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PUC DOCKET NO. 52322

APPLICATION OF THE ELECTRIC	§	PUBLIC UTILITY COMMISSION
RELIABILITY COUNCIL OF TEXAS,	§	
INC. FOR A DEBT OBLIGATION	§	
ORDER TO FINANCE UPLIFT	§	OF TEXAS
BALANCES UNDER PURA CHAPTER	§	
39, SUBCHAPTER N, AND FOR A	§	
GOOD CAUSE EXCEPTION	§	

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S
RESPONSE TO LOWER COLORADO RIVER AUTHORITY
AND LCRA WSC ENERGY’S
FIRST REQUEST FOR INFORMATION**

Electric Reliability Council of Texas, Inc. (“ERCOT”) files this response to Lower Colorado River Authority and LCRA WSC Energy’s (collectively “LCRA”) First Request for Information.

I. WRITTEN RESPONSES

ERCOT’s written responses to LCRA’s First Request for Information are attached and incorporated by reference. Each response is stated on or attached to a separate page on which the request has been restated. ERCOT’s responses are made in the spirit of cooperation without waiving ERCOT’s right to contest the admissibility of any of these matters at hearing. Pursuant to P.U.C. PROC. R. 22.144(c)(2)(A), each response lists the preparer or person under whose direct supervision the response was prepared and any sponsoring witness. When ERCOT provides certain information sought by the request while objecting to the provision of other information, it does so without prejudice to its objection in the interests of narrowing discovery disputes pursuant to P.U.C. PROC. R. 22.144(d)(5). Pursuant to P.U.C. PROC. R. 22.144(c)(2)(F), ERCOT stipulates that its responses may be treated by all parties as if they were made under oath.

WINSTEAD PC

By: /s/ Ron H. Moss

Elliot Clark
State Bar No. 24012428
eclark@winstead.com
Ron H. Moss
State Bar No. 14591025
rhmoos@winstead.com
Jeff Nydegger
State Bar No. 24077002
jnydegger@winstead.com
401 Congress Avenue, Suite 2100
Austin, Texas 78701
Telephone: (512) 370-2800
Facsimile: (512) 370-2850

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

ATTORNEYS FOR ERCOT

CERTIFICATE OF SERVICE

This document was filed on the Commission Interchange website on August 11, 2021. In accordance with Order No. 2 in this docket, filing a document on the Commission's Interchange website constitutes service of the document on all parties to this proceeding.

/s/ Ron H. Moss
Ron H. Moss

RESPONSES

QUESTION NO. LCRA 1-1:

Admit or deny that an LSE filing an opt out in Docket No. 52364 will not be subject to any charges pursuant to Debt Obligation Order in Docket No. 52322, including any amounts owed by other participating LSEs for unpaid charges in any event of default.

RESPONSE:

Admit in part. As ERCOT interprets PURA § 39.653(d), LSEs that opt out are not required to pay Uplift Charges assessed in accordance with the Debt Obligation Order requested in Docket No. 52322, including any unpaid Uplift Charges owed by participating LSEs that have defaulted. If the collateral posted by a Qualified Scheduling Entity (“QSE”) on behalf of the defaulting LSE is not sufficient to cover Uplift Charges invoiced to the QSE, the unpaid Uplift Charges will be trued-up in accordance with the procedure set forth in the Debt Obligation Order and then assessed to the LSEs that did not opt out.

ERCOT assumes the phrase “unpaid charges” was meant to include only unpaid Uplift Charges. If “unpaid charges” is intended to include charges other than the Uplift Charges assessed in accordance with the Debt Obligation Order, ERCOT will continue to uplift those balances to ERCOT market participants in accordance with the procedures set forth in Protocol Section 9.19.1, or, as applicable, in accordance with a Debt Obligation Order issued in connection with Docket 52321.

As discussed in the Direct Testimony of ERCOT witness Kenan Ögelman, ERCOT interacts with QSEs, not LSEs. Therefore, the financial interactions between LSEs and their QSEs will ultimately be determined by their contractual relationships or by the requirements that the Commission includes in the Debt Obligation Order.

