating with the Texas Comptroller of Public Accounts (the Initial Purchaser) the terms of the Stabilization M Bonds, the Servicer received the right to redeem the Stabilization M Bonds, in whole or in part, without penalty or premium for the first 3 years the Stabilization M Bonds are outstanding or as long thereafter as the Initial Purchaser still holds the Stabilization M Bonds. Redemption of the Stabilization M Bonds involves their reissuance and the re-amortization of the reduced principal of

⁴ *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter M, of the Public Utility Regulatory Act*, Docket No. 52321, Final Accounting of Up-Front Costs – Subchapter M (Jan. 11, 2022) [hereinafter Final Accounting].

⁵ Final Order, *supra* note 1, at Finding of Fact No. 69.

⁶ *Id.* at Finding of Fact No. 49.

the Stabilization M Bonds. It is anticipated significant costs would be incurred in such a partial redemption by both the Servicer and the Initial Purchaser of the Stabilization M Bonds. Since the Servicer *can* use recovery amounts to pay a portion of the default charges over the remaining term of the Stabilization M Bonds or redeem a portion of the Stabilization M Bonds, the Servicer has elected to deposit the recovered amounts in a recovery account with the Indenture Trustee to be invested in eligible investments pending the timely resolution of several remaining recovery actions which are in litigation. When a greater portion of the anticipated recovery amounts is realized, the Servicer will analyze whether to redeem a portion of the Stabilization M Bonds or use the recovered amounts to pay a portion of the default charges over the remaining term of the Stabilization M Bonds based on a subsequent review. If the Servicer determines the remaining recovery actions will not be resolved so that a significant portion of the Stabilization M Bonds can be redeemed in an efficient fashion during the period the Stabilization M Bonds can be redeemed without premium, the Servicer may use the recovered amounts to pay portions of the default charges over the remaining term of the Stabilization M Bonds. This determination would be based on which treatment of the recovered amounts results in the lowest financing costs.

IV. Purpose of Filing and Jurisdiction

The Servicer is submitting this its initial Six-Month True-Up Filing in accordance with Debt Obligation Order, Finding of Fact No. 67 and Ordering Paragraph No. 15A. The Commission has jurisdiction over true-up calculations and adjustments pursuant to PURA § 39.603.

V. Notice

In accordance with Section 4.01(e)(i)(B) of the Servicing Agreement, a copy of this True-Up Filing is being sent to the following parties:

Texas Electric Market Stabilization Funding M LLC:	Texas Electric Market Stabilization Funding M LLC 8000 Metropolis Drive (Building E), Suite 100 Austin, Texas 78744 Attn: Chief Executive Officer
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Texas Treasury Safekeeping Trust Company:

Texas Treasury Safekeeping Trust Company
208 East 10th Street, 4th Floor
Austin, Texas 78701
Attn: Genoveva Minjares
Email: accounting@ttstc.texas.gov
legal@ttstc.texas.gov

U.S. Bank Trust Company, National Association:

U.S. Bank Trust Company, National Association
13737 Noel Road, 8th Floor
Dallas, Texas 75240
Attn: Corporate Trust Services

VI. Six-Month Calculation & True-Up Adjustment

Findings of Fact Nos. 67-71 & 74 of the Debt Obligation Order set forth the procedures related to mandatory interim true-up calculations and true-up adjustments. Finding of Fact No. 67 and Ordering Paragraphs 15 and 15A of the Debt Obligation Order requires the Servicer to provide an initial six-month true-up calculation (the Six-Month Calculation) six months following the closing of the Stabilization M Bonds. If the Six-Month Calculation projects under-collections of the default charges, the Servicer must implement a true-up adjustment in accordance with the standard true-up procedure for the remainder of the initial annual-true-up period.

The initial Six-Month Calculation requires the Servicer to (i) calculate under-collections for the interim period by subtracting the interim period's default charge revenues collected from the periodic billing requirement determined for the same period; (ii) estimate any anticipated under-collections for remaining interim period; (iii) calculate the periodic billing requirement for the remaining interim period, taking into account the total amount of prior and anticipated under-collection amounts described in steps (i) and (ii) above, and calculate the monthly amortization amount for the periodic billing requirement; and (iv) assess the updated monthly amortization amount to each Qualified Scheduling Entity (QSE) and Congestion Revenue Right (CRR) account holder in accordance with the default charges assessment methodology. The required Six-Month Calculation is provided on Attachment 2 and the accompanying Work Papers and results in an increase of the monthly default charges from \$3,713,235 to \$3,761,985.

VII. Timing of Six-Month Calculation and Effective Date of True-Up Adjustment

The Servicer is required to provide the Six-Month Calculation six months following the closing date of the Stabilization M Bonds, which occurred on November 12, 2021. Therefore, this Six-Month Calculation is timely filed.

In addition to filing the Six-Month Calculation, the Servicer is required to file notice regarding mandatory interim true-up adjustments with the Commission not less than forty-five (45) days prior to the first billing cycle of the month in which the revised default charges shall come into effect. The Servicer proposes an effective date of the revised default charges for the July 2022 billing period. In accordance with Finding of Fact No. 74 of the Debt Obligation Order, the Commission has fifteen (15) days after the date of this filing to confirm the true-up adjustment complies with PURA and the Debt Obligation Order. Any true-up adjustment filed with the Commission is effective on its proposed effective date, which will not be less than fifteen (15) days after filing. Any necessary corrections to the adjusted default charge due to mathematical errors in the calculation of the default charge will be made in future true-up adjustments.

