



Financial Statements

Texas Electric Market Stabilization Funding M, LLC

Years ended December 31, 2023 and 2022

With Independent Auditors' Report

April 2024



Texas Electric Market Stabilization Funding M, LLC.

Financial Statements

As of and for the Years Ended
December 31, 2023 and 2022

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Independent Auditors' Report

The Board of Managers of
Texas Electric Market Stabilization Funding M, LLC

Opinion

We have audited the financial statements of Texas Electric Market Stabilization Funding M, LLC (the Company), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Austin, Texas
April 24, 2024

Texas Electric Market Stabilization Funding M, LLC.

Statements of Financial Position

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,088	\$ 4,044
Receivable from ERCOT	-	382,293
Securitization charges receivable, current	10,387	9,798
Interest receivable	146	140
Restricted cash and cash equivalents	30,731	40,003
Prepaid expenses	-	2
Total current assets	<u>45,352</u>	<u>436,280</u>
Securitization charges receivable, non-current	382,025	392,500
Total assets	<u>\$ 427,377</u>	<u>\$ 828,780</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4	\$ 4
Accrued liabilities	5,669	11,853
Payable to ERCOT	472	636
Security deposits and reserves	20,568	18,565
Debt payable, current portion	10,260	396,974
Total current liabilities	<u>36,973</u>	<u>428,032</u>
Debt payable, less current portion:		
Principal	388,522	398,782
Less unamortized debt issuance costs	2,118	2,034
Debt payable, less current portion and unamortized debt issuance costs	<u>386,404</u>	<u>396,748</u>
Total liabilities	<u>423,377</u>	<u>824,780</u>
Net assets without donor restrictions	4,000	4,000
Total liabilities and net assets	<u>\$ 427,377</u>	<u>\$ 828,780</u>

See accompanying notes to the financial statements



Texas Electric Market Stabilization Funding M, LLC.

Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
Operating revenues:		
Securitization charges fees	\$ 13,195	\$ 24,417
Total operating revenues	<u>13,195</u>	<u>24,417</u>
Operating expenses:		
Outside services	799	772
Other	2	1
Total operating expenses	<u>801</u>	<u>773</u>
Income from operations	<u>12,394</u>	<u>23,644</u>
Other income (expense):		
Investment return, net	583	195
Interest expense and amortization of debt issuance cost	<u>(12,977)</u>	<u>(23,839)</u>
Change in net assets without donor restrictions	-	-
Net assets without donor restrictions, beginning of year	<u>4,000</u>	<u>4,000</u>
Net assets without donor restrictions, end of year	<u>\$ 4,000</u>	<u>\$ 4,000</u>

See accompanying notes to the financial statements.

Texas Electric Market Stabilization Funding M, LLC.

Statements of Cash Flows

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets without donor restrictions	\$ -	\$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Amortization of debt issuance costs	76	78
Changes in operating assets and liabilities:		
Securitization charges receivable	9,886	13,502
Unbilled revenue	-	3,264
Interest receivable	26	(140)
Receivable from ERCOT	382,293	-
Prepaid expenses	2	6
Accounts Payable	-	4
Accrued liabilities	(6,211)	8,459
Payable to ERCOT	(116)	553
Security deposits and reserves	2,003	(41,854)
Net cash provided by (used in) operating activities	<u>387,959</u>	<u>(16,128)</u>
Financing activities		
Repayment of debt payable	(396,974)	(4,244)
Repayment of debt issuance costs	(213)	-
Net cash (used in) financing activities	<u>(397,187)</u>	<u>(4,244)</u>
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(9,228)	(20,372)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	<u>44,047</u>	<u>64,419</u>
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	<u>\$ 34,819</u>	<u>\$ 44,047</u>

See accompanying notes to the financial statements.

Texas Electric Market Stabilization Funding M, LLC.

Statements of Cash Flows (continued)

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
Supplemental information		
Cash paid for interest	\$ 17,813	\$ 17,094
Supplemental disclosures of non-cash investing and financing activities		
Debt issuance costs included in payable to ERCOT	\$ 160	\$ 213

See accompanying notes to the financial statements.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements *(Dollars in Thousands)*