Preparer: Kenan Ögelman
Sponsor: Kenan Ögelman

QUESTION NO. LCRA 1-2:

Describe in detail the true-up process contemplated in the Debt Obligation Order, as referenced in ERCOT's Application for a Debt Obligation Order to Finance Uplift Balances Under PURA Chapter 39, Subchapter N, and for an Order Initiating Parallel Docket, and for a Good Cause Exception, Attachment 4 (Draft Debt Obligation Order), Sections 13 - 15, including the frequency of the true-ups.

RESPONSE:

As the question indicates, the proposed processes and timeframes for trueing-up the Uplift Charges are set forth in Sections 13-15, Finding of Fact Nos. 61-71, of the draft Debt Obligation Order filed in this docket by ERCOT on July 16, 2021. Accordingly, the true-up procedures and timeframes included in the following response are only those proposed in the draft Debt Obligation Order filed by ERCOT on July 16, 2021. The Commission may ultimately approve different procedures and timeframes.

The servicer of the Subchapter N Bonds, which will be ERCOT unless it is replaced as servicer, will perform four types of mandatory true-ups, two of which will recur throughout the lives of the bonds and two of which will be performed for a limited time.

1. The first type of recurring mandatory true-up is the annual true-up required by PURA § 39.657. The servicer will perform the annual true-up in accordance with the standard true-up procedure described in Finding of Fact No. 67 of the draft Debt Obligation Order. The servicer will make filings related to the annual true-up within 45 days of the anniversary of the date of the original issuance of the Subchapter N Bonds of that series. Please refer to Finding of Fact No. 62 of the draft Debt Obligation Order.
2. The second type of recurring mandatory true-up is the quarterly or semi-annual interim true-up calculation performed from the date of issuance of the Subchapter N Bonds until the scheduled maturity of those bonds. If an interim true-up calculation projects under-collections or over-collections of Uplift Charges, the servicer will implement a true-up adjustment in accordance with the standard true-up procedure for the remainder of the annual true-up period. Please refer to Finding of Fact No. 64 of the draft Debt Obligation Order.
3. The servicer must perform a one-time mandatory true-up six months following the closing of any series of Subchapter N Bonds. If that six-month true-up calculation projects over-collections or under-collections of Uplift Charges, the servicer will implement a true-up adjustment in accordance with the standard true-up procedure for the remainder of the annual true-up period. Please refer to Finding of Fact No. 63 of the draft Debt Obligation Order.

4. The servicer is required to provide a quarterly true-up calculation beginning 12 months prior to the scheduled maturity of the bonds and continuing every three months until maturity. If a quarterly calculation projects over-collections or under-collections of Uplift Charges, the servicer will implement a true-up adjustment in accordance with the standard true-up procedure for the remainder of the annual true-up period. Please refer to Finding of Fact No. 65 of the draft Debt Obligation Order.

In addition to the mandatory true-ups discussed earlier, the servicer may perform interim optional true-up adjustments more frequently at any time during the term of the Subchapter N Bonds to correct any over-collection or under-collection in order to assure timely payment of Subchapter N Bonds based on rating agency and bondholder considerations. The servicer must make mandatory interim true-up adjustments on a more frequent basis if the servicer forecasts that the Uplift Charge collections will be insufficient to make all scheduled payments of principal, interest, and other amounts on a timely basis during the current or next succeeding period, or to replenish any draws upon the capital subaccount. Please refer to Finding of Fact No. 68 of the draft Debt Obligation Order.