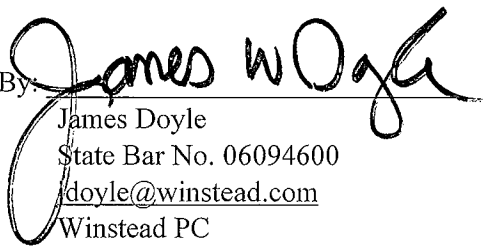
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VIII. Conclusion and Prayer

Based on the foregoing, the Servicer respectfully requests that the Commission or another Presiding Officer with delegated authority issue an order confirming this True-Up Filing complies with PURA and the Debt Obligation Order.

Respectfully submitted,

WINSTEAD PC

By: 
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Winstead PC

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Houston, Texas 77002
Telephone: (713) 650-8400
Facsimile: (713) 650-2400

ATTORNEY FOR ERCOT

**ATTACHMENT 1
RECOVERY REPORT**

Name	Source of Funding	Amount	Received
Energy Monger LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$ 440,643	3/29/2022
GB Power LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$ 453,902	3/29/2022
Illuminar Energy LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$ 219,390	3/29/2022
	Total	\$ 1,113,935	

**ATTACHMENT 2
INTERIM 6 MONTH TRUE UP**

For the period November 12, 2021 through June 30, 2022	Amounts
Periodic billing requirements for the above interim period	\$22,279,410
Amounts transferred to Trust through April 30, 2022 ⁷	\$14,852,940
Estimated May and June Collections	\$7,426,470
Interest Earnings on Subaccounts through 4/30/2022	\$0
TOTAL Estimated Inflows	\$22,279,410
Under-collections for the preceding interim period	\$0
Closing costs in excess of estimates ⁸	\$195,000
Previous periodic billing requirement for succeeding interim period of July through October	\$14,852,940
Estimated anticipated under-collections for the succeeding interim period of July through October	\$0
Updated periodic billing requirement for the succeeding interim period July through October	\$15,047,940
Net (Shortfall)/Surplus	(\$195,000)
Monthly Default Charges commencing July 2022	\$3,761,985
Currently Monthly Default Charges	\$3,713,235
True Up Increase	\$48,750

⁷ Through the April periodic billing the Servicer has collected all default charges billed.

⁸ Final Accounting, *supra* note 4.



Affidavit of Sean Taylor.pdf

DocVerify ID: 03E69D3E-A753-4DD9-ADAB-A2999AF67BFE
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E-Signature Summary

E-Signature 1: Sean Taylor (ST)

May 12, 2022 07:04:46 -8:00 [74BF3CAFBD18] [72.179.5.248]
 Sean.Taylor@ercot.com (Principal) (Personally Known)

E-Signature Notary: Lissette Ruiz (LR)

May 12, 2022 07:04:46 -8:00 [DAB84F64E6D7] [66.69.202.172]
 lissette.ruiz@ercot.com

I, Lissette Ruiz, did witness the participants named above electronically sign this document.



AFFIDAVIT OF SEAN TAYLOR

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, the undersigned notary public, on this day personally appeared Sean Taylor, who first being duly sworn, upon this oath said:

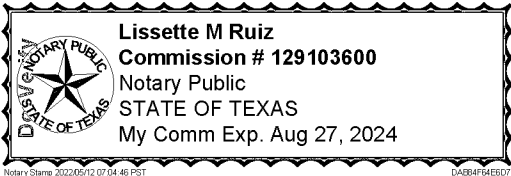
- 1. My name is Sean Taylor. I am over the age of 21, a resident of Texas, and of sound mind and competent to testify to the matters stated herein. I am the Vice President and Chief Financial Officer for Electric Reliability Council of Texas, Inc., authorized to represent Electric Reliability Council of Texas, Inc.

- 2. I have reviewed the Six-Month Initial True-Up Compliance Filing, Report of Recoveries, and Notice of Default Charge Adjustment, and the statements and information therein are true and accurate to the best of my knowledge and belief, and I hereby adopt them as my own.

The foregoing statements are true and correct. This concludes my affidavit.

Sean Taylor
Signed on 2022/05/12 07:04:46 -8:00

SUBSCRIBED AND SWORN BEFORE ME by the said Sean Taylor this 12th day of May, 2022.



Lissette M Ruiz
Signed on 2022/05/12 07:04:46 -8:00

Notary Public in and for the State of Texas

Notarial act performed by audio-visual communication

03E69D3E-A753-4DD9-ADAB-A2999AF67BFE --- 2022/05/12 06:41:44 -8:00 --- Remote Notary



AMOUNTS TRANSFERRED TO TRUST THROUGH APRIL 30, 2022

	<u>Amount Transferred</u>	<u>Interest Earned on Supplemental Capital Subaccount</u>	<u>Interest Earned on Excess Subaccount</u>	<u>Interest Earned on General Subaccount</u>
NOV	\$ 0			
DEC	\$ 0			
JAN	\$ 3,713,235			
FEB	\$ 3,713,235			
MAR	\$ 3,713,235			
APR	\$ 3,713,235			
<hr/>				
TOTAL	\$ 14,852,940	\$0	\$0	\$0
			Total Interest	\$0
			Total Inflows	\$14,852,940