*As of and for the Years Ended
December 31, 2023 and 2022*

1. Organization and Operations

Texas Electric Market Stabilization Funding M LLC (TEMSFM, or the Company) was established to facilitate the financing under a Debt Obligation Order. As a result of Winter Storm Uri, extraordinary prices in the wholesale electricity market caused some wholesale market participants to default on their payment obligations to Electric Reliability Council of Texas, Inc. (ERCOT) for power under the ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to fully settle obligations to certain wholesale market participants who were due payments from defaulting market participants for the power they produced during the storm. To address these problems, the Texas Legislature, during the 87th legislative session, enacted two bills that authorized financing mechanisms to provide funds to pay market participants who were previously short-paid and provide liquidity to market participants. One of these bills, House Bill 4492, added Subchapters M and N to chapter 39 of the Public Utility Regulatory Act (PURA) and each provided authority for a financing mechanism to address different aspects of the extraordinary costs incurred due to Winter Storm Uri, with Subchapter M authorizing up to \$800,000 and Subchapter N authorizing up to \$2,100,000, plus reasonable costs. On October 14, 2021, the Public Utility Commission of Texas (PUCT) approved ERCOT's application for a Debt Obligation Order (The Order) under PURA § 39.603 (Subchapter M) and issued The Order.

The Order approves the default balance in an aggregate amount of up to \$800,000; approves 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 other required amounts and charges in connection with the issuance of debt obligations; authorizes the issuance of Texas Market Stabilization M bonds in one or more series in an aggregate amount of up to \$800,000 for the payment of the default balance; and approves the financing or securitization of default charges and the creation of default property.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

1. Organization and Operations (continued)

TEMSFM is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on October 27, 2021, for the limited purpose of (a) imposing, collecting, and receiving default charges (securitization charges) and acquiring default property and related assets to support its obligations under the Texas Market Stabilization M bonds, (b) issuing Texas Market Stabilization M bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Order. On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Order, which were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts (see Note 5). ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021.

2. Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing TEMSFM's objectives. Accordingly, net assets of TEMSFM and changes therein are classified and reported as net assets without donor restrictions. The Company has no net assets with donor restrictions.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities of the financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Cash and cash equivalents consist primarily of capital contribution from ERCOT.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Restricted cash and cash equivalents consist of security deposits from ERCOT's market participants subject to Subchapter M; reserve for debt service and supplemental capital pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021; and payments collected from securitization charges receivable.

Payments collected from securitization charges receivable are deposited to a trust account held by the indenture trustee as collateral to ensure timely payment of debt principal and interest. The trustee shall have sole dominion and exclusive control over all money collected from securitization charges receivable.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents (continued)

As of December 31, restricted cash and cash equivalents consist of below:

	2023	2022
Security deposits	\$ 14,611	\$ 13,688
Payments collected from securitization charges receivable	10,163	21,438
Reserve for supplemental capital	1,868	836
Reserve for debt service	4,089	4,041
Total	\$ 30,731	\$ 40,003

Custodial Credit Risk

TEMSFM maintains cash balances at financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits and are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, TEMSFM's deposits may not be returned. TEMSFM has not experienced, nor does it anticipate, any losses with respect to such cash deposits.

Securitization Charges Receivable and Revenue Recognition

As described in Note 1, TEMSFM is approved to finance the default balance under The Order through Texas Market Stabilization M bonds, Series 2021 and performs other activities relating thereto or otherwise authorized by The Order. TEMSFM has the rights to impose, collect, and receive default charges (securitization charges) along with the other rights arising under The Order. As the issuer of Texas Market Stabilization M bonds, Series 2021, TEMSFM has the performance obligations to maintain and service the bonds.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

2. Summary of Significant Accounting Policies (continued)

Securitization Charges Receivable and Revenue Recognition (continued)

Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Wholesale market participants except those expressly exempted by PURA are billed and collected monthly on a pro rata basis in an amount sufficient to ensure the recovery of default charges receivable and ongoing expenses.

Revenue is recognized over time when related services are provided, and related expenses are incurred.

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers at December 31.

	2023	2022
Receivables-current	\$ 10,387	\$ 9,798
Receivables-non-current	\$ 382,025	\$ 392,500
Contract liabilities	\$ 506	\$ 1,756

Receivables-current and receivables-non-current are comprised solely of securitization charges receivable, current and non-current, respectively, and are represented that way on the statements of financial position. Contract liabilities relate to advance consideration received from customers for Texas Market Stabilization M Bonds, Series 2021 interest expenses and ongoing expenses. Revenues are recognized when performance obligations are satisfied.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Securitization Charges Receivable and Revenue Recognition (continued)

Non-contract related receivables on December 31, 2023 and 2022 on the statements of financial position include \$0 and \$382,293, respectively, receivable from ERCOT for early redemption of Texas Market Stabilization M bonds, Series 2021 (see Note 5 Debt Payable and Note 7 Intercompany Transactions), and \$146 and \$140, respectively, interest receivable from money market funds investments.

