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

SEPTEMBER 13, 2024

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PUC DOCKET NO. 52709

MANDATORY ANNUAL TRUE-UP § PUBLIC UTILITY COMMISSION
COMPLIANCE FILING FOR TEXAS §
STABILIZATION M BONDS, §
SERIES 2021 – DEFAULT CHARGES § OF TEXAS

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S
ANNUAL TRUE-UP COMPLIANCE FILING 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. 52321¹ (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 mandatory annual true-up filing and notice of a need for a default charge increase (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 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 October 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 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

¹ *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. 67-71 and 74 and Ordering Paragraphs Nos. 15 and 15A (Nov. 14, 2021) [hereinafter, Final Order].*

\$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.

As required under PURA § 39.159(c), ERCOT has successfully pursued collection of amounts owed by Market Participants that otherwise would have been borne by other Market Participants or their customers. Those recoveries (Recoveries) as they represent amounts that were a part of the Default Balance are, pursuant to the Debt Obligation Order and PURA, payable by ERCOT to the Issuer.²

Effective February 1, 2023, the Issuer optionally early redeemed \$382,288,420 of the Stabilization M Bonds using the proceeds of Recoveries previously paid by ERCOT to the Issuer.

The Debt Obligation Order requires the Servicer to review and adjust Default Charges annually 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.³ 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 Annual True-Up Calculation (as hereinafter defined) and notice of adjustment.⁴

² PURA 39.603(c).

³ Final Order, *supra* note 1, at Finding of Fact No. 65.

⁴ *Id.* at Finding of Fact No. 66 and Ordering Paragraphs Nos. 15 and 15A.

The Servicing Agreement requires such an annual true-up calculation to be prepared no later than forty-five (45) days prior to the first Collection Period of each October.⁵ In accordance with the Debt Obligation Order, the Servicer is providing this mandatory annual true-up calculation, report of recoveries, and notice of a need for a default charge increase.⁶

The Default Charges are presently in the monthly amount of \$1,926,208. As shown in Attachment 1 and the accompanying Work Papers to this filing, the monthly Default Charges must be increased from \$1,926,208 to \$2,234,826. This is a monthly increase of \$308,618. An explanation for this increase appears in Article IV.

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 this annual True-Up Filing in accordance with Debt Obligation Order, Findings of Fact No. 65 and 66 and Ordering Paragraph Nos. 15 and 15A. The Commission has jurisdiction over true-up calculations and adjustments pursuant to PURA § 39.603.

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 M LLC:	Texas Electric Market Stabilization Funding M LLC 8000 Metropolis Drive (Building E), Suite 100 Austin, Texas 78744 Attn: Chief Executive Officer
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⁵ Servicing Agreement at Section 4.01(b)(i).

⁶ Final Order, *supra* note 1, at Finding of Fact Nos. 65 and 66 and Ordering Paragraphs Nos. 15 and 15A.

Texas Treasury Safekeeping Trust Company:

Texas Treasury Safekeeping Trust Company
208 East 10th Street, 4th Floor
Austin, Texas 78701
Attn: Genoveva Minjares
Email: accounting@ttstc.texas.gov
legal@ttstc.texas.gov

U.S. Bank Trust Company, National Association:

U.S. Bank Trust Company, National Association
13737 Noel Road, 8th Floor
Dallas, Texas 75240
Attn: Corporate Trust Services

IV. Annual Calculation & True-Up Adjustment

Findings of Fact Nos. 65-66 and 71 and 74 of the Debt Obligation Order set forth the procedures related to mandatory annual true-up calculations and true-up adjustments. Findings of Fact No. 66 and Ordering Paragraphs 15 and 15A of the Debt Obligation Order requires the Servicer to provide a standard mandatory annual true-up calculation (the Annual Calculation) once a year. If the Annual Calculation estimates under-collections of the default charges or over-collection of default charges, during the upcoming annual true-up period the Servicer must take such anticipated under-collection or over-collection into account when implementing a true-up adjustment in accordance with the standard true-up procedure for the next annual-true-up period.⁷