ERCOT intends to allocate a fixed amount of Uplift Charges each day to the Qualified Scheduling Entities (“QSE”) representing the participating LSEs on a load-ratio-share basis. Therefore, the collection of the Uplift Charges should not be subject to significant variability since a fixed amount will be collected each day regardless of day-to-day changes in load. Nevertheless, ERCOT recommends the adoption of true-up adjustments based on cumulative differences, regarding of the reason, between the Periodic Payment Requirement (“PPR”) (including scheduled principal and interest payments on the Subchapter N Bonds) and the amount of Uplift Charge remittances to the indenture trustee. Adjustments will be based on, among other things:

1. Any increases in the PPR, including any unanticipated ongoing costs related to the administration and maintenance of the Subchapter N Bonds;
2. Any changes to the ERCOT protocols or procedures relating to the forecasting of projected loads, uncollectibles, and delinquencies, including declines in collection from any ERCOT customer class;
3. Any changes to the ERCOT protocols relating to its allocation methodology for the collection of Uplift Charges, to the extent permitted by the Debt Obligation Order; and
4. Any changes to the ERCOT protocols or procedures relating to the collection of Uplift Charges from QSEs, to the extent permitted by the Debt Obligation Order.

Please refer to Finding of Fact No. 66 in the draft Debt Obligation Order.

The standard true-up process prescribed by the draft Debt Obligation Order for the annual mandatory true-up differs in some respects from the standard true-up process for the interim mandatory true-up. For the annual mandatory true-up prescribed by the draft Debt Obligation Order, the servicer will:

- (a) calculate under-collections or over-collections from the preceding annual true-up period by subtracting the previous period's Uplift Charges revenues collected from the Periodic Billing Requirement ("PBR") determined for the same period;
- (b) estimate any anticipated under-collections or over-collections for the upcoming annual true-up period, taking into account the considerations described in Finding of Fact No. 66 of the draft Debt Obligation Order;
- (c) calculate the PBR for the upcoming annual true-up period, taking into account the total amount of prior and anticipated over-collections and under-collections described in Finding of Fact No. 66 of the draft Debt Obligation Order; and
- (d) assess the updated monthly amortization amount to each QSE in accordance with the Uplift Charge assessment methodology prescribed by the draft Debt Obligation Order.

For the interim mandatory true-up prescribed by the draft Debt Obligation Order, the servicer will:

- (a) calculate under-collections or over-collections from the interim period by subtracting the interim period's Uplift Charges revenues collected PBR determined for the same period;
- (b) estimate any anticipated under-collections or over-collections for the remaining interim period, taking into account the considerations described in Finding of Fact No. 66 of the draft Debt Obligation Order;
- (c) calculate the PBR for the remaining interim period, taking into account the total amount of prior and anticipated over-collections and under-collections described in steps (a) and (b) and calculate the monthly amortization amount for the PBR; and
- (d) assess the updated monthly amortization amount to each QSE in accordance with the Uplift Charge assessment methodology prescribed by the draft Debt Obligation Order.

Please refer to Finding of Fact No. 67 in the draft Debt Obligation Order.

The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the Uplift Charges. The Commission will have 15 days after the date of the true-up adjustment filing to confirm that the servicer's adjustment complies with PURA

and the Commission-approved Debt Obligation Order. Any true-up adjustment filed with the Commission will be effective on its proposed effective date, which will be not less than 15 days after filing. Any necessary corrections to the true-up adjustments will be made in future true-up adjustment filings. Any interim true-up may take into account the PPR for the next succeeding 12 months if required by the servicing agreement. Please refer to Finding of Fact No. 70 in the draft Debt Obligation Order.

Preparer: Sean Taylor
Sponsor: Sean Taylor

QUESTION NO. LCRA 1-3:

Describe in detail how ERCOT will charge an LSE subject to the Debt Obligation Order if it is represented by different Qualified Scheduling Entities prior to the maturity of the debt obligations issued pursuant to the Debt Obligation Order in Docket No. 52322.

RESPONSE:

If ERCOT's proposed Debt Obligation Order is approved by the Commission, uplift charges will be invoiced on daily basis by ERCOT to any Qualified Scheduling Entity ("QSE") that represents a Load Serving Entity ("LSE") subject to the uplift charges. If an LSE that is responsible for uplift charges changes its QSE at any time, only the QSE that represents the LSE on the day an uplift charge is invoiced will receive an invoice for the uplift charge.

Preparer: Mark Ruane
Sponsor: Kenan Ögelman