



Item 5.3: Periodic Report on Debt Compliance

Leslie Wiley
Treasurer

Finance and Audit Committee Meeting

ERCOT Public
August 15, 2022

ERCOT Debt Compliance Through Q2 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 6/28/22	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 – Statements due 8/29/22	N/A



Securitization Compliance Through Q2 2022

Select Debt Provision	Subchapter M	Subchapter N
The principal of and premium, if any, and interest on the M Bonds has been duly and punctually paid	Current – paid on 08/01/2022	N/A
The Issuer shall punctually perform and observe all of its obligations and agreements contained in the transaction documents	Current	Current
The Issuer has at all times maintain its Required Capital	Current	Current
No, sale, transfer, exchange or otherwise disposal of any of the properties or assets of the Issuer occurred	None	None
No debt obligations under the Securitization Law or any similar law (other than the Texas Stabilization M Bonds) has been incurred	None	None
No merger or consolidation is contemplated at this time	None	None
No asset sale, conveyed, exchanged, transferred or disposed has occurred	None	None

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 quarterly period ended June 30, 2022 Sections 10.2 through Section 10.4 and as of the last day of the fiscal year end for Section 10.9, 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 quarterly period ended June 30, 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 26th day of August 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 June 30, 2022.

The foregoing statements are made this 26th day of August 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.

Consolidated Statements of Financial Position

As of June 30, 2022 and 2021

(Dollars in Thousands)

	<u>06.30.22</u>	<u>06.30.21</u>
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,581,598	\$ 452,524
Accounts receivable	56,676	5,334
Unbilled revenue	8,557	3,399
Restricted cash and cash equivalents	1,383,823	628,778
Prepaid expenses and other current assets	30,439	30,818
Total current assets	3,061,093	1,120,853
Property and equipment, net	110,884	109,938
Systems under development	47,023	40,445
Securitization charges receivable, non current	2,842,096	-
Other long term assets	698	788
Total assets	<u>\$ 6,061,794</u>	<u>\$ 1,272,024</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,662	\$ 9,359
Accrued liabilities	44,022	18,051
Finance lease liabilities current	-	12,369
Deferred revenue	155	158
Market settlement liabilities	898,558	(1,362)
Security deposits	1,383,823	628,778
Debt payable, current portion	32,719	4,000
Total current liabilities	2,366,939	671,353
Long-term liabilities:		
Debt payable, less current portion:		
Principal	2,923,981	41,000
Less unamortized discount and debt issuance costs	17,951	164
Debt payable less current portion and unamortized discount and debt issuance	2,906,030	40,836
Long-term CRR liabilities	658,299	427,234
Other long-term liabilities	575	454
Total long-term liabilities	3,564,904	468,524
Total liabilities	5,931,843	1,139,877
Net assets without donor restrictions	129,951	132,147
Total liabilities and net assets	<u>\$ 6,061,794</u>	<u>\$ 1,272,024</u>



ERCOT Statement of Activities

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Consolidated Statements of Activities

For the Six Months Ended June 30, 2022 and 2021

(Dollars in Thousands)

	<u>06.30.22</u>	<u>06.30.21</u>
	(unaudited)	(unaudited)
Operating revenues		
System administration fees	\$ 114,989	\$ 102,528
Other services revenue	5,452	5,008
Securitization charges fees	16,943	-
Total operating revenues	<u>137,384</u>	<u>107,536</u>
Operating expenses		
Salaries and related benefits	65,831	63,026
Facility and equipment costs	4,809	5,089
Outside services	12,345	7,993
Hardware and software maintenance and licensing	17,736	16,165
Depreciation	12,295	13,980
Other	10,314	3,755
Total operating expenses	<u>123,330</u>	<u>110,008</u>
Income (loss) from operations	14,054	(2,472)
Other income (expense)		
Investment return, net	2,607	175
Interest expense	(17,185)	(681)
Non-operating income	-	1
Change in net assets without donor restrictions	<u>(524)</u>	<u>(2,977)</u>
Net assets without donor restrictions, beginning of year	130,475	135,124
Net assets without donor restrictions, end of period	<u>\$ 129,951</u>	<u>\$ 132,147</u>



ERCOT Statement of Cash Flows

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2022 and 2021

(Dollars in Thousands)

	06.30.22 (unaudited)	06.30.21 (unaudited)
Operating activities:		
Change in net assets without donor restrictions	\$ (524)	\$ (2,977)
to net cash provided by operating activities:		
Depreciation/amortization of assets	12,295	13,980
Amortization of discount & debt issuance costs	82	10
Repayments of interest portion of finance lease liabilities	(6)	-
Amortization of bond premium	-	290
Net gain on capital assets	-	(1)
Changes in operating assets and liabilities:		
Accounts receivable	(37,701)	(311)
Unbilled revenue	575	(792)
Prepaid expenses and other assets	(5,057)	(4,030)
Securitization charges receivable, non current	(2,057,915)	-
Other long-term assets	169	254
Other long-term liabilities	(84)	(143)
Accounts payable	4,595	4,830
Accrued liabilities	15,967	(232)
Deferred revenue	(917)	(802)
Security deposits	247,861	(29,781)
Market settlement liabilities	311,674	(690,745)
Long-term CRR liabilities	169,705	50,187
Net cash provided by (used in) operating activities	<u>(1,339,281)</u>	<u>(660,263)</u>
Investing activities:		
Purchase of Investments	-	(27,830)
Proceeds from Investments	-	130,505
Capital expenditures for property and equipment and systems under development	(28,392)	(14,008)
Proceeds from sale of property and equipment	-	2
Net cash (used in) provided by investing activities	<u>(28,392)</u>	<u>88,669</u>
Financing activities:		
Proceeds from debt issuance	2,115,542	-
Repayment of debt payable	(2,000)	(2,000)
Payment of debt issuance costs	(15,542)	-
Repayments of principal portion of finance lease liabilities	(135)	-
Net cash (used in) provided by financing activities	<u>2,097,865</u>	<u>(2,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	730,192	(573,594)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	<u>2,235,229</u>	<u>1,654,896</u>
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 2,965,421</u>	<u>\$ 1,081,302</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