The Annual Calculation requires the Servicer to (i) calculate under-collections for the preceding annual 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 over collections for upcoming annual period; (iii) calculate the periodic billing requirement for the upcoming annual period, taking into account the total amount of prior and anticipated 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 Servicer anticipates an under-collection during the

⁷ Final Order, *supra* note 1, at Finding of Fact No. 71.

upcoming annual period. This anticipated under-collection is the result of a contractual, one-time formulaic reset to the interest rate that will apply, effective February 1, 2025, to the then outstanding principal balance of the M Bonds. The reset interest rate will be determined on the third anniversary of the issuance of the M Bonds (which is November 12, 2024).⁸ On that date, the reset interest rate will be determined consistent with the requirements of Texas Government Code § 404.0241(b-1) and the contractual reset formula, and the reset interest rate will become effective February 1, 2025. Currently, ERCOT's independent financial advisor anticipates that the reset interest rate will be higher than the current interest rate of 2.97%. This true-up includes projections of funds needed to make the August 1, 2025 semi-annual bond payment after taking into account the impact of the assumed reset interest rate because the August 1, 2025 semi-annual payment will include time periods subject to the higher assumed reset interest rate. ERCOT's calculations include an assumed reset interest rate of 5.76%, as of September 5, 2024 (the most current date the required reset formula information that was available to ERCOT when preparing this filing). The required Annual Calculation is provided on Attachment 1 and the accompanying Work Papers and results in a need to increase the monthly default charges.

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

The Servicer is required to provide the Annual Calculation each year no later than forty-five (45) days prior to the first Collection Period of October until the final payment of the Stabilization M Bonds. Therefore, this mandatory Annual Calculation is timely filed.

In addition to filing the Annual Calculation, the Servicer is required to file notice regarding mandatory 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 a revision to the default charges for the November 2024 billing period. In accordance with Finding of Fact No. 74 of the Debt Obligation Order, the Commission has fifteen (15) days after the date

⁸ Docket No. 52709, Bond Purchase Agreement between the Texas Comptroller of Public Accounts, acting by and through the Texas Treasury Safekeeping Trust Company; ERCOT; and the Issuer, at Section 1.2 (filed Feb. 14, 2022).

of this filing to confirm the true-up filing 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.

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

/s/ James W. Doyle

By: _____

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Telephone: (713) 650-8400
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ATTORNEY FOR ERCOT

**ATTACHMENT 1
MANDATORY ANNUAL TRUE-UP ADJUSTMENT**

For the annual period August 1, 2023 through July 31, 2024 **Amounts**

Beginning Excess Subaccount Balance \$1,735,611

INFLOWS

For the period August 1, 2023 through July 31, 2024

Periodic billing requirements for the above period \$21,823,281

Amounts transferred to Trust August 1 through July 31, 2024⁹ \$21,823,281

Interest Earnings on Subaccounts from August 1 through July 31, 2024 \$651,295

TOTAL Inflows at current Default Charge **\$24,210,188**

OUTFLOWS¹⁰

For the Payment Date February 1, 2024

Principal – paid on February 1, 2024 \$5,092,187

Interest – paid on February 1, 2024 \$5,921,918

Supplemental capital account – 6 months funded by February 1, 2024 \$500,000

Servicing Fee – paid on February 1, 2024 \$200,000¹¹

Administration Fee – paid on February 1, 2024 \$48,349¹²

Operating Expenses – paid on February 1, 2024 \$115,107

TOTAL Outflows **\$11,877,561**

⁹ Through the July 31, 2024 periodic billing, the Servicer has collected all Default Charges billed.

¹⁰ Outflows exclude the August 1, 2023 related payments as those were funded by charges received prior to August 1, 2023.

¹¹ The Annual Servicing Fee is \$400,000 and it is paid in two equal semi-annual installments of \$200,000 due each February 1st and August 1st.

¹² The Administration Fee is \$100,000 and it is paid in two equal semi-annual installments of \$50,000 due each February 1st and August 1st.

