



Item 5.3: Periodic Report on Debt Compliance

Leslie Wiley
Treasurer

Finance and Audit Committee Meeting

ERCOT Public
June 20, 2022

ERCOT Debt Compliance Through Q1 2022

Select Debt Provision	2012 Private Placement	2019 Revolver
The Debt Coverage Ratio is not less than 1.10:1.00 as of the last day of the fiscal year	Yes 12/31/2021: 3.28:1.00	Yes 12/31/2021: 3.28:1.00
No merger or consolidation with another entity is contemplated at this time	None	None
No Asset Sale has been consummated or is currently contemplated	None	None
No Priority Debt has been created, incurred, assumed, or guaranteed at this time	None	None
No notice or event of default or any judgements or orders for the payment in excess of \$500,000 which could have a material adverse effect	None	None
No matters expected to have a Material Adverse Effect on the ability of ERCOT to perform its obligations under the borrowing agreements	None	None
The principal of and premium, if any, and interest has been punctually paid	Current – paid on 3/29/22	N/A – No balance on revolver
Provide financial statements annually	Yes – 2021 statements provided on 4/29/22	Yes – 2021 statements provided on 4/29/22
Provide financial statements quarterly	Yes – 3/31/22 statements provided on 5/20/22	N/A



Securitization 2021 Annual Compliance

Select Debt Provision	Subchapter M
The principal of and premium, if any, and interest on the M Bonds has been duly and punctually paid	N/A
The Issuer shall punctually perform and observe all of its obligations and agreements contained in the transaction documents	Current – provided on 3/31/22
The Issuer has at all times maintain its Required Capital	Current – provided on 3/31/22
No, sale, transfer, exchange or otherwise disposal of any of the properties or assets of the Issuer occurred	None
No debt obligations under the Securitization Law or any similar law (other than the Texas Stabilization M Bonds) has been incurred	None
No merger or consolidation is contemplated at this time	None
No asset sale, conveyed, exchanged, transferred or disposed has occurred	None
The Issuer has not changed its name, identity or structure or the location of its chief executive office, unless at least ten (10) Business Days prior to the effective date of any such change the Issuer delivered to the Indenture Trustee such documents, instruments or agreements, executed by the Issuer, as necessary to reflect such change and to continue the perfection of the security interest	The Issuer’s address changed and did not notify the Indenture Trustee 10 days prior to change. The Issuer did notify the Indenture Trustee on 3/31/22 with the annual compliance.



Debt Compliance Report

Appendices

ERCOT Debt Officer's Certificate

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly appointed Vice President and Chief Financial Officer of ERCOT;
2. The attached Exhibit 1 provides the information required to establish ERCOT's compliance with the requirements of Sections 10.2 through Section 10.4 and Section 10.9 of the Agreement, inclusive, during the fiscal year ending March 31, 2022 pursuant to Section 7.2(a) of the Agreement;
3. I have reviewed the relevant terms of the Agreement in connection with Section 7.2(b) of the Agreement; and I have made, or have caused to be made under my supervision, a review of the transactions and conditions of ERCOT from the beginning of the fiscal year ending March 31, 2022 to the date of this Officer's Certificate; and
4. The review described in the preceding paragraph did not disclose, and I have no personal knowledge of, the existence during such period of any condition or event which constitutes a Default or an Event of Default under the Agreement.
5. Debt Coverage Ratio as of December 31, 2021 statements (see attached Exhibit 2, in 000's):

a. EBITDA	\$ 27,714
b. Debt service expense	\$ 4,000
c. Interest expense	\$ 4,461
d. Ratio of (a) to sum of (b) & (c) =	3.28 : 1.00
e. Minimum	1.10 : 1.00

The foregoing statements are made this 28th day of May 2022.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Signature on file

Sean Taylor

Vice President and Chief Financial Officer



ERCOT Debt Financial Statement Certificate

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly appointed Vice President and Chief Financial Officer of ERCOT;
2. The financial statements attached fairly present, in all material respects, the financial position of ERCOT, its results of operations and cash flows, all subject to changes resulting from year-end adjustments, as of and for the quarterly period ended March 31, 2021.

The foregoing statements are made this 28th day of May 2022.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Signature on File
Sean Taylor
Vice President and Chief Financial Officer



ERCOT Statement of Financial Position

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Financial Position

As of March 31, 2022 and 2021

(Dollars in Thousands)

