



## Filing Receipt

**Received - 2022-09-15 04:28:17 PM**

**Control Number - 52709**

**ItemNumber - 29**

**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  
FIRST ANNUAL TRUE-UP COMPLIANCE FILING,  
REPORT OF RECOVERIES, AND NOTICE OF DEFAULT  
CHARGE ADJUSTMENT**

**SEPTEMBER 15, 2022**

**TABLE OF CONTENTS**

<b><u>SECTION</u></b>	<b><u>PAGE</u></b>
Petition .....	1
Attachment 1 – Recovery Report .....	8
Attachment 2 – Annual True Up Calculation .....	9
Attachment 3 – Supporting Affidavit .....	10
Workpapers .....	12

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  
FIRST ANNUAL 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. 52321<sup>1</sup> (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 first annual 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 from the Commission 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 Default 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

---

<sup>1</sup> *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. 65-66 and 74 and Ordering Paragraphs Nos. 15 and 15A (Nov. 14, 2021) [hereinafter Final Order].

other required amounts and charges in 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.<sup>2</sup> 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 its First Annual True-Up Calculation (as hereinafter defined) and notice of adjustment.<sup>3</sup>

This True-Up Filing reflects a need to decrease Default Charges. The Default Charges commenced on November, 2022 and were initially in the monthly amount of \$3,713,235. Effective July, 2022, the Default Charges were increased to \$3,761,985 to allow the recovery of sufficient funds to pay closing costs that were in excess of estimated closing costs.<sup>4</sup> As shown in

---

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at Finding of Fact No. 66 and Ordering Paragraphs Nos. 15 and 15A.

<sup>4</sup> Docket No. 52709, ERCOT's Final Accounting of Up-Front Costs - Subchapter M, Electric Reliability Council of Texas Inc. (January 11, 2022); Docket No. 52709, ERCOT's Six Month Initial Interim True Up Compliance

Attachment 2 and the accompanying Work Papers to this filing, the monthly Default Charges should be decreased from \$3,761,985 to \$3,221,826.

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.<sup>5</sup>

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 \$7,528,819 of which \$6,414,884 was recovered since the date of the last true up filing made on May 12, 2022.

## **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.<sup>6</sup> 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

---

Filing, Report of Recoveries, and Notice of Default Charge Adjustment of Electric Reliability Council of Texas Inc. (May 12, 2022).

<sup>5</sup> Final Order, *supra* note 1, at Finding of Fact No. 69.

<sup>6</sup> *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. As reflected above, the Servicer is actively seeking recovery of unpaid amounts. The Servicer anticipates resolving a significant claim it has against Brazos Electric Power Cooperative, Inc. in the next several months. When that occurs, 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. 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 First Annual True-Up Filing in accordance with Debt Obligation Order, Finding of Fact No. 66 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
Texas Treasury Safekeeping Trust Company:	Texas Treasury Safekeeping Trust Company 208 East 10 <sup>th</sup> Street, 4 <sup>th</sup> Floor Austin, Texas 78701 Attn: Genoveva Minjares Email: <a href="mailto:accounting@ttstc.texas.gov">accounting@ttstc.texas.gov</a> <a href="mailto:legal@ttstc.texas.gov">legal@ttstc.texas.gov</a>
U.S. Bank Trust Company, National Association:	U.S. Bank Trust Company, National Association 13737 Noel Road, 8 <sup>th</sup> Floor Dallas, Texas 75240 Attn: Corporate Trust Services

## **VI. First Annual Calculation & True-Up Adjustment**

Findings of Fact Nos. 65-66, 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. 66 and Ordering Paragraphs 15 and 15A of the Debt Obligation Order requires the Servicer to recalculate Default Charges (the Annual True-Up Calculation) and provide adjustments in an annual true-up filing (the Annual True-Up Filing) with the Commission no later than the forty-fifth (45<sup>th</sup>) day after the anniversary date of the Final Order.

The Annual Calculation requires the Servicer to (i) calculate under-collections from the preceding annual true-up period by subtracting the previous period's default charge revenues collected from the periodic billing requirement determined for the same period; (ii) estimate any anticipated under-collections or overcollections for the upcoming annual true-up period; (iii) calculate the periodic billing requirement for the upcoming annual true-up period, taking into account the total amount of prior and anticipated overcollection and 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 Annual Calculation is provided on Attachment 2 and the accompanying Work Papers and results in an decrease of the monthly Default Charges from \$3,761,985 to \$3,221,826.

## **VII. Timing of Annual Calculation and Effective Date of True-Up Adjustment**

The Order provides that the Servicer is required to recalculate the Default Charges for the annual true-up and provide the Annual True-Up Filing no later than the forty-fifth (45<sup>th</sup>) day after the anniversary date of the Final Order, which is dated October 14, 2021. Therefore, this Annual True-Up Filing is timely filed.

In addition to filing the Annual True-Up Filing, the Servicer is required to file notice regarding annual 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 November 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



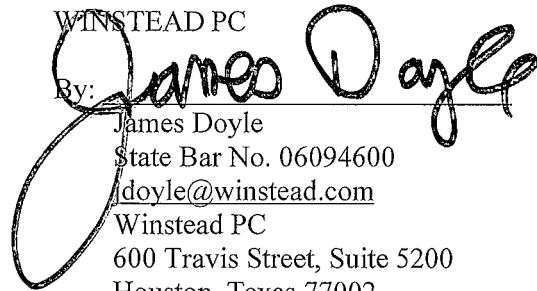
**VIII. Conclusion and Prayer**

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

Respectfully submitted,

WINSTEAD PC

By:

A large, stylized handwritten signature in black ink that reads "James Doyle". The signature is written over a horizontal line and extends significantly to the left and right of the text below it.