For the Payment Date August 1, 2024

Principal – paid on August 1, 2024	\$5,167,806
Interest – paid on August 1, 2024	\$5,846,299
Supplemental capital account – 6 months funded by August 1, 2024	\$500,000
Servicing Fee – paid on August 1, 2024	\$200,000
Administration Fee – paid on August 1, 2024	\$50,000
Operating Expenses – paid on August 1, 2024	\$31,800
TOTAL Outflows	\$11,795,905

NET (SHORTFALL)/SURPLUS

Anticipated under-collections if the Default Charges are not increased effective November 1, 2024	(\$2,777,560)
Default Charges commencing November 1, 2024 ¹³	\$2,234,826
Current Default Charges	\$1,926,208
True Up Increase/(Decrease)¹⁴	\$308,618

¹³ Servicing Agreement Section 4.01(c)(i)(A) requires notices to the Commission of not less than 45 days before an increase takes effect.

¹⁴ Calculated using the assumed contractual reset rate.

**ATTACHMENT 2
SUPPORTING AFFIDAVIT**

STATE OF TEXAS

§

COUNTY OF WILLIAMSON

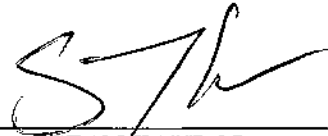
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BEFORE ME, the undersigned notary public, on this day personally appeared Sean Taylor, who first being duly sworn, upon this oath said:

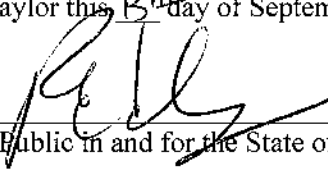
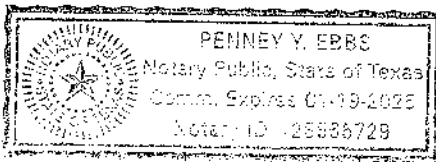
1. My name is Sean Taylor. I am over the age of 21, a resident of Texas, and of sound mind and competent to testify to the matters stated herein. I am the Senior Vice President, Chief Financial Officer, and Chief Risk Officer for Electric Reliability Council of Texas, Inc., authorized to represent Electric Reliability Council of Texas, Inc.
2. I have reviewed the Mandatory Annual True-Up Compliance 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 8th day of September, 2024.



Notary Public in and for the State of Texas

STABILIZATION M BONDS WORKPAPERS

AMOUNTS TRANSFERRED TO TRUST THROUGH JULY 31, 2024

	<u>Amount Transferred</u>	<u>Interest Earned on Debt Reserve Subaccount</u>	<u>Interest Earned on Supplemental Capital Subaccount</u>	<u>Interest Earned on Excess Subaccount</u>	<u>Interest Earned on General Subaccount</u>
AUG	\$1,553,571	\$17,756	\$6,594	\$7,763	\$3,406
SEP	\$1,553,571	\$17,266	\$6,825	\$7,559	\$9,165
OCT	\$1,553,571	\$17,957	\$7,483	\$7,871	\$17,318
NOV	\$1,897,324	\$17,474	\$7,670	\$7,674	\$23,969
DEC	\$1,897,324	\$18,149	\$8,303	\$7,933	\$32,503
JAN	\$1,897,324	\$18,131	\$8,651	\$7,927	\$40,528
FEB	\$1,897,324	\$16,547	\$8,279	\$2,957	\$3,239
MAR	\$1,897,324	\$17,725	\$9,259	\$3,174	\$12,215
APR	\$1,897,324	\$17,173	\$9,335	\$3,081	\$19,938
MAY	\$1,926,208	\$17,833	\$10,055	\$3,204	\$28,850
JUNE	\$1,926,208	\$17,332	\$10,101	\$3,109	\$34,991
JULY	\$1,926,208	\$17,997	\$10,857	\$3,221	\$44,951
TOTAL	\$21,823,281	\$211,341	\$103,411	\$65,471 Total Interest Total Inflows	\$271,074 \$651,295 \$22,474,576