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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, REPORT
OF RECOVERIES, AND NOTICE OF UPLIFT CHARGE
ADJUSTMENT**

DECEMBER 15, 2022

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S
QUARTERLY TRUE-UP COMPLIANCE FILING, REPORT OF RECOVERIES, 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 December 2022 quarterly true-up filing, report of recoveries, 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

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].*

Uplift Charges to all qualified scheduling entities (QSEs) representing load-serving entities (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 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 from the preceding true-up period, to estimate any anticipated under-collections or over-collections for the current or upcoming true-up period 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

² *Id.*

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 decrease Uplift Charges. The initial payment period for the Stabilization N Bonds is from issuance on June 15, 2022 through January 31, 2023 or seven and a half (7-1/2) months. The normal payment period is six (6) months (each February 1st and each August 1st). As a result of this extended payment period, more interest will be due on February 1, 2023 than what would be due during a normal six-month semi-annual payment cycle. Uplift Charges sufficient to collect the needed funds to make the February 1, 2023 payment in full have been collected and/or are anticipated to be collected through the billing cycle ending January 31, 2023 in order to make the payment due on February 1, 2023. Collections of Uplift Charges at the current rate after January 31, 2023 will result in anticipated over-collections since a normal six-month billing cycle will apply for the time period between February 1, 2023 through the next payment date on August 1, 2023. Therefore, as shown in Attachment 1 and the accompanying Work Papers to this True-Up Filing, the daily Uplift Charges should be decreased from \$455,643 to \$402,206 effective February 1, 2023.

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 & 200 and Ordering Paragraphs No. 66. The

³ *Id.* at Finding of Fact Nos. 196-97 & 200 and Ordering Paragraphs No. 66.

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

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 from the preceding true-up period or estimated anticipated under-collections or over-collections of the Uplift Charges for the current or upcoming true-up periods, 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 or 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.⁴ The required Quarterly Calculation is provided on Attachment 1 and the accompanying Work Papers and results in an decrease of the daily Uplift Charges from \$455,643 to \$402,206.

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.⁵ The Servicer proposes an effective date of the revised Uplift Charges to be the February 2023 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

⁴ *Id.* at Finding of Fact No. 200.a.

⁵ Servicing Agreement at Section 4.01(e)(i)(A).

mathematical errors in the calculation of the Uplift Charge will be made in future true-up adjustments.

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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: 

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Winstead PC

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ATTORNEY FOR ERCOT

ATTACHMENT 1

SECOND QUARTERLY TRUE-UP

For the prior true-up period September 1, 2022 through November 30, 2022	Amounts
Beginning Excess Subaccount Balance	\$0
INFLOWS	
Periodic billing requirements for the above true-up period	\$40,918,112
Amounts transferred to Trust through November 30, 2022 ⁶	\$39,977,291
Interest Earnings on Subaccounts through November 30, 2022	\$336,007
 For the current true-up period December 1, 2022 through February 28, 2023	
Periodic billing requirement for the above true-up period	\$39,511,615
Anticipated funds to be transferred to Trust through February 28, 2023 at current Daily Uplift Charge	\$41,007,870
 For the upcoming true-up period March 1, 2023 through May 31, 2023	
Periodic billing requirements for the above true-up period	\$37,002,889
Anticipated funds to be transferred to Trust through May 31, 2023 at current Daily Uplift Charge	\$41,919,156
TOTAL Inflows at current Daily Uplift Charge	\$124,181,1445
 OUTFLOWS	
Actual outflows for prior true-up period ⁷	\$0
Anticipated outflow on February 1, 2023 payment date	\$80,407,265
Estimated operating costs in excess of initial projections	\$90,000
Anticipated over-collections if the Up-Lift Charges are not reduced effective February 1, 2023	\$6,412,522
 Projected Net (Shortfall)/Surplus	\$6,412,522
Daily Uplift Charges commencing February 1, 2023 ⁸	\$402,206
Current Daily Uplift Charges	\$455,643
True Up Increase/(Decrease)	\$(53,437)

⁶ Through the November 30, 2022 periodic billing the Servicer has collected all Uplift Charges billed.

⁷ First Payment Date is February 1, 2023.

⁸ Servicing Agreement Section 4.01(e)(i)(A) requires notices to the Commission of not less than 45 days before an increase takes effect.

**ATTACHMENT 2
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.

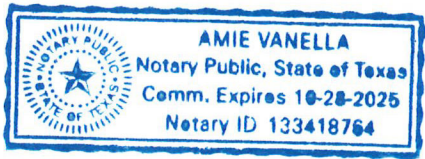
2. I have reviewed the Quarterly True-Up Compliance Filing, Report of Recoveries, and Notice of Uplift Charge Adjustment, and the statements and information therein are true and accurate to the best of my knowledge and belief, and I hereby adopt them as my own.

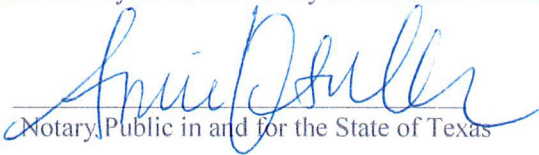
The foregoing statements are true and correct. This concludes my affidavit.



SEAN TAYLOR

SUBSCRIBED AND SWORN BEFORE ME by the said Sean Taylor on this 15 day of December 2022.





Notary Public in and for the State of Texas

STABILIZATION N BONDS WORKPAPERS

AMOUNTS TRANSFERRED TO TRUST THROUGH NOVEMBER 31, 2022

	Amount <u>Transferred</u>	Interest Earned on Capital <u>Subaccount</u>	Interest Earned on Excess <u>Subaccount</u>	Interest Earned on General <u>Subaccount</u>
SEP	\$13,3383,682	\$19,460	\$0	\$38,497
OCT	\$12,945,844	\$24,877	\$0	\$82,948
NOV	\$13,179,765	\$29,348	\$0	\$140,975
TOTAL	\$39,977,291	\$73,685	\$0	\$262,322
			Total Interest	\$336,007
			Total Inflows	\$40,313,293

**AMOUNTS ANTICIPATED TO BE TRANSFERRED TO TRUST
THROUGH MAY 31, 2023**

	Amount Anticipated to be <u>Transferred</u>
DEC	\$14,124,93
JAN	\$14,124,933
FEB	\$12,758,004
TOTAL	\$41,007,870

	Amount Anticipated to be <u>Transferred</u>
MAR	\$14,124,933
APR	\$13,669,290
MAY	\$14,124,933
TOTAL	\$41,919,156