TEMSFM has no significant continuing obligation and collection is reasonably assured. The Company does not maintain credit losses accounts as it does not believe it has a material risk of loss associated with lack of collection.

Prepaid Expenses

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of fiscal year. Prepaid expenses are amortized in the periods when items occur.

Accrued Liabilities

Accrued liabilities are expenses that TEMSFM has incurred but hasn't yet been billed for. As of December 31, the accrued liabilities consist of the amounts shown in the table below:

	2023	2022
Debt interest payable	\$ 4,935	\$ 9,847
Advance consideration from customers for bond interest and ongoing expenses	506	1,756
Accrued fees liabilities	228	250
Total	<u>\$ 5,669</u>	<u>\$ 11,853</u>



Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

2. Summary of Significant Accounting Policies (continued)

Security Deposits and Reserves

Security deposits and reserves consist of security deposits from ERCOT's market participants subject to Subchapter M, reserve for debt service, and supplemental capital.

Market participants who have the obligation to pay default charges and do not meet certain creditworthiness standards referenced in ERCOT Nodal Protocols must maintain a means of security with the Company in order to mitigate market credit risk. Market participants have discretion in the means of security, such as letters of credit, or cash security deposits provided the market participants remain in compliance with ERCOT Nodal Protocols. TEMSFM is required to remit interest earned on security deposits to market participants. Although ERCOT is the servicer for the assessment and collection of default charges, TEMSFM is granted a secured interest in the security deposits to secure its obligation to pay the same.

Cash security deposits and debt reserves are classified as restricted cash and cash equivalents on the statements of financial position. See Note 2 Restricted Cash and Cash Equivalents. The balance of cash security deposits and reserves is \$20,568 and \$18,565 on December 31, 2023 and 2022, respectively.

Income Taxes

TEMSFM is classified as a disregarded entity for tax purposes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the financial statements.

Debt Issuance Costs

TEMSFM capitalizes issuance costs related to debt. The amounts are presented as a direct deduction from the debt liability and amortized over the life of the debt.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2023 and 2022

3. Liquidity and Availability

As a special purpose entity solely to provide for the financing of the default balance to be repaid by ERCOT market participants, TEMSFM's general expenditures include payment of bond principal and interest, administrative services fees paid to ERCOT, and debt service-related costs. Financial assets available for general expenditures within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash equivalents, and restricted cash equivalents, net of security deposits and reserves	\$ 14,251	\$ 25,482
Receivable from ERCOT	-	382,293
Securitization charges receivable, current	10,387	9,798
Interest receivable, net	58	80
Total	<u>\$ 24,696</u>	<u>\$ 417,653</u>

The balance of interest receivable on the statement of financial position as of December 31, 2023 and 2022 also includes \$88 and \$60, respectively, interest receivable from security deposits investment that TEMSFM is required to remit to the market participants. This portion is not included in the financial assets available for general expenditures.

To ensure the timely payment of general expenditures, the Company bills and collects the default charges monthly from the ERCOT's market participants in an amount that is sufficient to recover the Company's general expenditures. In addition, security such as letters of credit and cash security deposits provided by the market participants can be draw on if market participants cannot make their timely payment, following ERCOT Nodal Protocols (see Note 2 Security Deposits and Reserves).

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

4. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement. In a three-tier fair value hierarchy, which prioritizes inputs to valuation techniques used for fair value measurement, the following levels were established for each input:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued)

(Dollars in Thousands)

As of and for the Years Ended
December 31, 2023 and 2022

4. Fair Value Measurement (continued)

The following tables set forth by level within the fair value hierarchy the Company's financial assets. The fair value on a recurring basis as of December 31 is as follows:

	2023			
	Total	Level 1	Level 2	Level 3
Assets				
Money Market Mutual Funds				
Cash equivalents	\$ 4,088	\$ 4,088	\$ -	\$ -
Restricted cash equivalents	29,881	29,881	-	-
Total assets at fair value	<u>\$ 33,969</u>	<u>\$ 33,969</u>	<u>\$ -</u>	<u>\$ -</u>

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Money Market Mutual Funds				
Cash equivalents	\$ 4,044	\$ 4,044	\$ -	\$ -
Restricted cash equivalents	39,918	39,918	-	-
Total assets at fair value	<u>\$ 43,962</u>	<u>\$ 43,962</u>	<u>\$ -</u>	<u>\$ -</u>