	<u>03.31.22</u>	<u>03.31.21</u>
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,221,488	\$ 381,871
Accounts receivable	19,320	4,005
Unbilled revenue	3,285	1,983
Restricted cash and cash equivalents	972,498	453,477
Short term investments		
Prepaid expenses and other current assets	30,474	29,628
Total current assets	<u>2,247,065</u>	<u>870,964</u>
Long term investments		
Property and equipment, net	112,214	103,257
Systems under development	43,085	33,326
Default charges receivable, non current	779,293	-
Other long term assets	736	896
Total assets	<u>\$ 3,182,393</u>	<u>\$ 1,008,443</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,305	\$ 7,121
Accrued liabilities	33,637	16,565
Finance lease liabilities current	12,507	-
Deferred revenue	229	228
Market settlement liabilities	560,728	(97,579)
Security deposits	972,498	453,477
Notes payable, current portion	17,912	4,000
Total current liabilities	<u>1,598,816</u>	<u>383,812</u>
Long term liabilities:		
Notes payable, less current portion:		
Principal	824,088	42,000
Less unamortized debt issuance costs	2,033	169
Notes payable less current portion and unamortized debt issuance costs	<u>822,055</u>	<u>41,831</u>
Long term CRR liabilities	637,124	450,827
Other long term liabilities	595	455
Total long term liabilities	<u>1,459,774</u>	<u>493,113</u>
Total liabilities	3,058,590	876,925
Net assets without donor restrictions	123,803	131,518
Total liabilities and net assets	<u>\$ 3,182,393</u>	<u>\$ 1,008,443</u>



ERCOT Statement of Activities

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Activities

For the Three Months Ended March 31, 2022 and 2021

(Dollars in Thousands)

	<u>03.31.22</u>	<u>03.31.21</u>
	(unaudited)	(unaudited)
Operating revenues		
System administration fees	\$ 52,998	\$ 48,497
Other services revenue	3,143	2,869
Default charges fees	6,105	-
Total operating revenues	<u>62,246</u>	<u>51,366</u>
Operating expenses		
Salaries and related benefits	33,870	32,587
Facility and equipment costs	2,439	2,554
Outside services	8,791	3,766
Hardware and software maintenance and licensing	8,035	7,468
Depreciation	6,243	6,938
Other	3,284	1,531
Total operating expenses	<u>62,662</u>	<u>54,844</u>
Income (loss) from operations	(416)	(3,478)
Other income (expense)		
Investment return, net	99	180
Interest expense	(6,355)	(310)
Non-operating income	-	2
Change in net assets without donor restrictions	<u>(6,672)</u>	<u>(3,606)</u>
Net assets without donor restrictions, beginning of year	130,475	135,124
Net assets without donor restrictions, end of period	<u>\$ 123,803</u>	<u>\$ 131,518</u>



ERCOT Statement of Cash Flows

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Cash Flows

For the Three Months Ended March 31, 2022 and 2021

(Dollars in Thousands)

	<u>03.31.22</u> (unaudited)	<u>03.31.21</u> (unaudited)
Operating activities:		
Change in net assets without donor restrictions	\$ (6,672)	\$ (3,606)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	6,243	6,938
Amortization of debt issuance costs	22	4
Repayments of interest portion of finance lease liabilities	(11)	-
Amortization of bond premium	-	290
Net gain on capital assets	-	(2)
Changes in operating assets and liabilities:		
Accounts receivable	(345)	1,018
Unbilled revenue	5,847	624
Prepaid expenses and other assets	(5,092)	(2,841)
Default charges receivable, non current	4,888	-
Other long-term assets	131	147
Other long-term liabilities	(64)	(142)
Accounts payable	(1,565)	3,125
Accrued liabilities	5,629	(1,668)
Deferred revenue	(843)	(732)
Security deposits	(163,464)	(205,082)
Market settlement liabilities	(26,156)	(786,962)
Long-term CRR liabilities	148,530	73,780
Net cash provided by (used in) operating activities	<u>(32,922)</u>	<u>(915,109)</u>
Investing activities:		
Purchase of Investments	-	(27,830)
Proceeds from Investments	-	130,505
Investment in subsidiary		
Capital expenditures for property and equipment and systems under development	(7,197)	(6,116)
Proceeds from sale of property and equipment	-	2
Net cash (used in) provided by investing activities	<u>(7,197)</u>	<u>96,561</u>
Financing activities:		
Repayment of notes payable	(1,000)	(1,000)
Repayments of principal portion of finance lease liabilities	(124)	-
Payment of debt issuance costs		
Net cash (used in) provided by financing activities	<u>(1,124)</u>	<u>(1,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	(41,243)	(819,548)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,235,229	1,654,896
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 2,193,986</u>	<u>\$ 835,348</u>



Texas Electric Stabilization Funding M, LLC Annual Compliance

I, Leslie Wiley, certify that:

(a) A review of Texas Electric Market Stabilization Funding M, LLC's (the "Issuer") activities undertaken since November 12, 2021 (the "Closing Date") of its performance under that certain Indenture dated as of the Closing Date between the Issuer and U.S. Bank, National Association (the "Indenture") has been made under my supervision.

(b) To the best of my knowledge, based on such review, the Issuer has fulfilled all of its obligations under the Indenture in all material respects since the Closing Date other than:

(i) The Issuer changed the location of its chief executive office without providing notice to the Trustee ten (10) Business Days prior as required by Section 3.08(g) of the Trust Indenture. Notice of the Issuer's change of address has this date been provided to the Trustee. See Exhibit F to the Issuer's Checklist – Annual Statement of Compliance of this date.

(c) The attached Issuer's Checklist - Annual Statement as to Compliance reflects some of the matters I reviewed to complete this Annual Statement of Compliance.

Date: March 31, 2022

Texas Electric Market Stabilization Funding M, LLC,
a Delaware limited liability company

Signature on File

Leslie Wiley
Vice President & Treasurer

