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PUC DOCKET NO. 52710

**COMPLIANCE FILING FOR DOCKET § PUBLIC UTILITY COMMISSION
NO. 52322 (APPLICATION OF §
ELECTRIC RELIABILITY COUNCIL §
OF TEXAS, INC. FOR A DEBT § OF TEXAS
OBLIGATION ORDER PURSUANT TO §
CHAPTER 39, SUBCHAPTER N, OF §
THE PUBLIC UTILITY §
REGULATORY ACT) §**

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S
QUARTERLY TRUE-UP COMPLIANCE FILING AND
NOTICE OF UPLIFT CHARGE ADJUSTMENT**

SEPTEMBER 15, 2022

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ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.'S
QUARTERLY TRUE-UP COMPLIANCE FILING AND
NOTICE OF UPLIFT CHARGE ADJUSTMENT

Pursuant to the Debt Obligation Order adopted by the Public Utility Commission of Texas (the Commission) in Docket No. 52322¹ (hereinafter, the Debt Obligation Order), Electric Reliability Council of Texas, Inc. (ERCOT), as the servicer of the bonds issued under Subchapter N of Chapter 39 of the Public Utility Regulatory Act (the Servicer), hereby submits its September 2022, quarterly True-Up filing and notice of Uplift 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 N 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. 52322. On October 13, 2021, the Commission issued a Debt Obligation Order that authorized the issuance of the debt obligations in an aggregate amount of up to \$2.1 billion (the Uplift Balance), plus upfront costs, and approved the assessment of Uplift Charges to all qualified scheduling entities (QSEs) representing load-serving entities (except those expressly exempted by

¹ *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter N, of the Public Utility Regulatory Act*, Docket No. 52322, Final Debt Obligation Order, Findings of Fact Nos. 194-200 and Ordering Paragraphs Nos. 66 and 97 (Oct. 13, 2021) [hereinafter, Final Order].

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 connection with the issuance of the debt obligations. In accordance with the Debt Obligation Order, Texas Electric Market Stabilization N Funding LLC (the Issuer) issued on June 15, 2022, the Texas Stabilization N Bonds, Series 2022 (the Stabilization N Bonds) in an aggregate principal amount of \$2,115,700,000.00. The Servicer began billing Uplift Charges, consistent with the requirements of the Debt Obligation Order, in August 2022. As Servicer for the Issuer, ERCOT bills, collects, receives, and adjusts the Uplift Charges imposed pursuant to the Uplift Property Servicing Agreement (the Servicing Agreement) that was entered into between the Issuer and the Servicer, dated June 15, 2022. The Servicer remits Uplift Charges received to the Indenture Trustee to repay the Stabilization N Bonds. The Debt Obligation Order, ERCOT Protocols, and the Servicing Agreement set out the terms and conditions under which the Uplift Charges will be billed and collected with respect to the Stabilization N Bonds.

The Debt Obligation Order requires the Servicer to review and adjust Uplift Charges to correct for any under-collections or over-collections and to ensure the expected recovery of amounts sufficient to 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 Uplift Charge remittances made to the Indenture Trustee by the Servicer. In accordance with the Debt Obligation Order, the Servicer is providing this quarterly calculation and notice of adjustment.³

This True-Up Filing reflects a need to increase Uplift Charges. Up-front costs in excess of those estimated were incurred in connection with the initial issuance of the Stabilization N Bonds. As more fully detailed in ERCOT's Final Accounting of Up-Front Costs – Subchapter

² *Id.*

³ *Id.* at Finding of Fact Nos. 196-97 and Ordering Paragraphs No. 66.

N⁴ after netting saving against increased cost, net issuance cost was in excess of estimates by \$139,169. Additionally, the initial projections on ongoing annual operating expenses underestimated accounting and legal fees by \$553,591. It is anticipated that these costs are associated with first year implementation issues and will likely not be experienced to such a level after full implementation occurs. Therefore, as shown in Attachment 1 and the accompanying Work Papers to this True-Up filing, the daily Uplift Charges should be increased from \$446,702 to \$455,643.

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

II. Purpose of Filing and Jurisdiction

The Servicer is submitting its quarterly True-Up Filing in accordance with Debt Obligation Order, Findings of Fact Nos. 196-197 and Ordering Paragraphs No. 66. The Commission has jurisdiction over true-up calculations and adjustments pursuant to PURA § 39.653.

III. 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 N LLC: | Texas Electric Market Stabilization Funding N LLC 8000 Metropolis Drive (Building E), Suite 100 Austin, Texas 78744 Attn: Chief Executive Officer |
| U.S. Bank Trust Company, National Association: | U.S. Bank Trust Company, National Association 190 S. LaSalle Street, 7th Floor Chicago, Illinois 60603 Attn: Corporate Trust Services-TX Stabilization N Bonds |

⁴ Docket No. 52322, *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter N, of the Public Utility Regulatory Act*, ERCOT's Final Accounting of Up-Front Costs – Subchapter N (Aug. 12, 2022) [hereinafter, Final Accounting].

IV. Quarterly Calculation & True-Up Adjustment

Findings of Fact Nos. 194-200 of the Debt Obligation Order set forth the procedures related to mandatory quarterly true-up calculations and true-up adjustments. Finding of Fact No. 197 and Ordering Paragraph 33 of the Debt Obligation Order require the Servicer to provide a quarterly true-up calculation (the Quarterly Calculation) each quarter following the closing of the Stabilization N Bonds. If the Quarterly Calculation projects over-collections or under-collections of the Uplift Charges, the Servicer must implement a true-up adjustment in accordance with the standard true-up procedure.