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

5. Debt Payable

On November 12, 2021, the Company issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Order (see Note 1 Organization and Operations). The bonds were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts. The bonds proceeds are allocated to first pay upfront costs, then to pay amounts owed to ERCOT by competitive wholesale market participants, and finally to use the rest to replenish CRR auction funds temporarily used by ERCOT to reduce the short payments to wholesale market participants due to Winter Storm Uri. The bonds are payable out of default charges to all wholesale market participants except those expressly exempted by PURA. The bonds have target scheduled final maturities of approximately 28 years and legal final maturities not exceeding 30 years from the date of issuance. The interest rate is calculated by using the rate determined by the Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3, based on the credit rating of ERCOT, plus 2.5%. The interest rate is fixed at 2.97% for the first 3 years, after January 31, 2025 the interest rate will be reset based on the aforementioned calculation. Payments of the bonds are semi-annual, beginning August 1, 2022. On December 31, 2023 and 2022, the unamortized debt issuance costs were \$1,958 and \$2,034, respectively.

ERCOT received the first settlement payment in the amount of approximately \$1,151,400 from Brazos under its bankruptcy exit plan on December 15, 2022. On December 29, 2022, TEMSFM notified the trustee of its election to redeem on February 1, 2023 \$382,288 of the Texas Market Stabilization M Bonds, Series 2021 at a redemption price equal to the principal amount thereof plus interest accrued to the redemption Date.

PUCT Order No. 6 addressing ERCOT's January 12, 2023, Supplemental True-Up Filing approved ERCOT's Application for Early Optional Redemption of \$382,288 of the Texas Market Stabilization M Bonds, conditionally approved the issuance of the Replacement Revenue Requirement Amortization Schedule and Default Charge Schedule entered on January 23, 2023 under Docket No. 52709.

On February 1, 2023, TEMSFM made an early optional redemption of \$382,288 of Texas Market Stabilization M Bonds, Series 2021. The early redemption amount was funded by \$374,764 from the Brazos settlement and \$7,524 recovered from market participants whose unpaid obligations were included in the Texas Market Stabilization M Bonds.



Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

5. Debt Payable (continued)

The following future maturities table was based on an assumed rate of 6.266%, and the new amortization schedule approved by PUCT mentioned above.

The Company is working on refinancing the Texas Market Stabilization M Bonds, Series 2021, and expects to complete the refinancing no later than January 31, 2025. The Company has incurred \$160 debt issuance cost related to the refinancing at December 31, 2023.

Under PURA § 39.603(i), the Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Order are a nonrecourse debt secured solely by the default charges created by The Order and explicitly assessed to repay the Texas Market Stabilization M Bonds, Series 2021 (including the default property as well as earnings from the investment and reinvestment of default charges). The Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Order and PURA § 39.603 do not create a personal liability for ERCOT.

Future maturities of the debt payable are as follows:

	Texas Market Stabilization M Bonds, Series 2021	
Year Ending December 31:		
2024	\$	10,260
2025		8,608
2026		7,047
2027		7,495
2028		7,973
Thereafter through 2049		357,399
	\$	<u>398,782</u>

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2023 and 2022*

6. Expenses by Nature and Function

As a special purpose entity established solely to provide for the financing of the default balance to be repaid by ERCOT market participants, TEMSFM's expenses are all contributed to program services. Expenses are presented by nature on the statements of activities and changes in net assets.

7. Related Party Transactions

TEMSFM is a Delaware limited liability company with ERCOT as its sole member. ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021. As a result, TEMSFM pays ERCOT for the beforementioned administrative services. At times, ERCOT pays bills and receives payments on behalf of TEMSFM. As of December 31, the intercompany transactions and balances are listed as below:

	<u>2023</u>	<u>2022</u>
Debt service and administration expenses recognized throughout the year	\$ 500	\$ 500
Receivable from ERCOT for debt early redemption (see Note 5 Debt Payable)	\$ -	\$ 382,293
Payable to ERCOT for debt service and administration expenses	\$ 208	\$ 333
Payable to ERCOT for expenses paid by ERCOT on behalf of TEMSFM	\$ 158	\$ 246
Payable to ERCOT for interest income earned on equity contribution	\$ 106	\$ 57

8. Contingencies

Management is not aware of any pending or threatened litigation, claims or assessments as of December 31, 2023.

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued)

(Dollars in Thousands)

*As of and for the Years Ended
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9. Subsequent Events

TEMSFM has evaluated material subsequent events through April 24, 2024, the date the Company's financial statements were available to be issued. TEMSFM is not aware of any material subsequent events.