James Doyle

State Bar No. 06094600

[jdoyle@winstead.com](mailto:jdoyle@winstead.com)

Winstead PC

600 Travis Street, Suite 5200

Houston, Texas 77002

Telephone: (713) 650-8400

Facsimile: (713) 650-2400

**ATTORNEY FOR ERCOT**

**ATTACHMENT 1  
RECOVERY REPORT**

Name	Source of Funding	Amount <sup>7</sup>	Received
Energy Monger LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$440,643	03/29/2022
GB Power LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$453,902	03/29/2022
Illuminar Energy LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$219,390	03/29/2022
Gridplus Texas Inc	Letter of Credit under 16 T.A.C § 25.107(f)	\$495,358	05/18/2022
MQE LLC	Letter of Credit under 16 T.A.C § 25.107(f)	\$419,526	05/18/2022
Illuminar Energy LLC	Settlement Agreement	\$5,500,000	09/12/2022
	<b>Total</b>	<b>\$7,528,819</b>	

---

<sup>7</sup> In the case of the 5 Letters of Credit, the amount shown represents that portion of the applicable Letter of Credit that is a recovery for amounts due during the period of emergency.

**ATTACHMENT 2  
ANNUAL TRUE UP**

<b>Annual Period November 2021 through July 31, 2022 (AP 21-22)</b>	<b>Amounts</b>
Beginning Excess Subaccount Balance	\$0
<b>INFLOWS</b>	
Periodic billing requirements for AP 21-22 <sup>8</sup>	\$26,041,395
Amounts transferred to Trust through July 31, 2022 <sup>9</sup>	\$26,041,395
Interest Earnings on Subaccounts through July 31, 2022	\$33,119
<b>TOTAL Inflows</b>	<b>\$26,074,514</b>
<b>OUTFLOWS</b>	
Period November 2021 through August 1, 2022 for the below payments	
Principal – paid on August 1, 2022	\$4,243,656
Interest – paid on August 1, 2022	\$17,094,000
Supplemental capital account paid on August 1, 2022	\$500,000
Trustees Fees and Expenses – paid on August 1, 2022	\$5,863
Servicing Fee – paid on August 1, 2022	\$200,000
Administration Fee – paid on August 1, 2022	\$50,000
Operating Expenses – paid on August 1, 2022	\$35,000
<b>TOTAL Outflows</b>	<b>\$22,128,519</b>
Expenses in excess of original estimation pro forma	\$997,538
<b>Total Outflows and estimated outflows</b>	<b>\$23,126,057</b>
<b>INFLOWS MINUS OUTFLOWS</b>	
Under-collections for AP 21-22	\$0
Over-collections for AP 21-22	\$2,948,457
<b>Net (Shortfall)/Surplus</b>	<b>\$2,948,457</b>
Monthly Default Charges commencing November, 2022	\$3,221,826
Current Monthly Default Charges	\$3,761,985
<b>True Up Increase/(Decrease)</b>	<b>(\$540,159)</b>

<sup>8</sup> The periodic billing requirements through June 2022 were \$3,713,235.

<sup>9</sup> Through the July periodic billing the Servicer has collected all Default Charges billed.

**ATTACHMENT 3  
SUPPORTING AFFIDAVIT**

STATE OF TEXAS

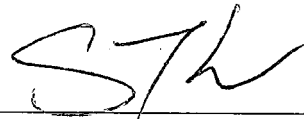
§  
§  
§

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:

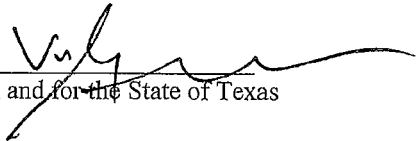
1. My name is Sean Taylor. I am over the age of 21, a resident of Texas, and of sound mind and competent to testify to the matters stated herein. I am the Vice President and Chief Financial Officer for Electric Reliability Council of Texas, Inc., authorized to represent Electric Reliability Council of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

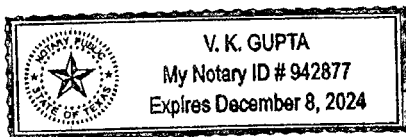


SEAN TAYLOR

SUBSCRIBED AND SWORN BEFORE ME by the said Sean Taylor this 15<sup>th</sup> day of September, 2022.



Notary Public in and for the State of Texas



STABILIZATION M BONDS WORKPAPERS

AMOUNTS TRANSFERRED TO TRUST THROUGH JULY 31, 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	\$0	\$0	\$0
DEC	\$0	\$0	\$0	\$0
JAN	\$3,713,235	\$0	\$0	\$0
FEB	\$3,713,235	\$0	\$0	\$0
MAR	\$3,713,235	\$0	\$0	\$0
APR	\$3,713,235	\$0	\$0	\$0
MAY	\$3,713,235	\$0	\$0	\$0
JUN	\$3,713,235	\$0	\$0	\$5,337
JUL	\$3,761,985	\$0	\$0	\$27,782
TOTAL	\$ 26,041,395	\$0	\$0	\$33,119
			Total Interest	\$33,119
			Total Inflows	\$26,074,514