The Quarterly Calculation requires the Servicer to (i) calculate under-collections and over-collections for the preceding true-up period by subtracting the previous period's Uplift Charge revenues collected from the periodic billing requirement determined for the same period; (ii) estimate any anticipated under-collections or overcollections for the current or upcoming true-up period; (iii) calculate the periodic billing requirement for the upcoming true-up period, taking into account the total amount of prior and anticipated over-collection and under-collection amounts described in steps (i) and (ii) above, and calculate the daily amortization amount for the periodic billing requirement; and (iv) assess the updated daily amortization amount to each QSE in accordance with the Uplift Charges assessment methodology. The required Quarterly Calculation is provided on Attachment 1 and the accompanying Work Papers and results in an increase of the daily Uplift Charges from \$446,702 to \$455,643.

V. Timing of Quarterly Calculation and Effective Date of True-Up Adjustment

The Servicer is required to provide the Quarterly Calculation on a quarterly basis following the closing date of the Stabilization N Bonds, which occurred on June 15, 2022. Therefore, this Quarterly Calculation is timely filed.

In addition to filing the Quarterly Calculation, the Servicer is required to file notice regarding quarterly 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 Uplift Charges shall come into effect. The Servicer proposes an effective date of the revised Uplift Charges for the November billing period. In accordance

with Finding of Fact No. 205 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 Uplift Charge due to mathematical errors in the calculation of the Uplift Charge will be made in future true-up adjustments.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

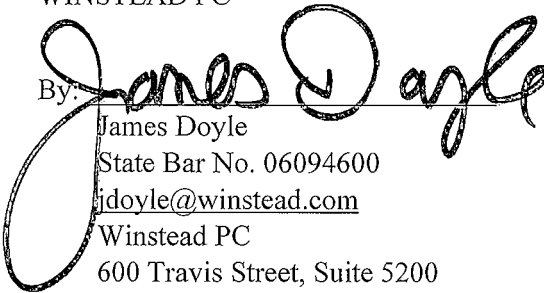
VI. Conclusion and Prayer

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:

A handwritten signature in black ink that reads "James Doyle". The signature is written in a cursive style with a large initial "J".

James Doyle

State Bar No. 06094600

jdoyle@winstead.com

Winstead PC

600 Travis Street, Suite 5200

Houston, Texas 77002

Telephone: (713) 650-8400

Facsimile: (713) 650-2400

ATTORNEY FOR ERCOT

FIRST QUARTERLY TRUE UP

| For the period June 15, 2022 through August 31, 2022 | Amounts |
|---|---------------------|
| Beginning Excess Subaccount Balance | \$0 |
| INFLOWS | |
| Periodic billing requirements for the above true-up period | \$13,847,762 |
| Amounts transferred to Trust through August 31, 2022 ⁵ | \$12,324,349 |
| Interest Earnings on Subaccounts through August 31, 2022 | \$7,570 |
| TOTAL Inflows | \$12,331,919 |
| OUTFLOWS | |
| None ⁶ | \$0 |
| Closing costs in excess of estimates ⁷ | \$139,169 |
| Estimated operating costs in excess of initial projections | \$553,591 |
| Aggregate Estimated Costs in Excess of Initial Estimates⁸ | \$692,760 |
| Projected Net (Shortfall)/Surplus | (\$692,760) |
| Daily Uplift Charges commencing November 1, 2022 ⁹ | \$455,643 |
| Current Daily Uplift Charges | \$446,702 |
| True Up Increase/(Decrease) | \$8,941 |

⁵ Through the August 31, 2022 periodic billing the Servicer has collected all Uplift Charges billed.

⁶ First Payment Date is February 1, 2023.

⁷ Final Accounting, *supra* note 4.

⁸ Consistent with Finding of Fact 208 the increase in closing costs and the increase in estimated annual operating costs has been prorated.

⁹ Servicing Agreement Section 4.01(e)(i)(A) requires notices to the Commission of not less than 45 days before an increase takes effect.

STATE OF TEXAS

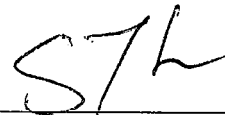
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COUNTY OF TRAVIS

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

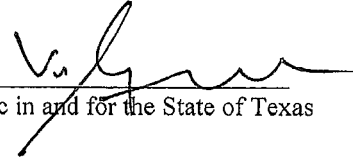
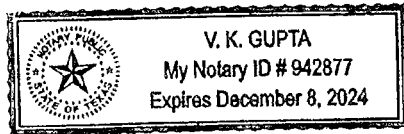
1. My name is Sean Taylor. I am over the age of 21, a resident of Texas, and of sound mind and competent to testify to the matters stated herein. I am the Vice President and Chief Financial Officer for Electric Reliability Council of Texas, Inc., authorized to represent Electric Reliability Council of Texas, Inc.
2. I have reviewed the Quarterly True-Up Compliance Filing and Notice of Uplift 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 15th day of September, 2022.



Notary Public in and for the State of Texas

AMOUNTS TRANSFERRED TO TRUST THROUGH AUGUST 31, 2022

| | <u>Amount Transferred</u> | <u>Interest Earned on Capital Subaccount</u> | <u>Interest Earned on Excess Subaccount</u> | <u>Interest Earned on General Subaccount</u> |
|-------|-------------------------------|--|---|--|
| JUN | \$0 | \$0 | \$0 | \$0 |
| JUL | \$0 | \$0 | \$0 | \$0 |
| AUG | \$12,324,349 | \$0 | \$0 | \$7,570 |
| TOTAL | \$12,324,349 | \$0 | \$0 | \$7,570 |
| | | | Total Interest | \$7,570 |
| | | | Total Inflows | \$12,331,919 |